

**FRONTIER CERAMICS LIMITED**



**40<sup>th</sup> ANNUAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2022**

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## VISION AND MISSION STATEMENT

### VISION STATEMENT

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

### MISSION STATEMENT

- Deliver un-parallel value to customers by continuous striving and to exceed their expectations;
- Under the guiding principles of Islam, to inculcate the culture of honest practices, ethical and moral values in our employees;
- Special emphasis on workforce, health, safety, environment. Constant motivation of employees by fair benevolence;
- To ensure reasonable growth and profits of the Group, to the shareholders on their investment; and
- The Group will assert efforts towards the social development of society and be instrumental in the industrial growth of Pakistan.

## COMPANY INFORMATION

### BOARD OF DIRECTORS

Ms. Shabina Anjum	Independent Director & Chairperson
Mr. Omer Khalid	Non-Executive Director
Mr. Javid Khalid	Non-Executive Director
Mr. Zia Khalid	Executive Director
Ms. Numrah Khalid	Executive Director
Mr. Muhammad Riaz Khan	Independent Director
Mrs. Shazia Khalid	Non-Executive Director

### Audit Committee

Mr. Muhammad Riaz Khan	Chairman
Mr. Omer Khalid	Member
Mr. Javid Khalid	Member

### Human Resource & Remuneration Committee

Ms. Shabina Anjum	Chairperson
Ms. Numrah 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](mailto:khawaja.mushtaq@forte.com.pk)

### Company Secretary

Mr. Rehman Khan Sherwani  
[rehman.khan@forte.com.pk](mailto:rehman.khan@forte.com.pk)

### Head of Internal Audit

Mr. Wasif Naeem  
[wasif.naeem@forte.com.pk](mailto: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, 2<sup>nd</sup> 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](http://www.forte.com.pk)

or scan QR code



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 40<sup>th</sup> Annual General Meeting of **Frontier Ceramics Limited** will be held on Saturday, November 26, 2022 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 Annual General Meeting of the Company held on October 28, 2021.
- 1.2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2022, 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, 2023. The present auditors' M/s BDO Ebrahim & Co., Chartered Accountants, retire and being eligible have offered themselves for re-appointment.

### 2. SPECIAL BUSINESS

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	Fixed Asset Purchased
Toyota Rawal Motors (Pvt) Ltd	114,840,000	124,391,500			
Nadeem Khalid	187,480,739	101,613,900			
Rawal Industrial Equipment (Pvt) Ltd	36,200,000	122,317,272			32,478,633
Khalid & Khalid Holding (Pvt) Ltd			21,294,142	2,900,000	

**“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 2023.”

**“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**

November 04, 2022  
Peshawar

Rehman Khan Sherwani  
(Company Secretary)

**NOTES:**

**1. Closure of Share Transfer Books**

The share transfer books of the Company will remain closed from November 20, 2022 to November 26, 2022 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on November 19, 2022 will be treated for the purpose of attendance at Annual General Meeting.

**2. 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).

**A. For Attending the Meeting**

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

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

**B. For Appointing Proxies**

- a) In case of individuals, the account holder or sub-account holder is and / or the person whose securities are in group account and their registration detail is uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirement.
- b) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- c) Attested copies of the CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- d) The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- e) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

**3. Participation in the AGM Proceeding via the video conference facility**

To facilitate and ensure the health of the shareholder the company will also be providing the online platform/ facility to participate in AGM in shape of Zoom. Shareholders interested to participate in the meeting are requested to share below information at [rehman.khan@forte.com.pk](mailto:rehman.khan@forte.com.pk) for their appointment and proxy’s verification by or before 4:30 p.m. on November 25, 2022.

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 November 25, 2022 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](mailto:rehman.khan@forte.com.pk) or WhatsApp or SMS on Cell Number. [0315-5601819](tel:0315-5601819) by November 25, 2022 by 4:30 p.m. Shareholders are required to mention their full name, CNIC number and Folio/CDS # for this purpose.

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, 2022 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](http://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, 2022 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.



#### **11. Mandatory Registration Detail of Physical Shareholders**

In accordance with section 119 of the Companies Act, 2017 and Regulation 19 of the Companies (General Provisions and Forms) Regulations, 2018, all physical shareholders are advised to provide address, email address / telephone number to the Company's Share Registrar immediately to avoid any non-compliance of law or any inconvenience in future.

#### **12. Payment Of Cash Dividend Electronically – Compulsory**

Members of the Company, who have not provided the particulars of their bank accounts, are hereby requested to provide them through E-Dividend Form (annexed at the end of annual report as well as available at Company's website i.e., [www.forte.com.pk](http://www.forte.com.pk)). In the absence of bank account details or in case of incomplete details, the Company will be constrained to withhold the payment of cash dividend of those shareholders who have not provided the same.

**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 Saturday, November 26, 2022 at 09:00 A.M.

**ANNEXURE – A**

**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 2022 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 2022.

Further, the Company may carry out further transactions with its related parties during the year ending 30th June 2023 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 2023, 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) -----

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Sales - Net	3,758,162	2,828,952	1,115,224	781,835	664,996	426,926
Gross Profit/(Loss)	241,377	296,241	112,722	16,915	105,659	30,922
Expenses	104,404	91,222	115,623	79,680	42,919	25,517
Profit/(Loss) Before Taxation	136,973	205,019	(2,901)	(62,765)	62,740	5,405
Profit/(Loss) After Taxation	38,504	160,705	17,669	(88,474)	39,424	4,709
Dividend %	-	-	-	-	-	-
Earning/(Loss) Per Share (Rs.)	1.02	(Restated) 4.24	(Restated) 0.47	(2.34)	1.04	(Restated) 0.12

## **CHAIRPERSON'S REVIEW REPORT**

### **DEAR SHAREHOLDERS,**

I have great pleasure in presenting the Chairperson's review report for the year ended June 30, 2022.

### **ECONOMIC OVERVIEW**

The current fiscal year under review started with Pakistan's economy registering impressive GDP growth. This was later overshadowed by growing fiscal and current account deficits, which led to measures to slow down the economy. During the latter part of fiscal year due to political uncertainty and these twin deficits, the economy had to undergo severe correction, making it more difficult to sustain the growth outlook.

The current account and trade deficits and significant increases in energy and edible oil bills, and the pass-through impact of increase in global commodity prices also created severe inflationary and balance of payment pressures and the government has been forced to tighten monetary policy further curtail demand and putting reservations over imports. This has further curtailed the rate of growth, especially in the construction sector.

### **BUSINESS OVERVIEW**

The Company managed to achieve satisfactory financial results in a very challenging scenario which included un precedented gas shortages, upsurge in energy prices on the back of continuous volatility in international coal prices, exorbitantly high freight costs, global supply chain disruptions and the depreciation of the rupee. Our plants are mainly reliant and designed on natural gas and therefore faced acute operational challenges from the start of the second quarter of FY-22. This also resulted in a massive increase in the input costs due to a shift to expensive alternate fuels to keep the plant running. However, the team continued to keep focus on producing best in class quality and an efficient product mix despite the unavoidable and inescapable disruptions.

### **OPERATIONAL PERFORMANCE**

Your Company registered a revenue of Rs. 3,758 million for the year which was higher by 33% compared to previous year mainly due to an improved product mix. However, gross margins reduced to 6.42% as compared to 10.47% of last year because of extreme pressures on input costs due to the reasons mentioned above.

### **LIQUIDITY AND CASH FLOW MANAGEMENT**

To manage its working capital in the most efficient manner, the Company has a proactive treasury management system in place. Cash generation from sales, effective controls on credit and securing advance payments have helped in managing its liquidity position.

### **BOARD EVALUATION**

FRCL complies with all the requirements set out in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 with respect to the composition, procedures and meetings of the Board of Directors and its committees.

## **BUSINESS RISKS AND CHALLENGES**

The company's business has the following risks and challenges may affect the performance of the tiles industry and the Company;

- Fluctuation/interruption in gas supply due to curtailment, gas reserve depletion
- Revision in gas allocation policy and increased gas tariff exerting pressures on input cost.
- Devaluation of rupee.
- Freight cost upsurge due to supply chain disruption, diesel prices
- New local players entering the market and the absence of a level playing field for established local industries
- Irrational tax burden on compliant companies.

With domestic gas reserves in decline, Pakistan's vulnerability to surges in global fuel/energy prices is continuously growing. As regards alternate sources of energy. The team has worked tirelessly to keep the plant up and running by using LPG, coal and diesel.

## **FUTURE OUTLOOK**

Serious measures are being taken by the government in order to reduce fiscal and current account deficits within manageable limits. This is expected to result in curtailment of GDP growth and construction activity. Political instability and The Russia-Ukraine conflict may also continue to exert pressure on foreign exchange reserves. This will also impact purchasing power and market demand.

Energy remains a key concern, with depleting indigenous natural gas deposits jeopardizing the sustainability of the industrial sector. A strong Governmental resolve to address this risk is now more critical than ever and the government should look to formulate a policy to exploit shale gas and oil reserves in the country

## **ACKNOWLEDGEMENT**

On behalf of the Board of Directors, I would like to thank all the shareholders for their continued trust and confidence in the Company despite the difficult times.



**Mrs. Shabina Anjum**

**Chairperson**

**Dated: November 04, 2022**

## چیئر پرسن کی جائزہ رپورٹ

### معزز حصص یافتگان،

چیئر پرسن کی جائزہ رپورٹ برائے مختتم مدت 30 جون 2022 پیش کرتے ہوئے مسرت محسوس کرتی ہوں۔

### معاشی جائزہ

زیر جائزہ مالیاتی سال کے آغاز میں پاکستان کی معیشت میں شاندار GDP نمو ہوئی۔ اس کے بعد اس پر بڑھتے ہوئے مالیاتی اور رواں کھاتے کے خساروں کے بادل چھا گئے جس کے نتیجے میں معیشت میں سست روی ہوئی۔ مالیاتی سال کے آخری حصے میں غیر یقینی سیاسی صورتحال اور دونوں خساروں کی وجہ سے معیشت میں شدید اصلاح ہو گئی جس سے نمو کے منظر نامہ کو قائم رکھنا دشوار ہو گیا

رواں کھاتوں، تجارتی خسارے اور توانائی اور کھانے کے تیل کی قیمتوں میں قابل ذکر اضافہ اور ایشیائے صرف کی عالمی قیمتیں بڑھنے کے نتیجے میں پڑنے والے اثرات سے افراط زر اور توازن ادائیگی کے شدید باو ظاہر ہوئے اور حکومت کو مالیاتی پالیسی کو مزید سخت کرنا پڑا جس سے طلب میں مزید کمی ہوئی اور درآمدات محدود ہو گئیں جس کے نتیجے میں نمو میں کمی ہوئی۔ خاص طور تعمیراتی شعبہ کی نمو میں کمی ہوئی۔

### کاروباری جائزہ

انتہائی دشوار گزار ماحول بشمول گیس کی غیر معمولی قلت، کوئلہ کی متزلزل عالی آیتوں کی وجہ سے توانائی کی لاگتوں میں ہوشربا اضافہ، مال برداری کی لاگتوں میں بنیادی بے پناہ اضافہ، عالی طلب و رسد میں رکاوٹیں اور روپے کی قدر میں کمی کے باوجود کمپنی تسلی بخش مالیاتی نتائج حاصل کرنے میں کامیاب رہی۔ ہمارے پلانٹ کا بنیادی انحصار قدرتی گیس پر ہے اور اس طرح 2021-22 کی دوسری سہ ماہی کے آغاز سے شدید پیداواری دشواریوں کا سامنا رہا۔ لہذا پلانٹ کو چلتا ہوا رکھنے کے لئے مہنگے متبادل ایندھن پر منتقل ہونا پڑا جس کے نتیجے میں خام لاگتوں میں شدید اضافہ ہوا۔ تاہم ناگزیر اور ناقابل اجتناب رکاوٹوں کے باوجود کمپنی نے تسلسل کے ساتھ معیاری درجہ کی مصنوعات اور مصنوعات کے بہتر مرکب پر توجہ مرکوز رکھی ہے۔

### کارکردگی کا اسکور کارڈ

سال کے دوران آپ کی کمپنی کی فروخت 3,758 ملین روپے رہیں جو کہ گزشتہ سال کے مقابلے میں 33 فیصد زیادہ ہیں جس کی بنیادی وجہ مصنوعات کے مرکب میں بہتری تھی۔ تاہم کمپنی کا مجموعی منافع کم ہو کر 6.42 فیصد رہا جو گزشتہ سال 10.47 فیصد تھا جس کی وجہ مذکورہ بالا خام لاگتوں کے شدید باو تھے۔

## سرمائے کا انتظام اور کاروباری افعال

رواں سرمائے کا انتظام بہت مستعد انداز میں کیا گیا کمپنی کے پاس مالیات کے انتظام کے لئے ایک متحرک نظام موجود ہے۔ فروخت سے حاصل ہونے والے کیش قرضوں پر مضبوط گرفت اور پیشگی ادائیگیوں نے روانیت کی صورت حال کو بہتر رکھنے میں مدد کی۔

## بورڈ کی تشخیص

FRCL کمپنیز ایکٹ 2017 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) کے تحت تشکیل بندی، طریقہ کار اور بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کے اجلاس سے متعلق تمام تقاضوں کی پاسداری کرتا ہے۔

## کاروباری خطرات اور چیلنجز

ٹائل کی صنعت اور کمپنی کی کارکردگی کو لاحق خطرات اور دشواریاں درج ذیل ہیں

- گیس کی قلت اور ذخائر میں کمی سے گیس کی سپلائی میں تنزلی / رکاوٹ
- گیس مختص کرنے کی پالیسی اور گیس کے نرخوں میں تبدیلی سے خام لاگتوں پر دباؤ
- روپے کی قدر میں کمی
- طلب و رسد میں رکاوٹ، ڈیزل کی قیمتوں سے مال برداری کی لاگتوں میں اضافہ
- مارکیٹ میں نئے داخل ہونے والوں کی آمد اور موجودہ قائم شدہ مقامی صنعتوں کے لئے سازگار ماحول کی غیر موجودگی۔
- پاسدار کمپنیوں پر نامعقول ٹیکس کا بوجھ

گیس کے گرتے ہوئے مقامی ذخائر پاکستان میں ایندھن / توانائی کی قیمتوں کی کمزوری مسلسل بڑھا رہے ہیں۔ جہاں تک توانائی کے متبادل وسائل کا تعلق ہے تو پلانٹ کو چلانے کے لئے ٹیم انتھک محنت کر رہی ہے اور اسے LPG، کوئلے اور ڈیزل پر چلا رہی ہے۔

## مستقبل کی پیش بینی

مالیاتی اور رواں کھاتے کے خسارے کو حد میں رکھنے کے لئے حکومت نے سادگی کے اقدامات اٹھائے ہیں۔ اندازہ ہے کہ GDP نمو تعمیراتی سرگرمی کم رہے گی۔ سیاسی صورت حال کی غیر یقینی اور روس یوکرین کے تنازع سے بھی زرمبادلہ کے ذخائر پر مسلسل دباؤ رہے گا۔ اس سے بھی قوت خرید اور مارکیٹ کی طلب پر اثرات مرتب ہو گئے۔

توانائی ایک بنیادی تشویش کا معاملہ ہے جبکہ گرتے ہوئے قدرتی گیس کے ذخائر سے صنعتی شعبہ کی پائیداری کو خطرہ لاحق ہے۔ حکومت کا ایک مضبوط عزم اس خطرے کے ازالے کے لئے ایک انتہائی اہمیت کا حامل ہے اور حکومت کو ملک میں شیل گیس اور تیل کے ذخائر سے استفادہ کے لئے ایک پالیسی واضح کرنی ہوگی۔

## اعتراف

آخر میں میں بورڈ آف ڈائریکٹرز کی جانب سے اس مشکل وقت میں تمام حصص یافتگان کے کمپنی پر مسلسل اعتماد اور بھروسے پر ان کی مشکور ہوں



شبینہ انجم

چیئر پرسن

تاریخ: نومبر 2022/04ء



## DIRECTORS' REPORT

The Directors of the Company are pleased to present their report together with the Annual Report of the Company along with Audited Financial Statements for the year ended June 30, 2022.

### CHAIRMAN'S REVIEW REPORT:

The Chairman's 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 and future prospects.

### BUSINESS ENVIRONMENT:

The construction industry has always been of economic and social significance to the country being a prime source of employment generation offering job opportunities to millions of unskilled, semi-skilled and skilled work force. However, following a meteoric rise in the prices of construction materials used to form grey structures, the projects developments have resulted in a slow-down in construction activities.

During the period under review, despite significant challenges at the backend operations, your Company managed to achieve an adequate bottom line in the most difficult and unprecedented conditions. The plant being designed to operate on natural gas, was forced to shift to alternate energy sources (LPG, coal and diesel) which not only were costly but also had operational issues to tackle with. The team worked day and night to come up with the most effective manufacturing cost in the given scenario while managing the quality of the product efficiently.

### FINANCIAL PERFORMANCE:

A comparison of the operating results of the Company for the financial year ended June 30, 2022 against the same period last year is shown hereunder,

	2022	2021
	(Rupees in Millions)	
Turnover – net	3,758.16	2,828.95
Gross profit	241.38	296.24
Operating Profit	171.13	233.40
Finance cost	38.98	32.27
Profit before taxation	136.97	205.02
Profit after taxation	38.50	160.70
Earnings per share (Rs.)	1.02	4.24

The topline of the Company showed a tremendous growth by 33% partly due to the continuous efforts to shift to high margin products and to counter against the increase in production costs.

The second half of the fiscal year posed intense challenges for sustained manufacturing operations, where the plant activities were shifted to expensive Re-gasified Liquefied Natural Gas (RLNG) with constant surges and spikes in natural gas pressures affecting the final output, while the power requirement, dependent on cogeneration facility (being single source), was shifted to diesel gensets.

This resulted in substantial cost increases thereby margins were shrunk. Despite the challenges production activities were planned effectively and adjusted to cater to the customer preferences.

Gross profit for the year under review decreased from Rs. 296.24 million to Rs. 241.38 million due to reduced margins (reasons mentioned above). Administrative expenses increased by Rs. 12.58 million on the back of inflationary impacts.

#### **CAPITAL STRUCTURE AND FINANCIAL POSITION:**

The Company primarily manages its capital expenditure requirements and short-term working capital requirements from its internally generated cash-flows; however, it takes advantage of any short-term financing available at subsidized rates as part of any scheme announced by the Government or central bank. Healthy cash flows and prudent liquidity management aids the Company to maintain its strong liquidity position. The Company believes that it is maintaining an optimal capital structure.

#### **CORPORATE AND SOCIAL RESPONSIBILITY:**

Over the years our Company has contributed significantly towards the welfare of the society through various social activities. Under the CSR policy, the Company mainly emphasis on healthcare, education and society.

#### **HEALTH, SAFETY & ENVIRONMENT:**

The Company always endeavors to build a safe and secure work environment for associates. Under the fundamental safety guidelines, the Company seeks to realize a work environment that brings the joy to the people of working with a true sense of safety & security. The Health & Safety Division has been established by the Company for preventing industrial accidents and their recurrence, as well as ensuring the health of associates.

Though the pandemic recedes towards end of the year, the social distancing and basic precautions for Covid-19 safety were observed throughout the year. All workstations & lunch tables were protected.

We are proud to state that all the employees, workers and contractors are fully vaccinated against COVID-19.

#### **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.

Board has also appointed Head of Internal Audit who is a qualified person reporting functionally to the Audit Committee.

## **AUDITORS:**

The present auditor's M/s BDO Ebrhim & Co, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment. The Board has recommended the re-appointment of the retiring auditors for the year ending 30 June 2023, 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 growing 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. 9 .
- 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, 2022 was Rs. 22.88 million (2021: Rs. 6.33 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 two independent Directors (including one female director), three non-executive Directors and two executive Director.

During the year, four 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 attended
Mrs. Shabina Anjum	Chairperson & Independent Director	4
Mr. Nadeem Khalid	Chief Executive Officer	4
Mr. Omer Khalid	Non-Executive Director	4
Mr. Javid Khalid	Non-Executive Director	4
Mr. Zia Khalid	Executive Director	4
Ms. Numrah Khalid	Executive Director	4
Mr. Muhammad Riaz Khan	Independent Director	4
Mrs. Shazia Khalid	Non-Executive Director	4

#### **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 independent director.

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

Name of Director	Designation	No. of meetings
Mr. Muhammad Riaz Khan	Chairman/ Independent Director	4
Mr. Omer Khalid	Non-Executive Director	4
Mr. Javid 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 2021-22 attended by all the members. The composition of the Committee is as follows:

Name of Director	Designation
Mrs. Shabina Anjum	Chairperson & Independent Director
Ms. Numrah Khalid	Executive Director
Mr. Javid Khalid	Non-Executive Director

**DIVIDEND:**

The Board of Directors has not recommended any dividend for the financial year ended June 30, 2022.

**PATTERN OF SHAREHOLDING:**

Statements showing the pattern of shareholding as at June 30, 2022 required under Section 227 (2) (f) of the Companies Act, 2017 and the Code of Corporate Governance, is annexed to this report.

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. Further these transactions are also rectified /approved by the members in the Annual General Meeting of the Company.

**BUSINESS CONTINUITY PLANS:**

The Company recognizes the importance of a comprehensive Business Continuity Planning Program 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.

**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.

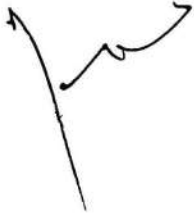
**DIRECTORS' REMUNERATION:**

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 except for the fee for attending meetings of Board and its committees. The Directors fee for attending the meeting paid to the directors is disclosed in Notes 46 of Financial Statements.

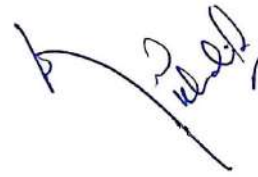
**ACKNOWLEDGEMENT:**

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**



**Numrah Khalid  
Director**

**Date: November 04, 2022  
Peshawar**

## ڈائریکٹرز رپورٹ

آپ کے ڈائریکٹرز اپنی سالانہ رپورٹ اور کمپنی کے مالیاتی گوشوارے برائے مختتمہ سال 30 جون 2022 پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

### چیئر پرسن کی جائزہ رپورٹ

چیئر 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 انحرافات کی وضاحت مستقبل کے امکانات پر مشتمل ہے

### کاروباری ماحول:

تعمیراتی صنعت ملک کے لئے ہمیشہ سے معاشی اور سماجی اہمیت کی حامل رہی ہے جو کہ غیر ہنرمند، نیم ہنرمند اور ہنرمند افرادی قوت کے لئے لاکھوں کی تعداد میں روزگار کے وسائل پیدا کرنے کا بنیادی ذریعہ ہے۔ تاہم ترقیاتی منصوبوں کے لئے بنیادی ڈھانچے میں استعمال ہونے والے تعمیراتی سامان کی قیمتوں میں ہوشربا اضافہ کے نتیجے میں تعمیراتی سرگرمیاں سست ہو گئی ہیں۔

زیر جائزہ مدت کے دوران پیداواری عمل میں قابل ذکر دشواریوں کے باوجود آپ کی کمپنی انتہائی مشکل اور غیر معمولی حالات میں ایک مناسب خالص منافع حاصل کرنے میں کامیاب رہی۔ پلانٹ کو قدرتی گیس پر چلانے کے لئے ڈیزائن کیا گیا ہے لیکن اسے متبادل توانائی کے ذرائع (LPG، کونکھ اور ڈیزل) پر منتقل کرنا پڑا جو کہ نہ صرف مہنگے ہیں بلکہ ان سے پیداواری مسائل کا سامنا ہوتا ہے۔ ٹیم نے دن رات کام کر کے انتہائی موثر انداز میں پیداواری لاگت کو قابو کرنے کے ساتھ ساتھ مستعد انداز میں مصنوعات کے معیار کو بھی برقرار رکھا۔

### مالیاتی نتائج

مالیاتی سال مختتمہ 30 جون 2022 میں کمپنی کے کاروباری نتائج کا گزشتہ سال کے ساتھ مقابلہ جائزہ درج ذیل ہے:

2021	2022	
روپے "ملین" میں		
2,828.95	3,758.16	خالص فروحت
296.24	241.38	مجموعی منافع
233.40	171.13	آمدن قبل از سود، ٹیکس اور فرسودگی (EBITDA)
32.27	38.98	فرسودگی
205.02	136.97	منافع قبل از ٹیکس
160.70	38.50	منافع بعد از ٹیکس
4.24	1.02	فی حصص منافع (روپے)

کمپنی کی مجموعی فروخت میں 33 فیصد کا اضافہ ہوا ہے جس کی وجہ سے کسی حد تک بلند منافع کی حامل مصنوعات پر منتقلی اور پیداواری لاگتوں میں اضافے کو قابو کرنے کی کوششیں تھیں۔

مالیاتی سال کی دوسری سہ ماہی میں پائیدار پیداواری آپریشنز میں شدید مشکلات کا سامنا رہا۔ جس میں پلانٹ کی سرگرمیوں کو مہنگے مائع قدرتی گیس (RLNG) کے ساتھ ساتھ قدرتی گیس کے پریشز میں مستقل اتار چڑھاؤ رہا جس سے مصنوعات پر اثرات مرتب ہوئے جبکہ توانائی جس کا انحصار کو جزیشن سہولت پر ہے (واحد وسائل) کو ڈیزل جریٹر منتقل کرنا پڑا۔ ان دشواریوں کی وجہ سے لاگت میں قابل ذکر اضافہ ہوا جس سے منافع سکڑ گیا۔ چیلنجز کے باوجود پیداواری سرگرمیوں کی موثر منصوبہ بندی کی گئی اور انہیں صارفین کی ترجیحات کے مطابق ڈھالا گیا۔

زیر جائزہ مدت کے دوران مجموعی منافع 296.24 ملین روپے سے کم ہو کر 241.38 ملین روپے رہ گیا کہ منافع کی وجوہات اوپر بیان کی گئی ہیں۔۔۔  
افراط زر کے اثرات کی وجہ سے انتظامی اخراجات میں 12.58 ملین روپے اضافہ ہوا۔

### سرمایہ جاتی ساخت اور مالی حالت

کمپنی بنیادی طور پر اندرونی پیدا شدہ نقدی کے بہاؤ کے ذریعے سرمایہ جاتی اخراجات کی ضروریات اور قلیل مدتی رواں سرمائے کی ضروریات کو پورا کرتی ہے تاہم یہ حکومت یا مرکزی بینک کی اعلان کردہ قلیل مدتی اسکیموں دستیاب ارزاں نرخوں پر سرمایہ کاری سے بھی استفادہ کرتی ہے۔ مستحکم نقدی کے بہاؤ اور روایت کے محتاط انتظام سے کمپنی کو اپنی روایت کی پوزیشن برقرار رکھنے میں مدد ہوئی ہے۔ کمپنی کو یقین ہے کہ اس کی سرمایہ جاتی ساخت بہترین ہے

### اداراتی اور سماجی ذمہ داری

سالہا سال سے کمپنی نے معاشرے کی فلاح و بہبود کے لئے مختلف سماجی سرگرمیوں کی شکل میں قابل ذکر معاونت کی ہے۔ CSR کی پالیسی کے تحت کمپنی نے اپنی توجہ طبی نگہداشت، تعلیم اور معاشرے کی بہبود پر مرکوز کی ہوئی ہے۔

### صحت تحفظ اور ماحول

کمپنی اپنے لوگوں کے لئے ایک محفوظ اور حفاظتی کام کا ماحول بنانے کے لئے ہمیشہ سے کوشاں رہی ہے۔ بنیادی حفاظتی رہنما اصولوں کے تحت کمپنی ایسے ماحول کو تسلیم کرتی ہے جو کہ کام کے دوران لوگوں کے لئے خوشی کے ساتھ ساتھ احساس تحفظ و حفاظت فراہم کرے۔ کمپنی نے صحت اور تحفظ کے ڈویژن قائم کر دیئے ہیں تاکہ صنعتی حادثات اور ان کے بار بار و نما ہونے سے بچنے کے ساتھ لوگوں کی صحت کو یقینی بنایا جاسکے۔

اگرچہ کہ وبہا سال کے اختتام کے قریب کم ہو گئی تھی۔ تاہم سماجی فاصلہ اور Covid19 سے تحفظ کی بنیادی احتیاطی تدابیر پر سال بھر عمل کیا گیا۔ تمام ورک اسٹیشنز اور کھانے کی میزوں کو محفوظ بنایا گیا۔ ہم یہ بتاتے ہوئے فخر محسوس کرتے ہیں کہ ہمارے تمام ملازمین، مزدوروں اور ٹھیکیداروں کو 19-covid کے خلاف ویکسین لگ چکی ہے۔



## اندرونی گرفت کے نظام کی موزونیت

کمپنی اکاؤنٹنگ ریکارڈ موزوں انداز میں مرتب رکھنے کے لئے 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 کئے جائیں جن کی بنیاد محتاط اور معقول انداز پر ہو، اندرونی مالیاتی گرنوں کو تیار، نافذ اور برقرار رکھا جاسکے جن 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 غلط بیانیوں سے پاک ہوں چاہیں وہ فراڈ کی بنیاد پر ہوں یا غلطی کی بنیاد پر۔

بورڈ نے انٹرنل آڈٹ کے سربراہ کے عہدے پر بھی ایک تعلیم یافتہ فرد کی تقرری کی ہے جو فرائض منصبی کے لحاظ سے آڈٹ کمیٹی کو رپورٹ کرتا ہے

## آڈیٹرز:

موجودہ آڈیٹرز میسر BDO Ebrahim & Co چارٹرڈ اکاؤنٹنٹس سبکدوش 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 2023 کے دوبارہ تقرری کی سفارش کی ہے تاکہ آنے والے سالانہ اجلاس عام میں ان کی تقرری کی منظوری کی جاسکے۔

## اداری نظم و ضبط کے ضابطے کی پاسداری:

مکمل طور پر کمپنیز ایکٹ 2017 کی شقوں اور سیورٹی اینڈ ایکنج کمیشن آف پاکستان (SECP) 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 معیارات اور مسلسل بہتری کا اعتراف کرتے ہیں۔

1- کمپنی کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے کمپنی کے معاملات، اس کے کاروباری نتائج، نقدی کے بہا اور ایکٹیویٹی میں تبدیلیوں کو شفافیت کے ساتھ پیش کرتے ہیں۔

2- کمپنی میں حسابات کی کتابیں مناسب انداز میں تیاری کی گئیں ہیں۔

3- درست حساناتی پالیسیوں کو تسلسل کے ساتھ مالیاتی گوشواروں کی تیاری کے دوران کو ملحوظ خاطر رکھا گیا ہے اور حساناتی تخمینوں کی بنیاد معقول اور محتاط فیصلوں پر ہے۔

4- 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۔

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

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

۸۔ پاکستان اسٹاک انچرول بک (قوائد کی کتاب میں دیئے گئے ادارتی نظم و ضبط کے بہترین طور طریقوں سے کوئی قابل گرفت انحراف نہیں کیا گیا ہے۔

9۔ کمپنی نے اپنے ملازمین کے پروویڈنٹ فنڈ پر چلارہی ہے اور FRCL کے پروویڈنٹ فنڈ کے آڈٹ شدہ کھاتوں کے مطابق سال محتتمہ 30 جون 2022 پر پروویڈنٹ فنڈ سے کی گئی سرمایکاری کی مالیت 22.88 ملین روپے ہے (6.33 2021 ملین روپے ہے)

**بورڈ آف ڈائریکٹرز اور اس کی کمیٹیاں:**

بورڈ دو آزاد ڈائریکٹرز (بشمول ایک خاتون ڈائریکٹر) تین نان ایگزیکٹو اور دو ایگزیکٹو ڈائریکٹروں پر مشتمل ہے۔ سال کے دوران بورڈ آف ڈائریکٹرز کے اجلاس منعقد ہوئے۔ تمام اجلاس پاکستان میں منعقد ہوئے۔ بورڈ آف ڈائریکٹرز کی تشکیل بندی اور حاضری درج ذیل ہے

ڈائریکٹر کا نام	عہدہ	اجلاسوں میں شرکت کی تعداد
مسز شبینہ انجم	آزاد ڈائریکٹر اور چیئر پرسن	4
ندیم خالد	چیف ایگزیکٹو آفیسر	4
جناب عمر خالد	نان ایگزیکٹو ڈائریکٹر	4
جناب جاوید خالد	نان ایگزیکٹو ڈائریکٹر	4
جناب ضیاء خالد	ایگزیکٹو ڈائریکٹر	4
محترمہ نمرہ خالد	ایگزیکٹو ڈائریکٹر	4
محمد ریاض خان	آزاد ڈائریکٹر	4
مسز شازیہ خالد	نان ایگزیکٹو ڈائریکٹر	4

**بورڈ کی آڈٹ کمیٹی**

بورڈ کی آڈٹ کمیٹی بورڈ کی ذمہ داریوں کی ادائیگی، ابتدائی، غیر مالیاتی امور کی شیئر ہولڈر کو فراہمی، اندرونی گرفت کے نظام ماحق 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 کے اجلاس میں شریک ہوتا ہے جسے کھاتوں کو پیش کرنے کے مدعو کیا جاتا ہے۔ ہر میٹنگ کے بعد کمیٹی کا چیئر مین بورڈ کو رپورٹ کرتا ہے۔ آڈٹ کمیٹی دو نان ایگزیکٹو ڈائریکٹر اور ایک آزاد ڈائریکٹر پر مشتمل ہے۔ اور کمیٹی کا چیئر مین ایک آزاد ڈائریکٹر ہے۔ سال کے دوران آڈٹ کمیٹی کے چار اجلاس ہوئے۔ بورڈ آف ڈائریکٹر کی درجہ بندی درج ذیل ہے۔

ڈائریکٹر کا نام	عہدہ	اجلاسوں میں شرکت کی تعداد
محمد ریاض خان	آزاد ڈائریکٹر اور چیئر مین	4
محترمہ نمرہ خالد	ایگزیکٹو ڈائریکٹر	4
جناب جاوید خالد	نان ایگزیکٹو ڈائریکٹر	4

#### انسانی مسائل 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۔ 2021-22 کے دوران کمپنی کا ایک اجلاس ہوا۔ جس میں تمام ممبران نے شرکت کی۔ کمیٹی ان افراد پر نشتہ مشتمل ہے۔

ڈائریکٹر کا نام	عہدہ
مسز شبینہ انجم	آزاد ڈائریکٹر اور چیئر پرسن
محترمہ نمرہ خالد	ایگزیکٹو ڈائریکٹر
جناب جاوید خالد	نان ایگزیکٹو ڈائریکٹر
جناب ندیم خالد	چیف ایگزیکٹو آفیسر

#### منافع منقسمہ :

بورڈ آف ڈائریکٹر میں مالی سال اختتام 30 جون 2022 پر کسی ڈیویڈنڈ کی سفارش نہیں کی

## حصص داری کی ساخت :

کمپنی ایکٹ 2017 کی دفعہ (1)(2) اور ادراتی نظم و ضبط کے تحت سال مختتمہ 30 جون 2022 کے حصص داری کی ساخت پر مشتمل گوشوارے اس رپورٹ کے ساتھ منسلک ہے۔

ڈائریکٹرز, CFO, CEO, کمپنی سیکرٹری، ہیڈ آف انٹرنل آڈٹ اور انکی شریک حیات کے 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 رونما 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 عمومی طریقہ کار 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 منصوبے:

کمپنی جامع بزنس سٹریٹجی 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، سرمایہ کاری/سیاسی/قانونی افعال اور مالیاتی اور کاروباری فضا میں تبدیلیاں شامل ہیں۔ ان کے علاوہ ڈیٹا سٹروری سائنس کی مناسب انداز میں قائم کیا گیا ہے تاکہ ہمارے بنیادی سرور میں کوئی مسائل ہو تو بیک سرور اور ڈیٹا کو برقرار رکھا جاسکے۔

## 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 ادارتی کامیابی شامل ہے۔

## ڈائریکٹر کا معاوضہ:

کمپنی کے پاس ڈائریکٹر کے معاوضے کیلئے ایک باضابطہ پالیسی اور شفاف طریقہ کار ہے جو کمپنیز ایکٹ 2017 اور لمیٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے تقاضوں کے مطابق ہے۔ کمپنی اپنے نان ایگزیکٹو ڈائریکٹرز بشمول آزاد ڈائریکٹرز کو کوئی معاوضہ داد نہیں کرتی سوائے بورڈ اور اسکی کمیٹیوں کے اجلاس میں حاضری کی فیس کے۔ اجلاس میں حاضری کیلئے ڈائریکٹرز کو ادا کی گئی فیس کی تفصیل مالیاتی گوشواروں کے نوٹ نمبر 46 میں منکشف کی گئی ہے۔

## اعتراف:

بورڈ آف ڈائریکٹرز تمام ملازمین کے عزم اور محنت کو سراہتے ہیں اور صارفین، بینک، سپلائرز اور حصص یافتگان اور آرکیٹیکچرز کا شکریہ ادا کرتے ہیں۔ جنہوں نے ہم پر اعتماد کیا۔



ندیم خالد

چیف ایگزیکٹو آفیسر

پشاور



محترمہ نمرہ خالد

ڈائریکٹر

پشاور

تاریخ: نومبر 2022/04ء

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

The Frontier Ceramics Limited (the Company) complied with the requirements of the Regulations, 2019 in the following manner:

1. The Total number of directors are seven as per following:
  - a. Male: 4
  - b. Female: 3
2. The composition of Board of Directors (the Board) is as follows:

Category		Name
i.	Independent Directors	Mrs. Shabina Anjum
		Muhammad Riaz Khan
ii.	Non-Executive Directors	Mr. Omer Khalid
		Mr. Javaid Khalid
		Mrs. Shazia Khalid
iii.	Executive Directors	Mr. Zia Khalid
		Ms. Numrah Khalid
iv.	Female Directors	Mrs. Shabina Anjum
		Mrs. Shazia Khalid
		Ms. Numrah Khalid

3. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.
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 the significant policies along with their 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 meeting of the 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. As at June 30, 2022, four members of the existing Board have completed the Director's Training Program (DTP). One director is exempt from this requirement by virtue of her qualification and experience.

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

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

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

a) **Audit Committee**

Mr. Muhammad Riaz Khan      Chairman

Mr. Omer Khalid                Member

Mr. Javid Khalid                Member

b) **HR and Remuneration Committee**

Ms. Shabina Anjum            Chairperson

Ms. Numrah Khalid            Member

Mr. Javid Khalid                Member

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

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

a) Audit Committee: Four quarterly meetings were held during the year ended June 30, 2022.

b) HR and Remuneration Committee: One meeting was held during the year ended June 30, 2022.

15. The Board has set up an effective internal audit function.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (Spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company.

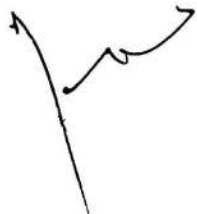
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all requirements of regulations 3,6,7, 8,27,32,33 and 36 of the regulations have been complied except:

Régulations	Explantations
6(1)	Regulation 6(1) of the Regulations stipulates that it is mandatory for each listed company to have at least two or one third members of the Board, whichever is higher, as independent directors. In a Board comprising of 7 directors, one third would equate 2.333 persons. Since the fractions is below half (0.5), accordingly the fraction contained in such one-third is not rounded up as one.

19. Explanation of non-compliance with the requirements, other than regulations 3,6,7, 8,27,32,33 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 four out the remaining six directors have obtained DTP certification



**Nadeem Khalid**  
**Chief Executive**  
**Date: November 04, 2022**  
**Peshawar**



**Numrah Khalid**  
**Director**



## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE 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 (the Company) for the year ended June 30, 2022 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2022.

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



Regulations	Explanation
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 four out the remaining six directors have obtained DTP certification.

ISLAMABAD

DATED: 04 November 2022  
UDIN: CR202210095EHaQ9YpNm

  
CHARTERED ACCOUNTANTS  
Engagement Partner: Abdul Qadeer  


## INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF FRONTIER CERAMICS LIMITED

### Report on the Audit of the Financial Statements

#### 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, 2022, 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.

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, 2022 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. 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.	<p><b>Revenue Recognition</b></p> <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"> <li>• Control testing over the point of transfer of risk and rewards was supported by substantive audit procedures including, amongst others:</li> <li>• Performing analytical tests on the revenue.</li> <li>• Testing a sample of sales transactions around year end to ensure inclusion in the correct Period</li> </ul> <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.	<p><b>Related party transactions (Refer Note 47 in the financial statements)</b></p> <p>The company has significant fixed assets purchases, long / short term lending and borrowings from the related parties, further significant amount of advances against land are also paid to related party.</p> <p>Due to the large number of transactions with the related parties, we consider it as an area of significant risk, and hence this was identified as key audit matter.</p>	<p>We assessed the management controls over identification and capturing and recording of related party transactions.</p> <p>Reviewed contract with related party against borrowings, lending, fixed assets purchase and advances for land.</p> <p>Reviewed minutes of meeting of board of directors for the discussion and authorization of related party transaction.</p> <p>We circulated confirmation request to the related parties regarding the transactions carried out with them and their balances as at year end.</p> <p>We evaluated the adequacy of the related party disclosures in the financial statements.</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.



**BDO Ebrahim & Co. Chartered Accountants**

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

## 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: 04 November 2022

UDIN: AR202210095ux9kqTF5c

  
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS  


**BDO Ebrahim & Co. Chartered Accountants**

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

**FRONTIER CERAMICS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2022**

	Note	2022 Rupees	2021 Rupees (Restated)	2020 Rupees (Restated)
<b>ASSETS</b>				
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment	7	2,776,401,412	1,899,403,438	1,468,280,478
Operating fixed assets	8	-	306,728,967	58,575,025
Capital work in progress	9	570,743	600,782	632,402
Investment property		2,776,972,155	2,206,733,187	1,527,487,905
Long term deposits	10	5,925,450	1,513,450	1,513,450
Long term advances	11	555,531,060	321,515,475	9,515,079
		3,338,428,665	2,529,762,112	1,538,516,434
<b>CURRENT ASSETS</b>				
Stores, spares and loose tools	12	180,764,782	119,353,127	71,976,158
Stock in trade	13	234,628,441	173,356,475	169,222,294
Trade debts	14	298,130	6,890,929	2,492,995
Other receivables	15	29,683,470	-	-
Short term lending	16	28,287,075	7,637,000	5,237,000
Advances	17	81,576,719	140,948,639	94,775,632
Tax refunds due from government	18	63,962,052	63,962,052	63,962,052
Taxation - net	19	49,859,070	4,228,407	22,482,902
Cash and bank balances	20	35,876,208	43,950,002	59,248,231
		704,935,947	560,326,631	489,397,264
		4,043,364,612	3,090,088,743	2,027,913,698
<b>TOTAL ASSETS</b>				
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Share capital	21	378,738,210	378,738,210	378,738,210
Discount on issue of right shares	22	(180,795,726)	(180,795,726)	(180,795,726)
		197,942,484	197,942,484	197,942,484
Revaluation surplus on property, plant and equipment	23	1,205,963,178	1,255,151,894	884,642,163
Unappropriated profit		351,650,169	260,480,955	62,149,074
		1,755,555,831	1,713,575,333	1,144,733,721
<b>NON CURRENT LIABILITIES</b>				
Long term financing	24	43,789,513	-	-
Loan from related parties	25	314,611,937	299,036,657	168,248,651
Gas infrastructure development cess	26	34,679,727	58,324,136	-
Liability under finance lease		22,458,745	-	-
Deferred liability	27	25,393,458	27,587,518	36,876,596
Deferred taxation	28	377,150,527	324,239,370	193,076,465
		818,083,907	709,187,681	398,201,712
<b>CURRENT LIABILITIES</b>				
Trade and other payables	29	1,336,065,951	603,328,609	321,920,257
Unclaimed dividend		3,189,224	3,189,224	3,189,224
Current portion of liability under finance lease		11,133,846	-	-
Current portion of GIDC payable	26	89,862,443	60,807,896	-
Mark up accrued		-	-	79,001,984
Short term borrowings		-	-	80,639,335
Current portion of long term financing	24	29,473,410	-	227,465
		1,469,724,874	667,325,729	484,978,265
<b>CONTINGENCIES AND COMMITMENTS</b>				
<b>TOTAL EQUITY AND LIABILITIES</b>	30	4,043,364,612	3,090,088,743	2,027,913,698

The annexed notes from 1 to 51 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER



**FRONTIER CERAMICS LIMITED  
STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED JUNE 30, 2022**

	Note	2022 Rupees	2021 Rupees (Restated)
Sales - net	31	3,758,162,019	2,828,952,434
Cost of sales	32	<u>(3,516,785,182)</u>	<u>(2,532,711,912)</u>
Gross profit		241,376,837	296,240,522
Distribution cost	33	(11,409,460)	(11,327,056)
Administrative expenses	34	(46,268,618)	(33,689,898)
Other operating expenses	35	(12,572,953)	(17,826,369)
Operating profit		<u>171,125,806</u>	<u>233,397,199</u>
Other income	36	4,822,085	3,888,192
Finance cost	37	(38,975,082)	(32,266,304)
Profit before taxation		<u>136,972,809</u>	<u>205,019,087</u>
Taxation	38	(98,468,378)	(44,314,237)
Profit for the year		<u><u>38,504,431</u></u>	<u><u>160,704,850</u></u>
Earnings per share - basic and diluted	39	<u>1.02</u>	<u>4.24</u>

The annexed notes from 1 to 51 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, 2022**

	2022 Rupees	2021 Rupees (Restated)
Profit for the year	38,504,431	160,704,850
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
Remeasurement of gratuity	4,895,869	(3,192,714)
Related deferred tax impact	(1,419,802)	(166,703,748)
	3,476,067	408,136,762
Total comprehensive income for the year	<u>41,980,498</u>	<u>568,841,612</u>

The annexed notes from 1 to 51 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**

  
**DIRECTOR**

  
**CHIEF FINANCIAL OFFICER**

**FRONTIER CERAMICS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	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	
Note	Rupees				
Balance as at July 01, 2019 as reported	378,738,210	(180,795,726)	898,965,921	30,155,888	1,127,064,293
<b>Impact of rectification of error</b>					
Provision for gratuity booked	-	-	-	(36,876,596)	(36,876,596)
Deferred tax impact	-	-	-	10,694,213	10,694,213
Balance as at July 01, 2019 - restated	378,738,210	(180,795,726)	898,965,921	3,973,505	1,100,881,910
Total comprehensive income for the year	-	-	-	43,851,811	43,851,811
Transfer from revaluation surplus on property, plant and equipment in respect of incremental depreciation	-	-	(14,323,758)	14,323,758	-
Balance as at June 30, 2020 - restated	378,738,210	(180,795,726)	884,642,163	62,149,074	1,144,733,721
Total comprehensive income for the year ended June 30, 2021	-	-	-	160,704,850	160,704,850
Profit for the year	-	-	-	(3,192,714)	(3,192,714)
Remeasurement of gratuity	-	-	578,033,224	-	578,033,224
Revaluation surplus on property, plant and equipment	-	-	(167,629,635)	925,887	(166,703,748)
Related deferred tax impact	-	-	-	-	-
Transfer from revaluation surplus on property, plant and equipment in respect of incremental depreciation - net of deferred tax	-	-	(39,893,858)	39,893,858	-
Balance as at June 30, 2021-restated	378,738,210	(180,795,726)	1,255,151,894	260,480,955	1,713,575,333
Total comprehensive income for the year ended June 30, 2022	-	-	-	38,504,431	38,504,431
Profit for the year	-	-	-	4,895,869	4,895,869
Remeasurement of gratuity	-	-	-	(1,419,802)	(1,419,802)
Related deferred tax impact	-	-	-	-	-
Transfer from revaluation surplus on property, plant and equipment in respect of incremental depreciation - net of deferred tax	-	-	(49,188,716)	49,188,716	-
Balance as at June 30, 2022	378,738,210	(180,795,726)	1,205,963,178	351,650,169	1,755,555,831

The annexed notes from 1 to 51 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, 2022**

	Note	2022 Rupees	2021 Rupees (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		136,972,809	205,019,087
Adjustment for non cash items:			
Depreciation		206,680,452	146,941,884
Finance cost		38,975,082	32,266,304
Provision for gratuity		2,701,809	(12,481,792)
		<u>248,357,343</u>	<u>166,726,396</u>
Profit before working capital changes		385,330,152	371,745,483
Changes in working capital:			
(Increase)/decrease in current assets			
Stores, spares and loose tools		(61,411,655)	(47,376,969)
Stock in trade		(61,271,966)	(4,134,181)
Trade debts		6,592,799	(4,397,934)
Other receivables		(29,683,470)	-
Short term lending		(20,650,075)	(2,400,000)
Advances		59,371,922	(46,173,007)
Increase/(decrease) in current liabilities			
Trade and other payables		732,737,342	281,408,352
Current portion of GIDC payable		29,054,547	60,807,896
Lease liability		33,592,591	-
Short term borrowings		-	(80,639,335)
		<u>688,332,035</u>	<u>157,094,822</u>
Cash generated from operations		1,073,662,187	528,840,305
Finance cost paid		(38,975,082)	(111,268,288)
Taxes paid		(92,607,688)	(61,600,585)
		<u>(131,582,770)</u>	<u>(172,868,873)</u>
Net cash generated from operating activities		942,079,417	355,971,432
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Addition to property, plant and equipment		(143,818,583)	-
Addition to capital work in progress		(633,100,837)	(248,153,942)
Long term deposits		(4,412,000)	-
Net cash used in investing activities		(781,331,420)	(248,153,942)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term financing-net		73,262,923	(227,465)
Loans from related parties		15,575,280	130,788,006
Gas Infrastructure Development Cess		(23,644,409)	58,324,136
Long term advances		(234,015,585)	(312,000,396)
Net cash used in financing activities		(168,821,791)	(123,115,719)
Net decrease in cash and cash equivalents		(8,073,794)	(15,298,229)
Cash and cash equivalents at the beginning of the year		43,950,002	59,248,231
Cash and cash equivalents at the end of the year	20	<u>35,876,208</u>	<u>43,950,002</u>

The annexed notes from 1 to 51 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, 2022**

**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 29-Industrial Estate, Jamrud Road, Peshawar, Pearl Plaza and Toyota Rawal Motors Building near Sawan Camp, GT road Rawalpindi.

**3 BASIS OF PREPARATION**

**3.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Islamic Financial Accounting Standard (IFAS) issued by the Institute of Chartered Accountant of Pakistan as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

**3.2 Basis of measurement**

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



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

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

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are discussed in note 5.27.

### **3.3 Functional and presentation currency**

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

### **3.4 Key judgements and estimates**

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- Useful lives, residual values and depreciation method of property, plant and equipment – Note 5.27(b) & 7
- Provision for impairment of inventories - Note 5.6 & 13
- Provision for impairment of stores and spares - Note 5.5 & 12
- Estimation of contingent liabilities - Note 30

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

### **4.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2022**

The following standards, amendments and interpretations are effective for the year ended June 30, 2022. 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)**

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 16 'Leases' - Extended practical relief regarding Covid  
- 19 related rent concessions April 01, 2021

**4.2 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)**

Amendments to IFRS 3 'Business Combinations' - Reference to the  
conceptual framework January 01, 2022

Amendments to IAS 1 'Presentation of Financial Statements' -  
Classification of liabilities as current or non-current January 01, 2024

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

Certain annual improvements have also been made to a number of IFRSs.

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

## **5 SIGNIFICANT ACCOUNTING POLICIES**

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

### **5.1 Property, plant and equipment**

#### **a) Operating fixed assets**

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

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

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

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

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

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





**b) Capital work in progress**

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

**c) Revaluation surplus on property, plant and equipment**

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

**5.2 Investment property**

These are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to income on reducing balance basis so as to write-off the historical cost of assets over their estimated useful life. Depreciation is charged from the month of acquisition upto the month preceding the deletion of investment property. Rental income is recognised on accrual basis.

Investment properties are de-recognized, when either they have been disposed off, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the cost of subsequent accounting is the carrying amount at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment upto the date of change in use.

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### 5.3 Impairment

The carrying amount of the Company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indications exist, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss, if any.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that is largely independent from other assets and group. Impairment losses are recognized as expense in statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

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

### 5.4 Leases

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

### 5.5 Stores, spares and loose tools

Stores and spares are stated at cost less provision for slow moving and obsolete items. Cost is determined by using the moving average method. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as operating fixed assets under "Plant and machinery" category and are depreciated over a time period not exceeding the useful life of the related assets.

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



## **5.6 Stock in trade**

Stock in trade, except stock in transit, are valued at lower of cost and net realizable value. Cost is determined as follows:

- Raw materials - at moving average method except stock in transit
- Work in process - at cost of material plus proportionate production overheads
- Finished goods - at cost of material as above plus proportionate production overheads

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and costs necessary to be incurred in order to make the sale.

Stock in transit is valued at cost comprising invoice value plus other charges thereon.

## **5.7 Trade debts**

Trade debts are recognized and carried at original invoiced amount which is fair value of the consideration to be received in future. The Company applies the IFRS 9 simplified approach to measure the expected credit losses (ECL) which uses a lifetime expected loss allowance for trade debts. The Company was required to revise its impairment methodology under IFRS 9 for trade debts.

## **5.8 Loans, advances and other receivables**

These are recognized at cost, which is the fair value of the consideration given. The Company assesses on a forward looking basis the expected credit losses associated with the advances, deposits and other receivables. The Company applies the general approach for calculating a lifetime expected credit losses for its loans, advances, deposits and other receivables recognized. The life time expected credit loss is determined at least annually. However, an assessment is made at each reporting date to determine whether there is an indication that a financial asset or a group of financial assets may be impaired. If such an indication exists, the estimated recoverable amount of that asset is determined and impairment loss is recognized for the difference between the recoverable amount and the carrying value.

## **5.9 Cash and bank balances**

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

## **5.10 Share capital**

Share capital is classified as equity and recognized at the face value. Incremental costs directly attributable to the issue of new shares are shown as a deduction in equity.

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## 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.

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Borrowing cost on long term finances and short term borrowings which are specifically obtained for the acquisition of qualifying assets are capitalized as part of cost of that assets. All other borrowing costs are charged to statement of profit or loss in the period in which these are incurred.

### **5.13 Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the Company.

### **5.14 Provisions**

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting future cash flows at appropriate discount rate where ever required. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

### **5.15 Revenue recognition**

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

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

#### **Revenue from contracts with customers**

##### **Sale of goods**

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

##### **Contract assets**

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



## **Contract liabilities**

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

## **Others**

- Rental income is recognized on accrual basis.

## **5.16 Earnings per share**

The Company presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## **5.17 Cash and cash equivalents**

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

## **5.18 Related party transactions**

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

## **5.19 Dividend and apportioning to reserves**

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

## **5.20 Financial instruments**

### **5.20.1 Financial assets**

The Company classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification

depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at statement of financial position date are carried at amortized cost.

### **Amortized cost**

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

- (i) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### **Impairment**

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

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

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

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

## **5.20.2 Financial liabilities**

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

## **5.20.3 Recognition and measurement**

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.



#### **5.20.4 Derecognition**

The financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

#### **5.21 Offsetting of financial assets and financial liabilities**

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

#### **5.22 Derivative financial instruments**

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

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

#### **5.23 Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. The Company has only one reportable segment.

#### **5.24 Foreign currency translation**

Transactions in foreign currencies are converted into Pak Rupees at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Exchange gains and losses are included in the statement of profit or loss.

#### **5.25 Contingencies**

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

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## 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.

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**d) Provision for inventory obsolescence and doubtful receivables**

The Company reviews the carrying amounts of stores, spares and loose tools and stock in trade on regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools and stock in trade. Further the carrying amount of trade and other receivables are assessed on regular basis and if there is any doubt about the reliability of these receivables, appropriate amount of provision is made.

**e) Contingencies**

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

**6 CHANGE DUE TO RECTIFICATION OF ERRORS**

The company has rectified the financial statements against following:

- a) Non-compliance against non provision of staff retirement benefit. Accordingly, the Company has accounted for provision since June 2008 which is the take over date till December 31, 2020.
- b) The company made an error in transfer of revaluation surplus on property, plant and equipment to retained earning.
- c) During last year, the company has recorded a provision against freight charges which was subsequently disallowed by the SECP. SECP has also directed to reverse the said expenses in last year and make a restatement in the financials.

The financial impact is shown as follows:

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Description	As at June 30, 2021		
	As previously reported on June 30, 2021	Adjustments Increase / (Decrease)	As restated on June 30, 2021
<b>Impact on financial position</b>			
Revaluation surplus on property, plant and equipment	1,278,770,679	(23,618,785)	1,255,151,894
<b>Liabilities</b>			
Deferred liabilities	-	27,587,518	27,587,518
Deferred taxation	341,886,860	(17,647,490)	324,239,370
<b>Impact on profit and loss</b>			
Cost of sales	(2,556,869,397)	24,157,485	(2,532,711,912)
Distribution cost	(40,776,510)	29,449,454	(11,327,056)
Other operating expenses	(17,826,369)	5,253,416	(12,572,953)
Deferred taxation	(29,513,454)	(6,027,389)	(35,540,843)

Description	As at June 30, 2020		
	As previously reported on June 30, 2020	Adjustments Increase / (Decrease)	As restated on June 30, 2020
<b>Impact on financial position</b>			
Unappropriated profit	(88,331,457)	26,182,383	(62,149,074)
<b>Liabilities</b>			
Deferred liabilities	-	(36,876,596)	(36,876,596)
Deferred taxation	(203,770,678)	10,694,213	(193,076,465)

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**PROPERTY, PLANT AND EQUIPMENT**

	Note	2022 Rupees	2021 Rupees
Operating fixed assets	7.1	2,736,703,818	1,899,403,438
Right of use asset	7.1	39,697,594	-
		<u>2,776,401,412</u>	<u>1,899,403,438</u>

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7.1 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					
<b>Year ended June 30, 2022</b>														
Net carrying value basis														
Opening net book value (NBV)		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
Additions		-	-	-	-	4,640,000	-	-	64,814,498	-	-	-	-	143,818,583
Transferred from CWIP		-	-	938,912,605	917,199	-	-	-	-	-	-	-	-	939,829,804
Depreciation charge		-	(45,773,294)	(136,571,158)	(1,488,598)	(1,096,690)	(16,757)	(4,062)	(12,654,968)	(11,083)	(67,607)	(20,734)	(8,945,462)	(206,650,413)
Closing net book value		480,000,000	411,959,643	1,698,596,728	6,412,990	23,157,111	150,817	16,248	72,224,704	44,332	270,424	48,380	83,520,035	2,776,401,412
<b>Gross carrying value basis</b>														
Cost / revalued amount		480,000,000	631,878,160	2,296,017,963	17,935,100	33,802,704	478,090	202,553	89,446,165	2,696,361	4,917,744	380,940	114,930,278	3,672,686,058
Accumulated depreciation		-	(219,918,517)	(597,421,235)	(11,522,110)	(10,645,593)	(327,273)	(186,305)	(17,221,461)	(2,652,029)	(4,647,320)	(332,560)	(31,410,243)	(896,284,646)
Net book value		480,000,000	411,959,643	1,698,596,728	6,412,990	23,157,111	150,817	16,248	72,224,704	44,332	270,424	48,380	83,520,035	2,776,401,412
<b>Year ended June 30, 2021</b>														
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
Depreciation charge	7.2	-	(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
<b>Gross carrying value basis</b>														
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
Annual rate of depreciation (%)		-	10%	10%	20%	5%	10%	20%	20%	20%	20%	30%	20%	

7.2 Total depreciation:

Depreciation on property, plant and equipment  
Depreciation on investment property

Note	2022 Rupees	2021 Rupees
	206,650,413	146,910,264
	30,039	31,620
	<u>206,680,452</u>	<u>146,941,884</u>

Allocation of depreciation

Cost of sales  
Distribution cost  
Administrative expenses

32	202,546,842	144,003,056
33	2,066,805	1,469,414
34	2,066,805	1,469,414
	<u>206,680,452</u>	<u>146,941,884</u>

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

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

#### 7.4 Revaluation of freehold land, building and plant and machinery

7.4.1 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 42.2. 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

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

	2022 Rupees	2021 Rupees
Free hold land	3,518,245	3,518,245
Factory building	7,418,997	8,243,330
Plant and machinery		
Imported	104,781,911	116,424,346
Local	687,947	859,934
Electrification	2,779,196	2,925,470
Casting benches	48,068	53,409
Laboratory ware	1,445	1,806
Generators	16,396	20,495
	<u>108,314,963</u>	<u>120,285,460</u>
	<u>119,252,205</u>	<u>132,047,035</u>

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

	Note	2022 Rupees	2021 Rupees
<b>8 CAPITAL WORK IN PROGRESS</b>			
Balance as at July 01,		306,728,967	58,575,025
Additions during the year	8.1	633,100,837	248,153,942
Transferred to property, plant and equipment		(939,829,804)	-
		<u>-</u>	<u>306,728,967</u>

8.1 This represents parts of new plant and machinery imported and installed during the year.

	Note	2022 Rupees	2021 Rupees
<b>9 INVESTMENT PROPERTY</b>			
Office building	9.1	<u>570,743</u>	<u>600,782</u>

9.1 The movement in this head is as follows:

**Net carrying value basis**

**Year ended June 30,**

Opening net book value	600,782	632,402
Depreciation charge	(30,039)	(31,620)
Closing net book value	<u>570,743</u>	<u>600,782</u>

**Gross carrying value basis**

**Year ended June 30,**

Cost	2,648,885	2,648,885
Accumulated depreciation	(2,078,142)	(2,048,103)
Net book value	<u>570,743</u>	<u>600,782</u>

**Annual rate of depreciation (%)**

**5%**

**5%**

9.2 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 (2021: Rs. 7,000,000) at year end.

9.3 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.

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	Note	2022 Rupees	2021 Rupees
<b>10 LONG TERM DEPOSITS</b>			
Peshawar Electric Supply Company		1,403,200	1,403,200
Faisalabad Electric Supply Company		350,000	-
Sui Northern Gas Private Limited		4,062,000	-
WAPDA		48,250	48,250
Office security		30,000	30,000
Others		32,000	32,000
		<u>5,925,450</u>	<u>1,513,450</u>

#### 11 LONG TERM ADVANCES

Balance as at July 01,		11,350,475	9,515,079
Additions during the year		1,187,711	30,806,080
Adjusted during the year		(6,844,545)	(28,970,684)
	11.1	5,693,641	11,350,475
Advance against land	11.2	549,837,419	310,165,000
		<u>555,531,060</u>	<u>321,515,475</u>

11.1 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.

11.2 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. The said land will be used to establish a large ceramic factory in the coming years.

	Note	2022 Rupees	2021 Rupees
<b>12 STORES, SPARES AND LOOSE TOOLS</b>			
Stores		174,933,988	113,382,202
Spare parts and loose tools		5,830,794	5,970,925
	12.1	<u>180,764,782</u>	<u>119,353,127</u>

12.1 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.

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	Note	2022 Rupees	2021 Rupees
<b>13 STOCK IN TRADE</b>			
Raw material		163,269,644	120,561,267
Work in process		14,876,298	16,394,509
Finished goods		56,482,499	36,400,699
		<u>234,628,441</u>	<u>173,356,475</u>
<b>14 TRADE DEBTS</b>			
Unsecured - considered good Trade receivables		<u>298,130</u>	<u>6,890,929</u>
<b>15 OTHER RECEIVABLES</b>			
Rent receivable		725,760	-
Sales tax receivables		28,957,710	-
		<u>29,683,470</u>	<u>-</u>
<b>16 SHORT TERM LENDING</b>			
Khalid and Khalid Holdings (Private) Limited	16.1	<u>28,287,075</u>	<u>7,637,000</u>
16.1	This represents amount advanced to Khalid and Khalid Holdings (Private) Limited, a related party due to common directorship. Short term lending carries interest @ KIBOR plus 2% and is considered unsecured. The maximum aggregate amount outstanding at any time during the year is same as the above carrying amount of short term lending.		
		2022 Rupees	2021 Rupees
<b>17 ADVANCES</b>			
Unsecured - considered good Advances			
- to suppliers		10,017,330	3,668,885
- against letter of credit		15,234,852	62,051,665
- against letter of credit margin		25,431,001	62,724,861
- security deposit		3,152,200	1,388,384
- against letter of guarantee		22,892,000	6,925,100
- against salaries		4,812,222	3,226,681
- against expenses		37,114	855,526
- other advances		-	107,537
		<u>81,576,719</u>	<u>140,948,639</u>

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		2022 Rupees	2021 Rupees
<b>18</b>	<b>TAX REFUNDS DUE FROM GOVERNMENT</b>		
	Considered good		
	Balance as at July 01,	63,962,052	63,962,052
	Refundable/(adjustable) assessed during the year	-	-
		<u>63,962,052</u>	<u>63,962,052</u>
	Note	2022 Rupees	2021 Rupees (Restated)
<b>19</b>	<b>TAXATION - NET</b>		
	Balance as at July 01,	4,228,407	22,482,902
	Prior year adjustment	-	(192,735)
		<u>4,228,407</u>	<u>22,290,167</u>
	Provision for taxation	(46,977,025)	(79,662,345)
	Advance income tax	92,607,688	61,600,585
		<u>49,859,070</u>	<u>4,228,407</u>

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	Note	2022 Rupees	2021 Rupees
<b>20 CASH AND BANK BALANCES</b>			
Cash in hand		35,730	196,847
Cash at bank - local currency			
Current accounts		24,002,654	37,418,298
Saving account	20.1	11,837,824	6,334,857
		<u>35,876,208</u>	<u>43,950,002</u>

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

2022 Rupees	2021 Rupees
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## 21 SHARE CAPITAL

### 21.1 Authorized share capital

Number of shares				
2022	2021			
<u>75,000,000</u>	<u>75,000,000</u>	Ordinary shares of Rs. 10 each	<u>750,000,000</u>	<u>750,000,000</u>

### 21.2 Issued, subscribed and paid up capital

Number of shares				
2022	2021			
<u>37,873,821</u>	<u>37,873,821</u>	Ordinary shares of Rs.10 each fully paid in cash	<u>378,738,210</u>	<u>378,738,210</u>

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

## 22 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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	2022 Rupees	2021 Rupees (Restated)
<b>23 REVALUATION SURPLUS ON PROPERTY PLANT AND EQUIPMENT</b>		
Balance as at July 01,	1,585,453,783	1,063,609,091
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	49,188,716	39,893,858
Related deferred tax liability during the year transferred to profit and loss account	20,091,165	16,294,674
	69,279,881	56,188,532
	<u>1,516,173,902</u>	<u>1,585,453,783</u>
Less:		
Related deferred tax effect :		
Balance as at July 01,	330,301,889	178,966,928
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	(20,091,165)	(16,294,674)
	310,210,724	330,301,889
	<u>1,205,963,178</u>	<u>1,255,151,894</u>

23.1 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.

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	Note	2022 Rupees	2021 Rupees
<b>24 LONG TERM FINANCING</b>			
From Financial Institute - secured	24.1	73,262,923	-
Less: Current portion of loan		(29,473,410)	-
		<u>43,789,513</u>	<u>-</u>

24.1 This represents an amount received from Bank Al-Habib Islamic in respect of three years Musharka agreement for purchase of generator. The repayment of the loan would be payed in 31 installements starting from May 18, 2022. The rental will be calculated on principle amount using three months kibar + 3.25% per anum.

	Note	2022 Rupees	2021 Rupees
<b>25 LOAN FROM RELATED PARTIES</b>			
From associated person - unsecured	25.1	108,010,610	19,996,435
From associated company - unsecured			
- Rawal Industrial Equipment (Pvt.) Ltd	25.2	107,788,764	185,957,916
- Toyota Rawal Motors (Pvt.) Ltd	25.2	98,812,563	93,082,306
		<u>314,611,937</u>	<u>299,036,657</u>

25.1 This represents interest bearing unsecured loan and accumulalated 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 last year on 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.

25.2 This represents interest bearing unsecured loans and accumulalated 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 last year on 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.

	2022 Rupees	2021 Rupees
<b>26 GAS INFRASTRUTURE DEVELOPMENT CESS</b>		
Balance brought forward	-	-
Accumulalated present value of GIDC	124,542,170	119,132,032
	<u>124,542,170</u>	<u>119,132,032</u>
Less: Current portion of GIDC	(89,862,443)	(60,807,896)
	<u>34,679,727</u>	<u>58,324,136</u>

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26.1 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.

	Note	2022 Rupees	2021 Rupees
<b>27 DEFERRED LIABILITY</b>			
Staff retirement benefits - gratuity	27.1	<u>25,393,458</u>	<u>27,587,518</u>
<b>27.1 Staff retirement benefit - gratuity</b>			
Balance as at July 01,		27,587,518	36,876,596
Charged to profit and loss during the year		2,701,809	(12,481,792)
Charged to other comprehensive income during the year		<u>(4,895,869)</u>	<u>3,192,714</u>
Balance as at June 30,		<u>25,393,458</u>	<u>27,587,518</u>

The gratuity scheme provides terminal benefits to permanent employees of the Company who had completed at least six months of service on the basis of the last drawn gross salary. However, during last year, the management of the Company decided to replace gratuity with the provident fund for its permanent employees from the 1st day of January 2021. The Company has not paid any gratuity to its employees during the current or prior year.

	Note	2022 Rupees	2021 Rupees (Restated)
<b>28 DEFERRED TAXATION</b>			
Deferred taxation	28.1	<u>377,150,527</u>	<u>324,239,370</u>

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

	Note	2022 Rupees	2021 Rupees (Restated)
Surplus on revaluation of fixed assets		310,210,724	330,301,889
Accelerated depreciation		72,533,455	1,937,861
Right of use asset		11,512,302	-
Lease liability		(9,741,851)	-
Provision for gratuity		(7,364,103)	(8,000,380)
		<u>377,150,527</u>	<u>324,239,370</u>
Tax rate used		<u>29%</u>	<u>29%</u>

## 29 TRADE AND OTHER PAYABLES

Trade creditors		520,492,224	248,401,238
Accrued liabilities		361,916,793	89,150,969
Advances from customers		348,191,088	181,263,192
Old labour dues	29.1	3,256,878	3,256,878
Sales tax payable		-	14,194,618
Withholding income tax payable		3,169,336	1,639,564
Workers' profit participation fund	29.2	68,693,604	51,887,629
Workers' welfare fund		7,464,572	7,199,664
Provident fund payable	29.3	22,881,456	6,334,857
		<u>1,336,065,951</u>	<u>603,328,609</u>

29.1 This represents labor dues of old employees which relates to the period prior to the acquisition by current management of the Company. The dues were 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.

	2022 Rupees	2021 Rupees
<b>29.2 Movement in workers' profit participation fund:</b>		
Balance as at July 01,	51,887,629	37,654,395
Interest for the year (at 18.23%)	9,459,115	6,212,975
Provision for the year	7,346,860	8,020,259
	<u>68,693,604</u>	<u>51,887,629</u>

29.3 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.

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## **30 CONTINGENCIES AND COMMITMENTS**

### **30.1 CONTINGENCIES**

#### **30.1.1 Noman Ghani vs. FCL and others**

This is the recovery suit against the respondents/unit/FCL. In this suit claim is of Rs. 1,248,172. Later on, plaintiff submits an application for amendment of plaint i.e. seeks further claim from the court for rupees 20,000,000 and 18% being current bank interest because of the mental torture and damages but the learned court did not admit the plaintiff further claim. Now a day the present case is pending before High Court. In the instant case total amount of Rs. 1,248,172 are involved. Thus the matter in issue will limited just up to the Rs.1,248,172.

#### **30.1.2 FCL vs. G.M. of SNGPL**

The above tile case is pending before the gas utility court. In the instant case, the Company claimed 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.

#### **30.1.3 Shameem Akhter 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. 497,778. The case is fixed in evidence in the wages authority.

#### **30.1.4 Amer Zada vs FCL**

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

#### **30.1.5 FCL vs. Chief Executive PESCO**

The above tile case is pending before the civil court. In the instant case, the Company claimed that after amendment in the law the unit is not bound to pay further tax and extra tax on the electricity bill. Total Rs. 900,000 is involved in the case. Now recently the case is decided in favour of the Company.

#### **30.1.6 Bank Guarantees**

Guarantee has been issued by Bank Al Habib on behalf of the Company in the normal course of business in favour of PARCO, PESCO and M/s Sui Northern Gas Pipelines Limited aggregating to Rs. 229.84 million (2021: Rs. 59.34 million).

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### **30.1.7 Review Petition of Talat Sher vs FCL**

In the above title case, the applicant claims Rs. 648,945. The case was decided in company's favour however, Mr. Talat Sher filed a review petition against the order which was passed in favor however in a separate sheet of an annexure documents the amount is mentioned, furthermore the applicant also seeks reinstatement of service.

### **30.1.8 Ali Rehman vs FCL**

In this case too applicant seeks from court to reinstate him service. The applicant claim amount demand in Rs. 261,795. which is he mentioned in grievance notice. The claim is filed in the Labor Court. The case is decide in our favour however the Mr. Ali Rehman filed review petition against the order which was passed in our favour.

### **30.1.9 Meenazar Gul vs FCL**

In the above title case, the applicant claim reinstatement of service and payment Rs. 648,945. The case is filed in Labor Court although the amount is not clear in the application however the amount is mentioned in grievance notice.

### **30.1.10 FCL vs Federation of Pakistan etc**

In the instant case, the Company filed a writ petition about the GIDC amount of rupees around 11 million. Earlier our unit as well as other units challenged the GIDC Act, 2011 and the said Act was declared illegal by the Honourable Supreme Court. The said Act was also challenged. Similarly, the other units had also challenged the said GIDC Act in different writ petitions.

### **30.1.11 Muhammad Iqbal vs FCL**

This is also a recovery suit against us. The total claim of this suit is Rs.1,711,817. This suit is decided in company's favour and now pending revision before High Court, Thus total amount involved in the case is of Rs.1,711,817.

### **30.1.12 Muhammad Noor vs FCL**

In this case, the applicant filed his suit before the Labor Court, Total claim of the applicant is Rs. 1,304,372. The case is pending in evidence while the compromise is also under consideration between applicant and FCL authority.

### **30.1.13 Muhammad Farhad vs FCL**

This case is identical to proceeding case. In this case, the applicant filed his suit before the Labor Court. Total claim of the applicant is Rs. 683,265. The case is pending in evidence while the compromise is also under consideration between applicant and FCL authority.





### 30.1.14 Muhammad Anwar Khan vs FCL

This is also identical nature case like the previous two cases. In this case the applicant filed his suit before the Labor Court. Total claim of the applicant is of Rs. 775,107. The case is pending in evidence while the compromise is also under consideration between applicant and FCL authority.

### 30.1.15 EFU vs FCL

FCL sued EFU over not increasing rent of two office rooms of FCL occupied by EFU in Karachi. According to the agreement signed on July 26, 2006 for room no 102 and additional agreement signed on May 07, 2007 for room no 103. EFU was obliged to increase rent of rooms @10% per annum, but EFU did not comply with this requirement. However, decision of the court is still pending.

	Note	2022 Rupees	2021 Rupees
<b>30.2 COMMITMENTS</b>			
The Company has following commitments:			
- in respect of letter of credit			
- against import of raw materials		1,256,092	165,115,970
- against import of stores and spares		13,978,760	26,099,752
- against purchase of land from CEO		584,262,581	823,935,000
- against import of plant and machinery		-	480,568,472
		<u>599,497,433</u>	<u>1,495,719,194</u>
<b>Commitments for Ijarah arrangements</b>			
Not later than one year		10,645,716	1,710,828
Later than one year and not later than five years		15,081,431	-
		<u>25,727,147</u>	<u>1,710,828</u>
<b>31 SALES</b>			
Gross sales - tiles		4,533,151,986	3,412,479,769
Less:			
Trade discounts	31.1	(116,187,368)	(87,696,942)
Sales tax		(658,802,599)	(495,830,393)
		<u>3,758,162,019</u>	<u>2,828,952,434</u>

31.1 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.

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32	COST OF SALES	Note	2022 Rupees	2021 Rupees
	Raw material consumed	32.1	820,011,002	662,000,385
	Stores, spares and loose tools consumed	32.2	956,381,134	966,687,683
	Gas and electricity		1,316,805,543	403,876,270
	Depreciation	7.2	202,546,842	144,002,586
	Salaries, wages and other benefits	32.5	223,187,784	200,282,497
	Travelling and conveyance		1,071,955	412,609
	Repairs and maintenance		425,420	219,754
	Miscellaneous	32.3	2,475,281	2,119,385
	Ijarah payments	32.4	7,033,672	3,464,156
	GIDC expense		5,410,138	119,132,032
			<u>3,535,348,771</u>	<u>2,502,197,357</u>
	Work in process			
	Opening		16,394,509	57,667,499
	Closing		(14,876,298)	(16,394,509)
			1,518,211	41,272,990
	Finished goods			
	Opening		36,400,699	25,642,264
	Closing		(56,482,499)	(36,400,699)
			(20,081,800)	(10,758,435)
			<u>3,516,785,182</u>	<u>2,532,711,912</u>
32.1	Raw material consumed			
	Opening stock		120,561,267	85,912,531
	Add: purchases		862,719,379	696,649,121
	Less: closing stock		(163,269,644)	(120,561,267)
			<u>820,011,002</u>	<u>662,000,385</u>
32.2	Stores, spares and loose tools consumed			
	Opening stock		119,353,127	71,976,158
	Add: purchases		1,017,792,789	1,014,064,652
	Less: closing stock		(180,764,782)	(119,353,127)
			<u>956,381,134</u>	<u>966,687,683</u>

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	<b>2022</b>	<b>2021</b>
	<b>Rupees</b>	<b>Rupees</b>
32.3 Miscellaneous		
Internet expenses	606,050	767,300
L.G expenses	318,994	411,458
Mobile expense	35,920	39,500
Postage and shipping	55,973	22,515
Printing and stationery	23,825	440
Professional tax	1,251,000	700,000
Medical	9,431	-
Sales tax	130,000	-
PTCL expense	-	149,830
Fuel expense	44,088	28,342
	<u>2,475,281</u>	<u>2,119,385</u>

32.4 This represents Ijarah payments for two excavator machines taken under Ijarah arrangement from First Habib Modarba Bank. Under the agreement, the term of Ijarah is three years and Ijarah payments of Rs. 887,143 are payable on monthly basis in 36 installments.

32.5 Salaries, wages and other benefits includes an amount of Rs. 2,188,465 (2021: Reversal of Rs. 10,110,252) in respect of staff retirement benefits.

	<b>Note</b>	<b>2022</b>	<b>2021</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>33 DISTRIBUTION COST</b>			
Salaries, allowances and benefits	33.1	8,499,518	9,379,820
Communication and travel expense		124,750	162,559
Printing and repair expense		718,387	315,263
Depreciation	7.2	2,066,805	1,469,414
		<u>11,409,460</u>	<u>11,327,056</u>

33.1 Salaries, wages and other benefits includes an amount of Rs. 81,054 (2021: Reversal of Rs. 374,454) in respect of staff retirement benefits.

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	Note	2022 Rupees	2021 Rupees
<b>34 ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration	46	2,815,000	2,340,000
Salaries, allowances and benefits		37,944,705	27,402,986
Fee and subscription		4,265	-
Rent, rates and taxes		1,156,012	1,062,638
Utilities		120,000	120,000
Communication		333,139	235,453
Printing, postage and stationery		491,408	246,813
Advertisement expense		3,750	264,041
Depreciation	7.2	2,066,805	1,469,414
Traveling and conveyance		911,320	353,731
Vehicle running and maintenance		188,184	143,022
Entertainment		10,110	2,150
Repair and maintenance		223,920	49,650
		<u>46,268,618</u>	<u>33,689,898</u>

34.1 Salaries, wages and other benefits includes an amount of Rs. 432,289 (2021: Reversal of Rs. 1,997,087) in respect of staff retirement benefits.

	Note	2022 Rupees	2021 Rupees
<b>35 OTHER OPERATING EXPENSES</b>			
Workers' profit participation fund		7,346,859	8,020,259
Worker's welfare fund		264,908	5,501,556
Auditors' remuneration	35.1	806,062	725,250
Legal and professional charges		3,700,448	2,341,559
Penalty		347,139	-
Advances written off		107,537	246,514
Others		-	991,231
		<u>12,572,953</u>	<u>17,826,369</u>

**35.1 Auditors' remuneration**

Annual audit fee	612,550	572,450
Review of half year financial statements	117,700	110,000
Out of pocket expenses	75,812	42,800
	<u>806,062</u>	<u>725,250</u>

*AK*

	Note	2022 Rupees	2021 Rupees
<b>36 OTHER INCOME</b>			
Rental income		1,451,520	1,451,520
Liabilities written back		41,442	1,260,698
Exchange gain		1,952,985	379,096
Markup		1,376,138	796,878
		<u>4,822,085</u>	<u>3,888,192</u>
<b>37 FINANCE COST</b>			
Mark up / interest on:			
Letter of guarantee margin		2,468,709	602,500
Long term financing			
From financial institutions		171,499	320,701
From related party	25.2	24,497,418	23,545,174
		24,668,917	23,865,875
Workers' profit participation fund		9,459,116	6,212,975
Bank charges		2,378,340	1,584,954
		<u>38,975,082</u>	<u>32,266,304</u>
<b>38 TAXATION</b>			
Provision for taxation			
Current year		46,977,025	79,662,345
Prior year		-	192,735
Deferred		51,491,353	(35,540,843)
		<u>98,468,378</u>	<u>44,314,237</u>

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

**39 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	2022	2021
Profit after taxation (Rs.)		<u>38,504,431</u>	<u>160,704,850</u>
Weighted average (number of shares)		<u>37,873,821</u>	<u>37,873,821</u>
Earnings per share-basic and diluted (Rs.)	39.1	<u>1.02</u>	<u>4.24</u>

39.1 There were no convertible/dilutive potential ordinary shares outstanding at June 30, 2022 and June 30, 2021.

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#### 40 FINANCIAL ASSETS AND LIABILITIES

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

2022	Total	Interest/mark up bearing		Sub-total	Not interest / mark up bearing
		Maturity upto one year	Maturity after one year		
<u>Rupees</u>					
<b>Financial assets</b>					
Financial assets at amortised cost:					
Long term deposits	5,925,450	-	-	-	5,925,450
Trade debts	298,130	-	-	-	298,130
Short term lending	28,287,075	-	-	-	28,287,075
Advances	30,856,422	-	-	-	30,856,422
Cash and bank balances	35,876,208	-	-	-	35,876,208
	<u>101,243,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,243,285</u>
<b>Financial liabilities</b>					
Financial liabilities at amortised cost:					
Long term financing	73,262,923	29,473,410	43,789,513	73,262,923	-
Trade and other payables	885,665,895	-	-	-	885,665,895
Liability against assets subject to finance lease	22,458,745	11,133,846	22,458,745	33,592,591	-
	<u>981,387,563</u>	<u>40,607,256</u>	<u>66,248,258</u>	<u>106,855,514</u>	<u>885,665,895</u>
<b>On SOFP gap</b>	<u>(880,144,278)</u>	<u>(40,607,256)</u>	<u>(66,248,258)</u>	<u>(106,855,514)</u>	<u>(784,422,610)</u>
<b>Off SOFP items</b>					
Financial commitments:					
Letter of credits	599,497,433	-	-	-	599,497,433
Bank guarantee	227,205,010	-	-	-	227,205,010
	<u>826,702,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>826,702,443</u>
<b>Total Gap</b>	<u>(1,706,846,721)</u>	<u>(40,607,256)</u>	<u>(66,248,258)</u>	<u>(106,855,514)</u>	<u>(1,611,125,053)</u>

*AK*

2021	Total	Interest/mark up bearing		Sub-total	Not interest / mark up bearing
		Maturity upto one year	Maturity after one year		
Rupees					
<b>Financial assets</b>					
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
	<u>71,639,083</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,639,083</u>
<b>Financial liabilities</b>					
Financial liabilities at amortised cost:					
Trade and other payables	340,809,085	-	-	-	340,809,085
	<u>340,809,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>340,809,085</u>
<b>On SOFP gap</b>	<u>(269,170,002)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(269,170,002)</u>
<b>Off SOFP items</b>					
Financial commitments:					
Letter of credits	671,784,194	-	-	-	671,784,194
Bank guarantee	55,883,140	-	-	-	55,883,140
	<u>727,667,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>727,667,334</u>
<b>Total gap</b>	<u>(996,837,336)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(996,837,336)</u>

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

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## 41 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 41.1 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.

### 41.2 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. 101.243 million (2021: Rs. 71.639 million) the financial assets which are subject to credit risk amounted to Rs. 101.207 million (2021: Rs. 71.442 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

Description	2022 Rupees	2021 Rupees
Long term deposits	5,925,450	1,513,450
Trade debts	298,130	6,890,929
Short term lending	28,287,075	7,637,000
Advances	30,856,422	11,647,702
Bank balances	35,840,478	43,753,155
	<u>101,207,555</u>	<u>71,442,236</u>

The aging of gross trade receivables at the reporting date is:

Past due 90 days	<u>298,130</u>	<u>6,890,929</u>
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All the trade debts at statement of financial position date are domestic parties.

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To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. Sales made to certain customers are secured through letters of credit.

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis. The ratings of banks ranges from A to AAA.

### Concentration of credit risk

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

### Impaired assets

During the year no assets have been impaired.

## 41.3 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:

2022	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	73,262,923	73,262,923	-	-	-	73,262,923	-
Short term borrowings	-	-	-	-	-	-	-
Trade and other payables	1,336,065,951	1,336,065,951	1,336,065,951	-	-	-	-
Mark up accrued	-	-	-	-	-	-	-
Liability against assets subject to finance lease	22,458,745	22,458,745	22,458,745	-	-	-	-
	<u>1,431,787,619</u>	<u>1,431,787,619</u>	<u>1,358,524,696</u>	<u>-</u>	<u>-</u>	<u>73,262,923</u>	<u>-</u>
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	603,328,609	603,328,609	603,328,609	-	-	-	-
Mark up accrued	-	-	-	-	-	-	-
Liability against assets subject to finance lease	-	-	-	-	-	-	-
	<u>902,365,266</u>	<u>902,365,266</u>	<u>603,328,609</u>	<u>-</u>	<u>-</u>	<u>299,036,657</u>	<u>-</u>

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#### 41.4 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:

	2022	2021	2022	2021
	Effective Rate		Carrying amount	
	(In percent)		(Rupees)	
<b>Financial Liabilities</b>				
Fixed rate instrument				
Short term borrowings	15%	15%	-	-
Variable rate instrument				
Long term financing	10% to 17%	8% to 10%	73,262,923	299,036,657
Short term borrowings	10% to 17%	8% to 10%	-	-
			<u>73,262,923</u>	<u>299,036,657</u>

#### 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
<b>As at June 30, 2022</b>		
Cash flow sensitivity - Variable rate financial liabilities	732,629	(732,629)
<b>As at June 30, 2021</b>		
Cash flow sensitivity - Variable rate financial liabilities	2,990,367	(2,990,367)

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

## 42 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.

### 42.1 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.

- 42.2 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.

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Description	2022 Rupees
Freehold land	480,000,000
Factory building	495,768,000
Plant and Machinery	1,022,457,000
	<u>1,998,225,000</u>

42.3 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.

#### **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.

42.4 Had there been no revaluation, the net book value of the specific classes of operating assets have been disclosed in note 7.4.2.

#### **42.5 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.

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#### 43 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

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

Description	Explanation	2022 Rupees	2021 Rupees
Loans	Placed under interest arrangement	43,789,513	299,036,657
Ijarah payment	Placed under Shariah permissible arrangements	7,033,672	3,464,156
Long term deposits	Non-interest bearing	5,925,450	1,513,450
All sources of other income	Disclosed in note 36	4,822,085	3,888,192

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 arrangements.

#### 44 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:

	2022 Rupees	2021 Rupees
Equity	378,738,210	378,738,210
Long term financing	73,262,923	-
Gearing ratio	16%	0%

#### 45 PLANT CAPACITY AND PRODUCTION

During the year, the tile production capacity attained was 5,423,533 sq. meters (2021: 4,353,170 sq. meters) against annual manufacturing capacity of 7,800,000 sq. meters (2021: 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 economic situation.

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46 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:

	2022				2021			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	Rupees							
Managerial remuneration	4,236,546	1,376,750	5,233,108	10,846,404	4,214,608	1,053,000	4,650,651	9,918,259
Utilities	941,454	261,500	1,162,912	2,365,866	936,580	234,000	1,033,477	2,204,057
House rent	4,236,546	1,176,750	5,233,108	10,646,404	4,214,608	1,053,000	4,650,651	9,918,259
Total	<u>9,414,546</u>	<u>2,815,000</u>	<u>11,629,128</u>	<u>23,858,674</u>	<u>9,365,796</u>	<u>2,340,000</u>	<u>10,334,779</u>	<u>22,040,575</u>
Number of persons	<u>1</u>	<u>7</u>	<u>4</u>	<u>12</u>	<u>1</u>	<u>7</u>	<u>4</u>	<u>12</u>

- b) The aggregate amount charged in the financial statements for remuneration, including all benefits to executive directors and non executive directors of the Company is as follows:

	2022			2021		
	Executive Directors	Non executive Directors	Total	Executive Directors	Non executive Directors	Total
	Rupees					
Managerial remuneration	<u>2,615,000</u>	<u>200,000</u>	<u>2,815,000</u>	<u>2,340,000</u>	<u>-</u>	<u>2,340,000</u>
Number of persons	<u>2</u>	<u>5</u>	<u>7</u>	<u>2</u>	<u>5</u>	<u>7</u>

- c) Remuneration / benefits paid to non executive directors during the current year is Rs. 0.2 million and no remuneration was paid during the preceding financial year.

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47 **TRANSACTIONS WITH RELATED PARTIES**

47.1 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	2022 Rupees	2021 Rupees
Toyota Rawal Motors (Private) Limited	Associated company by virtue of common directorship	Interest on long term borrowings	14,401,962	7,241,564
		Long term borrowing received	114,840,000	-
		Long term borrowing repaid	124,391,500	-
		Short term borrowing repaid	-	7,121,941
		Utilities	120,000	120,000
		Rental for building	1,027,126	933,752
Rawal Industrial Equipment (Private) Limited	Associated company by virtue of common directorship	Purchase of Fixed Assets	32,478,633	-
		Long term borrowing received	36,200,000	-
		Long term borrowing repaid	122,317,272	27,500,000
		Interest on long term borrowings	7,948,120	15,714,033
Mr. Nadeem Khalid	Chief Executive	Long term financing - Received	187,480,739	10,000,000
		Long term financing - Loan repaid	101,613,900	21,767,136
		Markup on long term loan	2,147,336	320,701
		Advances for land	239,672,419	310,165,000
Khalid & Khalid Holdings (Pvt.) Ltd.	Associated company by virtue of common directorship	Short term lending - Paid	21,294,142	-
		Short term lending - Received	2,900,000	-
		Interest on short term lending	1,376,138	796,878
		Loan and advances paid	-	26,500,000
		Loan and advances received	-	24,100,000

47.2 **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 46)". There are no transactions with key management personnel other than under their terms of employment.

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48 NUMBER OF EMPLOYEES

Number of employees  
At June 30,  
Average during the year

2022 Numbers	2021 Numbers
<u>786</u>	<u>764</u>
<u>687</u>	<u>653</u>

49 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.

50 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 04 NOV 2022 by the Board of Directors of the Company.

51 GENERAL

Figures have been rounded off to the nearest rupee.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER



**FRONTIER CERAMICS LIMITED**  
**Pattern of Shareholding**  
**As of June 30, 2022**

No.Of Shareholders	Shareholdings' Slab			Total Shares Held
116	1	to	100	6,079
590	101	to	500	268,356
62	501	to	1000	60,585
72	1001	to	5000	197,029
9	5001	to	10000	72,560
4	10001	to	15000	56,600
2	15001	to	20000	35,500
2	20001	to	25000	45,262
4	35001	to	40000	146,655
6	40001	to	45000	258,200
1	45001	to	50000	50,000
1	50001	to	55000	50,200
1	65001	to	70000	68,600
1	85001	to	90000	89,000
1	95001	to	100000	100,000
1	170001	to	175000	170,500
1	230001	to	235000	231,500
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
<b>882</b>				<b>37,873,821</b>

**FRONTIER CERAMICS LIMITED**

Pattern of Shareholding

As of June 30, 2022

Categories of Shareholders	Shareholders	Shares Held	Percentage
<b>Directors and their spouse(s) and minor children</b>			
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
<b>Associated Companies, undertakings and related parties</b>	-	-	-
<b>NIT &amp; ICP</b>	1	40,200.00	0.11
<b>Banks Development Financial Institutions, Non Banking Financial Financial Institutions.</b>	2	106200	0.28
<b>Insurance Companies</b>	2	142500	0.38
<b>Modarabas and Mutual Funds</b>	1	14500	0.04
<b>General Public</b>			
a. Local	855	1556743	4.11
<b>Foreign Individuals</b>	2	510	0.00
<b>OTHERS</b>	7	40081	0.11
<b>Total</b>	<b>882</b>	<b>37,873,821</b>	<b>100.00</b>

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. \_\_\_\_\_  
herby appoint Mr. \_\_\_\_\_  
of \_\_\_\_\_ of failing him  
Mr. \_\_\_\_\_  
of \_\_\_\_\_ who is also  
a member of FRONTIER CERAMICS LIMITED Vide Folio No. \_\_\_\_\_ as my proxy in my/our absence to attend  
and vote for me/us and on my /our behalf at the Fortieth Annual General Meeting of the Company to be held on Saturday  
November 26, 2022 at 9:00 am Company's Registered Office situated at 29-Industrial Estate, Jamrud Road, Peshawar.

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) \_\_\_\_\_

**Note:**

1. Duly completed forms of proxy must be deposited with the Company Secretary at the Frontier ceramics Limited Registered Office situated at 29-Industrial Estate, Jamrud Road, Peshawar.no later than 48 hours before the time fixed for the meeting.
2. Proxy must be given to a person who is a member of the Company, except in the case of Companies where the proxy may be given to any of its employee for which certified true copy of Power of Attorney and / or Board Resolution with regard to appointment of proxy should be attached.
3. In case the proxy is the beneficial owner of CDC, an attested copy of his / her CNIC or Passport must be enclosed.
4. The proxy shall produce his / her valid original CNIC or original passport at the time of the meeting.
5. 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



# پراکسی فارم

میں / ہم \_\_\_\_\_ بطور ممبر فرانٹیر سراسکس لمیٹڈ اور عارضی شئیرز \_\_\_\_\_ رجسٹرڈ فولیو نمبر \_\_\_\_\_ اپنی جانب سے جناب \_\_\_\_\_ کے تحت ممبر ہیں اور میرے نمائندے کے طور پر کمیٹی کی 40 ویں سالانہ جنرل میٹنگ میں شرکت کر کے ووٹ دے سکتے ہیں جس کا انعقاد بروز ہفتہ 26 نومبر 2022ء کو صبح 09:00 بجے فرانٹیر سراسکس لمیٹڈ فیکٹری 29-انڈسٹریل اسٹیٹ جمر روڈ پشاور میں ہوگا۔

(پانچ روپے والے ریونیو اسٹیپ پر  
دستخط)

1- نام: \_\_\_\_\_  
دستخط: \_\_\_\_\_  
پتہ: \_\_\_\_\_  
شناختی کارڈ / پاسپورٹ نمبر: \_\_\_\_\_

1- نام: \_\_\_\_\_  
دستخط: \_\_\_\_\_  
پتہ: \_\_\_\_\_  
شناختی کارڈ / پاسپورٹ نمبر: \_\_\_\_\_  
مورخہ: \_\_\_\_\_

نوٹ:

- 1- پراکسی فارم مکمل پر کر کے کمپنی کے رجسٹرڈ آفس واقع (فرانٹیر سراسکس لمیٹڈ فیکٹری 29-انڈسٹریل اسٹیٹ جمر روڈ پشاور) میں میٹنگ سے کم از کم 48 گھنٹے قبل جمع کروائیں۔
- 2- پرو کسی لازمی طور پر اس شخص کو مقرر کیا جائے گا جو کہ اس کمپنی کا ممبر ہو سوائے کمپنی کی صورت میں کہ جہاں یہ پرو کسی اس کے کسی ملازم کو بھی نامزد کیا جاسکتا ہے جس کے لئے تصدیق شدہ مختار نامے یا بورڈ کی قرارداد کی نقل پرو کسی (نائب) کی تقرری کے سلسلے میں لازمی منسلک کی جائے گی۔
- 3- اگر پرو کسی سی ڈی سی کا سینفسٹری اونز ہے تو اس کے قومی شناختی کارڈ نمبر یا پاسپورٹ کی تصدیق شدہ نقل لازمی طور پر منسلک کی جائے گی۔
- 4- یہ پرو کسی (نائب) اجلاس عام کے وقت اپنا اصل جائز العمل قومی شناختی کارڈ یا پاسپورٹ لازمی پیش کرے گا۔
- 5- اگر کوئی ممبر ایک سے زیادہ پرو کسی اور ایک سے زیادہ انسٹرومنٹس آف پرو کسی کمپنی کے پاس کسی ممبر کی جانب سے جمع کرواتا ہے تو ایسے تمام انسٹرومنٹس آف پرو کسی عمل درآمد کے لئے ناجائز قرار دے دیئے جائیں گے۔