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Vision Statement

While Maintaining Our “Stile” Brand As Market Leader, We Continue To Delight Our Customers By Also Bringing In International Brands In The Field Of Building Materials, By Offering The Best Quality And Innovative Products At Competitive Prices, Taking Into Account The Stakeholders’ Interest.





Mission Statement

Our mission is to maintain our position as the leader in the tile industry in Pakistan and for this purpose we will continue to focus on:

- We are committed to quality products and will provide our customers with innovative sizes, designs and colour scheme that they will be delighted to have and shall provide them with excellent services to earn their loyalty.
- We shall treat our employees fairly and shall provide conducive working environment for them to learn and to grow with the Company.
- The Company shall earn adequate profits for its progress and growth and for providing reasonable return to its shareholders.





COMPANY INFORMATION

| | | |
|---|--|--|
| BOARD OF DIRECTORS | RAFIQ M HABIB RAZA ANSARI ALI SULEMAN HABIB ALIREZA M. ALLADIN ABDUL HAI M. BHAIMIA SALIM AZHAR MUHAMMAD FAISAL | <i>Chairman</i> <i>Chief Executive Officer</i> <i>Director</i> <i>Director</i> <i>Director</i> <i>Director</i> <i>Director</i> |
| AUDIT COMMITTEE | MUHAMMAD FAISAL ABDUL HAI M. BHAIMIA SALIM AZHAR | <i>Chairman</i> <i>Member</i> <i>Member</i> |
| HUMAN RESOURCES AND REMUNERATION COMMITTEE | SALIM AZHAR MUHAMMAD FAISAL ALIREZA M. ALLADIN | <i>Chairman</i> <i>Member</i> <i>Member</i> |
| COMPANY SECRETARY | AZIZ AHMED | |
| AUDITORS | ERNST & YOUNG FORD RHODES SIDAT HYDER Chartered Accountants | |
| LEGAL ADVISOR | M. Akram Zuberi & Co. Advocate Supreme Court | |
| BANKERS | Habib Metropolitan Bank Limited Faysal Bank Limited National Bank of Pakistan Habib Bank Limited Dubai Islamic Bank Pakistan Limited Allied Bank Limited | |
| REGISTERED OFFICE | 15th Milestone, National Highway, Landhi, Karachi-75120 Phone: (021) 35015024-25, 35014044-45 Fax: (021) 35015545 / 35022920 E-mail: info@stile.com.pk URL: http://www.stile.com.pk | |
| KARACHI DISPLAY CENTRE & SALES OFFICE | Makro Cash & Carry, CAA, Near Star Gate, Main Shahrah-e-Faisal, Karachi. Phone: (021) 34601372-74 Fax: (021) 34601375 | |
| LAHORE SALES OFFICE | Plot No. 523, Block # 15, Sector B-1, Quaid-e-Azam Town, (College Road), Lahore. Phone: (042) 35117521-24 Fax: (042) 35117520 | |
| ISLAMABAD SALES OFFICE | 9th & 10th Lower Ground Floor, Aries Tower, Shamsabad, Muree Road, Rawalpindi. Phone: (051) 4575316-17 Fax: (051) 4575319 | |
| PESHAWAR SALES OFFICE | 3-Siyal Flats Opposite Kuwait Hospital, Abdara Chowk University Road, Peshawar. Phone: (091) 5846010/12 Fax: (091) 5846011 | |
| REGISTRAR AND SHARE TRANSFER OFFICE | Noble Computer Services (Pvt.) Limited First Floor, Siddiqsons Towers, House of Habib Building, 3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi. Phone: (021) 34325482-84 Fax: 34325442 | |
| FACTORY: | | |
| UNIT-I | 15th Milestone, National Highway, Landhi, Karachi-75120. Phones: (021) 35015024-25 / 35014044-45 | |
| UNIT-II | Deh Khanto, Tappo Landhi, District Malir, Bin Qasim Town, Karachi. Phones: (021) 34102702 Fax: (021) 34102709 | |



NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Thirty Sixth Annual General Meeting of Shabbir Tiles and Ceramics Limited will be held at the auditorium of Institute of Chartered Accountants of Pakistan (ICAP), Near Three Swords, Clifton, Karachi, on Monday, September 29, 2014 at 10:30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2014 along with the reports of the Directors and the Auditors thereon.
2. To appoint auditors for the year ending June 30, 2015 and to fix their remuneration.

By Order of the Board

AZIZ AHMED
Company Secretary

Karachi : September 03, 2014.

NOTES:

1. The share transfer books of the Company will remain closed from September 23, 2014 to September 29, 2014 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar M/s. Noble Computer Services (Pvt.) Limited, First Floor, House of Habib Building (Siddiqsons Tower), 3-Jinnah C. H. Society, Main Shahrah-e-Faisal, Karachi, at the close of business on September 22, 2014 will be treated in time for the entitlement to attend the Annual General Meeting.
2. A member eligible to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies to be effective must be received by the Company not less than 48 hours before the time for holding of the meeting.
3. The financial statements for the year ended June 30, 2014 shall be uploaded on Company's website on or before September 7, 2014.

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

A. For Attending the Meeting:

- (i) In case of individuals, the Account holders and sub-account holders whose registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.



B. For Appointing Proxies:

- (i) In case of individuals, the Account holder and sub-account holder whose registration details are uploaded as per the Regulations, shall submit the proxy form as per above requirement.
- (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC Numbers shall be mentioned on the form.
- (iii) Attested copies of CNIC or Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iv) The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
- (v) 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) alongwith proxy form to the Company.



DIRECTORS REPORT

We are pleased to present 36th Annual Report along with the audited financial statements of the Company for the year ended 30 June 2014 and the auditor's report thereon.

ECONOMIC, INDUSTRY/BUSINESS REVIEW:

The fiscal year 2013-14 began with multiple challenges for local ceramic industry. The government included the industry in 3rd schedule, whereby the entire retail structure got disturbed. The industry was removed from 3rd schedule of Sales Tax Act, 1990 in September 2013 and the rate of sales tax on local industry was increased by 2%. Power and gas shortages continue to plague the industry and the cost of production for local manufacturers increased in double digit percentage. The adverse impact of these economic difficulties was further compounded by the immense inflow of dumping of imported tiles from Iran and China, resultantly, manufacturing sector performed well below their rated capabilities. Despite the fact that construction sector shown growth of 11.31% during the year under review, your company lost its market share due to the foregoing factors.

COMPANY PERFORMANCE OVERVIEW:

As a result of the abovementioned adverse circumstances, your Company achieved a profit before tax for the year of Rs. 47.229 million as compared to last year profit of Rs. 130.874 million. The massive gas load shedding coupled with the increase of gas infrastructure development cess by Rs. 50 per MMBTU through notification dated December 31, 2013 further aggravated the business conditions.

The sales volume dropped by 10% from 9.011 million square meters in last year to 8.067 million square meters in the current fiscal year. The gross margins for the period was 21.65% which decreased by 2.40% from last year. Production volume though increased by 1.35% compared to last year from 8.443 million square meters to 8.556 million square meters. The distribution expenses were reduced by Rs. 15.213 million from Rs. 646.662 million to Rs. 631.449 million due to less freight expenses because of lower sales volume in the year under review. Despite inflation, we were able to restrict our administrative expenses which merely grew by 0.72% as compared to last year. This was possible as a result of strict cost controls by management.

SUMMARY FINANCIAL PERFORMANCE:

A comparison of the key financial results of the Company for the financial year ended on June 30, 2014 with the same period last year is hereunder:

| | <u>2014</u> | <u>2013</u> |
|---|-------------|-------------|
| | Rs in '000 | |
| Turnover – net | 4,779,969 | 4,898,217 |
| Earnings before interest, taxes and depreciation (EBITDA) | 577,080 | 700,246 |
| Depreciation | 290,947 | 266,275 |
| Finance cost | 238,903 | 303,097 |
| Other charges | 8,601 | 21,309 |
| Profit before tax | 47,229 | 130,874 |
| (Loss)/Profit after tax | (26,036) | 82,322 |
| (Loss)/earning per share (Rs.) | (0.17) | 0.54 |



DEBT OBLIGATION:

By the grace of Almighty Allah, despite so many challenges, the Company continues to meet its financial commitments and debt obligations on time.

CONTRIBUTION TO NATIONAL EXCHEQUER:

Your company contributed around Rs. 1,022 million in national exchequers under various heads as compared to Rs 855 million of last year. The Company also brought in foreign exchange of around US\$ 1.070 million in the country by exporting tiles and also collected and deposited income tax on behalf of FBR from its suppliers and staff.

HUMAN RESOURCES:

Your Company recognizes its employees as its most critical asset and the competitive edge for its business. Therefore appropriate systems are in place to recruit, develop and grow talent for achieving excellence across all functional areas. Your Company's strong value based system provides a robust framework for meeting these objectives.

The Company continues to maintain cordial relations with all its employees. Negotiations on a new wage settlement with the labour union were concluded satisfactorily and a two-year agreement effective 01 January 2013 was signed.

HEALTH, SAFETY AND ENVIRONMENT:

Your company works on the principle that all hazards can be prevented through effective leadership and actively promoting a high standard of safety including process safety. We are committed to the protection of environment and to ensure health and safety of its employees, customers, contractors and communities where we operate and practice quality in all our business activities so as to exceed customer expectations.

FUTURE OUTLOOK AND CHALLENGES:

Looking forward, on the stagnant subjects such as weakening Pak Rupee, high inflation, worsening energy crises and poor law & order situation the Government will need to take immediate steps to resolve these persistent issues otherwise they will continue to hurt the business environment in Pakistan. Competition in Pakistan has been very aggressive and is expected to intensify its' spending in ceramic industry with massive inflow of Iranian and Chinese tiles at lower ITPs.

We are however, confident about the future prospects of your Company as the demand for ceramic products has been resilient and is expected to increase further in the years to come as we see a growing construction industry. We are also working internally to become more efficient by becoming more cost effective; focusing on energy conservation and expenditure reduction techniques. Externally, the Company will continue to approach Government authorities for protection of local industry against cheap imports and pursue its focus on customers.



CORPORATE AND SOCIAL RESPONSIBILITY:

Your Company being a responsible corporate citizen has been always conscious to discharge its obligations towards the people who work for it day and night, people around its work place and to the society as a whole.

AUDITORS:

Present auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants, retire and being eligible, have offered themselves for re-appointment. The Audit Committee of the Board has also recommended their appointment as Statutory Auditors of the Company for the year ending June 30, 2015.

CORPORATE AND FINANCIAL REPORT FRAMEWORK:

The Directors are pleased to inform that the Company is compliant with the provisions of the Code of Corporate Governance as contained in listing regulations of Stock Exchanges.

In compliance with the Code of Corporate Governance, the Directors are pleased to state that:

- 1) The financial statements, prepared by 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 financial statements and accounting estimates are based on reasonable and prudent judgment;
- 4) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements;
- 5) 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. 14.
- 8) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- 9) The value of Provident Fund Investments as per audited accounts of Provident Fund Trust for the year ended June 30, 2014 was Rs. 122.276 million (2013 : 128.065 million).
- 10) There is no outstanding statutory payment due on account of taxes, levies and charges except of a normal and routine nature.

- 11) During the year, five (5) board meetings were held and the number of meetings attended by each Director is given hereunder:

| Directors | Number of meetings attended |
|--------------------------|------------------------------------|
| Mr. Rafiq M. Habib | 5 |
| Mr. Raza Ansari | 5 |
| Mr. Ali S. Habib | 4 |
| Mr. Ali Reza M. Alladin | 5 |
| Mr. Abdul Hai M. Bhaimia | 5 |
| Mr. Salim Azhar | 5 |
| Mr. Muhammad Faisal | 4 |

Leave of absence was granted to the Directors who could not attend the Board meetings.

AUDIT COMMITTEE:

An audit committee of the Board has been in existence since the enforcement of the Code of Corporate Governance. The audit committee has its terms of reference which were determined by the Board of Directors in accordance with the guidelines provided in the listing regulations and code of corporate governance.

The committee meets at least once every quarter and assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to shareholders, systems of internal control and risk management and the audit process. It has the power to call for information from management and to consult directly with the external auditors as considered appropriate. The Chief Financial Officer regularly attends the Board Audit Committee meetings by invitation to present the accounts. After each meeting, the Chairman of the Committee reports to the Board.

The audit committee comprises of two non-executive directors and one independent director who is also a Chairman. During the year, four (4) meetings of the audit committee were held. The attendance of each member is given hereunder:

Leave of absence was granted to the members who could not attend the meetings of the audit committee.

| Members | Number of meetings attended |
|--------------------------|------------------------------------|
| Mr. Muhammad Faisal | 2 |
| Mr. Abdul Hai M. Bhaimia | 4 |
| Mr. Salim Azhar | 4 |

HUMAN RESOURCE AND REMUNERATION COMMITTEE:

In compliance with the requirements of code of corporate governance, the Board of Directors has established this Committee comprising three members' two of whom are non executive directors (including Chairman) and one is independent director. Detailed terms of reference of the Committee were duly communicated to the members, by the Board.



TRAINING PROGRAM OF DIRECTORS:

Clause (XI) of the CCG 2012 requires every listed Company to make appropriate arrangements to carry out orientation courses for their directors. The Board of your Company have taken requisite steps to comply with the requirements of this clause as per the time specified in the CCG, however, your directors are pleased to report that three of the existing directors are exempted from the directors training program as they have minimum of 14 years of education and have experience of 15 years on the board of your Company. Further, orientation course of two of the directors has been completed. The requirement of training of directors will be complied by the date specified in the code of corporate governance.

APPROPRIATION:

The Board of Directors have recommended passing over of dividend and / or bonus for the financial year ended June 30, 2014 due to its long term financial commitments.

PATTERN OF SHAREHOLDING:

Statements showing the pattern of shareholding as at June 30, 2014 required under the Companies Ordinance, 1984 and the Code of Corporate Governance are annexed.

The Directors, CEO, CFO, Company Secretary and their spouses or minor children did not carry out any trade in the shares of the Company during the year except one of the seven directors, who sold 45,000 shares which was duly reported to the stock exchanges as per the requirements of Code of Corporate Governance.

MATERIAL CHANGES:

There have been no material changes since June 30, 2013 and the Company has not entered into any commitment, which could affect its financial position at the date except for those mentioned in the Audited Financial Statements of the Company for the year ended June 30, 2014.

ACKNOWLEDGEMENT:

We thank our shareholders, customers, staff, financial institution and banks for their sustained support and trust in the Company.

On behalf of the Board

RAZA ANSARI

Chief Executive Officer

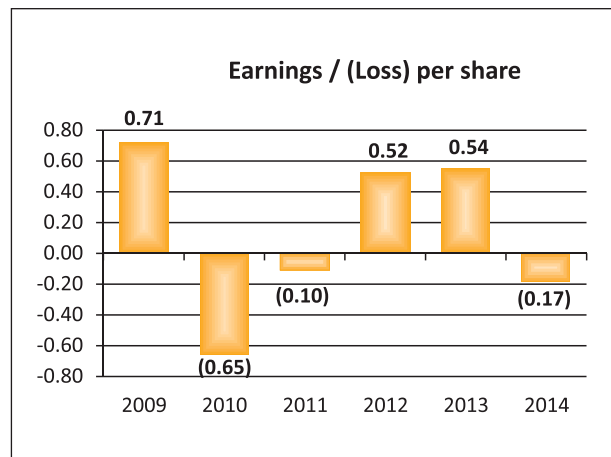
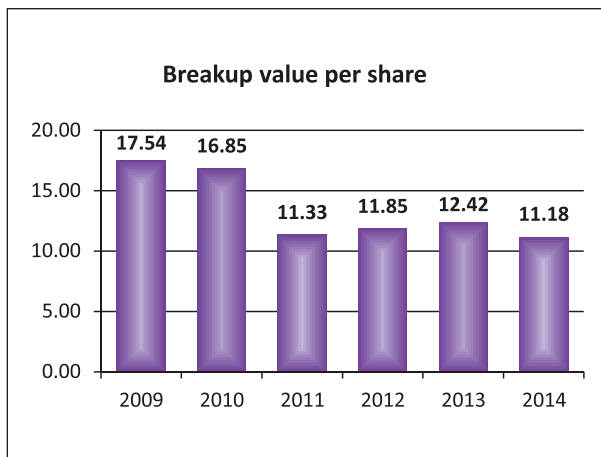
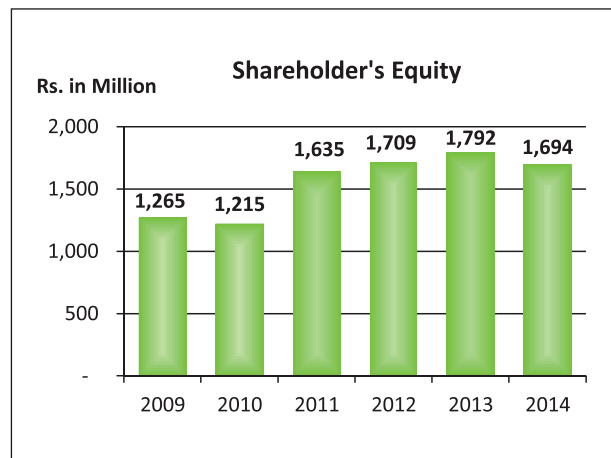
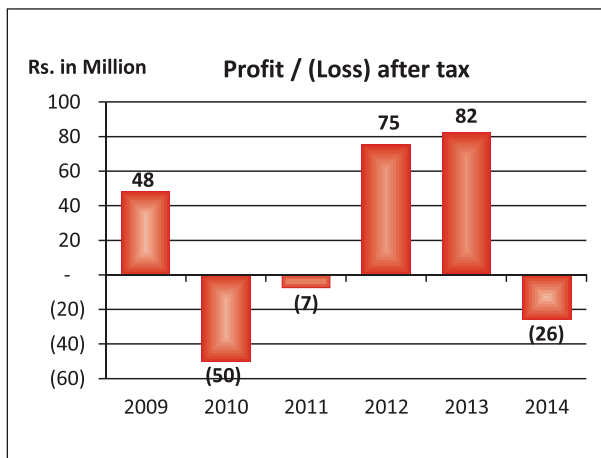
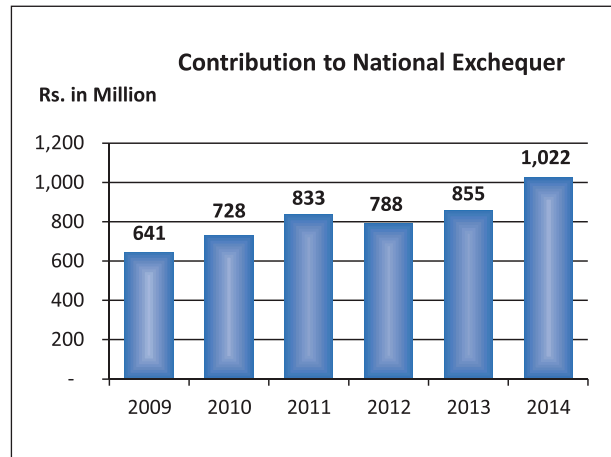
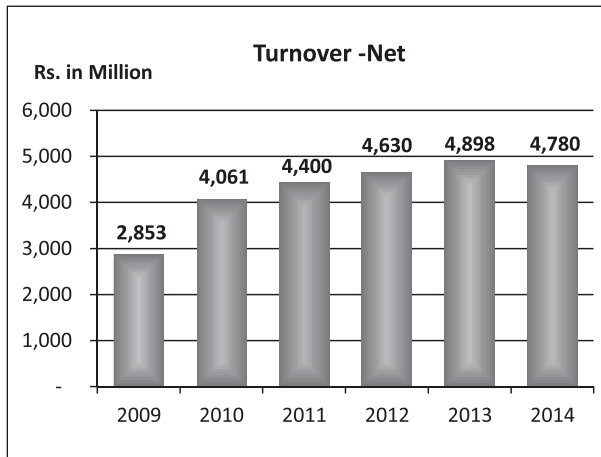
Karachi: August 27, 2014



PERFORMANCE OF LAST SIX YEARS

| FINANCIAL SUMMARY | 30TH JUNE 2014 (RS.'000s) | 30TH JUNE 2013 (RS.'000s) | 30TH JUNE 2012 (RS.'000s) | 30TH JUNE 2011 (RS.'000s) | 30TH JUNE 2010 (RS.'000s) | 30TH JUNE 2009 (RS.'000s) |
|-------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| For the year | | | | | | |
| Turnover (Net) | 4,779,969 | 4,898,217 | 4,630,457 | 4,399,779 | 4,061,423 | 2,853,257 |
| % of Growth | -2.41% | 5.78% | 5.24% | 8.33% | 42.34% | 40.20% |
| Gross profit | 1,034,677 | 1,178,055 | 1,292,821 | 1,131,200 | 1,059,379 | 784,812 |
| Gross profit (%) | 21.65% | 24.05% | 27.92% | 25.71% | 24.08% | 27.51% |
| Administrative Expenses | 117,158 | 84,149 | 71,301 | 77,237 | 57,718 | 56,794 |
| % of Turnover -net | 2.45% | 1.72% | 1.54% | 1.76% | 1.31% | 1.99% |
| Distribution Cost | 631,449 | 646,662 | 652,298 | 584,204 | 559,697 | 383,930 |
| % of Turnover -net | 13.21% | 13.20% | 14.09% | 13.28% | 12.72% | 13.46% |
| Financial Charges | 238,903 | 303,097 | 365,940 | 457,614 | 495,362 | 266,836 |
| % of Turnover -net | 5.00% | 6.19% | 7.90% | 10.40% | 11.26% | 9.35% |
| Profit / (loss) before taxation | 47,229 | 130,874 | 190,360 | 13,492 | (51,383) | 73,548 |
| % of Turnover -net | 0.99% | 2.67% | 4.11% | 0.31% | -1.17% | 2.58% |
| (Loss) / profit after taxation | (26,036) | 82,322 | 74,578 | (7,457) | (49,610) | 47,747 |
| % of Turnover -net | -0.54% | 1.68% | 1.61% | -0.17% | -1.13% | 1.67% |
| Cash dividend | - | 72,128 | - | - | - | - |
| Cash dividend (%) | - | 10% | - | - | - | - |
| Bonus Shares | - | 36,064 | - | - | - | - |
| Bonus Shares (%) | - | 5% | - | - | - | - |
| Ratio Analysis | | | | | | |
| Break-up value of Rs. 5/= share | 11.18 | 12.42 | 11.85 | 11.33 | 16.85 | 17.54 |
| Earnings per share (Rs.) - Restated | (0.17) | 0.54 | 0.49 | (0.05) | (0.33) | 0.32 |
| Receivables no. of days | 62 | 54 | 54 | 54 | 73 | 64 |
| Current ratio | 0. 4 | 0.89 | 1.02 | 1.10 | 1.01 | 1.05 |
| Number of employees | 888 | 908 | 961 | 941 | 900 | 837 |

FINANCIAL HIGHLIGHTS





Shabbir Tiles and Ceramics Limited

Horizontal Analysis

(Rs. in '000')

| BALANCE SHEET | 2014 | % | 2013 | % | 2012 | % | 2011 | % | 2010 | % | 2009 | % |
|--|------------------|----------------|------------------|---------------|------------------|------------------|------------------|----------------|------------------|----------------|------------------|--------------|
| Property, plant & Equipment | 2,945,072 | (6.89) | 3,163,042 | (5.1) | 3,334,490 | (6.8) | 3,578,311 | (6.5) | 3,826,126 | (7.0) | 4,113,866 | 169.3 |
| Investment property | 100 | (51.69) | 207 | (34.1) | 314 | (25.4) | 421 | (19.3) | 522 | (16.2) | 623 | (0.1) |
| Long-term loans, advances & deposits | 9,445 | (13.50) | 10,919 | 8.3 | 10,078 | (14.2) | 11,745 | (25.8) | 15,836 | 2.1 | 15,517 | (0.2) |
| Current assets | 1,814,964 | 14.73 | 1,581,957 | (1.1) | 1,599,969 | (1.7) | 1,627,945 | (9.2) | 1,792,732 | 14.5 | 1,565,475 | 0.7 |
| Total Assets | 4,769,581 | 0.28 | 4,756,125 | (3.8) | 4,944,851 | (5.2) | 5,218,422 | (7.4) | 5,635,216 | (1.1) | 5,695,481 | 1.3 |
| Share Capital | 757,341 | 5.00 | 721,277 | - | 721,277 | - | 721,277 | 100.0 | 360,638 | - | 360,638 | 1.2 |
| Share Premium | 456,288 | - | 456,288 | - | 456,288 | - | 456,288 | 17.1 | 389,764 | - | 389,764 | 100.0 |
| Reserves | 480,008 | (21.85) | 614,236 | 15.5 | 531,914 | 16.3 | 457,336 | (1.6) | 464,793 | (9.6) | 514,403 | (0.1) |
| Shareholders' equity | 1,693,637 | (5.48) | 1,791,801 | 4.8 | 1,709,479 | 4.6 | 1,634,901 | 34.5 | 1,215,195 | (3.9) | 1,264,805 | 0.7 |
| Long Term Finance | 447,649 | (56.27) | 1,023,682 | (33.1) | 1,530,448 | (24.9) | 2,037,214 | (19.9) | 2,543,980 | (8.2) | 2,769,983 | 2.5 |
| Liabilities against assets subj. to Fin. Lease | - | - | 2,606 | (61.3) | 6,726 | (26.6) | 9,160 | (33.5) | 13,768 | (80.2) | 69,474 | (0.6) |
| Deferred tax liabilities | 184,839 | 18.82 | 155,564 | 21.7 | 127,796 | 116.7 | 58,965 | (28.3) | 82,291 | (21.8) | 105,259 | (0.2) |
| Current liabilities | 2,443,456 | 37.08 | 1,782,472 | 13.5 | 1,570,402 | 6.2 | 1,478,182 | (17.0) | 1,779,982 | 19.8 | 1,485,960 | 1.3 |
| Total Equities and Liabilities | 4,769,581 | 0.28 | 4,756,125 | (3.8) | 4,944,851 | (5.2) | 5,218,422 | (7.4) | 5,635,216 | (1.1) | 5,695,481 | 1.3 |
| PROFIT AND LOSS ACCOUNT | | | | | | | | | | | | |
| Net Sales | 4,779,969 | (2.4) | 4,898,217 | 5.8 | 4,630,457 | 5.2 | 4,399,779 | 8.3 | 4,061,423 | 42.3 | 2,853,257 | 0.4 |
| Cost of Sales | 3,745,292 | 0.7 | 3,720,162 | 11.5 | 3,337,636 | 2.1 | 3,268,579 | 8.9 | 3,002,044 | 45.1 | 2,068,445 | 0.4 |
| Gross profit | 1,034,677 | (12.2) | 1,178,055 | (8.9) | 1,292,821 | 14.3 | 1,131,200 | 6.8 | 1,059,379 | 35.0 | 784,812 | 0.5 |
| Distribution Cost | 631,449 | (2.4) | 646,662 | (0.9) | 652,298 | 11.7 | 584,204 | 4.4 | 559,697 | 45.8 | 383,930 | 0.4 |
| Administrative Expenses | 117,158 | 39.2 | 84,149 | 18.0 | 71,301 | (7.7) | 77,237 | 33.8 | 57,718 | 1.6 | 56,794 | 0.5 |
| Other Income | 8,663 | 124.6 | 3,857 | (54.0) | 8,387 | 12.0 | 7,486 | 91.0 | 3,920 | 57.3 | 2,492 | 1.2 |
| Other Charges | 8,601 | (49.8) | 17,130 | (19.6) | 21,309 | 247.1 | 6,139 | 222.3 | 1,905 | (69.3) | 6,196 | (0.6) |
| Operating Profit before Finance Costs | 286,132 | (34.1) | 433,971 | (22.0) | 556,300 | 18.1 | 471,106 | 6.1 | 443,979 | 30.4 | 340,384 | 0.6 |
| Financial Charges | 238,903 | (21.2) | 303,097 | (17.2) | 365,940 | (20.0) | 457,614 | (7.6) | 495,362 | 85.6 | 266,836 | 3.3 |
| Profit/(Loss) before taxation | 47,229 | (63.9) | 130,874 | (31.2) | 190,360 | 1,310.9 | 13,492 | (126.3) | (51,383) | (169.9) | 73,548 | (0.5) |
| Taxation | 73,265 | 50.9 | 48,552 | (58.1) | 115,782 | 452.7 | 20,949 | (1,281.6) | (1,773) | (106.9) | 25,801 | (0.5) |
| (Loss)/Profit after taxation | (26,036) | (131.6) | 82,322 | 10.4 | 74,578 | (1,100.1) | (7,457) | (85.0) | (49,610) | (203.9) | 47,747 | (0.5) |



Shabbir Tiles and Ceramics Limited

Vertical Analysis

(Rs. in '000')

| BALANCE SHEET | 2014 | % | 2013 | % | 2012 | % | 2011 | % | 2010 | % | 2009 | % |
|--|------------------|---------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|
| Property, plant & Equipment | 2,945,072 | 61.75 | 3,163,042 | 66.5 | 3,334,490 | 67.4 | 3,578,311 | 68.6 | 3,826,126 | 67.9 | 4,113,866 | 72.2 |
| Investment property | 100 | 0.002 | 207 | 0.004 | 314 | 0.01 | 421 | 0.01 | 522 | 0.01 | 623 | 0.01 |
| Long-term loans, advances & deposits | 9,445 | 0.20 | 10,919 | 0.2 | 10,078 | 0.2 | 11,745 | 0.2 | 15,836 | 0.3 | 15,517 | 0.3 |
| Current assets | 1,814,964 | 38.05 | 1,581,957 | 33.3 | 1,599,969 | 32.4 | 1,627,945 | 31.2 | 1,792,732 | 31.8 | 1,565,475 | 27.5 |
| Total Assets | 4,769,581 | 100.00 | 4,756,125 | 100.0 | 4,944,851 | 100.0 | 5,218,422 | 100.0 | 5,635,216 | 100.0 | 5,695,481 | 100.0 |
| Share Capital | 757,341 | 15.88 | 721,277 | 15.2 | 721,277 | 14.6 | 721,277 | 13.8 | 360,638 | 6.4 | 360,638 | 6.3 |
| Share Premium | 456,288 | 9.57 | 456,288 | 9.6 | 456,288 | 9.2 | 456,288 | 8.7 | 389,764 | 6.9 | 389,764 | 6.8 |
| Reserves | 480,008 | 10.06 | 614,236 | 12.9 | 531,914 | 10.8 | 457,336 | 8.8 | 464,793 | 8.2 | 514,403 | 9.0 |
| Shareholders' equity | 1,693,637 | 35.51 | 1,791,801 | 37.7 | 1,709,479 | 34.6 | 1,634,901 | 31.3 | 1,215,195 | 21.6 | 1,264,805 | 22.2 |
| Long Term Finance | 447,649 | 9.39 | 1,023,682 | 21.5 | 1,530,448 | 31.0 | 2,037,214 | 39.0 | 2,543,980 | 45.1 | 2,769,983 | 48.6 |
| Liabilities against assets subj. to Fin. Lease | - | 0.00 | 2,606 | 0.1 | 6,726 | 0.1 | 9,160 | 0.2 | 13,768 | 0.2 | 69,474 | 1.2 |
| Deferred tax liabilities | 184,839 | 3.88 | 155,564 | 3.3 | 127,796 | 2.6 | 58,965 | 1.1 | 82,291 | 1.5 | 105,259 | 1.8 |
| Current liabilities | 2,443,456 | 51.23 | 1,782,472 | 37.5 | 1,570,402 | 31.8 | 1,478,182 | 28.3 | 1,779,982 | 31.6 | 1,485,960 | 26.1 |
| Total Equities and Liabilities | 4,769,581 | 100.00 | 4,756,125 | 100.0 | 4,944,851 | 100.0 | 5,218,422 | 100.0 | 5,635,216 | 100.0 | 5,695,481 | 100.0 |
| | | | | | - | - | - | - | - | - | - | - |
| PROFIT AND LOSS ACCOUNT | | | | | - | - | - | - | - | - | - | - |
| Net Sales | 4,779,969 | 100.0 | 4,898,217 | 100.0 | 4,630,457 | 100.0 | 4,399,779 | 100.0 | 4,061,423 | 100.0 | 2,853,257 | 100.0 |
| Cost of Sales | 3,745,292 | 78.4 | 3,720,162 | 75.9 | 3,337,636 | 72.1 | 3,268,579 | 74.3 | 3,002,044 | 73.9 | 2,068,445 | 72.5 |
| Gross profit | 1,034,677 | 21.6 | 1,178,055 | 24.1 | 1,292,821 | 27.9 | 1,131,200 | 25.7 | 1,059,379 | 26.1 | 784,812 | 27.5 |
| Distribution Cost | 631,449 | 13.2 | 646,662 | 13.2 | 652,298 | 14.1 | 584,204 | 13.3 | 559,697 | 13.8 | 383,930 | 13.5 |
| Administrative Expenses | 117,158 | 2.5 | 84,149 | 1.7 | 71,301 | 1.5 | 77,237 | 1.8 | 57,718 | 1.4 | 56,794 | 2.0 |
| Other Income | 8,663 | 0.2 | 3,857 | 0.1 | 8,387 | 0.2 | 7,486 | 0.2 | 3,920 | 0.1 | 2,492 | 0.1 |
| Other Charges | 8,601 | 0.2 | 17,130 | 0.3 | 21,309 | 0.5 | 6,139 | 0.1 | 1,905 | 0.0 | 6,196 | 0.2 |
| Operating Profit before Finance Costs | 286,132 | 6.0 | 433,971 | 8.9 | 556,300 | 12.0 | 471,106 | 10.7 | 443,979 | 10.9 | 340,384 | 11.9 |
| Financial Charges | 238,903 | 5.0 | 303,097 | 6.2 | 365,940 | 7.9 | 457,614 | 10.4 | 495,362 | 12.2 | 266,836 | 9.4 |
| Profit/(Loss) before taxation | 47,229 | 1.0 | 130,874 | 2.7 | 190,360 | 4.1 | 13,492 | 0.3 | (51,383) | (1.3) | 73,548 | 2.6 |
| Taxation | 73,265 | 1.5 | 48,552 | 1.0 | 115,782 | 2.5 | 20,949 | 0.5 | (1,773) | (0.0) | 25,801 | 0.9 |
| (Loss)/Profit after taxation | (26,036) | (0.5) | 82,322 | 1.7 | 74,578 | 1.6 | (7,457) | (0.2) | (49,610) | (1.2) | 47,747 | 1.7 |

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2014**

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. XI (35), XI (35) and XI (35) of the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges respectively for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

- 1) The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors (the Board). At present the Board includes:

| Name of Director | Category of Director | | |
|----------------------|----------------------|-----------------|-----------|
| | Independent | Non - Executive | Executive |
| Rafiq M. Habib | | ✓ | |
| Alireza M. Alladin | | ✓ | |
| Raza Ansari | | | ✓ |
| Ali Suleman Habib | | ✓ | |
| Abdul Hai M. Bhaimia | | ✓ | |
| Salim Azhar | | ✓ | |
| Muhammad Faisal | ✓ | | |

- 2) The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
- 3) All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution (DFI) or a Non-Banking Finance Institution (NBFI) or, being a member of a Stock Exchange, has been declared as a defaulter by that Stock Exchange.
- 4) No casual vacancy occurred in the Board during the period under review.
- 5) 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.
- 6) The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7) All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executives and non-executive directors, have been taken by the Board/shareholders.
- 8) The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9) The Board arranges orientation course for its directors as and when needed to apprise them of their duties and responsibilities. During the year one director has completed Corporate Governance Leadership Skills Program of the Pakistan Institute of Corporate Governance (PICG). At present, two directors have the required certification of Directors Training Course from PICG. In addition three



directors meet the criteria of exemption under clause (xi) of CCG and are accordingly exempted from director's training program.

- 10) No new appointment of Chief Financial Officer (CFO), Company Secretary or Head of Internal Audit has been made during the year.
- 11) The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
- 12) The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- 13) The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- 14) The Company has complied with all the corporate and financial reporting requirements of the CCG.
- 15) The Board has formed an Audit Committee. It comprises three members, of whom one is an independent director and two are non-executive directors and the Chairman of the Committee is an independent director.
- 16) The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The Terms of Reference of the Committee have been formed and advised to the Committee for compliance.
- 17) The Board has formed a Human Resources and Remuneration Committee. It comprises three members, of whom two are non-executive directors and one is an independent director. The Chairman of the Committee is a non-executive director.
- 18) The Board has outsourced the internal audit function to M/s. Noble Computer Services (Private.) Limited who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
- 19) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.
- 20) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 21) The 'Closed Period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and Stock Exchange(s).
- 22) Material/price sensitive information has been disseminated among all market participants at once through Stock Exchange(s).
- 23) We confirm that all other material principles enshrined in the CCG have been complied with except that the position of C.F.O. and Company Secretary is held by the same person. The said decision has been taken by the Board keeping in view the size of the Company.

On behalf of the Board

RAZA ANSARI

Chief Executive Officer

Karachi: August 27, 2014



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Shabbir Tiles and Ceramics Limited (the Company) for the year ended 30 June 2014 to comply with the requirements of Listing Regulation No. 35 Chapter XI of Karachi Stock Exchange Limited, Listing Regulation No. 35 Chapter XI of Lahore Stock Exchange Limited and Listing Regulation No. 35 Chapter XI of Islamabad Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement 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 Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for its review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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 upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2014.

Further, we draw your attention to Clause 23 of the Statement which explains that the same person holds the position of Chief Financial Officer and Company Secretary. Our conclusion is not qualified in respect of this matter.

Karachi: August 27, 2014


ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Shabbir Tiles and Ceramics Limited (the Company) as at 30 June 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2014, and of the loss, its comprehensive loss, cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Chartered Accountants

Audit Engagement Partner: Khurram Jameel

Date: August 27, 2014

Karachi.



Shabbir Tiles and Ceramics Limited

BALANCE SHEET AS AT JUNE 30, 2014

| | Note | 2014 (Rupees in '000) | 2013 |
|--|------|--------------------------|-------------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 6 | 2,945,072 | 3,163,042 |
| Investment property | 7 | 100 | 207 |
| Long-term loans | 8 | 90 | 109 |
| Long-term deposits | 9 | 9,355 | 10,810 |
| | | <u>2,954,617</u> | <u>3,174,168</u> |
| CURRENT ASSETS | | | |
| Stores and spare parts | 10 | 141,099 | 126,438 |
| Stock-in-trade | 11 | 552,836 | 425,757 |
| Trade debts | 12 | 941,554 | 829,689 |
| Loans, advances, deposits, prepayments and other receivables | 13 | 16,768 | 34,804 |
| Taxation – net | | 38,263 | 39,250 |
| Cash and bank balances | 14 | 124,444 | 126,019 |
| | | <u>1,814,964</u> | <u>1,581,957</u> |
| TOTAL ASSETS | | <u>4,769,581</u> | <u>4,756,125</u> |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised capital 240,000,000 (2013: 240,000,000) Ordinary shares of Rs.5/- each | | <u>1,200,000</u> | <u>1,200,000</u> |
| Issued, subscribed and paid-up capital | 15 | 757,341 | 721,277 |
| Reserves | | <u>936,296</u> | <u>1,070,524</u> |
| | | <u>1,693,637</u> | <u>1,791,801</u> |
| NON-CURRENT LIABILITIES | | | |
| Long-term finance | 16 | 447,649 | 1,023,682 |
| Liabilities against assets subject to finance lease | 17 | - | 2,606 |
| Deferred tax liability | 18 | 184,839 | 155,564 |
| | | <u>632,488</u> | <u>1,181,852</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 19 | 525,094 | 521,661 |
| Accrued mark-up | | 58,456 | 37,911 |
| Current maturity of long term finance | 16 | 506,766 | 506,766 |
| Current maturity of liabilities against assets subject to finance lease | 17 | 2,682 | 2,523 |
| Short-term borrowings | 20 | 1,303,697 | 672,362 |
| Sales tax payable | | 46,761 | 41,249 |
| | | <u>2,443,456</u> | <u>1,782,472</u> |
| CONTINGENCIES AND COMMITMENTS | 21 | | |
| TOTAL EQUITY AND LIABILITIES | | <u>4,769,581</u> | <u>4,756,125</u> |

The annexed notes from 1 to 40 form an integral part of these financial statements.


RAZA ANSARI
Chief Executive Officer


ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014

| | Note | 2014 (Rupees in '000) | 2013 |
|--|------|--------------------------|---------------------|
| Turnover | 22 | 4,779,969 | 4,898,217 |
| Cost of sales | 23 | (3,745,292) | (3,720,162) |
| Gross profit | 24 | <u>1,034,677</u> | <u>1,178,055</u> |
| Distribution costs | 25 | (631,449) | (646,662) |
| Administrative expenses | 26 | (117,158) | (84,149) |
| | | (748,607) | (730,811) |
| Other income | 27 | 8,663 | 3,857 |
| Other operating expenses | 28 | (8,601) | (17,130) |
| | | 62 | (13,273) |
| Operating profit | | <u>286,132</u> | <u>433,971</u> |
| Finance costs | 29 | (238,903) | (303,097) |
| Profit before taxation | | <u>47,229</u> | <u>130,874</u> |
| Taxation | 30 | (73,265) | (48,552) |
| (Loss) / profit after taxation | | <u>(26,036)</u> | <u>82,322</u> |
| | | | Rupee (Restated) |
| (Loss) / earnings per share - basic and diluted | 31 | <u>(0.17)</u> | <u>0.54</u> |

The annexed notes from 1 to 40 form an integral part of these financial statements.


RAZA ANSARI
Chief Executive Officer


ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2014

| | 2014 | 2013 |
|---|------------------------|----------------------|
| | (Rupees in '000) | |
| (Loss) / profit after taxation | (26,036) | 82,322 |
| Other comprehensive income | - | - |
| Total comprehensive (loss) / income for the year | <u><u>(26,036)</u></u> | <u><u>82,322</u></u> |

The annexed notes from 1 to 40 form an integral part of these financial statements.


RAZA ANSARI
Chief Executive Officer


ABDUL HAI M. BHAIMIA
Director



CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

| | Note | 2014 (Rupees in '000) | 2013 |
|--|------|--------------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 47,229 | 130,874 |
| Adjustments for: | | | |
| Depreciation | | | |
| - property, plant and equipment | | 290,840 | 266,168 |
| - investment property | | 107 | 107 |
| Finance costs | | 238,903 | 303,097 |
| Provision / (reversal) for doubtful debts | | 31,182 | (3,102) |
| Provision for slow moving stores and spare parts | | 10,397 | 8,858 |
| Gain on disposal of property, plant and equipment | | (219) | (2,348) |
| | | <u>571,210</u> | <u>572,780</u> |
| Operating profit before working capital changes | | 618,439 | 703,654 |
| (Increase) / decrease in current assets | | | |
| Stores and spare parts | | (25,058) | 13,429 |
| Stock-in-trade | | (127,079) | 116,510 |
| Trade debts | | (143,047) | (39,381) |
| Loans, advances, deposits, prepayments and other receivables | | 18,036 | (6,206) |
| | | <u>(277,148)</u> | <u>84,352</u> |
| Increase / (decrease) in current liabilities | | | |
| Trade and other payables | | 3,433 | 137,769 |
| Sales tax payable | | 5,512 | (1,129) |
| | | <u>8,945</u> | <u>136,640</u> |
| Cash generated from operations | | 350,236 | 924,646 |
| Income tax paid | | (43,003) | (59,889) |
| Finance costs paid | | (218,358) | (278,540) |
| Long-term loans | | 19 | 294 |
| Long-term deposits | | 1,455 | (1,135) |
| Net cash inflow from operating activities | | 90,349 | 585,376 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Fixed capital expenditure | | (76,998) | (96,843) |
| Proceeds from disposal of property, plant and equipment | | 4,347 | 4,472 |
| Net cash used in investing activities | | (72,651) | (92,371) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of long term finance | | (576,033) | (506,766) |
| Proceeds from short-term borrowings | | (6,978) | (13,612) |
| Dividend paid | | (72,128) | - |
| Lease rentals paid | | (2,447) | (4,129) |
| Net cash used in financing activities | | (657,586) | (524,507) |
| Net decrease in cash and cash equivalents | | (639,888) | (31,502) |
| Cash and cash equivalents at the beginning of the year | | (422,373) | (390,871) |
| Cash and cash equivalents at the end of the year | 32 | (1,062,261) | (422,373) |

The annexed notes from 1 to 40 form an integral part of these financial statements.


RAZA ANSARI
Chief Executive Officer


ABDUL HAI M. BHAIMIA
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2014

| | Issued, subscribed & paid-up capital | Capital reserve share premium | Revenue reserves | | Total reserves | Total |
|---|---|-------------------------------------|--------------------|--------------------------|-------------------|-----------|
| | | | General reserve | Unappropriated profit | | |
| ------(Rupees in '000)----- | | | | | | |
| Balance as at June 30, 2012 | 721,277 | 456,288 | 514,000 | 17,914 | 988,202 | 1,709,479 |
| Total comprehensive income for the year | - | - | - | 82,322 | 82,322 | 82,322 |
| Balance as at June 30, 2013 | 721,277 | 456,288 | 514,000 | 100,236 | 1,070,524 | 1,791,801 |
| Transfer from general reserve | - | - | (36,000) | 36,000 | - | - |
| Final dividend @ 10% for the year June 30, 2013 | - | - | - | (72,128) | (72,128) | (72,128) |
| Issue of bonus shares @ 5% for the year June 30, 2013 | 36,064 | - | - | (36,064) | (36,064) | - |
| Total comprehensive loss for the year | - | - | - | (26,036) | (26,036) | (26,036) |
| Balance as at June 30, 2014 | 757,341 | 456,288 | 478,000 | 2,008 | 936,296 | 1,693,637 |

The annexed notes from 1 to 40 form an integral part of these financial statements.



RAZA ANSARI
Chief Executive Officer



ABDUL HAI M. BHAIMIA
Director



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

1. THE COMPANY AND ITS OPERATIONS

Shabbir Tiles and Ceramics Limited (the Company) was incorporated in Pakistan as a public limited company, under the Companies Act 1913 (now the Companies Ordinance, 1984) on November 07, 1978 and is listed on all Stock Exchanges in Pakistan. The Company is primarily engaged in the manufacture and sale of tiles and trading of allied building products. The registered office of the Company is situated at 15th Milestone, National Highway, Landhi, Karachi.

2. STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are as notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2. Standards and amendments to approved accounting standards that are not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

| Standard or Interpretation | Effective date (accounting periods beginning on or after) |
|---|--|
| IFRS 13 - Fair value Measurements | January 01, 2015 |
| IAS 16 & 38 - Clarification of Acceptable Method of Depreciation and Amortization | January 01, 2016 |
| IAS 19 - Employee Contributions | July 01, 2014 |
| IAS 32 - Offsetting Financial Assets and Financial Liabilities - (Amendment) | January 1, 2014 |
| IAS 36 - Recoverable Amount for Non-Financial Assets - (Amendment) | January 1, 2014 |

The Company expects that the adoption of the above revisions and amendments of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2014. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| Standards | IASB effective date (accounting periods beginning on or after) |
|--|---|
| IFRS 9 - Financial Instruments: Classification and Measurement | January 01, 2018 |
| IFRS 14 - Regulatory Deferral Accounts | January 01, 2016 |
| IFRS 15 - Revenue from Contracts with Customers | January 01, 2017 |



2.3 New, amended and revised standards and interpretations of IFRSs

The Company has adopted the following revised standard, amendments and interpretation of IFRSs which became effective during the year:

- IAS - 19 Employee Benefits - (Revised)
- IFRS - 7 Financial Instruments: Disclosures - (Amendments)
- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

Improvements to accounting standards issued by the IASB

- IAS - 1 Presentation of Financial Statements - Clarification of the requirements for comparative information
- IAS - 16 Property, Plant and Equipment - Classification of Servicing Equipment
- IAS - 32 Financial Instruments: Presentation - Tax effects of Distribution to Holders of Equity Equipment
- IAS - 34 Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any material effect on the financial statements of the Company.

3. BASIS OF MEASUREMENT

- 3.1 These financial statements have been prepared under the historical cost convention.
- 3.2 These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and accumulated impairment except for freehold land and capital work-in-progress, which are stated at cost.

Cost in relation to certain fixed assets, including capital work-in-progress, signifies historical cost and financial charges on borrowings for financing the projects until such time as the projects are substantially ready for their intended use.

Depreciation is charged on the straight line basis, other than freehold land which is determined to have an indefinite life, at the rates specified in note 6 to the financial statements. Depreciation on additions is charged from the month in which the asset is put to use and on disposals upto the month immediately preceding the deletion. No depreciation is charged if asset's residual value exceeds its carrying amount.

Residual values and useful lives are reviewed at each balance sheet date, and adjusted if expectations differ significantly from previous estimates.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gain or loss on disposal of property, plant and equipment is recognized in the profit and loss account when incurred.



Leased

Assets held under finance leases are capitalized at the lower of present value of the minimum lease payments at the inception of the lease term and the fair value of leased assets. The related obligations under finance lease less finance charges allocated to future periods are shown as liabilities. Finance costs are calculated at the rate implicit in the lease and are charged to profit and loss account. Depreciation is charged to profit and loss account applying the same basis as for owned assets.

4.2 Investment property

Investment property represents the portion of freehold land and building let out on rent and is stated at cost, determined on the basis of area (square feet) rented out less accumulated depreciation and impairment.

Depreciation is charged to profit and loss account applying the straight line method at the rate specified in note 7 to the financial statements. Depreciation on additions is charged from the month in which an asset is put to use and on deletions up to the month immediately preceding the deletion.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gain or loss on disposals is taken to profit and loss account for the year.

4.3 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated and the impairment loss is recognized as an expense in the profit and loss account.

4.4 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

4.5 Research and development costs

Research and development costs are expensed as incurred, except for development costs that relate to design of new or improved products which are recognised as an asset to the extent that it is expected that such asset will meet the recognition criteria mentioned in IAS-38 "Intangible Assets".

4.6 Stores and spare parts

These are valued at the lower of weighted average cost and net realizable value (NRV). Provision is made for slow moving and obsolete items.

Items in transit and bonded warehouse are valued at cost comprising invoice value plus other charges incurred thereon accumulated to the balance sheet date.

4.7 Stock-in-trade

These are valued at the lower of NRV and cost determined as follows:

| | |
|---------------------------------------|--|
| Raw and packing materials | - weighted average cost. |
| Work-in-process and finished goods | - cost of direct materials and labour plus attributable overheads. |
| Finished goods - imported products | - weighted average cost. |
| Stock in transit and bonded warehouse | - invoice price plus other charges paid thereon. |

Provision is made for slow moving and obsolete items.



4.8 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less provision for doubtful debts. Provision for doubtful debts is based on the management's assessment of customers' outstanding and creditworthiness. Bad debts are written-off when identified.

4.9 Cash and cash equivalents

These are stated at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash and bank balances net of short-term running finances.

4.10 Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights under the instruments are realised, expired or surrendered. Financial liabilities are derecognised when the obligation is extinguished, discharged, cancelled or expired. Any gain or loss on recognition or derecognition of the financial assets and financial liabilities is taken to the profit and loss account.

4.11 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the transaction and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously. Income and expense arising from such assets and liabilities are also offset accordingly.

4.12 Long and short-term borrowings

These are recorded at the proceeds received. Installments due within one year are shown as a current liability and mark-up on borrowings is charged as an expense on an accrual basis.

4.13 Trade and other payables

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

4.14 Provisions

Provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of past event and it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.15 Taxation

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any, or 1 per cent of turnover, whichever is higher. The Company also falls under the final tax regime under Section 148 and 154 of the Income Tax Ordinance, 2001, to the extent of commercial imports and export sales.

Deferred

Deferred taxation is provided, proportionate to local sales, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

4.16 Staff benefits

Defined contribution plan

The Company operates a recognised provident fund for its permanent employees. Equal monthly contributions are made to the fund both by the Company and the employees in accordance with the rules of the scheme. The Company has no further obligation once the contributions have been paid. The contributions made by the Company are recognised as employee benefit expense when they are due.

Compensated absences

The Company provides for its estimated liability towards unavailed earned leaves accumulated by employees on an accrual basis using current salary level.

4.17 Foreign currency translation

Transactions in foreign currencies are recorded at the rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences on foreign currency translations are taken to the profit and loss account.

4.18 Revenue recognition

Sales are recognised when goods are dispatched to the customers.

Return on bank deposits is recognised on accrual basis.

Rental income arising on investment property is accounted for on a straight-line basis over the lease term.

4.19 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. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

| | Notes |
|---|----------------------|
| - determining the residual values and useful lives of property, plant and equipment and investment property | 4.1, 4.2, 4.3, 6 & 7 |
| - impairment of inventories / adjustment of inventories to their net realisable value | 4.6, 4.7, 10 & 11 |
| - impairment of trade debts | 4.8 & 12 |
| - recognition of current / deferred tax | 4.15, 18 & 30 |
| - provision for staff benefits | 4.16 & 19.1 |
| - contingencies | 21 |



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| | Note | 2014 (Rupees in '000) | 2013 (Rupees in '000) |
|---|------|--------------------------|--------------------------|
| 6. PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating assets | 6.1 | 2,888,219 | 3,130,746 |
| Capital work in progress | 6.4 | 56,853 | 32,296 |
| | | <u>2,945,072</u> | <u>3,163,042</u> |

6.1 OPERATING ASSETS

| 2014 | COST | | | ACCUMULATED DEPRECIATION | | | NET BOOK VALUE | | Depreciation rate % | |
|---------------------------|---------------------|---------------|----------------|--------------------------|---------------------|---------------------|----------------|---------------------|---------------------|---------------------|
| | As at July 01, 2013 | Additions | Disposals | As at June 30, 2014 | As at July 01, 2013 | Charge for the year | Disposals | As at June 30, 2014 | | As at June 30, 2014 |
| (Rupees in '000) | | | | | | | | | | |
| Owned | | | | | | | | | | |
| Freehold land | 266,135 | - | - | 266,135 | - | - | - | - | 266,135 | - |
| Building on freehold land | 793,769 | - | - | 793,769 | 219,702 | 38,542 | - | 258,244 | 535,525 | 5-20 |
| Plant and machinery | 3,720,068 | 44,591 | - | 3,764,659 | 1,471,474 | 237,986 | - | 1,709,460 | 2,055,199 | 5-20 |
| Furniture and fixture | 24,310 | - | - | 24,310 | 21,899 | 2,162 | - | 24,061 | 249 | 20 |
| Office equipment | 18,818 | 1,800 | (65) | 20,553 | 14,900 | 2,364 | (64) | 17,200 | 3,353 | 20-33 |
| Computers and accessories | 15,694 | 297 | (2,528) | 13,463 | 13,589 | 1,566 | (2,382) | 12,773 | 690 | 50 |
| Vehicles | 59,295 | 3,550 | (6,408) | 56,437 | 30,399 | 6,133 | (4,630) | 31,902 | 24,535 | 20 |
| | 4,898,089 | 50,238 | (9,001) | 4,939,326 | 1,771,963 | 288,753 | (7,076) | 2,053,640 | 2,885,686 | |
| Leased | | | | | | | | | | |
| Vehicles | 11,595 | - | - | 11,595 | 6,975 | 2,087 | - | 9,062 | 2,533 | 20 |
| Total | 4,909,684 | 50,238 | (9,001) | 4,950,921 | 1,778,938 | 290,840 | (7,076) | 2,062,702 | 2,888,219 | |

| 2013 | COST | | | ACCUMULATED DEPRECIATION | | | NET BOOK VALUE | | Depreciation rate % | |
|---------------------------|---------------------|---------------|----------------|--------------------------|---------------------|---------------------|----------------|---------------------|---------------------|---------------------|
| | As at July 01, 2012 | Additions | Disposals | As at June 30, 2013 | As at July 01, 2012 | Charge for the year | Disposals | As at June 30, 2013 | | As at June 30, 2013 |
| (Rupees in '000) | | | | | | | | | | |
| Owned | | | | | | | | | | |
| Freehold land | 266,135 | - | - | 266,135 | - | - | - | - | 266,135 | - |
| Building on freehold land | 786,334 | 7,435 | - | 793,769 | 180,435 | 39,267 | - | 219,702 | 574,067 | 5-20 |
| Plant and machinery | 3,671,120 | 48,948 | - | 3,720,068 | 1,263,386 | 208,088 | - | 1,471,474 | 2,248,594 | 5-20 |
| Furniture and fixture | 24,310 | - | - | 24,310 | 16,530 | 5,369 | - | 21,899 | 2,411 | 20 |
| Office equipment | 18,041 | 827 | (50) | 18,818 | 12,071 | 2,879 | (50) | 14,900 | 3,918 | 20-33 |
| Computers and accessories | 14,174 | 1,768 | (248) | 15,694 | 11,782 | 1,997 | (190) | 13,589 | 2,105 | 50 |
| Vehicles | 50,752 | 7,772 | (1,905) | 59,295 | 22,786 | 6,115 | (4,263) | 30,399 | 28,896 | 20 |
| | | 7,099 | (4,423) | | | 5,761 | | | | |
| | 4,830,866 | 66,750 | (6,626) | 4,898,089 | 1,506,990 | 263,715 | (4,503) | 1,771,963 | 3,126,126 | |
| | | 7,099 | | | | 5,761 | | | | |
| Leased | | | | | | | | | | |
| Vehicles | 18,694 | - | - | 11,595 | 10,283 | 2,453 | - | 6,975 | 4,620 | 20 |
| | | (7,099) | | | | (5,761) | | | | |
| Total | 4,849,560 | 66,750 | (6,626) | 4,909,684 | 1,517,273 | 266,168 | (4,503) | 1,778,938 | 3,130,746 | |



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6.2 Depreciation charge for the year has been allocated as follows

| | Note | 2014 (Rupees in '000) | 2013 |
|-------------------------|------|--------------------------|----------------|
| Cost of sales | 23 | 282,374 | 255,524 |
| Distribution costs | 25 | 5,233 | 6,319 |
| Administrative expenses | 26 | 3,233 | 4,325 |
| | | <u>290,840</u> | <u>266,168</u> |

6.3 Details of disposal of property, plant and equipment having book value exceeding Rs. 50,000 each are as follows:

| Particulars | Cost | Accumulated depreciation | Book value | Sale Proceeds | Gain / (loss) | Mode of Disposal | Purchaser / Insurance Company |
|----------------------------|--------------|--------------------------|--------------|---------------|---------------|------------------|------------------------------------|
| ----- Rupees in '000 ----- | | | | | | | |
| Computers | | | | | | | |
| Laptop Apple Mac book | 214 | 133 | 81 | 90 | 9 | Negotiation | Mr. Alireza M. Alladin, (Ex CEO) |
| Vehicles | | | | | | | |
| Suzuki Cultus APJ - 064 | 632 | 569 | 63 | 407 | 344 | Company Policy | Mr. Noman Ullah Khan (Ex-Employee) |
| Toyota Camry ALR - 014 | 2,499 | 2,249 | 250 | 275 | 25 | Negotiation | Mr. Alireza M. Alladin, (Ex CEO) |
| Toyota Corolla AVZ - 014 | 1,654 | 551 | 1,103 | 1,213 | 110 | Negotiation | Mr. Alireza M. Alladin, (Ex CEO) |
| Suzuki Cultus APJ-063 | 632 | 569 | 63 | 379 | 316 | Company Policy | Mr. Abbas Ali Baig, (Ex-Employee) |
| Suzuki Cultus ARN-219 | 669 | 535 | 134 | 467 | 333 | Company Policy | Mr. Shafqat Riaz, (Ex-Employee) |
| Honda CD - 70 KGN - 0434 | 68 | 8 | 60 | 64 | 4 | Insurance Claim | Habib Insurance Company |
| Honda CD - 70 KGC - 8006 | 68 | 14 | 54 | 64 | 10 | Insurance Claim | Habib Insurance Company |
| | <u>6,436</u> | <u>4,628</u> | <u>1,808</u> | <u>2,959</u> | <u>1,151</u> | | |

6.4 Capital work-in-progress

| | Note | 2014 (Rupees in '000) | 2013 |
|------------------------------------|------|--------------------------|---------------|
| Opening balance | | 32,296 | 2,203 |
| Capital expenditure incurred | | 56,900 | 78,757 |
| Transfer to operating fixed assets | | (30,140) | (48,664) |
| Disposal | | (2,203) | - |
| Closing balance | | <u>56,853</u> | <u>32,296</u> |



Shabbir Tiles and Ceramics Limited

7. INVESTMENT PROPERTY

| | COST | | ACCUMULATED DEPRECIATION | | NET | Depreciation rate % |
|---------------------------|-------------------------------------|---------------------|--------------------------|---------------------|--------------------------------|---------------------|
| | As at July 01, 2013 & June 30, 2014 | As at July 01, 2013 | Charge for the year | As at June 30, 2014 | BOOK VALUE As at June 30, 2014 | |
| | ----- Rupees in '000 ----- | | | | | |
| Freehold land | 3 | - | - | - | 3 | - |
| Building on freehold land | 1,083 | 879 | 107 | 986 | 97 | 10 |
| June 2014 | 1,086 | 879 | 107 | 986 | 100 | |
| June 2013 | 1,086 | 772 | 107 | 879 | 207 | |

The fair value of investment property, as at June 30, 2014 amounts to Rs. 5.927 million (2013: Rs. 5.777 million), which has been arrived at on the basis of a valuation carried out by an independent professional valuer. The valuation was determined on the basis of market situation, present physical condition and location of the property.

| | Note | 2014 | 2013 |
|--|------|----------------|----------------|
| (Rupees in '000) | | | |
| 8. LONG-TERM LOANS - unsecured, considered good | | | |
| Employees | | 4,559 | 4,009 |
| Executives | 8.1 | 357 | 637 |
| | 8.2 | 4,916 | 4,646 |
| Less: Current maturity | 13 | (4,826) | (4,537) |
| | | 90 | 109 |
| 8.1 Reconciliation of the carrying amount of loans to Executives | | | |
| Opening balance | | 637 | 1,584 |
| Disbursements | | 630 | 1,257 |
| Repayments | | (910) | (2,204) |
| Closing balance | | 357 | 637 |
| 8.2 Represent loans for the purchase of household equipment which is repayable within two years of disbursement. The loans carry markup at the rate of KIBOR +3% per annum (2013: KIBOR +3% per annum). | | | |
| | | 2014 | 2013 |
| (Rupees in '000) | | | |
| 9. LONG TERM DEPOSITS | | | |
| Security deposits | | | |
| - Lease | | - | 1,156 |
| - Utilities | | 2,893 | 2,893 |
| - Rent | | 6,392 | 6,691 |
| - Others | | 70 | 70 |
| | | 9,355 | 10,810 |
| 10. STORES AND SPARE PARTS | | | |
| Stores | | 65,817 | 70,464 |
| Spare parts | | 111,838 | 82,111 |
| In transit | | 234 | 256 |
| | | 177,889 | 152,831 |
| Provision for slow moving and obsolete items | 10.1 | (36,790) | (26,393) |
| | | 141,099 | 126,438 |
| 10.1 Movement of provision for slow moving and obsolete items | | | |
| Opening balance | | 26,393 | 17,535 |
| Charge for the year | 23 | 10,397 | 8,858 |
| Closing balance | | 36,790 | 26,393 |



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| | Note | 2014 | 2013 |
|---------------------------|-------------|----------------|----------------|
| (Rupees in '000) | | | |
| 11. STOCK-IN-TRADE | | | |
| Raw and packing materials | 11.1 | 218,186 | 262,223 |
| Work-in-process | | 45,268 | 44,711 |
| Finished goods | 11.2 & 11.3 | 268,945 | 94,293 |
| In transit | | 20,437 | 24,530 |
| | | <u>552,836</u> | <u>425,757</u> |

11.1 Raw and packing materials is net off provision of Rs. 5.885 million (2013: Rs.5.892 million).

11.2 Includes stock in trade costing Rs. 116.350 million (2013: Rs. 34.908 million) which has been written down to Rs. 96.27 million (2013: Rs. 28.380 million) NRV.

11.3 Finished goods is net off provision of Rs.9.317 million (2013: Rs. 5.140 million)

| | Note | 2014 | 2013 |
|------------------------------------|------|----------------|----------------|
| (Rupees in '000) | | | |
| 12. TRADE DEBTS - unsecured | | | |
| Considered good | 12.1 | 941,554 | 829,689 |
| Considered doubtful | | 34,844 | 3,662 |
| Provision for impairment | 12.2 | (34,844) | (3,662) |
| | | - | - |
| | | <u>941,554</u> | <u>829,689</u> |

12.1 Include receivable from the following related parties that are neither past due nor impaired and are aged within 90 days.

| | Note | 2014 | 2013 |
|--|------|--------------|------------|
| (Rupees in '000) | | | |
| - Agri Auto Industries Limited | | - | 190 |
| - Indus Motor Company Limited | | 8,482 | 491 |
| - Metro Habib Pakistan (Private) Limited | | 10 | - |
| - Habib University Foundation | | 582 | - |
| - Noble Computer Services (Pvt.) Limited | | 157 | - |
| - Thal Limited | | 114 | - |
| | | <u>9,345</u> | <u>681</u> |

12.2 Movement of provision for doubtful debts

| | | | |
|-------------------------------------|----|---------------|----------------|
| Opening balance | | 3,662 | 6,764 |
| Provision / (reversal) for the year | 26 | 31,182 | (1,209) |
| Write off during the year | | - | (1,893) |
| Closing balance | | <u>34,844</u> | <u>(3,662)</u> |

13. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Loans - considered good

| | | | |
|------------------------------------|---|-------|-------|
| Current portion of long-term loans | 8 | 4,826 | 4,537 |
|------------------------------------|---|-------|-------|

Advances - considered good

| | | | |
|---------------------------|--|--------------|---------------|
| Employees | | 239 | 241 |
| Suppliers and contractors | | 3,781 | 8,102 |
| Collector of Customs | | - | 4,249 |
| Others | | 817 | 880 |
| | | <u>4,837</u> | <u>13,472</u> |

Deposits

| | | | |
|--------|--|--------------|----------|
| Lease | | 1,156 | - |
| Others | | 50 | - |
| | | <u>1,206</u> | <u>-</u> |

Prepayments

| | | | |
|--------|--|--------------|---------------|
| Rent | | 4,364 | 15,837 |
| Others | | 1,436 | 573 |
| | | <u>5,800</u> | <u>16,410</u> |

Other receivables

| | | | |
|------------------|--|---------------|---------------|
| Insurance claims | | 13 | 58 |
| Others | | 86 | 327 |
| | | <u>99</u> | <u>385</u> |
| | | <u>16,768</u> | <u>34,804</u> |



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14. CASH AND BANK BALANCES

| | Note | 2014 (Rupees in '000) | 2013 |
|-----------------------|------|--------------------------|----------------|
| Cash in hand | | 748 | 3,451 |
| Cash at banks: | | | |
| - current accounts | 14.1 | 96,881 | 90,019 |
| - PLS saving accounts | 14.2 | 26,815 | 32,549 |
| | | <u>123,696</u> | <u>122,568</u> |
| | | <u>124,444</u> | <u>126,019</u> |

14.1 Include balance of Rs. 61.387 million (2013: Rs. 48.214 million) maintained with Habib Metropolitan Bank Limited, a related party.

14.2 These carry profit rates ranging from 6% - 9% per annum (2013: 6% - 9% per annum). These include balance of Rs. 8.920 million (2013: Rs. 3.934 million) maintained with Habib Metropolitan Bank Limited, a related party.

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| | Note | 2014 (Rupees in '000) | 2013 |
|---------------------------------|------|--------------------------|----------------|
| Ordinary shares of Rs. 5/- each | | | |
| Number of shares in '000 | | | |
| | | 2014 | 2013 |
| | | 111,775 | 111,775 |
| | | 1,150 | 1,150 |
| | | 38,543 | 31,329 |
| | | <u>151,468</u> | <u>144,254</u> |
| | | | |
| | | 558,880 | 558,880 |
| | | 5,750 | 5,750 |
| | | 192,711 | 156,647 |
| | | <u>757,341</u> | <u>721,277</u> |

15.1 The shares held by the related parties as at June 30, 2014 were 14,196,265 (2013: 13,563,113) Ordinary shares of Rs.5/- each.

16. LONG TERM FINANCE - secured

| | Note | 2014 (Rupees in '000) | 2013 |
|--------------------------|------|--------------------------|------------------|
| From banking companies : | | | |
| Loan I | 16.1 | 641,915 | 1,155,448 |
| Loan II | | - | 125,000 |
| Loan III | 16.2 | 312,500 | 250,000 |
| | | <u>954,415</u> | <u>1,530,448</u> |
| Less: Current maturity | | <u>(506,766)</u> | <u>(506,766)</u> |
| | | <u>447,649</u> | <u>1,023,682</u> |

16.1 Represents loan from National Bank of Pakistan to finance the expansion project. The loan carries markup rate of six months' KIBOR + 1.15% (2013: six months' KIBOR + 1.15%) per annum, payable semi-annually. The loan is repayable within seven years in fourteen equal semi-annual installments commencing from June 2011. The loan is secured against equitable mortgage of land and hypothecation of present and future plant and machinery of the Company, ranking pari-passu charge.

16.2 Represents loan from Dubai Islamic Bank for the repayment of Long Term Financing facility. The loan carries markup rate of six months' KIBOR + 0.5% (2013: six months' KIBOR + 0.5%) per annum, payable quarterly. The loan is repayable within four years in eight equal quarterly installments commencing from September 2013. The loan is secured against ranking charge over plant and machinery.

17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Represents finance lease agreements with a Modaraba in respect of vehicles. In the event of late payment of lease rentals, the Company is liable to pay a sum of Rs. 250 per day during the period of non-payment in addition to the lease rentals. Repairs and insurance costs are borne by the Company. The rates of mark-up used as the discounting factor range between 7.5% and 15.5% (2013: 7.5% to 15.5%) per annum. Rentals are payable in equal monthly installments.



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The amount of future minimum lease payments, together with the present value of the minimum lease payments, and the periods during which they fall due are as follows:

| | Note | 2014 (Rupees in '000) | 2013 |
|---|------|--------------------------|------------------|
| Not later than one year | | 2,764 | 2,964 |
| Later than one year and not later than five years | | - | 2,682 |
| | | <u>2,764</u> | <u>5,646</u> |
| Less: Financial charges allocable to future periods | | (82) | (517) |
| Present value of minimum lease payments | | <u>2,682</u> | <u>5,129</u> |
| Less: Current maturity | | <u>(2,682)</u> | <u>(2,523)</u> |
| | | <u>-</u> | <u>2,606</u> |
| 18. DEFERRED TAX LIABILITY | | | |
| Taxable temporary differences arising due to: | | | |
| Accelerated tax depreciation | | 562,126 | 620,524 |
| Deductible temporary differences arising due to: | | | |
| Provisions | | (37,569) | (25,736) |
| Assets subject to finance lease | | (47) | (166) |
| Minimum tax | | - | (18,954) |
| Unused tax losses | 18.1 | (339,671) | (420,104) |
| | | <u>(377,287)</u> | <u>(464,960)</u> |
| | | <u>184,839</u> | <u>155,564</u> |

18.1 As of the balance sheet date, accumulated carry forward tax losses amount to Rs. 1,029 million (2013: Rs. 1,236 million).

| | Note | 2014 (Rupees in '000) | 2013 |
|---|------|--------------------------|----------------|
| 19. TRADE AND OTHER PAYABLES | | | |
| Creditors | | 63,393 | 105,684 |
| Accrued liabilities | 19.1 | 411,011 | 353,686 |
| Advance from customers | | 24,717 | 31,454 |
| Payable to Provident Fund | 19.2 | 1,989 | 1,920 |
| Security deposits | | 2,999 | 2,381 |
| Workers' Profit Participation Fund | 19.3 | 2,537 | 7,029 |
| Workers' Welfare Fund | | 4,404 | 6,111 |
| Unclaimed and unpaid dividends | | 3,344 | 2,853 |
| Tax deducted at source | | 10,564 | 10,401 |
| Others | | 136 | 142 |
| | | <u>525,094</u> | <u>521,661</u> |
| 19.1 Include accrual for leave encashment of Rs. 29.553 million (2013: Rs. 24.690 million) and bonus of Rs. 15.474 million (2013: Rs. 14.386 million). | | | |
| 19.2 Payable to Provident Fund | | <u>1,989</u> | <u>1,920</u> |
| 19.2.1 General disclosures | | | |
| Size of the Trust | | 124,318 | 130,112 |
| Investments - at cost | | 71,000 | 82,500 |
| Investment - at fair value | | 122,276 | 128,065 |
| Percentage of investments made | | 98.36% | 98.43% |



Shabbir Tiles and Ceramics Limited

19.2.2 Categories of investments as a percentage of total assets of provident fund

| | 2014 | | 2013 | |
|---------------|----------------|---------------|----------------|---------------|
| | Rs. in '000 | % | Rs. in '000 | % |
| Fixed deposit | 118,550 | 95.36% | 126,518 | 97.24% |
| Mutual funds | 3,726 | 3.00% | 1,547 | 0.01 |
| | <u>122,276</u> | <u>98.36%</u> | <u>128,065</u> | <u>98.43%</u> |

19.2.3 Investments of provident fund have been made in accordance with the provisions of the section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

19.3 Workers' Profit Participation Fund

| | Note | 2014 | 2013 |
|--------------------------------------|------|--------------|--------------|
| (Rupees in '000) | | | |
| Balance at the beginning of the year | | 7,029 | 973 |
| Allocation for the year | 28 | 2,537 | 7,029 |
| | | <u>9,566</u> | <u>8,002</u> |
| Less: Payments made during the year | | 7,029 | 973 |
| Balance at the end of the year | | <u>2,537</u> | <u>7,029</u> |

20. SHORT-TERM BORROWINGS – secured

| | | | |
|------------------|-------------------|------------------|----------------|
| Term finances | 20.1, 20.3 & 20.4 | 116,992 | 123,970 |
| Running finances | 20.2, 20.3 & 20.4 | 1,186,705 | 548,392 |
| | | <u>1,303,697</u> | <u>672,362</u> |

20.1 Represent Trust Receipt (TR) and FE-25 facilities from various banks amounting to Rs. 272 million (2013: Rs. 272 million) and Rs. 153 million (2013: Rs. 153 million) respectively. Markup on FE-25 is 5.5% (2013:5.5%) per annum while on TR facility is 3 months' KIBOR+1% (2013: 3 months' KIBOR+1%) per annum.

20.2 Represent running finance facilities from various banks amounting to Rs. 1,475 million (2013: Rs. 1,125 million). Markup rates on these finances range from one month KIBOR+0.75% to six months' KIBOR+ 0.25% (2013: one month KIBOR+0.75% to six months' KIBOR+ 0.25%) per annum.

20.3 These facilities are secured by demand promissory notes, hypothecation of stocks and book debts of the Company ranking pari-passu charge. These facilities are repayable by March 2015.

20.4 Include borrowings of Rs. 401.215 million (2013: 396.863 million) obtained from Habib Metropolitan Bank Limited, a related party.

21. CONTINGENCIES AND COMMITMENTS

Contingencies

21.1 The sales tax imposed by the Central Excise and Sales Tax Department amounting to Rs. 2,105 million in February 1989 was contested by the Company before the High Court and it was decided in favour of the Company in August 2006. However, the Collector of Central Excise and Sales Tax has challenged the said decision in the Supreme Court. The Company and its legal advisor are confident that the outcome of the case will be in the Company's favour, hence, no provision has been made for the above demand in these financial statements.

21.2 The Additional Commissioner of Income Tax (Audit Division) has amended the assessment under Section 122 of the Income Tax Ordinance, 2001 for the tax year 2003 whereby, further tax of Rs. 26.8 million was determined to be payable by the Company by disallowing trade discounts of Rs. 73.92 million. Being aggrieved, the Company filed an appeal before the Commissioner of Income Tax (Appeals) which was decided in favour of the Company. However, the Income Tax Department then filed an appeal before the Income Tax Appellate Tribunal who after hearing the arguments from both sides remanded back the case to the Department for re-assessment which is still pending. The Company is confident that the case will be decided in its favour and therefore, no provision for any liability there against has been made in these financial statements.

21.3 The Additional Commissioner of Income Tax (Audit Division) has amended the assessment under Section 122 of the Income Tax Ordinance, 2001 for the tax year 2008 whereby, Rs. 1.3 million was determined to be payable by the Company by disallowing exchange loss of Rs. 3.66 million related to local sales. Being aggrieved, the Company has filed an appeal before the Commissioner of Income Tax (Appeals) which has been decided in favour of the Company. However, the Income Tax Department then filed an appeal before the Income Tax Appellate Tribunal who after hearing the arguments from both sides remanded back the case to the Department for re-assessment which is still pending. The Company is confident that the case will be decided in its favour and therefore, no provision for any liability there against has been made in these financial statements.

Commitments

- (i) Commitments in respect of outstanding letters of credit from a related party amount to Rs. 61.343 (2013: Rs.69.204) million.
- (ii) Capital commitment amounts to Rs. 15.371 million (2013: Nil)
- (ii) Bank guarantees issued by a related party to Sui Southern Gas Company Limited and Excise & Taxation Department amount to Rs. 268.528 (2013: Rs. 266.528) million and Rs. 32.381 (2013: Rs. 26.381) million respectively.



Shabbir Tiles and Ceramics Limited

| | Note | 2014 (Rupees in '000) | 2013 |
|--|------|---|---|
| 22. TURNOVER | | | |
| Local | | | |
| - Manufacturing | | 5,550,882 | 5,537,921 |
| - Trading | | <u>38,787</u> | <u>34,545</u> |
| | | 5,589,669 | 5,572,466 |
| Less: Sales tax | | | |
| - Manufacturing | | (910,268) | (764,072) |
| - Trading | | (5,616) | (4,544) |
| | | (915,884) | (768,616) |
| Less: Trade discounts | | | |
| - Manufacturing | | (10,241) | (9,808) |
| - Trading | | (5) | (230) |
| | | (10,246) | (10,038) |
| | | <u>4,663,539</u> | <u>4,793,812</u> |
| Exports | | <u>116,430</u> | <u>104,405</u> |
| | | <u><u>4,779,969</u></u> | <u><u>4,898,217</u></u> |
| 23. COST OF SALES | | | |
| Cost of sales - manufacturing | | | |
| Raw and packing materials consumed | | | |
| Opening stock | | 286,753 | 232,052 |
| Purchases | | 1,473,601 | 1,477,670 |
| Closing stock | | <u>(238,623)</u> | <u>(286,753)</u> |
| | | 1,521,731 | 1,422,969 |
| Manufacturing expenses | | | |
| Salaries, wages and benefits | | 596,925 | 510,711 |
| Fuel and power | | 1,043,615 | 906,384 |
| Stores and spare parts consumed | | 328,658 | 320,579 |
| Provision for slow moving stores and spare parts | 10.1 | 10,397 | 8,858 |
| Depreciation | 6.2 | 282,374 | 255,524 |
| Repairs and maintenance | | 61,385 | 49,075 |
| Insurance | | 18,533 | 16,415 |
| Vehicle running expenses | | 20,461 | 17,558 |
| Travelling and conveyance | | 4,606 | 7,653 |
| Printing and stationery | | 3,078 | 3,622 |
| Communication | | 1,615 | 3,673 |
| Rent, rates and taxes | | 2,915 | 2,662 |
| Research costs | | 615 | 1,265 |
| Legal and professional charges | | 662 | 659 |
| Others | | 2,961 | 4,032 |
| | | 2,378,800 | 2,108,670 |
| Work-in-process | | | |
| Opening stock | | 44,711 | 29,239 |
| Closing stock | | <u>(45,268)</u> | <u>(44,711)</u> |
| Cost of goods manufactured | | <u>3,899,974</u> | <u>3,516,167</u> |
| Finished goods | | | |
| Opening stock | | 90,157 | 276,499 |
| Closing stock | | <u>(266,145)</u> | <u>(90,157)</u> |
| | | <u>3,723,986</u> | <u>3,702,509</u> |
| Cost of sales - trading | | | |
| Opening stock | | 4,136 | 4,477 |
| Purchases | | 19,970 | 17,312 |
| Closing stock | | (2,800) | (4,136) |
| | | 21,306 | 17,653 |
| | | <u>3,745,292</u> | <u>3,720,162</u> |
| 24. GROSS PROFIT | | | |
| Manufacturing operations | | 1,022,817 | 1,165,937 |
| Trading operations | | <u>11,860</u> | <u>12,118</u> |
| | | <u><u>1,034,677</u></u> | <u><u>1,178,055</u></u> |



Shabbir Tiles and Ceramics Limited

| | Note | 2014 | 2013 |
|---|------|------------------|----------------|
| | | (Rupees in '000) | |
| 25. DISTRIBUTION COSTS | | | |
| Salaries and benefits | | 88,982 | 87,047 |
| Freight | | 411,717 | 419,116 |
| Advertisement and publicity | | 20,038 | 20,353 |
| Travelling and conveyance | | 16,569 | 22,826 |
| Rent, rates and taxes | | 42,845 | 46,429 |
| Communication | | 4,978 | 5,993 |
| Insurance | | 3,459 | 3,592 |
| Depreciation | 6.2 | 5,233 | 6,319 |
| Vehicle running expenses | | 13,584 | 14,111 |
| Repairs and maintenance | | 10,009 | 6,833 |
| Utilities | | 6,880 | 5,441 |
| Printing and stationery | | 2,143 | 1,635 |
| Entertainment | | 2,084 | 3,525 |
| Others | | 2,928 | 3,442 |
| | | <u>631,449</u> | <u>646,662</u> |
| 26. ADMINISTRATIVE EXPENSES | | | |
| Salaries and benefits | | 54,894 | 48,016 |
| Travelling and conveyance | | 3,301 | 2,621 |
| Printing and stationery | | 4,889 | 4,363 |
| Legal and professional charges | | 7,789 | 9,298 |
| Depreciation | | | |
| - on operating fixed assets | 6.2 | 3,233 | 4,325 |
| - on investment property | 7 | 107 | 107 |
| Vehicle running expenses | | 5,039 | 5,326 |
| Communication | | 1,449 | 2,982 |
| Auditors' remuneration | 26.1 | 1,402 | 1,782 |
| Subscriptions | | 429 | 951 |
| Insurance | | 704 | 907 |
| Provision / (reversal) for doubtful debts | 12.2 | 31,182 | (1,209) |
| Others | | 2,740 | 4,680 |
| | | <u>117,158</u> | <u>84,149</u> |
| 26.1 Auditors' remuneration | | | |
| Audit fee | | 768 | 700 |
| Half yearly review fee | | 196 | 180 |
| Tax services | | 146 | 688 |
| Other certifications | | 179 | 110 |
| Out of pocket expenses | | 113 | 104 |
| | | <u>1,402</u> | <u>1,782</u> |
| 27. OTHER INCOME | | | |
| Income from financial assets | | | |
| Profit on bank deposits | | 881 | 786 |
| Income from non-financial assets | | | |
| Rental income from investment property | | 462 | 462 |
| Gain on disposal of property, plant and equipment | | 219 | 2,348 |
| Income from sale of scrap | | 5,213 | 126 |
| Others | | 1,888 | 135 |
| | | <u>8,663</u> | <u>3,857</u> |
| 28. OTHER OPERATING EXPENSES | | | |
| Workers' Profit Participation Fund | 19.3 | 2,537 | 7,029 |
| Workers' Welfare Fund | | 964 | 2,671 |
| Donations | 28.1 | 5,100 | 7,430 |
| | | <u>8,601</u> | <u>17,130</u> |

28.1 Include donation of Rs. 4.8 million (2013: Rs. 7.2 million) to Muhammad Ali Habib Welfare Trust, Karachi, of which Mr. Rafiq M. Habib and Mr. Ali S. Habib are trustees, who are also directors of the Company.



Shabbir Tiles and Ceramics Limited

| | Note | 2014 (Rupees in '000) | 2013 |
|--|--|---------------------------|----------------------------|
| 29. FINANCE COSTS | | | |
| Mark-up / interest on: | | | |
| Long-term finance | | 137,029 | 233,225 |
| Finance leases | | 428 | 784 |
| Short term borrowings | | <u>97,579</u> | <u>65,305</u> |
| | | <u>235,036</u> | <u>299,314</u> |
| Bank charges and commission | | <u>3,867</u> | <u>3,783</u> |
| | | <u><u>238,903</u></u> | <u><u>303,097</u></u> |
| 30. TAXATION | | | |
| Current | | 43,990 | 20,586 |
| Prior | | - | 198 |
| Deferred | | <u>29,275</u> | <u>27,768</u> |
| | | <u><u>73,265</u></u> | <u><u>48,552</u></u> |
| 30.1 | Provision for current taxation has been made on the basis of minimum tax under section 113 and Final Tax Regime under section 169 of Income Tax Ordinance, 2001 . Accordingly, tax expense reconciliation with the accounting profit is not presented. | | |
| 31. (LOSS) / EARNINGS PER SHARE - Basic and diluted | | 2014 | 2013 (Restated) |
| (Loss) / profit after taxation (Rupees in '000) | | <u>(26,036)</u> | <u>82,322</u> |
| Weighted average number of ordinary shares outstanding during the year (in '000) | | <u>151,468</u> | <u>151,468</u> |
| (Loss) / earnings per share (Rupee) | | <u>(0.17)</u> | <u>0.54</u> |
| | | | |
| | Note | 2014 | 2013 |
| | | (Rupees in '000) | |
| 32. CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 14 | 124,444 | 126,019 |
| Short-term running finances | 20 | <u>(1,186,705)</u> | <u>(548,392)</u> |
| | | <u><u>(1,062,261)</u></u> | <u><u>(422,373)</u></u> |
| 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES | | | |
| The main risk arising from the Company's financial instruments are market risk, credit risk and liquidity risk. The Board of Directors reviews and agrees the policies for managing each of these risks which are summarized below: | | | |
| 33.1 Market risk | | | |
| Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate and foreign exchange rates. | | | |
| (i) Interest rate risk | | | |
| Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's certain bank balances, long-term and short-term borrowings and liabilities against assets subject to finance lease with floating interest rates. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the Company's profit before tax by Rs. 22.608 million and a 1% decrease would result in the increase in the Company's profit before tax by the same amount. However, in practice, the actual result may differ from the sensitivity analysis. | | | |
| (ii) Foreign currency risk | | | |
| Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist as a result of transactions with foreign undertakings. As at June 30, 2014, the Company does not have any financial assets or financial liabilities which are denominated in foreign currencies. | | | |



33.2 Credit risk and concentration of credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Company is mainly exposed to credit risk on trade debts and bank balances. The Company seeks to minimize the credit risk exposure by dealing mostly with regular and permanent parties who pay on due dates.

The table below provides the analysis of the credit quality of financial assets on the basis of external credit rating or the historical information about counter party default rates.

| Trade debts | 2014 | 2013 |
|--|------------------|---------|
| | (Rupees in '000) | |
| The analysis of trade debts is as follows: | | |
| Neither past due nor impaired | 461,143 | 524,953 |
| Past due but not impaired | | |
| 31 to 90 days | 395,465 | 240,998 |
| 91 to 180 days | 53,902 | 57,478 |
| over 180 days | 31,044 | 6,260 |
| | 480,411 | 304,736 |
| | 941,554 | 829,689 |
| Bank balances | | |
| Ratings | | |
| A1+ | 121,007 | 122,568 |
| A-1+ | 2,689 | - |
| | 123,696 | 122,568 |

33.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarises the maturity profile of the Company's financial liabilities at the following reporting dates:

| 2014 | On demand | Less | 3 to 12 months | 1 to 5 years | Over 5 years | Total |
|---|----------------|---------------|------------------|------------------|--------------|------------------|
| | | than 3 months | | | | |
| ----- (Rupees In '000) ----- | | | | | | |
| Long-term finance | - | - | 506,766 | 447,649 | - | 954,415 |
| Liabilities against assets subject to finance lease | - | - | 2,682 | - | - | 2,682 |
| Trade and other payables | 464,169 | - | - | - | - | 464,168 |
| Accrued mark-up | - | 58,456 | - | - | - | 58,456 |
| Short term borrowings | - | - | 1,303,697 | - | - | 1,303,697 |
| Total | 464,169 | 58,456 | 1,813,145 | 447,649 | - | 2,783,418 |
| 2013 | On demand | Less | 3 to 12 months | 1 to 5 years | Over 5 years | Total |
| | | than 3 months | | | | |
| ----- (Rupees In '000) ----- | | | | | | |
| Long-term finance | - | - | 506,766 | 1,023,682 | - | 1,530,448 |
| Liabilities against assets subject to finance lease | - | - | 2,523 | 2,606 | - | 5,129 |
| Trade and other payables | 459,708 | - | - | - | - | 459,708 |
| Accrued mark-up | - | 37,911 | - | - | - | 37,911 |
| Short term borrowings | - | - | 672,362 | - | - | 672,362 |
| Total | 459,708 | 37,911 | 1,181,651 | 1,026,288 | - | 2,705,558 |



34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The carrying values of financial assets and liabilities reflected in the financial statements approximate their fair values.

35. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financing majority of its operations through long-term and short-term financing in addition to its equity. The Company has a gearing ratio of 57.17% (2013: 55.20%) as of the balance sheet date.

36. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associates, retirement funds, directors and key management personnel. Detail of transactions / balances with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

| | 2014 | 2013 |
|--|------------------|--------|
| | (Rupees in '000) | |
| Associates | | |
| Sales | 24,356 | 15,172 |
| Purchases of goods, material and services | 70,788 | 55,944 |
| Insurance premium | 27,016 | 24,578 |
| Insurance claims received | 3,961 | 2,165 |
| Rent and service charges paid | 5,584 | 10,453 |
| Rent income | 462 | 462 |
| Markup earned | 243 | 499 |
| Markup expense | 33,499 | 33,624 |
| Commission on letter of guarantee | 1,643 | 1,874 |
| Other related parties | | |
| Dividend to Directors | 2,171 | - |
| Sales proceeds from disposal of assets to director | 1,625 | - |
| Contribution to the provident fund | 12,021 | 11,797 |

37. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTOR AND EXECUTIVES

37.1 The aggregate amounts charged in the financial statements for the year are as follows:

| | 2014 | | | 2013 | | |
|---|-------------------------|--------------|---------------|-------------------------|--------------|---------------|
| | Chief Executive Officer | Director | Executives | Chief Executive Officer | Director | Executives |
| | (Rupees in '000) | | | | | |
| Managerial remuneration | 4,629 | 1,587 | 43,828 | 6,767 | 1,093 | 41,241 |
| Housing and utilities | 4,988 | 714 | 29,044 | 2,998 | 542 | 24,882 |
| Leave fare assistance, leave encashment and bonus | 2,429 | 5,562 | 3,425 | 3,904 | - | 3,626 |
| Reimbursement of medical expenses | 463 | 159 | 4,313 | 605 | 121 | 3,989 |
| Retirement benefits | 847 | 113 | 3,872 | 672 | 112 | 3,707 |
| | 13,356 | 8,135 | 84,482 | 14,946 | 1,868 | 77,445 |
| Number of persons | 1 | 1 | 68 | 1 | 1 | 71 |



37.2 In addition, the Chief Executive Officer and certain executives are provided with free use of the Company maintained cars.

37.3 Fee amounting to Rs. 0.160 million (2013: Rs. 0.140 million) was paid to seven (2013: seven) Directors for attending Board Meetings during the year.

38. PRODUCTION CAPACITY

During the year, the tile production capacity attained was 8.556 million sq. meters (2013: 8.443 million sq. meters) against annual manufacturing capacity of 12.76 million sq. meters (2013: 12.76 million sq. meters). The shortfall is due to low demand during the year. Further, gas pressure was below the required pressure for 228 hours in a month on average.

39. NUMBER OF EMPLOYEES

Number of persons employed as at year end were 888 (2013: 908) and the average number of persons employed during the year were 898 (2013: 925).

40. GENERAL

40.1 Figures have been rounded off to the nearest thousands unless otherwise stated.

40.2 These financial statements were authorized for issue on 27.08.2014 by the Board of Directors of the Company.

RAZA ANSARI
Chief Executive Officer

ABDUL HAI M. BHAIMIA
Director



PATTERN OF SHAREHOLDING
AS ON 30TH JUNE, 2014

| NUMBER OF SHAREHOLDERS | SHARE HOLDING | | TOTAL SHARES HELD |
|------------------------|---------------|---------------|-------------------|
| | FROM | TO | |
| 856 | 1 | -- 100 | 23,471 |
| 703 | 101 | -- 500 | 186,386 |
| 391 | 501 | -- 1,000 | 299,786 |
| 760 | 1,001 | -- 5,000 | 1,850,348 |
| 234 | 5,001 | -- 10,000 | 1,855,365 |
| 78 | 10,001 | -- 15,000 | 968,432 |
| 50 | 15,001 | -- 20,000 | 907,748 |
| 40 | 20,001 | -- 25,000 | 927,646 |
| 14 | 25,001 | -- 30,000 | 387,066 |
| 18 | 30,001 | -- 35,000 | 597,209 |
| 10 | 35,001 | -- 40,000 | 376,207 |
| 7 | 40,001 | -- 45,000 | 304,848 |
| 12 | 45,001 | -- 50,000 | 592,814 |
| 1 | 50,001 | -- 55,000 | 51,450 |
| 5 | 55,001 | -- 60,000 | 293,115 |
| 5 | 60,001 | -- 65,000 | 313,031 |
| 4 | 65,001 | -- 70,000 | 267,674 |
| 6 | 70,001 | -- 75,000 | 443,672 |
| 3 | 75,001 | -- 80,000 | 233,549 |
| 2 | 80,001 | -- 85,000 | 163,516 |
| 3 | 85,001 | -- 90,000 | 257,515 |
| 5 | 95,001 | -- 100,000 | 500,000 |
| 4 | 100,001 | -- 105,000 | 411,062 |
| 2 | 105,001 | -- 110,000 | 215,514 |
| 2 | 110,001 | -- 115,000 | 224,263 |
| 1 | 115,001 | -- 120,000 | 115,208 |
| 1 | 120,001 | -- 125,000 | 125,000 |
| 1 | 125,001 | -- 130,000 | 127,732 |
| 1 | 135,001 | -- 140,000 | 138,398 |
| 3 | 145,001 | -- 150,000 | 443,130 |
| 1 | 155,001 | -- 160,000 | 159,144 |
| 1 | 175,001 | -- 180,000 | 178,003 |
| 1 | 180,001 | -- 185,000 | 181,797 |
| 3 | 195,001 | -- 200,000 | 597,925 |
| 1 | 200,001 | -- 205,000 | 203,015 |
| 1 | 260,001 | -- 265,000 | 260,058 |
| 1 | 270,001 | -- 275,000 | 270,682 |
| 3 | 325,001 | -- 330,000 | 987,792 |
| 1 | 335,001 | -- 340,000 | 339,433 |
| 1 | 400,001 | -- 405,000 | 400,845 |
| 1 | 410,001 | -- 415,000 | 412,393 |
| 1 | 475,001 | -- 480,000 | 480,000 |
| 1 | 610,001 | -- 615,000 | 610,976 |
| 1 | 655,001 | -- 660,000 | 658,536 |
| 1 | 710,001 | -- 715,000 | 710,526 |
| 1 | 715,001 | -- 720,000 | 716,081 |
| 1 | 870,001 | -- 875,000 | 871,995 |
| 1 | 995,001 | -- 1,000,000 | 1,000,000 |
| 1 | 1,010,001 | -- 1,015,000 | 1,011,668 |
| 1 | 1,060,001 | -- 1,065,000 | 1,060,567 |
| 1 | 1,460,001 | -- 1,465,000 | 1,462,765 |
| 1 | 1,490,001 | -- 1,495,000 | 1,493,030 |
| 1 | 1,540,001 | -- 1,545,000 | 1,544,400 |
| 1 | 1,585,001 | -- 1,590,000 | 1,588,356 |
| 1 | 1,625,001 | -- 1,630,000 | 1,629,532 |
| 1 | 1,755,001 | -- 1,760,000 | 1,756,339 |
| 5 | 1,890,001 | -- 1,895,000 | 9,457,389 |
| 1 | 1,975,001 | -- 1,980,000 | 1,975,664 |
| 3 | 2,185,001 | -- 2,190,000 | 6,559,917 |
| 1 | 2,190,001 | -- 2,195,000 | 2,190,188 |
| 1 | 2,315,001 | -- 2,320,000 | 2,318,983 |
| 2 | 2,630,001 | -- 2,635,000 | 5,269,016 |
| 1 | 2,640,001 | -- 2,645,000 | 2,642,178 |
| 1 | 2,845,001 | -- 2,850,000 | 2,848,000 |
| 1 | 299,001 | -- 2,995,000 | 2,994,986 |
| 1 | 3,515,001 | -- 3,520,000 | 3,517,735 |
| 1 | 3,925,001 | -- 3,930,000 | 3,928,980 |
| 1 | 3,950,001 | -- 3,955,000 | 3,951,328 |
| 1 | 4,445,001 | -- 4,450,000 | 4,449,467 |
| 1 | 4,545,001 | -- 4,550,000 | 4,546,668 |
| 1 | 10,065,001 | -- 10,070,000 | 10,069,607 |
| 1 | 13,345,001 | -- 13,350,000 | 13,348,904 |
| 1 | 37,210,001 | -- 37,215,000 | 37,212,632 |
| 3,276 | | | 151,468,655 |



**COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS
AS AT JUNE 30, 2014**

| S. NO. | CATEGORIES/SUB-CATEGORIES OF SHAREHOLDERS | NUMBER OF NO. OF FOLIOS/ SHARES HELD | CATEGORY WISE | CATEGORY WISE | PERCENTAGE |
|--------|--|--------------------------------------|---------------|---------------|------------|
| | | | CDC A/CS | SHARES HELD | (%) |
| 1 | INDIVIDUALS | | 3,200 | 40,289,756 | 26.60 |
| 2 | INVESTMENT COMPANIES | | 2 | 5,654 | 0.00 |
| 3 | JOINT STOCK COMPANIES | | 19 | 8,161,245 | 5.39 |
| 4 | DIRECTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND M INOR CHILDREN | | 13 | 7,673,933 | 5.07 |
| | Mr. Rafiq M. Habib | 2,634,508 | | | |
| | Mr. Alireza M. Alladin | 16,779 | | | |
| | Mr. Ali Suleman Habib | 2,634,508 | | | |
| | Mr. Raza Ansari | 1,050 | | | |
| | Mr. Abdul Hai M. Bhaimia | 419,997 | | | |
| | Mr. Salim Azhar | 2,100 | | | |
| | Mr. Muhammad Faisal | 1,050 | | | |
| | Mrs. Jamila Rafiq W/o Mr. Rafiq M. Habib | 871,995 | | | |
| | Mrs. Rukhsana Ismail W/o Mr. Abdul Hai M. Bhaimia | 1,091,946 | | | |
| 5 | EXECUTIVES | | -- | -- | -- |
| 6 | ASSOCIATED COMPANIES, UNDERTAKINGS & RELATED PARTIES | | 2 | 6,522,332 | 4.31 |
| | Thal Limited-Pakistan Papersack Division | 1,975,664 | | | |
| | Habib Insurance Company Limited | 4,546,668 | | | |
| 7 | PUBLIC SECTOR COMPANIES AND CORPORATIONS | | -- | -- | -- |
| 8 | BANKS, DFIs, NBFIs, ISURANCE COMPANIES, TAKAFUL, MODARABAS & PENSION FUNDS | | 5 | 2,637,562 | 1.74 |
| 9 | MUTUAL FUNDS | | 3 | 3,798,417 | 2.51 |
| | GOLDEN ARROW SELECTED STOCKS FUND LIMITED | 270,682 | | | |
| | PAK ASIAN FUND LIMITED | 10,000 | | | |
| | CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST | 3,517,735 | | | |
| 10 | FOREIGN INVESTORS | | 22 | 80,675,569 | 53.26 |
| 11 | CO-OPERATIVE SOCIETIES | | 3 | 40,191 | 0.03 |
| 12 | CHARITABLE TRUSTS | | 5 | 1,647,714 | 1.09 |
| 13 | OTHERS | | 2 | 16,282 | 0.01 |
| | TOTAL | | 3,276 | 151,468,655 | 100.00 |

SHARE-HOLDERS HOLDING FIVE PERCENT FOR MORE VOTING INTEREST IN THE LISTED COMPANY.

TOTAL PAID-UP CAPITAL OF THE COMPANY. 144,255,862 SHARES
5% OF THE PAID-UP CAPITAL OF THE COMPANY. 7,212,793 SHARES

| NAME(S) OF SHARE-HOLDER(S) | DESCRIPTION | NO. OF SHARES HELD | PERCENTAGE % |
|---------------------------------|------------------------|--------------------|--------------|
| MUHAMMAD IQBAL | FALLS IN CATEGORY # 1 | 13,348,904 | 8.81 |
| ROBERT FINANCE CORPORATION AG | FALLS IN CATEGORY # 10 | 37,212,632 | 24.57 |
| AYLESBURY INTERNATIONAL LIMITED | FALLS IN CATEGORY # 10 | 10,069,607 | 6.65 |
| TOTAL | | 60,631,143 | 40.03 |



Shabbir Tiles and Ceramics Limited

PROXY FORM

I/We _____ of _____
being a member(s) of **SHABBIR TILES AND CERAMICS LIMITED** and a holder of _____
_____ ordinary shares as per Share Register Folio No. _____
or CDC Participant ID No. _____ Account No. _____
hereby appoint _____ of _____
who is also member of **SHABBIR TILES AND CERAMICS LIMITED** Vide Folio No. _____
or CDC Participant ID No. _____ Account No. _____
or failing him/her _____ of _____
who is also member of **SHABBIR TILES AND CERAMICS LIMITED** Vide Folio No. _____
or CDC Participant ID No. _____ Account No. _____

as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on Monday, 29th day of September, 2014 and at any adjournment thereof.

As witness my / our hand / seal this _____ day of _____ 2014

Signed by the said

Witness _____ Witness _____
(Signature) (Signature)

Name _____ Name _____

Address _____ Address _____

CNIC No. _____ CNIC No. _____

**Please affix
Rs. 5/-
Revenue
Stamp**

SIGNATURE OF MEMBER(S)

NOTES :

1. This proxy form duly completed and signed must be received at the Registered Office of the Company, 15th Milestone, National Highway, Landhi, Karachi, not less than 48 hours before the time of holding the Extra Ordinary General Meeting.

P.T.O.



Shabbir Tiles and Ceramics Limited

2. No person shall act as proxy unless he / she himself / herself is a member of the Company. Except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

FOR CDC ACCOUNT HOLDERS / CORPORATE ENTITIES

In addition to the above the following requirements have to be met:

- a) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- b) Attested copy of CNIC or the passport of the beneficial owners shall be furnished with the proxy form.
- c) The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
- d) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.