



Shabbir Tiles and Ceramics Limited
(Incorporated in Pakistan)



Certificate No. KHI 2001011

**REGISTERED OFFICE
AND FACTORY :**

15th Mile Stone,
National Highway,
Landhi, Karachi-75120
Phones : (021) 5015024 - 25
5014044 - 45
E-mail : info@stile.com.pk
URL: <http://www.stile.com.pk>

NATIONAL TAX NUMBER : 34-01-0712052
SALES TAX REGISTRATION NO : 02-04-6907-001-37

Authorised Capital	...	Rs.	300,000,000
Issued, Subscribed and Paid-up Capital	...	Rs.	113,838,275

Accounts for the half year
ended 31st December,
2005
(UNAUDITED)



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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	SHABBIR ABBAS	
AUDITORS	Ford Rhodes Sidat Hyder & Co. Chartered Accountants	
BANKERS	ABN AMRO Bank N.V. Bank AL Habib Limited Habib Bank Limited Habib Bank A. G. Zurich Metropolitan Bank Limited Muslim Commercial Bank Limited Standard Chartered Bank	
KARACHI DISPLAY CENTRE & SALES OFFICE	Stile House, 1st & 2nd Floor, Plot No. 15-C & 17-C, Zamzama Commercial Lane, Phase V, Defence Housing Authority, Karachi. UAN: (021) 111-000-039 Customer Service Toll Free Number 0800-000-14	
LAHORE SALES OFFICE	34, Aibak Block, New Garden Town, Lahore. UAN: (042) 111-000-039	
ISLAMABAD SALES OFFICE	Plot No. H-226, Street No. 7, Industrial Area, Sector 1-9, Islamabad. UAN: (051) 111-000-039	
PESHAWAR SALES OFFICE	Room No. 10, 2nd Floor, Fawwad 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	
JEHLUM SALES OFFICE	Shop # 6, 1st Floor, Dada Bhai Building Kazim Kamal Road, Jehlum Cantt. Phone: (0544) 626382	
REGISTRARS 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	



**REPORT OF THE DIRECTORS FOR THE
HALF YEAR ENDED 31ST DECEMBER, 2005.**

Dear Shareholders,

The Directors take pleasure in presenting the unaudited half yearly accounts of the Company for the period ended 31st December, 2005.

By the grace of Almighty Allah, your Company has generated net sales amounting to Rs. 753.312 million as against Rs. 504.188 million in the corresponding period last year registering a growth of 49.41%. The profit before taxation has also increased from Rs. 50.501 million to Rs. 58.673 million due to higher sales volume and better average selling prices. Financial charges have however gone up due to increase in mark-up rates.

In order to maintain market share of ceramic wall tiles, plant capacity is being increased from 3.370 million sq. metres to 4.570 million sq. metres per annum and Inshallah, additional capacity is expected to come on line shortly. We are also focusing on increasing our trading activities under our brand name in related fields / products.

We anticipate that sales of tiles and other building products will continue to grow due to increase in construction activities. However the industry in the country is facing stiff competition from imported tiles available at Lower rates. The profitability for the current quarter will remain under pressure due to planned closure of the plant for erection and modification of kiln and other production equipment that is being undertaken for the capacity expansion.

The industrial relations climate remained cordial and satisfactory.

In the end, we wish to express our thanks to all our customers for their patronage and goodwill. We appreciate the support received from the stakeholders who continue to repose trust in the Company.

On behalf of the Board

ALIREZA M. ALLADIN
Chief Executive

Karachi : February 16, 2006.



REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of **Shabbir Tiles and Ceramics Limited** as at December 31, 2005, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (herein-after referred to as the “financial statement”) for the half-year ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Karachi : February 16, 2006.



**BALANCE SHEET AS AT DECEMBER 31, 2005
(UNAUDITED)**

	Note	December 31, 2005 (Unaudited) (Rupees in '000)	June 30, 2005 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	592,782	475,850
Investment property		977	1,027
Long term loans and advances		1,662	2,033
Long term deposits		24,192	18,366
		<u>619,613</u>	<u>497,276</u>
CURRENT ASSETS			
Stores and spares		19,554	21,537
Stock-in-trade	5	203,216	144,891
Trade debts		307,532	273,511
Loans and advances	6	42,681	6,550
Deposits and prepayments		7,719	3,146
Other receivables		1,819	1,748
Accrued mark-up		69	—
Taxation - net		—	3,393
Cash and bank balances		75,816	59,691
		<u>658,406</u>	<u>514,467</u>
TOTAL ASSETS		<u><u>1,278,019</u></u>	<u><u>1,011,743</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Capital			
60,000,000 (June 30, 2005 : 20,000,000) ordinary shares of Rs. 5/- each		300,000	100,000
Issued, subscribed and paid-up capital	7	113,838	94,865
Reserves		344,676	350,317
		<u>458,514</u>	<u>445,182</u>
NON-CURRENT LIABILITIES			
Long term loan		20,250	33,750
Liabilities against assets subject to finance leases	8	196,159	139,428
Deferred taxation		42,450	37,794
Deferred liability - advance rent		1,400	1,610
		<u>260,259</u>	<u>212,582</u>
CURRENT LIABILITIES			
Trade and other payables		118,636	84,951
Accrued mark-up		3,898	2,512
Short-term borrowings	9	311,080	173,655
Current portion of long term loan		27,000	27,000
Current portion of liabilities against assets subject to finance leases	8	86,499	62,000
Taxation - net		1,601	—
Sales tax payable		10,532	3,861
		<u>559,246</u>	<u>353,979</u>
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		<u><u>1,278,019</u></u>	<u><u>1,011,743</u></u>

The annexed notes from 1 to 13 form an integral part of these financial statements.

ALIREZA M. ALLADIN
Chief Executive

NAZIM F. HAJI
Director



**PROFIT AND LOSS ACCOUNT FOR THE
HALF YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

	Half year Ended		Quarter Ended	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
	(Rupees in '000)			
Turnover	753,312	504,188	364,798	253,023
Cost of sales	565,919	369,944	280,123	183,006
Gross profit	187,393	134,244	84,675	70,017
Distribution cost	91,762	61,123	47,722	32,525
Administrative expenses	16,274	11,893	9,213	6,165
	108,036	73,016	56,935	38,690
	79,357	61,228	27,740	31,327
Finance cost	17,922	8,156	10,108	4,798
Other operating income	(1,049)	(822)	(866)	(243)
Other charges	3,811	3,393	1,038	1,199
	20,684	10,727	10,280	5,754
Profit before taxation	58,673	50,501	17,460	25,573
Taxation				
– Current	26,455	20,454	7,747	11,536
– Deferred	4,656	1,445	4,656	1,458
	31,111	21,899	12,403	12,994
Profit after taxation	27,562	28,602	5,057	12,579
Basic and diluted earnings per share (Rs.)	1.21	1.51	0.22	0.66

The annexed notes from 1 to 13 form an integral part of these financial statements.

ALIREZA M. ALLADIN
Chief Executive

NAZIM F. HAJI
Director



**CASH FLOW STATEMENT FOR THE
HALF YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

	December 31, 2005	December 31, 2004
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	58,673	50,501
Adjustments for :		
Depreciation	36,410	18,788
Finance cost	17,922	8,156
Gain on disposal of fixed assets	(648)	(503)
Profit on bank deposit	(152)	(36)
Amortization of unearned rental income from investment	(210)	(210)
	<u>53,322</u>	<u>26,195</u>
Operating profit before working capital changes	111,995	76,696
(Increase) / decrease in current assets		
Stores and spares	1,983	860
Stock-in-trade	(58,325)	(20,712)
Trade debts	(34,021)	(48,645)
Loans and advances	(36,131)	(2,585)
Deposits and prepayments	(4,573)	(3,023)
Other receivables	(72)	888
	<u>(131,139)</u>	<u>(73,217)</u>
Increase in current liabilities		
Trade and other payables	39,539	39,100
Cash generated from operations	20,395	42,579
Income tax paid	(21,461)	(12,410)
Finance cost paid	(16,536)	(7,650)
Long term loans - net	371	(178)
Long term deposits	(5,826)	9
Net cash (outflow) / inflow from operating activities	<u>(23,057)</u>	<u>22,350</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(40,318)	(21,936)
Proceeds from sale of fixed assets	1,292	2,718
Profit received on bank deposit	83	24
Net cash used in investing activities	<u>(38,943)</u>	<u>(19,194)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term loan	(13,500)	(13,500)
Repayment of liabilities against assets subject to finance leases	(32,388)	(18,762)
Receipt / (repayment) of short-term borrowings	35,389	(3,207)
Dividend paid	(13,412)	(12,201)
Net cash used in from financing activities	<u>(23,911)</u>	<u>(47,670)</u>
Net decrease in cash and cash equivalents	<u>(85,911)</u>	<u>(44,514)</u>
Cash and cash equivalents at the beginning of the period	<u>(14,678)</u>	<u>39,637</u>
Cash and cash equivalents at the end of the period	<u><u>(100,589)</u></u>	<u><u>(4,877)</u></u>
CASH AND CASH EQUIVALENTS		
Cash and bank balances	75,816	38,788
Short term running finances	(176,405)	(43,665)
	<u><u>(100,589)</u></u>	<u><u>(4,877)</u></u>

The annexed notes from 1 to 13 form an integral part of these financial statements.

ALIREZA M. ALLADIN
Chief Executive

NAZIM F. HAJI
Director



**STATEMENT OF CHANGES IN EQUITY FOR THE
HALF YEAR ENDED DECEMBER 31, 2005.
(UNAUDITED)**

	Capital Reserve		Revenue reserves		Total reserves	Total equity
	Issued subscribed & paid-up capital	Bonus Shares	General reserve	Unappropriated profit		
(Rupees in '000)						
Balance as at July 1, 2004	86,240	–	274,000	21,586	295,586	381,826
Final dividend for the year ended June 30, 2004 @ Re. 0.75 per share	–	–	–	(12,936)	(12,936)	(12,936)
Bonus shares issued @ 10 : 1	8,625	–	–	(8,625)	(8,625)	–
Net profit for the period	–	–	–	28,602	28,602	28,602
Balance as at December 31, 2004	<u>94,865</u>	<u>–</u>	<u>274,000</u>	<u>28,627</u>	<u>302,627</u>	<u>397,492</u>
Balance as at July 1, 2005	94,865	–	274,000	76,317	350,317	445,182
Final dividend for the year ended June 30, 2005 @ Re. 0.75 per share	–	–	–	(14,230)	(14,230)	(14,230)
Bonus shares issued @ 10 : 2	18,973	–	–	(18,973)	(18,973)	–
Transfer to general reserve	–	–	43,000	(43,000)	–	–
Net profit for the period	–	–	–	27,562	27,562	27,562
Balance as at December 31, 2005	<u>113,838</u>	<u>–</u>	<u>317,000</u>	<u>27,676</u>	<u>344,676</u>	<u>458,514</u>

The annexed notes from 1 to 13 form an integral part of these financial statements.

ALIREZA M. ALLADIN
Chief Executive

NAZIM F. HAJI
Director



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated on November 07, 1978 as a public limited company and is listed on all 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.

2. BASIS OF PREPARATION

These financial statements are unaudited but subject to limited scope review by auditors. These are required to be presented to the shareholders under Section 245 of the Companies Ordinance, 1984 (the Ordinance) and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34 "Interim Financial Reporting" as applicable in Pakistan. The figures of the profit and loss account for the quarters ended December 31, 2004 and 2005 have not been reviewed by the auditors of the Company as they reviewed the cumulative figures for the half years ended December 31, 2004 and 2005.

3. ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation followed for the preparation of these financial statements are the same as those applied in preparing the financial statements for the year ended June 30, 2005 except for the change mentioned in note 3.2.

3.2 Change in accounting estimate

During the period, effective July 01, 2005 the useful life of the following classes of property, plant and equipment assets were reviewed which resulted in the revision of depreciation rates and method.

Description	Annual rate of depreciation	
	2005 %	2004 %
Owned		
Building on freehold land	10	5
Plant and machinery	10-20	10
Furniture and fixtures	20	10
Office equipment	20-33	20-30
Computer and accessories	50	50
Vehicles	20	20
Leased		
Building on freehold land	10	5
Plant and machinery	10-20	10
Computer and accessories	50	30
Vehicles	20	20

The Company has also revised its depreciation method from reducing balance to straight-line. The above revisions would result in a more accurate allocation of depreciation expense to the accounting period in which the depreciable assets are utilized by the Company. This change has been accounted for as a change in accounting estimate. Had the estimate not been revised the depreciation charge for the period would have been lower and the carrying value of fixed assets would have been higher by Rs. 9.9 million respectively and profit before taxation would have been higher by Rs. 9.061 million.



4. PROPERTY, PLANT AND EQUIPMENT

4.1 The following major additions, deletions and transfers were made during the period.

	Additions	Deletions
	(Rupees in '000)	
Owned		
Plant and machinery	2,575	-
Vehicles	582	117
Furniture and fixtures	108	-
AC equipment	230	-
Office equipment	179	37
Computers	929	133
	<u>4,603</u>	<u>287</u>
Leased		
Plant and machinery	110,473	-
Vehicles	3,145	459
	<u>113,618</u>	<u>459</u>
Capital work-in-progress		
	Additions	Transfer to operating fixed assets
	(Rupees in '000)	
Plant and machinery	132,434	110,473
Advances to suppliers	13,013	-
Civil works	740	-
	<u>146,187</u>	<u>110,473</u>

4.2 The following is the movement in capital work-in-progress during the period/year:

	December 31, 2005	June 30, 2005
	(Rupees in '000)	
Additions during the period/year	146,187	345,285
Less : Transferred to fixed assets	110,473	345,285
Closing balance	<u>35,714</u>	<u>-</u>

5. STOCK-IN-TRADE

Raw and packing materials		
- in hand	43,521	28,026
- in transit and bonded warehouse	16,433	15,202
	<u>59,954</u>	<u>43,228</u>
	18,018	22,909
Work-in-process		
Finished goods		
- in hand	94,513	69,833
- in transit and bonded warehouse	30,731	8,921
	<u>125,244</u>	<u>78,754</u>
	<u>203,216</u>	<u>144,891</u>



	Note	December 31, 2005	June 30, 2005
		(Rupees in '000)	
6. LOANS AND ADVANCES			
Loans			
Current portion of long-term loans		980	818
Employees		1,140	1,149
		<u>2,120</u>	<u>1,967</u>
Advances			
Employees		136	322
Suppliers and contractors		4,589	2,067
Collector of Customs	6.1	34,961	2,086
Other		875	108
		<u>40,561</u>	<u>4,583</u>
		<u>42,681</u>	<u>6,550</u>
6.1 Represents post dated cheques issued to the Collector of Customs in respect to duties on goods lying in bonded warehouse.			
7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Ordinary shares of Rs. 5/- each			
		December 31, 2005	June 30, 2005
		(Rupees in '000)	
Number of shares			
December 31, 2005	June 30, 2005		
6,863,200	6,863,200	Fully paid in cash	34,316
		Issued for consideration	34,316
1,150,000	1,150,000	other than cash	5,750
		Issued as fully paid	5,750
14,754,455	10,959,846	bonus shares	73,772
<u>22,767,655</u>	<u>18,973,046</u>		<u>113,838</u>
			<u>94,865</u>
8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES			
Not later than one year		54,412	74,722
Later than one year and not later than five years		275,813	152,272
		<u>330,225</u>	<u>226,994</u>
Less: Financial charges allocable to future periods		47,567	25,566
Present value of minimum lease payments		282,658	201,428
Less: Current portion		86,499	62,000
		<u>196,159</u>	<u>139,428</u>
9. SHORT-TERM BORROWINGS - secured			
Term finance		134,675	99,286
Running finance		176,405	74,369
		<u>311,080</u>	<u>173,655</u>

These finances are secured by way of hypothecation of stocks, book debts and legal and equitable mortgage of present and future fixed assets of the Company ranking pari-passu with other creditors and are further secured by promissory notes.



10. CONTINGENCIES AND COMMITMENTS

There were no major changes in the contingencies and commitments as reported in the financial statements for the year ended June 30, 2005 except for commitments for capital expenditure amounting to Rs. 33.814 million (June 2005 : Rs. nil).

11. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise associated undertakings, directors and key management personnel. Transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment, are as follows:

	December 31, 2005	December 31, 2004
	(Rupees in '000)	
Associated companies		
Sale of goods	973	–
Sale of vehicle	500	–
Purchase of goods	6,618	3,556
Insurance premium paid	11,047	7,190
Insurance claims received	118	614
Internal audit and IT related fee	1,120	820
Registrar's services	336	318

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 financial statements were authorised for issue on February 16, 2006 by the Board of Directors of the Company.

13. GENERAL

13.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison.

13.2 Figures have been rounded off to nearest thousands rupees.

ALIREZA M. ALLADIN
Chief Executive

NAZIM F. HAJI
Director