

Shabbir Tiles and Ceramics Limited

Condensed Interim Financial Statements
For the First Quarter Ended September 30, 2014
(Unaudited)





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Shabbir Tiles and Ceramics Limited

COMPANY INFORMATION

BOARD OF DIRECTORS	RAFIQ M HABIB RAZA ANSARI ALI SULEMAN HABIB ALIREZA M. ALLADIN ABDUL HAI M. BHAIMIA SALIM AZHAR MUHAMMAD FAISAL	Chairman Chief Executive Officer Director Director Director Director Director
AUDIT COMMITTEE	MUHAMMAD FAISAL ABDUL HAI M. BHAIMIA SALIM AZHAR	Chairman Member Member
HUMAN RESOURCES AND REMUNERATION COMMITTEE	SALIM AZHAR MUHAMMAD FAISAL ALIREZA M. ALLADIN	Chairman Member Member
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 Dubai Islamic Bank Pakistan Limited Allied Bank Limited	
REGISTERED OFFICE	15th Milestone, National Highway, Landhi, Karachi-75120 Phone: (021) 35015024-25, 35014044-45 Fax: (021) 35015545 / 35022920 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 Shahrah-e-Faisal, Karachi. Phone: (021) 34601372-74 Fax: (021) 34601375	
LAHORE SALES OFFICE	Plot No. 523, Block # 15, Sector B-1, Quaid-e-Azam Town, (College Road), Lahore Phone: (042) 35117521-24 Fax: (042) 35117520	
ISLAMABAD SALES OFFICE	9th & 10th Lower Ground Floor, Aries Tower, Shamsabad, Muree Road, Rawalpindi. Phone: (051) 4575316-17 Fax: (051) 4575319	
PESHAWAR SALES OFFICE	3-Siyal Flats Opposite Kuwait Hospital, Abdara Chowk University Road, Peshawar. Phone: (091) 5846010/12 Fax: (091) 5846011	
REGISTRAR AND SHARE TRANSFER OFFICE	Noble Computer Services (Pvt.) Limited First Floor, Siddiqsons Towers, House of Habib Building, 3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi Phone: (021) 34325482-84 Fax: 34325442	
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. Phones: (021) 34102702 Fax: (021) 34102709	



Shabbir Tiles and Ceramics Limited

DIRECTORS' REPORT TO THE SHAREHOLDERS FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2014

Dear Shareholders,

The Directors take pleasure in presenting their report along with unaudited financial statements of the Company for the first quarter ended September 30, 2014.

The current political turmoil in the country followed by the recent floods has had a dampening effect on the demand of tiles. Further severe competition with imported Chinese tiles and smuggled Iranian tiles resulted in slow off takes of the local manufactured tiles. Due to these circumstances, the Company recorded a loss before taxation of Rs. 56.863 million compared to loss before taxation of Rs. 14.759 million of the same period last year. The sales volume dropped by 19% as compared to last year period. The gross profit margin also fell to 16% as compared to 20% of last year period due to the availability of dumped Chinese and smuggled Iranian tiles at very cheap rates.

The financial performance for the quarter is summarized below

	July – September	
	2014	2013
	Rupees in '000	
Turnover – net	946,133	1,175,851
Gross profit	148,602	237,528
Loss before tax	(56,863)	(14,759)
Loss after tax	(48,678)	(9,741)
Loss per share (Rs.)	(0.32)	(0.06)

Future outlook and challenges:

The prevailing economic and political situation is proving to be challenging for the local industry. However, in our view the prevailing political situation and flood impact will ease, thereby the demand for ceramic products will increase. We are also working with the government to take cognizance steps to increase ITP on imported tiles, and take measures to reduce the smuggling of tiles especially from Iran. Some measures have been taken by FBR and the clearance of Iranian tiles especially from Quetta and other stations has been implemented which in the future will allow local tiles to compete better. The company shall continue to provide its customers with the best quality tiles with new innovative designs and will try to maximize its market share.

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

On behalf of the Board

RAZA ANSARI
Chief Executive Officer

Karachi : October 25, 2014.



Shabbir Tiles and Ceramics Limited

CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2014

	Note	September 30, 2014 (Unaudited) (Rupees in '000)	June 30, 2014 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	2,907,004	2,945,072
Investment property		73	100
Long-term loans and advances		69	90
Long-term deposits		9,355	9,355
		<u>2,916,501</u>	<u>2,954,617</u>
CURRENT ASSETS			
Stores and spare parts		146,539	141,099
Stock-in-trade	5	662,403	552,836
Trade debts	6	908,899	941,554
Loans, advances, deposits, prepayments and other receivables		34,826	16,768
Taxation - net		49,018	38,263
Cash and bank balances		124,920	124,444
		<u>1,926,605</u>	<u>1,814,964</u>
TOTAL ASSETS		<u>4,843,106</u>	<u>4,769,581</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Capital			
240,000,000 ordinary shares of Rs. 5/- each		1,200,000	1,200,000
Issued, subscribed and paid-up capital		757,341	757,341
Reserves		887,618	936,296
		<u>1,644,959</u>	<u>1,693,637</u>
NON-CURRENT LIABILITIES			
Long-term finance		416,399	447,649
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		166,583	184,839
		<u>582,982</u>	<u>632,488</u>
CURRENT LIABILITIES			
Trade and other payables		620,592	525,094
Accrued mark-up		82,527	58,456
Current maturity of long-term finance		475,516	506,766
Current maturity of liabilities against assets subject to finance lease		1,363	2,682
Short-term borrowings		1,404,408	1,303,697
Sales tax payable		30,759	46,761
		<u>2,615,165</u>	<u>2,443,456</u>
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		<u>4,843,106</u>	<u>4,769,581</u>

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.

RAZA ANSARI
Chief Executive Officer

ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2014 (UNAUDITED)

	Note	July to September	
		2014	2013
		(Rupees in '000)	
Turnover - net		946,133	1,175,851
Cost of sales		(797,531)	(938,323)
Gross profit		148,602	237,528
Distribution cost		(113,332)	(168,777)
Administrative expenses		(33,695)	(26,652)
		(147,027)	(195,429)
Other income		5,033	96
Other Charges		(25)	(1,875)
		5,008	(1,779)
Operating profit		6,583	40,320
Finance costs		(63,446)	(55,079)
Loss before taxation		(56,863)	(14,759)
Taxation			
– Current	9	(10,071)	(11,602)
– Deferred		18,256	16,620
		8,185	5,018
Loss after taxation		(48,678)	(9,741)
			(Restated)
Loss per share – basic and diluted (Rs.)		(0.32)	(0.06)

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.


RAZA ANSARI
Chief Executive Officer


ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

**CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2014
(UNAUDITED)**

	July to September	
	2014	2013
	(Rupees in '000)	
Loss after taxation	(48,678)	(9,741)
Other comprehensive income	-	-
Total comprehensive loss for the period	<u>(48,678)</u>	<u>(9,741)</u>

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.

RAZA ANSARI
Chief Executive Officer

ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2014 (UNAUDITED)

	September 2014	September 2013
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(56,863)	(14,759)
Adjustments for :		
Depreciation		
– property plant and equipments	68,240	70,768
– investment property	27	27
Finance cost	63,446	55,079
Provision for impairment of trade debts	10,680	4,753
Provision for slow moving stores and spare parts	362	3,178
Gain on disposal of property, plant and equipment	(1,884)	(516)
	<u>140,871</u>	<u>133,289</u>
	84,008	118,530
 (Increase) / decrease in current assets		
Stores and spares parts	(5,802)	(17,712)
Stock-in-trade	(109,567)	(31,625)
Trade debts	21,975	(105,866)
Loans, advances, deposits, prepayments and other receivables	(18,058)	(229)
	<u>(111,452)</u>	<u>(155,432)</u>
 Increase / (decrease) in current liabilities		
Trade and other payables	95,498	40,817
Sales tax payable	(16,002)	4,822
	<u>79,496</u>	<u>45,639</u>
Cash generated from operations	52,052	8,737
Income tax paid	(20,826)	(18,559)
Finance costs paid	(39,375)	(14,149)
Long-term loans and advances	21	–
Long-term deposit	–	262
	<u>(59,980)</u>	<u>(32,436)</u>
Net cash used in operating activities	(8,128)	(23,709)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(32,268)	(4,308)
Proceeds from disposal of property, plant and equipment	3,980	2,056
	<u>(28,288)</u>	<u>(2,252)</u>
Net cash used in investing activities	(28,288)	(2,252)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term loan	(62,500)	(156,250)
Lease rental paid	(1,319)	(580)
Repayment of short-term borrowings	(79,877)	(70,591)
	<u>(143,696)</u>	<u>(227,421)</u>
Net cash used in financing activities	(143,696)	(227,421)
Net decrease in cash and cash equivalents	(180,112)	(253,382)
Cash and cash equivalents at the beginning of the period	(1,062,261)	(422,373)
Cash and cash equivalents at the end of the period	(1,242,373)	(675,755)
CASH AND CASH EQUIVALENTS		
Cash and bank balances	124,920	106,391
Short-term running finances	(1,367,293)	(782,146)
	<u>(1,242,373)</u>	<u>(675,755)</u>

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.

RAZA ANSARI
Chief Executive Officer

ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2014 (UNAUDITED)

	Reserves					Total Equity
	Issued subscribed & paid-up capital	Capital reserve	Revenue reserves		Total reserves	
			Share premium	General reserve		
(Rupees in '000)						
Balance as at June 30, 2013 (audited)	721,277	456,288	514,000	100,236	1,070,524	1,791,801
Total comprehensive loss for the period	-	-	-	(9,741)	(9,741)	(9,741)
Balance as at September 30, 2013 (unaudited)	<u>721,277</u>	<u>456,288</u>	<u>514,000</u>	<u>90,495</u>	<u>1,060,783</u>	<u>1,782,060</u>
Balance as at June 30, 2014 (audited)	757,341	456,288	478,000	2,008	936,296	1,693,637
Total comprehensive loss for the period	-	-	-	(48,678)	(48,678)	(48,678)
Balance as at September 30, 2014 (unaudited)	<u>757,341</u>	<u>456,288</u>	<u>478,000</u>	<u>(46,670)</u>	<u>887,618</u>	<u>1,644,959</u>

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.

RAZA ANSARI
Chief Executive Officer

ABDUL HAI M. BHAIMIA
Director



Shabbir Tiles and Ceramics Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2014 (UNAUDITED)

1. THE COMPANY AND ITS OPERATIONS

1.1 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 2014.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the company's annual financial statements for the year ended June 30, 2014 other than as follows:

New, amended and revised standards and interpretations of IFRSs

The company has adopted the following revised standards, amendments and interpretations of IFRS which became effective during the period:

- IAS - 19 Employee Contributions
- IAS - 32 Offsetting Financial Assets and Financial Liabilities - (Amendment)
- IAS - 36 Recoverable Amount for Non-Financial Assets - (Amendment)

The adoption of the above amendments, revisions, improvements to accounting standards did not have any material effect on these condensed interim financial statements of the Company.

4. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2014 (Un-audited) (Rupees in `000)	June 30, 2014 (Audited)
Opening Net Book Value (NBV)	2,888,219	3,130,746
Additions to operating property, plant and equipment	4.1 5,736	50,238
	2,893,955	3,180,984
Deletions during the period / year (NBV)	4.1 (2,096)	(1,925)
Depreciation charged during the period / year	(68,240)	(290,840)
Closing NBV	2,823,619	2,888,219
Capital work-in-progress	83,385	56,853
	2,907,004	2,945,072



Shabbir Tiles and Ceramics Limited

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

	Additions (cost)		Deletions (NBV)	
	September 30, 2014 (Un-audited)	June 30, 2014 (Audited)	September 30, 2014 (Un-audited)	June 30, 2014 (Audited)
	(Rupees in `000)			
Owned				
Plant and machinery	5,368	44,591	-	-
Office equipment	322	1,800	7	1
Computers and accessories	-	297	2	146
Vehicles	46	3,550	2,087	1,778
	<u>5,736</u>	<u>50,238</u>	<u>2,096</u>	<u>1,925</u>

5. STOCK-IN-TRADE

	Note	September 30, 2014 (Un-audited)	June 30, 2014 (Audited)
		(Rupees in `000)	
Raw and packing materials	5.1	261,166	218,186
Work-in-process		46,835	45,268
Finished goods	5.2 & 5.3	333,343	268,945
In transit		21,059	20,437
		<u>662,403</u>	<u>552,836</u>

5.1 Raw and packing material is net of provision of Rs. 6.663 million (June 2014: Rs. 5.885 million)

5.2 Includes stock in trade costing Rs. 108.638 million (June 2014: Rs. 116.350 million) which has been written down to Rs. 85.199 million (June 2014: Rs. 96.270 million) NRV.

5.3 Finished goods is net of provision of Rs. 13.678 million (June 2014: Rs. 9.317 million)

	September 30, 2014 (Un-audited)	June 30, 2014 (Audited)
	(Rupees in `000)	
6. TRADE DEBTS - unsecured		
Considered good	908,899	941,554
Considered doubtful	45,524	34,844
Less: Provision for impairment	(45,524)	(34,844)
	<u>908,899</u>	<u>941,554</u>

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 2014.

	September 30, 2014 (Un-audited)	June 30, 2014 (Audited)
	(Rupees in `000)	
Commitments		
Capital commitments	8,836	15,371
Outstanding letters of credit	54,105	61,343
Outstanding letters of guarantee	300,909	300,909



Shabbir Tiles and Ceramics Limited

8. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associates, retirement funds, directors and key management personnel. Details of transactions with related parties during the period, are as follows:

	Three Months Ended	
	September 30, 2014 (Un-audited)	September 30, 2013 (Un-audited)
	(Rupees in '000)	
Associated Companies		
Sales	1,330	3,271
Purchase of goods, materials and services	22,003	12,208
Insurance premium	6,630	5,717
Insurance claims received	527	147
Rent paid and services	1,544	1,313
Rent received	116	116
Markup earned	50	55
Markup expense	10,865	7,695
Commission on letter of guarantee	416	226
Other related parties		
Contribution to Provident Fund	3,339	3,038
Key management personnel compensation	3,979	10,809
Sale proceeds from disposal of vehicles and computer to Director	—	1,625
	September 30, 2014 (Un-audited)	June 30, 2014 (Audited)
	(Rupees in `000)	
Balances as at period / year end		
Trade debts	3,480	9,345
Trade and other payables	12,201	—
Bank balances	53,600	61,387
Short-term borrowing	532,263	401,215
Commitments		
Outstanding letters of credit	62,941	61,343
Outstanding letters of guarantee	300,909	300,909

9. TAXATION

In view of taxable losses, provision for current taxation is based under section 113 of the Income Tax Ordinance, 2001 @ 1% of turnover (September 2013 : 1% of turnover).

10. GENERAL

10.1 Figures have been rounded off to the nearest thousands.

11. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 25 October 2014 by the Board of Directors of the Company.


RAZA ANSARI
Chief Executive Officer


ABDUL HAI M. BHAIMIA
Director

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