



KARAM CERAMICS LIMITED



Annual Report
2018

www.karamceramics.com

39th ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

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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
Mr. Shahid Ahmed	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 Ahmed	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 Metropolitan Bank Limited
Habib Bank Limited	Faysal Bank Limited
JS Bank Limited	Allied Bank Limited
MCB 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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 39th Annual General Meeting of the members of Karam Ceramics Limited will be held on Tuesday October 23, 2018, at 6:30 P.M, at the Registered Office of the Company to transact the following business:

1. To Confirm the minutes of the 38th Annual Genral Meeting held on 26th October 2017.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2018, together with the Director's 'and Auditors report' thereon.
3. To appoint auditors and fix their remuneration for the year ended June 30, 2019. The present auditors M/s. Qavi & Co., Chartered Accountants, retire and being eligible have offered themselves for reappointment.
4. To consider and approve the Final cash dividend of Rs. 0.80 per share i.e. 8% for the year ended June 30, 2018, as recommended by the Board of Directors.
5. To transact any other business with the permission of the Chair.

Karachi
October 2, 2018.

By Order of the Board

Manzoor Ali Natha
Company Secretary

Notes :

1. The Share transfer book of the company will remain closed from October 16, 2018 to October 23, 2018 (both days inclusive). The transfers received at Company's Share Registrar namely M/s THK Associates (Pvt) Ltd. 1st floor, 40-C, Block-6, PECHS Karachi upto the close of business now October 15, 2018 will be treated in time for entitlement of the dividend.
2. A member, who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and CDC account/sub-account number along with original Computerized National Identity Card (CNIC) or original Passport at the time of attending meeting.
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 - 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.

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

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 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 , 1st Floor , 40-C, Block-6, PECHS Karachi.

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. 1st floor, 40-C, Block-6, PECHS Karachi, 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.

FILER AND NON FILER STATUS

- i) The Government of Pakistan through Finance Act, 2018, have made certain amendments in Section 150 of the Income Tax Ordinance, 2001, whereby different rates are prescribed deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:
 - a) For filers of income tax returns 15%
 - b) For non-filers of income tax returns 20%
- ii) To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, all the shareholders whose names are not entered into the Active Tax Payers (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of approval of cash dividend at the annual general meeting on 23th October 2018, otherwise tax on their cash dividend will be deducted @ 20% instead of @ 15%.
- iii) For any query / Problem / information, the investors may contact the Company and / or the Share Registrar at the following phone Numbers, email addressed:

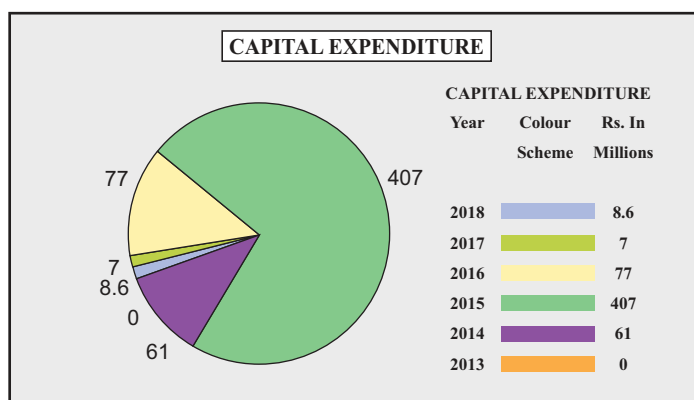
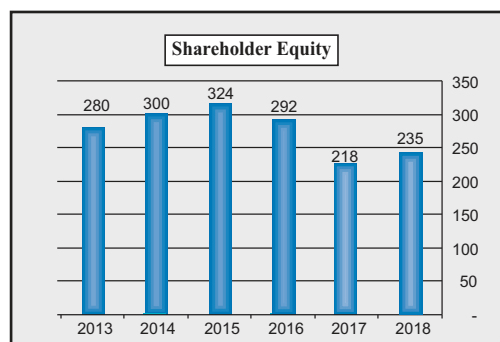
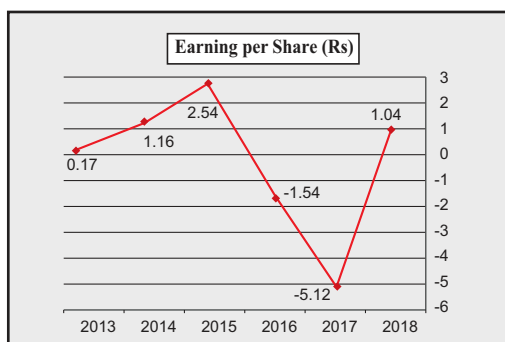
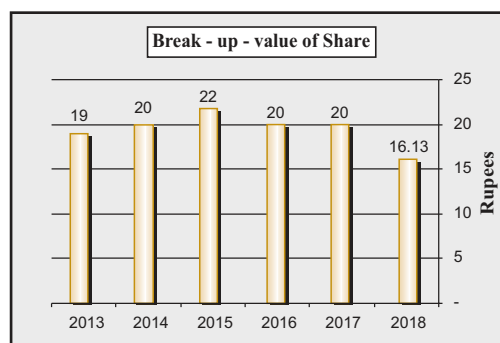
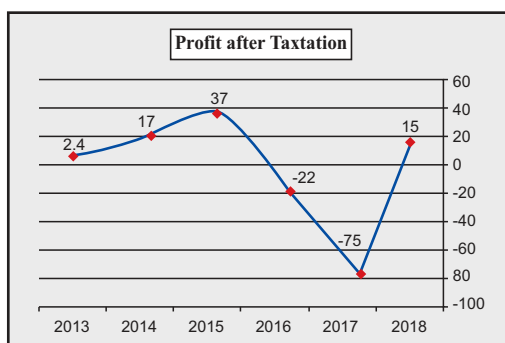
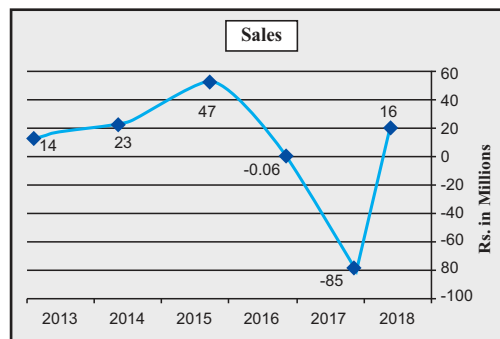
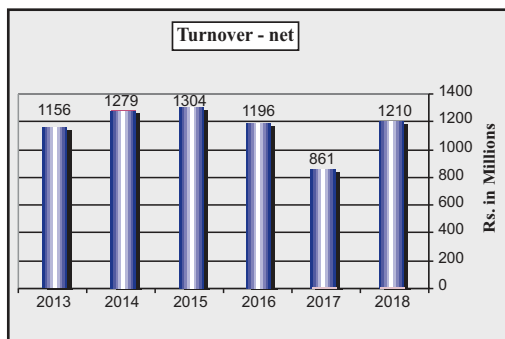
KCL Share Department

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

KCL Share Registrar

THK Associates (Pvt) Ltd.
021-34168270 UAN 021-111-000-322 secretariat@thk.com.pk

- iv) 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.

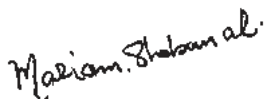


REVIEW REPORT BY THE CHAIRPERSON

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Karam Ceramics Limited is carried out. 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.

For the financial year ended June 30, 2018, the Board's overall performance and effectiveness has been assessed as Satisfactory. Improvement is an ongoing process leading to action plans. The overall 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

Chairperson

Date: September 25, 2018

چیئر پرسن کی جانب سے جائزہ رپورٹ

کوڈ آف کارپوریٹ گورننس کے تحت کرم سیرامکس لمیٹڈ کے بورڈ آف ڈائریکٹرز کی سالانہ میٹنگ منعقد کی گئی جس 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۔

30 جون 2018ء کو ختم ہونے والے مالیاتی سال 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 al.

مریم شعبان علی

چیئر پرسن

مورخہ: 25 ستمبر 2018ء

FINANCIAL HIGHLIGHTS

(Rs. In millions)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Sales	1210	861	1196	1304	1278	1156	1187	1055	933	833
Gross Profit	136	22	58	134	93	111	107	129	114	130
Expenses (Net)	120	107	95	87	72	96	104	117	102	117
Profit before Taxtation	16	-85	-0.64	47	23	14	3	12	13	13
Profit after Taxtation	15	-75	-22	37	17	2.4	7	5	12	21
Dividend %	8%	-	-	12%	10%	-	-	10%	-	-
Right Shares %	-	-	-	-	-	-	-	-	-	-
Earning per Share (Rs.)	1.04	-5.12	-1.54	2.54	1.16	0.17	0.05	0.37	0.86	1.46

DIRECTORS' REPORT

The Directors of your company have pleasure in submitting the report along with audited accounts for the year ended 30th June 2018.

OPERATING PERFORMANCE

During the year ended June 30, 2018, the sales of the company have increased to Rs. 1,210.39 million from Rs. 860.67 million in the corresponding period of last year, representing increase of 40.6% which is due to increase in sales volume and sale price.

Cost of sales increased to Rs. 1,073.96 million from Rs. 838.54 million in corresponding period of last year, representing increase of 28%.

Other expenses have increased by 9.37 million, representing increase of 360.4% which was mainly due to foreign exchange loss.

RETAINED EARNINGS

Your company is pleased to report a profit before tax at Rs. 16.21 million compare to the loss of Rs. 84.58 million of last year and after tax profit of Rs. 15.12 million compared to the loss of Rs. 74.47 million of last year. The management of your company will continuously endeavor to show improving performance in the future. The company's management team is highly motivated; the marketing performance staff is given challenging and aggressive target to meet in the ensuing year.

EARNING PER SHARE

Earnings per share for the year ended 30th June, 2018 is Rs.1.04 as compared to loss per share Rs.5.12 for the last year.

DECLARATION OF DIVIDEND

The Board of Directors of the company has recommended Cash Dividend @ 8% (i.e. Rs. 0.8/- per share).

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

It is expected that future demand of ceramics tiles would increase as a result of favorable economic outlook of the country and increase in construction of commercial and housing schemes. However, still import trade price (ITP) of imported tiles remains a challenge and we believe ITP rationalization together with reduction in high energy cost is essential to provide a level playing field for the local tile manufacturers.

However, we are confident that the future demand of ceramics tiles would increase as a result of economic improvement. The company shall continue its focus on consumer preference and expand its market share by introducing new innovative designs.

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 statement, prepared by the management of your company present fairly its state of affairs, the results of its operation, cash flow and change 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 judgment.
- 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

There has been no any change in the Board of Director of the company during the year.

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.	Mr. Shahid Ahmed	3
4.	Ms Mariam S.G. Kassim	4
5.	Mr. Shahnawaz Madhani	4
6.	Ms. Anushka Kassim	4
7.	Ms. Natalia Kassim	2

(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 members was as follows:

Members Name	Attendance
Mr. Shahid Ahmed	4
Ms. Natalia Kassim	3
Ms. Anushka Kassim	4

TRAINING PROGRAM OF DIRECTORS:

Code of Corporate Governance requires that every listed Company to make appropriate arrangements to 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

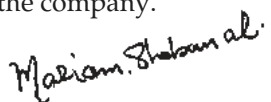
The present auditors M/s. Qavi & Co., Chartered Accountants have completed audit for the financial year ended 30th June, 2018 and shall retire on the conclusion of the 38th Annual General Meeting of the company. Being eligible for reappointment, they have offered themselves for re-appointment. Based on Audit Committee's proposal the Board of Directors recommends their reappointment for the year ending June 30, 2019. The external auditors have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan.

PATTERN OF SHARE HOLDING

Pattern of share holding as at June 30, 2018 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 etc. 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
 CHAIRPERSON


MUNAWARALI S. KASSIM
 CHIEF EXECUTIVE

September 25, 2018

ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز اختتامی سال 30 جون 2018ء کی رپورٹ بشمول آڈٹ شدہ اکاؤنٹ پیش کرنے میں خوشی محسوس کر رہے ہیں۔

کارکردگی کا معیار

دوران سال 30 جون 2018ء کے اختتام پر کمپنی کی فروخت مبلغ 860.67 ملین روپے سے بڑھ کر مبلغ 1,210.39 ملین روپے ہو گئی جس کا موازنہ گزشتہ سال کی مدت سے کیا جاسکتا ہے۔ 40.6% کا یہ اضافہ فروخت کے حجم اور قیمت فروخت میں اضافہ کی وجہ سے ہوا۔

قیمت فروخت مبلغ 838.54 ملین روپے سے بڑھ کر مبلغ 1,073.96 ملین روپے ہو گئی جس کا موازنہ گزشتہ سال کی اسی مدت سے کیا جاسکتا ہے جو کہ 28% اضافہ ہے۔

دیگر اخراجات میں 9.37 ملین روپے کا اضافہ ہوا ہے جو کہ 360.4% ہے جو کہ غیر ملکی کرنسی کے نقصان کی وجہ سے تھا۔

حاصل کردہ آمدنیاں

آپ کی کمپنی نے قبل از ٹیکس منافع مبلغ 16.21 ملین روپے حاصل کیا ہے جس کا موازنہ گزشتہ سال کے خسارے مبلغ 84.58 ملین روپے سے کیا جاسکتا ہے اور بعد از ٹیکس منافع مبلغ 15.12 ملین روپے حاصل کیا ہے جس کا موازنہ گزشتہ سال کے خسارے مبلغ 74.47 ملین روپے سے کیا جاسکتا ہے۔ آپ کی کمپنی کی انتظامیہ مستقبل میں اپنی کارکردگی کو بہتر بنانے کی کوشش کرے گی۔ کمپنی کی انتظامی ٹیم مارکیٹنگ کے عملے کی کارکردگی کو درپیش چیلنج اور آنے والے سال میں ملنے والے ہدف کیلئے ان کی حوصلہ افزائی کرتی ہے۔

فی شیئر کے حساب سے آمدنی

30 جون 2018ء کو ختم ہونے والے سال میں فی شیئر آمدنی 1.04 روپے ہے جس کا موازنہ گزشتہ سال کے خسارے فی شیئر 5.12 روپے سے کیا جاسکتا ہے۔

ڈویڈنڈ کا اعلان

کمپنی کے بورڈ آف ڈائریکٹرز کمیشن ڈویڈنڈ 8% @ (مبلغ 0.8 روپے فی شیئر) کی سفارش کرتے ہیں۔

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:

ہم یہ توقع کرتے ہیں کہ مستقبل میں سیراکس ٹائلز کی طلب مناسب اقتصادی نقطہ نظر کے نتیجے میں بڑھے گی اور تجارتی اور ہاؤسنگ منصوبوں میں اضافہ ہوگا۔ تاہم درآمد شدہ ٹائلوں کی تجارتی قیمت ITP بھی ایک چیلنج ہے۔ اور ہم ITP بشمول توانائی کی لاگت میں کمی اور مقامی ٹائل مینوفیکچررز کی کھیل کے میدان میں فراہمی کا یقین رکھتے ہیں۔

تاہم، ہمیں یقین ہے کہ سیراکس ٹائلز کی مستقبل کی طلب اقتصادی ترقی کو بہتر بنائے گی۔ کمپنی صارفین کی ترجیح پر اپنی توجہ مرکوز رکھے گی اور نئے جدید ڈیزائن متعارف کرانے کے ذریعے اس کی مارکیٹ کا اشتراک بڑھے گا۔

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 سیکورٹیز 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۔
- ☆ انٹرل 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:

اس سال کے دوران کمپنی کے بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہیں کی گئی۔

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 ارشد علی ایس قاسم
4	جناب منور علی ایس قاسم
4	جناب شاہد احمد
4	مس مریم ایس جی قاسم
4	جناب شاہنواز مدھانی
4	مس انوشکا قاسم
2	مس تنالیہ قاسم

(ان ڈائریکٹرز کو غیر حاضری کے سبب چھٹی دی گئی)۔

آڈٹ کمیٹی

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

ممبرز کا نام	شرکت کی تعداد
جناب شاہد احمد	4
مس تنالیہ قاسم	3
مس انوشکا قاسم	4

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 ڈائریکٹر 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 کا لازمی 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 مسرز قوی اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس نے مالیاتی سال 30 جون 2018ء کے لئے آڈٹ مکمل کر لیا ہے اور یہ کمپنی کی 38 ویں سالانہ جنرل میٹنگ میں ریٹائر ہو جائیں گے۔ مالیاتی سال 30 جون 2019ء کیلئے انہوں نے دوبارہ تقرری کی اہلیت پر کمپنی میں اپنی خدمات پیش کرنے کی سفارش کی ہے۔ ایکسٹرنل آڈیٹرز نے انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹینٹ آف پاکستان کے کوالٹی کنٹرول جائزہ پروگرام کے تحت اطمینان بخش ریٹنگ پیش کی ہے۔

شیئر ہولڈنگ کا طریقہ کار

شیئر ہولڈنگ کا طریقہ کار 30 جون 2018ء 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 اگزیکٹو

مورخہ: 25 ستمبر 2018ء

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, 2017

Name of Company : Karam Ceramics Limited
Year ended June 30, 2018

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:

a. Male	4
b. Female	3

2. The composition of Board is as follows:

Independent Director	Mr. Shahid Ahmed
Other Non-executive Directors	Ms. Mariam Shaban Ali - Chairman Ms. Anushka Kassim Ms. Natalia Kassim Mr. Shahnawaz Madhani
Executive Directors	Mr. Irshad Ali S. Kassim Mr. Munawar Ali S. Kassim

3. The Directors have confirmed that none of them is serving as a Director on more than five 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 has been maintained.

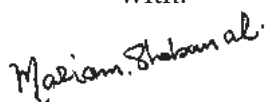
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. Majority of the Directors of the Company are exempted from the requirement of Directors' Training program.
10. The board has approved appointment of CFO and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:

Audit Committee	Mr. Shahid Ahmed - Chairman Ms. Anushka Kassim - Member Ms. Natalia Kassim - Member
HR and Remuneration Committee	Mr. Shahnawaz Madhani - Chairman Mr. Munawar Ali S. Kassim - Member Ms. Natalia Kassim - Member
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
 - a. Audit Committee 4 quarterly meeting
 - b. HR and Remuneration Committee 1 annual meeting
 - c. The Board has set up an effective internal audit function, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company
 - d. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
 - e. 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.
 - f. We confirm that all other requirements of the Regulations have been complied with.


Mariam Shaban Ali
 Chairperson

September 25, 2018
 Karachi

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, 2017

We have reviewed the enclosed Statement of Compliance with Listed Companies (Code of Corporate Governance Regulation, 2017 (the Regulations) prepared by the Board of Directors of **Karam Ceramics Limited** (the Company) for the year ended June 30,2018, in accordance with the requirements of regulation 40 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 there 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 requires 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 its related party transactions and also ensure compliance with the requirements of section 208 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, in all material respects, with the requirements contained in the regulations as applicable to the company for the year ended June 30, 2018

Date: September 25, 2018
Kareachi


Qavi & Co
Chartered Accountants

Independent Auditors' 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 **KARAM CERAMICS LIMITED** (THE Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, The statement of other 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, the statement of other 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 given true and fair view of the state of the Company's affairs as at June 30, 2018 and of the 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
1.	<p>Compliance with Laws and Regulations - Changes in 4th Schedule</p> <p>The Companies Act , 2017 (the Act, 2017) promulgated on May 30,2017, The Act, 2017revised and replaced and replaced the Fourth Schedule of the Companies Ordinance, 1984 and brought changes in the presentation and disclosures of the financial statements by elimination of duplicative disclosure with IFRS disclosure requirements and incorporation of significant additional disclosures.</p> <p>These changes are applicable first time to the Company's financial statements for the year ended June 30, 2018</p> <p>The changes are considered as a key audit matter because failure to comply with the requirements of the Act, 2017 could have financial and reputational impact on the Company</p>	<p>We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act, We considered the adequacy and appropriateness of the additional disclosures and charges to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosure.</p>

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information, The other information comprises of 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 a 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, if 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) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980),

The engagement partner on the audit resulting in this independent auditors' report is Ghulam Abbas

Date: September 25, 2018
Karachi


Qavi & Co
Chartered Accountants

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

	Note	2018	2017 Restated	2016 Restated
----- Rupees -----				
ASSETS				
Non-current assets				
Property, plant and equipment	4	807,284,357	883,371,605	951,487,537
Capital work in progress		-	-	16,669,771
Long term deposits	5	897,038	897,038	897,038
		808,181,395	884,268,643	969,054,346
Current assets				
Stores and spares	6	3,407,508	11,475,790	14,862,579
Stock in trade	7	290,087,617	274,884,940	215,004,440
Trade debts	8	37,237,123	140,349,053	260,681,390
Loans and advances - considered good	9	1,596,878	931,099	1,504,889
Advance tax		23,185,033	12,943,225	22,974,074
Refunds due from the Government	10	60,457,418	50,519,628	33,243,114
Prepayments and other receivables	11	12,877,527	31,229,420	22,639,930
Cash and bank balances	12	4,591,034	3,227,590	8,659,641
		433,440,138	525,560,745	579,570,057
TOTAL ASSETS				
		1,241,621,533	1,409,829,388	1,548,624,403

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018

	Note	2018	2017 Restated	2016 Restated
----- Rupees -----				
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital	13	145,486,760	145,486,760	145,486,760
Unappropriated profit		89,233,636	72,359,789	146,799,537
Revaluation surplus on property, plant & equipment	14	68,473,608	70,366,769	72,435,224
		303,194,004	288,213,318	364,721,521
LIABILITIES				
Non-current liabilities				
Long term financing - secured	15	388,767,678	477,380,464	523,551,889
Liabilities against assets subject to finance lease	16	1,420,257	-	-
Post employment benefits	17	96,130,169	89,891,817	81,008,740
Deferred taxation	18	78,430,052	89,349,416	99,455,117
		564,748,156	656,621,697	704,015,746
Current liabilities				
Trade and other payables	19	171,760,867	136,519,313	128,777,330
Markup accrued on loans		10,285,340	19,567,870	16,401,112
Short term borrowings from banks - secured	20	100,311,497	209,903,877	217,263,809
Long term financing - secured	15	77,059,896	94,159,896	112,601,468
Dividend payable		4,843,417	4,843,417	4,843,417
Liabilities against assets subject to finance lease	16	282,943	-	-
Provision for taxation		9,135,413	-	-
		373,679,373	464,994,373	479,887,136
Total liabilities		938,427,529	1,121,616,070	1,183,902,882
Contingencies and Commitments	21	-	-	-
TOTAL EQUITY AND LIABILITIES		1,241,621,533	1,409,829,388	1,548,624,403

The annexed notes 1 to 39 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, 2018

	Note	2018	2017
		----- Rupees -----	
Revenue	22	1,210,390,766	860,670,027
Cost of sales	23	(1,073,959,929)	(838,541,136)
Gross profit		136,430,837	22,128,891
Selling and distribution expenses	24	40,711,398	23,402,095
Administrative expenses	25	23,550,053	23,336,634
Other expenses	26	11,971,576	2,600,133
		(76,233,027)	(49,338,862)
Operating profit / (loss)		60,197,810	(27,209,971)
Other income	27	478,166	653,326
Finance Cost	28	(44,465,291)	(58,020,259)
		(43,987,125)	(57,366,933)
Profit/(Loss) before taxation		16,210,685	(84,576,904)
Taxation	29	(1,094,334)	10,105,701
Profit/(Loss) after taxation		15,116,351	(74,471,203)
Earnings per share - Basic and diluted	30	1.04	(5.12)

The annexed notes 1 to 39 form an integral part of these financial statements.


 Chief Executive


 Chief Financial Officer


 Director

OTHER COMPREHENSIVE INCOME

For the Year ended June 30, 2018

	2018	2017 Restated
	----- Rupees -----	
Profit/(Loss) after taxation	15,116,351	(74,471,203)
Other comprehensive income		
Item that will not be reclassified to Profit or loss		
Actuarial loss on remeasurement of retirement benefit obligation	(135,665)	(2,037,000)
Total comprehensive income/(loss) for the year	14,980,686	(76,508,203)

The annexed notes 1 to 39 form an integral part of these financial statements.


 Chief Executive


 Chief Financial Officer


 Director

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	16,210,685	(84,576,904)
Adjustments for non cash charges and other items		
Depreciation	84,708,964	91,824,085
Provision for gratuity	10,812,294	9,610,452
Workers' profit participation fund	923,062	-
Workers' welfare fund	1,327,487	-
Gain on disposal of fixed assets	(478,166)	(653,326)
Finance cost	44,465,291	58,020,259
	141,758,932	158,801,470
Cash flow from operating activities before working capital changes	157,969,617	74,224,566
Effect on cash flow due to working capital changes		
Decrease in stores and spares	8,068,282	3,386,789
Increase in stock in trade	(15,202,677)	(59,880,500)
Decrease in trade debts	103,111,930	120,332,337
(Increase) / Decrease in loans and advances	(665,779)	573,790
Decrease / (Increase) in short term prepayments & balances with statutory authorities	18,351,893	(8,589,490)
Decrease in short term running finance	(109,592,380)	(7,359,932)
Increase in trade and other payables	32,991,005	7,741,983
	37,062,274	56,204,977
Cash flows generated from operations	195,031,891	130,429,543
Finance cost paid	(45,546,614)	(47,116,513)
Income tax paid	(23,185,033)	(12,747,811)
Sales tax refunds adjusted	127,150	5,502,146
Gratuity paid	(4,709,607)	(2,764,375)
	(73,314,104)	(57,126,553)
Net cash flows generated from operating activities	121,717,787	73,302,990
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property, plant and equipment	(8,663,550)	(23,754,827)
Asset transferred from capital work in progress	-	16,669,771
Proceeds from disposal of property, plant and equipment	520,000	700,000
Net cash flows used in investing activities	(8,143,550)	(6,385,056)
	(8,143,550)	(6,385,056)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing from directors - net	(19,757,999)	35,922,000
Finance lease obligation	1,703,200	-
Long term financing from banks - net	(94,155,994)	(108,271,985)
Net cash flows used in financing activities	(112,210,793)	(72,349,985)
Net increase / (decrease) in cash and cash equivalents	1,363,444	(5,432,051)
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	4,591,034	3,227,590

The annexed notes 1 to 39 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, 2018

	Share Capital	Unappropriated Profit	Surplus on revaluation of property, plant and equipment	Total
	----- (Rupees) -----			
Balance at July 01, 2016 - as previously reported	145,486,760	146,799,537	-	292,286,297
Effect of restatement - note 3.17	-	-	72,435,224	72,435,224
Balance at July 01, 2016 - as restated	145,486,760	146,799,537	72,435,224	364,721,521
Loss after taxation for the year ended June 30, 2017	-	(74,471,203)	-	(74,471,203)
Other comprehensive income for the year	-	(2,037,000)	-	(2,037,000)
Transferred from surplus on revaluation of property, plant and equipment incremental depreciation for the year - net of deferred tax	-	2,068,455	(2,068,455)	-
	-	31,455	(2,068,455)	(2,037,000)
Balance as at June 30, 2017 - as restated	145,486,760	72,359,789	70,366,769	288,213,318
Profit after taxation for the year ended June 30, 2018	-	15,116,351	-	15,116,351
Other comprehensive income for the year	-	(135,665)	-	(135,665)
Transferred from surplus on revaluation of property, plant and equipment incremental depreciation for the year - net of deferred tax	-	1,893,161	(1,893,161)	-
	-	1,757,496	(1,893,161)	(135,665)
Balance as at June 30, 2018	145,486,760	89,233,636	68,473,608	303,194,004

The annexed notes 1 to 39 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, 2018

1. STATUS AND NATURE OF BUSINESS

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 principal activity of the company is manufacturing and sale of tiles.

1.1 Summary of significant transactions and events occurred during the year

Following is the summary of significant transactions and events that have affected the financial position and performance of the Company:

- On October 11, 2017, National Tariff Commission imposed anti-dumping duty on import of tiles from China which resulted in increased sales of tiles produced by the Company;
- The exchange rate of USD to PKR has increased from PKR 104.58 as at June 30, 2017 to PKR 121.15 as at June 30, 2018; and
- The Company's Act, 2017 became applicable in the current year as a result of which certain amounts reported in the previous period have been restated. For detailed information please refer note 2.5(a) and note 3.17.

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 for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of such International Financial Reporting Standards (IFRS Standards), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the "Act"); and provisions of and directives issued under the Act. Where the 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 Accounting Convention

These 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 are stated at revalued amounts and staff retirement benefits are carried at present value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency and rounded to the nearest rupee.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, the management has made the following estimates and judgments which are significant to the financial statements:

- (a) assumptions and estimates used in determining useful lives of property, plant and equipment (note 4);
- (b) assumptions and estimates used for valuation of present value of defined benefit obligation (note 17);
- (c) assumptions and estimates used in disclosure and assessment of provision for contingencies (note 21);and
- (d) assumptions and estimates used in determining current income under relevant tax law and the decisions of appellate authorities on assessment of tax income (note 29).

2.5 New standards, amendments to approved accounting standards and new interpretations

(a) Amendments to approved accounting standards and interpretations which are effective during the year ended June 30, 2018

The third and fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to management assessment of sufficiency of tax provision in the financial statements (refer note 29), change in threshold for identification of executives (refer note 32), additional disclosure requirements for related parties (refer note 31) etc.

Further, IAS 7, 'Statement of cash flows' amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's disclosure initiative, which continues to explore how financial statement disclosure can be improved. In the first year of adoption, comparative information need not be provided. The disclosure has been made in note 37 to these financial statements

The other amendments to published standards and interpretations that were mandatory for the Company's financial year ended June 30, 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and therefore not disclosed in these financial statements.

(b) New standards, amendments to approved accounting standards and interpretations that are effective for the Company's accounting periods beginning on or after July 1, 2018

There are certain new standards, amendments to the approved accounting standards and interpretations that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2018. However, these amendments and interpretations will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements. Further during the current year the Securities and Exchange Commission of Pakistan (the SECP) has adopted IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Customers' and IFRS 16 'Leases'. IFRS 9 and IFRS 15 are applicable for the Company's financial reporting period beginning on July 1, 2018 while IFRS 16 is applicable for the reporting period beginning on July 1, 2019. At present, the impacts of application of these IFRSs on the Company's future financial statements are being assessed. Further, IFRS 17 'Insurance contracts' is yet to be adopted by the SECP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except for change in accounting policy as mentioned in note 3.17 to these financial statements.

3.1 Retirement Benefit Obligation

Defined Benefit Plan - Gratuity

Defined benefit plans define an amount of pension or 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 obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds or the market rates on government bonds. 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 pension obligation.

The company operates an Unfunded Gratuity Scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. The provision is made on the basis of actuarial valuation to cover the obligation under the scheme for all employees eligible to gratuity benefits. The latest actuarial valuation for gratuity scheme was carried out as on June 30, 2018.

3.2 Borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

3.3 Trade and Other Payables

Liabilities for trade and other amounts payable are recognized and carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

3.4 Property, Plant and Equipment

Owned

Freehold land and buildings on freehold land are stated at revalued amounts less accumulated depreciation and accumulated impairment losses (if any). Plant and machinery, furniture and fixtures, laboratory equipment, moulds and vehicles are stated at cost less accumulated depreciation and accumulated impairment losses (if any).

Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All repairs and maintenance are charged to the statement of profit or loss as and when incurred except major repairs which are capitalized.

Depreciation on all property, plant and equipment is charged using the reducing balance method in accordance with the rates specified in note 4 to these financial statements and after taking into account residual values, if significant. The revalued amount of buildings on freehold land is depreciated over its estimated useful life. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each statement of financial position date. Depreciation on additions is charged from the month in which the assets become available for use, while no depreciation is charged in the month of disposal.

Increases in the carrying amounts arising on revaluation of freehold land and buildings on freehold land are recognised, net of tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity. To the extent that increase reverses a decrease previously recognised in the statement of profit or loss, the increase is first recognised in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus on property, plant and equipment to unappropriated profit.

Gains / losses on disposal of property, plant and equipment are charged to the statement of profit or loss.

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.

3.5 Capital Work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses (if any). All expenditure connected to the specific assets incurred during installation and construction period is carried under capital work-in-progress. These are transferred to specific assets as and when these are available for use.

3.6 Stores, spares and loose tools

Stores and spares are valued at lower of cost and net realizable value. Cost is determined on a weighted average basis. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision is made in the financial statements for slow moving and obsolete stores and spares based on management's best estimate regarding their future usability whenever necessary and is recognised in the statement of profit or loss.

3.7 Stock-in-Trade

Stock-in-trade is stated at the lower of cost and net realizable value except waste which is valued at net realizable value. Cost is determined as follows.

Raw material	At weighted average cost or replacement cost whichever is lower
Work in process	At average manufacturing cost
Finished goods	At average manufacturing cost or net realizable value whichever is lower

Valuation of raw material and finished goods as on June 30, 2018 have been valued at lower of cost and net realizable value as per the requirement of IAS 2.

Raw material in transit is stated at invoice price plus other charges paid thereon up to the Statement of Financial Position date.

Average manufacturing cost in relation to work in process and finished goods, consist of direct material and proportion of manufacturing overheads based on normal capacity.

Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses.

Provision is made in the financial statements against slow moving and obsolete stock-in-trade based on management's best estimate regarding their future usability whenever necessary and is recognised in the statement of profit or loss.

3.8 Trade debts

Trade debts are recognized and carried at original invoiced amount which is fair value of the consideration to be received in future. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Debts considered irrecoverable are written off.

3.9 Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at cost. For the purpose of cash flow statement cash and cash equivalents comprise cash, cheques in hand and balances with banks.

3.10 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.

3.11 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in comprehensive income, in which case it is recognized in comprehensive income.

(i) Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation on income. The change for current tax also includes prior year adjustments, where considered necessary, arising due to assessments finalized during the year.

(ii) Deferred

Deferred tax is recognized using Statement of Financial Position liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the Statement of Financial Position date.

The Company recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, the Company also recognizes deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

3.12 Financial instruments

All financial assets and financial liabilities are recognized at the time when company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially made at fair value, and subsequently made at fair value are amortized cost as the case may be. All financial assets and liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in profit and loss account.

3.13 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.14 Provisions

Provision is recognized in the Statement of Financial Position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect current best estimates.

3.15 Dividend and appropriation in / from reserves

Dividend distribution to the Company's shareholders and appropriation to / from reserves is recognized in the period in which these are approved.

3.16 Revenue recognition

Sales are stated net of sales tax and discounts and 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 significant risks and rewards of ownership to third parties. 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.

3.17 Change in accounting policy

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, Property, plant and equipment, surplus on revaluation of fixed assets would now be presented under equity.

Following the application of IAS 16, the Company's accounting policy for surplus on revaluation of freehold land and building on freehold land stands amended as follows:

Increases in the carrying amounts arising on revaluation of land and buildings are recognized, net of tax, in other comprehensive income and accumulated in revaluation surplus in shareholders equity. To the extent that increase reverses a decrease previously recognized in the statement of profit or loss, the increase is first recognized in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset all other decreases are charged to the statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus on property, plant and equipment to unappropriated profit.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and comparative figures have been restated.

4. Property, Plant and Equipments

	Freehold Land	Building on freehold land	Plant and machinery	Furniture and fittings	Moulds	Laboratory equipment	Vehicles		Total
							Owned	Leased	
Net carrying value basis									
Year ended June 30, 2018									
Opening net book value	52,560,000	122,100,472	697,412,239	1,838,860	2,255,216	47,470	7,157,348	-	883,371,605
Additions (at cost)	-	-	-	-	-	-	6,500,000	2,163,550	8,663,550
Depreciation charge	-	(12,210,047)	(69,741,224)	(183,886)	(676,565)	(4,747)	(1,856,436)	(36,059)	(84,708,964)
Disposal	-	-	-	-	-	-	(41,834)	-	(41,834)
Closing net book value	52,560,000	109,890,425	627,671,015	1,654,974	1,578,651	42,723	11,759,078	2,127,491	807,284,357
Gross carrying value basis									
At June 30, 2018									
Cost	52,560,000	364,772,236	1,773,172,382	12,812,151	8,356,171	1,505,564	35,294,827	2,163,550	2,250,636,881
Accumulated depreciation	-	(254,881,810)	(1,145,501,367)	(11,157,177)	(6,777,520)	(1,452,841)	(23,535,749)	(36,059)	(1,443,342,523)
Net book value	52,560,000	109,890,426	627,671,015	1,654,974	1,578,651	52,723	11,759,078	2,127,491	807,294,358
Net carrying value basis									
Year ended June 30, 2017									
Opening net book value	52,560,000	131,392,172	756,448,945	2,043,178	951,443	52,745	8,039,054	-	951,487,537
Additions (at cost)	-	3,980,190	16,755,696	-	2,118,941	-	900,000	-	23,754,827
Depreciation charge	-	(13,271,890)	(75,792,402)	(204,318)	(815,168)	(5,275)	(1,735,032)	-	(91,824,085)
Disposal	-	-	-	-	-	-	(46,674)	-	(46,674)
Closing net book value	52,560,000	122,100,472	697,412,239	1,838,860	2,255,216	47,470	7,157,348	-	883,371,605
Gross carrying value basis									
At June 30, 2017									
Cost	52,560,000	364,772,235	1,773,172,381	12,812,151	8,356,171	1,512,579	29,983,827	-	2,243,169,344
Accumulated depreciation	-	(242,671,763)	(1,075,760,142)	(10,973,291)	(6,100,955)	(1,465,109)	(22,826,479)	-	(1,359,797,739)
Net book value	52,560,000	122,100,472	697,412,239	1,838,860	2,255,216	47,470	7,157,348	-	883,371,605
Rate of Depreciation	-	10%	10%	10%	30%	10%	20%	20%	

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

		2018	2017
		----- Rupees -----	
Cost of sales	23	83,669,741	90,697,573
Selling and distribution expenses	24	500,781	542,844
Administrative expenses	25	538,442	583,668
		<u>84,708,964</u>	<u>91,824,085</u>

4.2 The details of operating assets sold are as follows:

Description	Cost	Accumulated Depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
----- Rupees -----						
Vehicle	1,189,000	1,147,166	41,834	520,000	Negotiation	Ahmed Alis/o Jahnzeb
2018	1,189,000	1,147,166	41,834	520,000		
2017	849,000	802,326	46,674	700,000		

- 4.3 Had there been no revaluation, the net book value of Freehold land and Building on freehold land would have been Rs. 3,964,588 (2017: Rs. 3,964,588) and Rs.81,493,002 (2017: 90,547,780) respectively.
- 4.4 Forced sales value (as per recent revaluation report detailed June 04, 2013) of freehold land and building on freehold land amounts to Rs. 299.30 million.
- 4.5 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	88,626
S-86R-257/H-Hall, Main Ferozpur Road, Lahore	Warehouse	4,181

2018 2017
----- Rupees -----

5. LONG TERM DEPOSITS

Others - note 5.1	897,038	897,038
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- 5.1 This includes deposits placed with utility companies including K-Electric, Pakistan Telecommunication Company Limited and Sui Southern Gas Company.

2018 2017
----- Rupees -----

6. STORES AND SPARES

Spares	3,265,853	10,838,311
Stores	141,655	637,479
	3,407,508	11,475,790

7. STOCK IN TRADE

Raw material	190,447,689	147,855,718
Packing materials	2,808,688	8,685,348
Work-in-process	7,143,665	7,911,071
Finished goods	89,687,575	110,432,803
	290,087,617	274,884,940

- 7.1 The carrying amount of inventory pledged as security is Rs. 225 million (2017: Rs. 262 million).

2018 2017
----- Rupees -----

8. TRADE DEBTS

Considered good - unsecured	37,237,123	140,349,053
-----------------------------	------------	-------------

8.1 As of June 30, aging analysis of trade debts is as follows:

Not yet due	30,532,324	39,586,161
Past due 1 - 30 days	3,097,391	6,082,200
Past due 30 - 90 days	3,353,154	38,215,369
Over 90 days	254,254	56,465,323
	37,237,123	140,349,053

9. LOANS AND ADVANCES - CONSIDERED GOOD

Loans to employees	279,300	86,000
Advances to:		
Employees - note 9.1	77,577	150,099
Others	840,001	295,000
Seller of land - note 9.2	400,000	400,000
	1,317,578	845,099
	1,596,878	931,099

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

9.2 This represents advance given for purchase of land. The company has filed suit for the specific performance of the agreement.

2018 2017
----- Rupees -----

10. REFUNDS DUE FROM THE GOVERNMENT

Sales tax receivable	242,841	369,991
Income tax refundable	60,214,577	50,149,637
	60,457,418	50,519,628

11. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments	318,058	10,913,680
Letters of credit	73,830	7,366,029
Other receivables - note 11.1	12,485,639	12,949,711
	12,877,527	31,229,420

11.1 This includes insurance claim due from PICIC Insurance Limited amounting to Rs. 12,450,000 (2017: 12,450,000) on account of damaged generator at factory premises. The claim originally registered by the Company amounted to Rs. 19,500,000 out of which Rs. 7,500,000 was received in the financial year ended June 30, 2016.

			2018	2017
			----- Rupees -----	
12.	CASH AND BANK BALANCES			
	Cash in hand		189,103	947,681
	Cash at banks			
	- Current accounts		3,483,598	1,489,183
	- Deposit accounts		918,333	790,726
			4,401,931	2,279,909
			4,591,034	3,227,590
13.	SHARE CAPITAL			
	2018	2017	2018	2017
	(Number of shares)		----- Rupees -----	
	Authorised Share Capital			
	15,000,000	15,000,000	150,000,000	150,000,000
		Ordinary shares of Rs. 10 each		
	Issued, subscribed and paid up Share Capital			
	13,267,786	13,267,786	132,677,860	132,677,860
		Ordinary shares of Rs. 10 each fully paid in cash		
	1,280,890	1,280,890	12,808,900	12,808,900
		Ordinary shares of Rs. 10 each issued as bonus shares		
	14,548,676	14,548,676	145,486,760	145,486,760

2018 2017
----- Rupees -----

14. REVALUATION SURPLUS ON PROPERTY, PLANT & EQUIPMENT

Surplus on revaluation of land	48,595,412	48,595,412
Surplus on revaluation of building	31,552,692	35,058,547
Incremental depreciation on revalued assets	(3,155,269)	(3,505,855)
	76,992,835	80,148,104
Deferred tax liability as on July 01, 2017	9,781,335	11,218,735
Tax effect due to change in tax rate proportion	(315,527)	(350,585)
Related deferred tax on incremental depreciation	(946,581)	(1,086,815)
	(8,519,227)	(9,781,335)
	68,473,608	70,366,769

14.1 Land and building were first revalued in the year 2005 by M/s. Iqbal A. Nanjee & Co which resulted in creation of revaluation surplus by Rs. 11,365,412 and Rs. 93,218,591 respectively.

14.2 On June 04, 2013, Land and Building were revalued by M/s MYK Associates which increased the revaluation surplus by Rs. 37,230,000 and Rs. 13,307,214 respectively.

15. LONG TERM FINANCING - SECURED

From banking companies - note 15.1	188,826,966	282,982,960
Less: Current maturity shown under current liabilities	(77,059,896)	(94,159,896)
	111,767,070	188,823,064
From directors - note 15.2	277,000,608	288,557,400
	388,767,678	477,380,464
15.1 Loan from banking companies		
Soneri Bank Limited - note 15.1.1	85,540,621	138,395,649
JS Bank Limited - note 15.1.2	83,783,047	117,296,266
Habib Bank Limited - note 15.1.3	19,503,298	27,291,045
	188,826,966	282,982,960

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

Facility name	Term Finance -II	Term Finance -III
Loan outstanding	Rs. 6.300 million	Rs. 77.483 million
Nature of facility	Term Finance	Term Finance
Sanctioned limit	42.000 million	151.204 million
Markup rate	6MK + 2% p.a.	6MK + 2% p.a.
Total installments	60 monthly	65 monthly
No. of installments outstanding	8 monthly	33 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.

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

Facility name	Term Loan- 1
Loan outstanding	Rs. 83.783 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	22 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.

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

Facility name	Term Finance - 1	Term Finance - 2
Loan outstanding	Rs. 11.956 million	Rs. 7.547 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	28 monthly	34 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.

- 15.2 This represents outstanding amounts pertaining to interest bearing @ 4% & interest free loan obtained from directors amounting to Rs. 132.11 million (2017: Rs. 151.87 million) and Rs. 144.89 million (2017: Rs. 136.69 million) respectively. These loans are repayable from May, 2020 and September, 2019 respectively.

	2018	2017
	----- Rupees -----	
16. LIABILITY AGAINST ASSET SUBJECT TO FINANCE LEASE		
Assets acquired during the year	1,703,200	-
	<u>1,703,200</u>	<u>-</u>
Current portion grouped under current liabilities	(282,943)	-
	<u>1,420,257</u>	<u>-</u>

- 16.1 This represents vehicle acquired under finance lease from Soneri Bank Limited. Rentals are payable on monthly basis. This finance facility, during the year, was subject to finance cost at the rate 8.8% (2017: NIL) per annum. This facility is secured against title of the leased vehicle in the name of lessor. The Company intends to exercise its option to purchase the leased vehicle upon completion of the lease terms.

	2018			2017		
	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	423,525	140,582	282,943	-	-	-
Later than one year and not later than five years	1,694,101	273,844	1,420,257	-	-	-
	<u>2,117,626</u>	<u>414,426</u>	<u>1,703,200</u>	<u>-</u>	<u>-</u>	<u>-</u>

17. POST EMPLOYMENT BENEFITS

- 17.1 The latest actuarial valuation of the Gratuity scheme at June 30, 2018 was carried out using the Projected Unit Credit Method details of which are as follows:

	2018	2017
	----- Rupees -----	
17.2 Movement in obligation		
Opening balance	89,891,817	81,008,740
Charge for the year	10,812,294	9,610,452
Remeasurement	135,665	2,037,000
Benefits paid	(4,709,607)	(2,764,375)
Closing balance	<u>96,130,169</u>	<u>89,891,817</u>
17.3 Movement in the present value of defined benefit obligation		
Opening balance	89,891,817	81,008,740
Service cost	4,053,258	3,886,796
Interest cost	6,759,036	5,723,656
Remeasurement	135,665	2,037,000
Benefits paid	(4,709,607)	(2,764,375)
Closing balance	<u>96,130,169</u>	<u>89,891,817</u>
17.4 Expense recognized in profit and loss account		
Service cost	4,053,258	3,886,796
Interest cost	6,759,036	5,723,656
	<u>10,812,294</u>	<u>9,610,452</u>
17.5 Charge for the year has been allocated as follows:		
Cost of sales - note 23.1	9,839,188	8,745,567
Selling and distribution expenses - note 24.1	216,246	192,197
Administrative expenses - note 25.1	756,860	672,688
	<u>10,812,294</u>	<u>9,610,452</u>
17.6 Expense recognized in profit and loss account		
Remeasurement of post-employment benefits	<u>135,665</u>	<u>2,037,000</u>
17.7 Key actuarial assumptions used are as follows:		
Discount factor used	9.00%	7.75%
Expected rate of increase in salaries	8.00%	6.75%
Retirement age (years)	60	60

17.8 Sensitivity analysis for actuarial assumptions

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

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption Rupees	Decrease in assumption Rupees
Discount rate at June 30	1%	6,975,844	7,132,954
Future salary increases	1%	7,132,954	7,093,236

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.

17.9 As per actuarial advice, the expected charge for the next year is Rs. 12,819,840.

	Note	2018	2017
		----- Rupees -----	
18. DEFERRED TAXATION			
Credit balance arising in respect of:			
- accelerated tax depreciation allowance		107,309,802	117,215,879
Debit balance arising in respect of:			
- provision for post employment benefit obligations		(28,879,750)	(27,866,463)
		<u>78,430,052</u>	<u>89,349,416</u>
19. TRADE AND OTHER PAYABLES			
Trade creditors / bills payable		110,502,268	94,379,631
Accrued expenses	19.1	41,674,114	34,873,535
Sales tax payable		13,559,017	4,375,142
Workers' profit participation fund	19.2	923,062	-
Workers' welfare fund		3,943,557	2,616,070
Withholding tax payable		1,158,849	274,935
		<u>171,760,867</u>	<u>136,519,313</u>
19.1	This includes an amount of Rs. 2,439,360 (2017: Rs. 3,844,896) in respect of rent payable to Directors' spouse- related party.		
19.2	The balance represents provision for the year ended June 30, 2018. No provision was made in the preceding year on account of losses incurred by the Company.		
20. SHORT TERM BORROWINGS FROM BANKS - SECURED			
Soneri Bank Limited - note 20.1		15,448,588	137,351,026
Habib Bank Limited - note 20.2		43,618,020	48,712,164
Habib Bank Limited FATR - note 20.3		41,244,889	23,840,687
		<u>100,311,497</u>	<u>209,903,877</u>
20.1	This represents Running Finance Facility amounting to Rs. 160 million (2017: Rs. 160 million). The profit rate on this facility is 6 months KIBOR plus 2% (2017: 6 months KIBOR plus 1.5%). This is secured by first hypothecation charge over stock of the company for Rs. 160 million and first pari passu equitable charge of Rs. 800 million over fixed assets of the company and personal guarantee of the Directors.		

- 20.2 This represents Running Finance Facility amounting to Rs. 50 million (2017: Rs. 50 million). The profit rate on this facility is 3 months KIBOR plus 1% (2017: 3 months KIBOR plus 1%). This is secured by third party mortgage over Company's headoffice situated at Kehkashan Clifton, Karachi valued at Rs. 189.89 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.
- 20.3 This represents Finance Against Trust Receipt Facility amounting to Rs. 80 million (2017: Rs. 50 million). The profit rate on this facility is Matching tenor KIBOR + 1% (2017: Matching tenor KIBOR plus 1%). This is secured by third party mortgage over Company's headoffice situated at Kehkashan Clifton, Karachi valued at Rs. 189.89 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.

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

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. 78,651,410 for the period from January 2017 to June 2018.

Irrevocable Letter of Credit in favor of SSGC of Rs. 20 million (2017: Rs. 20 million) from Habib Bank Limited and Rs. 64.95 million (2017: Rs. 64.95 million) from Soneri Bank Limited. Letter of Guarantee of Rs. 9 million (2017: Rs. 9 million) in favor of SSGC from Soneri Bank Limited.

21.2 Commitments

Commitments under letter of credit for import of raw materials as at June 30, 2018 amounted to Rs. 33,343,437 (2017: Rs. 38,914,260).

22. REVENUE

Gross local sales
Less: Sales tax

2018 2017
----- Rupees -----

1,463,420,962	1,041,410,733
(253,030,196)	(180,740,706)
<u>1,210,390,766</u>	<u>860,670,027</u>

	2018	2017
	----- Rupees -----	
23. COST OF SALES		
Raw materials consumed		
Opening stock	147,855,718	111,952,645
Purchases	405,205,217	241,598,690
Closing stock	(190,447,689)	(147,855,718)
	<u>362,613,246</u>	<u>205,695,617</u>
Manufacturing expenses		
Fuel, power and water	313,194,621	313,101,633
Salaries, wages and benefits - note 23.1	153,611,506	148,977,128
Stores and spare parts consumed	23,802,673	22,316,825
Packing material consumed	34,084,950	31,182,249
Repairs and maintenance	59,831,552	25,786,802
Depreciation - note 4.1	83,669,741	90,697,573
Director's remuneration	3,900,000	4,225,000
Insurance	6,113,674	4,130,966
Vehicles running and maintenance	311,411	433,239
Others - note 23.2	11,313,921	11,288,242
	<u>689,834,049</u>	<u>652,139,657</u>
Opening work in process	7,911,071	8,378,098
Closing work in process - note 7	(7,143,665)	(7,911,071)
Cost of goods manufactured	<u>1,053,214,701</u>	<u>858,302,301</u>
Opening stock of finish goods	110,432,803	90,671,638
Closing stock of finished goods - note 7	(89,687,575)	(110,432,803)
	<u>1,073,959,929</u>	<u>838,541,136</u>

23.1 This includes Rs. 9,839,188 (2017: Rs. 8,745,567) in respect of staff retirement benefits.

23.2 This includes Rs. 7,031,390 (2017: Rs. 7,343,073) in respect of rental charges of generator.

24. SELLING AND DISTRIBUTION EXPENSES

Salaries, wages and benefits - note 24.1	6,355,788	6,646,849
Freight charges	29,610,060	11,692,940
Rent, rates and taxes	195,902	714,424
Fuel, power and water	412,791	286,699
Postage, telegraph and telephone charges	280,787	220,923
Printing and stationery	47,639	34,827
Vehicles running and maintenance	876,406	807,683
Repairs and maintenance	1,090,721	637,270
Travelling and conveyance	162,660	296,768
Entertainment	172,013	129,688
Advertisement expenses	718,470	980,475
Insurance	287,380	268,705
Commission	-	142,000
Depreciation - note 4.1	500,781	542,844
	<u>40,711,398</u>	<u>23,402,095</u>

24.1 This includes Rs. 216,246 (2017: Rs. 192,197) in respect of staff retirement benefits.

	2018	2017
	----- Rupees -----	
25. ADMINISTRATIVE EXPENSES		
Salaries, wages and benefits - note 25.1	11,004,623	11,462,125
Director's remuneration	3,900,000	4,225,000
Fees and subscription	2,182,465	2,040,911
Rent, rates and taxes	1,571,396	1,340,411
Fuel, power and water	1,032,411	1,112,914
Postage, telegraph and telephone charges	523,623	709,092
Printing and stationery	119,960	270,325
Vehicles running and maintenance	353,239	364,458
Repairs and maintenance	581,994	187,518
Travelling and conveyance	604,625	500,101
Entertainment	29,400	59,743
Legal and professional charges	230,288	183,008
Insurance	877,587	297,360
Depreciation - note 4.1	538,442	583,668
	<u>23,550,053</u>	<u>23,336,634</u>
25.1 This includes Rs. 756,860 (2017: Rs. 672,688) in respect of staff retirement benefits.		
	2018	2017
	----- Rupees -----	
26. OTHER EXPENSES		
Auditors' remuneration - note 26.1	529,600	529,600
Exchange loss	9,061,427	2,019,033
Worker profit participation fund	923,062	-
Worker welfare fund	1,327,487	-
Donations	130,000	51,500
	<u>11,971,576</u>	<u>2,600,133</u>
26.1 Auditors' remuneration		
Audit fee	435,600	435,600
Fee for review of half yearly financial information	50,000	50,000
Fee for Code of Corporate Governance review	44,000	44,000
	<u>529,600</u>	<u>529,600</u>
27. OTHER INCOME		
Gain on disposal of property, plant and equipment	478,166	653,326
	<u>478,166</u>	<u>653,326</u>
28. FINANCE COST		
Mark-up on:		
Short term borrowings	5,724,837	11,034,069
Term Finance	23,003,091	30,930,603
	<u>28,727,928</u>	<u>41,964,672</u>
Interest on directors' loan - note 28.1	14,647,835	15,112,288
Bank charges	1,089,528	943,299
	<u>44,465,291</u>	<u>58,020,259</u>

28.1 This includes reversal of imputed interest income on Directors' interest free loan to the Company amounting to Rs. 8,201,208 (2017: Rs. 7,737,943).

	2018	2017
	----- Rupees -----	
29. TAXATION		
Current	9,135,413	-
Deferred	(10,919,364)	(10,105,701)
Prior year	2,878,285	-
	<u>1,094,334</u>	<u>(10,105,701)</u>

Relationship between tax expenses and accounting profit

	2018
	----- Rupees -----
Profit before taxation	<u>16,210,685</u>
Tax at the applicable rate of 30%	4,863,206
Effect of credit under section 65B	(10,101,721)
Effect of expenses not deducted for tax purposes	31,155,740
Effect of expenses deducted for tax purposes but not taken to profit and loss account	(16,781,811)
Adjustment in respect of prior years	2,878,285
Deferred tax	(10,919,364)
Tax charge	<u>1,094,334</u>

29.1 Tax charge for the year ended June 30, 2017 was computed under section 113 adjusted against section 65(b) of the Income Tax Ordinance, 2001. For this reason, relationship between tax expense and accounting profit has not been presented for that year.

29.1 As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

	2017	2016	2015
Provision as for taxation	<u>-</u>	<u>-</u>	<u>16,174,948</u>
Tax assessed	<u>-</u>	<u>-</u>	<u>19,053,233</u>

	2018	2017
	----- Rupees -----	
30. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit / (Loss) after taxation attributable to ordinary shareholders	<u>15,116,351</u>	<u>(74,471,203)</u>
Weighted average number of shares	<u>14,548,676</u>	<u>14,548,676</u>
Earnings per share (Rupees) - Basic and diluted	<u>1.04</u>	<u>(5.12)</u>

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

31. 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 32.

		2018	2017
		----- Rupees -----	
Relation with the Company	Nature of Transaction		
Director's spouse	Rent expenses	<u>1,405,536</u>	<u>1,277,760</u>
Directors	Loan (paid) / received - net	<u>(19,757,999)</u>	<u>55,922,000</u>
Directors	Interest on loan	<u>6,446,627</u>	<u>7,374,345</u>
Directors	Notional interest on loan	<u>8,201,208</u>	<u>7,737,943</u>
Director	Remuneration and allowances	<u>7,800,000</u>	<u>8,450,000</u>

The related party status of outstanding balances as at June 30, 2018 & 2017 is included in long term financing obtained from directors.

32. 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		Total	
	2018	2017	2018	2017	2018	2017
Managerial remuneration and allowances	2,516,129	2,516,129	2,516,129	2,516,129	5,032,258	5,032,258
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	-	325,000	-	325,000	-	650,000
	<u>3,900,000</u>	<u>4,225,000</u>	<u>3,900,000</u>	<u>4,225,000</u>	<u>7,800,000</u>	<u>8,450,000</u>
Number of persons	1	1	1	1	2	2

- 32.1 Aggregate basic salary of executives excluding Chief Executive and Director are below the threshold described in the fourth schedule of Companies Act, 2017, therefore their remuneration details have not been disclosed in the note.
- 32.2 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.
- 32.3 No remuneration has been paid in current and preceding year to non-executive directors of the Company.

	2018	2017
	Square Meters	
33. PLANT CAPACITY AND PRODUCTION		
Installed Capacity	6,480,000	6,480,000
Actual Production	2,311,451	2,197,957
34. NUMBER OF EMPLOYEES		
Number of employees at June 30,2018:		
- Permanent	316	398
- Contractual	120	125
	436	523
This includes 406 (2017: 493) number of factory employees.		
Average number of employees during the year:		
- Permanent	363	385
- Contractual	126	124
	489	509

This includes 457 (2017: 479) number of factory employees.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

35.1 Financial risk factors

The Company's activities expose it to variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on having cost effective funding as well as managing financial risk to minimize earnings volatility and provide maximum return to shareholders.

35.2 Financial assets and liabilities by category and their respective maturities

	Interest bearing			Non-interest bearing			Total
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	
	----- Rupees -----						
Financial assets							
Long term deposits	-	-	-	-	897,038	897,038	897,038
Trade debts	-	-	-	37,237,123	-	37,237,123	37,237,123
Loans and advances	-	-	-	1,596,878	-	1,596,878	1,596,878
Bank balances	-	-	-	4,401,931	-	4,401,931	4,401,931
June 30, 2018	-	-	-	43,235,932	897,038	44,132,970	44,132,970
June 30, 2017	-	-	-	143,560,061	897,038	144,457,099	144,457,099
Financial liabilities							
Long term financing	77,059,896	111,767,070	188,826,966	-	-	-	188,826,966
Directors' loan	-	132,112,603	132,112,603	-	144,888,605	144,888,605	277,001,208
Short term borrowings	100,311,497	-	100,311,497	-	-	-	100,311,497
Trade and other payable	-	-	-	152,176,382	-	152,176,382	152,176,382
Markup accrued on loans	-	-	-	10,285,340	-	10,285,340	10,285,340
Liabilities against assets subject to finance lease	423,525	1,694,101	2,117,626	-	-	-	2,117,626
June 30, 2018	177,794,918	245,573,774	423,368,692	162,461,722	144,888,605	307,350,327	730,719,019
June 30, 2017	304,063,773	477,380,464	781,444,237	153,664,453	-	153,664,453	935,108,690
On balance sheet gap							
June 30, 2018	(177,794,918)	(245,573,774)	(423,368,692)	(119,225,790)	(143,991,567)	(263,217,357)	(686,586,049)
June 30, 2017	(304,063,773)	(477,380,464)	(781,444,237)	(10,104,392)	897,038	(9,207,354)	(790,651,591)
Off balance sheet gap							
June 30, 2018							33,343,437
June 30, 2017							38,913,230

(i) Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. Out of the total financial assets of Rs. 43,425,035 (2017: Rs. 144,457,099), trade debts, loans and advances amounting in aggregate to Rs. 38,834,001 (2017: Rs. 141,280,152) are subject to credit risk. The Company manages its credit risk by limiting significant exposure to any individual customers.

Due to the Company's long standing business relationships with counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by counterparties on their obligations to the Company.

For trade receivables, internal risk assessments process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are fixed based on internal or external ratings in accordance with limits set by the management. The utilization of credit limits is regularly monitored. Accordingly the credit risk is minimal and the Company also believes that it is not exposed to major concentration of credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of financing through banking arrangements.

(iii) Market risk

a) Price risk

Price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to 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.

b) Currency risk

Currency risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist in foreign currency. The Company primarily has foreign currency exposure in US Dollars (USD) and Euro (€). As at June 30, 2018, if the Pak Rupee had weakened / strengthened by 5% against US Dollars (USD) and Euro (€) with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 1,667,172 (2017: Rs. 1,945,661), mainly as a result of foreign exchange losses / gains on translation of US Dollars (USD) and Euro (€) denominated financial assets and liabilities.

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk arises from borrowings which includes short term borrowings (note 20) and long term financing (note 16). Borrowings availed at variable rates expose the Company to cash flow interest rate risk.

At June 30, 2018, the Company had variable interest bearing financial liabilities of Rs. 290,841,663 (2017: Rs. 492,886,837), and had the interest rate varied by 100 basis points with all the other variables held constant, profit before tax for the year would have been lower / higher by approximately Rs. 2,908,416 (2017: Rs. 4,928,868), mainly as a result of higher / lower interest expense on floating rate borrowings.

(iv) 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 in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

At June 30, 2018, the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

36. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the 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.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of shareholders. Debt and capital comprise of long term financing and shareholder's equity respectively.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	As at June 30, 2017	Non-cash changes	Cash Flows	As at June 30, 2018
----- Rupees -----				
Long term financing	588,239,489	37,650,926	(151,212,572)	474,677,843
Liabilities against assets	-	1,703,200	-	1,703,200
subject to finance lease	588,239,489	39,354,126	(151,212,572)	476,381,043

37.1 Liabilities against assets subject to finance lease represents vehicle acquired under lease agreement recorded at present value of minimum lease payments amounting to Rs. 1,703,200.

38. 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. Following major reclassification has been made during the year:

Description	Reclassified From	Reclassified To	Amount in Rs.
Dividend payable	Trade and other payables	Dividend payable	1,015,170
Unclaimed dividend	Trade and other payables	Dividend payable	3,828,247

39. GENERAL

39.1 The Board of Directors has proposed a final dividend for the year ended June 30, 2018 at 8% i.e. Rs. 0.8 per share amounting to Rs. 11,638,941 (2017: NIL) at their meeting held on September 25, 2018 for the approval of the shareholders at the annual general meeting to be held on October 23, 2018. However, these events have been considered as non adjusting events under IAS 10 "Events after the Reporting Period" and have not been recognized in these financial statements.

39.2 These financial statements were authorized for issue on 25 September, 2018 by the Board of Directors of the Company.


Chief Executive


Chief Financial Officer


Director

PATTERN OF SHAREHOLDING

AS AT 30 JUNE 2018

No. of Shareholders	Having Shares		Shares Held	Percentage
	From	To		
196	1	100	2308	0.0159
88	101	500	39902	0.2743
18	501	1000	14528	0.0999
28	1001	5000	83298	0.5725
8	5001	10000	62443	0.4292
4	10001	15000	51612	0.3548
1	25001	30000	27244	0.1873
1	30001	35000	32751	0.2251
1	45001	50000	46000	0.3162
1	75001	80000	80000	0.5499
1	95001	100000	100000	0.6873
1	100001	105000	104500	0.7183
1	160001	165000	163500	1.1238
1	215001	220000	219500	1.5087
1	310001	315000	312360	2.1470
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
363	Company Total		14548676	100.0000

TOTAL OUT STANDING SHARES

AS AT 30 JUNE 2018

CATEGORIES OF SHAREHOLDERS

Serial No	Name	<---Shares Held in Physical Form --->		<--- Shares Held in CDC --->		<----- Total Shareholding ----->		% Holding
		No of Shareholders	Shares Held	No of Shareholders	Shares Held	No of Shareholders	Shares Held	
01	PROMOTORS/DIRECTORS/ACQUIRERS	14	10262569	6	3101130	20	13363699	91.8551
02	PERSONS/BODIES WITH "CONTROLLING INTEREST"	0	0	0	0	0	0	0.0000
03	GOVERNMENT HOLDING AS PEROMOTOR/ACQUIRER	0	0	0	0	0	0	0.0000
04	ASSOCIATED/GROUP COMPANIES (CROSS-HOLDING)	0	0	0	0	0	0	0.0000
05	SHARES THAT COULD NOT BE SOLD IN THE OPEN MARKET, IN NORMAL	0	0	0	0	0	0	0.0000
06	SHARE HELD WITH GENERAL PUBLE	78	301947	265	883030	343	1184977	8.1449
	Total	92	10564516	271	3984160	363	14548676	100.0000

CATEGORY OF SHARE HOLDERS

AS AT 30 JUNE 2018

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
000000000734	MR. SHAHNAWAZ NOOR ALI A.MADHANI	001	435812	2.9955
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
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
016923000027	N.U.A SECURITIES (PRIVATE) LIMITED -MF	010	500	0.0034

CATEGORIES OF SHAREHOLDERS

AS AT 30 JUNE 2018

Particulars	No. of Folio	Balance Share	Percentage
DIRECTORS, CEO & CHILDREN	20	13363699	91.8551
BANKS, DFI & NBFI	2	312562	2.1484
INSURANCE COMPANIES	1	1500	0.0103
GENERAL PUBLIC (LOCAL)	334	832015	5.7188
GENERAL PUBLIC (FOREIGN)	2	4499	0.0309
OTHERS	4	34401	0.2365
Company Total	363	14548676	100.0000

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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 39th Annual General Meeting of the Company to be held on Tuesday,
October 23, 2018 at 6:30 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 جناب
 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 39 ویں
 سالانہ جنرل میٹنگ میں شرکت کر کے ووٹ دے سکتے ہیں جس کا انعقاد بروز منگل 23 اکتوبر 2018ء کو شام 6:30 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۔



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