

## 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, 2012.

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

- Sales - Net at Rs. 329.25m lower by 1.20% vs. previous Rs.333.24m
- Gross profit at Rs 46.52m lower by 48.08% vs. previous 89.59m
- Administrative expenses 12.98m lower by 64.72% vs. previous Rs 36.79m
- Operating Profit at Rs. 27.92m higher by 39.88% vs. previous Rs. 19.96m
- Profit after taxation at Rs. 32.51m higher by 111.54% vs. previous 15.37m

During the year, Company sold 1,097,411 Sqm vs. 1,176,517 Sqm, lower by 6.72 %, as compared to previous corresponding year. Further, average sale price of our products marginally increased during the year resultantly inflation impact could not be passed on to consumers due to intense market situation.

Decrease in Gross Profit by 48.08% as compared to corresponding year is mainly due to tremendous inflation effects of raw materials prices, increase in natural gas and electricity rates. Further reduction of gross profit is also attributed to increase in depreciation rates which were revised in April 2011 with prospective effect. Due to this revision, depreciation increased to Rs. 52.96 million from Rs. 32.11 million versus the previous corresponding period. On the other hand, management remained successful in controlling the administrative and other operating expenses, which resulted in increase of profit by 111.54% as compared to corresponding year.

Company has settled the bank loans under Committee for Revival of Sick Industrial Unit (CRSIU) agreement. No Objection Certificates formalities are under process as some of the banks raised objections because of delayed payments in the past. Bankers Equity Limited (BEL) will proceed for its clearance due to its liquidation formalities through Honorable High Court; therefore, the said clearance process, at the BEL end, will take indefinite time.

Consequent upon the settlement of banks loan, Company is under liquidity stress in order to repay the loan amount of Rs 89.18 million and to meet the funds requirements for the expansion phase. Your Company in its Extra Ordinary General Meeting held on July 19, 2012 approved the right shares, subject to SECP's approval, to generate the required amount of Rs 120,530,484/-. Management will issue the right shares to its existing and new shareholders of the Company to overcome its basic funds requirements.

Funds are basically required to generate cash for the completion of civil works, installation and commissioning of new plant and machinery, working capital to maintain the satisfactory level of inventories of imported items in view of expected increase in the production capacity of the plant & machinery and to repay the long term loan of the sponsors Rs 89.18 million as per agreement with them.

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

An ex-parte decree in favor of our one of our past suppliers, who proceeded at the back of the Company in the court, was issued by the Civil Court, Peshawar. The court decreed the suit in favour of the plaintiff, against the decreed claim of Rs 1,450,000, for the possession of the property of the Company bearing plot No 21, 22 & 23 situated at Peshawar. Decree holder further got the stay order to stop the ongoing construction works on these plots, resultantly all the construction and expansion activities which were being/or to be carried out at these plots are standstill now at the factory. Case was filed during the previous management by the supplier and is now pending before the Civil Court, Peshawar to set aside the ex-parte decree.

### **Dividend**

Company is in the process of generating funds through the issue of right shares to pay off its director loan, completion of civil work, installation of plant & machinery and to increase the stock inventories, therefore, no dividend is recommended for the year ended June 30, 2012.

### **Earnings per Share**

Earnings per share increased from Rs 1.99 to Rs 4.20 per share.

### **Future Prospects**

We are confident that by introducing the Floor tiles in future, Company will enhance its market share and market image in the ceramic industry in Pakistan. To enhance the market share all over Pakistan, target of more retailers and distributors is in the planning.

### **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:

- (a) The financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- (b) Proper books of account of the Company have been maintained;
- (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- (d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained;

(e) The system of internal control is sound in design and has been effectively implemented and monitored; and

(f) There are no significant doubts upon 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 five 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	4
Miss Sana Khalid	5
Mr. Zia Khalid	2 (Resigned with effect from Feb 13, 2012)
Miss Farhat	5
Mr. Raja Ghazanfar	5
Mrs. Pervez Aslam	4
Mrs. Shazia Khalid	5
Mrs. Hameeda Khalid	3

### **Audit Committee**

The audit committee comprises of three non executive directors. Four 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 30<sup>th</sup> June, 2012 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 the 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, 2012  
Peshawar**

**Omer Khalid  
Chief Executive Officer**