

Shabbir Tiles and Ceramics Limited

Condensed Interim Financial Statements

For the Half Year and Quarter Ended December 31, 2012





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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 MANSOOR G. HABIB SALIM AZHAR ALI SAJJAD DHARAMSEY	<i>Chairman</i> <i>Chief Executive Officer</i>
AUDIT COMMITTEE	MANSOOR G. HABIB SALIM AZHAR ALI SAJJAD DHARAMSEY	<i>Chairman</i>
HUMAN RESOURCES AND REMUNERATION COMMITTEE	MR. SALIM AZHAR MR. ALIREZA M. ALLADIN MR. ALI SAJJAD DHARAMSEY MS. RIFFAT SHAHEEN	<i>Chairman</i> <i>Member</i> <i>Member</i> <i>Secretary</i>
COMPANY SECRETARY	AZIZ AHMED	
AUDITORS	ERNST & YOUNG FORD RHODES SIDAT HYDER Chartered Accountants	
LEGAL ADVISOR	M. Akram Zuberi & Co. Advocate Supreme Court	
BANKERS	Habib Metropolitan Bank Limited Faysal Bank Limited National Bank of Pakistan Habib Bank Limited Bank AL Habib Limited Dubai Islamic Bank Pakistan Limited United Bank Limited Askari Bank Limited Allied Bank Limited Bank Alfalah Limited	
REGISTERED OFFICE	15th Milestone, National Highway, Landhi, Karachi-75120 Phones: (021) 35015024 - 25, 35014044 - 45 Fax: (021) 35015545 E-mail : info@stile.com.pk URL : http://www.stile.com.pk	
KARACHI DISPLAY CENTRE & SALES OFFICE	Makro Cash & Carry, CAA, Near Star Gate, Main Shahr-e-Faisal, Karachi. Phone: (92-21) 34601372-74 Fax: (92-21) 34601375	
LAHORE SALES OFFICE	17-A, Tariq, Block New Garden Town, Lahore. Phone: (92-42) 5914771, 73-75 / 5847900 Fax: (92-42) 5858163	
ISLAMABAD SALES OFFICE	9th & 10th Lower Ground Floor, Aries Tower, Shamsabad, Muree Road, Rawalpindi. Phone: (92-51) 4575315-18 Fax: (92-51) 4575319	
PESHAWAR SALES OFFICE	UG-46 & UG-47, Ground Floor, Dean Trade Centre & Hotel Towers Islamia Road, Peshawar Cantt. Phone: (92-91) 5522522, 5253160-61 Fax: (92-91) 5253161	
MULTAN SALES OFFICE	17-A, First Floor, Aslam Arcade, Shah Kareem Land, Near Multan Hospital, Multan. Phone: (92-61) 4783097 Fax: (92-61) 4646439	
FAISALABAD SALES OFFICE	P-2 / 2B, 213 Main Susan Road, Faisalabad. Phones: (92-41) 8548243, 8710103 Fax: (92-41) 8548244	
REGISTRAR AND SHARE TRANSFER OFFICE	Noble Computer Services (Pvt.) Ltd., First Floor, Siddiqsons Towers, House of Habib Building, 3 Jinnah Cooperative Housing Society, Main Sharah-e-Faisal, Karachi. Phones: (021) 34325482-87	
FACTORY: UNIT-I	15th Milestone, National Highway, Landhi, Karachi-75120 Phones : (021) 35015024 - 25 / 35014044 - 45	
UNIT-II	Deh Khanto, Tappo Landhi, District Malir, Bin Qasim Town, Karachi.	



Shabbir Tiles and Ceramics Limited

DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

Dear Shareholder,

The Directors are pleased to submit unaudited accounts of the Company for the second quarter ended December 31, 2012 and half yearly report alongwith the financial statements duly reviewed by the External Auditor. The financial statements are submitted in accordance with section 245 of the Company Ordinance, 1984.

Economic & Business Overviews

The economic and business conditions remained challenging amid deteriorating law and order situations particularly in Karachi, cross border infiltration of illegal Irani tiles in a large scale at very low prices, transportation strikes hindering movement of goods jeopardizing repeat orders and timely dispatch, changing prices of fuel and utilities coupled with frequent unplanned power outages and fall in gas pressure during operation hours has created serious hindrances for performing normal business operations. Additionally the erosion of our currency against US dollar and Euro has added pressure on costs of imported raw materials.

Operational Review

In spite of the foregoing adversities, we by the grace of Almighty Allah achieved profit after taxation of Rs. 32.41 million for the six months as against Rs. 34.88 million in corresponding period of last year. The gross margin, however, has declined by 3.69% due to significant increase in cost of raw materials, stores & spares, massive fall in Pak Rupee and low gas pressure, full impact of which was not passed on to the buyer.

The financial performance for the half year is summarized below:

	July-Dec 2012	July-Dec 2011
	Rs '000	Rs '000
Sales	2,361,453	2,323,239
Operating profit	227,319	289,646
Net profit	32,413	34,884
Earnings per share - basic and diluted (paisas)	22	24

Future Outlook:

The Company retains confidence in the strong potential of tiles industry despite the challenging times, and seeks the Government timely intercession on imposition of anti-dumping duty on imports, especially from China and complete halt on Irani tiles smuggling. Your company is also actively looking at alternate source of energy (LPG) to meet the energy requirements of the company.

Additionally, revival of construction sector and development of new housing projects across the country will also drive to sustainable profitable growth and meet consumer demand.

We take this opportunity to thank all stakeholders for their continued support and hard work.

For and on behalf of the Board of Directors

Karachi: February 20, 2013

ALIREZA M. ALLADIN
Chief Executive Officer



Shabbir Tiles and Ceramics Limited

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Shabbir Tiles and Ceramics Limited as at 31 December 2012 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six months period then ended (here-in-after referred to as "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed 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 as applicable in Pakistan for interim financial reporting.

Chartered Accountants

Engagement Partner: Riaz A. Rehman Chamdia

Karachi: February 20, 2013



Shabbir Tiles and Ceramics Limited

CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2012

	Note	31 December 2012 (Un-audited) (Rupees in `000)	30 June 2012 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	3,213,272	3,334,490
Investment property		258	314
Long-term loans and advances		193	403
Long-term deposits		9,407	9,675
		<u>3,223,130</u>	<u>3,344,882</u>
CURRENT ASSETS			
Stores and spare parts		147,541	148,725
Stock-in-trade		504,650	542,267
Trade debts	5	871,903	787,206
Loans, advances, deposits, prepayments and other receivables		39,269	28,598
Taxation - net		11,041	146
Cash and bank balances		97,839	93,027
		<u>1,672,243</u>	<u>1,599,969</u>
TOTAL ASSETS		<u>4,895,373</u>	<u>4,944,851</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital		1,200,000	1,200,000
240,000,000 ordinary shares of Rs.5/- each			
Issued, subscribed and paid-up capital		721,277	721,277
Reserves		1,020,615	988,202
		<u>1,741,892</u>	<u>1,709,479</u>
NON-CURRENT LIABILITIES			
Long-term finance		1,277,065	1,530,448
Liabilities against assets subject to finance lease		4,516	6,726
Deferred tax liability		134,068	127,796
		<u>1,415,649</u>	<u>1,664,970</u>
CURRENT LIABILITIES			
Trade and other payables		401,728	383,892
Accrued mark-up		27,135	13,354
Current maturity of long-term finance		506,766	506,766
Current maturity of liabilities against assets subject to finance lease		2,745	2,532
Short-term borrowings	6	757,457	621,480
Sales tax payable		42,001	42,378
		<u>1,737,832</u>	<u>1,570,402</u>
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		<u>4,895,373</u>	<u>4,944,851</u>

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

ALIREZA M. ALLADIN
Chief Executive Officer

ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED DECEMBER 31, 2012 (UN-AUDITED)

Note	Half year ended		Quarter ended	
	December 31 2012	December 31 2011	December 31 2012	December 31 2011
	(Rupees in `000)			
Turnover – net	2,361,453	2,323,239	1,165,802	1,146,607
Cost of sales	(1,779,572)	(1,664,977)	(885,903)	(816,811)
Gross profit	581,881	658,262	279,899	329,796
Distribution costs	(309,162)	(336,266)	(155,557)	(165,553)
Administrative expenses	(46,533)	(36,470)	(24,154)	(18,090)
	(355,695)	(372,736)	(179,711)	(183,643)
Other operating income	1,133	4,120	237	477
Operating profit	227,319	289,646	100,425	146,630
Finance costs	(168,332)	(197,841)	(82,079)	(97,775)
Other charges	(7,841)	(9,774)	(3,291)	(5,093)
Profit before taxation	51,146	82,031	15,055	43,762
Taxation				
- Current	(12,461)	(23,251)	(6,141)	(9,865)
- Deferred	(6,272)	(23,896)	178	(9,852)
	(18,733)	(47,147)	(5,963)	(19,717)
Profit after taxation	32,413	34,884	9,092	24,045
	(Rupees)			
Earnings per share – basic and diluted	0.22	0.24	0.06	0.17

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

ALIREZA M. ALLADIN
Chief Executive Officer

ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED DECEMBER 31, 2012 (UN-AUDITED)

	Half year ended		Quarter ended	
	December 31 2012	December 31 2011	December 31 2012	December 31 2011
	(Rupees in '000)			
Profit after taxation	32,413	34,884	9,092	24,045
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	32,413	34,884	9,092	24,045

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

ALIREZA M. ALLADIN
Chief Executive Officer

ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE HALF YEAR ENDED DECEMBER 31, 2012 (UN-AUDITED)

	December 31 2012	December 31 2011
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	51,146	82,031
Adjustments for :		
Depreciation	127,373	144,282
Finance costs	168,332	197,841
Gain on disposal of property, plant and equipment	(460)	(3,391)
Provision for impairment of trade debts	1,737	2,432
Provision for slow moving and obsolete stores and spare parts	5,172	4,845
(Reversal) / Provision for obsolete raw and packing material	(2,889)	165
	<u>299,265</u>	<u>346,174</u>
	350,411	428,205
(Increase) / decrease in current assets		
Stores and spares parts	(3,988)	(23,644)
Stock-in-trade	40,506	19,836
Trade debts	(86,434)	(102,492)
Loans, advances, deposits, prepayments and other receivables	(10,671)	313
	<u>(60,587)</u>	<u>(105,987)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	17,836	(73,532)
Sales tax payable	(377)	(14,599)
Cash generated from operations	<u>307,283</u>	<u>234,087</u>
Income tax paid	(23,351)	(23,765)
Finance costs paid	(154,551)	(213,333)
Long-term loans and advances	210	562
Long-term deposits	268	395
Net cash generated from / (used in) operating activities	<u>129,859</u>	<u>(2,054)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(6,339)	(39,224)
Proceeds from disposal of property, plant and equipment	695	6,422
Net cash used in investing activities	<u>(5,644)</u>	<u>(32,802)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term finance	(253,383)	(253,383)
Lease rentals paid	(1,997)	(2,354)
(Repayment of) / Proceeds from short-term borrowings	(10,793)	17,746
Net cash used in financing activities	<u>(266,173)</u>	<u>(237,991)</u>
Net decrease in cash and cash equivalents	<u>(141,958)</u>	<u>(272,847)</u>
Cash and cash equivalents at the beginning of the period	<u>(390,871)</u>	<u>(271,505)</u>
Cash and cash equivalents at the end of the period	<u><u>(532,829)</u></u>	<u><u>(544,352)</u></u>
CASH AND CASH EQUIVALENTS		
Cash and bank balances	97,839	85,658
Short-term running finances	(630,668)	(630,010)
	<u><u>(532,829)</u></u>	<u><u>(544,352)</u></u>

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

ALIREZA M. ALLADIN
Chief Executive Officer

ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 2012 (UN-AUDITED)

	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserves		Total reserves	Total equity
		Share premium	General reserve	Accumulated profit / (loss)		
----- (Rupees in `000) -----						
Balance as at 30 June 2011	721,277	456,288	514,000	(56,664)	913,624	1,634,901
Net profit for the period	-	-	-	34,884	34,884	34,884
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	34,884	34,884	34,884
Balance as at 31 December 2011	<u>721,277</u>	<u>456,288</u>	<u>514,000</u>	<u>(21,780)</u>	<u>948,508</u>	<u>1,669,785</u>
Balance as at 30 June 2012	721,277	456,288	514,000	17,914	988,202	1,709,479
Net profit for the period	-	-	-	32,413	32,413	32,413
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	32,413	32,413	32,413
Balance as at 31 December 2012	<u>721,277</u>	<u>456,288</u>	<u>514,000</u>	<u>50,327</u>	<u>1,020,615</u>	<u>1,741,892</u>

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

ALIREZA M. ALLADIN
Chief Executive Officer

ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2012 (UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

Shabbir Tiles and Ceramics Limited (the Company) was incorporated in Pakistan as a public limited company under the Companies Act 1913 (now the Companies Ordinance, 1984) on 07 November 1978 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 Milestone, National Highway, Landhi, Karachi.

2. BASIS OF PREPARATION

2.1 These condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34, 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 These condensed interim 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 30 June 2012.

2.3 These condensed interim financial statements are un-audited but subject to limited scope review by the auditors except for the figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 31 December 2012 and 31 December 2011.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as follows:

The Company has adopted the following amendments to IFRSs which became effective for the current period:

IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any effect on the financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

The following additions and deletions (at cost) were made in operating fixed assets during the period:

	Additions		Deletions	
	Half year ended		Half year ended	
	December 31		December 31	
	2012	2011	2012	2011
	(Rupees in '000)			
Owened				
Building	-	3,348	-	-
Plant and machinery	222	18,409	-	56,663
Office equipment	127	925	-	-
Computers and accessories	730	1,330	40	-
Vehicles	4,720	21,093	290	2,656
	5,799	45,105	330	59,319
Leased				
Vehicles	-	-	1,412	1,450
	5,799	45,105	1,742	60,769



Shabbir Tiles and Ceramics Limited

	December 31 2012 (Un-audited) (Rupees in '000)	June 30 2012 (Audited) (Rupees in '000)
5. TRADE DEBTS - unsecured		
Considered good	871,903	787,206
Considered doubtful	8,501	6,764
Less: Provision for impairment	(8,501)	(6,764)
	-	-
	<u>871,903</u>	<u>787,206</u>

6. SHORT TERM BORROWINGS - secured

Includes new Local Murabaha facility obtained from a bank amounting to Rs. 200 million during the period. Markup rate on this facility is six month KIBOR + 0.25% per annum. This facility is secured by first pari passu charge on stocks and receivables including 25% initial disbursement.

7. CONTINGENCIES AND COMMITMENTS

Contingencies

There is no change in the status of contingencies as reported in the annual financial statements of the Company for the year ended 30 June 2012.

	December 31 2012 (Un-audited) (Rupees in '000)	June 30 2012 (Audited) (Rupees in '000)
Commitments		
Capital commitments	50,096	-
Outstanding letters of credit	79,747	84,869
Outstanding letters of guarantee	290,909	289,909

8. 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, are as follows:

	Half year ended	
	December 31 2012 (Un-audited) (Rupees in '000)	December 31 2011 (Audited) (Rupees in '000)
Associated Companies		
Sales	2,196	6,748
Purchases of goods, material and services	29,610	18,894
Insurance premium	13,085	12,867
Insurance claims received	1,087	68
Rent paid and services	5,102	4,996
Rent received	231	231
Key management personnel compensation	7,640	6,894
Markup earned	314	252
Markup paid	16,281	17,207
Commission on letter of guarantee	382	1,433
Other related parties		
Contribution to Provident Fund	5,942	5,094



Shabbir Tiles and Ceramics Limited

	December 31 2012 (Un-audited)	June 30 2012 (Audited)
	(Rupees in '000)	
Balances as at period / year end		
Trade debts	331	3,437
Trade and other payables	1,632	4,105
Bank balances	24,851	44,987
Prepayments	1,172	-
Advances	142	-
Short-term borrowing	271,775	505,048
Commitments		
Outstanding letters of credit	129,843	84,869
Outstanding letters of guarantee	290,909	289,909

9 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 20.02.2013 by the Board of Directors of the Company.

10 GENERAL

Figures have been rounded off to the nearest thousands.

ALIREZA M. ALLADIN
Chief Executive Officer

ABDUL HAI M. BHAIMIA
Director

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Phones: (021) 35015024-25, 35014044-45

Fax: (021) 35015545 E-mail: info@stile.com.pk

URL: <http://www.stile.com.pk>

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