

Karam Ceramics Limited
Interim Condensed Financial Statements
For the Half Year Ended December 31, 2012
(UNAUDITED)

IN TECHNICAL COLLABORATION WITH
DOULTON
BATH ROOMS ENGLAND



KARAM
CERAMICS
LIMITED
SANITARY WARE - TILES - BATH TUBS



www.karamceramics.com



COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Irshad Ali S. Kassim	Chairman
Mr. Munawar Ali S. Kassim	Chief Executive
Mr. Shahid Ahmed	Non-Executive Director
Mr. Shahnawaz Madhani	Director
Mrs. Mariam Shaban Ali	Director
Miss. Natalia Kassim	Director
Miss. Anushka Kassim	Director
Mr. Amir Sawja	C.F.O
Mr. Manzoor Ali Natha	Company secretary

AUDIT COMMITTEE

Mr. Irshad Ali S. Kassim	Chairman
Miss. Anushka Kassim	Member
Mr. Shahnawaz Madhani	Member

HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Munawar Ali S. Kassim	Chairman
Mr. Shahid Ahmed	Member
Miss. Natalia Kassim	Member

BANKERS

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

AUDITORS / REGISTRAR AND SHARE TRANSFER OFFICE

Qavi & Co
Chartered Accountants
T.H.K. Associates (Private) Limited
Ground Floor, State Life Building-3
Dr. Ziauddin Ahmed Road, Karachi

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

REGISTERED OFFICE

BC-6, Block -5, Scheme-5, Kehkashan, Clifton, Karachi.

FACTORY

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

LAHORE

Chowk Kahna Railway Station Defence Road,
Near Facatory Shaikh Hidayatullah, Lahore.
Tel# (92-42)-37042259
(92-42)-37042263



REPORT OF THE DIRECTORS FOR THE HALF YEAR ENDED 31ST DECEMBER 2012

Dear Shareholders,

Your Directors are pleased to present before you the un-audited financial results of the company for the half year ended December 31, 2012.

During the half year under review the Net Sales were Rs. 518.16 million as against sales of Rs. 550.35 million for the corresponding period of the last year, representing a decrease of Rs. 32.19 million as a result of fall in volume of sales.

Gross profit of Rs 51.84 million for the period under review is higher than the gross profit as compared to preceding year

Our company has suffered loss before tax during the period due to fall in sales as a result of frequent closure of local markets in wake of prevailing law & order situation in the city coupled with rising cost production and stiff competition with cheap Chinese tiles This has resulted in negative earnings per share of Rs 0.15

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

On behalf of the Board

Munawar Kassim
Chief Executive

Karachi: February 21, 2013.



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

INTRODUCTION

We have reviewed the accompanying condensed interim balance sheet of **KARAM CERAMICS LIMITED** as at December 31, 2012 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

SCOPE OF REVIEW

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

CONCLUSION

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

The figures for the quarters ended December 31, 2012 and December 31, 2011 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed by us and we do not express a conclusion on them.

Dated: February 21, 2013.

Place: Karachi

Chartered Accountants
Engagement Partner : **Khalid Anwar**

Condensed Interim Balance Sheet

As at December 31, 2012 (Un-audited)

	Note	(Un-Audited) December 31, 2012 Rupees	(Audited) June 30, 2012 Rupees
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Issued, subscribed and paid up capital		145,486,760	145,486,760
Unappropriated profit		117,040,059	117,898,126
		262,526,819	263,384,886
Surplus on revaluation of fixed assets		36,144,172	37,448,317
Non Current Liabilities			
Long term financing	5	155,963,105	84,880,319
Deferred liabilities		68,379,764	69,666,386
Deferred taxation		87,879,085	91,081,596
		312,221,954	245,628,301
Current Liabilities			
Advance from customers		19,550,000	19,550,000
Trade and other payables		76,559,220	131,752,374
Markup accrued on loans		6,831,924	10,766,831
Short term running finance - secured		65,979,747	95,702,756
Current portion of long term financing	5	47,500,000	128,663,001
Provision for taxation		2,786,244	11,873,128
		219,207,135	398,308,091
CONTINGENCIES AND COMMITMENTS			
	6	-	-
TOTAL EQUITY AND LIABILITIES		830,100,080	944,769,595
ASSETS			
Non Current Assets			
Property, plant and equipments	7	620,909,080	653,382,118
Long term deposits		897,038	897,038
		621,806,118	654,279,156
Current Assets			
Stores and spares		9,640,454	9,567,511
Stock in trade		140,866,159	134,019,601
Trade debts - unsecured considered good		43,074,036	63,523,320
Loan and advances		1,324,007	1,877,022
Income tax refundable		89,300	4,286
Short term deposits, prepayments and balances with statutory authorities		9,442,163	24,098,399
Cash and bank balances	8	3,857,843	57,400,300
		208,293,962	290,490,439
TOTAL ASSETS		830,100,080	944,769,595

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


Chief Executive


DIRECTOR

Condensed Interim Profit and Loss Account (Un-audited) For the Half year ended 31st December 2012

	Note	Half year Ended		Quarter Ended	
		December 2012 Rupees	December 2011 Rupees	December 2012 Rupees	December 2011 Rupees
Sales-net		518,163,227	550,352,577	239,815,046	285,602,730
Cost of sales		(466,321,567)	(515,439,789)	(221,027,304)	(272,201,394)
Gross profit		51,841,660	34,912,788	18,787,742	13,401,336
Selling and distribution expenses		(23,443,344)	(17,679,834)	(10,093,268)	(9,280,334)
Administrative expenses		(9,866,792)	(8,764,248)	(4,716,166)	(4,308,631)
Other operating charges		(652,526)	(481,127)	(52,457)	(59,585)
Other operating income		182,980	317,308	69,577	205,709
Operating profit / (loss)		18,061,978	8,304,887	3,995,428	(41,506)
Financial charges		(20,640,457)	(20,910,284)	(10,561,272)	(10,730,775)
Loss before taxation		(2,578,479)	(12,605,397)	(6,565,844)	(10,772,281)
Taxation	9	416,267	(4,891,158)	2,326,220	(3,526,128)
Loss after taxation		(2,162,212)	(17,496,555)	(4,239,624)	(14,298,409)
Loss per share	10	(0.15)	(1.20)	(0.29)	(0.98)

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


Chief Executive


DIRECTOR

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the Half Year ended December 31, 2012

	Half year Ended		Quarter Ended	
	December 2012 Rupees	December 2011 Rupees	December 2012 Rupees	December 2011 Rupees
Loss after taxation	(2,162,212)	(17,496,555)	(4,239,624)	(14,298,409)
Other comprehensive income				
Incremental depreciation transfer from surplus on revaluation of fixed assets (net of deferred tax)	1,304,145	1,449,050	652,072	724,525
Total comprehensive income for the period	(858,067)	(16,047,505)	(3,587,552)	(13,573,884)

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


Chief Executive


DIRECTOR



Condensed Interim Cash Flow Statement (Un-audited)

For the Half Year ended December 31, 2012

	December 2012 Rupees	December 2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(2,578,480)	(12,605,397)
Adjustments for:		
Depreciation	32,466,018	32,595,597
Provision for staff gratuity	-	3,705,560
Workers' welfare fund	159,214	18,727
Financial charges	20,640,457	20,910,284
Gain on sale of vehicles	(112,980)	(262,207)
	53,152,709	56,967,961
(Increase) / decrease in operating assets		
Stores and spares	(72,943)	(7,175,450)
Stock in trade	(6,846,558)	3,270,841
Trade debts - unsecured considered good	20,449,283	(14,823,241)
Loan and advances	553,015	(1,242,858)
Short term deposits, prepayments and balances with statutory authorities	8,430,985	(35,968,924)
	22,513,782	(55,939,632)
Increase/ (decrease) in operating liabilities		
Short term running finance - secured	(29,723,009)	43,176,301
Trade and other payables	(54,557,535)	14,375,441
	(84,280,544)	57,551,742
Cash (used in) /generated from operations	(11,192,533)	45,974,674
Financial charges paid	(24,559,420)	(19,312,301)
Income tax paid	(6,305,069)	(6,033,902)
Gratuity paid	(1,286,622)	(1,036,240)
Workers' profit participation fund paid	(238,598)	(710,460)
	(32,389,709)	(27,092,903)
Net cash (used in) /generated from operating activities	(43,582,242)	18,881,771
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant and equipments	-	(14,619,280)
Proceeds from sale of vehicles	120,000	332,400
Net cash generated from / (used in) investing activities	120,000	(14,286,880)
CASH FLOW FROM FINANCING ACTIVITIES		
Directors loan	15,380,192	6,600,000
Long term financing received	150,000,000	46,000,000
Long term financing repaid	(175,460,407)	(49,248,168)
Dividend paid	-	(11,088,963)
Net cash used in financing activities	(10,080,215)	(7,737,131)
Net decrease in cash and cash equivalents	(53,542,457)	(3,142,240)
Cash and cash equivalents at beginning of the period	57,400,300	5,489,071
Cash and cash equivalents at end of the period	3,857,843	2,346,831

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


 Chief Executive

07


 DIRECTOR



**Condensed Interim
Statement of Changes in Equity (Un-audited)
For the Half year ended December 31, 2012**

	Share Capital Rupees	Unappropriated Profit Rupees	Total Rupees
Balance as at July 01, 2011	145,486,760	128,881,173	274,367,933
Payment of dividend	-	(14,548,676)	(14,548,676)
Total comprehensive income for the half year ended December 31, 2011	-	(16,047,505)	(16,047,505)
Balance as at December 31, 2011	<u>145,486,760</u>	<u>98,284,992</u>	<u>243,771,752</u>
Balance as at July 01, 2012	145,486,760	117,898,126	263,384,886
Total comprehensive income for the half year ended December 31, 2012	-	(858,067)	(858,067)
Balance as at December 31, 2012	<u>145,486,760</u>	<u>117,040,059</u>	<u>262,526,819</u>

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


Chief Executive


DIRECTOR



Notes to and forming part of the Condensed Interim Financial Information (Un-audited) For the half year ended December 31, 2012

1 STATUS AND NATURE OF BUSINESS

The company was incorporated in Pakistan on 08 April 1979 as a Public Limited Company under the Companies Act, 1913, (now Companies Ordinance, 1984). The shares of the company are quoted on Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at BC- 6, Block -5, Kehkashan, Clifton, Karachi, Pakistan and principal office is situated at 295/311, Deh Halkani, Hub Dam Road, Manghopir, Karachi. The principal activity of the company is the manufacturing tiles.

2 BASIS OF PREPARATION

- 2.1** This condensed interim financial information of the company for the half year ended December 31, 2012 has been prepared in accordance with the requirements of the International Accounting Standard 34- Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984 (the ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.
- 2.2** This condensed interim financial information comprises of the condensed interim balance sheet as at December 31, 2012 and the condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and the condensed interim statement of changes in equity for the half year ended which have been subjected to a review in accordance with the listing regulations but not audited. This condensed interim financial information also includes the condensed interim profit and loss account for the quarter ended December 31, 2012 which is not subject to a review.
- 2.3** The comparative condensed balance sheet, presented in this condensed interim financial information, as at June 30, 2012 has been extracted from the annual audited financial statements of the company for the year ended June 30, 2012 whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and the condensed interim statement of changes in equity for half year ended December 31, 2011 were subjected to a review but not audited. The comparative condensed profit and loss account for the quarter ended December 31, 2011 included in this condensed interim financial information was not subject to a review.

3 ESTIMATES AND JUDGEMENTS

3.1 The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

3.2 Estimates and judgements made by management in the preparation of this condensed interim financial information are the same as those that were applied to the audited annual separate financial statements of the Company as at and for the year ended 30 June 2012.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information is the same as those applied in the preparation of the financial statements for the year ended June 30, 2012.

	Note	(Un audited) December, 31 2012 Rupees	(Audited) June 30, 2012 Rupees
5 LONG TERM FINANCING			
From Banking companies:			
Term finance loan - secured	5.1	167,500,000	192,960,407
Current maturity		(47,500,000)	(128,663,001)
		<u>120,000,000</u>	<u>64,297,406</u>
From related parties:			
Directors loan - unsecured	5.2	35,963,105	20,582,913
		<u>155,963,105</u>	<u>84,880,319</u>

5.1 The Company has obtained term finance loan from Soneri Bank Limited and Habib Bank Limited under mark-up arrangements. Mark-up is payable at the rate of six months Karachi Inter Bank Offer Rate (KIBOR) plus 1.5% per annum (June 30, 2012: KIBOR plus 1.5%) per annum. The principal amount is repayable in equal monthly installments. The facility from Soneri Bank Limited is secured by first equitable mortgage charged with SECP of Rs. 600 million over factory property including land, building and plant and machinery situated at 295/311, Deh Halkani, Hub Dam Road, Manghopir, Karachi. Further the term finance facility obtained from Habib Bank Limited is secured against third party mortgage over KCL Head Office, located at BC-6, Block 5, Scheme # 5, Kehkashan Clifton, Karachi.

5.2 This represent net amount due to four directors. The loan carried interest @ 7% per annum (June 30, 2012: 7%), the amount will be paid on January 24, 2014.

6 CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

Nil

6.2 Commitments

Commitments under letter of credit as at December 31, 2012 amounted to Rs.10,694,000 (June 30, 2012 : 18,830,565).



	(Un audited) December, 31 2012 Rupees	(Audited) June 30, 2012 Rupees		
7 PROPERTY, PLANT AND EQUIPMENTS				
Opening written down value	653,382,118	642,121,677		
Addition during the period / year				
Plant and machinery	-	75,666,800		
Motor vehicles	-	1,436,638		
Mould	-	1,551,437		
	-	78,654,875		
	653,382,118	720,776,552		
Disposal during the period / year				
Vehicle: Cost	(150,000)	(1,179,000)		
Accumulated depreciation	142,980	1,108,807		
Depreciation charge during the period / year	(32,466,018)	(67,324,241)		
Closing written down value	620,909,080	653,382,118		
8 CASH AND BANK BALANCES				
Cash in hand	2,191,943	1,015,171		
Cheques in hand	-	51,943,925		
	2,191,943	52,959,096		
Balances with banks in:				
- Current accounts	991,831	3,767,135		
- Deposit accounts	674,069	674,069		
	1,665,900	4,441,204		
	3,857,843	57,400,300		
9 TAXATION	(Un audited)	(Un audited)		
	Half year ended December 31, 2012 Rupees	Half yearly ended December 31, 2011 Rupees	Quarter ended December 31, 2012 Rupees	Quarter ended December 31, 2011 Rupees
Current tax				
- For the period	2,786,244	5,503,526	(1,329,689)	2,940,028
- Prior year	-	13,313	-	13,313
	2,786,244	5,516,839	(1,329,689)	2,953,341
Deferred tax	(3,202,511)	(625,681)	(996,532)	572,787
	(416,267)	4,891,158	(2,326,221)	3,526,128
10 LOSS PER SHARE				
Loss for the period (Rupees)	(2,162,212)	(17,496,555)	(4,239,624)	(14,298,409)
Weighted average number of ordinary shares	14,548,676	14,548,676	14,548,676	14,548,676
Loss per share (Rupees)	(0.15)	(1.20)	(0.29)	(0.98)

11 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated undertakings, directors and key management personnel. Transactions with related parties during the period, other than remuneration and benefits to key management personnel under the terms of their employment, are as follows:

	(Un audited) December, 31 2012	(Un audited) December, 31 2011
Director's spouse		
Transaction		
Payment of rent of office premises	420,000	637,800
Directors		
Transaction		
Interest on loan	866,855	234,168
Loan received	25,480,192	6,600,000
Loan Paid	10,100,000	-

12 DATE OF AUTHORIZATION FOR ISSUE

The condensed interim financial information have been authorized for issue by the Board of Directors of the Company in its meeting held on February 21, 2013.

13 GENERAL

Figures have been rounded off to the nearest rupee.


 Chief Executive


 DIRECTOR

BOOK POST

UNDER
CERTIFICATE
OF POSTING

If undelivered please return to:
KARAM CERAMICS LIMITED
BC-6, Block-5, Schieme-5, Kehkashan Clifton, Karachi.



CORPORATE