

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to present the annual audited financial statements of the company along with auditors' report thereon for the financial year ended June 30, 2011.

Operational results for the year under review are as follows:-

- Sales - Net at Rs. 333.24m higher by 97.27% vs. previous Rs.168.92m
- Gross profit at Rs 89.59m higher by 280.34% vs. previous 23.55m
- Administrative expenses 36.79m higher by 310.04% vs previous Rs 8.97m
- Operating Profit at Rs. 19.96m higher by 129.70% vs. previous Rs. 8.69m
- Profit after taxation at Rs. 15.37.m higher by 84.59% vs. previous 8.32m

The increase in sales and better operational performance is mainly due to the reasons that your company succeeded in getting the better market rates as compared to previous corresponding year by gradually restoring the quality of the products and credibility of the Company in the market. The company also enjoyed the half of sales tax rates as compared to previous corresponding year which further helped to attract the sales at offered rates.

Administrative expenditure increased from Rs 8.97m to Rs 36.79m mainly due to provision of Rs. 18.1 million against sales tax short paid in year 1996-97, as per decision of Appellate Tribunal and other operating expenses increased from Rs. 2.44m to Rs. 29.28m due to provision for obsolete stock amounting to Rs.27.01 million.

During the last and prior year the company had wrongly charged incremental depreciation on revaluation surplus relating to land, moreover, deferred tax effect relating to revaluation surplus was charged to profit and loss account instead of equity. Further, the company had first time accounted for deferred tax liability in financial statements in June 30, 2010; however, comparative information was not restated to account for the effect of deferred tax relating to prior periods. The error has been corrected retrospectively and comparative information has been restated.

The Company has revised its depreciation rates after comparison with ceramic industry rates. The said change has been accounted for as a change in accounting estimates in accordance with the requirements of IAS 8 (Accounting Policies, changes in accounting estimates and errors). The effect of this change in accounting estimate has been recognized prospectively in the profit and loss account. Had there been no change in accounting estimate, the depreciation charge for the year would have been lower by Rs 7.446 million while carrying value of the property, plant and equipment and profit would have been higher by the same amount.

Company had recorded other income of Rs.114, 126,275/- during the year ended June 30, 2009 in respect of waiver of principal and mark up payable to financial institutions under long term financing. As per Settlement Agreement dated June 26, 2008, write off / waiver granted by the financial institutions shall become effective only after full payment of the total settlement amount and till then the loan should not be written off. The error has been corrected retrospectively and comparative information has been restated.

Delay in payments as reported in the auditors reports was mainly caused due to financial constrains coupled with unscheduled load shedding, higher consumption of LPG and low production versus the corresponding year. Further, company also availed amnesty against a pending sale tax case and paid an amount of Rs 4.5 million during amnesty period and Rupees 2 million during the year in order to avoid the default surcharge of Rs 124 million. This helped in avoiding the repeated embargo imposed by the Sale Tax Department from time to time which was adversely affecting the operational smoothness of the Company. The case is now pending with the Honorable High Court, Peshawar.

Your company is fully committed to staff retirement's benefits. As regards auditors' qualification regarding the gratuity, your company is in planning to introduce the staff retirement benefits scheme in the ensuing year as the company will be fully relieved during that year from its financial commitment with the creditors banks under settlement agreement dated June 26, 2008.

Dividend

Considering the brought forward losses and to settle the bank loans on or before March 31, 2012, under Settlement Agreement dated June 26, 2008, no dividend is recommended for the year ended June 30, 2011

Earnings per Share

Earnings per share increased from Rs 1.08 to Rs 1.99 per share.

Future Prospects

The installation of new plant being capable of producing different sizes of wall and floor tiles will further improve the financial and operational performance of the company in future. Your management is confident to succeed in its efforts to continue the company as a going concern.

Corporate & Financial Reporting Frame Work

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

- These financial statements, prepared by the management of the Company present fairly its state of affairs, the results of its operation, cash flow statement and statement of changes in equity.
- The Company has maintained proper books of account.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- In the preparation of financial statements, approved international accounting standards as applicable in Pakistan have been followed.
- The system of internal control is sound in design. The system is being continuously monitored by internal audit and through other such monitoring procedures. The process of

monitoring internal controls will continue with the objective to further strengthen the controls and improve the system.

- There is no significant doubt about the company's ability to continue as a going concern.
- There has been no material departure from the best practice of corporate governance as detailed in the listing regulations.
- A summary of key operating and financial data for the last six years is annexed with the report.
- Information about the taxes and levies is given in the notes to the accounts.
- During the year seven meetings of the board of directors were held, which were attended by the directors as detailed below.

<u>Name of Directors</u>	<u>No. of Meetings attended</u>
Mr. Omer Khalid	7
Miss Sana Khalid	7
Mr. Zia Khalid	7
Miss Farhat	6
Mr. Raja Ghazanfar	5
Mrs. Pervez Aslam	4
Mrs. Shazia Khalid	6

Audit Committee

The audit committee comprises of three non executive directors. Six meetings were held during the year under review.

Auditors

As suggested by the Audit Committee, the present auditors M/S BDO Ebrahim & Co., Chartered Accountants, retire and being eligible offer themselves for reappointment.

Pattern of Shareholding

The pattern of shareholding as on 30th June, 2011 and its disclosure as required by the Code of the Corporate Governance is annexed with this report.

Subsequent Events

There have not been any material events that occurred subsequent to the date of the statement of financial position that require adjustment to the enclosed financial statements.

Acknowledgement

The Board of Directors recognizes the contribution of all staff members in achieving the company's objectives. We also appreciate the continuous support of our valued dealers, customers, banks and stakeholders.

On behalf of the Board

**Date: October 08, 2011
Peshawar**

**Omer Khalid
Chief Executive Officer**