

Shabbir Tiles and Ceramics Limited

Condensed Interim Financial Statements
For the Half Yearly Ended December 31, 2018
(UN-AUDITED)





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Company Information

BOARD OF DIRECTORS

Rafiq M. Habib
Ali Suleman Habib
Syed Masood Abbas Jaffery
Owais-ul-Mustafa
Abdul Hai M. Bhaimia
Salim Azhar
Feroze Jehangir Cawasji

Chairman
Director
Chief Executive Officer
Director
Director
Director
Director

AUDIT COMMITTEE

Feroze Jehangir Cawasji
Abdul Hai M. Bhaimia
Salim Azhar

Chairman
Member
Member

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Feroze Jehangir Cawasji
Salim Azhar
Syed Masood Abbas Jaffery

Chairman
Member
Member

CHIEF FINANCIAL OFFICER

Waqas 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

REGISTERED OFFICE

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

STILE EMPORIUM AND DESIGN STUDIO AND SALES OFFICE- STARGATE

Metro Cash & Carry, CAA,
Near StarGate, 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-75120
Phone: (021) 38183610-3
Fax: (021) 38183615

STILE EMPORIUM AND DESIGN STUDIO - DHA

Plot 22-C, Lane 4, Bukhari Commercial
DHA, Karachi
Phone: (021) 37249564

STILE EMPORIUM AND DESIGN STUDIO AND SALE OFFICE- LAHORE

Plot No. 90-CCA, DHA-4, Lahore
Phone: (042) 37185710-12



Company Information

STILE EMPORIUM AND DESIGN STUDIO AND SALE OFFICE- ISLAMABAD	Al Shareef Plaza, First Floor, Shamsabad, Murree Road Rawalpindi. Phone No. (051) 4935521-23 Fax No. (051) 4935524
PESHAWAR SALES OFFICE	Main Ring Road, Near Kohat Road, Peshawar Opp: Mujaddid CNG Phone: (091) 2325012
SUKKUR SALES OFFICE	Tooba Tower, Mezzanine Floor, Opposite Hira Medical Center, Sukkur Phone: (071) 5615560
MULTAN SALES OFFICE	Jalil Centre, 2nd Floor, Abdali Road, Multan Phone: (061) 4546439 / 4783097
FAISALABAD SALES OFFICE	P-68/54 Front hall, First floor, Main Susan Road Opposite Social Security Hospital Madina Town Faisalabad Phone: (041) 8541412, (041) 8731412
HYDERABAD SALES OFFICE	Plot no 90-5 Cantonment Survey No 41/90/5 Saddar Cantonment Near Bank Al-Habib, Hyderabad
REGISTRAR AND SHARE TRANSFER OFFICE	Central Depository Company Limited CDC House, 99-B, Block 'B', S.M.C.H.S. Main Shahrah-e-Faisal, Karachi-74400 Phone: (021) 111 111 500, Fax: (021) 34326053 URL: www.cdc-pakistan.com Email: info@cdcpak.com
FACTORY:	
UNIT-I	15th Milestone, National Highway, Landhi, Karachi-75120 Phone: (021) 38183610-3 Fax: (021) 38183615
UNIT-II	Deh Khanto, Tappo Landhi, District Malir, Bin Qasim Town, Karachi. Phones: (021) 34102702 Fax: (021) 34102709



DIRECTORS' REPORT TO THE SHAREHOLDERS

FOR THE SECOND QUARTER & HALF YEAR ENDED DECEMBER 31, 2018

The Directors of your Company have the pleasure in presenting to you the financial results of your Company, duly reviewed by the auditors, for the second quarter and half year ended December 31, 2018.

Financial performance

The financial performance for the half year is summarized below:

Particulars	Dec 31, 2018	Rs. in '000
		Dec 31, 2017
Turnover – net	3,173,915	2,532,805
Gross profit	787,583	441,425
Operating profit	215,720	82,312
Earnings before interest, tax and depreciation (EBITDA)	500,557	261,793
Profit before tax	172,625	25,839
Profit after tax	110,985	11,116
Earnings per share (Rs./ share)	0.46	0.05

We are pleased to report that the decisions taken by the management of the Company are proving right way forward. The gross profit percentage has now moved to 25% as compared to 17% of last year, despite the recent increase in gas tariff from Rs. 600/MMBTU to Rs. 780/MMBTU (an increase of 30%) and significant rupee devaluation. This is done through better marketing, improved product mix and optimization of energy and material usage. Profit after tax increased to Rs. 110.985 million from Rs. 11.116 million, registering a strong advancement.

Future outlook and challenges:

The country is facing serious economic and financial challenges which have significantly affected the overall performance of the construction sector. Nearly all input cost parameters are showing rising trends and uncertainty over rupee dollar parity coupled with increase in the interest rates has further made it difficult for the domestic industry to sustain its margins. However with the appropriate support of the Government in shape of level playing field policies, the local industry is well-positioned to support the government agenda of promoting construction industry which should stimulate the economy by job creation and uplift all industries linked to the housing sector. Further, this shall also benefit in meeting foreign reserve challenge through enhancing export opportunity.

Your Company is striving hard to sustain the first half performance and continue on the progressive path with the momentum established, for which it is necessary that Government policies are improved such to encourage local industry.

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

On behalf of the Board of Directors

SYED MASOOD ABBAS JAFFERY
Chief Executive Officer

FEROZE JEHangIR CAWASJI
Director

Karachi: February 18, 2019

شعبہ ٹائلز اینڈ سیرامکس لمیٹڈ

حصص یافتگان کے لئے ڈائریکٹرز رپورٹ

برائے دوسری سرمایہ اور ششماہی ہفتہ 31 دسمبر 2018

کمپنی کے ڈائریکٹران کمپنی کے آڈیٹران کی طرف سے باضابطہ جائزہ لئے گئے دوسری سرمایہ اور ششماہی ہفتہ 31 دسمبر 2018 کے مالیاتی نتائج پیش کرتے ہوئے اظہار مسرت کرتے ہیں۔

مالیاتی کارکردگی

ششماہی کی مختصر مالیاتی کارکردگی درج ذیل ہے:

تفصیلات	31 دسمبر 2018	31 دسمبر 2017
خالص فروخت	3,173,915	2,532,805
مجموعی منافع	787,583	441,425
کاروباری منافع	215,720	82,312
آمدنی قبل از شرح سود، ٹیکس اور فرسودگی (EBITDA)	500,557	261,793
منافع قبل از ٹیکس	172,625	25,839
منافع بعد از ٹیکس	110,985	11,116
فی شخص آمدن (حصص / روپے)	0.46	0.05

ہم انتہائی مسرت کے ساتھ مطلع کرتے ہیں کہ آپ کی کمپنی کی انتظامیہ کے کئے گئے فیصلے درست ثابت ہو رہے ہیں۔ حال ہی میں ٹیکس کے نرخ میں اضافہ یعنی 600 روپے فی ایم این پی ٹی یو سے 780 روپے فی ایم این پی ٹی یو (30 فیصد اضافہ) ہونے اور روپے کی قدر میں قابل ذکر کمی کے باوجود مجموعی منافع کی شرح 25 فیصد تک پہنچ گئی جو کہ گزشتہ سال 17 فیصد تھی۔ یہ سب کچھ بہتر مارکیٹنگ، مصنوعات کے بہتر مرکب اور توانائی اور خام مال کے استعمال میں بہتری کی وجہ سے ممکن ہوا۔ منافع بعد از ٹیکس 11.116 ملین سے بڑھ کر 110.985 ملین روپے ہو گیا جو کہ ایک مستحکم پیش رفت کی نشاندہی کرتا ہے۔

مستقبل کی پیش بینی اور چیلنجز

ملک کو اس وقت شدید معاشی اور مالیاتی چیلنجز کا سامنا ہے جس کی وجہ سے تعمیراتی شعبہ کی مجموعی کارکردگی شدید متاثر ہوئی ہے۔ تقریباً تمام لاگوں میں اضافہ کے رجحان اور ڈالر / پاکستان کی مساداتی قدر سے متعلق غیر یقینی صورتحال کے ساتھ بڑھتی ہوئی سود کی وجہ سے مقامی صنعت کو اپنے منافع کی شرح برقرار رکھنی مزید مشکل ہو گئی ہے۔ تاہم حکومتی فیڈرالیسیوں کی تائید کے ذریعے تعمیراتی صنعت مقامی اچھا مقام حاصل کر لے گی جو کہ حکومت کے تعمیراتی صنعت کی ترقی کے ایجنڈے کے ساتھ مصیبت کی ترقی اور روزگار کے مواقع حاصل کرنے میں معاون ہوگی اور اس طرح تعمیراتی صنعت سے وابستہ تمام صنعتوں کو بھی تقویت ملے گی۔ اس کے علاوہ برآمدات میں اضافہ کی وجہ سے زرمبادلہ کے ذخائر کی ضروریات بھی پوری ہوگی۔

آپ کی کمپنی پہلی ششماہی کی کارکردگی کو برقرار رکھنے کے لئے سخت جدوجہد کر رہی ہے اور تسلسل کے ساتھ متحرک راستے پر گامزن ہے جس کے لئے ضروری ہے کہ حکومت اپنی پالیسیوں میں اس طرح کی بہتریاں لائے جن سے مقامی صنعت کی حوصلہ افزائی ہو۔

اس موقع پر ہم تمام مستفیدان کے مسلسل تعاون کے مشکور ہیں۔

برائے مضامین ڈائریکٹران

King J. Caung

فیروز جہانگیر کاؤنجی
ڈائریکٹر

S. M. Akbar

سید مسعود عباس جعفری
چیف ایگزیکٹو آفیسر

کراچی: 18 فروری 2019



EY Ford Rhodes
Chartered Accountants
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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 2018** 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 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 31 December 2018.

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**. *TFK*

Chartered Accountants
Karachi



Condensed Interim Statement of Financial Position

As at December 31, 2018

		December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
	Note	---(Amounts in PKR `000)---	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	3,328,336	3,375,273
Investment property		10,141	10,761
Long-term loans		60	10
Long-term deposits		20,233	14,232
		3,358,770	3,400,276
CURRENT ASSETS			
Stores and spare parts		374,705	364,876
Stock-in-trade	8	1,419,511	1,107,933
Trade debts	9	184,817	243,365
Loans and advances		15,127	13,383
Deposits, prepayments and other receivables		23,200	8,115
Taxation - net		303,438	234,622
Cash and bank balances		85,263	104,474
		2,406,061	2,076,768
		5,764,831	5,477,044
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 240,000,000 (June 30, 2018: 240,000,000) ordinary shares of Rs.5/- each		1,200,000	1,200,000
Issued, subscribed and paid-up capital		1,196,601	1,196,601
Reserves		784,696	793,371
		1,981,297	1,989,972
NON-CURRENT LIABILITIES			
Long-term loan	10	825,192	905,219
Deferred tax liability - net		195,396	138,287
		1,020,588	1,043,506
CURRENT LIABILITIES			
Trade and other payables		2,480,493	2,163,702
Unclaimed dividends		2,821	3,324
Unpaid dividend		22,590	-
Accrued mark-up		9,888	28,476
Sales tax payable		247,154	248,064
		2,762,946	2,443,566
CONTINGENCIES AND COMMITMENTS			
	11	5,764,831	5,477,044

The annexed notes from 1 to 15 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



Condensed Interim Statement of Profit or Loss

For the Half Year ended December 31, 2018

(Un-Audited)

	Half year ended		Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(Amounts in PKR `000)			
Turnover - net	3,173,915	2,532,805	1,613,374	1,314,859
Cost of sales	(2,386,332)	(2,091,380)	(1,223,211)	(1,042,499)
Gross profit	787,583	441,425	390,163	272,360
Selling and distribution costs	(450,082)	(298,905)	(226,635)	(168,439)
Administrative expenses	(132,307)	(79,762)	(66,140)	(40,950)
	(582,389)	(378,667)	(292,775)	(209,389)
Other income	26,911	21,468	12,681	12,161
Other charges	(16,385)	(1,914)	(7,728)	(1,914)
	10,526	19,554	4,953	10,247
Operating profit	215,720	82,312	102,341	73,218
Finance costs	(43,095)	(56,473)	(23,106)	(28,027)
Profit before taxation	172,625	25,839	79,235	45,191
Taxation				
- Current	(4,531)	(7,900)	11,074	(2,268)
- Deferred	(57,109)	(6,823)	(30,026)	(12,629)
	(61,640)	(14,723)	(18,952)	(14,897)
Profit after taxation	110,985	11,116	60,283	30,294
	(Rupee)			
Earnings per share – basic and diluted	0.46	0.05	0.25	0.13

The annexed notes from 1 to 15 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



Condensed Interim Statement of Comprehensive Income

For the Half Year Ended December 31, 2018

(Un-Audited)

	Half year ended		Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(Amounts in PKR `000)			
Profit after taxation	110,985	11,116	60,283	30,294
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	110,985	11,116	60,283	30,294

The annexed notes from 1 to 15 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



Condensed Interim Statement of Cash Flows

For the Half Year Ended December 31, 2018

(Un-Audited)

	Note	December 31, 2018	December 31, 2017
--- (Amounts in PKR `000) ---			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		172,625	25,839
Adjustments for:			
Depreciation on:			
operating fixed assets		284,217	178,860
investment property		620	621
Finance costs		43,095	56,473
Allowance for expected credit loss		7,766	14,490
Provision for slow moving stores and spare parts		5,206	12,166
(Reversal) / provision for slow moving stock-in-trade		(5,464)	9,059
Gain on disposal of operating fixed assets		(1,291)	(878)
		334,149	270,791
Operating profit before working capital changes		506,774	296,630
(Increase) / decrease in current assets			
Stores and spare parts		(15,035)	(120,943)
Stock-in-trade		(306,114)	(67,312)
Trade debts		50,782	265,850
Loans and advances		(1,744)	7,133
Deposits, prepayments and other receivables		(15,085)	(16,707)
		(287,196)	68,021
Increase / (decrease) in current liabilities			
Trade and other payables		316,791	372,185
Sales tax payable		(910)	10,209
		315,881	382,394
Cash generated from operations		535,459	747,045
Income tax paid		(73,347)	(49,566)
Finance costs paid		(61,683)	(55,074)
Long-term loans - net		(50)	(31)
Long-term deposits - net		(6,001)	(1,572)
Net cash generated from operating activities		394,378	640,802
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(239,104)	(720,448)
Proceeds from disposal of operating fixed assets		3,115	5,613
Net cash used in investing activities		(235,989)	(714,835)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment) / receipt of long-term loan - net		(80,027)	607,645
Dividend paid		(97,573)	-
Net cash (used in) / generated from financing activities		(177,600)	607,645
Net (decrease) / increase in cash and cash equivalents		(19,211)	533,612
Cash and cash equivalents at the beginning of the period		104,474	(926,950)
Cash and cash equivalents at the end of the period	12	85,263	(393,338)

The annexed notes from 1 to 15 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



Condensed Interim Statement of Changes in Equity

For the Half Year Ended December 31, 2018
(Un-Audited)

Issued, subscribed and paid-up capital	Reserves			Total reserves	Total equity	
	Capital Reserves	Revenue reserves				
	Share premium	General reserve	Accumulated losse			
	(Amounts in PKR `000)					
Balance as at June 30, 2017	1,196,601	449,215	478,000	(328,250)	598,965	1,795,566
Profit for the period	-	-	-	11,116	11,116	11,116
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	11,116	11,116	11,116
Balance as at December 31, 2017	1,196,601	449,215	478,000	(317,134)	610,081	1,806,682
Balance as at June 30, 2018	1,196,601	449,215	478,000	(133,844)	793,371	1,989,972
Final dividend @ 10% for the year ended June 30, 2018	-	-	-	(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	1,196,601	449,215	478,000	(142,519)	784,696	1,981,297

The annexed notes from 1 to 15 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



Notes to the Condensed Interim Financial Statements

For the Half Year Ended December 31, 2018

(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, 2018.

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended December 31, 2018 and December 31, 2017 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, 2018 and December 31, 2017.

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, 2018 except for the adoption of new standards, amendments and interpretation of International Financial Reporting Standards (IFRSs) as disclosed in note 5.



5. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS OF IFRSs

Effective 1 July 2018, the Company has adopted IFRS 15 "Revenue from Contracts with Customers" (replacing IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations) and IFRS 9 "Financial Instruments (replacing IAS 39 "Financial Instruments: Recognition and Measurement"). The effects of adoption of these standards are explained below;

5.1 IFRS 15 Revenue from Contracts with Customers

According to IFRS 15, revenue is recognized to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services. IFRS 15 also includes guidance on the presentation of contract balances, that is, assets and liabilities arising from contracts with customers, depending on the relationship between the entity's performance and the customer's payment.

The Company has applied IFRS 15 with initial application date of 1 July 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP). The first-time application of IFRS 15 by the Company has not had any significant effects with regard to the amount of revenue recognised and when it is recognised. Hence, no cumulative adjustment amounts have been recognised to adjust the opening equity as at 1 July 2018. Accordingly, the information presented for previous years has not been restated, as previously reported, under IAS 18 and related interpretations.

The management of the Company has assessed that the Company is in compliance with the requirements of IFRS 15.

5.2 IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

5.2.1 Effect of adopting IFRS 9 on the classification of financial assets

Financial asset	Original category under IAS 39	New category under IFRS 9
Trade debts	Loans and receivables	Amortised cost
Loans	Loans and receivables	Amortised cost
Deposits and other receivables	Loans and receivables	Amortised cost
Cash and bank balances	Loans and receivables	Amortised cost
Long-term deposits	Loans and receivables	Amortised cost
Long-term loans	Loans and receivables	Amortised cost

5.2.2 Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below:

**a) Initial recognition and measurement**

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit or Loss (FVTPL).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets.

“Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

5.2.3 Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

At each reporting date, the Company assesses whether financial assets are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the respective asset.

The Company uses the standard’s simplified approach and calculates ECL based on life time ECL on its financial assets. For this purpose, the management conducts an exercise to assess the impairment of its financial assets using historical data and forward looking information.

Based on such exercise, the Company has concluded that it is in compliance with the requirements of the new accounting standard including the assessment of impairment on its financial assets using expected credit loss model.



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, 2018.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2018.

		December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
	Note	(Amounts in PKR `000)	
7. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	7.1	3,209,193	3,277,313
Capital work-in-progress	7.2	119,143	97,960
		3,328,336	3,375,273
7.1 Operating fixed assets			
Opening Net Book Value (NBV)		3,277,313	2,707,126
Additions to property, plant and equipment - at cost	7.1.1	217,921	965,387
		3,495,234	3,672,513
Disposals during the period / year - at NBV	7.1.1	(1,824)	(1,432)
Depreciation charged during the period / year		(284,217)	(393,768)
Closing NBV		3,209,193	3,277,313

7.1.1 Additions and disposals of property, plant and equipment

	Additions (cost)		Disposals (NBV)	
	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
	(Amounts in PKR `000)			
Buildings	28,351	41,119	-	-
Plant and machinery	181,664	910,391	-	29
Office equipment	5,864	5,260	43	11
Computers and accessories	2,042	4,151	35	100
Vehicles	-	4,466	1,746	1,292
	217,921	965,387	1,824	1,432



		December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
	Note	(Amounts in PKR `000)	
7.2 Capital work-in-progress			
Plant and machinery		114,102	84,442
Civil works		5,041	13,518
	7.2.1	119,143	97,960

		December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
		(Amounts in PKR `000)	

7.2.1 Movement in capital work-in-progress

Balance at the beginning of the period / year	97,960	133,842
Additions during the period / year	212,155	850,662
Transfers to operating fixed assets	(190,972)	(882,732)
Disposal during the period / year	-	(3,812)
Closing balance	119,143	97,960

8. STOCK-IN-TRADE

Includes stock-in-trade costing Rs. 99.986 million (June 2018: Rs. 100.457 million) which has been written down to its net realizable value (NRV) amounting to Rs. 54.559 million (June 2018: Rs. 55.856 million).

	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
	(Amounts in PKR `000)	

9. TRADE DEBTS - unsecured

Unsecured

Considered good	184,817	243,365
Considered doubtful	149,031	142,086
	333,848	385,451
Allowance for expected credit loss	(149,031)	(142,086)
	184,817	243,365

- 10.** Represents diminishing musharaka facility amounting to Rs. 1,000 million (June 2018: Rs1,000 million) under islamic banking terms which carries markup at rate of three months KIBOR + 0.70% per annum, payable quarterly with two years grace period. The loan is repayable within five years in ten equal semi annual installments commencing from February 2020. The facility is secured against first pari passu mortgage and hypothecation over all present and future fixed assets (Land, building, plant and machinery).



11. 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. 178.346 million (June 2018: Rs. 83.228 million).
- (ii) Commitments in respect of capital expenditure amounted to Rs. 9.530 million (June 2018: Rs. 59.051 million) for the import of machinery.
- (iii) Bank guarantees issued by Habib Metropolitan Bank Limited, a related party, to Sui Southern Gas Company Limited and Excise & Taxation Department amounted to Rs. 520.266 (June 2018: Rs. 456.980) million and Rs. 60.381 (June 2018: Rs. 60.381) million respectively.

	December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
	(Amounts in PKR `000)	

- (iv) Commitments for rentals under Ijarah finance agreements:

Within one year	631	631
Later than one year but not later than five years	659	974
	<u>1,290</u>	<u>1,605</u>

Represent Ijarah agreements entered into with First Habib Modaraba in respect of vehicles. Total Ijarah payments due under the agreements are Rs. 1.290 million and are payable in monthly installments latest by January 2021. These commitments are secured by on-demand promissory notes of Rs. 3.156 million.

	Half year ended December 31, 2018 ----- (Un-audited) -----	December 31, 2017 -----
	(Amounts in PKR `000)	

12. CASH AND CASH EQUIVALENTS

Cash and bank balances	85,263	127,280
Short-term borrowings	-	(520,618)
	<u>85,263</u>	<u>(393,338)</u>



13. 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, 2018	December 31, 2017
	----- (Un-audited) -----	----- (Un-audited) -----
	(Amounts in PKR `000)	
Associated companies		
Sales	10,044	7,413
Purchases of goods, material and services	31,383	25,611
Insurance premium	12,609	10,082
Insurance claims received	3,356	457
Rent and service charges paid	4,161	4,180
Rent income	396	360
Markup earned	4,495	57
Markup expense	1	10,834
Donation	1,565	-
Commission on letter of guarantee	2,160	1,967
Staff retirement benefits		
Contribution to provident fund	10,389	8,730
Key management personnel		
Remuneration and other benefits	28,067	15,023*
Fee for attending board meetings	50	50
	December 31, 2018	June 30, 2018
	(Un-audited)	(Audited)
	(Amounts in PKR `000)	
Balances as at period / year end		
Trade debts	8,741	11,611
Trade and other payables	10,529	8,759
Bank balances	35,784	22,335
Commitments		
Outstanding letters of credit	187,876	85,273
Outstanding letters of guarantee	580,648	517,361

* The amount has been restated to include the remuneration and other benefits of Chief Financial Officer and Company Secretary in compliance of S.R.O. 1194(1)/2018, dated October 02, 2018.

**14. DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on February 18, 2019 by the Board of Directors of the Company.

15. GENERAL

15.1 Figures have been rounded off to the nearest rupees in thousands.

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

A handwritten signature in black ink, appearing to be "Waquas Ahmed".

WAQUAS AHMED
Chief Financial Officer

A handwritten signature in black ink, appearing to be "Syed Masood Abbas Jaffery".

SYED MASOOD ABBAS JAFFERY
Chief Executive Officer

A handwritten signature in black ink, appearing to be "Feroze Jehangir Cawasji".

FEROZE JEHANGIR CAWASJI
Director





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