## Shabbir Tiles and Ceramics Limited

## 2019 annual report





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## **VISION**

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**

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 Color Scheme that they will be Delighted to have and Shall Provide them with Excellent Services to Earn their Loyalty.
- We Shall Treat our Employees Fairly and shall Provide Conducive Working Environment for them to Learn and to Grow with the Company.
- The Company shall Earn Adequate Profits for its Progress and Growth and for Providing Reasonable Return to its Shareholders.

## **COMPANY INFORMATION**

**BOARD OF DIRECTORS** Rafiq M. Habib Chairman Ali. Suleman Habib Director

> Syed Masood Abbas Jaffery Chief Executive Officer

Muhammad Salman Burney Director Abdul Hai M. Bhaimia Director Feroze Jehangir Cawasji Director Farhana Mowjee Khan Director

Feroze Jehangir Cawasji AUDIT COMMITTEE Chairman Abdul Hai M. Bhaimia Member Farhana Mowiee Khan Member

**HUMAN RESOURCE AND** Chairman Feroze Jehangir Cawasji

REMUNERATION COMMITTEE Muhammad Salman Burney Member Syed Masood Abbas Jaffery Member

CHIEF FINANCIAL OFFICER Waquas Ahmed

COMPANY SECRETARY Ovais Jamani

EY Ford Rhodes **AUDITORS** 

**Chartered Accountants** 

**LEGAL ADVISOR** Munawar Malik & Co.

Advocate Supreme Court

**BANKERS** Habib Metropolitan Bank Limited

Habib Bank Limited

Dubai Islamic Bank Pakistan Limited

Faysal Bank Limited Allied Bank Limited Meezan Bank Limited

REGISTERED OFFICE 15th Milestone, National Highway

& FACTORY UNIT-1 Landhi, Karachi-75120

Phone: (021) 38183610-3 (021) 38183615 Fax: E-mail: info@stile.com.pk URL: http://www.stile.com.pk

**FACTORY UNIT-2** Deh Khanto, Tappo Landhi,

District Malir, Bin Qasim Town,

Karachi.

Phone: (021) 34102702 (021) 34102709

REGISTRAR AND SHARE

TRANSFER **OFFICE** 

CDC Share Registrar Services Limited CDC House, 99-B, Block 'B', S.M.C.H.S Main Shahrah-e-Faisal, Karachi-74400

Phone: 0800 23275 URL: www.cdcsrsl.com info@cdcsrsl.com Email:

ISLAMABAD (BUILDING MATERIAL

PRODUCTS)

Plot No 01, ANF Road, Yamaha Chowk Road, Model Town, Humak, Islamabad

LAHORE (BUILDING MATERIAL

PRODUCTS)

21 K.M, Ferozpur Road, Opposite Ahmed CNG Pump, Lahore

## STILE EMPORIUM AND DESIGN STUDIO

STAR GATE KARACHI Metro Cash & Carry, CAA

Near Star Gate,

Main Shahrah-e-Faisal, Karachi Phone: (021) 34601372-74 Fax: (021) 34601375

FACTORY OUTLET 15th Milestone, National Highway

Landhi, Karachi-75120 Phone: (021) 38183610-3 Fax: (021) 38183615

DHA, BUKHARI COMMERCIAL Plot 22-C, Lane 4, Bukhari Commercial

DHA, Karachi. Phone: (021) 37249564

DHA, 26TH STREET 26th Street Plot C-8-C, DHA Phase 5,

Karachi. Phone: (021) 37228922

DHA, LAHORE Plot 90-CCA, DHA-4, Lahore

Phone: (042) 37185710-12

RAWALPINDI Al Shareef Plaza, First Floor,

Shamsabad, Murree Road, Rawalpindi

Phone: (051) 4935521-23 Fax: (051) 4935524

FAISALABAD Talha Heights, Main Susan Road,

P-243, 2A, Faisalabad

Phone: (041) 8758899 / 8739988

HYDERABAD Shop No. 11-12 at Ground Floor and

Sop No. 9 at Mezzanine Floor

Auto Bhaan Tower, Opp: Breeze Fish Point, Auto Bhaan Road, Latifabad No 03 Hyderabad. Phone: (022) 6112857

SALES OFFICE - PESHAWAR Main Ring Road, Near Kohat Road,

Opp: Mujaddid CNG, Peshawar

Phone: (091) 2325012

SALES OFFICE - SUKKUR Tooba Tower, Mezzanine Floor,

Opposite Hira Medical Centre, Sukkur

Phone: (071) 5615560

SALES OFFICE - MULTAN Jalil Centre, 2nd Floor, Abdali Road,

Multan.

Phone: (061) 4546439/4783097





## **NOTICE OF THE ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Forty First Annual General Meeting of the Members of the Company will be held on October 21, 2019 at 11:30 a.m. at Institute of Chartered Accountants of Pakistan (ICAP) to transact the following business:

#### **ORDINARY BUSINESS**

- To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2019, together with the Chairman's Review Report, Directors' and Auditors' Report thereon.
- 2. To approve Final Cash Dividend of Rs. 0.25 per share (5%) for the year 2018-19 as recommended by the Board of Directors.
- 3. To appoint Auditors for the year 2019-2020 and to fix their remuneration. The present auditors - Messrs EY Ford Rhodes, Chartered Accountants, being eligible offer themselves for reappointment.

By Order of the Board

**OVAIS JAMANI** Company Secretary

Karachi: September 30, 2019

#### **NOTES:**

#### **Closure of Share Transfer Books**

The Share Transfer Books of the Company will remain closed from October 15, 2019 to October 21, 2019 (both days inclusive) and the dividend will be paid to the Members whose names will appear in the Register of Members on October 14, 2019. Members (Non-CDC) are requested to promptly notify the Company's Registrar of any change in their addresses and submit, if applicable to them, the Non-deduction of Zakat Form CZ-50 with the Registrar of the Company M/s. CDC Share Registrar Services Limited (CDCSRSL), CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400, Telephone # (021) 111-111-500. All the Members holding the shares through the CDC are requested to please update their addresses and Zakat status with their Participants.

#### 2. **Appointment of Proxy and Participation in AGM**

A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote for him / her. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time of holding the meeting. A proxy must be a member of the Company.

#### 3. **Changes in Members Addresses**

Members holding shares in physical form are requested to promptly notify Share Registrar of the Company of any change in their addresses. Shareholders maintaining their shares in electronic form should have their addresses updated with their participant or CDC Investor Accounts Service.

#### 4. Availability of Financial Statements and Reports on Website

The Annual Audited Financial statements for the year ended June 30, 2019 has been uploaded on the website of the Company.

#### 5. **Further Guidelines for Members**

#### A. For Attending the Meeting

- a) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration detail is uploaded as per the Regulations, shall authenticate their identity by showing his/ her original National Identity Card ("CNIC") or original passport at the time of attending the meeting.
- b) In case of corporate entity, Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of the meeting.

#### B. **For Appointing Proxies**

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

CDC Accounts Holders will further have to follow the guidelines as laid down in Circular 1 dated the January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

#### 6. **CNIC** and NTN number on Electronic Dividend (Mandatory)

- a) The provisions of Section 242 of the Companies Act 2017 require the listed companies that any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Therefore, all Shareholders are hereby advised to provide details of their bank mandate specifying: (i) title of account, (ii) IBAN (iii) bank name, (iv) branch name, code and address to Company's Share Registrar, at the address given herein above. Shareholders who hold shares with Participants / Central Depository Company of Pakistan (CDC) are advised to provide the mandate to the concerned Broker / CDC.
- b) As per SRO 831 (1) / 2012 dated July 5, 2012 and other relevant rules, the electronic dividend shall also bear the CNIC Number of the registered shareholder or the authorized person, except in case of minor(s) and corporate shareholders(s).
- c) As per Regulation no. 4 & 6 of SRO 1145 (1)/2017 dated November 6, 2017, the Company shall be constrained to withhold the payment of dividend to the shareholders, in case of non-availability of identification number (CNIC or National Tax Number) of the shareholder or authorized person.

#### 7. Withholding Tax on Dividend

Government of Pakistan through Finance Act, 2017 has made certain amendments in the withholding tax provisions of the Income Tax Ordinance, 2001 by substituting the definition of "Filers" with "Active Taxpayer List (ATL)" whereby the company is required to collect tax on dividend under Section 150 of the Income Tax Ordinance, 2001 from the persons not appearing in the ATL at the rates specified in the Ordinance as increased by 100%. These tax rates are as under:

(a)	For persons appearing in Active Taxpayer List	15%
(b)	For persons not appearing in Active Taxpayer List	30%

Shareholders who are filers, are advised to make sure that their names are entered into latest Active Tax Payers List (ATL) provided on the website of FBR at the time of dividend payment, otherwise they shall be treated as person not appearing in ATL and tax on their cash dividend will be deducted at the rate of 30% instead of 15%.

#### 8. Withholding Tax on Dividend in case of Joint Account Holders

For shareholders holding their shares jointly as per the clarification issued by the Federal Board of Revenue, withholding tax will be determined separately as per the status of their names appearing in the ATL for principal shareholder as well as join-holder(s) based on their shareholding proportions. Therefore, all shareholders who hold shares jointly are required to provide shareholding proportions of principal shareholder and join-holder(s) in respect of shares held by them to our Share Registrar in writing as follows:

Folio /		Princip	al Shareholder	Joint Shareholder			
CDC Account No.	Total Shares	Name & CNIC	Shareholding proportion (No. of Shares	Name & Shareholding proportion (No. of Shares)			

The required information must reach our Share Registrar by the close of business (5:00 pm) on October 14, 2019, otherwise it will be assumed that the shares are equally held by Principal Shareholder and Joint-holder(s).

#### 9. Transmission of Audited Financial Statements / Notices Through Email

Members are hereby informed that pursuant to SECP SRO 787(1)/2014 dated September 8, 2014, and under section 223(6) of the Companies Act 2017, circulation of Audited Financial Statements and Notice of Annual General Meeting has been allowed in electronic format through email.

In compliance with the above requirements, members who wish to receive the Annual Report 2019 in electronic form may file an application as per the form provided on the Company's website in compliance with the subject SRO. The members who have provided consent to receive Annual Report 2019 can subsequently request hard copy which shall be provided free of cost within seven days.

#### 10. Transmission of Audited Financial Statements Through CD

SECP through its SRO.470(I)/2016 dated May 31, 2016 have allowed companies to circulate their annual balance sheet, profit and loss account, auditor's report and directors' report to its members through CD at their registered addresses. In view of the above the Company has sent its Annual Report to the shareholders in the form of CD. Any Member can send request for printed copy of the Annual Report to the Company on standard request form placed under the Investor Information section on its website.

#### 11. Unclaimed /Unpaid Shares and Dividends

Shareholders, who may by any reason, could not claim their dividends/shares, if any, are advised to contact our Share Registrar at the address mentioned herein above, to collect/enquire about their unclaimed dividend/shares, if any.

In compliance with Section 244 of the Companies Act 2017 after having completed the stipulated procedure, all such dividend outstanding for a period of 3 years or more from the date due and payable shall be deposited to the Federal Government in case of unclaimed dividend and incase of shares, shall be delivered to SECP.

#### 12. Postal Ballot / E-Voting

In accordance with the Companies (Postal Ballot) Regulations, 2018, for the purpose of election of directors and for any other agenda item subject to the requirements of section 143 and 144 of the Companies Act 2017, members will be allowed to exercise their right of vote through postal ballot i.e. by post or e-voting, in the manner and subject to conditions contained in the aforesaid regulations.

#### 13. Video-link facility

Pursuant to the provisions of the Companies Act 2017, the company may on the demand of members at least 7 days before the general meeting, residing in a city, who hold at least 10% of the total paid up capital of the Company, provide the facility of video-link (Optional) to the such members enabling them to participate in its annual general meeting. If you wish to take the benefit of this facility, please fill the form available on the Company's Website and submit it to the Company at its registered address at least 10 days prior to the date of meeting.

The Company will intimate the members the venue of the video conference facility, if required criteria have been fulfilled, at least 7 days before the date of general meeting along with complete information necessary to enable them to access such facility.

#### 14. Zakat Declaration

Zakat will be deducted from the dividends at source at the rate of 2.5% and will be deposited within the prescribed period with the relevant authority. In case of claiming exemption, please submit your Zakat Declaration under Zakat and Ushr Ordinance, 1980 and Rule 4 of Zakat (Deduction and Refund) Rules, 1981, CZ-50 Form with our Share Registrar. Physical shareholders are requested to submit the said declaration to our Share Registrar in the proper manner. The shareholders must write Shabbir Tiles and Ceramics Limited's name and their respective CDS A/c # or Folio numbers on Zakat Declarations at relevant place.

## CHAIRMAN'S REVIEW REPORT

On behalf of the Board, it is my pleasure to present the Chairman's review report for the year ended June 30, 2019.

#### **BUSINESS OVERVIEW**

During the fiscal year 2018-19 your company delivered a successful performance with achievement of challenging objectives for growth and profit. This was primarily driven by the Company's improved product range, market penetration, and cost management & continuous productivity improvement. The enhanced capacity commissioned during the year together with planned capital investments for quality improvements and innovative marketing strengthened the Company's ability to grow further.

#### PERFORMANCE SCORECARD

The Company remains committed & strongly believes that it is now on a path of sustainable growth and maximizing value creation. These objectives are being achieved by focusing resources to develop operational efficiency, optimize cost structures, implement growth projects and strengthen business foundations. As a result of these efforts, the Company registered net sales of Rs. 6.9 billion during the year, showing 20% growth over the previous year. This improvement in sales together with strong contributions from cost efficiencies, better product mix and other operational efficiencies translated in improving margins for the year. Sales and marketing investment & expenses on promotional campaigns to support the core business and new emporiums increased by 24% to Rs. 927 million. Other income net of financial charges also contributed to the bottom line through effective treasury measurement and improved liquidity. As a result, the Company registered its highest net profit before tax of Rs. 372 million. Net profit after tax of Rs. 234 million, showed an increase of 20% over last year. This translated to earning per share (EPS) of Rs. 0.98 as against Rs. 0.81 of last year.

#### TREASURY MANAGEMENT

The Company was able to generate Rs. 671 million from operating activities during the year. In 2018-19, we maintained our disciplined and balanced approach to capital allocation and used our cash flow generation and financial strength to invest in the highest return opportunities. We deployed Rs. 343 million in capital expenditures to fund new product development as well as to maintain and improve the performance and safety of our facilities. We used another portion of our cash to pay down Rs. 406 million of long-term debt. In addition, we returned Rs.119.6 million to our shareholders through dividends.

#### **BRAND DEVELOPMENT**

Our marketing strategy is focused on maintaining and building relationships with our traditional customers, while establishing new customers in markets where we anticipate long-term growth in tile consumption and demand. Having recently opened showrooms in Hyderabad and Faisalabad, a new emporium in Karachi is a continuation of the company's move to expand its presence throughout Pakistan. Our emporiums showcase numerous choices & the latest trends of porcelain and ceramic tiles at a variety of price points. Our inhouse design consultants are experts at demonstrating how the latest tile trends and designs can be realistically incorporated in our client's design projects at affordable & competitive costs.

#### **HUMAN CAPITAL**

We believe our people are our greatest asset. Empowering employees with meaningful roles, stimulating projects and continuous learning platforms, has paved the way for a more purpose driven organization. Honest communications, training and counselling continue to prepare our people to grow and drive the business. Diversity and inclusion remain at the heart of our business. Our female employees form an integral & vital part of our teams across different functions in the Company. We aim to follow good practices in industrial relations, ensure compliance with the prevailing labor laws, and ensure a productive and constructive work environment for all.

#### **BOARD EVALUATION**

The Board played a fundamental role in taking the Company forward through its commitment to the development & support for a robust business strategy. The Board also performed its essential role and responsibilities for the overall management and supervision of the businesses of the Company and of its fiduciary responsibilities.

An annual evaluation of the Board of Directors' (the Board) overall performance is conducted in compliance with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Companies Act, 2017. The purpose of this evaluation is to ensure that the Board performance is measured in the context of overall corporate objectives and governance structure of the Company. For the financial year ended June 30 2019, the Board's overall performance and effectiveness has been assessed as 'Satisfactory' in achieving Company's objectives. We are committed towards further development of the Board in terms of efficiency. It is also important to highlight the key role played by the Committees (Audit Committee and Human Resource and Remuneration Committee) in emphasizing and guiding the company towards areas of improvements and recommending solutions.

#### **BUSINESS RISKS AND CHALLENGES**

The Construction industry is a major driver of a countries' economy & creates new jobs, builds housing and infrastructure and is a key driver of economic growth. Presently, the construction industry and the related important linkages such as cement, steel, tiles sectors, are all experiencing a slow down due to the economic challenges being faced by the economy. We also observe that there is unrest in the trade channels post budget 2019 with difficulty in understanding many changes in the ways of doing business. Many retailers, wholesalers and distributors are still unaware of new processes to be followed due to the limited availability of tax experts operating in the market.

The rise in gas cost by a further 31% since July 2019 (in addition to the earlier 30% gas cost increase in the last 9 months of year 2018-19) has put immense pressure on costs and market prices. In addition, the imposition of axle load restrictions in absence of a proper road infrastructure master plan and a transportation regulatory body has significantly raised costs of transportation for raw materials and finished goods.

Whilst imports have reduced, this has to an extent been replaced by heavy smuggling from bordering countries and also new local entrants. Your Company believes that local competition is always healthy for the economy and for the business & consumers both and should be encouraged. However, the Government should safeguard the provision of a level playing field for all the stakeholders, reducing factors that cause market disruption.

#### **FUTURE OUTLOOK**

Overall the outlook for the first half of the coming year appears very challenging due to the factors mentioned above. Despite a complex market environment, the Company is working to respond to the rapidly changing dynamics of the market. Looking ahead, the Company aims to improve its manufacturing capabilities, strengthening research and development and further expand market presence. We trust that the Government will work to provide stability to the business environment and create a stimulus to improve the growth rate, whilst combating inflation and currency pressures through constructive economic policies.

#### **ACKNOWLEDGEMENT**

As always, I would like to thank our employees for their commitment to delivering a successful year in very challenging circumstances. Following a turnaround performance like last year is not easy, but they did and exceeded expectations by most measures. I would also like to acknowledge the leadership of our board of directors, who continue to be a valuable resource for our company & most of all, I would like to thank our shareholders. Our investment in the business reflects our commitment to its future & to generating value growth for shareholders. We are grateful to shareholders for their continued confidence in the management team and the future success of our company

Rafiq M. Habib

Chairman

جولائی 2019 میں گیس کے نرخوں میں مزید 31 فیصداضافہ ہوا (جو کہ گزشتہ سال 19-2018 کے آخری 9 ماہ میں گیس کے نرخ میں 30 فیصداضا نے کے علاوہ ہے) جس کی وجہ سے لاگتوں اور مارکیٹ کی قیمتوں پرشدید دباؤ آگیا – اس کے علاوہ سڑکوں کے ڈھانچہ کے مناسب ماسٹریلان کی عدم موجودگی میں ایکسل لوڈ کی پابندیوں کو نافذ کر دیا گیا اور ٹرانسپورٹیشن کے ایک انضباطی ادار بے کی جانب سے خام مال اور تیار مال کی ٹرانسپورٹیشن کی قیمتوں میں قابل ذکر اضافہ کر دیا گیا –

اگرچہ کے درآ مدات میں کی ہوئی ہے لیکن اس کی جگہ پر کسی حدتک سرحدی مما لک سے بڑے پیانے پر اسمگلنگ ہور ہی ہے اور نئے لوگ داخل ہور ہے ہیں۔ آپ کی کمپنی اس بات پر یقین رکھتی ہے کہ مقامی مسابقت ہمیشہ معیشت اور صارفین دونوں کے لئے سود مند ہوتی ہے اور اس کی حوصلہ افزائی کی جانی چائے۔ تاہم حکومت کو چاہئے کہ وہ مارکیٹ کے تمام مستفیدان کے مفادات کو تحفظ فراہم کر ہے جس سے مارکیٹ میں انتشار پیدا کرنے والے عوامل کم ہوجائیں۔

## مستقبل کی پیش بنی

مندرجہ بالاعناصر کی وجہ سے اندازہ ہے کہ آنے والے سال کی پہلی ششاہی مجموعی طور پر ایک بہت زیادہ د شوار گزار صور تحال سے دوج پارہ ہے گا۔ تاہم مارکیٹ کے پیچیدہ ماحول کے باجود کمپنی مارکیٹ کی تیزی سے بدلتی ہوئی صور تحال کا مقابلہ کرنے کے لئے کام کررہی ہے۔ آگے کی جانب کمپنی کاعزم ہے کہ اپنی پیداواری گنجائش کو بہتر کرے بھتی و تروی کو مضبوط کرے اور مارکیٹ میں اپنی موجودگی کو صعت دے۔ ہم امید کرتے ہیں کہ حکومت کاروباری ماحول کے استحکام کے لئے کام کرے گی اور ایسے مواقع پیدا کرے گی جن سے شرح نمو میں بہتری آئے جبکہ تغییری محاثی پالیسیوں کے دریعے کرنی پر دباؤ اور افراط ذرکوکم کرے گی۔

### اعتراف

دشوارگزارحالات کے باوجود جائزہ سال کوکامیاب بنانے پر ہمیشہ کی طرح میں اپنے تمام ملاز مین کی جدوجہد پران کومشکور ہوں۔گزشتہ سال بے مثال کارکردگی دکھانا آ سان کا منہیں تھالیکن انہوں نے کرکے دکھایا اور مختلف اقد امات کی تو قعات پر پورا انزے۔ میں اس موقع پر بورڈ آ ف ڈائر یکٹرز کی قائد انہ صلاحیت کو تسلیم کرتا ہوں جو کہ ہماری کمپنی اور ہم سب کے لئے ایک قابل قدر سر مایہ ہے ، اس کے ساتھ ساتھ میں اپنے حصص یافتگان کا مشکور ہوں۔کاروبار میں ہماری سر مابیکاری سے کمپنی کے مستقبل اور حصص یافتگان کو بہتر منفعت فراہم کرنے کے لئے ہمارے عزم کی عکاسی ہوتی ہے۔ ہم اپنے تمام حصص یافتگان کو کمپنی کے مستقبل میں کا میابی کے لئے ہماری انظامی ٹیم پر مسلسل اعتماد کرنے پر انہیں ستائش پیش کرتے ہیں۔

فيق ايم حبيب

چيئر مكر.

### برانڈ کی ترقی

ہماری مارکیٹ کی حکمت عملی ہمارے روایتی کسٹمرز کے ساتھ تعلقات استوار کرنے اور برقر ارر کھنے برمرکوز ہے جبکہ دوسری جانب ہم مارکیٹ میں نئے کسٹمرز تلاش کر کے ٹائل کی طلب اوراس کے استعال میں طویل مدتی نمو کی پیش بندی کرتے ہیں۔ حال ہی میں ہم نے حیدر آباداور فیصل آباد میں شورومز کھولے ہیں ، کراچی میں ایک نیاایمپوریم قائم کیا ہے جو کہ پاکتان بھر میں اپنی موجودگی کو دسعت دینے کے لئے کمپنی کا ایک اہم قدم ہے- ہمارےان ہاؤس ڈیزائن کے مشاورت کارایسے ماہرین ہیں جو کہ ہمیں بتاتے ہیں کہ س طرح حالیہ رجحانات اور ڈیزائن کو حقیقی معنوں میں کلائنٹ کے ڈیزائن پروجیکٹس میں قابل برداشت اور مسابقتی لا گتوں پر فراہم کیا جائے۔

## انسانی سرماییه

ہم اس بات پریقین رکھتے ہیں کہ ہمار بےلوگ ہماراعظیم سرمایہ ہیں۔ ملاز مین کومعنی خیز کردار کےساتھ انہیں اختیارات دینے ،ان کی ترقی کے پروجیکٹس اور مسلسل سکھنے کے پلیٹ فارم کی موجود گی میں ادارہ نے ان کے لئے ایک بامقصدراہ ہموار کردی ہے۔ دیانت داری کے ساتھ رابطہ، تربیت اور مشاورت مسلسل ہمارےلوگوں اور کاروبار کی ترقی میں معاون ہے۔تنوع اور جدت ہمارے کاروبار کی مرکز نگاہ ہے۔ ہماری خواتین ملاز مین کمپنی بھرے مختلف افعال میں ہماری ٹیموں کا امتیازی اور بنیا دی حصہ ہیں۔ ہماراعز م ہے کہ تعلقات میں بہتر طور طریقوں کواپنایا جائے ، رائج مز دور قوانین کی یاسداری کویقینی بنایا جائے اور تمام ملاز مین کونتمبری اور فائدہ مند کام کا ماحول فرا ہم کیا جائے۔

## يورد كيشخص

بورڈ نے بہترین کاروباری حکمت عملی اورتر قیاتی کوششوں کے ذریعے کمپنی کوکوآ گے بڑھانے میں بنیا دی کردارا دا کیا – بورڈ نے کمپنی کے کاروبار کے مجموعی ا نظام اورنگرانی میں اپنابنیا دی کر داراور فرائض انجام دیئے اور بطورامین اپنی ذرمہ داریوں سے احسن انداز میں عہدہ برآں ہوا۔

بورڈ آف ڈائر کیٹرز (بورڈ) کی مجموعی کارکردگی کی تشخیص کمپینیزا کیٹ 2017 اورادارتی نظم وضبط کے ضابطہ کی ضروریات کے مطابق کی گئی-اس تشخیص کا مقصد بورڈ کی کارکردگی کومجموعی ادارتی مقاصداور کمپنی کے نظم وضیط کے ڈھانچے کے تناظر میں ناپنا ہے۔ مالیاتی سال مختتمہ 30 جون 2019 میں بورڈ کی مجموعی کارکردگی اوراس کی اثریذیری نمپنی کے مقاصد کے حصول میں''تسلی بخش''یائی گئی۔ ہم بورڈ کی کارکردگی میں مزید بہتری کے لئے کوشاں ہیں۔ بورڈ کی کمیٹیوں (آ ڈٹ کمیٹی اورانسانی وسائل اورمعاوضہ کمیٹی ) کے بنیادی کردار کوبھی اجا گر کرنا اہمیت کا حامل ہے جس کے تحت انہوں نے کمپنی کے شعبوں میں بہتری کے لئے رہنمائی اور تعاون فراہم کیااوران کے لئے سفارشات پیش کیں۔

## كاروباري خطرات اور چيلنجز

تعمیراتی صنعت ملکی معیشت کا اہم حصہ ہے اور پیملازمت کے نئے مواقع پیدا کرتی ہے، گھروں اور تعمیری ڈھانچے کو تعمیر کرتی ہے اور معاشی ترقی میں اہم کردارادا کرتی ہے-اس وقت تغمیراتی صنعت اوراس سے ملحقہاہم کاروبار جیسے کہ سیمنٹ ،اسٹیل،ٹائل کے شعبےمعاثی چیلنجز کی وجہ سےست روی کا شکار ہیں۔ہم اس بات کا بھی مشاہدہ کررہے ہیں کہ بجٹ2019 آنے کے بعد سے تجارتی حلقوں میں بے چینی یائی جاتی ہے جو کہ کاروبار کرنے کے دوران کئی تبریلیوں کو بمجھنے میں مشکلات کا شکار ہیں۔ کئی خور دفروش ،تھوک فروش اور ڈسٹری بیوٹرز مارکیٹ میں ٹیکس کے ماہرین کی محدود دستیایی کی وجہ سے ابھی تک نځ طریقوں سے ناواقف ہیں۔

## چیئر مین کی جائز ہر پورٹ

بورڈ کی جانب سے میں سال مختتمہ 30 جون 2019 کی چیئر مین کی جائزہ رپورٹ پیش کرتے ہوئے اظہارت مسرت کرتا ہوں۔

### كاروباري جائزه

مالیاتی سال 19-2018 کمپنی کے لئے کامیاب کارکردگی کا سال رہا جس میں منافع اور نمو کے مشکل اہدف حاصل کئے گئے۔ اس کامیابی کی بنیادی وجوہات میں کمپنی کی مصنوعات میں جدت، مارکیٹ میں بہتر داخلہ، لاگت کا بہتر انتظام اور تسلسل کے ساتھ پیداور گنجائش میں اضافہ شامل ہے۔ سال کے دوران پیداوار گنجائش میں اضافے کے ساتھ معیار میں بہتری کے لئے سرمایہ جاتی منصوبہ بندی اور تجریدی مارکیٹنگ کے ذریعے کمپنی کی صلاحیت میں مزیداضافہ ہوا۔

## كاركردگى كااسكوركارد

کمپنی پائیدار نمو کے داستے کے لئے پرعزم ہا اور اسے کممل یقین ہے کہ وہ ای راستے پرگامزن ہے اور اس مقصد کے لئے مصنوعات میں بہتری کے لئے کوشاں ہے۔ یہ مقاصد وسائل پر توجہ مرکوز کرتے ہوئے کاروباری استعداد میں ترقی، لاگوں کے ڈھانچے میں بہتری، ترقیاتی پر جمیکٹس کے نفاذ اور کاروباری بنیا دوں کو مضبوط کرنے کی وجہ سے حاصل ہوئے۔ ان کوششوں کے نتیج میں کمپنی کی خالص فروخت سال کے دوران 6.9 بلین روپے رہی جو کہ گزشتہ سال کی بہنست 20 فیصد اضافہ کی عکائی کرتی ہے۔ فروخت میں بہتری کے ساتھ لاگوں میں مستعد کمی ، مصنوعات کا بہتر مرکب اور دیگر کاروباری استعداد کی وجہ سے سال کے دوران منافع میں اضافہ ہوا۔ فروخت اور مارکیٹنگ کے لئے اشتہاری مہم میں سرمایہ کاری اور اخراجات کی وجہ سے کاروباری استعداد کی وجہ سے سال کے دوران منافع میں اضافہ ہوا۔ فروخت اور مارکیٹنگ کے لئے اشتہاری مہم میں سرمایہ کاری اور اخراجات کی وجہ سے بنیادی کاروبار کوتقویت ملی اور نئے ایک پہنچ گئے۔ مالیاتی بنیاد کی کاروبار کوتقویت میں کہنی کا قبل از ٹیس خالص منافع محال میں ہوئی۔ جس کے نتیج میں کمپنی کا قبل از ٹیس خالص منافع بعد از ٹیکس کا تعدار نگ میں روپے رہا جس سے گزشتہ سال کی بہنست 20 فیصد اضافہ کی عکائی ہوتی محال میں روپے کہ مقابلے میں بڑھ کر 200 روپے ہوگی۔

## مالياتى انتظام

سال کے دوران کمپنی اپنی کاروباری سرگرمیوں سے 671 ملین روپے حاصل کرنے میں کامیاب رہی – 19-2018 میں ہم نے سر مائے کے اختصاص کے لئے منضبط اور متوازن رسائی اختیار کی اوراپنے نقذی کے بہاؤاور مالیاتی استحکام کواعلی منفعت کی حامل سر مابیکاریوں میں استعمال کیا – ہم نے 343 ملین روپے کے سر مابیہ جاتی اخراجات کئے جس سے نئی مصنوعات کی تروی کے ساتھ ساتھ کارکردگی کو میں بہتری آئی اور پیداواری سہولیات کو تحفظ فراہم کیا ملین روپے استعمال کئے – مزید ہیں کہ 119.6 ملین روپے حص یافتگان کو میں بہتری آئی میں اوا کئے گئے – مزید ہیں ادا کئے گئے – مزید میں ادا کئے گئے –





## **DIRECTORS' REPORT**

Your Directors have pleasure in submitting their report and financial statements of the Company for the year ended 30 June 2019.

The Chairman's Review, which is an integral part of this report, deals with the year's activities, financial affairs and future prospects of the Company; the contents of which are endorsed by the directors.

#### **BUSINESS REVIEW:**

Amidst a challenging economic and business environment, the financial year 2018-19 was another successful year as the Company achieved its highest ever revenue of Rs. 6,933 Million. The net profit before tax recorded was at Rs. 372 Million, an increase of 51% from the preceding year.

Your Company is committed to continue enhancement in its product range and producing high quality tiles to sustain its share in tiles industry through process excellence and innovation. It has been the priority of the Company to continue launching innovative designs and surface finishes with the aim of providing customers with more reliable and better products, increasing revenues, driving down costs, reducing cycle time, and maximizing margins.

With the economy slowing down towards the latter half of the year and with significant cost increases for energy and other inputs, the management of the Company has been closely monitoring the operations of the business with a focus to achieve continual improvements in productivity, efficiency and product diversification whilst optimizing costs and processes to ensure the sustainable performance of the Company.

#### **OPERATING RESULTS:**

A comparison of the operating results of the Company for the financial year ended June 30, 2019 against the same period last year is shown hereunder:

	2019	2018		
	Rs. in '000			
Turnover – net	6,933,077	5,767,082		
Gross profit	1,611,867	1,257,217		
Earnings before interest, taxes and depreciation (EBITDA)	1,053,005	740,314		
Depreciation	593,555	395,010		
Finance cost	86,946	98,121		
Profit before taxation	372,504	247,183		
Profit after taxation	234,341	194,406		
Earnings per share (Rs.)	0.98	0.81		

Net turnover of the Company grew by 20% on the back of higher volume and improved prices across various categories. The Company's financial health was also strengthened with EBITDA of Rs. 1,053 Million as against Rs. 740 Million of last year. Though imports came down during the year, however, high influx of cheap smuggled tiles made the market quite unstable from pricing point of view. Costs were also negatively impacted by currency devaluation and increase in the gas tariff.

#### **DEBT**:

By the grace of Almighty Allah, your Company not only met all its financial commitments and debt obligations but in order to reduce its financial charges, also made early repayment of a long term loan. It is pleasing to report that the debt equity ratio of the Company has dropped to 25% as against 31% of last year.

#### CONTRIBUTION TO NATIONAL EXCHEQUER:

Your company contributed Rs. 1,575 million (2018: Rs. 1,402 million) into the Government Treasury on account of income taxes, sales tax, custom duties and other government levies.

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

Stile is committed to playing an active role in supporting and working with its stakeholders for sustainable community and social development of Pakistan. We recognize that socially responsible efforts are important to our customers, employees

and stakeholders. Our CSR program is currently focusing on improvement of healthcare, advancement of education and community support in general.

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

Safety is a core value at Stile and the Company is committed to continued advancement of safety culture with strong programs of personal safety, accident and injury prevention, wellness promotion and compliance with applicable environmental and health and safety laws and regulations.

#### PRINCIPAL RISKS AND UNCERTAINTIES

The Company is exposed to certain inherent risks and uncertainties. However, we consider the following as key risks:

- Energy costs, being doubled as compared to last fiscal year;
- Market disruption due to recent changes in tax laws and regulations.
- Adverse movement in foreign exchange rates and commodity prices;
- Highly price sensitive market;

#### ADEQUACY OF INTERNAL CONTROL

The Board of the Company is responsible for the establishment and maintenance of the Company's system of internal control in order to identify and manage risks faced by the Company. The Board is confident that the system of internal control is sound in design and has been effectively implemented and monitored.

#### **AUDITORS:**

The present auditors M/s EY Ford Rhodes, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment. The Board has recommended the re-appointment of the retiring auditors for the year ending 30 June 2020, for approval of the shareholders in the forthcoming Annual General Meeting.

#### COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017:

As required under the Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Rule Book of the Pakistan Stock Exchange Limited (PSX), the Directors are pleased to state as follows:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result 1) of its operations, cash flows and changes in equity;
- 2) Proper books of account have been maintained by the Company;
- Appropriate accounting policies have been consistently applied in preparation of these financial statements and 3) accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of 4) these financial statements;
- 5) The system of internal control is sound in design and has been effectively implemented and monitored. The process of monitoring internal controls will continue with the objective to further strengthen the controls and improve the system;
- 6) There are no significant doubts upon the Company's ability to continue as a growing concern;
- 7) A summary of key operating and financial data of the Company of the last six years is annexed in the report on page
- 8) There has been no material departure from the best practices of Listed Companies (Code of Corporate Governance) Regulations, 2017.
- 9) The value of Provident Fund Investments as per the unaudited accounts of STCL Provident Fund Trust for the year ended June 30, 2019 was Rs. 201.477 million (2017: Rs. 172.936 million).
- 10) There are no outstanding statutory payments due on account of taxes, levies and charges except as those disclosed in these financial statements.

#### **BOARD OF DIRECTORS MEETINGS:**

During the year the shareholders at an Extra Ordinary General Meeting held on April 29, 2019, elected seven Directors namely Rafiq M. Habib, Ali Suleman Habib, Syed Masood Abbas Jaffery, Abdul Hai M. Bhaimia, Muhammad Salman Burney, Feroze Jehangir Cawasji and Farhana Mowjee Khan for a term of three years commencing from May 6, 2019. The Board of Directors passed a resolution in their meeting held on May 6, 2019 re-appointed Mr. Syed Masood Abbas Jaffery as Chief Executive Officer of the Company.

During the year, six meetings of Board of Directors (BOD) were held. All the meetings were held in Pakistan. The attendance and the composition of the Board of Directors are as follows:

Name of Director	Gender	Designation	No. of meetings attended
Mr. Rafiq M. Habib	Male	Chairman	2
Mr. Ali Suleman Habib	Male	Non-Executive Director	5
Mr. Abdul Hai M. Bhaimia	Male	Non-Executive Director	6
Mr. Syed Masood Abbas Jaffery	Male	Executive Director & CEO	6
Mr. Feroze Jehangir Cawasji	Male	Independent Director	6
Mr. Salim Azhar	Male	Non-Executive Director	1
(Resigned on March 1, 2019)			
Mrs. Farhana Mowjee Khan	Female	Independent Director	2
(Appointed on March 5, 2019) Mr. Muhammad Salman Burney	Male	Non Evacutive Director	2
(Appointed in EOGM on April 29, 2019)	iviale	Non-Executive Director	2

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

#### **BOARD AUDIT COMMITTEE:**

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

During the year, four (4) meetings of the audit committee were held. The attendance of each member is given hereunder:

Name of Director	Gender	Designation	No. of meetings attended
Mr. Feroze Jehangir Cawasji	Male	Independent Director	4
Mr. Abdul Hai M. Bhaimia	Male	Non-Executive Director	4
Mr. Salim Azhar (Resigned on March 1, 2019)	Male	Non-Executive Director	2
Mrs. Farhana Mowjee Khan (Appointed on March 5, 2019)	Female	Independent Director	1

#### **HUMAN RESOURCE AND REMUNERATION COMMITTEE:**

In compliance with the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2017, the Board of Directors has established Human Resource and Remuneration (HR & R) Committee. It recommends human resource management policies to the Board. It also recommends selection, evaluation, compensation and the succession plan of the CEO and Senior Management employees who directly report to the CEO. The Committee consists of one Non- Executive Director, CEO and one independent director, who is also the Chairman of the Committee.

#### TRAINING PROGRAM OF DIRECTORS:

In terms of clause 9 of the Listed Companies (Code of Corporate Governance) Regulations, 2017, the Board of your Company has taken requisite steps to comply with the requirements of this clause within the time specified in the CCG. During the year, two of our Directors have also completed the Director's Training Program from PICG.

#### **APPROPRIATION:**

The Board of Directors is pleased to announce dividend of Rs. 0.25 per share (i.e 5%) to the shareholders for the financial year ended June 30, 2019.

#### PATTERN OF SHAREHOLDING:

Statements showing the pattern of shareholding as at June 30, 2019 required under the Companies Act 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2017 as given in page number

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

#### **SUBSEQUENT EVENTS**

No material changes or commitments affecting the financial position of the Company have taken place between the end of the financial year and the date of the Report.

#### PERFORMANCE EVALUATION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES:

As required by the Listed Companies (Code of Corporate Governance) Regulations, 2017, the Board of the Company annually undertakes a formal process of self-evaluation of performance of the Board as a whole and its committees. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

The evaluation of Board's role of oversight and its effectiveness is continual process. The core areas of focus are:

- Alignment of corporate goals and objectives with the vision and mission of the Company;
- Strategy formulation for sustainable operation;
- Board's independence; and
- Evaluation of Board's Committees performance in relation to discharging their responsibilities set out in respective terms of reference.

#### **ACKNOWLEDGEMENT:**

We acknowledge and are thankful for the continued support of our shareholders, customers, suppliers and employees.

On behalf of the Board

SYED MASOOD ABBAS JAFFERY

Chief Executive Officer

5. M. Hobas

**FEROZE JEHANGIR CAWASJI** 

day J. Camy

Director

Karachi: September 17, 2019

بورڈ کے نگرانی کے کرداراوراس کی اثر پذیری کی شخیص ایک مسلسل عمل ہے۔جن بنیا دی شعبوں پر توجہ دی جاتی ہے وہ درج ذیل ہیں:

اداراتی مقاصداور کمپنی کےمشن ونصب العین سےمطابقت

پائدارآ پریش کے لئے حکمت عملی کی تشکیل 🌣

پورڈ کی خودمختاری، اور

بورڈ کی کمیٹیوں کی طے کر دہ ذمہ داریوں کے مطابق ان کی اپنی ذمہ داریوں سے عہدہ براں ہونے کی کارکردگی کا جائزہ

### اعتراف

ہم تمام صص یافتگان،صارفین،سپلائرزاورملاز مین کے سلسل تعاون کااعتراف کرتے ہیں اوران کے مشکور ہیں۔

برائے ومنجانب

Jany J. Camy فيروز جها نگير كاوسجى ڈائر یکٹر

5. W. Hoban سيدمسعودعباس جعفري

چيف الگيزيكڻوآ فيسر

مورخه: 17 ستمبر2019

### انساني وسائل اورمعا وضهميثي

ادارتی نظم وضبط کےضابطے کی ضروریات کی پاسداری کرتے ہوئے بورڈ آف ڈائر بکٹرزنے ایک انسانی وسائل اورمعاوضہ کمیٹی (HR&R) تشکیل دی ہے۔ یہ بورڈ آ ف ڈائر یکٹرز کوانسانی وسائل کے انتظام کی یالیسیوں پر سفار شات پیش کرتی ہے۔ پیمیٹی انتخاب تشخیص ،معاوضہ اور CEO اوراعلیٰ انتظام یہ کے ملاز مین جو بالواسطہ CEO کور پورٹ کرتے ہیں، کی جانشینی منصوبہ کے منصوبے بربھی سفارشات پیش کرتی ہے۔ کمیٹی ایک نان ایکز یکٹوڈ ائر یکٹر ہی ای اواورایک آزادڈ ائر یکٹر برمشمل ہے جو کہ کمیٹی کا چیئر مین ہے۔

## ڈائر یکٹران کاتر بیتی پروگرام

الے کمپنیز کوڈ آف کارپوریٹ گورننس ریگولیشنز 2017 کی ثق 9 کے تحت آپ کی کمپنی کے بورڈ نے اس ثق کی ضروریات کی یاسداری کے لئے درکارا قد مات CCG میں بتائی گئی مدت میں مکمل کر لئے ہیں-سال کے دوران ہمارےایک ڈائز یکٹر نے بھی PICG سے ڈائز یکٹران کا تربیتی پروگرام مکمل کرلیا ہے-

### مصارف منافع

کمپنی کے بورڈ آف ڈائر کیٹرز محص یافتگان کے لئے0.25رویے فی حصص کے حساب سے منافع منقسمہ تقسیم کرنے کا اعلان کرتے ہوئے مسرت محسوں کرتے

### حصص داری کی ساخت

كمپنيزا يك 2017 اوراداراتي نظم وضبط كتحت سال كنتمه 30 جون 2019 كي صف داري كي ساخت يرمشمل گوشوار بي صفح نمبر ..........يرموجود بين -ڈ ائر کیرز، CFO،CEO، کمپنی سیریٹری، ہیڈا آف انٹرنل آڈٹ اوران کے شریک حیات یا چھوٹے بچوں نے سال کے دوران کمپنی کے قصص میں کوئی خرید وفروخت نہیں کی۔

### بعدازال واقعات

مالیاتی سال کے اختیام اوراس رپورٹ کی تاریخ تک کوئی اہم تبدیلیاں یا وعدے رونمانہیں ہوئے جن سے کمپنی کی مالیاتی یوزیش متاثر ہو-

## بورڈ آ ف ڈائر یکٹر زاوراس کی کمیٹیوں کی کارکردگی کی تشخیص

لٹر کینیز (کوڈ آف کاریوریٹ گورننس)ر یگولیشنز 2017 کی ضروریات کے تحت کمپنی کا بورڈ سالانہ بنیاد پر باضابطہ طریقہ کار کے مطابق مجموعی طور پر اپنی اوراپی کمیٹیوں کی کارکردگی کی ازخود تشخیص کرتا ہے۔اس تشخیص کا مقصد بورڈ کی مجموعی کارکردگی اوراثر پذیری اور کمپنی کے طے کردہ مقاصد کے تناظر میں بینچ مارک کے عوض تو قعات کی پیائش کرناہے۔

سال کے دوران بورڈ آف ڈائر کیٹرز کے چیا جلاس منعقد ہوئے۔ تمام اجلاس پاکستان میں منعقد ہوئے۔ بورڈ آف ڈائر کیٹرز کی تشکیل بندی اور حاضری درج ذیل : \_\_

حاضرا جلاسوں کی تعداد	عہدہ	جنس	ڈائر بکٹر کانام
2	چيئر ملين	مرد	جناب رفيق اليم حبيب
5	نان ایگزیکٹوڈ ائریکٹر	مرد	جناب على سليمان حبيب
6	نان ایگزیکٹوڈ ائریکٹر	مرد	جناب عبدالحيّ اليم بھائي مياں
6	ا یگزیکٹوڈائریکٹراور CEO	مرد	جناب سیدمسعودعباس جعفری
6	آ زاد ڈائر یکٹر	مرد	جناب فيروز جهانگير كاوتجى
1	نان ایگزیگوڈ ائریکٹر	مرد	جناب سلیم اظہر ( کیم مارچ2019 کواستعفیٰ دے دیا تھا)
2	آ زاد ڈائر یکٹر	عورت	محتر مەفرحانەماؤ بى خان(5مارچ2019 كوتقررى كى گئى)
2	نان الگزيگود ائريکٹر	مرد	جناب محمد سلمان برنی (29اپریل 2019 کیEOGM میں تقرری کی گئی)

جوڈ ائر یکٹران بورڈ کے اجلاسوں میں حاضر نہ ہوسکے ان کی غیر حاضری کی رخصت منظور کر لی گئی۔

## بورڈ کی آڈٹ کمیٹی

بورڈ کی آ ڈٹ کمیٹی، بورڈ کی ذمہ داریوں کی ادائیگی، ابتدائی مالیاتی امور کی ریورٹ کے جائزے،غیر مالیاتی معلومات کی شیئر ہولڈرز کوفراہمی، اندرونی گرفت کے نظام، ملحقہ خطرات کے انتظام اور آ ڈٹ جیسے معاملات میں مدوفرا ہم کرتی ہے۔ بیا یک خود کار طریقہ کار ہے جس میں انتظام پیرے معلومات حاصل کی جاتی ہیں اور معاملات کی مناسبت سے بیرونی آڈیٹرزیا ایڈوئزر سے براہ راست مشاورت کی جاتی ہے۔ چیف فنانشل آفیسر با قاعد گی سے بورڈ کی آڈٹ کمیٹی کے اجلاس میں شریک ہوتا ہے جے کھاتوں کو پیش کرنے کے لئے مرعوکیا جاتا ہے۔ ہرمیٹنگ کے بعد کمیٹی کا چیئر مین بورڈ کور پورٹ کرتا ہے۔ آڈٹ کمیٹی ایک نان ایگزیکٹوڈ ائریکٹر اوردوآ زاد ڈائر یکٹران پرمشمل ہےاور کمیٹی کا چیئر مین ایک آ زاد ڈائر یکٹر ہے۔

جائزہ سال کے دوران آڈٹ کمیٹی کے حیار اجلاس ہوئے۔ ہرمبر کی حاضری کی تفصیل درج ذیل ہے:

حاضرا جلاسول كى تعداد	عہدہ	جنس	ڈائر بیٹر کانام
4	آ زاد ڈائر یکٹر	مرد	جناب فيروز جهانگير كائوتجي
4	نان ایگزیکٹوڈ ائریکٹر	مرد	جناب عبدالحجّ اليم بهائي ميال
2	نان ایگزیکٹوڈ ائریکٹر	مرد	جناب سلیم اظهر ( کیم مارچ2019 کواستعفل دے دیاتھا)
1	آ زاد ڈائز یکٹر	عورت	محتر مەفرحانەماؤ جى خان(5مارچ2019 كوتقررى كى گئى)

### اندرونی گرفت کے نظام کی موزونیت

بورڈ آ ف ڈائر کیٹرز کمپنی کےاندرونی گرفت کے نظام کے قیام اورنگرانی کی ذمہ دار ہے تا کہ کمپنی کولاحق خطرات کی نشاند ہی اور مقابلہ کیا جاسکے-بورڈ پراعتا دہے کہ اندرونی گرفت کے نظام کی شکل مضبوط ہے اورا سے موثر انداز میں نا فذکبا گیااوراس کی نگرانی کی حاتی ہے۔

### آۋيىرز:

موجودہ آ دیٹر زمیسرEY Ford Rhodes، چارٹرڈ اکا وَمُنتُس سبکدوش ہو چکے ہیں اور اہل ہونے کی باعث انہوں نے اپنی دوبارہ تقرری کی پیشکش کی ہے۔ بورڈ نے سبکدوش ہونے والے آڈیٹرزی سال 30 جون 2020 کے لئے دوباہ تقریری کی سفارش کی ہے تا کہ آنے والے سالا نہ اجلاس عام میں ان کی تقریری کی منظور لی جا

## اداراتی نظم وضبط کے ضا بطے کی یاسداری

یا کتان اسٹاک ایجیجنج کی قوانین کی کتاب میں دیئے گئے ادارتی نظم وضبط کے ضابطے کے تحت ڈائر یکٹران اقر ارکرتے ہوئے خوشی محسوں کرتے ہیں کہ:

- سمپنی کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے بمپنی کے معاملات ،اس کے کارباری نتائج ،نقذی کے بہاؤ اورا یکویٹی میں تبدیلیوں کوشفافیت کے (1 ساتھ پیش کرتے ہیں۔
  - تمپنی میں حسابات کی کتابیں مناسب انداز میں تیار کی گئی ہیں۔ (٢
- درست حساباتی یا لیسیوں کو تسلسل کے ساتھ مالیاتی گوشواروں کی تیاری کے دوران کو ملحوظ خاطر رکھا گیا ہے اور حساباتی تخمینوں کی بنیاد معقول اور مضبوط فیصلوں پر ہے۔
  - مالیاتی گوشواروں کی تیاری کے دوران عالمی مالیاتی رپورٹنگ معیارات، جو یا کستان میں لا گوہیں، کوفوظ خاطر رکھا گیا ہے۔ (4
- اندرونی گرفت کے نظام کی شکل مضبوط ہےاورموثر انداز میں نافذالعمل ہےاوراس کی نگرانی کی جاتی ہے۔اندرونی گرفت کی نگرانی کا پیمل اس مقصد سے ساتھ جاری رکھا جاتا ہے کہ گرفت کو مزید شخکم اور نظام کو بہتر بنایا جاسکے۔
  - سمینی کی بڑھتی ہوئی کاروباری صلاحیت کے شلسل میں کوئی قابل ذکر شک وشبنہیں ہے۔ (Y
  - سمپنی کے پچھلے چیسالوں کے اہم کاروباری اور مالیاتی اعدادو ثنار کا خلاصہ اس رپورٹ کے صفحہ نمبر\_\_\_\_ پرموجود ہے۔ (4
- یا کستان اسٹاک ایجیجنج کی رول بک ( قواعد کی کتاب ) میں دیئے گئے ادار تی نظم وضبط کے بہترین طور طریقوں سے کوئی قابل گرفت انحراف نہیں کیا گیا ()
- STCL کے پرویڈنٹ فنڈ کے غیر آ ڈٹ شدہ کھاتوں کے مطابق سال مختتمہ 30 جون 2019 میں پرویڈنٹ فنڈ سے کی گئی سر مایہ کاریوں کی مالیت (9 201.477 ملين رويے ہے (جو كہ 2018 ملين 172.936 ملين رويے تھى)۔
  - ٹیکسوں اور دیگر محصولات کی مدمیں تمپنی برکوئی آئینی واجبات نہیں ہیں سوائے ان کے جنہیں مالیاتی گوشواروں میں منکشف کیا گیا ہے۔ (1+

## بورد آف ڈائر کیٹرز کے اجلاس

سال کے دوران 29اپریل 2019 کوھنص یافتیگان کا ایک غیر معمولی اجلاس عام منعقد ہوا جس میں سات ڈائر بکٹران کو تین سالہ مدت کے لئے منتخب کیا گیا جس کا آ غاز 6 مئی2019 سے ہو گیا ہے جن میں رفیق ایم حبیب علی سلیمان حبیب ،سیدمسعود عباس جعفری ،عبدالحئ ایم بھائی میاں مجمد سلمان برنی ، فیروز جہانگیز کا وُتبجی اور فرجانہ ہاؤجی خان شامل ہیں۔ بورڈ آف ڈائر بکٹرزنے 06مئی2019 کے اجلاس میں ایک قرار داد کی منظوری کے ذریعے جناب سیدمسعودعیاس جعفری کو کمپنی کی چیف ایکزیکٹو کے عہدے پردوبارہ تقرری کی ہے۔

سکمپنی کی خالص فروخت میں 20 فیصداضا فیہ ہواجس کی وجہفر وخت کا بلندحجم اورمختلف اقسام کی مصنوعات کی قیمتوں میں اضافیتھا –1,053 ملین روپے کے EBTIDA کے ساتھ کمپنی کی مالیاتی حالث متحکم رہی جو کہ گزشتہ سال 740 ملین رویے تھی – اگر چیسال کے دوران درآ مدات کم ہوئیں تا ہم ستی اسمگل شدہ ٹائلوں کی مارکیٹ میں بڑی تعداد میں موجود گی سے مارکیٹ قیمتوں کے فتط نظر سے غیر شخکم رہی – کرنسی کی قدر میں کمی اور گیس کے زخ میں اضافہ سے بھی لا گتوں پر منفی اثرات پڑے۔

### بارقرض کی ادا ٹیگی

الله جل شانه کی مدد سے نمپنی نه صرف اپنے مالیاتی وعدوں اور قرضه جاتی ذمه داریوں سے خوش اسلو بی سے عہدہ براں ہوئی بلکه اپنے طویل مدتی قرضوں کی بھی قبل از وقت ادائیگی کوممکن بنایا۔ یہ بات باعث مسر ت ہے کہ پنی کے قرضوں کا تناسب کم ہوکر 25 فیصدرہ گیا ہے جو کہ پچھلے سال31 فیصد تھا۔

### قوی خزانے میں معاونت

آپ کی ممپنی نے حکومتی خزانے میں اس سال انکمٹیکس، سیز ٹیکس، سٹھم ڈیوٹی اور دیگر حکومت محصولات کی مدمیں ایک 1,575 ملین رویے جمع کروائے (جبکہ 2018 میں1,402 ملین رویے جمع کروائے تھے)۔

### اداراتی ساجی ذمه داری

Stile سے مستفیدان کے ساتھ مل کرمشخکم معاشر ہے کی تا ئیداور یا کستانی کی ساجی ترقی میں ایک متحرک کر دارا دار کررہی ہے۔ ہم تسلیم کرتے ہیں کہ ساجی فر مہداری کی کوششیں ہمارے گا ہوں، ملاز مین اورمستفیدان کے لئے اہم ہیں- ہمار CSRI پروگرام اس وقت صحت کی تکہداشت، تعلیمی ترقی اورعمومی طور برساجی تعاون برمرکوز

### صحت، تحفظ اور ماحول

تحفظ Stile کی بنیادی اقدار ہے اور کمپنی تسلسل کے ساتھ حفاظتی ثقافت کی ترقی کے لئے کوشاں ہے جس میں ذاتی تحفظ، حادثات اور زخم سے بحاؤ کے لئے مشحکم پروگرام، بہبودی ترقی اورلا گو ماحولیاتی اورصحت وتحفظ کے قانون اورضا بطوں کی باسداری شامل ہے۔

## بنيادي خطرات اورغيريقيني صورتجال

سمپنی کچهخصوص موروثی خطرات اورغیریقینی صورتحال کا شکار ہے۔ تاہم ہم درج ذیل کواہم خطرات سبجھتے کرتے ہیں:

- توانائی کی لاگتیں جو کہ گزشتہ سال کی بےنسبت دگنی ہو پیکی ہیں
- ٹیکس کے قوانین اورضوالط میں حالیہ تبدیلیوں کی وجہ سے مارکیٹ میں انتشار
  - زرمبادلهاوراشائے صرف کے نرخوں میں ناموافق اتارج ڈھاؤ  $\frac{1}{2}$ 
    - قیمت کے لحاظ سے حساس مارکیٹ  $\frac{1}{2}$

# د ائر یکٹرزر بورٹ

آپ کے ڈائر کیٹرزا بنی ریورٹ اور کمپنی کے مالیاتی گوشوارے برائے مختتمہ سال 30 جون 2019 پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔ چیئر مین کا جائز ہ اس رپورٹ کا لازمی حصہ ہے جو کہ سال کے دوران کمپنی کی سرگرمیوں ، مالیا تی معاملات اورمستقبل کے امکانات پرمشتمل ہے،جس کے مندر جات کی ڈائر یکٹرزتوثیق کرتے ہیں۔

#### كاروباري حائزه

د شوار گزار معاثنی اور کاروباری ماحول کے باجوو مالیاتی سال 19-2018 سمپنی کے لئے ایک اور کامیاب سال رہا کیونکہ اس سال کمپنی کی فروخت 6,933 ملین رویے کے ساتھ بلندترین رہی – خالص قبل ازئیکس منافع 372 ملین رویے رہاجو کہ گزشتہ سال کی بنسبت 51 فیصد زیادہ ہے۔

آپ کی کمپنی اپنی مصنوعات کی حدمیں اضافہ کے لئے کوشاں ہے اوراعلیٰ معیار کی ٹائلز پیدا کررہی ہے تا کہ طریق عمل میں برتری اورجدت کے ذریعے ٹائل کی صنعت میں اپنے حصہ کوشتخکم رکھ سکے۔ کمپنی کی تر جی تسلسل کے ساتھ نئے تجریدی ڈیزائن اور تیارسطحوں کومتعارف کروانا ہے اس عزم کے ساتھ کہ سٹمرز کو قابل اعتماد اور بہتر مصنوعات فرا ہم کی جاشکیں ،فروخت میں اضافہ ہو، لا گتوں کو کم کیاجا سکے ،پیداواری چکر کاوفت کم ہوجائے اور منافع میں اضافہ ہو-

سال کی دوسری ششماہی میں معیشت میں ست روی اور توانائی اور دیگر پیداواری لا گتوں میں قابل ذکراضا نے کے پیش نظر کمپنی باریک بینی کے ساتھ کاروباری افعال کینگرانی کررہی ہےجس میں پیداواری وکارکردگی میں مسلسل بہتری کاحصول اورمصنوعات میں جدت کےساتھ لاگتوں میں کمی اورطریق عمل میں بہتری پرتوجہ مرکوز ہےجس سے کمپنی کی یائیدار ترقی کویقینی بنایا جاسکےگا۔

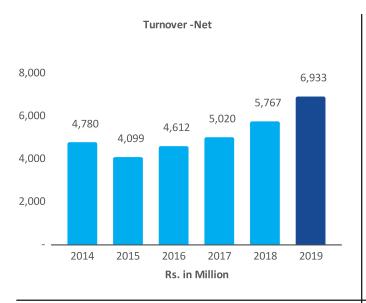
كاروبارى نتائج مالیاتی سال نختمہ 30 جون 2019 میں کمپنی کے کاروباری نتائج کا گزشتہ سال کے ساتھ متقابلہ جائزہ درج ذیل ہے:

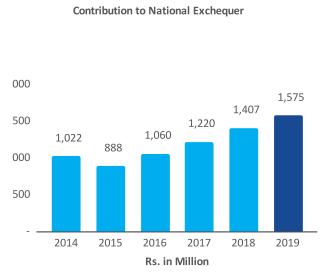
2018	2019	
رول''میں	روپے'' نمرا	
5,767,082	6,933,077	غالص فروخت
1,257,217	1,611,867	خالص فروخت مجموعی منافع
740,314	1,053,005	آ مدن قبل از سود نبیکس اور فرسودگی(EBITDA)
395,010	593,555	فرسود گی
98,121	86,946	مالياتى لاگت
247,183	372,504	منافع قبل از ٹیکس
194,406	234,341	منافع بعداز ئيكس
0.81	0.98	منافع بعداز نگیس فی حصص منافع (روپ)

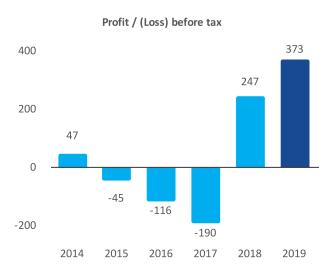
## **PERFORMANCE OF LAST SIX YEARS**

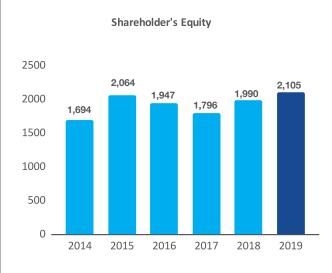
	2019	2018	2017	2016	2015	2014
FINANCIAL SUMMARY			Rupees	in '000'		
For the year						
Turnover (Net)	6,933,077	5,767,082	5,020,008	4,611,670	4,098,691	4,779,969
% of Growth	20.22%	14.88%	8.85%	12.52%	-14.25%	-2.41%
Gross profit	1,611,867	1,257,217	534,901	532,345	701,491	1,034,677
Gross profit (%)	23.25%	21.80%	10.66%	11.54%	17.12%	21.65%
Administrative Expenses	257,919	178,128	155,493	125,775	104,166	117,158
% of Turnover -net	3.72%	3.09%	3.10%	2.73%	2.54%	2.45%
Selling and distribution Cost	927,447	748,488	514,307	488,260	429,821	631,449
% of Turnover -net	13.38%	12.98%	10.25%	10.59%	10.49%	13.21%
Financial Charges	86,946	98,121	93,426	82,888	226,295	238,903
% of Turnover -net	1.25%	1.70%	1.86%	1.80%	5.52%	5.00%
Profit / (loss) before taxation	372,504	247,183	(189,770)	(116,087)	(45,082)	47,229
% of Turnover -net	5.37%	4.29%	-3.78%	-2.52%	-1.10%	0.99%
Profit / (loss) for the year	234,341	194,406	(151,484)	(116,632)	(62,142)	(26,036
% of Turnover -net	3.38%	3.37%	-3.02%	-2.53%	-1.52%	-0.54%
EBITDA	1,053,005	740,314	209,135	235,284	451,127	577,079
% of Turnover -net	15.19%	12.84%	4.17%	5.10%	11.01%	12.07%
Cash dividend	59,830	119,660	-	-	-	-
Cash dividend (%)	5.00%	10.00%	-	-	-	-
Ratio Analysis						
Break-up value per share (Rs.)	8.79	8.32	7.50	8.14	8.62	7.08
Earnings / (loss) per share (Rs.)	0.98	0.81	(0.63)	(0.49)	(0.32)	(0.15
Receivables no. of days	13	20	65	66	80	62
Current ratio	0.86	0.85	0.80	0.97	1.11	0.74
Number of employees (Permanent)	869	888	939	927	892	888

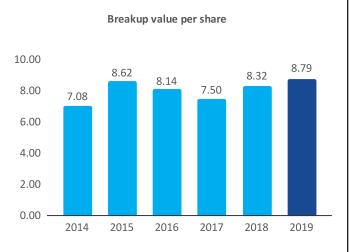
## **FINANCIAL HIGHLIGHTS**

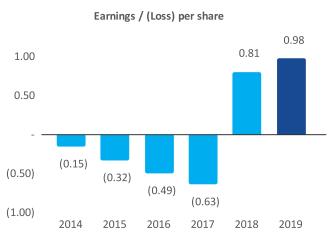












## **VERTICAL ANALYSIS**

STATEMENT OF FINANCIAL POSITION	2019	%	2018	%	2017	%	2016	%	2015	%	2014	%
Property, plant & Equipment	3,116,316	55.8	3,375,273	61.6	2,840,968	53.8	2,748,115	59.0	2,756,649	56.8	2,945,072	61.7
Investment property	9,519	0.2	10,761	0.2	12,003	0.2	6,750	0.145	7,452	0.154	100	0.002
Long-term loans, advances & deposits	20,312	0.4	14,242	0.3	7,386	0.1	7,591	0.2	9,563	0.2	9,445	0.2
Current assets	2,440,767	43.7	2,076,768	37.9	2,419,175	45.8	1,898,162	40.7	2,076,318	42.8	1,814,964	38.1
Total Assets	5,586,914	100.0	5,477,044	100.0	5,279,532	100.0	4,660,618	100.0	4,849,982	100.0	4,769,581	100.0
Issued, subscribed and paid-up capital	1,196,600	21.4	1,196,601	21.8	1,196,601	22.7	1,196,601	25.7	1,196,601	24.7	757,341	15.9
Share Premium	449,215	8.0	449,215	8.2	449,215	8.5	449,215	9.6	449,215	9.3	456,288	9.6
Reserves	458,837	8.2	344,156	6.3	149,750	2.8	301,234	6.5	417,866	8.6	480,008	10.1
Shareholders' equity	2,104,652	37.7	1,989,972	36.3	1,795,566	34.0	1,947,050	41.8	2,063,682	42.6	1,693,637	35.5
Long term finance	449,100	8.0	905,219	16.5	375,000	7.1	625,000	13.4	750,000	15.5	447,649	9.4
Deferred tax liability - net	200,013	3.6	138,287	2.5	85,510	1.6	135,783	2.9	171,794	3.5	184,839	3.9
Current liabilities	2,833,149	50.7	2,443,566	44.6	3,023,456	57.3	1,952,785	41.9	1,864,506	38.4	2,443,456	51.2
Total Equities and Liabillities	5,586,914	100.0	5,477,044	100.0	5,279,532	100.0	4,660,618	100.0	4,849,982	100.0	4,769,581	100.0
						-		-		-		-
STATEMENT OF PROFIT OR LOSS						-		-		-		-
Turnover - net	6,933,077	100.0	5,767,082	100.0	5,020,008	100.0	4,611,670	100.0	4,098,691	100.0	4,779,969	100.0
Cost of Sales	(5,321,210)	(76.8)	(4,509,865)	(78.2)	(4,485,107)	(89.3)	(4,079,325)	(88.5)	(3,397,200	) (82.9)	(3,745,292)	(78.4)
Gross profit	1,611,867	23.2	1,257,217	21.8	534,901	10.7	532,345	11.5	701,491	17.1	1,034,677	21.6
Selling and distribution costs	(927,447)	(13.4)	(748,488)	(13.0)	(514,307)	(10.2)	(488,260)	(10.6)	(429,821)	(10.5)	(631,449)	(13.2)
Administrative expenses	(257,919)	(3.7)	(178,128)	(3.1)	(155,493)	(3.1)	(125,775)	(2.7)	(104,166)	(2.5)	(117,158)	(2.5)
Other income	66,017	1.0	35,603	0.6	38,555	0.8	48,491	1.1	14,229	0.3	8,663	0.2
Other charges	(33,068)	(0.5)	(20,900)	(0.4)	-	-	-	-	(520)	(0.01)	(8,601)	(0.2)
Operating profit	459,450	6.6	345,304	6.0	(96,344)	(1.9)	(33,199)	(0.7)	181,213	4.4	286,132	6.0
Finance cost	(86,946)	(1.3)	(98,121)	(1.7)	(93,426)	(1.9)	(82,888)	(1.8)	(226,295)	(5.5)	(238,903)	(5.0)
Profit/(loss) before taxation	372,504	5.4	247,183	4.3	(189,770)	(3.8)	(116,087)	(2.5)	(45,082)	(1.1)	47,229	1.0
Taxation	(138,163)	(2.0)	(52,777)	(0.9)	38,286	0.8	(545)	(0.0)	(17,060)	(0.4)	(73,265)	(1.5)
Profit/(loss) after taxation	234,341	3.4	194,406	3.4	(151,484)	(3.0)	(116,632)	(2.5)	(62,142)	(1.5)	(26,036)	(0.5)

## **HORIZONTAL ANALYSIS**

STATEMENT OF FINANCIAL POSITION	2019	%	2018	%	2017	%	2016	%	2015	%	2014	%
Property, plant & Equipment	3,116,316	(7.7)	3,375,273	18.8	2,840,968	3.4	2,748,115	(0.3)	2,756,649	(6.4)	2,945,072	(6.9)
Investment property	9,519	(11.5)	10,761	(10.3)	12,003	77.8	6,750	(9.4)	7,452	7,352.0	100	(51.7)
Long-term loans, advances & deposits	20,312	42.6	14,242	92.8	7,386	(2.7)	7,591	(20.6)	9,563	1.2	9,445	(13.5)
Current assets	2,440,767	17.5	2,076,768	(14.2)	2,419,175	27.4	1,898,162	(8.6)	2,076,318	14.4	1,814,964	14.7
Total Assets	5,586,914	2.0	5,477,044	3.7	5,279,532	13.3	4,660,618	(3.9)	4,849,982	1.7	4,769,581	0.3
Issued, subscribed and paid-up capital	1,196,600	-	1,196,601	-	1,196,601	-	1,196,601	-	1,196,601	58.0	757,341	5.0
Share Premium	449,215	-	449,215	-	449,215	-	449,215	-	449,215	(1.6)	456,288	-
Reserves	458,837	33.3	344,156	129.8	149,750	(50.3)	301,234	(27.9)	417,866	(12.9)	480,008	(21.9)
Shareholders' equity	2,104,652	5.8	1,989,972	10.8	1,795,566	(7.8)	1,947,050	(5.7)	2,063,682	21.8	1,693,637	(5.5)
Long term finance	449,100	(50.4)	905,219	141.4	375,000	(40.0)	625,000	(16.7)	750,000	67.5	447,649	(56.3)
Deferred tax liability - net	200,013	44.6	138,287	61.7	85,510	(37.0)	135,783	(21.0)	171,794	(7.1)	184,839	18.8
Current liabilities	2,833,149	15.9	2,443,566	(19.2)	3,023,456	54.8	1,952,785	4.7	1,864,506	(23.7)	2,443,456	37.1
Total Equities and Liabillities	5,586,914	2.0	5,477,044	3.7	5,279,532	13.3	4,660,618	(3.9)	4,849,982	1.7	4,769,581	0.3
-												
STATEMENT OF PROFIT OR LOSS												
Turnover - net	6,933,077	20.2	5,767,082	14.9	5,020,008	8.9	4,611,670	12.5	4,098,691	(14.3)	4,779,969	(2.4)
Cost of Sales	(5,321,210)	18.0	(4,509,865)	0.6	(4,485,107)	9.9	(4,079,325)	20.1	(3,397,200)	(9.3)	(3,745,292)	0.7
Gross profit	1,611,867	28.2	1,257,217	135.0	534,901	0.5	532,345	(24.1)	701,491	(32.2)	1,034,677	(12.2)
Selling and distribution costs	(927,447)	23.9	(748,488)	45.5	(514,307)	5.3	(488,260)	13.6	(429,821)	(31.9)	(631,449)	(2.4)
Administrative expenses	(257,919)	44.8	(178,128)	14.6	(155,493)	23.6	(125,775)	20.7	(104,166)	(11.1)	(117,158)	39.2
Other income	66,017	85.4	35,603	(7.7)	38,555	(20.5)	48,491	240.8	14,229	64.3	8,663	124.6
Other charges	(33,068)	58.2	(20,900)		-	-	-	(100.0)	(520)	(94.0)	(8,601)	(49.8)
Operating profit	459,450	(33.1)	345,304	458.4	(96,344)	190.2	(33,199)	(118.3)	181,213	(36.7)	286,132	(34.1)
Finance cost	(86,946)	(11.4)	(98,121)	5.0	(93,426)	12.7	(82,888)	(63.4)	(226,295)	(5.3)	(238,903)	(21.2)
Profit/(loss) before taxation	372,504	(50.7)	247,183	230.3	(189,770)	63.5	(116,087)	157.5	(45,082)	(195.5)	47,229	(63.9)
Taxation	(138,163)	(161.8)	(52,777)	237.8	38,286	(7,125.0)	(545)	(96.8)	(17,060)	(76.7)	(73,265)	50.9
Profit/(loss) after taxation	234,341	(20.5)	194,406	228.3	(151,484)	29.9	(116,632)	87.7	(62,142)	138.7	(26,036)	(131.6)









EY Ford Rhodes Chartered Accountants Progressive Plaza, Beaumont Road P.O. Box 15541, Karachi 75530 Pakistan UAN: +9221 111 11 39 37 (EYFR) Tel: +9221 3565 0007-11 Fax: +9221 3568 1965 ey.khi@pk.ey.com ey.com/pk

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Shabbir Tiles & Ceramics Limited (the Company)

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Shabbir Tiles & Ceramics Limited for the year ended 30 June 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2019.

Chartered Accountants

Place: Karachi

Date: 24 September 2019

# STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE **GOVERNANCE) REGULATIONS, 2017**

Shabbir Tiles and Ceramics Limited (the Company) has complied with the requirements of the Regulations, 2017 in the following manner:

1) The total number of directors are seven as per following:

> Female: h.

The composition of board of directors (the Board) is as follows: 2)

> Mr. Feroze Jahangir Cawasji Independent Director

> > Mrs. Farhana Mowjee Khan

b) **Executive Director** Mr. Syed Masood Abbas Jaffery

c) Non-Executive Directors Mr. Rafiq M. Habib

Mr. Ali Suleman Habib

Mr. Muhammad Salman Burney Mr. Abdul Hai M. Bhaimia

- The Directors have confirmed that none of them is serving as a director on more than five listed companies, including this 3) Company.
- The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it 4) throughout the company along with its supporting policies and procedures.
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A 5) complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 6) All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by board/shareholders as empowered by the relevant provisions of the Companies Act 2017 (the Act) and these Regulations.
- 7) The meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of board.
- 8) The board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- 9) The Board has arranged Directors' Training Programs for Mr. Feroze Jehangir Cawasji and Mr. Masood Jaffery during the year ended June 30, 2019.
- The Board has approved change in remuneration and terms and condition of employment of CFO, Company Secretary and 10) Head of Internal Audit and complied with relevant requirements of the Regulations.
- CFO and CEO duly endorsed the financial statements before approval of the board. 11)
- The board has formed committees comprising of members given below: 12)

**Audit Committee** a)

> Mr. Feroze Jehangir Cawasji Chairman Mr. Abdul Hai M. Bhaimia Member Mrs. Farhana Mowjee Khan Member

HR and Remuneration Committee

Mr. Feroze Jehangir Cawasji Chairman Mr. Salman Burney Member Mr. Syed Masood Abbas Jaffery Member

**RAFIQ M. HABIB** 

Chairman

- 13) The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
- The frequency of meetings of the committees were as per following: 14)
- Audit Committee: Four quarterly meetings were held during the year ended June 30, 2019. a)
- HR and Remuneration Committee: One meeting was held during the year ended June 30, 2019. b)
- 15) The board 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.
- 16) The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board 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 ICAP.
- 17) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 18) We confirm that all other requirements of the Regulations have been complied with.

SYED MASOOD ABBAS JAFFERY

Chief Executive Officer

Date: September 17, 2019

5. M. Hobas



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EY Ford Rhodes Chartered Accountants Progressive Plaza, Beaumont Road P.O. Box 15541, Karachi 75530 Pakistan UAN: +9221 111 11 39 37 (EYFR) Tel: +9221 3565 0007-11 Fax: +9221 3568 1965 ey.khi@pk.ey.com ey.com/pk

## INDEPENDENT AUDITOR'S REPORT

## To the members of Shabbir Tiles and Ceramics Limited Report on the Audit of the Financial Statements

## Opinion

We have audited the annexed financial statements of **Shabbir Tiles and Ceramics Limited** (the Company), which comprise the statement of financial position as at **30 June 2019**, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of the profit, comprehensive income, the changes in equity and its cash flows for the year then ended.

## **Basis for Opinion**

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

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.





Following are the key audit matters:

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S No.	Key audit matters	How our audit addressed the key audit matter
1.	Adoption of IFRS 9 - Financial Instruments and Customers	IFRS - 15 Revenue from Contracts with
	As referred to in note 4.1 to the accompanying financial statements, the Company has adopted IFRS 9 and IFRS 15 with effect from 1 July 2018.  IFRS 9 requires the Company to calculate loss allowances for financial assets using expected credit loss (ECL) model as against the incurred	Our key audit procedures in this area included, amongst others, review of the methodology developed and applied by the management to estimate the allowance for ECL against trade debts. We considered and evaluated the assumptions used in applying the ECL model based on historical information and qualitative factors as relevant for such estimates.
	loss model previously applied by the management.  Assessment of allowance for ECL against trade debts requires significant judgement, estimates and assumptions applied by the management including historical credit loss experience adjusted with forward-looking macro-economic information.	Further, we assessed the integrity and quality of the data used for allowance for ECL computation based on the accounting records and information system of the Company as well as the external sources used for this purpose.  We checked the mathematical accuracy of the ECL model by performing recalculation on test basis.
	IFRS 15 provides comprehensive model of revenue recognition along with detailed presentation and disclosure requirements. The standard requires the Company to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying the model to contracts with customers.  Given the significance of the estimates and judgments used by the management related particularly to the calculation of allowance for ECL and to the timing and measurement of revenue recognition as well as incremental qualitative and quantitative disclosure, we considered these as a key audit matter.	We obtained an understanding of the additional processes and tested controls over revenue recognition established by the management in accordance with IFRS 15.  We reviewed the assessment prepared by the management relating to the application of five-step model for revenue recognition. We assessed the reasonableness of judgments exercised by the management. We also considered and reviewed, on a sample basis, terms of revenue contracts and evaluated the timing and amount of revenue recognised.  We further assessed the adequacy of financial statement disclosures in accordance with the applicable financial reporting framework.
2.	Capital expenditure	
	As disclosed in note 7 to the accompanying financial statements, the Company has incurred significant amount of capital expenditure including transfers from capital work in progress during the year for balancing, modernization and replacement of plant and machinery.  We focused on capital expenditure incurred during the year as this represents a significant transaction for the year and involves certain	Our key audit procedures in this area included, amongst others, obtaining an understanding of the Company's process with respect to capital expenditure and testing controls relevant to such process.  We performed substantive audit procedures through inspection of related documents supporting various components of the capitalized costs.
	judgmental areas, such as capitalization of elements of eligible components of cost,	We also considered whether the items of cost

RAM

reporting standards.

capitalized meet the recognition criteria of an

asset in accordance with the applicable financial

matter.

estimation of economic useful lives and residual

values for determining the depreciation as per

the applicable financial reporting standards, therefore, we have identified this as a key audit



We reviewed management's estimates about the useful life and residual value of assets capitalized during the year and consequent depreciation rates used by the Company.

We further assessed the adequacy of financial statement disclosures in accordance with the applicable financial reporting framework.

## 3. Existence and valuation of stock-in-trade

As disclosed in note 12 to the accompanying financial statements, the stock-in-trade balance constitutes approximately 27% of total assets of the Company. The cost of finished goods is determined at weighted average cost including a proportion of production overheads.

The obsolescence is calculated by taking into account the Net Realisable Value (NRV) of related stock-in-trade while mainly keeping in view the estimated selling price, forecasted stock-in-trade usage and forecasted sales volume.

We have considered this area to be a key audit matter due to its materiality and judgments involved in estimating the NRV of underlying stock-in-trade as well as the management judgment in determining an appropriate costing basis and assessing its valuation. Our audit procedures included, amongst others, reviewing the management's procedures for evaluating the NRV of stock-in-trade, observing physical stock counts to ascertain the condition and existence of stock-in-trade, performing testing on a sample of items to assess the NRV of the stock-in-trade held and evaluating the adequacy of write down of stock-in-trade to NRV as at the year end.

Further, we evaluated the appropriateness of the basis of identification of the obsolete stock-intrade and the accuracy of provision for slow moving stock-in-trade assessed by the management, on a test basis.

We tested the accuracy of the ageing analysis of stock-in-trade, on a sample basis and cost of goods with underlying invoices and expenses incurred in accordance with stock-in-trade valuation method.

We also tested the calculations of per unit cost of finished goods and assessed the appropriateness of management's basis for the allocation of cost and production overheads.

We further tested the NRV of stock-in-trade by performing a review of sales close to and subsequent to the year-end and comparing with the cost for a sample of products.

We further assessed the adequacy of financial statement disclosures in accordance with the applicable financial reporting framework.

## Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to
  fraud or error, design and perform audit procedures responsive to those risks, and obtain audit
  evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not
  detecting a material misstatement resulting from fraud is higher than for one resulting from error, as
  fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of
  internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that
  are appropriate in the circumstances, but not for the purpose of expressing an opinion on the
  effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the
  disclosures, and whether the financial statements represent the underlying transactions and events in a
  manner that achieves fair presentation.



We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance subsequent to the year end.

The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.

**Chartered Accountants** 

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Place: Karachi

Date: 24 September 2019

## **Statement of Financial Position**

As At June 30, 2019

	Note	June 30, 2019 (Rupees in	June 30, 2018 '000)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment Investment property Long-term loans Long-term security deposits  CURRENT ASSETS	7 8 9 10	3,116,316 9,519 20 20,292 3,146,147	3,375,273 10,761 10 14,232 3,400,276
	г		
Stores and spare parts Stock-in-trade Trade debts Loans and advances Deposits and prepayments Taxation - net Cash and bank balances	11 12 13 14 15	322,695 1,494,300 148,251 10,551 21,018 316,825 127,127 2,440,767 5,586,914	364,876 1,107,933 243,365 13,383 8,115 234,622 104,474 2,076,768 5,477,044
EQUITY AND LIABILITIES SHARE CAPITAL AND RESERVES Authorised capital 240,000,000 (2018: 240,000,000) ordinary shares of Rs.5/- each	-	1,200,000	1,200,000
Issued, subscribed and paid-up capital Reserves	17	1,196,600 908,052 2,104,652	1,196,600 793,371 1,989,971
NON-CURRENT LIABILITIES			
Long-term financing Deferred tax liability - net	18 19	449,100 200,013 649,113	905,219 138,287 1,043,506
CURRENT LIABILITIES		043,110	1,010,000
Trade and other payables Unclaimed dividends Unpaid dividend Accrued mark-up	20	2,469,461 2,812 2,450	2,163,702 3,324 -
Current maturity of long-term financing Short-term borrowings Sales tax payable	18 21	9,860 49,900 191,381 107,285	28,476 - - 248,065
CONTINGENCIES AND COMMITMENTS	22	2,833,149	2,443,567
	=	5,586,914	5,477,044

The annexed notes from 1 to 41 form an integral part of these financial statements.

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WAQUAS AHMED Chief Financial Officer 5. W. Holas

SYED MASOOD ABBASJAFFERY
Chief Executive Officer

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## **Statement of Profit or Loss**

For The Year Ended June 30, 2019

		June 30, 2019	June 30, 2018	
	Note	(Rupees in		
Turnover - net Cost of sales	23 24	6,933,077 (5,321,210)	5,767,082 (4,509,865)	
Gross profit	-	1,611,867	1,257,217	
Selling and distribution costs Administrative expenses	25 26	(927,447) (257,919) (1,185,366)	(748,488) (178,128) (926,616)	
Other income	27	66,017	35,603	
Operating profit	-	492,518	366,204	
Finance costs Other expenses	28 29	(86,946) (33,068) (120,014)	(98,121) (20,900) (119,021)	
Profit before taxation	-	372,504	247,183	
		(Rupees in	'000)	
Taxation	30	(138,163)	(52,777)	
Profit after taxation	-	234,341	194,406	
		Rupee		
Earnings per share - basic and diluted	31	0.98	0.81	

The annexed notes from 1 to 41 form an integral part of these financial statements.

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**WAQUAS AHMED**Chief Financial Officer

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SYED MASOOD ABBASJAFFERY
Chief Executive Officer

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FEROZE JEHANGIR CAWASJI

## **Statement of Cash Flows**

For The Year Ended June 30, 2019

	Note	June 30, 2019 (Rupees in	June 30, 2018 <b>'000)</b>
CASH FLOWS FROM OPERATING ACTIVITIES Profit before taxation		372,504	247,183
Adjustments for non-cash and other items Depreciation on			
operating fixed assets	7.3	592,313	393,768
investment property	8	1,242	1,242
Finance costs	28	86,946	98,121
Increase in allowance for expected credit loss	13.2	7,259	20,364
Provision for slow moving stores and spare parts	11.1	32,296	6,030
(Reversal) / provision for slow moving stock-in-trade	12.2	(3,795)	13,243
Gain on disposal of property, plant and equipment	27	(17,460)	(1,697)
	_	698,801	531,071
Operating profit before working capital changes		1,071,305	778,254
(Increase) / decrease in current assets			
Stores and spare parts	Γ	9,885	(117,710)
Stock-in-trade		(382,572)	(144,818)
Trade debts		87,855	684,974
Loans and advances		2,832	4,192
Deposits and prepayments	L	(12,903) (294,903)	990 427,628
Increase / (decrease) in current liabilities		(204,000)	127,020
Trade and other payables		305,759	542,432
Sales tax payable		(140,780)	103,503 645,935
		164,979	643,933
Cash generated from operations	-	941,381	1,851,817
Income tax paid		(158,640)	(83,699)
Finance costs paid		(105,562)	(83,680)
Long-term loans - net Long-term security deposits - net		(10) (6,060)	29 (6,885)
Net cash generated from operating activities	-	671,109	1,677,582
			,,,,,,,
CASH FLOWS FROM INVESTING ACTIVITIES Capital expenditure	Г	(343,419)	(933,317)
Proceeds from disposal of operating fixed assets		27,523	6,940
Net cash used in investing activities	_	(315,896)	(926,377)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment) / receipts of long-term financing - net		(406,219)	280,219
Dividend paid		(117,722)	-
Net cash (used in) / generated from financing activities		(523,941)	280,219
Net (decrease) / increase in cash and cash equivalents	<del>-</del>	(168,728)	1,031,424
Cash and cash equivalents at the beginning of the year		104,474	(926,950)
Cash and cash equivalents at the end of the year	32	(64,254)	104,474
	-		

The annexed notes from 1 to 41 form an integral part of these financial statements.

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WAQUAS AHMED
Chief Financial Officer

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SYED MASOOD ABBASJAFFERY
Chief Executive Officer

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FEROZE JEHANGIR CAWASJI

# **Statement of Comprehensive Income**For The Year Ended June 30, 2019

June 30, June 30. 2019 2018 -----(Rupees in '000)-----234,341 194,406

194,406

234,341

Other comprehensive income

Profit after taxation

Total comprehensive income for the year

The annexed notes from 1 to 41 form an integral part of these financial statements.

**WAQUAS AHMED** Chief Financial Officer

SYED MASOOD ABBASJAFFERY Chief Executive Officer

**FEROZE JEHANGIR CAWASJI** 

# **Statement of Changes in Equity** For The Year Ended June 30, 2019

		Reserves						
	Issued Subscribed	Capital reserve Revenue reserves						
	and paid- up Capital	Share premium	General Reserve	Accumulated Loss	Total reserves	Total equity		
			(Rupees	in '000)				
Balance as at June 30, 2017	1,196,600	449,215	478,000	(328,250)	598,965	1,795,565		
Profit after taxation	-	-	-	194,406	194,406	194,406		
Other comprehensive income	-	-	-	-	-	-		
Total comprehensive income for the year	-	-	-	194,406	194,406	194,406		
Balance as at June 30, 2018	1,196,600	449,215	478,000	(133,844)	793,371	1,989,971		
Final dividend @ 10% for the year ended June 30, 2018	-	-	-	(119,660)	(119,660)	(119,660)		
Profit after taxation	-	-	-	234,341	234,341	234,341		
Other comprehensive income	_		-	_	_	-		
Total comprehensive income for the year	-	-	-	234,341	234,341	234,341		
Balance as at June 30, 2019	1,196,600	449,215	478,000	(19,163)	908,052	2,104,652		

The annexed notes from 1 to 41 form an integral part of these financial statements.



**WAQUAS AHMED** 

Chief Financial Officer

SYED MASOOD ABBASJAFFERY Chief Executive Officer

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**FEROZE JEHANGIR CAWASJI** 

For The Year Ended June 30, 2019

#### 1. THE COMPANY AND ITS OPERATIONS

Shabbir Tiles and Ceramics Limited (the Company) was incorporated in Pakistan as a public limited company, under the repealed Companies Act 1913 on November 7, 1978 and listed on the Pakistan Stock Exchange Limited. The 1.1 Company is primarily engaged in the manufacture and sale of tiles and trading of allied building products.

<b>Business Unit</b>	Address	<b>Production Facility</b>
Registered Office & Production	15th Milestone, National Highway,	Tiles & Building material products
Plant (Unit 1):	Landhi, Karachi.	
Production Plant (Unit 2):	Deh Khanto, Tappo Landhi, District	Tiles
	Malir, Bin Qasim Town Karachi.	
Production Plant (Islamabad):	Plot No 01, ANF road, Yamaha	
	Chok Road, Model Town, Humak,	Building material products
	Islamabad.	
Production Plant (Lahore):	Godown 21- KM Ferozpur Road,	Building material products
	Opp. Ahmed CNG Pump Lahore.	

#### STATEMENT OF COMPLIANCE 2.

2.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRSs), issued by International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), as notified under Companies Act, 2017 (the Act) and, provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ from the IFRSs, the provisions of and directives issued under the Act have been followed.

#### 3. **BASIS OF MEASUREMENT**

- These financial statements have been prepared under the historical cost convention, unless otherwise specifically 3.1 stated.
- These financial statements have been presented in Pakistani rupee, which is the Company's functional and 3.2 presentation currency.

#### 4. STANDARDS, AMENDMENTS AND IMPROVEMENTS APPLICABLE TO FINANCIAL STATEMENTS

#### 4.1 New Standards, amendments and improvements effective during the year

The Company has adopted the following standards, amendments and improvements of International Financial Reporting Standards (IFRSs) which became effective for the current year:

- IFRS 2 Share-based Payments: Classification and Measurement of Share Based Payments Transactions (Amendments)
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IAS 40 Investment Property: Transfers of Investment Property (Amendments)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

Improvements to IFRSs Issued by IAASB in December 2016

IAS 28 — Investment in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss in an investment-by-investment choice.

The adoption of the above standards, amendments and improvements to IFRSs did not have any material effect on these financial statements, except for IFRS 15 and IFRS 9 as explained below:

For The Year Ended June 30, 2019

#### **IFRS 9 Financial Instruments**

The Company has applied IFRS 9 using modified retrospective approach with initial application date of 1 July 2018 as notified by the SECP. IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

The management of the Company has assessed and concluded that the Company is in compliance with the requirements of IFRS 9.

The new accounting policy in respect of financial instruments along with the impact on the classification of financial assets is stated in note 6.16 to these financial statements.

#### **IFRS 15 Revenue from Contracts with Customers**

The Company has applied IFRS 15 using modified retrospective approach with initial application date of 1 July 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP). The first-time application of IFRS 15 has not had any significant effects with regard to the amount of revenue recognised and when it is recognised. Hence, no cumulative adjustment amounts have been recognised to adjust the opening retained earnings as at 1 July 2018. Accordingly, the information presented for prior years has not been restated, as previously reported, under IAS 18 and related interpretations.

The management of the Company has assessed and concluded that the Company is in compliance with the requirements of IFRS 15. The new accounting policy in respect of revenue recognition is stated in note 6.18 to these financial statements.

### 4.2 Standards, amendments and improvements to IFRSs that are not yet effective

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

		IASB effective date (annual periods beginning on or after)
	Standard or Amendments	
IFRS 3	Definition of a Business (Amendments)	01 January 2020
IFRS 3	Business Combinations: Previously held interests in a joint operation	01 January 2019
IFRS 9	Prepayment Features with Negative Compensation (Amendments)	01 January 2019
IFRS 10	Consolidated Financial Statements and Investment in Associates and Joint Ventures	
/ IAS 28	- Sale or Contribution of Assets between an Investor and its Associate or Joint	
	Venture (Amendment)	Not yet finalised
IFRS 11	Joint Arrangements: Previously held interests in a joint operation	01 January 2019
IFRS 16	Leases	01 January 2019
IAS1/IAS8	Definition of Material (Amendments)	01 January 2020
IAS 12	Income Taxes: Income tax consequences of payments on financial instruments	
	classified as equity	01 January 2019
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 23	Borrowing Costs - Borrowing costs eligible for capitalisation	01 January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRIC 23	3 Uncertainty over Income Tax Treatments	01 January 2019

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application, except for IFRS 16 - 'Leases'. The management of the Company is currently evaluating the impact of this standard on these financial statements.

For The Year Ended June 30, 2019

In addition to the above standards and amendments, improvements to various IFRSs have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan. The management of the Company expects that below new standards will not have any material impact on the Company's financial statements in the period of initial application.

> **IASB** effective date (annual periods beginning on or after)

> > Notos

#### **Standard or Amendments**

IFRS 1— First time adoption of IFRSs 01 January 2004 IFRS 14— Regulatory Deferral Accounts 01 January 2016 IFRS 17— Insurance Contracts 01 January 2021

#### 5. SIGNIFICANT ACCOUNTING JUDGEMENTS 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 historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

		Notes
a)	determining the method of depreciation, residual values and useful lives of operating fixed assets and investment property	6.1.1, 6.2, 7.1, 7.4 & 8
b)	determining the provision for slow moving stores and spare parts and stock-in-trade and adjustment of stock-in-trade to their net realizable value (NRV)	6.5, 6.6, 11 & 12
c)	determining the allowance for expected credit loss	6.7 & 13
d)	recognition of current and deferred taxation	6.12, 19 & 30

#### 6. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### 6.1 Property, plant and equipment

#### 6.1.1 **Operating fixed assets**

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any except for freehold land, which are stated at cost less any impairment in value.

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 straight line basis, other than freehold land which is determined to have an indefinite life,

For The Year Ended June 30, 2019

at the rates specified in note 7.1 to the financial statements. Depreciation on additions is charged from the month in which the asset is available for use and on disposals upto the month immediately preceding the month of deletion. No depreciation is charged if asset's residual value exceeds its carrying amount.

Residual values and useful lives are reviewed at each reporting date, and adjusted if expectations differ significantly from previous estimates (refer note 7.4 for change in the useful live and residual value of Polishing line (plant and machinery), which is applied prospectively in accordance with IAS 8 'Accounting policies, changes in accounting astimates and errors').

Repairs and maintenance are charged to the statement of profit or loss as and when incurred. Major renewals and improvements, if any, are capitalized when it is probable that respective future economic benefits will flow to the Company and the assets so replaced, if any, are retired.

An item of operating fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposals of operating fixed assets are recognized in the statement of profit or loss in the period in which they arise.

### 6.1.2 Capital work-in-progress

These are stated at cost less any impairment in value. All expenditure connected with specific assets incurred during installation and construction period including advances to suppliers and contractors are carried under this head. These are transferred to operating fixed assets as and when these assets are available for use.

### 6.2 Investment property

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged to the statement of profit or loss applying the straight line method at the rate specified in note 8 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.

Repairs and maintenance are charged to the statement of profit or loss 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 the statement of profit or loss for the year.

### 6.3 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which 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 statement of profit or loss in the period in which they are incurred.

## 6.4 Research and development costs

Research and development costs are charged to the statement of profit or loss in the period in which they are 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 International Accounting Standard (IAS) - 38 "Intangible Assets".

### 6.5 Stores and spare parts

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

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

### 6.6 Stock-in-trade

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

Raw and packing material weighted average cost.

Work-in-process and finished goods cost of direct materials and labour plus attributable overheads.

Stock in transit invoice price plus other charges paid thereon.

Provision is made for slow moving items, if any.

For The Year Ended June 30, 2019

#### 6.7 Trade debts, loans, deposits, long term loans, long term security deposits

Trade debts, loans, advances and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate (EIR) method less an allowance for expected credit losses, if any. Allowance for expected credit losses is based on lifetime ECLs that result from all possible default events over the expected life of the trade debts, loans, advances and other receivables. Bad debts, if any, are written off when considered irrecoverable.

#### 6.8 liarah rentals

Ijarah payments for assets under Ijarah arrangements are recognised as an expense in the statement of profit or loss on a straight line basis over the ljarah term.

#### 6.9 Cash and cash equivalents

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

#### 6.10 Trade and other payables

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

#### 6.11 **Provisions**

Provisions are recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow 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 reporting date and adjusted to reflect current best estimate.

#### 6.12 **Taxation**

#### Current 6.12.1

Provision for current taxation is based on the taxable income for the year determined in accordance with Income Tax Ordinance, 2001. The charge for current tax is calculated using prevailing tax rates. The charge for current tax also includes adjustments for prior years or otherwise considered necessary for such years. Current tax is charged to the statement of profit or loss except to the extent it relates to items recognised directly in other comprehensive income in which case it is recognised in statement of other comprehensive income.

#### 6.12.2 **Deferred**

Deferred taxation is provided, proportionate to local sales, on all temporary differences at the reporting 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 reporting date.

#### 6.13 Staff retirement benefit - Defined contribution plan

The Company operates a recognised provident fund for all eligible employees. Equal monthly contributions are made to the fund both by the Company and the employees in accordance with the rules of the scheme. The contributions from the Company are charged to the statement of profit or loss for the year.

#### 6.14 Employees' compensated absences

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

#### 6.15 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 reporting date. Exchange differences on foreign currency translations are taken to the statement of profit or loss in the period in which they occur.

For The Year Ended June 30, 2019

### 6.16 Financial Instruments

### 6.16.1 Financial assets

The financial assets of the company mainly include trade debts, loans, deposits, long term loans, long term security deposits and cash and bank balances.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit or Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Based on the business model of the Company, the financial assets of the Company are measured and classified under IFRS-9 as follows;

Trade debts and other financial assets previously classified as 'loans and receivables' are now classified as 'amortised cost'. These assets are measured at amortised cost using the effective interest rate method less an allowance for expected credit losses, if any.

### 6.16.2 Financial Liabilities

There are no changes in classification and measurement for the Company's financial liabilities on the adoption of IFRS-9.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category applies to long-term financing and short term borrowings of the Company as disclosed in note 18 and note 21 to the financial statements respectively.

### 6.16.3 Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

At each reporting date, the Company assesses whether financial assets are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the respective asset.

The Company uses the standard's simplified approach and calculates ECL based on life time ECL on its financial assets. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment.

For The Year Ended June 30, 2019

#### 6.16.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### 6.17 Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised, as an expense in the statement of profit or loss. The recoverable amount is the higher of an asset's fair value less cost to disposal and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets.

#### 6.18 Revenue

"Revenue from contracts with customers is recognized when the control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods according to the negotiated contractual terms. The Company has generally concluded that it acts as principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Performance obligations held by the Company are not separable, and are not partially satisfied, since they are satisfied at a point in time, when the customer accepts the products. In most of the cases, payments against the goods are realized in the month of delivery, without any variable considerations, financing components and guarantees.

The Company recognizes an account receivable when the performance obligations have been met, recognizing the corresponding revenue. Moreover, the considerations received before satisfying the performance obligations are recognized as advances from customer."

Return on bank deposits / saving accounts is recognised on accrual basis;

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

Other income, if any, is recognized on accrual basis.

#### 6.19 Dividend and appropriation to reserves

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

#### 6.20 Earnings per share

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

7.	PROPERTY, PLANT AND EQUIPMENT		June 30, 2019	June 30, 2018
		Note	(Rupees	in '000)
	Operating fixed assets	7.1	3,078,484	3,277,313
	Capital work-in-progress	7.5	37,832	97,960
			3,116,316	3,375,273

For The Year Ended June 30, 2019

## 7.1 Operating fixed assets

	C	OST			A	CCUMULATED	DEPRECIAT	ION	NET BOOK VALUE	
	As at July 01, 2018	Additions/ (disposals)	Disposals	As at June 30, 2019	As at July 01, 2018	Charge for the year (note 7.3)	On disposals	As at June 30, 2019	As at June 30, 2019	Depreciation rate %
					(Rs. in	000')				
2019 Freehold land (note 7.2)	266,135	-	-	266,135	-	-	-	-	266,135	-
Building on freehold land (note 7.2)	871,869	56,403	-	928,272	404, <b>744</b>	51,088	-	455,832	472,440	5 - 33
Plant and machinery	5,270,091	330,729	(237,557)	5,363,263	2,751,790	531,765	(229,668)	3,053,887	2,309,376	5 - 33
Furniture and fixture	24,310	-	-	24,310	24,061	-	-	24,061	249	20
Office equipment	28,426	13,798	(45)	42,179	21,806	4,546	(45)	26,307	15,872	20 - 33
Computers and accessories	17,971	2,617	(3,755)	16,833	13,128	2,750	(3,717)	12,161	4,672	33 - 50
Vehicles	33,885	-	(10,653)	23,232	19,845	2,164	(8,517)	13,492	9,740	20
	6,512,687	403,547	(252,010)	6,664,224	3,235,374	592,313	(241,947)	3,585,740	3,078,484	

	COST			A	ACCUMULATED DEPRECIATION					
	As at July 01, 2017	Additions/ (disposals)	Disposals	As at June 30, 2018	As at July 01, 2017	Charge for the year (note 7.3)	On disposals	As at June 30, 2018	As at June 30, 2018	Depre- ciation rate %
					(Rs. in	000')				
2018 Freehold land (note 7.2)	266,135	-	-	266,135	-	-	-	-	266,135	-
Building on freehold land (note 7.2)	830,750	41,119	-	871,869	366,215	38,529	-	404,744	467,125	5 - 20
Plant and machinery	4,362,583	910,391	(2,883)	5,270,091	2,404,878	349,766	(2,854)	2,751,790	2,518,301	5 - 33
Furniture and fixture	24,310	-	-	24,310	24,061	-	-	24,061	249	20
Office equipment	24,296	5,260	(1,130)	28,426	20,998	1,927	(1,119)	21,806	6,620	20 - 33
Computers and accessories	14,089	4,151	(269)	17,971	11,961	1,336	(169)	13,128	4,843	33 - 50
Vehicles	34,587	4,466	(5,168)	33,885	21,511	2,210	(3,876)	19,845	14,040	20
	5,556,750	965,387	(9,450)	6,512,687	2,849,624	393,768	(8,018)	3,235,374	3,277,313	

NET

## 7.2 Particulars of immovable fixed assets:

	Freehold la	ehold land Cost as at June 30,		
Location	Total area	2019 (Rupees	Total area in '000)	2019
15th Milestone, National Highway, Landhi, Karachi. Deh Khanto, Tappo Landhi, District Malir, Bin Qasim Town Karachi.	12 Acre 19 Ghunta 28 Acre 14 Ghunta	553 265,582 266,135	201,339 sq. ft. 403,617 sq. ft.	252,550 675,722 928,272

For The Year Ended June 30, 2019

			June 30,	June 30,
7.3	Depreciation charge for the year has been allocated as follows:		2019	2018
		Note	(Rupees	in '000)
	Cost of sales - manufacturing	24.1	587,877	391,009
	Distribution costs	25	2,424	1,591
	Administrative expenses	26	2,012	1,168
			592,313	393,768

#### 7.4 Useful life and residual value of Polishing line (plant and machinery)

The mangement of the Company has assessed the useful life and residual value of Polishing line (plant and machinery). The previous and revised remaining useful live and residual value is as under:

_	Useful Life	(months)	Residual Values (Rs. in '000)		
Plant and machinery	Revised	Previous	Revised	Previous	
Polishing line	140	180	Nil	9,515	

The effect of these changes in useful life on depreciation charge in the current and future periods are as follows:

	The effect of these changes in useful life on dep	preciation charge in	the current and futu	re periods ar	e as follows:		
		Annual depreciation expense					
		2019	2020		From July 01, 2021 and onwards		
			(Rupees in '0	00)			
	Increase / (decrease) in depreciation charge	13,504	8,294	(3,595)	(8,688)		
7.5	Capital work-in-progress:		Note	June 30, 2019 (Rupe	June 30, 2018 es in '000)		
	Plant and machinery Civil works			37,832	<b>2</b> 84,442 <b>.</b> 13,518		
	G.V.I. WOLLE		7.5.1	37,832			
7.5.1	Movement in capital work-in-progress is as fo	ollows:					
	Opening balance			97,960	133,842		
	Additions during the year			254,516	<b>6</b> 850,662		
	Transferred to operating fixed assets			(314,644	(882,732)		
	Disposal during the year				<b>-</b> (3,812)		
	Closing balance			37,832	<b>2</b> 97,960		

7.6 Particulars of disposal of each operating fixed asset having book value of five hundred thousand rupees or more, where aggregate book value of that class of assets exceeds five million rupees are as follows:

	For the year ended June 30, 2019						
	Mode of		Accumulated	Net book	Sales		
	disposal	Cost	depreciation	value	proceed	Gain	Particulars of buyers
				(Rupees in '000) -			
Transformer	Tender	13,762	13,073	689	917	228	Sahil & Sons
Roller Kiln	Tender	93,308	88,643	4,665	9,376	4,711	Irshad Scrap Dealer

For The Year Ended June 30, 2019

### 8. INVESTMENT PROPERTY

		COST		ACCUM	JLATED DEPREC	CIATION	NET BOOK VALUE	
	As at July 01, 2018	Additions	As at June 30, 2019	As at July 01, 2018	Charge for the year (note 25)	As at June 30, 2019	As at June 30, 2019	Depreciation rate %
	Rupees in '000							_
Freehold land Building on freehold	3	-	3	-	-	-	3	-
land	1,083	_	1,083	1,083	-	1,083		10
Showroom	7,800	-	7,800	2,457	702	3,159	4,641	10
Apartments	6,000	-	6,000	585	540	1,125	4,875	10
2019	14,886	-	14,886	4,125	1,242	5,367	9,519	- <b>=</b>
2018	14,886		14,886	2,883	1,242	4,125	10,761	- -

8.1 The forced sales values and fair values of investment properties based on the latest valuation carried out by an independent valuer on July 24, 2019, as at the reporting date are as under:

	Forced sales values		Fair va	lues
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
		Rupees ii	า '000	
Freehold land	4,914	4,382	6,142	5,478
Building on freehold land	2,033	1,794	2,541	2,242
Showroom	6,240	6,240	7,800	7,800
Apartments	4,800	4,800	6,000	6,000
•	17,987	17,216	22,483	21,520

## 8.2 Particulars of immovable investment property:

Particulars	Location	Total area / covered area
Freehold land	15th Milestone, National Highway, Landhi, Karachi.	332 SQ. Yards
Building on freehold land	15th Milestone, National Highway, Landhi, Karachi.	2,989 sq. ft.
Showroom	Shop No. 11, Mezzanine Floor, Pace N Pace Mall, Bosan Road, Multan.	260 sq. ft.
Apartments	Flat No. 17 & 20, Fifth Floor, Bismillah Heights, Tando Wali	770 sq. ft. &
	Muhammad, Ward A, Hyderabad.	860 sq. ft

June 30,

June 30,

9.	LONG-TERM LOANS		2019	2018
		Note	(Rupees i	n '000)
	Secured			
	Employees	9.1	1,921	3,238
	Executives	9.1	123	175
			2,044	3,413
	Current maturity of long-term loans	14	(2,024)	(3,403)
			20	10

9.1 Represent loans given for the purchase of household equipment which are repayable within two years of disbursement. These loans carry markup at the rate of KIBOR +3% per annum (2018: KIBOR +3% per annum). These are secured against staff retirement benefits.

For The Year Ended June 30, 2019

		Note	June 30, 2019 (Rupees	June 30, 2018 <b>in '000)</b>
10.	LONG-TERM SECURITY DEPOSITS			
	Utilities Rent Ijarah Others		2,943 15,962 1,053 334 20,292	2,956 10,921 285 70 14,232
11.	STORES AND SPARE PARTS			
	Stores Spare parts		114,043	129,834
	in hand in transit		288,914 2,984 291,898	278,653 7,339 285,992
	Provision for slow moving stores and spare parts	11.1	405,941 (83,246) 322,695	415,826 (50,950) 364,876
11.1	Movement of provision for slow moving stores and spare parts:			
	Opening balance Charge for the year Closing balance	24.1	50,950 32,296 83,246	44,920 6,030 50,950
12.	STOCK-IN-TRADE			
	Raw and packing material in hand in transit		665,544 44,324 709,868	534,209 48,031 582,240
	Work-in-process Finished goods		31,203	24,562
	Manufacturing Trading	12.1	764,232 23,809 788,041	526,057 13,681 539,738
	Provision for slow moving stock-in-trade	12.2	1,529,112 (34,812) 1,494,300	1,146,540 (38,607) 1,107,933

Includes stock-in-trade costing Rs. 157.715 million (2018: Rs. 100.457 million) which has been written down to its net realizable value (NRV) amounting to Rs. 78.480 million (2018: Rs. 55.856 million). 12.1

For The Year Ended June 30, 2019

12.2	Movement of provision for slow moving stock-in-trade:	Note	June 30, 2019 (Rupees	June 30, 2018 <b>in '000)</b>
	Opening balance			
	(Reversal) / charge for the year		38,607	25,364
	Closing balance	24.1	(3,795) 34,812	13,243 38,607
			34,012	30,007
			June 30,	June 30,
13.	TRADE DEBTS		2019 (Rupees	2018 in ' <b>000</b> )
			(1.0.000	555)
	Unsecured Considered good	13.1	148,251	243,365
	Considered good  Considered doubtful	10.1	140,871	142,086
			289,122	385,451
	Allowance for expected credit loss	13.2	(140,871) 148,251	(142,086) 243,365
10.1			-	
13.1	Includes receivables from the following related parties that are neither past du 90 days:	ie nor imp	dired and are	aged with in
	Indus Motor Company Limited		1,623	5,464
	Agriauto Industries Limited		50	332
	Thal Limited			5,815
			1,673	11,611
13.1.1	The maximum aggregate amount due from the related parties at the end of a million (2018: Rs. 12.129 million).	ny month	during the year	ar was 8.742
40.0			June 30,	June 30,
13.2	Movement in allowance for expected credit loss:		2019 (Rupees	2018 in <b>'000)</b>
	Opening balance		142,086	121,722
	Increase in allowance for expected credit loss during the year Written-off during the year	26	7,259 (8,474)	20,364
	Closing balance		140.871	142,086
			June 30,	June 30,
14.	LOANS AND ADVANCES		2019 (Rupees	2018
	Secured		(Hapooo	000)
	Loans Current maturity of long-term loans	9	2,024	3,403
	Unsecured, considered good Advances			
	Employees Suppliers and contractors		469 8,058	225 9,755
	Suppliers and contractors		8,527 10,551	9,980 13,383
			10,001	10,000

June 30,

June 30,

## **Notes to the Financial Statements**

For The Year Ended June 30, 2019

		Note	June 30, 2019 (Rupees i	June 30, 2018 <b>n '000)</b>
15.	DEPOSITS AND PREPAYMENTS			
	Deposits - interest free		100	100
	Prepayments Rent Insurance Others		10,216 2,940 7,762 20,918 21,018	3,608 2,538 1,869 8,015
16.	CASH AND BANK BALANCES			
	Cash in hand		13,699	7,186
	Cash at banks: Current accounts with Conventional banks Islamic banks	16.1	75,762 28,874 104,636	74,393 10,023 84,416
	Saving accounts	16.2	8,792	12,872
			127,127	104,474

- 16.1 Includes balance of Rs. 27.172 million (2018: Rs. 22.335 million) and Rs. 21.681 million (2018: Rs. 7.973 million) maintained with Habib Metropolitan Bank Limited and Bank Al Habib Limited respectively, the related parties.
- These carry profit rates ranging from 6.5% to 10.25% per annum (2018: 4% to 5% per annum). These balances are 16.2 held in accounts maintained under conventional banking. These include balance of Rs. 2.877 million (2018: Rs. 4.572 million) maintained with Habib Metro Bank Limited, a related party.

#### **17.** ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2019 2018			2019	2018	
(Number of shares in '000)			(Rupees	in <b>'000)</b>	
199,627	199,627	Ordinary shares of Rs. 5/- each	998,135	998,135	
1,150	1,150	Fully paid-up in cash	5,750	5,750	
38,543	38,543	Issued for consideration other than cash	192,715	192,715	
239,320	239,320	Issued as fully paid bonus shares	1,196,600	1,196,600	

#### 18. **LONG-TERM FINANCING**

### Secured

From a banking company Faysal Bank Limited 18.1 499,000 905,219 Current maturity of long-term financing (49,900)449.100

18.1 Represents diminishing musharaka facility amounting to Rs. 1,000 million (2018: Rs. 1,000 million) under islamic banking terms which carries markup at rate of three months KIBOR + 0.70% per annum, payable quarterly with two years' grace period. The facility is secured against first pari passu mortgage and hypothecation over all present and future fixed assets (Land, building, plant and machinery). The loan is repayable within five years in ten equal semi annual installments commencing from February 2020.

For The Year Ended June 30, 2019

19.	DEFERRED TAX LIABILITY - net	Note	June 30, 2019 (Rupees	June 30, 2018 in '000)
	Deferred tax liabilities on taxable temporary differences: Accelerated tax depreciation		378,547	452,107
	Deferred tax asset on deductible temporary differences: Provisions Carried forward unabsorbed depreciation Carried forward tax credit u/s 65 (B) Unused tax losses		(94,078) (84,456) - - (178,534) 200,013	(82,315) - (17,808) (213,697) (313,820) 138,287
20.	TRADE AND OTHER PAYABLES		June 30, 2019 (Rupees	June 30, 2018 in '000)
	Creditors Accrued liabilities Advance from customers Payable to provident fund Security deposits Withholding tax payable Workers' Profit Participation Fund Workers' Welfare Fund	20.1 20.1,& 20.2 20.3 20.4 29 29	162,426 2,166,384 79,670 3,905 740 22,760 20,541 12,851	227,008 1,848,107 63,057 3,380 2,125 1,519 13,275 5,045
	Others		184 2,469,461 June 30,	186 2,163,702 June 30,
20.1	Includes payable to the following related parties:		2019 (Rupees	2018 in '000)
	Thal Limited Habib Insurance Company Limited Habib Metro Pakistan (Private) Limited		16,243 1,981 190	8,514 40 205
20.2	Include accrual for leave encashment of Rs. 54 548 million (2018: Rs.	s 54 061 million) and	honus of Rs	50 913 million

20.2 Include accrual for leave encashment of Rs. 54.548 million (2018: Rs. 54.061 million) and bonus of Rs. 50.913 million (2018: Rs. 64.499 million).

For The Year Ended June 30, 2019

20.3	Payable to provident fund:			June 30, 2019	June 30, 2018
			No	te(Rupe	es in '000)
				(un audited)	(audited)
	General disclosures				
	Size of the Fund			210,467	182,236
	Investments - at cost			166,000	146,000
	Investment - at fair value		20.3	3.1 <b>201,477</b>	172,936
	Percentage of investments made		20.3	<b>95.73%</b>	94.90%
20.3.1	Categories of investments as a perce	ntage of total assets of	of provident fund	d	
		June 30	), 2019	June 30,	2018
		(Unau	ıdited)	(Audi	ted)
		Rupees in '000	Percentage	Rupees in '000	Percentage
	Fixed deposit	193,477	91.93%	164,936	90.51%
	Mutual funds	8,000	3.80%	8,000	4.39%
		201,477	95.73%	172,936	94.90%

- 20.3.2 Investments out of provident fund have been made in accordance with the provisions of the section 218 of the Companies Act, 2017 and the rules formulated for this purpose.
- 20.4 These represent interest free deposits received from employees against company provided vehicles.

		(Rupees	in '000)
21.	SHORT-TERM BORROWINGS	2019	2018
		June 30,	June 30,

Secured

Running finances 21.1, 21.2 & 21.3 191,381

- Represent running finance facilities from various banks. Markup rates on these facilities ranges from three months 21.1 KIBOR+0.5% to three months KIBOR+0.75% (2018: Nil) per annum.
- 21.2 These facilities are secued by hypothecation of stocks and book debts of the Company ranking pari-passu charge.
- These include Rs. 55.555 million (2018: Nil) running finance obtained from Habib Metropolitan Bank Limited, a 21.3 related party with markup rate of three months KIBOR+0.75% (2018: Nil)

#### 22. **CONTINGENCIES AND COMMITMENTS**

#### 22.1 **Contingencies**

There are no material contingencies to report as at the reporting date.

#### 22.2 Commitments

- Commitments in respect of outstanding letters of credit against raw materials and spares amounted to Rs. 65.349 million (2018: Rs. 83.228 million), issued by Habib Metropolitan Bank Limited, a related party.
- Commitments in respect of capital expenditure amounted to Rs. 11.841 million (2018: Rs. 59.051 million) for (ii) the import of machinery, issued by Habib Metropolitan Bank Limited, a related party.
- Bank guarantees issued by Habib Metropolitan Bank Limited, a related party, to Sui Southern Gas Company (iii) Limited and Excise & Taxation Department amounted to Rs. 597.993 million (2018: Rs. 456.980 million) and Rs. 64.381 million (2018: Rs. 60.381 million) respectively.

For The Year Ended June 30, 2019

<i>(</i> : )		June 30, 2019	June 30, 2018
(iv)	Commitments for rentals under Ijarah finance agreements:  Within one year	(Rupees 1,197	631
	Later than one year but not later than five years	656 1,853	974 1,605

Represent Ijarah agreements entered into with First Habib Modaraba in respect of vehicles. Total Ijarah payments due under the agreements are Rs. 1.853 million and are payable in monthly installments latest by January 2021. These commitments are secured by on-demand promissory notes of Rs. 4.734 million.

23	TURNOVER - net	June 30, 2019 (Rupees	June 30, 2018 <b>in '000)</b>
	Local		
	Manufacturing	8,223,989	6,901,777
	Trading	36,396	41,868
		8,260,385	6,943,645
	Sales tax		
	Manufacturing	(1,322,020)	(1,172,195)
	Trading	(5,288)	(6,083)
		(1,327,308)	(1,178,278)
		6,933,077	5,765,367
	Exports		1,715
		6,933,077	5,767,082

Revenue recognised from amounts included in advance from customers at the beginning of the year amounted to Rs. 51.701 million (2018: Rs. 21.282 million).

24.	COST OF SALES	Note	June 30, 2019 (Rupees	June 30, 2018 in '000)
	Manufacturing	24.1	5,299,485	4,484,989
	Trading	24.2	21,725	24,876
			5,321,210	4,509,865

For The Year Ended June 30, 2019

24.1	Cost of sales - manufacturing	Note	June 30, 2019 (Rupees i	June 30, 2018 n <b>'000)</b>
	Raw and packing materials consumed		( )	,
	Opening stock		582,240	484,229
	Purchases		2,254,842	1,726,630
	Closing stock	12	(709,868)	(582,240)
			2,127,214	1,628,619
	Manufacturing expenses			
	Salaries, wages and other benefits	24.1.1	786,186	768,217
	Fuel and power		1,365,832	1,045,347
	Stores and spare parts consumed		441,166	424,682
	Provision for slow moving stores and spare parts	11.1	32,296	6,030
	(Reversal) / provision for slow moving stock-in-trade	12.2	(3,795)	13,243
	Depreciation	7.3	587,877	391,009
	Repairs and maintenance		90,715	144,078
	Insurance		15,067	13,870
	Vehicle running expenses		29,929	31,174
	Travelling and conveyance		18,690	34,568
	Printing and stationery		7,288	8,085
	Communication		4,323	4,313
	Rent, rates and taxes		5,231	5,065
	Research costs		33,456	11,590
	Legal and professional charges		1,440	1,196
	ljarah rentals		808	627
	Others		578	1,100
			3,417,087	2,904,194
	Work-in-process			
	Opening stock		24,562	27,578
	Closing stock	12	(31,203)	(24,562)
	Finished goods		5,537,660	4,535,829
	Opening stock		526,057	475,217
	Closing stock	12	(764,232)	(526,057)
	Closing stock	12	5,299,485	4,484,989
			5,239,703	1, 10 1,000
24.1.1	Includes Rs. 13.406 million (2018: Rs. 12.301 million) in respect	of staff retirement ber	nefits.	
24.2	Cost of color trading			

#### Cost of sales - trading 24.2

Opening stock	13,681	14,698
Purchases	31,853	23,859
Closing stock	(23,809)	(13,681)
	21,725	24,876

For The Year Ended June 30, 2019

25.	SELLING AND DISTRIBUTION COSTS	Note	June 30, 2019 (Rupees	June 30, 2018 in '000)
	Salaries, wages and other benefits	25.1	152,821	124,731
	Freight		485,476	463,074
	Advertisement and sales promotion		94,180	40,284
	Travelling and conveyance		27,665	14,712
	Rent, rates and taxes		65,869	47,140
	Communication		4,816	3,449
	Insurance		5,334	4,470
	Depreciation on			
	operating fixed assets	7.3	2,424	1,591
	investment property	8	1,242	1,242
	Vehicle running expenses		11,066	10,775
	Repairs and maintenance		57,055	17,939
	Utilities		9,458	7,873
	Printing and stationery		4,917	3,999
	Entertainment		3,000	2,199
	Legal and professional charges		1,664	4,826
	Others		460	184
			927,447	748,488

25.1 Includes Rs. 4.185 million (2018: Rs. 3.269 million) in respect of staff retirement benefits.

			June 30,	June 30,
26.	ADMINISTRATIVE EXPENSES		2019	2018
			(Rupees	in '000)
	Salaries, wages and other benefits	26.1	186,853	124,658
	Travelling and conveyance		8,361	4,748
	Printing and stationery		10,889	2,241
	Legal and professional charges		16,877	12,071
	Depreciation	7.3	2,012	1,168
	Vehicle running expenses		8,786	6,638
	Communication		1,838	1,277
	Repair and Maintenance		9,055	106
	Auditors' remuneration	26.2	1,956	1,724
	Subscriptions		225	258
	Insurance		882	720
	Increase in allowance for expected credit loss	13.2	7,259	20,364
	Others		2,926	2,155
			257.919	178.128

**26.1** Includes Rs. 5.378 million (2018: Rs. 3.585 million) in respect of staff retirement benefits.

For The Year Ended June 30, 2019

26.2	Auditors' remuneration Not	June 30, 2019 e(Rupees	June 30, 2018 in '000)
	Audit fee Half-yearly review fee Tax services Other certifications	1,023 259 65	890 225 65 366
	Out of pocket expenses	413 196 1,956	178 1,724
27.	OTHER INCOME	June 30, 2019 (Rupees	June 30, 2018 in '000)
	Income from financial assets		
	Profit on bank deposits / saving accounts 27.	1 <b>9,331</b>	222
	Income from non-financial assets Rental income from investment property Gain on disposal of operating fixed assets Income from sale of scrap Exchange gain - net Others	792 17,460 36,185 - 2,249 56,686 66,017	732 1,697 31,790 133 1,029 35,381 35,603
27.1	Represents markup on bank accounts under conventional banking relationship		
28.	FINANCE COSTS  Mark up / interest on:	June 30, 2019 (Rupees	June 30, 2018 in '000)
	Mark-up / interest on: Long-term financing 28.	1 <b>76,896</b>	67,051
	Short-term borrowings 28.	2 <b>2,018</b>	24,998
	Bank Charges and commission	78,914 8,032	92,049 6,072
		86,946	98,121

- 28.1 Includes markup amounting to Rs. 76.896 million (2018: Rs. 38.771 million) on facilities under Islamic mode.
- 28.2 Includes markup amounting to Nil (2018: Rs. 6.054 million) on facilities under Islamic mode.

			June 30,	June 30,
29.	OTHER EXPENSES		2019	2018
		(Rupees	in '000)	
	Workers' Profit Participation Fund	20	20,541	13,275
	Workers' Welfare Fund	20	7,806	5,045
	Donations		3,820	2,580
	Exchange loss - net		587	-
	Others		314	-
			33,068	20,900

For The Year Ended June 30, 2019

30.	TAXATION		June 30, 2019 (Rupees	June 30, 2018 in '000)
	Current Prior Deferred		65,061 11,376 61,726 138,163	52,777 52,777
30.1	Following is the reconciliation between tax expense and accounting profit are not presented as the provision for taxation was based on minimum tax			June 30, 2018
	Profit before taxation  Tax at the rate of 29%		(Ruj	372,504
	Tax effects of:			108,026
	Tax credit on plant & machinery u/s 65(B) Previous year's tax charge Tax assessed at lower rate Inadmissible expenses Admissible expenses Defered tax Others			(34,344) 11,376 1,429 189,396 (202,336) 61,726 2,890 138,163
30.2	The income tax assessment of the Company has been submitted and has 2018 corresponding to the financial year ended June 30, 2018.	been asses	sed up to and f	or the year
31.	EARNINGS PER SHARE - basic and diluted		June 30, 2019	June 30, 2018
	Profit for the year (Rupees in '000)		234,341	194,406
	Weighted average number of ordinary shares outstanding during the year (shares in '000)		239,320	239,320
	Earnings per share (Rupee)		0.98	0.81
32.	CASH AND CASH EQUIVALENTS	Note	June 30, 2019 (Rupees	June 30, 2018 in '000)
	Cash and bank balances Short-term borrowings	16 21	127,127 (191,381) (64,254)	104,474

**June 30,** 

June 30.

## **Notes to the Financial Statements**

For The Year Ended June 30, 2019

#### 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the Company is exposed to market risk (including interest rate risk, currency risk and equity price risk), credit risk and liquidity risk.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. No changes were made in the objectives, policies or processes and assumptions during the year ended 30 June 2019 which are summarized below:

#### 33.1 **Market risk**

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and equity price risk.

#### (i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's certain bank balances, long-term and short-term borrowings. The company manages it's interest rate risk by placing it's excess funds in saving accounts in banks. Management of the Company estimates that 1% increase in the market interest rate, with all other factors remaining constant, would decrease the Company's profit before tax by Rs. 6.904 million and a 1% decrease would result in the increase in the Company's profit before tax by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

#### (ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities. It mainly arises when receivables and payables exist due to transactions in foreign currency.

The following is the foreign currency exposure as at the reporting date:

	2019	2018
Trade payables - US Dollar	-	6,844
Trade payables - Euro	6,305	74,825
The following significant exchange rates have been applied at reporting dates		
Exchange rate – US Dollar	160.05	121.50
Exchange rate – Euro	182.32	141.58

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar and Euro exchange rates, with all other variables held constant, of the Company's profit before tax and the Company's equity.

	Change in USD / Euro rates (%)	Effect on profit Effect on before tax equity(Rupees in '000)	
June 30, 2019	±10	115	115
June 30, 2018	±10	1,143	1,143

For The Year Ended June 30, 2019

#### (iii) **Equity price risk**

Equity price risk is the risk of loss arising from movements in prices of equity instruments. The Company is not exposed to any equity price risk, as the Company does not have any investment in equity shares as at the reporting date.

#### 33.2 Credit risk and concentration of credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Concentration of credit risk 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. The Company is mainly exposed to credit risk on long-term loans, long-term deposits, trade debts, loans and advances and bank balances. The Company seeks to minimize the credit risk exposure by dealing mostly with regular and permanent parties who pay on due dates.

		June 30,	June 30,
The maximum exposure to credit risk at reporting date is as follows:		2019	2018
	Note	(Rupees in '000)	
Long-term loans	9	20	10
Long-term security deposits	10	20,292	14,232
Trade debts - net	13	148,251	243,365
Current portion of long-term loans	14	2,024	3,403
Deposits	15	100	100
Bank balances	16	113,428	97,288
		284,115	358,398

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.	ne basis of external ci	redit rating or
	June 30, 2019 (Rupees	June 30, 2018 in <b>'000)</b>
Trade debts	, ,	•
The analysis of trade debts is as follows:		
Neither past due nor impaired Past due but not impaired	53,018	63,429
31 to 90 days	64,723	113,810
91 to 180 days	30,510	47,287
over 180 days	-	18,839
	95,233 148,251	179,936 243,365
	140,231	240,000
Bank balances		
Ratings	-	47,920
A1+	113,428	48,327
A-1+		1,041
A-1	113,428	97,288

For The Year Ended June 30, 2019

#### 33.3 Liquidity risk

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

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
2019			(Rupees i	in '000)		
Long-term financing Trade and other payables Unclaimed dividends Accrued mark-up Short-term borrowings	1,473,073 5,262 - 191,381 1,669,716	9,860 9,860	49,900 - - - - 49,900	399,200 - - - - 399,200	49,900 - - - - 49,900	499,000 1,473,073 5,262 9,860 191,381 2,178,576
2018						
Long-term financing Trade and other payables Unclaimed dividends Accrued mark-up Short-term borrowings	1,328,286 3,324 - - 1,331,610	28,476 28,476	- - - - -	- - - -	905,219 - - - - 905,219	905,219 1,328,286 3,324 28,476 - 2,265,305

#### 33.4 **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.

		2019	2018
	Note	(Rupees	s in '000)
The gearing ratios as at June 30 were as follows:			
Long-term financing	18	449,100	905,219
Current maturity of long term financing	18	49,900	-
Short-term borrowings	21	191,381	-
Total interest bearing debt		690,381	905,219
Total equity		2,104,652	1,989,971
Total capital		2,795,033	2,895,190
Gearing ratio		24.70%	31.27%

For The Year Ended June 30, 2019

### 33.5 Unavailed Credit Facilities

- 33.5.1 The facility for short-term borrowings, opening letters of credit and letters of guarantees amounted to Rs. 2,250 million (2018: Rs. 1,325 million), Rs. 550 million (2018: Rs. 250 million) and Rs. 662.374 million (2018: Rs. 560 million) respectively, of which Rs. 2,059 million (2018: Rs. 1,325 million), Rs. 473 million (2018: Rs. 165 million) and Nil (2018: Rs. 43 million) respectively, remained unutilized as at the reporting date.
- **33.5.2** Markup rates on running finance facilities range from one months KIBOR+0.75% to six months KIBOR+1.25% (2018: three months KIBOR+0.5% to six months KIBOR+1.25%) per annum.

### 34. TRANSACTIONS WITH RELATED PARTIES

34.1 Related parties of the Company comprise of associated companies, staff retirement benefits, directors and key management personnel. Balances outstanding with related parties have been disclosed in the respective notes to these financial statements. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Associated companies / other related parties	June 30, 2019	June 30, 2018
	(Rupees	in '000)
Sales	15,945	32,374
Purchases of goods, material and services	77,062	56,389
Insurance premium	24,114	21,907
Insurance claims received	10,057	663
Rent and service charges paid	8,838	8,223
Rent income	792	732
Markup earned	9,177	154
Markup expense	96	11,340
Commission on letter of guarantee	4,265	2,967
Donation paid	1,565	
Key management personnel		
Remuneration and other benefits of Chief Financial Officer and Company Secretary	12,245	8,296
Staff retirement benefits		
Contribution to provident fund	22,969	19,156

**34.2** Following are the details of related parties and associated companies with whom the Company had entered into transactions or has arrangement / agreement in place.

Company Name	Basis of relationship	Aggregate % of shareholding in the Company
Habib Insurance Company Limited	Common Directorship	0.35
Indus Motors Company Limited	Common Directorship	N/A
Agriautos Industries Limited	Common Directorship	N/A
Thal Limited	Common Directorship	1.3
Habib Metro Pakistan (Private) Limited	Common Directorship	N/A
Habib Metropolitan Bank Limited	Common Directorship	N/A
Muhamedali Habib Welfare Trust	Common Directorship	N/A
Provident Fund	Staff retirement benefits	N/A

For The Year Ended June 30, 2019

#### REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES 35.

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

	20	019	20	018
	Chief		Chief	_
	<b>Executive</b>	Executives	<b>Executive</b>	Executives
	Officer		Officer	
		(Rupees	in '000)	
Managerial remuneration	14,218	52,434	13,749	25,342
Housing and utilities	10,269	44,888	9,441	22,538
Leave fare assistance, leave				
ecashment and bonus	22,040	11,258	13,500	10,926
Reimbursement of medical expenses	1,457	4,852	1,375	2,534
Retirement benefits	1,399	5,086	841	2,786
	49,383	118,518	38,906	64,126
Number of person	1	22	1	12

- In addition, the Chief Executive Officer, Chief Financial Officer and certain executives are provided with free use of the Company 35.2 maintained cars.
- 35.3 Fee amounting to Rs. 0.225 million (2018: Rs. 0.150 million) was paid to the directors of the Company for attending Board meetings during the year.

#### 36. **FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying values of the financial assets and financial liabilities approximate their fair values. 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.

### Fair value hierarchy

The different levels to analyse financial assets carried at fair value have been defined as follows:

- Level 1: Quoted market price
- Level 2: Valuation techniques (market observable); and
- Level 3: Valuation techniques (non-market observables)

As of the reporting date, the Company does not have any financial assets carried at fair value that required categorization in Level 1, Level 2 and Level 3.

#### 37. PRODUCTION CAPACITY

During the year, the tile production capacity attained was 10.35 million sq. meters (2018: 8.32 million sq. meters) against annual manufacturing capacity of 14.04 million sq. meters (2018: 12.76 million sq. meters). The shortfall is due to low demand during the

#### NON-ADJUSTING EVENT AFTER THE REPORTING DATE 38.

The Board of Directors in its meeting held on September 17, 2019 proposed final cash dividend of Rs. 0.25 /- per share (2018: Rs. 0.5 /- per share) for the year ended June 30, 2019 amounting to Rs .59.830 million (2018: Rs. 119.600 million) for approval of the members at the Annual General Meeting to be held on October 21, 2019

For The Year Ended June 30, 2019

39.	NUMBER OF EMPLOYEES	June 30, 2019	June 30, 2018
	As at year end Permanent Contractual	869 190 1.059	888 208 1.096
	Average during the year Permanent Contractual	891 202 1,093	906 148 1,054

### 40. GENERAL

- **40.1** Figures have been rounded off to the nearest thousands unless otherwise stated.
- **40.2** Certain comparative figures have been reclassified for better presentation. However, there are no material reclassifications to report.
- **40.3** During the year, donation amounting to Rs. 1.565 million (2018: Nil) paid to Mohamedali Habib Welfare Trust (the Trust). Mr. Ali Suleman Habib and Mr. Rafiq M. Habib, Director and Chairman of board of directors of the Company respectively are amongst the Trustees of the Trust.

### 41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 17, 2019 by the Board of Directors of the Company.

8

SYED MASOOD ABBASJAFFERY Chief Executive Officer FEROZE JEHANGIR CAWASJI
Director

Juny J. Camy

**WAQUAS AHMED**Chief Financial Officer

Robert Finance Corporation Ag

Mustufa Limited

# **COMBINED PATTERN OF CDC & PHYSICAL SHAREHOLDING** As of June 30, 2019

CATEGORIES OF SHAREHOLDERS	SHAREHOLDERS	SHARES HELD	PERCENTAGI
DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN			
Rafig M. Habib	1	4,162,522	1.74
Ali Suleman Habib	1	4,162,522	1.74
Syed Masood Abbas Jaffery	1	43,000	0.02
Muhammad Salman Burney	1	1,000	0.00
Abdul Hai M. Bhaimia	1	663,594	0.28
Feroze Jahangir Cawasji	1	1,000	0.00
Farhana Mowjee Khan	1	1,000	0.00
Jamila Rafiq	1	1,377,752	0.58
Rukhsana Ismail	2	781,774	0.33
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES			
Habib Insurance Company Limited	1	840,500	0.35
Thal Limited	1	3,121,549	1.30
PUBLIC SECTOR COMPANIES AND CORPORATIONS	4	1,095,383	0.46
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE			
COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARABAS			
AND PENSION FUNDS	9	5,669,643	2.37
MUTUAL FUNDS			
CDC - Trustee National Investment (Unit) Trust	1	4,169,471	1.74
CDC - Trustee NBP Balanced Fund	1	100,000	0.04
CDC - Trustee NBP Islamic Sarmaya Izafa Fund	1	1,094,000	0.46
CDC - Trustee Nafa Islamic Stock Fund	1	26,500	0.01
CDC - Trustee JS Large Cap. Fund	1	1,101,000	0.46
CDC - Trustee MCB DCF Income Fund	1	500	0.00
CDC - Trustee NIT Income Fund - MT	1	1,500	0.00
CDC- Trustee Alhamra Islamic Pension Fund - Equity Sub Fund	1	200,000	0.08
MC FSL Trustee JS - Income Fund	1	2,000	0.00
CDC - Trustee First Capital Mutual Fund	1	10,000	0.00
GENERAL PUBLIC			
a. Local	4616	66,132,285	27.63
b. Foreign	3	5,298	0.00
FOREIGN COMPANIES	21	131,167,292	54.81
OTHERS	61	13,389,390	5.59
Totals	4736	239,320,475	100.00
SHARE HOLDERS HOLDING 5% OR MORE		SHARES HELD	PERCENTAG
Asad Limited		12,840,786	5.37
Aylesbury International Ltd		16,009,983	6.69

12,418,386

72,102,223

5.19

30.13

# **PATTERN OF SHAREHOLDING**

As of June 30, 2019

No. Of Shareholders	Share	holdings	s'Slab	Total Shares Held
919	1	to	100	23,958
921	101	to	500	308,103
630	501	to	1000	546,972
1245	1001	to	5000	3,453,266
361	5001	to	10000	2,838,382
148	10001	to	15000	1,882,695
90	15001	to	20000	1,657,430
68	20001	to	25000	1,581,008
44	25001	to	30000	1,229,935
25	30001	to	35000	844,712
19	35001	to	40000	737,587
13	40001	to	45000	563,938
24	45001	to	50000	1,174,453
12	50001	to	55000	629,801
13	55001	to	60000	757,305
9	60001	to	65000	569,000
10	65001	to	70000	693,877
11	70001	to	75000	815,000
15	75001	to	80000	1,169,050
4	80001	to	85000	332,619
4	85001	to	90000	350,704
5	90001	to	95000	461,920
16	95001	to	100000	1,597,500
5	100001	to	105000	513,845
2	105001	to	110000	220,000
1	110001	to	115000	115,000
2	115001	to	120000	234,773
1	130001	to	135000	131,500
1	135001	to	140000	137,932
1	140001	to	145000	140,500
6	145001	to	150000	890,500
1	150001	to	155000	151,000
1	155001	to	160000	156,000
1	160001	to	165000	160,816
1	165001	to	170000	166,712
1	170001	to	175000	172,500
2	175001	to	180000	355,032
3	180001	to	185000	546,528
2	185001	to	190000	373,960
1	190001	to	195000	195,000
2	195001	to	200000	400,000
1	210001	to	215000	212,000
2	220001	to	225000	445,000
1	225001	to	230000	230,000
1	230001	to	235000	230,500
2	240001	to	245000	485,216
4	245001	to	250000	1,000,000
2	250001	to	255000	501,947
1	255001	to	260000	258,000
1	260001	to	265000	263,500
1	265001	to	270000	265,900

# **PATTERN OF SHAREHOLDING**

As of June 30, 2019

No. Of Shareholders	Share	holding	s'Slab	Total Shares Held
2	280001	to	285000	564,500
1	285001	to	290000	287,239
7	295001	to	300000	2,098,500
2	300001	to	305000	608,500
1	310001	to	315000	312,836
1	320001	to	325000	320,763
3	325001	to	330000	987,411
1	335001	to	340000	339,433
1	340001	to	345000	341,500
1	350001	to	355000	354,928
1	355001	to	360000	356,000
1	360001	to	365000	362,500
1	365001	to	370000	366,500
2	420001	to	425000	843,000
1	425001	to	430000	426,846
1	440001	to	445000	441,558
1	480001	to	485000	480,500
1	530001	to	535000	531,500
1	655001	to	660000	658,386
1	660001	to	665000	663,594
1	690001	to	695000	692,500
1	695001	to	700000	700,000
1	720001	to	725000	723,500
1	745001	to	750000	750,000
1	780001	to	785000	785,000
1	830001	to	835000	832,000
1	840001	to	845000	840,500
1	920001	to	925000	925,000
1	995001	to	1000000	1,000,000
1	1045001	to	1050000	1,050,000
1	1080001	to	1085000	1,083,489
1	1090001	to	1095000	1,094,000
1	1100001	to	1105000	1,101,000
1	1120001	to	1125000	1,122,631
1	1130001	to	1135000	1,131,407
1	1190001	to	1195000	1,192,000
1	1295001	to	1300000	1,300,000
1	1375001	to	1380000	1,377,752
1	1450001	to	1455000	1,455,000
1	1675001	to	1680000	1,675,695
1	1815001	to	1820000	1,817,500
1	2310001	to	2315000	2,311,168
1	2440001	to	2445000	2,440,152
1	2505001	to	2510000	2,509,602
1	2570001	to	2575000	2,574,660
1	2610001	to	2615000	2,610,500
1	2775001	to	2780000	2,775,015
4	2985001	to	2990000	11,953,331
1	3120001	to	3125000	3,121,549
3	3450001	to	3455000	10,364,667
1	3460001	to	3465000	3,460,497

# **PATTERN OF SHAREHOLDING**

As of June 30, 2019

No. Of Shareholders	Share	holding	s'Slab	Total Shares Held
1	3520001	to	3525000	3,523,000
1	3660001	to	3665000	3,663,993
1	3825001	to	3830000	3,829,468
1	3955001	to	3960000	3,957,422
2	4160001	to	4165000	8,325,044
1	4165001	to	4170000	4,169,471
1	4170001	to	4175000	4,174,641
1	6205001	to	6210000	6,207,788
1	6240001	to	6245000	6,243,098
1	7030001	to	7035000	7,030,157
1	16005001	to	16010000	16,009,983
1	60895001	to	60900000	60,897,425
4736				239,320,475





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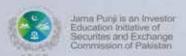
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# **Shabbir Tiles and Ceramics Limited**

## **PROXY FORM**

I/We	of		
being a member(s) of SHABBIR TILES AN	ND CERAMICS LIMITED and a holder of		
ordinary share	s as per Share Register Folio No		
or CDC Participant ID No.	Account No		
hereby appoint	of		
who is also member of <b>SHABBIR TILES A</b>	ND 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 atte	end and vote for me / us and on my / our behalf at the Annual		
General Meeting of the Company to be held of	on Monday, 21st day of October 2019, and at any adjournment		
thereof.			
As witness my / our hand / seal this	day of2019		
signed by the said			
Witness	Witness(Signature)		
	(Signature) Name		
	Address		
	CNIC No.		
	Please affix Rs. 5/- Revenue Stamp		

## **NOTES:**

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



## **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) along with proxy form to the Company.



# Shabbir Tiles and Ceramics Limited

15th Milestone, National Highway, Landhi, Karachi-75120 +92-213 - 818 3610 -13 Website: www.stile.com.pk Email: info@stile.com.pk