

KARAM CERAMICS LIMITED

Interim Condensed Financial Statements
For the Half Year ended December 31, 2016
(UNAUDITED)



www.karamceramics.com



COMPANY INFORMATION

BOARD OF DIRECTORS

Mrs. Mariam Shaban ali	Chairperson
Mr. Irshad Ali S.Kassim	Vice.Chairman
Mr. Munawar Ali S.Kassim	Chief Executive
Mr. Shahid Ahmed	Independent Non-Executive Director
Mr. Shahnawaz Madhani	Director
Miss Natalia Kassim	Director
Miss. Anushka Kassim	Director
Mr. Abdul Sultan	Chief Financial officer
Mr. Manzoor Ali Natha	Company secretary

AUDIT COMMITTEE

Mr. Shahid Ahmed	Chairman
Miss Anushka Kassim	Member
Miss. Natalia Kassim	Member

HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Shahnawaz Madhani	Chariman
Mr. Munawar Ali S. Kassim	Member
Miss. Natalia Kassim	Member

BANKERS

Soneri Bank Limited
Habib Bank Limited
National Bank Limited
MCB Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited

AUDITORS / REGISTRAR AND SHARE TRANSFER OFFICE

Qavi & Co
Chartered Accountants

T.H.K. Associates (Private) Limited
1st Floor ,40-C, Block -6,
P.E.C.H.S, Karachi

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

REGISTERED OFFICE

Bc-6, Block -5, Scheme-5, Kehkashan, Clifton ,Karachi

FACTORY

295/311, Deh Halkani, Hub Dam Road Karachi

LAHORE

4L Ferozpur Road, Gulberg III, Lahore.
Tel# (92-42)-35864579



REPORT OF THE DIRECTORS FOR THE HALF YEAR ENDED 31ST DECEMBER 2016

Dear Shareholders,

Your Directors are pleased to present before you the Condensed Interim Financial Statements (Unaudited) for the half year ended December 31, 2016.

During the half year ended under review the Net Sales of the company were Rs.447.05 million as against sales of Rs.593.49 million for the corresponding period of last year, representing decrease of 24.67.%. As mentioned in our last annual report that import of Chinese tiles at cheaper rates has adversely affected sales performance of the company. Your company has suffered net loss after tax of Rs.55.29 million as compared to profit of Rs. 3.81 million in the same period of last year. Loss per share for the period was Rs.3.80

Although demands for ceramics tiles have increase as a result of growth of construction industry in the country but import of tiles from China at cheaper rates adversely affected the sales of local manufactured tiles. Your company will endeavor to compete with the imported tiles and increase its sales volume through rigorous market efforts, better quality products, economization of expenses and competitive selling price. Local tiles manufacturing industry seek government support by restricting import of ceramics tiles from China through imposition of anti-dumping duty and upward revision of Import Trade Prices. Representations have been made with the concerned government departments for protection of local tiles manufacturing industry.

On behalf of the Board, I sincerely thank our well wishers, shareholders, customers, dealers, banks, DFIS, suppliers of raw materials, plant and machinery, friends and all employees for their cooperation and contribution towards the progress of the company.

On behalf of the Board

Munawarali Kassim
Chief Executive

February 22, 2017

31 دسمبر 2016ء کو ختم ہونے والی ششماہی مدت کے لئے ڈائریکٹرز کی رپورٹ

محترم شیئر ہولڈرز،

آپ کے ڈائریکٹرز 31 دسمبر 2016ء کو ختم ہونے والی ششماہی مدت کے لئے متوسط مالیاتی حسابات (غیر آڈٹ شدہ) آپ کے لئے پیش کر رہے ہیں۔

زیر جائزہ ختم ہونے والی ششماہی مدت کے دوران کمپنی کی صافی فروخت 447.05 ملین روپے تھی جس کا موازنہ گزشتہ سال کی اسی مدت کی فروخت 593.49 ملین روپے سے کیا گیا جس کے مطابق 24.67% کی کمی واقع ہوئی۔ جیسا کہ ہماری گزشتہ سالانہ رپورٹ میں بتایا گیا تھا کہ چائنیز ٹائلز کی سستے داموں درآمد پر کمپنی کی فروخت متاثر ہوئی جس کی وجہ سے آپ کی کمپنی 55.29 ملین روپے بعد از ٹیکس خسارہ ہوا جس کا موازنہ گزشتہ سال کی اسی مدت میں 3.81 ملین روپے سے کیا گیا جس کے مطابق 3.80 روپے فی شیئر کا خسارہ ہوا۔

اس کے علاوہ ملک میں تعمیراتی صنعت کی شرح نمو کے نتیجے میں سیرامک ٹائلز کی طلب میں اضافہ ہوا لیکن چائنا سے سستے داموں ٹائلز کی درآمد کی وجہ سے مقامی تیار کردہ ٹائلز کی فروخت پر منفی اثر پڑا۔ آپ کی کمپنی درآمد کردہ ٹائلز کے حوالہ سے مارکیٹ کا مقابلہ کرتے ہوئے اور کوششوں سے فروخت کے تناسب میں اضافہ کرے گی، پروڈکٹ کے معیار کو بہتر کرنے اور اخراجات میں کمی کرتے ہوئے قیمت فروخت کا مقابلہ کرے گی۔ مقامی ٹائلز بنانے والی صنعت چاہتی ہے کہ حکومت اپنی ڈیمنگ ڈیوٹی عائد کرتے ہوئے اور درآمدی تجارت کی قیمتوں پر نظر ثانی کے توسط سے چائنا سے سیرامک ٹائلز کی درآمد پر پابندی لگائے۔ مقامی ٹائلز بنانے والی صنعت کے تحفظ کیلئے متعلقہ سرکاری اداروں کو درخواست کر دی گئی ہے۔

بورڈ کی جانب سے میں اپنے خیر خواہوں، شیئر ہولڈرز، صارفین، ڈیلرز، بینکس، ڈی ایف آئی ایس، خام مال، پلانٹ، اور مشینری کے سپلائرز، دوستوں اور تمام ملازمین کو ان کے تعاون اور کمپنی کی پروگریس میں حصہ لینے پر شکرگزار ہیں۔

بتوسط بورڈ



منور علی قاسم

چیف ایگزیکٹو

مورخہ: 22 فروری 2017ء



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

INTRODUCTION

We have reviewed the accompanying condensed interim balance sheet of KARAM CERAMICS LIMITED as at December 31, 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarter ended December 31, 2016 and December 31, 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

SCOPE OF REVIEW

We conducted our review in accordance with international Standard on Review Engagements 2410, "Review of interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Dated: February 22 , 2017
Place: Karachi

Chartered Accountants
Engagement Partner : **Khalid Anwar**

Condensed Interim Balance Sheet (Un-audited)


As at December 31, 2016

		(Un-Audited) December 31, 2016 Rupees	(Audited) June 30, 2016 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	5	908,855,249	951,487,537
Capital Work in Progress		16,669,771	16,669,771
		925,525,020	968,157,308
Long Term Deposit		897,038	897,038
CURRENT ASSETS			
Stores and spares		11,978,732	14,862,579
Stock in trade		213,772,070	215,004,440
Trade debts - unsecured considered good		203,170,993	260,681,390
Loans and advances		806,300	1,504,889
Income Tax		54,591,894	50,345,051
Sales tax refundable		-	5,872,137
Trade deposits and prepayments		17,196,066	22,639,930
Cash and bank balances	6	3,096,861	8,659,641
		504,612,916	579,570,057
		1,431,034,974	1,548,624,403
SHARE CAPITAL AND RESERVES			
Share capital		145,486,760	145,486,760
Unappropriated Profit		92,718,806	146,799,537
		238,205,566	292,286,297
Surplus on revaluation of fixed assets		71,576,289	72,435,224
NON-CURRENT LIABILITIES			
Long term financing	7	512,169,924	523,551,889
Deferred liability		84,562,444	81,008,740
Deferred taxation		108,407,819	99,455,117
		705,140,187	704,015,746
CURRENT LIABILITIES			
Trade and other payables		85,935,237	133,620,747
Mark up accrued on loans		17,570,972	16,401,112
Short term running finance		203,446,823	217,263,809
Current portion of long term financing		109,159,900	112,601,468
		416,112,932	479,887,136
		1,431,034,974	1,548,624,403

The annexed notes 1 to 13 form an integral part of these condensed interim financial information.



Director




Chief Executive

Condensed Interim Profit and Loss Account (Un-audited) For the Half year ended 31st December 2016

	Note	Half year Ended		Quarter Ended	
		December 2016 Rupees	December 2015 Rupees	December 2016 Rupees	December 2015 Rupees
Net Sales		447,055,521	593,490,940	190,299,249	295,268,196
Cost of sales		(442,684,249)	(540,234,813)	(193,751,555)	(264,108,103)
Gross Profit		4,371,272	53,256,127	(3,452,306)	31,160,093
Selling and distribution expenses		(11,942,655)	(12,431,359)	(6,386,794)	(6,067,329)
Administrative expenses		(11,719,463)	(12,823,494)	(4,430,357)	(8,024,209)
Other operating charges		(50,000)	(508,188)	(50,000)	(394,278)
Other income		3,253,327	2,215	653,327	2,215
Operating (Loss) / Profit		(16,087,519)	27,495,301	(13,666,130)	16,676,492
Finance cost		(29,899,445)	(23,400,806)	(14,882,060)	(14,095,378)
(Loss) / Profit before taxation		(45,986,964)	4,094,495	(28,548,190)	2,581,114
Taxation	9	(9,303,287)	(282,514)	3,021,094	(1,067,985)
(Loss) / Profit after taxation		(55,290,251)	3,811,981	(25,527,096)	1,513,129
(Loss) / Earning per share	10	(3.80)	0.26	(1.75)	0.10

The annexed notes 1 to 13 form an integral part of these condensed interim financial information.


Director


Chief Executive




Condensed Interim Cash Flow Statement (Un-audited)
For the Half Year ended December 31, 2016

	December 2016 Rupees	December 2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(45,986,964)	4,094,496
Adjustments for		
Depreciation	45,690,477	35,181,922
Provision for staff gratuity	4,770,546	6,283,071
Workers' profit participation fund	-	220,134
Workers' welfare fund	-	88,054
Gain on sale of fixed assets	(653,327)	-
Financial charges	29,899,445	23,400,806
Return on deposit	-	(2,215)
	79,707,141	65,171,772
(Increase) / Decrease in operating assets		
Stores and spares	2,883,847	1,989,214
Stock in trade	1,232,370	(98,137,553)
Trade debts	57,510,397	(32,534,405)
Loans and advances	698,589	9,032,561
Short-term prepayments	5,443,864	9,635,150
	67,769,067	(110,015,033)
Increase / (Decrease) in operating liabilities		
Short term running finance	(13,816,986)	67,835,142
Trade and other payables	(47,685,510)	(34,203,582)
	(61,502,496)	33,631,560
Cash generated from operations	39,986,748	(7,117,205)
Finance cost paid	(28,729,585)	(16,542,535)
Income tax paid	(4,246,837)	(13,131,742)
Sales tax refundable	5,872,137	(1,256,887)
Gratuity paid	(1,216,842)	(682,506)
	(28,321,128)	(31,613,670)
Net cash generated from operating activities	11,665,620	(38,730,875)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,104,866)	(39,587,388)
Capital work in progress	-	(29,117,532)
Proceeds from sale of fixed assets	700,000	-
Return on deposit	-	2,215
Net cash used in investing activities	(2,404,866)	(68,702,705)
CASH FLOWS FROM FINANCING ACTIVITIES		
Directors loan	35,000,000	85,500,000
Long term loan received	-	268,681,035
Adjustment of imputed interest	3,868,494	-
Long term loan paid	(53,692,028)	(27,304,136)
Bills payable against long term loan	-	(229,198,038)
Dividend Paid	-	(2,690,961)
Net cash (used in) / generated from financing activities	(14,823,534)	94,987,900
Net (decrease) /increase in cash and cash equivalents	(5,562,780)	(12,445,680)
Cash and cash equivalents at beginning of the year	8,659,641	44,304,423
Cash and cash equivalents at end of the period	3,096,861	31,858,743

The annexed notes 1 to 13 form an integral part of these condensed interim financial information.


 Director


 Chief Executive


Condensed Interim Statement of Comprehensive Income (Un-audited)
 For the Half Year ended December 31, 2016

	Half year Ended		Quarter Ended	
	December 2016 Rupees	December 2015 Rupees	December 2016 Rupees	December 2015 Rupees
(Loss) / Profit after taxation	(55,290,251)	3,811,981	(25,527,096)	1,513,128
Other comprehensive income				
Incremental depreciation transfer from surplus on revaluation of fixed assets (net of deferred tax)	1,209,520	1,324,424	604,760	662,217
Total comprehensive (Loss) / income for the year	<u>(54,080,731)</u>	<u>5,136,405</u>	<u>(24,922,336)</u>	<u>2,175,345</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial information.



Director



Chief Executive


**Condensed Interim
Statement of Changes in Equity (Un-audited)**
For the Half year ended December 31, 2016

	Share Capital Rupees	Unappropriated Profit Rupees	Total Rupees
Balance as at June 30, 2015	145,486,760	178,398,418	323,885,178
Dividend @12% paid during the year ended, relating to the year June 30, 2015		(17,458,411)	(17,458,411)
Prior year income tax adjustment		(65,132)	(65,132)
Total comprehensive loss for the year ended June 30, 2016	-	(14,075,338)	(14,075,338)
Balance as at 30 June 2016	145,486,760	146,799,537	292,286,297
Total comprehensive loss for half year ended December 31, 2016	-	(54,080,731)	(54,080,731)
Balance as at December 31, 2016	145,486,760	92,718,806	238,205,566

The annexed notes 1 to 13 form an integral part of these condensed interim financial information.



Director



Chief Executive



Notes to and forming part of the Condensed Interim Financial Information (Un-audited) For the half year ended December 31, 2016

1 STATUS AND NATURE OF BUSINESS

Karam Ceramics Limited was incorporated in Pakistan on April 8, 1979 as a public limited company under the Companies Act, 1913 (now Companies Ordinance, 1984). The shares of the company are quoted on Pakistan Stock Exchange (Karachi & Lahore). The principal activity of the company is manufacturing of Ceramics tiles.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the IAS 34 Interim Financial Reporting as applicable in Pakistan. This condensed interim financial information does not include all of the information and disclosures required for annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 30th June, 2016.

2.2 This condensed interim financial information is being submitted to the shareholders as required by the Listing regulations of Pakistan Stock Exchange and section 245 of the Companies Ordinance, 1984.

2.3 These condensed interim financial information comprise of condensed balance sheet, condensed interim profit and loss account, condensed interim financial statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes for the half year ended December 31, 2016 which have been subjected to a review but not audited. These condensed interim financial information also include the condensed interim profit and loss account for the quarter ended 31st December 2016.

3 SIGNIFICANT ACCOUNTING POLICIES

These accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended 30th June 2016.

4 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

4.1 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

4.2 Judgements and estimates made by management in preparation this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended 30th June 2016.

4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial informations as at and for the year ended 30th June 2016.

	Note	(Un-audited) December, 31 2016 Rupees	(Audited) June 30, 2016 Rupees
5 PROPERTY, PLANT AND EQUIPMENT			
Opening wirtten down value		951,487,534	701,341,374
Add: Aditiion during the period/year			
Factory Building		-	23,686,844
Plant & Machinery		85,925	314,323,355
Moulds		2,118,941	
Vehicles		900,000	1,904,000
		3,104,866	339,914,199
		<u>954,592,400</u>	<u>1,041,255,573</u>
Less: Disposal during the year		(46,674)	(10,414,928)
Depreication charged during the period/year		(45,690,477)	(79,353,111)
		(45,737,151)	(89,768,039)
Closing wirtten down value		<u>908,855,249</u>	<u>951,487,534</u>
6 CASH AND BANK BALANCES			
Cash in hand		60,373	373,433
Balance with banks in			
Current Accounts		2,256,909	7,506,629
Deposit Accounts		779,579	779,579
		3,036,488	8,286,208
		<u>3,096,861</u>	<u>8,659,641</u>
7 LONG TERM FINANCING			
From Banking companies			
Term Finance Loan- secured	7.1	337,562,918	391,254,945
Current Maturity		(109,159,900)	(112,604,468)
		228,403,018	278,650,477
From Related parties	7.2	283,766,906	244,898,412
		<u>512,169,924</u>	<u>523,548,889</u>

7.1 This represents long term finance obtained from following banks



Name of Bank	Amount	Mark-up	Purpose	Repayable by:
Soneri Bank Ltd. Loan I &II	48,900,000	6 months Kibor + 1.5%	Import of Plant & Machinery	Dec. 2017 & Mar. 2019
Soneri Bank Ltd. Loan III	123,425,121	6 months Kibor + 1.75%	Import of Plant & Machinery	Mar.2021
JS Bank Limited	134,052,876	6 months Kibor + 1.75%	Import of Plant & Machinery	Feb.2021
Habib Bank Limited	31,184,921	3 months Kibor + 1.00%	Import of Plant & Machinery	May.2021
	<u>337,562,918</u>			
		Note	(Un audited) December, 31 2016 Rupees	(Audited) June 30, 2016 Rupees
7.2 Director loan @5%interest		7.2.1	115,948,603	115,948,603
Add : Received during the period			35,000,000	
			150,948,603	115,948,603
Director loan interest free			128,949,809	155,500,000
Less: Imputed interest as per IAS-39@6%			-	(26,550,191)
Add: Imputed interest reversed charged to expenses as per IAS-39			3,868,494	-
			132,818,303	128,949,809
			283,766,906	244,898,412

7.2.1 Director loan of Rs.50,000,000 is sub-ordinated to Soneri Bank Limited and J.S Bank against sanction of long term loan.

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

L/Cs issued by Soneri Bank Ltd. and Habib Bank Limited in favour of Sui Southern Gas Company Limited amounting of Rs. 84.951 million (June 30, 2016 Rs. 84.951 million).

8.2 Commitments

Commitment under letter of credit of raw material as at December 31, 2016 amounted to Euro. 98,780/- and US \$. 221,436/- (June 30, 2016: Euro 117,660 and US \$ 342,973).



9 TAXATION	(Un audited) Half Year Ended		(Un audited) Quarter Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Current	-	6,345,861	-	3,018,787
Deferred	9,303,287	(6,063,347)	3,021,094	(1,950,803)
	<u>9,303,287</u>	<u>282,514</u>	<u>3,021,094</u>	<u>1,067,984</u>

10 (LOSS) / EARNING PER SHARE	(Un audited) Half Year Ended		(Un audited) Quarter Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
(Loss) / Profit for the period	<u>(55,290,251)</u>	<u>3,811,981</u>	<u>(25,527,096)</u>	<u>1,513,129</u>
Weigh average number of shares	<u>14,548,676</u>	<u>14,548,676</u>	<u>14,548,676</u>	<u>14,548,676</u>
(Loss) / Earning per share	<u>(3.80)</u>	<u>0.26</u>	<u>(1.75)</u>	<u>0.10</u>

11 TRANSACTIONS WITH RELATED PARTIES

	(Un audited) December, 31 2016 Rupees	(Un audited) December, 31 2015 Rupees
Director's spouse Payment of office rent	638,880	580,000
Directors Transaction Interest on Loan	7,278,021	4,844,116
Loan received	35,000,000	85,500,000
PICIC Insurance Ltd.- Insurance premium paid	976,381	1,150,986


12 DATE OF AUTHORISATION FOR ISSUE

The financial Statement have ben authorized for issue by the Board of Directors of the company in its meeting held on February 22, 2017.

13 GENERAL

Figures have been rounded off to the nearest rupee.


Director


Chief Executive