

Karam Ceramics Limited
Interim Condensed Financial Statements
For the Half Year Ended December 31, 2014
(UNAUDITED)



www.karamceramics.com



COMPANY INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Mr. Shahid Ahmed	Chairman
Mr. Irshad Ali S. Kassim	Member
Miss. Anushka Kassim	Member

HUMAN RESOURCES & REMUNERATION COMMITTEE

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

BANKERS

Soneri Bank Limited
Habib Bank Limited
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 Factory Shaikh Hidayatullah, Lahore.
Tel # (92-42)-37042259
(92-42)-37042263

REPORT OF THE DIRECTORS FOR THE HALF YEAR ENDED 31ST DECEMBER 2014

Dear Shareholders,

Yours Directors are pleased to place before you un-audited accounts for the half year ended December 31, 2014.

Sales revenue during the half year under review increased by 16.79 % to Rs. 638.22 million from sales revenue of Rs. 546.49 million for the same period of the last year.

Gross profit of Rs. 78.76 million for the period under review, is higher than the gross profit of Rs. 37.23 million for the same period of the last year due to increase in sales revenue. Net profit after tax for the period under review has also improved to Rs. 20.44 million from Rs. 11.18 million for the corresponding period of the immediate preceding year.

Earnings per share for the period ended December 31, 2014 was Rs. 1.44 as compared to Rs.(0.77) for the preceding year.

Future demand of ceramics tiles is expected to grow and the management is endeavoring to improve the profitability, further, during the remaining six months by increasing its market share in this competitive market by introducing wide range of designs, exclusive prints and various different sizes of tiles.

On behalf of Board of Directors, I thank our well wishers, shareholders, customers, dealers, bank & DFIS, friends and all employees for their cooperation and contribution towards the progress of the company.

On behalf of the Board.



Munawar Ali S. Kassim
Chief Executive

Karachi 12th February, 2015

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

INTRODUCTION

We have reviewed the accompanying condensed interim balance sheet of KARAM CERAMICS LIMITED as at December 31, 2014 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, 2014 and December 31, 2013 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 12, 2015.

Place: Karachi



Chartered Accountants
Engagement Partner : **Khalid Anwar**

Condensed Interim Balance Sheet (Un-audited)

As at December 31, 2014

		(Un-Audited) December 31, 2014 Rupees	(Audited) June 30, 2014 Rupees
	Note		
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid up capital		145,486,760	145,486,760
Unappropriated profit		167,207,190	159,413,205
		312,693,950	304,899,965
Surplus on revaluation of fixed assets		75,230,770	76,680,722
NON CURRENT LIABILITIES			
Long term loans	5	120,777,083	118,825,565
Deferred Liabilities		81,159,823	73,076,239
Deferred Taxation		78,451,551	84,551,142
		279,940,590	276,452,946
CURRENT LIABILITIES			
Trade and other payables		123,265,696	125,780,377
Accrued mark up on loans		8,506,668	6,933,808
Short term borrowings		20,839,867	30,442,373
Current portion of long term loans	5	38,400,000	38,400,000
Provision for Taxation		13,065,326	12,786,123
		204,077,557	214,342,681
Contingencies and commitments	6	871,942,867	872,376,314
NON CURRENT ASSETS			
Property, plant and equipment	7	658,157,111	641,899,583
Capital Work in Progress		31,319,790	-
		689,476,901	641,899,583
Long term Deposits		897,038	907,038
CURRENT ASSETS			
Stores and spares		8,567,629	8,874,390
Stock in trade		86,446,806	98,414,110
Trade debts - unsecured		45,663,292	69,026,087
Loan and Advances		1,425,945	1,370,243
Income Tax Refundable		5,094,566	-
Short term deposits, Prepayments & balances with statutory authorities		23,381,966	33,551,915
Cash and bank balances	8	10,988,724	18,332,948
		181,568,928	229,569,693
		871,942,867	872,376,314

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



Chairman



Chief Executive

Condensed Interim Profit and Loss Account (Un-audited) For the Half year ended 31st December 2014

	Note	Half year Ended		Quarter Ended	
		December 2014 Rupees	December 2013 Rupees	December 2014 Rupees	December 2013 Rupees
Sales-net		638,223,201	546,492,692	313,263,644	310,509,125
Cost of sales		(559,467,470)	(509,266,530)	(271,085,129)	(289,372,438)
Gross profit		78,755,731	37,226,162	42,178,515	21,136,687
Selling and distribution expenses		(24,345,471)	(11,666,923)	(13,662,190)	(8,537,800)
Administrative expenses		(10,630,384)	(10,228,584)	(5,170,476)	(5,848,554)
Other operating charges		(3,157,576)	(1,201,466)	(840,196)	(639,239)
Other operating income		474,016	346,528	473,581	295,460
Operating Profit		41,096,317	14,475,717	22,979,233	6,406,554
Finance Charges		(13,685,740)	(12,308,660)	(6,999,007)	(5,777,830)
Profit before taxation		27,410,577	2,167,057	15,980,226	628,724
Taxation	9	(6,965,735)	9,012,425	(5,412,661)	9,980,320
Profit after taxation		20,444,842	11,179,482	10,567,566	10,609,044
Earning per share	10	1.44	0.77	0.73	0.73

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


Chairman


Chief Executive

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the Half Year ended December 31, 2014

	Half year Ended		Quarter Ended	
	December 2014 Rupees	December 2013 Rupees	December 2014 Rupees	December 2013 Rupees
Profit after taxation	20,892,709	11,179,482	10,567,566	10,609,044
Other comprehensive income				
Incremental depreciation transfer from surplus on revaluation of fixed assets (net of deferred tax)	1,449,952	1,587,012	724,976	793,506
Total comprehensive income for the period	22,342,661	12,766,494	11,292,542	11,402,550

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



Chairman



Chief Executive

Condensed Interim Cash Flow Statement (Un-audited)

For the Half Year ended December 31, 2014

	December 2014 Rupees	December 2013 Rupees
Profit before taxation	27,410,577	2,167,057
Adjustments for:		
Depreciation	32,496,034	31,191,477
Provision for staff gratuity	5,715,216	5,267,349
Charge for Workers' Profit Participation Fund	1,509,051	128,926
Charge for Workers' Welfare Fund	813,525	282,540
Finance Cost	13,685,740	12,308,660
	54,219,565	49,178,952
(Increase) /Decrease in operating assets		
Stores and spares	306,761	(260,976)
Stock in trade	11,967,304	(15,284,340)
Trade debtors	23,362,795	(2,110,379)
Loans and advances	(55,702)	5,534,368
Trade deposits and prepayments	2,672,123	4,301,935
	38,253,281	(7,819,392)
Increase/ (Decrease) in operating liabilities		
Short term borrowings	(9,602,506)	(24,805,820)
Trade & other payables	(3,592,460)	(2,099,941)
	(13,194,966)	(26,905,761)
Cash generated from operations	106,688,457	16,620,856
Finance Cost paid	(12,112,879)	(12,594,588)
Income tax paid	(10,382,861)	(7,138,606)
Gratuity paid	(977,371)	(1,726,369)
WPPF Paid	(1,244,798)	(1,019,464)
	(24,717,909)	(22,479,027)
Net cash generated from operating activities	81,970,548	(5,858,171)
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to Property, plant and equipment	(48,753,563)	(16,991,372)
Capital work in progress	(31,319,790)	-
Net cash used in investing activities	(80,073,353)	(16,991,372)
CASH FLOW FROM FINANCING ACTIVITIES		
Directors Loan	21,151,518	(13,474,435)
Long term Loan received	-	-
Long term Loan repaid	(19,200,000)	(15,000,000)
Bills Payable against long term loan	-	-
Dividend paid	(11,202,937)	(4,980)
Long term deposits and prepayments	10,000	-
Net cash (used in) / generated from financing activities	(9,241,419)	(28,479,415)
Net Increase/(decrease) in cash and bank balances	(7,344,224)	(51,328,958)
Cash and bank balances at beginning of the period	18,332,948	61,821,580
Cash and bank balances at end of the period	10,988,724	10,492,622

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



Chairman



Chief Executive

Condensed Interim Statement of Changes in Equity (Un-audited) For the Half year ended December 31, 2014

	Share Capital Rupees	Unappropriated Profit Rupees	Total Rupees
Balance as at 1 July 2013	145,486,760	134,030,980	279,517,740
Total comprehensive income for the half year ended Dec 31, 2013	-	12,766,495	12,766,495
Balance as at Dec 31, 2013	145,486,760	151,455,000	296,941,760
Balance as at 30 June 2014	145,486,760	154,755,680	300,242,440
Correction of error Relating to surplus on revaluation in 2013	-	4,657,525	4,657,525
Balance as at June 30, 2014 (Re-stated)	145,486,760	159,413,205	304,899,965
Payment of dividend	-	(14,548,676)	(14,548,676)
Total comprehensive income for the half year ended Dec 31, 2014	-	22,342,661	22,342,661
Balance as at December 31, 2014	145,486,760	167,207,190	312,693,950

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



Chairman



Chief Executive

Notes to and forming part of the Condensed Interim Financial Information (Un-audited) For the half year ended December 31, 2014

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 Stock Exchange. The principle activity of the company is the manufacture and sale of Ceramics tiles

2 BASIS OF PREPARATION

- 2.1** This condensed interim financial report of the company for the six months period ended December 31, 2014 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 report comprises of the condensed interim balance sheet as at December 31, 2014 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 six months period then ended which have been subjected to a review but not audited. This condensed interim financial report also includes the condensed interim profit and loss account for the quarter ended December 31, 2014 which is not subject to a review.
- 2.3** The comparative condensed balance sheet, presented in this condensed interim financial report, as at June 30, 2014 has been extracted from the annual audited financial statements of the company for the year ended June 30, 2014 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 six months period ended December 31, 2013 were subjected to a review but not audited. The comparative condensed profit and loss account for the quarter ended December 31, 2013 included in this condensed interim financial report 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 2014.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended June 30, 2014.

	Note	December, 31 2014 Rupees	June 30, 2014 Rupees
5 LONG TERM LIABILITIES			
For Banking companies:			
Term Finance Loan-secured	5.1	125,700,000	144,900,000
Current maturity		(38,400,000)	(38,400,000)
		87,300,000	106,500,000
From related parties:			
Directors Loan - Unsecured	5.2	33,477,083	12,325,565
		120,777,083	118,825,565

- 5.1 This represents long term finance obtained from Soneri Bank Limited amounting to Rs. 90,000,000 (June 30, 2014: Rs.105,000,000) for financing of fixed assets of the Company at a mark up rate of 6 month KIBOR + 1.5% p.a. This term finance loan is repayable by December 31, 2017, and Rs.30,000,000 (June 30,2014: Rs.39,900,000) to finance imported machinery through one-off LC Sight at a mark up rate of 6 month KIBOR + 1.5% p.a. This term finance loan is repayable by March 31, 2019.

- 5.2 This represent net amount due to two directors. The loan carried interest @ 7% per annum (June 30, 2013: 7%), the amount will be paid after September 15, 2016.

6 CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

There is contingent liability of the company as on December 31, 2014 for a sum of Rs Nil (June 30, 2014: Rs Nil).

6.2 Commitments

Commitments under letter of credit as at December 31, 2014 amounted to Euro : 22,425/- & USD \$ 329,559/- (June 30, 2014 : Euro : 76,414/- & USD \$ 112,122/-).

	(Un audited) December, 31 2014 Rupees	(Audited) June 30, 2014 Rupees
7 PROPERTY, PLANT AND EQUIPMENT		
Opening written down value	641,899,583	644,233,735
Add: Addition during the period/year		
Plant & Machinery	48,753,563	58,138,081
Vehicles	-	2,441,026
	48,753,563	60,579,107
	690,653,146	704,812,842
Less: Depreciation charge during the period/year	(32,496,034)	(62,913,259)
Closing written down value	658,157,112	641,899,583
8 CASH AND BANK BALANCES		
Cash in hand	473,862	525,467
Cheques and drafts in hand	-	14,098,027
	473,862	14,623,494
Balance with banks in:		
Current accounts	9,714,890	2,982,905
Deposit accounts	799,972	726,549
	10,514,862	3,709,454
	10,988,724	18,332,948

9 TAXATION

	(Un audited) Half Year Ended		(Un audited) Quarter Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Current tax	13,065,326	5,464,927	6,014,672	2,639,536
- For the period	-	(5,736,762)	-	(5,736,762)
- Prior	13,065,326	(271,835)	6,014,672	(3,097,226)
Deferred Tax	(6,099,591)	(8,740,590)	(602,011)	(6,883,094)
	6,965,735	(9,012,425)	5,412,661	(9,980,320)

10 (LOSS) / EARNING PER SHARE

	(Un audited) Half Year Ended		(Un audited) Quarter Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
(Loss) / Profit for the half year	20,892,709	11,179,482	10,567,566	10,609,044
Weighted average number of ordinary shares	14,548,676	14,548,676	14,548,676	14,548,676
Earnings per share (Rupees)	1.44	0.77	0.73	0.73

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 2014 Rupees	(Un audited) December, 31 2013 Rupees
Director's spouse Transaction Payment of rent of Office premises	420,000	420,000
Directors Transaction Interest on loan	767,765	952,703
Loan received	21,151,518	5,000,000
Loan paid	-	18,874,435

12 DATE OF AUTHORIZATION FOR ISSUE

The Financial Statements have been authorized for issue by the Board of Directors of the company in its meeting held on February 12, 2015.

13 GENERAL

Figures have been rounded off to the nearest rupee.



Chairman



Chief Executive

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

CORPORATE