



Interim Condensed Financial Statements  
For the Half Year ended December 31, 2019  
(UNAUDITED)

[www.karamceramics.com](http://www.karamceramics.com)



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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. Anushka Kassim	Director
Mr. Shahid Anwar Tata	Independent Non-Executive Director
Mr. Suleman Basaria	Independent Non-Executive Director
Mrs. Roshan Ara Sayani	Independent Non-Executive Director
Mr. Farooq Barkat	Chief Financial officer
Mr. Manzoor Ali Natha	Company Secretary

### AUDIT COMMITTEE

Mr. Suleman Basaria	Chairman
Miss. Anushka Kassim	Member
Mrs. Roshan Ara Sayani	Member

### HUMAN RESOURCES & REMUNERATION COMMITTEE

Mrs. Roshan Ara Sayani	Chairperson
Mr. Munawar Ali Kassim	Member
Miss. Anushka 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

### 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, 2019

Dear Shareholders,

The Directors of your Company presents to you the financial results of your Company for the half year ended 31 December 2019.

The outgoing financial year 2019 posted tiles industry with a decline in overall profitability amid slowdown of construction sector. The trend continued in the FY of 2020. The construction industry is experiencing a downfall due to the financial challenges being faced by the economy.

The financial performance for the half year ended 31 December 2019 is summarized below:

Particulars	December 31, 2019	December 31, 2018
Net Sales	538,443,026	667,464,366
Cost of sales	558,802,725	584,155,678
Gross (Loss)/ Profit	(20,359,699)	83,308,688
Net (Loss)/ Profit after taxation	(65,708,780)	17,633,066

Net sales has been decreased by 19%, however the cost of sales has only decreased by 4%, which is not in line with the decrease in sales percentage this is because of increase in prices of natural gas. The rise in gas tariff by 70% in a short span of time has disrupted the margins significantly. As the energy cost is the largest contributor of total manufacturing cost.

Simplified fixed taxation scheme for the builders and developers is expected to give the required boost to the construction industry, hence improving cement demand in the domestic markets.

Efforts are being made to curtail the costs wherever possible and create a price efficient sales mix to maximize profitability, mitigate market risks, meet future challenges and maintain business growth.

Import trade price (ITP) of imported tiles remains a challenge and local tiles industries seek government support to rationalize the ITP on tiles and more restriction on import of smuggle tiles.

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

On behalf of the Board

**Irshad Ali Kassim**  
Director

**Munawar Ali Kassim**  
Chief Executive

February 24, 2020

## 31 دسمبر 2019ء کو ختم ہونے والی ششماہی کے لئے ڈائریکٹرز کی رپورٹ

محترم شیئر ہولڈرز،

آپ کی کمپنی کے ڈائریکٹرز 31 دسمبر 2019ء کو ختم ہونے والی ششماہی کے لئے کمپنی کے مالیاتی نتائج پیش کر رہے ہیں۔

گذشتہ مالی سال 2019ء کے دوران ٹائلز کی صنعت تعمیراتی شعبے میں سست روی کے ساتھ ساتھ مجموعی منافع میں کمی کا شکار رہی۔ یہ رجحان 2020ء کے مالی سال میں بھی جاری رہا۔ معیشت کو درپیش مالی چیلنجز کے باعث تعمیراتی صنعت زوال کا شکار ہے۔

31 دسمبر 2019ء کو ختم ہونے والی ششماہی کی مالی کارکردگی کا جائزہ درج ذیل ہے:

تفصیلات	31 دسمبر 2019ء	31 دسمبر 2018ء
خالص فروخت	538,443,026	667,464,366
فروخت کی لاگت	558,802,725	584,155,678
مجموعی (خسارہ)/منافع	(20,359,699)	83,308,688
بعد از ٹیکس خالص (خسارہ)/منافع	(65,708,780)	17,633,066

خالص فروخت میں 19 فیصد کمی ہوئی ہے، تاہم فروخت کی لاگت میں صرف 4 فیصد کمی ہوئی ہے جو کہ قدرتی گیس کی قیمتوں میں اضافے کے باعث فروخت کی شرح میں کمی کے ساتھ موافق نہیں ہے۔ قلیل مدت میں گیس کے نرخوں میں 70 فیصد اضافے نے مارجن کو نمایاں طور پر متاثر کیا۔ توانائی کی لاگت مجموعی پیداواری لاگت کی سب سے بڑی شراکت دار ہے۔

تعمیراتی صنعت کو مطلوبہ فروغ دینے کیلئے بلڈرز اور ڈویلپرز کی آسان فکسڈ ٹیکس اسکیم سے امیدیں وابستہ ہیں۔ لہذا اعلیٰ مارکیٹ میں سینٹ کی طلب کو بہتر بنانا ہے۔

زیادہ سے زیادہ منافع بنانے، مارکیٹ کے خطرات کو کم کرنے، مستقبل کے چیلنجز کا مقابلہ کرنے اور کاروباری شرح نمو کو برقرار رکھنے کیلئے جہاں بھی ممکن ہو اخراجات کو کم کرنے اور قیمتوں میں موثر سیلوکس تیار کرنے کی کوشش کی جا رہی ہے۔

درآمد شدہ ٹائلز کی امپورٹ ڈیوٹی پرائس (ITP) اب بھی ایک چیلنج ہے اور مقامی ٹائلز کی صنعتوں نے ITP کو ٹائلز پر منطقی انجام دینے اور اسمگل ٹائلز کی درآمد پر مزید پابندی کیلئے حکومت سے تعاون کی کوشش کی ہے۔

بورڈ کی جانب سے میں اپنے خیر خواہوں، شیئر ہولڈرز، صارفین، ڈیلرز، بینکنگ، ڈی ایف آئی ایس، خام مال، پلانٹ، اور مشینری، دوستوں اور تمام ملازمین کو ان کے تعاون اور کوشش کی پروگرام میں حصہ لینے پر شکر گزار ہیں۔

بتوسط بورڈ



منور علی ایس قاسم  
چیف ایگزیکٹو



ارشاد علی قاسم  
ڈائریکٹر

مورخہ 24 فروری 2020ء



## AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL STATEMENTS

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Karam Ceramics Limited** as at December 31, 2019 and the related condensed interim statement of profit or loss, condensed statement of other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarter ended December 31, 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2019.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial 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 statements is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Ghulam Abbas.

**Qavi & Co.**  
Chartered Accountants

Date: February 24, 2020  
Place : Karachi



## Condensed Interim Statement of Financial Position

As at December 31, 2019

ASSETS	Note	(Un-Audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
<b>Non-current assets</b>			
Property, plant and equipment	5	1,121,057,509	1,145,235,459
Long term deposits		897,038	897,038
		<u>1,121,954,547</u>	<u>1,146,132,497</u>
<b>Current assets</b>			
Stores and spares		5,717,827	11,149,252
Stock in trade		379,118,704	307,036,047
Trade debts		62,918,141	22,244,347
Loans and advances - considered good	6	1,042,540	2,575,299
Advance income tax		26,110,012	17,067,473
Refunds due from the Government		81,060,114	79,668,445
Prepayments and other receivables		1,263,801	5,277,791
Cash and bank balances	7	16,772,350	5,819,737
		<u>574,003,489</u>	<u>450,838,391</u>
<b>TOTAL ASSETS</b>		<u><b>1,695,958,036</b></u>	<u><b>1,596,970,888</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		145,486,760	145,486,760
Unappropriated profit		51,479,174	114,182,801
Revaluation surplus on property, plant & equipment		355,595,750	365,875,241
		<u>552,561,684</u>	<u>625,544,802</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term financing - secured	8	389,836,454	312,183,922
Liabilities against assets subject to finance lease		1,006,266	1,171,377
Post employment benefits	9	107,395,083	99,988,922
Deferred taxation		148,671,473	156,114,366
		<u>646,909,276</u>	<u>569,458,587</u>
<b>Current liabilities</b>			
Trade and other payables		122,337,304	166,841,609
Markup accrued on loans		16,612,642	11,280,044
Short term borrowings from banks - secured	10	230,079,383	91,861,471
Long term financing - secured	8	88,939,273	101,349,857
Dividend payable		6,738,311	5,607,818
Liabilities against assets subject to finance lease		317,827	297,327
Provision for taxation		31,462,336	24,729,373
		<u>496,487,076</u>	<u>401,967,499</u>
<b>Total liabilities</b>		<u><b>1,143,396,352</b></u>	<u><b>971,426,086</b></u>
<b>Contingencies and Commitments</b>	11	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>1,695,958,036</b></u>	<u><b>1,596,970,888</b></u>

The annexed notes 1 to 20 form an integral part of these financial statements.

  
Chief Executive

  
Chief Financial Officer

  
Director

## Condensed Interim Statement Of Profit And Loss For The Half Year Ended December 31, 2019 - (Unaudited)

	Note	Half year Ended		Quarter Ended	
		December 31 2019 Rupees	December 31 2018 Rupees	December 31 2019 Rupees	December 31 2018 Rupees
Revenue	12	538,443,026	667,464,366	314,298,140	385,284,421
Cost of sales		(558,802,725)	(584,155,678)	(310,337,866)	(341,908,132)
Gross (loss) / profit		(20,359,699)	83,308,688	3,960,274	43,376,289
Selling and distribution expenses		5,716,679	21,382,799	2,727,638	11,966,258
Administrative expenses		13,843,203	13,362,481	6,993,998	7,875,059
Other expenses		101,280	9,015,785	101,280	4,537,929
		(19,661,163)	(43,761,065)	(9,822,917)	(24,379,246)
Operating (loss) / profit		(40,020,862)	39,547,623	(5,862,643)	18,997,043
Other income		3,065,417	233,791	(508,329)	-
Finance Cost	13	(29,463,265)	(19,661,363)	(17,996,513)	(9,640,242)
		(26,397,848)	(19,427,572)	(18,504,842)	(9,640,242)
(Loss) / profit before taxation		(66,418,710)	20,120,051	(24,367,485)	9,356,801
Taxation	14	709,930	(2,486,985)	1,797,785	(1,894,927)
(Loss) / profit after taxation		(65,708,780)	17,633,066	(22,569,700)	7,461,874
Earnings per share -					
Basic and diluted	15	(4.52)	1.21	(1.55)	2.42

The annexed notes 1 to 20 form an integral part of these financial statements.

  
Chief Executive

  
Chief Financial Officer

  
Director





## Condensed Interim Statement Of Cash Flows For the Half Year ended December 31, 2019 - (Un-audited)

	December 31, 2019 Rupees	December 31, 2018 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(66,418,710)	20,120,051
Adjustments for non cash charges and other items		
Depreciation	51,051,594	39,034,785
Provision for gratuity	9,253,551	6,409,920
Workers' profit participation fund	-	1,181,024
Workers' welfare fund	-	1,183,325
Gain on disposal of fixed assets	-	(233,791)
Finance cost	29,463,265	19,601,569
	<b>89,768,410</b>	<b>67,176,832</b>
Cash flow from operating activities before working capital changes	<b>23,349,700</b>	<b>87,296,883</b>
<b>Effect on cash flow due to working capital changes</b>		
Decrease / (Increase) in stores and spares	5,431,425	(546,984)
(Increase) in stock in trade	(72,082,657)	(2,328,052)
(Increase) / Decrease in trade debts	(40,673,794)	3,123,536
Decrease in loans and advances	1,532,759	122,116
Decrease/ (Increase) in short term prepayments and other receivables	4,013,990	(9,030,534)
(Increase) in refunds due from government - sales tax	(1,391,669)	(1,805,650)
Increase in dividend payable	1,130,493	764,401
(Decrease) in trade and other payables	(41,855,680)	109,469,966
	<b>(143,895,133)</b>	<b>99,768,799</b>
Cash flows generated from operations	<b>(120,545,433)</b>	<b>187,065,682</b>
Finance cost paid	(24,032,771)	(20,122,003)
Workers' profit participation fund paid	(2,814,568)	(923,059)
Workers' welfare fund paid	-	(188,385)
Income tax paid	(8,876,597)	(12,635,676)
Gratuity paid	(1,847,389)	(1,821,001)
	<b>(37,571,325)</b>	<b>(35,690,124)</b>
Net cash flows generated from operating activities	<b>(158,116,758)</b>	<b>151,375,558</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(26,873,644)	(40,009,439)
Proceeds from disposal of property, plant and equipment	-	544,342
Net cash flows used in investing activities	<b>(26,873,644)</b>	<b>(39,465,097)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing from directors - net	94,109,407	(28,223,360)
Long term financing from banks - net	(28,867,459)	(39,583,911)
Short term borrowings	138,217,912	(11,533,371)
Dividend paid	(7,274,338)	(11,638,941)
Lease rentals paid	(242,507)	(217,998)
Net cash flows used in financing activities	<b>195,943,015</b>	<b>(91,197,581)</b>
Net increase / (decrease) in cash and cash equivalents	<b>10,952,613</b>	<b>20,712,880</b>
Cash and cash equivalents at the beginning of the year	<b>5,819,737</b>	<b>4,591,034</b>
Cash and cash equivalents at the end of the year	<b>16,772,350</b>	<b>25,303,913</b>

The annexed notes 1 to 20 form an integral part of these financial statements.

  
Chief Executive

  
Chief Financial Officer

  
Director

## Condensed Interim Statement Of Other Comprehensive Income

For the Half Year ended December 31, 2019 - (Un-audited)

	Half year Ended		Quarter Ended	
	December 31 2019 Rupees	December 31 2018 Rupees	December 31 2019 Rupees	December 31 2018 Rupees
(Loss) / profit after taxation	(65,708,780)	17,633,066	(22,569,700)	7,461,874
Other comprehensive income	-	-	-	-
<b>Total comprehensive (loss) / income for the year</b>	<b>(65,708,780)</b>	<b>17,633,066</b>	<b>(22,569,700)</b>	<b>7,461,874</b>

The annexed notes 1 to 20 form an integral part of these financial statements.

  
Chief Executive

  
Chief Financial Officer

  
Director



## Condensed Interim Statement Of Changes In Equity

For the Half year ended December 31, 2019 - (Un-audited)

	Share Capital	Unappropriated Profit	Surplus on revaluation of property, plant and equipment	Total
	..... Rupees .....			
Balance as at July 01, 2018	145,486,760	89,233,636	68,473,608	303,194,004
Final Dividend for the year ended June 30, 2018 declared subsequent to year end	-	(11,638,941)	-	(11,638,941)
Total comprehensive income for the period ended December 31, 2018	-	17,633,066	-	17,633,066
Transferred from surplus on revaluation of property, plant and equipment incremental depreciation for the year - net of deferred tax	-	930,016	(930,016)	-
<b>Balance as at December 31, 2018</b>	<b><u>145,486,760</u></b>	<b><u>96,157,777</u></b>	<b><u>67,543,592</u></b>	<b><u>309,188,129</u></b>
Balance as at July 01, 2019	145,486,760	114,182,801	365,875,241	625,544,802
Final Dividend for the year ended June 30, 2019 declared subsequent to year end	-	(7,274,338)	-	(7,274,338)
Total comprehensive loss for the period ended December 31, 2019	-	(65,708,780)	-	(65,708,780)
Transferred from surplus on revaluation of property, plant and equipment incremental depreciation for the year - net of deferred tax	-	10,279,491	(10,279,491)	-
<b>Balance as at December 31, 2019</b>	<b><u>145,486,760</u></b>	<b><u>51,479,174</u></b>	<b><u>355,595,750</u></b>	<b><u>552,561,684</u></b>

The annexed notes 1 to 20 form an integral part of these financial statements.

  
Chief Executive

  
Chief Financial Officer

  
Director



## **Selected Notes to the Condensed Interim Financial Information**

**For the half year ended December 31, 2019 - (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 manufacturing facilities of The Company are located at 295/311, Deh Halkani, Hub Dam Road, Manghopir, Karachi. The warehouse of the Company is located at 4-L, Gulberg 111 Ferozpur Road, Lahore. The principal activity of The Company is manufacturing and sale of tiles.

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

#### **2.2 Accounting convention**

These condensed interim financial statements have been prepared under the historical cost convention except that inventories are carried at lower of cost or net realisable value, land and buildings at revalued amounts and staff retirement benefits are carried at present value.

These condensed interim financial statements do not include all information and disclosures required in the financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2019.

#### **2.3 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current period**

IFRS 16 has become applicable for the first time on the Company's accounting period beginning on or after July 1, 2019. The details of this standard are given below.

IFRS 16, 'Leases' (effective from annual reporting periods beginning on or after January 1, 2019) - IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. 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.

All the leases of the Company have been appropriately classified under IFRS 16. Accordingly, the applicability of this standard did not have any impact on the Company during the period.

#### **2.4 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective in current period**

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after July 1, 2020 but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted and the methods of computation of balances used in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2019, except for the changes in accounting policy as a result of adoption of IFRS 16 which is as follows:

#### **Leases**

The company leases vehicles, generators and premises. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until June 30, 2019, leases were classified as either finance or operating leases. Payments made under operating leases were charged to the statement of profit or loss on a straight-line basis over the period of the lease.

From July 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less.

#### 4. ACCOUNTING ESTIMATES AND JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these condensed interim financial statements in conformity with accounting and reporting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The significant judgments made by the management in applying the Company's accounting policies and the key resources of estimation and uncertainty were the same as those applied to the annual audited financial statements for the year ended June 30, 2019, except for the change in accounting policy as a result of adoption of IFRS 16 as stated in note 3.

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

	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>		
Opening net book value	1,145,235,459	807,284,357
Additions during the period:		
Plant & machinery	26,873,644	41,618,567
Surplus on revaluation during the year	-	377,892,119
	<u>26,873,644</u>	<u>419,510,686</u>
	1,172,109,103	1,226,795,043
Disposals during the period	-	(146,594)
Depreciation charged during the period	(51,051,594)	(81,412,990)
	<u>(51,051,594)</u>	<u>(81,559,584)</u>
	<u>1,121,057,509</u>	<u>1,145,235,459</u>

#### 6. LOANS AND ADVANCES

These loans and advances do not carry mark up arrangements.



	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
<b>7. CASH AND BANK BALANCES</b>		
Cash in hand	6,582,576	67,381
Cash at banks:		
- Current Accounts	8,983,725	4,546,307
- Deposit Accounts	1,206,049	1,206,049
	<u>10,189,774</u>	<u>5,752,356</u>
	<u>16,772,350</u>	<u>5,819,737</u>
<b>8. LONG TERM FINANCING</b>		
<b>Secured</b>		
From banking companies - note 8.1	122,501,197	151,368,656
Less: Current maturity shown under current liabilities	(88,939,273)	(101,349,857)
	33,561,924	50,018,799
From directors - note 8.2	356,274,530	262,165,123
	<u>389,836,454</u>	<u>312,183,922</u>
<b>8.1 Loan from banking companies</b>		
Soneri Bank Limited - note 8.1.1	81,166,297	89,383,273
JS Bank Limited - note 8.1.2	33,513,218	50,269,828
Habib Bank Limited - note 8.1.3	7,821,682	11,715,555
	<u>122,501,197</u>	<u>151,368,656</u>

**8.1.1 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	Rs. 35.04 million	Rs. 6.17 million	Rs. 13.43 million	Rs 26.52 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	15 monthly	30 monthly	31 monthly	28 monthly
Date of final repayment	Mar 31, 2021	Jun 28, 2022	July 02, 2022	Apr 09, 2022

**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.
- Specific charge on imported machinery for Rs. 59 million.
- Personal guarantees provided by the directors of the Company.

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

Facility name	Term Loan - 1
Loan outstanding	Rs. 33.51 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	4 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.

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

Facility name	Term Finance - 1	Term Finance - 2
Loan outstanding	Rs. 4.27 million	Rs. 3.55 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	10 monthly	16 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.
- Personal guarantees provided by the directors of the Company.

**8.2** This represents outstanding amounts pertinent to interest bearing @ 4% & interest free loan obtained from directors amounting to Rs. 200.77 million (2019: Rs. 109.54 million) and Rs. 155.50 million (2019: Rs. 152.63 million) respectively. These loans are repayable from September, 2021.

#### **9. 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.

#### **10. SHORT TERM BORROWINGS - FROM BANKS**

During the period, the company utilized short term running finance facilities available from Soneri Bank Limited and Habib Bank Limited. The rate of mark up on facilities obtained from Soneri Bank Limited is 3 months KIBOR plus 1.50% and 3 months KIBOR plus 2.00%, whereas, rate of markup on facilities obtained from Habib Bank Limited is 3 months KIBOR plus 1.00%. These facilities are secured against plant and machinery, stock-in-trade, trade receivables and personal guarantees given by the Directors of the Company.

#### **11. CONTINGENCIES AND COMMITMENTS**

##### **11.1 Contingencies**

There has been no change in status of contingencies reported in the financial statements for the year ended June 30, 2019.

##### **11.2 Commitments**

Commitments under letter of credit for import of raw material as at December 31, 2019 amounted to Rs. 41,397,955. (June 30, 2019: Rs. 52,991,328).



	(Un-audited) December 31, 2019 Rupees	(Un-audited) December 31, 2018 Rupees
<b>12. REVENUE</b>		
Gross sales	641,004,076	812,381,576
Less: sales tax	<u>(102,561,050)</u>	<u>(144,917,210)</u>
	<u>538,443,026</u>	<u>667,464,366</u>
<b>13. FINANCE COST</b>		
Mark-up on:		
Short term borrowings	11,263,331	4,301,051
Term Finance	<u>10,778,137</u>	<u>8,290,230</u>
	22,041,468	12,591,281
Interest on directors loan	6,435,526	6,669,830
Interest on workers' profit participation fund	220,632	59,794
Lease finance charges	97,896	79,859
Bank charges	667,743	260,599
	<u>29,463,265</u>	<u>19,661,363</u>
<b>14. TAXATION</b>		
Current	6,732,963	8,343,305
Prior year	-	(2,808,249)
Deferred	<u>(7,442,893)</u>	<u>(3,048,071)</u>
	<u>(709,930)</u>	<u>2,486,985</u>
<b>15. EARNINGS PER SHARE</b>		
Profit / (Loss) after taxation attributable to ordinary shareholders	<u>(65,708,780)</u>	<u>17,633,066</u>
Weighted average number of shares in issue during the year	<u>14,548,676</u>	<u>14,548,676</u>
Earnings / (Loss) per share (Rupees) - Basic and diluted	<u>(4.52)</u>	<u>1.21</u>
<b>16. TRANSACTIONS WITH RELATED PARTIES</b>		
<b>Relationship with the Company</b>	<b>Nature of transactions</b>	
Director's spouse	Rent expenses	850,344 773,040
Directors	Loan (paid) / received-net	91,231,927 (32,570,000)
Directors	Interest on loan	3,578,122 2,323,190
Directors	Notional interest on loan	2,857,404 4,346,640
Directors	Remuneration and allowances	3,900,000 3,900,000
Directors	Dividend paid	3,449,337 5,518,937
Directors' relatives	Dividend paid	2,511,494 2,427,434

## 17. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materiality the scale of its operations or to undertake a transaction on adverse terms.

The estimated fair value of all financial assets and liabilities is considered not significantly different from book values as the items are either short - term in nature or periodically repriced.

International Financial Reporting Standard 13, 'Financial Instruments: Disclosure' requires the company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- unobservable inputs for the asset or liability (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Currently there are no financial assets or financial liabilities which are measured at their fair value in the statement of financial position.

## 18. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. No significant reclassifications were made during the period..

**19. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on 24 February, 2020 by the Board of Directors of the Company.

**20. GENERAL**

Figures have been rounded off to the nearest rupee.

  
Chief Executive

  
Chief Financial Officer

  
Director

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