

Interim Condensed Financial Statements
For the Half Year ended December 31, 2017
(UNAUDITED)

KARAM CERAMICS LIMITED

IN TECHNICAL COLLABORATION WITH
DOULTON
BATH ROOMS ENGLAND



KARAM CERAMICS LIMITED
WALL TILES - FLOOR TILES

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 Ahmad | Independent Non-Executive Director |
| Mr. Shahnawaz Madhani | Director |
| Miss Natalia Kassim | Director |
| Miss. Anushka Kassim | Director |
| Mr. Amir Sawja | Chief Financial officer |
| Mr. Manzoor Ali Natha | Company Secretary |

AUDIT COMMITTEE

| | |
|----------------------|----------|
| Mr. Shahid Ahmad | Chairman |
| Miss. Anushka Kassim | Member |
| Miss. Natalia Kassim | Member |

HUMAN RESOURCES & REMUNERATION COMMITTEE

| | |
|---------------------------|----------|
| Mr. Shahnawaz Madhani | Chairman |
| Mr. Munawar Ali S. Kassim | Member |
| Miss. Natalia Kassim | Member |

BANKERS

Soneri Bank Limited
Habib Bank Limited
JS Bank Limited
MCB Bank Limited
Habib Metropolitan Bank Limited
Faysal 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-75400

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

4-L, Gulburg 111 Ferozpur Road, Lahore.
Tel # (92-42) - 35864579



REPORT OF THE DIRECTORS FOR THE HALF YEAR ENDED DECEMBER 31, 2017

Dear Shareholders,

Your Directors are pleased to present before you the Condensed Interim Financial Statements (Unaudited) of the company, for the half year ended December 31, 2017, along with independent auditors' report on review for condensed financial information.

During the half year ended under review, the Net Sales of the company were Rs.477.11 million as against sales of Rs.447.05 million for the corresponding period of immediate preceding year, representing increase of 6.7.%. As mentioned in our last annual report, 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.39 million as compared to loss of Rs. 55.29 million in the same period of last year. Loss per share for the half year was Rs.2.68

Demands for ceramics tiles have increased, due to growth in the construction industry, in the country. The company will endeavor to compete with the imported tiles and increase its sales volume through rigorous market efforts, better quality products and competitive selling price. It is also hoped that, our government will support local tiles manufacturing industry by restricting import of ceramics tiles from China, by imposing Anti Dumping Duty and upward revision of Import Trade Price.

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 utmost cooperation and contribution towards the progress of the company.

On behalf of the Board

**Irshad Ali Kassim
Director**

**Munawar Ali Kassim
Chief Executive**

February 23, 2018

ڈائریکٹرز رپورٹ

برائے ششماہی دورانیہ 31 دسمبر 2017 کے اختتام تک

محترم شیئر ہولڈرز


ہمیں نہایت خوشی ہے کہ آپ کے ڈائریکٹرز ششماہی دورانیہ 31 دسمبر 2017 کے اختتام تک کی کمپنی کی رپورٹ (غیر مستند شدہ) پیش کر رہے ہیں۔

اس ششماہی رپورٹ کا جائزہ برائے ہالفا ایئر کی مدت میں کمپنی کی میٹریبلز اس سال اس میں اضافہ ہو کر 477.11 ہوا ہے جبکہ گزشتہ سال میں 447.05 ملین رہی۔ جس کے مطابق 6.7 فیصد کی شرح سے اضافہ ہوا۔ جیسا کہ ہماری گزشتہ سالانہ رپورٹ میں ذکر کیا گیا ہے۔ سستے داموں پر چین کے ٹائلوں کی درآمد سے کمپنی کی فروخت کی کارکردگی پر منفی اثر پڑا ہے۔ آپ کی کمپنی نے ٹیکس کی ادائیگی کے بعد خالص 39 ملین روپے کا نقصان برداشت کیا ہے جبکہ پچھلے سال 55.29 ملین اسی مدت کا نقصان رہا۔ اس طرح نصف سال کے لئے فی حصہ کا نقصان 2.68 بنتا ہے۔

ملک میں تعمیراتی صنعت میں اضافہ کی وجہ سے سیراکس ٹائل کی ڈمانڈ میں اضافہ ہوا ہے۔ آپ کی کمپنی سالانہ درآمد شدہ ٹائل کو موازنہ کرنے کی کوشش کرے گی اور ہنگی مارکیٹ میں بہتر معیار کی مصنوعات اور مسابقتی فروخت کی قیمت کے ذریعے اس کی قیمت فروخت میں اضافہ کرنے کی کوشش کرے گی۔ یہ بھی امید کی جاتی ہے کہ ہماری حکومت چین سے سیراکس ٹائل درآمد کرنے اور اینٹی ڈمپنگ ڈیوٹی کو نافذ کرنے اور درآمدی تجارت کی قیمتوں میں اضافہ کو محدود کر کے مقامی ٹائل میٹو فیکچرنگ انڈسٹری کی مدد کرے گی۔


بورڈ کی معرفت میں اپنے خیر خواہوں، حصص داروں، گاہکوں، ڈیلرز، بینکوں، ڈی ایف آئی ایس، خام مال، پلائٹ اور مشینری، دوستوں اور تمام ملازمین کو کمپنی کی پیش رفت میں تعاون اور شراکت کا خیر مقدم کرتا ہوں۔

بورڈ کی معرفت



 منور علی قاسم

 چیف ایگزیکٹو



 ارشاد قاسم

 ڈائریکٹر

مورخہ: 23 فروری 2018ء



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

INTRODUCTION

We have reviewed the accompanying condensed interim balance sheet of **KARAM CERAMICS LIMITED** as at December 31, 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof 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 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 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, 2017 and December 31, 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2017.

SCOPE OF REVIEW

We conducted our review in accordance with international Standard on Review Engagements 2410, "Review of interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial 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 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 23, 2018
Place : Karachi


Ghulam Abbas & Co

Chartered Accountants
Audit Engagement Partner: **Ghulam Abbas**

Condensed Interim Balance Sheet (Un-audited)

As at December 31, 2017

| | Note | (Un-Audited) December 31, 2017 Rupees | (Audited) June 30, 2017 Rupees |
|--|------|--|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 841,247,635 | 883,371,605 |
| Long term deposits | | 897,038 | 897,038 |
| | | 842,144,673 | 884,268,643 |
| Current assets | | | |
| Stores and spares | | 11,241,017 | 11,475,790 |
| Stock in trade | | 299,318,525 | 274,884,940 |
| Trade debts | | 37,850,719 | 140,349,053 |
| Loans and advances | 6 | 1,183,964 | 931,099 |
| Advance income tax | | 8,290,572 | 12,943,225 |
| Refunds due from the government - Income tax | | 63,092,862 | 50,519,628 |
| Prepayments & other receivables | 7 | 32,663,642 | 31,229,420 |
| Cash and bank balances | 8 | 12,749,467 | 3,227,590 |
| | | 466,390,768 | 525,560,745 |
| TOTAL ASSETS | | 1,308,535,441 | 1,409,829,388 |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Share capital | | 145,486,760 | 145,486,760 |
| Unappropriated profit | | 34,475,155 | 72,359,789 |
| | | 179,961,915 | 217,846,549 |
| Surplus on revaluation of fixed assets | | 69,577,951 | 70,366,769 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long term financing | 9 | 482,134,460 | 477,380,464 |
| Post employment benefits | 10 | 94,205,759 | 89,891,817 |
| Deferred taxation | | 81,971,308 | 89,349,416 |
| | | 658,311,527 | 656,621,697 |
| Current liabilities | | | |
| Trade and other payables | | 143,627,822 | 141,362,730 |
| Markup accrued on loans | | 19,121,618 | 19,567,870 |
| Short term borrowings - from banks | 11 | 158,774,712 | 209,903,877 |
| Long term financing | 9 | 79,159,896 | 94,159,896 |
| | | 400,684,048 | 464,994,373 |
| Total liabilities | | 1,058,995,575 | 1,121,616,070 |
| Contingencies and Commitments | 12 | - | - |
| TOTAL EQUITY AND LIABILITIES | | 1,308,535,441 | 1,409,829,388 |

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.


Chief Executive


Chief Financial Officer


Director

Condensed Interim Profit and Loss Account (Un-audited) For the Half year ended 31st December 2017

| | Note | Half year Ended | | Quarter Ended | |
|-----------------------------------|------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | | December 31 2017 Rupees | December 31 2016 Rupees | December 31 2017 Rupees | December 31 2016 Rupees |
| Revenue | 13 | 477,111,053 | 447,055,521 | 256,959,431 | 190,299,249 |
| Cost of sales | | (464,042,805) | (442,684,249) | (250,744,544) | (193,751,555) |
| Gross profit | | 13,068,248 | 4,371,272 | 6,214,887 | (3,452,306) |
| Selling and distribution expenses | | 17,687,251 | 11,942,655 | 8,265,859 | 6,386,794 |
| Administrative expenses | | 12,223,478 | 11,719,463 | 5,550,167 | 4,430,357 |
| Other operating charges | | 3,277,727 | 50,000 | 3,192,498 | 50,000 |
| | | (33,188,456) | (23,712,118) | (17,008,524) | (10,867,151) |
| Operating loss | | (20,120,208) | (19,340,846) | (10,793,637) | (14,319,457) |
| Other income | | - | 3,253,327 | - | 653,327 |
| Finance Cost | 14 | (25,931,352) | (29,899,445) | (12,719,557) | (14,882,060) |
| | | (25,931,352) | (26,646,118) | (12,719,557) | (14,228,733) |
| Loss before taxation | | (46,051,560) | (45,986,964) | (23,513,194) | (28,548,190) |
| Taxation | 15 | 7,062,581 | (9,303,287) | 2,083,526 | 3,021,094 |
| Loss after taxation | | (38,988,979) | (55,290,251) | (21,429,668) | (25,527,096) |
| Earnings per share - | | | | | |
| Basic and diluted | 16 | (2.68) | (3.80) | (1.47) | (1.75) |

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.


Chief Executive


Chief Financial Officer


Director



Condensed Interim Cash Flow Statement (Un-audited) For the Half Year ended December 31, 2017

| | December 2017 Rupees | December 2016 Rupees |
|---|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before taxation | (46,051,560) | (45,986,964) |
| Adjustments for non cash charges and other items | | |
| Depreciation | 42,123,971 | 45,690,477 |
| Provision for gratuity | 5,409,994 | 4,770,546 |
| Gain on sale of fixed assets | - | (653,327) |
| Finance cost | 25,931,352 | 29,899,445 |
| | 73,465,317 | 79,707,141 |
| Cash flow from operating activities before working capital changes | 27,413,757 | 33,720,177 |
| Effect on cash flow due to working capital changes | | |
| Decrease in stores and spares | 234,773 | 2,883,847 |
| (Increase) / Decrease in stock in trade | (24,433,585) | 1,232,370 |
| Decrease in trade debts | 102,498,334 | 57,510,397 |
| (Increase) / Decrease in loans and advances | (252,865) | 698,589 |
| (Increase) / Decrease in prepayments and other receivables | (1,434,222) | 5,443,864 |
| (Decrease) in short term borrowings - from banks | (51,129,165) | (13,816,986) |
| Increase / (Decrease) in trade and other payables | 2,265,092 | (47,685,510) |
| | 27,748,362 | 6,266,571 |
| Net cash generated from operating activities | 55,162,119 | 39,986,748 |
| Finance cost paid | (22,285,655) | (28,729,585) |
| Income tax paid | (8,290,572) | (4,246,837) |
| Sales tax refundable | 369,991 | 5,872,137 |
| Gratuity paid | (1,096,052) | (1,216,842) |
| | (31,302,288) | (28,321,127) |
| Net cash generated from operating activities | 23,859,831 | 11,665,621 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Addition to property, plant and equipment | - | (3,104,866) |
| Sale proceeds from disposal of property, plant and equipment | - | 700,000 |
| | - | (2,404,866) |
| Net cash used in investing activities | - | (2,404,866) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Directors loan received | 40,242,000 | 38,868,494 |
| Long term loan paid | (54,579,954) | (53,692,028) |
| Net cash used in financing activities | (14,337,954) | (14,823,534) |
| Net increase / (decrease) in cash and cash equivalents | 9,521,877 | (5,562,779) |
| Cash and cash equivalents at the beginning of the year | 3,227,590 | 8,659,641 |
| Cash and cash equivalents at the end of the year | 12,749,467 | 3,096,862 |

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.


Chief Executive


Chief Financial Officer


Director



Condensed Interim Statement of Comprehensive Income (Un-audited)

For the Half Year ended December 31, 2017

| | Half year Ended | | Quarter Ended | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | December 31 2017 Rupees | December 31 2016 Rupees | December 31 2017 Rupees | December 31 2016 Rupees |
| Loss after taxation | (38,988,979) | (55,290,251) | (21,429,668) | (25,527,096) |
| Other comprehensive income | | | | |
| Items that will not be reclassified to Profit or loss | | | | |
| Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax | 1,104,345 | 1,209,520 | 552,173 | 604,760 |
| Total comprehensive loss for the year | (37,884,634) | (54,080,731) | (20,877,495) | (24,922,336) |

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.


Chief Executive


Chief Financial Officer


Director

**Condensed Interim
Statement of Changes in Equity (Un-audited)**
For the Half year ended December 31, 2017

| | Share Capital Rupees | Unappropriated Profit Rupees | Total Rupees |
|---|----------------------------|------------------------------------|--------------------|
| Balance as at July 01, 2016 | 145,486,760 | 146,799,537 | 292,286,297 |
| Total comprehensive loss for the year ended June 30, 2017 | - | (74,439,748) | (74,439,748) |
| Balance as at June 30, 2017 | 145,486,760 | 72,359,789 | 217,846,549 |
| Total comprehensive loss for the half year ended December 31, 2017 | - | (37,884,634) | (37,884,634) |
| Balance as at December 31, 2017 | 145,486,760 | 34,475,155 | 179,961,915 |

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.


Chief Executive


Chief Financial Officer


Director



Selected Notes to the Condensed Interim Financial Information

For the half year ended December 31, 2017 - (Un-audited)

1. THE COMPANY AND ITS OPERATIONS

Karam Ceramics Limited 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 factory is situated at 295/311, Deh Halkani, Hub Dam Road, Manghopir, Karachi. The principal activity of the company is manufacturing of tiles.

2. BASIS OF PREPARATION

As per the requirements of circular no. CLD/CCD/PR(11)/2017 and the related press release dated October 04, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP), companies whose financial year, including quarterly and other interim period, closes on or before December 31, 2017, shall prepare their financial statements, including interim financial statements in accordance with the provisions of repealed provisions of Companies Ordinance, 1984. Accordingly, this condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed.

The condensed interim financial information should be read in conjunction with the financial statements for the year ended June 30, 2017.

2.1 Changes in accounting standards, interpretations and pronouncements

(a) Standards, interpretations and amendments to published approved accounting standards that are effective in the current year and are relevant

IAS 7, 'Cashflow statements' - This amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments only effects disclosures in the Company's financial statements.

IAS 16 & 38, 'Property, plant and equipment' & 'Intangible assets' - The amendments introduces severe restrictions on the use of revenue - based amortization for intangible assets and explicitly state that revenue - based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that use of revenue - based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible assets are highly correlated. Or when the intangible asset is expressed as a measure of revenue.

IAS 1, 'Presentation of Financial Statements' - Amendments to this standard are made in the context of the IASBs disclosure initiative, which explores how financial statements disclosures can be improved. The amendments provide clarifications on a number of issues, including:

Materiality: an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

IAS 34, 'Interim Financial Reporting' - amendments to this standard clarifies what is meant by the reference in the standard to information disclosed elsewhere in the interim financial report; entities taking advantage of the relief must provide a cross - reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements. The amendments only effects disclosures in the Company's financial statements.

(b) Standards, interpretations and amendments to published approved accounting standards that are effective in the current year but are not relevant

Except as stated in (a), new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2017 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

(c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

IAS 12, 'Income Tax' - this amendment clarifies deferred tax treatment for debt instrument and also addresses questions regarding determination of future taxable profit for the recognition test of deferred tax. The amendments are not likely to have material impact on the Company's financial statements.

IFRS 9, 'Financial instruments' - IASB has published the complete version of IFRS 9, Financial instruments; which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. This IFRS is under consideration of the relevant committee of the Institute of Chartered Accountants of Pakistan. This standard is not likely to have material impact on the Company's financial statements.

IFRS 15, 'Revenue from contracts with customers' - the IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer so the notion of control replaces the existing notion of risk and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach, entities will recognize transitional adjustments in retained earnings on the date of initial application i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. This IFRS is under consideration of the relevant committee of the Institute of Chartered Accountants of Pakistan. The Company has yet to assess the full impact of this standard on its financial statements.

IFRS 16, 'Leases' - this standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short - term and low - value leases. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This IFRS is under consideration of the relevant committee of the Institute of Chartered Accountants of Pakistan. The standard is not likely to have material impact on the Company's financial statements.

IFRIC 22, 'Foreign currency transactions and advance consideration' addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

Except as stated above, new standards, amendments and interpretations that are not yet effective are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding annual financial statements of the year.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts. Actual results may be differ from these judgements, estimates and assumptions.

However management believes that the change in outcome of judgments, estimates and assumptions would not have a material impact on the amounts discussed in this condensed interim financial information.

Judgments and estimates made by the managements in the preparation of this condensed interim financial information are the same as those that were applied to financial statements as at and for the year ended June 30, 2017.

The company's financial managements objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2017.

| Note | (Un-audited) December 31, 2017 Rupees | (Audited) June 30, 2017 Rupees |
|---|--|---|
| 5. PROPERTY, PLANT AND EQUIPMENT | | |
| Opening net book value | 883,371,605 | 951,487,537 |
| Additions during the period: | | |
| Building on leasehold land | - | 3,980,190 |
| Plant & machinery | - | 16,755,696 |
| Moulds | - | 2,118,941 |
| Vehicles | - | 900,000 |
| | - | 23,754,827 |
| | 883,371,605 | 975,242,364 |
| Disposals during the period | - | (46,674) |
| Depreciation charged during the period | (42,123,970) | (91,824,085) |
| | (42,123,970) | (91,870,759) |
| | 841,247,635 | 883,371,605 |
| 6. LOANS AND ADVANCES | | |
| These loans and advances do not carry mark up arrangements. | | |
| 7. PREPAYMENTS AND OTHER RECEIVABLES | | |
| This includes other receivables of Rs.12,500,000 (June 30, 2017: Rs. 12,500,000) receivable from PICIC Insurance Limited on account of damage to generator at factory premises. | | |
| 8. CASH AND BANK BALANCES | | |
| Cash in hand | 2,918,684 | 947,681 |
| Cash at banks: | | |
| - Current Accounts | 9,040,053 | 1,489,183 |
| - Deposit Accounts | 790,730 | 790,726 |
| | 9,830,783 | 2,279,909 |
| | 12,749,467 | 3,227,590 |



| | (Un-audited) December 31, 2017 Rupees | (Audited) June 30, 2017 Rupees |
|--|--|---|
| 9. LONG TERM FINANCING | | |
| Secured | | |
| From banking companies - note 9.1 | 228,403,006 | 282,982,960 |
| Less: Current maturity shown under current liabilities | (79,159,896) | (94,159,896) |
| | 149,243,110 | 188,823,064 |
| From directors - note 9.2 | 332,891,350 | 288,557,400 |
| | 482,134,460 | 477,380,464 |
| 9.1 Loan from banking companies | | |
| Soneri Bank Limited - note 9.1.1 | 104,466,177 | 138,395,649 |
| JS Bank Limited - note 9.1.2 | 100,539,657 | 117,296,266 |
| Habib Bank Limited - note 9.1.3 | 23,397,172 | 27,291,045 |
| | 228,403,006 | 282,982,960 |

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

| Facility name | Term Finance - 2 | Term Finance - 3 |
|---------------------------------|--------------------|--------------------|
| Loan outstanding | Rs. 10.500 million | Rs. 93.966 million |
| Nature of facility | Term Finance | Term Finance |
| Sanctioned limit | 42.000 million | 151.204 million |
| Markup rate | 6MK + 1.5% p.a. | 6MK + 1.75% p.a. |
| Total installments | 60 monthly | 65 monthly |
| No. of installments outstanding | 15 monthly | 38 monthly |
| Date of final repayment | Feb 19, 2019 | Mar 31, 2021 |

Purpose:

- For import of Plant and Machinery
- For local purchase of Plant and Machinery

Security/Collateral:

- First equitable mortgage charge of Rs. 600 million on factory property situated at Hub Dam road, Karachi.
- Specific charge on imported machinery for Rs. 42 million.
- Specific charge on land, building, plant and machinery of Rs. 200 million.
- Personal guarantees provided by the directors of The Company.



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

| | |
|---------------------------------|---------------------|
| Facility name | Term Finance - 1 |
| Loan outstanding | Rs. 100.539 million |
| Nature of facility | Term Finance |
| Sanctioned limit | 175.917 million |
| Markup rate | 6MK + 1.75% p.a. |
| Total installments | 54 monthly |
| No. of installments outstanding | 28 monthly |
| Date of final repayment | May 10, 2020 |

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.

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

| | | |
|---------------------------------|--------------------|-------------------|
| Facility name | Term Finance - 1 | Term Finance - 2 |
| Loan outstanding | Rs. 14.518 million | Rs. 8.879 million |
| Nature of facility | Term Finance | Term Finance |
| Sanctioned limit | 23.058 million | 11.987 million |
| Markup rate | 3MK + 1.5% p.a. | 3MK + 1.5% p.a. |
| Total installments | 54 monthly | 54 monthly |
| No. of installments outstanding | 34 monthly | 40 monthly |
| Date of final repayment | Oct 01, 2020 | May 01, 2021 |

Purpose:

- For import of Plant and Machinery

Security/Collateral:

- Mortgage charge over plant and machinery amounting to Rs. 35 million.
- Second ranking charge on hypothecation of stocks and first charge on book debts of Rs. 150 million.
- Personal guarantees provided by the directors of The Company.

9.2 This represents outstanding amounts pertaining to interest bearing @ 5% & interest free loan obtained from directors amounting to Rs. 192.11 million (June 30, 2017: Rs. 151.87 million) and Rs. 141.02 million (June 30, 2017: Rs. 136.69 million) respectively. These loans are repayable from September 15, 2019 to May 10, 2020.

10. POST EMPLOYMENT BENEFITS

The company follows a consistent practice to conduct actuarial valuations annually at the year end. Hence, the impact, if any, relating to measurements of post employment benefit obligations (actuarial gain/losses) on condensed interim financial information is not calculated and accounted for as considered immaterial.

11. SHORT TERM BORROWINGS - FROM BANKS

During the period, the company utilized short term running finance facilities available from certain conventional commercial banks. The rate of mark up on such facilities is matching tenor KIBOR plus 1% and 6 months KIBOR plus 1.5% respectively and is secured.

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

With reference to note 22.1 of the annual financial statements for the year ended June 30, 2017, the Company deposited cheques of Rs. 24,512,890 for the price differential amount with the Nazir of Sindh High Court for the period from July 2017 to December 2017. The cumulative balance of cheques deposited as on December 31, 2017 is Rs. 47,500,060 (June 30, 2017: Rs. 22,987,170).

Except for the above matter, there has been no change in status of contingencies reported in the financial statements for the year ended June 30, 2017.

12.2 Commitments

Commitments under letter of credit for import of raw material as at December 31, 2017 amounted to Euro € 294,878 and US \$ 226,533 (June 30, 2017: Euro 178,140 and US \$ 171,742).

| | (Un-audited) December 31, 2017 Rupees | (Un-audited) December 31, 2016 Rupees |
|----------------------------|--|--|
| 13. REVENUE | | |
| Gross sales | 577,304,374 | 540,937,182 |
| Less: sales tax | (100,193,321) | (93,881,661) |
| | <u>477,111,053</u> | <u>447,055,521</u> |
| 14. FINANCE COST | | |
| Mark-up on: | | |
| Short term borrowings | 3,937,623 | 8,488,258 |
| Term Finance | 12,838,717 | 13,908,206 |
| | 16,776,340 | 22,396,464 |
| Interest on directors loan | 8,675,239 | 7,278,021 |
| Bank charges | 479,773 | 224,960 |
| | <u>25,931,352</u> | <u>29,899,445</u> |



| | (Un-audited) December 31, 2017 Rupees | (Un-audited) December 31, 2016 Rupees |
|---------------------|--|--|
| 15. TAXATION | | |
| Deferred | (7,062,581) | 9,303,287 |
| | <u>(7,062,581)</u> | <u>9,303,287</u> |

15.1 The Company is not required to pay minimum tax amounting to Rs. 5,963,888 (December 31, 2016: Rs. 4,470,555) due to adjustment of tax credit under section 65(B) of the Income Tax Ordinance, 2001 amounting to Rs. 30,668,885 on installation of new plant on March 01, 2016.

16. EARNINGS PER SHARE

| | | |
|--|--------------|--------------|
| Loss after taxation attributable to ordinary shareholders | (38,988,979) | (55,290,251) |
| Weighted average number of shares in issue during the year | 14,548,676 | 14,548,676 |
| Earnings per share (Rupees) - Basic and diluted | (2.68) | (3.80) |

17. TRANSACTIONS WITH RELATED PARTIES

| Relationship with the Company | Nature of transactions | | |
|-------------------------------|---------------------------|------------|------------|
| Director's spouse | Rent expenses | 702,768 | 638,880 |
| Directors | Loan received | 40,242,000 | 35,000,000 |
| Directors | Interest on loan | 8,675,239 | 7,278,021 |
| Directors | Notional interest on loan | 4,091,950 | 3,868,494 |
| PICIC Insurance Limited | Premium on insurance | - | 976,381 |

The related party status of outstanding balances as at December 31, 2017 & 2016 is included in prepayments & long term financing respectively.

18. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 23, 2018 by the Board of Directors of the Company.

19. GENERAL

Figures have been rounded off to the nearest rupee.


Chief Executive

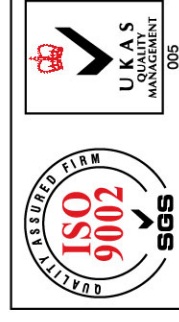

Chief Financial Officer


Director

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