

Shabbir Tiles and Ceramics Limited

2011
annual report





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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

BOARD OF DIRECTORS	RAFIQ M HABIB ALIREZA M. ALLADIN ALI S. HABIB ABDUL HAI M. BHAIMIA MANSOOR G. HABIB SALIM AZHAR ALI SAJJAD DHARAMSEY	<i>Chairman</i> <i>Chief Executive</i>
AUDIT COMMITTEE	MANSOOR G. HABIB SALIM AZHAR ALI SAJJAD DHARAMSEY	<i>Chairman</i>
COMPANY SECRETARY	AZIZ AHMED	
AUDITORS	ERNST & YOUNG FORD RHODES SIDAT HYDER Chartered Accountants	
LEGAL ADVISOR	M. Akram Zuberi & Co. Advocate Supreme Court	
BANKERS	Habib Metropolitan Bank Limited Faysal Bank Limited National Bank of Pakistan Bank AL Habib Limited Habib Bank Limited	
REGISTERED OFFICE	15th Milestone, National Highway, Landhi, Karachi-75120 Phones: (021) 35015024 - 25, 35014044 - 45 Fax: (021) 35015545 E-mail : info@stile.com.pk URL : http://www.stile.com.pk	
KARACHI DISPLAY CENTRE & SALES OFFICE	Makro Cash & Carry, CAA, Near Star Gate, Main Shahrah-e-Faisal, Karachi. Phone: (92-21) 34601372-74 Fax: (92-21) 34601375	
LAHORE SALES OFFICE	17-A, Tariq, Block New Garden Town, Lahore. Phone: (92-42) 5914771, 73-75 / 5847900 Fax: (92-42) 5858163	
ISLAMABAD SALES OFFICE	9th & 10th Lower Ground Floor, Aries Tower, Shamsabad, Muree Road, Rawalpindi. Phone: (92-51) 4575315-18 Fax: (92-51) 4575319	
PESHAWAR SALES OFFICE	UG-46 & UG-47, Ground Floor, Dean Trade Centre & Hotel Towers Islamia Road, Peshawar Cantt. Phone: (92-91) 5522522, 5253160-61 Fax: (92-91) 5253161	
MULTAN SALES OFFICE	17-A, First Floor, Aslam Arcade, Shah Kareem Land, Near Multan Hospital, Multan. Phone: (92-61) 4783097 Fax; (92-61) 4646439	
FAISALABAD SALES OFFICE	P-2 / 2B, 213 Main Susan Road, Faisalabad. Phones: (92-41) 8548243, 8710103 Fax: (92-41) 8548244	
REGISTRAR AND SHARE TRANSFER OFFICE	Noble Computer Services (Pvt.) Ltd., First Floor, Siddiqsons Towers, House of Habib Building, 3 Jinnah Cooperative Housing Society, Main Sharah-e-Faisal, Karachi. Phones: (021) 34325482-87	
FACTORY: UNIT-I	15th Milestone, National Highway, Landhi, Karachi-75120 Phones : (021) 35015024 - 25 / 35014044 - 45	
UNIT-II	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 Third Annual General Meeting of Shabbir Tiles And Ceramics Limited will be held at the auditorium of Institute of Chartered Accountants of Pakistan (ICAP), Near Three Swords, Clifton, Karachi, on Monday, October 17, 2011 at 11:30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2011 alongwith the reports of the Directors and the Auditors thereon.
2. To appoint auditors for the year ending June 30, 2012 and to fix their remuneration.

By Order of the Board

AZIZ AHMED
Company Secretary

Karachi : September 23, 2011.

NOTES:

1. The share transfer books of the Company will remain closed from October 11, 2011 to October 17, 2011 (both days inclusive). Transfers received in order at the office of the Company's Share Registrar M/s. Noble Computer Services (Pvt.) Limited, First Floor, (Siddiqsons Tower) House of Habib Building, 3-Jinnah C. H. Society, Main Shahrah-e-Faisal, Karachi, at the close of business on October 10, 2010 will be treated in time for the entitlement to attend the Annual General Meeting.
2. A member eligible to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies to be effective must be received by the Company not less than 48 hours before the time for holding of the meeting.

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 THIRD REPORT OF THE DIRECTORS FOR THE YEAR ENDED JUNE 30, 2011

In consonance with section 236 of the Companies Ordinance, 1984 and clause (xix) of the Code of Corporate Governance, your Directors are pleased to submit their Annual Report along with the audited financial statements of the Company for the year ended 30 June 2011. This report is to be submitted to the members at the Thirty Third Annual General Meeting of the Company to be held on 17 October, 2011.

PERFORMANCE OUTLOOK ECONOMIC OVERVIEW

The first half of the year witnessed the worst ever floods in the country's history that negatively impacted the GDP growth as Public Sector Development Program (PSDP) was curtailed to provide the resources for reconstruction and rehabilitation of the flood affected areas.

The worsening energy crises, fuel prices and violence incidents are adding to difficulties of the country by hampering growth of every sector of the economy specially the manufacturing sector and needs urgent attention. Additionally, continuing rise in inflation and bank's lending rates are also a major concern.

FINANCIAL PERFORMANCE

	Rupees in million	
	<u>2011</u>	<u>2010</u>
Turnover – net	4,399,779	4,061,423
Earnings before interest, taxes and Depreciation (ebitda)	749,038	752,076
Depreciation	277,932	308,097
Finance cost	457,614	495,362
Other operating expenses	6,139	1,905
Profit/(loss) before taxation	13,492	(51,383)
Loss after taxation	7,457	49,610
Loss per share (Rupee)	0.10	0.65

Despite the devastating floods that began in August, frequent closure of markets in Karachi and the worsening gas and electricity non availability scenario prevailing throughout the year, your company was able to register the highest ever net sales of Rs. 4.40 billion representing 8% growth over last year. Acceptability of Company's products also led to a considerable export revenue growth.

OPERATIONAL PERFORMANCE

The Company was able to maintain its EBITDA over last year due to product range diversification and operating cost rationalization. Moving forward, the management is striving hard to further capitalize on the opportunities of business expansion available both locally and internationally coupled with aggressive capacity utilization.

FINANCE MANAGEMENT

The Company has an effective cash flow management system in place whereby cash inflows and outflows are projected on regular basis. Working capital requirements are planned to be financed through efficient management of trade receivable, payable and inventory levels.



During the current year the Company has exercised stringent control over working capital which has resulted in decrease in trade debts by Rs. 156 million (from 73 to 54 days).

RIGHT SHARES

During the year under review, your company issued 72.13 million ordinary shares at a premium of Re. 1 per share resulting in subscription of Rs. 432 million received by the Company and would greatly help in reducing financial costs.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year, the Company contributed Rs. 832.68 Million to the National Exchequer in the shape of direct and indirect taxes and earned considerable foreign exchange through the export.

HUMAN RESOURCES

At STILE, you will find a distinctive workplace and diverse blend of personalities and proficiency. The Company firmly believes that its employees are its key asset and has remained focused on providing the most supportive and conducive environment to all major competitive advantage.

HEALTH, SAFETY & ENVIRONMENT

Your Company is a caring and responsible organization which is strongly committed to upholding the highest standard in Health, Safety and Environment in operations.

APPROPRIATION

As mentioned above that Company's earnings before interest, tax and depreciation (EBITDA) from operations remained under pressure during the year because of energy crisis and frequent market closures. Moreover, financing costs and depreciation charge have neutralized substantial increase in sales. In view therefore, your Directors have passed over dividends for the year and accordingly, no appropriation is made.

FUTURE OUTLOOK

Your Company as a premier tile manufacturer is well equipped to take advantage of the industry growth potential provided the economic indicators of the country move in the positive direction. It is expected that changing life styles, increased urbanization and a growing middle class will continue to fuel the growth in the future years.

CORPORATE SOCIAL RESPONSIBILITY

In August 2010, our country suffered a flood of catastrophic magnitude that claimed many lives across the country. Considering its social responsibility towards the nation, your Company and its employees have collectively donated approximately Rs. 2.6 million for immediate relief and rehabilitation of the affected persons.

AUDITORS

The present Auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants retire and offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended their re-appointment as Auditors of the Company for the year ending June 30, 2012, at a fee to be mutually agreed.



COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore and Islamabad Stock Exchanges in the listing regulations, relevant for the year ended June 30, 2011 have been adopted by the Company and have been duly complied with. A statement to this effect is hereunder :

- 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, approved accounting standards as applicable in Pakistan have been followed.
- The system of internal control is sound in design. The system 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 on page No. 11.
- Information about the taxes and levies is given in the notes to the accounts.
- The value of investments of Provident Fund stood at Rs. 76.75 million as on June 30, 2011 (un-audited) and Rs. 65.25 million as on June 2010 (audited).
- During the year six Board meetings were held and the number of meetings attended by each Director is given hereunder :

Number of Meetings attended

Mr. Rafiq M. Habib	5
Mr. Alireza M. Alladin	6
Mr. Ali S. Habib	2
Mr. Mansoor G. Habib	6
Mr. Abdul Hai M. Bhaimia	6
Mr. Salim Azhar	5
Mr. Ali Sajjad Dharamsey	6

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

PATTERN OF SHAREHOLDING

A statement of pattern of shareholding of certain class of shareholders as at June 30, 2011, whose disclosure is required under the reporting framework, is included in the annexed shareholders' information.



Shabbir Tiles and Ceramics Limited

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

MATERIAL CHANGES

There has been no material changes since June 30, 2011 and the Company has not entered into any commitment, which would affect its financial position at the date except for those mentioned in the Audited Financial statements of the Company for the year ended June 30, 2011.

CHANGES IN COMPOSITION OF BOARD OF DIRECTORS

During the year under review, there was one casual vacancy created on the Board of Directors of the Company which was duly filled in by the Board and wishes to place on record its profound appreciation of the services rendered by Mr. Nazim F. Haji during the tenure of his office and welcomes Mr. Salim Azhar who will hold office for the remainder of the term of Mr. Nazim F. Haji. The Board has also appointed Mr. Salim Azhar as non-executive members on the Audit Committee.

ACKNOWLEDGEMENT

Through out the period the industrial relations climate has remained cordial and all employees showed great commitment for the achievement of Company's objectives. On behalf of the Board, I would Like to place on record our appreciation for the passion and commitment demonstrated by all the staff towards company's successful operations.

APPROVAL AND AUTHORIZATION

The Board of Directors of the Company in their meeting held on September 9, 2011 approved the Directors' report and authorized Mr. Alireza M. Alladin, Chief Executive Officer of the Company to sign the report on its behalf.

On behalf of the Board

ALIREZA M. ALLADIN
Chief Executive

Karachi: September 09, 2011



Shabbir Tiles and Ceramics Limited

PERFORMANCE OF LAST SIX YEARS

	30TH JUNE 2011 (RS.'000s)	30TH JUNE 2010 (RS.'000s)	30TH JUNE 2009 (RS.'000s)	30TH JUNE 2008 (RS.'000s)	30TH JUNE 2007 (RS.'000s)	30TH JUNE 2006 (RS.'000s)
ASSETS EMPLOYED						
Property , plant & Equipment	3,578,311	3,826,126	4,113,866	1,527,609	730,863	594,628
Investment property	421	522	623	724	825	926
Long-term loans, advances & deposits	11,745	15,836	15,517	18,777	23,804	24,480
Working capital						
Current assets	1,627,945	1,792,732	1,565,475	941,186	612,769	588,704
Current liabilities	1,478,182	1,779,982	1,485,960	659,639	469,582	437,390
	149,763	12,750	79,515	281,547	143,187	151,314
	3,740,240	3,855,234	4,209,521	1,828,657	898,679	771,348
FINANCED BY						
Shareholders' equity						
Share Capital	721,277	360,638	360,638	163,926	136,605	113,835
Share Premium	456,288	389,764	389,764	-	-	-
Reserves	457,336	464,793	514,403	581,152	430,777	388,742
	1,634,901	1,215,195	1,264,805	745,078	567,382	502,577
Long Term Finance	2,037,214	2,543,980	2,769,983	791,743	-	6,750
Liabilities against assets subject to finance leases	9,160	13,768	69,474	163,385	264,745	213,823
Deferred liabilities	58,965	82,291	105,259	128,451	66,552	48,198
	3,740,240	3,855,234	4,209,521	1,828,657	898,679	771,348
Ratio Analysis						
Turnover (Net)	4,399,779	4,061,423	2,853,257	2,035,165	1,699,745	1,583,682
% of Growth	8.33%	42.34%	40.20%	19.73%	7.33%	36.74%
Gross profit	1,131,200	1,059,379	784,812	533,650	440,411	432,253
Gross profit (%)	25.71%	24.08%	27.51%	26.22%	25.91%	27.29%
Administrative Expenses	77,237	57,718	56,794	37,020	34,835	29,876
% of Turnover -net	1.76%	1.31%	1.99%	1.82%	2.05%	1.89%
Distribution Cost	584,204	559,697	383,930	276,118	219,688	218,775
% of Turnover -net	13.28%	12.72%	13.46%	13.57%	12.92%	13.81%
Financial Charges	457,614	495,362	266,836	62,065	51,813	43,816
% of Turnover -net	10.40%	11.26%	9.35%	3.05%	3.05%	2.77%
Profit / (loss) before taxation	13,492	(51,383)	73,548	144,765	126,143	126,004
% of Turnover -net	0.31%	-1.17%	2.58%	7.11%	7.42%	7.96%
(Loss) / profit after taxation	(7,457)	(49,610)	47,747	95,986	81,881	71,624
% of Turnover -net	-0.17%	-1.13%	1.67%	4.72%	4.82%	4.52%
Cash dividend	-	-	-	-	-	17,076
Cash dividend (%)	-	-	-	-	-	15.00%
Bonus Shares	-	-	-	32,785	27,321	22,767
Bonus Shares (%)	-	-	-	20.00%	20.00%	20.00%
Break-up value of Rs. 5/= share	11.33	16.85	17.54	22.73	20.77	22.07
(Loss) / profit per share - basic and diluted (Rs.)	(0.10)	(0.65)	0.71	2.90	2.50	2.62
Receivables no. of days	54	73	64	50	57	59
Current ratio	1.10	1.01	1.05	1.43	1.30	1.35
No of employees	941	900	837	611	621	559



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges. The purpose of the Code is to establish a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Shabbir Tiles and Ceramics Limited (the Company) has applied the principles contained in the Code in the following manner:

- 1) The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors (the Board). At present, the Board comprises of seven directors which includes six non-executive directors.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Company.
- 3) All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4) Casual vacancy occurring in the Board during the year was duly filled in within the prescribed period.
- 5) The Company has prepared 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 along with the dates on which they were approved or amended has been maintained.
- 7) All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, 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, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9) The Company has maintained proper records in respect of related party transactions. All the related party transactions and the related pricing method have been reviewed and approved by the Board.
- 10) During the year, CEO of the Company has acquired certification under "Corporate Governance Leadership Skills - Director Education Program" offered by the Pakistan Institute of Corporate Governance.
- 11) No new appointment of CFO, Company Secretary has been made during the year.
- 12) The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



Shabbir Tiles and Ceramics Limited

- 13) The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- 14) 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.
- 15) The Company has complied with all the corporate and financial reporting requirements of the Code.
- 16) The Board has formed an audit committee which comprises three non-executive directors including the Chairman of the committee.
- 17) The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 18) The Board has outsourced the internal audit function to Noble Computer Services (Private) Limited who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
- 19) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.
- 20) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 21) 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 9, 2011

**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 (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2011 prepared by the Board of Directors of Shabbir Tiles and Ceramics Limited (the Company) to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges, 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 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 inquiry of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control systems to enable us to express an opinion as to whether the Board's Statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Listing Regulation of the Karachi, Lahore and Islamabad Stock Exchanges require the Company to place before the Board of Directors of the Company 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 of the Company. 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 of the Company. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended 30 June 2011.

Karachi: September 09, 2011

ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Shabbir Tiles and Ceramics Limited (the Company) as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2011, and of the loss, its comprehensive loss, 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).

Chartered Accountants
Audit Engagement Partner: Arslan Khalid
Date: September 09, 2011
Karachi.



Shabbir Tiles and Ceramics Limited

BALANCE SHEET AS AT JUNE 30, 2011

	Note	2011 (Rupees in '000)	2010
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	3,578,311	3,826,126
Investment property	7	421	522
Long-term loans and advances	8	1,067	2,843
Long-term deposits	9	10,678	12,993
		<u>3,590,477</u>	<u>3,842,484</u>
CURRENT ASSETS			
Stores and spare parts	10	134,972	125,630
Stock-in-trade	11	625,416	637,232
Trade debts	12	742,089	897,711
Loans, advances, deposits, prepayments and other receivables	13	33,617	39,380
Advance income tax – net		8,043	17,547
Cash and bank balances	14	83,808	75,232
		<u>1,627,945</u>	<u>1,792,732</u>
TOTAL ASSETS		<u>5,218,422</u>	<u>5,635,216</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
240,000,000 (2010: 120,000,000) ordinary shares of Rs.5/- each	1.2	1,200,000	600,000
Issued, subscribed and paid-up capital	15	721,277	360,638
Reserves		913,624	854,557
		<u>1,634,901</u>	<u>1,215,195</u>
NON-CURRENT LIABILITIES			
Long-term finance	16	2,037,214	2,543,980
Liabilities against assets subject to finance lease	17	9,160	13,768
Deferred tax liability	18	58,965	82,291
		<u>2,105,339</u>	<u>2,640,039</u>
CURRENT LIABILITIES			
Trade and other payables	19	452,329	439,987
Accrued mark-up		23,466	156,412
Current maturity of long-term finance	16	506,766	253,383
Current maturity of liabilities against assets subject to finance lease	17	4,323	65,369
Short-term borrowings	20	439,926	826,991
Sales tax and excise duty payable		51,372	37,840
		<u>1,478,182</u>	<u>1,779,982</u>
CONTINGENCIES AND COMMITMENTS	21		
TOTAL EQUITY AND LIABILITIES		<u>5,218,422</u>	<u>5,635,216</u>

The annexed notes from 1 to 40 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, 2011

	Note	2011 (Rupees in '000)	2010
Turnover – net	22	4,399,779	4,061,423
Cost of sales	23	(3,268,579)	(3,002,044)
Gross profit	24	1,131,200	1,059,379
Distribution costs	25	(584,204)	(559,697)
Administrative expenses	26	(77,237)	(57,718)
		(661,441)	(617,415)
Other operating income	27	7,486	3,920
Operating profit		477,245	445,884
Finance costs	28	(457,614)	(495,362)
Other charges	29	(6,139)	(1,905)
		(463,753)	(497,267)
Profit / (loss) before taxation		13,492	(51,383)
Taxation	30	(20,949)	1,773
Loss after taxation		(7,457)	(49,610)
		Rupee	Rupee (Restated)
Loss per share – basic and diluted	31	(0.10)	(0.65)

The annexed notes from 1 to 40 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 COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2011

	2011 (Rs. in 000')	2010
Loss for the year	(7,457)	(49,610)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(7,457)</u>	<u>(49,610)</u>

The annexed notes from 1 to 40 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, 2011

	Note	2011	2010
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		13,492	(51,383)
Adjustments for:			
Depreciation		277,932	308,097
Finance costs		457,614	495,362
Provision for impairment of trade debts		10,847	-
Provision for slow moving and obsolete stores and spare parts		8,065	-
Fixed assets written-off		196	-
Gain on disposal of property, plant and equipment		(4,622)	(2,147)
		<u>750,032</u>	<u>801,312</u>
		763,524	749,929
(Increase) / decrease in current assets			
Stores and spare parts		(17,407)	(12,787)
Stock-in-trade		11,816	9,266
Trade debts		144,775	(332,320)
Loans, advances, deposits , prepayments and other receivables		5,763	10,187
Increase / (decrease) in current liabilities			
Trade and other payables		12,342	(33,091)
Sales tax and excise duty payable		13,532	(28,024)
		<u>170,821</u>	<u>(386,769)</u>
		934,345	363,160
Income tax (paid) / refunded		(34,771)	4,572
Finance costs paid		(590,560)	(566,018)
Long-term loans and advances		1,776	1,204
Long-term deposits		2,315	(1,523)
Net cash inflow from / (used in) operating activities		<u>313,105</u>	<u>(198,605)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(31,175)	(12,551)
Proceeds from disposal of property, plant and equipment		6,999	6,888
Net cash used in investing activities		<u>(24,176)</u>	<u>(5,663)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of right shares		427,163	-
(Repayment) / receipt of long-term finance		(253,383)	27,380
(Repayment) / receipts of short-term borrowings		(98,562)	76,230
Lease rentals paid		(67,068)	(95,965)
Net cash inflow from financing activities		<u>8,150</u>	<u>7,645</u>
Net increase / (decrease) in cash and cash equivalents		<u>297,079</u>	<u>(196,623)</u>
Cash and cash equivalents at the beginning of the year		(568,584)	(371,961)
Cash and cash equivalents at the end of the year	32	<u>(271,505)</u>	<u>(568,584)</u>

The annexed notes from 1 to 40 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, 2011

	Reserves					Total equity
	Capital reserve	Revenue reserves		Total reserves		
		Share premium	General reserve		Accumulated loss	
Issued, subscribed and paid-up capital						
----- (Rupees in '000) -----						
Balance as at June 30, 2009	360,638	389,764	466,000	48,403	904,167	1,264,805
Transfer to general reserve	-	-	48,000	(48,000)	-	-
Net loss for the year	-	-	-	(49,610)	(49,610)	(49,610)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(49,610)	(49,610)	(49,610)
Balance as at June 30, 2010	360,638	389,764	514,000	(49,207)	854,557	1,215,195
Issue of right shares	360,639	66,524	-	-	66,524	427,163
Net loss for the year	-	-	-	(7,457)	(7,457)	(7,457)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(7,457)	(7,457)	(7,457)
Balance as at June 30, 2011	721,277	456,288	514,000	(56,664)	913,624	1,634,901

The annexed notes from 1 to 40 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, 2011

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Shabbir Tiles and Ceramics Limited (the Company) was incorporated in Pakistan as a public limited company, under the Companies Act 1913 (now the Companies Ordinance, 1984) on November 07, 1978 and is listed on all Stock Exchanges in Pakistan. The Company is primarily engaged in the manufacture and sale of tiles and trading of allied building products. The registered office of the Company is situated at 15th Milestone, National Highway, Landhi, Karachi.
- 1.2 During the year, the Company has increased its authorised capital from Rs. 600 million to Rs. 1,200 million divided into 240 million ordinary shares of Rs. 5/- each. The increase in authorised capital has been approved by the share holders in their meeting held on March 12, 2011.

2. STATEMENT OF COMPLIANCE

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

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

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

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 1 – Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IFRS 7 – Financial Instruments : Disclosures - Amendments enhancing disclosures about transfers of financial assets	July 01, 2011
IAS 12 – Income Taxes (Amendment) – Deferred Taxes : Recovery of Underlying Assets	January 01, 2012
IAS 19 – Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 01, 2013
IAS 24 – Related Party Disclosures (Revised)	January 01, 2011
IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have any material effect on the Company's financial statements in the period of initial application except certain additional disclosures.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The Company expects that such improvements to the standards will not have any material effect on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan:



Standard	IASB effective date (accounting periods beginning on or after)
IFRS 9 – Financial Instruments	January 01, 2013
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

3. BASIS OF MEASUREMENT

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 New and amended standards and interpretations

The Company has adopted the following new and amended IFRS and related interpretations which became effective during the year:

IFRS 2 - Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions

IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB

Issued in 2009

IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations

IFRS 8 – Operating Segments

IAS 1 – Presentation of Financial Statements

IAS 7 – Statement of Cash Flows

IAS 17 – Leases

IAS 36 – Impairment of Assets

IAS 39 – Financial Instruments: Recognition and Measurement

Issued in 2010

IFRS 3 – Business Combinations

IAS 27 – Consolidated and Separate Financial Statements

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements.

4.2 Property, plant and equipment

Owned

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

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

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



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

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

Gain or loss on disposal of property, plant and equipment is recognized as income or expense when incurred.

Leased

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

4.3 Investment property

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

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

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

4.4 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 loss, if any, is recognized in the profit and loss account.

4.5 Borrowing costs

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

4.6 Stores and spare parts

Stores and spare parts, except items in transit are valued at the lower of weighted average cost and Net Realizable Value (NRV). Provision is made for slow moving and obsolete items.

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

4.7 Stock-in-trade

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

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

Provision is made for slow moving and obsolete items.



4.8 Trade debts

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

4.9 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash and bank balances net of short-term 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.

4.10 Financial instruments

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

4.11 Offsetting of financial assets and financial liabilities

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

4.12 Long and short-term borrowings

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

4.13 Trade and other payables

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

4.14 Provisions

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

4.15 Taxation

Current

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

Deferred

Deferred taxation is provided, proportionate to local sales, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax relating to items recognised directly in equity is recognised in equity and not in the profit and loss account.



4.16 Staff benefits

Defined contribution plan

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

Compensated absences

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

4.17 Foreign currency translation

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

4.18 Revenue recognition

Sales are recognised when goods are dispatched to the customers.

Return on bank deposits is recognised on accrual basis.

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

4.19 Research and development costs

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

4.20 Dividend and appropriation to reserves

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

	Notes
- determining the residual values and useful lives of property, plant and equipment and investment property	4.2, 4.3, 4.4, 6 & 7
- impairment of inventories / adjustment of inventories to their net realisable value	4.6, 4.7, 10 & 11
- provision for impairment of trade debts	4.8 & 12
- recognition of taxation and deferred tax	4.15, 18 & 30
- contingencies	21



Shabbir Tiles and Ceramics Limited

	Note	2011 (Rupees in '000)	2010
6. PROPERTY, PLANT AND EQUIPMENT			
Operating assets - tangible	6.1	3,572,429	3,818,024
Capital work-in-progress - plant and machinery		-	8,102
Advance against purchase of vehicles		5,882	-
		3,578,311	3,826,126

6.1 Operating assets – tangible

2011	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	Depreciation rate %		
	As at July 01, 2010	Additions / transfers*	(Disposals) / write-offs**	As at June 30, 2011	As at July 01, 2010	Charge / transfers* for the year	(Disposals) / write-offs**		As at June 30, 2011	
(Rupees in '000)										
Owned										
Freehold lands	266,135	-	-	266,135	-	-	-	266,135	-	
Buildings on freehold land	760,931	975	-	761,906	95,312	35,870	-	131,182	630,724	5-10
Plant and machinery	3,518,717	22,912	(8,653) / 224**	3,532,752	826,699	206,513	(8,495) / 213**	1,024,504	2,508,248	5-20
Furniture and fixture	32,252	-	7,942**	24,310	14,797	4,822	7,863**	11,756	12,554	20
Office equipment	19,890	2,046	(80) / 6,376**	15,480	12,149	2,934	(9) / 6,312**	8,762	6,718	20-33
Computers and accessories	15,086	743	4,029**	11,800	12,223	2,128	3,987**	10,364	1,436	50
Vehicles	26,350	6,719 / 8,677*	(7,283) / 18,571**	34,463	16,201	2,294 / 6,423*	(5,135) / 18,375**	19,783	14,680	20
	4,639,361	33,395 / 8,677*	(16,016) / 18,571**	4,646,846	977,381	254,561 / 6,423*	(13,639) / 18,375**	1,206,351	3,440,495	
Leased										
Building on freehold land	21,080	-	-	21,080	6,602	2,087	-	8,689	12,391	10
Plant and machinery	176,138	-	-	176,138	52,617	16,733	-	69,350	106,788	10-20
Vehicles	28,286	1,414 / (8,677)*	-	21,023	10,241	4,450 / (6,423)*	-	8,268	12,755	20
	225,504	1,414 / (8,677)*	-	218,241	69,460	23,270 / (6,423)*	-	86,307	131,934	
Total	4,864,865	34,809	(16,016) / 18,571**	4,865,087	1,046,841	277,831	(13,639) / 18,375**	1,292,658	3,572,429	

** During the year, assets costing Rs. 18.571 million (2010: Nil) having accumulated depreciation of Rs. 18.375 million (2010: Nil) were written off due to obsolescence. As of the year end operating assets include fully depreciated assets costing Rs. 394.929 million (2010: Rs. 367.651 million).

2010	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	Depreciation rate %		
	As at July 01, 2009	Additions / transfers*	(Disposals) / adjustment**	As at June 30, 2010	As at July 01, 2009	Charge for the year	(Disposals)		As at June 30, 2010	
(Rupees in '000)										
Owned										
Freehold lands	266,135	-	-	266,135	-	-	-	266,135	-	
Buildings on freehold land	750,124	10,807*	-	760,931	59,190	31,822 / 4,300*	-	95,312	665,619	5-10
Plant and machinery	3,356,158	3,876 / 167,436*	8,753**	3,518,717	530,145	230,296 / 66,258*	-	826,699	2,692,018	5-20
Furniture and fixture	32,252	-	-	32,252	9,047	5,750	-	14,797	17,455	20
Office equipment	16,268	3,752	(130)	19,890	9,403	2,874	(128)	12,149	7,741	20-33
Computers and accessories	12,542	2,741	(197)	15,086	10,161	2,258	(196)	12,223	2,863	50
Vehicles	28,350	2,834 / 6,575*	(11,409) / 8,753**	26,350	15,739	3,067 / 4,066*	(6,671)	16,201	10,149	20
	4,461,829	13,203 / 184,818*	(11,736) / 8,753**	4,639,361	633,685	276,067 / 74,624*	(6,995)	977,381	3,661,980	
Leased										
Building on freehold land	31,887	10,807*	-	21,080	8,093	2,809 / (4,300)*	-	6,602	14,478	10
Plant and machinery	343,574	(167,436)*	-	176,138	93,810	25,065 / (66,258)*	-	52,617	123,521	10-20
Vehicles	22,416	12,445 / (6,575)*	-	28,286	10,252	4,055 / (4,066)*	-	10,241	18,045	20
	397,877	12,445 / (184,818)*	-	225,504	112,155	31,929 / (74,624)*	-	69,460	156,044	
Total	4,859,706	25,648	(11,736) / 8,753**	4,864,865	745,840	307,996	(6,995)	1,046,841	3,818,024	



Shabbir Tiles and Ceramics Limited

	Note	2011	2010
		(Rupees in '000)	
6.2 Depreciation charge for the year has been allocated as follows:			
Cost of sales	23	268,817	298,152
Distribution costs	25	5,277	5,728
Administrative expenses	26	3,737	4,116
		<u>277,831</u>	<u>307,996</u>

6.3 The following operating assets were disposed off during the year:

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Particulars of buyer
Plant and machinery							
Generator	80	9	71	71	-	Insurance claim	Habib Insurance Company, Karachi
Hydropress with accessories	7,128	7,012	116	1,167	1,051	Auction	New ABC Nilamghar, Karachi
Generator	581	551	30	1,191	1,161	Auction	New ABC Nilamghar, Karachi
Piston pump	844	836	8	38	30	Auction	New ABC Nilamghar, Karachi
Hydraulic press	100	95	5	95	90	Auction	New ABC Nilamghar, Karachi
	8,733	8,503	230	2,562	2,332		
Vehicles							
Corrolla LZL-4241	849	679	170	246	76	Negotiation	Mr. Aamir Saghir, Employee
Corrolla LEH-2666	915	494	421	809	388	Negotiation	Mr. Khalil Farooq, Employee
Corrolla ANL-769	879	580	299	299	-	Negotiation	Mr. Zia Ahmed Abdul Ali, Employee
Corrolla AQR-661	950	484	466	805	339	Negotiation	Mr. Mohammed Arif, Employee
Cuore AGH-208	399	359	40	52	12	Negotiation	Mr. Haseeb Azam, Employee
Cuore LEH-2228	497	268	229	393	164	Negotiation	Mr. Shehbaz Rasool, Employee
Cuore AKL-554	464	418	46	132	86	Negotiation	Mr. Abdul Hafeez, Employee
Cuore R-8559	459	413	46	179	133	Negotiation	Mr. Noman Shehzad, Employee
Cuore AKL-950	464	418	46	120	74	Negotiation	Mr. Adeel Naeem, Employee
Cuore LWF-772	459	413	46	141	95	Negotiation	Mr. Wajih Ahmed, Employee
Cultus APJ-065	632	341	291	487	196	Negotiation	Mr. Faisal Majeed, Employee
Tractor	105	104	1	362	361	Auction	New ABC Nilamghar, Karachi
Tractor	130	129	1	367	366	Auction	New ABC Nilamghar, Karachi
Motorcycle MNR-997	38	1	37	37	-	Insurance claim	Habib Insurance Company, Karachi
Motorcycle KBF-9574	43	35	8	8	-	Negotiation	Noor Autos, Karachi
	7,283	5,136	2,147	4,437	2,290		
	<u>16,016</u>	<u>13,639</u>	<u>2,377</u>	<u>6,999</u>	<u>4,622</u>		

7. INVESTMENT PROPERTY

	COST		ACCUMULATED DEPRECIATION		BOOK VALUE	Depreciation rate
	As at July 01	As at July 01	Charge for the year	As at June 30	As at June 30	
	(Rupees in '000)					
Freehold land	3	-	-	-	3	-
Building on freehold land	1,083	564	101	665	418	10%
2011	<u>1,086</u>	<u>564</u>	<u>101</u>	<u>665</u>	<u>421</u>	
2010	<u>1,086</u>	<u>463</u>	<u>101</u>	<u>564</u>	<u>522</u>	

The fair value of investment property, as at June 30, 2011 amounts to Rs. 5.78 million (2010: Rs. 5.63 million), which has been determined on the basis of a valuation carried out by an independent professional valuer.



Shabbir Tiles and Ceramics Limited

	Note	2011 (Rupees in '000)	2010
8. LONG-TERM LOANS AND ADVANCES – unsecured, considered good			
Loans			
Employees		3,034	3,386
Executives		895	1,081
	8.1	<u>3,929</u>	<u>4,467</u>
Less: Current maturity	13	<u>3,629</u>	<u>3,901</u>
		<u>300</u>	<u>566</u>
Advances			
Sui Southern Gas Company Limited	8.2	<u>2,277</u>	<u>3,754</u>
Less: Current maturity	13	<u>1,510</u>	<u>1,477</u>
		<u>767</u>	<u>2,277</u>
		<u>1,067</u>	<u>2,843</u>

8.1 Represent interest free loans for domestic purposes, recoverable within two years. The maximum aggregate amount due from executives at the end of any month during the year was Rs. 1.336 million (2010: Rs. 1.081 million).

8.2 Represents advance given to Sui Southern Gas Company Limited in respect of gas line to be adjusted against monthly bills in 48 monthly installments along with interest at the rate of 0.18% per month.

	Note	2011 (Rupees in '000)	2010
9. LONG-TERM DEPOSITS			
Security deposits			
- Leases		1,715	2,856
- Utilities		2,893	2,893
- Rent		6,000	6,674
- Others		70	570
		<u>10,678</u>	<u>12,993</u>

10. STORES AND SPARE PARTS

Stores		27,585	28,331
Spare parts		112,810	93,095
In transit		2,642	4,204
		<u>143,037</u>	<u>125,630</u>
Provision for slow moving and obsolete items	23	<u>(8,065)</u>	<u>-</u>
		<u>134,972</u>	<u>125,630</u>

11. STOCK-IN-TRADE

Raw and packing materials	11.1	254,652	224,667
Work-in-process		33,315	31,014
Finished goods		336,071	380,383
In transit		1,378	1,168
		<u>625,416</u>	<u>637,232</u>

11.1 Includes stock-in-trade costing of Rs. 1.655 million which have been written down to Nil NRV.



Shabbir Tiles and Ceramics Limited

	Note	2011 (Rupees in '000)	2010
12. TRADE DEBTS – unsecured			
Considered good	12.1	742,089	897,711
Considered doubtful		10,847	-
Provision for impairment	26	(10,847)	-
		-	-
		<u>742,089</u>	<u>897,711</u>
12.1 Include receivable from the following related parties:			
Thal Limited		554	606
Dynea Pakistan Limited		-	33
Makro-Habib Pakistan Limited		-	1,682
Indus Motors Limited		54	-
		<u>608</u>	<u>2,321</u>
13. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Loans – unsecured, considered good			
Current portion of long-term loans	8	3,629	3,901
Advances – unsecured, considered good			
Current portion of advance to Sui Southern Gas Company Limited	8	1,510	1,477
Employees		946	580
Suppliers and contractors		7,610	7,846
Collector of customs		1,670	-
Others		1,699	412
		<u>13,435</u>	<u>10,315</u>
Deposits			
Lease		637	540
Container charges		4,010	1,985
		<u>4,647</u>	<u>2,525</u>
Prepayments			
Rent		11,270	22,377
Others		422	-
		<u>11,692</u>	<u>22,377</u>
Other receivables			
Insurance claims		148	1
Others		66	261
		<u>214</u>	<u>262</u>
		<u>33,617</u>	<u>39,380</u>



Shabbir Tiles and Ceramics Limited

	Note	2011 (Rupees in '000)	2010
14. CASH AND BANK BALANCES			
Cash in hand		1,054	3,052
Cash at banks:			
- current accounts		77,719	48,984
- PLS saving accounts	14.1	5,035	23,196
		82,754	72,180
		<u>83,808</u>	<u>75,232</u>

14.1 These carry profit rates ranging from 6% to 9% (2010: 5% to 8%) per annum and include balance of Rs. 0.61 million (2010: 0.56 million) with a bank as a guarantee margin.

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 5/- each

2011 (Number of shares in '000)	2010		2011 (Rupees in '000)	2010
		Fully paid in cash		
39,648	39,648	Opening balance	198,241	198,241
72,127	-	Issued during the year	360,639	-
<u>111,775</u>	<u>39,648</u>	Closing balance	<u>558,880</u>	<u>198,241</u>
1,150	1,150	Issued for consideration other than cash	5,750	5,750
31,329	31,329	Issued as fully paid bonus shares	156,647	156,647
<u>144,254</u>	<u>72,127</u>		<u>721,277</u>	<u>360,638</u>

15.1 The shares held by the related parties as at June 30, 2011 were 13,573,473 (2010: 7,748,507) Ordinary shares of Rs.5/- each.

	Note	2011 (Rupees in '000)	2010
16. LONG-TERM FINANCE – secured			
From banking companies:			
Loan I	16.1 & 16.3	1,668,980	1,797,363
Loan II	16.2 & 16.3	875,000	1,000,000
		2,543,980	2,797,363
Less: Current maturity		506,766	253,383
		<u>2,037,214</u>	<u>2,543,980</u>

16.1 Represents loan from National Bank of Pakistan (NBP) to finance the expansion project. The loan carries markup rate of six months' KIBOR + 1.15% (2010: six months' KIBOR + 1.15%) per annum, payable semi-annually. The loan is repayable in seven years in fourteen equal semi-annual installments commencing from June 2011.

16.2 Represents loan from NBP under the State Bank of Pakistan's (SBP's) Long Term Financing facility for export oriented projects. The loan carries markup rate of 8.95% (2010: 8.95%) per annum, payable quarterly. The loan is repayable in five years in eight equal semi-annual installments commencing from May 2011. The SBP through its letter No. 05 of 2010, has advised that in case projected exports are not met by the borrower, the borrower shall be subject to a fine ranging from, paisa 28 per day per Rs. 1,000 or part thereof to paisa 37 per day per Rs. 1,000 or part thereof, on adjusted value of outstanding refinance under the scheme.

16.3 These are secured against equitable mortgage of land and hypothecation of present and future plant and machinery of the Company ranking pari-passu charge.



17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Represents finance lease agreements with financial institutions in respect of building, plant and machinery and vehicles. 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. 2.35 million (2010: Rs. 3.40 million). In the event of late payment of lease rentals, the Company is liable to pay a sum of Rs. 250 per day during the period of non-payment in addition to the lease rentals. Repairs and insurance costs are borne by the Company. The rates of mark-up used as the discounting factor range between 7.5% to 15.5% (2010: 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:

	Note	2011 (Rupees in '000)	2010
Not later than one year		5,344	71,942
Later than one year and not later than five years		<u>11,321</u>	<u>16,550</u>
		16,665	88,492
Less: Financial charges allocable to future periods		<u>3,182</u>	<u>9,355</u>
Present value of minimum lease payments		13,483	79,137
Less: Current maturity		<u>4,323</u>	<u>65,369</u>
		<u>9,160</u>	<u>13,768</u>

18. DEFERRED TAX LIABILITY

Taxable temporary differences arising due to:

accelerated tax depreciation		647,077	656,968
assets subject to finance lease		<u>39,547</u>	<u>25,832</u>
		686,624	682,800

Deductible temporary differences arising due to:

provisions		(13,106)	(5,204)
tax loss	18.1	<u>(614,553)</u>	<u>(595,305)</u>
		(627,659)	(600,509)
		<u>58,965</u>	<u>82,291</u>

18.1 As of the year end, accumulated carry forward tax losses amount to Rs. 1,756 million (2010: Rs.1,701 million).

19. TRADE AND OTHER PAYABLES

Creditors	19.1	149,501	121,864
Accrued liabilities	19.2 & 19.3	216,603	235,330
Infrastructure cess payable	19.4	44,883	38,191
Advance from customers		27,570	33,350
Payable to Provident Fund		1,532	1,325
Security deposits		3,535	2,965
Workers' Profit Participation Fund	19.5	749	-
Workers' Welfare Fund		4,121	3,381
Unclaimed and unpaid dividends		2,867	2,884
Tax deducted at source		814	543
Others		<u>154</u>	<u>154</u>
		<u>452,329</u>	<u>439,987</u>

19.1 Include payable to the following related parties:

Thal Limited		-	11,835
Makro-Habib Pakistan Limited		<u>289</u>	<u>218</u>
		<u>289</u>	<u>12,053</u>



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- 19.2** Include Rs. 177,000/- (2010: Rs. 3,000/-) due to a related party – Habib Insurance Company Limited.
- 19.3** Include accrual for leave encashment of Rs. 18.690 million (2010: Rs. 17.865 million) and bonus of Rs. 11.147 million (2010: Rs. 13.778 million).
- 19.4** During the financial year 2009, the Honourable High Court of Sindh 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. However, the levy subsequent to December 27, 2006 was declared as valid and constitutional. The Company had filed an appeal before the Honourable Supreme Court of Pakistan against the above order of High Court and as per the directions of the Supreme Court, approached the High Court by filing a fresh constitution petition during the current year. The High Court has granted stay on said petition on the following terms:
- Any bank guarantee/security furnished for consignment released upto December, 27, 2006 shall be discharged and returned; and
 - Any bank guarantee/security furnished for consignment released after December 27, 2006 shall be encashed to the extent of 50% of the guaranteed/secured amount only and the bank guarantee/security for the balance amount will be kept alive till the disposal of the petitions.

In view of the interim nature of arrangement as provided in the above referred order of the High Court, the Company has retained full provision against the infrastructure cess fee payable for the period from December 2006 till June 2011.

The Company has provided a bank guarantee in favour of Excise and Taxation Department, amounting to of Rs. 49.8 million (2010: Rs. 40.3 million), out of which Rs. 4.90 million (2010: 2.11 million) remain un-utilized as of the year end.

	Note	2011 (Rupees in '000)	2010
19.5 Workers' Profit Participation Fund			
Balance at the beginning of the year		-	3,950
Allocation for the year	29	<u>749</u>	<u>-</u>
		749	3,950
Interest on funds utilized in the Company's business		<u>-</u>	<u>126</u>
		749	4,076
Less: Payments made during the year		<u>-</u>	<u>4,076</u>
Balance at the end of the year		<u>749</u>	<u>-</u>

20. SHORT-TERM BORROWINGS – secured

Term finances	20.1,20.3	84,613	183,175
Running finances	20.2,20.3	355,313	643,816
		<u>439,926</u>	<u>826,991</u>

- 20.1** Represent Trust Receipt (TR) and FE-25 facilities from various banks amounting to Rs. 272 million (2010: Rs. 272 million) and Rs. 153 million (2010: Rs. 78 million) respectively. Markup on FE-25 is 5.5% (2010: 5.5%) per annum while on TR facility is 3 months' KIBOR+1% (2010: 3 months' KIBOR+1%) per annum.
- 20.2** Represent running finances facilities from various banks amounting to Rs. 1,025 million (2010: Rs. 1,025 million). Markup on these finances ranges from one month KIBOR to six months' KIBOR + 0.75% to 1.5% (2010: one month KIBOR to six months' KIBOR + 1% to 1.5%) per annum.
- 20.3** These facilities are secured by demand promissory notes, hypothecation of stocks and book debts of the Company ranking pari-passu charge. These facilities are repayable by March 2012.



21. CONTINGENCIES AND COMMITMENTS

Contingencies

- 21.1** The sales tax imposed by the Central Excise and Sales Tax Department amounting to Rs 2.105 million in February 1989 was contested by the Company before the High Court and it was decided in favour of the Company in August 2006. However, the Collector of Central Excise and Sales Tax has challenged the said decision in the Supreme Court. The Company and its legal advisor are confident that the outcome of the case will be in the Company's favour, Hence, no provision has been made for the above demand in these financial statements.
- 21.2** The Additional Commissioner of Income Tax (Audit Division) has amended the assessment under Section 122 of the Income Tax Ordinance, 2001 for the tax year 2003 whereby, further tax of Rs. 26.8 million has been determined to be payable by the Company by disallowing trade discounts of Rs. 73.92 million. Being aggrieved, the Company filed an appeal before the Commissioner of Income Tax (Appeals) which was decided in favour of the Company. However, the Income Tax Department then filed an appeal before the Income Tax Appellate Tribunal who after hearing the arguments from both sides remanded back the case to the Department for re-assessment which is still pending. The Company, based on the advise of its tax consultant, is confident that the case will be decided in its favour and therefore, no provision for any liability there against has been made in these financial statements.
- 21.3** The Additional Commissioner of Income Tax (Audit Division) has amended the assessment under Section 122 of the Income Tax Ordinance, 2001 for the tax year 2008 whereby, Rs. 1.3 million 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) which has been decided in favour of the Company. However, the Income Tax Department then filed an appeal before the Income Tax Appellate Tribunal who after hearing the arguments from both sides remanded back the case to the Department for re-assessment which is still pending. The Company, based on the advise of its tax consultant, is confident that the case will be decided in its favour and therefore, no provision for any liability there against has been made in these financial statements.

	Note	2011 (Rupees in '000)	2010
Commitments			
Capital commitments		<u>2,131</u>	14,321
Outstanding letters of credit		<u>166,220</u>	166,213
Outstanding letters of guarantee		<u>316,328</u>	306,828
22. TURNOVER – net			
Local			
Manufacturing		4,992,899	4,569,704
Trading		22,593	48,526
		<u>5,015,492</u>	4,618,230
Less: Sales tax / special excise duty			
Manufacturing		<u>774,626</u>	661,322
Trading		<u>3,217</u>	6,651
	22.1	777,843	667,973
Less: Trade discount			
Manufacturing		<u>26,739</u>	17,406
Trading		<u>377</u>	1,171
		<u>27,116</u>	18,577
		4,210,533	3,931,680
Exports			
		<u>189,246</u>	129,743
		<u>4,399,779</u>	4,061,423

- 22.1** Includes special excise duty amounting to Rs. 62.5 million (2010: Rs. 38.9 million).



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	Note	2011 (Rupees in '000)	2010
23. COST OF SALES			
Cost of sales – manufacturing			
Raw and packing materials consumed			
Opening stock		225,835	335,944
Purchases		1,434,701	1,345,807
Less: Closing stock		256,030	225,835
		<u>1,404,506</u>	<u>1,455,916</u>
Manufacturing expenses			
Salaries, wages and benefits		380,858	315,046
Fuel and power		702,646	632,176
Stores and spare parts consumed		264,228	191,619
Provision for slow moving stores and spare parts	10	8,065	-
Depreciation	6.2	268,817	298,152
Repairs and maintenance		69,399	66,880
Tiles packing and other related charges		49,032	45,664
Insurance		18,652	21,853
Vehicle running expenses		12,574	12,364
Travelling and conveyance		6,945	7,611
Raw material mixing charges		9,924	12,159
Printing and stationery		8,356	8,229
Communications		2,102	4,466
Rent, rates and taxes		2,516	2,377
Research costs		101	182
Cartage and handling charges		1,442	1,652
Legal and professional charges		708	572
Entertainment		-	1,030
Others		4,836	3,555
		<u>1,811,201</u>	<u>1,625,587</u>
Work-in-process			
Opening stock		31,014	39,788
Less: Closing stock		33,315	31,014
Cost of goods manufactured		<u>3,213,406</u>	<u>3,090,277</u>
Finished goods			
Opening stock		361,718	230,619
Less: Closing stock		327,862	361,718
Cost of sales – manufacturing		<u>3,247,262</u>	<u>2,959,178</u>
Cost of sales – trading			
Opening stock		18,665	37,122
Purchases		10,861	24,409
Less: Closing stock		8,209	18,665
		<u>21,317</u>	<u>42,866</u>
		<u>3,268,579</u>	<u>3,002,044</u>
24. GROSS PROFIT			
Manufacturing operations		1,133,518	1,061,541
Trading operations		(2,318)	(2,162)
		<u>1,131,200</u>	<u>1,059,379</u>



Shabbir Tiles and Ceramics Limited

	Note	2011 (Rupees in '000)	2010 (Rupees in '000)
25. DISTRIBUTION COSTS			
Salaries and benefits		60,427	41,252
Freight		377,628	388,714
Advertisement and publicity		27,908	36,576
Travelling and conveyance		22,590	16,373
Rent, rates and taxes		42,515	37,830
Communications		5,799	5,632
Insurance		3,604	1,549
Depreciation	6.2	5,277	5,728
Vehicle running expenses		10,253	8,282
Repairs and maintenance		14,497	6,603
Utilities		4,121	2,970
Printing and stationery		2,521	1,334
Entertainment		2,616	1,971
Others		4,448	4,883
		<u>584,204</u>	<u>559,697</u>
26. ADMINISTRATIVE EXPENSES			
Salaries and benefits		37,311	32,419
Travelling and conveyance		2,019	2,395
Printing and stationery		5,419	3,485
Legal and professional charges		8,613	6,692
Depreciation			
on operating fixed assets	6.2	3,737	4,116
on investment property	7	101	101
Vehicle running expenses		2,070	2,347
Communications		2,416	2,185
Utilities		-	29
Auditors' remuneration	26.1	1,174	1,002
Subscriptions		336	230
Insurance		727	623
Provision for impairment of trade debts	12	10,847	-
Fixed assets written-off		196	-
Others		2,271	2,094
		<u>77,237</u>	<u>57,718</u>
26.1 Auditors' remuneration			
Audit fee		550	500
Half yearly review fee		149	135
Tax services		211	261
Other certifications		66	60
Out of pocket expenses		198	46
		<u>1,174</u>	<u>1,002</u>
27. OTHER OPERATING INCOME			
Income from financial assets			
Profit on bank deposits		612	698
Income from non-financial assets			
Rental income from investment property		462	462
Gain on disposal of property, plant and equipment	6.3	4,622	2,147
Exchange gain		-	536
Others		1,790	77
		<u>6,874</u>	<u>3,222</u>
		<u>7,486</u>	<u>3,920</u>



Shabbir Tiles and Ceramics Limited

	Note	2011 (Rupees in '000)	2010 (Rupees in '000)
28. FINANCE COSTS			
Mark-up / interest on:			
Long-term finance		333,595	375,403
Finance lease		6,798	15,337
Short term borrowings		<u>113,182</u>	<u>100,672</u>
		<u>453,575</u>	<u>491,412</u>
Interest on Workers' Profit Participation Fund		-	126
Bank charges and commission		<u>4,039</u>	<u>3,824</u>
		<u>457,614</u>	<u>495,362</u>
29. OTHER CHARGES			
Workers' Profit Participation Fund	19.5	749	-
Workers' Welfare Fund		740	-
Donations	29.1	<u>4,650</u>	<u>1,905</u>
		<u>6,139</u>	<u>1,905</u>

29.1 Include donation of Rs. 4.6 million (2010: Rs. 1.2 million) to Muhammad Ali Habib Welfare Trust, Karachi, of which Mr. Rafiq M. Habib and Mr. Ali S. Habib are trustees, who are also directors of the Company.

	2011 (Rupees in '000)	2010 (Rupees in '000)
30. TAXATION		
Current	44,275	21,194
Deferred	<u>(23,326)</u>	<u>(22,967)</u>
	<u>20,949</u>	<u>(1,773)</u>

30.1 Provision for current taxation has been made on the basis of minimum tax on turnover under section 113 of Income Tax Ordinance and Final Tax Regime. Accordingly, tax expense reconciliation with the accounting profit is not presented.

31. LOSS PER SHARE – Basic and diluted

	2011	2010
Loss after taxation (Rupees in '000)	<u>(7,457)</u>	<u>(49,610)</u>
		(Restated)
Weighted average number of ordinary shares outstanding during the year (in '000)	<u>77,012</u>	<u>76,212</u>
Loss per share - basic and diluted (Rupees)	<u>(0.10)</u>	<u>(0.65)</u>

31.1 The weighted average numbers of shares for 2010 have been adjusted for the effect of bonus element included in right issue during the year.



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	Note	2011 (Rupees in '000)	2010
32. CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	83,808	75,232
Short-term running finances	20	<u>(355,313)</u>	<u>(643,816)</u>
		<u>(271,505)</u>	<u>(568,584)</u>

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are market risks, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

33.1 Market risk

Market risk is the risk that the fair value of future cash flows of financial instrument will fluctuate due to changes in market variables such as interest rate and foreign exchange rates.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest 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. Management of the Company estimates that 1% increase in the market interest rate, with all other factor remaining constant, would decrease the Company's profit before tax by Rs. 29.957 million and a 1% decrease would result in increase in the Company's profit before tax by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of 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. As at June 30, 2011, the Company does not have any financial assets or financial liabilities which are denominated in foreign currencies.

33.2 Credit risk

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

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

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



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

	2011 (Rupees in '000)	2010 (Rupees in '000)
Trade debts		
The analysis of trade debts is as follows:		
Neither past due nor impaired	445,462	447,928
Past due but not impaired		
31 to 90 days	238,224	360,952
91 to 180 days	40,863	72,070
over 180 days	17,540	16,761
	<u>296,627</u>	<u>449,783</u>
	<u>742,089</u>	<u>897,711</u>
Bank balances		
Ratings		
A1+	<u>82,754</u>	<u>72,180</u>

33.3 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.

2011	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	----- (Rupees in '000) -----					
Long-term finance	-	-	506,766	1,652,065	385,149	2,543,980
Liabilities against assets subject to finance lease	-	875	3,424	9,184	-	13,483
Trade and other payables	397,187	-	-	-	-	397,187
Accrued mark-up	-	23,466	-	-	-	23,466
Short-term borrowings	-	-	439,926	-	-	439,926
Total	<u>397,187</u>	<u>24,341</u>	<u>950,116</u>	<u>1,661,249</u>	<u>385,149</u>	<u>3,418,042</u>
2010	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	----- (Rupees in '000) -----					
Long-term finance	-	-	253,383	1,901,824	642,156	2,797,363
Liabilities against assets subject to finance lease	-	15,726	49,643	13,768	-	79,137
Trade and other payables	393,509	-	-	-	-	393,509
Accrued mark-up	-	156,412	-	-	-	156,412
Short-term borrowings	-	-	826,991	-	-	826,991
Total	<u>393,509</u>	<u>172,138</u>	<u>1,130,017</u>	<u>1,915,592</u>	<u>642,156</u>	<u>4,253,412</u>



34. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

35. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financing majority of its operations through long-term and short-term financing in addition to its equity. The Company has a gearing ratio of 64.88% (2010: 74.89%) as of the balance sheet date, which in view of the management is adequate considering the size of the operations.

36. 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 disclosed elsewhere in the financial statements, are as follows:

	2011 (Rupees in '000)	2010 (Rupees in '000)
Sales	3,702	1,960
Purchases of goods, material and services	31,434	37,385
Insurance premium	22,742	24,973
Insurance claims' received	400	662
Rent paid	9,727	11,741
Contribution to the Provident fund	9,049	7,505

36.1 The outstanding balances due to / from related parties are included in the respective notes to the financial statements.

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2011		2010	
	Chief Executive	Executives	Chief Executive	Executives
------(Rupees in '000)-----				
Managerial remuneration	5,024	24,683	4,836	19,443
Housing and utilities	2,262	18,292	2,180	13,665
Leave fare assistance, leave encashment and bonus	-	1,747	-	5,188
Reimbursement of medical expenses	502	2,413	484	1,944
Retirement benefits	469	2,202	451	1,814
	<u>8,257</u>	<u>49,337</u>	<u>7,951</u>	<u>42,054</u>
Number of persons	<u>1</u>	<u>57</u>	<u>1</u>	<u>36</u>



Shabbir Tiles and Ceramics Limited

- 37.2** In addition, the Chief Executive and certain Executives are provided with free use of the Company maintained cars.
- 37.3** Fee amounting to Rs. 0.185 million (2010: Rs. 0.13 million) was paid to seven (2010: seven) Directors for attending Board Meetings during the year.

38. PRODUCTION CAPACITY

During the year, the tile production capacity attained was 10.01 million sq. meters (2010: 10.29 million sq. meters) against annual manufacturing capacity of 12.76 million sq. meters (2010: 12.76 million sq. meters). The short fall in production is due to the low demand during the year.

39. GENERAL

- 39.1** Figures have been rounded off to the nearest thousands.
- 39.2** Certain prior year figures have been rearranged. However, there were no material reclassifications.

40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 09, 2011 by the Board of Directors of the Company.

ALIREZA M. ALLADIN
Chief Executive

ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

PATTERN OF SHAREHOLDING AS ON 30TH JUNE, 2011

NUMBER OF SHAREHOLDERS	FROM	SHARE HOLDING TO	TOTAL SHARES HELD
860	1	-- 100	27,020
680	101	-- 500	186,944
335	501	-- 1,000	255,906
565	1,001	-- 5,000	1,262,825
134	5,001	-- 10,000	961,299
48	10,001	-- 15,000	606,680
22	15,001	-- 20,000	388,772
20	20,001	-- 25,000	450,487
5	25,001	-- 30,000	136,065
13	30,001	-- 35,000	414,312
5	35,001	-- 40,000	186,411
7	40,001	-- 45,000	296,817
3	45,001	-- 50,000	145,014
2	50,001	-- 55,000	103,204
6	55,001	-- 60,000	348,544
5	60,001	-- 65,000	313,197
1	65,001	-- 70,000	69,186
3	70,001	-- 75,000	212,070
3	75,001	-- 80,000	231,646
4	80,001	-- 85,000	329,434
1	90,001	-- 95,000	91,057
3	95,001	-- 100,000	291,490
2	100,001	-- 105,000	203,568
4	105,001	-- 110,000	432,474
1	120,001	-- 125,000	121,650
2	130,001	-- 135,000	264,996
1	135,001	-- 140,000	139,374
1	140,001	-- 145,000	140,376
1	150,001	-- 155,000	151,566
1	155,001	-- 160,000	155,300
1	170,001	-- 175,000	173,140
1	185,001	-- 190,000	188,570
1	240,001	-- 245,000	240,421
1	255,001	-- 260,000	257,793
3	310,001	-- 315,000	940,755
1	335,001	-- 340,000	336,599
1	390,001	-- 395,000	392,756
1	440,001	-- 445,000	444,504
1	495,001	-- 500,000	500,000
1	580,001	-- 585,000	581,882
1	625,001	-- 630,000	627,178
1	675,001	-- 680,000	676,692
1	680,001	-- 685,000	681,982
1	755,001	-- 760,000	756,615
1	810,001	-- 815,000	814,679
1	830,001	-- 835,000	830,472
1	955,001	-- 960,000	955,134
1	1,010,001	-- 1,015,000	1,010,064
1	1,090,001	-- 1,095,000	1,093,850
1	1,390,001	-- 1,395,000	1,393,110
1	1,420,001	-- 1,425,000	1,421,934
1	1,470,001	-- 1,475,000	1,470,858
1	1,510,001	-- 1,515,000	1,512,720
1	1,550,001	-- 1,555,000	1,551,936
1	1,670,001	-- 1,675,000	1,672,704
5	1,800,001	-- 1,805,000	9,007,039
1	1,880,001	-- 1,885,000	1,881,585
3	2,080,001	-- 2,085,000	6,247,542
1	2,085,001	-- 2,090,000	2,085,894
1	2,205,001	-- 2,210,000	2,208,556
2	2,505,001	-- 2,510,000	5,018,112
1	2,515,001	-- 2,520,000	2,516,360
1	2,685,001	-- 2,690,000	2,687,448
1	3,535,001	-- 3,540,000	3,535,939
1	3,740,001	-- 3,745,000	3,741,886
1	3,760,001	-- 3,765,000	3,763,170
1	4,235,001	-- 4,240,000	4,237,588
1	4,330,001	-- 4,335,000	4,330,160
1	5,145,001	-- 5,150,000	5,145,176
1	9,690,001	-- 9,695,000	9,690,102
1	13,270,001	-- 13,275,000	13,274,671
1	35,440,001	-- 35,440,000	35,440,602
2,789			144,255,862



Shabbir Tiles and Ceramics Limited

COMBINED PATTERN OF CDC AND PHYSICAL SHARE HOLDINGS AS AT JUNE 30, 2011

CATEGORY NO.	CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARES HELD	CATEGORY WISE NO. OF SHARE HOLDERS	CATEGORY WISE NO. OF SHARE-HOLDERS	PERCENTAGE %
1	INDIVIDUALS		2,725	40,832,221	28.31
2	INVESTMENT COMPANIES		0	--	--
3	JOINT STOCK COMPANIES		15	9,945,453	6.89
4	DIRECTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN		12	7,361,728	5.10
	Mr. Rafiq M. Habib	2,509,056			
	Mr. Ali S. Habib	2,509,056			
	Mr. Alireza M. Alladin	15,980			
	Mr. Abdul Hai M. Bhaimia	399,998			
	Mr. Ali Sajjad Dharamsey	4,000			
	Mr. Mansoor G. Habib	8,360			
	Mr. Salim Azhar	2,000			
	Mrs. Jamila Rafiq W/o Mr. Rafiq M. Habib	830,472			
	Mrs. Rukhsana Ismail W/o Mr. Abdul Hai M. Bhaimia	1,082,806			
5	EXECUTIVE		--	--	--
6	NIT/ICP		4	3,632,381	2.52
	National Bank of Pakistan, Trustee Deptt. NI(U)T FUND	3,535,939			
	IDBP (ICP UNIT)	3,985			
	Investment Corporation of Pakistan	1,400			
	National Investment Trust Limited	91,057			
7	ASSOCIATED COMPANIES, UNDERTAKINGS & RELATED PARTIES		2	6,211,745	4.31
	Thal Limited-Pakistan Papersack Division	1,881,585			
	Habib Insurance Company Limited	4,330,160			
8	PUBLIC SECTOR COMPANIES AND CORPORATIONS		--	--	--
9	BANKS, DFIs, NBFIs, ISURANCE COMPANIES MODARABAS AND MUTUAL FUNDS		6	3,225,146	2.24
10	FOREIGN INVESTORS		16	71,303,212	49.43
11	CO-OPERATIVE SOCIETIES		2	38,278	0.03
12	CHARITABLE TRUSTS		5	1,569,253	1.09
13	OTHERS		2	136,445	0.09
	TOTAL		2,789	144,255,862	100.00

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

TOTAL PAID-UP CAPITAL OF THE COMPANY 144,255,862 SHARES
10% OF THE PAID-UP CAPITAL OF THE COMPANY 14,425,586 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 Third Annual General Meeting of the Company to be held on Monday, 17th day of October, 2011 and at any adjournment thereof.

As witness my / our hand / seal this _____ day of _____ 2011

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 Milestone, National Highway, Landhi, Karachi, not less than 48 hours before the time of holding the Extra Ordinary General Meeting.

P.T.O.



Shabbir Tiles and Ceramics Limited

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

FOR CDC ACCOUNT HOLDERS / CORPORATE ENTITIES

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

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



Shabbir Tiles and Ceramics Limited

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National Highway,
Landhi, Karachi-75120
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