

# **Shabbir Tiles and Ceramics Limited**

Interim Condensed Financial Statements  
1st quarter ended September 30, 2008  
(UNAUDITED)





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## Shabbir Tiles and Ceramics Limited

### COMPANY INFORMATION

<b>BOARD OF DIRECTORS</b>	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>
<b>AUDIT COMMITTEE</b>	MANSOOR G. HABIB KERSI D. KAPADIA NAZIM F. HAJI	<i>Chairman</i>
<b>COMPANY SECRETARY</b>	AZIZ AHMED	
<b>AUDITORS</b>	Ford Rhodes Sidat Hyder & Co. Chartered Accountants	
<b>BANKERS</b>	Habib Metropolitan Bank Limited National Bank of Pakistan Royal Bank of Scotland Bank AL Habib Limited Habib Bank Limited	
<b>KARACHI DISPLAY CENTRE &amp; SALES OFFICE</b>	Makro Cash & Carry, CAA, Near Star Gate, Main Shahrah-e-Faisal, Karachi. UAN: (021) 111-000-039 Tel: 021-4601372-4, Fax: 021-4601375	
<b>LAHORE SALES OFFICE</b>	17-A, Tariq Block New Garden Town, Lahore. UAN: (042) 111-000-039	
<b>ISLAMABAD SALES OFFICE</b>	Plot No. H-226, Street No. 7, Industrial Area, Sector I-9, Islamabad. UAN: (051) 111-000-039	
<b>PESHAWAR SALES OFFICE</b>	Room No. 10-B, 2nd Floor, Fawad Plaza, Jamrood Road, Peshawar. Phone : (091) 5843750	
<b>MULTAN SALES OFFICE</b>	Room No. 7 & 8, 3rd Floor, Trust Plaza, L.M.Q. Road, Multan. Phone : (061) 4546439	
<b>FAISALABAD SALES OFFICE</b>	Plaza No. 19, 1st Floor, Chanab Market, Madina Town, Main Susan Road, Faisalabad. Phones : (041) 8548243 & 8548244	
<b>REGISTRAR AND SHARE TRANSFER OFFICE</b>	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	



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## Shabbir Tiles and Ceramics Limited

### DIRECTORS' REVIEW FOR THE QUARTER ENDED 30 SEPTEMBER 2008

Dear Shareholders,

The Directors feel pleasure in presenting the report and financial statements of the Company for the quarter ended 30 September 2008.

As reported in the Annual Report dated 24.09.2008, the quarter under review proved to be one of the most challenging quarter. Ever increasing prices of raw materials and financial cost, massive devaluation of rupee and abnormal tariff hikes in electricity and gas presented extremely difficult challenges for the Company. In spite of these difficult conditions, by the grace of Almighty Allah, your Company performed well and achieved the good results for the quarter.

The salient features of your Company's performance on quarter to quarter are:

- 7.25% growth in production volume.
- 27.54% growth in sales value mainly due to regular revision in average selling price and better products mix.
- Gross profit rate increased from 20.59% to 25.70% due to growth in sales volume and better average selling price.
- Financial cost increased by 42.96% due to frequent increase in mark-up rates.
- Profit after taxation increased by Rs. 15.04 million from Rs. 10.56 million to Rs. 25.60 million.
- Earning per share stood at Rs. 0.78 per share as against Rs. 0.32.

During this quarter the proceeds from right shares issued will benefit the Company in meeting its business and fund requirements. The new unit at Deh Khanto, Tappo, Landhi, Karachi is under erection and is expected to start production during third quarter of 2009. Project of cogen power generation at the present site is under trial run and is expected to generate electricity of about 4.2 MV by November 2009. This would help bring down the cost of production.

The prevailing conditions in the country, more particularly, the trickledown effect in the construction sector is likely to have a negative impact on the demand for tiles. However, the Company is striving hard to further improve the sale and contain cost to withstand the alarming situation and to cope with the economic adversities which the world, more particularly, Pakistan is experiencing.

We would like to thank all our stakeholders for their continued trust in the Company. We also recognize sincere efforts of the employees and appreciate the pleasant relations with them during the period.

On behalf of the Board

**ALIREZA M. ALLADIN**  
Chief Executive

Karachi : 29th October, 2008.



## Shabbir Tiles and Ceramics Limited

### INTERIM CONDENSED BALANCE SHEET AS AT SEPTEMBER 30, 2008 (UN-AUDITED)

	Note	September 30, 2008 (Unaudited)	June 30, 2008 (Audited)
(Rupees in '000)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	2,773,017	1,527,609
Investment property		695	724
Long term loans and advances		454	900
Long term deposits		20,049	17,877
		<b>2,794,215</b>	<b>1,547,110</b>
<b>CURRENT ASSETS</b>			
Stores and spares		60,316	64,535
Stock-in-trade		352,039	276,533
Trade debts	5	327,865	311,780
Loans, advances, deposits, prepayments and other receivables	6	98,592	153,108
Taxation - net		28,523	-
Cash and bank balances		79,202	135,230
		<b>946,537</b>	<b>941,186</b>
<b>TOTAL ASSETS</b>		<b>3,740,752</b>	<b>2,488,296</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorised Capital</b>			
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		163,926	163,926
Reserves		529,145	581,152
		<b>693,071</b>	<b>745,078</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term finance		1,900,243	791,743
Liabilities against assets subject to finance leases		138,151	163,385
Deferred taxation		100,031	128,451
		<b>2,138,425</b>	<b>1,083,579</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	267,118	189,176
Mark-up accrued		59,282	30,726
Short-term borrowings	8	448,534	298,976
Current maturity of liabilities against assets subject to finance leases		124,854	131,400
Taxation		-	184
Sales tax payable		9,468	9,177
		<b>909,256</b>	<b>659,639</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	9		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,740,752</b>	<b>2,488,296</b>

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 PERIOD ENDED SEPTEMBER 30, 2008 (UNAUDITED)

	July to September	
	2008	2007
	(Rupees in '000)	
Turnover - net	566,012	443,776
Cost of sales	420,530	352,393
<b>Gross profit</b>	<b>145,482</b>	91,383
Distribution cost	70,809	51,017
Administrative expenses	13,026	9,411
	83,835	60,428
Operating Profit	61,647	30,955
Other income	341	228
	61,988	31,183
Finance cost	19,688	13,772
Other charges	2,919	1,202
	22,607	14,974
<b>Profit before taxation</b>	<b>39,381</b>	16,209
<b>Taxation</b>		
– Current	408	4,457
– Deferred	13,371	1,189
	13,779	5,646
<b>Profit after taxation</b>	<b>25,602</b>	10,563
		(Restated due to Bonus Issue)
<b>BASIC AND DILUTED EARNINGS PER SHARE (RS.)</b>	<b>0.78</b>	0.32

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 PERIOD ENDED SEPTEMBER 30, 2008 (UNAUDITED)

	July to September	
	2008	2007
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	39,381	16,209
Adjustments for :		
Depreciation	29,745	29,199
Finance cost	19,688	13,772
Gain on disposal of fixed assets	(154)	-
Profit on bank deposit	(57)	(99)
Amortization of unearned rental income from investment property	(105)	(105)
	49,117	42,767
<b>Operating profit before working capital changes</b>	88,498	58,976
(Increase) / decrease in current assets		
Stores and spares	4,219	(7,803)
Stock-in-trade	(75,506)	(29,085)
Trade debts	(16,085)	7,119
Loans, advances, deposits, prepayments and other receivables	(50,948)	(45,710)
	(138,320)	(75,479)
<b>Increase in current liabilities</b>		
Trade and other payables	68,186	4,838
	(70,134)	(70,641)
<b>Cash generated from / (used in) operations</b>	18,364	(11,665)
Income tax paid	(25,544)	(3,707)
Finance cost paid	(17,134)	(15,657)
Long-term loans	446	313
Long-term deposit	(2,169)	(752)
<b>Net cash used in operating activities</b>	(26,037)	(31,468)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(1,255,429)	(22,211)
Proceeds from disposal of fixed assets	467	-
Profit on bank deposit received	57	99
<b>Net cash used in investing activities</b>	(1,254,905)	(22,112)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceed of long term loan	1,108,500	-
Repayment of liabilities against assets subject to finance lease	(33,144)	(29,634)
Proceeds of short-term borrowings	10,170	36,584
<b>Net cash generated from financing activities</b>	1,085,526	6,950
<b>Net decrease in cash and cash equivalents</b>	(195,416)	(46,630)
<b>Cash and cash equivalents at the beginning of the year</b>	(154,781)	16,517
<b>Cash and cash equivalents at the end of the period</b>	(350,197)	(30,113)
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	79,202	60,827
Short term running finances	(429,399)	(90,940)
	(350,197)	(30,113)

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 PERIOD ENDED SEPTEMBER 30, 2008 (UNAUDITED)

	Issued subscribed & paid-up capital	Revenue reserves			Total reserves	Total Equity
		General reserves	Unappro- priated profit	Hedging reserves		
<b>Balance as at July 1, 2007</b>	136,605	348,000	82,777	-	430,777	567,382
Net profit for the quarter after Taxation	-	-	10,563	-	10,563	10,563
<b>Balance as at September 30, 2007</b>	<u>136,605</u>	<u>348,000</u>	<u>93,340</u>	<u>-</u>	<u>441,340</u>	<u>577,945</u>
<b>Balance as at June 30, 2008</b>	163,926	403,000	96,442	81,710	581,152	745,078
Net Gain on Cash Flow Hedge Removed From Equity	-	-	-	(81,710)	(81,710)	(81,710)
Transfer to general reserve	-	63,000	(63,000)	-	-	-
Net Gain From Cash Flow Hedge for the period	-	-	-	4,100	4,100	4,100
Net profit for the quarter after Taxation	-	-	25,602	-	25,602	25,602
<b>Balance as at September 30, 2008</b>	<u>163,926</u>	<u>466,000</u>	<u>59,044</u>	<u>4,100</u>	<u>529,145</u>	<u>693,071</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

### SELECTED EXPLANATORY NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2008 (UNAUDITED)

#### 1. THE COMPANY AND ITS OPERATIONS

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

#### 2. BASIS OF PREPARATION

These interim condensed financial statements are unaudited and are being submitted to the shareholders as required under section 245 of the Companies Ordinance 1984 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. 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

The following major additions and deletions were made during the period:

	Additions (cost)	Deletions (book value)
	(Rupees in '000)	
<b>Owned</b>		
Plant and machinery	3,729	312
Vehicles	1,439	-
Computers	1,136	-
Office equipment	1,435	-
Furniture & fixture	1,332	-
	9,071	312



## Shabbir Tiles and Ceramics Limited

	Note	Additions (cost) (Rupees in '000)	Deletions (book value)
<b>Capital work-in-progress</b>			
Plant & Machinery		1,061,330	—
Civil Works		132,194	—
Borrowing Cost		51,270	—
Others	4.1	1,564	—
		<b>1,246,358</b>	—
<b>Leased Vehicle</b>		<b>1,364</b>	—
		<b>1,256,793</b>	<b>312</b>

### 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. 5.343 million (June 30, 2008 : Rs. 6.160 million) rent paid to related party.

### 7. TRADE AND OTHER PAYABLES

This Includes of Rs. 10.494 million (June 30, 2008: Rs. 2.505 million) due to related parties.

	September 30, 2008 (Unaudited) (Rupees in '000)	June 30, 2008 (Audited)
<b>8. SHORT-TERM BORROWINGS - secured</b>		
Term finances	19,135	8,965
Running finances	429,399	290,011
	<b>448,534</b>	<b>298,976</b>

### 9 CONTINGENCIES AND COMMITMENTS

#### 9.1 Contingencies

There were no major changes in the contingencies other than those reported in the annual financial statements for the year ended June 30, 2008 with the exception of the following:

Subsequent to the year end the Divisional Bench of the Honourable High Court of Sindh through its order dated September 17, 2008 has held the levy of the 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. However, the learned Divisional Bench has suspended the said order for sixty(60) days enabling the parties to file an appeal against the said order before the Apex Court.

The Company is filling an appeal before the Supreme Court of Pakistan along with other companies also the department is free to appeal for review.



## Shabbir Tiles and Ceramics Limited

Based on the above, the Company has decided not to reverse the liability pertaining to the period prior to December 27, 2006 and continues to provide for additional liability of the charge for the period under review until the matter is decided by the Supreme Court of Pakistan.

An Amount of Rs.4.97 million (June 30, 2008: Rs.6.22 million) is an un-utilized portion of the bank guarantee issued in favour of Excise and Taxation Department, Government of Sindh against the aforesaid levy.

<b>September 30, 2008 (Unaudited)</b>	June 30, 2008 (Audited)
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(Rupees in '000)

### 9.2 Commitments

Capital commitment		
– Plant & machinery	<b>610,583</b>	1,550,673
– Civil works	<b>31,418</b>	65,687
Outstanding Letter of credits	<b>202,556</b>	96,162
Outstanding Letter of guarantees	<b>299,731</b>	82,707

### 10 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise companies with common directorship, retirement funds, directors and key management personnel. Details 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:

<b>September 30, 2008</b>	September 30, 2007
-------------------------------	-----------------------

(Rupees in '000)

Purchase of goods	<b>7,600</b>	4,999
Insurance premium	<b>5,647</b>	1,714
Insurance claims received	<b>44</b>	7
Rent paid and services	<b>2,102</b>	–
Remuneration of key management personnel	<b>1,125</b>	1,798
Contribution to provident fund	<b>1,319</b>	1,010

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

### 11. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on October 29, 2008 by the Board of Directors of the Company.

### 12. GENERAL

Provisions wherever made are subject to financial adjustments in the annual audited financial statements.

**ALIREZA M. ALLADIN**  
Chief Executive

**ABDUL HAI M. BHAIMIA**  
Director

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