

KARAM CERAMICS LIMITED

Annual Report 2016



www.karamceramics.com

37th ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mrs. Mariam Shaban ali	Chairperson
Mr. Irshad Ali S.Kassim	Vice. Chairman
Mr. Munawar Ali S. Kassim	Chief Executive
Mr. Shahid Ahmed	Independent Non-Executive Director
Mr. Shah Nawaz Madhani	Director
Miss Natalia Kassim	Director
Miss. Anushka Kassim	Director
Mr. Abdul Sultan	Chief Financial officer
Mr. Manzoor Ali Natha	Company secretary

AUDIT COMMITTEE

Mr. Shahid Ahmed	Chairman
Miss Anushka Kassim	Member
Miss. Natalia Kassim	Member

HUMAN RESOURCES & REMUNERATION COMMITTEE

Mr. Shah Nawaz Madhani	Chairman
Mr. Munawar Ali S. Kassim	Member
Miss. Natalia Kassim	Member

BANKERS

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

AUDITORS / REGISTRAR AND SHARE TRANSFER OFFICE

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

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

REGISTERED OFFICE

Bc-6, Block -5, Scheme-5, Kehkashan, Clifton, Karachi

FACTORY

295/311, Deh Halkani, Hub Dam Road Karachi

LAHORE

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

NOTICE OF MEETING

Notice is hereby given that the 37th Annual General Meeting of the Company will be held at the registered office of the company on 26th October, 2016 at 5:30 p.m. to transact the following business:-

1. To confirm the minutes of the 36th Annual General Meeting held on 27th October, 2015.
2. To consider and adopt the audited account of the company for the year ended 30th June, 2016 along with the Report of the Directors thereon.
3. To appoint Auditors for the year 2017 and fix their remuneration.
4. To elect seven (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 seven(7). The name of retiring Directors are as follows:
 1. Mr. Irshad Ali S. Kassim
 2. Mr. Munawar Ali S. Kassim
 3. Mr. Shahid Ahmed
 4. Mrs. Mariam Shaban Ali
 5. Ms. Natalia Kassim
 6. Ms. Anushka Kassim
 7. Mr. Shahnawaz Madhani
5. To transact any other business with the permission of the Chair.

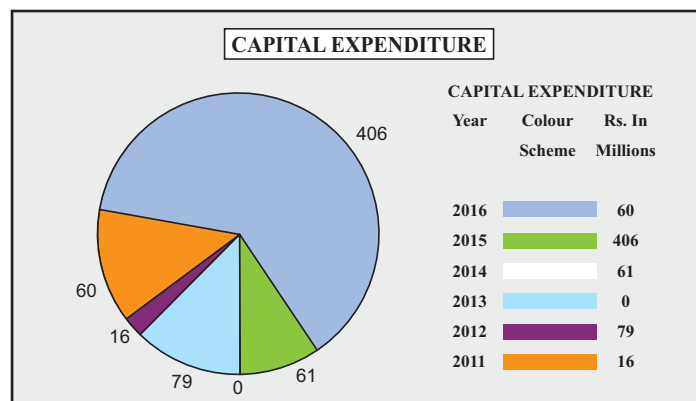
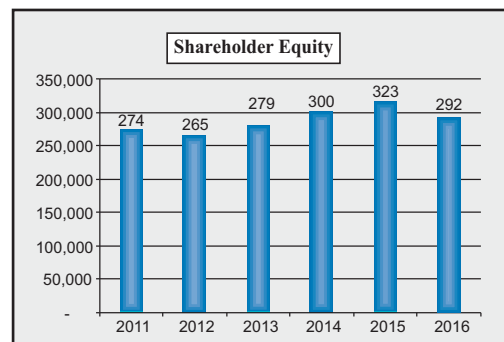
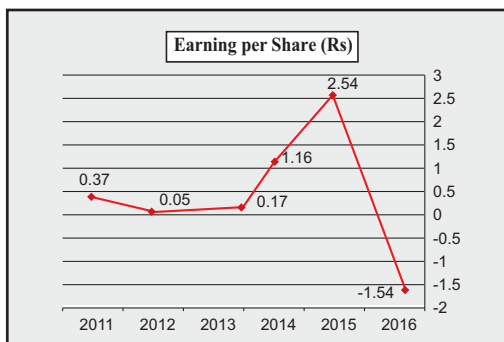
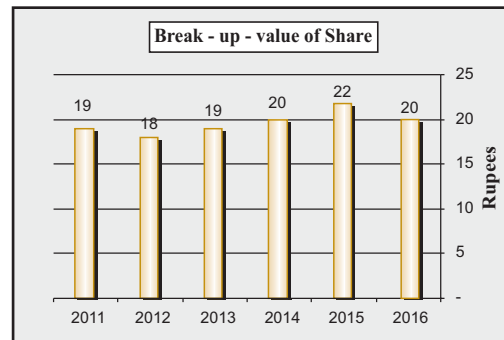
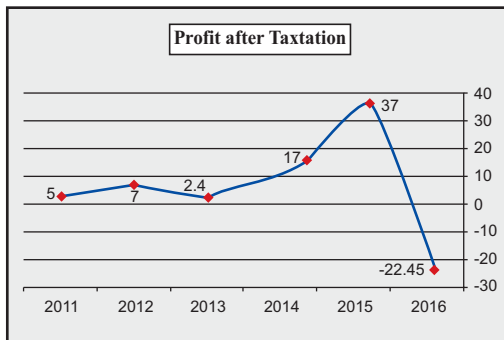
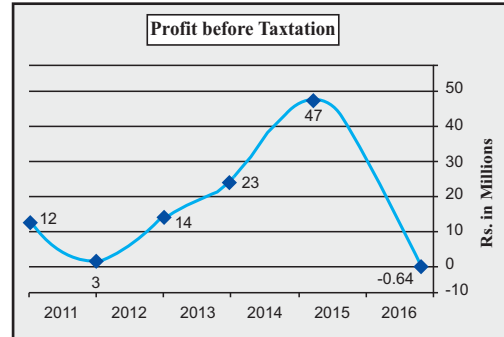
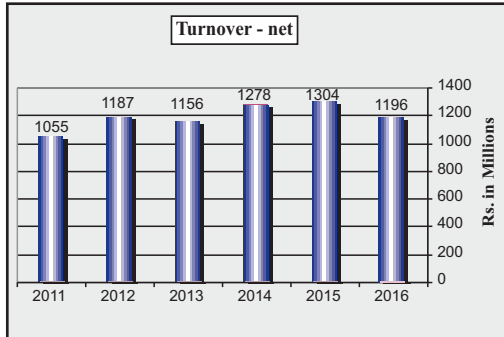
By Order of the Board

Karachi
October 5th, 2016

Manzooral Natha
Company Secretary

NOTES:

01. The share transfer book of the company will remain closed from 20th October 2016 to 26th October, 2016 (both days inclusive).
02. A member eligible to attend and vote at the meeting may appoint another member on 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.
03. 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, notary 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.
04. 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 meeting a notice of his/her intention to offer himself for election as Director, consent to act as a Director and his / her detailed profile.
05. Members are requested to communicate to the company or the Registrar to the company of any change in their address.



FINANCIAL HIGHLIGHTS

(Rs. In millions)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Sales	1196	1304	1278	1156	1187	1055	933	833	710	635
Gross Profit	58	134	93	111	107	129	114	130	139	99
Expenses (Net)	95	87	72	96	104	117	102	117	106	83
Profit before Taxtation	-0.64	47	23	14	3	12	13	13	33	16
Profit after Taxtation	-22.45	37	17	2.4	7	5	12	21	8	13
Dividend %		12	10	-	-	10	-	-	12.5	12.5
Right Shares %	-	-	-	-	-	-	-	-	-	-
Earning per Share (Rs.)	-1.54	2.54	1.16	0.17	0.05	0.37	0.86	1.46	0.55	1.03

DIRECTORS' REPORT

The Directors of your company have pleasure in submitting the report along with audited accounts for the year ended 30th June 2016.

OPERATING PERFORMANCE

Continuous inflow of cheaper imported ceramics tiles from China and smuggling of tiles into the country has adversely affected the sale and production of locally manufactured tiles during the year. National Tariff Commission (NTC) was approached by the local tiles manufacturers for imposition of anti-dumping duties and upward revision of Import Trade Price (ITP) on import of tiles. Construction activities have increased but overall demand for local manufactured ceramics tiles remained slow during the year due to stiff competition from imported tiles. The company has introduced new sizes of tiles in the last quarter of the year by installing new machines. Net sales for the year under review were decreased by 8.3% as compared to last year. Lower sales were due to reasons as stated above. Because of lower sales and increased in the cost of production the gross profit for year decreased by 56.33% as against gross profit of the last year.

RETAINED EARNINGS

The company has incurred net loss before tax of Rs.0.64 million for the year 2016. During the year under review the company has incurred finance cost of Rs. 47.4 million as against Rs. 27.31 million during immediate preceding year. After providing for taxation of Rs. 22.38 million, net loss after tax for the year was Rs. 22.45 million as compared with the after tax profit of Rs. 36.98 million for the preceding year. Un-appropriated Profit to be carried forward is Rs. 146.79 million.

EARNING PER SHARE

Loss per share for the year ended 30th June, 2016 is Rs.1.54 as compared to earnings per share Rs.2.54 for the last year.

FUTURE OUTLOOK

Construction activities in the country have increased due to construction of new housing and commercial schemes. It is expected that future demand of locally manufactured ceramics tiles would increase as a result of favorable economic outlook. It is hoped that the government would also support local tiles manufacturing industry by addressing the issues of antidumping and smuggling of tiles into the country. The introduction of new sizes of tiles would also contribute to the increase in the sales of the company.

CORPORATE SOCIAL RESPONSIBILITY:

Your company is aware of its social responsibility and continues to contribute for health and education in Pakistan. During the year under review the company has donated Rs. 0.7 million for that purpose.

CODE OF CORPORATE GOVERNANCE

The Directors of the company have reviewed the Code of Corporate Governance and are pleased to state that:

- The Company complied with the provisions of the Code of Corporate Governance as required by the Securities and Exchange Commission of Pakistan (SECP).
- The financial statement, prepared by the management of your company presents 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.
- There is no significant doubt upon the Company's ability to continue as a going concern.
- A summary of key operating and financial data of the Company for the last six years is annexed in this report.
- There are no outstanding statutory payments due on account of taxes, levies and charges except those disclosed in these financial statements.
- There has been no material deviation from the best practice of Corporate Governance, as detailed in the listing regulations.

CHANGE IN BOARD OF DIRECTORS

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

NUMBER OF BOARD MEETINGS HELD

During the year under review four meetings of the Board of Directors were held. Attendance is as follows: -

1.	Mr. Irshad Ali S. Kassim	4
2.	Mr. Munawar Ali S. Kassim	4
3.	Mr. Shahid Ahmed	3
4.	Ms Mariam S.G. Kassim	4
5.	Mr. Shahnawaz Madhani	4
6.	Ms. Anushka Kassim	1
7.	Ms. Natalia Kassim	4

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

AUDIT COMMITTEE

The Audit Committee held four (4) meetings during the year. Attendance by each members was as follows:

Members Name	Attendance
Mr. Shahid Ahmed	4
Ms. Natalia Kassim	4
Ms. Anushka Kassim	1

TRAINING PROGRAM OF DIRECTORS:

Code of Corporate Governance requires that every listed Company to make appropriate arrangements to for the orientation courses for their directors. Three of the existing directors of the company are exempted from the directors training program as they have minimum 14 years of education and have experience of 15 years on the board of listed company. The Board of your Company has taken necessary steps to meet with the requirements of this clause. Directors have complied with the condition of certification as required under provision of Code of Corporate Governance.



EMPLOYEES RELATION

The management would like to place on record its appreciation for the positive attitude of the labour union during the year under review and we look forward for its support in resolving all issues mutually with the active cooperation of the labor union.

AUDITORS

The present auditors M/s. Qavi & Co., Chartered Accountants have completed audit for the financial year ended 30th June, 2016 and shall retire on the conclusion of the 37th 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, 2017. 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, 2016 is annexed.

APPROPRIATION

The Board of Directors has not recommended any dividend or bonus shares for the financial year ended June 30, 2016 due to loss for the year.

APPRECIATION

The Directors take this opportunity to thank the all foreign and local suppliers of plant & machinery and raw material, government agencies, shareholders, and staff/employees etc. for their cooperation and contribution towards the progress of the company. We would also like to thank banks and financial institutions and customers for the confidence reposed by them on the company.

MUNAWARALI S. KASSIM
CHIEF EXECUTIVE

September 22, 2016

ڈائریکٹرز رپورٹ:

آپ کی کمپنی کے ڈائریکٹرز مالیاتی سال 30 جون 2016ء کی رپورٹ بشمول آڈٹ شدہ اکاؤنٹ پیش کرنے میں خوشی محسوس کر رہے ہیں۔

کارکردگی کا معیار:

چین سے سستی درآمد شدہ سرامکس ٹائلز کی مسلسل آمد اور ٹائل کی غیر قانونی درآمدات نے اس سال کے دوران مقامی طور پر تیار ٹائل کی پیداوار میں ملکی فروخت پر منفی اثرات مرتب کئے ہیں۔ اس سلسلے میں نیشنل ٹیرف کمیشن (این ٹی سی) سے انٹی ڈمپنگ فرائض کے نفاذ کیلئے مقامی ٹائلز مینوفیکچررز کی طرف سے رابطہ کیا گیا تھا اور ٹائلز کی درآمد پر ایمپورٹ ٹریڈ پرائس (آئی ٹی پی) کے اضافہ پر نظر ثانی کی گئی۔ تعمیراتی سرگرمیوں میں اضافہ ہوا ہے، لیکن اس سال کے دوران مقامی طور پر تیار سرامکس ٹائلز کی مانگ درآمد شدہ ٹائلز سے سخت مقابلہ کی وجہ سے مجموعی طور پر سست رہی۔ کمپنی سال کے آخری سہ ماہی میں نئی نصب مشینوں کے توسط سے ٹائلز کا نیا سائز متعارف کرا چکی ہے۔ سال کے جائزے میں گزشتہ سال کے مقابلے میں خالص فروخت میں 8.3% کی کمی ہوئی ہے جو کہ مندرجہ بالا بیان کردہ کم فروخت کی وجہ سے تھی۔ کم فروخت اور پیداوار کی لاگت میں اضافہ سے گزشتہ سال کے مجموعی منافع کے مقابلے میں سال کے مجموعی منافع میں 56.33% کمی واقع ہوئی۔

حاصل کردہ آمدنی:

کمپنی کو سال 2016ء میں قبل از ٹیکس مبلغ 0.64 ملین روپے کا خسارہ ہوا ہے۔ زیر نظر سال کے دوران کمپنی نے مالیاتی اخراجات کی مدد میں مبلغ 47.4 ملین روپے خرچ کئے جبکہ گزشتہ سال 27.31 ملین روپے کا خرچہ ہوا۔ مبلغ 22.38 ملین روپے ٹیکس کی ادائیگی کے بعد مذکورہ سال کیلئے صافی خسارہ کا تناسب 22.45 ملین روپے تھا جس کا موازنہ گزشتہ سال کے لئے ٹیکس کی ادائیگی کے بعد منافع کا تناسب 36.98 ملین روپے سے کیا جاسکتا ہے۔ اس کے علاوہ غیر مرتب کردہ منافع کا تناسب 146.79 ملین روپے ہے۔

فی شیئر کے حساب سے آمدنی:

30 جون 2016ء کو ختم ہونے والے سال میں فی شیئر خسارہ 1.54 روپے ہے جس کا موازنہ گزشتہ سال کی آمدنی فی شیئر 2.54 روپے سے کیا جاسکتا ہے۔

مستقبل پر نظر:

ملکی تعمیراتی سرگرمیوں میں نئی رہائشی اور تجارتی اسکیمز کی تعمیرات میں کافی اضافہ ہوا ہے اور یہ توقع کی جاتی ہے کہ مستقبل میں مقامی تیار کردہ ٹائلز کی قیمتوں میں اضافہ ہوگا جس کا معیشت پر بہتر اثر پڑے گا۔ امید کی جاتی ہے کہ حکومت بھی مقامی تیار کردہ ٹائلز کی صنعت کے ساتھ تعاون کرے گی اور ملک میں ٹائلز کی غیر قانونی درآمدات کی وجہ سے قیمتوں میں کمی کے معاملے پر غور کرے گی۔ نئے سائز کے ٹائلز متعارف کرائے جائیں گے تاکہ کمپنی کی فروخت میں اضافہ ہو۔

کارپوریٹ معاشرتی ذمہ داریاں:

آپ کی کمپنی اپنی معاشرتی ذمہ داری سے پوری طرح آگاہ ہے اور پاکستان میں صحت اور تعلیم کیلئے مستقل طور پر تعاون کر رہی ہے۔ زیر نظر سال کے دوران کمپنی نے اس مقصد کیلئے مبلغ 0.7 ملین روپے کا عطیہ فراہم کیا ہے۔

کارپوریٹ نظم و ضبط کا کوڈ:

- کمپنی کے ڈائریکٹرز نے کارپوریٹ نظم و ضبط کے کوڈ کا جائزہ لیا ہے اور درج ذیل تحریر کرتے ہیں:
- ☆ نظم و ضبط کے حوالے سے کمپنی میں کارپوریٹ گورننس کو مکمل طور پر نافذ کیا ہے جو کہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کیلئے ضروری ہے۔
 - ☆ کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے کمپنی کے حالات، اس کے آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کی شفاف عکاسی کرتے ہیں۔
 - ☆ کمپنی کے کھاتے مناسب طریقہ سے رکھے جا رہے ہیں۔
 - ☆ مناسب اکاؤنٹنگ پالیسیوں کے تسلسل کو مالیاتی گوشوارے کی تیاری میں لاگو کیا گیا ہے۔ اکاؤنٹنگ کے اندازے ماہرانہ اور محتاط فیصلوں پر مبنی ہوتے ہیں۔
 - ☆ مالیاتی گوشوارے کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ معیارات، جو کہ پاکستان میں نافذ العمل ہیں، ان کی پیروی کی گئی ہے۔
 - ☆ انٹرنل کنٹرول کے نظام مضبوط ہیں اور اس کی موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
 - ☆ آنے والے سالوں میں کمپنی کے کاروباری تسلسل پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
 - ☆ پچھلے 6 سال کی اہم مالیاتی تفصیلات اس ڈائریکٹر رپورٹ میں فراہم کر دی گئی ہیں۔
 - ☆ ٹیکسز، ڈیوٹیز اور دیگر چارجز کے اکاؤنٹ پر کوئی ادائیگی واجب الادا نہیں ہے جو کہ مالیاتی سال سے متعلق ہے۔
 - ☆ کارپوریٹ نظم و ضبط کی اعلیٰ پریکٹس کے سلسلے میں کوئی مواد موجود نہیں ہے جیسا کہ قوانین کی فہرست میں دیا گیا ہے۔

بورڈ آف ڈائریکٹرز کی تبدیلی:

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

بورڈ کی منعقدہ میٹنگز کی تعداد:

زیر نظر سال کے دوران بورڈ آف ڈائریکٹرز کی چار میٹنگز منعقد ہوئی تھیں جس میں شرکت کرنے والے ڈائریکٹرز کی تفصیل درج ذیل ہے:

4	جناب ارشاد علی ایس قاسم
4	جناب منور علی ایس قاسم
3	جناب شاہد احمد
4	مس مریم ایس جی قاسم
4	جناب شاہنواز مادھانی
1	مس انوشکا قاسم
4	مس نتالیہ قاسم

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

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

ممبرز کا نام	شرکت کی تعداد
جناب شاہد احمد	4
مس تنالیہ قاسم	4
مس انوشکا قاسم	1

ڈائریکٹرز کا تربیتی پروگرام:

کارپوریٹ نظم و ضبط کے کوڈ میں ضروری ہے کہ ہر کمپنی اپنے ڈائریکٹرز کے لئے مناسب انتظامات کرے۔ کمپنی کے موجودہ تین ڈائریکٹرز کو ڈائریکٹرز کے تربیتی پروگرام سے مستثنیٰ قرار دیا گیا ہے کیونکہ ان کی کم از کم تعلیم 14 سالوں پر مشتمل ہے اور انہیں کمپنی کے بورڈ میں 15 سالہ تجربہ حاصل ہے۔ آپ کی کمپنی کے بورڈ نے ضروری اقدامات کئے ہیں تاکہ اس کلاز کی ضروریات کو مکمل کیا جاسکے۔ تمام ڈائریکٹرز نے کارپوریٹ نظم و ضبط کے کوڈ کے تحت سرٹیفیکیٹ حاصل کئے ہیں۔

ملازمین سے تعلقات:

زیر نظر سال کے دوران انتظامیہ لیبر یونین کے مثبت رویے کے لئے ریکارڈ پر خراج تحسین درج کرے گی اور ہم امید کرتے ہیں کہ تمام معاملات مشترکہ تعاون سے حل کئے جائیں گے جو کہ لیبر یونین کے موثر تعاون سے حاصل ہوگا۔

آڈیٹرز:

کمپنی کے موجودہ آڈیٹرز مسرز قوی اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس نے مالیاتی سال 30 جون 2016ء کے لئے آڈٹ مکمل کر لیا ہے اور یہ کمپنی کی 37 ویں سالانہ جنرل میٹنگ میں ریٹائر ہو جائیں گے۔ مالیاتی سال 30 جون 2017ء کیلئے انہوں نے دوبارہ تقرری کی اہلیت پر کمپنی میں اپنی خدمات پیش کرنے کی سفارش کی ہے۔ ایکسٹرنل آڈیٹرز نے انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹینٹ آف پاکستان کے کوالٹی کنٹرول جائزہ پروگرام کے تحت اطمینان بخش ریٹنگ پیش کی ہے۔

شیئر ہولڈنگ کا طریقہ کار:

شیئر ہولڈنگ کا طریقہ کار 30 جون 2016ء میں منسلک ہے۔

خاص پرمانع کی ادائیگی:

بورڈ آف ڈائریکٹرز نے مالیاتی سال 30 جون 2016ء میں خسارے کی وجہ سے کسی بھی ڈویڈنڈ یا پونڈس شیئر کی سفارش نہیں کی ہے۔

اظہار تشکر:

ڈائریکٹرز اس موقع پر پلانٹ، مشینری اور خام مال کی غیر ملکی اور لوکل سپلائرز، سرکاری ایجنسی، شیئر ہولڈرز اور اسٹاف/ملازمین کا کمپنی کی کارکردگی میں تعاون کرنے پر بے حد مشکور و ممنون ہیں اس کے علاوہ ہم بینکنگ اور مالیاتی اداروں اور صارفین کا بھی کمپنی پر مکمل اعتماد کرنے پر شکر یہ ادا کرتے ہیں۔

بورڈ کی جانب سے

منور علی ایس قاسم

چیف ایگزیکٹو آفیسر

کراچی مورخہ: 22 ستمبر 2016ء



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

- | | |
|---------------|-------------|
| - 20cm x 60cm | 20cm x 20cm |
| - 20cm x 30cm | 30cm x 60cm |
| - 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, 2016

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Pakistan Stock Exchange 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. Karam Ceramics Limited (the Company) has applied the principles contained in the Code of Corporate Governance in the following manner :

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors.(the Board) At present, the Board constitutes of:

Category	Name
Independent Directors	Mr.Shahid Ahmed
Executive Directors	Mr. Irshad Ali S. Kassim Mr. Munawar Ali S. Kassim
Non - Executive Directors	Ms. Mariam Shaban Ali Ms. Anushka Kassim Ms. Natalia Kassim Mr. Shahnawaz Madhani

The independent directors meet the criteria of independence under clause 5.19.1 (b) of the CCG.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including the company (excluding the listed subsidiaries of listed holding companies where applicable).
3. 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 NBFIs or, being a Broker of a stock exchange, has been declared to be a defaulter by the stock exchange.
4. No casual vacancies occurred during the year.
5. 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.
6. 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.

7. 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 chief executive officer, other executive directors and non-executive directors, have been taken by the Board / shareholders.
8. 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 prior to the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. All directors have been provided with copies of Listing Regulations, Memorandum and Articles of Association of the Company and Code of Corporate Governance. During the year, there was no specific training arranged for the directors. However they were briefed about the domestic and international business environment and regulatory changes in each board meetings.
10. No new appointment of CFO/Company Secretary has been made during the year.
11. The Directors' Report for the year ended June 30, 2016, has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors and the Chairman is an independent director.
16. 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 Audit Committee have been formed and advised to the Committee for compliance.
17. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
18. The board has formed a Human Resources and Remuneration Committee. It comprises of three members, all of whom are non-executive directors including the chairman of the committee.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants ("IFAC") guidelines on code of ethics as adopted by the ICAP.

-
20. 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.
 21. 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 the Stock Exchanges.
 22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
 23. We confirm that all other material enshrined in the Code of Corporate Governance have been compiled with.

By order of the Board



Munawar Kasim
Chief Executive Officer

Karachi: 22nd September 2016

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **KARAM CERAMICS LIMITED** ("the Company") for the year ended 30 June 2016 to comply with the requirements of Rule Book of Pakistan Stock Exchange Limited Chapter 5, Clause 5.19.23 (b) of the Code of Corporate Governance, where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its 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 and recording proper justification for using such alternate pricing mechanism.

We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were under taken 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 as applicable to the Company for the year ended 30 June 2016.

Qavi & Co

DATE: 22, September 2016
Karachi

Chartered Accountants
Engagement Partner: Khalid Anwer

LAHORE : Tel : (042) 35830216-7 Fax : (042) 35885860

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **KARAM CERAMICS LIMITED** ("the Company") as at June 30,2016 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 disclosure 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 , 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 except for the changes as stated in note 2.5.1 to the accompanying financial statements with which we concur;
 - 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 30,2016 and of the loss, its comprehensive loss, 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 Section7 of the Ordinance.

Qavi & Co

DATE: 22, September 2016
Karachi

Chartered Accountants
Engagement Partner: Khalid Anwer

BALANCE SHEET AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized			
15,000,000 (2015: 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>146,799,537</u>	<u>178,398,418</u>
		292,286,297	323,885,178
Surplus on revaluation of fixed assets	5	72,435,224	74,694,552
Non Current Liabilities			
Long term financing - secured	6	523,551,889	206,914,038
Bills payable		-	253,317,960
Deferred liability	7	81,008,740	89,352,475
Deferred taxation	8	99,455,117	77,462,089
		<u>704,015,746</u>	<u>627,046,562</u>
Current Liabilities			
Trade and other payables	9	133,620,747	176,133,508
Mark up accrued on loans		16,401,112	9,285,328
Short term borrowings - secured	10	217,263,809	57,175,324
Current portion of long term financing - secured		<u>112,601,468</u>	<u>47,824,007</u>
		479,887,136	290,418,167
Contingencies and commitments	11		
		<u>1,548,624,403</u>	<u>1,316,044,459</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.

BALANCE SHEET

AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipments	12	951,487,537	701,341,374
Capital work in progress	13	16,669,771	279,937,195
Long term deposits		897,038	897,038
Current Assets			
Stores and spares	14	14,862,579	11,198,449
Stock in trade	15	215,004,440	90,550,061
Trade debts - unsecured considered good		260,681,390	127,363,964
Loans and advances	16	1,504,889	11,551,275
Income tax		50,345,051	27,436,109
Sales tax		5,872,137	6,113,278
Short-term prepayments	17	22,639,930	15,351,293
Cash and bank balances	18	8,659,641	44,304,423
		579,570,057	333,868,852
		1,548,624,403	1,316,044,459



Director



Chief Executive

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
----- Rupees -----			
Net Sales	19	1,196,043,437	1,304,166,041
Cost of sales	20	(1,137,369,905)	(1,169,801,547)
Gross Profit		<u>58,673,532</u>	<u>134,364,494</u>
Selling and distribution expenses	21	(26,308,642)	(34,890,162)
Administrative expenses	22	(20,138,747)	(20,060,262)
		<u>(46,447,389)</u>	<u>(54,950,424)</u>
Other operating charges	23	(1,229,600)	(5,343,337)
Finance cost	24	(47,405,198)	(27,313,953)
		<u>(48,634,798)</u>	<u>(32,657,290)</u>
Other income	25	36,343,948	221,631
(Loss) / Profit before taxation		<u>(64,707)</u>	<u>46,978,411</u>
Taxation	26	(22,382,567)	(9,999,629)
(Loss) / Profit after taxation		<u>(22,447,274)</u>	<u>36,978,782</u>
Earnings per share	27	<u>-1.54</u>	<u>2.54</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.



Director



Chief Executive

STATEMENT OF COMPREHENSIVE INCOME

For the Year ended June 30, 2016

	2016	2015
	----- Rupees -----	
(Loss) / Profit after taxation	(22,447,274)	36,978,782
Other comprehensive income		
Incremental depreciation transfer from surplus on revaluation of fixed assets (net of deferred tax)	2,648,868	2,899,904
Items that will not be re-classified to Profit or Loss		
Gain on remeasurement of Retirement Benefit Obligation	5,723,068	(6,344,796)
Impact of deferred tax	-	-
Total comprehensive (loss) / income for the year	(14,075,338)	33,533,890

The annexed notes from 1 to 37 form an integral part of these financial statements.



Director



Chief Executive

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(64,707)	46,978,411
Adjustments for		
Depreciation	79,353,111	67,285,548
Provision for staff gratuity	12,535,262	11,302,664
Workers' profit participation fund	-	2,525,537
Workers' welfare fund	-	1,006,800
Financial charges	47,405,198	27,313,953
Gain on sale of assets	(218,769)	(72,290)
Adjustment for insurance refund	(9,546,303)	-
	129,528,499	109,362,213
(Increase) / Decrease in operating assets		
Stores and spares	(3,664,130)	(2,324,059)
Stock in trade	(124,454,379)	7,864,049
Trade debts	(133,317,426)	(58,337,878)
Loans and advances	10,046,386	(10,181,032)
Short-term prepayments and balances - with statutory authorities	(7,288,637)	320,136
	(258,678,186)	(62,658,784)
Increase / (Decrease) in operating liabilities		
Short term running finance	160,088,485	26,732,951
Trade and other payables	(39,987,225)	48,065,592
	120,101,260	74,798,543
Cash generated from operations	(9,113,134)	168,480,383
Finance cost paid	(40,289,414)	(24,962,433)
Income tax paid	(22,974,075)	(38,516,694)
Sales tax refundable	241,141	(6,113,278)
Gratuity paid	(4,286,413)	(4,711,224)
Workers' profit participation fund paid	(2,525,536)	(1,244,798)
	(69,834,297)	(75,548,427)
Net cash generated from operating activities	(78,947,431)	92,931,956
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of assets	20,180,000	80,000
Purchase of property, plant and equipment	(76,646,775)	(406,672,244)
Net cash used in investing activities	(56,466,775)	(406,592,244)
CASH FLOWS FROM FINANCING ACTIVITIES		
Directors loan received	191,448,603	67,674,435
Long term loan received	293,928,216	68,238,045
Adjustment of imputed interest	(26,550,191)	-
Long term loan paid	(77,411,316)	(38,400,000)
Bills payable against long term loan	(253,317,960)	253,317,960
Dividend Paid	(28,327,928)	(11,208,676)
Long term deposits and prepayments	-	10,000
Net cash (used in) / generated from financing activities	99,769,424	339,631,763
Net (decrease) / increase in cash and cash equivalents	(35,644,782)	25,971,475
Cash and cash equivalents at beginning of the year	44,304,423	18,332,948
Cash and cash equivalents at end of the year	8,659,641	44,304,423

The annexed notes from 1 to 37 form an integral part of these financial statements.



Director



Chief Executive

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2016

	Share Capital	Unappropriated Profit	Total
	----- (Rupees) -----		
Balance as at June 30, 2014 (Restated)	145,486,760	159,413,204	304,899,964
Dividend paid during the year	-	(14,548,676)	(14,548,676)
Total comprehensive income for the year	-	33,533,890	33,533,890
Balance as at 30 June 2015	145,486,760	178,398,418	323,885,178
Dividend (Final 12%) for the year ended June 30, 2015		(17,458,411)	(17,458,411)
Prior Year income Tax adjustment		(65,132)	(65,132)
Total comprehensive loss for the year	-	(14,075,338)	(14,075,338)
Balance as at June 30, 2016	145,486,760	146,799,537	292,286,297

The annexed notes from 1 to 37 form an integral part of these financial statements.



Director



Chief Executive

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, Manghopir, 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 cost/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 JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, 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 judgements 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 31 to these financial statements.

2.5 CHANGES IN ACCOUNTING STANDARDS AND INTERPRETATIONS

2.5.1 Standards, amendments or interpretations which became effective during the year:

The Company has adopted the following revised standards, amendments and which became effective for the current year:

- IFRS 10 - Consolidate Financial Statement
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 13 - Fair Value Measurement
- IAS27 - Equity Method in Separate Financial Statements
- IAS 28 - Investments in Associates and Joint Ventures

The adoption of the above accounting standards did not have any effect on the Financial Statement"

2.5.2 Standards, amendments or interpretations not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2016 and the Company does not expect to have any material / significant changes in its accounting policy except for disclosures, where applicable:

Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortisation for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) (effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements.

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.

Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's financial statements.

Agriculture: Bearer Plants (Amendment to IAS 16 and IAS 41) (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

The amendments are not likely to have an impact on Company's financial statements.

Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Company's financial statements.

Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

Amendments to IFRS 2 - 'Share-based Payment' clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

IFRS 7 'Financial Instruments - Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognised in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

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

Defined benefit plans define an amount of pension or gratuity that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation

A defined benefit plan is a plan that is not a defined contribution plan. The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds or the market rates on government bond. These are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The company operates an Unfunded Gratuity Scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. The provision is made on the basis of actuarial valuation to cover the obligation under the scheme for all employees eligible to gratuity benefits. The latest actuarial valuation for gratuity scheme was carried out as on June 30, 2016.

3.2 Borrowings

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

3.3 Trade and Other Payables

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

3.4 Property, Plant and Equipments

Owned assets

Property, plant and equipment, except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land and capital work-in-progress are stated at cost.

Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is charged to income on reducing balance method over its estimated useful life at the rates specified in property, plant and equipment note except for equipment and other assets. Equipment and other assets are depreciated over the period of three years. Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired or capitalized while no depreciation is charged for the month in which the item is disposed off.

The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is material.

The gain or loss on disposal of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Impairment

Where the carrying amount of asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

Leased assets

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance lease. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. Depreciation is charged on the same basis as used for owned assets.

Financial charges are allocated to accounting period in a manner so as to provide a constant rate of charge on outstanding liability.

3.5 Capital Work-in-progress

Capital work in progress and stores held for capital expenditure are stated at cost and represents expenditure incurred on property, plant and equipment during construction and installation. Cost includes borrowing cost as referred in accounting policy of borrowing cost. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

3.6 Stores, spares and loose tools

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

3.7 Stock-in-Trade

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

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

Waste Net realizable value

Valuation of raw material, work in process and finished goods as on 30th June 2016 have been valued at lower of cost and net realizable value as per the requirement of IAS 2.

Raw material in transit is stated at invoice price plus other charges paid thereon upto the balance sheet date.

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

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

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 recognized 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 are amortized cost as the case may be. All financial assets and liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in profit and loss account.

3.13 Offsetting of financial assets and financial liabilities

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

3.14 Provisions

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

All company's assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the assets' recoverable amount is estimated. Impairment losses are recognized in the profit and loss account currently.

3.16 Transactions with related parties

Transactions with related parties are priced at comparable uncontrolled market price. All transactions involving related parties arising in the normal course business are conducted at arm's length using valuation modes, as admissible. Parties are said to be related when they meet the definition as provided in the Companies Ordinance 1984.

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.

		2016	2015
		----- Rupees -----	
6.1.1	Term Finance Loans		
	Soneri Bank Term Finance Loan 1	45,000,000	75,000,000
	Soneri Bank Term Finance Loan 2	23,100,000	31,500,000
	Soneri Bank Term Finance Loan 3	138,154,593	43,284,045
	JS Bank Term Finance Loan 1 & 2	150,809,486	24,954,000
	Habib Bank Term Finance Loan 1	34,190,866	-
		<u>391,254,945</u>	<u>174,738,045</u>
6.1.2	Current maturity of Term Finance Loans		
	Soneri Bank Term Finance Loan	30,000,000	30,000,000
	Soneri Bank Term Finance Loan 2	8,400,000	8,400,000
	Soneri Bank Term Finance Loan 3	29,458,944	5,935,782
	JS Bank Term Finance Loan 1&2	37,842,712	3,488,225
	Habib Bank Term Finance Loan 1	6,899,812	-
		<u>112,601,468</u>	<u>47,824,007</u>
6.1.3	<p>This represents Term Finance 1 obtained is from Soneri Bank Limited on 31.12.2012 amounting to Rs. 150 million repayable by monthly installment of Rs. 2.5 million by 31-12-2017. Markup is 6 months Kibor plus 1.5%. This is secured by equitable mortgage of Rs. 600 million on land, building, plant and machinery situated at survey No. 295/311 Deh Halkani, Tapo Mangopir, Taluka District, Hub Dam Road, Karachi.</p>		
6.1.4	<p>This Term Finance 2 was obtained on 18.02.2014 amounting to Rs. 42 million from Soneri Bank Limited, repayable by monthly installment of Rs. 0.7 million per month by February 19, 2019. Markup is 6 month Kibor plus 1.5%. This is secured by specific charge on imported machinery for Rs. 42 million and 1st equitable mortgage charge of Rs. 600 million over land, buiding, and plant and machinery of the company.</p>		
6.1.5	<p>This represents Term Finance 3 obtained during the period from 21.01.2015 to 16.06.2016 amounting to Rs. 151,204,771 (One hundred fifty one million, two hundred four thousand, seven hundred seventy one) from Soneri Bank Limited payable by monthly installment of Rs. 2,454,912 by March 31, 2021. Markup is six months Kibor plus 1.75%. This is secured by 1st charge over company's fixed assets (land, building, plant and machinery for Rs. 200 million).</p>		
6.1.6	<p>This represents Term loan amounting to Rs. 175,916,632 received from J.S. Bank during the period 17th April 2015 to 24th June 2016, repayable by monthly installment of Rs. 3,113,116 from November 2015 to January 2016, Rs. 3,153,559 from February 2016 to June 2016 and Rs. 2,792,768 from July 2016 to April 2020. Markup is 6 months Kibor plus 1.75%. This is secured by 1st pari passu charge over present and future assets (land, building, plant and machinery) of the company amounting to Rs. 267 million inclusive of 25% margin (property address: 295/311, Deh Halkani, Hub Dam Road Karachi), personal guarantee of Directors and subordination of new directors' loan amounting to Rs. 50 million to finance expansion project.</p>		
6.1.7	<p>This represents Term Finance of Rs. 23,057,860 received on 13.11.2015 and Rs. 11,987,000 received on 04.04.2016 from Habib Bank Limited repayable by monthly installment of Rs. 426,997 from May 2016 to October 2020 and monthly installment of Rs. 221,981 from November 2016 to May 2021. Markup is 3 months Kibor plus 1.5%. This is secured by first specific exclusive charge over plant and machinery.</p>		

		2016	2015
		----- Rupees -----	
6.2	Directors Loan	244,898,412	80,000,000
6.2.1	Director loan @ 5% interest	115,948,603	80,000,000
	Director loan interest free	155,500,000	-
	Less: Imputed interest as per IAS-39 @ 6%	(26,550,191)	-
		128,949,809	-
		244,898,412	80,000,000
6.2.2	Director loan of Rs. 50,000,000 is sub-ordinated to Soneri Bank Limited and J.S Bank against sanction of long term loan.		
7	DEFERRED LIABILITIES		
	Retirement Benefit Obligation	81,008,740	78,482,958
	Dividend Payable	-	10,869,517
		81,008,740	89,352,475
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, 2016 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, 2016:		
	Discount rate	7.25%	10.50%
	Expected rate of salary increase in future years	6.25%	9.50%
	Average expected remaining working life time of employees	11 years	11 years
7.1.3	Reconciliation of payable to Defined Benefit Plan		
	Present value of defined benefit obligation	81,008,740	78,482,958
		81,008,740	78,482,958
7.1.4	Movement in liability recognized in Balance sheet		
	Balance Sheet Liability / (Asset) as on June 30,	78,482,958	65,546,722
	Current service cost for the year	5,142,618	3,827,944
	Interest cost for the year	7,392,645	7,474,720
	Payment made during the year	(4,286,413)	(4,711,224)
	Remeasurments recognised in other Comprehensive income	(5,723,068)	6,344,796
	Present value of Defined Benefit Obligation as on June 30, 2016	81,008,740	78,482,958

	Note	2016	2015
		----- Rupees -----	
7.1.5 Charge for the year			
Current service cost		5,142,618	3,827,944
Interest cost		7,392,645	7,474,720
		12,535,263	11,302,664
7.1.6 Charge for the year has been allocated as follows:			
Cost of sales		11,407,089	10,285,424
Selling and distribution expenses		250,705	226,053
Administrative expenses		877,468	791,186
		12,535,262	11,302,663
		2016	2015
		Rupees	Rupees
			2014
			Rupees
7.1.7 Historical information			
Present value of obligation		81,008,740	78,482,958
			65,546,722
7.1.8	The expected gratuity expense for the year ending 30th June 2017 works out to Rs. 13,318,716		
7.2	<p>One of the shareholders 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. Total number of shares involved in the case was 3,340,000. During the year this case has been settled out of the Court and CDC has unblocked 3,027,400 shares and the same have been transferred to the original shareholders of the company. Dividend outstanding on these shares have been paid. Dividend on remaining shares of 312,600 will be paid after these shares are unblocked by CDC. This amount has been discussed in Note # 9.</p>		
		2016	2015
		----- Rupees -----	
8 DEFERRED TAXATION			
Deferred tax liability comprises of taxable/(deductible) temporary differences in respect of the following:			
Tax depreciation allowance		125,377,914	103,361,465
Deferred tax asset on deductible temporary difference on staff retirement benefits - gratuity		(25,922,797)	(25,899,376)
		99,455,117	77,462,089

9	TRADE AND OTHER PAYABLES	Note	2016	2015
			----- Rupees -----	
	Trade creditors/Bills payable		65,388,520	109,907,534
	Accrued expenses		56,964,364	55,230,427
	Sales tax payable		4,816,039	5,067,282
	Workers' profit participation fund	9.1	-	2,525,536
	Workers' welfare fund		2,616,070	2,616,070
	Dividend payable	7.2	1,015,170	-
	Unclaimed dividend		463,360	463,360
	Withholding tax payable		2,357,224	323,299
			<u>133,620,747</u>	<u>176,133,508</u>
	9.1 Workers' profit participation fund			
	Opening balance		2,525,536	1,244,797
	Allocation for the year		-	2,525,537
	Interest on fund utilized in company's business		114,966	68,345
			<u>114,966</u>	<u>2,593,882</u>
			2,640,502	3,838,679
	Less: Paid during the year		(2,640,502)	(1,313,143)
			<u>-</u>	<u>2,525,536</u>
	10 SHORT TERM RUNNING FINANCE			
	Soneri Bank Limited	10.1	153,311,258	57,175,324
	Habib Bank Limited	10.2	47,651,949	-
	Habib Bank Limited FATR	10.3	16,300,602	-
			<u>217,263,809</u>	<u>57,175,324</u>

10.1 The company obtained Running finance facility of Rs. 160 million from Soneri Bank Limited on 22.02.2016 at a Markup of 6 months Kibor plus 1.5%. This is secured by 1st hypothecation charge over stock of the company for Rs. 160 million and 1st pari passu equitable charge of Rs. 800 million over fixed assets of the company and guarantee of the Directors.

10.2 The company obtained Running finance facility of Rs. 50 millions from Habib Bank Limited on October 19, 2015 Markup is 3 months Kibor plus 1%, payable quarterly. This is secured by 3rd party mortgage over Karam Ceramics Limited's head office located at BC-6, Block 5 scheme No. 5 Kehkashan Clifton, Karachi property valued at Rs. 189.89 million and 2nd Ranking charge on Hypothecate of stock and 1st charge on Book Debts of Rs. 150 million and personal guarantee of directors of the company.

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 L/C issued by Soneri Bank Limited and Habib Bank Limited in favour of SSGC amounting to of Rs. 64,951 million expiry 18.04.2017 and Rs. 20 million expiry 05.03.2017 respectively (2015: Soneri Bank Limited Rs. 64,951 million and Habib Bank Limited Rs.20 Million)

11.2 Commitments

11.2.1 Commitments under letter of credit for import of raw materials as at June 30, 2016 amounted to Euro:117,660 and US\$:204590 (2015: Euro 97,130 and US\$ 342,973)

11.2.2 Work in progress: Commitment Rs. 500,000

13. Property, Plant and Equipments

	Building								Total
	Freehold Land	Factory building on Free-hold land	Lahore warehouse on free hold land	Plant and machinery	Motor vehicles	Furniture, fixture & equipment	Moulds	Laboratory equipment	
COST / REVALUED									
Balance as at July 01, 2014	52,560,000	279,987,989	2,664,102	1,398,288,283	27,192,327	12,713,151	6,237,230	1,512,579	1,781,155,661
Additions during the year	-	54,453,110	-	70,412,439	1,770,500	99,000	-	-	126,735,049
Disposal during the year	-	-	-	-	(535,000)	-	-	-	(535,000)
Balance as at June 30, 2015	52,560,000	334,441,099	2,664,102	1,468,700,722	28,427,827	12,812,151	6,237,230	1,512,579	1,907,355,710
Balance as at July 01, 2015	52,560,000	334,441,099	2,664,102	1,468,700,722	28,427,827	12,812,151	6,237,230	1,512,579	1,907,355,710
Additions during the year	-	23,686,844	-	314,323,355	1,904,000	-	-	-	339,914,199
Disposal during the year	-	-	-	(26,607,392.00)	(399,000)	-	-	-	(27,006,392)
Balance as at June 30, 2016	52,560,000	358,127,943	2,664,102	1,756,416,685	29,932,827	12,812,151	6,237,230	1,512,579	2,220,263,517
DEPRECIATION									
Balance as at July 01, 2014	-	201,966,864	2,486,886	899,569,502	19,127,292	10,301,907	4,355,984	1,447,643	1,139,256,078
Charge for the year	-	10,329,715	17,279	54,461,497	1,708,636	240,046	522,044	6,331	67,285,548
Disposal during the year	-	-	-	-	(527,290)	-	-	-	(527,290)
Balance as at June 30, 2015	-	212,296,580	2,504,165	954,030,999	20,308,637	10,541,953	4,878,028	1,453,974	1,206,014,333
Balance as at July 01, 2015	-	212,296,577	2,504,165	954,030,999	20,308,637	10,541,953	4,878,028	1,453,974	1,206,014,333
Charge for the year	-	14,583,137	15,994	62,140,436	1,972,905	227,020	407,759	5,860	79,353,111
Disposal during the year	-	-	-	(16,203,695)	(387,769)	-	-	-	(16,591,464)
Balance as at June 30, 2016	-	226,879,714	2,520,159	999,967,740	21,893,773	10,768,973	5,285,787	1,459,834	1,268,775,980
Book value as at June 30, 2016	52,560,000	131,248,229	143,943	756,448,945	8,039,054	2,043,178	951,443	52,745	951,487,537
Book value as at June 30, 2015	52,560,000	122,144,519	159,937	514,669,723	8,119,190	2,270,198	1,359,202	58,605	701,341,374
Annual depreciation rate %	-	10	10	10	20	10	30	10	

12.1 Depreciation charge for the year has been allocated as follows:

	Note	2016	2015
----- Rupees -----			
Cost of sales	20.1	78,378,119	66,458,828
Selling and distribution expenses	21	469,829	398,380
Administrative and general expenses	22	505,162	428,340
		79,353,110	67,285,548

12.2 Disposal of fixed assets

Particulars	Cost of acquisition	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of sale	Particulars of purchaser
----- Rupees -----							
Hundai Santro ADC 946	399,000	384,961	14,039	230,000	215,961	Negotiation	Through Employee of the company Ms. Duranda Samantha Davies CNIC # 42301-8957652-2
Generator 3520B	26,607,392	16,203,695	10,403,697	19,950,000	9,546,303	Insurance Claim	PICIC Insurance Ltd.
Total 2016	27,006,392	16,588,656	10,417,736	20,180,000	9,762,264		
Total 2015	535,000	527,290	-	80,000	72,290		

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

	2016	2015
	----- Rupees -----	
Freehold land	3,964,588	3,964,588
Factory building	96,189,683	83,190,579
	100,154,271	87,155,167
13 CAPITAL WORK IN PROGRESS		
Opening Balance	279,937,195	-
Addition during the Year	5,980,688	279,937,195
	285,917,883	279,937,195
Less : Transferred to fixed assets	(269,248,112)	-
	16,669,771	279,937,195

The plant and machinery imported during last year has been installed and the cost of the installed machines has been transferred to Fixed Assets (Plant & Machinery).

14	STORES AND SPARES	14,862,579	11,198,449
15	STOCK-IN-TRADE		
	Raw material	111,952,645	62,554,339
	Packing material in hand	4,002,059	1,246,525
	Work-in-process	8,378,098	5,162,290
	Finished goods	90,671,638	21,586,907
		215,004,440	90,550,061
16	LOANS AND ADVANCES		
	Loans to employees - considered good	183,500	242,000
	Advances - considered good		
	- Employees	165,400	178,300
	- Purchases	36,067	4,315
	- Advance to suppliers	-	2,262,448
	- Advance to contractors	-	6,200,000
	- Others	719,922	2,264,212
	- Purchase of land	400,000	400,000
		1,504,889	11,551,275

16.1 Maximum aggregate balance of loans due at the end of any month during the year 2016 was Rs. 336,000 (2015: Rs. 613,800). These are secured against gratuity payable to them.

16.2 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.

	Note	2016	2015
		----- Rupees -----	
17	SHORT-TERM PREPAYMENTS AND BALANCES WITH STATUTORY AUTHORITIES		
	Letters of credit charges	323,123	13,908,367
	Other prepayments	9,484,365	1,442,926
	Other Receivable	12,832,442	-
		<u>22,639,930</u>	<u>15,351,293</u>
18	CASH AND BANK BALANCES		
	Cash in hand	373,433	923,824
	Cheques in hand	-	41,764,000
		<u>373,433</u>	<u>42,687,824</u>
	Balance with banks in:		
	- Current accounts	7,506,629	816,627
	- Deposit accounts	779,579	799,972
	18.1	<u>8,286,208</u>	<u>1,616,599</u>
		<u>8,659,641</u>	<u>44,304,423</u>
	Note	2016	2015
		----- Rupees -----	
19	SALES - NET		
	Gross sales	1,447,143,573	1,564,916,407
	Less: Sales tax	(251,100,136)	(260,750,366)
		<u>1,196,043,437</u>	<u>1,304,166,041</u>
20	COST OF SALES		
	Opening stock of finished goods	21,586,907	12,325,990
	Cost of goods manufactured	1,206,454,636	1,179,062,464
	20.1	<u>1,228,041,543</u>	<u>1,191,388,454</u>
	Closing stock of finished goods	(90,671,638)	(21,586,907)
		<u>1,137,369,905</u>	<u>1,169,801,547</u>

	Note	2016	2015
----- Rupees -----			
20.1 Cost of goods manufactured			
Raw materials consumed			
Opening stock		62,554,339	78,127,733
Purchases			
- Local		62,719,571	136,729,117
- Imported		291,088,148	189,938,302
Total purchases		353,807,719	326,667,419
Available for use		416,362,058	404,795,152
Closing stock		(111,952,645)	(62,554,339)
		304,409,413	342,240,813
Other manufacturing expenses			
Moulds, dyes and consumable stores and spares		30,703,356	33,258,184
Fuel, power and water		547,299,764	534,043,174
Salaries allowances, wages and other benefits 20.1.1		152,293,470	136,584,855
Director's remuneration		3,725,000	2,400,000
Insurance		3,626,881	4,085,563
Vehicles running and maintenance		328,125	252,497
Repairs and maintenance		43,618,534	20,923,499
Other production expenses 20.1.2	20.1.2	10,277,593	2,612,539
Packing materials consumed		35,010,189	35,819,708
Depreciation 12.1	12.1	78,378,119	66,458,828
Total manufacturing expenses		1,209,670,444	1,178,679,661
Opening work-in-process		5,162,290	5,545,093
		1,214,832,734	1,184,224,754
Closing work-in-process		(8,378,098)	(5,162,290)
		1,206,454,636	1,179,062,464

20.1.1 Includes Rs. 11,407,889 (2015: Rs. 10,285,424) in respect of staff retirement benefits.

20.1.2 Includes Rs. 7,263,500 (2015: Nil) in respect of rental charges of generator.

21 SELLING AND DISTRIBUTION EXPENSES

Salaries, allowances and other benefits	21.1	6,461,279	5,418,524
Rent, rates and taxes		1,179,462	1,142,220
Electricity and gas charges		187,144	234,096
Postage, telegraph and telephone charges		158,204	134,986
Printing and stationery		34,275	75,290
Vehicles running and maintenance		566,827	1,067,148
Repairs and maintenance		1,001,857	388,843
Travelling and conveyance		402,552	430,343
Entertainment		166,293	109,466
Advertisement expenses		676,048	793,853
Insurance		290,455	233,770
Forwarding and transportation		13,939,540	22,692,500
Commission		691,988	1,578,342
Depreciation 12.1	12.1	469,829	398,380
Sundry expenses		82,889	192,399
		26,308,642	34,890,162

21.1 Includes Rs. 250,705 (2015: Rs. 226,053) in respect of staff retirement benefits.

	Note	2016	2015
22 ADMINISTRATIVE EXPENSES		----- Rupees -----	
Salaries, allowances and other benefits	22.1	9,150,514	8,476,344
Directors, remuneration and allowance		3,725,000	2,400,000
Rent, rates and taxes		1,479,576	1,196,880
Electricity and gas charges		1,099,882	1,552,309
Postage, telegraph and telephone charges		611,895	669,563
Printing and stationery		284,648	386,776
Vehicles running and maintenance		237,126	617,196
Repairs and maintenance		401,070	881,143
Travelling and conveyance		552,832	626,865
Entertainment		59,252	86,848
Legal and professional charges		341,571	359,020
Fees and subscription		1,042,359	1,045,194
Insurance		647,860	1,333,784
Depreciation	12.1	505,162	428,340
		<u>20,138,747</u>	<u>20,060,262</u>

22.1 Includes Rs. 877,468 (2015: Rs. 791,186) in respect of staff retirement benefits.

23 OTHER OPERATING CHARGES			
Auditors' remuneration	23.1	529,600	486,000
Donations	23.2	700,000	1,325,000
Workers' profit participation fund		-	2,525,537
Workers' welfare fund		-	1,006,800
		<u>1,229,600</u>	<u>5,343,337</u>

23.1 Auditors' Remuneration

Audit fee		435,600	396,000
Half yearly review		50,000	50,000
Code of corporate governance review		44,000	40,000
		<u>529,600</u>	<u>486,000</u>

23.2 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	-	650,000
Aga Khan Education Services of Pakistan	500,000	500,000
Institute of Business Administration Karachi	-	100,000
Indus Hospital Karachi	100,000	-
Special Children Education Institute	50,000	-
Others	50,000	75,000
	<u>700,000</u>	<u>1,325,000</u>

	Note	2016	2015
24 FINANCE COST		----- Rupees -----	
Interest on workers' profit participation fund		114,966	68,345
Mark-up on :			
Short term borrowings		11,109,899	6,974,636
Term finance		31,411,606	16,591,935
Bank charges		803,774	1,207,856
Interest on directors' loan		3,964,953	2,471,181
		<u>47,405,198</u>	<u>27,313,953</u>
25 OTHER INCOME			
Gain on disposal of vehicles	12.2	218,769	72,290
Gain on disposal of generator	12.2	9,546,303	-
Exchange gain		28,685	149,341
Imputed Interest	25.1	26,550,191	-
		<u>36,343,948</u>	<u>221,631</u>
25.1	This represents imputed interest on interest free loan @ 6% for the period 2016 to September 15, 2019.		
26 TAXATION			
For current year			
- Current		-	16,174,948
- Deferred		22,382,567	(6,175,319)
		<u>22,382,567</u>	9,999,629
For prior year		<u>22,382,567</u>	<u>9,999,629</u>
26.1	The income tax assessments of the company have been finalized upto the financial year ended June 30, 2015.		
27 EARNINGS PER SHARE-BASIC AND DILUTED			
27.1 Earnings per share - Basic			
Net (Loss)/Profit for the year after taxation		<u>(22,447,274)</u>	<u>36,978,782</u>
		Number of shares	
Weighted average ordinary shares in issue		14,548,676	14,548,676
Basic earnings per share		<u>(1.54)</u>	<u>2.54</u>
27.2 Earnings per share - Diluted			
	There is no dilution effect on basic earnings per share as the Company has no such commitments.		

28 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	
	2016	2015	2016	2015	2016	2015
Managerial remuneration and allowances	2,193,548	1,548,387	2,193,548	1,548,387	4,387,096	3,096,774
House rent	987,097	696,774	987,097	696,774	1,974,194	1,393,548
Utilities	219,355	154,839	219,355	154,839	438,710	309,678
Bonus	325,000	-	325,000	-	650,000	-
Total	3,725,000	2,400,000	3,725,000	2,400,000	7,450,000	4,800,000
No of persons	1	1	1	1	2	2

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

No remuneration paid to the non executive directors of the company (2015: Nil)

29 TRANSACTIONS WITH RELATED PARTY

The detail of transactions with the related parties during the year:

Relation with the Company	Nature of Transaction	2016	2015
		----- Rupees -----	
Director's spouse	Rent expenses	1,161,600	1,032,000
Directors	Loan repaid	-	2,397,110
Directors	Loan received	191,448,603	70,071,545
Directors	Interest on loan	3,964,953	2,471,181
PICIC Insurance Limited	Insurance Premium Paid	2,177,140	3,039,330
PICIC Insurance Limited	Insurance Claim received	7,500,000	-
PICIC Insurance Limited	Insurance Claim receivable	12,450,000	-

30 CAPACITY AND PRODUCTION	TILES	
	2016	2015
	(Sq. Meters)	
Capacity	4,320,000	3,600,000
Actual production	2,991,779	3,229,878

Production capacity increased during the year due to instillation of new machine in March 2016. Capacity of the new machine has been calculated proportionately from the date of installation. Decrease in production during the year was due to decrease in market demand.

31 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

31.1 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 31.1, 31.2 and 31.3 below:

31.2 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted. Out of the total financial assets of PKR 271,369,525 (2015: 183,192,876), unsecured trade debts, loans and advances amounting in aggregate to PKR 262,186,279 (2015: 138,915,239) are subject to credit risk, The company manages its credit risk by : limiting significant exposure to any individual customers.

The maximum exposure to credit risk as at June 30, 2016, along with comparative is tabulated below:

Financial Assets	2016 ----- Rupees -----	2015
Long term deposits	897,038	897,038
Trade debts - unsecured	260,681,390	127,363,964
Loans and advances	1,504,889	11,551,275
Cheques in hand	-	41,764,000
Bank balances	8,286,208	1,616,599
	<u>271,369,525</u>	<u>183,192,876</u>

The bank balances along with credit rating are tabulated below:

Name of bank	Credit rating	Rating agency	2016 Rupees
Soneri Bank Limited	A1+	PACRA	1,075,837
National Bank of Pakistan	A1+	PACRA	3,128
MCB Bank Limited	A1+	PACRA	34,709
Habib Metro Bank Limited	A1+	PACRA	727,120
JS Bank Limited	A1+	PACRA	6,437,013
Habib Bank Limited	A-1+	JCR-VIS	8,402
			<u>8,286,208</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.

31.3 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:

	2016						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	112,601,468	523,551,889	636,153,357	-	-	-	636,153,357
Dividend payable	-	-	-	-	-	-	-
Short term borrowings	217,263,809	-	217,263,809	-	-	-	217,263,809
Trade and other payable	-	-	-	122,816,244	-	122,816,244	122,816,244
Markup accrued on loans	-	-	-	16,401,112	-	16,401,112	16,401,112
	<u>329,865,277</u>	<u>523,551,889</u>	<u>853,417,166</u>	<u>139,217,356</u>	<u>-</u>	<u>139,217,356</u>	<u>992,634,522</u>

	2015						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	47,824,007	206,914,038	254,738,045	-	-	-	254,738,045
Dividend payable	-	-	-	-	10,869,517	10,869,517	10,869,517
Short term borrowings	57,175,324	-	57,175,324	-	-	-	57,175,324
Trade and other payable	-	-	-	165,601,321	-	165,601,321	165,601,321
Markup accrued on loans	-	-	-	9,285,328	-	9,285,328	9,285,328
	<u>104,999,331</u>	<u>206,914,038</u>	<u>311,913,369</u>	<u>174,886,649</u>	<u>10,869,517</u>	<u>185,756,166</u>	<u>497,669,535</u>

31.4 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 optimizing 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, 2016, 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. 1,804,840 (2015: Rs. 2,296,922). 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, 2016 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 31.1.1.

	Carrying amount	
	2016 Rupees	2015 Rupees
Fixed rate instruments Financial liabilities	244,898,412	80,000,000
Variable rate instrument Financial liabilities	608,518,754	231,913,369

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. 6,085,188 (2015: Rs. 2,319,134). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2016.

31.5 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, 2016 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

31.6 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, 2016 the shareholder's equity amounts to Rs. 292,286,297 (2015: Rs. 323,885,178)

32 ACCOUNTING ESTIMATES AND JUDGEMENTS

32.1 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.

32.2 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.

32.3 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.

32.4 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.

32.5 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.

33 STAFF STRENGTH	2016	2015
Number of employees as at June 30, 2016	<u>494</u>	<u>523</u>
Average number of employees	<u>505</u>	<u>533</u>

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

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.

35 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 22, 2016.

36 RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions of the pruposes of comparison.

37 EVENTS AFTER REPORTING PERIOD

The Board of Directors has proposed a final dividend for the year ended June 30, 2016 NIL (2015: Rs. 17,458,411) at their meeting held on September 22, 2016 for approval of the members at the annual general meeting to be held on October 26, 2016. However these events have been considered as non adjusting event under IAS 10 "Events after Reporting Period" and have not been recognized in these financial statements.



Director



Chief Executive

PATTERN OF SHAREHOLDING AS AT 30 JUNE 2016

No. of Shareholders	Having Shares		Shares Held	Percentage
	From	To		
195	1	100	2180	0.0150
85	101	500	38529	0.2648
20	501	1000	16192	0.1113
30	1001	5000	84452	0.5805
11	5001	10000	85626	0.5885
2	10001	15000	23112	0.1589
2	15001	20000	37500	0.2578
2	25001	30000	55744	0.3832
1	30001	35000	32751	0.2251
2	75001	80000	157000	1.0791
1	215001	220000	219500	1.5087
1	270001	275000	275000	1.8902
1	310001	315000	312360	2.1470
1	435001	440000	435812	2.9955
1	730001	735000	732920	5.0377
3	735001	740000	2207760	15.1750
3	980001	985000	2942678	20.2264
1	1350001	1355000	1354263	9.3085
1	1630001	1635000	1631623	11.2149
2	1950001	1955000	3903674	26.8318
365	Company Total		14548676	100.0000

TOTAL OUT STANDING SHARES AS AT 30 JUNE 2016 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	79	302080	272	3984027	351	4286107	29.4605
	Total	93	10564649	272	3984027	365	14548676	100.0000

CATEGORY OF SHARE HOLDERS AS AT 30 JUNE 2016

Folio No	Name	Code	Balance Held	Percentage
000000000002	MR. IRSHAD ALI S. KASSIM	001	1951838	13.4159
000000000003	MR. MUNAWAR ALI S. KASSIM	001	1951836	13.4159
000000000004	MRS .MARIAM SHABANALI	001	10612	0.0729
000000000005	MRS. SHAHEEN A. REHMAN	001	10000	0.0687
000000000006	MRS. SAKIN NOORALLAH	001	10000	0.0687
00000000734	MR. SHAHNAWAZ NOOR ALI A.MADHANI	001	435812	2.9955
00000000831	MISS. ALIZA KASSIM	001	981226	6.7444
00000000838	MISS. ALISHBA IRSHAD ALI	001	981226	6.7444
00000000861	MISS. ANUSHKA KASSIM	001	980226	6.7376
00000000862	MANEEZA	001	732920	5.0377
00000000863	MISS MANISHA KASSIM	001	735920	5.0583
00000000864	MISS MYRA KASSIM	001	735920	5.0583
00000000865	MISS NATALIA KASSIM	001	735920	5.0583
00000000871	IRSHAD ALI SHABAN ALI KASSIM	001	9113	0.0626
003889000028	NATIONAL BANK OF PAKISTAN	004	202	0.0014
007393000024	SUMMIT BANK LIMITED	004	312360	2.147
00000000773	GULF INSURANCE COMPANY LTD.	005	1500	0.0103
001339000034	INTERMARKET SECURITIES LIMITED	010	9431	0.0648
003277078335	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	010	32751	0.2251
003277082127	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	010	1149	0.0079
006445000028	DARSON SECURITES (PVT) LIMITED	010	1	0.0000
007385000017	ISMAIL ABDUL SHAKOOR SECURITIES (PRIVATE) LIMITED	010	6752	0.0464

CATEGORIES OF SHAREHOLDERS AS AT 30 JUNE 2016

Particulars	No. of Folio	Balance Share	Percentage
DIRECATORS,CEO & CHILDREN	14	10262569	70.5395
BANKS,DFI & NBFI	2	312562	2.1484
INSURANCE COMPANIES	1	1500	0.0103
GENERAL PUBLIC (LOCAL)	339	3812052	26.2021
GENERAL PUBLIC (FOREIGN)	4	109909	0.7555
OTHERS	5	50084	0.3443
Company Total	365	14548676	100.0000

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FORM OF PROXY

I / We _____
of _____
being a member of KARAM CERAMICS LIMITED and holder of _____
ordinary shares as per Registered Folio No. _____
hereby appoint Mr. _____
of _____ of failing him
Mr. _____
of _____ who is also
a member of KARAM CERAMICS LIMITED vide Registered Folio No. as my proxy to vote for
and on my behalf at the 37th Annual General Meeting of the Company to be held on
Wednesday, October 26, 2016 at 5:30 pm Company's Registered Office situated at BC-6, Block-
5, Scheme-5, Kehkashan, Clifton, Karachi.

WITNESS:

(1) Signature _____

Name _____

Address _____

NIC or Passport No. _____

2) Signature _____

Name _____

Address _____

NIC or Passport No. _____

Dated _____

Signature on
Rupees Five
Revenue Stamp

(Signature should agree with the specimen
Signature registered with the company)

Important:

This form of proxy, duly completed must be deposited at the Company's Registered Office BC-6, Scheme-5, Kehkashan, Clifton, Karachi not less than 48 hours before the meeting. CDC Shareholder and their Proxied must attached either an attested photocopy of their Computerized National Identity Card or Passport with this proxy form. _____

پراکسی فارم

میں/ہم _____،
بطور ممبر کرم سیراکس لمیٹڈ اور عارضی شیئرز _____ رجسٹرڈ فولیو نمبر _____ اپنی جانب سے جناب سے جناب
کا تقرر کرتا ہوں جو کہ کرم سیراکس لمیٹڈ رجسٹرڈ فولیو نمبر کے تحت ممبر ہیں اور میرے نمائندے کے طور
پر کمپنی کی 37 ویں سالانہ جنرل میٹنگ میں شرکت کر کے ووٹ دے سکتے ہیں جس کا انعقاد بروز بدھ 26 اکتوبر 2016ء کو شام 5:30 بجے
کمپنی کے رجسٹرڈ آفس واقع BC-6، بلاک 5، اسکیم نمبر 5، کہکشاں کلفٹن کراچی میں ہوگا۔

گواہ:

(پانچ روپے والے ریونیو اسٹیپ
پر دستخط)

(دستخط جو کہ کمپنی میں رجسٹرڈ کردہ
دستخط کے نمونہ سے مطابقت رکھتا ہو)

نام:

دستخط:

پتہ:

شناختی کارڈ/پاسپورٹ نمبر:

نام:

دستخط:

پتہ:

شناختی کارڈ/پاسپورٹ نمبر:

مورخہ:

نوٹ:

پراکسی فارم کو مکمل پُر کر کے کمپنی کے رجسٹرڈ آفس واقع BC-6، بلاک 5، اسکیم نمبر 5، کہکشاں کلفٹن کراچی میں میٹنگ سے کم از کم 48 گھنٹے
قبل جمع کرائیں۔ CDC شیئرز ہولڈرز اور ان کے پراکسی اپنے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ فوٹو کاپی پراکسی فارم کے ساتھ
تک جمع کرا دیں۔