

Shabbir Tiles and Ceramics Limited

2009  
annual report





## **C O N T E N T S**

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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.





## Shabbir Tiles and Ceramics Limited

### COMPANY INFORMATION

|  |   |   |
|--|---|---|
| <b>BOARD OF DIRECTORS</b>                            | RAFIQ M HABIB<br>ALIREZA M. ALLADIN<br>ALI S. HABIB<br>ABDUL HAI M. BHAIMIA<br>KERSI D. KAPADIA<br>MANSOOR G. HABIB<br>NAZIM F. HAJI  | <i>Chairman</i><br><i>Chief Executive</i> |
| <b>AUDIT COMMITTEE</b>                               | MANSOOR G. HABIB<br>KERSI D. KAPADIA<br>NAZIM F. HAJI   | <i>Chairman</i>                           |
| <b>COMPANY SECRETARY</b>                             | AZIZ AHMED  |   |
| <b>AUDITORS</b>                                      | Ford Rhodes Sidat Hyder & Co.<br>Chartered Accountants  |   |
| <b>LEGAL ADVISOR</b>                                 | M. Akram Zuberi & Co.<br>Advocate Supreme Court   |   |
| <b>BANKERS</b>                                       | Habib Metropolitan Bank Limited<br>Royal Bank of Scotland<br>National Bank of Pakistan<br>Bank AL Habib Limited<br>Habib Bank Limited   |   |
| <b>REGISTERED OFFICE</b>                             | 15th Milestone, National Highway, Landhi, Karachi-75120<br>Phones: (021) 35015024 - 25, 35014044 - 45 Fax: (021) 35015545<br>E-mail : info@stile.com.pk URL : http://www.stile.com.pk     |   |
| <b>KARACHI DISPLAY CENTRE<br/>&amp; SALES OFFICE</b> | Makro Cash & Carry, CAA,<br>Near Star Gate, Main Shahrah-e-Faisal, Karachi.<br>Phone: (92-21) 34601372-74 Fax: (92-21) 34601375   |   |
| <b>LAHORE SALES OFFICE</b>                           | 17-A, Tariq, Block New Garden Town, Lahore.<br>Phone: (92-42) 5914771, 73-75 / 5847900 Fax: (92-42) 5858163   |   |
| <b>ISLAMABAD SALES OFFICE</b>                        | 9th & 10th Lower Ground Floor, Aries Tower,<br>Shamsabad, Muree Road, Rawalpindi.<br>Phone: (92-51) 4575315-18 Fax: (92-51) 4575319   |   |
| <b>PESHAWAR SALES OFFICE</b>                         | UG-46 & UG-47, Ground Floor, Dean Trade Centre &<br>Hotel Towers Islamia Road, Peshawar Cantt.<br>Phone: (92-91) 5522522, 5253160-61 Fax: (92-91) 5253161                                 |   |
| <b>MULTAN SALES OFFICE</b>                           | 17-A, First Floor, Aslam Arcade, Shah Kareem Land,<br>Near Multan Hospital, Multan.<br>Phone: (92-61) 4783097 Fax; (92-61) 4646439  |   |
| <b>FAISALABAD SALES OFFICE</b>                       | P-2 / 2B, 213 Main Susan Road, Faisalabad.<br>Phones: (92-41) 8548243, 8710103 Fax: (92-41) 8548244   |   |
| <b>REGISTRAR AND SHARE<br/>TRANSFER OFFICE</b>       | Noble Computer Services (Pvt.) Ltd.,<br>Mezzanine Floor, House of Habib Building,<br>3 Jinnah Cooperative Housing Society,<br>Main Sharah-e-Faisal, Karachi.<br>Phones: (021) 34325482-87 |   |
| <b>FACTORY: UNIT-I</b>                               | 15th Milestone, National Highway, Landhi, Karachi-75120<br>Phones : (021) 35015024 - 25 / 35014044 - 45   |   |
| <b>UNIT-II</b>                                       | Deh Khanto, Tappo Landhi, Distirict Malir Bin Qasim Town, Karachi.  |   |



## Shabbir Tiles and Ceramics Limited

### NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Thirty First Annual General Meeting of Shabbir Tiles & Ceramics Limited will be held at the auditorium of Institute of Chartered Accountants of Pakistan (ICAP), Near Three Swords, Clifton, Karachi, on Monday, October 26, 2009 at 12:00 noon 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, 2009 alongwith the reports of the Directors and the Auditors thereon.
2. To appoint auditors for the year ending June 30, 2010 and to fix their remuneration.

By Order of the Board

**AZIZ AHMED**  
Company Secretary

Karachi : September 30, 2009.

#### NOTES:

1. The share transfer books of the Company will remain closed from October 12, 2009 to October 26, 2009 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar at the close of business on October 11, 2009 will be treated in time to attend the 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.

**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.



### THIRTY FIRST REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30TH JUNE, 2009

Dear Shareholders,

The Board of Directors is pleased to present the annual financial statements alongwith audited accounts of your Company for the year ended June 30, 2009.

#### OVERVIEW

The year under review witnessed the most painful year for all, which in all probability will likely to persist. Industrial output dipped by around 10% due to weaker demand and liquidity crunch. Additionally, worsening power shortages, deterioration in security condition, excessive inflationary pressure and steep fall in rupee value has a significant impact with no sign of easing.

#### REVIEW OF OPERATING RESULTS

During the year your Company has not only achieved successful completion of Unit-II at a cost of Rs. 3.32 billion but also commenced commercial production well ahead of planned schedule. This will give your Company in the long term an absolute edge in porcelain and ceramic tiles having a capacity of 6.5 million sqm per annum and potential export market. The new plant has the capability to produce metre square floor tiles and presently producing 32 square inches tile weighing 17 kg/pcs. Despite all odds, your Company with Allah's blessing performed significantly well and has maintained its consistent record of growth and profitable performance, highlights of which are as follows:

|                   | June 2009       | June 2008     | Variance(%) |
|-------------------|-----------------|---------------|-------------|
| Production Volume | : 7.71 Mn sqm.  | 6.2 Mn sqm.   | 22.77       |
| Sales Value       | : Rs. 2.85 Bn   | Rs. 2.04 Bn   | 39.71       |
| Gross Profit      | : Rs. 785 Mn    | Rs. 534 Mn    | 47          |
| GP Percentage     | : 27.51         | 26.22         | 1.29        |
| Finance Cost      | : Rs. 267 Mn    | Rs. 62 Mn     | 330.64      |
| Profit Before Tax | : Rs. 73.55 Mn  | Rs. 144.76 Mn | (49.19)     |
| Profit After Tax  | : Rs. 47,747 Mn | Rs. 95,986 Mn | (50.26)     |
| Earning Per Share | : 0.71          | 1.85          | (61.62)     |

Selling, marketing and distribution expenses at Rs. 383.93 million, increased by 39.05% mainly due to overall impact of inflation, recruitment/mobilization of additional staff, higher freight cost due to increase in POL prices and sales growth impact. The continuous weakening of rupee together with escalation of power and utilities costs have also adversely impacted on cost.

Administrative expenses are at Rs. 56.79 million increased by 53.41% due to double digit inflation and new recruitments were made for Unit-II resulting increase in salary and other administrative cost. In spite of the foregoing severe externalities coupled with global economic slump, extreme security conditions in Northern part and continuing deceleration, the financial results for the year are gratifying.



**APPROPRIATIONS**

For the year, appropriations of profit is recommended by the Directors are as under:-

|                                       | <b>2009</b><br><b>(Rs. in 000's)</b> | <b>2008</b><br><b>(Rs. in 000's)</b> |
|---------------------------------------|--------------------------------------|--------------------------------------|
| Profit available for appropriation    | 48,403                               | 96,442                               |
| <b>APPROPRIATIONS</b>                 |                                      |                                      |
| Issue of Bonus Shares (2008:20%)      | -                                    | 32,786                               |
| Transferred to Revenue Reserve        | 48,000                               | 63,000                               |
|                                       | 48,000                               | 95,786                               |
| Unappropriated profit carried forward | 403                                  | 656                                  |

**CONTRIBUTION TO NATIONAL EXCHEQUER**

During the year under review, the Company made contributions to the National Exchequer in the form of direct and indirect taxes, duties, etc. is amounting to Rs. 641 million as against to Rs. 491 million paid during last year.

**ISO 9001:2000 CERTIFICATION**

The routine surveillance audit to comply with the requirements of ISO 9001:2000 are ongoing and the Company is committed to maintain and comply with ISO's required operating standards and quality management system.

**HUMAN RESOURCES**

Human Resources department played a vital role in recruiting workers and staff for expansion project undertaken during the year. Besides ensuring on job training and conducting orientation programmes for new employees and act as a catalyst for maintaining cordial relationship between the management and employees.

**SAFETY & ENVIRONMENT**

As the major leading player in the Ceramic Tiles manufacturing of the country and in line with the Company's consistent focus on HSSE, your Company has continued to maintain a good track record and play a leadership role in HSSE.

**AUDITORS**

The present Auditors M/s. Ford Rhodes Sidat Hyder & Co. Chartered Accountants retire and being eligible, offers themselves for re-appointment. The Board of Directors endorsed recommendation of the audit committee for their re-appointment.





**CORPORATE & FINANCIAL REPORTING FRAME WORK**

The Directors are pleased to state that your company has complied with the provisions of the Code of Corporate Governance as required by Securities & Exchange Commission of Pakistan. Following are the statements on Corporate and financial reporting framework:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flow statement and statement of changes in equity.
- The company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- In preparation of financial statements, International Financial Reporting Standards as applicable in Pakistan have been followed and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and is being continuously monitored by internal audit and through other such monitoring procedures. The process of monitoring internal controls will continue with the objective to further strengthen the controls and improve the system.
- There is no doubt about the Company's ability to continue as going concern.
- There has been no material departure from the best practices of the corporate governance as detailed in the listing regulations.
- A summary of key operating and financial data of the Company of the last six years is annexed in the report.
- Information about the taxes and levies is given in the notes to the accounts.
- The value of investments in Provident Fund stood at Rs. 56.424 million as on June 30, 2009 (unaudited) and Rs. 58.156 million as on June 2008 (audited).
- During the year the Board of Directors held four meetings which were attended by them as indicated below:

|                          | <b>Number of Meetings attended</b> |
|--------------------------|------------------------------------|
| Mr. Rafiq M. Habib       | 3                                  |
| Mr. Ali S. Habib         | 3                                  |
| Mr. Alireza M. Alladin   | 4                                  |
| Mr. Abdul Hai M. Bhaimia | 4                                  |
| Mr. Kersi D. Kapadia     | 3                                  |
| Mr. Mansoor G. Habib     | 4                                  |
| Mr. Nazim F. Haji        | 2                                  |

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



**PATTERN OF SHAREHOLDING**

Pattern of shareholdings is shown on page No. 41

**TRADING IN THE COMPANY SHARES**

Directors, CEO, CFO, Company Secretary and their spouses and minor children have not traded in the shares of the Company during the year under consideration.

**FUTURE OUTLOOK AND CHALLENGES**

The year 2009-10 began on a negative note with the rising cost of production. Imported raw material prices once again are surging coupled with steep fall in rupee value, energy crisis and unrealistic mark-up rate at this juncture of recession which are to impact overall business growth. Our focus is to remain proactive to respond to the challenging operating environment and creating a balanced business model which will delivers sustainable growth with the availability of existing and innovative products. With a view to fortify further, the Company has evolved strategies and enhanced its capability to with stand any trouble time. The setting up of new unit and product mix are meant to improve operational efficiency and customers service so that STILE remains the leading brand and preferred choice of all consumers. With the new project coming online, quite sophisticated to produce tiles at par with European standards and quality. As such the Company's prime objective is to explore the export market where our tiles are competitive and which would help us utilize the optimum capacity of the plant.

**ACKNOWLEDGEMENT**

Throughout the year, industrial relations climate has remained cordial and your Company is committed to maintain a good working environment to encourage all employees to contribute their best. The Board would like to place its appreciation for the passion and commitment demonstrated by all the staff towards Company's success. We also thank all our stakeholders for their continued trust reposed in the Company.

On behalf of the Board

**ALIREZA M. ALLADIN**  
Chief Executive

Karachi: September 8, 2009



## Shabbir Tiles and Ceramics Limited

### PERFORMANCE OF LAST SIX YEARS

|   | 30TH JUNE<br>2009<br>(RS.'000s) | 30TH JUNE<br>2008<br>(RS.'000s) | 30TH JUNE<br>2007<br>(RS.'000s) | 30TH JUNE<br>2006<br>(RS.'000s) | 30TH JUNE<br>2005<br>(RS.'000s) | 30TH JUNE<br>2004<br>(RS.'000s) |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>ASSETS EMPLOYED</b>                                  |                                 |                                 |                                 |                                 |                                 |                                 |
| Property , plant & Equipment                            | 4,113,866                       | 1,527,609                       | 730,863                         | 594,628                         | 475,850                         | 352,683                         |
| Investment property                                     | 623                             | 724                             | 825                             | 926                             | 1,027                           | 1,081                           |
| Long-term loans, advances & deposits                    | 15,517                          | 18,777                          | 23,804                          | 24,480                          | 20,399                          | 10,218                          |
| <b>Working capital</b>                                  |                                 |                                 |                                 |                                 |                                 |                                 |
| Current assets  | 1,565,475                       | 941,186                         | 612,769                         | 588,704                         | 514,467                         | 388,781                         |
| Current liabilities                                     | 1,485,960                       | 659,639                         | 469,582                         | 437,390                         | 353,979                         | 209,498                         |
|   | 79,515                          | 281,547                         | 143,187                         | 151,314                         | 160,488                         | 179,283                         |
|   | <b>4,209,521</b>                | <b>1,828,657</b>                | <b>898,679</b>                  | <b>771,348</b>                  | <b>657,764</b>                  | <b>543,265</b>                  |
| <b>FINANCED BY</b>                                      |                                 |                                 |                                 |                                 |                                 |                                 |
| Shareholders' equity                                    |                                 |                                 |                                 |                                 |                                 |                                 |
| Share Capital   | 360,638                         | 163,926                         | 136,605                         | 113,835                         | 94,865                          | 86,240                          |
| Share Premium   | 389,764                         | -                               | -                               | -                               | -                               | -                               |
| Reserves  | 514,403                         | 581,152                         | 430,777                         | 388,742                         | 350,317                         | 295,586                         |
|   | 1,264,805                       | 745,078                         | 567,382                         | 502,577                         | 445,182                         | 381,826                         |
| Long Term Finance                                       | 2,769,983                       | 791,743                         | -                               | 6,750                           | 33,750                          | 60,750                          |
| Liabilities against assets<br>subject to finance leases | 69,474                          | 163,385                         | 264,745                         | 213,823                         | 139,428                         | 54,181                          |
| Deferred liabilities                                    | 105,259                         | 128,451                         | 66,552                          | 48,198                          | 39,404                          | 46,508                          |
|   | <b>4,209,521</b>                | <b>1,828,657</b>                | <b>898,679</b>                  | <b>771,348</b>                  | <b>657,764</b>                  | <b>543,265</b>                  |
| <b>Ratio Analysis</b>                                   |                                 |                                 |                                 |                                 |                                 |                                 |
| Turnover (Net)  | 2,853,257                       | 2,035,165                       | 1,699,745                       | 1,583,682                       | 1,158,168                       | 826,549                         |
| % of Growth   | 40.20%                          | 19.73%                          | 7.33%                           | 36.74%                          | 40.12%                          | 12.63%                          |
| Gross profit  | 784,812                         | 533,650                         | 440,411                         | 432,253                         | 312,281                         | 198,999                         |
| Gross profit ( % )                                      | 27.51%                          | 26.22%                          | 25.91%                          | 27.29%                          | 26.96%                          | 24.08%                          |
| Administrative Expenses                                 | 56,794                          | 37,020                          | 34,835                          | 29,876                          | 23,093                          | 19,689                          |
| % of Turnover -net                                      | 1.99%                           | 1.82%                           | 2.05%                           | 1.89%                           | 1.99%                           | 2.38%                           |
| Distribution Cost                                       | 383,930                         | 276,118                         | 219,688                         | 218,775                         | 149,330                         | 96,274                          |
| % of Turnover -net                                      | 13.46%                          | 13.57%                          | 12.92%                          | 13.81%                          | 12.89%                          | 11.65%                          |
| Financial Charges                                       | 266,836                         | 62,065                          | 51,813                          | 43,816                          | 19,591                          | 15,625                          |
| % of Turnover -net                                      | 9.35%                           | 3.05%                           | 3.05%                           | 2.77%                           | 1.69%                           | 1.89%                           |
| Profit before taxation                                  | 73,548                          | 144,765                         | 126,143                         | 126,004                         | 112,608                         | 66,907                          |
| % of Turnover -net                                      | 2.58%                           | 7.11%                           | 7.42%                           | 7.96%                           | 9.72%                           | 8.09%                           |
| Profit after taxation                                   | 47,747                          | 95,986                          | 81,881                          | 71,624                          | 76,292                          | 39,847                          |
| % of Turnover -net                                      | 1.67%                           | 4.72%                           | 4.82%                           | 4.52%                           | 6.59%                           | 4.82%                           |
| Cash dividend   | -                               | -                               | -                               | 17,076                          | 14,230                          | 12,936                          |
| Cash dividend ( % )                                     | -                               | -                               | -                               | 15.00%                          | 15.00%                          | 15.00%                          |
| Bonus Shares  | -                               | 32,785                          | 27,321                          | 22,767                          | 18,973                          | 8,625                           |
| Bonus Shares ( % )                                      | -                               | 20.00%                          | 20.00%                          | 20.00%                          | 20.00%                          | 10.00%                          |
| <b>Break-up value of Rs. 5/= share</b>                  | <b>17.54</b>                    | <b>22.73</b>                    | <b>20.77</b>                    | <b>22.07</b>                    | <b>23.46</b>                    | <b>22.14</b>                    |
| <b>Basic and diluted earnings per share (Rs.)</b>       | <b>0.71</b>                     | <b>1.85</b>                     | <b>2.50</b>                     | <b>2.62</b>                     | <b>4.02</b>                     | <b>2.10</b>                     |
| <b>Receivables no. of days</b>                          | <b>64</b>                       | <b>50</b>                       | <b>57</b>                       | <b>59</b>                       | <b>83</b>                       | <b>60</b>                       |
| <b>Current ratio</b>                                    | <b>1.05</b>                     | <b>1.43</b>                     | <b>1.30</b>                     | <b>1.35</b>                     | <b>1.45</b>                     | <b>1.86</b>                     |
| <b>No of employees</b>                                  | <b>837</b>                      | <b>611</b>                      | <b>621</b>                      | <b>559</b>                      | <b>510</b>                      | <b>507</b>                      |



### STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2009

This statement is being presented to comply with the Code of Corporate Governance (the Code) as contained in the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange, (Chapter XIII) of the Listing Regulations of the Lahore Stock Exchange and Section 37 (Chapter XI) of the Listing Regulations of the Islamabad Stock Exchange 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 Code in the following manner:

- 1) The Board Comprises seven Directors, including the CEO, who is the only Executive Director. The Company encourages representation of independent non-executive Directors on its Board including those representing minority interests. There are six non-executive Directors, one of whom is the Chairman.
- 2) The Directors have confirmed that none of them is serving as a Director in more than ten 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 Banking Company, a Development Financial Institution or a Non Banking Financial Institution. None of the Directors is a member of a Stock Exchange.
- 4) No casual vacancy occurred in the Board during the current year.
- 5) The Company has adopted a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and Employees of the Company.
- 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 alongwith the dates on which they were approved or amended has been maintained.
- 7) All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration, terms and conditions of employment of the CEO have been taken by the Board.
- 8) The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated in time.
- 9) The Directors have been provided with copies of the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, Company's Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities.
- 10) No new appointment of CFO, Company Secretary has been made during the year.
- 11) The Directors' report has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
- 12) The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.



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## Shabbir Tiles and Ceramics Limited

- 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 code.
- 15) The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors including the Chairman of the committee.
- 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 Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Company has outsourced the internal audit function to M/s. Noble Computer Services (Pvt.) Ltd. who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
- 18) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
- 19) 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.
- 20) We confirm that all other material principles contained in the Code have been complied with except that the position of the Company Secretary and CFO 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

**ALIREZA M. ALLADIN**  
Chief Executive

Karachi: September 8, 2009



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Shabbir Tiles and Ceramics Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited, chapter XIII of the Lahore Stock Exchange (Guarantee) Limited and chapter XI of the Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company 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.

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the company to place before the board of directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before 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 of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, effective for the year ended 30 June 2009

Karachi: September 8, 2009

**FORD RHODES SIDAT HYDER & CO.**  
Chartered Accountants



**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of **SHABBIR TILES AND CERAMICS LIMITED** as at **30 June 2009** and the related profit and loss account, 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, 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 2009** and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Karachi : September 8, 2009

**FORD RHODES SIDAT HYDER & CO.**  
Chartered Accountants



## Shabbir Tiles and Ceramics Limited

### BLANCE SHEET AS AT JUNE 30, 2009

|  | Note | 2009<br>(Rupees in '000) | 2008                    |
|--|------|--------------------------|-------------------------|
| <b>ASSETS</b>  |      |                          |                         |
| <b>NON-CURRENT ASSETS</b>  |      |                          |                         |
| Property, plant and equipment  | 3    | 4,113,866                | 1,527,609               |
| Investment property  | 4    | 623                      | 724                     |
| Long term loans and advances   | 5    | 4,047                    | 900                     |
| Long term deposits   | 6    | 11,470                   | 17,877                  |
|  |      | <u>4,130,006</u>         | <u>1,547,110</u>        |
| <b>CURRENT ASSETS</b>  |      |                          |                         |
| Stores and spares  | 7    | 112,843                  | 64,535                  |
| Stock-in-trade   | 8    | 646,498                  | 276,533                 |
| Trade debts  | 9    | 565,391                  | 311,780                 |
| Loans, advances, deposits, prepayments and other receivables                         | 10   | 49,567                   | 153,108                 |
| Taxation – net   |      | 43,316                   | -                       |
| Cash and bank balances   | 11   | 147,860                  | 135,230                 |
|  |      | <u>1,565,475</u>         | <u>941,186</u>          |
| <b>TOTAL ASSETS</b>  |      | <u><b>5,695,481</b></u>  | <u><b>2,488,296</b></u> |
| <b>EQUITY AND LIABILITIES</b>  |      |                          |                         |
| <b>SHARE CAPITAL AND RESERVES</b>  |      |                          |                         |
| Authorised capital<br>120,000,000 (2008: 120,000,000) Ordinary shares of Rs.5/- each |      | <u>600,000</u>           | <u>600,000</u>          |
| Issued, subscribed and paid-up capital   | 12   | 360,638                  | 163,926                 |
| Share premium  |      | 389,764                  | -                       |
| Reserves   | 13   | 514,403                  | 581,152                 |
|  |      | <u>1,264,805</u>         | <u>745,078</u>          |
| <b>NON-CURRENT LIABILITIES</b>   |      |                          |                         |
| Long term finance  | 14   | 2,769,983                | 791,743                 |
| Liabilities against assets subject to finance lease                                  | 15   | 69,474                   | 163,385                 |
| Deferred tax liability   | 16   | 105,259                  | 128,451                 |
|  |      | <u>2,944,716</u>         | <u>1,083,579</u>        |
| <b>CURRENT LIABILITIES</b>   |      |                          |                         |
| Trade and other payables   | 17   | 529,126                  | 189,176                 |
| Mark-up accrued  |      | 227,069                  | 30,726                  |
| Short term borrowings  | 18   | 626,766                  | 298,976                 |
| Current maturity of liabilities against assets subject to finance lease              | 15   | 93,183                   | 131,400                 |
| Taxation – net   |      | -                        | 184                     |
| Sales tax payable  |      | 9,816                    | 9,177                   |
|  |      | <u>1,485,960</u>         | <u>659,639</u>          |
| <b>CONTINGENCIES AND COMMITMENTS</b>   | 19   |                          |                         |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |      | <u><b>5,695,481</b></u>  | <u><b>2,488,296</b></u> |

The annexed notes from 1 to 36 form an integral part of these financial statements.

**ALIREZA M. ALLADIN**  
Chief Executive

**ABDUL HAI M. BHAIMIA**  
Director





## Shabbir Tiles and Ceramics Limited

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2009

|   | Note | 2009<br>(Rupees in '000) | 2008                         |
|---|------|--------------------------|------------------------------|
| Turnover – net                              | 20   | 2,853,257                | 2,035,165                    |
| Cost of sales                               | 21   | (2,068,445)              | (1,501,515)                  |
| <b>Gross profit</b>                         |      | <u>784,812</u>           | <u>533,650</u>               |
| Distribution costs                          | 22   | (383,930)                | (276,118)                    |
| Administrative expenses                     | 23   | (56,794)                 | (37,020)                     |
|   |      | <u>(440,724)</u>         | <u>(313,138)</u>             |
| Other operating income                      | 24   | 2,492                    | 1,151                        |
| <b>Operating profit</b>                     |      | <u>346,580</u>           | <u>221,663</u>               |
| Finance costs                               | 25   | (266,836)                | (62,065)                     |
| Other charges                               | 26   | (6,196)                  | (14,833)                     |
|   |      | <u>(273,032)</u>         | <u>(76,898)</u>              |
| <b>Profit before taxation</b>               |      | <u>73,548</u>            | <u>144,765</u>               |
| Taxation                                    | 27   | (25,801)                 | (48,779)                     |
| <b>Profit after taxation</b>                |      | <u>47,747</u>            | <u>95,986</u>                |
|   |      | <b>Rupees</b>            | <b>Rupees<br/>(Restated)</b> |
| <b>Basic and diluted earnings per share</b> | 28   | <u>0.71</u>              | <u>1.85</u>                  |

The annexed notes from 1 to 36 form an integral part of these financial statements.

**ALIREZA M. ALLADIN**  
Chief Executive

**ABDUL HAI M. BHAIMIA**  
Director



## Shabbir Tiles and Ceramics Limited

### CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

|  | Note | 2009<br>(Rupees in '000) | 2008             |
|--|------|--------------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |      |                          |                  |
| Profit before taxation   |      | 73,548                   | 144,765          |
| Adjustments for:   |      |                          |                  |
| Depreciation   |      | 194,861                  | 117,397          |
| Finance costs  |      | 266,836                  | 62,065           |
| Gain on disposal of property, plant and equipment                |      | (854)                    | (79)             |
| Amortization of unearned rental income                           |      | (427)                    | (420)            |
|  |      | <u>460,416</u>           | <u>178,963</u>   |
|  |      | 533,964                  | 323,728          |
| (Increase) / decrease in current assets                          |      |                          |                  |
| Stores and spares  |      | (48,309)                 | (25,382)         |
| Stock-in-trade   |      | (369,966)                | (111,114)        |
| Trade debts  |      | (253,611)                | (1,964)          |
| Loans, advances, deposits, prepayments and other receivables     |      | (1,846)                  | (26,693)         |
| Increase in current liabilities                                  |      |                          |                  |
| Trade and other payables   |      | 341,006                  | 32,228           |
|  |      | <u>(332,726)</u>         | <u>(132,925)</u> |
| <b>Cash generated from operations</b>                            |      | <u>201,238</u>           | <u>190,803</u>   |
| Income tax paid  |      | (45,001)                 | (24,179)         |
| Finance costs paid   |      | (230,372)                | (63,494)         |
| Long-term loans and advances                                     |      | (3,146)                  | 157              |
| Long-term deposits   |      | 6,410                    | 4,867            |
| <b>Net cash (used in)/generated from operating activities</b>    |      | <u>(70,871)</u>          | <u>108,154</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |      |                          |                  |
| Fixed capital expenditure  |      | (2,646,715)              | (828,961)        |
| Proceeds from disposal of property, plant and equipment          |      | 3,987                    | 2,239            |
| <b>Net cash used in investing activities</b>                     |      | <u>(2,642,728)</u>       | <u>(826,722)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |      |                          |                  |
| Receipt of long term finance                                     |      | 1,978,240                | 791,743          |
| Repayment of liabilities against assets subject to finance lease |      | (133,491)                | (126,427)        |
| Receipts/(repayments) of short term borrowings                   |      | 97,980                   | (118,047)        |
| Proceeds from issue of right shares                              |      | 553,690                  | -                |
| <b>Net cash generated from financing activities</b>              |      | <u>2,496,419</u>         | <u>547,269</u>   |
| <b>Net (decrease) in cash and cash equivalents</b>               |      | <u>(217,180)</u>         | <u>(171,299)</u> |
| <b>Cash and cash equivalents at the beginning of the year</b>    |      | <u>(154,781)</u>         | <u>16,518</u>    |
| <b>Cash and cash equivalents at the end of the year</b>          | 29   | <u>(371,961)</u>         | <u>(154,781)</u> |

The annexed notes from 1 to 36 form an integral part of these financial statements.

**ALIREZA M. ALLADIN**  
Chief Executive

**ABDUL HAI M. BHAIMIA**  
Director



## Shabbir Tiles and Ceramics Limited

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2009

|  | Issued,<br>subscribed<br>and paid-up<br>capital | Capital reserve<br>Share Premium | Revenue reserves   |                          | Hedging<br>reserve | Total<br>reserves | Total<br>Equity |
|--|---|----------------------------------|--------------------|--------------------------|--------------------|-------------------|-----------------|
|  |   |                                  | General<br>reserve | Unappropriated<br>profit |                    |                   |                 |
| ----- (Rupees in '000) -----   |   |                                  |                    |                          |                    |                   |                 |
| <b>Balance as at June 30, 2007</b>   | 136,605   | -                                | 348,000            | 82,777                   | -                  | 430,777           | 567,382         |
| Issue of bonus shares @ 2 : 10   | 27,321  | -                                | -                  | (27,321)                 | -                  | (27,321)          | -               |
| Transfer to general reserve  | -   | -                                | 55,000             | (55,000)                 | -                  | -                 | -               |
| Net gain on cash flow hedge  | -   | -                                | -                  | -                        | 81,710             | 81,710            | 81,710          |
| Profit for the year after taxation   | -   | -                                | -                  | 95,986                   | -                  | 95,986            | 95,986          |
| <b>Balance as at June 30, 2008</b>   | 163,926   | -                                | 403,000            | 96,442                   | 81,710             | 581,152           | 745,078         |
| Issue of right shares @ 1:1  | 163,926   | 389,764                          | -                  | -                        | -                  | 389,764           | 553,690         |
| Issue of bonus share @ 2 : 10  | 32,786  | -                                | -                  | (32,786)                 | -                  | (32,786)          | -               |
| Transfer to general reserve  | -   | -                                | 63,000             | (63,000)                 | -                  | -                 | -               |
| Net gain on cash flow hedge<br>transferred to property, plant<br>and equipment | -   | -                                | -                  | -                        | (81,710)           | (81,710)          | (81,710)        |
| Profit for the year after taxation   | -   | -                                | -                  | 47,747                   | -                  | 47,747            | 47,747          |
| <b>Balance as at June 30, 2009</b>   | 360,638   | 389,764                          | 466,000            | 48,403                   | -                  | 904,167           | 1,264,805       |

The annexed notes from 1 to 36 form an integral part of these financial statements.

**ALIREZA M. ALLADIN**  
Chief Executive

**ABDUL HAI M. BHAIMIA**  
Director



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

### 1. THE COMPANY AND ITS OPERATIONS

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 15<sup>th</sup> Milestone, National Highway, Landhi, Karachi-75120.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Statement of compliance

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 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 issued but not yet effective

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

| Standards   | Effective date<br>(accounting periods<br>beginning on or after) |
|---|---|
| IAS 1 - Presentation of Financial Statements (Revised)                | January 01, 2009  |
| IAS 23 - Borrowing Costs  | January 01, 2009  |
| IAS 32 - Financial Instruments (Amended)                              | January 01, 2009  |
| IAS 39 - Financial Instruments: Recognition and Measurement (Amended) | January 01, 2009  |

The Company expects that the adoption of the above standards will not have any material impact on the Company's financial statements in the period of initial application other than to the extent of certain changes and/ or enhancements in the presentation and disclosures in the financial statements resulting from the application of IAS- 1. The revised IAS – 1 was issued in September 2007 and becomes effective for financial years beginning on or after January 01, 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Company is still evaluating whether it will have one or two statements.

The other standards, amendments and interpretations effective from the accounting periods beginning on July 01, 2009 are not stated here as these are considered not to be relevant or to have any significant effect on the Company's operations

#### 2.3 Adoption of new accounting standards:

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of July 01, 2008:

- IFRS 7 - Financial Instruments: Disclosures
- IFRIC 12 - Service concession arrangements
- IFRIC 13 - Customer loyalty programmes; and
- IFRIC 14 - IAS 19 – The limit on defined benefit asset, minimum funding requirement and their interactions



Adoption of these standards and interpretations did not have any material effect on the financial statements of the Company except for certain additional disclosures in respect of IFRS 7 included in the relevant notes to the financial statements.

### 2.4 Accounting convention

These financial statements have been prepared under the historical cost convention.

### 2.5 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 recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- (a) determining the residual values and useful lives of property, plant and equipment (Note 2.6);
- (b) impairment of inventories / adjustment of inventories to their Net Realizable value (Note 2.8);
- (c) recognition of taxation and deferred tax (Note 2.19); and
- (d) contingencies (Note 19)

### 2.6 Property, plant and equipment

#### Owned

These are stated at cost less accumulated depreciation 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 projects are completed or become operational.

Depreciation is charged to income using the straight line method, other than freehold land which is determined to have an indefinite life, at the rates specified in note 3 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. Assets residual values and useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

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. Gains and losses on disposal of fixed assets are taken to profit and loss account currently.

#### 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 income applying the same basis as for owned assets.

### 2.7 Investment property

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



Depreciation is charged to income applying the straight line method at the rate specified in note 4 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. Gains and losses on disposal are taken to profit and loss account currently.

### 2.8 Impairment

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

### 2.9 Borrowing costs

Borrowing and other related 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.

### 2.10 Stores and spares

These are valued at the lower of cost, determined on a weighted average cost basis, and net realizable value. 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.

### 2.11 Stock-in-trade

These are valued at the lower of net realizable value 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.

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

### 2.12 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' out standings and creditworthiness. Bad debts are written-off as and when identified.

### 2.13 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.

### 2.14 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 the future for goods and services received, whether or not billed to the Company.



### 2.15 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and bank deposits net of running finances. The cash and cash equivalents are readily convertible to known amount of cash and are therefore subject to insignificant risk of changes in value.

### 2.16 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument and are derecognized in the case of assets, when the contractual rights under the instruments are realized, expired or surrendered and in the case of liability, when the obligation is discharged, cancelled or expired.

Any gain/loss on the recognition and derecognition of the financial assets and liabilities is included in the profit and loss account.

### 2.17 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when 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.

### 2.18 Staff retirement benefits

#### Defined contribution plan

The Company operates a recognised provident fund for its permanent employees. Equal monthly contributions are made to the fund 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.

### 2.19 Taxation

#### Current

The Company 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. Provision for tax on local sales and other income is based on current rates of taxation after taking into account tax credits and rebates available, if any. Amount of final tax paid under Section 148 of the Income Tax Ordinance, 2001 on stock in hand is recognised as prepaid in accordance with Technical Release - 30 of the Institute of Chartered Accountants of Pakistan.

#### Deferred

Deferred taxation is provided, proportionate to local sales, using the balance sheet liability method, 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.

Deferred tax relating to items recognised directly in equity is recognised in equity and not in the profit and loss account.



### 2.20 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 of which reliable estimate can be made.

### 2.21 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.

### 2.22 Revenue recognition

Sales are recognized when goods are dispatched to the customers.

Return on bank deposits is recognized on accrual basis.

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

### 2.23 Related party transactions

All transactions with related parties are priced on an arm's length basis. Prices for these transactions are determined on the basis of admissible valuation methods.

### 2.24 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".

### 2.25 Dividend and appropriation to reserves

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

### 2.26 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Pakistani Rupees, which is the company's functional and presentation currency.

|   | Note | 2009<br>(Rupees in '000) | 2008             |
|---|------|--------------------------|------------------|
| <b>3. PROPERTY, PLANT AND EQUIPMENT</b> |      |                          |                  |
| Operating assets – tangible             | 3.1  | 4,113,866                | 941,298          |
| Capital work-in-progress                | 3.4  | -                        | 586,311          |
|   |      | <u>4,113,866</u>         | <u>1,527,609</u> |





## Shabbir Tiles and Ceramics Limited

### 3.1 Operating assets – tangible

|                            | COST                |                                     |                     | ACCUMULATED DEPRECIATION |  |              | Book value at June 30, 2009 | Depreciation Rate % |                     |
|----------------------------|---------------------|-------------------------------------|---------------------|--------------------------|--|--------------|-----------------------------|---------------------|---------------------|
|                            | As at July 01, 2008 | Additions/ (disposals)/ transfers*  | As at June 30, 2009 | As at July 01, 2008      | Charge for the year / transfers*<br>Amortization | Disposals    |                             |                     | As at June 30, 2009 |
|                            | (Rupees in '000)    |                                     |                     |                          |  |              |                             |                     |                     |
| <b>OWNED</b>               |                     |                                     |                     |                          |  |              |                             |                     |                     |
| Leasehold land             | 265,582             | -                                   | 265,582             | 1,341                    | 2,682  | -            | 4,023                       | 261,559             | 1.01                |
| Freehold land              | 553                 | -                                   | 553                 | -                        | -  | -            | -                           | 553                 | -                   |
| Building on freehold land  | 74,947              | 27,533<br>6,266*                    | 108,746             | 36,123                   | 6,309<br>2,478*                                  | -            | 44,910                      | 63,836              | 5-10                |
| Building on leasehold land | -                   | 641,378                             | 641,378             | -                        | 10,257   | -            | 10,257                      | 631,121             | 5                   |
| Plant and machinery        | 559,340             | 2,659,047<br>143,681*<br>(5,910)    | 3,356,158           | 366,508                  | 115,162<br>54,072*                               | 5,597        | 530,145                     | 2,826,013           | 5-20                |
| Furniture and fixture      | 9,627               | 22,625                              | 32,252              | 6,199                    | 2,848  | -            | 9,047                       | 23,205              | 20                  |
| Office equipment           | 10,826              | 5,442                               | 16,268              | 7,557                    | 1,846  | -            | 9,403                       | 6,865               | 20-33               |
| Computers and accessories  | 9,833               | 2,908<br>(199)                      | 12,542              | 8,914                    | 1,394  | 147          | 10,161                      | 2,381               | 50                  |
| Vehicles                   | 18,368              | 8,823<br>1,978*<br>(819)            | 28,350              | 11,032                   | 3,378<br>1,458*                                  | 129          | 15,739                      | 12,611              | 20                  |
|                            | 949,076             | 3,367,756<br>151,925*<br>(6,928)    | 4,461,829           | 437,674                  | 143,876<br>58,008*                               | 5,873        | 633,685                     | 3,828,144           |                     |
| <b>LEASED</b>              |                     |                                     |                     |                          |  |              |                             |                     |                     |
| Building on freehold land  | 38,153              | (6,266)*                            | 31,887              | 6,852                    | 3,718<br>(2,477)*                                | -            | 8,093                       | 23,794              | 10                  |
| Plant and machinery        | 487,255             | (143,681)*                          | 343,574             | 106,811                  | 41,071<br>(54,072)*                              | -            | 93,810                      | 249,764             | 10-20               |
| Vehicles                   | 28,224              | 1,364<br>(5,194)<br>(1,978)*        | 22,416              | 10,073                   | 4,755<br>(1,459)*                                | 3,117        | 10,252                      | 12,164              | 20                  |
|                            | 553,632             | 1,364<br>(151,925)*<br>(5,194)      | 397,877             | 123,736                  | 49,544<br>(58,008)*                              | 3,117        | 112,155                     | 285,722             |                     |
| <b>Total</b>               | <b>1,502,708</b>    | <b>3,369,120</b><br><b>(12,122)</b> | <b>4,859,706</b>    | <b>561,410</b>           | <b>193,420</b>                                   | <b>8,990</b> | <b>745,840</b>              | <b>4,113,866</b>    |                     |

During the year borrowing costs amounting to Rs.157.2 million (2008: Rs.27.58 million) have been capitalized.



## Shabbir Tiles and Ceramics Limited

|                           | COST                |                                    |                     | ACCUMULATED DEPRECIATION |  |              | Book value at June 30, 2008 | Depreciation Rate % |                     |
|---------------------------|---------------------|------------------------------------|---------------------|--------------------------|--|--------------|-----------------------------|---------------------|---------------------|
|                           | As at July 01, 2007 | Additions/ (disposals)/ transfers* | As at June 30, 2008 | As at July 01, 2007      | Charge for the year / transfers* Amortization ** | Disposals    |                             |                     | As at June 30, 2008 |
| (Rupees in '000)          |                     |                                    |                     |                          |  |              |                             |                     |                     |
| <b>OWNED</b>              |                     |                                    |                     |                          |  |              |                             |                     |                     |
| Leasehold land            | -                   | 265,582                            | 265,582             | -                        | 1,341 **   | -            | 1,341                       | 264,241             | 1.01                |
| Freehold land             | 553                 | -                                  | 553                 | -                        | -  | -            | -                           | 553                 | -                   |
| Building on freehold land | 63,653              | 11,294                             | 74,947              | 31,656                   | 4,467  | -            | 36,123                      | 38,824              | 10                  |
| Plant and machinery       | 542,186             | 17,154                             | 559,340             | 314,210                  | 52,298   | -            | 366,508                     | 192,832             | 10-20               |
| Furniture and fixture     | 9,144               | 1,483 (1 000)                      | 9,627               | 5,671                    | 1,146  | 618          | 6,199                       | 3,428               | 20                  |
| Office equipment          | 9,209               | 1,671 (54)                         | 10,826              | 6,452                    | 1,147  | 42           | 7,557                       | 3,269               | 20-33               |
| Computers and accessories | 8,719               | 985 129 *                          | 9,833               | 8,003                    | 783 128 *  | -            | 8,914                       | 919                 | 50                  |
| Vehicles                  | 10,166              | 1,701 7,329 * (828)                | 18,368              | 5,171                    | 1,975 4,454 *                                    | 568          | 11,032                      | 7,336               | 20                  |
|                           | 643,630             | 299,870 7,458 * (1,882)            | 949,076             | 371,163                  | 63,157 4,582 * (1,341)                           | 1,228        | 437,674                     | 511,402             |                     |
| <b>LEASED</b>             |                     |                                    |                     |                          |  |              |                             |                     |                     |
| Building on freehold land | 35,732              | 2,421                              | 38,153              | 3,152                    | 3,700  | -            | 6,852                       | 31,301              | 10                  |
| Plant and machinery       | 464,252             | 23,003                             | 487,255             | 60,326                   | 46,485   | -            | 106,811                     | 380,444             | 10-20               |
| Computers and accessories | 129                 | - (129) *                          | -                   | 128                      | - (128)  | -            | -                           | 1                   | 50                  |
| Vehicles                  | 27,294              | 10,422 (7,329) * (2,163)           | 28,224              | 9,889                    | 5,295 (4,454)                                    | 657          | 10,073                      | 18,151              | 20                  |
|                           | 527,407             | 35,846 (7,458) * (2,163)           | 553,632             | 73,495                   | 55,480 (4,582) *                                 | 657          | 123,736                     | 429,896             |                     |
| <b>Total</b>              | <b>1,171,037</b>    | <b>335,716 (4,045)</b>             | <b>1,502,708</b>    | <b>444,658</b>           | <b>117,296 -</b>                                 | <b>1,885</b> | <b>561,410</b>              | <b>941,298</b>      |                     |

### 3.2 Depreciation charge for the year has been allocated as follows:

|                         | Note | 2009 (Rupees in '000) | 2008           |
|-------------------------|------|-----------------------|----------------|
| Cost of sales           | 21   | 186,057               | 110,287        |
| Distribution costs      | 22   | 5,319                 | 4,430          |
| Administrative expenses | 23   | 3,385                 | 2,579          |
|                         |      | <u>194,761</u>        | <u>117,296</u> |

3.2.1 Depreciation includes Rs. 1.341 million being amortizations of lease hold land pertaining to last year which was shown under the head of unallocated overheads in capital work-in-progress.



## Shabbir Tiles and Ceramics Limited

### 3.3 The following operating assets were disposed off during the year:

| Particulars             | Cost                         | Accumulated<br>Depreciation | Book<br>Value | Sale<br>proceeds | Gain/(loss)<br>(Note 24) | Mode of<br>Disposal | Particulars of buyer   |
|-------------------------|------------------------------|-----------------------------|---------------|------------------|--------------------------|---------------------|--|
|                         | ----- (Rupees in '000) ----- |                             |               |                  |                          |                     |  |
| <b>Computers</b>        |                              |                             |               |                  |                          |                     |  |
| Laptop                  | 37                           | 29                          | 8             | 8                | -                        | Insurance claim     | Habib Insurance Company<br>(Associated Company)  |
| Laptop                  | 69                           | 68                          | 1             | 1                | -                        | Insurance claim     | Habib Insurance Company<br>(Associated Company)  |
| Laptop                  | 45                           | 7                           | 38            | 38               | -                        | Insurance claim     | Habib Insurance Company<br>(Associated Company)  |
| Network printer         | 48                           | 42                          | 6             | 8                | 2                        | Negotiation         | Baway Printers   |
|                         | 199                          | 146                         | 53            | 55               | 2                        |                     |  |
| <b>Machinery</b>        |                              |                             |               |                  |                          |                     |  |
| Roller Kiln             | 5,911                        | 5,597                       | 313           | 467              | 153                      | Negotiation         | NKR Traders Shershah Karachi   |
| <b>Vehicles</b>         |                              |                             |               |                  |                          |                     |  |
| Daihatsu Cuore AHV-148  | 459                          | 288                         | 171           | 309              | 138                      | Company policy      | Mr. Akeel Azam (Employee)  |
| Daihatsu Cuore AHY-807  | 459                          | 280                         | 179           | 179              | -                        | Negotiation         | Mrs. Aziz Sagarwala (House#232-<br>1, Chaudry Manzil, Petro Disouza<br>Road, Soldier Bazar, Karachi) |
| Daihatsu Cuore AHS-783  | 459                          | 294                         | 165           | 303              | 138                      | Company policy      | Mr Shehzad Jeelani (Employee)<br>Mr. Qamar Abbas (MUX)   |
| Daihatsu Cuore LWF-0563 | 459                          | 262                         | 197           | 338              | 141                      | Company policy      | (Employee)   |
| Suzuki Cultus ANJ-482   | 600                          | 207                         | 393           | 529              | 136                      | Company policy      | Mr. Shahban Hussain (Employee)   |
| Suzuki Cultus LEA-3729  | 600                          | 270                         | 330           | 454              | 124                      | Company policy      | Mrs. Imran Sadiq (Employee)  |
| Suzuki Cultus ARF-307   | 704                          | 33                          | 671           | 757              | 86                       | Company policy      | Mr. Kashif Ahmed (Employee)  |
| Toyota Altis AJG-846    | 1,309                        | 884                         | 425           | 419              | (6)                      | Negotiation         | Mr. Ayub Ismail (D-1, 1 <sup>st</sup> Gizri<br>Lane, Phase 4, DHA, Karachi)                          |
| Toyota Corolla AGU-014  | 849                          | 631                         | 218           | 147              | (71)                     | Company policy      | Mr. Aziz Ahmed (Employee)  |
| Honda Bike KCK-7653     | 46                           | 43                          | 3             | 16               | 13                       | Company policy      | Mr. Imran Shakoor (Employee)   |
| Honda Bike ARX-8903     | 68                           | 54                          | 14            | 14               | -                        | Insurance claim     | Habib Insurance Company<br>(Associated Company)  |
|                         | 6,012                        | 3,246                       | 2,766         | 3,465            | 699                      |                     |  |
|                         | 12,122                       | 8,989                       | 3,133         | 3,987            | 854                      |                     |  |

**2009**      **2008**  
(Rupees in '000)

### 3.4 Capital work-in-progress

|                                       |       |         |
|---------------------------------------|-------|---------|
| Plant and machinery                   | -     | 154,280 |
| Civil works                           | -     | 287,205 |
| Advances to suppliers and contractors | -     | 80,179  |
| Borrowing costs                       | -     | 27,577  |
| Unallocated overheads                 | -     | 37,070  |
|                                       | ----- | -----   |
|                                       | -     | 586,311 |

**3.4.1** During the year capital work-in-progress amounting Rs. 586.311 million (2008: Rs. 4.484 million) was transferred to owned assets.



## Shabbir Tiles and Ceramics Limited

### 4. INVESTMENT PROPERTY

|                           | COST                         |                        | ACCUMULATED DEPRECIATION            |                        | Book value<br>At June 30,<br>2009 | Depreciation<br>Rate<br>% |
|---------------------------|------------------------------|------------------------|-------------------------------------|------------------------|-----------------------------------|---------------------------|
|                           | as at<br>July 01, 2008       | As at<br>July 01, 2008 | Charge<br>for the year<br>(Note 23) | As at<br>June 30, 2009 |                                   |                           |
|                           | ----- (Rupees in '000) ----- |                        |                                     |                        |                                   |                           |
| Freehold land             | 3                            | -                      |                                     |                        | 3                                 | -                         |
| Building on freehold land | 1,083                        | 362                    | 101                                 | 463                    | 620                               | 10                        |
| <b>Total</b>              | <b>1,086</b>                 | <b>362</b>             | <b>101</b>                          | <b>463</b>             | <b>623</b>                        |                           |
| <b>2008</b>               | <b>1,086</b>                 | <b>261</b>             | <b>101</b>                          | <b>362</b>             | <b>724</b>                        |                           |

The fair value of investment property, as at June 30, 2009 is Rs. 5.47 million (2008: Rs. 5.47 million), which has been arrived at on the basis of a valuation carried out by an independent approved valuer. The valuation was arrived at by reference to market values and realizable values, which are determined on the basis of market intelligence, indexation of the original cost, year of construction and present physical condition and location.

|   | Note | 2009<br>(Rupees in '000) | 2008<br>(Rupees in '000) |
|---|------|--------------------------|--------------------------|
| <b>5. LONG-TERM LOANS AND ADVANCES – unsecured, considered good</b> |      |                          |                          |
| <b>Loans</b>  |      |                          |                          |
| Employees   | 5.1  | 3,933                    | 4,463                    |
| Less: Current maturity  | 10   | (3,640)                  | (3,563)                  |
|   |      | <u>293</u>               | <u>900</u>               |
| <b>Advances</b>   |      |                          |                          |
| Sui Southern Gas Company Limited                                    | 5.2  | 5,198                    | 486                      |
| Less: Current maturity  | 10   | (1,444)                  | (486)                    |
|   |      | <u>3,754</u>             | <u>-</u>                 |
|   |      | <u>4,047</u>             | <u>900</u>               |

5.1 Represents interest free loans given to employees for the purchase of household equipments which is repayable within two years of disbursement.

5.2 This represents advance given to Sui Southern Gas Company Limited in respect of new gas line to be adjusted in 48 equal monthly installments along with interest at the rate of 0.18% per month.

|                              | 2009<br>(Rupees in '000) | 2008<br>(Rupees in '000) |
|------------------------------|--------------------------|--------------------------|
| <b>6. LONG TERM DEPOSITS</b> |                          |                          |
| Security deposit on leases   | 2,277                    | 11,967                   |
| Utilities                    | 2,959                    | 3,064                    |
| Rent                         | 5,664                    | 2,776                    |
| Others                       | 570                      | 70                       |
|                              | <u>11,470</u>            | <u>17,877</u>            |



## Shabbir Tiles and Ceramics Limited

|   | Note | 2009<br>(Rupees in '000) | 2008           |
|---|------|--------------------------|----------------|
| <b>7. STORES AND SPARES</b>   |      |                          |                |
| Stores  |      | 26,939                   | 23,195         |
| Spares  |      |                          |                |
| - in hand   |      | 73,978                   | 36,817         |
| - in transit  |      | 11,926                   | 4,523          |
|   |      | 85,904                   | 41,340         |
|   |      | <u>112,843</u>           | <u>64,535</u>  |
| <b>8. STOCK-IN-TRADE</b>  |      |                          |                |
| Raw and packing materials   |      |                          |                |
| - in hand   |      | 314,842                  | 130,836        |
| - in transit  |      | 21,102                   | 23,772         |
|   |      | <u>335,944</u>           | <u>154,608</u> |
| Work-in-process   |      |                          |                |
| Finished goods  |      | 39,788                   | 18,898         |
| - in hand   |      | 267,741                  | 100,152        |
| - in-transit  |      | 3,025                    | 2,875          |
|   |      | <u>270,766</u>           | <u>103,027</u> |
|   |      | <u>646,498</u>           | <u>276,533</u> |
| <b>9. TRADE DEBTS – Unsecured, considered good</b>                      |      |                          |                |
| Trade debts include receivable from the following related parties:      |      |                          |                |
| - Thal Limited  |      | -                        | 23             |
| - Dynea Pakistan Limited  |      | 103                      | -              |
| - Makro Habib Pakistan Limited  |      | 167                      | -              |
|   |      | <u>270</u>               | <u>23</u>      |
| <b>9.1 The aging of trade debts at June 30 is as follows</b>            |      |                          |                |
| Neither past due nor impaired   |      | 491,477                  | 289,744        |
| Past due but not impaired   |      |                          |                |
| - within 90 days  |      | 52,837                   | 11,004         |
| - 91 to 180 days  |      | 18,459                   | 5,967          |
| - over 180 days   |      | 2,618                    | 5,065          |
|   |      | <u>565,391</u>           | <u>311,780</u> |
| <b>10. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b> |      |                          |                |
| <b>Loans –unsecured, considered good</b>                                |      |                          |                |
| Current portion of long-term loans to employees                         | 5    | 3,640                    | 3,563          |
| <b>Advances</b>   |      |                          |                |
| Employees   |      | 370                      | 223            |
| Suppliers and contractors   |      | 3,420                    | 10,748         |
| Collector of Customs  |      | -                        | 1,736          |
| Current maturity of advance to Sui Southern Gas Company Limited         | 5    | 1,444                    | 486            |
| Others  |      | 238                      | 1,096          |
|   |      | <u>5,472</u>             | <u>14,289</u>  |
| <b>Deposits</b>   |      |                          |                |
| Lease   |      | 9,253                    | 7,780          |
| Container charges   |      | 1,725                    | 375            |
| Others  |      | -                        | 3              |
|   |      | <u>10,978</u>            | <u>8,158</u>   |



## Shabbir Tiles and Ceramics Limited

|  | Note | 2009<br>(Rupees in '000) | 2008<br>(Rupees in '000) |
|--|------|--------------------------|--------------------------|
| <b>Prepayments</b>   |      |                          |                          |
| Rent   | 10.1 | 18,920                   | 6,428                    |
| Income tax   |      | 79                       | 3,573                    |
| Others   |      | 115                      | 320                      |
|  |      | <b>19,114</b>            | <b>10,321</b>            |
| <b>Other receivables</b>   |      |                          |                          |
| Excise duty  |      | -                        | 1,355                    |
| Sales tax on fixed assets  |      | 9,908                    | 12,077                   |
| Insurance claims   |      | 60                       | 348                      |
| Net unrealized gain on revaluation of forward foreign exchange contracts (cash flow hedge) |      | -                        | 101,891                  |
| Others   |      | 395                      | 1,106                    |
|  |      | <b>10,363</b>            | <b>116,777</b>           |
|  |      | <b>49,567</b>            | <b>153,108</b>           |

10.1 This includes Rs. 8.173 million (2008: Rs. 6.16 million) rent paid to a related party Makro Habib Pakistan Limited.

|                                   | Note | 2009<br>(Rupees in '000) | 2008<br>(Rupees in '000) |
|-----------------------------------|------|--------------------------|--------------------------|
| <b>11. CASH AND BANK BALANCES</b> |      |                          |                          |
| <b>In hand</b>                    |      |                          |                          |
| - local currency                  |      | 1,722                    | 1,905                    |
| - foreign currency                |      | 14                       | 12                       |
|                                   |      | <b>1,736</b>             | <b>1,917</b>             |
| <b>At banks</b>                   |      |                          |                          |
| - current accounts                |      | 81,132                   | 100,805                  |
| - deposit account                 | 11.1 | 64,992                   | 32,508                   |
|                                   |      | <b>146,124</b>           | <b>133,313</b>           |
|                                   |      | <b>147,860</b>           | <b>135,230</b>           |

11.1 This carries profit ranging from 5% - 8% (2008: 1% - 5%) and includes Fixed Deposit Receipt amounting to Rs. 0.488 million (2008: 0.610 million) lying with the bank as a guarantee margin.

|   | Note        | 2009<br>(Rupees in '000)                        | 2008<br>(Rupees in '000) |
|---|-------------|---|--------------------------|
| <b>12. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b> |             |   |                          |
| Ordinary shares of Rs. 5/- each                   |             |   |                          |
| <b>Number of shares in '000</b>                   |             |   |                          |
| <b>2009</b>                                       | <b>2008</b> |   |                          |
| <b>6,863</b>                                      | 6,863       | <b>Fully paid-up in cash</b>                    |                          |
| <b>32,785</b>                                     | -           | Opening balance                                 | 34,315                   |
| <b>39,648</b>                                     | 6,863       | Issued during the year                          | -                        |
| <b>1,150</b>                                      | 1,150       | Closing balance                                 | 34,315                   |
|   |             | <b>Issued for consideration other than cash</b> | <b>5,750</b>             |
|   |             | Opening balance                                 | 96,540                   |
| <b>24,772</b>                                     | 19,308      | Issued during the year                          | 27,321                   |
| <b>6,557</b>                                      | 5,464       | Closing balance                                 | 123,861                  |
| <b>31,329</b>                                     | 24,772      |   | <b>156,647</b>           |
| <b>72,127</b>                                     | 32,785      |   | <b>360,638</b>           |



## Shabbir Tiles and Ceramics Limited

12.1 During the year, the Company issued 32,785,423 Ordinary shares of Rs. 5/- each as right shares at a premium of Rs. 12/- per share in the ratio 1:1 share held as approved by the Board of Directors in its meeting held on April 29, 2008. These shares are also listed on all stock exchanges of Pakistan where the existing shares are listed and carry same characteristics as existing shares of the Company. The effect of these shares have been taken in the calculation of basic and diluted earning per share of current and prior year.

The shares held by the related parties as at June 30, 2009 were 4,046,665 (2008: 1,838,666) Ordinary shares of Rs.5/- each.

|                         | 2009             | 2008           |
|-------------------------|------------------|----------------|
|                         | (Rupees in '000) |                |
| <b>13. RESERVES</b>     |                  |                |
| <b>Revenue Reserves</b> |                  |                |
| General reserve         | 466,000          | 403,000        |
| Unappropriated profit   | 48,403           | 96,442         |
|                         | <u>514,403</u>   | <u>499,442</u> |
| <b>Hedging reserve</b>  | -                | 81,710         |
|                         | <u>514,403</u>   | <u>581,152</u> |

#### 14. LONG TERM FINANCE – secured

The Company has entered into a long term financing agreement for Rs. 2,800 million with the National Bank of Pakistan to finance the expansion project.

The loan carries markup rate of six months KIBOR + 1.15% per annum payable semi-annually in seven years with a grace period of two years. The first installment will be due in December 2010.

The loan is secured against equitable mortgage of land and hypothecation of present and future plant and equipments ranking pari-passu along with existing creditors.

#### 15. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The Company has entered into various finance lease agreements with financial institutions in respect of building, plant and machinery and vehicles with no financial restrictions included therein. At the end of lease period the ownership of the assets will be transferred to the Company on payment of the residual value. The liability is partly secured by deposits of Rs.11.53 million (2008: Rs. 19.292 million). In the event of late payment of lease rentals, the Company shall be liable to pay a sum of Rs. 250 per day during the period of non payment in addition to the lease rental. 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% (2008: 7.5% to 15.5%) per annum. Rentals are payable in equal monthly installments.

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:



## Shabbir Tiles and Ceramics Limited

|   | 2009             | 2008             |                |
|---|------------------|------------------|----------------|
|   | (Rupees in '000) |                  |                |
| Not later than one year   | 108,908          | 162,129          |                |
| Later than one year and not later than five years                   | 75,530           | 185,737          |                |
|   | <u>184,438</u>   | <u>347,866</u>   |                |
| Less: Financial charges allocable to future periods                 | <u>(21,781)</u>  | <u>(53,081)</u>  |                |
| Present value of minimum lease payments                             | 162,657          | 294,785          |                |
| Less: Current maturity  | <u>(93,183)</u>  | <u>(131,400)</u> |                |
|   | <u>69,474</u>    | <u>163,385</u>   |                |
| <b>16. DEFERRED TAX LIABILITY</b>                                   |                  |                  |                |
| Deferred tax liability comprises temporary differences relating to: |                  |                  |                |
| - Accelerated tax depreciation                                      | 685,619          | 43,363           |                |
| - Assets subject to finance lease                                   | 42,124           | 43,296           |                |
| - Fair value of forward exchange contract                           | -                | 43,997           |                |
| - Provisions  | (3,010)          | (2,205)          |                |
| -Tax loss   | <u>(619,474)</u> | <u>-</u>         |                |
|   | <u>105,259</u>   | <u>128,451</u>   |                |
| <b>17. TRADE AND OTHER PAYABLES</b>                                 |                  |                  |                |
| Trade creditors   | 17.1             | 199,303          | 63,336         |
| Accrued expenses  | 17.2             | 253,798          | 80,591         |
| Advance from customers  |                  | 28,235           | 13,103         |
| Security deposits   |                  | 2,787            | 2,371          |
| Workers' Profit Participation Fund                                  | 17.3             | 3,950            | 7,775          |
| Infrastructure cess payable   | 19.2             | 31,599           | 12,077         |
| Workers' Welfare Fund   |                  | 4,853            | 5,521          |
| Tax deducted at source  |                  | 615              | 274            |
| Unclaimed and unpaid dividends                                      |                  | 2,974            | 3,038          |
| Payable to the Provident Fund                                       |                  | 858              | 740            |
| Others  |                  | 154              | 350            |
|   |                  | <u>529,126</u>   | <u>189,176</u> |

**17.1** Includes Rs.1.956 million (2008: Rs. 1.101 million) due to a related party – Thal Limited and Rs. 0.19 million (2008: Nil) due to a related party – Makro Habib Pakistan Limited.

**17.2** Includes Rs. 3.80 million (2008: Rs. 1.404 million) due to a related party – Habib Insurance Company Limited.

|  | Note | 2009             | 2008           |
|--|------|------------------|----------------|
|  |      | (Rupees in '000) |                |
| <b>17.3 Workers' Profit Participation Fund</b>       |      |                  |                |
| Balance at the beginning of the year                 |      | 7,775            | 6,774          |
| Allocation for the year                              |      | 3,950            | 7,775          |
|  |      | <u>11,725</u>    | <u>14,549</u>  |
| Interest on funds utilized in the Company's business |      | 19               | 87             |
|  |      | <u>11,744</u>    | <u>14,636</u>  |
| Less: Amount paid to the trustees of the fund        |      | <u>(7,794)</u>   | <u>(6,861)</u> |
| Balance at the end of the year                       |      | <u>3,950</u>     | <u>7,775</u>   |





## Shabbir Tiles and Ceramics Limited

|  | Note        | 2009             | 2008           |
|--|-------------|------------------|----------------|
|  |             | (Rupees in '000) |                |
| <b>18. SHORT TERM BORROWINGS – secured</b> |             |                  |                |
| <b>From banking companies</b>              |             |                  |                |
| Term finances                              | 18.1 & 18.3 | <b>106,945</b>   | 8,965          |
| Running finances                           | 18.2 & 18.3 | <b>519,821</b>   | 290,011        |
|  |             | <b>626,766</b>   | <b>298,976</b> |

**18.1** This represents Fe-25 and TR facilities from various banks amounting to Rs. 180 million (2008: Rs. 163 million) and Rs. 70 million (2008: Rs. 87 million) respectively. The markup on Fe-25 is 5.5% per annum while on TR facility it is 3 months KIBOR+1%.

**18.2** This represents short term running finances obtained from various banks as at June 30, 2009 amounting to Rs. 645 million (2008: Rs. 475 million), of which Rs. 125 million (2008: Rs. 185 million) remained unutilized at the year end. These facilities are renewable. The markup on these finances ranges from one month KIBOR to six months KIBOR + 1% to 1.5%.

**18.3** All the above finances are secured by demand promissory notes, hypothecation of stocks and book debts of the Company ranking pari-passu with other creditors.

### 19. CONTINGENCIES AND COMMITMENTS

#### Contingencies

**19.1** 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 Honourable High Court of Sindh and it was decided in favour of the Company on August 10, 2006.

However, the Collector of Central Excise and Sales Tax has challenged the said decision in the Honourable Supreme Court of Pakistan. 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.

**19.2** The Divisional Bench of the Honourable High Court of Sindh through its order dated September 17, 2008 has declared the levy of the Infrastructure cess/fee by the Excise and Taxation Department, Government of Sindh upto December 27, 2006 as ultra vires of the constitution. The levy subsequent to December 27, 2006 has been declared as valid and constitutional.

The Company has filed an appeal before the Honourable Supreme Court of Pakistan against the above order of the Honourable High Court of Sindh whereby the Honourable High Court of Sindh had declared infrastructure cess/fee subsequent to December 27, 2006 as valid and constitutional. The Honourable Supreme Court of Pakistan has accepted the petition and granted stay order against the payment of levy subject to the submission of bank guarantees.

The Company has decided not to reverse the liability pertaining to the periods prior to December 27, 2006 as the Excise Department, Government of Sindh has also filed an appeal before the Honourable Supreme Court of Pakistan against the above order of the Honourable High Court of Sindh. Therefore, the Company continues to provide for infrastructure cess/fee liability in the financial statements until the matter is finally decided by the Supreme Court of Pakistan.

An amount of Rs. 3.7 million (2008: Rs. 6.22 million) is an un-utilised portion of a bank guarantee issued in favour of Excise and Taxation Department, Government of Sindh against the levy of infrastructure cess on the imported goods. The utilised portion of guarantee amounting to Rs. 31.6 million (2008: Rs. 12.08 million) is shown under infrastructure cess payable in note 17 to the financial statements.



## Shabbir Tiles and Ceramics Limited

**19.3** The Additional Commissioner-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 has been determined to be payable by the Company by disallowing trade discounts of Rs. 73.92 million. Being aggrieved, the Company has filed an appeal before the Commissioner of Income Tax-Appeals contesting the unfair demand raised by the Additional Commissioner-Audit Division. The Commissioner of Income Tax-Appeals decided the case in favour of the Company. The Income Tax department then filed an appeal before the Income Tax Appellate Tribunal which is pending. The Company based on the advise of its tax consultant is confident that the case will be decided in its favour and therefore no provision for the above demand has been made in these financial statements.

**19.4** The Additional Commissioner-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 has been 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 contesting the unfair demand raised by the Additional Commissioner- Audit Division. The Company based on the advise of its tax consultant expects that the case will be decided in its favour and therefore no provision for the above demand has been made in these financial statements.

|  | 2009             | 2008      |
|--|------------------|-----------|
|  | (Rupees in '000) |           |
| <b>Commitments</b>                         |                  |           |
| Capital commitments                        |                  |           |
| - Plant and machinery                      | -                | 1,550,673 |
| - Civil works                              | -                | 65,687    |
| Outstanding letters of credit              | <b>180,358</b>   | 96,162    |
| Outstanding letters of guarantee           | <b>301,828</b>   | 82,707    |
| <br>                                       |                  |           |
| <b>20. TURNOVER- net</b>                   |                  |           |
| <b>Local</b>                               |                  |           |
| Manufacturing                              | <b>3,151,473</b> | 2,133,723 |
| Trading                                    | <b>125,892</b>   | 224,388   |
|  | <b>3,277,365</b> | 2,358,111 |
| <b>Less: Sales Tax/Special Excise Duty</b> |                  |           |
| Manufacturing                              | <b>(456,597)</b> | (290,730) |
| Trading                                    | <b>(17,449)</b>  | (28,989)  |
|  | <b>(474,046)</b> | (319,719) |
| <b>Less: Trade Discount</b>                |                  |           |
| Manufacturing                              | <b>(9,455)</b>   | (23,687)  |
| Trading                                    | <b>(1,100)</b>   | (3,577)   |
|  | <b>(10,555)</b>  | (27,264)  |
| <b>Export</b>                              | <b>60,493</b>    | 24,037    |
|  | <b>2,853,257</b> | 2,035,165 |



## Shabbir Tiles and Ceramics Limited

|   | Note | 2009<br>(Rupees in '000) | 2008<br>(Rupees in '000) |
|---|------|--------------------------|--------------------------|
| <b>21. COST OF SALES</b>                  |      |                          |                          |
| <b>Cost of sales – manufacturing</b>      |      |                          |                          |
| <b>Raw and packing materials consumed</b> |      |                          |                          |
| Opening stock                             |      | 130,836                  | 79,867                   |
| Purchases                                 |      | 1,256,784                | 651,056                  |
| Closing stock                             |      | (335,944)                | (130,836)                |
|   |      | <u>1,051,676</u>         | <u>600,087</u>           |
| <b>Manufacturing expenses</b>             |      |                          |                          |
| Salaries, wages and benefits              |      | 211,330                  | 135,829                  |
| Fuel and power                            |      | 453,363                  | 318,376                  |
| Stores and spares consumed                |      | 134,514                  | 68,772                   |
| Depreciation                              | 3.2  | 186,057                  | 110,287                  |
| Repairs and maintenance                   |      | 68,195                   | 51,160                   |
| Tiles packing and other related charges   |      | 26,978                   | 16,521                   |
| Insurance                                 |      | 10,441                   | 6,305                    |
| Vehicle running expenses                  |      | 11,985                   | 5,634                    |
| Traveling and conveyance                  |      | 17,125                   | 3,477                    |
| Raw material mixing charges               |      | 11,567                   | 9,307                    |
| Printing and stationery                   |      | 5,962                    | 1,727                    |
| Communications                            |      | 2,916                    | 1,712                    |
| Rent, rates and taxes                     |      | 1,703                    | 1,640                    |
| Research costs                            |      | 858                      | 496                      |
| Cartage and handling charges              |      | 1,201                    | 1,307                    |
| Legal and professional charges            |      | 467                      | 937                      |
| Entertainment                             |      | 1,020                    | 432                      |
| Others                                    |      | 4,912                    | 5,291                    |
|   |      | <u>1,150,594</u>         | <u>739,210</u>           |
| <b>Work-in-process</b>                    |      |                          |                          |
| Opening stock                             |      | 18,898                   | 19,978                   |
| Closing stock                             |      | (39,788)                 | (18,898)                 |
| <b>Cost of goods manufactured</b>         |      | <u>2,181,380</u>         | <u>1,340,377</u>         |
| <b>Finished goods</b>                     |      |                          |                          |
| Opening stock                             |      | 20,753                   | 10,498                   |
| Closing stock                             |      | (230,619)                | (20,753)                 |
| <b>Cost of sales – Manufacturing</b>      |      | <u>1,971,514</u>         | <u>1,330,122</u>         |
| <b>Cost of sales – Trading</b>            |      |                          |                          |
| Opening stock                             |      | 79,399                   | 42,673                   |
| Purchases                                 |      | 54,654                   | 208,119                  |
| Closing stock                             |      | (37,122)                 | (79,399)                 |
|   |      | <u>96,931</u>            | <u>171,393</u>           |
|   |      | <u>2,068,445</u>         | <u>1,501,515</u>         |



## Shabbir Tiles and Ceramics Limited

|                                    | Note | 2009<br>(Rupees in '000) | 2008           |
|------------------------------------|------|--------------------------|----------------|
| <b>22. DISTRIBUTION COSTS</b>      |      |                          |                |
| Salaries and benefits              |      | 28,874                   | 21,497         |
| Freight                            |      | 240,087                  | 175,093        |
| Sales promotion                    |      | 30,972                   | 17,485         |
| Advertisement and publicity        |      | 7,200                    | 11,391         |
| Travelling and conveyance          |      | 15,482                   | 11,689         |
| Rent, rates and taxes              |      | 29,897                   | 16,221         |
| Communications                     |      | 4,929                    | 3,083          |
| Insurance                          |      | 1,962                    | 1,607          |
| Depreciation                       | 3.2  | 5,319                    | 4,430          |
| Vehicle running expenses           |      | 6,856                    | 4,928          |
| Repairs and maintenance            |      | 2,440                    | 1,153          |
| Utilities                          |      | 2,571                    | 1,228          |
| Printing and stationery            |      | 1,557                    | 1,367          |
| Entertainment                      |      | 1,557                    | 1,029          |
| Others                             |      | 4,227                    | 3,917          |
|                                    |      | <u>383,930</u>           | <u>276,118</u> |
| <b>23. ADMINISTRATIVE EXPENSES</b> |      |                          |                |
| Salaries and benefits              |      | 28,281                   | 17,974         |
| Travelling and conveyance          |      | 2,625                    | 2,501          |
| Printing and stationery            |      | 8,235                    | 2,829          |
| Legal and professional charges     |      | 4,296                    | 3,926          |
| Depreciation                       |      |                          |                |
| - on operating fixed assets        | 3.2  | 3,385                    | 2,579          |
| - on investment property           | 4    | 101                      | 101            |
| Vehicle running expenses           |      | 2,274                    | 1,805          |
| Communications                     |      | 1,696                    | 1,186          |
| Utilities                          |      | 193                      | 654            |
| Auditors' remuneration             | 23.1 | 1,447                    | 961            |
| Subscriptions                      |      | 668                      | 551            |
| Insurance                          |      | 1,053                    | 610            |
| Others                             |      | 2,540                    | 1,343          |
|                                    |      | <u>56,794</u>            | <u>37,020</u>  |
| <b>23.1 Auditors' remuneration</b> |      |                          |                |
| Statutory audit fee                |      | 400                      | 325            |
| Half yearly review fee             |      | 125                      | 125            |
| Tax services                       |      | 805                      | 400            |
| Other certifications               |      | 50                       | 50             |
| Out of pocket expenses             |      | 67                       | 61             |
|                                    |      | <u>1,447</u>             | <u>961</u>     |



## Shabbir Tiles and Ceramics Limited

|  | Note  | 2009<br>(Rupees in '000) | 2008<br>(Rupees in '000) |
|--|---|--------------------------|--------------------------|
| <b>24. OTHER OPERATING INCOME</b>  |   |                          |                          |
| <b>Income from financial assets</b>  |   |                          |                          |
| Profit on bank deposits  |   | 1,206                    | 289                      |
|  |   | <u>1,206</u>             | <u>289</u>               |
| <b>Income from non-financial assets</b>  |   |                          |                          |
| Rental income from investment property   |   | 427                      | 420                      |
| Gain on disposal of property, plant and equipment                                | 3.3   | 854                      | 79                       |
| Others   |   | 5                        | 363                      |
|  |   | <u>1,286</u>             | <u>862</u>               |
|  |   | <u>2,492</u>             | <u>1,151</u>             |
| <b>25. FINANCE COSTS</b>   |   |                          |                          |
| Mark-up on:  |   |                          |                          |
| - Long term finance  |   | 198,840                  | -                        |
| - Finance lease  |   | 30,036                   | 38,010                   |
| - Short term borrowings  |   | 34,526                   | 21,792                   |
| - Workers' Profit Participation Fund   | 17.3  | 19                       | 87                       |
|  |   | <u>263,421</u>           | <u>59,889</u>            |
| Bank charges and commission  |   | 3,415                    | 2,176                    |
|  |   | <u>266,836</u>           | <u>62,065</u>            |
| <b>26. OTHER CHARGES</b>   |   |                          |                          |
| Workers' Profit Participation Fund   | 17.3  | 3,950                    | 7,775                    |
| Workers' Welfare Fund  |   | 1,501                    | 2,954                    |
| Donations  | 26.1  | 620                      | 393                      |
| Net exchange difference  |   | 125                      | 3,711                    |
|  |   | <u>6,196</u>             | <u>14,833</u>            |
| <b>26.1</b>  | None of the Directors or their spouses had any interest in any of the donees to whom donations were made during the year. |                          |                          |
|  |   | <b>2009</b>              | <b>2008</b>              |
|  |   | <b>(Rupees in '000)</b>  |                          |
| <b>27. TAXATION</b>  |   |                          |                          |
| Current  |   | 4,700                    | 31,364                   |
| Prior  |   | 298                      | (836)                    |
|  |   | <u>4,998</u>             | <u>30,528</u>            |
| Deferred   |   | 20,803                   | 18,251                   |
|  |   | <u>25,801</u>            | <u>48,779</u>            |
| <b>27.1 Relationship between accounting profit and tax expense</b>               |   |                          |                          |
| Profit before taxation   |   | 73,548                   | 144,765                  |
| Tax @ 35%  |   | 25,741                   | 50,668                   |
| Tax effects of the expenses that are admissible<br>In determining taxable profit |   | (19,905)                 | (10,223)                 |
| Tax effects under final tax regime   |   | (1,136)                  | (9,081)                  |
| Tax effect of prior year   |   | 298                      | (836)                    |
| Tax effects of temporary differences   |   | 20,803                   | 18,251                   |
|  |   | <u>25,801</u>            | <u>48,779</u>            |



## Shabbir Tiles and Ceramics Limited

### 28. BASIC AND DILUTED EARNINGS PER SHARE

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

|  | Note | 2009          | 2008                     |
|--|------|---------------|--------------------------|
| Profit after taxation (Rupees in '000)   |      | <u>47,747</u> | <u>95,986</u>            |
| Weighted average number of ordinary shares outstanding during the year (in '000) |      | <u>67,078</u> | <u>51,931</u> (Restated) |
| Basic and diluted earnings per share (Rupees)                                    |      | <u>0.71</u>   | <u>1.85</u>              |

### 29. CASH AND CASH EQUIVALENTS

|                             |    |                         |                  |
|-----------------------------|----|-------------------------|------------------|
| Cash and bank balances      | 11 | <b>147,860</b>          | 135,230          |
| Short-term running finances | 18 | <b>(519,821)</b>        | (290,011)        |
|                             |    | <u><b>(371,961)</b></u> | <u>(154,781)</u> |

### 30. FINANCIAL INSTRUMENTS

#### 30.1 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with the financial instruments. To guard against the risk, the Company has diversified funding sources and the assets are managed with liquidity in mind. The maturity profile is monitored to ensure that adequate liquidity is maintained.

#### Year ended 30 June 2009

|   | On demand                    | Less than 3 months | 3 to 12 months | 1 to 5 years     | > 5 years        | Total            |
|---|------------------------------|--------------------|----------------|------------------|------------------|------------------|
|   | ----- (Rupees In '000) ----- |                    |                |                  |                  |                  |
| Long-term financing – secured                       | -                            | -                  | -              | 1,582,847        | 1,187,136        | 2,769,983        |
| Short term borrowing                                | -                            | -                  | 626,766        | -                | -                | 626,766          |
| Trade and other payables                            | 484,109                      | -                  | -              | -                | -                | 484,109          |
| Liabilities against assets subject to finance lease | -                            | 26,368             | 66,815         | 69,474           | -                | 162,657          |
| Accrued interest on short - term borrowing          | -                            | 7,604              | -              | -                | -                | 7,604            |
| Accrued interest on long - term financing           | -                            | 219,465            | -              | -                | -                | 219,465          |
| <b>Total</b>  | <u>484,109</u>               | <u>253,437</u>     | <u>693,581</u> | <u>1,652,321</u> | <u>1,187,136</u> | <u>4,270,584</u> |

#### Year ended 30 June 2008

|   | On demand                    | Less than 3 months | 3 to 12 months | 1 to 5 years   | > 5 years | Total            |
|---|------------------------------|--------------------|----------------|----------------|-----------|------------------|
|   | ----- (Rupees In '000) ----- |                    |                |                |           |                  |
| Long-term financing – secured                       | -                            | -                  | -              | 791,743        | -         | 791,743          |
| Short term borrowing                                | -                            | -                  | 298,976        | -              | -         | 298,976          |
| Trade and other payables                            | 163,529                      | -                  | -              | -              | -         | 163,529          |
| Liabilities against assets subject to finance lease | -                            | 33,010             | 98,389         | 163,386        | -         | 294,785          |
| Accrued interest on short - term borrowing          | -                            | 6,812              | -              | -              | -         | 6,812            |
| Accrued interest on long - term financing           | -                            | 23,914             | -              | -              | -         | 23,914           |
| <b>Total</b>  | <u>163,529</u>               | <u>63,736</u>      | <u>397,365</u> | <u>955,129</u> | <u>-</u>  | <u>1,579,759</u> |

#### 30.2 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 equity and working capital. The Company had a gearing ratio of 68.71% (2008: 51.5%) as of the balance sheet date, which in view of the management is adequate considering the size of the operations.



### 30.3 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises 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. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is mainly exposed to credit risk on trade debts and bank balances. The Company seeks to minimise the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable.

#### Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by the reference to external credit ratings or the historical information about counter party default rates.

|   | Carrying Values              |                |
|---|------------------------------|----------------|
|   | 2009                         | 2008           |
|   | ----- (Rupees in '000) ----- |                |
| <b>30.3.1 Trade debts</b>                       |                              |                |
| Customers with no defaults in the past one year | <u>565,391</u>               | <u>311,780</u> |

#### 30.3.2 Bank balances

The bank balances aggregating to Rs.146 million (2008 : Rs. 133.313 million) have been placed with the banks having A+ rating.

### 30.4 Currency Risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's exposure to foreign currency risk is as follows:

|  | 2009                  | 2008       |
|--|-----------------------|------------|
|  | ----- (In '000) ----- |            |
| Trade and other payables (Euros)               | 249                   | 13         |
| Foreign currency account (US Dollars)          | 4                     | -          |
| Foreign currency import financing (US Dollars) | 979                   | 131        |
| Total (Euros)                                  | <u>249</u>            | <u>13</u>  |
| Total (US Dollars)                             | <u>983</u>            | <u>131</u> |

The following significant exchange rates have been applied at the reporting dates:

|                             |               |               |
|-----------------------------|---------------|---------------|
| Exchange Rates (US Dollars) | <u>81.30</u>  | <u>68.20</u>  |
| Exchange Rates (Euros)      | <u>114.82</u> | <u>107.65</u> |

#### Sensitivity analysis:

A reasonable change of 10 percent depreciation of the rupee against the US dollar at 30 June would have decreased the equity and profit or loss by the amounts shown below. This analysis assumes that all other variables in particular interest rates remain constant.



## Shabbir Tiles and Ceramics Limited

|              | Equity<br>----- (Rupees in '000) ----- | Profit or<br>loss before<br>tax |
|--------------|--|---------------------------------|
| 30 June 2009 | <u>(6,566)</u>                         | <u>(10,851)</u>                 |
| 30 June 2008 | <u>(625)</u>                           | <u>(1,031)</u>                  |

A 10 percent strengthening of the rupee against the US dollar at 30 June would have had the equal but opposite effect on the above currency to the amounts shown above on the basis that all other variables remain constant.

### 30.5 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 rates relates primarily to the Company's long-term and short term borrowings and liabilities against asset subject to finance lease with floating interest rates.

#### Sensitivity Analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variable constant, of the Company's profit before tax:

|             | Increase /<br>decrease in basis<br>points | Effect on profit<br>before tax<br>(Rupees in '000) |
|-------------|---|--|
| <b>2009</b> |   |  |
| KIBOR       | +100                                      | <u>31,934</u>                                      |
| KIBOR       | -100                                      | <u>(31,934)</u>                                    |
| <b>2008</b> |   |  |
| KIBOR       | +100                                      | <u>11,545</u>                                      |
| KIBOR       | -100                                      | <u>(11,545)</u>                                    |

### 30.6 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 arms length transaction.

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

### 31. TRANSACTIONS WITH RELATED PARTIES

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

|   | 2009<br>(Rupees in '000) | 2008<br>(Rupees in '000) |
|---|--------------------------|--------------------------|
| Sales                                     | <u>1,053</u>             | <u>393</u>               |
| Purchases of goods, material and services | <u>24,705</u>            | <u>24,834</u>            |
| Insurance premium                         | <u>22,835</u>            | <u>10,667</u>            |
| Claim received                            | <u>194</u>               | <u>1,930</u>             |
| Sale of vehicle                           | <u>-</u>                 | <u>1,210</u>             |
| Rent paid                                 | <u>9,668</u>             | <u>6,160</u>             |
| Contribution to the Provident fund        | <u>5,675</u>             | <u>4,235</u>             |

31.1 There are no transactions with key management personnel other than under the terms of employment as disclosed in note 32.





## Shabbir Tiles and Ceramics Limited

**31.2** The related party status of outstanding receivables and payables as at June 30, 2009 are included in the respective notes to the financial statements.

### **32. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES**

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

|   | 2009             |               |           |               | 2008            |               |           |               |
|---|------------------|---------------|-----------|---------------|-----------------|---------------|-----------|---------------|
|   | Chief Executive  | Executives    | Directors | Total         | Chief Executive | Executives    | Directors | Total         |
|   | (Rupees in '000) |               |           |               |                 |               |           |               |
| Managerial remuneration                           | 3,707            | 12,669        | -         | 16,376        | 2,762           | 5,560         | -         | 8,322         |
| Housing and utilities                             | 1,668            | 5,674         | -         | 7,342         | 1,517           | 2,489         | -         | 4,006         |
| Leave fare assistance, leave encashment and bonus | -                | 3,547         | -         | 3,547         | -               | 1,336         | -         | 1,336         |
| Reimbursement of medical expenses                 | 370              | 1,232         | -         | 1,602         | 221             | 514           | -         | 735           |
| Retirement benefits                               | 327              | 1,102         | -         | 1,429         | 257             | 466           | -         | 723           |
|   | <b>6,072</b>     | <b>24,224</b> | <b>-</b>  | <b>30,296</b> | <b>4,757</b>    | <b>10,365</b> | <b>-</b>  | <b>15,122</b> |
| Number of persons                                 | 1                | 22            | 7         | 30            | 1               | 8             | 7         | 16            |

**32.2** In addition, the chief executive and executives are provided with free use of the Company maintained cars.

**32.3** Fee amounting to Rs. 0.12 million (2008: Rs. 0.125 million) was paid to seven (2008: seven) Directors for attending Board Meetings during the year.

### **33. PRODUCTION CAPACITY**

During the year, the tile production capacity attained was 7.72 million sq. meters (2008: 6.285 million sq. meters) against annual manufacturing capacity of 12.76 million sq. meters (2008: 6.360 million sq. meters). The shortfall in actual production was because new plant was not operative for the whole year.

### **34. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on September 8, 2009 by the Board of Directors of the Company.

### **35. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors in its meeting held on September 8, 2009 approved the transfer of Rs. 48 million from unappropriated profit to general reserve for approval of the members at the Annual General Meeting to be held on October 26, 2009

### **36. GENERAL**

Figures have been rounded off to the nearest thousands.

**ALIREZA M. ALLADIN**  
Chief Executive

**ABDUL HAI M. BHAIMIA**  
Director



## Shabbir Tiles and Ceramics Limited

### PATTERN OF SHAREHOLDING AS ON 30TH JUNE, 2009

| NUMBER OF<br>SHAREHOLDERS | SHARE HOLDING |    |            | TOTAL<br>SHARES HELD |
|---------------------------|---------------|----|------------|----------------------|
|                           | FROM          | TO |            |                      |
| 846                       | 1             | -- | 100        | 27,911               |
| 756                       | 101           | -- | 500        | 210,281              |
| 335                       | 501           | -- | 1,000      | 252,294              |
| 599                       | 1,001         | -- | 5,000      | 1,381,916            |
| 122                       | 5,001         | -- | 10,000     | 880,998              |
| 39                        | 10,001        | -- | 15,000     | 476,780              |
| 23                        | 15,001        | -- | 20,000     | 395,163              |
| 23                        | 20,001        | -- | 25,000     | 518,898              |
| 7                         | 25,001        | -- | 30,000     | 192,088              |
| 12                        | 30,001        | -- | 35,000     | 382,908              |
| 5                         | 35,001        | -- | 40,000     | 180,077              |
| 8                         | 40,001        | -- | 45,000     | 332,698              |
| 1                         | 45,001        | -- | 50,000     | 47,899               |
| 5                         | 50,001        | -- | 55,000     | 263,490              |
| 3                         | 55,001        | -- | 60,000     | 171,264              |
| 2                         | 60,001        | -- | 65,000     | 121,105              |
| 3                         | 65,001        | -- | 70,000     | 206,071              |
| 1                         | 70,001        | -- | 75,000     | 71,000               |
| 4                         | 75,001        | -- | 80,000     | 310,207              |
| 1                         | 80,001        | -- | 85,000     | 81,840               |
| 2                         | 85,001        | -- | 90,000     | 172,370              |
| 1                         | 90,001        | -- | 95,000     | 94,285               |
| 4                         | 95,001        | -- | 100,000    | 388,470              |
| 1                         | 100,001       | -- | 105,000    | 103,078              |
| 2                         | 105,001       | -- | 110,000    | 216,984              |
| 1                         | 115,001       | -- | 120,000    | 119,000              |
| 2                         | 130,001       | -- | 135,000    | 264,996              |
| 1                         | 165,001       | -- | 170,000    | 165,376              |
| 1                         | 195,001       | -- | 200,000    | 196,378              |
| 1                         | 245,001       | -- | 250,000    | 250,000              |
| 1                         | 290,001       | -- | 295,000    | 290,941              |
| 3                         | 310,001       | -- | 315,000    | 940,755              |
| 1                         | 335,001       | -- | 340,000    | 338,346              |
| 1                         | 340,001       | -- | 345,000    | 340,991              |
| 1                         | 415,001       | -- | 420,000    | 415,236              |
| 1                         | 460,001       | -- | 465,000    | 461,010              |
| 1                         | 475,001       | -- | 480,000    | 477,567              |
| 1                         | 500,001       | -- | 505,000    | 502,802              |
| 1                         | 505,001       | -- | 510,000    | 505,032              |
| 1                         | 625,001       | -- | 630,000    | 627,178              |
| 1                         | 635,001       | -- | 640,000    | 638,211              |
| 1                         | 695,001       | -- | 700,000    | 696,555              |
| 1                         | 3,710,001     | -- | 715,000    | 710,967              |
| 1                         | 735,001       | -- | 740,000    | 735,429              |
| 1                         | 755,001       | -- | 760,000    | 756,360              |
| 1                         | 775,001       | -- | 780,000    | 775,968              |
| 1                         | 835,001       | -- | 840,000    | 836,352              |
| 4                         | 900,001       | -- | 905,000    | 3,602,572            |
| 4                         | 1,040,001     | -- | 1,045,000  | 4,166,718            |
| 2                         | 1,250,001     | -- | 1,255,000  | 2,509,056            |
| 1                         | 1,255,001     | -- | 1,260,000  | 1,258,180            |
| 1                         | 1,340,001     | -- | 1,345,000  | 1,343,724            |
| 1                         | 1,870,001     | -- | 1,875,000  | 1,870,943            |
| 2                         | 1,880,001     | -- | 1,885,000  | 3,763,170            |
| 1                         | 2,115,001     | -- | 2,120,000  | 2,118,794            |
| 1                         | 2,165,001     | -- | 2,170,000  | 2,165,080            |
| 1                         | 3,535,001     | -- | 3,540,000  | 3,535,939            |
| 1                         | 3,640,001     | -- | 3,645,000  | 3,642,309            |
| 1                         | 5,905,001     | -- | 5,910,000  | 5,905,620            |
| 1                         | 17,720,001    | -- | 17,725,000 | 17,720,301           |
| 2,851                     |               |    |            | 72,127,931           |



## Shabbir Tiles and Ceramics Limited

### COMBINED PATTERN OF CDC & PHYSICAL SHARE HOLDINGS AS AT 30-06-2009

| CATEGORY NO. | CATEGORIES OF SHARE HOLDERS   | NUMBER OF SHARES HELD   | CATEGORY WISE NO. OF SHARE HOLDERS | CATEGORY WISE SHARES HELD | PERCENTAGE % |
|--------------|---|---|------------------------------------|---------------------------|--------------|
| 1            | INDIVIDUALS   |   | 2,785                              | 24,516,387                | 33.99        |
| 2            | INVESTMENT COMPANIES  |   | -                                  | -                         | -            |
| 3            | JOINT STOCK COMPANIES   |   | 24                                 | 1,995,141                 | 2.77         |
| 4            | DIRECTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN<br>MR. RAFIQ M. HABIB<br>MR. ALI SULEMAN HABIB<br>MR. ABDUL HAI M. BHAIMIA<br>MR. KERSI D. KAPADIA<br>MR. MANSOOR G. HABIB<br>MR. NAZIM FIDA HUSSAIN HAJI<br>MRS. JAMILA RAFIQ<br>W/O MR. RAFIQ M. HABIB<br>MRS. RUKHSANA ISMAIL<br>W/O MR. ABDUL HAI M. BHAIMIA<br>MR. ALIREZA M. ALLADIN | 1,254,528<br>1,254,528<br>199,999<br>62,678<br>4,180<br>21,978<br>415,236<br>291,403<br>7,990 | 12                                 | 3,512,520                 | 4.87         |
| 5            | EXECUTIVES  | -   | -                                  | -                         | -            |
| 6            | NIT / ICP<br>NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.<br>INVESTMENT CORPORATION OF PAKISTAN  | 7,178,248<br>5,345  | 4                                  | 7,183,593                 | 9.96         |
| 7            | ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES<br>THAL LIMITED-PAKISTAN<br>PAPERSACK DIVISION<br>HABIB INSURANCE<br>COMPANY LIMITED   | 1,881,585<br>2,165,080  | 2                                  | 4,046,665                 | 5.61         |
| 8            | PUBLIC SECTOR COMPANIES AND CORPORATIONS  |   | -                                  | -                         | -            |
| 9            | BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS   |   | 3                                  | 154,084                   | 0.21         |
| 10           | FOREIGN INVESTORS   |   | 12                                 | 28,975,565                | 40.17        |
| 11           | CO-OPERATIVE SOCIETIES  |   | 2                                  | 38,278                    | 0.05         |
| 12           | CHARITABLE TRUSTS   |   | 5                                  | 1,569,253                 | 2.18         |
| 13           | OTHERS  |   | 2                                  | 136,445                   | 0.19         |
|              | TOTAL   |   | 2,851                              | 72,127,931                | 100.00       |

#### SHARE-HOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY

TOTAL PAID-UP CAPITAL OF THE COMPANY 72,127,931 SHARES  
10% OF THE PAID-UP CAPITAL OF THE COMPANY 7,212,793 SHARES

| NAME(S) OF SHARE-HOLDER(S)    | DESCRIPTION            | NO. OF SHARES HELD | PERCENTAGE % |
|-------------------------------|------------------------|--------------------|--------------|
| ROBERT FINANCE CORPORATION AG | FALLS IN CATEGORY # 10 | 21,097,275         | 29.25        |
| TOTAL                         |                        | 21,097,275         | 29.25        |



## 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 Thirty  
First Annual General Meeting of the Company to be held on 26th day of October, 2009 and at any adjournment  
thereof.

As witness my / our hand / seal this \_\_\_\_\_ day of \_\_\_\_\_ 2009

Signed by the said

Witness \_\_\_\_\_ (Signature)      Witness \_\_\_\_\_ (Signature)

Name \_\_\_\_\_ Name \_\_\_\_\_

Address \_\_\_\_\_ Address \_\_\_\_\_

CNIC No. \_\_\_\_\_ CNIC No. \_\_\_\_\_

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

SIGNATURE OF MEMBER(S)

#### NOTES :

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

P.T.O.



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## Shabbir Tiles and Ceramics Limited

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

### **FOR CDC ACCOUNT HOLDERS / CORPORATE ENTITIES**

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

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



**Shabbir Tiles and Ceramics Limited**

15th Milestone,  
National Highway,  
Landhi, Karachi-75120  
[www.stile.com.pk](http://www.stile.com.pk) e-mail: [info@stile.com.pk](mailto:info@stile.com.pk)