

KARAM CERAMICS LIMITED

2021

ANNUAL
REPORT



www.karamceramics.com

42nd ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mrs. Mariam Shaban Ali	Chairperson
Mr. Irshad Ali S.Kassim	Vice Chairman
Mr. Munawar Ali S.Kassim	Chief Executive
Miss. Maneeza Kassim	Director
Mr. Shahid Anwar Tata	Independent Non-Executive Director
Mr. Suleman Basaria	Independent Non-Executive Director
Ms. Roshan Ara sayani	Independent Non-Executive Director
Mr. Muhammad Shehzad Dhedhi	Chief Financial officer
Mr. Manzoor Ali Natha	Company Secretary

AUDIT COMMITTEE

Mr. Suleman Basaria	Chariman
Miss Maneeza Kassim	Member
Ms. Roshan Ara Sayani	Member

HUMAN RESOURCES & REMUNERATION COMMITTEE

Ms. Roshan Ara sayani	Chairperson
Mr. Munawar Ali S. Kassim	Member
Miss. Maneeza Kassim	Member

BANKERS

Soneri Bank Limited
 Habib Bank Limited
 JS Bank Limited
 MCB Bank Limited
 Habib Metropolitan Bank Limited
 Faysal Bank Limited
 Allied Bank Limited
 Bank Alfalah Limited
 Meezan Bank Limited

AUDITORS / REGISTRAR AND SHARE TRANSFER OFFICE

Crowe Hussain Choudhury
 Chartered Accountants
 T.H.K. Associates (Private) Limited
 Plot No. 32-C, Jami Commercial Street 2,
 D.H.A Phase VII Karachi-75500.

NATIONAL TAX NUMBER : 0710857-5
SALES TAX REGISTRATION NO : 02-02-6907-001-55

HEAD OFFICE

Bc-6, Block -5, Scheme-5, Kehkashan, Clifton, Karachi (Ph # 021-35865561-64)

FACTORY

295/311, Deh Halkani, Hub Dam Road, Karachi

LAHORE

Plot No. 56-A, Block-L,
 Gulberg III, Lahore.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 42nd Annual General Meeting ("AGM ") of Karam Ceramics Limited (the 'Company') will be held on Wednesday October 27, 2021, at 4.00 P.M, at the Registered Office of the Company

To transact the following business:

1. To confirm the minutes of the 41st Annual General Meeting held on 27th November 2020.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2021, together with the reports Directors and Auditors thereon.
3. To appoint External Auditor of the Company for the year ending June 30, 2022 and fix their remuneration. The present auditors M/s Crowe Hussain Chaudhury & Co. Chartered Accountants, retire and being eligible have offered themselves for reappointment.
4. To transact any other business with the permission of the Chair.

Karachi
October 6, 2021.

By Order of the Board

Manzoor Ali Natha
Company Secretary

Notes :

1. The Share transfer book of the company will remain closed from October 20, 2021 to October 27, 2021 (both days inclusive). The transfers received at Company's Share Registrar namely M/s THK Associates (Pvt) Ltd. Plot No. 32-C, Jami Commercial Street 2, D.H.A Phase VII Karachi-75500 upto the close of business on October 19, 2021 will be treated for purpose of attending the annual general meeting.
2. For attending the meeting through video link due to Covid-19 Pandemic:

In pursuance of SECP Circular Nos. 5 and 10 of 2020 dated 17 March 2020 and 4 April 2020 respectively regarding Regulation relief to dilute impact of Corona Virus (COVID-19) for Corporate Sector, the entitled shareholders interested in attending the Annual General Meeting (AGM) through video link "Zoom" which can be downloaded from (Google Play or APP Store) are requested to get themselves registered with the Company Secretary Office at least two working days before the holding of the AGM at karamceramics@gmail.com by providing the following details.

Name of Shareholder	CNIC No.	Folio No.	Cell No.	Email Address

- Upon in receipt of above information from interested shareholders, the Company will send the login details at their email addresses.
 - On the AGM day, the shareholders will be able to login and participate in the AGM proceeding through their smart phones or computer devices from their any convenient location.
 - The login facility will be opened thirty (30) minutes before the meeting time to enable the participants to join the meeting after identification process and verification process.
 - Shareholders will be encouraged to participate in the AGM to consolidate their attendance and participation through proxies.
3. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote instead of him / her. attend and vote on his/her behalf. Proxies to be effective must be received by the company not less than 48 hours before the time of holding of the meeting.
 4. The beneficial owners of shares recorded in Central Depository Company of Pakistan Limited (CDCPL) are required to bring their Original CNIC and in case of instructions being the beneficial owner, notarially certified copy of power of attorney or other authority, together with the proof of identity of such nominee, is required for admittance to the meeting of the members.
 5. Members are requested to communicate to the company or the Registrar to the company of any change in their address.
 6. Members are requested to provide their International Banking Account Number (IBAN) together with a copy of Computerized National Identity Card (CNIC) to update our records. In case of non-submission, all future dividend payments may be withheld.
 7. Members are requested to submit declaration (CZ-50) as per Zakat & Ushr Ordinance 1980 for zakat exemption and to advise change in address, if any.

UNCLAIMED DIVIDENDS

Shareholders, who by any reason, could not claim their dividend, are advised to contact our Share Registrar M/s THK Associates (Pvt) Ltd, to collect/ enquire about their unclaimed dividend, if any.

Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all dividends unclaimed for the period of three (3) years from the date due and payable shall be deposited to the credit of the Federal Government.

E-DIVIDEND

As per Section 242 of the Companies Act, 2017, in case of a Public Limited Company, any dividend payable in cash shall only be paid through electronic mode directly into bank account designated by the entitled shareholders. Therefore, through this notice, all shareholders are requested to update their bank account details in the Central Depository System through respective participants. E-Dividend mandate form is enclosed.

E - VOTING

Members can exercise their right to demand a poll subject to meeting requirements of Section 143 - 145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

VIDEO CONFERENCE

Pursuant to SECP Circular No. 10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in the city subject to availability of such facility in the city. To avail this facility please provide the following information to the Share Registrar Office of the Company i.e, M/s THK Associates Pvt Ltd. Plot No. 32-C, Jami Commercial Street 2, D.H.A Phase VII, Karachi-75500.

I/We, of being a member of Karam Ceramics Limited holder of Ordinary Share(s) as per Register Folio No : _____ hereby opt for video conference facility at (Please insert name of City).

Signature of member

CIRCULATION OF NOTICE OF MEETING & ANNUAL ACCOUNTS

With reference to SRO 787/1/2014 dated 8th September 2014 issued by SECP, shareholders have an option to receive Annual Audited Financial Statements and Notice of General Meeting through email. Shareholders of the Company are requested to give their consent on prescribed form to our Shares Registrar M/s THK Associates (Pvt) Ltd. Plot No. 32-C, Jami Commercial Street 2, D.H.A Phase VII, Karachi-75500, to update our record if they wish to receive Annual Audited Financial Statements and Notice of General Meeting through email. However if a shareholder, in addition, request for hard copy of Audited Financial Statement the same shall be provided free of cost within seven (7) days of receipt of such request.

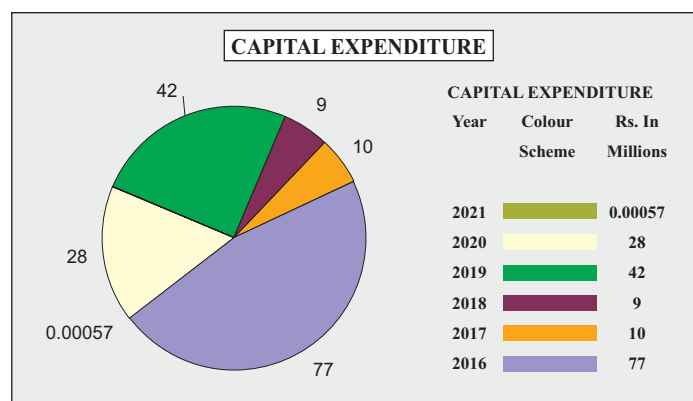
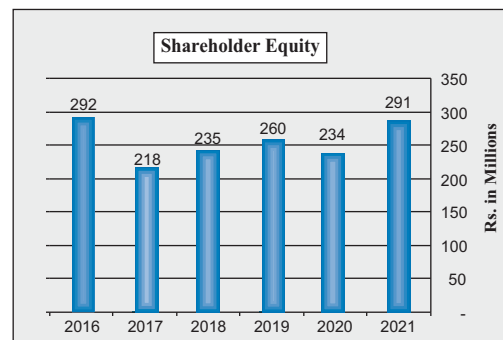
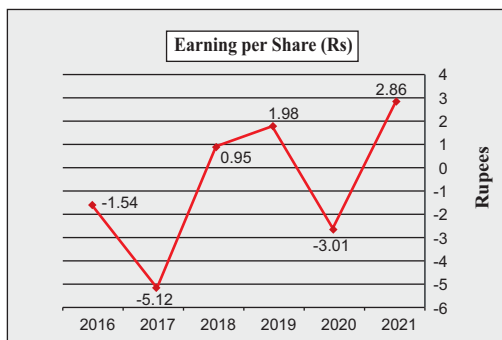
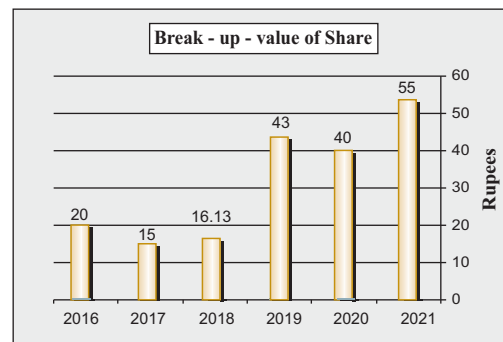
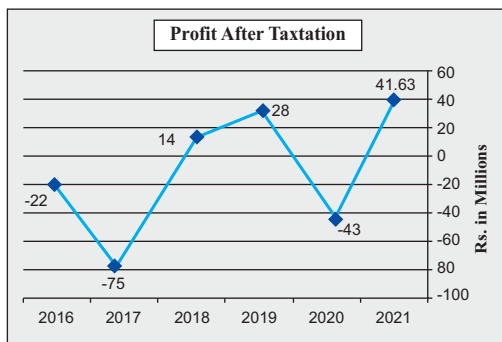
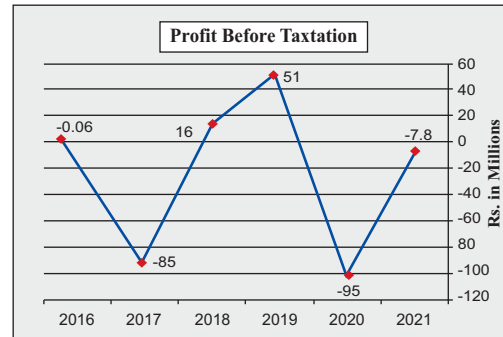
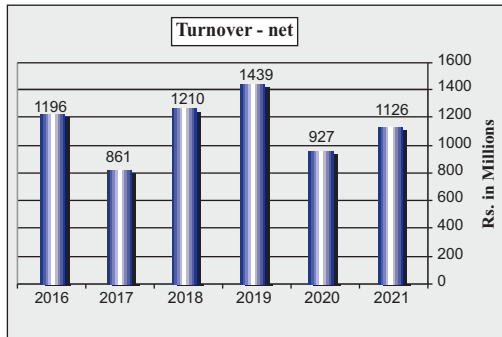
KCL Share Department

Mr. Manzooral Natha
021-35865561-64, manzooral.nath@gmail.com

KCL Share Registrar

THK Associates (Pvt) Ltd.
021-35310191 UAN 021-111-000-322 sfc@thk.com.pk

- 1 The corporate shareholders having CDC accounts required to have their National Tax Number (NTN) updated with their respective participants. Whereas corporate physical Shareholders should send a copy of their NTN certificate to the company or its Share Registrar i.e. THK Associates (Pvt) Ltd, the shareholders while sending NTN or NTN Certificates, as the case may be, must quote company name and their respective folio numbers.



REVIEW REPORT BY THE CHAIRPERSON

Karam Ceramics Limited complies with all the requirements set out in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 with respect to the composition, procedures and meetings of the Board of Directors and its committees.

The Board devises all major policies and strategies to efficiently and effectively manage the Company and is consistent about promoting and enabling innovation within the Company.

The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

During the financial year 2020-21 the overall performance of the Board measured on the basis of approved criteria for the year was satisfactory. Improvement is an ongoing process leading to action plans.

The over all assessment as satisfactory is based on an evaluation of integral components, including vision, mission and values , engagement in strategic planning, formulation of policies, monitoring the organization`s business activities , monitor financial resource management, effective fiscal oversight, equitable treatment of all employees and efficiency in carrying out the Board`s business.

The Board of Directors of the Company received agendas and supporting written material including follow up materials in sufficient time prior to the board and its committee meetings. The board meets frequently enough to adequately discharge its responsibilities. The non-executive and independent directors are equally involved in important decisions.

Mariam Shaban Ali

Marium Shaban Ali

Chairperson

Date: September 29, 2021

چیر پرسن کی جانب سے جائزہ رپوٹ

کرم سیرامکس لمیٹڈ کمپنیز ایکٹ 2017 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 میں دی گئی تمام ضروریات کی تعمیل کرتی ہے جو کہ بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی تشکیل، طریقہ کار اور میٹنگز کے حوالے سے ہے۔

بورڈ کمپنی کو موثر طریقے سے منظم کرنے کے لیے تمام اہم پالیسیاں اور حکمت عملی تیار کرتا ہے اور کمپنی کے اندر جدت کو فروغ دینے اور فعال کرنے کے بارے میں مستقل ہے۔

اس تشخیص کا مقصد اس بات کو یقینی بنانا ہے کہ بورڈ نے تمام تر کارکردگی کا موثر طور پر جائزہ لیا ہے اور کمپنی کے لئے جو مقاصد ترتیب دیئے گئے ہیں اسی کے مطابق کارکردگی سرانجام دی گئی ہے۔

مالیاتی سال 2020-21 کیلئے بورڈ تمام کارکردگی اور موثر تشخیص سے مطمئن ہے اور یہ کارکردگی مسلسل جاری ہے۔ یہ تمام تشخیص جو کہ ضروری جز جس میں اقدار، مشن اور بصارت شامل ہے، پلاننگ کی حکمت عملی مرتب کی گئی، پالیسیاں تشکیل دی گئیں اور ادارے کی کاروباری سرگرمیوں کا بھی جائزہ لیا گیا۔ انتظامی مالی ذرائع پر موثر طور پر عمل درآمد کیا گیا اور تمام ملازمین بورڈ کے کاروبار کو بہتر طریقہ سے چلانے کے اہل ہیں۔

کمپنی کے بورڈ آف ڈائریکٹرز نے ایجنڈا وصول کیا ہے جس کے لئے تحریری مواد کا جائزہ بورڈ اور اس کی کمیٹی کی میٹنگ سے قبل لیا گیا۔ بورڈ مسلسل اپنی تمام ذمہ داریاں خوش اسلوبی سے انجام دے رہا ہے۔ نان ایگزیکٹو اور انفرادی ڈائریکٹرز ان تمام اہم فیصلوں میں مساوی طور پر شامل ہیں۔

Mariam Shaban ali.

مریم شعبان علی

چیر پرسن

مورخہ: 29 ستمبر 2021ء

FINANCIAL HIGHLIGHTS

(Rs. In millions)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Sales	1126	927	1439	1210	861	1196	1304	1278	1156	1187
Gross Profit	35.74	-66	187	136	22	58	134	93	111	107
Expenses (Net)	123	119	136	120	107	95	87	72	96	104
Profit before Taxtation	-7.8	-95	51	16	-85	-0.06	47	23	14	3
Profit after Taxtation	41.63	-43	28	14	-75	-22	37	17	2.4	7
Dividend %	-	-	5%	8%	-	-	12%	10%	-	-
Right Shares %	-	-	-	-	-	-	-	-	-	-
Earning per Share (Rs.)	2.86	-3.01	1.98	0.95	-5.12	-1.54	2.54	1.16	0.17	0.05

DIRECTORS' REPORT

The Directors of your company have pleasure in submitting the report along with audited accounts for the year ended 30th June 2021.

OPERATING PERFORMANCE

On a challenging business environment, the company earned profit after tax of Rs. 41.63 million for the year under review as compared to loss after tax of Rs. 43.77 million during the last year. Sales increased to Rs. 1,126.65 million as compared to Rs. 927.01 million during the corresponding year. The increase in sales was attributed to higher sales volume and increase in selling price of tiles.

EARNINGS / LOSS PER SHARE

Earning per share for the year ended 30 June, 2021 is Rs. 2.86 as compared to loss per share Rs. 3.01 for the last year.

HEALTH, SAFETY AND ENVIRONMENT

We strongly believe in maintaining the highest standards in health, safety and environment to ensure the well-being of the people who work with us as well as of the communities where we operate.

CORPORATE SOCIAL RESPONSIBILITY:

Your company is aware of its social responsibilities and continues to contribute for health and education in Pakistan.

FUTURE OUTLOOK

The building and construction activity in Pakistan has increased tremendously and is reaching new heights as per the Government of Pakistan Housing Program and stimulus package for the construction industry. Although the packages have led to a significant rise in activity and workload in the construction sector, it will take some time to see their results and effects on the economy. Currently the buying is more on cement and steel but we are very hopeful before the end of the year ceramic tiles for bathroom and floor will be required. This may give us an opportunity that we are all awaiting. In the past 10 to 12 years we saw competition from China, dumping of goods into Pakistan by China as well as smuggled goods coming in from Iran.

Recently, there are several more manufactures that have entered the Pakistan market where they are working on the free trade zone and mostly of Chinese origin. These plants have several tax benefits and tax exemption for ten years including income tax and turnover tax.

CODE OF CORPORATE GOVERNANCE

The Directors of the company have reviewed the Code of Corporate Governance and are pleased to state that:

- The Company is complied with the provisions of the Code of Corporate Governance as required by the Securities and Exchange Commission of Pakistan (SECP).
- The financial statements, prepared by the management of your company present fairly its state of affairs, the results of its operation, cash flow and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- The International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the Company's ability to continue as a going concern.
- A summary of key operating and financial data of the Company for the last six years is annexed in this annual report.
- There are no outstanding statutory payments due on account of taxes, levies and charges except those disclosed in these financial statements.
- There has been no material deviation from the best practice of Corporate Governance, as detailed in the listing regulations.

CHANGE IN BOARD OF DIRECTORS

- | | |
|----------------------|----------------------------|
| 1. Ms. AnushkaKassim | Resigned w.e.f 09/04/2021 |
| 2. Ms. ManeezaKassim | Appointed w.e.f 09/04/2021 |

NUMBER OF BOARD MEETINGS HELD

During the year under review four meetings of the Board of Directors were held. Attendance is as follows: -

1. Mr. Irshad Ali S. Kassim	4
2. Mr. Munawar Ali S. Kassim	4
3. Ms Mariam S.G. Kassim	4
4. Ms. AnushkaKassim	1
5. Mr.ShahidAnwer Tata	3
6. Mr.SulemanBasaria	3
7. Ms.RoshanAraSayani	2
8. Ms. ManeezaKassim	1

(Leave of absence was granted to directors who could not attend the Board meetings.)

AUDIT COMMITTEE

The Audit Committee held four (4) meetings during the year. Attendance by each member was as follows:

Members Name	Attendance
Mr.SulemanBasaria	4
Ms.AnushkaKassim	3
Ms. Roshan Ara	1
Ms. ManeezaKassim	1

(Leave of absence was granted to directors who could not attend the meetings.)

HR COMMITTEE

The HR Committee held one (1) meeting during the year. Attendance by each member was as follows:

Members Name	Attendance
Ms.RoshanAraSayani	1
Mr. Munawar Ali S. Kassim	1
Ms. ManeezaKassim	1

(Leave of absence was granted to directors who could not attend the meetings.)

Remuneration Policy of Non-Executive Directors

The remuneration of the Directors shall from time to time be determined by the members in the General Meeting subject to the provision of Companies Act 2017.

TRAINING PROGRAM OF DIRECTORS:

Code of Corporate Governance requires that every listed Company to make appropriate arrangements for the orientation courses for their directors. Three of the existing directors of the company are exempted from the directors training program as they have minimum 14 years of education and have experience of 15 years on the board of listed company. The Board of your Company has taken necessary steps to meet with the requirements of this clause. All directors have obtained certification as required under provisions of Code of Corporate Governance.

EMPLOYEES RELATION

The management would like to place on record its appreciation for the positive attitude of the labour union during the year under review and we look forward for its support in resolving all issues mutually with the active cooperation of the labor union.

AUDITORS

The present auditors M/s Crowe Hussain Choudhury & Co. Chartered Accountants, retire and being eligible, have offered themselves for re-appointment. The Board has recommended of the retiring auditors for the year ending 30 June 2022, for approval of the shareholders in the forthcoming Annual General Meeting.

PATTERN OF SHARE HOLDING

Pattern of share holding as at June 30, 2021 is annexed.

APPRECIATION

The Directors take this opportunity to thank the all foreign and local suppliers of plant & machinery and raw material, government agencies, shareholders, and staff/employees for their cooperation and contribution towards the progress of the company. We would also like to thank banks and financial institutions and customers for the confidence reposed by them on the company.

Mariam Shaban Ali

MARIAM SHABAN ALI
CHAIRPERSON

Munawar Ali S. Kassim

MUNAWAR ALI S. KASSIM
CHIEF EXECUTIVE

September 29, 2021

ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز اختتامی سال 30 جون 2021ء کی رپورٹ بشمول آڈٹ شدہ اکاؤنٹ پیش کرنے میں خوشی محسوس کر رہے ہیں۔

کارکردگی کا معیار:

دوران جائزہ سال کے دوران کمپنی نے بعد از ٹیکس منافع مبلغ 41.63 ملین روپے کمایا جس کا موازنہ گذشتہ سال کے بعد از ٹیکس خسارہ مبلغ 43.77 ملین روپے سے کیا جاسکتا ہے۔ فروخت میں مبلغ 1,126.65 ملین روپے کا اضافہ ہوا جو کہ گذشتہ سال 927.01 ملین روپے تھی۔ یہ اضافہ فروخت کے حجم اور قیمت فروخت میں اضافہ کی وجہ سے ہوا۔

فی شیئر کے حساب سے آمدنی/خسارہ:

30 جون 2021ء کو ختم ہونے والے سال میں فی شیئر آمدنی 2.86 روپے ہے جس کا موازنہ گذشتہ سال کے خسارے فی شیئر 3.01 روپے سے کیا جاسکتا ہے۔

صحت، حفاظت اور ماحول:

جو لوگ ہمارے ساتھ کام کرتے ہیں اور ان کے ساتھ برادریاں جہاں ہم کام کرتے ہیں ان کی خوشحالی کو یقینی بنانے کیلئے ہم صحت، تحفظ اور ماحول کو اعلیٰ ترین معیار کو برقرار رکھنے پر زور دیتے ہیں۔

کارپوریٹ معاشرتی ذمہ داریاں:

آپ کی کمپنی اپنی معاشرتی ذمہ داری سے پوری طرح آگاہ ہے اور پاکستان میں صحت اور تعلیم کیلئے مستقل طور پر تعاون کر رہی ہے۔

مستقبل پر نظر:

پاکستان میں عمارت اور تعمیراتی سرگرمیوں میں زبردست اضافہ ہوا ہے اور حکومت پاکستان ہاؤسنگ پروگرام اور تعمیراتی صنعت کے لیے محرک پہنچ کے مطابق نئی بلندیوں کو چھو رہی ہے۔ اگرچہ پیکیجیز نے تعمیراتی شعبے میں سرگرمی اور کام کے بوجھ میں نمایاں اضافہ کیا ہے، لیکن ان کے نتائج اور معیشت پر اثرات دیکھنے میں کچھ وقت لگے گا۔ فی الحال خریداری سینٹ اور سٹیل پر زیادہ ہے لیکن ہم پر امید ہیں کہ سال کے اختتام سے پہلے ہاتھ روم اور فرش کے لیے سیرامک ٹائل درکار ہوں گے۔ اس سے ہمیں ایک موقع مل سکتا ہے جس کا ہم سب انتظار کر رہے ہیں۔ گذشتہ 10 سے 12 سالوں میں ہم نے چین سے مقابلہ دیکھا، چین کی طرف سے پاکستان میں سامان آنے کے ساتھ ساتھ ایران سے اسمگل شدہ سامان بھی آیا۔

حال ہی میں، مزید کئی مینوفیکچررز ہیں جو پاکستان کی مارکیٹ میں داخل ہو چکے ہیں جہاں وہ فری ٹریڈ زون پر کام کر رہے ہیں اور زیادہ تر چینی نژاد ہیں۔ ان پلانٹس میں کئی ٹیکس فوائد اور دس سال تک ٹیکس چھوٹ بشمول انکم ٹیکس اور ٹرن اوور ٹیکس ہیں۔

کارپوریٹ نظم و ضبط کا کوڈ:

کمپنی کے ڈائریکٹرز نے کارپوریٹ نظم و ضبط کے کوڈ کا جائزہ لیا ہے اور درج ذیل تحریر کرتے ہیں:

- ☆ نظم و ضبط کے حوالے سے کمپنی میں کارپوریٹ گورننس کو مکمل طور پر نافذ کیا ہے جو کہ سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کی ضروری ہے۔
- ☆ کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے کمپنی کے حالات، اس کے آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کی شفاف عکاسی کرتے ہیں۔
- ☆ کمپنی کے کھاتے مناسب طریقہ سے رکھے جا رہے ہیں۔
- ☆ مناسب اکاؤنٹنگ پالیسیوں کے تسلسل کو مالیاتی گوشوارے کی تیاری میں لاگو کیا گیا ہے۔ اکاؤنٹنگ کے اندازے ماہرانہ اور محتاط فیصلوں پر مبنی ہوتے ہیں۔
- ☆ مالیاتی گوشوارے کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ معیارات، جو کہ پاکستان میں نافذ العمل ہیں، ان کی پیروی کی گئی ہے۔
- ☆ انٹرنل کنٹرول کے نظام مضبوط ہیں اور اس کی موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- ☆ آنے والے سالوں میں کمپنی کے کاروباری تسلسل پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- ☆ اہم مالیاتی تفصیلات اس ڈائریکٹر رپورٹ میں فراہم کر دی گئی ہیں۔
- ☆ ٹیکسز، ڈیوٹیز اور دیگر چارجز کے اکاؤنٹ پر کوئی ادائیگی واجب الادا نہیں ہے جو کہ مالیاتی سال سے متعلق ہے۔
- ☆ کارپوریٹ نظم و ضبط کی اعلیٰ پریکٹس کے سلسلے میں کوئی مواد موجود نہیں ہے جیسا کہ قوانین کی فہرست میں دیا گیا ہے۔

بورڈ آف ڈائریکٹرز کی تبدیلی:

- ۱۔ محترمہ انوشکا قاسم 9 اپریل 2021ء کو استعفیٰ دیا۔
- ۲۔ محترمہ منیرہ قاسم 9 اپریل 2021ء کو تقرری ہوئی۔

بورڈ کی منعقدہ میٹنگز کی تعداد:

زیر نظر سال کے دوران بورڈ آف ڈائریکٹرز کی چار میٹنگز منعقد ہوئی تھیں جس میں شرکت کرنے والے ڈائریکٹرز کی تفصیل درج ذیل ہے:

4	جناب ارشاد علی ایس قاسم
4	جناب منور علی ایس قاسم
4	محترمہ مریم ایس جی قاسم
1	محترمہ انوشکا قاسم
3	جناب شاہد انور ٹاٹا
3	جناب سلیمان بصریہ
2	محترمہ روشن آراء سیانی
1	محترمہ منیزہ قاسم

(جو ڈائریکٹرز بورڈ کی میٹنگ میں شرکت نہیں کر سکے ان ڈائریکٹرز کو غیر حاضری کے سبب چھٹی دی گئی)۔

آڈٹ کمیٹی:

دوران سال آڈٹ کمیٹی کی چار میٹنگز منعقد ہوئیں شرکت کرنے والے ممبرز کی تفصیل درج ذیل ہے:

ممبرز کا نام	شرکت کی تعداد
جناب سلیمان بصریہ	4
محترمہ انوشکا قاسم	3
محترمہ روشن آراء	1
محترمہ منیزہ قاسم	1

(جو ممبران میٹنگ میں شرکت نہیں کر سکے ان ڈائریکٹرز کو غیر حاضری کے سبب چھٹی دی گئی)۔

ہیومن ریسورس (HR) کمیٹی:

دوران سال ایچ آر کمیٹی کی ایک میٹنگ منعقد ہوئی شرکت کرنے والے ممبرز کی تفصیل درج ذیل ہے:

ممبرز کا نام	شرکت کی تعداد
محترمہ روشن آراء	1
جناب منور علی ایس قاسم	1
محترمہ منیزہ قاسم	1

(جو ممبران میٹنگ میں شرکت نہیں کر سکے ان ڈائریکٹرز کو غیر حاضری کے سبب چھٹی دی گئی)۔

نان ایگزیکٹو ڈائریکٹرز کی معاوضہ کی پالیسی:
ڈائریکٹرز کے معاوضے کا تعین وقتاً فوقتاً جنرل مینٹنگ میں ممبران کمپنیز ایکٹ 2017 کی شق کے تحت کریں گے۔

ڈائریکٹرز کا تربیتی پروگرام:
کارپوریٹ نظم و ضبط کے کوڈ میں ضروری ہے کہ ہر کمپنی اپنے ڈائریکٹرز کے لئے مناسب انتظامات کرے۔ کمپنی کے موجودہ تین ڈائریکٹرز کو ڈائریکٹرز کے تربیتی پروگرام سے مستثنیٰ قرار دیا گیا ہے کیونکہ ان کی کم از کم تعلیم 14 سالوں پر مشتمل ہے اور انہیں کمپنی کے بورڈ میں 15 سالہ تجربہ حاصل ہے۔ آپ کی کمپنی کے بورڈ نے ضروری اقدامات کئے ہیں تاکہ اس کلاز کی ضروریات کو مکمل کیا جاسکے۔ تمام ڈائریکٹرز نے کارپوریٹ نظم و ضبط کے کوڈ کے تحت سرٹیفیکیٹ حاصل کئے ہیں۔

ملازمین سے تعلقات:
زیر نظر سال کے دوران انتظامیہ لیبر یونین کے مثبت رویے کے لئے ریکارڈ پر خراج تحسین درج کرے گی اور ہم امید کرتے ہیں کہ تمام معاملات مشترکہ تعاون سے حل کئے جائیں گے جو کہ لیبر یونین کے موثر تعاون سے حاصل ہوگا۔

آڈیٹرز:
کمپنی کے موجودہ آڈیٹرز میسرز کرو حسین چوہدری اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس ریٹائرڈ ہو چکے ہیں انہوں نے دوبارہ تقرری کی اہلیت پر کمپنی میں اپنی خدمات پیش کرنے کی سفارش کی ہے۔ بورڈ نے 30 جون 2022ء کو ختم ہونے والے سال کے لیے ریٹائر ہونے والے آڈیٹرز کی آئندہ سالانہ جنرل مینٹنگ میں شیئر ہولڈرز کی منظوری کے لیے سفارش کی ہے۔

شیئر ہولڈنگ کا طریقہ کار:
شیئر ہولڈنگ کا طریقہ کار 30 جون 2021ء میں منسلک ہے۔

اظہار تشکر:
ڈائریکٹرز اس موقع پر پلانٹ، مشینری اور خام مال کی غیر ملکی اور لوکل سپلائرز، سرکاری ایجنسی، شیئر ہولڈرز اور اسٹاف / ملازمین کا کمپنی کی کارکردگی میں تعاون کرنے پر بے حد مشکور و ممنون ہیں اس کے علاوہ ہم بینکس اور مالیاتی اداروں اور صارفین کا بھی کمپنی پر مکمل اعتماد کرنے پر شکریہ ادا کرتے ہیں۔

Mariam Shaban ali
مریم شعبان علی
چیئر پرسن

N. Q.
منور علی ایس قاسم
چیف ایگزیکٹو

مورخہ: 29 ستمبر 2021ء

Karam Ceramics Limited

Vision Statement

- To become leading Ceramic manufacturing Industry in Pakistan with complete unit of Tiles and Floor Tiles.

Mission Statement

- To produce unique designs, cost effective and durable product so as to compete with the imported tiles.

Corporate Goal

- Increase market share in Pakistan and export to other countries

Overall Corporate Strategy

- Maintain quality management system i.e. ISO 9002
- Contain cost and improve quality by automation of production line and training to personnel

RANGE OF PRODUCTS

COLOURED & DECORATIVE /EFFECT GLAZED WALL TILES

- | | |
|---------------|-------------|
| - 15cm x 15cm | 20cm x 20cm |
| - 20cm x 60cm | 30cm x 60cm |
| - 20cm x 30cm | 25cm x 33cm |
| - 30cm x 30cm | 30cm x 46cm |
| - 40cm x 40cm | 25cm x 25cm |

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Company : Karam Ceramics Limited
Year ended June 30, 2021

The company has complied with the requirements of the regulations in the following manner:

1. The total number of Directors are 07 as per the following.

- a) Male - 04
- b) Female - 03

2. The composition of the Board is as follows

Category	Name
Independent Directors	Mr. Shahid Tata
	Mr. Suleman Basaria
	Ms. Roshan AraSayani
Executive Directors	Mr. Irshad Ali S. Kassim
	Mr. Munawar Ali S. Kassim
Non - Executive Directors	Ms. Mariam Shaban Ali
	Ms. Anushka Kassim (Resigned w.e.f 09/04/2021)
	Ms. Maneeza Kassim (Appointed w.e.f 09/04/2021)
Female Directors	Ms. Mariam Shaban Ali
	Ms. Anushka Kassim (Resigned w.e.f 09/04/2021)
	Ms. Maneeza Kassim (Appointed w.e.f 09/04/2021)
	Ms. Roshan Ara Sayani

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
4. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended is maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the act and these Regulations;

7. The meeting of the board was presided over by the Chairman and, in absence by, the director elected by the Board for this purpose. The Board has complied with the requirements of Act and these Regulations with respect to frequency, recording and circulating minutes of the Board.
8. The Board have a formal policy and transparent procedure for remuneration of Directors in accordance with the act of these regulations;
9. The company arranged orientation course for its directors as and when needed to apprise them of their duties and responsibilities. Three directors are certified under the Directors Training program, and three directors meet the criteria of exemption under Code of Corporate Governance.
10. The board has approved appointment of Chief Financial Officer including his remuneration and terms and conditions of employment and complied with relevant requirements of the regulations;
11. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
12. The Board has formed committees comprising of members given below.

(a) Audit Committee:

Mr.SulemanBasaria	- Chairman
Mr.ManeezaKassim	- Member
Ms.RoshanAra	- Member

(b) HR & Remuneration Committee:

Ms. Roshan Ara Sayani	- Chairperson
Mr. Munawar Ali Kassim	- Member
Ms. Maneeza Kassim	- Member

13. The terms of reference of the aforesaid committee have been formed, documented and advised to the committee for compliance;
14. The Frequency of the meeting (Quarterly/Yearly) of the committee were as per following
 - (a) Audit committee meeting: - (Quarterly)
 - (b) HR an Remuneration Committee - (Yearly)

15. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purposes and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, Company secretary or Director of the Company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with and all other requirements of the Regulations have been complied with.
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

Regulations	Explanation
24(4)(vii)	The non compliance will be adequately addressed through provisioning of adequate resource at the earliest. This could not be done during the year because of the sudden COVID-19 pandemic.

By order of the Board

Mariam Shaban Ali

Mariam Shaban Ali
Chairperson
29th September, 2021

Independent Auditor's Review report to the Members of Karam Ceramics Limited Review Report on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the 'Regulation') prepared by Board of Directors of **Karam Ceramics Limited** (the 'Company'), for the year ended June 30, 2021 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, it related party transactions and also ensure compliance with the requirements of section 28 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance for and on behalf of the Company, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2021

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the paragraph reference wherein it is stated in the Statement of Compliance:

Paragraph Reference	Description
i) 24(4)(vii)	Review of the scope and extent of internal audit, plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the company.

Crowe Hussain Chaudhury & Co.

**Crowe Hussain Chaudhury & co.
Chartered Accountants
Karachi.**

Dated: 29 September, 2021

Independent Auditor's Review report to the Members of Karam ceramics Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of the **Karam Ceramics Limited** (the Company), which comprise the statement of financial position as at June 30, 2021 and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss statement and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of its profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

S.No,	Key Audit Matters	How the matter was addressed in our audit
i.	Revaluation of land and building Refer note 5 and 16 to the annexed financial statements Under the International Accounting Standards 16 "Property , Plant and Equipment" the management carries its freehold land and buildings under revaluation model. Under the said model, if fair value can be measured reliably an entity may carry all items of property, plant and equipment of a class at revalued amount, which is the fair value of the items at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses; if any As at June 30, 2021, the carrying value of free hold land and buildings was Rs.673,857 million. The fair value of the Company's free hold land and buildings were assessed by management based on independent valuation performed by an external property valuation expert as at June 30, 2021 We indentified revaluation of property, plant and equipment as a key audit matter due to the significant carrying value and the significant management judgement and estimation involved in determining their values.	Our audit procedures, amongst others, included the following : • Evaluated the competence, capabilities and objectivity of the independent external property valuation expert engaged by the management as management expert for valuation. • Obtained understanding of the valuation process and techniques adopted by the valuation expert to assess reasonableness of the report. • Obtained the valuation report of external valuation expert and tested mathematical accuracy of the report. • Assessed, the appropriateness and the reasonableness of the related assumptions and methodologies used by the management expert; and • Assessed the adequacy of the related disclosures in the annexed financial statements
ii.	Contingencies Refer note 24 to the annexed financial statements. The Company is subject to material litigations involving recoveries of tariff, rates, cess and tax. The accounting for, and disclosure of, contingencies is complex and is a matter of most significance in our audit because of the judgements required to determine the level of certainty on these matters.	Our audit procedures amongst others, included the following: Obtained an understanding of the Company's processes and Controls over litigations through meetings with the management and reviewed the minutes of the Board of Directors • Inspected correspondence file of the Company with regulatory departments and the Company's external counsel. • Circularized confirmations to the Company's external legal advisor. • Whilst noting the inherent uncertainties involved with the legal and regulatory matters, assessing the appropriateness of the related disclosures made in the annexed financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The Management is responsible for the other information . The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated, If based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so,

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists, Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements .

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit We also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery intentional omissions, misrepresentations, or override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' report to the related disclosures in the financial statements or, such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern,
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Based on our audit, we further report that in our opinion;

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

-
- c) investments made, expenditure incurred and guarantees extended the year were for the purpose of the Company's business; and
 - d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980),

Other Matter

The financial statements of the Company for the year ended June 30, 2020 were audited by another firm of Chartered Accountants, whose report dated October 31, 2020 expressed an unmodified opinion in such financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Imran Shaikh.



Crowe Hussain Chaudhury & Co.
Chartered Accountants
Karachi

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

	Note	2021	2020
		----- Rupees -----	
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,193,605,188	1,069,821,000
Right-of-use assets	6	1,089,275	1,361,594
Long term security deposits	7	897,038	897,038
		1,195,591,501	1,072,079,632
Current assets			
Stores and spares	8	23,639,489	13,231,964
Stock in trade	9	625,850,836	427,205,721
Trade debts	10	34,942,121	101,449,135
Loans and advances - considered good	11	1,282,812	640,146
Advance tax		19,955,270	14,968,132
Refunds due from the government	12	42,796,430	60,463,197
Deposits, prepayments and other receivables	13	16,287,705	673,695
Short term investment		7,000,000	-
Cash and bank balances	14	15,240,576	15,807,906
		786,995,239	634,439,896
TOTAL ASSETS		1,982,586,740	1,706,519,528
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
15,000,000 (2020: 15,000,000) ordinary shares of Rs. 10 each		150,000,000	150,000,000
Issued, subscribed and paid-up capital	15	145,486,760	145,486,760
Unappropriated profit		145,270,592	83,693,742
Revaluation surplus on property, plant & equipment	16	501,584,335	345,316,258
Remeasurement of retirement benefit obligation		8,035,251	5,144,161
		800,376,938	579,640,921

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

	Note	2021	2020
		----- Rupees -----	
LIABILITIES			
Non-current liabilities			
Long-term financing	17	399,843,438	471,128,608
Lease liabilities	6	419,473	792,247
Deferred income - government grant	18	3,159,809	867,586
Post employment benefits	19	83,266,939	105,048,731
Deferred taxation	20	72,564,003	96,017,129
		559,253,663	673,854,301
Current liabilities			
Trade and other payables	21	105,171,611	118,969,312
Markup accrued on loans	22	35,174,733	34,653,652
Short term borrowings	23	336,907,805	258,978,407
Long term financing	17	121,680,310	19,520,608
Unclaimed Dividend		513,191	513,191
Dividend payable		6,225,120	6,225,120
Deferred income - government grant	18	-	1,184,204
Lease liabilities	6	383,693	331,282
Provision for taxation		16,899,676	12,648,530
		622,956,139	453,024,306
Total liabilities		1,182,209,802	1,126,878,607
Contingencies and Commitments	24	-	-
TOTAL EQUITY AND LIABILITIES		1,982,586,740	1,706,519,528

The annexed notes 1 to 45 form an integral part of these financial statements.


Chief Executive


Chief Financial Officer


Director

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 ----- Rupees -----	2020
Revenue	25	1,126,645,068	927,013,022
Cost of sales	26	(1,090,903,543)	(993,756,184)
Gross profit / (loss)		35,741,525	(66,743,162)
Selling and distribution expenses	27	11,004,624	11,751,385
Administrative expenses	28	23,441,323	24,675,157
Other expenses	29	837,800	828,980
		(35,283,747)	(37,255,522)
Operating profit / (loss)		457,778	(103,998,684)
Other income	30	80,050,037	90,233,278
Finance cost	31	(88,309,741)	(81,284,070)
		(8,259,704)	8,949,208
Loss before taxation		(7,801,926)	(95,049,476)
Taxation	32	49,431,251	51,275,772
Profit / (loss) after taxation		41,629,325	(43,773,704)
Earnings / (loss) per share - basic and diluted	33	2.86	(3.01)

The annexed notes 1 to 45 form an integral part of these financial statements.


 Chief Executive


 Chief Financial Officer


 Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended June 30, 2021

	2021	2020
	----- Rupees -----	
Profit / (Loss) after taxation	41,629,325	(43,773,704)
Other comprehensive income		
Items that will not be reclassified to profit or loss in subsequent periods		
Remeasurement of retirement benefit obligation	4,071,958	7,245,297
Deferred tax on retirement benefit obligation	(1,180,868)	(2,101,136)
	2,891,090	5,144,161
Items in subsequent periods that may be reclassified to profit or loss		
Surplus on revaluation of land and buildings	217,912,537	-
Deferred tax on surplus of buildings	(41,696,936)	-
	176,215,601	-
Total comprehensive income / (loss) for the year	220,736,016	(38,629,543)

The annexed notes 1 to 45 form an integral part of these financial statements.


 Chief Executive


 Chief Financial Officer


 Director

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
Note	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	(7,801,926)	(95,049,476)
Adjustments for non-cash charges and other items		
Depreciation	94,089,028	102,175,952
Provision for gratuity	(10,231,313)	18,198,091
Amortization of grant	(4,697,793)	(349,877)
Gain on disposal of property, plant and equipment	(531,360)	(205,443)
Exchange gain	-	(3,808,128)
Gain on remeasurement of loans	(42,870,423)	(85,869,830)
Liabilities no longer payable	(31,949,821)	-
Finance cost	88,309,741	81,284,070
	<u>92,118,059</u>	<u>111,424,835</u>
Operating profit before working capital changes	84,316,133	16,375,359
(Increase) / decrease in current asset		
Stores and spares	(10,407,525)	(2,082,712)
Stock in trade	(198,645,115)	(120,169,674)
Trade debts	66,507,014	(79,204,788)
Loans and advances	(642,666)	1,935,153
Short term deposits, prepayments and other receivables	(15,614,010)	4,604,096
Short Term investment	(7,000,000)	-
	<u>(165,802,302)</u>	<u>(194,917,925)</u>
Increase / (decrease) in current Liability		
Trade and other payables	(13,431,143)	(41,193,666)
Cash flows generated from operations	(94,917,312)	(219,736,232)
Finance cost paid	(42,536,878)	(39,464,528)
Income tax paid	89,986	(5,298,249)
Sales tax paid	3,256,243	(471,954)
Gratuity paid	(7,478,521)	(5,892,985)
Workers' profit participation fund paid	(524,188)	(2,574,497)
Workers' welfare fund paid	-	(1,979,347)
	<u>(47,193,358)</u>	<u>(55,681,560)</u>
Net cash used in operating activities	(142,110,670)	(275,417,792)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	(57,000)	(28,182,644)
Proceeds from disposal of property, plant and equipment	900,000	265,000
Net cash flows used in investing activities	843,000	(27,917,644)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing	112,140,292	152,823,327
Short term borrowings	(11,347,263)	90,790,782
Lease rentals paid	(441,625)	(472,813)
Dividend paid	-	(6,143,845)
Net cash flows generated from financing activities	100,351,404	236,997,451
Net increase in cash and cash equivalents	(40,916,266)	(66,337,985)
Cash and cash equivalents at the beginning of the year	(152,379,719)	(86,041,734)
Cash and cash equivalents at the end of the year	<u>(193,295,985)</u>	<u>(152,379,719)</u>

The annexed notes 1 to 45 form an integral part of these financial statements.


 Chief Executive


 Chief Financial Officer


 Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2021

	Share Capital	Unappropriated Profit	Surplus on revaluation of property, plant and equipment	Remeasurement of retirement benefit obligation	Total
	----- (Rupees) -----				
Balance at July 01, 2019	145,486,760	114,182,801	365,875,241		625,544,802
Final dividend for the year ended June 30, 2018 declared subsequent to year end	-	(7,274,338)	-		(7,274,338)
Loss after taxation for the year ended June 30, 2020	-	(43,773,704)	-		(43,773,704)
Other comprehensive income for the year					
Remeasurement of retirement benefit obligation	-	-	-	7,245,297	7,245,297
Deferred tax on retirement benefit obligation	-	-	-	(2,101,136)	(2,101,136)
	-	-	-	5,144,161	5,144,161
Transferred from surplus on revaluation of property, plant and equipment incremental depreciation for the year - net of deferred tax	-	20,558,983	(20,558,983)	-	-
	-	20,558,983	(20,558,983)	-	-
Balance as at June 30, 2020	145,486,760	83,693,742	345,316,258	5,144,161	579,640,921
Profit (Loss) after taxation for the year ended June 30, 2021	-	41,629,325	-	-	41,629,325
Other comprehensive income for the year					
Remeasurement of retirement benefit obligation	-	-	-	4,071,958	4,071,958
Deferred tax on retirement benefit obligation	-	-	-	(1,180,868)	(1,180,868)
	-	-	-	2,891,090	2,891,090
Surplus on revaluation of land and building - net of deferred tax	-	-	176,215,601	-	176,215,601
Transferred from surplus on revaluation of property, plant and equipment incremental depreciation for the year - net of deferred tax	-	19,947,525	(19,947,525)	-	-
	-	19,947,525	156,268,077	2,891,090	176,215,601
Balance as at June 30, 2021	145,486,760	145,270,592	501,584,335	8,035,251	800,376,938

The annexed notes 1 to 45 form an integral part of these financial statements.


 Chief Executive


 Chief Financial Officer


 Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

1. THE LEGAL STATUS AND OPERATIONS

Karam Ceramics Limited (the 'Company') was incorporated in Pakistan on April 8, 1979 as a public limited company under the repealed Companies Act, 1913 (now Companies Act, 2017). The shares of the Company are quoted on Pakistan Stock Exchange. The registered office of the Company is situated at BC-6, Block-5, Kehkashan, Clifton, Karachi, Pakistan and manufacturing facilities of the Company are located at 295/311, Deh Halkani, Hub Dam Road, Manghopir, Karachi. The principal activity of the Company is manufacturing and sale of tiles.

Business Unit	Geographical Location
Factory	295/311, Deh Halkani, Hub Dam Road, Manghopir, Karachi.
Ware house	S-86R-257/H-Hall, Main Ferozpur Road, Lahore

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention except to the extent of the following:

a) Staff retirement benefits (Gratuity)

The Company uses the valuation performed by an independent actuary to determine the present value of its retirement benefit obligations.

b) Certain property, plant and equipment

The Company is using the revaluation model for certain property, plant and equipment. Revaluation is performed by an independent valuer periodically.

c) Interest free loans from directors

The Company is carrying interest free loans from directors at amortized cost.

2.3 Functional and presentation currency

These financial statements are prepared and presented in Pak Rupees (PKR or Rupee) which is the Company's functional and presentation currency. All the figures have been rounded off to the nearest rupee, unless otherwise stated.

2.4 Key judgements and estimates

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- (a) Property, plant and equipment (refer note 4.1)
- (b) Stock-in-trade and stores and spares (refer note 4.3)
- (c) Trade debts, loans, advances, deposits and other receivables (refer note 4.4)
- (d) Staff retirement benefits (refer note 4.9)
- (e) Provisions (refer note 4.16)
- (f) Taxation (refer note 4.8)
- (g) Impairment of non-financial assets (refer note 4.5)
- (h) Lease liabilities (refer note 4.11)
- (i) Government grant (refer note 4.10)
- (j) Contingent assets and contingent liabilities (refer note 4.18 & 4.19)

3 New and amended standards and interpretations

(a) Standards, amendments to approved accounting standards effective in current year

There were certain amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 01, 2021. However, these are considered not to be relevant or to have any significant effect on the Corporation's financial reporting and operations and, therefore, have not been disclosed in these financial statements.

b) Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company

**Effective date
(annual periods
beginning on or after)**

IAS 37 Onerous contracts	January 1,2022
IAS 16 Proceeds before an asset's intended use	January 1,2022

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Corporation and therefore, have not been presented here.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below.

4.1 Property, Plant and Equipment

Owned

Measurement

Items of property, plant and equipment other than land, buildings, leasehold improvements and capital work in progress are measured at cost less accumulated depreciation and impairment loss (if any).

Freehold land and building on freehold land are measured at the revalued amount less accumulated depreciation and impairment loss (if any).

Capital work in progress is stated at cost less impairment loss (if any).

Revaluation

Any revaluation increase arising on the revaluation of freehold land and building on freehold land is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of freehold land and building on freehold land is charged to profit or loss to the extent that it exceeds the balance, if any, held in the Revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The surplus on revaluation of building on freehold land to the extent of incremental depreciation charged (net of deferred tax) is transferred to unappropriated profit.

"

4.2 Depreciation

Depreciation is charged so as to write off the cost or revalued amount of assets (other than freehold land and capital work in progress) over their estimated useful lives, using the reducing balance method at rates specified in note 5 to the financial statements.

Disposal

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in as other income in the statement of profit or loss. In case of the derecognition of a revalued property, the attributable revaluation surplus remaining in the surplus on revaluation is transferred directly to the unappropriated profit.

Judgement and estimates

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Leased

Assets subject to finance lease are stated at lower of present value of minimum lease payments as per the lease agreements and the fair value of assets less accumulated depreciation at the basis applicable to Company's owned assets. The related obligations of lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

4.3 Inventories

Stock in trade is valued at the lower of cost and estimated net realisable value. Cost is determined as follows:

Raw materials in stock	-	Lower of weighted average cost and net realisable value
Raw materials in transit		Lower of actual cost and net realisable value (NRV)
Work-in-process		Lower of weighted average cost and net realisable value
Finished goods	-	Lower of weighted average cost and net realisable value

The Company reviews the carrying amounts of communication stores on an on going basis and provision is made for obsolescence if there is any change in usage pattern and physical form. Impairment is also made for slow moving items.

'NRV signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost necessary to be incurred to effect such sale.

4.4 Trade debts, loans, advances, deposits and other receivables

These are initially measured at the fair value of the consideration receivable. Subsequently these are valued at amortised cost. These assets are written off when there is no reasonable expectation of recovery. Credit loss is based on the expected credit loss.

4.5 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of impairment loss for a cash generating unit is allocated to the assets of the unit, pro rata with the carrying amounts of those assets. The increase in the carrying amounts shall be treated as reversals of impairment losses for individual assets and recognized in profit or loss unless the asset is measured at revalued amount. Any reversal of impairment loss of a revalued asset shall be treated as a revaluation increase.

4.6 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

4.7 Foreign currency transactions

Transactions in foreign currencies are translated to Pakistani Rupees at the foreign exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange approximating those at the statement of financial position date. Exchange gains / losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to the statement of profit or loss.

4.8 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses and credits only if it is probable that future taxable amounts will be available to utilise those temporary differences and unused tax losses and credits.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Judgement and estimates

Significant judgment is required in determining the income tax expenses and corresponding provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain as these matters are being contested at various legal forums. The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Further, the carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. If required, carrying amount of deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits to allow the benefit of part or all of that recognised deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Off-setting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.9 Employee benefits - retirement benefits

Defined Benefit Plan - Gratuity

The Company operates an Unfunded Gratuity Scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity.

Defined benefit plans provide an amount of gratuity that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined benefit plan is a plan that is not a defined contribution plan. The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligations at the end of the reporting period. The defined benefit obligations are calculated annually by independent actuary using the projected unit credit method.

The present values of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds or the market rates on government bond. These are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related gratuity obligation.

Remeasurement gains / losses are recognized in other comprehensive income.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of profit or loss.

Judgement and estimates

In determining the liability for long-service payments management must make an estimate of salary increases over the following five years, the discount rate for the next five years to use in the present value calculation, and the number of employees expected to leave before they receive the benefits.

4.10 Government grants

Government grants are transfers of resources to an entity by a government entity in return for compliance with certain past or future conditions related to the entity's operating activities - e.g. a government subsidy. The definition of "government" refers to governments, government agencies and similar bodies, whether local, national or international.

The Company recognizes government grants when there is reasonable assurance that grants will be received and the Company will be able to comply with conditions associated with grants.

Government grants are recognized at fair value, as deferred income, when there is reasonable assurance that the grants will be received and the Company will be able to comply with the conditions associated with the grants.

Grants that compensate the Company for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

A loan is initially recognized and subsequently measured in accordance with IFRS 9. IFRS 9 requires loans at below-market rates to be initially measured at their fair value - e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit that is the government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant.

4.11 Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease. If the implicit rate cannot be readily determined, the Company's incremental borrowing rate is used. Subsequently these are increased by interest, reduced by lease payments and remeasured for lease modifications, if any.

Liabilities in respect of short term and low value leases are not recognised and payments against such leases are recognised as expense in profit or loss.

4.12 Trade and Other Payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within one year of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

4.13 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which such costs are capitalized as part of the cost of that asset.

4.14 Financial instruments

Financial Assets

The Company classifies its financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

a) Financial assets at amortised cost

Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

b) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

Financial assets are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

Financial Liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

4.15 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the financial statements if the Company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.16 Provisions

Recognition and measurement

Provisions for legal claims and make good obligations are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Judgement and estimates

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

4.17 Dividend and appropriation in / from reserves

Dividend is recognised as a liability in the period in which it is declared. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

4.18 Contingent assets

Contingent assets are disclosed when there is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognised until their realisation becomes virtually certain.

4.19 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

4.20 Borrowing costs

Borrowing costs relating to the acquisition, construction or production of a qualifying asset are recognised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which these are incurred.

4.21 Revenue recognition

Sales are stated net of sales tax & discounts & are recognised when persuasive evidence of sale exists. The key area of judgment in recognising revenue is the timing of recognition, which reflects the point or period when The Company has transferred control of goods to customers. Revenue from sale of goods is measured at fair value of the consideration received or receivable and is recognised as revenue on dispatch of goods to customers.

Profit on bank balances are recognised on a time proportion basis on the principal amount outstanding and at the applicable rate.

4.22 Basic and diluted (loss) / earnings per share

The Company presents basic and diluted (loss) / earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of "the company" by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Building Factory Building on freehold land	Lahore warehouse on freehold land	Plant and machinery	Furniture and fittings	Mould	Laboratory equipment	owned	Total
	----- Rupees -----								
Net carrying value basis									
Year ended June 30, 2021									
Opening net book value	164,250,000	326,577,745	94,441	568,179,430	1,340,529	773,539	34,606	8,570,710	1,069,821,000
Additions (at cost)	-	-	-	-	-	-	-	57,000	57,000
Surplus on revaluation during the year	74,130,000	138,609,397	5,173,140	-	-	-	-	-	217,912,537
Depreciation charge	-	(34,967,932)	(9,444)	(56,817,943)	(134,053)	(232,062)	(3,461)	(1,651,814)	(93,816,709)
Disposal	-	-	-	-	-	-	-	(368,640)	(368,640)
Closing net book value	238,380,000	430,219,210	5,258,137	511,361,487	1,206,476	541,477	31,145	6,607,256	1,193,605,188
Gross carrying value basis									
At June 30, 2021									
Cost	238,380,000	772,092,789	2,664,102	1,841,664,592	12,646,654	8,356,171	1,505,564	32,906,827	2,910,216,699
Accumulated depreciation	-	(336,700,439)	(2,579,105)	(1,330,303,105)	(11,440,178)	(7,814,694)	(1,474,419)	(26,299,571)	(1,716,611,511)
Net book value	238,380,000	435,392,350	84,997	511,361,487	1,206,476	541,477	31,145	6,607,256	1,193,605,188
Net carrying value basis									
Year ended June 30, 2020									
Opening net book value	164,250,000	362,864,161	104,934	604,420,719	1,489,477	1,105,056	38,451	9,260,668	1,143,533,466
Additions (at cost)	-	-	-	26,873,644	-	-	-	1,309,000	28,182,644
Surplus on revaluation during the year	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(36,286,416)	(10,493)	(63,114,933)	(148,948)	(331,517)	(3,845)	(1,939,401)	(101,835,553)
Disposal	-	-	-	-	-	-	-	(59,557)	(59,557)
Closing net book value	164,250,000	326,577,745	94,441	568,179,430	1,340,529	773,539	34,606	8,570,710	1,069,821,000
Gross carrying value basis									
At June 30, 2020									
Cost	164,250,000	628,310,252	2,664,102	1,841,664,592	12,646,654	8,356,171	1,505,564	33,749,827	2,693,147,162
Accumulated depreciation	-	(301,732,507)	(2,569,661)	(1,273,485,162)	(11,306,125)	(7,582,632)	(1,470,958)	(25,179,117)	(1,623,326,162)
Net book value	164,250,000	326,577,745	94,441	568,179,430	1,340,529	773,539	34,606	8,570,710	1,069,821,000
Rate of Depreciation	-	10%	10%	10%	10%	30%	10%	20%	

5.1 The depreciation charge for the year has been allocated as follows:

	Note	2021	2020
		----- Rupees -----	
Cost of sales	26	92,665,751	100,586,218
Selling and distribution expenses	27	554,624	602,030
Administrative expenses	28	596,334	647,305
		93,816,709	101,835,553

5.2 Revalued freehold land and factory building on freehold land

On 2005, the Company elected to measure freehold land and factory building on freehold land (classified as property, plant and equipment) using the revaluation model. The fair value of the Company's freehold land and factory building on freehold land are determined on periodic, but at least triennial, by an independent professionally qualified valuer.

The carrying values of the freehold land and factory building and Lahore warehouse building on freehold land would have been Rs.3,964,588 (2020: Rs. 3,964,588) and Rs. 59,493,396 (2020: Rs. 66,009,332) under the cost model.

5.3 Fair value measurements under revaluation model for property, plant and equipment

The fair value measurements of the Company's freehold land and factory building on freehold land as at June 30, 2019 were performed by Dimensions Evaluators and Consultants (Private) Limited, who are independent valuers not related to the Company. Dimensions Evaluators and Consultants (Private) Limited are members of Pakistan Banks' Association and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The fair value of the freehold land was determined through market study of trend of sale and purchase in the area. The fair value of factory building on freehold land was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age. The significant inputs include the estimated construction costs and other ancillary expenditure.

5.4 Security

- Soneri Bank Limited

- 1- Specific ranking charge of Rs. 59 million (2020: Rs. 59 million) over plant and machinery.
- 2- 1st Pari Passu Equitable Mortgage charge of Rs. 800 million (2020: Rs. 800 million) over factory building on freehold land.

- Habib Bank Limited

- 1- Specific ranking charge of Rs. 35 million (2020: Rs. 35 million) over plant and machinery.
- 2- Combined ranking charge of Rs. 200 million (2020: Rs. 200 million) over plant and machinery.

- JS Bank

1st Pari Passu charge over present and future freehold land, building on freehold land, plant and machinery amounting to Rs. 267 million (2020: Rs. 267 million).

5.5 Particulars of immovable property (freehold land and building on freehold land) in the name of the Company are as follows:

Location	Usage of Immovable property	Total Area (square meters)
295/311, Deh Halkani, Hub Dam Road, Manghopir, Karachi.	Manufacturing facility	88626
S-86R-257/H-Hall, Main Ferozpur Road, Lahore	Warehouse	1012

2021 2020
----- Rupees -----

6. LEASES

Right-of-use assets

Balance at the beginning of the year	1,361,594	1,701,993
Additions	-	-
Disposals	-	-
Depreciation expense - 20% reducing balance method	(272,319)	(340,399)
Balance at the end of the year	<u>1,089,275</u>	<u>1,361,594</u>

6.1 The depreciation charge on right-of-use assets for the year has been allocated as follows :

Cost of sales	268,978	336,223
Selling and distribution expenses	1,610	2,012
Administrative expenses	1,731	2,164
	<u>272,319</u>	<u>340,399</u>

6.2 Lease liabilities

The Company acquired vehicle on lease from Soneri Bank Limited at Rs.2,163,550 having maturity of 5 years. In accordance with the terms of agreement, a down-payment was made amounting to Rs. 460,350. The remaining amount is payable in equal monthly installments whereas the mark-up is recovered on quarterly bases at 3 months KIBOR plus 1.5%.

Security / collateral

The ownership of the asset will remain with the lessor till the maturity date.

2021 2020
----- Rupees -----

6.2.1 Movement in lease liabilities

Balance at the beginning of the year	1,123,529	1,468,704
Interest expense	-	-
Payments	(320,363)	(345,175)
	<u>803,166</u>	<u>1,123,529</u>
Current portion grouped under current liabilities	(383,693)	(331,282)
Balance at the end of the year	<u>419,473</u>	<u>792,247</u>

6.2.2 Lease liabilities are payable as follows:

	2021			2020		
	Minimum lease payments	Finance cost allocated to future periods	Present value of minimum lease payments	Minimum lease payments	Finance cost allocated to future periods	Present value of minimum lease payments
	← Rupees →					
Not later than one year	440,121	56,428	383,693	446,904	115,622	331,282
Later than one year and not later than five years	440,121	20,653	419,468	893,808	101,561	792,247
	<u>880,242</u>	<u>77,081</u>	<u>803,161</u>	<u>1,340,712</u>	<u>217,183</u>	<u>1,123,529</u>

	Note	2021	2020
		----- Rupees -----	
7. LONG TERM SECURITY DEPOSITS			
Others	7.1	<u>897,038</u>	<u>897,038</u>
7.1	This includes deposits placed with utility companies including K-Electric, Pakistan Telecommunication Company Limited and Sui Southern Gas Company.		

	2021	2020
	----- Rupees -----	
8. STORES AND SPARES		
Spares	23,557,293	12,712,985
Stores	82,196	518,979
	<u>23,639,489</u>	<u>13,231,964</u>
9. STOCK IN TRADE		
Raw material	352,330,262	246,106,118
Packing materials	14,114,590	4,959,870
Work-in-process	11,698,018	11,443,820
Finished goods	247,707,966	161,697,294
	625,850,836	424,207,102
Stock in transit	-	2,998,619
	<u>625,850,836</u>	<u>427,205,721</u>

9.1 Pledged as security

- Soneri Bank Limited

1st Hypothecation charge over inventory of the Company amounting to Rs. 191.5 million (2020 Rs. 191.5 million).

- Habib Bank Limited

2nd Hypothecation charge over inventory of the Company amounting to Rs. 150 million (2020: Rs. 150 million).

	Note	2021	2020
10. Trade Debts		----- Rupees -----	
Considered good - unsecured		34,942,121	101,449,135
10.1 As of June 30, ageing analysis of trade debts is as follows:			
Neither past due nor impaired		21,603,273	75,232,139
Past due but not impaired			
- 1 - 30 days		2,586,941	8,063,379
- 30 - 90 days		1,994,219	6,155,755
- More than 90 days		8,757,687	11,997,862
		34,942,121	101,449,135
11. LOANS AND ADVANCES - CONSIDERED GOOD			
Loans to employees	11.1	363,600	73,100
Advances to:			
Suppliers		485,000	121,734
Seller of land	11.2	400,000	400,000
Employees	11.3	34,212	45,312
		919,212	567,046
		1,282,812	640,146

11.1 Loans have been granted under staff loan policy, as temporary financial assistance, to staff. These are secured against the gratuity payable to employees and are recoverable in 12 equal monthly installments. Therefore, all of the amount is recoverable within 1 year as of reporting date.

11.2 This represents advance given for purchase of land in Lahore to Mr. Muhammad Latif Bhatti (deceased). As per the original terms of the agreement, this was the token money given by the Company to the landlord whilst an amount of Rs. 3.5 million was required to be made in order to execute the transfer deed. Subsequent to the death of the landlord, the legal heirs refused to execute the agreement, resultantly, the Company filed a civil suit in Lahore for the specific performance of the agreement. As on the reporting date, this case is pending. However, the legal counsel of the Company is confident that the case will be decided in favor of the Company.

11.3 The advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.

	Note	2021	2020
		----- Rupees -----	
12. REFUNDS DUE FROM THE GOVERNMENT			
Income tax refundable		42,796,430	60,463,197
		<u>42,796,430</u>	<u>60,463,197</u>
13. SHORT TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		851,197	339,567
Letters of credit		15,401,259	78,879
Short term deposits		-	220,000
Other receivables		35,249	35,249
		<u>16,287,705</u>	<u>673,695</u>
14. CASH AND BANK BALANCES			
Cash in hand		94,682	253,792
Cash at banks			
- Current accounts		15,134,111	14,313,097
- Deposit accounts	14.1	11,783	1,241,017
		<u>15,145,894</u>	<u>15,554,114</u>
		<u>15,240,576</u>	<u>15,807,906</u>
14.1	This carries mark-up @ rate of 5% (2020: 5%) per anum.		
15. Issued, subscribed and paid up Share Capital			
2021	2020	2021	2020
(Number of shares)		----- Rupees -----	
13,267,786	13,267,786	Ordinary shares of Rs. 10 each fully paid in cash	132,677,860
1,280,890	1,280,890	Ordinary shares of Rs. 10 each issued as bonus shares	12,808,900
<u>14,548,676</u>	<u>14,548,676</u>	<u>145,486,760</u>	<u>145,486,760</u>

	2021	2020
	Number of shares	
15.1 Shares held by the related parties of the Company		
Name of shareholders		
Mr. Irshad Ali S. Kassim	3,315,214	3,320,214
Mr. Munawar Ali S. Kassim	3,583,459	3,583,459
Ms. Mariam Shaban Ali	526,424	90,612
Mrs. Roshan Ara	500	500
Ms. Anushka Kassim	980,226	980,226
Ms. Natalia Kassim	735,920	735,920
Mr. Suleman Basaria	666	666
Mr. Shahid Ahmed	5,000	5,000
Mr. Shahid Anwar Tata	1,000	1,000
Mrs. Shaheen A. Rehman	10,000	10,000
Mrs. Sakin Noorallah	10,000	10,000
Ms. Aliza Kassim	1,008,470	1,008,470
Ms. Alisha Irshad Ali	981,226	981,226
Ms. Maneeza	735,920	735,920
Ms. Manisha Kassim	735,920	735,920
Ms. Myra Kassim	735,920	735,920

15.2 There has been no movement in ordinary share capital during the year ended June 30, 2021.

15.3 All ordinary shares rank equally with regard to residual assets of the Company. Ordinary shareholders are entitled to receive all distributions including dividends and other entitlements in the form of bonus and right shares as and when declared by the Company. Voting and other rights are in proportion to the shareholding.

	2021	2020
	----- Rupees -----	
16. REVALUATION SURPLUS ON PROPERTY, PLANT & EQUIPMENT		
Surplus on revaluation of operating fixed assets as at July 01	420,892,239	449,848,553
Surplus arising on revaluation during the year	217,912,537	-
Transfer to unappropriated profit in respect of incremental depreciation charged during the year	(19,947,525)	(20,558,983)
Related deferred tax liability	(8,147,580)	(8,397,331)
Surplus on revaluation of operating fixed assets as at June 30	610,709,671	420,892,239
Less: related deferred tax liability:		
at beginning of the year	75,575,981	83,973,312
on surplus arising on revaluation during the year	41,696,936	-
on adjustment due to change in tax rate	-	-
on incremental depreciation charged during the year	(8,147,580)	(8,397,331)
	(109,125,336)	(75,575,981)
	501,584,335	345,316,258

- 16.1 The revaluation surplus relating to the above-mentioned property, plant and equipment excluding freehold land is net of applicable deferred income taxes. Incremental depreciation charged on revalued factory building on freehold land has been transferred to the statement of changes in equity to record realization of surplus to the extent of incremental depreciation. Incremental depreciation represents the difference between actual depreciation based on revalued carrying amount of the asset and equivalent depreciation based on the original carrying amount of the asset.

	Note	2021	2020
		----- Rupees -----	
17. LONG TERM FINANCING			
Banking companies - secured			
Soneri Bank Limited			
Fair value of Loan outstanding	17.1	59,219,224	65,211,974
Loan modification adjustment		-	1,014,929
		59,219,224	66,226,903
Unwinding of loan at amortized cost		-	1,279,922
Amortised cost as at June 30		59,219,224	67,506,825
Deferment of FATR Facilities	23.5	-	48,927,727
			116,434,552
SBP Refinance Scheme			
Fair value of loan outstanding	17.2	42,711,879	14,279,433
Adjustment pertaining to fair value of loan at below market interest rate	17.7	(3,159,809)	(2,051,790)
Add: net impact recorded in statement of profit or loss account		47,562	38,409
Amortised cost as at June 30		39,599,629	12,266,052
JS Bank Limited			
Fair value of loan outstanding	17.3	16,201,334	21,898,112
Loan modification adjustment		-	(833,254)
		16,201,334	21,064,858
Unwinding of loan at amortized cost		-	611,005
Amortised cost as at June 30		16,201,334	21,675,863
Habib Bank Limited			
Fair value of loan outstanding	17.4	41,497,787	3,927,810
Related parties - unsecured			
Fair value of loan outstanding	17.5	76,875,485	155,500,000
Imputed Interest		11,631,260	(78,624,515)
		88,506,745	76,875,485
Fair value of loan outstanding		319,369,454	336,344,939
Loan modification adjustment		(42,870,423)	-
Unwinding of discount		-	(76,875,485)
Interest bearing loan	17.6	276,499,031	259,469,454
Less: Current portion			
Banking companies		(121,680,310)	(19,520,608)
		399,843,438	471,128,608

17.1 Terms and conditions of borrowings from Soneri Bank Limited are as follows:

Facility name	Term Finance - III	Term Finance - IV	Term Finance - IV	Term Finance
Loan outstanding (Fair value)	Rs. 20.32 million	Rs. 4.93 million	Rs.10.83 million	Rs.20.84 million
Nature of facility	Term Finance	Term Finance	Term Finance	Term Finance
Sanctioned limit	151.204 million	7.400 million	15.6 million	34.100 million
Markup rate	6MK + 2% p.a.	6MK + 2.5% p.a.	6MK + 2.5% p.a.	6MK + 2% p.a.
Total installments	65 monthly	36 monthly	36 monthly	36 monthly
No. of installments outstanding	8 monthly	24 monthly	25 monthly	22 monthly
Date of final repayment	Feb 10, 2022	June 28, 2023	July 03, 2023	April 10, 2023

Purpose:

- For import of plant and machinery
- For local purchase of plant and machinery

Security/Collateral:

- First equitable mortgage charge of Rs. 800 million on factory property including land, building, plant and machinery situated at Hub Dam road, Karachi.
- First hypothecation charge over stocks of the company amounting to Rs. 191.5 million.
- Specific charge on imported machinery for Rs. 59 million.
- Personal guarantees provided by the directors of the Company.

17.1.1 These loans were restructured on April 1, 2020. The revised terms of the agreement deferred the outstanding principal payments for a period of 1 year whilst the markup is payable as per the original terms of the agreement.

17.2 Due to the effects of pandemic, State Bank of Pakistan took various steps to support the economy. SBP introduced a refinance scheme for payment of salaries and wages at subsidized rate of borrowing.

The company has obtained the said borrowing from a commercial bank at subsidized rate in two tranches on May 21, 2020 and June 8, 2020. In accordance with the terms of the grant, the company is prohibited to lay-off the employees atleast for three months from the period of the grant. The terms and conditions of the facility are as follows:

Facility name	SBP - Refinance
Loan outstanding (Fair value)	36.61 million
Nature of facility	Term Finance
Sanctioned limit	48.82 million
Markup rate	SBP+3% p.a.
Total installments	8 quarterly
No. of installments outstanding	7 quarterly
Date of final repayment	Dec 31, 2022

Purpose:

- For the payment of salaries and wages of employees of the Company excluding Director's remuneration.

Security/Collateral:

- 1st Hypothecation Charge over the stocks of the company for 191.50 million.
- 1st Pari Passu Equitable Mortgage charge of 800 million over fixed assets of the company.
- Personal guarantees provided by the directors of the Company.

17.3 Terms and conditions of borrowing from JS Bank Limited are as follows:

Facility name	Term Loan - 1
Loan outstanding (Fair value)	Rs. 16.42 million
Nature of facility	Term Finance
Sanctioned limit	175.917 million
Markup rate	3MK + 1.75% p.a.
Total installments	54 monthly
No. of installments outstanding	6 monthly
Date of final repayment	Dec 10, 2021

Purpose:

- For import of plant and machinery

Security/Collateral:

- First Pari Passu charge over fixed assets amounting to Rs. 267 million inclusive of 25% margin.
- Personal guarantees provided by the directors of the Company.
- Subordination of Directors' loan amounting to Rs. 50 million.

17.3.1 This loan was restructured on April 1, 2020. The revised terms of the agreement deferred the outstanding principal payments for a period of 1 year whilst the markup is payable as per the original terms of the agreement.

17.4 Terms and conditions of borrowings from Habib Bank Limited are as follows:

Facility name	Term Finance - 1	Term Finance - 2	Term Finance - 3
Loan outstanding (Fair value)	Rs. 1.71 million	Rs. 2.22 million	Rs. 37.57 million
Nature of facility	Term Finance	Term Finance	Term Finance
Sanctioned limit	23.058 million	11.987 million	37.57 million
Markup rate	3MK + 1.5% p.a.	3MK + 1.5% p.a.	3MK + 1.5% p.a.
Total installments	54 monthly	54 monthly	1 Annual
No. of installments outstanding	4 monthly	10 monthly	1 Annual
Date of final repayment	Oct 13, 2021	April 01, 2022	Dec 31, 2021

Purpose:

- For import of plant and machinery

Security/Collateral:

- Mortgage charge over plant and machinery amounting to Rs. 35 million.
- Personal guarantees provided by the directors of the Company.
- Ranking charge over plant and machinery of the company amounting to Rs. 200 million.
- Equitable mortgage of Rs. 189 million on Company's Headoffice which is in the name of the Director.

17.4.1 These loans were restructured on April 1, 2020 whereby principal payments were deferred for a period of one year whilst the markup was payable as per the terms of the original agreement. However, these conditions were not implemented by the bank as a result of which modification adjustments as per requirements of IFRS 9 have not been accounted for in these financial statements.

17.5 The maturity date of these loans was modified on July 1, 2019 as a result of restructuring of loans with banking companies whereby these loans were subordinated to the banks. Keeping in view the forecasted cashflows and profits, the management decided to extend the maturity date of these loans to June 30, 2025. As a result, modification adjustments have been made to these loans in accordance with the requirements of IFRS 9. In addition, unwinding of discount has also been recorded thereagainst.

17.6 During the year, the Company & its directors have decided to convert the interest based loan to profit based loan effective from July 01, 2021. Consequently, the Company is liable to pay certain amount out of the profit before tax and no amount will be payable in case of loss. Based on future projections, the weighted average return on loan is 7% per annum. The loan is unsecured and payable in 6 years. As a result, modification adjustment has been made to these loans in accordance with the requirements of IFRS 9.

2021 **2020**
 ----- Rupees -----

17.7 Adjustment pertaining to fair value of loan at below market interest rate

Difference of fair value of loan and loan received	3,159,809	2,401,667
Amortisation of loan	(4,697,793)	(349,877)
	(1,537,984)	2,051,790

18. Deffered Income - Government grant

Grant recognised on loan at below market interest rate	8,207,479	2,401,667
Less: unwinding of grant to profit or loss account	(5,047,670)	(349,877)
	3,159,809	2,051,790
Less: current portion	-	(1,184,204)
	3,159,809	867,586

19. POST EMPLOYMENT BENEFITS

19.1 Description of the unfunded gratuity scheme

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn gross salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2021 using the Projected Unit Credit Method.

19.2 Risks on account of defined benefit plan

The Company faces the following risks on account of defined benefit plan:

19.2.1 Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Group has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

19.2.2 Mortality risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

19.2.3 Withdrawal risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

19.2.4 Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities.

19.3 Actuarial assumptions

Following are a few important actuarial assumptions used in the valuation:

	2021	2020
Discount factor used	10%	8.5%
Expected rate of increase in salaries	9	7.5
Retirement age (years)	60	60

	2021	2020
	----- Rupees -----	
19.4 Movement of the liability recognized in the statement of financial position		
Opening balance	105,048,731	99,988,922
Charge for the year	(10,231,313)	18,198,091
Remeasurement	(4,071,958)	(7,245,297)
Benefits paid	(7,478,521)	(5,892,985)
Closing balance	83,266,939	105,048,731
19.5 Movement in the present value of defined benefit obligation		
Opening balance	105,048,731	99,988,922
Service cost	(18,563,989)	4,705,483
Interest cost	8,332,676	13,492,608
Remeasurement	(4,071,958)	(7,245,297)
Benefits paid	(7,478,521)	(5,892,985)
Closing balance	83,266,939	105,048,731
19.6 Amounts recognised in the statement of profit or loss account		
Service cost	(18,563,989)	4,705,483
Interest cost	8,332,676	13,492,608
	(10,231,313)	18,198,091
19.7 Amounts recognised in statement of other comprehensive income (OCI)		
Remeasurement due to:		
Change in financial assumptions	87,557	(327,086)
Experience adjustments	(4,159,515)	(6,918,211)
	(4,071,958)	(7,245,297)

19.8 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption Rupees	Decrease in assumption Rupees
Discount rate at June 30	1%	832,669	832,669
Future salary increases	1%	1,558,066	1,558,066

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognized within the Statement of Financial Position.

19.9 Maturity profile of the defined benefit obligation

Maturity Profile

Time in year	Increase and Decrease in assumption	
1	6,980,516	9,473,424
2	4,613,161	5,285,783
3	5,587,366	10,135,767
4	13,594,414	8,359,273
5-11	225,122,881	250,093,206
Weighted average duration	6 years	6 years

20. DEFERRED TAXATION

Credit balance arising in respect of:

- accelerated tax depreciation allowance
- revaluation surplus on property, plant and equipment

Debit balance arising in respect of:

- Finance lease obligations
- provision for post employment benefit obligations
- unused tax loss
- minimum tax credit

2021 2020
----- Rupees -----

90,729,002	96,929,963
109,125,335	75,575,981
199,854,337	172,505,944
(82,972)	(69,039)
(24,147,412)	(30,464,132)
(73,511,744)	(33,307,114)
(29,548,206)	(12,648,530)
72,564,003	96,017,129

The gross movement in the deferred tax liability during the year is as follows:

	Note	2021	2020
		----- Rupees -----	
Balance as at July 01		96,017,129	156,114,366
Amounts recognised in statement of P&L		(66,330,927)	(62,198,373)
Amounts recognised in statement of OCI		1,180,868	2,101,136
		<u>30,867,070</u>	<u>96,017,129</u>
20.1	Deferred tax balance has been recognised at the rate at which these are expected to be settled / realised.		
21.	TRADE AND OTHER PAYABLES		
Trade creditors / bills payable		41,184,742	45,553,313
Accrued expenses	21.1	53,833,465	66,117,024
Sales tax payable		6,682,219	3,425,976
Workers' profit participation fund	21.2	-	460,700
Workers' welfare fund		2,616,070	2,616,070
Withholding tax payable		855,115	796,229
		<u>105,171,611</u>	<u>118,969,312</u>
21.1	This includes an amount of Rs. 8,962,417 (2020: Rs. 7,091,664) in respect of rent payable to Kulsoom Sohaila Associates - related party.		
21.2	Workers' Profit Participation Fund		
Balance at July 01		460,700	2,814,565
Interest on funds utilized in Company's business		63,488	220,632
Allocation for the year		-	-
		<u>524,188</u>	<u>3,035,197</u>
Amount paid during the year		(524,188)	(2,574,497)
Balance at June 30		<u>-</u>	<u>460,700</u>
22.	Markup accrued on loans		
Accrued finance cost on:			
Long term financing from banking companies		-	64,799
Short term financing from banking companies		6,684,260	7,317,744
Long term financing from related parties		28,490,473	27,271,109
		<u>35,174,733</u>	<u>34,653,652</u>
23.	SHORT TERM BORROWINGS		
Borrowings from banks - secured			
Soneri Bank Limited	23.1	165,716,543	124,938,924
Soneri Bank Limited FATR	23.2	99,246,122	79,749,777
Habib Bank Limited	23.3	42,820,018	43,248,701
Habib Bank Limited FATR	23.4	29,125,124	59,968,732
Less: Deferment of FATR Facilities	23.5	-	(48,927,727)
		<u>336,907,807</u>	<u>258,978,407</u>

- 23.1** This represents Running Finance Facility amounting to Rs. 231.5 million (2020: Rs. 221.5 million). The profit rate on this facility is 3 months KIBOR plus 2% (2020: 3 months KIBOR plus 2%). This is secured by first hypothecation charge over stock of the company for Rs. 191.5 million and first pari passu equitable charge of Rs. 800 million over fixed assets of the company and personal guarantee of the Directors and lien on bank account of one of Director Mr. Irshas Ali Kassim to the extent of USD 0.3m.
- 23.2** This represents Finance Against Trust Receipt Facility amounting to Rs. 100 million (2020: Rs. 100 million). The profit rate on this facility is 3 months KIBOR + 2% (2020: KIBOR + 2%). This is secured by first hypothecation charge over stock of the company for Rs. 191.5 million and first pari passu equitable charge of Rs. 800 million over fixed assets of the company and personal guarantee of the Directors.
- 23.3** This represents Running Finance Facility amounting to Rs. 50 million (2020: Rs. 50 million). The profit rate on this facility is 3 months KIBOR plus 1% (2020: 3 months KIBOR plus 1%). This is secured by third party mortgage over Company's headoffice situated at Kehkashan Clifton, Karachi valued at Rs. 189 million, ranking charge over plant and machinery of Rs. 200 million and second ranking charge on hypothecated stock and first charge on book debts of Rs. 150 million and personal guarantee of the Directors.
- 23.4** This represents Finance Against Trust Receipt Facility amounting to Rs. 80 million (2020: Rs. 80 million). The profit rate on this facility is 3 months KIBOR + 1% (2020: Matching tenor KIBOR plus 1%). This is secured by third party mortgage over Company's headoffice situated at Kehkashan Clifton, Karachi valued at Rs. 189 million, ranking charge over plant and machinery of Rs. 200 million and second ranking charge on hypothecated stock and first charge on book debts of Rs. 150 million and personal guarantee of the Directors.

	Note	2021	2020
		----- Rupees -----	
23.5 DEFERMENT OF FATR FACILITIES			
Soneri Bank Limited - FATR	23.5.1	-	79,754,773
Habib Bank Limited FATR	23.5.2	-	43,611,307
		-	123,366,080
Less: Non-current portion shown under non-current liabilities		-	(48,927,727)
		-	74,438,353

- 23.5.1** On previous year, the Company entered into an agreement with Soneri Bank Limited to reschedule its FATR facilities whereby principal and interest payment thereon was deferred for a period of six and twelve months respectively. FATR facilities amounting to Rs. 18,785,034 and Rs. 30,142,693 and interest thereon were deferred for a period of six and twelve months respectively. Their final maturity dates after the revision are August 22, 2021 and September 7, 2021 respectively.

The impact of modification on this facility as per the requirements of IFRS 9 is not material, hence, the same has been recorded at fair value of consideration payable under long term financing in non-current liabilities.

- 23.5.2** On previous year, the Company entered into an agreement with Habib Bank Limited to reschedule its FATR facility whereby principal and interest payment thereon was deferred for a period of six months. The final maturity date after the revision is February 24, 2021.

24. CONTINGENCIES AND COMMITMENTS

Contingencies

The Company has following contingent liabilities in respect of legal and other claims arising in the ordinary course of business.

24.1 Claims subject to legal proceedings

The details of claims by the company which are currently subject to the legal proceedings are detailed below:

- 24.1.1** The Company filed suit no. 151 of 2017 with High Court of Sindh against the increase of higher gas tariff rate from December 30, 2016 by the Sui Southern Gas Company Limited (SSGC). The Honorable High Court passed an interim injunction and ordered to deposit cheques monthly for the price differential amount with the Nazir of Sindh High Court, which amounted to Rs. 100,880,590 for the period from January'17 to June'19. The Company, based on the legal advice of its legal counsel, is confident of a favourable outcome of these applications to the Sindh High Court and, therefore, has not provided for this amount in these financial statements.

Name of the court, agency or authority:

- High Court of Sindh

Principal parties

- Karam Ceramics Limited VS Federation of Pakistan , Oil & Gas Regulatory Authority and Sui Southern Gas Company Limited.

Date instituted

- January 19, 2017

The Company filed suit no. 1803 of 2020 with High Court of Sindh against the increase of higher gas tariff rate from October 2020 by the Sui Southern Gas Company Limited (SSGC). The Honorable High Court passed an interim injunction and ordered to deposit cheques monthly for the price differential amount with the Nazir of Sindh High Court, which amounted to Rs. 24,251,461 for the period from October'20 to June'21. The Company, based on the legal advice of its legal counsel, is confident of a favourable outcome of these applications to the Sindh High Court and, therefore, has not provided for this amount in these financial statements.

Name of the court, agency or authority:

- High Court of Sindh

Principal parties

- Karam Ceramics Limited VS Federation of Pakistan , Oil & Gas Regulatory Authority and Sui Southern Gas Company Limited.

Date instituted

- November 20, 2020

24.1.2 During the year 2011, the Gas Infrastructure Development Cess (GIDC) was levied at Rs 13 per unit of gas consumption through the Gas Infrastructure Development Cess Act, 2011 (the Act) . The rate was increased to Rs 100 per unit w.e.f. July 2012 whereas subsequently it was reduced to Rs 50 per unit through a notification dated September 7, 2012. The High Court of Sindh through its order dated September 19, 2012, however, has restrained Sui Southern Gas Company Limited (SSGCL), being the company required to charge and collect the cess, from charging cess over and above Rs 13 per unit from the Company. In case of a separate petition on June 13, 2013, the GIDC Act was declared unconstitutional by the Peshawar High Court (PHC) and such judgment was also upheld by the Honorable Supreme Court of Pakistan (SCP) on August 22, 2014.

On September 25, 2014, the Gas Infrastructure Development Cess Ordinance, 2014 (the GIDC Ordinance) was promulgated which levied GIDC at Rs 150 per unit. Section 8 of the Ordinance inter alia states that notwithstanding anything to the contrary contained in any decree of any court, the cess levied under the Act shall be deemed to have been validly levied under the provision of the Ordinance (i.e. retrospective application). The Company filed a petition to invalidate the promulgation of the Ordinance which is pending adjudication. In the meantime on the basis of the Company's application on October 10, 2014, the High Court of Sindh issued a stay order in favour of the Company refraining SSGCL from collecting GIDC under the GIDC Ordinance.

On May 23, 2015, the Gas Infrastructure Development Cess Act, 2015 (the new GIDC Act) was promulgated which levied GIDC at Rs 100 per unit. Section 8 of the new GIDC Act inter alia states that notwithstanding anything to the contrary contained in any decree of any court, the cess levied under the new GIDC Act shall be deemed to have been validly levied under the provision of the new GIDC Act (i.e. retrospective application). The Company filed a petition to invalidate the promulgation of the new GIDC Act which is pending adjudication. On the basis of the Company's application on July 24, 2015, the High Court of Sindh issued a stay order in favour of the Company refraining SSGCL from collecting GIDC under the GIDC Act, 2015.

Subsequent to the reporting date, the Honorable Supreme Court of Pakistan (SCP) issued judgment on August 13, 2020 regarding applicability of Gas Infrastructure Development Cess (GIDC). The Court has ordered that GIDC shall be recovered in 24 equal monthly installments starting from August 1, 2020 without the component of late payment surcharge.

The Company, in this regard, filed Suit No. Nil of 2020 before the Honourable High Court of Sindh challenging the bills issued to the Company by SSGC allegedly in view of the Supreme Court judgement. While presenting arguments before the Honourable High Court of Sindh, reference was made to paragraph 37 and 42 of the Supreme Court Judgement whereby the Company has never collected GIDC from its clients / customers and have not even passed GIDC to their clients / customers.

The High Court of Sindh passed a restraining order preventing SSGC from taking any coercive action against the Company for non-payment of any bills showing arrears.

Further, the Company is considering filing a review petition with the SCP in due course of time. The Company, based on the legal advice of its legal counsel, is confident of a favourable outcome and, therefore, has not provided for GIDC amount in these financial statements.

Name of the court, agency or authority:

- High Court of Sindh

Principal parties

- Karam Ceramics Limited VS Federation of Pakistan , Oil & Gas Regulatory Authority and Sui Sothorn Gas Company Limited.

Date instituted

- October 10, 2014
 - July 24, 2015
 - August 30, 2020

24.1.3 Through amendment order passed under section 122 (1) of the Income Tax Ordinance, 2001; the Company's return of total income for Tax Year 2018 was amended and taxable income was assessed at Rs. 60,029,594 against declared income of Rs. 56,032,053 before Workers Welfare Fund, however no tax liability emerged due to availability of income tax refunds. The Company preferred an appeal filed on March 2020 before Commissioner Inland Revenue (Appeals - 1), Karachi. Order against this appeal is yet to be issued. The Company's management and legal advisor feel that there are strong grounds to defend the Company's stance and the liability will not materialize, hence, no adjustment has been made in these financial statements.

Name of the court, agency or authority:

- Commissioner Inland Revenue (Appeals-1)

Principal parties

- Karam Ceramics Limited VS Federal Board of Revenue.

Date instituted

- March 2020

24.2 Commitments

Letters of credit other than for capital expenditure amount to Rs.63,098,618 (2020: Rs.30,712,576).

	2021	2020
	----- Rupees -----	
25. REVENUE		
Gross local sales	1,374,817,016	1,112,712,469
Less: Sales tax	(248,171,948)	(185,699,447)
	<u>1,126,645,068</u>	<u>927,013,022</u>

	Note	2021	2020
		----- Rupees -----	
26. COST OF SALES			
Raw materials consumed			
Opening stock		246,106,118	201,952,962
Purchases		387,481,827	332,763,663
Closing stock		(352,330,262)	(246,106,118)
		<u>281,257,683</u>	<u>288,610,507</u>
Manufacturing expenses			
Fuel, power and water		573,672,264	441,667,150
Salaries, wages and benefits	26.1	115,929,944	128,953,723
Stores and spare parts consumed		3,909,081	4,110,076
Packing material consumed		43,510,467	37,768,722
Repairs and maintenance		40,546,429	44,448,775
Depreciation	5.1	92,934,729	100,922,441
Director's remuneration		3,900,000	3,900,000
Insurance		3,636,203	5,069,347
Vehicles running and maintenance		250,481	341,316
Others	26.2	17,621,132	13,029,117
		<u>895,910,730</u>	<u>780,210,667</u>
Opening work in process		11,443,820	6,403,232
Closing work in process	9	(11,698,018)	(11,443,820)
Cost of goods manufactured		<u>1,176,914,215</u>	<u>1,063,780,586</u>
Opening stock of finish goods		161,697,294	91,672,892
Closing stock of finished goods	9	(247,707,966)	(161,697,294)
		<u>1,090,903,543</u>	<u>993,756,184</u>

26.1 This includes Rs. (9,310,045) (2020: Rs. 16,560,264) in respect of staff retirement benefits

26.2 Expense in respect of short term leases of generator amounted to Rs. 14,917,391 (2020: Rs. 9,171,501).

		2021	2020
		----- Rupees -----	
27. SELLING AND DISTRIBUTION EXPENSES			
Salaries, wages and benefits	27.1	5,240,321	6,274,094
Freight charges		2,541,082	1,521,163
Rent, rates and taxes		120,965	242,930
Fuel, power and water		410,435	481,855
Postage, telegraph and telephone charges		206,481	237,164
Printing and stationery		27,072	27,134
Vehicles running and maintenance		508,008	863,567
Repairs and maintenance		416,836	146,794
Travelling and conveyance		100,911	270,421
Entertainment		390,262	297,725
Advertisement expenses		329,940	545,743
Insurance		155,956	238,601
Depreciation	5.1	556,355	604,194
		<u>11,004,624</u>	<u>11,751,385</u>

27.1 This includes Rs. (204,626) (2020: Rs. 363,962) in respect of staff retirement benefits.

	Note	2021	2020
		----- Rupees -----	
28. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	28.1	11,976,686	11,306,554
Director's remuneration		3,900,000	3,900,000
Fees and subscription		519,226	1,546,647
Rent, rates and taxes	28.2	2,212,003	1,772,552
Fuel, power and water		1,293,821	1,383,072
Postage, telegraph and telephone charges		328,476	476,369
Printing and stationery		166,516	163,302
Vehicles running and maintenance		146,174	307,774
Repairs and maintenance		1,210,370	207,379
Travelling and conveyance		165,264	448,040
Entertainment		2,000	59,202
Legal and professional charges		314,680	902,720
Insurance		608,163	1,552,229
Depreciation	5.1	597,944	649,317
		<u>23,441,323</u>	<u>24,675,157</u>

28.1 This includes Rs.(716,191) (2020: Rs. 869,981) in respect of staff retirement benefits.

28.2 Expense in respect of short term lease of headoffice premises amounted to Rs. 1,870,753 (2020: Rs. 1,700,688).

		2021	2020
		----- Rupees -----	
29. OTHER EXPENSES			
Auditor's remuneration	29.1	802,800	818,980
Donations - note	29.2	35,000	10,000
		<u>837,800</u>	<u>828,980</u>
29.1 Auditor's remuneration			
Audit services			
Audit fee		685,800	577,500
Fee for review of half yearly financial information		54,000	66,000
Out of pocket expenses		63,000	70,000
Non-audit services			
Statutory Certifications		-	50,000
Others		-	55,480
		<u>802,800</u>	<u>818,980</u>

29.2 None of the Directors or their spouse have any interest in the donees.

	Note	2021	2020
		----- Rupees -----	
30. OTHER INCOME			
Income from financial assets			
Return on deposit Account		640	-
Liabilities no longer payable		31,949,821	-
Present value adjustment on modification of interest free loan from directors		42,870,423	85,869,830
Amortisation of government grant	18	4,697,793	349,877
		<u>79,518,677</u>	<u>86,219,707</u>
Income from non-financial assets			
Exchange gain		-	3,808,128
Gain on disposal of items of property, plant and equipment		531,360	205,443
		<u>80,050,037</u>	<u>90,233,278</u>
31. FINANCE COST			
Mark-up on:			
Short term borrowings		27,929,139	27,456,989
Lease liabilities		121,344	127,638
Refinance scheme		6,008,975	388,286
Term Finance		11,368,922	18,397,308
Unwinding of loans recorded at amortized cost		-	181,675
		45,428,380	46,551,896
Interest on directors' loan		40,121,733	33,095,570
Bank charges		2,457,780	1,415,972
Interest on workers' profit participation fund		63,488	220,632
Exchange loss		238,360	-
		<u>88,309,741</u>	<u>81,284,070</u>
32. TAXATION			
Current		16,899,676	12,648,530
Deferred		(66,330,927)	(62,198,373)
Prior year		-	(1,725,929)
		<u>(49,431,251)</u>	<u>(51,275,772)</u>
Loss before taxation		<u>(7,801,926)</u>	<u>(95,049,476)</u>
Tax at the applicable rate of 29%		2,262,558	27,564,348
Tax effect of permanent differences		(9,059,357)	(21,972,462)
Effect of prior tax		-	(1,725,929)
Others		(42,634,452)	(55,141,729)
		<u>(49,431,251)</u>	<u>(51,275,772)</u>

2021 2020

----- Rupees -----

33. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

Profit / (loss) after taxation attributable to ordinary shareholders	41,629,325	(43,773,704)
Weighted average number of shares	14,548,676	14,548,676
Earnings / (loss) per share (Rupees) - Basic and diluted	2.86	(3.01)

33.1 There is no dilutive effect on the basic profit per share of the Company.

34. TRANSACTIONS WITH RELATED PARTIES

The following transactions were carried out with related parties during the year, in addition to remuneration of chief executive and directors whose details have been separately disclosed in note 35.

2021 2020

----- Rupees -----

Related party	Relationship	Nature of transactions		
Kulsoom Sohaila Associates	Associated undertaking	Rent expenses	1,870,753	1,700,688
Directors	Associated persons	Loan (paid) / received - net	59,900,000	150,746,927
Directors	Associated persons	Interest on loan	-	22,992,851
Directors	Associated persons	Notional interest on loan	11,631,260	10,102,179
Directors	Associated persons	Loan modification as per IFRS-9	42,870,423	85,869,830
Directors	Associated persons	Remuneration and allowances	7,800,000	8,001,987
Directors & close family	Associated persons	Dividend paid	-	6,789,099

The related party status of outstanding balances is included in long term financing from directors, markup accrued on short term borrowings from directors and accrued expenses.

35. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTOR

The aggregate amounts charged in the financial statements of the year for remuneration including all benefits to chief executive and director of the Company are as follows:

	Chief Executive		Director		Executives		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Managerial remuneration and allowances	2,516,129	2,667,619	2,516,129	2,56,6626	-	1,110,000	5,032,258	5,234,245
House rent	1,132,258	1,132,258	1,132,258	1,132,258	-	-	2,264,516	2,264,516
Utilities	251,613	251,613	251,613	251,613	-	-	503,226	503,226
Bonus	-	-	-	-	-	-	-	-
Number of persons	3,900,000	4,051,490	3,900,000	3,950,497	-	1,110,000	7,800,000	8,001,987
	1	1	1	1	-	1	2	2

- 35.1 The Chief Executive and Director of the Company are also provided with free use of Company maintained cars in accordance with their terms of employment.
- 35.2 No remuneration has been paid in current and preceding year to non-executive directors of the Company.

	2021	2020
	Square Meters	
36. PLANT CAPACITY AND PRODUCTION		
Installed Capacity	6,480,000	6,480,000
Actual Production	2,357,994	1,801,148

- 36.1 Difference is due to the current supply/demand situation in the market.

	2021	2020
	Number	
37. NUMBER OF EMPLOYEES		
Total employees of the Company at the year end	329	335
Average employees of the Company at the year end	333	359
Employees working in the Company's factory at the year end	311	314
Average employees working in the Company's factory at the year end	315	337

	2021	2020
	----- Rupees -----	
38. CASH AND CASH EQUIVALENTS		
Cash and bank balances	15,240,576	15,807,906
Short term borrowings from banks - secured	(208,536,561)	(168,187,625)
	<u>(193,295,985)</u>	<u>(152,379,719)</u>
39. FINANCIAL INSTRUMENTS BY CATEGORY		
FINANCIAL ASSETS		
At amortized cost		
Long term deposits	897,038	897,038
Trade debts	34,942,121	101,449,135
Loans to employees	73,100	73,100
Short term deposits and other receivables	35,249	255,249
Bank balances	15,145,894	15,554,114
	<u>51,093,402</u>	<u>118,228,636</u>
FINANCIAL LIABILITIES		
At amortized cost		
Long term financing	521,523,748	490,649,216
Post employment benefits	83,266,939	105,048,731
Lease liabilities	803,166	1,123,529
Trade and other liabilities	95,018,207	111,670,337
Accrued markup on loans	35,174,733	34,653,652
Short term borrowings	336,907,805	258,978,407
Unclaimed dividend	513,191	513,191
Dividend payable	6,225,120	6,225,120
	<u>1,079,432,909</u>	<u>1,008,862,183</u>
40. FINANCIAL RISK MANAGEMENT		
40.1 Financial risk		

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, other market price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

The Company's overall risk management procedures, to minimize the potential adverse effects of financial market on the Company's performance, are as follows:

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, interest rate, commodity price and equity price that will affect the Company's income or the value of its holdings of financial instruments.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to United States Dollar (USD) and Euro (EUR). Currently, the Company's foreign exchange risk exposure is restricted to the amounts payable to foreign entities and foreign currency bank balances.

At June 30, 2021, if the Rupee had weakened / strengthen by 5% against the US dollar and Euro with all other variables held constant, pre-tax profit for the year would have been Rs. 328,960 (2020: Rs. 390,328) lower / higher, mainly as a result of foreign exchange losses / gains on translation of US dollar and Euro-denominated financial assets and liabilities.

(ii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Company has no significant floating interest rate assets, the Company's income is substantially independent of changes in market interest rates. The Company's interest rate risk arises from short term borrowings and long term financings. These financing, issued at variable rates, expose the Company to cash flow interest rate risk. The Company analyses its interest rate exposure on a dynamic basis taking into consideration refinancing, renewal of existing positions and alternative financing.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the reporting date fluctuate by 10% higher / lower with all other variables held constant, profit before tax for the year would have been Rs. 76,009,623 (2020: Rs. 67,269,292) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at the reporting date are outstanding for the entire year.

(iii) Other market

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is not exposed to any market price risk.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure.

Credit risk of the Company arises from deposits with banks, long term deposits, short term deposits, trade receivables and other receivables. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilization of credit limits is regularly monitored. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings, if any. Carrying values of financial assets exposed to credit risk, which are neither past due nor impaired are as under:

	2021	2020
	----- Rupees -----	
Long term deposits	897,038	897,038
Trade debts	34,942,121	22,244,347
Loans to employees	73,100	1,849,737
Short term deposits	35,249	430,327
Bank balances	15,240,576	5,819,737
	<u>51,188,084</u>	<u>31,241,186</u>

The aging of receivables as at reporting date is as follows:

Neither past due nor impaired	21,603,273	75,232,139
Past due but not impaired		
1 - 30 days	2,586,941	8,063,379
31 - 90 days	1,994,219	6,155,755
More than 90 days	8,757,687	11,997,862
	<u>34,942,120</u>	<u>101,449,135</u>

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and trade receivables are subject to specific credit ceilings based on customer credit history.

The management estimates the recoverability of trade receivables on the basis of financial position and past history of its customers based on the objective evidence that it shall not receive the amount due from the particular customer. The provision is written off by the Company when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amounts written off are credited directly to the statement of profit or loss.

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating Agency	2021	2020
	Short term	Long term		----- Rupees -----	
Soneri Bank Limited	A1+	AA-	PACRA	2,136,240	3,688,442
Muslim commercial Bank	A1+	AAA	PACRA	190,657	393,998
Habib Metropoliton Bank	A1+	AA+	PACRA	2,662,353	6,741,941
JS Bank Ltd	A1+	AA-	PACRA	3,528,214	7,821
Alfalah Bank Ltd.	A1+	AA+	PACRA	875,310	156,446
Faysal Bank Limited	A1+	AA+	PACRA	758,425	1,193,225
Habib Bank Limited	A1+	AAA	JCR-VIS	2,068	2,068
Allied Bank Limited	A1+	AAA	PACRA	1,323,326	3,370,173
Meezan Bank Limited	A1+	AAA	PACRA	3,669,302	-
				15,145,895	15,554,114

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected cash outflows during its operating cycle, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company monitors rolling forecasts of the liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows. In addition, the Company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities and maintaining debt financing plans. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date, to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows and also include the impact of estimated future interest payments.

Description	Carrying amount Rupees	Contractual cash flows Rupees	Within one year Rupees	After one year Rupees
Contractual maturities of financial liabilities as at June 30, 2021:				
Long term financing	521,523,748	513,004,738	121,680,310	399,843,438
Post employment benefits	83,266,939	83,266,939	-	83,266,939
Lease liabilities	803,166	803,166	383,693	419,473
Trade and other payables [trade creditors and accrued expenses]	95,018,207	95,018,207	-	95,018,207
Short term borrowings	336,907,805	336,907,805	-	336,907,805
Markup accrued on loans	35,174,733	35,174,733	-	35,174,733
Unclaimed dividend	513,191	513,191	-	513,191
Dividend payable	6,225,120	6,225,120	-	6,225,120
	<u>1,079,432,909</u>	<u>1,070,913,899</u>	<u>122,064,003</u>	<u>957,368,906</u>

Description	Carrying amount Rupees	Contractual Rupees	Within one year Rupees	After one year Rupees
Contractual maturities of financial liabilities as at June 30, 2020:				
Long term financing	490,649,216	569,214,510	19,520,608	471,128,608
Post employment benefits	105,048,731	105,048,731	-	105,048,731
Lease liabilities	1,123,529	1,123,529	331,282	792,247
Trade and other payables [trade creditors and accrued expenses]	111,670,337	111,670,337	-	111,670,337
Short term borrowings	258,978,407	258,978,407	-	258,978,407
Markup accrued on loans	34,653,652	34,653,652	-	34,653,652
Unclaimed dividend	513,191	513,191	-	513,191
Dividend payable	6,225,120	6,225,120	-	6,225,120
	<u>1,008,862,183</u>	<u>1,087,427,477</u>	<u>19,851,890</u>	<u>989,010,293</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at the reporting date. The rates of interest / mark up have been disclosed in relevant notes to these financial statements.

(d) Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. Fair value is determined on the basis of objective evidence at each reporting date. The carrying values of financial assets and financial liabilities approximate their fair values.

41. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

	2021	2020
	----- Rupees -----	
Total borrowings	858,431,553	749,627,623
Cash and bank	(15,240,576)	(15,807,906)
Net debt	843,190,977	733,819,717
Equity	800,376,938	579,640,921
Total capital	1,643,567,915	1,313,460,638
Debt to capital ratio	51%	56%

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	As at June 30, 2020	Non-cash changes	Cash Flows	As at June 30, 2021
	----- Rupees -----			
Long term financing	490,649,216	(81,265,759)	112,140,292	521,523,748
Lease liabilities	1,123,529	-	(320,281)	803,166
Short term borrowings	258,978,407	-	77,929,398	336,907,805
	<u>750,751,152</u>	<u>(81,265,759)</u>	<u>189,749,409</u>	<u>859,234,719</u>

43. IMPACT OF COVID-19

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On March 20, 2020, the Government of the Sindh announced a temporary lock down as a measure to reduce the spread of the COVID-19. Complying with the lockdown, the Company temporarily suspended its operations from March 23, 2020. In the Company's case, the lockdown was subsequently relaxed from end of May, 2020.

After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company henceforth resumed its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity. The lockdown has caused disruptions in supply chain including supply to the customers resulting in a decline in sales. However, after the lockdown, there's been a steady increase in the overall economic activity due to increase in construction projects as a result of relief packages announced by the Government of Pakistan. Accordingly, the company forecasts an increase in turnover of the next reporting period which also goes on to support the going-concern assumption of the Company accompanied with positive cashflows due to maturity dates of various financing activities approaching in the next two reporting periods which will significantly reduce future finance cost.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these financial statements.

44. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions.

45. GENERAL

These financial statements were authorized for issue on 29 September, 2021 by the Board of Directors of the Company.


Chief Executive


Chief Financial Officer


Director

PATTERN OF SHAREHOLDING

AS AT 30 JUNE 2021

No. of Shareholders	Having Shares		Shares Held	Percentage
	From	To		
168	1	100	1396	0.0096
81	101	500	36553	0.2512
17	501	1000	13657	0.0939
21	1001	5000	54801	0.3767
8	5001	10000	62443	0.4292
1	10001	15000	10612	0.0729
1	25001	30000	27244	0.1873
2	30001	35000	64751	0.4451
2	35001	40000	74000	0.5086
1	75001	80000	80000	0.5499
1	215001	220000	219500	1.5087
1	310001	315000	312360	2.1470
1	380001	365000	382629	2.6300
1	435001	440000	435812	2.9955
1	730001	735000	732920	5.0377
3	735001	740000	2207760	15.1750
3	980001	985000	2942678	20.2264
1	1350001	1355000	1354263	9.3085
1	1630001	1635000	1631623	11.2149
2	1950001	1955000	3903674	26.8318
317	Company Total		14548676	100.0000

CATEGORY OF SHARE HOLDERS

AS AT 30 JUNE 2021

Folio No	Name	Code	Balance Held	Percentage
000000000002	MR. IRSHAD ALI S. KASSIM	001	1951838	13.4159
000000000003	MR. MUNAWAR ALI S. KASSIM	001	1951836	13.4159
000000000004	MRS .MARIAM SHABAN ALI	001	10612	0.0729
000000000005	MRS. SHAHEEN A. REHMAN	001	10000	0.0687
000000000006	MRS. SAKIN NOORALLAH	001	10000	0.0687
000000000831	MISS. ALIZA KASSIM	001	981226	6.7444
000000000838	MISS. ALISHBA IRSHAD ALI	001	981226	6.7444
000000000861	MISS. ANUSHKA KASSIM	001	980226	6.7376
000000000862	MANEEZA	001	732920	5.0377
000000000863	MISS MANISHA KASSIM	001	735920	5.0583
000000000864	MISS. MYRA KASSIM	001	735920	5.0583
000000000865	MISS NATALIA KASSIM	001	735920	5.0583
000000000871	IRSHAD ALI SHABAN ALI KASSIM	001	9113	0.0626
000000000874	MARIAM SHABAN ALI	001	435812	2.9955
000364017317	SHAHID AHMAD	001	5000	0.0344
003277064848	IRSHAD ALI SHABAN ALI KASSIM	001	1354263	9.3085
003277064857	MUNWAR ALI KASSIM	001	1631623	11.2149
003277064868	ALIZA KASSIM	001	27244	0.1873
003277072006	MANEEZA KASSIM	001	3000	0.0206
003277086457	MARIAM SHABAN ALI	001	80000	0.5499
003889000028	NATIONAL BANK OF PAKISTAN	004	202	0.0014
007393000024	SUMMIT BANK LIMITED	004	312360	2.1470
000000000773	GULF INSURANCE COMPANY LTD.	005	1500	0.0103
003277078335	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	010	32751	0.2251
003277082127	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	010	1149	0.0079
006445000028	DARSON SECURITES (PVT) LIMITED	010	1	0.0000
012732008027	AKIK CAPITAL (PRIVATE) LIMITE	010	382629	2.6300

CATEGORIES OF SHAREHOLDERS

AS AT 30 JUNE 2021

Particulars	No. of Folio	Balance Share	Percentage
DIRECATORS,CEO & CHILDREN	20	13363699	91.8551
BANKS,DFI & NBF	2	312562	2.1484
INSURANCE COMPANIES	1	1500	0.0103
GENERAL PUBLIC (LOCAL)	287	452884	3.1129
GENERAL PUBLIC (FOREIGN)	3	1501	0.0103
OTHERS	4	416530	2.8630
Company Total	317	14548676	100.0000



Dear Shareholder(s)

Dated:

MANDATORY PAYMENT OF DIVIDEND THROUGH ELECTRONIC MODE

In pursuance of Section 242 of the recently promulgated Companies Act, 2017, it is now mandatory for all listed companies to pay dividend only by way of electronic mode, directly into the bank accounts of entitled shareholders.

Keeping in view the same, all cash dividend, if declared by the Company in future will be directly transferred in bank account. In order to enable us to follow the directives of the regulators in regard to payment of dividend only through electronic mode, you are requested to please provide/ update your bank account details in below mentioned format.

1. I hereby authorize Karam Ceramics Limited to directly credit cash dividend declared by it, if any, in the below mentioned bank account.

Bank Account Details of Transfer for Cash Dividend

*(Mandatory to provide)

i) Shareholder's Detail	
Name of Company	
Name of Share holder	
Folio No. / CDC Participants ID A/c No.	
CNIC No*	
Passport No ,(in case of foreign Shareholder)**	
Land Line Phone Number	
Cell Number	
ii) Shareholder's Bank detail	
Title of Bank Account	
International Bank Account Number (IBAN)	PK
Mandatory	
Bank's Name	
Branch Name And Address	

2. It is stated that the above-mentioned information is correct, that I will intimate the changes in the above mentioned information to the above addresses as soon as these occur.

(signature of shareholder)

KINDLY NOTE: COMPANY MAY WITHHOLD THE PAYMENT OF DIVIDEND OF A MEMBER WHERE THE MEMBER HAS NOT PROVIDED THE COMPLETE INFORMATION OR DOCUMENTS AS SPECIFIED,

The shareholders who hold share in Central Depository Company are requested to submit the above mentioned dividend mandate form after duly filed in to their participants/ investor account services of the central depository company limited.

The shareholder who hold shares in physical form are requested to submit the above-mentioned dividend mandate form after duly filled in to Company's registrar office, as mentioned below:

M/s THK Associates (Pvt.) Limited

1th Floor, 40-C, Block 6,
P.E.C.H.S, Karachi-75400

For any query, you may please contact on Tel # 021-111-000-322 or email at sfc@thk.com.pk
Thanking you.

Manzoor Ali Natha
(Company Secretary)
Karam Ceramics Limited

Note : This is a computer generated letter and does not require signature.

*Please attach attested photocopy of CNIC

** please attach attested photocopy of the Passport

FORM OF PROXY

I / We _____
of _____
being a member of KARAM CERAMICS LIMITED and holder of _____
ordinary shares as per Registered Folio No. _____
hereby appoint Mr. _____
of _____ of failing him
Mr. _____
of _____ who is also
a member of KARAM CERAMICS LIMITED vide Registered Folio No. _____ as my proxy to vote for
and on my behalf at the 42nd Annual General Meeting of the Company to be held on Wednesday,
October 27, 2021 at 4:00 pm Company's Registered Office situated at BC-6, Block-5, Scheme-5,
Kehkashan, Clifton, Karachi.

WITNESS:

(1) Signature _____

Name _____

Address _____

NIC or Passport No. _____

2) Signature _____

Name _____

Address _____

NIC or Passport No. _____

Dated _____

Signature on
Rupees Five
Revenue Stamp

(Signature should agree with the specimen
Signature registered with the company)

Important:

This form of proxy, duly completed must be deposited at the Company's Registered Office BC-6, Scheme-5, Kehkashan, Clifton, Karachi not less than 48 hours before the meeting. CDC Shareholder and their Proxied must attached either an attested photocopy of their Computerized National Identity Card or Passport with this proxy form. _____

پراکسی فارم

میں/ہم _____ رجسٹرڈ فوئیو نمبر _____ اپنی جانب سے جتاب بطور ممبر کرم سیراکس لمیٹڈ اور عارضی شیئرز _____ کا تقرر کرتا ہوں جو کہ کرم سیراکس لمیٹڈ رجسٹرڈ فوئیو نمبر کے تحت ممبر ہیں اور میرے نمائندے کے طور پر کمپنی کی 41 ویں سالانہ جنرل میٹنگ میں شرکت کر کے ووٹ دے سکتے ہیں جس کا انعقاد بروز بدھ 27 اکتوبر 2021ء کو شام 4:00 بجے کمپنی کے رجسٹرڈ آفس واقع BC-6، بلاک 5، اسکیم نمبر 5، کہکشاں کلفٹن کراچی میں ہوگا۔

گواہ:

(پانچ روپے والے ریونیو اسٹیپ
پر دستخط)

(دستخط جو کہ کمپنی میں رجسٹرڈ کردہ
دستخط کے نمونہ سے مطابقت رکھتا ہو)

ا۔ نام: _____
دستخط: _____
پتہ: _____
شناختی کارڈ/ پاسپورٹ نمبر: _____

ا۔ نام: _____
دستخط: _____
پتہ: _____
شناختی کارڈ/ پاسپورٹ نمبر: _____
مورخہ: _____

نوٹ:

پراکسی فارم کو مکمل پُر کر کے کمپنی کے رجسٹرڈ آفس واقع BC-6، بلاک 5، اسکیم نمبر 5، کہکشاں کلفٹن کراچی میں میٹنگ سے کم از کم 48 گھنٹے قبل جمع کرائیں۔
CDC شیئر ہولڈرز اور ان کے پراکسی اپنے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ فوٹو کاپی پراکسی فارم کے ساتھ _____ تک جمع کرا دیں۔

