

Shabbir Tiles and Ceramics Limited

2020
annual report



Unmatched Quality Tiles

Shabbir Tiles and Ceramics Limited

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



ALI SULEMAN HABIB

IN MEMORIAM

Ali Suleman Habib has left behind a rich legacy of hope, ambition, success and compassion for his family, friends, colleagues, business partners and for all the lives he touched in his four decades at the Group. We are humbled to have known Ali's resolve, commitment, and, his innate ability to always lead from the front. Today, we draw strength from his calm and his embodiment of excellence in every sphere of life. We are proud to firmly stand on the soil he planted for all of us to grow from.

Ali S. Habib will be remembered as a giant amongst men for all times to come.





ENHANCES THE LOOK OF
INTERIOR AND EXTERIOR WALL & FLOOR
WITH ELEGANT DESIGNS OF 

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COMPANY INFORMATION

BOARD OF DIRECTORS

Rafiq M. Habib	Chairman
Syed Masood Abbas Jaffery	Chief Executive Officer
Muhammad Salman Burney	Director
Imran Ali Habib *	Director
Abdul Hai M. Bhaimia	Director
Feroze Jehangir Cawasji	Director
Farhana Mowjee Khan	Director

* Mr. Mr. Imran Ali Habib was appointed as director in place of Mr. Ali S. Habib who passed away on April 17, 2020.

AUDIT COMMITTEE

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

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Feroze Jehangir Cawasji	Chairman
Muhammad Salman Burney	Member
Syed Masood Abbas Jaffery	Member

CHIEF FINANCIAL OFFICER

Waquas Ahmed

COMPANY SECRETARY

Ovais Jamani

AUDITORS

EY Ford Rhodes
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 AND FACTORY UNIT-1

15th Milestone, National Highway
Landhi Industrial Area, Karachi-75120
Phone: (021) 38183610-3
Fax: (021) 38183615
E-mail: info@stile.com.pk
URL: http://www.stile.com.pk

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
Email: info@cdcsrsl.com

FACTORY UNIT-2

Deh Khanto, Tappo Landhi, District Malir,
Bin Qasim Town, Karachi
Phone: (021) 34102702
Fax: (021) 34102709

ISLAMABAD (BUILDING MATERIAL PRODUCTS)

Plot No 1, ANF Empty Parking 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 STUDIOS AND SALES OFFICES

STAR GATE EMPORIUM, KARACHI

Metro Cash & Carry, CAA, Near Star Gate,
Main Shahrah-e-Faisal,
Karachi.
Phone: (021) 34601372-74

FACTORY EMPORIUM, KARACHI

15th Milestone, National Highway, Landhi
Industrial Area, Karachi
Phone: (021) 38183610-3

DHA BUKHARI EMPORIUM, KARACHI

Plot 22-C, Lane 4, Bukhari Commercial,
DHA, Phase VI, Karachi.
Phone: (021) 37249564

DHA 26TH STREET EMPORIUM, KARACHI

26th Street Plot C-8-C, DHA Phase 5,
Karachi.
Phone: (021) 37228922

DHA EMPORIUM, LAHORE

Plot 90-CCA, DHA-4, Lahore
Phone: (042) 37185710-12

FRANCHISE EMPORIUM, LAHORE

E-105-1-C, Main Boulevard DHA Lahore
Phone: 0301-8282212

THOKAR NIAZ BAIG EMPORIUM, LAHORE

Metro Cash & Carry, Thokar Niaz Baig
Multan Road, Lahore
Phone: 0300-0209626

MUREE ROAD EMPORIUM, RAWALPINDI

Al Shareef Plaza, Ground Floor,
Shamsabad, Murree Road, Rawalpindi
Phone: (051) 4935521-6

ISLAMABAD EMPORIUM

Metro Islamabad, Plot No. 1-A, Sector
1-11/4, Near Sabzi Mandi,
Islamabad
Phone: (051) 8469524

PESHAWAR EMPORIUM

162/408 Tahkal Payan, University Road ,
Peshawar
Phone: (091) 3028068

FAISALABAD EMPORIUM

Talha Heights , Main Susan Road, P-243,
2A, Faisalabad
Phone: (041) 8739988

HYDERABAD EMPORIUM

Shop no. 11 & 12, Auto Bhan Tower,
Latifabad No. 3, Hyderabad.
Phone: (022) 6112857

MULTAN EMPORIUM

Officers Colony, Main Bosan Road, Chungi
No. 9, Next to Crystal Mall,
Multan.
Phone: (061) 2078492

SUKKUR SALES OFFICE

Tooba Tower, Mezzanine Floor, Opposite
Hira Medical Centre, Sukkur
Phone: (071) 5615560



EMPORIUM & DESIGN STUDIO | MULTAN

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.



NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 42nd Annual General Meeting of SHABBIR TILES AND CERAMICS LIMITED will be held on Thursday, October 22, 2020 at 4:30 p.m. to transact the following business. Due to current situation caused by COVID-19 pandemic, shareholders shall be entitled to attend the meeting through video conference facility only managed by the Company as per instructions given in the notes section.

ORDINARY BUSINESS

- To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2020, together with the Chairman's Review Report, Directors Report and Auditors Report thereon.
- To appoint auditors and fix their remuneration for the year ended June 30, 2021. The present auditors – M/s. EY Ford Rhodes, Chartered Accountants, retire and being eligible have offered themselves for re-appointment.
- To consider any other business of the Company with the permission of the Chairman.

By Order of the Board



OVAIS JAMANI
Company Secretary

Karachi: September 30, 2020

NOTES:

1. Participation in the AGM proceeding via the video conference facility:

Due to current COVID-19 situation, the AGM proceedings shall be held via video conference facility only. Shareholders interested to participate in the meeting are requested to share below information at corporate@stile.com.pk for their appointment and proxy's verification by or before 4:30 p.m. on October 20, 2020.

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

Video conference link details and login credentials will be shared with those shareholders whose registered emails containing all the particulars are received on or before October 20, 2020 by 4:30 p.m. Shareholders can also provide their comments and questions for the agenda items of the AGM on corporate@stile.com.pk or WhatsApp or SMS on Cell Number 0321-8200864 by October 20, 2020 by 4:30 p.m. Shareholders are required to mention their full name, CNIC number and Folio/CDS # for this purpose.

2. Closure of Share Transfer Books:

The Share Transfer Books of the Company will remain closed from October 16, 2020 to October 22, 2020 (both days inclusive) for the purpose attending of Annual General Meeting. Transfers requests received by CDC Share Registrar Services Limited, CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400, Telephone # 111-111-500, email: cdcsr@cdcsrsl.com at the close of business on October 15, 2020 will be treated in time for the purpose to attend the Annual General Meeting.

3. Proxy:

A member entitled to attend and vote at this General Meeting is entitled to appoint a Proxy to attend, speak and vote in his place at the Meeting. Instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power or authority must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting.

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

The SECP vide circular No. 25 of 2020 dated: August 31, 2020 has given regulatory relief to dilute impact of Coronavirus (COVID-19) for corporate sector. Accordingly this notice of AGM of the Company shall be dispatched to the shareholders through printed copies and shall be electronically available on the PUCARS system of the Pakistan Stock Exchange Limited and the Company's website (www.stile.com.pk) under "Notice to Shareholders". Shareholders are requested to provide the Company their email addresses at corporate@stile.com.pk if notice of the meeting is required through email.

A. For Attending the Meeting:

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

B. For Appointing Proxies:

- In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- Notarized copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- 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.

4. Change of Address

The Shareholders are requested to promptly notify change in their address, if any, to the Company's Share Registrar.

5. Submission of copies of valid CNIC not provided earlier:

Individual Shareholders are once again reminded to submit a copy of their valid CNIC, if not provided earlier to the Company's Share Registrar.

6. Availability of The Audited Financial Statements On Company's Website:

The annual audited financial statements of the Company for the year ended June 30, 2020 have been placed on the Company's website at www.stile.com.pk

7. Transmission of Annual Financial Statements Through Email:

In pursuance of the directions given by SECP vide SRO 787(I)/2014 dated: September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by Post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website i.e. www.stile.com.pk and send the said form duly filled in and signed along with copy of his/her/its CNIC/Passport or other such information in the case of a body corporate to the Company's share registrar. The Company's Annual Financial Statements for the year ended June 30, 2020 is also being circulated to the shareholders through CD in compliance of section 223(6) of the Companies Act, 2017.

8. Submission of CNIC/NTN Details (Mandatory Requirement):

As per Securities and Exchange Commission of Pakistan (SECP) vide SRO 889(1)/2011 and SRO 831(I)/2012, dividend counters in electric form should bear the CNIC number of the authorized person or registered member, except in case of minor (s) and corporate members. Accordingly Members who have not yet submitted photocopy of their valid computerized National Identity Card (CNIC) to the Company / Share Registrar, are once again reminded to send the same at the earliest directly to Company' Share Registrar. In case of non-receipt of the copy of valid CNIC, the Company would be constrained under the law to withhold dividend of such shareholders.

9. Deposit of Physical Shares In CDC Account:

As per Section 72 of the Companies Act, 2017 every existing listed company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of this Act, i.e., May 30, 2017,

The Shareholders having physical shareholding are encouraged to open CDC sub - account with any of the brokers or Investor Account directly with CDC to place their physical shares into scrip less form.

10. Unclaimed / Unpaid Shares and Dividends:

In accordance with the provisions of Section 244 of the Companies Act, 2017, any shares issued or dividend declared by the Company, which remain unclaimed or unpaid for a period of three years from the date it is due and payable, the Company shall give ninety days notices to the shareholders to file claim. If no claim is made before the Company by the shareholders, the Company shall proceed to deposit the unclaimed or unpaid Shares / Dividends with the Federal Government in compliance with the Section 244 of the Companies Act, 2017. In case no claim is received within the given period from the aforesaid Notice, the Company shall proceed to deposit the unclaimed / unpaid amount with the Federal Government pursuant to the provisions of sub-section (2) of Section 244 of the Companies Act, 2017.

CHAIRMAN'S REVIEW REPORT AND DIRECTORS' REPORT



CHAIRMAN'S REVIEW REPORT

Dear Shareholders,

On behalf of the Board, it is my pleasure to present the Chairman's review report for the year ended June 30, 2020.

MACRO ECONOMIC OVERVIEW

The COVID-19 pandemic has surfaced as a major event forcing the world into a lock-down and restricting economic activity across the board. Countries around the globe are setting up relief programs in a bid to contain the social and economic fallout of the pandemic. For Pakistan, this has come at a time when the country was heading towards some economic stability. Emergence of the pandemic has dampened the country's economic growth. The recently announced financial stimulus package by the Government, is likely to mitigate the impact of the outbreak on the most vulnerable social segments while also extending much needed support to the affected businesses. This should allow the allied industries associated with construction not only to grow but will also create more job opportunities in the medium to long term. In the short term though, any business activity is dependent on containment of Corona pandemic in the country.

BUSINESS OVERVIEW

The year 2019-20 started rough, with unprecedented increase in costs due to:

- gas tariff increase to the tune of 31% taking to cumulative 70% in two years
- freight cost upsurge due to axle load restrictions
- continued rupee devaluation
- changes in sales tax regime, bringing tiles to third schedule of Sales Tax Act 1990.
- the documentation drive with significant impact on small traders which created chaos in the market

All these factors affected first half performance. In the second half of the year when the market started to show signs of stability resulting in comparatively better performance of the company, the spread of COVID-19 and eventual nationwide lockdown resulted in closure of markets and projects and forced the company to shut its plant operations.

By the grace of Allah, your Company is blessed with highly capable senior management and an inspired and tremendously devoted group of workforce, who engaged remotely with customers to find new business opportunities while also recovering debt in the locked environment.

PERFORMANCE SCORECARD

The Company managed to increase value through improved product mix while offsetting massive uncontrollable cost increases of gas, freight and rupee devaluation. However, the sales volume and production capacity loss during lock down times were too heavy to offset the losses. As a result, the Company registered net loss after tax of Rs. 326 million which translated to loss per share (LPS) of Rs. 1.36 as against earning per share (EPS) of Rs. 0.98 of last year.

Management's focus remained on cost efficiency measures and alternate cost minimization solutions through out the year, the results of which will be reaped now with stabilization of operations.

TREASURY MANAGEMENT

You will also be delighted to learn that your Company is strongly capitalized and carry manageable long-term debt burden. Our strategy of being conservative & watchful served us in the tough times. Even after spending a quarter in lock down, the Company was able to generate Rs. 988 million from operating activities during the year. The cashflows was smartly managed and the Company maintains surplus cash in hand to meet its obligations.

BRAND DEVELOPMENT

The consumer is at the heart of organization and employees. By constantly developing desirable products and inspiring experiences, the STILE brand strives to build a strong image, trust and loyalty with consumers. Having STILE Emporiums in major cities, the Company continues its 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 value. Recently the Company launched its Online emporium during the Corona pandemic which increased our direct to consumer reach nationwide. Traffic to our websites is up significantly with online sales increasing as government social-distancing measures are forcing customers to find alternate shopping solutions.

HUMAN CAPITAL

Our people are our greatest asset. We create value for our employees by giving them opportunities of training and development, in order to build a responsible and empowered manpower.

Our primary focus remains on the health and well-being of our employees in general and more specifically during the COVID-19 pandemic. To best ensure safety and to minimize the risk of virus transmission, we have implemented a series of preventative health measures for our employees around the country, based on province-specific situations and government guidelines.

I am pleased to announce that in spite of difficult circumstances we have not made any employee redundant, nor discharge any staff, due to the COVID- 19 crisis. I would like to thank all of our employees and partners for their tremendous efforts to support everyone's well-being, as well as the success of the business during this time.

BOARD EVALUATION

An annual evaluation of the Board of Directors' (the Board) overall performance is conducted in compliance with the requirement of the Code of Corporate Governance 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 2020, the Board's overall performance and effectiveness has been assessed as 'Satisfactory'. It is also important to highlight during the course of the year Board Committees (Audit Committee and Human Resource and Remuneration Committee) have played an important role in providing guidance and advise in their respective areas.

BUSINESS RISKS AND CHALLENGES

Construction sector is considered to be one of the major sources of economic growth, development. It plays an important role in the economic uplift and development of the country and serves as a mechanism of generating the employment and offering job opportunities to millions of unskilled, semiskilled and skilled work forces. Implementation of the much-needed Government's construction package, recently announced, is essential for the progressive movement of the economy. The rise in costs, as discussed above, have put immense pressure on costs which consequently affected market competitiveness. Whilst we have seen reduction in imports of tiles, the volume has been replaced by new local entrants which though is a good sign for the economy, however, the Government should remove disparity in the applicability of Income Tax Laws which have given undue financial benefits to the manufacturers established in special economic zones.

FUTURE OUTLOOK

It is extremely important that the Government understands fully the impact of the implementation of the construction package on the industry and ensure timely action to stimulate the growth of allied industries including tiles. While we support Government's initiatives of 'documentation' of economy, we feel that the implementation should be uniform without discrimination and should not be an unfair burden for compliant Tile companies. We also request the Government to support the Tile manufacturers by reducing the gas tariff which has increased significantly as mentioned before. Overall considering the challenging environment, our business is resilient, competitive and progressing well. We are confident to overcome this the hurdles and deliver good performance.

ACKNOWLEDGEMENT

I would like to thank our employees and their families for their continued commitment during these difficult times. I would also like to acknowledge the leadership of our board of directors, who remain to be a valuable resource for setting the direction of our company & most of all, I would like to thank our shareholders for their confidence on the managing team of the company.

IN MEMORIAM

The Board of Directors of Shabbir Tiles and Ceramics Limited express their profound sadness and loss on the demise of their Board Member and Chairman House of Habib - Mr. Ali S. Habib.

The Company has lost a visionary leader - passionate, focused, entrepreneurial and a life - long learning enthusiast. Mr. Habib personally touched lives of so many during his 4 decades with the group, He will be missed for his persona which commanded immediate respect, for the immense wisdom he brought to every discussion, for constantly challenging the status quo, for always striving for perfection, for not believing in the word impossible, for his remarkable mind to analyze, and simplify & above all for being a truly remarkable human being.

Mr. Habib spent a large part of his life in building a conglomerate spanning business interests ranging from automobiles to auto-parts, ceramic tiles to packaging materials, property management to building material, and the energy sector amongst others. Under his leadership, HOH grew into a diverse portfolio of companies.

He started his career with Baluchistan Laminate which launched the famous fomite brand and then went on to manage Thal Jute which now employs 4000 people & has now grown into one of the largest & finest Jute Mills of Pakistan. He was the brain behind bringing MAKRO to Pakistan – one of the largest food retail chains in the world, the idea culminated into a successful JV with 8 stores nationwide. He also contributed towards the growth and expansion of Shabbir Tiles & Pakistan Paper-sack business which has now grown and diversified into food and retail packaging other than cement being its flagship product range.

However, his watershed contribution came in the form of transforming the Automobile Industry in Pakistan. Mr. Ali Habib was the pioneering force behind the JV with Toyota – the largest global automobile brand. Under his iconic leadership, unwavering support and hard-work, IMC has grown into one of the finest corporations of Pakistan. This did not stop Mr. Ali Habib from further venturing into the automobile sector of the country – in fact, it gave him a steppingstone to enter the auto-part manufacturing Industry of Pakistan. With his sheer zeal and entrepreneurship spirit he founded three Auto-Part companies which now cater to majority of the auto-parts demand across Pakistan.

Through his business acumen and foresight, he always believed in the power of strong partnerships, our energy investments are testimony to the same. With his philosophy of creating positive impact across Pakistan Mr. Ali Habib contributed towards the Thar dream & became part of Sindh Engro Coal Mining Company (SECMC). Furthermore, he also ventured into setting up a JV for construction of a 330MW coal-fired plant which would further the mission of providing energy security to the country.

He dedicated a large part of his time towards social welfare & was a stalwart supporter of education in Pakistan who believed in the power and talent of youth. His philanthropic goals were even loftier. He remained personally invested in all social causes and actively participated by being on the Board of Governors of Habib Public Schools, and Habib University whilst also acting as a trustee on various social initiatives of the group which included Mohammed Ali Habib Welfare Trust; Habib Education Trust; and the Duke of Edinburgh's Award Programme. He also served for a large part as a Board of Governor of Shaukat Khanum Memorial Trust.

Mr. Ali Habib had a profound effect on the world outside House of Habib. His last 06 months were spent advising the Government of Pakistan on Commerce, Industries and Trade and was working closely with the Prime Minister on increasing the country's exports. No force could have stopped him from making a larger impact with his brilliance.

No words can adequately express our sadness at Mr. Ali Habib's passing or our gratitude for the opportunity to work with him. House of Habib has lost a visionary leader and the world has lost an amazing human being. Those who worked with him have lost a friend and an inspiring mentor. He will forever live in our hearts and we will honor his memory by dedicating ourselves to continue advancing the legacy he has left behind.



Rafiq M. Habib
Chairman

اعتراف

میں اس موقع پر مشکل وقت میں اپنے ملازمین اور ان کی فیملیوں کی مسلسل جدوجہد پر ان کا مشکور ہوں۔ میں اس موقع پر بورڈ آف ڈائریکٹرز کی قیادت کا معترف ہوں جو کہ کمپنی کی سمت کا تعین کرنے میں اہم وسیلہ ہے اور سب سے بڑھ کر میں اپنے حصص یافتگان کا شکر گزار ہوں جنہوں نے کمپنی کی انتظامی ٹیم پر اعتماد کا اظہار کیا۔

بیاد مرحوم

شبیر ٹائلز اینڈ سرائیکس لمیٹڈ کا بورڈ آف ڈائریکٹرز بورڈ ممبر اور ہاؤس آف حبیب کے چیئرمین جناب علی الیس حبیب کی افسوس ناک رحلت پر گہرے دکھ و غم کا اظہار کرتا ہے۔

کمپنی ایک صاحب نظر، پرجوش، کاروباری بصیرت کے حامل قائد اور زندگی بھر سیکھنے والے جوشیلے شخص سے محروم ہوگئی۔ جناب حبیب نے گروپ کے ساتھ 4 عشروں کی وابستگی کے دوران ذاتی طور پر کئی زندگیوں کو جلا بخشی۔ وہ گفت و شنید کے دوران اپنی ذاتی بہترین دانشمندی، بدستور حالت کو مسلسل چیلنج کرنے، ہمیشہ چٹنگ کی جدوجہد کرنے والے، لفظ نامکین پر یقین نہ رکھنے والے، تجربہ کار اعلیٰ دماغ رکھنے والے کی، چیزوں کو آسان بنانے اور سب سے بڑھ کر صحیح معنوں میں ایک اعلیٰ انسان کی حیثیت سے یاد رکھے جائیں گے۔

جناب حبیب کی زندگی کا ایک بڑا حصہ کاروبار کو وسعت دینے میں صرف ہوا جس میں آٹوموبائل سے لے کر آٹو پارٹس تک، سرامک ٹائلز سے پیکیجنگ میٹریل تک، پراپرٹی مینجمنٹ سے تعمیراتی سامان تک اور توانائی کے شعبے شامل ہیں۔ ان کی قیادت میں HOH ایک متنوع پورٹ فولیو کی حامل کمپنیوں کا مجموعہ بن چکی ہے۔

انہوں نے اپنی پیشہ ورانہ زندگی کا آغاز بلوچستان لیمیٹڈ سے کیا جس نے مشہور فارماٹ برانڈ متعارف کرایا اور پھر انہوں نے تھل جوٹ کا انتظام سنبھال لیا جس میں اس وقت 4000 افراد ملازم ہیں اور اب وہ پاکستان کی بڑی اور بہترین جوٹ مل میں سے ایک ہے۔ میکرو کو پاکستان میں لانے کے پیچھے ان کا ذہن کارفرما تھا جو کہ دنیا میں خورد و فروشی غذائی اشیاء کی بڑی چین میں سے ایک ہے، یہ خیال ایک کامیاب جوائنٹ وینچر بن گیا جس کے ملک بھر میں 8 اسٹور ہیں۔ انہوں نے شبیر ٹائلز اور پاکستان پیپر سیک کاروبار کی وسعت اور نمو میں معاونت کی جو کہ اب سیمنٹ کی پیکنگ کی مصنوعات کے علاوہ خورد و فروشی اور غذا کی پیکنگ میں متنوع صورت اختیار کر چکی ہے۔

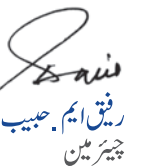
تاہم ان کی دانشمندانہ معاونت سے پاکستان میں آٹوموبائل انڈسٹری مکمل تبدیل ہوگئی۔ ٹویوٹا کے ساتھ جوائنٹ وینچر کے پیچھے قائدانہ طاقت جناب علی حبیب کی تھی جو کہ دنیا کا سب سے بڑا آٹوموبائل برانڈ ہے۔ اپنی مثالی قیادت، غیر متزلزل تعاون اور انتھک محنت کے ساتھ IMC پاکستان کی ایک بہترین کارپوریشن بن گئی ہے۔ جناب علی حبیب ملک میں آٹوموبائل سیکٹر میں مزید جدوجہد کرنے سے نہ رکے، درحقیقت اس جدوجہد نے آٹو پارٹس تیار کرنے والی صنعت میں انہیں قدم جمائے کا موقع فراہم کیا۔ اپنے ولولے اور کاروباری بصیرت کی بنیاد پر انہوں نے تین آٹو پارٹس کمپنیاں قائم کیں جو کہ اس وقت پاکستان بھر میں آٹو پارٹس کی زیادہ تر طلب کو پورا کر رہی ہیں۔

اس کاروباری فراست اور دوراندیشی کے تحت وہ ہمیشہ مضبوط شراکت داری پر یقین رکھتے تھے، توانائی میں ہماری سرمایہ کاری اس بات کی تصدیق کرتی ہے۔ پاکستان بھر میں مثبت رجحان پیدا کرنے کے فلسفہ کے ساتھ انہوں نے تھر کے خواب میں معاونت کی اور سندھ اینیگرو کول میننگ کمپنی (SECMC) کا حصہ بن گئے۔ مزید برآں انہوں نے نوٹکے سے چلنے والے 330 میگا واٹ کے پلانٹ کی تعمیر میں جوائنٹ وینچر کے لئے جدوجہد کی جس نے ملک میں توانائی کے تحفظ کے مشن کو مزید آگے بڑھایا۔

انہوں نے اپنی زندگی کا بڑا حصہ سماجی بہبود میں گزارا اور وہ پاکستان میں تعلیم کے ایک بڑے حامی تھے جو نو جوانوں کے اختیارات اور صلاحیت پر یقین رکھتے تھے۔ ان کے فلاحی مقاصد اور زیادہ بہترین تھے۔ انہوں نے ذاتی طور پر تمام سماجی مقاصد میں سرمایہ کاری کی اور حبیب پبلک اسکول اور حبیب یونیورسٹی کے بورڈ آف گورنرز میں متحرکانہ طور پر شرکت کی جبکہ گروپ کی مختلف سماجی پیشقدمیوں میں متولی کی حیثیت سے کام کیا جس میں محمد علی حبیب ویلفیئر ٹرسٹ، حبیب ایجوکیشن ٹرسٹ اور ڈیوک آف ایڈنبرا ایوارڈ پروگرام شامل ہیں۔ انہوں نے اپنی زندگی کے بڑے حصے میں شوکت خانم میموریل ٹرسٹ کے بورڈ آف گورنرز میں خدمات انجام دیں۔

جناب علی حبیب نے ہاؤس آف حبیب کے باہر بھی دنیا پر گہرا اثر چھوڑا۔ ان کی زندگی کے آخری 06 ماہ میں انہوں نے حکومت پاکستان کو تجارت، صنعت اور بیوپاری پر مشاورت فراہم کی اور ملک کی برآمدات بڑھانے میں وزیراعظم کے ساتھ قریبی طور پر کام کیا۔ کوئی طاقت انہیں اپنی دانشمندی کے وسیع اثرات ڈالنے سے نہ روک سکی۔

کوئی الفاظ صحیح طور پر جناب علی حبیب کی رحلت پر ہمارے غم یا ان کے ساتھ کام کرنے کے موقع پر اپنی شکرگزاری کی ترجمانی نہیں کر سکتے۔ ہاؤس آف حبیب ایک صاحب نظر قائد سے محروم ہو گیا اور دنیا ایک بہترین انسان سے محروم ہوگئی۔ جنہوں نے ان کے ساتھ کام کیا ہے وہ ایک دوست اور اثر انگیز ناصح سے محروم ہو گئے۔ وہ ہمیشہ ہمارے دلوں میں زندہ رہیں گے اور ہم ان کی چھوڑی ہوئی راہوں پر آگے بڑھتے رہیں گے۔



رفیق ایم۔ حبیب
چیئرمین

چیئر مین کی جائزہ رپورٹ

معزز حصص یافتگان!

بورڈ کی جانب سے میں چیئر مین کی جائزہ رپورٹ برائے ختمہ مدت 30 جون 2020 پیش کرتے ہوئے مسرت محسوس کرتا ہوں۔

معاشی جائزہ

COVID-19 وباء ایک بڑے واقعہ کے طور پر ابھری جس نے دنیا کو لاک ڈاؤن اور مکمل طور پر معاشی سرگرمی کو محدود کرنے پر مجبور کر دیا۔ دنیا بھر کے ممالک اس وباء کی وجہ سے ہونے والے سماجی اور معاشی اثرات کو قابو کرنے کی کوشش میں ریلیف پروگرام ترتیب رہے ہیں۔ پاکستان میں یہ وباء اس وقت آئی جب ملک معاشی استحکام کی جانب بڑھ رہا تھا۔ وباء کے ابھرنے سے ملک کی معاشی نمو ختم ہو گئی۔ حکومت کی طرف سے حال ہی میں اعلان کردہ معاشی بحالی پیکیج سے توقع ہے کہ یہ پیکیج انتہائی متاثر شعبوں پر وباء کے اثرات کو کم کرتے ہوئے متاثرہ کاروبار کو انتہائی ضروری سہارا فراہم کرے گا۔ اس سے تعمیرات سے ملحقہ صنعتوں میں نہ صرف نمو ہوگی بلکہ وسط سے طویل مدت میں روزگار کے مزید مواقع پیدا ہونگے۔ قلیل مدت میں اگرچہ کاروباری سرگرمی کا انحصار ملک میں کورونا کی وباء کو قابو کرنے پر ہے۔

کاروباری جائزہ

سال 2019-20 کا انتہائی دشوار گزار رہا جس میں لاگتوں میں مندرجہ ذیل وجوہات کی بناء پر غیر معمولی اضافہ ہوا:

- ☆ گیس کے نرخ میں 31 فیصد تک کا اضافہ جو کہ دوسالوں میں مجموعی طور پر 70 فیصد ہے
- ☆ ایکسل لوڈ کی پابندیوں کی وجہ سے گاڑی کے کرایوں میں بے پناہ اضافہ
- ☆ روپے کی قدر میں مستقل کمی
- ☆ سیلز ٹیکس کی طرز میں تبدیلی جس میں ٹائلوں کو سیلز ٹیکس ایکٹ 1990 کے تھرڈ شیڈول میں شامل کیا گیا
- ☆ معیشت کو دستاویزی شکل دینے کی مہم نے چھوٹے تاجروں پر قابل ذکر اثرات مرتب کئے جس سے مارکیٹ میں بے چینی پھیل گئی۔

مندرجہ بالا تمام عوامل نے پہلی ششماہی کی کارکردگی کا متاثر کیا۔ سال کی دوسری ششماہی میں مارکیٹ میں استحکام کی علامات ظاہر ہونے سے کمپنی کی کارکردگی نسبتاً بہتر ہو گئی تو COVID-19 کی وباء پھیل گئی اور اس کے نتیجے میں ہونے والے لاک ڈاؤن کی وجہ سے مارکیٹیں اور پرجیکٹس بند ہو گئے اور کمپنی کو اپنے پلانٹ بند کرنا پڑے۔

اللہ رب العزت کی رحمت سے کمپنی کے پاس اعلیٰ صلاحیت کی حامل انتظامیہ ہے اور ایک پرجوش اور انتہائی مخلص افرادی قوت ہے جو کہ بندش زدہ ماحول میں نئے کاروباری مواقعوں کی تلاش میں نئے کسٹمرز حاصل کرنے میں مصروف رہی جبکہ دوسری جانب قرضے باز یاب کرائے گئے۔

کارکردگی کا اسکور کارڈ

مصنوعات کے بہتر مرکب سے کمپنی کے ریونیو میں اضافہ کے ساتھ ساتھ گیس، کرایہ اور روپے کی قدر میں کمی کی وجہ سے لاگت میں بے قابو اضافہ کے وسیع اثرات کو کم کرنے میں کامیاب رہی۔ تاہم لاک ڈاؤن کے دوران فروخت کا حجم اور پیداواری گنجائش کا نقصان اتنا زیادہ تھا کہ خساروں پر قابو نہ پایا جاسکا۔ جس کے نتیجے میں کمپنی کا بعد از ٹیکس خسارہ 326 ملین روپے رہا جس کی عکاسی 1.36 روپے خسارہ فی حصص (LPS) سے ہوتی ہے جو کہ گزشتہ سال منافع فی حصص 0.98 روپے تھی۔ انتظامیہ نے لاگتوں میں کمی کے اقدامات اور لاگتوں میں کمی کے دوسرے حل نکالنے پر توجہ مرکوز رکھی ہوئی تھی جس کے باعث اب آپریشنز میں استحکام پیدا ہوا ہے۔

سرمائے کا انتظام

آپ کو یہ جان کر بھی مسرت ہوگی کہ آپ کی کمپنی کا سرمایہ مستحکم سطح پر ہے اور طویل مدت تک قرضہ کو برداشت کر سکتی ہے۔ دشوار گزار وقت میں محتاط اور چوکس رہنے کی حکمت عملی نے کام دکھایا۔ ایک سہ ماہی لاک ڈاؤن میں گزارنے کے باوجود سال کے دوران کمپنی اپنی کاروباری سرگرمیوں سے 988 ملین روپے پیدا کرنے کے قابل رہی۔ نقدی کے اس بہاؤ کا مستعدی سے انتظام کیا گیا اور اپنی ذمہ داریوں کو پورا کرنے کے لئے کمپنی اضافی نقد برقرار رکھنے میں کامیاب رہی۔

برانڈ کی ترقی

صارفین ادارے اور ملازمین کے دل میں رہتے ہیں۔ تسلسل کے ساتھ ان کی پسندیدہ مصنوعات کی ترویج اور محور کن تجربات سے صارفین میں STILE کے برانڈ کا ایک مضبوط امیج، اعتماد اور نیک نامی پیدا ہوئی ہے۔ بڑے شہروں میں STILE ایمپوریم موجود ہونے سے کمپنی تسلسل کے ساتھ پاکستان بھر میں اپنے قدم جمانے میں مصروف ہے۔ ہمارے ایمپوریم میں مختلف قیمتوں کے حامل منتخب اور حالیہ رجحانات کے پورسلین اور سرامک ٹائلز سب سے ہوئے ہیں۔ ہمارے اندرونی مشاورت کاراس بات کے ماہر ہیں کہ کس طرح ٹائلوں کے جدید رجحانات اور ڈیزائنوں کو حقیقی معنوں میں کلائنٹ کے ڈیزائن پروجیکٹس میں انتہائی موزوں اور مسابقتی قیمتوں پر ضم کیا جاسکے۔ کورونا وبا کے دوران آن لائن ایمپوریم کو جاری کیا گیا ہے جس کے ذریعے قومی سطح پر ہماری صارفین تک رسائی میں اضافہ ہوا۔ آن لائن فروخت کے لئے ہماری ویب سائٹوں پر ٹریفک میں قابل ذکر اضافہ ہوا ہے کیونکہ حکومت کی طرف سے سماجی فاصلے کے اقدامات گاہکوں کو خریداری کے متبادل حل تلاش کرنے پر مجبور کر رہے ہیں۔

انسانی سرمایہ

ہمارے لوگ ہمارا قیمتی اثاثہ ہیں۔ ہم اپنے ملازمین کو تربیت و ترقی کے مواقع فراہم کر کے ان کی قدر میں اضافہ کرتے ہیں تاکہ ایک ذمہ دار اور با اختیار افرادی قوت تعمیر کی جاسکے۔

ہماری توجہ عمومی طور پر ہمارے ملازمین کی صحت اور بہبود پر مرکوز رہی خاص طور پر COVID-19 کی وبا کے دوران۔ تحفظ کو یقینی بنانے اور وائرس کی منتقلی کے خطرے کو کم کرنے کے لئے ہم نے کئی ایک احتیاطی طبی تدابیر کا سلسلہ ملک بھر میں اپنے ملازمین کے لئے نافذ کیا جن کی بنیاد ہر صوبے کی مخصوص صورتحال اور سرکاری رہنما اصول تھے۔

میں یہ بات بتاتے مسرت محسوس کرتا ہوں کہ COVID-19 کی وجہ سے مشکل حالات کے باوجود کسی ملازم کو بیکار یا ملازمت سے فارغ نہیں کیا۔ میں اس موقع پر اپنے تمام ملازمین اور شرکت داروں کی انتھک کوششوں پر ان کا مشکور ہوں جس سے ہر ایک کی بہبود میں مدد ملنے کے ساتھ اس دوران کاروبار کامیابی سے چلتا رہا۔

بورڈ کی تشخیص

بورڈ آف ڈائریکٹرز کی مجموعی کارکردگی کی سالانہ تشخیص ادارتی نظم و ضبط اور کمپنیز ایکٹ 2017 کے تقاضوں کے تحت کی جاتی ہے۔ اس تشخیص کا مقصد اس بات کو یقینی بنانا ہے کہ بورڈ کی کارکردگی مجموعی ادارتی مقاصد اور کمپنی کے نظم و ضبط کی ساخت کے تناظر کے عین مطابق ہے۔ مالیاتی سال ختمہ 30 جون 2020 بورڈ کی مجموعی کارکردگی اور اثر پذیری کی تشخیص ”تسلیمی بخش“ پائی گئی۔ یہاں یہ اجاگر کرنا بھی ضروری ہے کہ سال کے دوران بورڈ کی کمیٹیوں (آڈٹ کمیٹی اور انسانی وسائل و معاوضہ کمیٹی) نے اپنے متعلقہ شعبوں میں رہنمائی اور مشاورت فراہم کرنے میں اہم کردار ادا کیا۔

کاروباری خطرات اور چیلنجز

تعمیراتی شعبہ کو معاشی نمو و ترقی کا ایک بڑا ذریعہ سمجھا جاتا ہے۔ یہ ملک کی معاشی بہتری اور ترقی میں اہم کردار ادا کرتا ہے اور روزگار پیدا کرنے کا نظام ہے اور لاکھوں غیر ماہر، درمیانی ماہر اور ماہر افرادی قوت کو ملازمت کے مواقع فراہم کرتا ہے۔ حکومت کا انتہائی ضروری تعمیراتی پیکیج کا نفاذ جسے حال ہی میں نافذ کیا گیا، معیشت کی تیز ترین ترقی کے لئے بنیادی اہمیت کا حامل ہے۔ جیسا کہ اوپر بیان کیا گیا کہ لاگتوں میں اضافہ سے لاگتوں پر شدید دباؤ پڑا ہے جس سے مارکیٹ میں شدید مسابقت پیدا ہو گئی ہے۔ جبکہ ہم نے ٹائلوں کی درآمدات میں کمی دیکھی ہے لیکن اس حجم کو صنعت میں نئے داخل ہونے والوں نے پورا کر دیا ہے، جو کہ معیشت کے لئے اچھی علامت ہے تاہم حکومت کو اکٹم ٹیکس قوانین میں عدم مساوات کو ختم کرنا چاہئے کیونکہ اس سے خصوصی معاشی زونز میں قائم مینوفیکچررز کو نامناسب مالیاتی فوائد حاصل ہو رہے ہیں۔

مستقبل کی پیش بینی

یہ انتہائی اہم کہ حکومت صنعت پر تعمیراتی پیکیج کے اثرات کو مکمل طور پر سمجھے اور ملحقہ صنعتوں بشمول ٹائل کی صنعت کی نمو کی بحالی کے لئے بروقت کارروائی کرے۔ ہم حکومت کے معیشت کو ”دستاویزی شکل“ دینے کی حمایت کرتے ہیں تاہم ہم محسوس کرتے ہیں کہ اس کا نفاذ بغیر کسی تفریق کے یکساں ہونا چاہئے اور ٹیکس دہندہ ٹائل کمپنیوں پر ناجائز بوجھ نہیں ڈالنا چاہئے۔ ہم حکومت سے درخواست کرتے ہیں کہ گیس کے نرخ جو کہ پہلے ہی زیادہ بڑھ چکے ہیں، کو کم کر کے ٹائل مینوفیکچررز کو سہارا دے۔ مجموعی دشوار گزار ماحول کو مد نظر رکھتے ہوئے ہمارا کاروبار پگھلا دار، مسابقت پذیر اور آگے بڑھ رہا ہے۔ ہم پر اعتماد ہیں کہ ان رکاوٹوں پر قابو پایا جائے گا اور اچھی کارکردگی کی تریل ہوگی۔



EMPORIUM & DESIGN STUDIO | RAWALPINDI

DIRECTORS' REPORT

Your Directors have pleasure in submitting their report and financial statements of the Company for the year ended 30 June 2020.

CHAIRMAN'S REVIEW REPORT:

The Chairman's review included in the Annual Report deals inter alia with the nature of business, performance of the Company, explanation of significant deviations from last year, future prospects and uncertainties. The Board of Directors has approved the Chairman's Review Report.

BUSINESS REVIEW:

The unprecedented outbreak of the COVID-19 pandemic has surfaced as a major event forcing the world into a lock-down and restricting economic activity across the board. Pakistan, being a labour abundant country with industries of low capital intensity and having high dependence on labour intensive sectors such as construction and agriculture sectors suffered to a great deal during the unprecedented pandemic causing lock-down. This has come at a time when the country was heading towards some economic stability.

The fiscal year started with severe hardships faced by the supply chain post Finance Act 2019 where the Federal Government initiated the drive to document the economy and introduced the requirement of CNIC for sales to unregistered persons in addition to classifying tiles in the third schedule of Sales Tax Act, 1990 which resulted in contraction of the market size of tiles. In addition, the cost base of the tax compliant manufacturers impact significantly through introduction of section 108B of the Income Tax Ordinance requiring the manufacturer to bear the margin of unregistered dealer.

Further, despite the objective of the Government to support and revive the economy, the input costs increased manifold with gas tariff (being significant cost component) went up by 31%, while continuous devaluation of Pak Rupee and the revised axle load restrictions also posed significant risks over the sustained gross margins. This unprecedented rise kept the prospective buyers at sidelines as the prices went out of their budgets.

OPERATING RESULTS:

A comparison of the operating results of the Company for the financial year ended June 30, 2020 against the same period last year is shown hereunder:

	2020	2019
	Rs. in '000	
Turnover – net	6,474,469	6,933,077
Gross profit	1,096,746	1,611,867
Earnings before interest, taxes and depreciation (EBITDA)	512,598	1,053,005
Depreciation	706,337	593,555
Finance cost	87,078	86,946
(Loss) / Profit before taxation	(280,817)	372,504
(Loss) / Profit after taxation	(325,774)	234,341
(Loss) / Earnings per share (Rs.)	(1.36)	0.98

Notwithstanding with the existing string of rough waters, the Company can look back on an overall positive business performance in the year ended June 30, 2020. Despite downward trends in figures, the Company's results of operations, financial position and net assets are indicative of a solid financial condition. Your Company being blessed with extremely competent and motivated team, kept strong follow ups for recoveries and finding new business opportunities to sell our existing inventories. Hence, the short term borrowing facilities remained un-availed during the lock-down period.

During the year under review, despite the first quarter loss before tax of Rs. 115 million owing to the increase in input costs and impacts of Finance Act 2019, as mentioned above, your Company managed to pull back well in the next six months with PBT of Rs. 48 million and Rs. 51 million in Q2 and Q3 respectively. The 4th quarter started with the announcement of lock-down amid pandemic COVID-19, which disturbed revenue and cashflow streams while the pressure to absorb the fixed cost remained a challenge, resulting at a loss of Rs. 264 million in 4th quarters.

DEBT OBLIGATION:

By the grace of Almighty Allah, your Company met all its financial commitments and debt obligations. It is very pleasing to report that the debt equity ratio of the Company has dropped to 18% as against 25% of last year.

CONTRIBUTION TO NATIONAL EXCHEQUER:

Your company approximately contributed Rs. 1,500 million (2019: Rs. 1,575 million) into the Government Treasury on account of income taxes, sales tax, custom duties and other government levies.

CORPORATE AND SOCIAL RESPONSIBILITY:

Over the years our Company has contributed significantly towards the welfare of the society in the shape of various socially responsible activities. The Company, being a responsible corporate citizen of Pakistan, did not lay off any of its staff/workers during the lock-down period due to pandemic COVID-19.

HEALTH, SAFETY & ENVIRONMENT:

Safety is a core value at Stile and the Company is committed to continued advancement of safety culture. We strongly believe in maintaining the highest standards in health, safety and environment (HSE) to ensure the well-being of the people who work with us as well as of the communities where we operate.

PRINCIPAL RISKS AND UNCERTAINTIES

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

- Non absorption of fixed costs in case of lock-down due to non-containment of Corona pandemic;
- Penalization of tax-compliant manufacturers by charging more taxes;
- Highly price sensitive market;
- Continued increase in input costs.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The company adheres to maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

The Board has outsourced internal audit function who are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. The Board has also appointed Head of Internal Audit who is a qualified person reporting functionally to the Audit Committee.

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 2021, for approval of the shareholders in the forthcoming Annual General Meeting.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE:

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

- 1) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- 2) Proper books of account have been maintained by the Company;
- 3) Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment;
- 4) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of these financial statements;
- 5) The system of internal control is sound in design and has been effectively implemented and monitored. The process of monitoring internal controls will continue with the objective to further strengthen the controls and improve the system;
- 6) There are no significant doubts upon the Company's ability to continue as a 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 No. 35.
- 8) There has been no material departure from the best practices of Corporate Governance, as detailed in the Regulations of Rule Book of Pakistan Stock Exchange and listed companies (code of corporate governance regulations 2019).
- 9) The Company operates a contributory provident fund scheme for all permanent employees. The value of Provident Fund Investments as per the unaudited accounts of STCL Provident Fund Trust for the year ended June 30, 2020 was Rs. 225.575 million (2019: Rs. 204.622 million);
- 10) There are no outstanding statutory payments due on account of taxes, levies and charges except as those disclosed in these financial statements.

BOARD OF DIRECTORS & ITS COMMITTEES:**The Board:**

The Board comprises of two independent Directors (including one female director), four non-executive Directors and one executive Director. During the year, the Company lost a visionary leader - passionate, focused, entrepreneurial and a life - long learning enthusiast, Mr. Ali S. Habib who personally touched lives of so many during his 4 decades with the Company. The Board of Directors of Shabbir Tiles and Ceramics Limited express their profound sadness and loss on the demise of their Board Member and Chairman House of Habib.

In compliance with the requirements of section 155(3) of the Companies, on July 07, 2020, Mr. Imran Ali Habib was appointed as non-executive director in place of Mr. Ali S. Habib, who is a dynamic young entrepreneur currently serving as Senior Vice President at Habib American Bank in New York, USA.

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

Name of Director	Designation	No. of meetings attended
Mr. Rafiq M. Habib	Chairman	-
Mr. Ali Suleman Habib (Passed away on April 17, 2020)	Non-Executive Director	3
Mr. Masood Jaffery	Chief Executive Officer	4
Mr. Feroze Jehangir Cawasji	Independent Director	3
Mr. Abdul Hai M. Bhaimia	Non-Executive Director	4
Mrs. Farhana Mowjee Khan	Independent Director	3
Mr. Muhammad Salman Burney	Non-Executive Director	4
Mr. Imran Ali Habib (Appointed on July 7, 2020 due to casual vacancy)	Non-Executive Director	-

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 Committee comprises of one non-executive director and two independent directors (including one female director) and the Chairman of the committee is an independent director.

During the year, four meetings of Board Audit Committee were held. The attendance and the composition of the Board of Directors are as follows:

Name of Director	Designation	No. of meetings attended
Mr. Feroze Jehangir Cawasji	Independent Director	4
Mr. Abdul Hai M. Bhaimia	Non-Executive Director	4
Mrs. Farhana Mowjee Khan	Independent Director	3

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

Human Resource And Remuneration Committee:

The Committee meets to review and recommend all elements of the compensation, organization and employee development policies relating to the senior executives' remuneration. The CEO of the Company and the Head of HR of the Company attended the Human Resource and Remuneration Committee meeting. The Committee met once during 2019-20 attended by all the members. The committee comprises of following members:

Name of Director	Designation
Mr. Feroze Jehangir Cawasji	Independent Director
Mr. Muhammad Salman Burney	Non-Executive Director
Mr. Masood Jaffery	Chief Executive Officer

DIVIDEND:

Considering the financial position of the Company, the directors of the Company have decided not to pay any dividend, cash or otherwise.

PATTERN OF SHAREHOLDING:

Statements showing the pattern of shareholding as at June 30, 2020 required under Section 227 (2) (f) of the Companies Act, 2017 and the Code of Corporate Governance, is annexed to this report.

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

SUBSEQUENT EVENTS:

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, except as disclosed in the financial statements.

RELATED PARTY TRANSACTIONS:

The transactions between the related parties were carried out on the basis of arm's length prices. The Company has fully complied with the best practices on transfer pricing as contained Act and Code. The details of all related party transactions were placed before the Audit Committee and upon its recommendation the same were approved by the Board of Directors.

BUSINESS CONTINUITY PLANS:

As part of Business Continuity Plan, remote disaster recovery sites have been adequately set up for maintaining backup server and data in case our primary server encounters any issues.

PERFORMANCE EVALUATION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES:

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.

Review of CEO's Performance:

The performance of the CEO is formally appraised through the evaluation system which includes the performance of the business, the accomplishment of objectives with reference to profits, organization building, succession planning and corporate success.

DIRECTORS' REMUNERATION:

The company does not pay remuneration to its non-executive directors including independent directors except for meeting fee. Aggregate amount of remuneration paid to executive and non-executive directors have been disclosed in note 39 of the annexed financial statements.

ACKNOWLEDGEMENT:

The Board of Directors appreciates all its stakeholders for their trust and continued support to the Company. The Board also recognizes the contribution made by a very dedicated team of professionals and engineers who served the Company with enthusiasm, and hope that the same spirit of devotion shall remain intact in the future ahead to the Company.

on behalf of the Board.



SYED MASOOD ABBAS JAFFERY
Chief Executive Officer

Karachi: September 7, 2020



FEROZE JEHANGIR CAWASJI
Director

کاروباری منصوبوں کا تسلسل

برڈنس کنٹینوٹی پلان کے تحت ریموٹ ڈیزاسٹر ریکوری سسٹمز کو مناسب انداز میں قائم کیا گیا ہے تاکہ اگر ہمارے بنیادی سرور میں کوئی مسائل پیدا ہوں تو بیک اپ سرور اور ڈیٹا کو برقرار رکھا جاسکے۔

بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی کارکردگی کی تشخیص

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کی ضروریات کے تحت کمپنی کا بورڈ سالانہ بنیاد پر باضابطہ طریقہ کار کے مطابق مجموعی طور پر اپنی اور اپنی کمیٹیوں کی کارکردگی کی از خود تشخیص کرتا ہے۔ اس تشخیص کا مقصد بورڈ کی مجموعی کارکردگی اور اثر پذیری اور کمپنی کے طے کردہ مقاصد کے تناظر میں بیچ مارک کے عوض توقعات کی پیمائش کرنا ہے۔

بورڈ کے نگرانی کے کردار اور اس کی اثر پذیری کی تشخیص ایک مسلسل عمل ہے۔ جن بنیادی شعبوں پر توجہ دی جاتی ہے وہ درج ذیل ہیں:

- ☆ اداراتی مقاصد اور کمپنی کے مشن و نصب العین سے مطابقت
- ☆ پائیدار آپریشن کے لئے حکمت عملی کی تشکیل
- ☆ بورڈ کی خود مختاری، اور
- ☆ بورڈ کی کمیٹیوں کی طے کردہ ذمہ داریوں کے مطابق ان کی اپنی ذمہ داریوں سے عہدہ براں ہونے کی کارکردگی کا جائزہ

CEO کی کارکردگی کا جائزہ

CEO کی کارکردگی کا جائزہ ایک باقاعدہ نظام کے تحت کیا جاتا ہے جو کہ کاروبار کی کارکردگی، منافع کے لحاظ سے مقصد کا حصول، ادارے کی تعمیر اور جانشینی کی منصوبہ بندی پر مشتمل ہے۔

ڈائریکٹرز کا معاوضہ

کمپنی اپنے نان ایگزیکٹو ڈائریکٹرز بشمول آزاد ڈائریکٹرز کو کوئی معاوضہ ادا نہیں کرتی سوائے میٹنگ فیس کے مجموعی معاوضہ جو کہ ڈائریکٹر کو دیا گیا ہے۔ اس کی تفصیل نوٹ نمبر ۳۹ میں فراہم کی گئی ہے۔

اعتراف

ہم تمام حصص یافتگان، صارفین، سپلائرز اور ملازمین کے مسلسل تعاون کا اعتراف کرتے ہیں اور ان کے مشکور ہیں اور بورڈ اپنے پرفیشنل اور انجینئرز کی ٹیم جنہوں نے بھرپور محنت اور حوصلہ افزائی کے ساتھ اپنی ذمہ داریاں ادا کیں، ان کو سراہتا ہے اور امید کرتا ہے کہ وہ آئندہ بھی اسی جذبے کے ساتھ کام کریں گے۔

برائے و مخانب



فیروز جہانگیر کاو جی
ڈائریکٹر



سید مسعود عباس جعفری
چیف ایگزیکٹو آفیسر
کراچی

مورخہ: 7 ستمبر 2020

اداراتی نظم و ضبط کے ضابطے کی پاسداری

کمپنی مکمل طور پر کمپنیز ایکٹ 2017 کی شقوں اور سیوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے جاری کردہ کوڈ آف کارپوریٹ گورننس کے تحت اپنی ذمہ داریوں سے بخوبی آگاہ ہے۔ مندرجہ ذیل مندرجات کارپوریٹ گورننس کے اعلیٰ معیارات اور مسلسل بہتری کا اعتراف کرتے ہیں:

پاکستان اسٹاک ایکسچینج کی قوانین کی کتاب میں دیئے گئے ادارتی نظم و ضبط کے ضابطے کے تحت ڈائریکٹران اقرار کرتے ہوئے خوشی محسوس کرتے ہیں کہ:

(۱) کمپنی کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے، کمپنی کے معاملات، اس کے کاروباری نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کو شفافیت کے ساتھ پیش کرتے ہیں۔

(۲) کمپنی میں حسابات کی کتابیں مناسب انداز میں تیار کی گئی ہیں۔

(۳) درست حساباتی پالیسیوں 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۔

(۴) مالیاتی گوشواروں کی تیاری کے دوران عالمی مالیاتی رپورٹنگ معیارات، جو پاکستان میں لاگو ہیں، کو ملحوظ خاطر رکھا گیا ہے۔

(۵) اندرونی گرفت کے نظام کی شکل مضبوط ہے اور موثر انداز میں نافذ العمل ہے اور اس کی نگرانی کی جاتی ہے۔ اندرونی گرفت کی نگرانی کا یہ عمل اس مقصد سے ساتھ جاری رکھا جاتا ہے کہ گرفت کو مزید مستحکم اور نظام کو بہتر بنایا جاسکے۔

(۶) کمپنی کی بڑھتی ہوئی کاروباری صلاحیت کے تسلسل میں کوئی قابل ذکر شک و شبہ نہیں ہے۔

(۷) کمپنی کے پچھلے چھ سالوں کے اہم کاروباری اور مالیاتی اعداد و شمار کا خلاصہ اس رپورٹ کے صفحہ نمبر 35 پر موجود ہے۔

(۸) پاکستان اسٹاک ایکسچینج کی رول بک (قواعد کی کتاب) اور کوڈ آف کارپوریٹ گورننس میں دیئے گئے ادارتی نظم و ضبط کے بہترین طور طریقوں سے کوئی قابل گرفت انحراف نہیں کیا گیا ہے۔

(۹) کمپنی اپنے ملازمین کے لئے پروویڈنٹ فنڈ چلا رہی ہے اور STCL کے پروویڈنٹ فنڈ کے غیر آڈٹ شدہ کھاتوں کے مطابق سال ختمہ 30 جون 2020 میں پروویڈنٹ فنڈ سے کی گئی سرمایہ کاریوں کی مالیت 225.575 ملین روپے ہے (جو کہ 2019 میں 204.622 ملین روپے تھی)۔

(۱۰) ٹیکسوں اور دیگر محصولات کی مد میں کمپنی پر کوئی آئینی واجبات نہیں ہیں سوائے ان کے جنہیں مالیاتی گوشواروں میں منکشف کیا گیا ہے۔

بورڈ آف ڈائریکٹرز اور ان کی کمیٹیاں

بورڈ دو آڈائریکٹرز (بشمول ایک خاتون ڈائریکٹر)، چار نان ایگزیکٹو ڈائریکٹرز اور ایک ایگزیکٹو ڈائریکٹر پر مشتمل ہے۔ سال کے دوران کمپنی سے ایک غیر معمولی، پر جوش اور طویل تجربہ کے حامل قائد جناب علی ایس حبیب جدا ہو گئے جنہوں نے کمپنی کے ساتھ 4 عشروں کی وابستگی کے دوران ذاتی طور پر کئی زندگیوں کی مدد کی۔ شبیر ٹائلز اینڈ سرامکس لمیٹڈ کا بورڈ آف ڈائریکٹر ہاؤس آف حبیب کے چیئرمین اور بورڈ کے ممبر کے انتقال پر گہرے دکھ و غم کا اظہار کرتا ہے۔

کمپنیز ایکٹ 2017 کی دفعہ (3) 155 کے تقاضوں کی پاسداری کرتے ہوئے 07 جولائی 2020 کو جناب علی ایس حبیب کی جگہ پر جناب عمران علی حبیب کی تقرری کی گئی ہے جو کہ ایک نوجوان کاروباری منتظم ہیں اور اس وقت حبیب امریکہ بینک نیویارک یو ایس اے میں سینئر وائس پریذیڈنٹ کی حیثیت سے خدمات انجام دے رہے ہیں۔

سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ تمام اجلاس پاکستان میں منعقد ہوئے۔ بورڈ آف ڈائریکٹرز کی تشکیل بندی اور حاضری درج ذیل ہے:

ڈائریکٹر کا نام	عہدہ	حاضر اجلاسوں کی تعداد
جناب رفیق ایم حبیب	چیئرمین	-
جناب علی سلیمان حبیب (17 اپریل 2020 کو انتقال کر گئے)	نان ایگزیکٹو ڈائریکٹر	3
جناب مسعود جعفری	چیف ایگزیکٹو آفیسر	4
جناب فیروز جہانگیر کاؤنجی	آزاد ڈائریکٹر	3
جناب عبدالحی ایم بھائی میاں	نان ایگزیکٹو ڈائریکٹر	4
محترمہ فرحانہ ماؤجی خان	آزاد ڈائریکٹر	3
جناب محمد سلمان برنی	نان ایگزیکٹو ڈائریکٹر	4
جناب عمران علی حبیب (اتفاقی آسامی پر 7 جولائی 2020 کو تقرری ہوئی)	نان ایگزیکٹو ڈائریکٹر	-

جوڈائریکٹران بورڈ کے اجلاسوں میں حاضر نہ ہو سکے ان کی غیر حاضری کی رخصت منظور کر لی گئی۔

بورڈ کی آڈٹ کمیٹی

بورڈ کی آڈٹ کمیٹی، بورڈ کی ذمہ داریوں کی ادائیگی، ابتدائی مالیاتی امور کی رپورٹ کے جائزے، غیر مالیاتی معلومات کی شیئر ہولڈرز کو فراہمی، اندرونی گرفت کے نظام، ملحقہ خطرات کے انتظام اور آڈٹ جیسے معاملات میں مدد فراہم کرتی ہے۔ یہ ایک خود کار طریقہ کار ہے جس میں انتظامیہ سے معلومات حاصل کی جاتی ہیں اور معاملات کی مناسبت سے بیرونی آڈیٹرز یا ایڈوٹرز سے براہ راست مشاورت کی جاتی ہے۔ چیف فنانشل آفیسر باقاعدگی سے بورڈ کی آڈٹ کمیٹی کے اجلاس میں شریک ہوتا ہے جسے کھاتوں کو پیش کرنے کے لئے مدعو کیا جاتا ہے۔ ہر میٹنگ کے بعد کمیٹی کا چیئرمین بورڈ کو رپورٹ کرتا ہے۔ آڈٹ کمیٹی ایک نان ایگزیکٹو ڈائریکٹر اور دو آزاد ڈائریکٹران پر مشتمل ہے اور کمیٹی کا چیئرمین ایک آزاد ڈائریکٹر ہے۔

جائزہ سال کے دوران آڈٹ کمیٹی کے چار اجلاس ہوئے۔ ہر ممبر کی حاضری کی تفصیل درج ذیل ہے:

ڈائریکٹر کا نام	عہدہ	حاضر اجلاسوں کی تعداد
جناب فیروز جہانگیر کاؤنجی	آزاد ڈائریکٹر	4
جناب عبدالحی ایم بھائی میاں	نان ایگزیکٹو ڈائریکٹر	4
محترمہ فرحانہ ماؤجی خان	آزاد ڈائریکٹر	3

جوڈائریکٹر بورڈ کے اجلاسوں میں حاضر نہ ہو سکے ان کی غیر حاضری کی رخصت منظور کر لی گئی۔

انسانی وسائل اور معاوضہ کمیٹی

یہ کمیٹی اعلیٰ انتظامیہ کے ملازمین سے متعلق معاوضہ، نظم و ضبط اور ترقی کی پالیسیوں کے تمام عناصر کی سفارش کرتی ہے اور ان کا جائزہ لیتی ہے۔ کمپنی کا CEO اور کمپنی کے HR کا سربراہ انسانی وسائل اور معاوضہ کمیٹی کے اجلاس میں شرکت کرتے ہیں۔ 2019-20 میں کمیٹی کا ایک اجلاس ہوا جس میں تمام ممبران نے شرکت کی۔ کمیٹی ان افراد پر مشتمل ہے:

ڈائریکٹر کا نام	عہدہ
جناب فیروز جہانگیر کاؤنجی	آزاد ڈائریکٹر
جناب محمد سلمان برنی	نان ایگزیکٹو ڈائریکٹر
جناب مسعود جعفری	چیف ایگزیکٹو آفیسر

منافع منقسمہ

کمپنی کی مالیاتی پوزیشن کو مد نظر رکھتے ہوئے کمپنی کے ڈائریکٹران نے کوئی نقد یا دیگر منافع منقسمہ ادا نہ کرنے کا فیصلہ کیا ہے۔

حصص داری کی ساخت

کمپنیز ایکٹ 2017 کی دفعہ (f) (2) 227 اور ادارتی نظم و ضبط کے تحت سال ختمہ 30 جون 2020 کی حصص داری کی ساخت پر مشتمل گوشوارے اس رپورٹ کے ساتھ منسلک ہیں۔

ڈائریکٹرز، CEO، CFO، کمپنی سیکریٹری، ہیڈ آف انٹرنل آڈٹ اور ان کے شریک حیات یا چھوٹے بچوں نے سال کے دوران کمپنی کے حصص میں کوئی خرید و فروخت نہیں کی۔

بعد ازاں واقعات

مالیاتی سال کے اختتام اور اس رپورٹ کی تاریخ تک کوئی اہم تبدیلیاں یا وعدے رونما نہیں ہوئے جن سے کمپنی کی مالیاتی پوزیشن متاثر ہو۔ سوائے اس کے کہ جو فنانشل اسٹیٹمنٹ میں بیان کئے گئے ہیں۔

ملحقہ پارٹیوں کے سودے

ملحقہ پارٹیوں کے ساتھ سودے عمومی طریقہ کار کے مطابق انجام پائے۔ کمپنی مکمل طور پر ایکٹ اور کوڈ میں بیان کئے گئے قیمتوں کے تبادلے سے ہم آہنگ ہے اور ملحقہ پارٹیوں کے ساتھ کی گئی تمام ٹرانزیکشن آڈٹ کمیٹی کے سامنے پیش کی گئیں اور ان کی سفارش پر بورڈ نے انہیں منظور کیا۔

ڈائریکٹرز رپورٹ

آپ کے ڈائریکٹرز اپنی رپورٹ اور کمپنی کے مالیاتی گوشوارے برائے مختتمہ سال 30 جون 2020 پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

چیئرمین کی جائزہ رپورٹ

چیئرمین کی جائزہ رپورٹ جو کہ سالانہ رپورٹ کا حصہ ہے، کاروبار کی نوعیت، کمپنی کی کارکردگی اور گزشتہ سال سے قابل ذکر انحراف کی وضاحت اور ابہام پر مشتمل ہے۔ بورڈ آف ڈائریکٹرز نے چیئرمین کی جائزہ رپورٹ منظور کی ہے۔

کاروباری جائزہ

COVID-19 وباء کے غیر معمولی پھیلاؤ سے ایک گھمبیر صورتحال ابھر کر سامنے آئی جس نے دنیا کو لاک ڈاؤن میں ڈال دیا اور معاشی سرگرمی مکمل طور پر محدود ہو گئی۔ پاکستان جہاں پر بے پناہ مزدور طبقہ کم سرمایہ کاری کم سرمائے کی حامل صنعتیں ہیں اور جن کا انحصار مزدور طبقہ کے شعبوں جیسے تعمیرات اور زرعی شعبہ پر ہے وہ اس وباء کے پھیلاؤ کے نتیجے میں شدید متاثر ہوا۔ یہ اس وقت ہوا جب ملک معاشی استحکام کی جانب بڑھ رہا تھا۔

فنانس ایکٹ 2019 کے بعد مالیاتی سال کے آغاز میں سپلائی چین میں شدید مشکلات کا سامنا ہوا جس میں وفاقی حکومت نے معیشت کو دستاویزی شکل دینے کے لئے ہم کام آغاز کیا اور غیر رجسٹرڈ افراد کو فروخت کے لئے CNIC کی ضرورت کو متعارف کرانے کے ساتھ ساتھ ٹائلوں کو سبز ٹیکس ایکٹ 1990 کے تھرڈ شیڈول میں ڈال دیا جس کے نتیجے میں ٹائلز کی مارکیٹ کا حجم سکڑ گیا۔ اس کے علاوہ ٹیکس دینے والے مینوفیکچررز کی لاگت میں انکم ٹیکس آرڈیننس کی دفعہ 108B متعارف کرانے سے قابل ذکر اضافہ ہوا جس کے تحت غیر رجسٹرڈ ڈیلر کی شرح منافع کو مینوفیکچرر کو برداشت کرنا تھا۔

باوجود اس کے کہ حکومت کا مقصد معیشت کی بحالی اور سہارا دینا ہے، پیداواری لاگت میں کئی گنا اضافہ ہوا جبکہ ٹیکس (جو کہ لاگت کا اہم جزو ہے) کے نرخوں میں 31 فیصد اضافہ ہو گیا جبکہ پاکستانی روپے کی قدر میں مسلسل کمی اور ایکسل لوڈ کی پابندیوں سے پائیدار شرح منافع قابل ذکر خطرات کا شکار ہو گئی۔ اس غیر معمولی اضافے نے متوقع خریداروں کو روک دیا کیونکہ قیمتیں ان کے بجٹ سے باہر ہو گئی تھیں۔

کاروباری نتائج

مالیاتی سال مختتمہ 30 جون 2020 میں کمپنی کے کاروباری نتائج کا گزشتہ سال کے ساتھ مقابلہ جائزہ درج ذیل ہے:

	2020	2019
روپے ”ہزاروں“ میں		
خالص فروخت	6,474,469	6,933,077
مجموعی منافع	1,096,746	1,611,867
آمدن قبل از سود، ٹیکس اور فرسودگی (EBITDA)	512,598	1,053,005
فرسودگی	706,337	593,555
مالیاتی لاگت	87,078	86,946
(خسارہ)/منافع قبل از ٹیکس	(280,817)	372,504
(خسارہ)/منافع بعد از ٹیکس	(325,774)	234,341
فی حصص (نقصان)/منافع (روپے)	(1.36)	0.98

انتہائی مشکل حالات کے باوجود سال مختتمہ 30 جون 2020 کے دوران کمپنی کی مجموعی کاروباری کارکردگی مثبت رہی۔ ہندسوں میں کمی کے رجحان کے باوجود کمپنی کے نتائج، مالیاتی پوزیشن اور خالص اثاثے ایک مستحکم مالیاتی حالت کی نشاندہی کرتے ہیں۔ آپ کی کمپنی کے پاس اللہ کی رحمت سے ایک انتہائی قابل اور متحرک ٹیم ہے جس نے وصولی کے لئے مضبوط نگرانی کی اور اپنی موجودہ مصنوعات کی فروخت کے لئے نئے کاروباری مواقع تلاش کئے۔ لہذا لاک ڈاؤن کی مدت کے دوران قلیل مدتی قرضہ جاتی سہولیات حاصل نہیں کی گئیں۔

جائزہ سال کے دوران پہلی سہ ماہی میں خام لاگتوں میں اضافوں اور اہم کردہ فنانس ایکٹ 2019 کے اثرات کی وجہ سے 115 ملین روپے کے قبل از ٹیکس خسارے کے باوجود کمپنی اگلے چھ ماہ میں دوبارہ واپس کھڑی ہو گئی جس کے نتیجے میں قبل از ٹیکس منافع دوسری اور تیسری سہ ماہی میں بالترتیب 48 ملین اور 51 ملین روپے رہا۔ چوتھی سہ ماہی لاک ڈاؤن کے اعلان اور COVID-19 وبا کے ساتھ شروع ہوئی جس نے آمدنی اور کیش کے بہاؤ کو متاثر کیا جبکہ لازمی لاگت کو جذب کرنے کا دباؤ ایک چیلنج بنارہا جس کے نتیجے میں چوتھی سہ ماہی میں 264 ملین روپے کا خسارہ ہوا۔

قرضہ کی ذمہ داری

اللہ عزوجل کی رحمت سے کمپنی نے اپنی تمام ذمہ داریاں اور قرضہ جاتی وعدے پورے کئے۔ یہ بات انتہائی خوش آئند ہے کہ قرضہ بلحاظ ایکویٹی کی شرح گزشتہ سال کی 25 فیصد سے کم ہو کر 18 فیصد رہ گئی ہے۔

قومی خزانے میں معاونت

آپ کی کمپنی نے حکومتی خزانے میں اس سال انکم ٹیکس، سیلز ٹیکس، کشم ڈیوٹی اور دیگر حکومت محصولات کی مد میں ایک 1,500 ملین روپے جمع کروائے (جبکہ 2019 میں 1,575 ملین روپے جمع کروائے تھے)۔

اداراتی سماجی ذمہ داری

سالہا سال سے کمپنی نے معاشرے کی فلاح و بہبود کے لئے مختلف سماجی سرگرمیوں کی شکل میں قابل ذکر معاونت کی ہے۔ کمپنی پاکستان کی ایک ادارتی ذمہ دار شہری ہے، اس نے COVID-19 وبا کی وجہ سے لاک ڈاؤن کے دوران کسی بھی ملازم/عملے کو نوکری سے نہیں نکالا۔

صحت، تحفظ اور ماحول

تحفظ Stile کی بنیادی اقدار ہے اور کمپنی تسلسل کے ساتھ حفاظتی ثقافت کی ترقی کے لئے کوشاں ہے۔ ہم صحت، تحفظ اور ماحولیات (HSE) کے اعلیٰ معیارات کو برقرار رکھنے پر مضبوطی کے ساتھ اور یقین رکھتے ہیں تاکہ ہمارے ساتھ کام کرنے والوں کے ساتھ اور جس جگہ ہم کاروبار کر رہے ہیں وہاں کی برادری کی بہبود کو یقینی بنایا جاسکے۔

بنیادی خطرات اور غیر یقینی صورتحال

کمپنی کو کچھ مخصوص موروثی خطرات اور غیر یقینی صورتحال کا سامنا ہے۔ تاہم ہم درج ذیل کو اہم خطرات سمجھتے ہیں:

- ☆ کورونا وبا کے پھیلاؤ کے نتیجے میں لاک ڈاؤن کی وجہ سے لازمی لاگتوں کا جذب نہ ہونا
- ☆ ٹیکس دہندہ مینوفیکچررز پر مزید ٹیکس لگانے کی سزا
- ☆ قیمت کے لحاظ سے حساس مارکیٹ
- ☆ خام لاگتوں میں مسلسل اضافہ

اندرونی گرفت کے نظام کی موزونیت

کمپنی اکاؤنٹنگ ریکارڈ موزوں انداز میں برقرار رکھنے کے لئے ایکٹ کی شقوق کی پاسداری کرتی ہے تاکہ کمپنی کے اثاثوں کا تحفظ کیا جاسکے اور دھوکہ دہی اور دیگر بے ضابطگیوں کی نشاندہی ہو سکے اور ان سے بچا جاسکے، مناسب اکاؤنٹنگ پالیسیوں کو لاگو اور منتخب کیا جاسکے، ایسے فیصلے اور تحسینے تیار کئے جائیں جن کی بنیاد خطاط اور موزوں انداز پر ہو، اندرونی مالیاتی گرفتوں کو تیار، نافذ اور برقرار رکھا جاسکے جن سے موثر انداز میں درستی اور جامعیت کو اکاؤنٹنگ ریکارڈ میں یقینی بنایا جاسکے، مالیاتی گوشواروں کی تیاری اور پیش کرنے سے متعلق بالکل صحیح اور شفاف نقطہ نظر فراہم کیا جاسکے جو کہ تمام غلط بیانیوں سے پاک ہوں چاہیں وہ فراڈ کی بنیاد پر ہوں یا غلطی کی بنیاد پر۔

بورڈ نے اندرونی گرفت کا نظام کمپنی سے باہر ایک ادارے کو سپرد کیا ہے جو کہ اس مقصد کے لئے تعلیم یافتہ اور تجربہ کار ہے اور کمپنی کی پالیسیوں اور طریقہ کار سے آگاہ ہے۔ بورڈ نے انٹرنل آڈٹ کے سربراہ کے عہدے پر ایک تعلیم یافتہ فرد کی تقرری کی ہے جو فرائض منصبی کے لحاظ سے آڈٹ کمیٹی کو رپورٹ کرتا ہے۔

آڈیٹرز:

موجودہ آڈیٹرز میسرز EY Ford Rhodes، چارٹرڈ اکاؤنٹنٹس سبکدوش ہو چکے ہیں اور اہلیت کے باعث انہوں نے اپنی دوبارہ تقرری کی پیشکش کی ہے۔ بورڈ نے سبکدوش ہونے والے آڈیٹرز کی سال 30 جون 2021 کے لئے دوبارہ تقرری کی سفارش کی ہے تاکہ آنے والے سالانہ اجلاس عام میں ان کی تقرری کی منظوری لی جاسکے۔

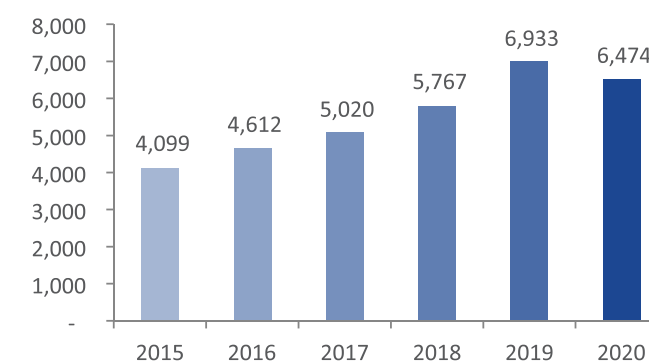
PERFORMANCE OF LAST SIX YEARS

	30TH JUNE 2020	30TH JUNE 2019	30TH JUNE 2018	30TH JUNE 2017	30TH JUNE 2016	30TH JUNE 2015
----- (Rs. in '000) -----						
Turnover - net	6,474,469	6,933,077	5,767,082	5,020,008	4,611,670	4,098,691
% of Growth	-6.61%	20.22%	14.88%	8.85%	12.52%	-14.25%
Gross profit	1,096,746	1,611,867	1,257,217	534,901	532,345	701,491
Gross profit (%)	16.94%	23.25%	21.80%	10.66%	11.54%	17.12%
Selling and distribution cost	1,036,180	927,447	748,488	514,307	488,260	429,821
% of Turnover -net	16.00%	13.38%	12.98%	10.25%	10.59%	10.49%
Administrative expenses	292,860	257,919	178,128	155,493	125,775	104,166
% of Turnover -net	4.52%	3.72%	3.09%	3.10%	2.73%	2.54%
Finance cost	87,078	86,946	98,121	93,426	82,888	226,295
% of Turnover -net	1.34%	1.25%	1.70%	1.86%	1.80%	5.52%
(Loss) / profit before taxation	(280,817)	372,504	247,183	(189,770)	(116,087)	(45,082)
% of Turnover -net	-4.34%	5.37%	4.29%	-3.78%	-2.52%	-1.10%
(Loss) / profit for the year	(325,774)	234,341	194,406	(151,484)	(116,632)	(62,142)
% of Turnover -net	-5.03%	3.38%	3.37%	-3.02%	-2.53%	-1.52%
EBITDA	512,598	1,053,005	740,314	209,135	235,284	451,127
% of Turnover -net	7.92%	15.19%	12.84%	4.17%	5.10%	11.01%
Cash dividend		59,830	119,660	-	-	-
Cash dividend (%)		5.00%	10.00%	-	-	-
Ratio Analysis						
Break-up value of Rs. 5/= share	7.18	8.79	8.32	7.50	8.14	8.62
(Loss) / earnings per share (Rs.)	(1.36)	0.98	0.81	(0.63)	(0.49)	(0.32)
Receivables no. of days	20	13	20	65	66	80
Current ratio	0.77	0.86	0.85	0.80	0.97	1.11
Number of employees (Permanent)	766	869	888	939	927	892

FINANCIAL HIGHLIGHTS

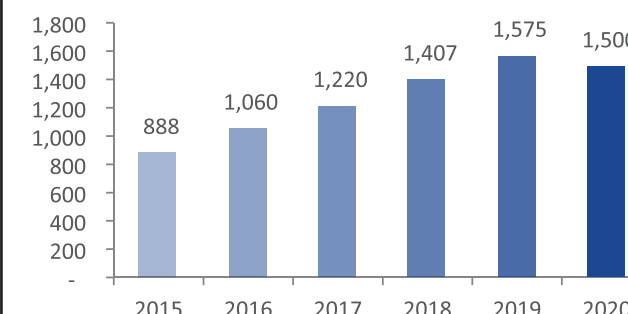
Turnover -Net

Rs. in Million



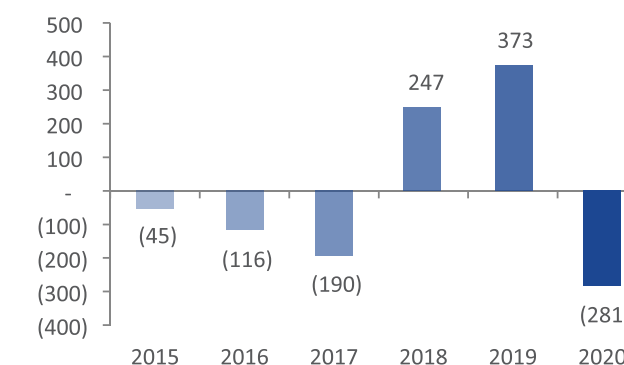
Contribution to National Exchequer

Rs. in Million



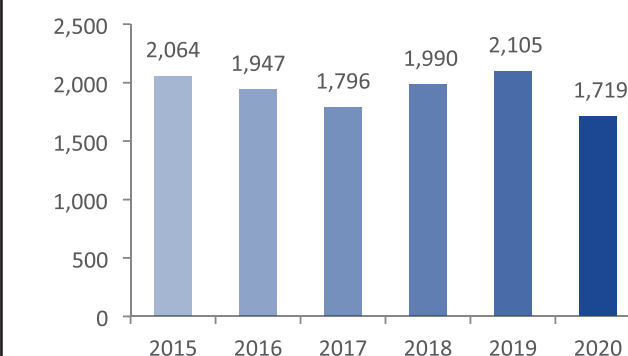
Profit / (Loss) before tax

Rs. in Million



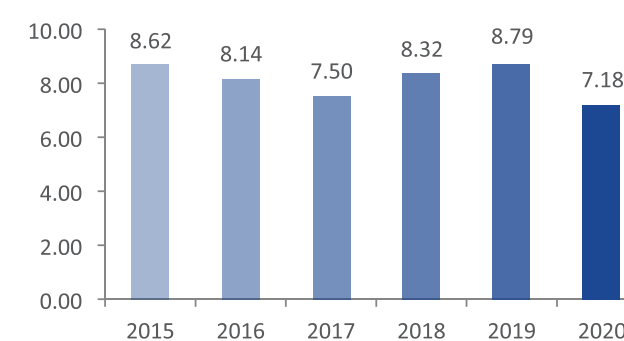
Shareholder's Equity

Rs. in Million



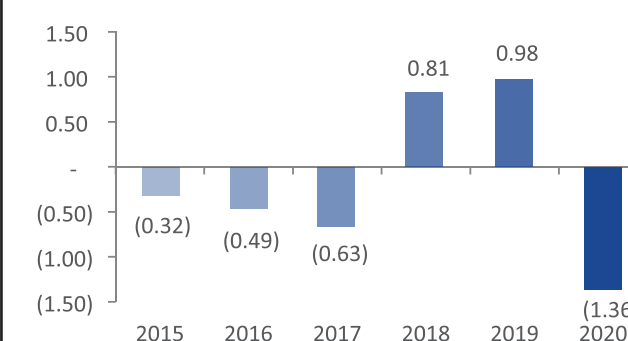
Breakup value per share

Rs.



Earnings / (Loss) per share

Rs.



VERTICAL ANALYSIS

(Rs. in '000)												
STATEMENT OF FINANCIAL POSITION	2020	%	2019	%	2018	%	2017	%	2016	%	2015	%
Property, Plant & Equipment	2,672,266	49.6	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
Right-of-use assets	267,718	5.0	-	-	-	-	-	-	-	-	-	-
Investment property	8,277	0.2	9,519	0.2	10,761	0.2	12,003	0.2	6,750	0.145	7,452	0.154
Long-term loans, advances & deposits	23,070	0.4	20,312	0.4	14,242	0.3	7,386	0.1	7,591	0.2	9,563	0.2
Current assets	2,417,550	44.9	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
Total Assets	5,388,881	100.0	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
Share Capital	1,196,600	22.2	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
Share Premium	449,215	8.3	449,215	8.0	449,215	8.2	449,215	8.5	449,215	9.6	449,215	9.3
Reserves	73,233	1.4	458,837	8.2	344,156	6.3	149,750	2.8	301,234	6.5	417,866	8.6
Shareholders' equity	1,719,048	31.9	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
Long term financing	209,300	3.9	449,100	8.0	905,219	16.5	375,000	7.1	625,000	13.4	750,000	15.5
Lease liabilities	198,284	3.7	-	-	-	-	-	-	-	-	-	-
Deferred tax liability - net	132,511	2.5	200,013	3.6	138,287	2.5	85,510	1.6	135,783	2.9	171,794	3.5
Current liabilities	3,129,738	58.1	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
Total Equities and Liabilities	5,388,881	100.0	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
							-		-		-	
STATEMENT OF PROFIT OR LOSS							-		-		-	
Turnover - net	6,474,469	100.0	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
Cost of Sales	(5,377,723)	(83.1)	(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)
Gross profit	1,096,746	16.9	1,611,867	23.2	1,257,217	21.8	534,901	10.7	532,345	11.5	701,491	17.1
Selling and distribution costs	(1,036,180)	(16.0)	(927,447)	(13.4)	(748,488)	(13.0)	(514,307)	(10.2)	(488,260)	(10.6)	(429,821)	(10.5)
Administrative expenses	(292,860)	(4.5)	(257,919)	(3.7)	(178,128)	(3.1)	(155,493)	(3.1)	(125,775)	(2.7)	(104,166)	(2.5)
Other Income	43,899	0.7	66,017	1.0	35,603	0.6	38,555	0.8	48,491	1.1	14,229	0.3
Operating (Loss) / Profit	(188,395)	(2.9)	492,518	7.1	366,204	6.3	(96,344)	(1.9)	(33,199)	(0.7)	181,733	4.4
Finance costs	(87,078)	(1.3)	(86,946)	(1.3)	(98,121)	(1.7)	(93,426)	(1.9)	(82,888)	(1.8)	(226,295)	(5.5)
Other Charges	(5,344)	(0.1)	(33,068)	(0.5)	(20,900)	(0.4)	-	-	-	-	(520)	(0.01)
(Loss) / Profit before taxation	(280,817)	(4.3)	372,504	5.4	247,183	4.3	(189,770)	(3.8)	(116,087)	(2.5)	(45,082)	(1.1)
Taxation	(44,957)	(0.7)	(138,163)	(2.0)	(52,777)	(0.9)	38,286	0.8	(545)	(0.0)	(17,060)	(0.4)
(Loss) / Profit after taxation	(325,774)	(5.0)	234,341	3.4	194,406	3.4	(151,484)	(3.0)	(116,632)	(2.5)	(62,142)	(1.5)

HORIZONTAL ANALYSIS

(Rs. in '000)												
STATEMENT OF FINANCIAL POSITION												
	2020	%	2019	%	2018	%	2017	%	2016	%	2015	%
Property, Plant & Equipment	2,672,266	(14.2)	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)
Right-of-use assets	267,718	-	-	-	-	-	-	-	-	-	-	-
Investment property	8,277	(13.0)	9,519	(11.5)	10,761	(10.3)	12,003	77.8	6,750	(9.4)	7,452	7,352.0
Long-term loans, advances & deposits	23,070	13.6	20,312	42.6	14,242	92.8	7,386	(2.7)	7,591	(20.6)	9,563	1.2
Current assets	2,417,550	(1.0)	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
Total Assets	5,388,881	(3.5)	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
Share Capital	1,196,600	-	1,196,600	-	1,196,601	-	1,196,601	-	1,196,601	-	1,196,601	58.0
Share Premium	449,215	-	449,215	-	449,215	-	449,215	-	449,215	-	449,215	(1.6)
Reserves	73,233	(84.0)	458,837	33.3	344,156	129.8	149,750	(50.3)	301,234	(27.9)	417,866	(12.9)
Shareholders' equity	1,719,048	(18.3)	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
Long term financing	209,300	(53.4)	449,100	(50.4)	905,219	141.4	375,000	(40.0)	625,000	(16.7)	750,000	67.5
Lease liabilities	198,284		-		-		-		-		-	
Deferred tax liability - net	132,511	(33.7)	200,013	44.6	138,287	61.7	85,510	(37.0)	135,783	(21.0)	171,794	(7.1)
Current liabilities	3,129,738	10.5	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)
Total Equities and Liabilities	5,388,881	(3.5)	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
STATEMENT OF PROFIT OR LOSS												
Turnover - net	6,474,469	(6.6)	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)
Cost of Sales	(5,377,723)	1.1	(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)
Gross profit	1,096,746	(32.0)	1,611,867	28.2	1,257,217	135.0	534,901	0.5	532,345	(24.1)	701,491	(32.2)
Selling and distribution costs	(1,036,180)	11.7	(927,447)	23.9	(748,488)	45.5	(514,307)	5.3	(488,260)	13.6	(429,821)	(31.9)
Administrative expenses	(292,860)	13.5	(257,919)	44.8	(178,128)	14.6	(155,493)	23.6	(125,775)	20.7	(104,166)	(11.1)
Other Income	43,899	(33.5)	66,017	85.4	35,603	(7.7)	38,555	(20.5)	48,491	240.8	14,229	64.3
Operating (Loss) / Profit	(188,395)	(138.3)	492,518	34.5	366,204	480.1	(96,344)	190.2	(33,199)	(118.3)	181,733	(38.3)
Finance costs	(87,078)	0.2	(86,946)	(11.4)	(98,121)	5.0	(93,426)	12.7	(82,888)	(63.4)	(226,295)	(5.3)
Other Charges	(5,344)	(83.8)	(33,068)	58.2	(20,900)		-	-	-	(100.0)	(520)	(94.0)
(Loss) / Profit before taxation	(280,817)	(175.4)	372,504	50.7	247,183	230.3	(189,770)	63.5	(116,087)	157.5	(45,082)	(195.5)
Taxation	(44,957)	(67.5)	(138,163)	161.8	(52,777)	237.8	38,286	(7,125.0)	(545)	(96.8)	(17,060)	(76.7)
(Loss) / Profit after taxation	(325,774)	(239.0)	234,341	20.5	194,406	228.3	(151,484)	29.9	(116,632)	87.7	(62,142)	138.7



STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019



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ey.khi@pk.ey.com
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INDEPENDENT AUDITOR'S REVIEW REPORT

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

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Shabbir Tiles and Ceramics Limited** for the year ended **30 June 2020** in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. 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.

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 2020**.

EY Ford Rhodes

Chartered Accountants

Place: Karachi

Date: 21 September 2020

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

For The Year Ended June 30, 2020

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 7 as per the following:
 - a. Male: - 06
 - b. Female: - 01
2. The composition of Board is as follows:
 - a) Independent Directors (including a female director)
 - Mr. Feroze Jehangir Cawasji
 - Mrs. Farhana Mowjee Khan
 - b) Other Non-executive Directors
 - Mr. Rafiq M. Habib
 - Mr. Ali Suleman Habib*
 - Mr. Muhammad Salman Burney
 - Mr. Abdul Hai M. Bhaimia
 - c) Executive Director
 - Mr. Masood Jaffery

*Mr. Ali Suleman Habib passed away during the year on 17th April, 2020 thereby creating a casual vacancy in the board of directors.
3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the 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 meeting of the Board;
8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. All the directors on the board have either acquired training program or are exempt from the requirement.
10. The Board has approved the change in remuneration of chief financial officer, company secretary and Head of Internal Audit including terms and conditions of their employment. The Board has complied with relevant requirements of the Regulations.
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below:

a) Audit Committee

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

b) HR and Remuneration Committee

- Mr. Feroze Jehangir Cawasji	Chairman
- Mr. Muhammad Salman Burney	Member
- Mr. Masood Jaffery	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings of the committee were as per following:
 - a) Audit Committee - Four quarterly meetings
 - b) HR and Remuneration Committee - One annual meeting
15. The Board has outsourced the internal audit function to M/s. Noble Computer Services (Private) Limited who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (Spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with except the following;



SYED MASOOD ABBAS JAFFERY
Chief Executive Officer



RAFIQ M. HABIB
Chairman

Date: September 07th, 2020

FINANCIAL STATEMENTS





EY Ford Rhodes
Chartered Accountants
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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 2020**, 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 2020 and of the loss, comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *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:

S No.	Key audit matters	How our audit addressed the key audit matter
1.	Adoption of IFRS 16 – Leases	
	<p>As referred to the note 4.1.1 to the accompanying financial statements the Company has adopted IFRS-16 with effect from 1 July 2019 using modified retrospective approach. IFRS-16 has introduced a new accounting model for operating lease contracts where lessees are required to recognize a right of use of asset (ROUA) for leased assets and a lease liability for lease payments over the lease term.</p> <p>The management of the Company has exercised significant judgements in making estimates and assumptions such as determination of lease term and appropriate discount rate for measurement of lease liability.</p> <p>We have considered this as a key audit matter due to significance of amount involved and use of significant management's judgements and estimates in applying the requirements of the new standard.</p>	<p>Our key audit procedures in this area included, amongst others, obtaining an understanding of the process and controls in place for identification of in-scope lease contracts (considering recognition exemption available under the standard i.e. short-term leases and leases of low value assets);</p> <p>We evaluated the appropriateness of the new accounting policies for recognition, measurement, presentation and disclosure of lease contracts in the financial statements;</p> <p>We further evaluated key service contracts to assess whether they contained a lease under IFRS 16;</p> <p>We also verified the accuracy of the underlying lease data used for determining ROUA and lease liability to original contracts or other supporting information;</p> <p>We assessed the appropriateness of the assumptions used by the management such as lease term and discount rates applied in determining lease liabilities and right of use of assets;</p> <p>We performed accuracy checks of lease accounting computations for a sample of lease contracts through reperformance of such computations and tracing the terms with the relevant contracts;</p> <p>We assessed whether the disclosures within the financial statements are appropriate in light of the requirements of IFRS.</p>

EW

S No.	Key audit matters	How our audit addressed the key audit matter
2.	Capital expenditure	
	<p>As disclosed in note 7.1 and 7.5.1 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.</p> <p>We focused on capital expenditure incurred during the year as this represents a significant transaction for the year and involves certain judgmental areas, such as capitalization of elements of eligible components of cost, 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 matter.</p>	<p>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 of design and operating effectiveness of controls relevant to such process.</p> <p>We physically verified the newly acquired fixed assets and reviewed the relevant contracts and documents supporting various components of the capitalised cost.</p> <p>We performed substantive audit procedures including assessment of nature of costs incurred in capital expenditure through testing of amounts on sample basis and the related third-party invoices and contracts and considered whether the expenditure met the criteria for capitalization under relevant accounting standards.</p> <p>We also reviewed related documents supporting various components of the capitalized costs including review of supporting documents relating to amounts transferred to operating fixed assets during the year and review of the title documents to assess that these are in the name of the Company.</p> <p>We reviewed the timing of capitalisation by examining, on a sample basis, the completion certificates from the Company's technical departments.</p> <p>We also evaluated the basis used by the management for determining the useful lives of the new assets and the depreciation charged in relation thereto, by considering factors such as the current depreciation, estimates for similar or comparable assets, expected utilization of the assets and the estimated residual value at the end of the useful lives.</p> <p>We further assessed the adequacy of financial statement disclosures in accordance with the applicable financial reporting framework</p>

Signature

S No.	Key audit matters	How our audit addressed the key audit matter
3.	Existence and valuation of stock-in-trade	
	<p>As disclosed in note 13 to the accompanying financial statements, the stock-in-trade balance constitutes approximately 23% of total assets of the Company. The cost of finished goods is determined at weighted average cost including a proportion of production overheads.</p> <p>The Net Realisable Value (NRV) of stock-in-trade is determined mainly keeping in view the estimated selling price, stock-in-trade usage and forecasted sales volume.</p> <p>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's judgment involved in determining an appropriate costing basis and assessing its valuation.</p>	<p>Our audit procedures included, amongst others, reviewing the management's procedures for evaluating the NRV of stock-in-trade, observing 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.</p> <p>Further, we evaluated the appropriateness of the basis of identification of the obsolete stock-in-trade and the accuracy of provision for slow moving stock-in-trade assessed by the management, on a test basis.</p> <p>We also tested the accuracy of the ageing analysis of stock-in-trade, on a sample basis.</p> <p>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.</p> <p>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.</p> <p>We further assessed the adequacy of financial statement disclosures in accordance with the applicable financial reporting framework.</p>

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.

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.

Signature



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.



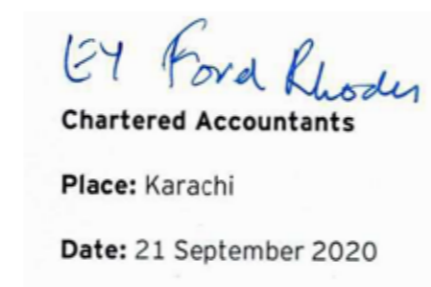
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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);
- b) 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;
- c) 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**.



STATEMENT OF FINANCIAL POSITION

As At June 30, 2020

	Note	June 30, 2020 ------(Rupees in '000)-----	June 30, 2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	2,672,266	3,116,316
Right-of-use assets	8	267,718	-
Investment property	9	8,277	9,519
Long-term loans	10	184	20
Long-term security deposits	11	22,886	20,292
		2,971,331	3,146,147
CURRENT ASSETS			
Stores and spare parts	12	337,125	322,695
Stock-in-trade	13	1,219,046	1,494,300
Trade debts	14	256,951	148,251
Loans and advances	15	31,686	10,551
Deposits, prepayments and other receivables	16	11,118	21,018
Short-term investments	17	200,000	-
Taxation - net		66,032	316,825
Cash and bank balances	18	295,592	127,127
		2,417,550	2,440,767
		5,388,881	5,586,914
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 240,000,000 (2019: 240,000,000) ordinary shares of Rs.5/- each		1,200,000	1,200,000
Issued, subscribed and paid-up capital	19	1,196,600	1,196,600
Reserves		522,448	908,052
		1,719,048	2,104,652
NON-CURRENT LIABILITIES			
Long-term financing	20	209,300	449,100
Lease liabilities	21	198,284	-
Deferred tax liability - net	22	132,511	200,013
		540,095	649,113
CURRENT LIABILITIES			
Trade and other payables	23	2,457,984	2,469,461
Unclaimed dividends		2,812	2,812
Unpaid dividend		1,644	2,450
Accrued mark-up		3,247	9,860
Current maturity of long-term financing	20	59,800	49,900
Current maturity of lease liabilities	21	91,397	-
Short-term running finance	24	125,255	191,381
Sales tax payable		387,599	107,285
		3,129,738	2,833,149
CONTINGENCIES AND COMMITMENTS			
	25	5,388,881	5,586,914

The annexed notes from 1 to 45 form an integral part of these financial statements.

WAQUAS AHMED
Chief Financial Officer

SYED MASOOD ABBAS JAFFERY
Chief Executive Officer

FEROZE JEHangIR CAWASJI
Director**STATEMENT OF PROFIT OR LOSS**

For The Year Ended June 30, 2020

	Note	June 30, 2020 ------(Rupees in '000)-----	June 30, 2019
Turnover - net	26	6,474,469	6,933,077
Cost of sales	27	(5,377,723)	(5,321,210)
		1,096,746	1,611,867
Gross profit			
Selling and distribution costs	28	(1,036,180)	(927,447)
Administrative expenses	29	(255,767)	(250,660)
Allowance for expected credit loss	14.3	(37,093)	(7,259)
		(1,329,040)	(1,185,366)
Other income	30	43,899	66,017
		(188,395)	492,518
Operating (loss) / profit			
Finance costs	31	(87,078)	(86,946)
Other expenses	32	(5,344)	(33,068)
		(92,422)	(120,014)
		(280,817)	372,504
(Loss) / profit before taxation			
Taxation	33	(44,957)	(138,163)
		(325,774)	234,341
(Loss) / profit after taxation			
-----Rupee-----			
(Loss) / earnings per share - basic and diluted	34	(1.36)	0.98

The annexed notes from 1 to 45 form an integral part of these financial statement.

WAQUAS AHMED
Chief Financial Officer

SYED MASOOD ABBAS JAFFERY
Chief Executive Officer

FEROZE JEHangIR CAWASJI
Director

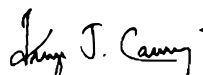
STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended June 30, 2020

	June 30, 2020 ------(Rupees in '000)-----	June 30, 2019
(Loss) / profit after taxation	(325,774)	234,341
Other comprehensive income	-	-
Total comprehensive (loss) / income for the year	(325,774)	234,341

The annexed notes from 1 to 45 form an integral part of these financial statements.


WAQUAS AHMED
Chief Financial Officer

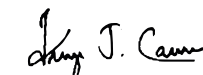
SYED MASOOD ABBAS JAFFERY
Chief Executive Officer

FEROZE JEHANGIR CAWASJI
Director**STATEMENT OF CHANGES IN EQUITY**

For The Year Ended June 30, 2020

	Issued Subscribed and paid- up Capital	Capital reserve Share premium	Reserves		Total reserves	Total equity
			Revenue reserves General reserve	Accumulated losses		
	------(Rupees in '000)-----					
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
Final dividend @ 5% for the year ended June 30, 2019	-	-	-	(59,830)	(59,830)	(59,830)
Loss after taxation	-	-	-	(325,774)	(325,774)	(325,774)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(325,774)	(325,774)	(325,774)
Balance as at June 30, 2020	1,196,600	449,215	478,000	(404,767)	522,448	1,719,048

The annexed notes from 1 to 45 form an integral part of these financial statements.


WAQUAS AHMED
Chief Financial Officer

SYED MASOOD ABBAS JAFFERY
Chief Executive Officer

FEROZE JEHANGIR CAWASJI
Director

STATEMENT OF CASH FLOWS

For The Year Ended June 30, 2020

	Note	June 30, 2020 ------(Rupees in '000)-----	June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(280,817)	372,504
Adjustments for non-cash and other items			
Depreciation on			
operating fixed assets	7.3	626,677	592,313
right-of-use assets	8	78,418	-
investment property	9	1,242	1,242
Provision for slow moving stores and spare parts	12.1	31,185	32,296
Provision / (reversal) for slow moving stock-in-trade	13.2	11,400	(3,795)
Increase in allowance for expected credit loss	14.3	37,093	7,259
Gain on disposal of operating fixed assets	30	(1,054)	(17,460)
Finance costs	31	87,078	86,946
		872,039	698,801
Operating profit before working capital changes		591,222	1,071,305
(Increase) / decrease in current assets			
Stores and spare parts		(45,615)	9,885
Stock-in-trade		263,854	(382,572)
Trade debts		(145,793)	87,855
Loans and advances		(21,135)	2,832
Deposits, prepayments and other receivables		(217)	(12,903)
		51,094	(294,903)
Increase / (decrease) in current liabilities			
Trade and other payables		(11,477)	305,759
Sales tax payable		280,314	(140,780)
		268,837	164,979
Cash generated from operations		911,153	941,381
Income tax refund / (paid)		138,334	(158,640)
Finance costs paid		(58,434)	(105,562)
Long-term loans - net		(164)	(10)
Long-term security deposits - net		(2,594)	(6,060)
Net cash generated from operating activities		988,295	671,109
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(192,038)	(343,419)
Proceeds from disposal of operating fixed assets		10,465	27,523
Net cash used in investing activities		(181,573)	(315,896)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term financing - net		(229,900)	(406,219)
Repayment of lease liabilities	21.1	(81,595)	-
Dividend paid		(60,636)	(117,722)
Net cash used in from financing activities		(372,131)	(523,941)
Net increase / (decrease) in cash and cash equivalents		434,591	(168,728)
Cash and cash equivalents at the beginning of the year		(64,254)	104,474
Cash and cash equivalents at the end of the year	35	370,337	(64,254)

The annexed notes from 1 to 45 form an integral part of these financial statements.

WAQAS AHMED
Chief Financial Officer

SYED MASOOD ABBAS JAFFERY
Chief Executive Officer

FEROZE JEHangIR CAWASJI
Director

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

1. THE COMPANY AND ITS OPERATIONS

1.1 Shabbir Tiles and Ceramics Limited (the Company) was incorporated in Pakistan as a public limited company, under the repealed Companies Act 1913 (now the Companies Act 2017) on November 7, 1978 and listed on the Pakistan Stock Exchange Limited. The Company is primarily engaged in the manufacture and sale of tiles and trading of allied building products.

1.2 Geographical location and addresses of all the business units other than those stated in note 1.3 are as under:

Business Unit	Address	Production Facility
Registered office & production plant (Unit 1):	15th Milestone, National Highway, Landhi industrial area, Karachi.	Tiles & building material products
Production plant (Unit 2):	Deh Khanto, Tappo Landhi, District Malir, Bin Qasim Town Karachi.	Tiles
Production plant (Islamabad):	Plot No 1, ANF empty parking road, Yamaha Chowk Road, Model Town, Humak, Islamabad.	Building material products
Production plant (Lahore):	21- KM Ferozpur Road, Opposite, Ahmed CNG Pump, Lahore.	Building material products

1.3 The Company also makes sales through various company operated sales outlets located across the country. Considering the quantum, the geographical locations and addresses of all the locations are not presented in these financial statements.

2. STATEMENT OF COMPLIANCE

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

3.1 These financial statements have been prepared under the historical cost convention, unless otherwise specifically stated.

3.2 These financial statements have been presented in Pakistani rupee, which is the Company's functional and 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, interpretation and improvements to International Financial Reporting Standards (IFRSs) which became effective for the current year:

Standard, Amendment or Interpretation

IFRS 9 - Prepayment Features with Negative Compensation (Amendments)
IFRS 14 - Regulatory Deferral Accounts
IFRS 16 - Leases
IFRS 16 - COVID 19 Related Rent Concessions (Amendments)
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments)
IFRIC 23 - Uncertainty over income tax treatments

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

Improvements to Accounting Standards Issued by the IASB (2015-2017 cycle)

IFRS 3 - Business Combinations - Previously held Interests in a joint operation
IFRS 11 - Joint Arrangements - Previously held Interests in a joint operation
IAS 12 - Income Taxes - Income tax consequences of payments on financial instruments classified as equity
IAS 23 - Borrowing Costs - Borrowing costs eligible for capitalisation

The adoption of the above standards, amendments, interpretations and improvements to the accounting standards did not have any material effect on the Company's financial statements except for IFRS 16. The impact of adoption of IFRS 16 and its amendments are described below:

4.1.1 IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single note on statement of financial position model.

The Company adopted IFRS 16 using the modified retrospective approach with the date of initial application of July 01, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly the information presented for prior years has not been restated. The Company elected to use the transition practical expedient allowing the standard to be applied only to lease contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases').

The new accounting policy in respect of leases is disclosed in note 6.2 & 6.13 to these financial statements. The impact of adoption of IFRS 16 on recognition and classification as at July 01, 2019 on the statement of financial position is summarised below:

Assets	(Rupees in '000)
Right-of-use assets	275,211
Prepayments	(10,117)
	<u>265,094</u>
Liabilities	
Non current lease liabilities	198,488
Current maturity of lease liabilities	66,606
	<u>265,094</u>

The right-of-use assets were recognised based on the amount equal to the lease liabilities adjusted for related prepayments. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company did not have any sub-lease as at July 01, 2019.

The lease liabilities as at July 01, 2019 can be reconciled to the operating lease commitments as at June 30, 2019 as follows:

	(Rupees in '000)
Operating lease commitments as at June 30, 2019	365,403
Impact of discounting	(99,547)
Short term leases	(762)
Total lease liability as at July 01, 2019	<u>265,094</u>
Average incremental borrowing rate as at July 01, 2019	<u>13.67%</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

The impact of adoption of IFRS 16 on the statement of profit or loss for the year ended 30 June, 2020 is summarized below:

	(Rupees in '000)
Decrease in rent expenses	(84,462)
Increase in depreciation expense	78,418
Increase in finance costs	35,257
	<u>29,213</u>

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

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

	Standard or Amendments	Effective date (annual periods beginning on or after)
IFRS 3	Definition of a Business (Amendments)	01 January 2020
IFRS 3	Reference to the Conceptual Framework (Amendments)	01 January 2022
IFRS 9 / IAS 39 / IFRS 7	Interest Rate Benchmark Reform (Amendments)	01 January 2020
IFRS 10 / IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalised
IAS 1 / IAS 8	Definition of Material (Amendments)	01 January 2020
IAS 1	Classification of Liabilities as Current or Non-current (Amendments)	01 January 2022*
IAS 16	Proceeds before Intended Use (Amendments)	01 January 2022
IAS 37	Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	01 January 2022
	*The IASB has issued an exposure draft proposing to defer the effective date of the Amendments to IAS 1 to 01 January 2023.	

Improvements to Accounting Standards Issued by the IASB (2018-2020 cycle)

IFRS 9	Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities	01 January 2022
IAS 41	Agriculture – Taxation in fair value measurements	01 January 2022

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

	Standard or Interpretation	IASB effective date (annual periods beginning on or after)
IFRS 1	First time adoption of IFRSs	01 January 2004
IFRS 17	Insurance Contracts	01 January 2023

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

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, right-of-use of asset, residual values and useful lives of operating fixed assets and investment property	6.1.1, 6.2, 6.3, 7.1, 8 & 9
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)	6.6, 6.7, 12 & 13
c) determining the allowance for expected credit loss on trade debts	6.8 & 14
d) recognition of current and deferred taxation	6.14, 22 & 33
e) Lease liabilities	6.13 & 21

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, 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.

Residual values and useful lives are reviewed at each statement of financial position date, and adjusted if expectations differ significantly from previous estimates which is applied prospectively in accordance with IAS 8 ('Accounting policies, changes in accounting estimates 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 Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received as applicable. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated using straight line method over the lease term. Right-of-use assets are subject to impairment. The depreciation rates used are stated in note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

6.3 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 9 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.

6.4 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.

6.5 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".

6.6 Stores and spare parts

These are stated at cost less provision for slow moving and obsolete items. The cost is determined by the weighted moving average cost method except for those in transit or at bonded warehouse which are valued at actual cost.

6.7 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.

6.8 Trade debts, loans, deposits, long term loans, long term security deposits

Trade debts and other financial assets 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.

6.9 Ijarah 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 Ijarah term.

6.10 Cash and cash equivalents

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

6.11 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

6.12 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 statement of financial position date and adjusted to reflect current best estimate.

6.13 Lease liabilities

The Company assesses at contract inception whether a contract is, or contains, a lease, i.e. if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the commencement date of the lease if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

6.13.1 Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on such leases are recognised as expense on a straight-line basis over the lease term.

6.13.2 Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

6.14 Taxation

6.14.1 Current

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 the statement of comprehensive income.

6.14.2 Deferred

Deferred taxation is provided, proportionate to local sales, on all temporary differences at the statement of financial position 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 statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

6.15 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.

6.16 Employees' leave encashment

Accrual for leave encashment is made to the extent of value of encashable accrued leaves of the employees at the statement of financial position date as per Company's policy.

6.17 Foreign currency translation

Transactions in foreign currencies are recorded at the rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. Exchange differences on foreign currency translations are taken to the statement of profit or loss in the period in which they occur.

6.18 Financial Instruments

6.18.1 Financial assets

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

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 are measured at amortised cost using the effective interest rate method less an allowance for expected credit losses, if any.

6.18.2 Financial Liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. For the purpose of subsequent measurement financial liabilities are either classified at amortized cost or fair value through profit or loss. The Company does not have any financial liability 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.

6.18.3 Impairment of financial assets

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 statement of financial position 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

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.

6.18.4 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.

6.19 Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are assessed at each statement of financial position 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.

6.20 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

Return on short-term investments and other income if any is recognised on accrual basis.

6.21 Dividend and appropriation to reserves

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

6.22 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

		June 30, 2020	June 30, 2019
	Note	----- (Rupees in '000) -----	
7. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	2,619,310	3,078,484
Capital work-in-progress	7.5	52,956	37,832
		<u>2,672,266</u>	<u>3,116,316</u>

7.1 Operating fixed assets

	COST				ACCUMULATED DEPRECIATION				NET BOOK VALUE	
	As at July 01, 2019	Additions/ transfers*	Disposals	As at June 30, 2020	As at July 01, 2019	Charge for the year (note 7.3)	On disposals	As at June 30, 2020	As at June 30, 2020	Depreciation rate %
	(Rs. in 000')									
2020										
Freehold land (note 7.2)	266,135	-	-	266,135	-	-	-	-	266,135	-
Building on freehold land (note 7.2)	928,272	4,735 *	-	933,007	455,832	62,126	-	517,958	415,049	5 - 33
Plant and machinery	5,363,263	63,330 99,012*	(34,790)	5,490,815	3,053,887	553,312	(27,309)	3,579,890	1,910,925	5 - 33
Furniture and fixture	24,310	-	-	24,310	24,061	-	-	24,061	249	20
Office equipment	42,179	5,429	-	47,608	26,307	5,953	-	32,260	15,348	20 - 33
Computers and accessories	16,833	1,878	-	18,711	12,161	2,890	-	15,051	3,660	33 - 50
Vehicles	23,232	2,530	(4,219)	21,543	13,492	2,396	(2,289)	13,599	7,944	20
	6,664,224	73,167 103,747*	(39,009)	6,802,129	3,585,740	626,677	(29,598)	4,182,819	2,619,310	
2019										
Freehold land (note 7.2)	266,135	-	-	266,135	-	-	-	-	266,135	-
Building on freehold land (note 7.2)	871,869	10,000 46,403*	-	928,272	404,744	51,088	-	455,832	472,440	5 - 33
Plant and machinery	5,270,091	62,488 268,241*	(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	88,903 314,644*	(252,010)	6,664,224	3,235,374	592,313	(241,947)	3,585,740	3,078,484	

*Represents transfers from capital work-in-progress during the year (note 7.5.1).

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

7.2 Particulars of immovable fixed assets:

Location	Freehold land		Building on freehold land	
	Total area	Cost as at June 30, 2020 (Rs.in 000')	Total area	Cost as at June 30, 2020 (Rs.in 000')
15th Milestone, National Highway, Landhi ind. area, Karachi.	12 Acre 19 Ghunta	553	201,339 sq. ft.	257,285
Deh Khanto, Tappo Landhi, District Malir, Bin Qasim Town Karachi.	28 Acre 14 Ghunta	265,582	403,617 sq. ft.	675,722
		<u>266,135</u>		<u>933,007</u>

7.3 Depreciation charge for the year has been allocated as follows:

	Note	June 30, 2020 ----(Rupees in '000)----	June 30, 2019
Cost of sales - manufacturing	27.1	621,160	587,877
Selling and distribution costs	28	2,990	2,424
Administrative expenses	29	2,527	2,012
		<u>626,677</u>	<u>592,313</u>

7.4 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, 2020								
Particulars	Mode of disposal	Cost	Accumulated depreciation	Net book value	Sales value	Gain / (loss) (note 30)	Relationship with buyers	Particulars of buyers
(Rupees in '000)								
Vehicles								
Vehicle BNB-947	Company policy	1,431	19	1,412	1,932	520	Ex-employee	Mr. Farhan Saeed
Plant and machinery								
Inkjet Printing Machine	Tender	13,870	12,483	1,387	1,233	(154)	Independent Purchaser	Sahil & Sons
Press Water Chiller	Tender	5,534	3,215	2,319	2,000	(319)	Independent Purchaser	Sahil & Sons
Bavelling Machine	Tender	3,582	2,080	1,502	1,292	(210)	Independent Purchaser	Sahil & Sons
		<u>24,417</u>	<u>17,797</u>	<u>6,620</u>	<u>6,457</u>	<u>(163)</u>		
Operating fixed assets having WDV less than Rs. 0.5 million		14,592	11,801	2,791	4,008	1,217	Various	Various
2020		<u>39,009</u>	<u>29,598</u>	<u>9,411</u>	<u>10,465</u>	<u>1,054</u>		
2019		<u>252,010</u>	<u>241,947</u>	<u>10,063</u>	<u>27,523</u>	<u>17,460</u>		

7.5 Capital work-in-progress:

	Note	June 30, 2020 ----(Rupees in '000)----	June 30, 2019
Plant and machinery		50,530	37,832
Civil works		2,426	-
	7.5.1	<u>52,956</u>	<u>37,832</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

7.5.1 Movement in capital work-in-progress is as follows:

	Note	June 30, 2020 ----(Rupees in '000)----	June 30, 2019
Balance at beginning of the year		37,832	97,960
Additions during the year		118,871	254,516
Transferred to operating fixed assets		(103,747)	(314,644)
Balance at end of the year		<u>52,956</u>	<u>37,832</u>

8. RIGHT-OF-USE ASSETS

COST

Balance at beginning of the year		-	-
Impact of initial application of IFRS 16	4.1.1	275,211	-
Additions		70,925	-
Balance at end of the year		<u>346,136</u>	<u>-</u>

ACCUMULATED DEPRECIATION

Balance at beginning of the year		-	-
Charge for the year	8.1	78,418	-
Balance at end of the year		<u>78,418</u>	<u>-</u>

NET BOOK VALUE

As at June 30, 2020		<u>267,718</u>	<u>-</u>
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Depreciation rate %		<u>11 - 67%</u>	<u>-</u>
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8.1 Depreciation charge for the year has been allocated as follows:

Cost of sales - manufacturing	27.1	19,870	-
Selling and distribution costs	28	58,548	-
		<u>78,418</u>	<u>-</u>

9. INVESTMENT PROPERTY

	COST			ACCUMULATED DEPRECIATION			NET BOOK VALUE	Depreciation rate %
	As at July 01, 2019	Additions	As at June 30, 2020	As at July 01, 2019	Charge for the year (note 28)	As at June 30, 2020	As at June 30, 2020	
	----- Rupees in '000 -----							
Freehold land	3	-	3	-	-	-	3	-
Building on freehold land	1,083	-	1,083	1,083	-	1,083	-	10
Showroom	7,800	-	7,800	3,159	702	3,861	3,939	10
Apartments	6,000	-	6,000	1,125	540	1,665	4,335	10
2020	14,886	-	14,886	5,367	1,242	6,609	8,277	
2019	14,886	-	14,886	4,125	1,242	5,367	9,519	

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

- 9.1** The forced sales values and fair values of investment properties based on the latest valuation carried out by an independent valuer on July 30, 2020, as at the statement of financial position date are as under:

	Forced sales values		Fair values	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	----- Rupees in '000 -----			
Freehold land	5,445	4,914	6,806	6,142
Building on freehold land	2,152	2,033	2,690	2,541
Showroom	5,616	6,240	7,020	7,800
Apartments	5,280	4,800	6,600	6,000
	18,493	17,987	23,116	22,483

9.2 Particulars of immovable investment property:

Particulars	Location	Total area / covered area
Freehold land	15th Milestone, National Highway, Landhi Industrial Area, Karachi.	332 SQ. Yards
Building on freehold land	15th Milestone, National Highway, Landhi Industrial Area, 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 Muhammad, Ward A, Hyderabad.	770 sq. ft. & 860 sq. ft.

		June 30, 2020	June 30, 2019
10. LONG-TERM LOANS	Note	----- (Rupees in '000) -----	
Secured			
Employees	10.1	1,825	1,921
Executives	10.1	1,048	123
		2,873	2,044
Current maturity of long-term loans	15	(2,689)	(2,024)
		184	20

- 10.1** Represent loans given for the purchase of household equipment which are repayable within two years of disbursement. These carry markup at the rate of Nil (2019: KIBOR + 3% per annum) and are secured against staff retirement benefits. These are not discounted to the present value using market rate as the impact is not material to the financial statements.

		June 30, 2020	June 30, 2019
11. LONG-TERM SECURITY DEPOSITS	Note	----- (Rupees in '000) -----	
Rent	11.1	19,609	15,962
Utilities		2,943	2,943
Ijarah		-	1,053
Others		334	334
		22,886	20,292

- 11.1** This includes security deposit amounting to Rs.1.266 million (2019: Nil) with Habib Metro Pakistan (Private) Limited, a related party.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

		June 30, 2020	June 30, 2019
12. STORES AND SPARE PARTS	Note	----- (Rupees in '000) -----	
Stores		123,616	114,043
Spare parts			
- in hand		325,534	288,914
- in transit		2,406	2,984
		327,940	291,898
		451,556	405,941
Provision for slow moving stores and spare parts	12.1	(114,431)	(83,246)
		337,125	322,695

12.1 Movement of provision for slow moving stores and spare parts:

Balance at beginning of the year		83,246	50,950
Charge for the year	27.1	31,185	32,296
Balance at end of the year		114,431	83,246

13. STOCK-IN-TRADE

Raw and packing material			
- in hand		636,868	665,544
- in transit		24,308	44,324
	27.1	661,176	709,868
Work-in-process		28,711	31,203
Finished goods			
- manufacturing		554,648	764,232
- trading		20,723	23,809
	13.1	575,371	788,041
		1,265,258	1,529,112
Provision for slow moving stock-in-trade	13.2	(46,212)	(34,812)
		1,219,046	1,494,300

- 13.1** Includes stock-in-trade costing Rs. 117.769 million (2019: Rs. 157.715 million) which has been written down to its net realizable value (NRV) amounting to Rs. 63.020 million (2019: Rs. 78.480 million).

		June 30, 2020	June 30, 2019
13.2 Movement of provision for slow moving stock-in-trade:	Note	----- (Rupees in '000) -----	
Balance at beginning of the year		34,812	38,607
Charge / (reversal) for the year	27.1	11,400	(3,795)
Balance at end of the year		46,212	34,812

14. TRADE DEBTS

Unsecured			
- Considered good	14.1 & 14.2	256,951	148,251
- Considered doubtful		177,964	140,871
		434,915	289,122
Allowance for expected credit loss	14.3	(177,964)	(140,871)
		256,951	148,251

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

- 14.1** Includes receivables from the following related parties that are neither past due nor impaired and are aged within 90 days:

	June 30, 2020 -----(Rupees in '000)----	June 30, 2019
Agriauto Industries Limited	-	50
Thal Limited	1,714	-

- 14.2** The maximum aggregate amount due from the related parties at the end of any month during the year was Rs. 8.135 million (2019: Rs. 8.742 million).

	June 30, 2020 -----(Rupees in '000)----	June 30, 2019
14.3 Movement in allowance for expected credit loss:	Note	
Balance at beginning of the year	140,871	142,086
Increase in allowance for expected credit loss during the year	37,093	7,259
Written-off during the year	-	(8,474)
Balance at end of the year	177,964	140,871

- 14.4** The analysis of unimpaired trade debts is as follows:

Neither past due nor impaired	138,197	52,470
Past due but not impaired		
31 to 90 days	44,447	62,928
91 to 180 days	71,522	28,420
over 180 days	2,785	4,433
	118,754	95,233
	256,951	148,251

15. LOANS AND ADVANCES

Considered good Loans

Current maturity of long-term loans	9	2,689	2,024
-------------------------------------	---	-------	-------

Advances

Employees	378	469
Suppliers and contractors	24,433	6,993
Collector of customs	4,186	1,065
	28,997	8,527
	31,686	10,551

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposits - interest free	100	100
Prepayments		
Rent	-	10,216
Insurance	2,737	2,940
Letter of gurantantee margin	2,524	1,189
Others	5,586	6,573
	10,847	20,918
Other receivables	171	-
	11,118	21,018

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

	June 30, 2020 -----(Rupees in '000)----	June 30, 2019
17. SHORT-TERM INVESTMENTS	Note	
Term deposit receipts	17.1	200,000

- 17.1** Represents one month term deposit receipts (TDRs) with commercial bank under conventional banking relationship carrying profit at the rate of 7.15% (2019: NIL) per annum. The maturity date of TDRs, is July 31, 2020.

	June 30, 2020 -----(Rupees in '000)----	June 30, 2019
18. CASH AND BANK BALANCES	Note	
Cash in hand		6,563
Cash at banks:		
Current accounts with:		
- conventional banks	18.1	49,584
- islamic banks		22,289
		71,873
Saving accounts	18.2	217,156
		295,592

- 18.1** Includes balance of Rs. 9.656 million (2019: Rs. 21.681 million) maintained with Bank Al Habib Limited, a related party.

- 18.2** These carry profit rates ranging from 5% to 10% per annum (2019: 6.5% to 10.25% per annum). These balances are held in accounts maintained under conventional banking.

19. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	2020 (Number of shares in '000)	2019	June 30, 2020 -----(Rupees in '000)----	June 30, 2019
Ordinary shares of Rs. 5/- each	199,627	199,627	998,135	998,135
Fully paid-up in cash	1,150	1,150	5,750	5,750
Issued for consideration other than cash	38,543	38,543	192,715	192,715
Issued as fully paid bonus shares	239,320	239,320	1,196,600	1,196,600

20. LONG-TERM FINANCING

Secured

From a banking company		
Faysal Bank Limited	20.1	269,100
Current maturity of long-term financing		(59,800)
		209,300

- 20.1** Represents diminishing musharaka facility amounting to 1,000 million (2019: 1,000 million) under islamic banking terms which carries markup at rate of three months KIBOR + 0.70% per annum (2019: 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 commenced from February 2020.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

		June 30, 2020	June 30, 2019
	Note	----(Rupees in '000)----	
21. LEASE LIABILITIES			
Lease liabilities	21.1	289,681	-
Current maturity of lease liabilities		(91,397)	-
		<u>198,284</u>	-
21.1 Movement of lease liabilities:			
Balance at beginning of the year		-	-
Impact of initial application of IFRS 16	4.1.1	265,094	-
Additions during the year		70,925	-
Finance cost during the year		35,257	-
Payments during the year		(81,595)	-
Balance at end of the year		<u>289,681</u>	-
21.2	The maturity analysis of lease liabilities as at the statement of financial position date is as follows:		
		June 30, 2020	June 30, 2019
		----(Rupees in '000)----	
Up to one year		91,471	-
After one year		198,210	-
Total lease liabilities		<u>289,681</u>	-
21.3	Expenses relating to short-term leases amounted to Rs. 0.76 million (2019: Nil) during the year.		
22. DEFERRED TAX LIABILITY - net	Note	June 30, 2020	June 30, 2019
		----(Rupees in '000)----	
Deferred tax liabilities on taxable temporary differences:			
- accelerated tax depreciation		277,172	378,547
Deferred tax asset on deductible temporary differences:			
- provisions		(111,924)	(94,078)
- carried forward unabsorbed depreciation		-	(84,456)
- lease liabilities		(6,369)	-
- minimum tax		(26,368)	-
		<u>(144,661)</u>	<u>(178,534)</u>
		<u>132,511</u>	<u>200,013</u>
23. TRADE AND OTHER PAYABLES			
Creditors	23.1	306,804	350,661
Accrued liabilities and levies	23.1, 23.2 & 23.3	2,060,279	1,978,149
Advance from customers	23.4	77,307	79,670
Payable to provident fund	23.5	3,896	3,905
Security deposits	23.6	375	740
Withholding tax payable		3,461	22,760
Workers' Profit Participation Fund	32	-	20,541
Workers' Welfare Fund	32	5,862	12,851
Others		-	184
		<u>2,457,984</u>	<u>2,469,461</u>
23.1	Includes payable due to the following related parties:		
Thal Limited		15,210	16,243
Habib Insurance Company Limited		-	1,981
Habib Metro Pakistan (Private) Limited		<u>1,157</u>	<u>190</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

23.2	Includes an amount of Rs. 1,308.586 million (2019: Rs. 1,160.183 million) in respect of accrual of Gas Infrastructure Development Cess (GIDC) calculated in accordance with the provisions of GIDC Act, 2015.		
23.3	Include accrual for leave encashment of Rs. 59.839 million (2019: Rs. 66.498 million) and bonus of Rs. 54.044 million (2019: Rs. 50.913 million).		
23.4	Include advance of Rs. 0.665 million (2019: Nil) from Agriauto Industries Limited, a related party.		
23.5	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.		
23.6	These represent interest free deposits received from employees against company provided vehicles.		
24. SHORT-TERM RUNNING FINANCE	Note	June 30, 2020	June 30, 2019
		----(Rupees in '000)----	
Secured			
Running finance facilities	24.1	<u>125,255</u>	191,381
24.1	Represent running finance facilities from various banks. Markup rates on these facilities ranges from one month KIBOR + 0.75% to six months KIBOR + 1% (2019: three months KIBOR + 0.5% to three months KIBOR + 0.75%) per annum. These facilities are secured by hypothecation of stocks and book debts of the Company ranking pari-passu charge.		
25. CONTINGENCIES AND COMMITMENTS			
25.1 Contingencies	There are no material contingencies to report as at the statement of financial position date.		
25.2 Commitments			
(i)	Commitments in respect of outstanding letters of credit against raw materials and spares amounting to Rs. 116.224 million (2019: Rs. 65.349 million), issued by a commercial bank.		
(ii)	Commitments in respect of capital expenditure amounted to Nil (2019: Rs. 11.841 million) for the import of machinery, issued by issued by a commercial bank.		
(iii)	Commitment in respect of bank guarantees issued by issued by a commercial bank. in favour of:		
		June 30, 2020	June 30, 2019
		----(Rupees in '000)----	
	Sui Southern Gas Company Limited	353,754	353,754
	Nazir of Sindh High Court	244,239	244,239
	Pakistan State Oil Company Limited	40,000	-
	Excise and Taxation Department	<u>66,381</u>	64,381
		<u>704,374</u>	<u>662,374</u>
(iv)	Commitments for rentals under Ijarah finance agreements:		
	Within one year	-	1,197
	Later than one year but not later than five years	-	656
		<u>-</u>	<u>1,853</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

		June 30, 2020 ------(Rupees in '000)-----	June 30, 2019
26	TURNOVER - net		
	Local		
	Manufacturing	7,797,598	8,236,046
	Trading	47,730	36,396
		<u>7,845,328</u>	<u>8,272,442</u>
	Trade discount	(27,812)	(12,057)
	Sales tax		
	Manufacturing	(1,336,112)	(1,322,020)
	Trading	(6,935)	(5,288)
		<u>(1,343,047)</u>	<u>(1,327,308)</u>
		<u>26.1</u>	<u>6,474,469</u>
			<u>6,933,077</u>

26.1 Revenue recognised from amounts included in advance from customers at beginning of the year amounted to Rs. 64.582 million (2019: Rs. 51.701 million).

		June 30, 2020 ------(Rupees in '000)-----	June 30, 2019
27.	COST OF SALES		
	Manufacturing	27.1	5,350,447
	Trading	27.2	27,276
			<u>5,377,723</u>
			<u>5,321,210</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

		June 30, 2020 ------(Rupees in '000)-----	June 30, 2019
27.1	Cost of sales - manufacturing		
	Raw and packing materials consumed		
	Opening stock	709,868	582,240
	Purchases	1,805,209	2,254,842
	Closing stock	(661,176)	(709,868)
		<u>1,853,901</u>	<u>2,127,214</u>
	Manufacturing expenses		
	Salaries, wages and other benefits	27.1.1	753,350
	Fuel and power		1,443,907
	Stores and spare parts consumed		289,113
	Provision for slow moving stores and spare parts	12.1	31,185
	Provision / (reversal) for slow moving stock-in-trade	13.2	11,400
	Depreciation on		
	- operating fixed assets	7.3	621,160
	- right-of-use assets	8.1	19,870
	Repairs and maintenance		46,179
	Insurance		17,291
	Vehicle running expenses		30,184
	Travelling and conveyance		4,853
	Printing and stationery		4,499
	Communication		3,832
	Rent, rates and taxes		2,234
	Research costs		2,086
	Legal and professional charges		2,155
	Ijarah rentals		568
	Others		604
			<u>3,284,470</u>
	Work-in-process		
	Opening stock		31,203
	Closing stock	13	(28,711)
			<u>5,140,863</u>
	Cost of goods manufactured		
	Finished goods		
	Opening stock		764,232
	Closing stock	13	(554,648)
			<u>5,350,447</u>
			<u>5,299,485</u>

27.1.1 Includes Rs. 13.250 million (2019: Rs. 13.406 million) in respect of staff retirement benefits.

		June 30, 2020 ------(Rupees in '000)-----	June 30, 2019
27.2	Cost of sales - trading		
	Opening stock	23,809	13,681
	Purchases	24,190	31,853
	Closing stock	(20,723)	(23,809)
		<u>27,276</u>	<u>21,725</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

		June 30, 2020	June 30, 2019
	Note	---- (Rupees in '000) ----	
28. SELLING AND DISTRIBUTION COSTS			
Salaries, wages and other benefits	28.1	169,437	152,821
Freight		623,036	485,476
Advertisement and sales promotion		59,132	94,180
Travelling and conveyance		19,730	27,665
Rent, rates and taxes		4,675	65,869
Communication		7,555	4,816
Insurance		5,257	5,334
Depreciation on			
- operating fixed assets	7.3	2,990	2,424
- investment property	9	1,242	1,242
- right-of-use assets	8.1	58,548	-
Vehicle running expenses		11,680	11,066
Repairs and maintenance		47,847	57,055
Utilities		14,392	9,458
Printing and stationery		7,161	4,917
Entertainment		1,982	3,000
Legal and professional charges		1,076	1,664
Others		440	460
		1,036,180	927,447

28.1 Includes Rs. 4.781 million (2019: Rs. 4.185 million) in respect of staff retirement benefits.

		June 30, 2020	June 30, 2019
	Note	---- (Rupees in '000) ----	
29. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	29.1	207,128	186,853
Travelling and conveyance		7,435	8,361
Printing and stationery		10,802	10,889
Legal and professional charges		3,690	16,877
Depreciation	7.3	2,527	2,012
Vehicle running expenses		10,200	8,786
Communication		1,750	1,838
Repair and maintenance		6,051	9,055
Auditors' remuneration	29.2	2,178	1,956
Subscriptions		240	225
Insurance		662	882
Others		3,104	2,926
		255,767	250,660

29.1 Includes Rs. 6.037 million (2019: Rs. 5.378 million) in respect of staff retirement benefits.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

		June 30, 2020	June 30, 2019
	Note	---- (Rupees in '000) ----	
29.2 Auditors' remuneration			
Audit fee		1,023	1,023
Half-yearly review fee		259	259
Tax services		68	65
Other certifications		551	413
Out of pocket expenses		277	196
		2,178	1,956
30. OTHER INCOME			
Income from financial assets			
Profit on bank deposits / saving accounts	30.1	9,815	9,331
Income from non-financial assets			
Rental income from investment property		828	792
Gain on disposal of operating fixed assets		1,054	17,460
Income from sale of scrap		23,561	36,185
Reversal of Workers' Welfare Fund		5,045	-
Others		3,596	2,249
		34,084	56,686
		43,899	66,017

30.1 Represents markup on bank accounts under conventional banking relationship.

		June 30, 2020	June 30, 2019
	Note	---- (Rupees in '000) ----	
31. FINANCE COSTS			
Mark-up / interest on:			
Long-term financing		40,534	76,896
Lease liabilities		35,257	-
Short-term running finance		4,595	2,018
		80,386	78,914
Bank charges and commission		6,692	8,032
		87,078	86,946

32. OTHER EXPENSES			
Workers' Profit Participation Fund		-	20,541
Workers' Welfare Fund		4,680	7,806
Donations		-	3,820
Exchange loss - net		664	587
Others		-	314
		5,344	33,068

33. TAXATION			
Current		99,206	65,061
Prior		13,253	11,376
Deferred		(67,502)	61,726
		44,957	138,163

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

33.1 Provision for current taxation has been made on the basis of minimum tax under Section 113 of Income Tax Ordinance, 2001 (the Ordinance). Accordingly, tax expense reconciliation with the accounting profit is not presented.

33.2 The income tax assessment of the Company has been assessed up to and for the year 2019 corresponding to the financial year ended June 30, 2019.

	Note	June 30, 2020	June 30, 2019
34. EARNINGS PER SHARE - basic and diluted			
(Loss) / profit for the year (Rupees in '000)		(325,774)	234,341
Weighted average number of ordinary shares outstanding during the year (shares in '000)		239,320	239,320
(Loss) / earnings per share (Rupee) - basic and diluted	34.1	(1.36)	0.98

34.1 There is no dilutive effect of basic earnings per share of the Company.

	Note	June 30, 2020	June 30, 2019
35. CASH AND CASH EQUIVALENTS		---- (Rupees in '000) ----	
Cash and bank balances	18	295,592	127,127
Short-term investments	17	200,000	-
Short-term running finance	24	(125,255)	(191,381)
		370,337	(64,254)

36. 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 have overall responsibility for the establishment and oversight of the 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 2020 which are summarized below:

36.1 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: interest rate risk, currency 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 saving accounts, long-term financing and short-term running finance. The company manages its interest rate risk by placing its 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 increase the Company's loss before tax by Rs. 1.232 million and a 1% decrease would result in the decrease in the Company's loss 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

The following is the foreign currency exposure as at the statement of financial position date:

	June 30, 2020	June 30, 2019
Trade payables - US Dollar	91,680	-
Trade payables - Euro	13,312	6,305
Trade payables - AED	5,250	-

The following significant exchange rates have been applied at statement of financial position date:

Exchange rate – US Dollar	168.05	-
Exchange rate – Euro	188.61	182.32
Exchange rate – AED	45.75	-

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar, Euro and AED exchange rates, with all other variables held constant;

	Change in USD / Euro / AED rates (%)	Effect on profit before tax ----- (Rupees in '000) -----	Effect on equity
June 30, 2020	±10	1,816	1,816
June 30, 2019	±10	115	115

(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 statement of financial position date.

36.2 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 security 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.

The maximum exposure to credit risk at statement of financial position date is as follows:

	Note	June 30, 2020	June 30, 2019
		---- (Rupees in '000) ----	
Long-term loans	10	184	20
Long-term security deposits	11	22,886	20,292
Trade debts - net	14	256,951	148,251
Current portion of long-term loans	15	2,689	2,024
Deposits and other receivables	16	271	100
Short-term investments	17	200,000	-
Bank balances	18	289,029	113,428
		772,010	284,115

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

Quality of financial assets

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure.

The Company's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties, thereby mitigating any significant concentration of credit risk.

The credit quality of financial assets that are neither past nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates as follows:

June 30, June 30,
2020 2019
---- (Rupees in '000) ----

Customers with no defaults in the past one year

Trade debts	256,951	148,251
-------------	---------	---------

Set out below is the information about the credit risk on the Company's trade debts:

	June 30, 2020				
	Days Past Due				
	(Rupees in '000)				
	Current	31-90 days	91-180 days	Over 180	Total
Expected credit loss rate	2%	4%	19%	98%	
Estimated total gross carrying amount at Default	140,377	46,238	88,146	160,154	434,915
Less: Expected credit loss	(2,180)	(1,791)	(16,624)	(157,369)	(177,964)
Amounts past due but not impaired	138,197	44,447	71,522	2,785	256,951

	June 30, 2019				
	Days Past Due				
	(Rupees in '000)				
	Current	31-90 days	91-180 days	Over 180	Total
Expected credit loss rate	1%	3%	14%	97%	
Estimated total gross carrying amount at Default	53,018	64,723	33,171	138,210	289,122
Less: Expected credit loss	(548)	(1,795)	(4,751)	(133,777)	(140,871)
Amounts past due but not impaired	52,470	62,928	28,420	4,433	148,251

The credit quality of balances with banks can be assessed with reference to external credit rating as follows:

	June 30, 2020	June 30, 2019
	(Rupees in '000)	
Ratings		
A-1+	289,029	113,428
	<u>289,029</u>	<u>113,428</u>

36.3 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. Trade and other payables includes an amount of Rs.1,841.39 million (2019: Rs. 1,675.27 million) in respect of government/ statutory levies and cess which are excluded for purpose of liquidity risk. The table below summarises the maturity profile of the Company's financial liabilities at the following at statement of financial position dates:

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	(Rupees in '000)					
2020						
Long-term financing	-	29,900	29,900	209,300	-	269,100
Lease Liabilities	-	27,121	64,350	180,554	17,656	289,681
Trade and other payables	616,594	-	-	-	-	616,594
Unclaimed / unpaid dividends	4,456	-	-	-	-	4,456
Accrued mark-up	-	3,247	-	-	-	3,247
Short-term running finance	125,255	-	-	-	-	125,255
	<u>746,305</u>	<u>60,268</u>	<u>94,250</u>	<u>389,854</u>	<u>17,656</u>	<u>1,308,333</u>

2019

Long-term financing	-	-	49,900	399,200	49,900	499,000
Trade and other payables	794,191	-	-	-	-	794,191
Unclaimed / unpaid dividends	5,262	-	-	-	-	5,262
Accrued mark-up	-	9,860	-	-	-	9,860
Short-term running finance	191,381	-	-	-	-	191,381
	<u>990,834</u>	<u>9,860</u>	<u>49,900</u>	<u>399,200</u>	<u>49,900</u>	<u>1,499,694</u>

36.4 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.

	Note	2020 ---- (Rupees in '000) ----	2019
The gearing ratios as at June 30 were as follows:			
Long-term financing	20	209,300	449,100
Current maturity of long term financing	20	59,800	49,900
Short-term running finance	24	125,255	191,381
Total interest bearing debt		<u>394,355</u>	690,381
Total equity		<u>1,719,048</u>	2,104,652
Total capital		<u>2,113,403</u>	2,795,033
Gearing ratio		<u>18.66%</u>	24.70%

36.5 Unavailed Credit Facilities

36.5.1 The facility for short-term running finance, opening letters of credit and letters of guarantees amounted to Rs. 2,250 million (2019: Rs. 2,250 million), Rs. 1300 million (2019: Rs. 550 million) and Rs. 1210 million (2019: Rs. 662.374 million) respectively, of which Rs. 2,125 million (2019: Rs. 2,059 million), Rs. 1184 million (2019: Rs. 473 million) and Rs. 506 million (2019: Nil) respectively, remained unutilized as at the statement of financial position date.

36.5.2 Mark-up rates on running finance facilities range from (one month KIBOR + 0.75% to six months KIBOR + 1% (2019: one month KIBOR + 0.75% to six months KIBOR + 1.25% per annum).

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

37 CHANGES IN LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES:

	Unclaimed / unpaid dividend ---- (Rupees in '000) ----	2020 Lease Liabilities	Long-term financing
Balance at beginning of the year	5,262	-	499,000
Changes from financing cash flows			
Dividend paid during the year	(60,636)	-	-
Payments made during the year	-	(81,595)	(270,434)
	(60,636)	(81,595)	(270,434)
Other changes			
Dividend declared during the year	59,830	-	-
Impact of initial application of IFRS 16 (note 4.1.1)	-	265,094	-
Finance cost during the year	-	35,257	40,534
Additions during the year	-	70,925	-
	59,830	371,276	40,534
Balance at end of the year	4,456	289,681	269,100

	Unclaimed / unpaid dividend ---- (Rupees in '000) ----	2019 Lease Liabilities	Long-term financing
Balance at beginning of the year	3,324	-	905,219
Changes from financing cash flows			
Dividend paid during the year	(117,722)	-	-
Payments made during the year	-	-	(483,115)
	(117,722)	-	(483,115)
Other changes			
Dividend declared during the year	119,660	-	-
Impact of initial application of IFRS 16 (note 4.1.3)	-	-	-
Finance cost during the year	-	-	76,896
Additions during the year	-	-	-
	119,660	-	76,896
Balance at end of the year	5,262	-	499,000

38 TRANSACTIONS WITH RELATED PARTIES

38.1 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:

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

Associated companies / other related parties

	June 30, 2020	June 30, 2019
	---- (Rupees in '000) ----	
Sales	37,856	15,945
Purchases of goods, material and services	67,535	77,062
Insurance premium	25,448	24,114
Insurance claims received	1,014	10,057
Rent and service charges paid	11,659	8,838
Rent income	594	792
Mark-up earned	6,253	9,177
Mark-up expense	1,125	96
Commission on letter of guarantee	1,880	4,265
Donation paid	2,483	1,565

Key management personnel

Remuneration and other benefits of Chief Financial Officer and Company Secretary	17,047	12,245
---	--------	--------

Staff retirement benefits

Contribution to provident fund	24,069	22,969
--------------------------------	--------	--------

38.2 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
Agriauto 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
Muhammedali Habib Welfare Trust	Common Directorship	N/A
Provident Fund	Staff retirement benefits	N/A

39. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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

	2020		2019	
	Chief Executive Officer	Executives	Chief Executive Officer	Executives
	----- (Rupees in '000) -----			
Managerial remuneration	15,673	51,604	14,218	52,434
Housing and utilities	11,299	43,619	10,269	44,888
Leave fare assistance, leave encashment and bonus	17,695	18,895	22,040	11,258
Reimbursement of medical expenses	1,567	4,666	1,457	4,852
Retirement benefits	1,463	4,792	1,399	5,086
	47,697	123,576	49,383	118,518
Number of persons	1	19	1	22

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

39.3 Fee amounting to Rs. 0.180 million (2019: Rs. 0.225 million) was paid to the directors of the Company for attending Board meetings during the year.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

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

41. PRODUCTION CAPACITY

During the year, the tile production capacity attained was 8.11 million sq. meters (2019: 10.35 million sq. meters) against annual manufacturing capacity of 14.04 million sq. meters (2019: 14.04 million sq. meters). The shortfall majorly relates to lockdown imposed due to COVID-19 pandemic during the year.

42. COVID-19 OUTBREAK AND ITS IMPACT ON FINANCIAL STATEMENTS

The sudden spread of COVID-19 has disrupted lives, livelihoods, communities and businesses worldwide. In March 2020, the relevant authorities announced a temporary lockdown as a measure to reduce the spread of the COVID-19. Complying with the lockdown, the Company temporarily suspended its operations for couple of months. All steps were taken for the health and safety of our employees and a policy for remote working was introduced.

As a result of temporary lockdown in the country, the Company's operational activities remained suspended for a limited period of time resulting in overall decrease of approximately 10% in the revenues and corresponding variable costs and overheads of the Company.

After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company resumed its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. The Company's management is fully cognizant of the business challenges posed by the COVID-19 outbreak and closely monitoring any future possible impacts on the Company's operations and believe that its current policies for managing affairs of the company are adequate in response to the current situation. The management of the Company has considered the financial and accounting implications of these developments on the financial statements including but not limited to the following areas;

- The impairment of tangible assets under IAS 36, "Impairment of non-financial assets"
- The net realizable value of inventory under IAS 2, "Inventories"
- Allowance for expected credit loss under IFRS 9, "Financial Instruments"

Based on the assessment, there is no significant financial and accounting implication arising out of the effects of Covid-19 on these financial statements except the decrease in revenue as stated above.

43. NUMBER OF EMPLOYEES

As at year end

	June 30, 2020	June 30, 2019
Permanent	766	869
Contractual	148	190
	914	1,059

Average during the year

	June 30, 2020	June 30, 2019
Permanent	809	891
Contractual	187	202
	996	1,093

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended June 30, 2020

44. GENERAL

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

44.2 Certain comparative figures have been reclassified for better presentation. However, there are no material reclassifications to report.

44.3 During the year, donation amounting to Rs. 2.483 million (2019: Rs. 1.565 million) paid to Mohamedali Habib Welfare Trust (the Trust). Mr. Rafiq M. Habib, Chairman of the Company is the Trustees of the Trust.

45. DATE OF AUTHORISATION FOR ISSUE

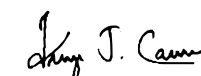
These financial statements were authorized for issue on September 07, 2020 by the Board of Directors of the Company.



WAQAS AHMED
Chief Financial Officer



SYED MASOOD ABBAS JAFFERY
Chief Executive Officer



FEROZE JEHANGIR CAWASJI
Director

PATTERN OF SHAREHOLDING
As of June 30, 2020

Categories of Shareholders	Shareholders	Shares Held	Percentage
DIRECTORS AND THEIR SPOUSE(S) AND MINOR CHILDREN			
Rafiq Habib	1	4,162,522	1.74
Syed Masood Abbas Jaffery	1	43,000	0.02
Muhammed Salman Burney	1	1,000	0.00
Abdul Hai Mehmood Bhai Mian	1	663,594	0.28
Feroze Jehangir Cawasji	1	1,000	0.00
Farhana Mowjee Khan	1	1,000	0.00
Jamila Rafiq	1	1,377,752	0.58
Rukhsana Bibi	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
EXECUTIVES	-	-	-
PUBLIC SECTOR COMPANIES AND CORPORATIONS	6	1,145,593	0.48
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	3	5,370,933	2.24
MUTUAL FUNDS			
CDC - Trustee NBP Balanced Fund	1	100,000	0.04
CDC - Trustee NBP Islamic Sarmaya Izafa Fund	1	851,000	0.36
CDC - Trustee National Investment (Unit) Trust	1	4,169,471	1.74
CDC - Trustee NBP Islamic Stock Fund	1	26,500	0.01
CDC - Trustee Golden Arrow Stock Fund	1	388	0.00
GENERAL PUBLIC			
a. Local	4794	73,057,807	30.53
b. Foreign	5	110,298	0.05
FOREIGN COMPANIES	21	131,167,292	54.81
OTHERS	59	12,327,502	5.15
TOTAL	4904	239,320,475	100.00

Share holders holding 5% or more	Shares Held	Percentage
Mustafa Limited	12,418,386	5.19
Asad Limited	12,840,786	5.37
Aylesbury International Ltd	16,009,983	6.69
Robert Finance Corporation AG	72,102,223	30.13

PATTERN OF SHAREHOLDING
As of June 30, 2020

No. of Shareholders	Shareholdings'Slab			Total Shares Held
912	1	to	100	23,810
900	101	to	500	298,105
655	501	to	1000	573,459
1303	1001	to	5000	3,640,858
422	5001	to	10000	3,369,712
158	10001	to	15000	2,035,879
103	15001	to	20000	1,924,135
87	20001	to	25000	2,055,506
45	25001	to	30000	1,283,935
27	30001	to	35000	899,785
28	35001	to	40000	1,090,587
15	40001	to	45000	652,438
31	45001	to	50000	1,526,210
11	50001	to	55000	576,801
14	55001	to	60000	826,542
6	60001	to	65000	382,500
12	65001	to	70000	829,877
10	70001	to	75000	737,000
8	75001	to	80000	618,946
9	80001	to	85000	747,966
2	85001	to	90000	179,500
8	90001	to	95000	750,122
14	95001	to	100000	1,388,540
4	100001	to	105000	410,845
3	105001	to	110000	325,500
3	110001	to	115000	338,704
5	115001	to	120000	591,773
2	120001	to	125000	250,000
1	125001	to	130000	125,134
1	130001	to	135000	132,000
2	135001	to	140000	277,932
2	140001	to	145000	281,000
4	145001	to	150000	600,000
1	155001	to	160000	156,000
2	160001	to	165000	324,816
1	165001	to	170000	166,712
1	170001	to	175000	172,500
2	175001	to	180000	355,032
4	180001	to	185000	725,528
2	185001	to	190000	373,960
5	195001	to	200000	1,000,000
1	210001	to	215000	215,000
1	220001	to	225000	225,000
1	230001	to	235000	230,500

PATTERN OF SHAREHOLDING
As of June 30, 2020

No. of Shareholders	Shareholdings'Slab			Total Shares Held
1	240001	to	245000	243,216
1	250001	to	255000	251,447
2	260001	to	265000	527,000
3	265001	to	270000	804,400
1	270001	to	275000	273,000
2	280001	to	285000	569,000
1	285001	to	290000	287,239
4	295001	to	300000	1,195,500
1	300001	to	305000	300,500
1	320001	to	325000	320,763
1	325001	to	330000	329,137
1	335001	to	340000	339,433
1	350001	to	355000	354,928
1	370001	to	375000	373,500
1	395001	to	400000	400,000
3	425001	to	430000	1,279,846
1	440001	to	445000	441,558
1	505001	to	510000	509,500
2	655001	to	660000	1,316,660
1	660001	to	665000	663,594
1	720001	to	725000	723,500
1	745001	to	750000	750,000
1	750001	to	755000	754,000
1	760001	to	765000	761,500
1	780001	to	785000	785,000
1	795001	to	800000	800,000
1	840001	to	845000	840,500
1	850001	to	855000	851,000
1	895001	to	900000	900,000
1	950001	to	955000	952,500
1	1030001	to	1035000	1,033,489
1	1120001	to	1125000	1,122,631
1	1130001	to	1135000	1,131,407
1	1165001	to	1170000	1,167,000
1	1295001	to	1300000	1,300,000
1	1340001	to	1345000	1,342,500
1	1375001	to	1380000	1,377,752
1	1675001	to	1680000	1,675,695
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	2775001	to	2780000	2,775,015
4	2985001	to	2990000	11,953,331

PATTERN OF SHAREHOLDING
As of June 30, 2020

No. of Shareholders	Shareholdings'Slab			Total Shares Held
1	3120001	to	3125000	3,121,549
3	3450001	to	3455000	10,364,667
1	3460001	to	3465000	3,460,497
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	4995001	to	5000000	5,000,000
1	5560001	to	5565000	5,562,500
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
4904				239,320,475



Shabbir Tiles and Ceramics Limited

PROXY FORM

I/We _____ of _____

being a member(s) of **SHABBIR TILES AND CERAMICS LIMITED** and a holder of _____

_____ ordinary shares as per Share Register Folio No. _____

or CDC Participant ID No. _____ Account No. _____

hereby appoint _____ of _____

who is also member of **SHABBIR TILES AND CERAMICS LIMITED** Vide Folio No. _____

or CDC Participant ID No. _____ Account No. _____

or failing him/her _____ of _____

who is also member of **SHABBIR TILES AND CERAMICS LIMITED** vide Folio No. _____

or CDC Participant ID No. _____ Account No. _____

as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on Thursday, 22nd day of October, 2020 , and at any adjournment thereof.

As witness my / our hand / seal this _____ day of _____ 2020

signed by the said

Witness _____ (Signature) Witness _____ (Signature)

Name _____ Name _____

Address _____ Address _____

CNIC No. _____ CNIC No. _____

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

SIGNATURE OF MEMBER(S)

NOTES:

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

P.T.O.



Shabbir Tiles and Ceramics Limited

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

FOR CDC ACCOUNT HOLDERS / CORPORATE ENTITIES

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

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