

SHABBIR TILES AND CERAMICS LIMITED

Condensed Interim Financial Statements
For the Half Year ended December 31, 2019
(Un-Audited)



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Shabbir Tiles and Ceramics Limited

COMPANY INFORMATION

BOARD OF DIRECTORS

Rafiq M. Habib	Chairman
Ali. Suleman Habib	Director
Syed Masood Abbas Jaffery	Chief Executive Officer
Muhammad Salman Burney	Director
Abdul Hai M. Bhaimia	Director
Feroze Jehangir Cawasji	Director
Farhana Mowjee Khan	Director

AUDIT COMMITTEE

Feroze Jehangir Cawasji	Chairman
Abdul Hai M. Bhaimia	Member
Farhana Mowjee Khan	Member

HUMAN RESOURCE AND
REMUNERATION COMMITTEE

Feroze Jehangir Cawasji	Chairman
Muhammad Salman Burney	Member
Syed Masood Abbas Jaffery	Member

CHIEF FINANCIAL OFFICER

Waquas Ahmed

COMPANY SECRETARY

Ovais Jamani

AUDITORS

EY Ford Rhodes
Chartered Accountants

LEGAL ADVISOR

Munawar Malik & Co.
Advocate Supreme Court

BANKERS

Habib Metropolitan Bank Limited
Habib Bank Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Allied Bank Limited
Meezan Bank Limited

REGISTERED OFFICE
AND FACTORY UNIT-1

15th Milestone, National Highway
Landhi, Karachi-75120
Phone: (021) 38183610-3
Fax: (021) 38183615
E-mail: info@stile.com.pk
URL: <http://www.stile.com.pk>

REGISTRAR AND SHARE TRANSFER
OFFICE

CDC Share Registrar Services Limited
CDC House, 99-B, Block 'B', S.M.C.H.S
Main Shahrah-e-Faisal, Karachi-74400
Phone: 0800 23275
URL: www.cdcsrsl.com
Email: info@cdcsrsl.com

FACTORY UNIT-2

Deh Khanto, Tappo Landhi,
District Malir, Bin Qasim Town,
Karachi.
Phone: (021) 34102702
Fax: (021) 34102709

Shabbir Tiles and Ceramics Limited

COMPANY INFORMATION

ISLAMABAD (BUILDING MATERIAL PRODUCTS)

Plot No 01, ANF Road, Yamaha Chowk, Road, Model Town, Humak, Islamabad

LAHORE (BUILDING MATERIAL PRODUCTS)

21 K.M , Ferozpur Road, Opposite , Ahmed CNG Pump, Lahore

STILE EMPORIUM AND DESIGN STUDIO AND SALES OFFICE, STAR GATE

Metro Cash & Carry, CAA, near Star Gate, Main Shahrah-e-Faisal, Karachi

Phone: (021) 34601372-74 Fax: (021) 34601375

STILE EMPORIUM AND DESIGN STUDIO FACTORY OUTLET

15th Milestone, National Highway, Landhi, Karachi

Phone: (021) 38183610-3 Fax: (021) 38183615

STILE EMPORIUM AND DESIGN STUDIO DHA, BUKHARI COMMERCIAL

Plot 22-C, Lane 4, Bukhari Commercial , DHA, Karachi.

Phone: (021) 37249564

STILE EMPORIUM AND DESIGN STUDIO DHA, 26TH STREET

26th Street Plot C-8-C, DHA Phase 5, Karachi.

Phone: (021) 37228922

STILE EMPORIUM AND DESIGN STUDIO AND SALES OFFICE, LAHORE

Plot 90-CCA, DHA-4, Lahore

Phone: (042) 37185710-12

STILE EMPORIUM, SANITAR LIFESTLYLE, LAHORE.

E-105-1-C, Main Boulevard DHA Lahore

STILE EMPORIUM AND DESIGN STUDIO AND SALES OFFICE, RAWALPINDI

Al Shareef Plaza, First Floor, Shamsabad, Murree Road, Rawalpindi

Phone: (051) 4935521-26 Fax: (051) 4935524

STILE EMPORIUM AND DESIGN STUDIO, ISLAMABAD METRO

Plot No. 1-A-1, 11 Situated adjacent to Railway Carriage Factory, Islamabad

Phone: (051) 8469524

STILE EMPORIUM AND DESIGN STUDIO AND SALES OFFICE, PESHAWAR

162/408 Tahkal Payan, University Road , Peshawar

Phone: (091) 3028068

STILE EMPORIUM AND DESIGN STUDIO AND SALES OFFICE, FAISALABAD

Talha Heights , Main Susan Road, P-243, 2A, Faisalabad

Phone: (041) 8739988 / 8758899

STILE EMPORIUM AND DESIGN STUDIO AND SALES OFFICE - HYDERABAD

Shop No. 11-12 at Ground Floor and Shop No. 9 at Mezzanine Floor Auto Bhaan Tower, Opp: Breeze Fish Point, auto Bhaan Road, Latifabad No 03, Hyderabad

Phone: (022) 6112857

SALES OFFICE - SUKKUR

Tooba Tower, Mezzanine Floor, Opposite Hira Medical Centre, Sukkur.

Phone: (071) 5615560

SALES OFFICE - MULTAN

Jalil Centre, 2nd Floor, Abdali Road, Multan.

Phone: (061) 4546439/4783097



SHABBIR TILES AND CERAMICS LIMITED
DIRECTORS' REPORT TO THE SHAREHOLDERS
FOR THE SECOND QUARTER AND HALF YEAR ENDED DECEMBER 31, 2019

The Directors presents the financial results of your Company, duly reviewed by the external auditors, for the second quarter and half year ended December 31, 2019.

BUSINESS CHALLENGES AND FINANCIAL PERFORMANCE

In the second quarter of fiscal year 2020, business environment remained volatile due to rapid changes in Government policies and economic uncertainties, which impacted the growth of construction sector. To overcome the hampered growth of industry, the Company continued its focus on reducing cost, however massive increase in energy cost by 70% from Rs.600/MMBTU to Rs.1,021/MMBTU, jointly with rupee devaluation and axle load restrictions swell the input cost resulting in lower gross margins. However, your Company ascended well in second quarter against set back of significant disturbance to the trade, post budget 2019 offsetting to a considerable level of losses of the first quarter.

In addition, the absence of level playing field of taxation laws and regulations impacting the current manufacturers as new manufacturing facilities in special economic zones are not required to pay taxes on dealer's margins (u/s 108B of Income Tax Ordinance 2001, introduced through Finance Act 2019). Additionally, tax compliant companies had largely been impacted due to amendments of sales tax laws penalizing the manufacturers through input tax disallowance, on selling goods beyond Rs. 10 million per month or Rs. 100 million per annum to the unregistered persons. Further the Government's drive of documentation of largely undocumented tile sector impacts the legitimate business of already tax compliant companies.

The financial performance for the half year is summarized below:

Particulars	<i>Rs. ' 000</i>	
	December 31, 2019	December 31, 2018
Turnover – net	3,710,931	3,173,915
Gross profit	719,905	787,583
Earnings before interest, tax and depreciation (EBITDA)	290,111	500,555
Operating (loss) / profit	(15,807)	232,105
(Loss) / profit before tax	(67,281)	172,625
(Loss) / profit after tax	(135,257)	110,985
(Loss) / earnings per share (Rs. / share)	(0.57)	0.46

During the half year ended, despite net sales recorded were higher by 16.9%, massive upsurge in manufacturing input costs squeezed the gross profit, which declined by 8.6%. Overall, the business incurred loss before tax of Rs. 67.281 million during the first half of the fiscal year.

FUTURE OUTLOOK

The business of the Company is directly linked with economic activity in Pakistan which remains challenging. The management is geared up for tests such as uncertainties in the economic environment, rising energy cost, fluctuation in exchange rates and tough competition. Accordingly, strategies are in place and are regularly reviewed to ensure that the Company stays on the path of growth and progress. The focus is on stringent controls on the cost of production mainly through modernizing and process improvements. We believe the Government will take strong immediate measures to bring in stimulus in the construction sector to revive all the connected industries.

We are looking forward for Government support and availability of conducive environment, with which Company's performance will improve further, both in terms of revenue and profits.

We acknowledge and appreciate the efforts of the employees and valuable support of our customers, financial institutions, shareholders and members of the board of directors.

For and on behalf of the Board

SYED MASOOD ABBAS JAFFERY
Chief Executive Officer

FEROZE JEHANGIR CAWASJI
Director

ختم ہونے والے آدھے سال کے دوران ، خالص فروخت میں 16.9 فیصد کا اضافہ ریکارڈ ہونے کے باوجود ، تعمیراتی لاگت میں بڑے پیمانے پر اضافے نے مجموعی منافع کو متاثر کیا ہے ، جس میں 8.6 فیصد کمی واقع ہوئی ہے۔ مجموعی طور پر کمپنی کو مالی سال کی پہلی ششماہی کے دوران 67.281 ملین روپے کا قبل از ٹیکس نقصان ہوا ہے ۔

مستقبل کا نقطہ نظر


کمپنی کا کاروبار پاکستان میں معاشی سرگرمیوں کے ساتھ براہ راست جڑا ہوا ہے جو اب بھی چیلنجنگ ہے۔ کمپنی انتظامیہ معاشی ماحول میں غیر یقینی صورتحال ، توانائی کی بڑھتی قیمت ، تبادلے کی شرح میں اتار چڑھاؤ اور سخت مسابقت جیسے امتحان کے لیے تیار ہے ۔ اس کے مطابق ، حکمت عملی اپنی جگہ پر ہے اور مستقل طور پر اس کا جائزہ لیا جاتا ہے تاکہ یہ یقینی بنایا جا سکے کہ کمپنی ترقی اور پیش رفت کی راہ پر گامزن ہے۔


بنیادی طور پر جدت اور عمل میں بہتری کے ذریعے پیداوار کی لاگت پر سخت کنٹرول کیا جا رہا ہے ۔ ہمیں یقین ہے کہ حکومت تعمیراتی شعبوں اور اس سے منسلک تمام صنعتوں کی بحالی کے لئے مضبوط اور فوری اقدامات کرے گی۔

ہم حکومتی تعاون اور سازگار ماحول کی دستیابی کے منتظر ہیں ، جس سے کمپنی کی آمدنی اور منافع دونوں میں مزید بہتری آئے گی۔

ہم ملازمین کی کاوشوں اور ہمارے صارفین ، مالیاتی اداروں ، شیئر ہولڈرز اور بورڈ آف ڈائریکٹرز کے ممبروں کے تعاون پر ان کا شکریہ ادا کرتے ہیں۔

برائے و منجانب - بورڈ آف ڈائریکٹرز


فیروز جہانگیر کاوسجی
ڈائریکٹر


سید مسعود عباس جعفری
چیف ایگزیکٹو آفیسر

کراچی: 25 فروری 2020

شبیر ٹائلز اینڈ سرامکس لمیٹڈ حصص یافتگان کے لئے ڈائریکٹرز رپورٹ برائے دوسری سہ ماہی اور ششماہی اختتامیہ 31 دسمبر، 2019

ڈائریکٹرز آپ کی کمپنی کے آڈیٹرز کی طرف سے باظابطہ جائزہ لئے گئے دوسری سہ ماہی اور ششماہی اختتامیہ 31 دسمبر، 2019 کے مالیاتی نتائج پیش کرتے ہیں۔

کاروباری چیلنجز اور مالی کارکردگی:

مالی سال 2020 کی دوسری سہ ماہی میں، حکومتی پالیسیوں اور معاشی غیر یقینی صورتحال میں تیزی سے تبدیلیوں کی وجہ سے کاروباری ماحول غیر مستحکم رہا، جس نے تعمیراتی شعبے کی ترقی کو متاثر کیا ہے۔ صنعت کی متاثرہ ترقی پر قابو پانے کے لئے، کمپنی نے لاگت کو کم کرنے پر اپنی توجہ جاری رکھی ہوئی ہے، تاہم توانائی کی لاگت میں 70% اضافہ ہوا ہے جو 600/MMBTU روپے سے 1,021/MMBTU روپے تک پہنچ چکی ہے، اس کے علاوہ مشترکہ طور پر روپیہ کی قدر میں کمی اور ایکسل لوڑ کی پابندی سے لاگت میں اضافہ ہوا ہے جس کے نتیجے میں مجموعی مارجن میں کمی واقع ہوئی ہے۔ تاہم، آپ کی کمپنی نے دوسری سہ ماہی میں خراب کاروباری ماحول کے باوجود بہتر کارکردگی دکھاتے ہوئے بجٹ 2019 کے بعد پہلی سہ ماہی کے نقصانات کو کافی حد تک کم کیا ہے۔

اس کے علاوہ، ٹیکسوں کے قوانین اور ضوابط کا عدم توازن موجودہ مینوفیکچررز کو متاثر کر رہی ہے کیونکہ خصوصی معاشی زون میں قائم ہونے والے نئے مینوفیکچرنگ یونٹس کو (فنانس ایکٹ 2019 کے ذریعہ متعارف کرائے گئے انکم ٹیکس آرڈیننس 2001 کے سیکشن B-108 کے تحت) ڈیلرز کے منافع پر ٹیکس ادا کرنے کی ضرورت نہیں ہے۔

اضافی طور پر، ٹیکس کی تعمیل کرنے والی کمپنیوں کو سیلز ٹیکس قوانین میں ترمیم کرنے کی وجہ سے بہت زیادہ اثر پڑا ہے کہ اس کے تحت مینوفیکچررز کو ان پٹ ٹیکس عدم دستیاب ہوگا اگر وہ غیر رجسٹرڈ افراد کو ہر ماہ 10 ملین روپے سے زیادہ یا سالانہ 100 ملین روپے سے زیادہ سامان فروخت کرتے ہیں۔ مزید یہ کہ حکومت کی جانب سے غیر دستاویزی ٹائل سیکٹر کو دستاویزی کرنے کی مہم کی وجہ سے پہلے ہی ٹیکس کی تعمیل کرنے والی کمپنیوں کے جائز کاروبار پر بھی اثر پڑ رہا ہے۔

نصف سال کی مالی کارکردگی کا خلاصہ ذیل میں کیا گیا ہے:

روپے ہزاروں میں

تفصیلات	31 دسمبر 2019	31 دسمبر 2018
خالص فروخت	3,710,931	3,173,915
مجموعی منافع	719,905	787,583
آمدنی قبل از شرح سود، ٹیکس اور فرسودگی (EBITDA)	290,111	500,555
کاروباری (نقصان) / منافع	(15,807)	232,105
(نقصان) / منافع قبل از ٹیکس	(67,281)	172,625
(نقصان) / منافع بعد از ٹیکس	(135,257)	110,985
(نقصان) / آمدنی فی حصص (روپے / حصص)	(0.57)	0.46



EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

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Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Shabbir Tiles and Ceramics Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim Statement of financial position of **Shabbir Tiles and Ceramics Limited** (the Company) as at **31 December 2019** and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity and notes to the condensed interim financial statements for the half year then ended (here-in-after referred to as "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income and the notes forming part thereof for the quarters ended 31 December 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 31 December 2019.

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 statements 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 statements is not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is **Tariq Feroz Khan**.

EY Ford Rhodes

Chartered Accountants

Karachi

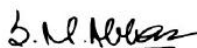
SHABIR TILES AND CERAMICS LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
Note	------(Rupees in `000)-----	
<u>ASSETS</u>		
NON-CURRENT ASSETS		
Property, plant and equipment	7 2,929,057	3,116,316
Right-of-use assets	8 268,351	-
Investment property	8,898	9,519
Long-term loans	53	20
Long-term deposits	20,464	20,292
	3,226,823	3,146,147
CURRENT ASSETS		
Stores and spare parts	373,592	322,695
Stock-in-trade	9 1,412,969	1,494,300
Trade debts	10 387,238	148,251
Loans and advances	17,389	10,551
Deposits and prepayments	14,139	21,018
Taxation - net	78,638	316,825
Cash and bank balances	163,215	127,127
	2,447,180	2,440,767
	5,674,003	5,586,914
<u>EQUITY AND LIABILITIES</u>		
SHARE CAPITAL AND RESERVES		
Authorised capital 240,000,000 (June 2019: 240,000,000) ordinary shares of Rs. 5/- each	1,200,000	1,200,000
Issued, subscribed and paid-up capital	1,196,600	1,196,600
Reserves	712,965	908,052
	1,909,565	2,104,652
NON-CURRENT LIABILITIES		
Long-term financing	11 239,200	449,100
Lease liabilities	12 193,872	-
Deferred taxation - net	198,790	200,013
	631,862	649,113
CURRENT LIABILITIES		
Trade and other payables	2,619,097	2,469,461
Current maturity of lease liabilities	12 63,336	-
Unclaimed dividends	2,812	2,812
Unpaid dividend	1,692	2,450
Accrued mark-up	7,521	9,860
Current maturity of long-term financing	59,800	49,900
Short-term borrowings	19,207	191,381
Sales tax payable	359,111	107,285
	3,132,576	2,833,149
CONTINGENCIES AND COMMITMENTS	13	
	5,674,003	5,586,914

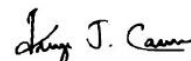
The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.



WAQUAS AHMED
Chief Financial Officer



SYED MASOOD ABBAS JAFFERY
Chief Executive Officer



FEROZE JEHANGIR CAWASJI
Director

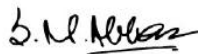
SHABBIR TILES AND CERAMICS LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE HALF YEAR ENDED DECEMBER 31, 2019
(UN-AUDITED)

	Half year ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	----- (Rupees in `000) -----			
Turnover - net	3,710,931	3,173,915	2,045,447	1,613,374
Cost of sales	(2,991,026)	(2,386,332)	(1,570,630)	(1,223,211)
Gross profit	719,905	787,583	474,817	390,163
Selling and distribution costs	(610,906)	(450,082)	(326,220)	(226,635)
Administrative expenses	(146,372)	(132,307)	(72,193)	(66,140)
	(757,278)	(582,389)	(398,413)	(292,775)
Other income	21,566	26,911	7,327	12,681
Operating (loss) / profit	(15,807)	232,105	83,731	110,069
Finance costs	(47,431)	(43,095)	(31,678)	(23,106)
Other expenses	(4,043)	(16,385)	(4,043)	(7,728)
	(51,474)	(59,480)	(35,721)	(30,834)
(Loss) / profit before taxation	(67,281)	172,625	48,010	79,235
Taxation				
- Current	(55,946)	(4,531)	(30,984)	11,074
- Prior	(13,253)		(13,253)	
- Deferred	1,223	(57,109)	(10,413)	(30,026)
	(67,976)	(61,640)	(54,650)	(18,952)
(Loss) / profit after taxation	(135,257)	110,985	(6,640)	60,283
	----- (Rupee) -----			
(Loss) / earnings per share – basic and diluted	(0.57)	0.46	(0.03)	0.25

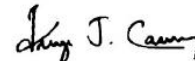
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WAQUAS AHMED
Chief Financial Officer



SYED MASOOD ABBAS JAFFERY
Chief Executive Officer



FEROZE JEHANGIR CAWASJI
Director

SHABBIR TILES AND CERAMICS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED DECEMBER 31, 2019
(UN-AUDITED)

	Half year ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	----- (Rupees in `000) -----			
(Loss) / profit after taxation	(135,257)	110,985	(6,640)	60,283
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / income for the period	(135,257)	110,985	(6,640)	60,283

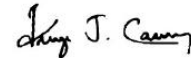
The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.



WAQAS AHMED
Chief Financial Officer



SYED MASOOD ABBAS JAFFERY
Chief Executive Officer



FEROZE JEHANGIR CAWASJI
Director

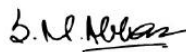
SHABBIR TILES AND CERAMICS LIMITED
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED DECEMBER 31, 2019
(UN-AUDITED)

	December 31, 2019	December 31, 2018
Note	----- (Rupees in `000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(67,281)	172,625
Adjustments for:		
Depreciation on:		
operating fixed assets	7.1 309,341	284,217
Right-of-use assets	8 36,178	-
investment property	621	620
Finance costs	47,431	43,095
Allowance for expected credit loss	12,481	7,766
Provision for slow moving stores and spare parts	16,753	5,206
Provision / (reversal) for slow moving stock-in-trade	1,250	(5,464)
Gain on disposal of operating fixed assets	(956)	(1,291)
	<u>423,099</u>	<u>334,149</u>
Operating profit before working capital changes	355,818	506,774
(Increase) / decrease in current assets		
Stores and spare parts	(67,650)	(15,035)
Stock-in-trade	80,081	(306,114)
Trade debts	(251,468)	50,782
Loans and advances	(6,838)	(1,744)
Deposits and prepayments	(3,238)	(15,085)
	<u>(249,113)</u>	<u>(287,196)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	149,636	316,791
Sales tax payable	251,826	(910)
	<u>401,462</u>	<u>315,881</u>
Cash generated from operations	508,167	535,459
Net income tax refund / (paid)	168,988	(73,347)
Finance costs paid	(32,442)	(61,683)
Long-term financing - net	(33)	(50)
Long-term deposits - net	(172)	(6,001)
Net cash generated from operating activities	644,508	394,378
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(131,466)	(239,104)
Proceeds from disposal of operating fixed assets	10,340	3,115
Net cash used in investing activities	(121,126)	(235,989)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term financing - net	(200,000)	(80,027)
Lease rental paid	12.1 (54,532)	-
Dividend paid	(60,588)	(97,573)
Net cash used in financing activities	(315,120)	(177,600)
Net increase / (decrease) in cash and cash equivalents	208,262	(19,211)
Cash and cash equivalents at the beginning of the period	(64,254)	104,474
Cash and cash equivalents at the end of the period	144,008	85,263

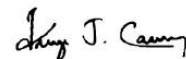
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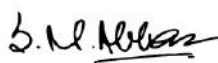
SHABIR TILES AND CERAMICS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2019
(UN-AUDITED)

	Issued, subscribed and paid-up capital	Reserves				Total equity
		Capital reserve	Revenue reserves			
		Share premium	General reserve	Accumulated losses	Total reserves	
----- (Rupees in `000) -----						
Balance as at June 30, 2018	1,196,600	449,215	478,000	(133,844)	793,371	1,989,971
Final dividend @ 10% for the year ended June 30, 2019				(119,660)	(119,660)	(119,660)
Profit for the period	-	-	-	110,985	110,985	110,985
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period				110,985	110,985	110,985
Balance as at December 31, 2018	<u>1,196,600</u>	<u>449,215</u>	<u>478,000</u>	<u>(142,519)</u>	<u>784,696</u>	<u>1,981,296</u>
Balance as at June 30, 2019	1,196,600	449,215	478,000	(19,163)	908,052	2,104,652
Final dividend @ 5% for the year ended June 30, 2019	-	-	-	(59,830)	(59,830)	(59,830)
Loss for the period	-	-	-	(135,257)	(135,257)	(135,257)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(135,257)	(135,257)	(135,257)
Balance as at December 31, 2019	<u>1,196,600</u>	<u>449,215</u>	<u>478,000</u>	<u>(214,250)</u>	<u>712,965</u>	<u>1,909,565</u>

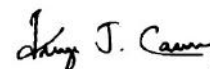
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WAQUAS AHMED
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Director

SHABBIR TILES AND CERAMICS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2019
(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 repealed Companies Act 1913 on November 07, 1978 and listed on the Pakistan Stock Exchange Limited. 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. STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting which comprise of International Accounting Standard (IAS) 34 - 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirement of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. BASIS OF PREPARATION

These condensed interim financial statements are un-audited but subject to limited scope review by the statutory auditors as required under Section 237 of the Companies Act, 2017. 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 annual financial statements of the Company for the year ended June 30, 2019.

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended December 31, 2019 and December 31, 2018 and notes forming part thereof have not been reviewed by the statutory auditors of the Company, as they are required to review only the cumulative figures for the half year ended December 31, 2019 and December 31, 2018.

These condensed interim financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation 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, 2019 except for the adoption of new standards, amendments and improvements of International Financial Reporting Standards (IFRSs) as disclosed in note 5.

5. NEW STANDARDS, AMENDMENTS AND IMPROVEMENTS OF IFRSs

The Company has adopted the following accounting standards and amendments of IFRSs and the improvements to accounting standards which became effective during the current period:

Standard or interpretation:

IFRS 16 – Leases

IFRS 9 – Prepayment features with negative compensation (Amendments)

IAS 19 – Plan amendment, curtailment or settlement (Amendments)

IAS 28 – Long term interests in associates and joint ventures (Amendments)

IFRIC 23 – Uncertainty over income tax treatments

Improvements to accounting standards issued by the IASB in December 2017

IFRS 3 Business combinations – Previously held interests in a joint operation

IFRS 11 Joint arrangements – Previously held interests in a joint operation

IAS 12 Income taxes – Income tax consequences of payments on financial instruments classified as equity

IAS 23 Borrowing costs – Borrowing costs eligible for capitalization

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the Company's financial statements except for IFRS 16. The impact of adoption of IFRS 16 are described below:

IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on statement of financial position model.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of July 01, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly the information presented for prior years has not been restated. The Company elected to use the transition practical expedient allowing the standard to be applied only to lease contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The new accounting policy in respect of leases is disclosed in note 5.1 to these financial statements. The impact of adoption of IFRS 16 as at July 01, 2019 is summarised below:

	(Rupees in `000)
Assets	
Right-of-use assets	272,178
Deposits and prepayments	(10,117)
	<u>262,061</u>
Liabilities	
Lease liabilities	<u>262,061</u>
	<u>262,061</u>

The right-of-use assets were recognised based on the amount equal to the lease liabilities adjusted for related prepayments and lease accruals (if any). Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company did not have any sub-lease as at July 01, 2019.

The impact of adoption of IFRS 16 on condensed interim statement of profit or loss for the half year ended December 31, 2019 is summarized below:

	(Rupees in `000)
Decrease in rent, rate and taxes	40,466
Increase in depreciation expense	(36,178)
Increase in finance costs	(17,328)
	<u>(13,040)</u>

The lease liabilities as at July 01, 2019 can be reconciled to the operating lease commitments as at June 30, 2019 as

	(Rupees in '000)
Operating lease commitments as at June 30, 2019	
Impact of discounting	(65,329)
Short-term leases	327,390
Total lease liability as at July 01, 2019	<u>262,061</u>
Average incremental borrowing rate as at July 01, 2019	<u>14.30%</u>

5.1 Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated using straight line method. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the date of initial application if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND FINANCIAL RISK MANAGEMENT

The preparation of condensed interim financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements and estimates made by the management in the preparation of these condensed interim financial statements are the same as those applied in the Company's annual financial statements for the year ended June 30, 2019 except for significant judgement in determining the lease term of contracts with renewal options.

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements as at and for the year ended June 30, 2019.

	Note	December 31, 2019 (Rupees in `000) (Un-audited)	June 30, 2019 (Audited)
7. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	2,860,280	3,078,484
Capital work-in-progress	7.2	68,777	37,832
		<u>2,929,057</u>	<u>3,116,316</u>
7.1 Operating fixed assets			
Opening Net Book Value (NBV)		3,078,484	3,277,313
Additions during the period / year - at cost	7.1.1	100,521	403,547
		3,179,005	3,680,860
Disposals during the period / year - at NBV	7.1.1	(9,384)	(10,063)
Depreciation charged during the period / year		(309,341)	(592,313)
Closing NBV		<u>2,860,280</u>	<u>3,078,484</u>

7.1.1 Additions and disposals of operating fixed assets

	Additions at cost / Transfers		Disposals at NBV	
	December 31, 2019	June 30, 2019	December 31, 2019	June 30, 2019
	(Rupees in `000)			
	(Un-audited)	(Audited)	(Un-audited)	(Audited)
Buildings	4,735	56,403	-	-
Plant and machinery	88,092	330,729	7,454	7,889
Office equipment	3,401	13,798	-	-
Computers and accessories	1,762	2,617	-	38
Vehicles	2,531	-	1,930	2,136
	<u>100,521</u>	<u>403,547</u>	<u>9,384</u>	<u>10,063</u>
			December 31, 2019	June 30, 2019
			(Rupees in `000)	
			(Un-audited)	(Audited)
7.2 Capital work-in-progress		Note	<u>68,777</u>	<u>37,832</u>
Plant and machinery		7.2.1		
7.2.1 Movement in capital work-in-progress				
Balance at the beginning of the period / year			37,832	97,960
Additions during the period / year			88,803	254,516
Transfers to operating fixed assets			(57,858)	(314,644)
Balance at the end of the period / year			<u>68,777</u>	<u>37,832</u>
8 RIGHT-OF-USE ASSETS				
Balance at the beginning of the period / year			-	-
Impact of initial application of IFRS 16 as at July 01, 2019		5	272,178	-
Additions during the period			<u>32,351</u>	-
			304,529	-
Depreciation charged during the period			<u>(36,178)</u>	-
Balance at the end of the period / year			<u>268,351</u>	-
9 STOCK-IN-TRADE				
Includes stock-in-trade costing Rs. 154.186 million (June 2019: Rs. 157.715 million) which has been written down to its net realizable value (NRV) amounting to Rs. 65.343 million (June 2019: Rs. 78.480 million).				
			December 31, 2019	June 30, 2019
			(Rupees in `000)	
			(Un-audited)	(Audited)
10 TRADE DEBTS - unsecured				
Considered good			387,238	148,251
Considered doubtful			<u>153,352</u>	<u>140,871</u>
			540,590	289,122
Allowance for expected credit loss			<u>(153,352)</u>	<u>(140,871)</u>
			<u>387,238</u>	<u>148,251</u>
11 LONG-TERM FINANCING				
Represents diminishing musharaka facility amounting to Rs.1,000 million (June 2019: Rs.1,000 million) under islamic banking terms which carries markup at rate of three months KIBOR + 0.70%(June 2019: three months KIBOR + 0.7%) per annum, payable quarterly with two year's grace period. The facility is secured against first pari passu mortgage and hypothecation over all present and future fixed assets (Land, building, plant and machinery). The loan is repayable within five years in ten equal semi annual installments.				
		Note	December 31, 2019	June 30, 2019
12 LEASE LIABILITIES			(Rupees in '000)	
			(Un-audited)	(Audited)
Total lease liabilities		12.1	257,208	-
Current maturity of lease liabilities			<u>(63,336)</u>	-
			<u>193,872</u>	-

	Note	December 31, 2019 (Rupees in '000) (Un-audited)	June 30, 2019 (Audited)
12.1 Reconciliation of total lease liabilities:			
Balance at the beginning of the period / year		-	-
Impact of initial application of IFRS 16 as at July 01, 2019	5	262,061	-
Additions during the period / year		32,351	-
Finance cost during the period / year		17,328	-
Payments during the period / year		(54,532)	-
Balance at the end of the period / year	12.2	<u>257,208</u>	<u>-</u>

12.2 The maturity analysis of lease liabilities including total lease payments and present value of total lease payments is as follows;

	December 31, 2019		June 30, 2019	
	Total lease payments	Present value of total lease payments (Un-audited)	Total lease payments	Present value of total lease payments
	(Rupees in '000)			
Within one year	67,693	63,336	-	-
Later than one year but not later than five years	246,109	175,832	-	-
More than five years	43,652	18,040	-	-
Total lease payments	357,454	257,208	-	-
Finance cost	(100,246)	-	-	-
Present value of total lease payments	257,208	257,208	-	-

12.3 Expenses relating to short-term leases amounted to Rs. 0.653 million (December 2019: Nil).

13 CONTINGENCIES AND COMMITMENTS

Contingencies

There are no material contingencies to report as at the reporting date.

Commitments

- (i) Commitments in respect of outstanding letters of credit against raw materials and spares amounted to Rs. 114.522 million (June 2019: Rs. 65.349 million).
- (ii) Commitments in respect of capital expenditure amounted to Rs. 0.583 million (June 2019: Rs. 11.841 million) for the import of machinery.
- (iii) Commitment in respect of bank guarantees issued by Habib Metropolitan Bank, a related party, amounted to Rs. 704.374 million (June 2019: Rs. 662.374 million)

(iv) Commitments for rentals under Ijarah finance agreements:

	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
Within one year	-	1,197
Later than one year but not later than five years	-	656
	<u>-</u>	<u>1,853</u>

14 CASH AND CASH EQUIVALENTS

	Half year ended	
	December 31, 2019 (Un-audited)	December 31, 2018
Cash and bank balances	163,215	85,263
Short-term borrowings	(19,207)	-
	<u>144,008</u>	<u>85,263</u>

15 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

	Half year ended	
	December 31, 2019	December 31, 2018
	----- (Un-audited) -----	
	(Rupees in '000)	
Associated companies		
Sales	14,006	10,044
Purchases of goods, material and services	38,375	31,383
Insurance premium	12,970	12,609
Insurance claims received	1,014	3,356
Rent and service charges paid	6,062	4,161
Rent income	396	396
Markup earned	2,312	4,495
Markup expense	897	1
Donation	2,483	1,565
Commission on letter of guarantee	1,092	2,160
	<u>12,193</u>	<u>10,389</u>
Staff retirement benefits		
Contribution to provident fund	<u>12,193</u>	<u>10,389</u>
Key management personnel		
Remuneration and other benefits	27,648	28,067
Fee for attending board meetings	50	50
	<u>27,698</u>	<u>28,117</u>
	December 31, 2019	June 30, 2019
	(Un-audited)	(Audited)
	(Rupees in '000)	
Balances as at period / year end		
Trade debts	1,979	1,673
Bank balances	68,055	48,853
Trade and other payables	17,519	18,414
Short-term borrowings	19,207	55,555
	<u>106,759</u>	<u>124,495</u>
Commitments		
Outstanding letters of credit	115,016	77,190
Outstanding letters of guarantee	704,374	662,374
	<u>819,390</u>	<u>739,564</u>

16 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 25, 2020, by the Board of Directors of the Company.

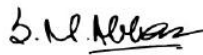
17 GENERAL

17.1 Figures have been rounded off to the nearest rupees in thousands unless stated otherwise.

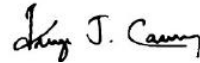
17.2 Certain comparative figures have been reclassified for better presentation, however, there are no material reclassification to report.



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