

FRONTIER CERAMICS LIMITED



41st ANNUAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

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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

Company Secretary

Mr. Rehman Khan Sherwani
rehman.khan@forte.com.pk

Head of Internal Audit

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

Bankers

Conventional Banks

Allied Bank Limited
Bank Al Habib Limited
Bank Alfiah Limited
Faysal Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Silk Bank Limited
Meezan Bank Limited
United Bank Limited

Islamic Banks

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

Auditors

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

Legal Advisor

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

Registrar and Share Transfer Office

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

Head Office/Registered Office

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

Website

www.forte.com.pk

or scan QR code



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 41st Annual General Meeting of Frontier Ceramics Limited (**the “Company”**) will be held on Saturday, October 28, 2023 at 09:00 A.M at 29-Industrial Estate, Jamrud Road, Peshawar to transact the following business:

1. ORDINARY BUSINESS

- 1.1. To confirm the minutes of the Extra Ordinary General Meeting of the Company held on March 15, 2023.
- 1.2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2023, 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, 2024. The present auditors’ M/s BDO Ebrahim & Co., Chartered Accountants, retire and being eligible have offered themselves for re-appointment.

2. SPECIAL BUSINESS

- 2.1. **To consider and if deemed fit, to pass the following resolution as Special Resolution, with or without modification, addition(s) or deletion(s):**

“Resolved that approval of the members of the Company be and is hereby accorded in respect of the transactions from/to with related parties, associated companies and undertaking as tabulated below during the year ended June 30, 2023 in term of Section 207 and / or 208 and/or 199 of the Companies Act, 2017 as approved by the Board of Directors of the Company.”

Name of Associated Companies & Undertakings	Loan Received	Loan Paid	Advance Paid	Advance Received
Toyota Rawal Motors (Pvt) Ltd	57,700,000	25,100,000		
Mr. Nadeem Khalid	528,124,431	282,723,998		
Rawal Industrial Equipment (Pvt) Ltd	106,100,000	67,441,802		
Khalid & Khalid Holdings (Pvt) Ltd			166,308,977	46,800,000

“Resolved that approval of the members of the Company be and is hereby accorded to the Board of Directors of the Company to approve all transactions which may be deemed necessary from time to time with related parties, associated companies and undertaking in term Section 207 and / or 208 and/or 199 and other applicable provisions of the Companies Act, 2017 during the ensuing year ending 30th June 2024.”

“Resolved that approval of the members of the Company be and is hereby accorded to the Board of Directors of the Company to approve loan amount up to Rs 200 million from time to time in Khalid & Khalid Holdings (Pvt) limited in term

of Section 207 and / or 208 and/or 199 and other applicable provisions of the Companies Act, 2017 during the ensuing year ending 30th June 2024 as per terms and conditions disclosed to the members for a period of two years @ one-year KIBOR plus 2%.”

“**Further Resolved that** the Company Secretary and CEO be and are hereby empowered and 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.”

- 2.2. To consider dissemination of annual audited financial statements to the shareholders through QR enabled code and weblink instead of transmitting the same in the form of CD/DVD/USB and to pass the following resolution as Special Resolution, with or without modification, addition(s) or deletion(s):

“**RESOLVED that** circulation/dissemination of annual audited financial statements together with the reports and documents required to be annexed thereto under Companies Act 2017, to the shareholders through QR enabled code and weblink as notified by the Securities and Commission of Pakistan vide its S.R.O 389(I)/2023 dated March 31,2023 be and is hereby approved while considering technology advancements and old technology becoming obsolete , the circulation of annual financial statements through CD/DCD/USB be discontinued for the ensuing years”

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

October 07, 2023
Peshawar

Rehman Khan Sherwani
(Company Secretary)

NOTES:

1. **Closure of Share Transfer Books**

The share transfer books of the Company will remain closed from October 22, 2023 to October 28, 2023 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400 at the close of business on October 21, 2023 will be treated for the purpose of attendance at Annual General Meeting.

2. **Proxy**

A member entitled to attend and vote at this Annual 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 for their appointment and proxy's verification by or before 4:30 p.m. on October 27, 2023.

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

Video conference link details and login credentials will be shared with those shareholders whose registered emails containing all the particulars are received on or before October 27, 2023 by 4:30 p.m. Shareholders can also provide their comments and questions for the agenda items of the AGM on rehman.khan@forte.com.pk or WhatsApp or SMS on Cell Number. [0315-5601819](tel:0315-5601819) by October 27, 2023 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, 2023 has been uploaded on the website of the Company.
6. **Submission of copies of valid CNIC not provided earlier**
Individual Shareholders are once again reminded to submit a copy of their valid CNIC, if not provided earlier to the Company's Share Registrar.
7. **Transmission of Audited Financial Statements / Notices Through Email**
In pursuance of the directions given by SECP vide SRO 787(I)/2014 dated: September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by Post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. www.forte.com.pk and send the said form duly filled in and signed along with copy of his/her/its CNIC/Passport or other such information in the case of a body corporate to the Company's share registrar. The Company's Annual Financial Statements for the year ended June 30, 2023 are 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). 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, October 28, 2023 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 2023 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 2023.

Further, the Company may carry out further transactions with its related parties during the year ending 30th June 2024 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 approve and 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 2024, which transactions shall be deemed to be approved by the Shareholders and will be ratified by the members in the next AGM.

The Securities and Exchange Commission of Pakistan vide its S.R.O. 389(1)/2023 dated March 21, 2023 has allowed listed companies to circulate the Annual Report (including the audited financial statements, Auditors' report, Directors' report, Chairman's review report) to its members through QR enabled code and weblink, therefore, the Board of Directors of Frontier Ceramics Limited ("the Company") in their meeting held on October 07, 2023 has recommended for transmission of the Annual Report to its members through QR enabled code and weblink instead of transmitting the same through CD/DVD/USB, however, hard copy of the Annual Report will be supplied to the shareholders, on demand, at their registered addresses, free of cost, within one week of receipt of such demand.

The Directors, Sponsors, majority shareholders and their relatives are not interested, directly or indirectly, in the above business except to the extent of shares that are held by them in the Company.

Information under Regulation 3 of The Companies' (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

REF NO.	REQUIREMENT	INFORMATION								
a) Disclosure for all type of investments,										
(A) Regarding associated company or associated undertaking;										
I	Name of the associated company or associated undertaking	KHALID & KHALID HOLDINGS (Pvt) LTD								
II	Basis of Relationship	An associated undertaking due to common directorship.								
III	Earnings/ (Loss) per share for the last three years	<table border="1"> <thead> <tr> <th>Year</th> <th>Earning/ (Loss) per Share Rs.</th> </tr> </thead> <tbody> <tr> <td>2023</td> <td>(42.79)</td> </tr> <tr> <td>2022</td> <td>7.00</td> </tr> <tr> <td>2021</td> <td>25.92</td> </tr> </tbody> </table>	Year	Earning/ (Loss) per Share Rs.	2023	(42.79)	2022	7.00	2021	25.92
Year	Earning/ (Loss) per Share Rs.									
2023	(42.79)									
2022	7.00									
2021	25.92									
IV	Break-up value per share	PKR 677.78								

V	Financial position, including main item of statement financial position and profit & loss account on the basis of latest financial statements	Audited financial statements for the year ended June 30, 2023 showed. Balance Sheet: Rs. in '000' Assets Non-Current Assets 363,989 Current Assets 477,396 Total Assets 841,385 Liabilities Long Term 0 Short Term 288,533 Total Liabilities 288,533 Profit & loss: Sales 58,055 Gross Profit 7,006 Gross Profit Ratio 12.07% Loss after Tax (38,697) Ratio (66.63%) LPS (42.79)
VI	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operation, following further information namely	Not Applicable
	i. Description of the project and its history since conceptualization	Not Applicable
	ii. Starting date and expected date of completion of work	Not Applicable
	iii. Time by which such project shall become commercially operational	Not Applicable
	iv. Expected time by which the project shall start paying return on investment.	Not Applicable
	v. Funds invested or to be invested by the promoters, sponsors associated company or associated undertaking distinguishing between cash and non-cash amounts.	Not Applicable
(B) General Disclosures: -		
(i)	Maximum amount of investment to be made	Previously sanctioned utilized limit of PKR.145.54 million is being extended to PKR 200 million. Above facilities will be in the nature of running finance for a period of two years
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period investment	To support the functionality, operations and growth of the associate.

(iii)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed fund:	From Company's own available liquidity, credit lines and borrowings from associated companies and undertakings	
	I	Justification for investment through borrowings	Not Applicable
	II	Detail of collateral, guarantees provided and assets pledge for obtaining such funds	Not Applicable
	III	Cost of benefit analysis	Not Applicable
(iv)	Salient features of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment	Period: Two Years Rate: One-year KIBOR+2%	
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Directors of the Company have no interest in the investee Company except in their capacity as Sponsor/ Director / Shareholder of Investee Company.	
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/ justification for any impairment or write offs.	A loan of Rs. 145.54 million had already been granted for the period July-2019 to June-2023	
(A) Additional disclosure regarding investment in the form of working capital loan: -			
(i)	Category wise amount of investment.	PKR 200 million as loan/ advance	
(ii)	average borrowing cost of the investing company, the Karachi inter Bank Offered Rate (KIBOR) for relevant period, rate of return for Shariah complaint products and rate of return unfunded facilities, as the case may be, for the relevant period.	Average borrowing cost of the investing Company is 1-year Kibor+2%.	
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged	Higher than the Company's' prevalent average borrowing cost.	
(iv)	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any	No Security to be obtained	
(v)	If the investment carries conversion feature i.e., it is convertible into securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	Not Applicable	
(vi)	Repayment schedule and term and conditions of loans or advances to be given to associated company or associated undertaking	Above facilities will be in the nature of running finance for a period of two year. However, transaction with investing Company will be approved and ratified in annual general meeting of the Company	

Frontier Ceramics Limited

KEY OPERATING & FINANCIAL DATA - FOR LAST 6 YEARS

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

	2023	2022	2021	2020	2019	2018
Sales - Net	4,115,403	3,758,162	2,828,952	1,115,224	781,835	664,996
Gross Profit	103,345	241,377	296,241	112,722	16,915	105,659
Expenses	(234,868)	104,404	91,222	115,623	79,680	42,919
(Loss)/Profit Before Taxation	(131,523)	136,973	205,019	(2,901)	(62,765)	62,740
(Loss)/Profit After Taxation	(153,472)	38,504	160,705	17,669	(88,474)	39,424
Dividend %	-	-	-	-	-	-

(Loss)/Earning Per Share (Rs.)			(Restated)	(Restated)		
	(4.05)	1.02	4.24	0.47	(2.34)	1.04

CHAIRPERSON REVIEW REPORT

Dear Shareholders,

I have great pleasure in presenting the Chairperson review report for the year ended June 30, 2023

MACRO ECONOMIC OVERVIEW

Pakistan's economy experienced un-precedented challenges in the past year. The devastating floods, coupled with a commodity price shock arising from Russia-Ukraine war, and the constricting of both external and domestic financing conditions, along with policy setbacks, exacerbated economic challenges and brought post-pandemic recovery to a standstill. As a result, economic growth came to a halt, inflation surged, forex reserves dwindled to critically low levels, and both fiscal and external pressures reached a state of acute concern.

The manufacturing sector was adversely affected, experiencing a sharp drop of 9.4% in FY23. The situation has been exacerbated by the recurring announcements of temporary plant shutdowns, attributed to delays in importing intermediate raw materials, thereby hampering production capabilities. Similarly, the construction industry also showed lackluster performance.

The economic and political landscape in Pakistan has been plagued by considerable uncertainty, further compounded by escalating risk premia and media speculation surrounding the potential of a sovereign debt default. As a consequence, both consumer and business confidence took a sharp hit, with prevailing uncertainties instilling caution and apprehension among various stakeholders.

BUSINESS OVERVIEW

The tiles and ceramics industry of Pakistan has faced significant adverse impacts, primarily due to the following factors:

- ❖ Slowdown in construction activities, leading to a suppressed market demand for tiles and ceramics.
- ❖ Rising input, manufacturing & freight costs, primarily caused by the devaluation of the Pakistani rupee, & soaring energy costs.
- ❖ Restrictions on imported raw materials for tiles production amid dwindling foreign currency reserves.
- ❖ Continuous depletion of indigenous natural gas resulting in usage of more expensive alternate fuels.

These challenges have had a severe effect on the industry, resulting in the closure of operations for number of tiles manufacturers or have curtailed their production due to low secondary sale demand.

PERFORMANCE SCORECARD

Over the past year, the company managed robust growth (in terms of revenue) due to strategic actions as to managing its product portfolio and the sales channel mix. The front-end team sustained sales volumes despite suppressed market conditions due to its diverse range of high-quality tiles that cater to both

residential and commercial projects. Despite challenges in availability of imported raw materials, the management was able to ensure uninterrupted production and ensuring availability of high-quality products to meet market demand. Furthermore, the company has excelled in customer satisfaction, evident from positive feedback and a growing customer base. Your Company has also made notable strides in sustainability initiatives, demonstrating a commitment to environmental responsibility. Overall, the company has successfully strengthened its market position and is well-poised for further growth and success in the future.

Profitability was however badly affected by significant cost increase which could not be offset by price increases due to poor economic conditions and slow demand. Increased Incidence of tax also impacted the company's profitability

BOARD PERFORMANCE AND ROLE IN ACHIEVING COMPANY'S OBJECTIVES

In compliance with the provisions of the Listed Companies (Code of Corporate Governance) Regulations, 2019, the Board has established a formal and effective mechanism to conduct an annual evaluation of its own performance, as well as that of its Members and Sub-Committees. The approval and successful implementation of this evaluation mechanism further demonstrate the Board's commitment to adhering to corporate governance standards.

The board's overall performance has been commendable, showcasing strong leadership and strategic decision-making throughout the assessed period. Their relentless dedication to upholding the company's values and vision has translated into remarkable achievements, driving the organization towards its objectives. The board's effectiveness in fulfilling its role cannot be understated, as it has adeptly navigated challenges and harnessed opportunities to deliver positive outcomes. By fostering a culture of transparency, accountability, and innovation, the board has inspired all stakeholders and empowered the leadership team to work cohesively towards shared goals. Their insightful guidance and prudent risk management have played a pivotal role in ensuring the company's sustained growth and success in a competitive market landscape.

FUTURE OUTLOOK

The future of the tile industry in Pakistan, still represents a promising outlook due to the size of the country's construction sector and future housing demand. Advancements in technology and design will play a pivotal role, allowing FRCL to offer innovative and aesthetically pleasing tile solutions that cater to evolving consumer preferences.

To thrive in this competitive landscape, your Company is looking to prioritize customer-centric strategies, personalized services, and effective marketing techniques. By leveraging digital platforms and e-commerce, the team is trying to tap into a wider customer base and stay relevant in a rapidly evolving market.

Energy continues to be a paramount concern in Pakistan, as depleting indigenous natural gas reserves pose a significant threat to the long-term sustainability of the industrial sector. The uncertainty surrounding gas supply has led to disruptions in production schedules and increased financial strain on the Company. Additionally, the expected rise in the gas tariff as part of the IMF agreement would lead to potential loss of competitiveness in the market. To tackle this pressing issue, a resolute commitment from the government is now more crucial than ever.

It is imperative for the government to devise a comprehensive policy aimed at harnessing the potential of shale gas within the country. By tapping into these untapped resources, Pakistan can reduce its dependency on dwindling natural gas reserves and secure a more stable and self-sufficient energy future. Such a strategic move will not only bolster the industrial sector but also contribute to overall economic growth and prosperity.

ACKNOWLEDGEMENT

I am truly thankful for the unwavering leadership and determination demonstrated by every member of our Company. I extend my heartfelt gratitude to the Board of Directors, Audit and Human Resource and Remuneration Committees, our dedicated staff, reliable partners, and supportive dealers for their collective efforts in surpassing expectations. It is through their hard work and commitment that we have been able to achieve remarkable outcomes and move forward together as a successful team.

A handwritten signature in purple ink, appearing to read 'Shabina Anjum', written in a cursive style.

Mrs. Shabina Anjum

Chairperson

Dated: October 07, 2023

چیمبرین کی جائزہ رپورٹ

معزز حصص یافتگان،

چیمبرین کی جائزہ رپورٹ برائے مختتمہ مدت 30 جون 2023 پیش کرتے ہوئے مسرت محسوس کرتی ہوں۔

معاشی جائزہ:

گذشتہ سال پاکستان کی معیشت کو غیر معمولی چیلنجز کا سامنا کرنا پڑا۔ تباہ کن سیلاب، روس اور یوکرین کی جنگ سے پیدا ہونے والی اجناس کی قیمتوں میں شدید اضافے، بیرونی ملکی سخت مالی حالات اور پالیسیوں کی خرابی کے باعث معاشی مشکلات مزید جمود کا شکار ہوئے اور کرونا جیسے وبائی امراض کے بعد کی بحالی کو روک دیا۔ نتیجتاً اقتصادی ترقی رک گئی، افراط زر میں نمایاں اضافہ ہوا، زرمبادلہ کے ذخائر انتہائی کم سطح پر پہنچ گئے اور مالی و بیرونی دباؤ دونوں ہی مزید تشویش کا باعث بن گئے۔

پیداواری شعبہ کو مذکورہ وجوہات کی بنا پر منفی اثرات کا سامنا کرنا پڑا، جس کی وجہ سے مالی سال 2023 میں 9.4 فیصد کی زبردست کمی دیکھی گئی۔ خام مال کی درآمد میں پابندی اور تاخیر کی وجہ سے عارضی طور پر مختلف کمپنیز کو پلانٹ بند کرنے پڑے جس سے صورتحال مزید خراب ہوئی اور اس کے نتیجے میں پیداواری صلاحیتوں میں رکاوٹ پیدا ہوئی۔ اسی طرح تعمیراتی صنعت نے بھی ناقص کارکردگی کا مظاہرہ کیا۔

پاکستان کا معاشی اور سیاسی منظر نامہ کافی غیر یقینی صورتحال سے دوچار رہا، جسے بڑھتے ہوئے قرضوں کے ڈیفالٹ ہونے کے امکان کے بارے میں میڈیا کی قیاس آرائیوں نے بڑھایا ہے۔ نتیجتاً کاروباری اعتماد میں شدید کمی واقع ہوئی ہے۔ موجودہ غیر یقینی صورتحال نے مختلف اسٹیک ہولڈر کو محتاط اور عام صارفین کو خوف زدہ کر دیا ہے۔

کاروباری جائزہ:

پاکستان کی ٹائلز اور سیرامکس کی صنعت کو بنیادی طور پر درج ذیل عوامل کی وجہ سے اہم منفی اثرات کا سامنا کرنا پڑا ہے۔ ان چیلنجز کا صنعت پر شدید اثر پڑا ہے، جس کے نتیجے میں کافی تعداد میں ڈاکٹر بنانے والی ان کا کام بند ہو گیا ہے یا بانوی فروخت کی کم طلب کی وجہ سے ان کی پیداوار میں کمی آئی ہے۔

- ☆ تعمیراتی سرگرمیوں میں سست روی، جس کی وجہ سے ٹائلز اور سیرامکس کی مارکیٹ کی مانگ میں کمی واقع ہوئی ہے۔
- ☆ مال برداری کے بڑھتے ہوئے اخراجات، بنیادی طور پر پاکستانی روپے کی قدر میں کمی اور توانائی کے بڑھتے ہوئے اخراجات۔
- ☆ غیبت ملکی کرنسی کے ذخائر میں کمی کی وجہ سے ٹائلز کی تیاری کے لئے درآمد شدہ خام مال پر پابندیاں۔
- ☆ قدرتی گیس کی مسلسل کمی جس کے نتیجے میں زیادہ مہنگے متبادل فیول کا استعمال ہوتا ہے۔

ان چیلنجز کا صنعت پر شدید اثر پڑا ہے، جس کے نتیجے میں کافی تعداد میں ٹائلرز بنانے والی کمپنیز کا کام بند ہو گیا ہے یا ثانوی فروخت کی کم طلب کی وجہ سے ان کی پیداوار میں کمی آئی ہے۔

کارکردگی کا اسکور بورڈ:

گذشتہ سال کمپنی نے اپنے پروڈکٹ پورٹ فولیو اور سیلز چینل مکس کے انتظام میں شامل اسٹراٹیجک اقدامات کے ذریعے آمدنی میں اضافہ حاصل کیا۔ فرنٹ اینڈ ٹیم نے مارکیٹ کے چیلنجنگ حالات کے باوجود اعلیٰ معیاری ٹائلرز کی متنوع ریخ کی بدولت جو رہائشی اور تجارتی دونوں منصوبوں کو پورا کرتی ہے، فروخت کے حجم کو برقرار رکھا۔ درآمد شدہ خام مال کی دستیابی میں چیلنجز کے باوجود انتظامیہ بلا تعطل پیداوار اور مارکیٹ کی طلب کو پورا کرنے کے لیے اعلیٰ معیاری مصنوعات کی دستیابی کو یقینی بنانے میں کامیاب رہی۔ مزید برآں، کمپنی نے صارفین کے اطمینان میں بہترین کارکردگی کا مظاہرہ کیا ہے، جو مثبت آراء اور بڑھتے ہوئے کسٹمر بیس سے ظاہر ہے۔ آپ کی کمپنی نے ماحولیاتی ذمہ داری سے وابستگی کا مظاہرہ کرتے ہوئے پائیداری کے اقدامات میں بھی نمایاں پیش رفت کی ہے۔ مجموعی طور پر کمپنی نے کامیابی کے ساتھ اپنی مارکیٹ پوزیشن کو مضبوط کیا ہے اور مستقبل میں مزید ترقی اور کامیابی کے لیے تیار ہے۔

تاہم لاگت میں نمایاں اضافے سے منافع بری طرح متاثر ہوا جو کہ خراب معاشی حالات اور سست مانگ کی وجہ سے قیمتوں میں اضافے سے پورا نہیں ہو سکا۔ ٹیکس کے بڑھتے ہوئے رجحان نے بھی کمپنی کے منافع کو متاثر کیا ہے۔

بورڈ کی کارکردگی اور کمپنی کے مقاصد کے حصول میں کردار:

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2018 کی دفعات کے تحت، بورڈ نے اپنی کارکردگی کے ساتھ ساتھ اپنے ممبران اراکین اور ذیلی کمیٹیوں کی کارکردگی کا سالانہ جائزہ لینے کے لیے ایک باضابطہ اور موثر طریقہ کار قائم کیا ہے۔ اس تشخیصی طریقہ کار کی منظوری اور کامیاب نفاذ کارپوریٹ گورننس کے معیارات پر عمل پیرا ہونے کے لیے بورڈ کے عزم کو ظاہر کرتا ہے۔

بورڈ کی مجموعی کارکردگی قابل ستائش رہی ہے، جس نے پوری تشخیصی مدت میں مضبوط قیادت اور اسٹراٹیجک فیصلہ سازی کا مظاہرہ کیا۔ کمپنی کی اقدار اور وژن کو برقرار رکھنے کے لیے ان کی انتھک لگن نے نمایاں کامیابیوں کا ترجمہ کیا ہے، جس سے تنظیم کو اس کے مقاصد کی طرف گامزن کیا گیا ہے۔ اپنے کردار کو نبھانے میں بورڈ کی تاثیر کو کم نہیں کیا جاسکتا کیونکہ اس نے چیلنجز کو بخوبی نبھایا ہے اور مثبت نتائج کی فراہمی کے مواقع کا استعمال کیا ہے۔ شفافیت، جوابدہی اور اختراع کے کلچر کو فروغ دے کر، بورڈ نے تمام اسٹیک ہولڈرز کو متاثر کیا ہے اور قیادت کی ٹیم کو بااختیار بنایا ہے کہ وہ مشترکہ اہداف کے لیے ہم آہنگی سے کام کریں۔ ان کی بصیرت پر مبنی رہنمائی اور محتاط رسک مینجمنٹ نے مسابقتی مارکیٹ کے منظر نامے میں کمپنی کی مسلسل ترقی اور کامیابی کو یقینی بنانے میں اہم کردار ادا کیا ہے۔

مستقبل کی پیش بینی:

پاکستان میں ٹائلز انڈسٹری کا مستقبل، ملک کے تعمیراتی شعبے کے حجم اور مستقبل میں مکانات کی طلب کی وجہ سے اب بھی ایک امید افزا منظر پیش کرتا ہے۔ ٹیکنالوجی اور ڈیزائن میں پیشرفت ایک اہم کردار ادا کرے گی، جس سے FCL جدید اور جمالیاتی لحاظ سے خوش خوش کن ٹائل حل پیش کر سکے گا جو صارفین کی ترقی پذیر ترجیحات کو پورا کرتے ہیں۔

اس مسابقتی ماحول میں سبقت حاصل کرنے کے لیے، آپ کی کمپنی کسٹمر پر مبنی حکمت عملیوں کو ترجیح دینے، ذاتی خدمات کی پیشکش، اور موثر مارکیٹنگ تکنیک کو نافذ کرنے پر توجہ مرکوز کر رہی ہے۔ ڈیجیٹل پلیٹ فارم اور ای کامرس کا استعمال کرتے ہوئے، ٹیم کا مقصد ایک وسیع تر کسٹمر بیس تک پہنچنا اور تیزی سے ترقی کرتی ہوئی مارکیٹ میں متعلقہ رہنا ہے۔

پاکستان میں توانائی ایک اہم مسئلہ ہے، ملکی قدرتی گیس کے کم ہوتے ذخائر صنعتی شعبے کی طویل مدتی پائیداری کے لیے کافی خطرہ ہیں۔ گیس کی فراہمی سے متعلق غیر یقینی صورتحال کے نتیجے میں پیداوار میں خلل پڑا ہے اور کمپنی کے لیے مالی دباؤ میں اضافہ ہوا ہے۔ مزید برآں IMF معاہدے کے حصے کے طور پر گیس ٹیرف میں متوقع اضافہ ممکنہ طور پر مارکیٹ میں مسابقت کو نقصان پہنچا سکتا ہے۔ اس فوری مسئلے کو حل کرنے کے لیے اب حکومت کی جانب سے مضبوط عزم کی ضرورت ہے، جو پہلے سے کہیں زیادہ اہم ہے۔

حکومت کے لیے ضروری ہے کہ وہ ایک جامع پالیسی وضع کرے جس کا مقصد ملک میں شیل گیس کی صلاحیت کو بروئے کار لانا ہے۔ ان غیر استعمال شدہ وسائل کو بروئے کار لاکر، پاکستان قدرتی گیس کے کم ہوتے ذخائر پر اپنا انحصار کم کر سکتا ہے اور زیادہ مستحکم اور خود کفیل توانائی کے مستقبل کو محفوظ بنا سکتا ہے۔ اس طرح کے اسٹریٹجک اقدام سے نہ صرف صنعتی شعبے کو تقویت ملے گی بلکہ مجموعی اقتصادی ترقی اور خوشحالی میں بھی مدد ملے گی۔

اعتراف:

میں بورڈ میں اپنے ساتھی ممبران کی متحرک معاونت پر مشکور ہوں جس کی وجہ سے کمپنی اپنے مقاصد کے حصول کے ساتھ ساتھ مسلسل حصص یافتگان کیلئے طویل مدتی قرار فراہم کرنے میں کامیاب رہی۔ بورڈ کے ممبران نے کمپنی کی سمت بندی کیلئے ایک قابل ذکر شور زار سال میں ٹیم کو رہنمائی فراہم کرنے میں کلیدی کردار ادا کیا۔

نصیب

شبینہ انجم

چیئر پرسن

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, 2023.

CHAIRPERSON 'S REVIEW REPORT:

The Chairperson'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:

During the year, persistent limitations on openings Letter of Credits and foreign payments remained in place and the economic conditions in the country were challenging because of ongoing political instability in the country. Other factors such as record devaluation of Pak Rupee, rise in tax rates, inflation, reduced foreign remittances, supply chains disruption, interest rates increased and delay in IMF programmer resumption, all contributed to general economic slowdown. Resultantly construction sector suffered unparalleled obstacles.

FINANCIAL PERFORMANCE:

A comparison of the operating results of the Company for the financial year ended June 30, 2023 against the same period last year is shown hereunder,

	2023	2022
	(Rupees in Millions)	
Turnover – net	4,115.40	3,758.16
Gross profit	103.35	241.38
Operating (Loss)/Profit	(41.99)	171.13
Finance cost	110.95	38.98
(Loss)/Profit before taxation	(131.52)	136.97
(Loss)/ Profit after taxation	(153.47)	38.50
(Loss)/ Earnings per share (Rs.)	(4.05)	1.02

The turnover of the Company showed a growth by 10% partly due to the continuous efforts to shift to high margin products and to counter against the increase in production costs.

Gross profit has reduced to Rs 103.35 million as compared to gross profit of Rs 241.38 million previous year. The main reason of reduction in gross profit, is settlement of additional amount of Rs. 130,062,943 including LSP of Rs 121,188,996= which have been provided in the year under review besides the inflation factors which increased the material components costs. The Company suffered the loss before taxation of Rs 131.52.54M as compared to profit of Rs 136.97 million previous year. The loss is mainly attributed to currency exchange loss of Rs.66.75 and additional finance cost of Rs. 72 million. Further administrative expenses also increased from Rs. 46.26 million to Rs. 59.74 and company was unable to fully pass on these increases through selling price. However, despite the challenges production activities were planned effectively and adjusted to cater to the customers' preferences.

LIQUIDITY AND CASH FLOW MANAGEMENT:

The Company primarily manages its capital expenditure requirements and short-term working capital requirements from its internally generated cash-flows and associated companies; 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. Company deals on cash basis and discourages the credit which ease the company in managing its cash flows.

BUSINESS RISKS AND CHALLENGES:

Pakistan's construction sector has been grappling with a slowdown in activity. Economic difficulties, including elevated inflation rates, volatile exchange rates, and political uncertainties, are significant factors that have led to this sluggishness. Building materials, an integral component of the construction industry, play a vital role not only in enhancing a nation's infrastructure and amenities, thus elevating its overall standard of living, but also in contributing substantially to the country's GDP Growth

Following are the major risks, which may affect our business operations:

- Fluctuation / interruption in gas supply due to curtailment, gas reserve depletion
- Revision in gas allocation policy and increased gas tariff (comingled natural gas and RLNG) exerting pressures on input cost
- Rising coal prices
- Problems in establishing LCs affecting the production cycle
- High inflation resulting in sluggish secondary sales
- Devaluation of rupee.
- Freight cost upsurge due to supply chain disruption, diesel prices.
- Irrational tax burden on compliant companies.

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 Ebrahim & 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 2024, for approval of the shareholders in the forthcoming Annual General Meeting.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE:

The Company Management is fully cognizant of its responsibility as recognized by the Companies Act, 2017 provisions and Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan (SECP). The following comments are acknowledgement of Board's commitment to high standards of Corporate Governance and continuous improvement:

- 1) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity
- 2) Proper books of account have been maintained by the Company.
- 3) Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment.
- 4) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of these financial statements.
- 5) The system of internal control is sound in design and has been effectively implemented and monitored. The process of monitoring internal controls will continue with the objective to further strengthen the controls and improve the system.
- 6) There are no significant doubts upon the Company's ability to continue as a going concern;
- 7) A summary of key operating and financial data of the Company of the last six years is annexed in the report on page No.
- 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 unaudited accounts of FRCL Provident Fund Trust for the year ended June 30, 2023 was Rs. 45.26 million (2022: Rs. 22.88 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, five meetings of Board of Directors (BOD) were held. All the meetings were held in Pakistan. The attendance and the composition of the Board of Directors are as follows:

Name of Director	Designation	No. of meetings attended
Mrs. Shabina Anjum	Chairperson & Independent Director	5
Mr. Nadeem Khalid	Chief Executive Officer	5
Mr. Omer Khalid	Non-Executive Director	5
Mr. Javid Khalid	Non-Executive Director	5
Mr. Zia Khalid	Executive Director	5
Ms. Numrah Khalid	Executive Director	5
Mr. Muhammad Riaz Khan	Independent Director	5
Mrs. Shazia Khalid	Non-Executive Director	5

Board Audit Committee:

The Board Audit Committee assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to share-holders, systems of internal control and risk management and the audit process. It has the autonomy to call for information from management and to consult directly with the external auditors or advisors as considered appropriate. The Chief Financial Officer regularly attends the Board Audit Committee meetings by invitation to present the accounts. After each meeting, the Chairperson of the Committee reports to the Board. The Committee comprises of two non-executive director and one 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 2022-23 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, 2023 due to operational losses and to meet the capital commitments.

PATTERN OF SHAREHOLDING:

Statements showing the pattern of shareholding as at June 30, 2023 required under Section 227 (2) (f) of the Companies Act, 2017 and the Code of Corporate Governance, is annexed to this report.

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

SUBSEQUENT EVENTS

The Company challenged SNGPL in court along with the application for grant of temporary injunction and the status quo was granted in our favour but later on the learned trial court (Gas Utility Court, Peshawar) rejected the suit on the ground of jurisdiction. The said order was then challenged in appeal which is still pending / sub-judice before the Honorable Peshawar High Court, Peshawar as there are conflicting judgments on the point of jurisdiction passed by the Honorable High Courts and Supreme Court of Pakistan. Hence the Company then moved an application in the present case as well as in the other connected cases pending in the high court for constitution of larger bench on the issue of jurisdiction the matter will take time and there is no probability of final decision in near future. The company earlier paid Rs. 127,043,661/= to SNGP in this regard as the Company protested the case and the said amount was recognized as an advance payment.

However, Company opted for the settlement of the matter with SNGPL vide their offer letter July 20, 2023 whereby Company was offered to settle the matter at amount of Rs 810,826,960/= vis a vis earlier provided amount of Rs 680,764,014 which is under subjudice with the court. Consequently, company has to settle/pay additional amount of Rs 130,062,943/=including additional Late Payment Surcharge (LPS) of Rs 121,188,996/=. As per Offer letter, Company managed to settle/pay the upfront payment of 40% of the settlement amounting to Rs 324,330,784/= on September 25, 2023 after adjustment of

advance payment of Rs 127,043,661/=. Remaining amount of Rs 486,496,176/= shall be paid in ten equal monthly instalments through post dated cheques. In case of non-compliance, the settlement facility shall be revoked forthwith followed by immediate disconnection of gas supply. Such arrangements are further subject to conditions that all the court cases pertaining to billing dispute would be withdrawn, however, GIDC/GST court recoveries cases (refer to Note.32.1.2, 32.1.5 & 32.1.9) which is separate subjudice matter with the court shall be dealt separately as per Court orders. Company is firm to comply with the agreed terms and conditions of the settlement to avoid revocation of the said arrangements. Matter is still pending with the court till it is withdrawn by the Company in future.

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 ratified /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.

PERFORMANCE EVALUATION OF THE BOARD OF DIRECTORS OF THE COMPANY

In accordance with the mandate of the Code of Corporate Governance and the Companies Act 2017, the Board conducts a yearly comprehensive self-evaluation of its collective performance along with its committees. This evaluation process is aimed at assessing the Board's overall performance and efficiency aligning it with the Company's set objectives. The evaluation concentrates on key issues such as:

1. Alignment of corporate Goals and objectives with the visions and mission of the Company
2. Strategy formulation for sustainable operations
3. Board's independence and
4. Evaluation of Board Committees performance in relation to discharging their responsibilities set out in respective terms of reference

Each year, an evaluation questionnaire is prepared in accordance with the Listed Companies (Code of Corporate Governance) Regulations 2019, and distributed to Directors for performance assessment. The Company Secretary ensures the utmost confidentiality upon receiving the complete questionnaires.

These evaluations are subsequently analyzed to pinpoint the area necessitating the enhancement and to bring to light any divergent viewpoint. For the Fiscal Year ended June 30, 2023, the overall performance and efficacy have been appraised satisfactory

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.

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.

OUTLOOK AND FUTURE PROSPECTS:

Looking ahead, we remain cautiously optimistic about the future. We will continue to prioritize product innovation, customer satisfaction, and operational excellence. Our strategy includes exploring the diversification of our product portfolio. We also aim to leverage digital platforms and e-commerce to enhance our reach and customer engagement.

The Company's unwavering dedication to excellence and customer satisfaction has remained steadfast. Even in these challenging times, our customers' unwavering trust continues to serve as a driving force.

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



Javid Khalid
Director

Date: October 07, 2023

Peshawar

ڈائریکٹرز رپورٹ

آپ کے ڈائریکٹرز اپنی سالانہ رپورٹ اور کمپنی کے مالیاتی گوشوارے برائے تختہ سال 30 جون 2023 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:

سال کے دوران ایئر آف کریڈٹ اور غیر ملکی ادا کیگیوں پر مسلسل پابندیاں برقرار ہیں اور ملک میں جاری سیاسی عدم استحکام کی وجہ سے ملک کے معاشی حالات بہت مشکل تھے۔ دیگر عوامل جیسے کہ پاکستانی روپے کی قدر میں ریکارڈ کمی، ٹیکس کی شرح میں اضافہ، افراط زر، غیر ملکی ترسیلات زر میں کمی، سپلائی چین میں خلل، شرح سود میں اضافہ اور آئی ایم ایف پروگرام کی بحالی میں تاخیر اقتصادی سست روی کا باعث بنے۔ نتیجاً تعمیراتی شعبے کو بے مثال رکاوٹوں کا سامنا کرنا پڑا۔

مالیاتی نتائج

مالیاتی سال تختہ سال 30 جون 2023 میں کمپنی کے کاروباری نتائج کا گزشتہ سال کے ساتھ مقالہ جائزہ درج ذیل ہے:

2022 سال	2023 سال	
ملین روپے	ملین روپے	تفصیلات
3,758.16	4115.40	ٹرن اور نیٹ
241.38	103.35	کل منافع
171.13	(41.99)	آپریٹنگ (نقصان) یا منافع
38.98	110.95	مالیاتی لاگت
136.97	(131.52)	(نقصان) یا منافع ٹیکس سے پہلے
38.50	(153.47)	(نقصان) یا منافع ٹیکس کے بعد
1.02	(4.05)	(نقصان) یا آمدنی فی شیئر

کمپنی کے ٹرن اور نیٹ 10 فیصد اضافہ ہوا جس کی وجہ زیادہ مارجن والی مصنوعات کی طرف جانے کی مسلسل کوششوں اور پیداواری لاگت میں اضافے کا مقابلہ کرنے کی وجہ سے ہے۔ مجموعی منافع گزشتہ سال 241.38 ملین روپے کے مجموعی منافع کے مقابلے میں کم ہو کر 103.35 ملین روپے رہ گیا ہے۔ مجموعی منافع میں کمی کی بنیادی وجہ 130,062,943 روپے کی اضافی رقم کا تصفیہ ہے۔ جس میں 121,188,996 روپے کی LSP بھی شامل ہے، جو کہ زیر جائزہ سال میں فراہم کی گئی ہیں اس کے علاوہ افراط زر کے عوامل جنہوں نے مادی اجزاء کی لاگت میں اضافہ کیا۔ کمپنی کو ٹیکس سے پہلے 131.52.54 ملین روپے کا نقصان ہوا جو پچھلے سال کے 136.97 ملین روپے کے منافع کے مقابلے میں تھا۔ نقصان بنیادی طور پر کرنسی ایکسچینج کے نقصان 66.75 ملین روپے اور 72 ملین روپے کی اضافی مالیاتی لاگت سے منسوب ہے۔ مزید انتظامی اخراجات بھی 46.26 ملین روپے سے بڑھ کر 59.74 ملین روپے ہو گئے۔ کمپنی فروخت کی قیمت کے ذریعے ان اضافے کو مکمل طور پر منتقل کرنے میں ناکام رہی۔ تاہم، چیلنجوں کے باوجود پیداواری سرگرمیوں کی مؤثر طریقے سے منصوبہ بندی کی گئی اور صارفین کی ترجیحات کو پورا کرنے کے لیے ایڈجسٹ کیا گیا۔

لیویڈیٹی اور کیش فلو کا انتظام۔

کمپنی بنیادی طور پر اپنے سرمائے کے اخراجات کی ضروریات اور قلیل مدتی ورکنگ کیپٹل کی ضروریات کو اپنے اندرونی طور پر پیدا ہونے والے کیش فلو اور متعلقہ کمپنیوں سے سنبھالتی ہے۔ تاہم، یہ حکومت یا مرکزی بینک کی طرف سے اعلان کردہ کسی بھی اسکیم کے حصے کے طور پر رعایتی شرحوں پر دستیاب کسی بھی قلیل مدتی فنانسنگ کا فائدہ اٹھاتا ہے اور سمجھا رہا ہے کہ لیویڈیٹی مینجمنٹ کمپنی کو اپنی مضبوط لیویڈیٹی پوزیشن کو برقرار رکھنے میں مدد کرتا ہے۔ کمپنی کا خیال ہے کہ وہ ایک بہترین سرمائے کے ڈھانچے کو برقرار رکھے ہوئے ہے۔ کمپنی نقد کی بنیاد پر ڈیل کرتی ہے اور کریڈٹ کی حوصلہ شکنی کرتی ہے جو کمپنی کو اپنے کیش فلو کے انتظام میں آسانی پیدا کرتی ہے۔

کاروباری خطرات اور چیلنجز۔

پاکستان کا تعمیراتی شعبہ سرگرمیوں میں سست روی کا شکار ہے۔ اقتصادی مشکلات، بشمول بلند افراط زر کی شرح، غیر مستحکم شرح مبادلہ، اور سیاسی غیر یقینی صورتحال، وہ اہم عوامل ہیں جو اس سستی کا باعث بنے ہیں۔ تعمیراتی مواد، تعمیراتی صنعت کا ایک لازمی جزو، نہ صرف کسی ملک کے بنیادی ڈھانچے اور سہولیات کو بڑھانے میں، اس طرح اس کے مجموعی معیار زندگی کو بلند کرنے میں، بلکہ ملک کی جی ڈی پی کی نمو میں بھی خاطر خواہ حصہ ڈالنے میں اہم کردار ادا کرتا ہے۔

درج ذیل بڑے خطرات ہیں، جو ہمارے کاروباری آپریشنز کو متاثر کر سکتے ہیں:

- کمی، گیس کے ذخائر میں کمی کی وجہ سے گیس کی سپلائی میں اتار چڑھاؤ / رکاوٹ
- گیس مختص کرنے کی پالیسی میں نظر ثانی اور گیس ٹیرف میں اضافہ (آنے والی قدرتی گیس اور آرائیل این جی) ان پٹ لاگت پر دباؤ ڈالتا ہے۔
- کوئلے کی بڑھتی ہوئی قیمتیں۔
- ایل سی کے قیام میں مسائل جو پیداواری دور کو متاثر کرتے ہیں۔
- اعلیٰ افراط زر کے نتیجے میں ثانوی فروخت میں سست روی ہے۔
- روپے کی قدر میں کمی۔
- سپلائی چین میں خلل، ڈیزل کی قیمتوں کی وجہ سے مال بردار لاگت میں اضافہ۔
- تعمیل کرنے والی کمپنیوں پر ٹیکس کا غیر معقول بوجھ۔

کارپوریٹ اور سماجی ذمہ داری۔

کئی سالوں کے دوران ہماری کمپنی نے مختلف سماجی سرگرمیوں کے ذریعے معاشرے کی فلاح و بہبود کے لیے اہم کردار ادا کیا ہے۔ CSR پالیسی کے تحت، کمپنی بنیادی طور پر صحت کی دیکھ بھال، تعلیم اور معاشرے پر زور دیتی ہے۔

صحت، حفاظت اور ماحولیات:

کمپنی ہمیشہ ساتھیوں کے لیے ایک محفوظ اور محفوظ کام کا ماحول بنانے کی کوشش کرتی ہے۔ بنیادی حفاظتی رہنما خطوط کے تحت، کمپنی کام کے ایک ایسے ماحول کو حاصل کرنے کی کوشش کرتی ہے جو تحفظ اور تحفظ کے حقیقی احساس کے ساتھ کام کرنے والے لوگوں کے لیے خوشی کا باعث ہو۔ ہیلتھ اینڈ سیفٹی ڈویژن کمپنی کی طرف سے صنعتی حادثات اور ان کی تکرار کو روکنے کے ساتھ ساتھ ساتھیوں کی صحت کو یقینی بنانے کے لیے قائم کیا گیا ہے۔

اگرچہ وبائی مرض سال کے آخر میں کم ہو جاتا ہے، سماجی دوری اور COVID-19 کی حفاظت کے لیے بنیادی احتیاطی تدابیر کو سال بھر دیکھا گیا۔ تمام ورک سٹیشنز اور دوپہر کے کھانے کی میزیں محفوظ تھیں۔ ہمیں یہ بتاتے ہوئے فخر ہے کہ تمام ملازمین، کارکنان اور ٹھیکیداروں کو کووڈ-19 کے خلاف مکمل طور پر ٹیکے لگائے گئے ہیں۔

اندرونی گرفت کے نظام کی موزونیت

کمپنی کا وینٹنگ ریکارڈ موزوں انداز میں مرتب رکھنے کے لئے ایکٹ کی شقوق کی پاسداری کرتی ہے تاکہ پانی 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 گروٹوں کو تیار، نافذ اور برقرار رکھا جاسکے جن سے موثر انداز میں درستی 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 اندرونی گرفت کا نظام کمپنی سے باہر ایک ادارے کو سپرد کیا ہے جو کہ اس مقصد کے لیے تعلیم یافتہ اور تجربہ کار ہے اور کمپنی کی پالیسیوں اور طریقہ کار سے آگاہ ہے۔ بورڈ نے انٹزل 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 ڈیٹرمینرز BDO Ebrhim & Coز چارٹرڈ اکاؤنٹنٹس سبڈوش ہو چکے ہیں اور اہلیت کے باعث انھوں نے اپنی دوبارہ تقرری کی پیشکش کی ہے۔ بورڈ نے سبڈوش ہونے والے ڈیٹرمیز 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 ضابطگی پاسداری:

کمپنی کے عمل اور اپنی ایکٹ 2017 کی شقوق اور سیکورٹی اینڈ کنٹریول کمیشن آف پاکستان کے جاری کردہ کوڈ آف کارپوریٹ گورننس کے تحت اپنی ذمہ داریوں سے بخوبی آگاہ ہے۔ مندرجہ ذیل مندرجات بورڈ کی کارپوریٹ گورننس کے اعلیٰ معیار اور بہتری کا اعتراف کرتے ہیں۔

1- کمپنی کی انتظامیہ کے تیار کردہ گوشوارے کمپنی کے معاملات، اس کے کاروباری متانت، نقری کے بہا اور کوئی میں تبدیلیوں کو شفافیت کے ساتھ پیش کرتے ہیں۔

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

3- درست حساناتی مالی بیسیوں کو تسلسل کے ساتھ مالیاتی گوشواروں کی تیاری کے دوران کوٹھو خاطر رکھا گیا ہے اور حساباتی تخمینوں کی بنیاد در معقول اور مضبوط فیصلوں پر ہے۔

4- مالیاتی گوشواروں کی تیاری کے دوران عالمی مالیاتی رپورٹنگ، معیارات، جو پاکستان میں لاگو ہے کوٹھ خاطر رکھا گیا ہے۔

5- اندرونی گرفت نظام کی شکل مضبوط ہے اور موثر انداز میں نافذ کامل ہے۔ اندرونی گرفت کی نگرانی کا ایبیل اس مقصد سے ساتھ جاری رکھا جائے گا تا کہ گرفت کو مرنی شکل اور نظام کو بہتر بنایا جاسکے۔

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

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

8- پاکستان اسٹاک انچ رول بک (قوانین کی کتاب میں دیئے گئے ادارتی نظم و ضبط کے بہترین طور طریقوں سے کوئی تقابل گرفت انحراف نہیں کیا گیا۔

9- کمپنی نے اپنے ملازمین کے لئے مردو بیڈ پڑچلا رہی ہے اور FRCL کے مردو بیڈ پیڈ کے آڈٹ شدہ کھاتوں کے مطابق سال متہ 30 جون 2023 مردو بیڈ فنڈ سے کی گئی سرمایہ کاری کی مالیت 45.26 ملین روپے ہے (2022، 22.88 ملین روپے ہے)

10- ٹیکسز، لیویز اور چارجز کی مد میں کوئی بقایا، قانونی ادائیگیاں نہیں ہیں۔ سوائے ان مالیاتی گوشواروں میں جن کا انکشاف کیا گیا 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 پانچ اجلاس منعقد ہوئے۔ تمام اجلاس پاکستان میں منعقد ہوئے۔

بورڈ آف امریکٹرز کی تشکیل بند در حاضری درج ذیل ہے

ڈائریکٹر کا نام	عہدہ	اجلاسوں میں شرکت کی تعداد
مسز شہینا انجم	آزاد ڈائریکٹر اور چیئر پرسن	5
جناب ندیم خالد	چیف ایگزیکٹو آفیسر	5
جناب عمر خالد	نان ایگزیکٹو ڈائریکٹر	5
جناب جاوید خالد	نان ایگزیکٹو ڈائریکٹر	5
جناب ضیاء خالد	ایگزیکٹو ڈائریکٹر	5
محترمہ منورہ خالد	ایگزیکٹو ڈائریکٹر	5
جناب محمد ریاض خان	نان ایگزیکٹو ڈائریکٹر	5
مسز شاز یہ خالد	نان ایگزیکٹو ڈائریکٹر	5

بورڈ کی آڈٹ کمیٹی

بورڈ کی آڈٹ کمیٹی بورڈ کی ذمہ داریوں کی ادائیگی، ابتدائی مالیاتی امور کی رپورٹ کا جائزہ ہے، غیر مالیاتی امور کی شیئر ہولڈر کو فرامی، اندرونی گرفت کے نظام ماحق خطرات کے انتظام (در 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

فنانس آفیسر باقاعدگی کی بورڈ کی آڈٹ کمیٹی کے اجلاس میں شریک ہوتا ہے جسے کھانوں کو پیش کرنے کے مدعو کیا جاتا ہے۔ ہر میٹنگ کے بعد بیٹی کی چارمرن بورڈ کو رپورٹ کرتی ہے۔ آڈٹ کمیٹی دو نان ایگز

یکٹو ڈائریکٹرز اور ایک ایگزیکٹو ڈائریکٹر مشتمل ہے۔ بارہ ماہ کے دوران آڈٹ کمیٹی کے چار اجلاس ہوئے۔ بورڈ آف ڈائریکٹرز کی درجہ بندی درج ذیل ہے۔

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

انسانی وسائل اور معاوضہ کمیٹی:

یہ کمیٹی اہل 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 کمیٹی کے HR کا سربراہ انسانی وسائل اور معاوضہ کمیٹی کے اجلاس میں شرکت کرتے ہیں۔ 2022-23 کے دوران کمیٹی کے دو اجلاس ہوئے۔ جس میں تمام ممبران نے شرکت کی۔ کمیٹی ان افراد پر مشتمل ہے۔

ڈائریکٹر کا نام	عہدہ
مسز شینا انجم	آزاد ڈائریکٹر اور چیئر پرسن
محترمہ منیرہ خالد	ایگزیکٹو ڈائریکٹر
جناب جاوید خالد	نان ایگزیکٹو ڈائریکٹر

منافع منقسمہ:

بورڈ آف ڈائریکٹرز نے مالی سال اختتام 30 جون 2023 پر آپریشنل نقصانات اور سرمائے کے وعدوں کو مد نظر رکھتے ہوئے ڈیویڈنڈ کی سفارش نہیں کی ہے۔

حصص داری کی ساخت:

کمیٹی ایکٹ 2017 کی دفعہ (1)(2) اور ادراقاتی نظم و ضبط کے تحت سال 30 جون 2023 کے حصص داری کی ساخت پر مشتمل گوشوارے اس رپورٹ کے ساتھ لف ہیں۔ ڈائریکٹرز، چیف ایگزیکٹو، سی ایف او، کمیٹی سیکریٹری، ہیڈ آف انٹرنل آڈٹ اور ان کے شریک حیات یا چھوٹے بچوں نے سال کے دوران پانی کے حصص میں کوئی خرید و فروخت نہیں کی۔

بعد از اوقات:

کمیٹی نے عارضی حکم امتناعی کی درخواست کے ساتھ ایس این جی پی ایل کو عدالت میں چیلنج کیا اور ہمارے حق میں جوں کا توں برقرار رکھا گیا لیکن بعد میں معروف ٹرائل کورٹ (گیس پٹیٹی کورٹ، پشاور) نے دائرہ اختیار کی بنیاد پر مقدمہ کو مسترد کر دیا۔ اس کے بعد مذکورہ حکم کو اپیل میں چیلنج کیا گیا جو ابھی تک معزز جج پشاور ہائی کورٹ، پشاور کے سامنے زیر التوا/ زیر سماعت ہے کیونکہ معزز ہائی کورٹس اور سپریم کورٹ آف پاکستان کے دائرہ اختیار کے کٹ پر متضاد فیصلے موجود ہیں۔ اس لیے کمیٹی نے پھر موجودہ کیس کے ساتھ ساتھ ہائی کورٹ میں زیر التوا دیگر متعلقہ کیسز میں دائرہ اختیار کے معاملے پر لارجر بینچ کی تشکیل کے لیے درخواست دائر کی اور اس معاملے میں وقت لگے گا اور مستقبل قریب میں حتمی فیصلے کا کوئی امکان نہیں ہے۔ کمیٹی نے پہلے ایس این جی پی ایل کو 127,043,661 روپے ادا کیے تھے۔ اس سلسلے میں جب کمیٹی نے اس کیس پر احتجاج کیا اور مذکورہ رقم کو پیٹنگی ادا کی گئی کے طور پر تسلیم کیا گیا۔

تاہم، کمیٹی نے 20 جولائی 2023 کو اپنے آفر لیٹر کے ذریعے SNGPL کے ساتھ معاملے کے تصفیہ کا انتخاب کیا جس کے تحت کمیٹی کو 810,826,960 روپے کی رقم کے مقابلے میں پہلے فراہم کردہ 680,764,014 روپے کی رقم کے ساتھ معاملہ طے کرنے کی پیشکش کی گئی تھی جو کہ زیر سماعت ہے۔ عدالت نتیجتاً، کمیٹی کو 130,062,943 روپے کی اضافی رقم کا تصفیہ ادا کرنا ہوگا جس میں 121,188,996 روپے کے اضافی لیٹ ادا کی گئی سرچارج (LPS) بھی شامل ہیں۔ آفر لیٹر کے مطابق، کمیٹی 25 ستمبر 2023 کو 127,043,661 کی ایڈوانس ادا کی گئی کے بعد سیٹلمنٹ کا 40% (324,330,784) کی پیشگی ادا کی گئی طے کرنے/ ادا کی گئی کرنے میں کامیاب رہی۔ 486,496,176 روپے کی بقیہ رقم دس مساوی ماہانہ قسطوں میں پوسٹ ڈیڈ چیک کے ذریعے ادا کی جائے گی۔ عدم تعمیل کی صورت میں، سیٹلمنٹ کی سہولت کو فوری طور پر منسوخ کر دیا جائے گا اور اس کے بعد فوری طور پر کیس کی سپلائی منقطع کر دی جائے گی۔ اس طرح کے انتخابات مزید شرائط کے ساتھ مشروط ہیں کہ بینک تنازعہ سے متعلق تمام عدالتی مقدمات کو واپس لے لیا جائے گا، تاہم، GST/ GIDC عدالت کے ریکوری کیسز (نوٹ 32.1.2، 32.1.5 اور 32.1.9 کا حوالہ دیں) جو الگ الگ ماتحت معاملہ ہے۔ عدالت کے احکامات کے مطابق عدالت کے ساتھ الگ سے نمٹا جائے گا۔ کمیٹی مذکورہ انتخابات کی تمنیج سے بچنے کے لیے تصفیہ کی طے شدہ شرائط و ضوابط کی تعمیل کرنے کے لیے پختہ ہے۔ معاملہ اب بھی عدالت میں زیر التوا ہے جب تک کہ کمیٹی اسے مستقبل میں واپس نہیں لے لیتی۔

ملحقہ فریقین کے سودے:

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

کاروباری تسلسل کے سودے:

کمیٹی ایک جامع کاروباری تسلسل کی منصوبہ بندی کے پروگرام کی اہمیت کو تسلیم کرتی ہے جو اسے بڑے کاروباری رکاوٹوں کے لیے منصوبہ بندی کرنے اور ان کا انتظام کرنے کی اجازت دیتا ہے۔ تمام قابل ذکر خطرات گرفت کے امکانات اور کمیٹی کی نشاندہی کی جاتی ہے۔ اس منصوبہ 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 دار یوں سے آگاہ ہو گئیں۔ ان میں قدرتی آفات، آلات کے چلنے میں ناکامی، سرکاری و قانونی افعال اور مالیاتی اور کاروباری فضا میں تبدیلیاں شامل ہیں۔ ان کے علاوہ ڈیزاسٹر ریکوری مناسب انداز میں قائم کیا گیا ہے تاکہ ہمارے بنیادی سرور میں کوئی مسائل ہونے تو بیک اپ سرور اس ڈیٹا کو برقرار رکھ سکے۔

کمپنی کے بورڈ آف ڈائریکٹرز کی کارکردگی کا جائزہ

کوڈ آف کارپوریٹ گورننس اوپینیز ایکٹ 2017 کے مینڈیٹ کے مطابق، بورڈ اپنی کمیٹیوں کے ساتھ اپنی اجتماعی کارکردگی کا سالانہ جامع خود جائزہ لیتا ہے۔ اس تشخیصی عمل کا مقصد بورڈ کی مجموعی کارکردگی اور کارکردگی کا اندازہ لگانا ہے اور اسے کمپنی کے طے شدہ مقاصد کے ساتھ ہم آہنگ کرنا ہے۔ تشخیصی کلیدی مسائل پر مرکوز ہے جیسے:

1. کمپنی کے وژن اور مشن کے ساتھ کارپوریٹ اہداف اور مقاصد کی صف بندی

2. پائیدار آپریشنز کے لیے حکمت عملی کی تشکیل

3. بورڈ کی آزادی اور

4. متعلقہ شرائط میں مقرر کردہ اپنی ذمہ داریوں کو نبھانے کے سلسلے میں بورڈ کمیٹیوں کی کارکردگی کا جائزہ

ہر سال، لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے مطابق ایک تشخیصی سوالنامہ تیار کیا جاتا ہے، اور کارکردگی کی جانچ کے لیے ڈائریکٹرز کو تقسیم کیا جاتا ہے۔ کمپنی سیکرٹری مکمل سوالنامے موصول ہونے پر انتہائی رازداری کو یقینی بناتا ہے۔

ان تجزیوں کا بعد میں تجزیہ کیا جاتا ہے تاکہ اس علاقے کی نشاندہی کی جاسکے جس میں اضافہ کی ضرورت ہے اور کسی بھی مختلف نقطہ نظر کو سامنے لایا جائے۔ 30 جون 2023 کو ختم ہونے والے مالی سال کے لیے مجموعی کارکردگی اور افادیت کو تسلی بخش قرار دیا گیا ہے۔

سی ای او کی کارکردگی کا جائزہ

سی ای او کی کارکردگی کا باضابطہ جائزہ نظام کے ذریعے کیا جاتا ہے جس میں کاروبار کی کارکردگی، منافع کے حوالے سے مقاصد کی تکمیل، تنظیم سازی، جانشینی کی منصوبہ بندی اور کارپوریٹ کامیابی شامل ہوتی ہے۔

ڈائریکٹرز کا معاوضہ:

کمپنی کے پاس کمپنیز ایکٹ، 2017 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے مطابق اپنے ڈائریکٹرز کے معاوضے کے لیے ایک باضابطہ پالیسی اور شفاف طریقہ کار ہے۔ ڈائریکٹرز آڈٹ لک اور مستقبل کے امکانات:

آگے دیکھتے ہوئے، ہم مستقبل کے بارے میں محتاط طور پر پرامید رہتے ہیں۔ ہم مصنوعات کی جدت، گاہک کی اطمینان اور آپریشنل فضیلت کو ترجیح دیتے رہیں گے۔ ہماری حکمت عملی میں ہمارے پروڈکٹ پورٹ فولیو کی تنوع کو تلاش کرنا شامل ہے۔ ہمارا مقصد ڈیجیٹل پلیٹ فارمز اور ای کامرس سے فائدہ اٹھانا ہے تاکہ ہماری رسائی اور کسٹمر کی مصروفیت کو بڑھایا جاسکے۔ بہترین کارکردگی اور صارفین کی اطمینان کے لیے کمپنی کی غیر متزلزل گن ثابت قدم رہی۔ اس مشکل وقت میں بھی، ہمارے صارفین کا غیر متزلزل اعتماد ایک محرک کے طور پر کام کر رہا ہے۔

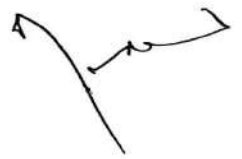
اعتراف:

بورڈ آف ڈائریکٹرز اپنے تمام اسٹیک ہولڈرز کو ان کے اعتماد اور کمپنی پر مسلسل تعاون کے لیے سراہتا ہے اور امید کرتا ہے کہ مستقبل میں بھی کمپنی کے لیے یہی جذبہ عقیدت برقرار رہے گا۔

بورڈ کی جانب سے:



جاوید خالد
ڈائریکٹر



ندیم خالد
چیف ایگزیکٹو

مورخہ: پشاور، اکتوبر 07، 2023

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

* In a board comprising of 7 members, one third works out to be 2.33 in which fraction is below half (i.e.0.5). The fraction contained in such one-third is not rounded up to one. Company has qualified and experienced independent directors on the board who perform and carry out their responsibility diligently.

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 the 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. 2023, 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, 2023.
 - b) HR and Remuneration Committee: One meeting was held during the year ended June 30, 2023.
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
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 of the remaining six directors have obtained DTP certification. Remaining two directors have more than 11 & 14 years of experience as directors of the Company. By virtue of their experience, they will also not require for DTP once they complete the remaining term of qualification.



Nadeem Khalid
Chief Executive
Date: October 07, 2023
Peshawar



Javid 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, 2023 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, 2023.

Further, we highlight below instances of non-compliance with the requirements of the code as reflected in note 19 in the statement of compliance.

rehab

Regulations	Explanation
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.
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 of the remaining six directors have obtained DTP certification. Remaining two directors have more than 11 & 14 years of experience as directors of the Company. By virtue of their experience, they will also not require for DTP once they complete the remaining term of qualification.

ISLAMABAD

DATED: 07 OCTOBER 2023
UDIN: CR202310060713kn2VLhCHARTERED ACCOUNTANT
Engagement Partner: Atif Riaz

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, 2023, 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, 2023 and of the loss and other comprehensive loss, 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>Revenue Recognition</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 perspective.</p> <p>Due to the significant risk associated with revenue recognition and the work effort from the audit team, the recognition of revenue is considered to be a key audit matter.</p>	<p>Our audit procedures included considering the appropriateness of the Company's revenue recognition accounting policies and assessing compliance with the policies in accordance with the applicable financial reporting framework.</p> <ul style="list-style-type: none"> • Control testing over the point of transfer of risk and rewards was supported by substantive audit procedures including, amongst others: • Performing analytical tests on the revenue. • Testing a sample of sales transactions around year end to ensure inclusion in the correct Period <p>Testing of a sample of sales and trade receivables at year end by agreeing a sample of open invoices at year end to subsequent receipts from customers.</p>
2.	<p>Related party transactions (Refer Note 49 in the financial statements)</p> <p>The company has significant long / short term lending's and borrowings with the related parties, further significant amount of advance against land is also provided 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 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.

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 Atif Riaz.

ISLAMABAD

DATED: 07 OCTOBER 2023

UDIN: AR202310060pwNGWEkgs



BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS
2023

FRONTIER CERAMICS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	2,535,105,392	2,776,401,412
Capital work in progress	8	-	-
Investment property	9	542,650	570,743
		<u>2,535,648,042</u>	<u>2,776,972,155</u>
Long term deposits	10	5,925,450	5,925,450
Long term advances	11	550,921,284	555,531,060
		<u>3,092,494,776</u>	<u>3,338,428,665</u>
CURRENT ASSETS			
Stores, spares and loose tools	12	270,488,018	180,764,782
Stock in trade	13	472,982,993	234,628,441
Trade debts	14	21,583,144	298,130
Other receivables	15	2,177,280	29,683,470
Short term lending	16	160,373,432	28,287,075
Advances	17	178,529,110	81,576,719
Tax refunds due from Government	18	63,962,052	63,962,052
Taxation - net	19	86,217,469	49,859,070
Cash and bank balances	20	7,116,368	35,876,208
		<u>1,263,429,866</u>	<u>704,935,947</u>
TOTAL ASSETS		<u><u>4,355,924,642</u></u>	<u><u>4,043,364,612</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	21	378,738,210	378,738,210
Discount on issue of right shares	22	(180,795,726)	(180,795,726)
		<u>197,942,484</u>	<u>197,942,484</u>
Revaluation surplus on property, plant and equipment	23	1,161,971,530	1,205,963,178
Unappropriated profit		242,169,885	351,650,169
		<u>1,602,083,899</u>	<u>1,755,555,831</u>
NON CURRENT LIABILITIES			
Long term financing	24	13,097,827	43,789,513
Loan from related parties	25	699,488,141	314,611,937
Gas infrastructure development cess	26	2,173,752	34,679,727
Liability under finance lease	27	8,216,546	22,458,745
Deferred liability	28	25,393,458	25,393,458
Deferred taxation	29	347,656,942	377,150,527
		<u>1,096,026,666</u>	<u>818,083,907</u>
CURRENT LIABILITIES			
Unclaimed dividend		3,189,224	3,189,224
Current portion of long term financing	24	32,333,366	29,473,410
Current portion of GIDC payable	26	125,831,160	89,862,443
Current portion of liability under finance lease	27	12,989,487	11,133,846
Trade and other payables	30	1,483,470,840	1,336,065,951
		<u>1,657,814,077</u>	<u>1,469,724,874</u>
TOTAL EQUITY AND LIABILITIES		<u><u>4,355,924,642</u></u>	<u><u>4,043,364,612</u></u>

CONTINGENCIES AND COMMITMENTS

31

The annexed notes from 1 to 53 form an integral part of these financial statements.

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

FRONTIER CERAMICS LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
Sales - net	32	4,115,402,797	3,758,162,019
Cost of sales	33	<u>(4,012,057,679)</u>	<u>(3,516,785,182)</u>
Gross profit		103,345,118	241,376,837
Distribution cost	34	(15,239,783)	(11,409,460)
Administrative expenses	35	(59,744,716)	(46,268,618)
Other operating expenses	36	<u>(70,350,361)</u>	<u>(12,572,953)</u>
Operating (loss)/ profit		(41,989,742)	171,125,806
Other income	37	21,413,391	4,822,085
Finance cost	38	<u>(110,946,636)</u>	<u>(38,975,082)</u>
(Loss) / profit before taxation		(131,522,987)	136,972,809
Taxation	39	<u>(21,948,945)</u>	<u>(98,468,378)</u>
(Loss) / profit for the year		<u>(153,471,932)</u>	<u>38,504,431</u>
(Loss) / earnings per share - basic and diluted	40	<u>(4.05)</u>	<u>1.02</u>

The annexed notes from 1 to 53 form an integral part of these financial statements. *2023*


CHIEF FINANCIAL OFFICER


CHIEF EXECUTIVE OFFICER


DIRECTOR

FRONTIER CERAMICS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022
	Rupees	Rupees
(Loss) / profit for the year	(153,471,932)	38,504,431
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss:		
Remeasurement of gratuity	-	4,895,869
Related deferred tax impact	-	(1,419,802)
	-	3,476,067
Total comprehensive (loss) / income for the year	<u>(153,471,932)</u>	<u>41,980,498</u>

The annexed notes from 1 to 53 form an integral part of these financial statements.


CHIEF FINANCIAL OFFICER


CHIEF EXECUTIVE OFFICER


DIRECTOR

FRONTIER CERAMICS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2023

	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, 2021	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					
Profit for the year	-	-	-	38,504,431	38,504,431
Remeasurement of gratuity	-	-	-	4,895,869	4,895,869
Related deferred tax impact	-	-	-	(1,419,802)	(1,419,802)
Transfer from revaluation surplus on property, plant and equipment in respect of incremental depreciation - net of deferred tax	23	-	(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
Total comprehensive income for the year ended June 30, 2023					
Loss for the year	-	-	-	(153,471,932)	(153,471,932)
Transfer from revaluation surplus on property, plant and equipment in respect of incremental depreciation - net of deferred tax	23	-	(43,991,648)	43,991,648	-
Balance as at June 30, 2023	378,738,210	(180,795,726)	1,161,971,530	242,169,885	1,602,083,899

The annexed notes from 1 to 53 form an integral part of these financial statements.

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

FRONTIER CERAMICS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

Note	2023 Rupees	2022 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(131,522,987)	136,972,809
Adjustment for non-cash items:		
Depreciation	245,355,377	206,680,452
Finance cost	110,946,636	38,975,082
Gas Infrastructure Development Cess	(32,505,975)	(23,644,409)
Gain on disposal of property, plant and equipment	(400,000)	-
Provision for gratuity	-	2,701,809
	<u>323,396,038</u>	<u>224,712,934</u>
Cashflows before working capital changes	191,873,051	361,685,743
Changes in working capital:		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(89,723,236)	(61,411,655)
Stock in trade	(238,354,552)	(61,271,966)
Trade debts	(21,285,014)	6,592,799
Other receivables	27,506,193	(29,683,470)
Short term lending	(132,086,357)	(20,650,075)
Advances	(96,952,389)	59,371,922
Increase in current liabilities		
Trade and other payables	147,404,889	732,737,342
Current portion of GIDC payable	35,968,717	29,054,547
	<u>(367,521,749)</u>	<u>654,739,444</u>
Cash (used in) / generated from operations	(175,648,698)	1,016,425,187
Finance cost paid	(110,946,636)	(38,975,082)
Taxes paid	(87,800,934)	(92,607,688)
	<u>(198,747,570)</u>	<u>(131,582,770)</u>
Net cash (used in) / generated from operating activities	(374,396,268)	884,842,417
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	(17,059,243)	(143,818,583)
Disposal of property, plant and equipment	13,427,979	-
Addition to capital work in progress	-	(633,100,837)
Long term deposits	-	(4,412,000)
Net cash used in investing activities	(3,631,264)	(781,331,420)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing	(27,831,730)	73,262,923
Lease liability	(12,386,558)	33,592,591
Loans from related parties	384,876,204	15,575,280
Long term advances	4,609,776	(234,015,585)
Net cash generated from / (used in) financing activities	<u>349,267,692</u>	<u>(111,584,791)</u>
Net decrease in cash and cash equivalents	(28,759,840)	(8,073,794)
Cash and cash equivalents at the beginning of the year	35,876,208	43,950,002
Cash and cash equivalents at the end of the year	<u>7,116,368</u>	<u>35,876,208</u>

The annexed notes from 1 to 53 form an integral part of these financial statements.

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE OFFICER

DIRECTOR

FRONTIER CERAMICS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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;
- 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. *20/06/23*

The preparation of these financial statements in conformity with approved accounting standards requires the management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements 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.

Judgements and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are discussed in Note 6.

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 and investment property - Note 6(b) & 7.1 & 9
- Provision for impairment of inventories - Note 5.6 & 13
- Provision for impairment of stores and spares - Note 5.5 & 12
- Measurement of ECL allowance for trade debts- Note 5.7 & 14.1
- Provision for GIDC charges - Note 26
- Provision for taxation and recognition of deferred tax assets - Note 5.11 & 29
- Leases - Note 5.4 & 27
- Estimation of contingent liabilities - Note 31

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, 2023

The following standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or did not have expected to have significant impact on the financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
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

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 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
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 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023 <i>2023</i>

	Effective date (annual periods beginning on or after)
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023

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 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 (unappropriated profit). *2024*

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 rewards incidental to the ownership have been transferred to buyers. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in the statement of profit or loss.

b) Capital work in progress

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

c) Revaluation surplus on property, plant and equipment

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

5.2 Investment property

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

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

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

5.3 Impairment

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

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

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

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

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

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

5.6 Stock in trade

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

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

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

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

5.7 Trade debts

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

5.8 Loans, advances and other receivables

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

5.9 Cash and bank balances

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

5.10 Share capital

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

5.11 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in statement of profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity in which case it is recognized in other comprehensive income or directly in equity respectively.

a) Current

Provision for current taxation is based on taxable income on current rates of taxation after taking into account the rebates and tax credits available, if any, or 1.25 percent of turnover, whichever is higher in accordance with the provisions of the Income Tax Ordinance, 2001.

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

b) Deferred

Deferred tax is accounted for using the statement of financial position liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available in future years to utilize deductible temporary differences, unused tax losses and tax credits.

Deferred tax is calculated based on tax rates that have been enacted or substantively enacted up to the reporting date and are expected to apply to the periods when the differences reverse. Deferred tax for the year is charged or credited to the statement of profit or loss.

c) Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments and changes in estimates made during the current year, except otherwise stated.

5.12 Borrowings

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on accrual basis.

Short term borrowings are classified as current liabilities unless the Company has unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

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

5.13 Trade and other payables

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

5.14 Provisions

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

5.15.1 Revenue from contracts with customers

(a) 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.

(b) 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.

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(c) 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.

(d) 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 appropriation 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.

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(a) 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.

(b) 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, 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 derecognized when the Company loses control of the contractual rights that comprise the financial assets. The financial liabilities are derecognized 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 recognised as an expense in the statement of profit or loss on a straight line basis over the ijarah (lease) term.

6 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, spares and loose tools

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 recognised 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.

7 **PROPERTY, PLANT AND EQUIPMENT**

	Note	2023 Rupees	2022 Rupees
Operating fixed assets	7.1	2,505,909,525	2,736,703,818
Right of use asset	7.1	29,195,867	39,697,594
		<u>2,535,105,392</u>	<u>2,776,401,412</u>

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7.1 PROPERTY, PLANT AND EQUIPMENT

The following is the statement of operating fixed assets:

Description	Note	OWNED												ROU Asset	Grand Total	
		Freehold land	Factory building	Plant and machinery						Furniture and fixtures	Office equipment	Computers	Vehicles	Total		Vehicles
				Imported	Local	Electrification	Casting benches	Laboratory ware	Generators							
Rupees																
Year ended June 30, 2023																
Net carrying value basis																
Opening net book value (NBV)		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	43,822,441	2,736,703,818	39,697,594	2,776,401,412
Additions		-	-	2,521,264	-	-	-	-	-	-	-	-	14,537,979	17,059,243	17,059,243	
Transferred from leased assets		-	-	-	-	-	-	-	-	-	-	-	3,050,000	3,050,000	(3,050,000)	
Disposals		-	-	-	-	-	-	-	-	-	-	-	(13,027,979)	(13,027,979)	(13,027,979)	
Depreciation charge	7.2	-	(41,195,964)	(170,027,756)	(1,282,598)	(1,157,855)	(14,615)	(3,050)	(14,444,941)	(8,323)	(50,772)	(13,195)	(9,676,488)	(237,875,557)	(7,451,727)	(245,327,284)
Closing net book value		480,000,000	370,763,679	1,531,090,236	5,130,392	21,999,256	136,202	13,198	57,779,763	36,009	219,652	35,185	38,705,953	2,505,909,525	29,195,867	2,535,105,392
Gross carrying value basis																
Cost / revalued amount		480,000,000	631,878,160	2,298,539,227	17,935,100	33,802,704	478,090	202,553	89,446,165	2,696,361	4,917,744	380,940	79,096,279	3,639,373,323	37,343,999	3,676,717,322
Accumulated depreciation		-	(261,114,481)	(767,448,991)	(12,804,708)	(11,803,448)	(341,888)	(189,355)	(31,666,402)	(2,660,352)	(4,698,092)	(345,755)	(40,390,326)	(1,133,463,798)	(8,148,132)	(1,141,611,930)
Net book value		480,000,000	370,763,679	1,531,090,236	5,130,392	21,999,256	136,202	13,198	57,779,763	36,009	219,652	35,185	38,705,953	2,505,909,525	29,195,867	2,535,105,392
Year ended June 30, 2022																
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	-	1,899,403,438
Additions		-	-	-	-	4,640,000	-	-	64,814,498	-	-	-	33,970,086	103,424,584	40,393,999	143,818,583
Transferred from CWIP		-	-	938,912,605	917,199	-	-	-	-	-	-	-	-	939,829,804	-	939,829,804
Depreciation charge	7.2	-	(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)	(8,249,057)	(205,954,008)	(696,405)	(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	43,822,441	2,736,703,818	39,697,594	2,776,401,412
Gross carrying value basis																
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	74,536,279	3,632,292,059	40,393,999	3,672,686,058
Revaluation surplus		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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)	(30,713,838)	(895,588,241)	(696,405)	(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	43,822,441	2,736,703,818	39,697,594	2,776,401,412
Annual rate of depreciation (%)		-	10%	10%	20%	5%	10%	20%	20%	20%	20%	30%	20%		20%	
7.2 Total depreciation																
Depreciation on property, plant and equipment			2023	2022												
Depreciation on investment property	9.1		Rupees	Rupees												
			245,327,284	206,650,413												
			28,093	30,039												
			<u>245,355,377</u>	<u>206,680,452</u>												
Allocation of depreciation																
Cost of sales	33		234,958,281	202,546,842												
Distribution cost	34		5,198,548	2,066,805												
Administrative expenses	35		5,198,548	2,066,805												
			<u>245,355,377</u>	<u>206,680,452</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
		590,022

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 44.2. 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	June 30, 2010	353,104,564
M/s Industrial Consultants and Machinery Linkers	June 08, 2004	66,359,632
M/s Global Engineers (Private) Limited	August 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:

	2023 Rupees	2022 Rupees
Free hold land	3,518,245	3,518,245
Factory building	6,677,097	7,418,997
Plant and machinery		
Imported	94,303,720	104,781,911
Local	550,358	687,947
Electrification	2,640,236	2,779,196
Casting benches	43,261	48,068
Laboratory ware	1,156	1,445
Generators	13,117	16,396
	97,551,848	108,314,963
	107,747,190	119,252,205

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

7.5 Disposal of property, plant and equipment during the year is as follows.

Cost	Accumulated Depreciation	Book value	Sale Proceeds	Gain / (loss)
------	--------------------------	------------	---------------	---------------

Mode of disposal

Negotiated basis

Particular of asset

Vehicle

Particulars of purchaser

Maris International (Pvt) Limited	13,027,979	-	13,027,979	13,427,979	400,000
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		2023	2022
	Note	Rupees	Rupees

8 CAPITAL WORK IN PROGRESS

Balance at start of the year		-	306,728,967
Additions during the year		-	633,100,837
Transferred to property, plant and equipment		-	(939,829,804)
Balance at end of the year		<u>-</u>	<u>-</u>

9 INVESTMENT PROPERTY

Office building	9.1	<u>542,650</u>	<u>570,743</u>
-----------------	-----	----------------	----------------

9.1 The movement in this head is as follows:

Year ended June 30,

Net carrying value basis

Opening net book value	570,743	600,782
Depreciation charge	(28,093)	(30,039)
Closing net book value	<u>542,650</u>	<u>570,743</u>

Gross carrying value basis

Cost	2,648,885	2,648,885
Accumulated depreciation	(2,106,235)	(2,078,142)
Net book value	<u>542,650</u>	<u>570,743</u>

Annual rate of depreciation (%)

5%

5%
2024

9.2 This represents two offices bearing no. 102 and 103 measuring 1,200 Sq.ft each, situated at 1st floor, Kashif centre, Shahrah e Faisal, 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 amounts to Rs. 7 million (2022: Rs. 7 million) at year end.

9.3 The rental income in respect of the property amounting to Rs. 1.451 million has been recognised in statement of profit and loss in other income. Depreciation on this property is calculated using written down value method and is charged to administrative expenses.

	Note	2023 Rupees	2022 Rupees
10 LONG TERM DEPOSITS			
Peshawar Electric Supply Company		1,403,200	1,403,200
Faisalabad Electric Supply Company		350,000	350,000
Sui Northern Gas Private Limited		4,062,000	4,062,000
WAPDA		48,250	48,250
Office security		30,000	30,000
Others		32,000	32,000
	10.1	<u>5,925,450</u>	<u>5,925,450</u>

10.1 These deposits are for indefinite time period. Therefore, these are carried at cost as the impact of amortization is not material in respect of these financial statements.

	Note	2023 Rupees	2022 Rupees
11 LONG TERM ADVANCES			
Balance at start of the year		5,693,641	11,350,475
Additions during the year		-	1,187,711
Adjusted during the year		(4,609,776)	(6,844,545)
	11.1	<u>1,083,865</u>	<u>5,693,641</u>
Advance against land	11.2	549,837,419	549,837,419
Balance at end of the year		<u>550,921,284</u>	<u>555,531,060</u>

11.1 This represents unsecured, interest free advance given to Toyota Rawal Motors (Private) Limited and Rawal Industrial Equipment (Private) Limited, related parties for the lease of vehicles for employees. This balance will be adjusted against the salaries of employees of the Company. These are not amortized as per IFRS-9 as the impact of amortization is not material in respect of these financial statements.

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 & Jand-Mianwali road, Mouza Masan, Tehsil and District Mianwali from a related party Mr. Nadeem Khalid (Chief Executive Officer) at payment terms over the period of five years. Keeping in view conducive business environment, directors feel that if the environment remains stable then in next ten years, the Company will establish a large ceramic factory at the said location.

	Note	2023 Rupees	2022 Rupees
12 STORES, SPARES AND LOOSE TOOLS			
Stores		264,340,412	174,933,988
Spare parts and loose tools		6,147,606	5,830,794
	12.1	<u>270,488,018</u>	<u>180,764,782</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 capitalised in cost of respective assets.			
	Note	2023 Rupees	2022 Rupees
13 STOCK IN TRADE			
Raw materials		195,683,709	163,269,644
Work in process		16,010,549	14,876,298
Finished goods		261,288,735	56,482,499
		<u>472,982,993</u>	<u>234,628,441</u>
14 TRADE DEBTS			
Unsecured - considered good			
Trade receivables		32,374,716	298,130
Allowance for expected credit loss	14.1	(10,791,572)	-
		<u>21,583,144</u>	<u>298,130</u>
14.1 Allowance for expected credit loss			
Balance at start of the year		-	-
Charge for the year		(10,791,572)	-
Balance at end of the year		<u>(10,791,572)</u>	<u>-</u>
15 OTHER RECEIVABLES			
Rent receivable		2,177,280	725,760
Sales tax receivable		-	28,957,710
		<u>2,177,280</u>	<u>29,683,470</u>
16 SHORT TERM LENDING			
Khalid and Khalid Holdings (Private) Limited	16.1		
Balance at start of the year		28,287,075	8,516,795
Additions during the year		166,308,977	21,294,142
Mark up		12,577,380	1,376,138
Payments received during the year		(46,800,000)	(2,900,000)
Balance at end of the year		<u>160,373,432</u>	<u>28,287,075</u>

16.1 This represents amount advanced to Khalid and Khalid Holdings Private Limited, a related party due to common directorship. The advance is unsecured and interest is charged at Kibor + 2%. The maximum aggregate amount outstanding at any time is same during the year as the above carrying amount of advance.

	Note	2023 Rupees	2022 Rupees
17 ADVANCES			
Unsecured - considered good			
Advances			
- to suppliers		3,668,885	10,017,330
- to SNGPL	30.1	127,043,660	-
- against letter of credit		3,314,592	15,234,852
- against letter of credit margin		8,746,216	25,431,001
- security deposit		1,652,200	3,152,200
- against letter of guarantee		29,632,000	22,892,000
- against salaries		4,430,696	4,812,222
- against expenses		40,861	37,114
		<u>178,529,110</u>	<u>81,576,719</u>
18 TAX REFUNDS DUE FROM GOVERNMENT			
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>
19 TAXATION - NET			
Balance at start of the year		49,859,070	4,228,407
Prior year adjustment		-	-
		<u>49,859,070</u>	<u>4,228,407</u>
Adjusted against / transferred to tax refunds due from Government		-	-
		<u>49,859,070</u>	<u>4,228,407</u>
Provision for taxation	39	(51,442,535)	(46,977,025)
Advance income tax		87,800,934	92,607,688
Balance at end of the year		<u>86,217,469</u>	<u>49,859,070</u>

rebat,

	2023 Rupees	2022 Rupees
23 REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT		
Balance as at July 01,	1,516,173,902	1,585,453,783
Less:		
Transferred to equity in respect of incremental depreciation charged during the year - net of deferred tax	43,991,648	49,188,716
Related deferred tax liability during the year transferred to profit or loss account	17,968,420	20,091,165
	<u>61,960,068</u>	<u>69,279,881</u>
	1,454,213,834	1,516,173,902
Less:		
Related deferred tax effect :		
Balance as at July 01,	310,210,724	330,301,889
Revaluation during the year	-	-
Effect of change in rate	-	-
Incremental depreciation charged during the year transfer to statement of profit or loss	(17,968,420)	(20,091,165)
	<u>292,242,304</u>	<u>310,210,724</u>
	<u>1,161,971,530</u>	<u>1,205,963,178</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.

12/08/21

	Note	2023 Rupees	2022 Rupees	
24	LONG TERM FINANCING			
	From Financial Institute - secured	24.1	45,431,193	73,262,923
	Less: current portion of loan		(32,333,366)	(29,473,410)
			<u>13,097,827</u>	<u>43,789,513</u>

24.1 This represents an amount received from Bank Al-Habib Islamic in respect of three years Musharka agreement for purchase of generator and charge on current asset / fixed assets is created as a security against facility. The repayment of the loan would be paid in 31 installments starting from May 18, 2022. The rental is calculated on principle amount using three months KIBOR plus 3.25% per annum and is charged as finance cost.

	Note	2023 Rupees	2022 Rupees
25	LOAN FROM RELATED PARTIES		
	From associated person - unsecured	25.1	
	Opening balance	108,010,610	19,996,435
	Additions during the year	528,124,431	187,480,739
	Markup	41,967,467	2,147,336
	Payments made during the year	(282,723,998)	(101,613,900)
	Closing balance	395,378,510	108,010,610
	From associated Companies - unsecured		
	- Rawal Industrial Equipment (Pvt.) Ltd	25.2	
	Opening balance	107,788,764	185,957,916
	Additions during the year	106,100,000	36,200,000
	Markup	8,232,421	7,948,120
	Payments made during the year	(67,441,802)	(122,317,272)
	Closing balance	154,679,383	107,788,764
	- Toyota Rawal Motors (Pvt.) Ltd	25.2	
	Opening balance	98,812,563	93,082,306
	Additions during the year	57,700,000	114,840,000
	Markup	18,017,685	15,281,757
	Payments made during the year	(25,100,000)	(124,391,500)
	Closing balance	149,430,248	98,812,563
		<u>699,488,141</u>	<u>314,611,937</u>

25.1 This represents interest bearing unsecured loan and accumulated markup thereon received from Chief Executive Officer of the Company for working capital requirements. The loan carries mark up at the rate at KIBOR plus 2% per annum and was restructured on June 30, 2021. As per the 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 accumulated markup thereon received from related parties, Rawal Industrial Equipment (Private) Limited and Toyota Rawal Motors (Private) Limited for working capital requirements of the Company. The loan was restructured on June 30, 2021 and carries mark up at the rate at KIBOR plus 2 % per annum. As per the 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.

	2023 Rupees	2022 Rupees
26 GAS INFRASTRUTURE DEVELOPMENT CESS		
Totoal GIDC Charges	129,395,112	129,395,112
Future finance cost	(1,390,200)	(4,852,942)
Accumulated present value of GIDC	128,004,912	124,542,170
Less: current portion of GIDC	(125,831,160)	(89,862,443)
	<u>2,173,752</u>	<u>34,679,727</u>

- 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 Honorable 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 recorded the liability amounting to Rs. 119.353 million in this regard after receiving bill of Rs. 129.395 million 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. Balance at year end after unwinding is Rs. 128.004 million and payment is due on July 31, 2024.

27

LEASE LIABILITY UNDER DIMINISHING MUSHARAKA

	Note	2023 Rupees	2022 Rupees
Maturity analysis - contractual undiscounted cash flows:			
Less than one year		14,362,254	13,726,170
One to five years		9,084,895	27,687,877
		<u>23,447,149</u>	<u>41,414,047</u>
Future finance charges on leases		(2,241,116)	(7,821,456)
Present value of minimum lease payments		<u>21,206,033</u>	<u>33,592,591</u>
Lease liabilities included in the statement of financial position:			
Current		12,989,487	11,133,846
Non-current		8,216,546	22,458,745
	27.1	<u>21,206,033</u>	<u>33,592,591</u>
Amounts recognized in Statement of profit or loss			
Rentals on lease liabilities		5,597,335	-
Short term leases		120,000	120,000
Amounts disclosed in the statement of cash flows			
Total cash outflows for lease		12,386,558	-
27.1 Movement in lease liabilities is as follows:			
Balance at start of the year		33,592,591	-
Additions		-	33,592,591
Payments		(12,386,558)	-
Balance at end of the year	27.1	<u>21,206,033</u>	<u>33,592,591</u>
27.1.1	This represents outstanding balance of diminishing musharaka facility from Bank AL Habib Limited and carries 6 months KIBOR plus 2.50% with floor 5% and cap 20%. Repayment is to be made in 36 equal monthly installments commencing from March 18, 2022 and ending on March 18, 2025.		
	Note	2023 Rupees	2022 Rupees
28	DEFERRED LIABILITY		
	28.1	<u>25,393,458</u>	<u>25,393,458</u>
28.1	Staff retirement benefit - gratuity		
		25,393,458	27,587,518
		-	2,701,809
		-	(4,895,869)
		<u>25,393,458</u>	<u>25,393,458</u>

2024

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 last drawn gross salary. However, management of the Company has decided to replace gratuity with provident fund for its permanent employees from the 1st day of January 2021 and the Company will pay gratuity to its employees on the basis of valuation carried on by an independent valuer as on June 30, 2022. The Company has not paid any gratuity to its employees during the current or prior year.

Because of replacement of gratuity with provident fund, liability against gratuity has been ceased on June 30, 2022. Therefore the company has not recalculated the liability against gratuity at year end.

	Note	2023 Rupees	2022 Rupees
29 DEFERRED TAXATION			
Deferred taxation	29.1	<u>347,656,942</u>	<u>377,150,527</u>

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

	Note	2023 Rupees	2022 Rupees
Surplus on revaluation of fixed assets		292,242,304	310,210,724
Accelerated depreciation		63,591,246	72,533,455
Right of use asset		8,466,801	11,512,302
Lease liability		(6,149,750)	(9,741,851)
Provision for gratuity		(7,364,103)	(7,364,103)
Allowance for expected credit loss		<u>(3,129,556)</u>	<u>-</u>
		<u>347,656,942</u>	<u>377,150,527</u>
Tax rate used		29%	29%

30 TRADE AND OTHER PAYABLES

Trade creditors		266,670,460	520,492,224
Accrued liabilities	30.1	897,421,886	361,916,793
Advances from customers		177,383,666	348,191,088
Old labour dues	30.2	3,256,878	3,256,878
Sales tax payable		1,678,650	-
Withholding income tax payable		5,916,998	3,169,336
Workers' profit participation fund	30.3	78,416,560	68,693,604
Workers' welfare fund		7,464,572	7,464,572
Provident fund payable	30.4	<u>45,261,170</u>	<u>22,881,456</u>
		<u>1,483,470,840</u>	<u>1,336,065,951</u>

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30.1 This includes the demand of Sui Northern Gas Pipes Limited (SNGPL) against extra tariff charges amounting to Rs. 810.827 million. The Company challenged it in court along with the application for grant of temporary injunction against the SNGPL and the status quo was granted in our favour but later on the learned trial court (Gas Utility Court, Peshawar) rejected the suit on the ground of jurisdiction. The said order was then challenged in appeal which is still pending / sub-judice before the Honorable Peshawar High Court, Peshawar as there are conflicting judgements on the point of jurisdiction passed by the Honorable High Courts and Supreme Court of Pakistan. Hence the Company has moved an application in the present case as well as in the other connected cases pending in the high court for constitution of larger bench on the issue of jurisdiction the matter will take time and there is no probability of final decision in near future. The company earlier paid Rs. 127.044 million to SNGPL in this regard as the Company protested the case and the said amount was recognized as an advance payment.

However, Company opted for the settlement of the matter with SNGPL vide their offer letter July 20, 2023 whereby Company was offered to settle the matter at amount of Rs. 810.827 million vis a vis earlier provided amount of Rs 680.764 million which is under subjudice with the court. Consequently, company has to settle / pay additional amount of Rs. 130.063 million including additional Late Payment Surcharge (LPS) of Rs. 121.189 million. As per Offer letter, Company managed to settle / pay the upfront payment of 40% of the settlement amounting to Rs. 324.331 million on September 25, 2023 after adjustment of advance payment of Rs. 127.044 million. Remaining amount of Rs. 486.496 million shall be paid in ten equal monthly instalments through post dated cheques. In case of non-compliance, the settlement facility shall be revoked forthwith followed by immediate disconnection of gas supply. Such arrangements are further subject to conditions that all the court cases pertaining to billing dispute would be withdrawn, however, GIDC/GST court recoveries cases (refer to Note.32.1.2, 32.1.5 & 32.1.9) which is separate subjudice matter with the court shall be dealt separately as per the Court orders. Company is firm to comply with the agreed terms and conditions of the settlement to avoid revocation of the said arrangements. Matter is still pending with the court till it is withdrawn by the Company in future.

30.2 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 workers and on receipt of notification from SECP in 2012.

	2023 Rupees	2022 Rupees
30.3 Movement in workers' profit participation fund:		
Balance at start of the year	68,693,604	51,887,629
Interest for the year	17,702,342	9,459,115
Provision for the year	-	7,346,860
Paid during the year	(7,979,386)	-
Balance at end of the year	<u>78,416,560</u>	<u>68,693,604</u>

2024

30.4 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.

31 CONTINGENCIES AND COMMITMENTS

31.1 Contingencies

31.1.1 Noman Ghani vs. FCL and others

This is the recovery suit against the respondents FCL. In this suit claim is of Rs. 1.248 million. Later on, plaintiff submits an application for amendment of plaint i.e. seeks further claim from the court for Rs. 20 million and 18% being current bank interest because of the mental torture and damages. The learned court did not admit the plaintiff's further claim. Now a days the present case is pending before High Court. In the instant case total amount of Rs. 1.248 million are involved. Thus, the matter in issue will limited just up to the Rs.1.248 million.

31.1.2 FCL vs. G.M. of SNGPL

This case is pending before the gas utility court. In this case, The company claims that after amendment in the law the company is not bound to pay further tax and extra tax in the gas bill. Total amount of Rs. 1 million is involved in the case.

31.1.3 Shameem Akhter vs. FCL

The above case is pending before the wages authority. In the instant case the applicant claim is that the FCL is liable to pay Rs. 0.498 million. The case is fixed in evidence in the Wages authority.

31.1.4 Amer Zada vs FCL

The above case is also pending before the wages authority. In the instant case the applicant claim that the FCL is liable to pay Rs. 0.28 million. This case too is fixed before the wages authority.

31.1.5 FCL vs. G.M. OF SNGPL

This case is pending before the gas utility court Peshawar. The claim of the recovery is from company on the basis of previous management. The total claim is Rs. 1.822 million. We submitted our reply in the case and now the case is fixed for the replication of the SNGPL.

31.1.6 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. 277.98 million (2022: Rs. 229.84 million).

31.1.7 Review Petition of Talat Sher vs FCL

In the above title case, the applicant's claim is of Rs. 0.648 million. The case was decided in our favour however Mr. Talat Sher filed review petition against the order which was passed in our favour. In separate sheet of an annexure documents the amount is mentioned, furthermore the applicant also seeks reinstatement of service.

31.1.8 Ali Rehman vs FCL

In this case applicant seeks from court to reinstate his service. The applicant claim amount is Rs. 0.261 million which was mentioned in his grievance notice. The claim is filed in the Labor Court. The case is decided in our favour however Mr. Ali Rehman filed review petition against the order which was passed in our favour.

31.1.9 FCL vs Federation of Pakistan

In the instant case we filed a written petition about the GIDC amount of rupees round about 11 million. Earlier our unit as well as others units challenged the GIDC Act 2011 and the said Act was declared illegal by the Supreme Court, Thus new Act we also challenged. Similarly the others units also challenged the said GIDC Act in different petitions.

31.1.10 Muhammad Iqbal vs FCL

This is also recovery suit against the company. The total claim of this suit is Rs. 1.711 million. This suit is decided in our favour and now pending in revision before High Court, Thus total amount involved in the case is of Rs. 1.711 million.

31.1.11 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 million. The case is pending before high court.

31.1.12 Muhammad Farhad vs FCL

This case is identical to proceeding case. In this case applicant filed his suit before the Labor Court. Total claim of the applicant is of Rs. 0.683 million. The case is pending in evidence while the compromise is also under consideration between applicant and FCL authority.

31.1.13 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. 0.775 million. The case is pending in evidence while the compromise is also under consideration between applicant and FCL authority.

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31.1.14 EFU vs FCL

FCL sued EFU over not increasing rent of 2 office rooms of FCL occupied by EFU in Karachi. According to 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 court is still pending.

	Note	2023 Rupees	2022 Rupees
31.2 Commitments			
The Company has the following commitments:			
- in respect of letter of credit			
- against import of raw materials		32,209,150	1,256,092
- against import of stores and spares		30,435,556	13,978,760
- against purchase of land from CEO		584,262,581	584,262,581
		<u>646,907,287</u>	<u>599,497,433</u>
Commitments for Ijarah arrangements			
Not later than one year		3,364,878	10,645,716
Later than one year and not later than five years		6,173,246	15,081,431
		<u>9,538,124</u>	<u>25,727,147</u>
32 SALES			
Gross sales - tiles		4,979,428,421	4,533,151,986
Less:			
Trade discounts	32.1	(126,427,987)	(116,187,368)
Sales tax		(737,597,637)	(658,802,599)
		<u>4,115,402,797</u>	<u>3,758,162,019</u>
32.1	This represents trade discount to specific customers. The ceramics industry was included in the third schedule of Sales Tax Act, 1990 through Finance Bill 2019-2020. This shifted the responsibility of company to charge sales tax on the retail price. Previously sales tax was charge on the ex-factory price i.e. excluding dealer margin from the retail price.		
	Note	2023 Rupees	2022 Rupees
33 COST OF SALES			
Raw material consumed	33.1	1,009,291,419	820,011,002
Stores, spares and loose tools consumed	33.2	410,893,086	411,102,906
Gas and electricity		2,240,644,602	1,862,083,771

	Note	2023 Rupees	2022 Rupees
Depreciation	7.2	234,958,281	202,546,844
Salaries, wages and other benefits	33.5	300,264,690	223,187,784
Traveling and conveyance		1,483,897	1,071,955
Repairs and maintenance		210,157	425,418
Ijarah payments	33.4	13,508,495	7,033,672
Insurance		1,325,725	-
GIDC expense		3,462,742	5,410,138
Miscellaneous	33.3	1,955,072	2,475,281
		<u>4,217,998,166</u>	<u>3,535,348,771</u>
Work in process			
Opening		14,876,298	16,394,509
Closing		(16,010,549)	(14,876,298)
		(1,134,251)	1,518,211
Finished goods			
Opening		56,482,499	36,400,699
Closing		(261,288,735)	(56,482,499)
		(204,806,236)	(20,081,800)
		<u>4,012,057,679</u>	<u>3,516,785,182</u>
33.1 Raw material consumed			
Opening stock		163,269,644	120,561,267
Add: purchases		1,041,705,484	862,719,379
Less: closing stock		(195,683,709)	(163,269,644)
		<u>1,009,291,419</u>	<u>820,011,002</u>
33.2 Stores, spares and loose tools consumed			
Opening stock		180,764,782	119,353,127
Add: purchases		500,616,322	472,514,561
Less: closing stock		(270,488,018)	(180,764,782)
		<u>410,893,086</u>	<u>411,102,906</u>
33.3 Miscellaneous			
Internet expenses		632,220	606,050
L.G expenses		-	318,994
Mobile expense		24,000	35,920
Postage and shipping		8,195	55,973
Printing and stationery		21,910	23,825
Professional tax		1,212,475	1,251,000
Medical		-	9,431
Sales tax		29,800	130,000
Fuel expense		26,472	44,088
		<u>1,955,072</u>	<u>2,475,281</u>

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33.4 This represents Ijarah payments for motor vehicles taken under Ijarah arrangement from Orix Modarba Leasing Company. 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.

33.5 Salaries, wages and other benefits includes an amount of Rs. 9,398,425 (2022: Rs. 6,634,675) in respect of staff retirement benefits.

	Note	2023 Rupees	2022 Rupees
34			
DISTRIBUTION COST			
Salaries, allowances and benefits	34.1	9,309,056	8,499,518
Communication and travel expense		471,499	124,750
Printing and repair expense		260,680	718,387
Depreciation	7.2	5,198,548	2,066,805
		<u>15,239,783</u>	<u>11,409,460</u>

34.1 Salaries, wages and other benefits includes an amount of Rs. 291,378 (2022: Rs. 252,664) in respect of staff retirement benefits.

	Note	2023 Rupees	2022 Rupees
35			
ADMINISTRATIVE EXPENSES			
Directors' remuneration	48	3,010,600	2,815,000
Salaries, allowances and benefits		36,522,169	37,944,705
Fee and subscription		60,175	4,265
Rent, rates and taxes		1,258,726	1,156,012
Utilities		120,000	120,000
Communication		391,968	333,139
Printing, postage and stationary		376,245	491,408
Advertisement expense		266,505	3,750
Depreciation	7.2	5,198,548	2,066,805
Traveling and conveyance		1,124,822	911,320
Vehicle running and maintenance		424,198	188,184
Entertainment		13,050	10,110
Repair and maintenance		186,138	223,920
Provision against doubtful trade debts	14	10,791,572	-
		<u>59,744,716</u>	<u>46,268,618</u>

35.1 Salaries, wages and other benefits includes an amount of Rs. 1,237,394 (2022: Rs. 1,211,658) in respect of staff retirement benefits.

	Note	2023 Rupees	2022 Rupees
36 OTHER OPERATING EXPENSES			
Workers' profit participation fund		-	7,346,859
Worker's welfare fund		-	264,908
Auditors' remuneration	36.1	1,100,000	806,062
Legal and professional charges		1,836,194	3,700,448
Penalty		658,609	347,139
Advances written off		-	107,537
Exchange loss		66,755,558	-
		<u>70,350,361</u>	<u>12,572,953</u>
36.1 Auditors' remuneration			
Annual audit fee		820,000	612,550
Review of half year financial statements		200,000	117,700
Out of pocket expenses		80,000	75,812
		<u>1,100,000</u>	<u>806,062</u>
36.2	The exchange loss is mainly attributed to devaluation of rupee against the foreign currencies and increase in exchange rates at the time of payments usance / deferred LC of raw material and palnt and machinery during the year.		
37 OTHER INCOME			
Rental income		1,451,520	1,451,520
Liabilities written back		-	41,442
Exchange gain		-	1,952,985
Markup		12,577,380	1,376,138
Others	37.1	7,384,491	-
		<u>21,413,391</u>	<u>4,822,085</u>
37.1	This represents amount received on sub lease of vehicles obtained under ijarah agreement to employees.		
	Note	2023 Rupees	2022 Rupees
38 FINANCE COST			
Mark up / interest on:			
Letter of guarantee margin		2,916,524	2,468,709
Long term financing			
From financial institutions		20,819,608	171,499
From related party	25.2	68,217,573	24,497,418
		89,037,181	24,668,917
Workers' profit participation fund		17,702,342	9,459,116
Bank charges		1,290,589	2,378,340
		<u>110,946,636</u>	<u>38,975,082</u>

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39 **TAXATION**

Provision for taxation		
Current year	51,442,535	46,977,025
Deferred	(29,493,590)	51,491,353
	<u>21,948,945</u>	<u>98,468,378</u>

39.1 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.

40 **(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED**

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

	Note	2023	2022
(Loss) / profit after taxation (Rs.)		<u>(153,471,932)</u>	<u>38,504,431</u>
Weighted average (number of shares)		<u>37,873,821</u>	<u>37,873,821</u>
(Loss) / earnings per share-basic and diluted (Rs.)	40.1	<u>(4.05)</u>	<u>1.02</u>

40.1 There were no convertible / dilutive potential ordinary shares outstanding at June 30, 2023 and June 30, 2022. *26/24*

41 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOW ARISING FROM FINANCING ACTIVITIES

	Liabilities			Equity	TOTAL
	Lease liabilities	Long term financing	Loan from related parties	Unclaimed dividend	
	Rupees				
Balance as at July 01, 2021	-	-	299,036,657	3,189,224	739,498,833
Changes from financing cash flows:					
Repayment of obligations		-	(348,322,672)	-	(348,322,672)
Total changes from financing activities	-	-	(348,322,672)	-	(348,322,672)
Other changes					
Liability related					
Addition of obligations	33,592,591	-	338,520,739	-	372,113,330
Markup for the year	-	19,916,487	25,377,213	-	45,293,700
Total liability - related changes	33,592,591	19,916,487	363,897,952	-	417,407,030
Balance as at June 30, 2022	33,592,591	73,262,923	314,611,937	3,189,224	424,656,675
Changes from financing cash flows:					
Repayment of obligations	(17,983,893)	(37,889,242)	(375,265,800)	-	(431,138,935)
Total changes from financing activities	(17,983,893)	(37,889,242)	(375,265,800)	-	(431,138,935)
Liability related					
Addition of long term loan	-	-	691,924,431	-	691,924,431
Markup for the year	5,597,335	10,057,512	68,217,573	-	83,872,420
Total liability - related to other changes	5,597,335	10,057,512	760,142,004	-	775,796,851
Equity related					
Total equity related other changes	-	-	-	-	-
Balance as at June 30, 2023	21,206,033	45,431,193	699,488,141	3,189,224	769,314,591

2023

42 FINANCIAL ASSETS AND LIABILITIES

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

2023	Total	Interest/mark up bearing			Not interest / mark up bearing
		Maturity upto one year	Maturity after one year	Sub-total	
Rupees					
Financial assets					
Financial assets at amortised cost:					
Long term deposits	5,925,450	-	-	-	5,925,450
Trade debts	21,583,144	-	-	-	21,583,144
Short term lending	160,373,432	-	-	-	160,373,432
Advances	162,758,556	-	-	-	162,758,556
Cash and bank balances	7,116,368	-	-	-	7,116,368
	<u>357,756,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>357,756,950</u>
Financial liabilities					
Financial liabilities at amortised cost:					
Long term financing	45,431,193	32,333,366	13,097,827	45,431,193	-
Trade and other payables	1,167,349,224	-	-	-	1,167,349,224
Loan from related parties	699,488,141	-	-	-	699,488,141
Gas infrastructure development cess	2,173,752	-	-	-	2,173,752
Liability against assets subject to finance lease	21,206,033	12,989,487	8,216,546	21,206,033	-
	<u>1,935,648,343</u>	<u>45,322,853</u>	<u>21,314,373</u>	<u>66,637,226</u>	<u>1,869,011,117</u>
On SOFP gap	<u>(1,577,891,393)</u>	<u>(45,322,853)</u>	<u>(21,314,373)</u>	<u>(66,637,226)</u>	<u>(1,511,254,167)</u>
Off SOFP items					
Financial commitments:					
Letter of credits	646,907,287	-	-	-	646,907,287
Bank guarantee	277,985,400	-	-	-	277,985,400
	<u>924,892,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>924,892,687</u>
Total Gap	<u>(2,502,784,080)</u>	<u>(45,322,853)</u>	<u>(21,314,373)</u>	<u>(66,637,226)</u>	<u>(2,436,146,854)</u>

2022	Total	Interest/mark up bearing			Not interest / mark up bearing
		Maturity upto one year	Maturity after one year	Sub-total	
Rupees					
Financial assets					
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>
Financial liabilities					
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
Loan from related parties	314,611,937	-	-	-	314,611,937
Gas infrastructure development cess	34,679,727	-	-	-	34,679,727
Liability against assets subject to finance lease	22,458,745	11,133,846	22,458,745	33,592,591	-
	<u>1,330,679,227</u>	<u>40,607,256</u>	<u>66,248,258</u>	<u>106,855,514</u>	<u>1,234,957,559</u>
On SOFP gap	<u>(1,229,435,942)</u>	<u>(40,607,256)</u>	<u>(66,248,258)</u>	<u>(106,855,514)</u>	<u>(1,133,714,274)</u>
Off SOFP items					
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>
Total gap	<u>(2,056,138,385)</u>	<u>(40,607,256)</u>	<u>(66,248,258)</u>	<u>(106,855,514)</u>	<u>(1,960,416,717)</u>

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

43 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

43.1 Risk management policies

The Company's objective in managing risks is the creation and protection of shareholders' 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 minimise risk.

43.2 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.

(a) 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. 357.756 million (2022: Rs. 101.243 million) the financial assets which are subject to credit risk amounted to Rs. 357.132 million (2022: Rs. 101.207 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

Description	2023 Rupees	2022 Rupees
Long term deposits	5,925,450	5,925,450
Trade debts	21,583,144	298,130
Short term lending	160,373,432	28,287,075
Advances	162,758,556	30,856,422
Bank balances	6,491,969	35,840,478
	<u>357,132,551</u>	<u>101,207,555</u>

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

Past due 90 days	<u>21,583,144</u>	<u>298,130</u>
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All the trade debts at statement of financial position date are domestic parties.

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

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

(b) 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.

(c) Impaired assets

During the year no assets have been impaired other than trade debts.

43.3 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:

2023	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	45,431,193	45,431,193	16,166,683	16,166,683	13,097,827	-	-
Trade and other payables	1,483,470,840	1,483,470,840	741,735,420	741,735,420	-	-	-
Loan from related parties	699,488,141	699,488,141	-	-	699,488,141	-	-
Gas infrastructure development cess	128,004,912	-	125,831,160	2,173,752	-	-	-
Liability against assets subject to finance lease	21,206,033	21,206,033	6,494,744	6,494,744	8,216,546	-	-
	<u>2,377,601,119</u>	<u>2,249,596,207</u>	<u>890,228,007</u>	<u>766,570,599</u>	<u>720,802,514</u>	-	-

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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	-	-	-	-
Loan from related parties	314,611,937	314,611,937	-	-	314,611,937	-	-
Gas infrastructure development cess	124,542,170	-	-	-	124,542,170	-	-
Liability against assets subject to finance lease	22,458,745	22,458,745	22,458,745	-	-	-	-
	<u>1,870,941,726</u>	<u>1,746,399,556</u>	<u>1,358,524,696</u>	<u>-</u>	<u>439,154,107</u>	<u>73,262,923</u>	<u>-</u>

43.4 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:

	2023	2022	2023	2022
	Effective Rate		Carrying amount	
	(In percent)		(Rupees)	
Financial Liabilities				
Fixed rate instrument				
	15%	15%	-	-
Variable rate instrument				
Long term financing	10% to 17%	10% to 17%	45,431,193	73,262,923

c) **Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for prior year.

	Profit and loss	
	100 bp Increase	100 bp Decrease
As at June 30, 2023		
Cash flow sensitivity - Variable rate financial liabilities	454,312	(454,312)
As at June 30, 2022		
Cash flow sensitivity - Variable rate financial liabilities	732,629	(732,629)

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

44 **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.

44.1 **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.

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

Description	2023 Rupees
Freehold land	480,000,000
Factory building	495,768,000
Plant and Machinery	1,022,457,000
	<u>1,998,225,000</u>

- 44.3 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.

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

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44.5 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.

45 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	2023 Rupees	2022 Rupees
Loans	Placed under interest arrangement	45,431,193	73,262,923
Ijarah payment	Placed under Shariah permissible arrangements	13,508,495	7,033,672
Long term deposits	Non-interest bearing	5,925,450	5,925,450
All sources of other income	Disclosed in note 38	21,413,391	4,822,085

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.

46 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:

	2023 Rupees	2022 Rupees
Equity	378,738,210	378,738,210
Long term financing	45,431,193	73,262,923
Gearing ratio	11%	16%

47 PLANT CAPACITY AND PRODUCTION

During the year, the tile production capacity attained was 5,820,309 sq. meters (2022: 5,451,589 sq. meters) against annual manufacturing capacity of 7,800,000 sq. meters (2022: 7,800,000 sq. meters). During the year the Company's production plant was closed due to gas supply shortage and demand was also not substantially increased. Due to this reason and as per demand requirements, the annual manufacturing capacity was not achieved.

2023

48 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:

	2023				2022			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	Rupees							
Managerial remuneration	4,267,993	1,374,770	5,277,973	10,920,736	4,236,546	1,376,750	5,233,108	10,846,404
Utilities	948,442	261,060	1,172,882	2,382,384	941,454	261,500	1,162,912	2,365,866
House rent	4,267,993	1,374,770	5,277,973	10,920,736	4,236,546	1,176,750	5,233,108	10,646,404
Total	9,484,428	3,010,600	11,728,828	24,223,856	9,414,546	2,815,000	11,629,128	23,858,674
Number of persons	1	7	4	12	1	7	4	12

- 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:

	2023			2022		
	Executive Directors	Non Executive Directors	Total	Executive Directors	Non Executive Directors	Total
	Rupees					
Managerial remuneration	2,610,600	400,000	3,010,600	2,615,000	200,000	2,815,000
Number of persons	2	5	7	2	5	7

Handwritten signature/initials

49 TRANSACTIONS WITH RELATED PARTIES

49.1 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	2023 Rupees	2022 Rupees
Toyota Rawal Motors (Private) Limited	Associated company by virtue of common directorship	Interest on long term borrowings	18,017,685	14,401,962
		Long term borrowing received	57,700,000	114,840,000
		Long term borrowing repaid	25,100,000	124,391,500
		Utilities	120,000	120,000
		Rental for building	1,129,840	1,027,126
		Closing balance	149,430,248	98,812,563
Rawal Industrial Equipment (Private) Limited	Associated company by virtue of common directorship	Purchase of Fixed Assets	-	32,478,633
		Long term borrowing received	106,100,000	36,200,000
		Long term borrowing repaid	67,441,802	122,317,272
		Interest on long term borrowings	8,232,421	7,948,120
		Closing balance	154,679,383	107,788,764
Mr. Nadeem Khalid	Chief Executive	Long term financing - Received	528,124,431	187,480,739
		Long term financing - Loan repaid	282,723,998	101,613,900
		Markup on long term loan	41,967,467	2,147,336
		Advances for land	-	239,672,419
		Closing balance	395,378,510	108,010,610
Khalid & Khalid Holdings (Pvt.) Ltd.	Associated company by virtue of common directorship	Short term lending - Paid	166,308,977	21,294,142
		Short term lending - Received	46,800,000	2,900,000
		Interest on short term lending	12,577,380	1,376,138
		Closing balance	160,373,432	28,287,075

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

50 NUMBER OF EMPLOYEES

	2023 Numbers	2022 Numbers
Number of employees		
At June 30,	<u>813</u>	<u>786</u>
Average during the year	<u>824</u>	<u>687</u>

51 CORRESPONDING FIGURES

The corresponding figures reclassified as per the details given below to reflect more appropriate presentation in financial statements.

Description	From	To	Amount
Statement of financial position			
Security deposits	Trade and other payables	Advances	<u>127,043,660</u>


52 DATE OF AUTHORIZATION

These financial statements are authorized for issue by the Board of Directors of the Company on 07 OCT 2023.

53 GENERAL

Figures have been rounded off to the nearest rupee.


CHIEF FINANCIAL OFFICER


CHIEF EXECUTIVE OFFICER


DIRECTOR

FRONTIER CERAMICS LIMITED

Pattern of Shareholding

As of June 30, 2023

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
NADEEM KHALID	2	7,007,239	18.50
MR. OMER KHALID	2	6,750,739	17.82
MR. JAVED KHALID	2	1,957,500	5.17
MS. SHABINA ANJUM	1	200	0.00
MR. MUHAMMAD RIAZ KHAN	1	200	0.00
SHAZIA KHALID	1	2,446	0.01
NUMRAH KHALID	1	6,750,739	17.82
ZIA KHALID	1	2,446	0.01
SANAH KHALID	1	6,750,739	17.82
AMERA KHALID	1	6,750,739	17.82
Associated Companies, undertakings and related parties			
	-	-	-
NIT & ICP	1	39,700.00	0.10
Banks Development Financial Institutions, Non Banking Financial Financial Institutions.	2	106200	0.28
Insurance Companies	2	142500	0.38
Modarabas and Mutual Funds	1	14500	0.04
General Public			
a. Local	853	1595353	4.21
Foreign Individuals	1	500	0.00
OTHERS	5	2081	0.01
Total	878	37,873,821	100.00

Share holders holding 10% or more	Shares Held	Percentage
NADEEM KHALID	7,007,239	18.50
MR. OMER KHALID	6,750,739	17.82
NUMRAH KHALID	6,750,739	17.82
SANAH KHALID	6,750,739	17.82
AMERA KHALID	6,750,739	17.82

FRONTIER CERAMICS LIMITED
Pattern of Shareholding
As of June 30, 2023

# Of Shareholders	Shareholdings'Slab			Total Shares Held
120	1	to	100	6,127
591	101	to	500	268,327
60	501	to	1000	59,012
64	1001	to	5000	174,083
11	5001	to	10000	88,600
4	10001	to	15000	53,060
2	15001	to	20000	35,500
2	20001	to	25000	45,262
4	35001	to	40000	148,855
5	40001	to	45000	218,000
1	45001	to	50000	50,000
1	50001	to	55000	50,200
1	65001	to	70000	68,600
2	95001	to	100000	199,500
1	170001	to	175000	170,500
1	270001	to	275000	271,000
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
878				37,873,821

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

October 28, 2023 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 سراسر اکس لمیٹڈ اور عارضی شیئرز _____ رجسٹرڈ فولیو نمبر _____ اپنی جانب سے جناب _____ کے تحت ممبر ہیں اور میرے نمائندے کے طور پر کمیٹی کی 41 ویں سالانہ جنرل میٹنگ میں شرکت کر کے ووٹ دے سکتے ہیں جس کا انعقاد بروز ہفتہ 28 اکتوبر 2023ء کو صبح 09:00 بجے فرانٹیر سراسر اکس 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 کر کے کمپنی کے رجسٹرڈ آفس واقع (فرانٹیر سراسر اکس لمیٹڈ فیکٹری 29-انڈسٹریل اسٹیٹ جمر روڈ پشاور) میں میٹنگ سے کم از کم 48 گھنٹے قبل جمع کروائیں۔
- 2- پروکسی 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 پروکسی اس کے کسی ملازم کو بھی نامزد کیا جاسکتا ہے جس کے لئے تصدیق شدہ مختار نامے یا بورڈ کی قرارداد کی نقل پروکسی (نائب) کی تقرری کے سلسلے میں لازمی منسلک کی جائے گی۔
- 3- اگر پروکسی سی ڈی سی کا سینیفشری اونر ہے تو اس کے قومی شناختی کارڈ نمبر یا پاسپورٹ کی تصدیق شدہ نقل لازمی طور پر منسلک کی جائے گی۔
- 4- یہ پروکسی (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 پروکسی اور ایک سے زیادہ انسٹرومنٹس آف پروکسی کمپنی کے پاس کسی ممبر کی جانب سے جمع کرواتا ہے تو ایسے تمام انسٹرومنٹس آف پروکسی عمل درآمد کے لئے ناجائز قرار دے دیئے جائیں گے۔