



2013
Annual Report

(LATE)
MR. SHABAN ALI G. KASSIM (CHAIRMAN)



**HE SHALL ALWAYS REMAIN IN OUR
DEEPEST MEMORY FOR HIS DEDICATION ,
SINCERITY ,HUMILITY AND INTEGRITY**



34th ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

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CORPORATE PROFILE

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. Amir Sawja	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 Facatory Shaikh Hidayatullah,Lahore.
Tel# (92-42)-37042259
(92-42)-37042263



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 34th Annual General meeting of the Company will be held at the Registered Office of the Company on Saturday October 26, 2013 at 5:00 p.m. to transact the following business:

1. To confirm the minutes of the 33rd Annual General Meeting held on October 22, 2012.
2. To consider and adopt the Audited Accounts of the Company for the year ended June 30, 2013 along with the Report of the Directors thereon.
3. To appoint Auditors for the year 2014 and fix their remuneration.
4. To elect 7 Directors for a period of three years in accordance with the Companies Ordinance, 1984.

The Directors have fixed the number of elected Directors as 7 (seven). The name of Directors who are retiring are as follows:-

- | | |
|-----------------------------|----------------------------------|
| 1. Mr. Irshad Ali S. Kassim | 2. Mr. Munawar Ali S. Kassim |
| 3. Mr. Shahid Ahmed | 4. Mrs. Mariam Shaban Ali Kassim |
| 5. Miss. Anushka Kassim | 6. Miss. Natalia Kassim |
| 7. Mr. Shah Nawaz Madhani | |
5. To transact any other business with the permission of the Chair.

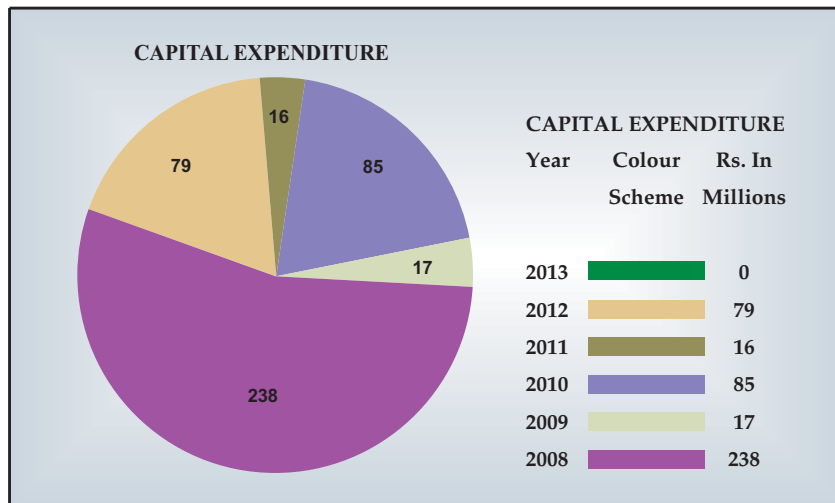
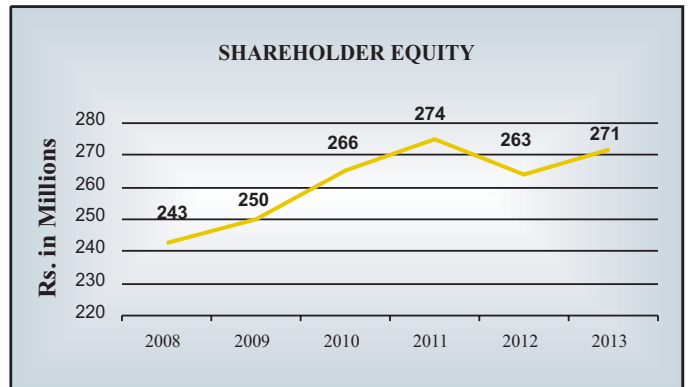
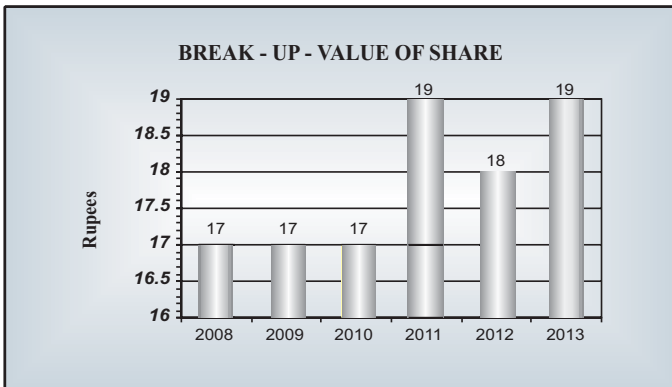
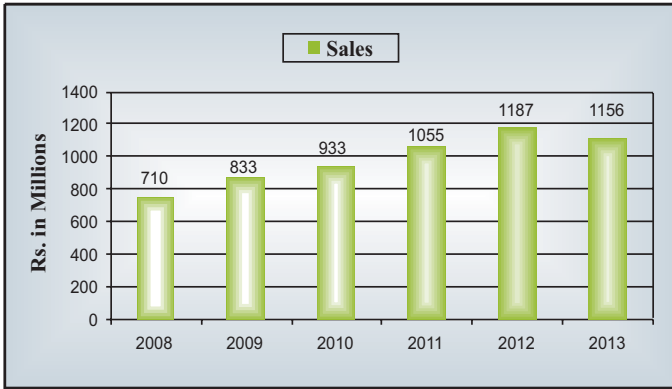
By Order of the Board

Karachi
October 4, 2013

Manzooral Natha
Company Secretary

Notes:

1. The share transfer book of the company will remain closed from October 19, 2013 to October 26 2013 (both days inclusive).
2. A member eligible to attend and vote at the meeting may appoint another member as his/her proxy to 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.
3. The beneficial owners of shares recorded in Central Depository Company of Pakistan Limited (CDCPL) are required to bring their National Identity Cards and in case of institutions 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.
4. Members are requested to communicate to the company or the Registrar to the company of any change in their address.
5. Any person who seeks to contest election to the office of Director shall file with the company, not later than fourteen days before the date of the meeting a notice of his intention to offer himself for election as a Director together with his consent to act as a Director.





FINANCIAL HIGHLIGHTS

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Sales	1156	1187	1055	933	833	710	635	660	613	482
Gross Profit	114	107	129	114	130	139	99	136	137	96
Expenses	96	104	117	102	117	106	83	80	70	62
Profit before Taxtation	17	3	12	13	13	33	16	56	67	34
Profit after Taxtation	4.4	0.6	5	12	21	8	13	27	35	21
Dividend %	-	-	10	-	-	12.5	12.5	-	15	15
Right Shares %	-	-	-	-	-	-	-	33.3	-	-
Earning per Share (Rs.)	0.30	0.05	0.37	0.86	1.46	0.55	1.03	2.2	3.22	1.99



DIRECTORS' REPORT TO THE SHAREHOLDER

The Directors of your company are pleased to present the Annual Report with audited financial statements of the Company for the year ended June 30, 2013

OPERATING RESULTS

During the year ended June 30, 2013; the company have registered marginal drop in Net revenue of Rs. 1,156.07 million which is 2.63% lower than the net revenue of Rs. 1,187.31 million for the preceding year. Decrease in sales was due to lower sale volume achieved during the year. Besides the production during the year was also lower as compared to last year due to gas shortage / shut downs

Selling prices of our products remained under pressure due to stiff competition from imported tiles as well as severe competition from local tiles manufacturers. The gross profit for the year increased to Rs.113.64 million against the last year gross profit of Rs.106.73 million.

Operating expenses of the company remain almost the same as compared to last year however financial cost of Rs 34.495 M as against Rs 43.26 M of last year decreased by 20.25% due to better management of working capital coupled with reduction of discount rate by State Bank of Pakistan.

During the year management had shut down production facilities for a period of 30 days and carried out repairs / maintenance work of its Plant & Machinery. This will improve efficiency of the plant and quality of production

RETAINED EARNINGS

The company managed to earn Profit before tax for the year at Rs. 17.41 million against the profit of Rs.3.44 million for the preceding year and after tax profit of Rs 4.37 million as against the profit of Rs 0.67 million of last year.

EARNING PER SHARE

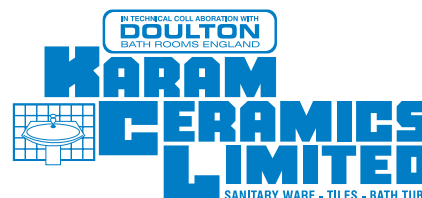
Earning per share for the year ended 30th June, 2013 was Rs.0.30 as compared to Rs 0.05 for the last year.

Un-appropriated profit to be carried forward is Rs 125.74 M

FUTURE OUTLOOK

At the back drop of current economic scenario, we anticipate continued challenges in Pakistan and more in business environment. Hike in energy tariffs, depreciation of PKR against international currencies and inflationary pressure on other input cost together with intensifying competition with imported tiles will impact profitability of the company during the ensuing year.

However we are confident that the future demand of ceramics tiles would increase as a result of economic improvement forecasted globally. The Company shall continue its focus on consumer preferences 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 compliant with the provisions of the Code of Corporate Governance as required by the Securities & 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 changes 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 Accounting 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.
- " The Company has the ability to continue as a going concern; and
- " There has been no deviation from the best practices of Corporate Governance, as detailed in the listing regulations.

CHANGES IN BOARD OF DIRECTORS

During the year under review, Mr. Shabanali G. Kassim, the founder Chairman of the Company passed away on 2nd December, 2012 (May ALLAH rest his soul in eternal peace). Further two more directors resigned during the year Mrs. Shaheen Ali and Mrs. Sakin Noorallah. All three casual vacancy were duly filled up through the appointment of Mr. Shahid Ahmed, Ms Anushka Kassim and Ms Natalia Kassim

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. Shaban Ali G. Kassim	-	
2.	Mr. Irshad Ali S. Kassim	4	
3.	Mr. Munawar Ali S. Kassim	4	
4.	Mrs. Mariam S.G. Kassim	2	
5.	Ms. Shaheen Ali	2	
6.	Mrs. Sakin Noorallah	2	
7.	Mr. Shahnawaz Madhani	4	
8.	Ms. Anushka Kassim	2	Appointed on 17-12-2012
9.	Ms. Natalia Kassim	2	Appointed on 17-12-2012 *
10.	Mr. Shahid Ahmed	2	Appointed on 20-12-2012

* Attended through alternate director

Leave of absence was granted to directors who could not attend the Board meetings

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 to its support on issues mutually



AUDITORS

The present auditors M/s. Qavi & Co., Chartered Accountants have completed audit for the financial year ended 30th June, 2013 and shall retire on the conclusion of the 34th 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, 2014. 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, 2013 is annexed.

APPRECIATION

The Directors take this opportunity to thank all the 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.

MUNAWAR ALI S. KASSIM
CHIEF EXECUTIVE

September 25, 2013



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 30cm | |
| - 30cm x 30cm | 25cm x 33cm |
| - 40cm x 40cm | 30cm x 46cm |



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the Year ended June 30, 2013

This statement is being presented to comply with the Code of Corporate Governance (CCG) as contained in Listing Regulation of the Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent Non-Executive Directors and Directors representing minority interests on its Board of Directors. At present the board includes:

Category	Names
Independent None Executive Director	Mr. Shahid Ahmed
Executive Director	Mr. Munawar Ali S. Kassim
Non-Executive Directors	Mr. Irshad Ali S. Kassim Mrs. Mariam Shabanali Ms. Anushka Kassim Ms. Natalia Kassim Mr. Shahnawaz Madhani

1. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies).
2. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the directors is a member of any stock exchange.
3. A casual vacancy occurring on the board was duly filled by the directors within the prescribed time.
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 material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board / shareholders.
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 and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
8. The Company arranged briefings for its Directors to apprise them of their duties and responsibilities. Two Directors are exempted from the requirement of directors training program, one of whom also acquired certification on "Role of Independent Director" conducted by the Pakistan Institute of Corporate Governance



9. No new appointments of CFO, Company Secretary and Head of Internal Audit were made during the year. However changes to the remuneration and terms and conditions of employment have been determined by the CEO with the approval of the Board of Directors.
10. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
12. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
13. The company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.
14. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors including the Chairman of the committee.
15. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
16. The board has formed a Human Resources and Remuneration Committee. It comprises of three members, two of them are non-executive directors including the chairman of the committee.
17. The Board has set-up an effective internal audit function.
18. 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, 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.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
21. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
22. We confirm that all other material principles enshrined in the CCG have been complied with

By order of the Board
Karachi: 25th September, 2013

Munawar Kasim
Chief Executive Officer



Review Report to the Members on Statement of Compliance with the Best Practice of the Code of Corporate Governance

We have reviewed the statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2013 prepared by the Board of Directors of KARAM CERAMICS LIMITED ("the Company") to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges, where the Company is listed.

The responsibility for compliances with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited preliminary to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develops an effective audit approach. We are not required to consider whether the Board's 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.

Further, Listing Regulations of Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transaction before the audit committee. We have not carried out any procedures to determine 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 best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

DATE: September 23, 2013
Karachi

Chartered Accountants
Engagement Partner: Khalid Anwer



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of KARAM CERAMICS LIMITED ("the Company") as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profits, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

DATE: September 23, 2013
Karachi

Qavi & Co
Chartered Accountants
Engagement partner: **Khalid Anwer**



BALANCE SHEET AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized			
15,000,000 ordinary shares of Rs. 10 each		<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid-up capital	4	145,486,760	145,486,760
Unappropriated profit		<u>125,737,433</u>	<u>117,898,126</u>
		271,224,193	263,384,886
Surplus on revaluation of fixed assets	5	84,512,272	37,448,317
Non Current Liabilities			
Long term financing	6	133,750,000	84,880,319
Deferred liability	7	73,964,200	69,666,386
Deferred taxation	8	87,839,102	91,081,596
		295,553,302	245,628,301
Current Liabilities			
Advance from customers		-	19,550,000
Trade and other payables	9	122,381,877	135,010,017
Mark up accrued on loans		6,564,487	10,766,831
Short term running finance	10	50,041,383	95,702,756
Provision for taxation		16,284,985	11,873,128
Current portion of long term financing		30,000,000	128,663,001
		225,272,732	401,565,733
Contingencies and commitments	11		
		<u>876,562,499</u>	<u>948,027,237</u>

The annexed notes from 1 to 35 form an integral part of these financial statements.



BALANCE SHEET AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipments	12	644,233,734	653,382,118
Long term deposits		897,038	897,038
		645,130,772	654,279,156
Current Assets			
Stores and spares	13	9,379,478	9,567,511
Stock in trade	14	108,249,525	134,019,601
Trade debts - unsecured considered good		23,709,989	63,523,320
Loans and advances	15	6,598,994	4,714,664
Income tax refundable		89,300	4,286
Short-term prepayments and balances with statutory authorities	16	21,582,861	24,518,399
Cash and bank balances	17	61,821,580	57,400,300
		231,431,727	293,748,081
		876,562,499	948,027,237

Chief Executive

Director



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
Net Sales	18	1,156,074,834	1,187,312,837
Cost of sales	19	(1,042,431,341)	(1,080,580,614)
Gross Profit		113,643,493	106,732,223
Selling and distribution expenses	20	(39,859,878)	(42,574,366)
Administrative expenses	21	(18,119,705)	(16,171,446)
		(57,979,583)	(58,745,812)
Other operating charges	22	(3,994,754)	(1,611,900)
Financial charges	23	(34,495,564)	(43,256,355)
		(38,490,318)	(44,868,255)
Other operating income	24	234,947	317,308
Profit before taxation		17,408,539	3,435,464
Taxation	25	(13,042,491)	(2,767,935)
Profit after taxation		4,366,048	667,529
Earnings per share	26	0.30	0.05

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chief Executive

Director



STATEMENT OF COMPREHENSIVE INCOME

For the Year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
Profit after taxation		4,366,048	667,529
Other comprehensive income			
Incremental depreciation transfer from surplus on revaluation of fixed assets (net of deferred tax)		3,473,259	2,898,101
Total comprehensive income for the year		<u>7,839,307</u>	<u>3,565,630</u>

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chief Executive

Director



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	17,408,539	3,435,464
Adjustments for		
Depreciation	64,368,722	67,324,241
Provision for staff gratuity	8,924,181	7,411,123
Workers' profit participation fund	966,385	210,929
Workers' welfare fund	952,771	572,180
Financial charges	34,495,564	43,256,355
Gain on sale of vehicles	(161,748)	(262,207)
Return on deposits	(3,199)	(5,101)
	109,542,676	118,507,520
(Increase) / Decrease in operating assets		
Stores and spares	188,033	574,040
Stock in trade	25,770,076	31,613,477
Trade debts	39,813,331	(58,199,815)
Loans and advances	(1,884,328)	3,045,439
Short-term prepayments and balances - with statutory authorities	722,203	9,365,882
	64,609,315	(13,600,977)
Increase / (Decrease) in operating liabilities		
Short term running finance	(45,661,373)	61,753,326
Trade and other payables	(13,752,460)	31,088,202
	(59,413,832)	92,841,528
Cash generated from operations	132,146,698	201,183,535
Financial charges paid	(38,697,908)	(40,876,943)
Income tax paid	(10,316,987)	(12,517,090)
Gratuity paid	(4,626,367)	(2,730,099)
Workers' profit participation fund paid	(222,654)	(671,299)
Workers' welfare fund paid	-	-
	(53,863,916)	(56,795,431)
Net cash generated from operating activities	78,282,782	144,388,104
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of vehicle	177,000	332,400
Purchase of property, plant and equipment	(4,698,380)	(78,654,875)
Capital expenditure	-	-
Return on deposits	3,199	5,101
Net cash used in investing activities	(4,518,181)	(78,317,374)
CASH FLOWS FROM FINANCING ACTIVITIES		
Directors loan	8,167,087	14,233,879
Long term loan received	150,000,000	90,500,000
Long term loan paid	(207,960,407)	(107,690,781)
Bills payable against long term loan	-	-
Long term deposits and prepayments	-	-
Advance from customers	(19,550,000)	-
Payment of dividend	-	(11,202,599)
Net cash (used in) / generated from financing activities	(69,343,320)	(14,159,501)
Net (decrease) / increase in cash and cash equivalents	4,421,281	51,911,229
Cash and cash equivalents at beginning of the year	57,400,300	5,489,071
Cash and cash equivalents at end of the year	61,821,580	57,400,300

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chief Executive

Director



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2013

	Share Capital	Unappropriated Profit	Total
	(Rupees)		
	-----	-----	-----
Balance as at June 30, 2011	145,486,760	128,881,172	274,367,932
Total comprehensive income for the year	-	3,565,630	3,565,630
Dividend paid during the year	-	(14,548,676)	(14,548,676)
Balance as at June 30, 2012	145,486,760	117,898,126	263,384,886
Dividend paid during the year	-	-	
Total comprehensive income for the year	-	7,839,307	7,839,307
Balance as at June 30, 2013	145,486,760	125,737,433	271,224,193

The annexed notes from 1 to 35 form an integral part of these financial statements.

Chief Executive

Director



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

1 STATUS AND NATURE OF BUSINESS

Karam Ceramics Limited was incorporated in Pakistan on April 8, 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, Manghpir, Karachi. The principal activity of the company is manufacturing of tiles.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 BASIS OF MEASUREMENT

The financial statements have been prepared under the historical cost convention except that the non current assets are stated at the revalued amounts and derivative financial instruments are measured at fair values.

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 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates underlying the assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with significant risk of material judgment in the next year are discussed in note 32 to these financial statements.



2.5 New / revised accounting standards, amendments to published accounting standards and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. Except for the amendment in IAS 19 which results in immediate recognition of actuarial gains or losses and revised basis of calculation for net finance cost, these standards are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements, other than increased disclosure in certain cases:

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.



IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

The amendments have no impact on financial statements of the Company.

IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).



3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

3.1 Retirement Benefit Obligation Defined Benefit Plan-Gratuity

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, 2013.

3.2 Borrowings

Loans and borrowings are recorded as the proceeds are received. Financial charges are accounted for on an accrual basis.

All mark-up, interest and other charges on long-term and short term borrowings are charged to profit and loss account in the period in which they are incurred.

3.3 Trade and Other Payables

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

3.4 Property, Plant and Equipments

Owned:

- (a) Property, plant and equipments are stated at cost (including related borrowing cost) less accumulated depreciation and impairment losses, if any, except that freehold land which is stated at revalued amount and factory building on freehold land is stated at revalued amount less accumulated depreciation. Depreciation on property, plant and equipments is charged to profit and loss account applying the reducing balance method at the rates disclosed in Note 12.
- (b) Six month depreciation is charged on property, plant and equipments acquired and disposed off during the year.
- (c) Gains / (losses) on disposal of property, plant and equipments are included in profit and loss account currently.
- (d) Normal repairs and maintenance are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

3.5 Capital Work-in-progress

Capital work-in-progress is stated at cost. These are transferred to specific operating assets as and when these are available for intended use.

3.6 Stores, spares and loose tools

These are valued at lower of cost and estimated net realizable value. The cost determination method is on First-In-First-Out basis (FIFO).



3.7 Stock-in-Trade

Stock in trade is valued at the lower of cost and estimated net realizable value. The cost determination method are as follows:

Raw Material	At lower of weighted average cost and net realizable value.
Work in Process	At lower of weighted average cost of direct material, labour and appropriate manufacturing expenses and net realizable value.
Finished goods	At lower of weighted average cost and net realizable value less impairment loss, if any. Cost is determined on the basis of prime cost and appropriate factory overheads.
Packing Material	At lower of cost on FIFO basis and net realizable value less impairment loss, if any.
Stock in Transit	At invoice value.

Net realizable value signifies the estimated selling price in the ordinary course of business less net estimated cost which is necessary to be incurred in order to make the sale.

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 balance sheet at cost. For the purpose of cash flow statement cash and cash equivalents comprise cash and cheques in hand and balances with banks.

3.10 Foreign currency transactions

Transactions in foreign currencies are translated into Pak rupees at the rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Pak rupees at the rate of exchange prevailing at the Balance Sheet date.

Exchange differences arising on translation are recognised in profit and loss account currently.

3.11 Taxation

Income tax expense comprises 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.

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.



Deferred

Deferred tax is recognized using balance sheet 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 balance sheet 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 equipments 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 or 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

A provision is recognized in the balance sheet 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. Provision are reviewed at each balance sheet date and adjusted to reflect current best estimates.

3.15 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-Financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).



An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.16 Transactions with related parties

Transactions with related parties are based on the policy that all transactions between the company and the related parties are carried out at arm's length prices using the "Comparable Uncontrolled Price Method".

3.17 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.

3.18 Revenue recognition

Revenue comprises of the fair value of the consideration received or receivable from the sale of goods in the ordinary course of the Company's activities. Revenue from sale of goods is shown net of sales tax.

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of revenue can be measured reliably. The revenue arising from different activities of the Company is recognized on the following basis:

Sales are recorded on dispatch of goods to customers.

Profit on bank deposits is recognized on an accrual basis.

4 SHARE CAPITAL

"Number of ordinary shares of Rs. 10 each"			2013	2012
			Rupees	Rupees
2013	2012			
13,267,786	13,267,786	Ordinary shares fully paid in cash	132,677,860	132,677,860
1,280,890	1,280,890	Ordinary shares allotted as bonus shares	12,808,900	12,808,900
<u>14,548,676</u>	<u>14,548,676</u>		<u>145,486,760</u>	<u>145,486,760</u>

5 SURPLUS ON REVALUATION OF FIXED ASSETS

Opening balance	37,448,317	40,346,418
Add: Surplus on revaluation	50,537,214	
Less: Incremental depreciation transferred from surplus on revaluation of fixed assets to retained earning (net of tax)	(3,473,259)	(2,898,101)
	<u>84,512,272</u>	<u>37,448,317</u>

Fixed assets of the Company, comprising of land and building were revalued on June 04, 2013 by M/S MYK Associates (Private) Limited which resulted in a revaluation surplus as disclosed in note 12 to these financial statements.



	<i>Note</i>	2013 Rupees	2012 Rupees
6 LONG TERM FINANCING			
From Banking companies:			
Term Finance Loan	6.1	105,000,000	64,297,406
From related parties:			
Directors Loan - unsecured	6.3 & 6.4	28,750,000	20,582,913
		<u>133,750,000</u>	<u>84,880,319</u>
6.1 Term Finance Loan			
Long Term Loan	6.1.1	135,000,000	192,960,407
Less: Current maturity	6.1.2	(30,000,000)	(128,663,001)
		<u>105,000,000</u>	<u>64,297,406</u>
6.1.1 Term Finance Loans			
Soneri Bank Term Finance Loan	6.1.3	135,000,000	164,960,407
Habib Bank Term Finance Loan		-	28,000,000
		<u>135,000,000</u>	<u>192,960,407</u>
6.1.2 Current maturity of Term Finance Loans			
Soneri Bank Term Finance Loan		30,000,000	107,663,001
Habib Bank Term Finance Loan		-	21,000,000
		<u>30,000,000</u>	<u>128,663,001</u>
6.1.3 This represents long term finance obtained from Soneri Bank Limited amounting to Rs. 135,000,000 (2012: Rs. 192,960,407) for financing of fixed assets of the Company at a mark up rate of 6 month KIBOR + 1.5% p.a. (2012: 6 month KIBOR + 1.5% p.a.). This term finance loan is repayable by December 31, 2017.			
6.2 All term finance facilities are obtained against first equitable mortgage registered charge over Company's fixed assets except term finance facility obtained from Habib Bank Limited that is secured against third party mortgage over KCL Head Office, located at BC-6, Block 5, Scheme # 5, Kehkashan Clifton, Karachi.			
6.3 This represent net amount due to three directors. The loan carried interest @ 7% per annum (2012: 7%), the amount will be paid after September 15, 2014.			
6.4 Mr. Shaban Ali (late) the Chairman of the Company passed away on December 2, 2012 at the State of California, USA. The legal heirs have filed petition for succession certificate under section 372 of Succession Act 1925 in the Honorable Court of District and Session Judge, Karachi South vide petition no. 366 / 2013 through Mr. Irshad Ali Shaban Ali Kassim.			
	<i>Note</i>	2013 Rupees	2012 Rupees
7 DEFERRED LIABILITIES			
Retirement Benefit Obligation	7.1	66,434,683	62,136,869
Dividend Payable	7.2	7,529,517	7,529,517
		<u>73,964,200</u>	<u>69,666,386</u>



7.1 Retirement Benefit Obligation

7.1.1 General description

The scheme provides terminal benefits for all its permanent employees who attain the minimum qualifying period of one year for entitlement to gratuity.

Annual charge is based on assumptions used by actuary in actuarial valuation carried out as at June 30, 2013 using the Projected Unit Credit method.

7.1.2 Principal actuarial assumptions

Following are few important actuarial assumptions used in the valuation carried out as on June 30, 2013:

	2013	2012
Discount rate	10.50%	14%
Expected rate of salary increase in future years	9.50%	13%
Average expected remaining working life time of employees	11 years	11 years
	Note	
	2013	2012
	Rupees	Rupees

7.1.3 Reconciliation of payable to Defined Benefit Plan

Present value of defined benefit obligation	60,925,558	59,181,310
Unrecognized actuarial gain / (loss)	5,509,125	2,955,559
	7.1.4	
	<u>66,434,683</u>	<u>62,136,869</u>

7.1.4 Movement in liability recognized in Balance sheet

Balance Sheet Liability / (Asset) as on June 30, 2012	62,136,869	57,455,845
Current service cost for the year	7.1.5	3,594,357
Interest cost for the year	8,285,383	6,185,367
Actuarial gain realized	(2,955,559)	(2,955,559)
Payment made during the year	(4,626,367)	(2,730,099)
Present value of Defined Benefit Obligation as on June 30, 2013	<u>66,434,683</u>	<u>62,136,869</u>

7.1.5 Charge for the year

Current service cost	3,594,357	4,181,315
Interest cost	8,285,383	6,185,367
Actuarial gain charge	(2,955,559)	(2,955,559)
	<u>8,924,181</u>	<u>7,411,123</u>

7.1.6 Charge for the year has been allocated as follows:

Cost of sales	8,013,022	6,654,447
Selling and distribution expenses	344,473	286,069
Administrative expenses	566,686	470,606
	<u>8,924,181</u>	<u>7,411,122</u>



7.1.7 Historical information

	2013 Rupees	2012 Rupees	2011 Rupees	2010 Rupees	2009 Rupees
Present value of obligation	60,925,558	59,181,310	52,105,889	52,105,889	46,525,847
Unrecognized actuarial gain /(loss)	5,509,125	2,955,559	5,427,492	5,427,492	10,854,983

7.2 One of the shareholder of the Company with others filed Civil Suit # 1489/2008 in Honorable High Court of Sindh against fraudulent pledging of shares by M/s Ismail Abdul Shakoor Securities (Private) Limited which they had fraudulently pledged with Summit Bank Limited (Formerly Arif Habib Bank Limited). Subsequently Brokerage House had been declared defaulter by Karachi Stock Exchange (Guarantee) Limited and Honorable High Court of Sindh had passed order dated November 14, 2008 directing Central Depository Company (CDC) to block all such shares and restrain any transfers / sell transaction As per concerned lawyer said suit is pending and may further take 3 to 5 years to reach final decision. Number of shares involved in the case are 3,340,000 and dividend payable on said shares is Rs. 7,529,517 (2012: 7,529,517).

	Note	2013 Rupees	2012 Rupees
8 DEFERRED TAXATION			
Deferred tax liability comprises of taxable/(deductible) temporary differences in respect of the following:			
Credit / (debit) balances arising on account of Accelerated depreciation for tax purpose		123,265,666	126,874,141
Relating to surplus on revaluation of fixed assets (Net after tax effect of incremental depreciation)		(12,174,425)	(14,044,641)
Deductible temporary differences related to staff retirement benefits		(23,252,139)	(21,747,904)
		<u>87,839,102</u>	<u>91,081,596</u>
9 TRADE AND OTHER PAYABLES			
Trade creditors		32,458,178	20,961,185
Accrued expenses		59,731,027	54,548,624
Bills payable - import		21,656,333	51,927,919
Sales tax payable		6,110,764	6,208,570
Workers' profit participation fund	9.1	966,385	222,654
Workers' welfare fund		952,771	572,180
Unclaimed dividend		371,280	372,030
Withholding tax payable		135,139	196,855
		<u>122,381,877</u>	<u>135,010,017</u>
9.1 Workers' profit participation fund			
Opening balance		222,654	671,299
Allocation for the year		966,385	210,929
Interest on fund utilized in company's business		15,944	51,010
		<u>982,329</u>	<u>261,939</u>
		1,204,983	933,238
Less: Paid during the year		(238,598)	(710,584)
		<u>966,385</u>	<u>222,654</u>
10 SHORT TERM RUNNING FINANCE			
Soneri Bank Limited	10.1	50,041,383	69,787,402
Habib Bank Limited	10.2	-	25,915,354
		<u>50,041,383</u>	<u>95,702,756</u>



- 10.1 The Company has obtained short term running finance facility from Soneri Bank Limited for the purpose of meeting working capital requirements. The rates of markup on this finance is 6 month KIBOR + 1.5% (2012: 6 month KIBOR + 1.5%) per annum. This facility from Soneri Bank Limited is secured against first equitable mortgage charge registered with SECP over factory property including land, building, plant and machinery situated at Survey no. 295 / 311 Deh Halkani, Tappo Mangopfir, Taluka District, Hub Dam Road, Karachi in the name of Karam Ceramics Limited and first hypothecation charge over company's stocks with 25% margin amounting to Rs. 160 million and personal guarantees of Mr. Irshad Ali S. Kassim and Mr. Munawar Ali S. Kassim. This facility is valid up to twelve months and is renewable.
- 10.2 The Company has obtained short term running finance facility from Habib Bank Limited for the purpose of meeting working capital requirements. The rates of markup on these finances is 1 month KIBOR + 1% (2012: 6 month KIBOR + 1%) per annum. This facility from Habib Bank Limited is secured against mortgage over property, KCL's Head Office, located at BC-6, Block 5, Scheme No. 5 Kehkashan Clifton, Karachi measuring 400 square yards, owned by third party namely Mrs. Kulsoom Noorali Kassim and Mrs. Sohaila Irshad Kassim and personal guarantees of sponsoring directors (Mr. Munawar Ali S. Kassim and Mr. Irshad Ali S. Kassim). This facility is valid up to twelve months and is renewable.

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

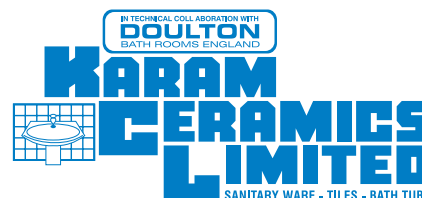
Nil

11.2 Commitments

Commitments under letter of credit of raw materials as at June 30, 2013 amounted to Rs. 28,681,055 [Euros 84,681 and USD 178,899] (2012: Rs. 18,830,565 [Euros 41,893 and USD 145,299])

12 PROPERTY, PLANT AND EQUIPMENT

	Building			Plant and machinery	Motor vehicles	Furniture, fixture & equipment	Moulds	Laboratory equipment	Total
	Freehold Land	Factory building on Free-hold land	Lahore warehouse on free hold land						
COST									
Balance as at July 01, 2011	15,330,000	266,680,775	2,664,102	1,264,483,402	20,145,283	12,713,151	4,685,793	1,512,579	1,588,215,085
Additions during the year	-	-	-	75,666,800	1,436,638	-	1,551,437	-	78,634,875
Disposal during the year	-	-	-	-	(1,179,000)	-	-	-	(1,179,000)
Balance as at June 30, 2012	15,330,000	266,680,775	2,664,102	1,340,150,202	20,402,921	12,713,151	6,237,230	1,512,579	1,665,690,960
Balance as at July 01, 2012	15,330,000	266,680,775	2,664,102	1,340,150,202	20,402,921	12,713,151	6,237,230	1,512,579	1,665,690,960
Additions during the year	-	-	-	-	4,698,380	-	-	-	4,698,380
Revaluation adjustment	37,230,000	13,307,214	-	-	-	-	-	-	50,537,214
Disposal during the year	-	-	-	-	(350,000)	-	-	-	(350,000)
Balance as at June 30, 2013	52,560,000	279,987,989	2,664,102	1,340,150,202	24,751,301	12,713,151	6,237,230	1,512,579	1,720,576,554
DEPRECIATION									
Balance as at July 01, 2011	-	176,063,733	2,423,023	739,018,841	16,481,443	9,432,956	1,249,171	1,424,242	946,093,409
Charge for the year	-	8,835,162	23,505	55,797,202	955,754	319,819	1,384,186	8,613	67,324,241
Disposal during the year	-	-	-	-	(1,108,807)	-	-	-	(1,108,807)
Balance as at June 30, 2012	-	184,898,895	2,446,528	794,816,043	16,328,390	9,752,775	2,633,357	1,432,855	1,012,308,843
Balance as at July 01, 2012	-	184,898,895	2,446,528	794,816,043	16,328,390	9,752,775	2,633,357	1,432,855	1,012,308,843
Charge for the year	-	8,639,094	21,213	53,170,081	1,241,850	288,637	1,000,075	7,773	64,368,722
Disposal during the year	-	-	-	-	(334,747)	-	-	-	(334,747)
Balance as at June 30, 2013	-	193,537,989	2,467,741	847,986,124	17,235,493	10,041,412	3,633,432	1,440,628	1,076,342,818
Book value as at June 30, 2012	15,330,000	81,781,880	217,574	545,334,159	4,074,531	2,960,376	3,603,873	79,724	653,382,117
Book value as at June 30, 2013	52,560,000	86,450,000	196,361	492,164,078	7,515,808	2,671,739	2,603,798	71,951	644,233,734
Annual depreciation rate %	-	10	10	10	20	10	30	10	



	Note	2013 Rupees	2012 Rupees
12.1 Depreciation charge for the year has been allocated as follows:			
Cost of sales	19.1	63,577,840	66,497,046
Selling and distribution expenses	20	381,111	398,610
Administrative and general expenses	21	409,771	428,586
		<u>64,368,722</u>	<u>67,324,242</u>

12.2 Disposal of fixed assets

Particulars	Cost of Acquisition	Accumulated Depreciation	Book Value	Sale Proceeds	Gain	Mode of Sale	Particulars of Purchaser
Rupees							
Suzuki Swift G-0288	150,000	143,068	6,932	120,000	113,068	Negotiation	Mr. Syed Shahid Ali Kazmi 42101-1751694-9
Charade V-8925	200,000	191,680	8,320	57,000	48,680	Negotiation	Mr. Muhammad Ayaz Ahmed 42101-6854328-9
Total 2013	350,000	334,748	15,252	177,000	161,748		
Total 2012	1,179,000	1,108,807	70,193	332,400	262,207		

12.3 Had there been no revaluation of property, plant and equipments, the written down value would have been as follows:

	Note	2013 Rupees	2012 Rupees
Freehold land		3,964,588	3,964,588
Factory building		36,948,706	40,940,395
		<u>40,913,294</u>	<u>44,904,983</u>
13 STORES AND SPARES	13.1	<u>9,379,478</u>	<u>9,567,511</u>

13.1 The stores and spares comprise of rollers and replaceable parts to maintain and to run the operations of the Company, functional and efficient.

14 STOCK-IN-TRADE

Raw material		56,942,134	70,356,290
Packing material in hand		1,820,892	4,024,836
Work-in-process		4,577,961	7,827,411
Finished goods		44,908,538	51,811,064
		<u>108,249,525</u>	<u>134,019,601</u>
Provision for slow moving and obsolete stock	14.1	-	-
		<u>108,249,525</u>	<u>134,019,601</u>

14.1 The provision for slow moving and obsolete stock represents the amount provided for dead stock. The dead stock accumulated due to replication by competitors of the product in shape / brand and making it available in the market at the cheapest prices. Since then, the product became obsolete in shape and colour schemes, hence this dead stock has been deleted to reflect correct and appropriate presentation in the financial statements.



	<i>Note</i>	2013 Rupees	2012 Rupees
15 LOANS AND ADVANCES			
Loans to employees - considered good	15.1	460,500	509,500
Advance to supplier		5,498,236	3,257,642
Advances - considered good			
- Employees		217,000	265,500
- Purchases		3,258	52,022
- Others		20,000	230,000
- Purchase of land	15.2	400,000	400,000
		<u>6,598,994</u>	<u>4,714,664</u>
15.1	Maximum aggregate balance of loans due at the end of any month during the year 2013 was Rs. 900,800 (2012: Rs. 1,062,300). These are secured against gratuity payable to them.		
15.2	This represents amount paid against purchase of land. However, the seller has filed a suit in the Civil Court Lahore for cancellation of the agreement and the matter is pending adjudication.		
	<i>Note</i>	2013 Rupees	2012 Rupees
16 SHORT-TERM PREPAYMENTS AND BALANCES WITH STATUTORY AUTHORITIES			
Letters of credit charges		9,942,377	8,751,950
Other prepayments		1,335,089	1,068,870
Advance income tax		10,305,395	12,518,730
Receivable from Custom Authority		-	2,178,849
		<u>21,582,861</u>	<u>24,518,399</u>
17 CASH AND BANK BALANCES			
Cash in hand		1,251,801	1,015,172
Cheques in hand		57,640,000	51,943,925
		58,891,801	52,959,097
Balance with banks in:			
- Current accounts		2,205,933	3,767,135
- Deposit accounts		723,846	674,068
		2,929,779	4,441,203
		<u>61,821,580</u>	<u>57,400,300</u>
18 SALES - NET			
Gross sales		1,341,664,754	1,377,282,891
Less: Sales tax		(185,589,920)	(189,970,054)
		<u>1,156,074,834</u>	<u>1,187,312,837</u>
19 COST OF SALES			
Opening stock of finished goods		51,811,064	76,298,970
Cost of goods manufactured	19.1	1,035,528,815	1,063,389,495
		1,087,339,879	1,139,688,465
Closing stock of finished goods		(44,908,538)	(59,107,851)
		<u>1,042,431,341</u>	<u>1,080,580,614</u>



	<i>Note</i>	2013 Rupees	2012 Rupees
19.1 Cost of goods manufactured			
Raw materials consumed			
Opening stock		70,356,290	82,756,853
Purchases			
- Local		81,623,065	74,361,342
- Imported		149,591,145	216,990,574
Total purchases		231,214,210	291,351,916
Available for use		301,570,500	374,108,769
Closing stock		(56,942,134)	(70,356,290)
		<u>244,628,366</u>	<u>303,752,479</u>
Other manufacturing expenses			
Moulds, dyes and consumable stores and spares		31,342,895	32,588,929
Fuel, power and water		506,019,755	478,894,189
Salaries allowances, wages and other benefits		115,962,879	121,784,429
Directors' remuneration		2,200,000	1,800,000
Insurance		3,139,973	2,098,003
Vehicles running and maintenance		418,911	543,802
Repairs and maintenance		31,274,016	15,299,914
Other production expenses		1,215,264	877,806
Packing materials consumed		32,499,466	39,339,428
Depreciation	12.1	63,577,840	66,497,046
Total manufacturing expenses		<u>1,032,279,365</u>	<u>1,063,476,024</u>
Opening work-in-process		7,827,411	7,740,882
		<u>1,040,106,776</u>	<u>1,071,216,906</u>
Closing work-in-process		(4,577,961)	(7,827,411)
		<u><u>1,035,528,815</u></u>	<u><u>1,063,389,495</u></u>
20 SELLING AND DISTRIBUTION EXPENSES			
Salaries, allowances and other benefits		3,475,376	4,536,232
Rent, rates and taxes		816,800	712,690
Electricity and gas charges		236,991	448,119
Postage, telegraph and telephone charges		170,076	212,673
Printing and stationery		90,502	139,180
Vehicles running and maintenance		1,397,032	1,185,536
Repairs and maintenance		1,950,092	882,181
Travelling and conveyance		207,217	176,112
Entertainment		41,711	217,301
Advertisement expenses		977,878	850,919
Insurance		325,319	378,835
Forwarding and transportation		28,565,195	31,765,305
Commission		1,093,548	537,469
Depreciation	12.1	381,111	398,610
Sundry expenses		131,030	133,204
		<u>39,859,878</u>	<u>42,574,366</u>



	<i>Note</i>	2013 Rupees	2012 Rupees
21 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits		8,604,461	7,783,000
Directors, remuneration and allowance		2,200,000	1,800,000
Rent, rates and taxes		1,200,530	1,078,467
Electricity and gas charges		992,810	794,385
Postage, telegraph and telephone charges		606,165	719,744
Printing and stationery		287,065	327,074
Vehicles running and maintenance		632,119	656,048
Repairs and maintenance		373,192	653,018
Travelling and conveyance		459,956	470,183
Entertainment		94,378	55,892
Legal and professional charges		461,382	150,638
Fees and subscription		783,049	435,939
Insurance		1,014,827	818,472
Depreciation	12.1	409,771	428,586
		<u>18,119,705</u>	<u>16,171,446</u>
22 OTHER OPERATING CHARGES			
Auditors' remuneration	22.1	440,000	375,000
Donations	22.2	1,170,000	385,000
Exchange loss		465,598	68,791
Workers' profit participation fund		966,385	210,929
Workers' welfare fund		952,771	572,180
		<u>3,994,754</u>	<u>1,611,900</u>
22.1 Auditors' Remuneration			
Audit fee		360,000	300,000
Half yearly review		40,000	40,000
Code of corporate governance review		40,000	35,000
		<u>440,000</u>	<u>375,000</u>
22.2			
None of the directors or spouse is interested in the funds of donees. Donations include payment made to following institutions			
Name of Institutions			
The Aga Khan Hospital & Medical College		100,000	240,000
Jinnah Post Graduate Medical Centre (Patient Aid Foundation)		-	100,000
Karachi Lions AKUH Blood Bank		10,000	-
Aga Khan Education Services of Pakistan		500,000	-
Focus Humanitarian Assistance		500,000	-
CPLC		50,000	-
Others		10,000	45,000
		<u>1,170,000</u>	<u>385,000</u>



	<i>Note</i>	2013 Rupees	2012 Rupees
23 FINANCIAL CHARGES			
Interest on workers' profit participation fund		15,944	51,010
Mark-up on :			
Short term finances		12,789,044	13,115,260
Term finance		18,699,899	28,843,442
Bank charges		883,278	482,358
Interest on directors' loan		2,107,399	764,285
		<u>34,495,564</u>	<u>43,256,355</u>
24 OTHER INCOME			
Income from financial assets			
Return on deposit accounts		3,199	5,101
Income from non-financial assets			
Gain on sale of vehicles	12.2	161,748	262,207
Remission of liability		70,000	50,000
		<u>234,947</u>	<u>317,308</u>
25 TAXATION			
For current year			
- Current		16,284,985	11,873,128
- Deferred		(3,242,494)	(9,118,507)
		13,042,491	2,754,621
For prior year			
- Income tax		-	209,720
- Workers' welfare fund		-	(196,406)
		<u>13,042,491</u>	<u>2,767,935</u>

25.1 Relationship between accounting profit and tax expenses for the year is as follows:

	2013	2012	2013	2012
	Effective tax rate (%)		----- Rupees -----	
Profit before taxation			17,408,539	3,435,464
Application Tax rate	35.00	35.00	6,092,989	1,202,411
Tax effect of amount that are inadmissible/ admissible in determining taxable profit	60.78	256.46	10,580,497	8,810,739
Tax effect of minimum tax liability	-	54.14	-	1,859,977
Tax effect of tax credit	(2.23)	-	(388,500)	-
Tax effect of amount relating to prior year's tax	-	0.39	-	13,314
Tax effect of temporary difference (Deferred tax)	(18.63)	(265.42)	(3,242,494)	(9,118,507)
Average effective rate charged to income	<u>74.92</u>	<u>80.57</u>	<u>13,042,491</u>	<u>2,767,934</u>

25.2 The income tax assessments of the company have been finalized up to the financial year ended June 30, 2012.



	2013 Rupees	2012 Rupees
26 EARNINGS PER SHARE-BASIC AND DILUTED		
26.1 Earnings per share - Basic		
Net profit for the year after taxation	<u>4,366,048</u>	<u>667,529</u>
	Number of shares	
Weighted average ordinary shares in issue	<u>14,548,676</u>	<u>14,548,676</u>
Basic earnings per share	<u>0.30</u>	<u>0.05</u>

26.2 Earnings per share - Diluted

There is no dilution effect on basic earnings per share as the Company has no such commitments.

27 REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for remuneration, including all benefits, to Chief Executive and Director of the Company are as follows:

	CHIEF EXECUTIVE		DIRECTOR		Grand Total	
	2013	2012	2013	2012	2013	2012
Managerial remuneration and allowances	1,419,355	1,161,289	1,419,353	1,161,289	2,838,708	2,322,578
House rent	638,710	522,579	638,708	522,579	1,277,418	1,045,158
Utilities	141,935	116,132	141,939	116,132	283,874	232,264
Total	<u>2,200,000</u>	<u>1,800,000</u>	<u>2,200,000</u>	<u>1,800,000</u>	<u>4,400,000</u>	<u>3,600,000</u>
No of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>

In addition, the Chief Executive and directors and certain executives are provided with free use of Company maintained cars.

28 TRANSACTIONS WITH RELATED PARTY

Related parties comprise of directors or a close member of that person's family and key management personnel.

The transactions with related parties / connected persons are in the normal course of business and at contracted rates.

All other transactions with related parties / connected persons are in the normal course of business and are carried out on agreed terms.

Details of transactions with related parties / connected persons and balances with them at year end are as follows



Relation with the Company Nature of Transaction		2013 Rupees	2012 Rupees
Details of the transactions during the year			
Director's spouse	Rent expense	840,000	840,000
Directors	Loan paid	37,313,105	266,121
Directors	Loan received	45,480,192	14,500,000
Directors	Interest on loan	2,107,399	764,285
Amount outstanding as at year end			
Directors	Loan outstanding	28,750,000	20,582,913
Directors	Accrued interest	1,143,991	764,285
Director's spouse	Accrued rent	210,000	-

29 CAPACITY AND PRODUCTION	TILES	
	2013	2012
	(Sq. Meters)	
Capacity	3,600,000	3,600,000
Actual production	3,112,010	3,306,033

Decrease in production during the year was due to closure of factory for 30 days for major maintenance of Plant & Machinery.

30 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

30.1 The Company's activities expose it to certain financial risks. Such financial risks emanate from various factors that include, but not limited to, credit risk, liquidity risk and market risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risks measured and managed by the Company are explained in notes 30.1.1, 30.1.2 and 30.1.3 below:

30.1.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from cash equivalents and credit exposures to customers, including trade receivables and committed transactions. Out of the total financial assets of Rs. 93,027,601 (2012: 125,876,529), the financial assets that are subject to credit risk amounted to Rs 91,775,801 (2012: Rs. 122,682,509).

The maximum exposure to credit risk as at June 30, 2013, along with comparative is tabulated below:

Financial Assets	2013 Rupees	2012 Rupees
Long term deposits	897,038	897,038
Trade debts - unsecured	23,709,989	63,523,320
Loans and advances	6,598,994	1,877,022
Cheques in hand	57,640,000	51,943,925
Bank balances	2,929,779	4,441,204
	<u>91,775,800</u>	<u>122,682,509</u>



The bank balances along with credit rating are tabulated below:

Name of bank	Credit rating	Rating agency	2013 Rupees
Soneri Bank Limited	A1+	PACRA	1,057,551
National Bank of Pakistan	A-1+	JCR-VIS	3,129
MCB Bank Limited	A1+	PACRA	1,396,081
Habib Metro Bank Limited	A1+	PACRA	13,206
KASB Bank Limited	A3	PACRA	87,177
Habib Bank Limited	A-1+	JCR-VIS	372,635
			<u>2,929,779</u>

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

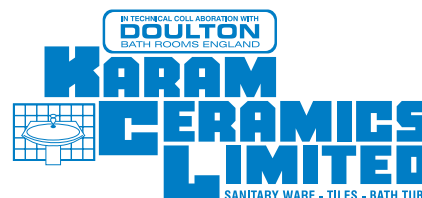
30.1.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management believes that it is not exposed to any significant level of liquidity risk.

The management forecasts the liquidity of the Company on basis of expected cash flow considering the level of liquid assets necessary to meet such risk. This involves monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Financial liabilities in accordance with their contractual maturities are presented below:

	2013						Grand Total
	Interest / Mark-up bearing			Non-interest bearing			
	Maturity within year	Maturity after year	Sub total	Maturity within year	Maturity after year	Sub total	
----- Rupees -----							
FINANCIAL LIABILITIES							
Long term financing	30,000,000	133,750,000	163,750,000	-	-	-	163,750,000
Dividend payable	-	-	-	-	7,529,517	7,529,517	7,529,517
Short term borrowings	50,041,383	-	50,041,383	-	-	-	50,041,383
Trade and other payable	-	-	-	113,845,539	-	113,845,539	113,845,539
Markup accrued on loans	-	-	-	6,564,487	-	6,564,487	6,564,487
	<u>80,041,383</u>	<u>133,750,000</u>	<u>213,791,383</u>	<u>120,410,026</u>	<u>7,529,517</u>	<u>127,939,543</u>	<u>341,730,926</u>



	2012						Grand Total
	Interest / Mark-up bearing			Non-interest bearing			
	Maturity within year	Maturity after year	Sub total	Maturity within year	Maturity after year	Sub total	
----- Rupees -----							
FINANCIAL LIABILITIES							
Long term financing	128,663,001	84,880,319	213,543,320	-	-	-	213,543,320
Dividend payable	-	-	-	-	7,529,517	7,529,517	7,529,517
Short term borrowings	95,702,756	-	95,702,756	-	-	-	95,702,756
Trade and other payable	-	-	-	127,437,728	-	127,437,728	127,437,728
Markup accrued on loans	-	-	-	10,766,832	-	10,766,832	10,766,832
	<u>224,365,757</u>	<u>84,880,319</u>	<u>309,246,076</u>	<u>138,204,560</u>	<u>7,529,517</u>	<u>145,734,077</u>	<u>454,980,153</u>

30.1.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company is exposed to currency risk and interest rate risk only.

Currency Risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company primarily has foreign currency exposures in US Dollars (USD) and Euro (€).

At June 30, 2013, if the currency had weakened / strengthened by 5% against the USD and Euro with all other variables held constant, pre-tax profit for the year would have been higher / lower by Rs. 1,082,817 (2012: Rs. 2,596,395). This will mainly result due to foreign exchange gains / losses on bills payable and bank balances denominated in USD and Euro.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. At June 30, 2013 the Company's financial instruments mainly affected due to changes in the interest rates on long term financing and short term financing provided to Company where changes in interest rates may have impact on the future profits / cash flows. The effects of changes in interest rates on the future profits arising on long term financing and short term financing provided to company are not considered to be material. The Company places its funds in banks having good credit ratings as stated in note 30.1.1.

	Carring amount	
	2013 Rupees	2012 Rupees
Fixed rate instruments		
Financial liabilities	<u>28,750,000</u>	<u>20,582,913</u>
Variable rate instrument		
Financial liabilities	<u>185,041,383</u>	<u>288,663,163</u>



Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by Rs. 1,850,413 (2012: Rs. 2,886,631). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2012.

30.1.4 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

As at June 30, 2013 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

30.1.5 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 benefits for other stakeholders and to maintain an optimal capital structure.

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 the shareholders. Debt is calculated as total borrowings ('long term financing' and 'current portion of the long term financing' as shown in the balance sheet). Total capital comprise shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

As at June 30, 2013 the shareholder's equity amounts to Rs. 310,756,541 (2012: Rs. 300,833,203)

31 ACCOUNTING ESTIMATES AND JUDGEMENTS

31.1 Income taxes

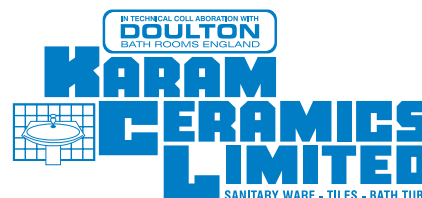
In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

31.2 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these financial statements for valuation of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognised gains and losses in those years.

31.3 Trade debts and other receivables

Impairment loss against doubtful trade and other debts is made on a judgmental basis, which provision may differ in the future years based on the actual experience. The difference in provision if any, is recognised in the future period.



31.4 Property, plant and equipments

The Company's management determines the estimated useful lives and related depreciation charge for its property, plant and equipments. The estimates for revalued amounts of different classes of property are based on valuation performed by external professional valuers, recommendation of technical teams of the Company. The said recommendation also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

31.5 Stock-in-trade and stores and spares

The Company's management reviews the net realizable value (NRV) and impairment of stock-in-trade and stores and spares to assess any diminution in the respective carrying values and wherever required provision for NRV / impairment is made. The difference in provision, if any, is recognised in the future period.

32 STAFF STRENGTH	2013	2012
Number of employees as at June 30	<u>548</u>	<u>408</u>
Average number of employees	<u>555</u>	<u>398</u>

The above numbers include the contractual staff and workers of the Company.

33 DATE OF AUTHORIZATION

The Financial Statements have been authorized for issue by the Board of Directors of the Company in its meeting held on September 25, 2013.

34 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified where necessary for the purposes of comparison. These changes were made for better presentation of transactions in the financial statements of the Company. However, reclassification is not material.

<i>From</i>	<i>To</i>	<i>Rupees</i>
Trade creditors	Advance to supplier	3,257,642
Advance - purchases	Other prepayments	420,000
Provision for slow moving and obsolete stock	Stock in trade - finished goods	7,296,787

35 GENERAL

Figures have been rounded off to the nearest rupee.

Chief Executive

Director



PATTERN OF SHAREHOLDING AS AT 30 JUNE 2013

No. of Shareholders	Having Shares		Shares Held	Percentage
	From	To		
171	1	100	2005	0.0138
90	101	500	40188	0.2762
19	501	1000	14525	0.0998
39	1001	5000	98746	0.6787
14	5001	10000	110361	0.7586
3	10001	15000	33612	0.2310
7	15001	20000	126746	0.8712
1	20001	25000	25000	0.1718
2	25001	30000	55744	0.3832
1	30001	35000	32751	0.2251
1	50001	55000	50154	0.3447
1	185001	190000	187000	1.2853
1	205001	210000	209000	1.4366
1	435001	440000	435812	2.9955
1	730001	735000	732920	5.0377
3	735001	740000	2207760	15.1750
3	980001	985000	2942678	20.2264
2	1950001	1955000	3903674	26.8318
1	3335001	3340000	3340000	22.9574
361	Company Total		14548676	100.0000

TOTAL OUT STANDING SHARES AS AT 30 JUNE 2013 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	0	0	14	10262569	70.5395
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	81	302246	266	3983861	347	4286107	29.4605
	Total	95	10564815	266	3983861	361	14548676	100.0000



CATEGORY OF SHARE HOLDERS

AS AT 30 JUNE 2013

Folio No	Name	Code	Balance Held	Percentage
000000000001	Mr SHABANALI KASSIN	001	9113	0.0626
000000000002	MR. IRSHAD ALI S. KASSIM	001	1951838	13.4159
000000000003	MR. MUNAWAR ALI S. KASSIM	001	1951836	13.4159
000000000004	MRS .MARIAM SHABANALI	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
003889000028	NATIONAL BANK OF PAKISTAN	004	202	0.0014
007088000039	THE BANK OF PUNJAB,TREASURY DIVISON	004	50154	0.3447
007393000024	SUMMIT BANK LIMITED	004	3340000	22.9574
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 OF PAKISTAN EMP BENEVOLENT FUND TRUST	010	1149	0.0079
006445000028	DARSON SECURITES (PVT) LIMITED	010	1001	0.0069
007385000017	ISMAIL ABDUL SHAKOOR SECURITIES (PRIVATE) LIMITED	010	6752	0.0464

CATEGORIES OF SHAREHOLDERS

AS AT 30 JUNE 2013

Particulars	No. of Folio	Balance Share	Percentage
DIRECATORS,CEO & CHILDREN	14	10262569	70.5395
BANKS,DFI & NBFI	3	3390356	23.3035
INSURANCE COMPANIES	1	1500	0.0103
GENERAL PUBLIC (FOREIGN)	3	32243	0.2216
GENERAL PUBLIC (LOCAL)	336	820355	5.6387
OTHERS	4	41653	0.2863
Total	361	14548676	100.0000



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 34th Annual General Meeting of the Company to be held on Saturday,
October 26, 2013 at 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 from. _____