



Karam Ceramics Limited
Interim Condensed Financial Statements
For the Half Year Ended December 31, 2011
(UNAUDITED)



COMPANY INFORMATION

BOARD OF DIRECTORS

Shaban Ali G. Kassim	Chairman
Munawar Ali S. Kassim	Chief Executive
Irshad Ali S. Kassim	Vice Chairman
Mariam Shaban Ali	Director
Sakin Noorallah	Director
Shaheen Ali	Director
Shahnawaz Madhani	Director

COMPANY SECRETARY

Manzooral Natha

AUDIT COMMITTEE

Shaban Ali G. Kassim
Sakin Noorallah
Shahnawaz Madhani

BANKERS

Soneri Bank Limited
National Bank Limited
MCB Bank Limited
Habib Metropolitan Bank Limited
Habib 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, Manghopir, Karachi

LAHORE WAREHOUSE

Chowk Kahma Railway Station, Defence Road,
Near Factory Shikh Hidayatullah, Lahore.



REPORT OF THE DIRECTORS FOR THE HALF YEAR ENDED 31ST DECEMBER 2011

Dear Shareholders,

Your Directors are pleased to present before you the un-audited financial results of the company for the half year ended December 31, 2011.

During the half year under review the Net Sales were Rs. 550.35 million as against sales of Rs. 491.85 million for the corresponding period of the last year, representing an increase of Rs. 58.51 million as a result of improved selling prices.

Gross profit of Rs 34.91 million for the period under review is lower than the gross profit as compared to preceding year due to rising cost of production and stiff competition faced due to import of tiles.

Our company for the first time has suffered loss before tax during the period due to tremendous increase in cost of production all of which could not be passed on to selling prices due to dumping of cheap Chinese tiles in the country which has created undue price competitions This has resulted in negative earnings per share of Rs 1.20

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

On behalf of the Board

Munawar Kassim
Chief Executive

Karachi: February 23, 2012.



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, 2011 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity and notes to the account for the half year then ended. (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this 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 interim financial information based on our review.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the half year ended December 31, 2011, is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

OTHER MATTERS

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

Dated:
Place: Karachi

Chartered Accountants
Engagement Partner : **Khalid Anwar**



Condensed Interim Balance Sheet

As at December 31, 2011 (Un-audited)

	(Un-Audited) December 31, 2011 Rupees	(Audited) June 30, 2011 Rupees
EQUITY AND LIABILITIES		
Share Capital and Reserves		
Issued, subscribed and paid up capital	145,486,760	145,486,760
Unappropriated profit	98,284,992	128,881,173
	243,771,752	274,367,933
Surplus on revaluation of fixed assets	38,897,368	40,346,418
Non Current Liabilities		
Long term loans	109,397,388	118,003,889
Staff retirement benefit-gratuity	60,125,165	57,455,845
Deferred taxation	99,574,422	100,200,103
	269,096,975	275,659,837
Current Liabilities		
Advance from customers	19,550,000	19,550,000
Trade and other payables	121,906,659	105,323,282
Accrued mark up on loans	9,957,967	8,399,145
Short term borrowings	77,125,731	33,949,430
Current portion of long term loans	110,454,666	98,496,333
Provision for taxation	5,503,526	10,806,847
	344,498,549	276,525,037
CONTINGENCIES AND COMMITMENTS		
	5	
TOTAL EQUITY AND LIABILITIES	896,264,644	866,899,225
ASSETS		
Non Current Assets		
Property, plant and equipment	624,075,167	642,121,677
Long term deposits	897,038	897,038
	624,972,205	643,018,715
Current Assets		
Stores and spares	17,317,001	10,141,551
Stock in trade	162,362,237	165,633,078
Trade debts - unsecured	20,146,746	5,323,505
Loan and advances	6,165,320	4,922,462
Income tax refundable	4,286	3,862,348
Short term deposits and prepayments	62,950,018	28,508,495
Cash and bank balances	2,346,831	5,489,071
	271,292,439	223,880,510
TOTAL ASSETS	896,264,644	866,899,225

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

MUNAWAR ALI S. KASSIM
Chief Executive

IRSHAD ALI S. KASSIM
DIRECTOR



Condensed Interim Profit and Loss Account (Un-audited) For the Half year ended 31st December 2011

	Note	Half year Ended		Quarter Ended	
		December 2011 Rupees	December 2010 Rupees	December 2011 Rupees	December 2010 Rupees
Sales-net		550,352,577	491,847,246	285,602,730	253,922,906
Cost of sales		(515,439,789)	(429,609,769)	(272,201,394)	(226,895,067)
Gross profit		34,912,788	62,237,477	13,401,336	27,027,839
Selling and distribution expenses		(17,679,834)	(22,710,161)	(9,280,334)	(12,152,156)
Administrative expenses		(8,764,248)	(8,883,850)	(4,308,631)	(3,540,943)
Other operating charges		(481,127)	(2,954,383)	(59,585)	639,043
Other operating income		317,308	160,600	205,709	160,600
Operating profit		8,304,887	27,849,683	(41,506)	12,134,382
Financial charges		(20,910,284)	(21,826,882)	(10,730,775)	(11,368,227)
(Loss) / profit before taxation		(12,605,397)	6,022,801	(10,772,281)	766,155
Taxation		(4,891,158)	(2,719,709)	(3,526,128)	(326,872)
(Loss) / profit after taxation		(17,496,555)	3,303,091	(14,298,409)	439,283
(Loss) / earning per share	8	(1.20)	0.23	(0.98)	0.03

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

MUNAWAR ALI S. KASSIM
Chief Executive

IRSHAD ALI S. KASSIM
DIRECTOR



**Condensed Interim Statement of
Comprehensive Income (Un-audited)**
For the Half Year ended December 31, 2011

	Half year Ended		Quarter Ended	
	December 2011 Rupees	December 2010 Rupees	December 2011 Rupees	December 2010 Rupees
(Loss) / profit after taxation	(17,496,555)	3,303,091	(14,298,409)	439,283
Other comprehensive income				
Incremental depreciation transfer from surplus on revaluation of fixed assets . (net of deferred tax)	1,449,050	1,610,056	724,525	805,028
Total comprehensive income for the period	(16,047,505)	4,913,147	(13,573,884)	1,244,311

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

MUNAWAR ALI S. KASSIM
Chief Executive

IRSHAD ALI S. KASSIM
DIRECTOR



Condensed Interim Cash Flow Statement (Un-audited)

For the Half Year ended December 31, 2011

	December 2011 Rupees	December 2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(12,605,397)	6,022,801
Adjustments for:		
Depreciation	32,595,597	34,266,943
Provision for staff gratuity	3,705,560	(355,672)
Workers' profit participation fund	-	308,985
Workers' welfare fund	18,727	123,594
Financial charges	20,910,284	21,826,882
Gain on sale of vehicles	(262,207)	(159,335)
	56,967,961	56,011,398
(Increase) /decrease in operating assets		
Stores and spares	(7,175,450)	(1,640,107)
Stock in trade	3,270,841	(7,718,582)
Trade debts	(14,823,241)	(6,220,188)
Loans and advances	(1,242,858)	2,323,037
Short term deposits and prepayments	(35,968,924)	(12,685,382)
	(55,939,632)	(25,941,222)
Increase/ (decrease) in operating liabilities		
Short term borrowings	43,176,301	47,327,783
Trade and other payables	14,375,441	(15,015,729)
	57,551,742	32,312,055
Cash generated from operations	45,974,674	68,405,031
Financial charges paid	(19,312,301)	(19,727,256)
Income tax paid	(6,033,902)	(2,580,147)
Gratuity paid	(1,036,240)	(1,356,978)
Workers' profit participation fund paid	(710,460)	-
	(27,092,903)	(23,664,381)
Net cash generated from operating activities	18,881,771	44,740,650
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(14,619,280)	(86,131,546)
Capital expenditure	-	83,360,428
Proceeds from sale of vehicles	332,400	160,000
Net cash used in investing activities	(14,286,880)	(2,611,118)
CASH FLOWS FROM FINANCING ACTIVITIES		
Directors Loan	6,600,000	(8,078,537)
Long term Loan received	46,000,000	101,650,000
Long term Loan paid	(49,248,168)	(103,823,308)
Bills payable against long term loan	-	(38,178,213)
Dividend paid	(11,088,963)	-
Long term deposits	-	(21,250)
Net cash used in financing activities	(7,737,131)	(48,451,308)
Net decrease in cash and cash equivalents	(3,142,240)	(6,321,776)
Cash and cash equivalents at beginning of the period	5,489,071	10,231,427
Cash and cash equivalents at end of the period	2,346,831	3,909,650

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

MUNAWAR ALI S. KASSIM
Chief Executive

IRSHAD ALI S. KASSIM
DIRECTOR



**Condensed Interim
Statement of Changes in Equity (Un-audited)
For the Half year ended December 31, 2011**

	Share Capital Rupees	Unappropriated Profit Rupees	Total Rupees
Balance as at July 01, 2010	145,486,760	120,242,736	265,729,496
Total comprehensive income for the half year ended December 31, 2010	-	4,913,147	4,913,147
Balance as at December 31, 2010	<u>145,486,760</u>	<u>125,155,883</u>	<u>270,642,643</u>
Balance as at July 01, 2011	145,486,760	128,881,173	274,367,933
Payment of dividend	-	(14,548,676)	(14,548,676)
Total comprehensive income for the half year ended December 31, 2011	-	(16,047,505)	(16,047,505)
Balance as at December 31, 2011	<u>145,486,760</u>	<u>98,284,992</u>	<u>243,771,752</u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

MUNAWAR ALI S. KASSIM
Chief Executive

IRSHAD ALI S. KASSIM
DIRECTOR



Selected Explanatory Notes to the Condensed Interim Financial Statements (Un-audited) For the half year ended December 31, 2011

1 STATUS AND NATURE OF BUSINESS

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

2 STATEMENT OF COMPLIANCE

- 2.1 This condensed interim financial report of the company for the six months period ended December 31, 2011 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, 2011 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, 2011 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, 2011 has been extracted from the annual audited financial statements of the company for the year ended June 30, 2011 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, 2010 were subjected to a review but not audited. The comparative condensed profit and loss account for the quarter ended December 31, 2010 included in this condensed interim financial report was not subject to a review.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of financial statements for the year ended June 30, 2011 , except as follows:



New and amended standards and interpretations

The Company has adopted the following amended IFRS and IFRIC interpretation which became effective during the period:

- IFRS 7 - Financial Instruments : Disclosures
- IAS 24 - Related Party Disclosure (Revised)
- IFRIC 14- Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

- IFRS 7 - Financial Instrument Disclosures (Clarification of disclosures)
- IAS 1 - Presentation of Financial Statements (Clarification of statement of changes in equity)
- IAS 34 - Interim Financial Reporting (Significant events and transactions)
- IFRIC 13- Customer Loyalty Programmes (Fair value of award credits)

The adoption of the above standards, amendments / improvements and interpretations did not have any material effect on the condensed interim financial statements of the Company.

4 BASIS OF MEASUREMENT

These accounts have been prepared under the historical cost convention as modified by capitalization of certain exchange differences.

5 CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

Nil

5.2 Commitments

Commitments under letter of credit as at December 31, 2011 amounted to Rs.17,406,928 (June 30, 2011 : 18,943,234).



	(Un audited) Dec 31, 2011	(Audited) Jun 30, 2011
6 PROPERTY, PLANT AND EQUIPMENT		
Opening written down value	642,121,678	609,619,689
Add: Addition during the period/year		
Building	-	401,672
Plant & Machinery	11,631,205	96,344,294
Vehicles	1,436,638	
Mould	1,551,437	4,043,046
Office equipment	-	-
	14,619,280	100,789,012
	656,740,958	710,408,701
Less: Disposal during the period/year		
Vehicle: Cost	(1,179,000)	(2,913,000)
Less: Accumulated depreciation	1,108,807	2,556,882
Less: Depreciation charge during the period/year	(32,595,597)	(67,930,905)
Closing written down value	624,075,168	642,121,678

7 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) Dec 31, 2011	(Audited) Jun 30, 2011
Director's spouse		
Transaction		
Payment of rent of office premises	637,800	1,161,600
Directors		
Transaction		
Interest on loan	234,168	500,710
Loan received / (Paid)	6,600,000	(8,078,537)



Half year Ended		Quarter Ended	
December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Rupees	Rupees	Rupees	Rupees

8 (LOSS) / EARNING PER SHARE

(Loss) / profit for the half year (Rupees)	(17,496,555)	3,303,091	(14,298,409)	439,283
Weighted average number of ordinary shares	14,548,676	14,548,676	14,548,676	14,548,676
(Loss) / earnings per share (Rupees)	(1.20)	0.23	(0.98)	0.03

9 DATE OF AUTHORIZATION FOR ISSUE

The Financial Statement have been authorized for issue by the Board of Directors of the company in its meeting held on 23rd February, 2012.

10 GENERAL

Figures have been rounded off to the nearest rupee.

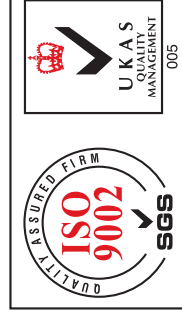
MUNAWAR ALI S. KASSIM
Chief Executive

IRSHAD ALI S. KASSIM
DIRECTOR

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CORPORATE 2633026-7