

2012

SHINEPUKUR CERAMICS LIMITED

ANNUAL REPORT



MISSION

Each of our activities must benefit and add value to the common wealth of our society. We firmly believe that, in the final analysis we are accountable to each of the constituencies with whom we interact; namely: our employees, our customers, our business associates, our fellow citizens and our shareholders.

KEY DATA

Year of Establishment (registration)	: 1997
Commercial Production	: 1999
Status	: Public Limited Company
First Export	: 1999 (Porcelain in April & Bone China in November)
Business Lines	: Manufacturing, Marketing and Exporting of Porcelain and Bone China tableware.
Overseas Offices & Associates	: USA and UK
Current Export Markets	: USA, Canada, UK, Germany, France, Italy, Romania, Norway, Sweden, Denmark, Poland, Spain, Turkey, Japan, Australia, Brazil, India, Chile, Egypt, Russia etc.
Authorized Capital (Taka)	: 5,000 million
Paid-up Capital (Taka)	: 966.34 million
Number of Shareholders	: Over 24,000
Stock Exchange Listing	: 2008
Number of Employees	: 3,000

NEW CUSTOMER

- ▶ Rosendahl (Denmark)
- ▶ TilBords (Norway)
- ▶ Neela's Home (UK)
- ▶ Pasifik (Turkey)

ACHIEVEMENTS

- ▶ Supplied to London Olympics Games 2012 as Official Souvenir Products
- ▶ Provided Bone China products as official dinnerware to Indian Rashtrapathi Bhavan
- ▶ Successfully passed SMETA (Sedex Members' Ethical Trade Audit) conducted on the manufacturing facility

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WHO WE ARE



Shinepukur Ceramics Limited (SCL) is a member of BEXIMCO Group, the Largest Private Sector Business Conglomerate in Bangladesh with about over 48,000 people worldwide in the permanent payroll, have over 300,000 shareholders, handling a diversified range of merchandise to and from Bangladesh.

Shinepukur Ceramics was registered in Bangladesh in 1997 and the Plants were commissioned in 1998. Commercial Production of Porcelain Tableware started in April 1999 and Bone China in November 1999. The manufacturing facility is located in the BEXIMCO Industrial Park, near Dhaka Export Processing Zone (DEPZ), 40 km from Capital Dhaka City, where captive power generation, water supply, effluent waste water treatment and with all other infrastructural facilities in place.

Very soon after its launching in 1999, with a state-of-the-art & robust production technique engaging the industry-best around 3,000 skilled people behind, Shinepukur Ceramics could easily win the heart of world's top-ranked buyers' community and established its leadership in both export and domestic market. Today, Shinepukur exports to more than 40 countries including USA, Canada, UK, Germany, France, Italy, Romania, Norway, Sweden, Denmark, Poland, Spain, Turkey, Japan, Australia, Brazil, India, UAE, Chile, Egypt, Russia etc.

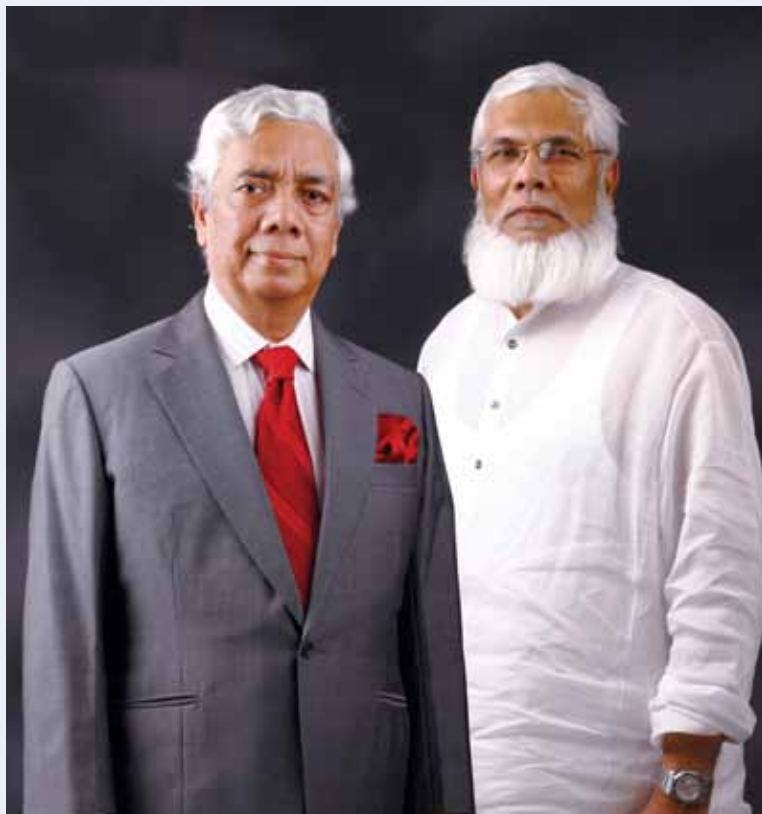
And this outstanding relentless performance enabled Shinepukur to achieve National Export Trophy from the Government of Bangladesh in all four (4) times awarded. Having certified with ISO 9001:2008 from Det Norske Veritas (DNV) of Netherlands for Quality & Process Management, later Shinepukur also became the only Ceramic Tableware Company in Bangladesh to receive 'Superbrands' and 'Dun & Bradstreet (D&B) Corporate' award.

Having an intriguing commitment inside to do something good for the Nation, Shinepukur has performed significant roles to Bangladeshi Economy in the years passed. In the days to come, Shinepukur wishes to excel in every dimension to strengthen positive image of Bangladesh by exporting its world-class products which are produced in strict compliance and greatest care.



CORPORATE DIRECTORIES

BOARD OF DIRECTORS



A S F Rahman

Chairman

Salman F Rahman

Vice-Chairman

Iqbal Ahmed

Director

O K Chowdhury

Director

Nazmul Hassan

Managing Director

Masud Ekramullah Khan

Independent Director

Mohammad Asad Ullah, FCS

Executive Director & Company Secretary

MASUD EKRAMULLAH KHAN - SHORT PROFILE



Masud Khan is an international corporate attorney, currently with The Legal Circle, a corporate law firm in Dhaka, Bangladesh. Prior to coming to Bangladesh in 2007, Masud was a corporate law partner in a US Mid-Western law firm (Reinhart Boerner Van Deuren) with 200 plus lawyers. Masud has been highlighted in the corporate advisory field in Bangladesh by the Chambers and Partners 2011, 2012 and 2013 publication. Masud obtained his Bachelors of Science in Economics and Political Science from the University of Wisconsin, Oshkosh, and his Juris Doctorate from Marquette University Law School. Masud's detailed profile can be found on <http://bd.linkedin.com/in/masudkhan>

MANAGEMENT COMMITTEE

Nazmul Hassan
Managing Director

Rizvi Ul Kabir
Chief Operating Officer

Md. Faruque Ali
Sr. General Manager

Md. Luthfor Rahman
General Manager



Auditors

M/S M. J. Abedin & Co,
Chartered Accountants
National Plaza (3rd Floor)
109, Bir Uttam C R Datta Road
Dhaka-1205

Legal Advisers

M/S Huq & Co.
Barristers & Advocate
47/1 Purana Paltan
Dhaka 1000

Banker

Sonali Bank Ltd. &
Southeast Bank Ltd.

Registered Office

17 Dhanmondi R/A, Road No. 2
Dhaka 1205, Bangladesh

Plant

Beximco Industrial Park
Sarabo, Kashimpur, Gazipur

RIDE ON TIME : CHRONOLOGY

1999

Commercial production of Porcelain Tableware was started in April, 1999 with a Production capacity of 8MT per day.

Commercial production of Bone China Tableware was started in November, 1999 with a Production capacity of 3MT per day.

Launching of Shinepukur's own brand - "SHINEPUKUR" in Bangladesh to establish strong domestic foothold.

2000

Launching of Shinepukur's own brand "DOEL" in India, this was developed to get the share in Indian market.

2001

Shinepukur received ISO 9001:2000 Certification from DNV (DET NORSKE VERITAS) of Netherlands on August 17, 2001, for design, manufacture and marketing of Ceramic Tablewares.

Shinepukur started its own Design Studio and Decal Plant with a printing capacity of 120,000 sheets per month.

2003

In U.S.A., Shinepukur has set up a showroom to promote its own brand - "SHINEPUKUR", to have a strong footing in the vast USA market.

Shinepukur's own Packaging Plant started its Production with capacity of 120,000 sheets per day.

Received "National Export Trophy (Gold)" for FY 2000-2001 by the Govt. of Bangladesh as recognition for highest export

2005

To meet huge demand, Shinepukur expanded its Porcelain Plant to a capacity of 15 Tons per day.

1997

Shinepukur Ceramics Ltd. was registered in Bangladesh.



2012

First-ever Shinepukur Signature Showroom opened in The Westin Dhaka hotel

Supplied to London Olympic Games 2012 as Official Souvenir Products

Provided official dinnerware to Indian Rashtrapathi Bhavan

Launched a new Porcelain body (whiter) – later termed as ‘Satin China’

2011

Received ‘National Export Trophy (SILVER)’ for FY 2009-2010 by the Govt. of Bangladesh as recognition for highest export.

Shinepukur was awarded ‘Dun & Bradstreet Corporate Award’ – first and only listed Ceramic Tableware Manufacturer of Bangladesh to receive such an honour

2010

Shinepukur expanded its Decal Plant to the printing capacity of 180,000 sheets per month.

Received “National Export Trophy (Gold)” for FY 2005-2006 by the Govt. of Bangladesh as recognition for highest export.

Shinepukur was upgraded to its ISO 2008 version and was certified as ISO 9001:2008.

2008

Received “National Export Trophy (Gold)” for FY 2002-2003 by the Govt. of Bangladesh as recognition for highest export.

Shinepukur was listed in the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) as a Public Limited Company.

2009

In a major expansion move, Shinepukur signed MOU with a renowned German company to expand its Bone China unit, at worth of Tk. 80 crore.

Shinepukur was awarded ‘Superbrands’ – first and only Ceramic Tableware Manufacturer of Bangladesh to receive such an honour



EXCELLENCE IN PRODUCTION

PORCELAIN PLANT

Establishment:

Commercial production started in April 1999.

Machineries:

Equipped with the most modern state-of-the-art and latest machineries from TAKASAGO, MINO, SKK of Japan and NETZSCH, SAMA, DORST, ELMECERAM of Germany & France.

Automatic Cup/ Bowl plate making line
High Pressure Casting (HPC), Iso-static Press, Ram Press, Hydraulic Sagger Press (automatic) Machine
Fully auto-ignition kilns

Current Capacity:

50,000 pieces per day (approx. 18 million pieces annually)

BONE CHINA PLANT

Establishment:

Established under the direct technology transfer from NIKKO (Japan) – the master Bone China producer of the world. Commercial production started in November 1999.

Machineries:

Auto-spray glazing, barrel polishing with auto-washing, Hot & cold conveyer belt at Decoration, Fully-muffle decoration firing Roller Hard kiln etc.

Current Capacity:

8,500 pieces per day (approx. 3 million pieces annually)

New BONE CHINA PLANT

Establishment:

The New Plant of Bone China (Unit – II) within the same premises is under-construction.

Expected Capacity of Unit-II:

12,500 pieces per day (approx. 4.5 million pieces annually)



DECAL PLANT

Establishment:

The DECAL Plant started its production in August 2001

Current Capacity:

180,000 sheets per month and colour separation ability: up to 22 colours

MOULD PLANT

Best-in-the-Region Modelers

Any new shape, either Bone China or Porcelain, can be developed within 4-6 weeks, as per Buyer's requirements

PACKAGING PLANT

Establishment:

The Packaging Plant started its production in 2003

Current Capacity:

At present, assorted about 300,000 pcs (10,000 pcs / day) White and/or Brown Cartons per month are produced

In addition, this plant is also capable of supplying 4-6 colored Printed Cartons.

In-house QUALITY CONTROL LABORATORY

Top-of-the-Line Testing and Quality Control in-house Laboratory, operated by highly qualified and skilled Technicians.

36 different types of Quality Tests (incl. Microwave & Dishwasher Safety, Acid & Detergent Resistance Test, Testing on heavy metal release, Whiteness Colour Measurement, Thermal Shock Test etc.) are being done here.



PRODUCTS :

CLASS & PERFECTION



Shinepukur produces two types of Products, one is Porcelain and another one is Bone China. Porcelain has four variations namely Plain Porcelain, Ivory China, High Alumina Porcelain and Satin China.

At present, Shinepukur offers 245 shapes out of which 85 shapes are in Bone China and 160 shapes are in Porcelain. Shinepukur has 1600 designs out of which 756 decorations are in Bone China and 844 decorations are in Porcelain, which have been developed in its own Design Studio and Decal Plant.

Bone China products: Shinepukur was the first Company in Bangladesh to introduce Bone China technology and products. Both home and abroad, the brand 'SHINEPUKUR' has become a synonym of premium quality ceramics thanks to its top-quality Bone China products. Shinepukur's Bone China contains more than 52% Bone Ash and as acclaimed as 'REAL BONE CHINA'. With the smoothest surface and most White Body, this Bone China is of enviable translucency and thinner but stronger body structure. It has a Crushing Strength of 1400 kg/cm² and it is 40% stronger than Porcelain.

Porcelain products: Shinepukur offers the following 4 types of Porcelain tableware products –

- Plain Porcelain,
- Ivory China (contains 28% Alumina which is 10% stronger than Porcelain) and
- High Alumina Porcelain (contains 38% Alumina which is 60% stronger than Porcelain)
- Satin China (whiter than conventional Porcelain, increased % of Alumina & Premium Clay)

Shinepukur's Porcelain has the finest features and bright white body, made from highest-quality raw materials. It is comparable in quality to the best Porcelain, manufactured by the world-renowned companies.

SATIN CHINA

Shinepukur's R&D is always striving towards innovation. It is quite equipped with introducing alternate recipe for the production of existing Porcelain & Bone China bodies. While doing these, Shinepukur has maintained its expertise by matching conventional body materials.

2012 was the most remarkable year for Shinepukur, as this year has been marked as the invention year of a new kind of Porcelain body – "Satin China". This , with extraordinary white appearance to fulfill the need of a specific customer community. In its 14 years of operation into manufacturing and business, Shinepukur could become able to introduce such product-body for the first time ever.



STRATEGIES OF INTERNATIONAL MARKETING ON A CHANGED GLOBAL SCENARIO



The global economic perspective started to change quite sharply during 2007 where the recession badly hit across the whole of Europe and USA. There it became quite difficult for many big global business giants to run their operation. Very soon many top strong brands started to lose business in all parts of their global operation and became inexistent within soon. The situation reached it's the worst-ever condition by mid 2009.

From inception, Shinepukur has been doing business with world's top Ceramic brands, mostly from Europe & USA and this wide-scale economic havoc also put an effect on the business return from these accounts. Fortunately very early the think-tank of Shinepukur began searching of alternate destinations, especially where recession has 'no' or 'less' impact. In this line, Shinepukur delivered its full throttle towards strengthening its business with Scandinavian brands where recession has not put its claws with full effect. Riding on this, SCL brought Fyrkloven (Sweden), Wik & Walsoe (Norway) and finally in 2012, Rosendahl (Denmark) & TilBords (Norway) have been added to its belt. Also SCL developed a substantial outfit in rising economies e.g. in Turkey for its Bone China products.

Furthermore, Shinepukur showed its resilience in developing markets that demanded 'difficult to manufacture' products. These products range from unique Casting shape to complicated Designs also. One of these designs consisted of 22 different colours in it

and could make the buyer trust on the ability of Shinepukur. In 2012, Shinepukur stirred the customer-fraternity by introducing its original research product – 'Satin China' – a different Porcelain body first-time into the market after 13 years' of SCL's operation. Shinepukur is also gradually making its production-line stronger by adding new machineries into its Production-line e.g. Iso-static Press (for voluminous production), Automatic Plate-making line, High Pressure Cast machines (for bigger sized hotel-items) etc.

With more technological advancements, new-product introductions, planned forays into new markets & geographies and a stronger correspondence to monitor progress of business, we are striving in our ride. We are also growing stronger each day with a consistent focus on innovation, quality & professionalism.

We are countering headwinds, seizing opportunities and implementing faster than ever before, inspired by the aspirations of a nation on the move. We are steady, sturdy and solid.



SHINEPUKUR WORLDWIDE: BLUE-CHIP CUSTOMERS



COMPLIANCE: “SMETA”

World is changing in every aspect. Competitions are getting fierce day by day. Complications rise to its maximum. Consumers' rights are reaching to a top-level than any-time before. Brand-owning top buyers are frequently held accountable before their market to confirm that their products' are outsourced from reliable & compliant suppliers. All these call for a strict & monitored application of Compliance to the manufacturing facility with a direct objective to maintain proper safety, adequate hygiene and up-to-date benefits to all the people involved in the manufacturing process.



Shinepukur has been a reliable name to its buyers for its sturdy & regular actions on Health, Safety & Environment.

Being a member of Sedex (UK), Shinepukur's manufacturing facility has been comprehensively audited (last on August, 2012) by nominated International Inspection Team and successfully passed with reg. to International & Local Laws. Now the facility is compliant of SMETA (Sedex Members' Ethical Trade Audit).

Also Shinepukur facility & management have been periodically reviewed on every six (6) months' basis by DNV (Det Norske Veritas, Netherlands) on account of ISO 9001:2008 certification and reported successfully passed on all last occasions.



DOMESTIC ENDEAVORS

Shinepukur Signature Showroom

A concept of displaying Ceramics Tableware; launched first time in Bangladesh. Shinepukur's masterpiece arts are displayed in a Signature Style – a style that has been hoisted very unique.

The showroom started its journey on 27th April, 2012 and it is located on the 1st floor of The Westin Dhaka hotel, near Gulshan Circle-2 of Dhaka. The showroom displays those unique creations of Shinepukur, which have been aesthetically different than other Shinepukur products being sold in the domestic market.

Because of its aristocratic & key location, top dignitaries like Diplomats, Foreigners, Business Visitors (who board at the very hotel/other places in Dhaka), Society's top residents etc. visit the showroom quite regularly. These visits automatically create spontaneous word-of-mouth communication about Shinepukur's products and help other such people to see/ buy/ learn about Bone China or Porcelain ranges of Shinepukur.

The showroom has a special place inside where many milestone achievements of Shinepukur, namely, its Souvenirs to world's renowned Presidents, to London Olympic Games 2012 are displayed. The visitors also get thorough demonstration about Shinepukur by watching SCL's Corporate Movie, its special achievements, its diversified product ranges etc. – displayed on the two large-screen TVs in the showroom.

The Showroom has become quite popular already through some of its special services, e.g. arrangements of courier delivery to any local or international destinations, customized name imprint on wares etc.



Franchised Showrooms

In-lined with its strategic step, Shinepukur Ceramics Ltd. achieved another new milestone during 2012-13, where SHINEPUKUR branded shops/showrooms (owned by registered dealers) have been opened across all top divisional districts in Bangladesh. These shops will be exclusive for Shinepukur products. Shinepukur Ceramics has a plan to go in mass-scale of these franchised showrooms to be opened gradually in all strategic business locations in Bangladesh.



IMPORTANT VISIT



THE HON'BLE KING AND THE QUEEN OF BHUTAN VISITED
SHINEPUKUR FACILITY

NOTICE OF THE SIXTEENTH ANNUAL GENERAL MEETING

SHINEPUKUR CERAMICS LIMITED

17, DHANMONDI R.A, ROAD NO. 2,
DHAKA-1205

NOTICE OF THE SIXTEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the SIXTEENTH ANNUAL GENERAL MEETING of the Shareholders of Shinepukur Ceramics Limited will be held on Saturday, the 29th June, 2013 at 12.00 noon at Beximco Industrial Park, Sarabo, Kashimpur, Gazipur to transact the following business:

AGENDA

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31st December, 2012 together with reports of the Auditors and the Directors thereon.
2. To elect Director.
3. To approve the appointment of Independent Director.
4. To declare 15% Stock Dividend.
5. To appoint Auditors for the year 2013 and to fix their remuneration.

By order of the Board,



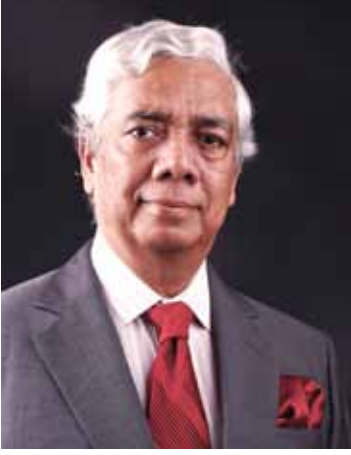
(MOHAMMAD ASAD ULLAH, FCS)
Executive Director & Company Secretary

Dated : 15 May, 2013

NOTES:

- (1) The Shareholders whose names will appear in the Share Register of the Company or in the Depository Register on the record date i.e. 20 May, 2013, will be entitled to attend at the Annual General Meeting and to receive the dividend.
- (2) A member entitled to attend and vote at the General Meeting may appoint a Proxy to attend and vote in his/her stead. The Proxy Form, duly stamped, must be deposited at the Registered Office of the Company not later than 48 hours before the time fixed for the meeting.
- (3) Admission to the meeting room will be strictly on production of the attendance slip sent with the Notice as well as verification of signature of Member(s) and/or Proxy-holder(s).
- (4) No gift or benefit in cash or kind shall be paid to the holders of equity securities in terms of Clause (c) of the Notification No.SEC/SRMI/2000-953/1950 dated 24 October 2000 for attending the AGM of the Company.

চেয়ারম্যানের প্রতিবেদন



প্রিয় শেয়ারহোল্ডারবৃন্দ,

আমি কোম্পানীর ষষ্ঠদশ বার্ষিক সাধারণ সভায় পরিচালক পর্যদের পক্ষ থেকে আপনাদের সকলকে স্বাগত জানাচ্ছি। আমি কোম্পানীর ২০১২ সালের সার্বিক কার্যক্রমের বিবরণ এবং ভবিষ্যৎ পরিকল্পনা আপনাদের সামনে উপস্থাপন করছি।

কার্যক্রম

এ বছর কোম্পানীর নীট বিক্রয়ের পরিমাণ দাড়িয়েছে ১,৯৪২.৩৫ মিলিয়ন টাকা যা ২০১১ সালে ছিল ১৯০১.১৩ মিলিয়ন টাকা। এ বছর বিক্রয় প্রবৃদ্ধির হার ছিল ২.১৭%।

আপনাদের কোম্পানী এ বছর কর পূর্ব মূনাফা করেছে ১৭৫.১৩ মিলিয়ন টাকা যা ২০১১ সালে ছিল ২১৪.৯৭ মিলিয়ন টাকা। আপনারা জানেন যে আমাদের অধিকাংশ কাঁচামাল ইউরোপীয় দেশসমূহ থেকে আমদানি করা হয় এবং ইউরোর বিপরীতে টাকার অবমূল্যায়নের দরুন কাঁচামালের দাম বেড়ে গিয়েছিল। সেজন্যে গত বছরের তুলনায় আমাদের কর পূর্ব মূনাফা হ্রাস পেয়েছে।

সম্প্রসারণ কর্মসূচী

দৈনিক ৪.৫ মে.টন উৎপাদন ক্ষমতাসম্পন্ন বোন চায়না সম্প্রসারণ প্রকল্প ২০১৩ সালের মধ্যে পরীক্ষামূলক উৎপাদন শুরু করতে পারবে বলে আশা করছি। ইহার ফলে বোন চায়না উৎপাদন ক্ষমতা বর্তমান উৎপাদন ক্ষমতার ১৫০% বৃদ্ধি পাবে। আমরা বর্ধিত উৎপাদন ও সরবরাহের ব্যাপারে ইতিমধ্যে আন্তর্জাতিক ক্রেতাদের পক্ষ থেকে অনুকূল সাড়া পেয়েছি। তবে আমাদের নীতি অনুযায়ী যেকোন চূড়ান্ত চুক্তি স্বাক্ষরের পূর্বে সবকিছু যাচাই বাছাইয়ের অপেক্ষায় আছে। সম্প্রসারণ প্রকল্প বাস্তবায়িত হলে রপ্তানী বিক্রি আনুমানিক ১,৩০০.০০ মিলিয়ন টাকা বৃদ্ধি পাবে বলে প্রত্যাশা করছি।

সামাজিক প্রতিশ্রুতি

শাইনপুকুর সিরামিকস্ -এ আমাদের কর্মকাণ্ড সমাজের প্রতি দায়িত্ববোধ এর দৃষ্টিকোণ থেকে আমরা পরিচালনা করছি বলে বিশ্বাস করি।

সেজন্য আমাদের সকল কার্যক্রম প্রধানতঃ সমাজের মঙ্গলের দিকে লক্ষ্য রেখেই সম্পাদিত হয়ে থাকে। সামাজিক অঙ্গিকারের অংশ হিসাবে কোম্পানী সামাজিক গুরুত্ব সম্পন্ন অনুষ্ঠানাদি উপলক্ষে ক্রোড়পত্র প্রকাশনায় সহযোগিতা করে থাকে। বিভিন্ন প্রতিষ্ঠান ও পেশাদারিত্ব প্রতিষ্ঠানের আর্থ-সামাজিক ও সাংস্কৃতিক উন্নয়ন কার্যক্রমে আমরা একান্ত সহযোগিতা ও সমর্থন যুগিয়ে থাকি।

কৃতজ্ঞতা স্বীকার

আমি আমাদের সম্মানিত ক্রেতা, বিক্রেতা, ব্যাংকার, সরকারী সংস্থাসমূহ, বিধিবদ্ধ প্রতিষ্ঠান এবং আমাদের ব্যবসা পরিচালনার সাথে যারা জড়িত তাদের সকলকে আন্তরিক ধন্যবাদ জ্ঞাপন করছি। আমি কোম্পানীর শেয়ারহোল্ডারদের প্রতি কৃতজ্ঞ, যাদের সার্বক্ষণিক মূল্যবান সহযোগিতা এবং সমর্থন কোম্পানীকে আজকের এই অবস্থানে এনেছে। আমরা যে সাফল্য অর্জন করেছি তা সকলের সম্মিলিত প্রচেষ্টারই ফল।

আমি আবারো আমাদের সকল শ্রমিকজাতিকে আন্তরিক ধন্যবাদ জানাই এবং ভবিষ্যতে তাদের অব্যাহত সমর্থন ও সহযোগিতা কামনা করি।

X. S. P. Lakshmi.

এ এস এফ রহমান
চেয়ারম্যান

তারিখ : ৩০ এপ্রিল, ২০১৩

CHAIRMAN'S STATEMENTS

Dear Shareholders,

I take this opportunity to welcome you on behalf of the Board of Directors to this 16th Annual General Meeting of your Company, and to lay before you a brief resume of the affairs of the company for the year 2012 and its future plan.

During the year the company attained net sales of Tk. 1,942.35 million as against Tk. 1,901.13 million of 2011. During the year the sales have a positive growth of 2.17% .

Your company earned a pre-tax profit of Tk.175.13 million as against Tk. 214.97 million of 2011. As you are aware, most of our raw materials are imported from European countries and due to devaluation of Taka against euro these materials have become very costly. For this reason pre-tax profit reduced compared to last year.

EXPANSION PROGRAM

The expansion unit having a capacity of 4.5 Metric Tons per day is expected to be ready for trial production by end 2013. This will increase the Bone China production capacity by 150%. We are already getting very positive feed back from our international buyers for increased supply commitments. However, our policy is to wait and see before signing any final contract. The expansion can provide additional sales of taka 1,300.00 millions approximately.

SOCIAL COMMITMENT

In Shinepukur Ceramics, we believe in our responsibilities towards the society we operate in. All our activities are therefore directed to the well being of the society in general. As part of the social commitment, the company sponsors news supplements on important social occasions. We also provided active co-operation and support to different organizations and professional institutions in their socio-cultural development programs.

ACKNOWLEDGEMENT

I take this opportunity to express my sincere thanks to our customers, bankers, suppliers, government agencies, regulatory bodies and everyone with whom the company interacted in conducting its business. We are grateful to you, the shareholders, for extending at all times, your invaluable support and cooperation to bring the company to the level it has reached today. The success we have achieved so far was only possible because of the collective efforts of all concerned.

Once again, I convey my heartiest thanks to all our stakeholders and look forward to their continued support and cooperation in future.



A S F Rahman
Chairman

Dated: 30 April, 2013



CORPORATE GOVERNANCE

The maintenance of effective Corporate Governance remains a key priority to the Board of Shinepukur Ceramics Ltd. Recognizing the importance of it, the board and other senior management remained committed to high standards of Corporate Governance. To exercise about clarity of director's responsibilities towards the shareholders, Corporate Governance must be dynamic and focus to the business objectives of the Company and create a culture of openness and accountability. Keeping this in mind, clear structure and accountabilities supported by well understood policies and procedures to guide the activities of Company's management, both in its day-to-day business and in the areas associated with internal control have been instituted.

INTERNAL FINANCIAL CONTROL

The Directors are responsible for the Company's system of internal financial control. Although no system of internal control can provide absolute assurance against material misstatement and loss, the Company's system is designed to provide the directors with reasonable assurance that problems are timely identified and dealt with appropriately. Key procedures to provide effective internal financial control can be described in following heads:

Management Structure - The Company is operating through a well defined management structure headed by a Managing Director (MD) under whom there are Chief Operating Officer (COO) and General Managers (GMs) for various departments and according to hierarchy, various senior & mid level management staffs. The Managing Director and the COO, GMs meet at regular interval represented also by Administration, Finance, Marketing & Production heads.

Financial Reporting - There are comprehensive management reporting disciplines which involve the preparation of annual budgets by all operating departments. Executive management reviews the budgets and actual results are reported against the budget and revised forecasts are prepared at regular intervals.

Asset Management - The Company has sound asset management policy, which reasonably assures the safeguarding of assets against unauthorized use or disposition. The Company also follows proper records and policy regarding capital expenditure.

Functional Reporting - In pursuance with keeping the reliability of financial information used within the business or for publication, the management has identified some key areas which are subject to monthly reporting to the chairman of the board. These include monthly treasury operations, Financial Statements. Other areas are also given emphasis by reviewing on quarterly basis. These include information strategy, environmental and insurance matters.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES FOR PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

The following statement is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors in relation to the financial statements.

The Companies Act 1994 requires the directors to prepare financial

statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit for the year to that date. In preparing those financial statements the directors are required:

- to select suitable accounting policies and the apply them in a consistent manner;
- to make reasonable and prudent judgements and estimates where necessary;
- to state whether all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the notes to the financial statements;
- to take such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- to ensure that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with disclosure requirements to the Companies Act 1994 and the Securities and Exchange Rules 1987; and
- to prepare the financial statements on a going concern basis unless it is inappropriate to presume the Company will continue in business.

BOARD COMMITTEES

The Board - The board is responsible to the shareholders for the strategic development of the Company, the management of the Company's assets in a way that maximizes performance and the control of the operation of the business.

The board of directors is responsible for approving Company policy and responsible to the shareholders for the Company's financial and operational performance. Responsibility for the development and implementation of Company policy and strategy, day-to-day operational issues is delegated by the board to the management of the Company.

Board Structure and Procedure - The membership of the board during the year ended 31 December 2012 stood at six directors. All directors are equally accountable at law to the shareholders for the proper conduct of the business.

The Company's Board currently comprises the Chairman, Vice-Chairman, three Directors and Managing Director. The name of the Directors appears on page 4.



Appraisal Review Board – Appraisal review board annually appraises the performances of every level of employees as per established policy. It determines the annual increment, promotion and parameter of remuneration for all level of executives.

GOING CONCERN

After making enquiries, the directors, at the time of approving the financial statements, have determined that there is reasonable expectation that the Company have adequate resources to continue operation for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

RIGHTS AND RELATIONS WITH SHAREHOLDERS

Control Rights of Shareholders – At annual general meeting, shareholders have rights of participation and supervision. They have the right to ask questions of and request of information from the board regarding item on the agenda to the extent necessary to make an informed judgment of the Company's affairs.

Relations with Shareholders – The annual general meeting are used as an important opportunity for communication with both institutional and general shareholders. In addition, the Company maintains relations with shareholders through the corporate affairs secretarial department.

The following information can be addressed through the secretarial department:

- Dividend payment enquires
- Dividend mandate instruction
- Loss of share certificate/dividend warrants
- Notification of change of address

Transfer of shares

The board believes that it is important to respond adequately to all the queries of both institutional and general shareholders. At the AGM the shareholders are offered an opportunity to raise with the board any specific question they have concerning the Company. In addition, meetings are also held between individual directors and institutional shareholders at various times during the year.

DIRECTORS' REPORT TO THE SHAREHOLDERS

FOR THE YEAR ENDED 31ST DECEMBER 2012

Dear Shareholders,

The Directors have pleasure in submitting hereunder their report together with the Audited Accounts for the year ended on 31st December, 2012 and Auditors' Report thereon:

WORKING RESULTS

The Directors are pleased to report that the working results of the Company for the year 2012 are as follows:

	Taka in million	
	For the year 2012	For the year 2011
Net profit before tax	175.13	214.97
Less: Provision for income tax	84.85	46.20
Net profit after tax	90.28	168.77
Add: Balance brought forward from previous year	268.48	266.40
Profit available for appropriation	358.76	435.17
APPROPRIATION RECOMMENDED		
Stock Dividend (Bonus Share) at 15%	191.69	166.69
Balance carried forward	167.07	268.48
	358.76	435.17

DIVIDEND

The Directors have recommended a stock dividend (Bonus share) @ 15% per share of Tk. 10 each, subject to approval of the Shareholders in the AGM.

ANALYSIS OF OPERATING PERFORMANCE

Business Outlook – a general overview

Though the Bangladeshi Ceramic Tableware manufacturing industry dates back to 1960's, but started to flourish from late 1990's, where all the manufacturing set-ups were mainly set up towards export oriented business. Traditionally, the tableware industry is labour-intensive and companies in developed countries experienced difficulties to remain competitive and began to search for alternative manufacturing destinations. Bangladesh, being a gas-rich and low labour-cost economy, has become perfectly positioned to be a strategic partner in production and supply of ceramic products to top-brands of Europe, USA, Japan etc.

Majority of export market for Bangladesh Ceramic Tableware have been Europe and the USA, where widespread economic

recession forced all Ceramics export businesses to slow down, or this trend is continuing from 2010 to this year. Bangladesh for the first-time experienced a tougher reality in 2011-12 with a negative growth of 11% on export business and ended up with Tk. 2.6 billion export in this fiscal year (source: BOI). Despite a slower growth in the export market, Shinepukur Ceramics Ltd. managed to achieve desired growth and successfully improve its market share.

However in Bangladesh, the political crisis that started during 2012 centring the upcoming election poses some degree of uncertainty in the overall economic environment of the country and is seen as an impediment to the growth of business. Continuous nation-wide strikes following confrontation between agitated political groups & law-enforcers etc. are directly impacting negatively towards on-time availability of imported raw-materials, manufacturing productivity, timely delivery to export destinations, cash-flow etc. The first quarter of 2013 has already been affected for such instability in the political environment and continues to remain as a risk factor.

Export and Domestic Sales

There were various global reasons that could negatively put the performance down, still our Export Sales in 2012 has grown by 5% to reach to Tk. 1,687 million as against Tk. 1,604 million of 2011. Export sales still continue to remain as the key driver with 88% of the total revenue in 2012. This continuity has been maintained mainly through strengthening trusts with existing customers & manufacturing of more of their newer product ranges, quickly seizing opportunity with strong new brands through professional liaison & fast product development, and strategically focusing into markets that are less impacted by recession. Moreover, a thorough improvement of the product quality initiating cross-quality check on every production stages and innovating the products & packaging in-line with up-to-date international standards etc. also contributed towards export performance. The most challenging part to achieve reliability from among the buyers' fraternity has been to establish Shinepukur Ceramics Ltd. as the most compliant facility, into fast changing global mindset reality to this particular matter. Shinepukur has been proven quite successful in this field after series of Social Accountability audits from Sedex and buyers. These relentless & on-going endeavours will significantly & positively contribute in the upcoming confirmed export businesses.

Our Domestic Sales have been passing through hard times due to political dilemma and various country-specific socio-economic issues. The difficult political situation i.e. continued strikes compelled the dealer-shops to remain closed at a

stretch, sometimes no sales as no customer was available, no physical distribution of products to desired sales locations etc. Yet we could maintain domestic gross sales figure of Tk. 298 million in 2012 as against Tk. 344 million in 2011. However, some positive news came recently through the introduction of a completely new product 'Satin China' into the domestic market in the 1Q of 2013, from where a sales lift-up is anticipated.

Significant Accreditations

To maintain consistency in the sales performance by ensuring all the required tough compliance in-place, is truly difficult proposition especially being an original equipment manufacturing (OEM) of world's top brands. Shinepukur has been quite successful in excelling in its performance in every endeavours, crossing one benchmark to the other. Shinepukur efficiently passed the 3rd phase of SMETA (Sedex Members' Ethical Trade Audit) in August 2012. completed twice the thorough review of 6 months' periodic ISO audits from DNV (Det Norske Veritas) in 2012 and became the Most Respected Company of the Year 2012 by the renowned magazine 'Arthakantha' (award given in May 2013).

Profitability

Pre-tax profit of the Company decreased due to increase of financial cost.

DIRECTORS

Appointment of Independent Director

As per provision of Corporate Governance Guidelines dated 07-08-2012 issued by Bangladesh Securities Exchange Commission (BSEC), Mr.MasudEkramullah Khan has been appointed as Independent Director of the Company for a period of 3 (Three) years w.e.f 20th December, 2012 to 19th December, 2015, subject to the approval of Shareholders in the 16th Annual General Meeting of the Company.

Mr. Khan is an International Corporate Attorney, with a Juris Doctor from Marquette University Law School and a Bachelor of Science in Economics from the University of Wisconsin-Oshkosh. He was a partner in a 200 plus attorney US law firm. Currently, he is a senior partner of "The Legal Circle", a dynamic set of Chambers in Bangladesh focused on corporate law and company matters.

Retirement and Re-election

Mr. A S F Rahman, Director, retires by rotation as per Articles 127 & 128 of the Articles of Association of the Company and being eligible offers himself for re-election.

BOARD AUDIT COMMITTEE

The Company had an Audit Committee, which subsequently reconstituted on 20-12-2012 in terms of the provisions of Corporate Governance Guidelines dated 07-08-2012 issued

by BSEC which is as follows:

Mr.MasudEkramullah Khan	Chairman
Mr.Iqbal Ahmed	Member
Mr. O K Chowdhury, FCA	Member
Mr. Mohammad AsadUllah, FCS	Secretary

The detail of the activities of the audit committee has been provided in "Audit Committee Report".

AUDITORS

The Directors hereby report that the existing Auditors M/s. M. J. Abedin& Co. , Chartered Accountants, National Plaza (3rd floor), 109, BirUttam C R Datta Road, Dhaka-1205 who appointed as Auditors of the Company in Fifteenth Annual General Meeting carried out the audit for the year ended on 31 December, 2012.

M/s. M. J. Abedin& Co. , Chartered Accountants, National Plaza (3rd floor), BirUttam C R Datta Road, Dhaka-1205 the Auditors of the Company retire at this meeting and have expressed their willingness to continue in the office for the year 2013.

BOARD MEETING AND ATTENDANCE

During the year 10 (ten) Board Meetings were held. The attendance record of the Directors is as follows:

Name of Directors	Meetings attended
Mr. A S F Rahman	10
Mr. Salman F Rahman	10
Mr.Nazmul Hassan	10
Mr.Iqbal Ahmed	5
Mr. O K Chowdhury	5

CORPORATE AND FINANCIAL REPORTING

The Directors are pleased to confirm that:

- The financial statements together with the notes thereon have drawn up conformity with the Companies Act 1994 and Securities and Exchanges Rules 1987. These statements presents fairly the Company's statement of affairs, the result of its operation, cash flow and statement of changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate Accounting Policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and judgement.
- The International Accounting Standards, as applicable in

DIRECTORS' REPORT TO THE SHAREHOLDERS

For the year ended 31st December 2012

Bangladesh, have been followed in preparation of the financial statements.

- (e) Internal Control System is sound in design and has been effectively implemented and monitored.
- (f) There is no significant doubts about the ability of the Company to continue as a going concern.
- (g) There is no significant deviations in operating result compared to last year.
- (h) The summarised key operating and financial data of last five preceding years is annexed as "Comparative Statistics" in the Annual Report.
- (i) The related party transaction have been disclosed in preparation of the financial statement (Note 31)
- (j) The Pattern of shareholding is as followings:

	Name	Shares held
(i)	Parent/Subsidiary/Associated Companies and other related Parties:	
	Bangladesh Export Import Co. Ltd.	
	As on 31-12-2012	63,898,269
(ii)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouse and Minor children:	
	Mr. A S F Rahman, Chairman	2
	Mr. Salman F Rahman, Vice Chairman	1
	Mr. Nazmul Hassan, Managing Director	1
	Mr. O K Chowdhury, Shareholder	1
	Chief Executive Officer, Spouse and minor children	Nil
	Company Secretary, Spouse and minor children	Nil
	Chief Financial Officer, Spouse and minor children	Nil
	Head of Internal Audit, Spouse and minor children	Nil
(iii)	Executives	Nil
(iv)	Shareholders holding 10% or more Voting interest in the company:	
	Bangladesh Export Import Co. Ltd (Mentioned in SL. No. (i) above.)	63,898,269

KEY OPERATING AND FINANCIAL DATA

Taka In '000

Particulars	2012	2011	2010	2009	2008
Paid Up Capital	1,277,966	1,111,275	966,326	840,283	700,236
Revenue	1,942,351	1,901,129	1,926,746	1,695,711	1,529,918
Gross Profit	674,038	653,104	659,097	559,200	499,393
Profit Before Income Tax	175,134	214,966	305,074	249,187	210,397
Net Profit after Income Tax	90,285	168,768	253,247	172,372	179,916
Tangible Assets (Gross)	5,920,505	5,905,581	4,190,249	4,086,437	2,926,100
Cumulative Surplus	358,761	435,167	411,348	284,143	321,842
Dividend-Both Cash and Stock	15% (B)	15% (B)	15% (B)	15% (B)	10% (C) & 20% (B)
Return on Paid up Capital	7%	15%	26%	21%	26%
Shareholders Equity	4,544,462	4,499,760	2,731,959	2,478,711	2,376,363
Earning per Share (Taka)	0.71	1.52	2.62	2.05	2.57
Shareholders Equity Per Share (Taka)	36	40	28	29	34
Number of Shareholders	27,040	28,730	24,172	27,803	2,204

CORPORATES GOVERNANCE COMPLIANCE STATUS REPORT

In accordance with the requirement of the Securities and Exchange Commission, "Corporate Governance Compliance Status Report" is annexed.

ACKNOWLEDGEMENT

The Board of Directors have taken this opportunity to express our sincere thanks to our customers, bankers, suppliers, government agencies, regulatory bodies and everyone with whom the company interacted in conducting its business. We are grateful to you, the shareholders, for extending at all times, your invaluable support and cooperation to bring the company to the level it has reached today.

On behalf of the Board of Directors.



A S F Rahman
Chairman
Dated : 30 April, 2013

REPORT ON THE ACTIVITIES OF THE **AUDIT COMMITTEE** TO THE SHAREHOLDERS

I am pleased to present the Report of the Audit Committee for the year 2012.

The Board of Directors of Shinepukur Ceramics Limited has re-constituted an Audit Committee on 20th December 2012 in terms of the conditions of Bangladesh Securities and Exchange Commission's (BSEC) Guidelines which is appended with the Compliance Report and also enclosed with the Directors' Report. The Committee comprise of Mr. Masud Ekramullah Khan, Mr. O. K. Chowdhury, FCA and Mr. Iqbal Ahmed, of whom Mr. Masud Ekramullah Khan is an Independent Director and also the Chairman of the Committee. Mr. Mohammad Asad Ullah, FCS, Company Secretary, function as the Secretary of the Committee. The Audit Committee is appointed by the main Board and all the Members are Non-Executive Directors. All Members of the Audit Committee are financially literate and are able to analyse and interpret financial statement to effectively discharge their duties and responsibilities as Members of the Audit Committee.

THE ROLE OF AUDIT COMMITTEE:

The role of the Audit Committee is to monitor the integrity of the financial statements of the Company and review and, when appropriate, make recommendations to the main Board on business risk, internal controls and compliance. The committee satisfies itself, by means of suitable steps and appropriate information, that proper and satisfactory internal control system are in place to identify and contain business risk and that the Company's business is conducted in a proper and economically sound manner.

THE ROLE OF THE AUDIT COMMITTEE INCLUDES THE FOLLOWING:

- Oversee the financial reporting process.
- Monitor choice of accounting policies and principles.
- Monitor Internal Control and Risk Management process.
- Oversee hiring and performance of external Auditors.
- Review along with the management, the annual financial statements before submission to the Board for approval.
- Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval.
- Review the adequacy of internal audit function.
- Review statement of significant related party transactions submitted by the management.
- Review Management Letters/Letter of Internal Control weakness issued by statutory auditors.
- To review whether all the applicable Rules, Regulations, Guidelines, Notifications, Directives, etc framed/issued by the regulatory authorities have been complied with.
- Other matters as per Terms Of Reference (TOR) of the Audit Committee.

AUTHORITY:

The Audit Committee is authorized by the Board to review any activity within the business as per its Terms Of Reference (TOR). It is authorized to seek any information it requires from, and requires the attendance at any of its meeting of any Director or Member of Management, and all employees are expected to co-operate with any request made by the Committee.

The Committee is also authorized to have information and advice from the Company Legal Advisor, Tax Consultant and Statutory Auditor if required. The TOR of the Audit Committee may be amended from time to time as required for the business in line with BSEC Notifications subject to approval by the Board.

MAIN ACTIVITIES IN THE YEAR 2012 :

The Audit Committee met four times during the year 2012. All the Members were present in all meetings of the Committee.

The Committee held its first meeting of 2012 on April 22, to review the Audited Financial Statements of the Company for the year ended December 31, 2011. Detail discussions on the financial statements were held with the representatives of the Management of the Company. No material audit observation that warrants for Board's attention was noted. The Committee, therefore, recommended for onward submission of the Audited Financial Statements to the Board for its approval.

The second meeting of the Committee was held on May 10, 2012 prior to release of the un-audited First Quarter Financial Statements of the Company for the quarter ended on March 31, 2012. The Committee reviewed the financial progress during the first quarter and examined in detail and recommended the same for approval by the Board to release to the Shareholders of the Company.

The third meeting of 2012 was held on July 24, 2012 to review the un-audited half-yearly financial Statements of the Company. The Committee being satisfied recommended for issue of the financial statements for the half-year ended on June 30, 2012.

The fourth meeting of the Committee was held on October 23, 2012 to release of the un-audited third quarter financial statements of the Company for the quarter ended on September 30, 2012. The detailed review of the financial statements was made by the Committee and recommended to the Board for approval of the financial statements for release to the Shareholders of the Company.

At the meeting the Committee also held discussions on the notification issued by BSEC relating to the mandatory compliance of the Corporate Governance Guidelines issued on August 7, 2012. The Committee made relevant recommendations to the Board based on the said Notification for necessary actions at their end.

The re-constituted Audit Committee held its first meeting on December 20, 2012. The Committee adopted its Terms Of Reference (TOR) in line with the new BSEC Notification on Corporate Governance Guidelines issued on August 7, 2012.

The Managing Director, Chief Executive Officer of concerned Divisions, Chief Financial Officer, Internal Auditors of the Company and representatives of the External Auditors had attended all the meetings upon invitation by the Audit Committee. From time to time, other senior Members of Management have also been invited by the Audit Committee to attend Audit Committee meetings. The Audit Committee met with the External Auditors and separately, with the internal Auditors on an annual basis.

The Committee considered and made recommendation to the Board on the appointment and remuneration of external Auditors, M/s. M J Abedin & Company, Chartered Accountants for the year 2013 who carried out the audit of the Company for the year 2012.



(MASUD EKRAMULLAH KHAN)

CHAIRMAN

AUDIT COMMITTEE

Dated : 20 April, 2013

STATUS OF COMPLIANCE REPORT

Annexure-I

Status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August, 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

(Report under Condition No. 7.00)

Condition No.	Title	Compliance Status ("√" in appropriate column)		Remarks (If any)
		Complied	Not Complied	
1	BOARD OF DIRECTORS:			
1.1	Board's Size [number of Board members to be 5 – 20]	√		
1.2	Independent Directors			
1.2 (i)	Number of Independent Directors [at least 1/5]	√		
1.2 (ii)	Independent Director (ID) means a director:			
1.2 (ii) (a)	Holding no share or holding less than 1% shares	√		
1.2 (ii) (b)	Not being a sponsor and connected with any sponsor or director or shareholder holding 1% or more shares	√		
1.2 (ii) (c)	Not having any pecuniary or otherwise relationship with the company or its subsidiary/associated companies	√		
1.2 (ii) (d)	Not being member/director/officer of any stock exchange	√		
1.2 (ii) (e)	Not being shareholder/director/officer of any member of stock exchange or intermediary of capital market	√		
1.2 (ii) (f)	Not being partner/executive at present or during the preceding 3 years of the company's statutory audit firm	√		
1.2 (ii) (g)	Not being an ID in more than 3 listed companies	√		
1.2 (ii) (h)	Not convicted as defaulter in any loan of a bank or NBF	√		
1.2 (ii) (i)	Not convicted for a criminal offence	√		
1.2 (iii)	To be appointed by BOD and approved in the AGM	√		
1.2 (iv)	The post cannot remain vacant for more than 90 days	--	--	N/A
1.2 (v)	Laying down of code of conduct of Board members and recording of annual compliance of the code	√		
1.2 (vi)	Tenure of ID : 3 years, may be extended for one term	√		
1.3	Qualification of Independent Director			
1.3 (i)	Being knowledgeable, having integrity, ability to ensure compliance with laws and make meaningful contribution	√		
1.3 (ii)	Being a Business Leader/ Corporate Leader/ Bureaucrat/ University Teacher(Economics/Business/Law)/CA/CMA/CS having 12 years of management/professional experience	√		
1.3 (iii)	Prior approval of the Commission in special cases	--	--	N/A
1.4	Appointment of Chairman and CEO, defining their roles	√		
1.5	The Director's Report to Shareholders shall include			
1.5 (i)	Industry outlook and possible future developments	√		
1.5 (ii)	Segment-wise or product-wise performance	√		

Condition No.	Title	Compliance Status ("√" in appropriate column)		Remarks (If any)
		Complied	Not Complied	
1.5 (iii)	Risks and concerns	√		
1.5 (iv)	Discussion on COGS, Gross Profit and Net Profit Margins	√		
1.5 (v)	Discussion on continuity of Extra-Ordinary gain or loss	-		N/A
1.5 (vi)	Basis for and a statement of related party transactions	√		
1.5 (vii)	Utilization of proceeds from issuing instruments	--	--	N/A
1.5 (viii)	Explanation, if the financial results deteriorate after going for IPO, RPO, Right Offer, Direct Listing, etc	--	--	N/A
1.5 (ix)	Explanation about significant variance between Quarterly Financial performance and Annual Financial Statements	--	--	N/A
1.5 (x)	Remuneration to directors including IDs	√		No remuneration has been paid to any Director during 2012
1.5 (xi)	Fair presentation in financial statements	√		
1.5 (xii)	Maintaining proper books of accounts	√		
1.5 (xiii)	Consistent application of appropriate accounting policies, and accounting estimates being reasonable and prudent	√		
1.5 (xiv)	Following applicable IAS/BAS/IFRS/BFRS, and adequate disclosure for any departure there-from, if any	√		
1.5 (xv)	Soundness and monitoring of internal control system	√		
1.5 (xvi)	Statement regarding ability to continue as going concern	√		
1.5 (xvii)	Significant deviations from last year's operating results	--	--	N/A
1.5 (xviii)	Summary of key operating/financial data of last 5 years	√		
1.5 (xix)	Reason for non declaration of Dividend	--	--	N/A
1.5 (xx)	Number of Board meetings and attendance of directors	√		
1.5 (xxi)	Pattern of shareholding (along with name wise details) by-			
1.5 (xxi) (a)	Parent/Subsidiary/Associate Companies & related parties	√		
1.5 (xxi) (b)	Directors, CEO, CS, CFO, HOIA, their spouses & children	√		
1.5 (xxi) (c)	Executives (Top 5 salaried employees other than above)	√		
1.5 (xxi) (d)	Shareholders holding 10% or more voting interest	√		
1.5 (xxii)	In case of the appointment/re-appointment of a director,			
1.5 (xxii) (a)	A brief resume of the director	√		
1.5 (xxii) (b)	Nature of his/her expertise in specific functional areas	√		
1.5 (xxii) (c)	Names of companies in which he/she holds directorship and the membership of committees of the board	√		
2	CFO, HEAD OF INTERNAL AUDIT AND CS:			
2.1	Appointment of a CFO, a Head of Internal Audit and a CS and defining their roles, responsibilities & duties	√		

STATUS OF COMPLIANCE REPORT

Condition No.	Title	Compliance Status ("√" in appropriate column)		Remarks (If any)
		Complied	Not Complied	
2.2	Attendance of CFO and CS in the meetings of the Board	√		
3	AUDIT COMMITTEE:			
3 (i)	Having Audit Committee as a sub-committee of the BOD	√		
3 (ii)	Audit Committee to assist the BOD in ensuring fairness of financial statements and a good monitoring system	√		
3 (iii)	Audit Committee being responsible to the BOD; duties of Audit Committee to be clearly set forth in writing	√		
3.1	Constitution of the Audit Committee			
3.1 (i)	Audit Committee to be composed of at least 3 members	√		
3.1 (ii)	Audit Committee members to be appointed by BOD and at least one Independent Director to be included	√		
3.1 (iii)	Audit Committee members to be "financially literate" and at least one to have accounting/financial experience	√		
3.1 (iv)	Vacancy in Audit Committee making the number lower than 3 to be filled up immediately and within 1 month	√		
3.1 (v)	The CS to act as the secretary of the Audit Committee	√		
3.1 (vi)	No quorum in Audit Committee meeting without one ID	√		
3.2	Chairman of the Audit Committee			
3.2 (i)	Chairman to be an ID, selected by the BOD	√		
3.2 (ii)	Chairman of audit committee to remain present in AGM	√		
3.3	Role of Audit Committee			
3.3 (i)	Oversee the financial reporting process	√		
3.3 (ii)	Monitor choice of accounting policies and principles	√		
3.3 (iii)	Monitor Internal Control Risk management process	√		
3.3 (iv)	Oversee hiring and performance of external auditors	√		
3.3 (v)	Review the annual financial statements	√		
3.3 (vi)	Review the quarterly and half yearly financial statements	√		
3.3 (vii)	Review the adequacy of internal audit function	√		
3.3 (viii)	Review statement of significant related party transactions	√		
3.3 (ix)	Review Letters issued by statutory auditors	√		
3.3 (x)	Review disclosures/statements/declarations about uses of funds raised through IPO/RPO/Rights Issue	√		
3.4	Reporting of the Audit Committee			
3.4.1	Reporting to the Board of Directors			
3.4.1 (i)	Reporting on the activities of Audit Committee	√		
3.4.1 (ii) (a)	Reporting on conflicts of interests	--	--	N/A
3.4.1 (ii) (b)	Reporting on suspected/presumed fraud or irregularity or material defect in the internal control system	--	--	N/A

Condition No.	Title	Compliance Status ("√" in appropriate column)		Remarks (If any)
		Complied	Not Complied	
3.4.1 (ii) (c)	Reporting on suspected infringement of laws	--	--	N/A
3.4.1 (ii) (d)	Reporting on any other matter to disclose immediately	--	--	N/A
3.4.2	Reporting to BSEC	--	--	N/A
3.5	Reporting to the Shareholders and General Investors	√		
4	EXTERNAL / STATUTORY AUDITORS			
4.00 (i)	Non-engagement in appraisal/valuation/fairness opinions	√		
4.00 (ii)	Non-engagement in designing & implementation of FIS	√		
4.00 (iii)	Non-engagement in Book Keeping or accounting	√		
4.00 (iv)	Non-engagement in Broker-Dealer services	√		
4.00 (v)	Non-engagement in Actuarial services	√		
4.00 (vi)	Non-engagement in Internal Audit services	√		
4.00 (vii)	Non-engagement in services determined by Audit Com.	√		
4.00 (viii)	Possessing no share by any partner or employee of the external audit firm during the tenure of assignment	√		
5	SUBSIDIARY COMPANY			
5 (i)	Composition of BOD to be similar to holding company	--	--	N/A
5 (ii)	One ID to be in both holding and subsidiary company	--	--	N/A
5 (iii)	Minutes of Board meetings of subsidiary company to be placed at following Board meeting of holding company	--	--	N/A
5 (iv)	Minutes of respective Board meeting of holding company to state that affairs of subsidiary company be reviewed	--	--	N/A
5 (v)	Audit Committee of holding company to review financial statements / investments of subsidiary company	--	--	N/A
6	DUTIES OF CEO AND CFO:			
6 (i) (a)	To certify that they've reviewed FSs which contain no untrue or misleading statement or omit no material fact	√		
6 (i) (b)	To certify that the statements present a true and fair view of affairs and are in compliance with accounting standards and applicable laws	√		
6 (ii)	To certify that no transaction is fraudulent, illegal or violation of company's code of conduct	√		
7	REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE:			
7 (i)	Obtaining certificate regarding compliance and sending it to shareholders along with the Annual Report	√		
7 (ii)	To state, in accordance with annexure, in directors' report whether the conditions has been complied with	√		

CERTIFICATE ON COMPLIANCE

S. Abdur Rashid FCS

BCom (Hons), MBS (Fin & Banking), MBA (Fin), PGD-HRM, AIM

Chartered Secretary in Practice

Certificate of Practice No.: 003

Mobile # 01726-533655, 01193095297

E-mail : sarashid12000@yahoo.com

SARashid & Associates (Chartered Secretaries)

CRP Bhaban (11th Floor), Plot-A/5, Block-A
Mirpur-14, Dhaka-1216, Bangladesh

Certificate on Compliance of Corporate Governance Guidelines

[Issued under Condition # 7(i) of Corporate Governance Guidelines of BSEC vide Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012]

I have reviewed the Compliance of Conditions of the Corporate Governance Guidelines by **Shinepukur Ceramics Limited** ("the Company") for the year ended 31 December 2012. Such compliance is the responsibility of the Company as stipulated in the above mentioned notification issued by Bangladesh Securities and Exchange Commission ("BSEC").

I have conducted my review in a manner that has provided me a reasonable basis for evaluating the compliances and expressing my opinion thereon. This review has been limited to the measures adopted by the Company in ensuring such compliances and this has not been for expression of opinion on the financial statements of the Company.

According to the information and explanations provided to me by the Company, I hereby certify that the Company has complied with all the conditions of aforesaid Corporate Governance Guidelines of BSEC.



S. Abdur Rashid FCS



Dhaka, 01 June 2013

INDEPENDENT AUDITORS' REPORT

To The Shareholders of

SHINEPUKUR CERAMICS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Shinepukur Ceramics Limited, which comprise the Statement of Financial Position as at 31 December 2012, the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedure that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

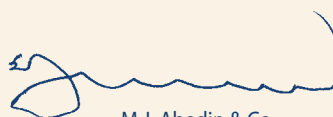
Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRSs), the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1994 and the Securities and Exchange Rules 1987, we report that:

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- (b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of these books ;
- (c) the Statement of Financial Position (Balance Sheet) and Statement of Comprehensive Income (Profit and Loss Account) dealt with by the report are in agreement with the books of account ; and
- (d) the expenditure incurred was for the purposes of the company's business.



M.J. Abedin & Co.
Chartered Accountants

SHINEPUKUR CERAMICS LTD.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

	Notes	Amount in Taka	
		31-Dec-12	31-Dec-11
ASSETS			
Non-Current Assets		5,323,600,351	5,536,817,925
Property, Plant and Equipment - Carrying Value	4	4,384,003,402	4,493,055,461
Investment in Shares	5	121,705,206	225,870,721
Capital Work in Progress		817,891,743	817,891,743
Current Assets		1,796,412,804	1,617,231,951
Inventories	6	845,059,407	891,674,750
Accounts & Other Receivables	7	853,413,145	587,933,889
Advances, Deposits & Prepayments	8	81,930,381	112,190,532
Cash and Cash Equivalents	9	16,009,871	25,432,780
Total Assets		7,120,013,155	7,154,049,876
EQUITY AND LIABILITIES			
Shareholders' Equity		4,544,462,049	4,499,760,423
Issued Share Capital	10	1,277,965,700	1,111,274,530
Revaluation Surplus	11	2,907,734,989	2,953,318,420
Retained Earnings		358,761,360	435,167,473
Non-Current Liabilities		803,483,989	1,005,382,500
Long Term Loan - Net-off Current Maturity(Secured)	12	296,189,631	396,579,272
Long Term Loan (Unsecured)	13	498,837,779	598,837,779
Deferred Tax Liability	14	8,456,579	9,965,449
Current Liabilities		1,772,067,117	1,648,906,953
Short Term Loan from Banks (Secured)	15	1,183,795,749	1,147,673,708
Long Term Loan-Current Maturity (Secured)	16	143,242,382	91,818,692
Creditors, Accruals and Other Payables	17	445,028,986	409,414,553
Total Equity and Liabilities		7,120,013,155	7,154,049,876
Net Asset Value Per Share		35.56	40.49

The accompanying notes form an integral part of this financial statement.

Approved and authorized for issue by the board of directors on 30 April 2013 and signed for and on behalf of the Board:



A S F Rahman
Chairman

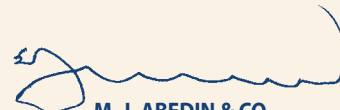


Salman F. Rahman
Vice-Chairman



Nazmul Hassan
Managing Director

As per our separate report of even date annexed.



M. J. ABEDIN & CO
Chartered Accountants

Dated, Dhaka
30 April 2013

SHINEPUKUR CERAMICS LTD.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	Notes	Amount in Taka	
		31-Dec-12	31-Dec-11
Revenue	18	1,942,350,752	1,901,129,192
Cost of Goods Sold	19	(1,268,312,998)	(1,248,024,942)
Gross Profit		674,037,754	653,104,250
Operating Expenses		(105,872,312)	(121,100,868)
Administrative Expenses	20	(54,107,127)	(61,433,037)
Selling and Distribution Expenses	21	(51,765,185)	(49,547,627)
Exchange Loss		-	(10,120,204)
Profit from Operations		568,165,442	532,003,382
Gain /(Loss) on Sale of Shares		(19,649,764)	315,370
Finance Cost	22	(364,625,228)	(306,604,938)
Profit before contribution to WPPF		183,890,450	225,713,814
Contribution to Workers' Profit Participation / Welfare Funds		(8,756,688)	(10,748,277)
Net Profit before Tax		175,133,762	214,965,537
Income Tax Expense	23	(84,848,705)	(46,197,435)
Net Profit After Tax (NPAT) for the year		90,285,057	168,768,102
Other Comprehensive Income:			
Revaluation Surplus on Property, Plant and Equipments		-	1,612,405,062
Fair Value Loss on Investment in Shares	5	(45,583,431)	(13,371,595)
Total Comprehensive Income for the year		44,701,626	1,767,801,569
Earning per share based on NPAT (Adjusted EPS of 2011) Tk.	24	0.71	1.32

The accompanying notes form an integral part of this financial statement.

Approved and authorized for issue by the board of directors on 30 April 2013 and signed for and on behalf of the Board:



A S F Rahman
Chairman



Salman F. Rahman
Vice-Chairman



Nazmul Hassan
Managing Director

As per our separate report of even date annexed.



M. J. ABEDIN & CO
Chartered Accountants

Dated, Dhaka
30 April 2013

SHINEPUKUR CERAMICS LTD.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

	Amount in Taka			
	Share Capital	Revaluation Surplus	Retained Earnings	Total Equity
Balance as on 31 December 2011	1,111,274,530	2,953,318,420	435,167,473	4,499,760,423
Net Profit after tax for the year	-	-	90,285,057	90,285,057
Other Comprehensive Income:				
Fair Value Loss on Investment in Shares (Note - 5)	-	(45,583,431)	-	(45,583,431)
Transaction with Share Holders:				
Issue of Bonus Shares for the prior year (2011)	166,691,170	-	(166,691,170)	-
Total Balance as on 31 December 2012	1,277,965,700	2,907,734,989	358,761,360	4,544,462,049

The accompanying notes form an integral part of this financial statement.

Approved and authorized for issue by the board of directors on 30 April 2013 and signed for and on behalf of the Board:



A S F Rahman
Chairman



Salman F. Rahman
Vice-Chairman



Nazmul Hassan
Managing Director

As per our separate report of even date annexed.



M. J. ABEDIN & CO
Chartered Accountants

Dated, Dhaka
30 April 2013

SHINEPUKUR CERAMICS LTD.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2012

	Amount in Taka	
	31-Dec-12	31-Dec-11
Cash Flows From Operating Activities:		
Collections from turnover and other income	1,676,871,496	1,774,197,732
Payments for costs, expenses & others	(1,124,027,465)	(1,089,611,868)
Interest Paid	(402,474,727)	(221,035,344)
Income-Tax paid and /or deducted at sources	(71,152,032)	(26,306,168)
Net cash Generated from operating activities	79,217,272	437,244,352
Cash Flows From Investing Activities:		
Property, Plant and Equipment acquired	(14,924,231)	(102,926,087)
Sales of Shares	39,127,960	23,043,568
Capital Work in Progress	-	(477,515,940)
Net cash used in investing activities	24,203,729	(557,398,459)
Cash Flows From Financing Activities:		
Long Term Loan increase/(decreased)	(148,965,951)	(81,435,716)
Short Term Loan increased	36,122,041	191,864,964
Net cash Generated from financing activities	(112,843,910)	110,429,248
Increase/(Decrease) in Cash and Cash Equivalents	(9,422,909)	(9,724,859)
Cash and Cash Equivalents at the beginning of the year	25,432,780	35,157,639
Cash and Cash Equivalents at the end of the year	16,009,871	25,432,780
Net Operating Cash Flow Per Share	0.62	3.93

The accompanying notes form an integral part of this financial statement.

Approved and authorized for issue by the board of directors on 30 April 2013 and signed for and on behalf of the Board:



A S F Rahman
Chairman



Saiman F. Rahman
Vice-Chairman



Nazmul Hassan
Managing Director

As per our separate report of even date annexed.



M. J. ABEDIN & CO
Chartered Accountants

Dated, Dhaka
30 April 2013

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2012

1. THE BACKGROUND AND ACTIVITIES OF THE COMPANY

1.1 Status of the Company

Shinepukur Ceramics Limited (SCL / the company) was incorporated in Bangladesh on 26 January 1997 under the Companies Act, 1994 as a Private Limited Company and launched its manufacturing operation in 1999. The Company was converted into a Public Limited Company on 7 May 2008. The Shares of the Company have been listed in the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) on 18 November 2008 under the DSE and CSE Direct Listing Regulations 2006.

The registered office of the company is located at House No.17, Road No.2, Dhanmondi R/A, Dhaka. The industrial units are located at Sarabo of Gazipur.

1.2 Principal Activities

The company operates in a single industry segment. It is engaged in manufacturing and marketing of high quality Porcelain and high value added Bone China Tableware, which it sells in the local as well as international markets.

2. BASES OF FINANCIAL STATEMENT – ITS PREPARATION AND PRESENTATION

2.1 Measurement Bases

The financial statements have been prepared on the Historical Cost basis, except lands, buildings and plant & machinery re-stated at current cost and investment in shares of listed companies are carried at fair value based on the year end quoted price of Dhaka Stock Exchange Ltd.

2.2 Reporting Framework and Compliance thereof

The financial statements have been prepared in compliance with the requirements of the *Companies Act 1994*, the Securities and Exchange Rules 1987, the Listing Regulations of Dhaka and Chittagong Stock Exchanges and other relevant local laws and regulations as applicable and in accordance with the applicable Bangladesh Financial Reporting Standards (BFRSs) including Bangladesh Accounting Standards (BASs) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) based on International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs).

2.3 Presentation of Financial Statements

The presentation of these financial statements is in accordance with the guidelines provided by *BAS 1: Presentation of Financial Statements*.

The Financial Statements Comprises:

- (a) a statement of financial position as at the end of the year 2012;
- (b) a Statement of comprehensive income for the year 2012;
- (c) a statement of changes in equity for the year 2012;
- (d) a statement of cash flows for the year 2012; and
- (e) notes, comprising a summary of significant accounting policies and other explanatory information.

2.4 Reporting Period

The financial statements cover one calendar year from 1st January 2012 to 31st December 2012.

2.5 Authorization for Issue

The financial statements have been authorized for issue by the Board of Directors on 30 April 2013.

2.6 Functional and Presentation Currency

The financial statements are prepared and presented in *Bangladesh Currency (Taka)*, which is the company's functional currency. All financial information presented have been rounded off to the nearest Taka except where indicated otherwise.

2.7 Comparative Information

Comparative information has been disclosed in respect of the year 2011 for all numerical information in the financial statements and also the narrative and descriptive information where it is relevant for understanding of the current year's financial statements.

Figures for the year 2011 have been re-arranged wherever considered necessary to ensure better comparability with the current year.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2012

2.8 Use of Estimates and Judgments

The preparation of financial statement in conformity with BFRSs / BASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and disclosure requirements for contingent assets and liabilities during and at the date of the financial statements.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected as required by BAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors*.

3. SIGNIFICANT ACCOUNTING POLICIES**3.1 Revenue Recognition**

In compliance with the requirements of BAS 18: *Revenue*, revenue from receipts from customers against sales is recognized when products are dispatched to customers, that is, when the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Receipts from customers comprise sales price against domestic sales including value added tax paid to the Government of Bangladesh and export sales. However, VAT included in sales is not considered as revenue as it is collected on behalf of customers.

3.2.0 Property, Plant and Equipment**3.2.1 Recognition and Measurement**

Property, plant and equipment (including assets acquired under finance lease) are capitalized at cost of acquisition and subsequently stated at cost revalued amount less accumulated depreciation in compliance with the requirements of BAS 16: *Property, Plant and Equipment*. The Cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes.

3.2.2 Pre-Operating Expenses and Borrowing Costs

In respect of major projects involving construction, related pre-operational expenses form part of the value of assets capitalized. Expenses capitalized also include applicable borrowing cost considering the requirement of BAS 23: *Borrowing Costs*.

3.2.3 Subsequent Expenditure

The company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the item can be measured reliably. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the use of the fixed assets, the expenditure is capitalized as an additional cost of the assets. All other costs are recognized to the profit and loss account as expenses if incurred. All up-gradation/enhancement are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

3.2.4 Software

Software is generally charged off as revenue expenditure. Purchase software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

3.2.5 Disposal of Fixed Assets

On disposal of fixed assets, the cost and accumulated depreciation are eliminated and gain or loss on such disposal is reflected in the income statement, which is determined with reference to the net book value of the assets and net sales proceeds.

3.2.6 Depreciation on Fixed Assets

Depreciation is provided on all fixed assets except Land & Land Development at the following rates on reducing balance basis over the periods appropriate to the estimated useful lives of the different types of assets:

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2012

Building and Other Construction	2.5% to 5%
Plant and Machinery	5% to 7.5%
Furniture & Fixture	20%
Transport & Vehicle	20%
Office Equipment	20%

3.3 Leased Assets

In compliance with the *BAS: 17 Leases*, costs of assets acquired under finance lease along with obligation there against have accounted for as assets and liabilities respectively of the company, and the interest element has been charged as expenses.

3.4 Financial Instruments

Non-derivative financial instruments comprise investment in shares, accounts and other receivables, cash and cash equivalents, borrowings and other payables.

3.4.1 Financial Assets**(a) Investment in Shares**

Investment in Shares of listed companies are carried in the statement of financial position at fair value based on DSE quoted price at the year end and the gain / loss thereon were accounted for through other comprehensive income considering it as "Available – for - Sale" financial assets.

(b) Accounts Receivable

Accounts receivable are created at original invoice amount less any provisions for doubtful debts. Provisions are made where there is evidence of a risk of non-payment, taking into account ageing, provision experience and general economic conditions. When an accounts receivable is determined to be uncollectible it is written off, firstly against any provision available and then to the statement of comprehensive income. Subsequent recoveries of amounts previously provided for are credited to the statement of comprehensive income.

(c) Advances and Deposits

Advances are initially measured at cost. After initial recognition, advances are carried at cost less deductions, adjustments or charges to other account heads.

Deposits are measured at payment value.

(d) Cash and Cash Equivalents

Cash and Cash equivalents are carried in the financial position at cost and include cash in hand and with banks on current and deposit accounts, which are held and available for use by the company without any restriction. There is insignificant risk of change in value of the same.

3.4.2 Financial Liability

Financial liabilities are recognized initially on the transaction date at which the company becomes a party to the contractual provisions of the liability. The company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities include payable for expenses, liability for capital expenditure and other current liabilities.

3.5 Impairment**(a) Financial Assets**

Accounts receivable and other receivables are assessed at each reporting date to determine whether there is any objective evidence of impairment. Financial assets are impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, etc.

(b) Non-Financial Assets

An asset is impaired when its carrying amount exceeds its recoverable amount. The company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the

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recoverable amount of the asset. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Carrying amount of the asset is reduced to its recoverable amount by recognizing an impairment loss if, and only if, the recoverable amount of the asset is less than its carrying amount. Impairment loss is recognized immediately in profit or loss, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset shall be treated as a revaluation decrease.

3.6 Inventories

Inventories are carried at the lower of cost and net realizable value as prescribed by BAS 2: Inventories. Cost is determined on weighted average cost basis. The cost of inventories comprises of expenditure incurred in the normal course of business in bringing the inventories to their present location and condition. Net realizable value is based on estimated selling price less any further costs expected to be incurred to make the sale.

3.7 Provisions

A provision is recognized in the statement of financial position when the company has legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provision is ordinarily measured at the best estimate of the expenditure required to settle the present obligation at the date of statement of financial position. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditure expected to be required to settle the obligation.

3.8 Income Tax Expenses**Current Tax**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or subsequently enacted after the reporting date, and any adjustment to tax payable in respect of prior years.

Provision for taxation for the year ended 31 December 2012 has been made on the basis of the provisions of the Income Tax ordinance 1984 and the Finance Act 2012. Currently the tax rate applicable for listed companies is 27.50 % and there is a 50% exemption of income tax on profit relating to export sales.

Deferred Tax

The company has recognized deferred tax using balance sheet method in compliance with the provisions of *BAS 12: Income Taxes*. The company's policy of recognition of deferred tax assets/ liabilities is based on temporary differences (taxable or deductible) between the carrying amount (Book value) of assets and liabilities for financial reporting purpose and its tax base, and accordingly, deferred tax income/expenses has been considered to determine net profit after tax and earnings per shares (EPS).

The tax base of assets is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity (the company / SCL) when it recovers the carrying amount of the assets. The tax base of liabilities is their carrying amount, less any amount that will be deductible for tax purposes in respect of the liabilities in future periods. In 2012, deferred tax liability is arrived at by applying the corporate tax rate applicable for listed companies (27.50%) on the temporary taxable differences. Exemption of 50 % income tax on profit relating to export is considered for deferred tax purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and / are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The deferred tax asset / income or liability / expense do not create a legal obligation to, or recoverability from, the income tax authority.

3.9 Interest Income

Interest Income is recognized on accrual basis.

3.10 Borrowing Costs

This has been dealt with the requirements of *BAS 23: Borrowing Costs*.

Borrowing costs relating to projects in commercial operation are recognized as expenses in the year in which they are incurred. In respect of projects that have not yet commenced commercial production, borrowing costs are debited to capital work in progress.

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3.1.1 Employee Benefits

The company maintains both contribution plan and defined benefit plan for its eligible permanent employees.

The company's employee benefits include the following:

(a) Defined Contribution Plan (Provident Fund)

The company contributes to a registered provident fund scheme (defined contribution plan) for employees of the company eligible to be members of the fund in accordance with the rules of the provident fund constituted under an irrecoverable trust. All permanent employees contribute 10% of their basic salary to the provident and the company also makes equal contribution.

The company recognizes contribution to defined contribution plan as an expense when an employee has rendered services in exchange for such contribution. The legal and constructive obligation is limited to the amount it agrees to contribute to the fund.

(b) Defined Benefits Plan (Gratuity)

Employees are entitled to gratuity benefit after completion of minimum five years of services in the company. The gratuity is calculated on the latest applicable basic pay and is payable at the rate of one month basic pay for every completed year of service.

(c) Short-term Employee Benefits

Short-term employee benefits include salary, bonuses, leave encashment etc. Obligations for such benefits are measured on an undiscounted basis and are expensed as the related service is provided.

(d) Contribution to Workers' Participation/Welfare Funds

This represents 5% of net profit before tax contributed by the Company as per provisions of Bangladesh Labor Law, 2006 and is payable to workers as defined in the said law.

(e) Group Insurance Scheme

Employees of the company are covered under group life insurance scheme.

3.1.2 Proposed Dividend

The amount of proposed dividend has not been accounted for but disclosed in the notes to the accounts along with dividend per share in accordance with the requirements of the Para 125 of *Bangladesh Accounting Standard (BAS) 1 (Revised 2008): Presentation of Financial Statements*. Also, the proposed dividend has not been considered as "Liability" in accordance with the requirements of the Para 12 & 13 of *Bangladesh Accounting Standard (BAS) 10: Events After the Reporting Period*, because no obligation exists at the time of approval of accounts and recommendation of dividend by the Board of Directors.

3.1.3 Earnings per Share

This has been calculated in compliance with the requirements of *BAS 33: Earnings Per Share* by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year.

Basic Earnings (Numerator)

This represents earnings for the period attributable to ordinary shareholders. As there was no preference dividend, minority interest or extra ordinary items, the net profit after tax for the year has been considered as fully attributable to the ordinary shareholders.

Weighted Average Number of Ordinary Shares Outstanding during the year (Denominator)

Current Year (2012)

The Bonus Shares issued during the year 2012 were treated as if they always had been in issue. Hence, in computing the basic EPS of 2012, the total number of shares including the said bonus shares has been considered as the Weighted Average number of Shares outstanding during the year 2012.

Earlier Year (2011)

The number of shares outstanding before the bonus issue has been adjusted for the proportionate change in the number of shares outstanding as if the bonus issue had occurred at the beginning of the earliest period reported (2011), and accordingly, in calculating the adjusted EPS of 2011, the total number of shares including the subsequent bonus issue in 2012 has been considered as the Weighted Average Number of Shares outstanding during the year 2011.

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The basis of computation of number of shares as stated above is in line with the provisions of BAS 33: “*Earnings Per Share*”. The logic behind this basis, as stated in the said BAS is, that the bonus shares are issued to the existing shareholders without any consideration, and therefore, the number of shares outstanding is increased without an increase in resource generating new earnings.

Diluted Earnings per Share

No diluted EPS is required to be calculated for the year, as there was no scope for dilution during the year under review.

3.14 Foreign Currency Transactions

The Financial records of the company are maintained and the financial statements are stated in Bangladesh Taka. Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction date.

The monetary assets and liabilities, if any, denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchanges ruling at that date. Exchange differences are charged off as revenue expenditure in compliance with the provisions of BAS 21: *The Effects of Changes in Foreign Exchange Rates*. However, as a requirement of the companies Act 1994, exchange loss relating to foreign currency loan has been capitalized to relevant fixed assets being procured under the said obligation.

3.15 Segmental Reporting

No segmental reporting is applicable for the company as required by BAS 14: *Segmental Reporting*, as the company operates in a single industry segment and within a single geographical segment.

3.16 Statement of Cash Flows

The Statement of Cash Flows has been prepared in accordance with the requirements of BAS 7: *Statement of Cash Flows*. The cash generated from operating activities has been reported using the Direct Method as prescribed by the Securities and Exchange Rules, 1987 and as encouraged by BAS 7 whereby major classes of gross cash receipts and gross cash payments from operating activities are disclosed.

3.17 Events after the Reporting Period

In compliance with the requirements of BAS 10: *Events after the Reporting Period*, post balance sheet events that provide additional information about the company's position at the balance sheet date are reflected in the financial statements and events after the balance sheet date that are not adjusting events are disclosed in the notes when material.

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4.00 PROPERTY, PLANT AND EQUIPMENT : TK. 4,384,003,402

	Land & Land Development	Building & Other Construction	Plant & Machinery	Office Equipment	Furniture & Fixture	Transport & Vehicle	Total Taka
Cost or Valuation							
At 31 December 2011	1,686,000,000	1,374,346,660	2,736,540,436	52,858,849	24,612,748	31,221,869	5,905,580,562
Addition during the Year	454,503	1,320,264	8,173,362	2,038,487	2,937,615	-	14,924,231
As at 31 December 2012	1,686,454,503	1,375,666,924	2,744,713,798	54,897,336	27,550,363	31,221,869	5,920,504,793
Depreciation							
At 31 December 2011	-	212,286,802	1,120,231,331	42,679,118	20,298,255	17,029,595	1,412,525,101
Depreciation for the year	-	29,849,364	87,394,406	2,443,643	1,450,422	2,838,455	123,976,290
As at 31 December 2012	-	242,136,166	1,207,625,737	45,122,761	21,748,677	19,868,050	1,536,501,391
Carrying Amount As at 31 December 2012	1,686,454,503	1,133,530,758	1,537,088,061	9,774,575	5,801,686	11,353,819	4,384,003,402
Carrying Amount As at 31 December 2011	1,686,000,000	1,162,059,858	1,616,309,105	10,179,731	4,314,493	14,192,274	4,493,055,461

Assets include Leased Assets of Tk. 7,750,000 at cost and Tk. 1,470,104 at written down value.

Disclosure on Revaluation:

- (a) The break-up of total revaluation surplus as included in the carrying amount is stated below:

	Land & land Development	Building & other Construction	Plant & Machinery	Total Taka
Surplus on Revaluation in 2004	192,466,272	-	-	192,466,272
Surplus on Revaluation in 2008	376,892,108	351,072,849	433,853,724	1,161,818,681
Surplus on Revaluation in 2011	953,362,500	547,975,861	111,066,701	1,612,405,062
Total Surplus on Revaluation	1,522,720,880	899,048,710	544,920,425	2,966,690,015

- (b) M/S G.K.Adjusters Ltd.(Insurance Surveyors, Loss Adjusters, Controllers, Consultants and Valuers) of Chand Mansion (5th floor) , 66, Dilkusha Commercial Area, was involved to carry out the revaluation of 2004.
- (c) SF Ahmed & Co, Chartered Accountants, House 25, Road 13A, Block - D, Banani, Dhaka - 1213 and valuers have revalued the lands, buildings and plant & machinery of the Company as of 31 December 2008, following "current cost method". Such revaluation resulted in a revaluation surplus aggregating Tk. 1,161,818,681.
- (d) Ata Khan & Co, Chartered Accountants, 67 Motijheel Commercial Area, Dhaka - 1000 and valuers have revalued the lands, buildings and plant & machinery of the Company as of 31 December 2011, following "current cost method". Such revaluation resulted in a revaluation surplus aggregating Tk. 1,612,405,062.

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		AMOUNT IN TAKA	
		31-DEC-12	31-DEC-11
5.00	INVESTMENT IN SHARES : TK. 121,705,206		
The basis of valuation is stated in Note 3.4.1 (a).			
This consists of Investment in Shares of listed Companies as follows :			
(a)	In 59,742 (2011: 51,950) Shares of Tk. 10 each Beximco Synthetics Ltd.	1,451,730	1,968,905
(b)	In 1,867,290 (2011: 1,981,432) Shares of Tk. 10 each Bangladesh Export Import Co. Ltd.	120,253,476	223,901,816
		121,705,206	225,870,721
This is arrived at as follows:			
	Beximco Synthetics Ltd.	Beximco Ltd.	Total
At Cost	1,185,680	179,474,552	180,660,232
Less: Quoted Price on 31.12.12	1,451,730	120,253,476	121,705,206
Fair Value Gain/(Loss) on 31.12.12 (Note - 11)	266,050	(59,221,076)	(58,955,026)
Fair Value Gain/(Loss) on 31.12.11	783,225	(14,154,820)	(13,371,595)
Fair Value Loss on Investment in Shares in 2012	(517,175)	(45,066,256)	(45,583,431)
6.00	INVENTORIES : TK. 845,059,407		
This represents as follows:			
Raw Material & Chemical		316,644,315	336,855,654
Finished Goods		218,653,144	231,646,878
Work-In- Process		175,298,714	177,721,484
Stores & Spares		89,155,438	93,617,938
Packing Material		45,307,796	51,832,796
		845,059,407	891,674,750
7.00	ACCOUNTS & OTHER RECEIVABLES : TK. 853,413,145		
This is considered good and is falling due within one year.			
No amount was due by the directors (including Managing Director), managing agent, managers and other officers of the company and any of them severally or jointly with any other person.			
No amount was due by any associated undertaking.			
8.00	ADVANCES, DEPOSITS AND PREPAYMENTS: TK. 81,930,381		
This is considered good and consists of as follows:			
Advances		61,547,619	83,826,878
Deposits		20,382,762	28,363,654
		81,930,381	112,190,532
The break-up of advances and prepayments are as follows:			
L/C-Margin		15,450,122	16,437,051
Suppliers		7,895,865	11,946,190
Income Tax (Note -8.1)		20,515,941	23,744,845
Trade Fair		5,196,553	5,463,275
Employees (other than officers)		296,798	331,798
Advance against Construction		343,753	14,546,240
Marketing Expenses		8,714,661	8,714,661
L/C-Insurance		323,532	643,240
L/C- Commission		2,450,174	721,358
Advance Travel		360,220	828,220
Show Room		-	450,000
		61,547,619	83,826,878

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No amount was due by the Directors (including Managing Director), Managing Agent, Managers and other Officers of the Company and any of them severally or jointly with any other person.

No amount was due by any associated undertaking.

Advances to employees (other than officers) are realisable from monthly salary in installments.

	AMOUNT IN TAKA	
	31-DEC-12	31-DEC-11
The break -up of deposits is as follows:		
Bank Guarantee Margin	2,755,718	2,755,718
Security Deposit	11,313,261	12,455,760
Earnest Money Deposit	122,500	-
Lease Deposit	3,518,794	3,518,794
VAT Deposit	2,672,489	9,633,382
	20,382,762	28,363,654

8.01 Advance Income Tax Paid : Tk. 20,515,941

This has been arrived at :

Opening Balance	23,744,845	29,071,279
Add : Adjustment of Excess Credit by DCT for the years 2009 & 2010	61,323	-
Paid / Deducted during the year under review	20,515,941	23,806,168
	44,322,109	52,877,447
Less : Adjustment made during the year under review for 2009	-	11,459,513
Less : Adjustment made during the year under review for 2010	-	17,673,089
Less : Adjustment made during the year under review for 2011	23,806,168	-
	20,515,941	23,744,845

9.00 CASH AND CASH EQUIVALENTS : TK. 16,009,871

This consists of :

(a) In Hand	6,231,172	9,083,571
(b) At Banks in :	9,778,699	16,349,209
(i) Current Deposit	4,814,341	13,070,656
(ii) STD	4,264,916	2,579,111
(iii) FDR	699,442	699,442
	16,009,871	25,432,780

10.00 SHARE CAPITAL : TK.1,277,965,700

This represents :

(a) Authorised :		
500,000,000 Ordinary Shares of Tk.10/-each	5,000,000,000	5,000,000,000
(b) Issued, subscribed and paid -up:		
66,060,000 Ordinary Shares of Tk.10/-each fully paid-up in cash	660,600,000	660,600,000
45,067,453 Ordinary Shares of Tk.10/-each fully paid-up bonus shares	450,674,530	450,674,530
16,669,117 Ordinary Shares of Tk.10/-each fully paid-up bonus shares	166,691,170	-
Total 127,796,570 shares of Tk. 10/- each fully paid-up	1,277,965,700	1,111,274,530

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(c) Statement of Share Position:

Name of the Shareholders	31-Dec-12		31-Dec-11	
	No. Of Shares	Holding %	No. Of Shares	Holding %
Bangladesh Export Import Co.Ltd	63,898,269	50.00	55,563,713	50.00
Directors & Associates	7	-	7	-
ICB including ICB investors' Account	9,021,773	7.06	4,268,314	3.84
General Public and Institutions	54,876,521	42.94	51,295,419	46.16
	127,796,570	100.00	111,127,453	100.00

(d) Distribution Schedule:

Share holdings	No. of Shareholders	No. of Shares	Holding %
Less than 500 shares	16,960	2,196,316	1.72
500 to 5,000 shares	8,709	12,722,607	9.96
5001 to 10,000 shares	740	5,164,162	4.04
10,001 to 20,000 shares	324	4,466,292	3.49
20,001 to 30,000 shares	112	2,757,475	2.16
30,001 to 40,000 shares	53	1,827,291	1.43
40,001 to 50,000 shares	23	1,027,228	0.80
50,001 to 100,000 shares	59	4,200,075	3.29
100,001 to 1,000,000 shares	55	17,857,267	13.97
Over 1,000,000 shares	5	75,577,857	59.14
	27,040	127,796,570	100.00

AMOUNT IN TAKA

31-DEC-12 31-DEC-11

11.00 REVALUATION SURPLUS : TK. 2,907,734,989

Revaluation Surplus on Property, Plant & Equipment (Note -4)	2,966,690,015	2,966,690,015
Fair Value Loss on Investment in Shares (Note - 5)	(58,955,026)	(13,371,595)
	2,907,734,989	2,953,318,420

12.00 LONG TERM LOAN - SECURED (NET-OFF CURRENT MATURITY) : TK. 296,189,631

This represents loans from :

Sonali Bank Ltd. - PAD Blocked Loan	66,233,382	96,199,542
Sonali Bank Ltd. - Project Loan	92,160,306	124,894,280
Sonali Bank Ltd. - CC Blocked Loan	-	7,966,848
Southeast Bank Ltd. - Term Loan	137,795,943	167,518,602
	296,189,631	396,579,272

Nature of Security :

- (i) Equitable mortgage over the immovable property.
- (ii) Hypothecation by way of a floating charge on all other movable assets both present and future.
- (iii) First Charge over all the finished stock, Work-In-Process and current assets excluding book debts.

Terms of Repayment :

Sonali Bank Ltd. - Project Loan :

In 41 (Forty-one) equal quarterly installments commencing from 31 March 2005.

Sonali Bank Ltd. - PAD Blocked Loan :

In 64 (Sixty-four) equal monthly installments commencing from 31 March 2010, as per revised sanction.

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Sonali Bank Ltd. - CC Blocked Loan :

In 108 (One hundred eight) equal monthly installments commencing from 31 January 2005.

Rate of interest :

Sonali Bank Ltd. - Project Loan :

15.50% p.a. or the lending rate applicable from time to time based on Bank rate / policy.

Sonali Bank Ltd. - PAD Block Loan :

16% p.a. or the lending rate applicable from time to time based on Bank rate / policy.

Sonali Bank Ltd. - CC Blocked Loan :

Interest Free.

Southeast Bank Ltd. - Term Loan :

18% p.a. or the lending rate applicable from time to time based on Bank rate / policy.

13.00 LONG TERM LOAN (UNSECURED) : TK. 498,837,779

This is due to Bangladesh Export Import Company Limited, an associated undertaking.

This Loan is Unsecured and bears interest @ 14% p.a. which is repayable as mutually agreed upon.

14.00 DEFERRED TAX LIABILITY : TK. 8,456,579

	AMOUNT IN TAKA	
	31-DEC-12	31-DEC-11
This is arrived at as follows:		
Opening Balance	9,965,449	13,892,058
Provided during the year (Note - 23)	(1,508,870)	(3,926,609)
	8,456,579	9,965,449

15.00 SHORT TERM LOAN FROM BANKS : TK. 1,183,795,749

This is secured and consists of as follows:

Sonali Bank Ltd. - CC (H)	526,164,111	528,641,321
Bank Asia Ltd. - Over Draft	278,476,501	261,010,676
Sonali Bank Ltd. - LTR	99,626,686	95,526,384
Southeast Bank Ltd. - LTR	60,273,798	62,495,327
Phoenix Finance & Investment Ltd.	219,254,653	200,000,000
	1,183,795,749	1,147,673,708

16.00 LONG TERM LOAN - CURRENT MATURITY PORTION (SECURED) : TK. 143,242,382

This consists of as follows:

Sonali Bank Ltd. - PAD Blocked	38,003,846	34,406,437
Sonali Bank Ltd. - Project	47,716,132	31,580,660
Sonali Bank Ltd. - CC Blocked	7,795,823	7,781,725
First Lease International Ltd.	-	306,281
Southeast Bank Ltd. - Term Loan	49,726,581	17,743,589
	143,242,382	91,818,692

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		AMOUNT IN TAKA	
		31-DEC-12	31-DEC-11
17.00	CREDITORS, ACCRUALS AND OTHER PAYABLES: TK. 445,028,986		
This consists of as follows:			
L/C & Others		5,688,050	6,183,000
Creditors for Goods		6,917,017	8,571,455
Security Deposit		3,295,000	3,215,000
Outstanding Export Commission		5,013,893	4,521,572
Employees' Provident Fund		7,598,670	5,172,483
Other Payables		68,033,327	53,282,372
Income Tax Payable (Note - 17.01)		129,568,127	117,591,488
Tax deducted at source		1,315,124	1,519,523
Bank Interest due		81,570,024	128,776,375
Salary & Wages		28,227,629	25,761,057
Gas & Electricity		107,218,125	54,393,228
Audit Fee		575,000	418,000
Provision for Legal Fees		9,000	9,000
		445,028,986	409,414,553
17.01	Income Tax Payable : Tk. 129,568,127		
This is arrived at as follows :			
Opening Balance		117,591,488	99,100,046
Add: Tax provided in the period (Note - 23)		86,357,575	50,124,044
		203,949,063	149,224,090
Less: Adjustments of Advance Tax (Note-8.1)		(23,806,168)	(29,132,602)
Less: Tax paid		(50,574,768)	(2,500,000)
		129,568,127	117,591,488
18.00	REVENUE : TK. 1,942,350,752		
This is made up as follows :			
A. Local Gross Sales		298,289,470	344,456,914
Value added tax		(38,907,321)	(44,929,163)
Commission		(18,830,483)	(23,226,061)
Net Local Sales		240,551,666	276,301,690
B. Export Sales Less : Freight,C&F and Others Charges		1,687,152,110	1,604,853,532
C. Duty Drawback		14,646,976	19,973,970
		1,942,350,752	1,901,129,192
19.00	COST OF GOODS SOLD : TK. 1,268,312,998		
This is arrived at as follows:			
Opening WIP		177,721,484	174,729,359
Raw Material Issued (Note- 19.01)		672,701,891	681,727,067
Material available for consumption		850,423,375	856,456,426
Closing WIP		(175,298,714)	(177,721,484)
Consumption		675,124,661	678,734,942
Manufacturing overhead (Note- 19.02)		582,708,727	602,983,014
Cost of production		1,257,833,388	1,281,717,956
Opening Finished Goods		231,646,878	200,152,708
Cost of Goods Available for Sale		1,489,480,266	1,481,870,664
Closing Finished Goods		(218,653,144)	(231,646,878)
Cost of Free Distribution of Sample		(2,514,124)	(2,198,844)
		1,268,312,998	1,248,024,942

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	AMOUNT IN TAKA	
	31-DEC-12	31-DEC-11
19.01 Raw Material Issued :Tk. 672,701,891		
This is arrived at as follows:		
Opening Stock of Raw Material	336,855,654	324,497,027
Purchase of Raw Material	652,490,552	694,085,694
	989,346,206	1,018,582,721
Closing Stock of Raw Material	(316,644,315)	(336,855,654)
	672,701,891	681,727,067
19.02 Manufacturing Overhead : TK. 582,708,727		
This consists of as follows :		
Depreciation	111,273,897	98,333,727
Salaries ,Wages,etc	229,768,968	221,495,608
Power & Fuel	82,250,037	92,979,648
Packing Materials	68,471,474	86,925,505
Consumable Store & Spares	39,979,460	49,162,241
Transport Expenses	22,412,226	22,759,499
Office Expenses	5,276,802	7,672,393
Welfare Expenses	10,479,663	11,401,168
Insurance Expenses	4,079,547	3,319,802
Communication Expenses	901,086	901,007
Occupancy Expenses	275,328	213,515
Travelling & Conveyance	1,221,970	961,393
Handling & Carrying Expenses	701,202	1,030,016
Repairs & Maintenance	5,585,272	5,811,492
Training & Conference	31,795	16,000
	582,708,727	602,983,014
20.00 ADMINISTRATIVE EXPENSES : TK. 54,107,127		
This consists of as follows :		
Depreciation	12,702,393	10,407,195
Salaries & Allowances	22,057,114	18,836,525
Welfare Expenses	3,072,625	2,234,521
Office Expenses	4,485,989	3,001,444
Transport Expenses	3,051,760	2,457,187
Debtors (Net) Written off	-	16,028,085
Legal Fees, Prof. & Others Fees	987,059	1,658,889
AGM Expenses	2,456,192	1,413,273
Communication Expenses	809,952	973,579
Occupancy Expenses	1,155,602	1,294,240
Travelling & Conveyance Expenses	2,076,054	1,961,178
Utilities Expenses	596,697	517,576
Repairs & Maintenance	27,200	45,790
Audit Fee	575,000	418,000
General Expenses	53,490	148,041
Training & Conference	-	37,514
	54,107,127	61,433,037

SHINEPUKUR CERAMICS LTD.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2012

		AMOUNT IN TAKA	
		31-DEC-12	31-DEC-11
21.00	SELLING & DISTRIBUTION EXPENSES : TK. 51,765,185		
	This consists of as follows :		
	Promotional Expenses	16,979,379	16,823,502
	Salaries & Allowances	15,600,197	16,380,110
	Advertising & Publicity	1,885,922	1,697,767
	Occupancy Expenses	4,835,738	3,533,504
	Office Expenses	3,285,736	3,367,602
	Transport Expenses	2,298,443	1,969,531
	Travelling & Conveyance Expenses	2,585,554	1,517,157
	Welfare Expenses	1,700,773	1,407,648
	Communication Expenses	792,819	789,413
	Utilities Expenses	596,698	552,183
	Show Room Expenses	577,776	361,297
	Handling & Carrying Expenses	395,670	776,522
	Repairs & Maintenance	30,850	5,900
	Legal & Professional Fees	128,560	187,071
	General Expenses	5,720	20,020
	Product Research	49,000	50,000
	Training & Conference	16,350	108,400
		51,765,185	49,547,627
22.00	FINANCE COST : TK. 364,625,228		
	This consists of as follows :		
	Interest on Loan from Banks & Others	271,583,574	220,379,804
	Interest on Long Term Loan from a Related Party	83,837,289	76,478,564
	Bank Interest Receipt	(152,487)	(351,840)
	Bank Commission & Charges	9,356,852	10,098,410
		364,625,228	306,604,938
23.00	INCOME TAX EXPENSES : TK. 84,848,705		
	This represents:		
	(a) Current Tax		
	Tax for the year under review	27,672,272	34,727,850
	(Excess) / Short Provision for the Year 2009 and before	(2,500,000)	15,396,194
	Short Provision for the Year 2010	37,470,730	-
	Short Provision for the Year 2011	23,714,573	-
	Current Tax	86,357,575	50,124,044
	(b) Deferred Tax	(1,508,870)	(3,926,609)
		84,848,705	46,197,435
24.00	EARNING PER SHARE (EPS):		
	(a) Earning Attributable to the Ordinary Shareholders (Net Profit After Tax)	90,285,057	168,768,102
	(b) Weighted Average Number of Ordinary Shares outstanding during the year (Note 3.13)	127,796,570	127,796,570
	(c) EPS (Adjusted EPS of 2011) (a/b)	0.71	1.32

SHINEPUKUR CERAMICS LTD.

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2012

		AMOUNT IN TAKA	
		31-DEC-12	31-DEC-11
25.00	PAYMENTS / PERQUISITES TO DIRECTORS AND OFFICERS		
(a)	Directors		
	No amount of money was expended by the company for compensating any member of the board for special services rendered.		
	No board meeting attendance fee was paid to the directors of the company.		
(b)	Officers		
	Managerial Remuneration	43,012,785	38,711,545
	Bonus	6,801,035	6,120,938
	Perquisites		
	Housing	18,065,476	16,423,160
	Transport	1,792,676	1,586,439
		69,671,972	62,842,082

26.00 CAPITAL EXPENDITURE COMMITMENT

There was no capital expenditure contracted but not incurred or provided for as on 31 December 2012.

There was no material capital expenditure authorised by the board but not contracted for as on 31 December 2012.

27.00 CONTINGENT LIABILITIES

There was no sums for which the company is contingently liable as on 31 December 2012.

28.00 CLAIMS NOT ACKNOWLEDGED

There was no claim against the company not acknowledged as debt as on 31 December 2012.

29.00 CREDIT FACILITIES NOT AVAILED

There was no credit facilities available to the company but not availed of as on 31 December 2012 under any contract, other than trade credit available in the ordinary course of business.

30.00 COMMISSION, BROKERAGE OR DISCOUNT AGAINST SALES

Selling commission of Tk. 18,830,483 was incurred and paid during the year in 2012.

No other commission, brokerage or discount was incurred or paid by the company against sales during the year 2012.

31.00 RELATED PARTY DISCLOSURE

Name of Related Party	Nature of Transactions	Value of Transactions During the year	Balance at the year end
Bangladesh Export Import Co. Ltd.	Investment in Shares	-	120,253,476
Beximco Synthetics Ltd.	Investment in Shares	-	1,451,730
Bangladesh Export Import Co. Ltd.	Long Term Loan	100,000,000	498,837,779
Bangladesh Export Import Co. Ltd.	Interest Expenses	83,837,289	57,769,370

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 December 2012

32.00 FINANCIAL RISK MANAGEMENT

The company management has overall responsibility for the establishment and oversight of the company's risk management framework. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company has exposure to the following risks from its use of financial instruments.

Credit risk
Liquidity risk
Market risk

Credit risk

Credit risk is the risk of a financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's receivables. Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Risk exposures from other financial assets, i.e. Cash at bank and other external receivables are nominal.

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's approach to managing liquidity (cash and cash equivalents) is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. Typically, the company ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations through preparation of the cash flow forecast, prepared based on time line of payment of the financial obligation and accordingly arrange for sufficient liquidity/fund to make the expected payment within due date.

In extreme stressed conditions, the company may get support from the related company in the form of short term financing.

Market Risk

Market risk is the risk that any change in market prices such as foreign exchange rates and interest will affect the company's income or the value of its holdings financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

(a) Currency Risk

The company is exposed to currency risk on certain revenues and purchases such as revenue from foreign customers and import of raw material, machineries and equipment. Majority of the company's foreign currency transactions are denominated in USD and EURO and relate to procurement of raw materials, machineries and equipment from abroad.

(b) Interest Rate Risk

Interest rate risk is the risk that arises due to changes in interest rates on borrowing. There is foreign currency loan which is subject to floating rates of interest. Local loans are, however, not significantly affected by fluctuations in interest rates. The company has not entered into any type of derivative instrument in order to hedge interest rate risk as at the reporting date.

33.00 EVENTS AFTER THE REPORTING PERIOD

On 30 April 2013 the board of directors recommended 15 % stock dividend (15 Bonus shares for each 100 shares held) which is subject to the shareholder's approval at the forth-coming annual general meeting.



A S F Rahman
Chairman



Salman F. Rahman
Vice-Chairman



Nazmul Hassan
Managing Director

Dated, Dhaka
30 April 2013

SHINEPUKUR CERAMICS LIMITED

Registered Office : 17 Dhanmondi R/A, Road # 2, Dhaka-1205

PROXY FORM

I/We ... of ... being a member of Shinepukur Ceramics Limited hereby appoint Mr./Mrs./Miss ... of ... as my Proxy to attend and vote for me on my behalf at the 16th Annual General Meeting of the Company to be held on Saturday the 29th June, 2013 at 12:00 noon at **BEXIMCO INDUSTRIAL PARK, SARABO, KASHIMPUR, GAZIPUR** and at any adjournment thereof.

As witness my hand this ... day of June, 2013. Signed by the said in presence of...

.....
(Signature of the Proxy)
Date

Revenue
Stamp
Tk. 20.00

.....
(Signature of witness)

.....
Signature of the Shareholder(s)

Register BO ID/Folio No.

Dated

NOTE : A member entitled to attend and vote at the General Meeting may appoint a Proxy to attend and vote in his/her stead. The Proxy Form, duly stamped, must be deposited at the Registered Office of the Company not later than 48 hours before the time appointed for the meeting.

Signature verified

.....
Authorized Signatory

SHINEPUKUR CERAMICS LIMITED

Registered Office : 17 Dhanmondi R/A, Road # 2, Dhaka-1205

SHAREHOLDERS' ATTENDANCE SLIP

I hereby record my attendance at the 16th Annual General Meeting being held on Saturday the 29th June, 2013 at 12:00 noon at **BEXIMCO INDUSTRIAL PARK, SARABO, KASHIMPUR, GAZIPUR**.

Name of Member/Proxy

Register BO ID/Folio No. ... holding of ... ordinary Shares of Shinepukur Ceramics Limited.

.....
Signature of Shareholder(s)

N. B. Please present this slip at the reception desk. Children and non-members will not be allowed at the meeting.

Shinepukur Ceramics

Proudly launches its first ever **Signature Showroom** at The Westin



Shinepukur *Signature* Showroom



THE WESTIN
DHAKA

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