

Shabbir Tiles and Ceramics Limited

Interim Condensed Financial Statements
for the Half year ended December 31, 2008
(UNAUDITED)





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Shabbir Tiles and Ceramics Limited

COMPANY INFORMATION

BOARD OF DIRECTORS	RAFIQ M. HABIB ALIREZA M. ALLADIN ALI S. HABIB ABDUL HAI M. BHAIMIA KERSI D. KAPADIA MANSOOR G. HABIB NAZIM F. HAJI	<i>Chairman</i> <i>Chief Executive</i>
AUDIT COMMITTEE	MANSOOR G. HABIB KERSI D. KAPADIA NAZIM F. HAJI	<i>Chairman</i>
COMPANY SECRETARY	AZIZ AHMED	
AUDITORS	Ford Rhodes Sidat Hyder & Co. Chartered Accountants	
BANKERS	Habib Metropolitan Bank Limited National Bank of Pakistan Royal Bank of Scotland Bank AL Habib Limited Habib Bank Limited	
KARACHI DISPLAY CENTRE & SALES OFFICE	Makro Cash & Carry, CAA, Near Star Gate, Main Shahrah-e-Faisal, Karachi. UAN: (021) 111-000-039 Tel: 021-4601372-4, Fax: 021-4601375	
LAHORE SALES OFFICE	17-A, Tariq Block New Garden Town, Lahore. UAN: (042) 111-000-039	
ISLAMABAD SALES OFFICE	Arles Tower, Office # 9 & 10, Shamsabad, Murree Road Rawalpind. Tel: (051) 4575315-8 Fax: (051) 4575319	
PESHAWAR SALES OFFICE	Room No. 10-B, 2nd Floor, Fawad Plaza, Jamrood Road, Peshawar. Phone : (091) 5843750	
MULTAN SALES OFFICE	Room No. 7 & 8, 3rd Floor, Trust Plaza, L.M.Q. Road, Multan. Phone : (061) 4546439	
FAISALABAD SALES OFFICE	Plaza No. 19, 1st Floor, Chanab Market, Madina Town, Main Susan Road, Faisalabad. Phones : (041) 8548243 & 8548244	
REGISTRAR AND SHARE TRANSFER OFFICE	Noble Computer Services (Pvt.) Ltd., 2nd Floor, Sohni Centre, BS 5 & 6, Main Karimabad, Block-4, Federal B. Area, Karachi-75950 Phones: (021) 6801880-81-82	



Shabbir Tiles and Ceramics Limited

DIRECTORS' REVIEW FOR THE HALF YEAR ENDED 31st DECEMBER 2008

Dear Shareholders,

The Directors of Shabbir Tiles & Ceramics Limited have pleasure in submitting the report and unaudited accounts for the half year ended December 31, 2008.

The period under review was an eventful period. All of us were witness to melting down of the global economy and political arena which kept business activity subdued, and slowed down the pace of activities with negative growth. Thus, the period under review was an extremely difficult period more particularly also due to price and supply volatility of raw materials, steep fall in rupee value and sharp increase in financial and input cost, impact of which was felt by all and sundry.

Your Company despite of the foregoing adversities, however, was able to perform reasonably well, maintained its earning and create value for its stakeholders, as the management has endeavoured and worked hard to achieve the operational and financial results.

By the grace of Almighty Allah, during the six months period ended December 31, 2008, the turnover was resilient and significantly increased by 28.45% as compared to the same period of last year. The gross profit margin was Rs. 319.79 million (26.49%) as against Rs. 225.47 million (24%) during the comparable period of last year.

The management has taken a number of initiatives during this extremely difficult period to sustain and increase the value of business and results of these initiatives are evident from the fact that earning per share on enhanced paid-up capital of Rs. 360.64 million works out to paisas 56 (2007: paisas 81) on last year's corresponding period paid-up capital of Rs. 163.93 million.

With Allah's blessing, the new floor tiles unit is partially completed and commenced initial production from December 17, 2008 and is likely to attain full capacity production during the last quarter of current financial year. The market response and feedbacks towards the products are encouraging.

Future outlook for the year 2009 looks murky and fluid as the global economy is under siege and disarray. At this testing time the management of the Company though cautiously optimistic have evolved strategies to absorb and overcome any unforeseen adverse situation during 2009. Every possible efforts are being made to outmanoeuvre the likely adverse situation and achieve better financial and operational results for the remainder period of six months.

We close this report by thanking all stakeholders for their continued hard works, confidence and sustained support at this testing time.

On behalf of the Board

ALIREZA M. ALLADIN
Chief Executive

Karachi : 23rd February, 2009.



Shabbir Tiles and Ceramics Limited

REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying interim condensed balance sheet of SHABBIR TILES AND CREAMICS LIMITED as at 31 December 2008, and the related interim condensed profit and loss account, interim condensed cash flow statement and interim condensed statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "interim financial information") for the half-year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards applicable in Pakistan.

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Karachi : February 23, 2009.



Shabbir Tiles and Ceramics Limited

INTERIM CONDENSED BALANCE SHEET AS AT DECEMBER 31, 2008 (UN-AUDITED)

	Note	December 31, 2008 (Unaudited)	June 30, 2008 (Audited)
(Rupees in '000)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	3,459,749	1,527,609
Investment property		673	724
Long term loans and advances		246	900
Long term deposits		20,950	17,877
		3,481,618	1,547,110
CURRENT ASSETS			
Stores and spares		81,155	64,535
Stock-in-trade		471,094	276,533
Trade debts – unsecured, considered good	5	359,224	311,780
Loans, advances, deposits, prepayments and other receivables	6	63,632	141,031
Taxation - net		34,447	–
Sales tax refundable		38,471	12,077
Cash and bank balances		76,575	135,230
		1,124,598	941,186
TOTAL ASSETS		4,606,216	2,488,296
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Capital			
120,000,000 (June 30, 2008 : 120,000,000) Ordinary shares of Rs. 5/- each		600,000	600,000
Issued, subscribed and paid-up capital	7	360,638	163,926
Share premium		389,764	–
Reserves		501,647	581,152
		1,252,049	745,078
NON-CURRENT LIABILITIES			
Long term finance		2,335,323	791,743
Liabilities against assets subject to finance lease		112,985	163,385
Deferred taxation		102,770	128,451
		2,551,078	1,083,579
CURRENT LIABILITIES			
Trade and other payables	8	360,598	189,176
Accrued mark-up		133,576	30,726
Short-term borrowings	9	193,672	298,976
Current maturity of liabilities against assets subject to finance lease		115,243	131,400
Taxation – net		–	184
Sales tax payable		–	9,177
		803,089	659,639
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		4,606,216	2,488,296

The annexed notes from 1 to 12 form an integral part of these interim condensed financial statements.

ALIREZA M. ALLADIN
Chief Executive

ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

INTERIM CONDENSED PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

	Half year Ended		Quarter Ended	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	(Rupees in '000)			
Turnover - net	1,207,101	939,710	631,736	488,059
Cost of sales	887,315	714,240	466,785	361,847
Gross profit	319,786	225,470	164,951	126,212
Distribution costs	173,375	119,781	93,213	60,889
Administrative expenses	27,586	18,457	14,560	9,046
	200,961	138,238	107,773	69,935
Other operating income	1,208	499	867	271
	120,033	87,731	58,045	56,548
Finance costs	58,227	31,508	38,539	17,736
Other charges	4,264	3,879	1,345	2,677
	62,491	35,387	39,884	20,413
Profit before taxation	57,542	52,344	18,161	36,135
Taxation				
– Current	369	8,741	(39)	4,284
– Prior	3,865	(837)	3,865	(837)
– Deferred	18,317	9,191	4,946	8,002
	22,551	17,095	8,772	11,449
Profit after taxation	34,991	35,249	9,389	24,686
		(Restated)		(Restated)
Basic and diluted earning per share (Rs.)	0.56	0.81	0.15	0.57

The annexed notes from 1 to 12 form an integral part of these interim condensed financial statements.

ALIREZA M. ALLADIN
Chief Executive

ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

INTERIM CONDENSED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

	December 31, 2008	December 31, 2007
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	57,542	52,344
Adjustments for :		
Depreciation	69,761	57,449
Finance costs	58,227	31,508
Gain on disposal of fixed assets	(571)	(62)
Profit on bank deposit	(199)	(84)
Amortization of unearned rental income from investment property	(210)	(210)
	<u>127,008</u>	<u>88,601</u>
	184,550	140,945
(Increase) / decrease in current assets		
Stores and spares	(16,620)	(23,341)
Stock-in-trade	(194,561)	(75,457)
Trade debts	(47,444)	(62,924)
Loans, advances, deposits, prepayments and other receivables	(54,459)	(11,264)
	<u>(313,084)</u>	<u>(172,986)</u>
Increase in current liabilities		
Trade and other payables	162,449	30,993
Net Cash used in operations	<u>(150,635)</u>	<u>(141,993)</u>
Income tax paid	(35,294)	(13,881)
Finance costs paid	(48,886)	(29,777)
Long-term loans	654	(397)
Long-term deposits	(3,070)	1,686
Net cash used in operating activities	<u>(52,681)</u>	<u>(43,417)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(1,931,814)	(287,263)
Proceeds from disposal of fixed assets	1,596	842
Profit received on bank deposit	199	84
Net cash used in investing activities	<u>(1,930,019)</u>	<u>(286,337)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of long term finance	1,543,580	-
Repayment of liabilities against assets subject to finance lease	(67,921)	(56,528)
Proceed/(Repayments) of term finances	7,387	(53,320)
Proceeds from right issue of shares	553,690	-
Net cash generated from / (used in) financing activities	<u>2,036,736</u>	<u>(109,848)</u>
Net increase/(decrease) in cash and cash equivalents	<u>54,036</u>	<u>(439,602)</u>
Cash and cash equivalents at the beginning of the period	<u>(154,781)</u>	<u>16,518</u>
Cash and cash equivalents at the end of the period	<u>(100,745)</u>	<u>(423,084)</u>
CASH AND CASH EQUIVALENTS		
Cash and bank balances	76,575	34,957
Short term running finances	(177,320)	(458,041)
	<u>(100,745)</u>	<u>(423,084)</u>

The annexed notes from 1 to 12 form an integral part of these interim condensed financial statements.

ALIREZA M. ALLADIN
Chief Executive

ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

	Issued subscribed & paid-up capital	Capital reserve share premium	General reserves	Revenue reserves			Total Equity
				Unappro- priated profit	Hedging reserves	Total reserves	
Balance as at June 30, 2007	136,605	-	348,000	82,777	-	430,777	567,382
Bonus shares issued @ 2:10	27,321	-	-	(27,321)	-	(27,321)	-
Transfer to general reserve	-	-	55,000	(55,000)	-	-	-
Net profit for the period	-	-	-	35,249	-	35,249	35,249
Balance as at December 31, 2007	<u>163,926</u>	<u>-</u>	<u>403,000</u>	<u>35,705</u>	<u>-</u>	<u>438,705</u>	<u>602,631</u>
Balance as at June 30, 2008	163,926	-	403,000	96,442	81,710	581,152	745,078
Issue of right share (see note 7)	163,926	389,764	-	-	-	389,764	553,690
Issue of bonus share 2 : 10	32,786	-	-	(32,786)	-	(32,786)	-
Transfer to general reserve	-	-	63,000	(63,000)	-	-	-
Net Gain on Cash Flow Hedge transferred to property, plant and equipment	-	-	-	-	(81,710)	(81,710)	(81,710)
Net profit for the period	-	-	-	34,991	-	34,991	34,991
Balance as at December 31, 2008	<u>360,638</u>	<u>389,764</u>	<u>466,000</u>	<u>35,647</u>	<u>-</u>	<u>891,411</u>	<u>1,252,049</u>

The annexed notes from 1 to 12 form an integral part of these interim condensed financial statements.

ALIREZA M. ALLADIN
Chief Executive

ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2008 (UNAUDITED)

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated on November 07, 1978 as a public limited company by shares under the Companies Act 1913 (now the Companies Ordinance, 1984 here-in-after referred to as "the Ordinance") and is listed on all the Stock Exchanges in Pakistan. The Company is primarily engaged in manufacture and sale of tiles and trading of allied building material products. The registered office of the Company is situated at 15th Mile Stone, National Highway, Landhi, Karachi.

During December 2008, the Company has started commercial production of floor tiles with the output of 3,000 sqm. per day out of total available capacity of 8,000 sqm. per day. The expansion has enhanced the total capacity to 25,500 sqm. per day.

2. BASIS OF PREPARATION

These interim condensed financial statements are un-audited but subject to limited scope review by the auditors. These are required to be presented to the shareholders under section 245 of the Ordinance and have been prepared in a condensed form in accordance with the requirements of the International Accounting Standard (IAS) - 34 "Interim Financial Reporting" as applicable in Pakistan. The figures of the interim condensed profit and loss account for the quarters ended December 31, 2007 and 2008 have not been reviewed by the auditors of the Company as they have reviewed the cumulative figures for the half years ended December 31, 2007 and 2008. These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2008.

4. PROPERTY, PLANT AND EQUIPMENT

4.1 The following additions and deletions were made in operating fixed assets during the period:

	Additions (cost)	Deletions (book value)
	(Rupees in '000)	
Owned		
Factory building	438,069	-
Plant and machinery	4.2 1,597,688	312
Vehicles	6,450	-
Computers	1,595	-
Office equipments	2,820	-
Furniture & fixtures	13,437	-
	<u>2,060,059</u>	<u>312</u>
Leased		
Vehicles	1,364	713
	<u>2,061,423</u>	<u>1,025</u>



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4.2 During the period borrowing costs amounting to Rs. 12.067 million (June 30, 2008: Rs. Nil) have been capitalized in fixed assets pertaining to the new expansion projects.

4.3 The following is the movement in capital work-in-progress during the period:

	Opening balance	Additions	Transferred to operating fixed assets	Closing balance	
				December 31, 2008	June 30, 2008
(Rupees in '000)					
Plant & Machinery	181,857	1,710,002	1,515,849	376,010	181,857
Civil Works	287,205	270,192	438,070	119,327	287,206
Advance to suppliers and contractors	80,179	-	47,754	32,425	80,179
Others	37,070	-	37,070	-	37,070
	<u>586,311</u>	<u>1,980,194</u>	<u>2,038,743</u>	<u>527,762</u>	<u>586,311</u>

4.4 During the period borrowing costs amounting to Rs. 93.665 million (June 30, 2008: Rs. 27.577 million) have been included in the capital work-in-progress pertaining to the new expansion projects.

5. TRADE DEBTS - unsecured, considered good

This includes Rs. Nil (June 30, 2008 : Rs. 0.023 million) due from related party.

6. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

This includes Rs. 1.743 million (June 30, 2008 : Rs. 6.160 million) due from a related party.

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 5/- each

December 31, 2008 June 30, 2008
(Rupees in '000)

Number of shares
December 31, 2008 June 30, 2008

6,863	6,863	Issued fully paid in cash	34,315	34,315
32,785	-		Opening balance	
39,648	6,863	Issued during the period as right shares	163,926	-
1,150	1,150	Closing balance	198,241	34,315
		Issued for consideration other than cash	5,750	5,750
		Issued as fully paid bonus shares		
24,772	19,308	Opening balance	123,861	96,540
6,557	5,464	Issued during the period	32,786	27,321
31,329	24,772	Closing balance	156,647	123,861
<u>72,127</u>	<u>32,785</u>		<u>360,638</u>	<u>163,926</u>



Shabbir Tiles and Ceramics Limited

During the period, the Company issued 32,785,423 ordinary shares of Rs. 5/- each as right shares at a premium of Rs. 12/- per share in the ratio of 1:1 share held as approved by the Board of Directors in their meeting held on April 29, 2008. These shares are also listed on all the stock exchanges of Pakistan where the existing shares are listed and carry same characteristics as existing shares of the Company. The effect of these shares have been taken in the calculation of basic and diluted earning per share of current and prior periods.

The shares held by the related parties as at December 31, 2008 were 3,061,665 (June 30, 2008: 1,838,666) ordinary shares of Rs. 5/- each.

8. TRADE AND OTHER PAYABLES

This Includes of Rs. 11.362 million (June 30, 2008: Rs. 2.505 million) due to related parties.

	December 31, 2008	June 30, 2008
	(Rupees in '000)	
9. SHORT-TERM BORROWINGS - secured		
Term finances	16,352	8,965
Running finances	177,320	290,011
	<u>193,672</u>	<u>298,976</u>

10. CONTINGENCIES AND COMMITMENTS

Contingencies

There is no change in the status of contingencies as disclosed in the annual financial statements for the year ended June 30, 2008 except for the followings:

- 10.1** The Divisional Bench of the Honourable High Court of Sindh through its order dated September 17, 2008 has declared the levy of Infrastructure Cess/Fee by the Excise and Taxation Department, Government of Sindh upto December 27, 2006 as ultra vires of the constitution. The levy subsequent to December 27, 2006 has been declared as valid and constitutional.

The Company has filed an appeal before the Supreme Court of Pakistan against the above order of the High Court of Sindh. The Honourable Supreme Court of Pakistan has accepted the petition and granted stay order against the payment of levy subject to the submission of bank guarantees.

The Company has decided not to reverse the liability pertaining to the period prior to December 27, 2006 as the Excise Department, Government of Sindh has also filed an appeal before the Honourable Supreme Court of Pakistan against the above order of the High Court of Sindh. Therefore, the Company continues to provide for additional liability of the charge for the period under review until the matter is finally decided by the Supreme Court of Pakistan.

The utilized portion of guarantee amounting to Rs. 26.426 million (June 30, 2008 : Rs. 12.08 million) has been provided in these financial statements.



Shabbir Tiles and Ceramics Limited

- 10.2** The Additional Commissioner - Audit Division has amended the assessment under section 122 of the Income Tax Ordinance, 2001 for the tax year 2003 whereby further tax of Rs. 39.34 million has been determined to be payable by the Company by disallowing trade discounts of Rs. 73.92 million. Being aggrieved, the Company has filed an appeal before the Commissioner of Income Tax - Appeal to contest the unfair demand raised by the Additional Commissioner - Audit Division. The Company based on the advise of its tax consultant is confident that the case will be decided in its favour and therefore no provision for the above demand has been made in these interim condensed financial statements.

	December 31, 2008	June 30, 2008
	(Rupees in '000)	
Commitments		
Capital commitment		
– Plant & machinery	<u>308,589</u>	1,550,673
– Civil works	<u>–</u>	65,687
Outstanding Letter of credits	<u>73,816</u>	96,162
Outstanding Letter of guarantees	<u>301,828</u>	82,707

11 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise companies with common directorship, retirement funds, directors and key management personnel. Detail of transactions with related parties during the period, other than those which have been disclosed elsewhere in these interim condensed financial statements, are as follows:

	December 31, 2008	December 31, 2007
	(Rupees in '000)	
Purchase of goods	<u>16,075</u>	11,076
Insurance premium	<u>12,765</u>	3,133
Insurance claims received	<u>194</u>	7
Rent paid and services	<u>4,532</u>	–
Remuneration of key management personnel	<u>2,250</u>	3,573
Contribution to provident fund	<u>2,596</u>	2,036

Transactions with related parties are carried out at an arm's length prices determined using the admissible valuation methods.

12. DATE OF AUTHORIZATION FOR ISSUE

These Interim condensed financial statements were authorised for issue on February 23, 2009 by the Board of Directors of the Company.

ALIREZA M. ALLADIN
Chief Executive

ABDUL HAI M. BHAIMIA
Director

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