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IN TECHNICAL COLLABORATION WITH
DOULTON
BATH ROOMS ENGLAND

KARAM CERAMICS LIMITED

ANNUAL REPORT 2009

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DOULTON
BATH ROOMS ENGLAND

KARAM CERAMICS LIMITED

ANNUAL REPORT 2009

30th ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009

CONTENTS

NOTICE OF MEETING

Notice is hereby given that the 30th Annual General Meeting of the Company will be held at the Office of the Company on Wednesday October 28, 2009 at 7.30 p.m. to transact the following business.

1. To confirm the minutes of the 29th Annual General Meeting held on October 23, 2008.

2. To consider and adopt the Audited Accounts of the Company for the year ended June 30, 2009 along with the Report of the Directors thereon.

3. To appoint Auditors for the year 2010 and fix their remuneration.

4. To transact any other business with the permission of the Chair.

By Order of the Board

Manzoorali Natha
Company Secretary

Karachi
October 6, 2009.

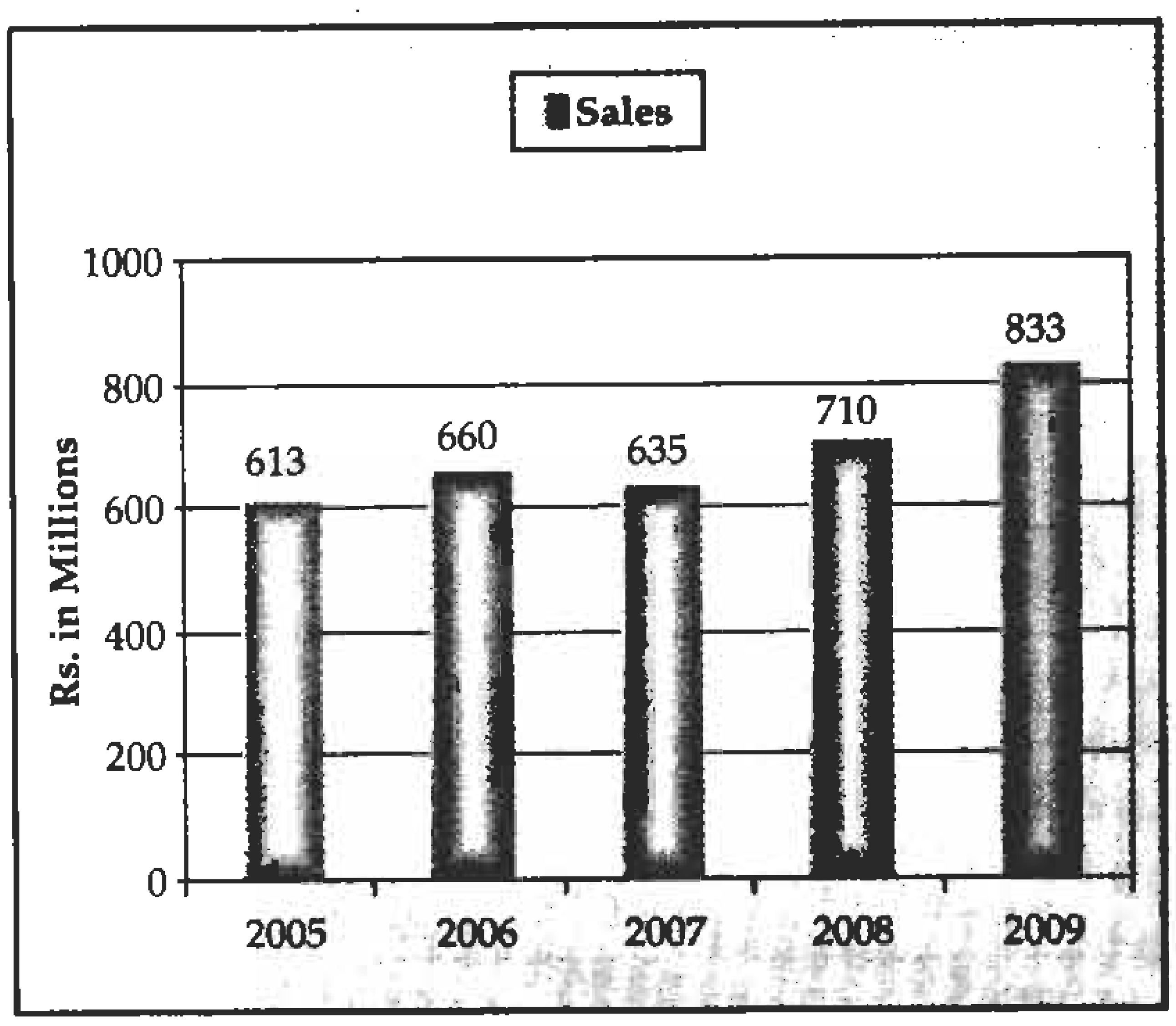
Notes:

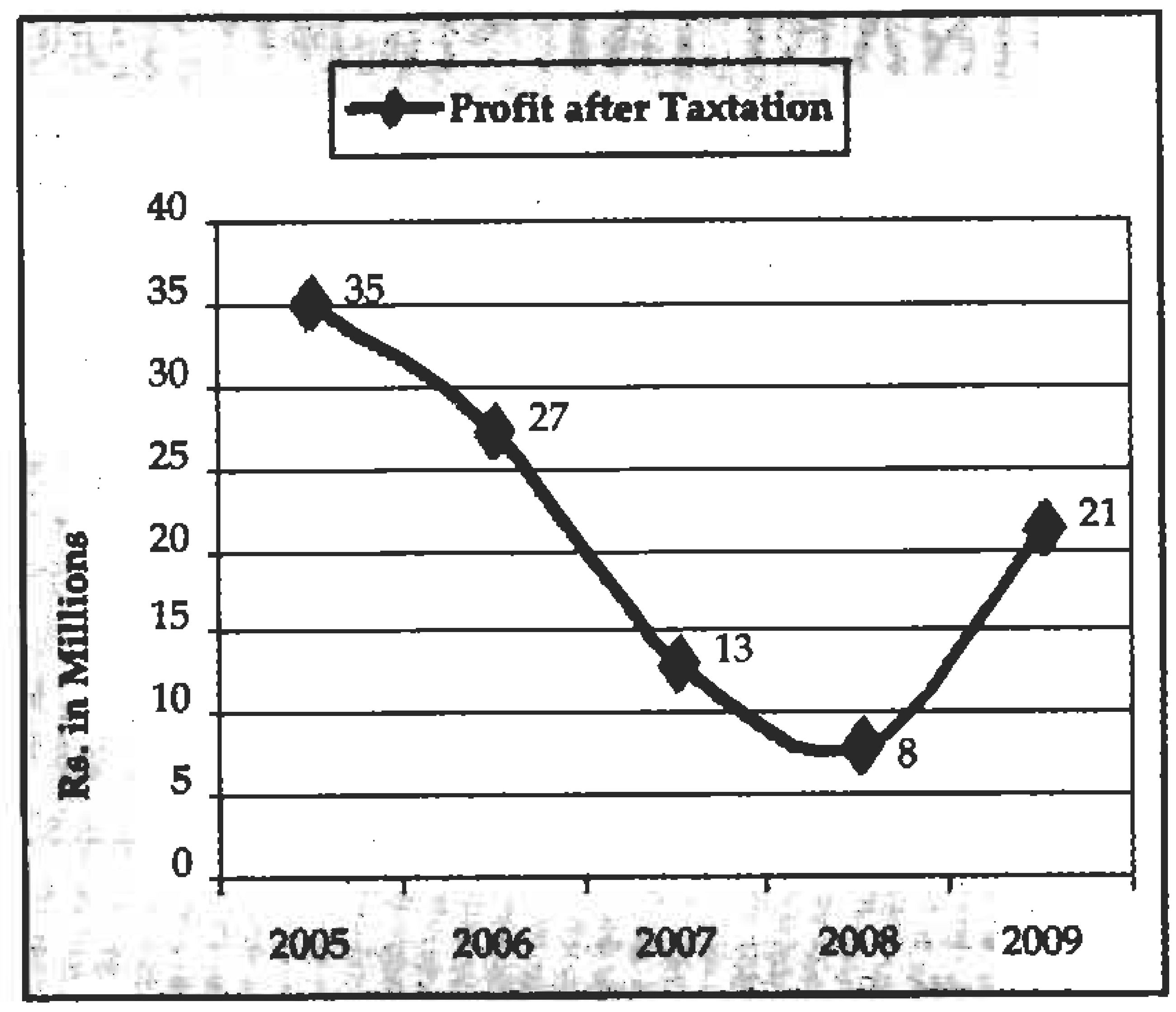
5. The share transfer book of the company will remain closed from October 22, 2009 to October 28, 2009. (both days inclusive).

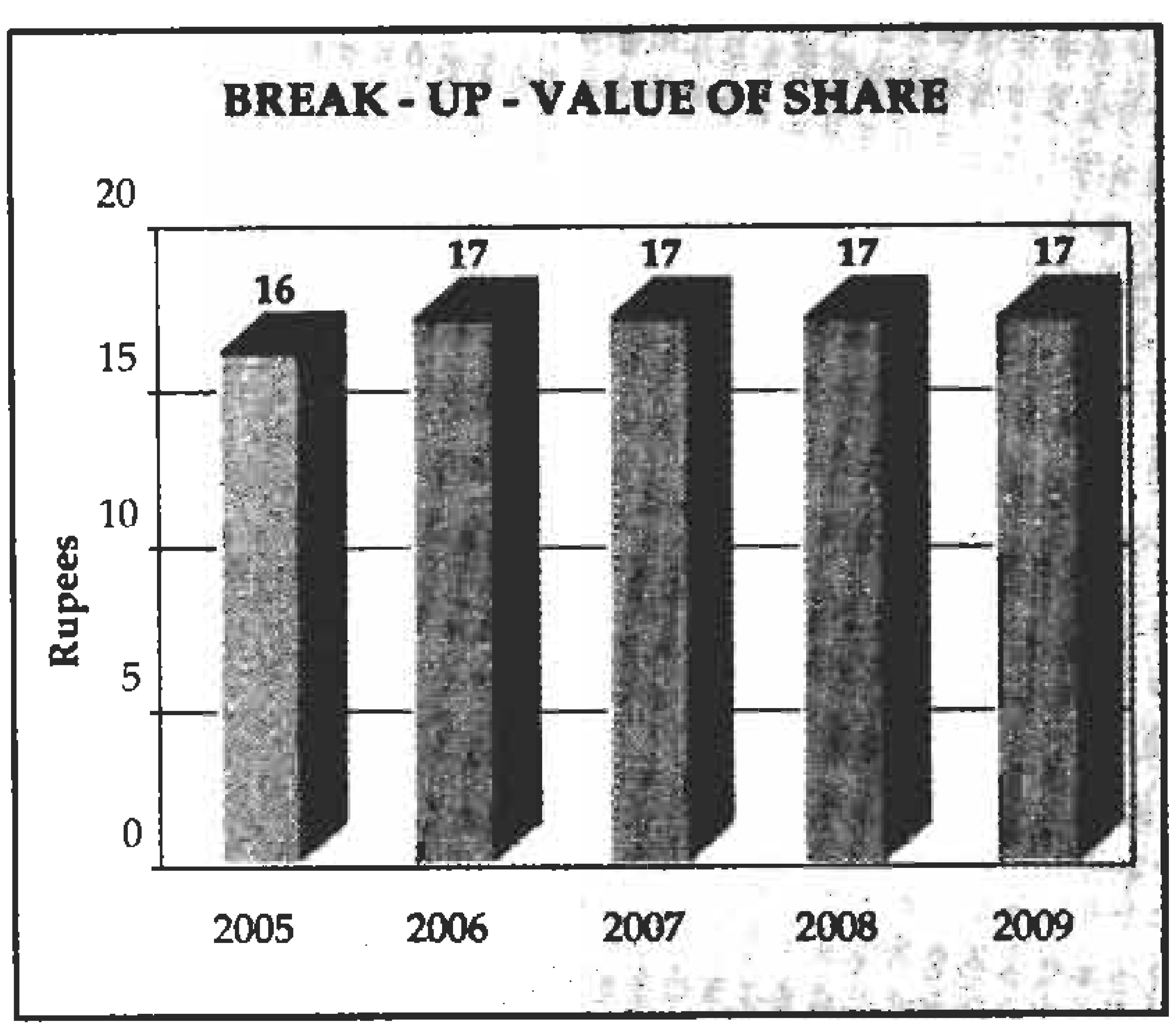
6. A member eligible to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies to be effective must be received by the company not less than 48 hours before the time of holding of the meeting.

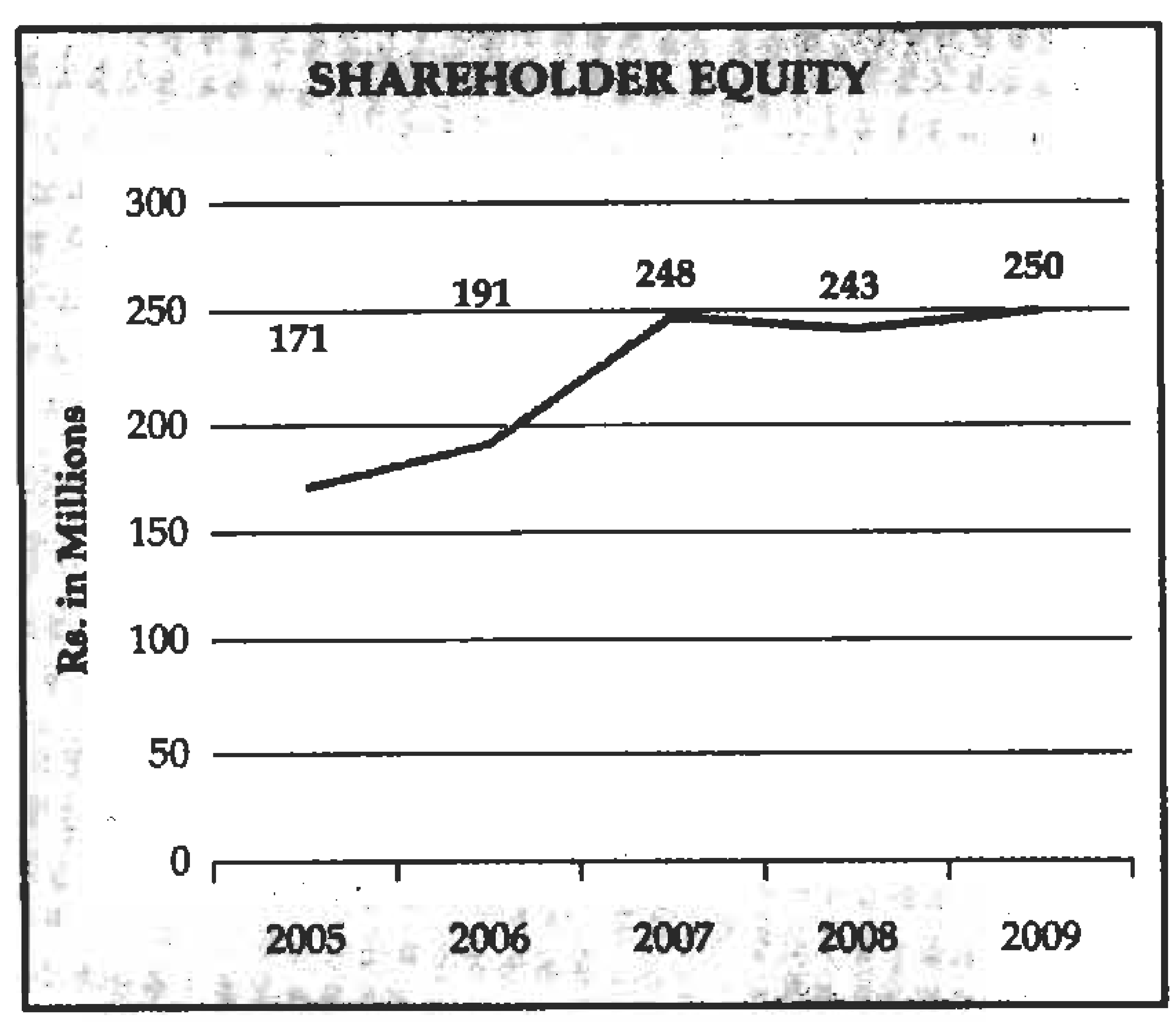
7. The beneficial owners of shares recorded in Central Depository Company of Pakistan Limited (CDCPL) are required to bring their National Identity Cards and in case of institutions being the beneficial owner, notarially certified copy of power of attorney or other authority, together with the proof of identity of such nominee, is required for admittance to the meeting of the members.

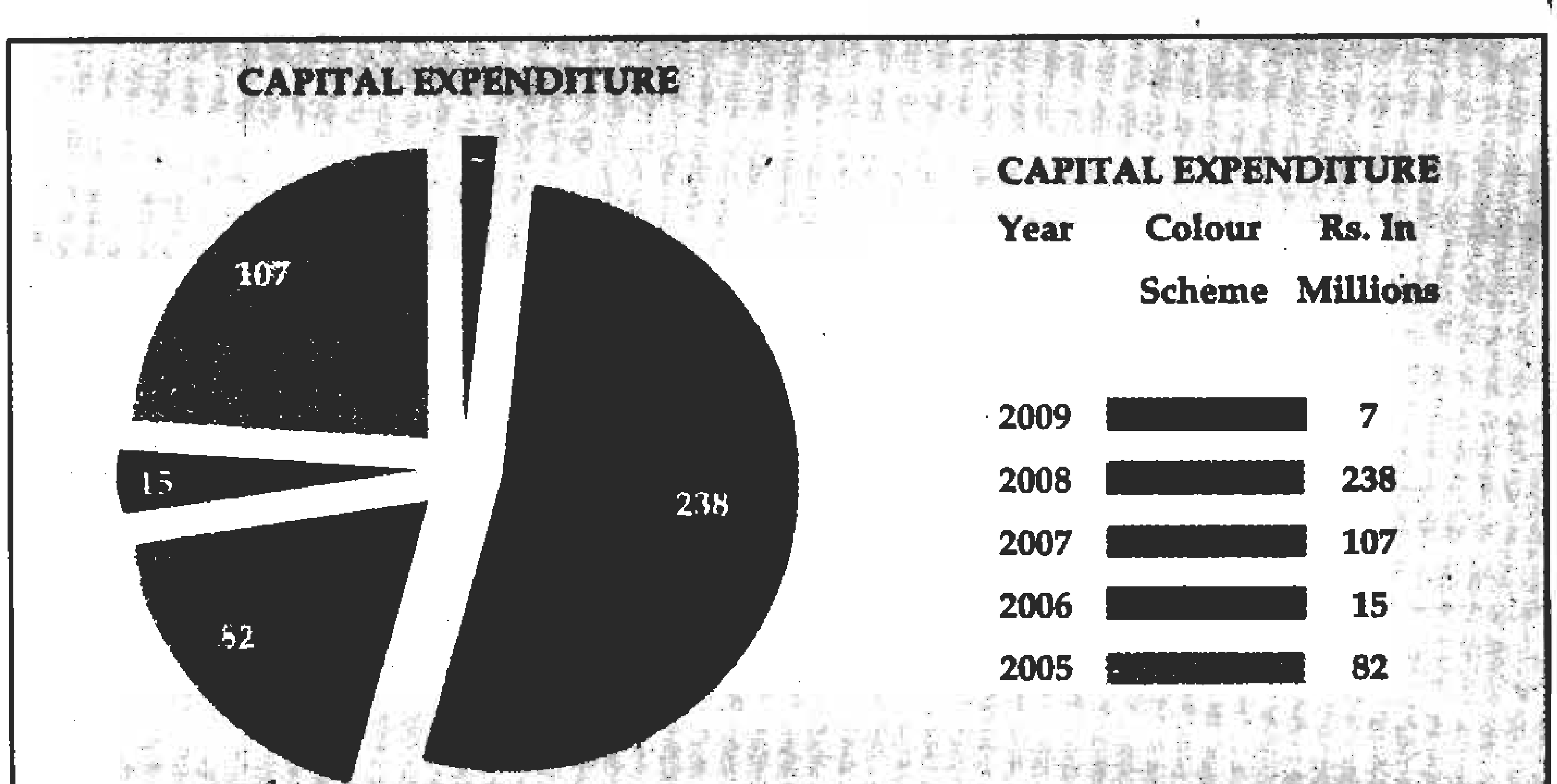
8. Members are requested to communicate to the company or the Registrar to the company of any change in their address.


Sales
Rs. in Millions
1000
800
600
400
200
0
613
660
635
710
833
2005
2006
2007
2008
2009


Profit after Taxtation
Rs. in Millions
40
35
30
25
20
15
10
5
0
35
27
13
8
21
2005
2006
2007
2008
2009


BREAK - UP - VALUE OF SHARE
Rupees
20
15
10
5
0
16
17
17
17
17
2005
2006
2007
2008
2009


SHAREHOLDER EQUITY
Rs. in Millions
300
250
200
150
100
50
0
171
191
248
243
250
2005
2006
2007
2008
2009


CAPITAL EXPENDITURE
107
15
82
238
CAPITAL EXPENDITURE
Year
Colour Scheme
Rs. In Millions
2009
7
2008
238
2007
107
2006
15
2005
82

KARAM CERAMICS LIMITED

FINANCIAL HIGHLIGHTS

(Rs. In millions)

	2009	2008	2007	2006	2005	2004	2003	2002	2001
Sales	833	710	635	660	613	482	504	449	445
Gross Profit	130	139	99	136	137	96	99	78	77
Expenses	117	106	83	80	70	62	63	57	56
Profit before Taxtation	13	33	16	56	67	34	36	21	21
Profit after Taxtation	21	8	13	27	35	21	22	17	16
Dividend %	-	12.5	12.5	-	15	15	18	17.5	15
Right Shares %	-	-	-	33.3	-	-	-	-	-
Earning per Share (Rs.)	1.46	0.55	1.03	2.2	3.22	1.91	1.99	1.59	1.49

DIRECTORS' REPORT

BOARD OF DIRECTOR'S REPORT

Karam Ceramics Limited (KCL)'s Board of Directors consistently aim for the best practices at all times in fulfilling its mandate to its shareholders employees and customers. The Directors submit to its shareholders their annual reports, together with the audited accounts of the Company for the year ended 30th June 2009.

Operating Performance

During the year under review, net sales of Rs. 832.72 million represents an increase of 17.24% over sales of Rs. 710.26 million for the year 2008. This increase was attributed to increase in selling prices due to inflationary effects. However, during the year the sales remained under pressure due to increase in cost of fuel, freight, power and water charges. Over all performance of the Company has been progressive, however the gross profit for the year has declined to Rs. 129.97 million against the last year gross profit of Rs. 137.31 million due to depreciation of Pak rupee which have substantially increased the cost of imported raw materials.

Retained Earnings

The company managed to earn a profit for the year, before tax, of Rs. 13.17 million against the profit of Rs. 32.92 million for the year 2008 and after tax profit of Rs 21.24 million as against the profit of Rs 7.96 million of last year.

Earning Per Share

Accordingly, earning per share for the year ended 30th June, 2009 is Rs. 1.46 as compared to Rs.0.55 for last year.

Un-appropriated profit to be carried forward is Rs 104.169

Future Outlook

The ceramic tile industry is expected to grow further due to recent increase in construction activities and economic improvement forecasted globally

Code of Corporate Governance

The Directors of the Company, who met four times in the year, have reviewed the Code of Corporate Governance and are pleased to state that:

- The financial statement, prepared by the management of the Company present fairly, its state of affairs, the results of its operation, cash flow and change 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 and has been effectively implemented and monitored;
- The Company has the ability to continue as a going concern; and
- There has been no deviation from the best practices of Corporate Governance, as detailed in the listing regulations.

KARAM CERAMICS LIMITED
SANITARY WARE - TILES - BATH TUBS

Number of Board Meeting Held

During the year under review four meetings of the Board of Directors were held. Attendance of each director was follows:

1.	Mr. Shaban Ali G. Kassim	2
2.	Mr. Irshad Ali S. Kassim	4
3.	Mr. Munawar Ali S. Kassim	4
4.	Mrs. Sakin Noorallah	1
5.	Mrs. Mariam S.G. Kassim	2
6.	Mrs. Shaheen Ali	1
7.	Mr. Shahnawaz Madhani	4

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

Employees Relation and Appreciation

The management would like to place on record its appreciation for the positive attitude of the Labour Union during the year under review and we look forward to its support in issues mutually, if any.

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

Auditors

The auditors M/s Qavi & Co., Chartered Accountants have completed audit for the financial year ended 30th June, 2009 and shall retire on the conclusion of the 30th Annual General Meeting of the Company. Being eligible for reappointment, they have offered themselves for their re-appointment. Based on Audit Committee's proposal the Board of Directors recommends their reappointment for the year ending June 30, 2010, 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, 2009 in annexed.

MUNAWAR KASSIM
CHIEF EXECUTIVE

Karam Ceramics Limited

Vision Statement
- To become leading Ceramic manufacturing Industry in Pakistan with complete unit of Tiles and Floor Tiles.

Mission Statement
- To produce unique designs, cost effective and durable product so as to compete with the imported tiles.

Corporate Goal
- Increase market share in Pakistan and export to other countries.

Overall Corporate Strategy
- Maintain quality management system i.e. ISO 9002.
- Contain cost and improve quality by automation of production line and training to personnel.

RANGE OF PRODUCTS

COLOURED & DECORATIVE / EFFECT GLAZED WALL TILES

- 15cm x 15cm	20cm x 20cm
- 20cm x 30cm	
- 25cm x 25cm	25cm x 33cm
- 30cm x 30cm	
- 40cm x 40cm	

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with Code of Corporate Governance as contained in Regulation No. 37 of the listing regulations of the Karachi Stock Exchange of the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages representation of independent no-executive directors and directors representing minority interest on its board of directors. The company has requested the financial institutions to nominate their representative on the board but so far no nomination has been received. As soon as the nomination is received the nominee shall be appointed as an independent non-executive director.

2. The directors have conformed that none of them is serving as a director in more then ten listed companies, including Karam Ceramics Limited.

3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of loan to banking company, a DFI or an NBFI. None of them is a member of a stock exchange.

4. The company has prepared a Statement of Ethics and Business practices which has been signed by all the directors and employees of the company

5. The board has developed a vision and mission statement and an overall corporate strategy, and significant policies of the company.

6. All the powers of the Board have been duly exercised and decisions in material transactions, including appointment and term and conditions of employment of the Chief Executive Offer (CEO) and an executive director have been taken by the Board

7. The meetings of the Board were presided over by the Chairman and the Board met once in every quarter. Written notices of the Board meetings along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

8. The Directors' Report of the year ended June 30, 2009 has been prepared in compliance with requirements of the Code and fully describes the salient matters required to be disclosed.

9. The financial statements of the company were duly endorsed by the CEO and CFO before approval of the Board.

10. The directors, CEO and executives do not hold any interest in the shares of the company other then that disclosed in the pattern of shareholding.

11. The company has complied with all the corporate and financial reporting requirements of the Code.

12. The Board has formed Audit Committee. It comprises three members of whom two are non-executive directors.

13. The meetings of the Audit Committee were held as least once every year quarter prior to approval of interim and final results of the company and as required by the code. The term of reference of the committee have been formed and advised to the committee for compliance.

14. The Board has setup an effective internal audit department for the company and is involved in the internal audit function on a full time basis.

15. The statutory auditors of the company have conformed that they have been given a satisfactory rating under the quality control review programme 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 Institute of Chartered Accountants of Pakistan.

16. The statutory auditors or the persons associated with them have not been appointed to provide other services except in a accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

17. We confirm that all other material principles contained in the code have been complied with.

Chief Executive

On behalf of Board of Directors

IN TECHNICAL COLLABORATION WITH DOULTON BATH ROOMS ENGLAND

KARAM CERAMICS LIMITED

SANITARY WARE - TILES - BATH TUBS

REVIEW REPORT TO THE MEMBERS ON STATEMENTS OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended 30 June 2009 prepared by the Board of Directors of KARAM CERAMICS LIMITED ("the Company") to comply with the Listing Regulations of the Karachi Stock Exchange, where the Company is listed.

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

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

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Ex change (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2009.

Karachi:
September 28, 2009

Qavi & Co.
Chartered Accountants
Engagement partner: Khalid Anwer

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Karam Ceramics Limited as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

   (i) The balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the year was for the purpose of 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 profit and loss account, 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, 2009 and of the profit, its cash flows and changes in the equity for the year then ended; and

(d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

QAVI & CO.
CHARTERED ACCOUNTANTS
ENGAGEMENT PARTNER: KHALID ANWER

DATE : SEPTEMBER 28, 2009
KARACHI

KARAM CERAMICS LIMITED

IN TECHNICAL COLLABORATION WITH DOULTON BATH ROOMS ENGLAND

SANITARY WARE - TILES - BATH TUBS

BALANCE SHEET
AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized			
15,000,000 ordinary shares of Rs. 10 each		150,000,000	150,000,000
Issued, subscribed and paid-up capital	3	145,486,760	145,486,760
Unappropriated Profit		104,169,442	97,141,239
		249,656,202	242,627,999
Surplus on revaluation of fixed assets	4	47,144,432	51,119,879
Non-Current Liabilities			
Long term financing	5	229,128,580	260,206,449
Retirement benefit obligation	6	57,380,830	56,116,627
		286,509,410	316,323,076
Deferred taxation	7	113,313,841	121,202,567
Current Liabilities			
Trade and other payables	8	76,539,743	60,687,779
Mark up accrued on loans		9,398,720	5,795,853
Short term borrowings	9	58,055,880	33,041,627
Provision for taxation		-	3,887,570
Current portion of long term financing		42,708,000	52,748,973
		186,702,343	156,161,802
Contingencies and commitments	10	-	-
		883,326,228	887,435,323

The annexed notes form an integral part of these financial statements.

KARAM CERAMICS LIMITED

BALANCE SHEET
AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	11	674,215,678	738,623,292
Long term deposits		875,788	905,788
Current Assets			
Stores and spares	12	7,187,459	771,535
Stock in trade	13	123,939,137	44,405,009
Trade debts - unsecured considered good		20,425,201	51,747,805
Loans and advances	14	3,667,874	3,891,450
Income tax refundable		72,774	-
Short-term prepayments and current account balances with statutory authorities	15	28,626,559	12,657,474
Cash and bank balances	16	24,315,758	34,432,970
		208,234,762	147,906,243
		883,326,228	887,435,323

Chief Executive   Director

IN TECHNICAL COLLABORATION WITH DOULTON BATH ROOMS ENGLAND

KARAM CERAMICS LIMITED

SANITARY WARE - TILES - BATH TUBS

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
Net Sales	17	832,723,855	710,263,674
Cost of sales	18	(702,745,724)	(572,948,773)
Gross Profit		129,978,131	137,314,901
Selling and distribution expenses	19	(53,456,527)	(44,454,580)
Administrative expenses	20	(15,579,049)	(15,471,214)
		(69,035,576)	(59,925,794)
Other operating charges	21	(8,020,879)	(27,508,168)
Financial charges	22	(40,006,484)	(17,070,152)
		(48,027,363)	(44,578,320)
Other operating income	23	256,020	108,566
Profit before taxation		13,171,212	32,919,353
Taxation	24	8,067,389	(24,957,988)
Profit after taxation		21,238,601	7,961,365
Earnings per share	25	1.46	0.55

The annexed notes form an integral part of these financial statements.

Chief Executive　　　　　　Director

DOULTON
KARAM CERAMICS LIMITED
SANITARY WARE - TILES - BATH TUBS

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	2009 Rupees	2008 Rupees
Profit before taxation	13,171,212	32,919,353
Adjustments for:		
Depreciation	71,470,398	68,095,988
Provision for staff gratuity	8,506,207	9,231,552
Charge for workers' profit participation fund	707,369	1,362,554
Charge for workers' welfare fund	268,800	523,639
Finance cost	40,006,484	42,052,127
Profit on sale of fixed assets	(228,082)	(69,357)
Return on deposits	(27,938)	(39,209)
	120,703,238	121,157,294
(Increase) /Decrease in operating assets		
Stores and spares	(6,415,924)	1,701,108
Stock in trade	(79,534,128)	14,692,026
Trade debts	31,322,604	(33,293,501)
Loans & advances	223,576	(290,607)
Short-term prepayments and current account balances with statutory authorities	(14,454,007)	(6,107,690)
	(68,857,879)	(23,298,664)
Increase/ (Decrease) in operating liabilities		
Short term running finance	25,014,253	33,041,627
Trade & other payables	11,682,575	10,986,085
	36,696,829	44,027,712
Cash generated from operations	101,713,400	174,805,696
Finance cost paid	(31,439,869)	(23,144,426)
Income tax paid	(5,162,011)	(3,284,394)
Gratuity paid	(7,242,004)	(5,152,571)
Workers' profit participation fund paid	(493,451)	(833,850)
Workers' welfare fund paid	(658,387)	(363,781)
	(44,995,722)	(32,779,022)
Net cash generated from operating activities	56,717,678	142,026,674
CASH FLOW FROM INVESTING ACTIVITIES		
Sale proceeds of fixed assets disposed during the period	433,000	148,000
Additions to fixed assets	(7,267,703)	(237,500,098)
Capital expenditure incurred	-	156,886,545
Return on deposits	27,938	39,209
Net cash used in investing activities	(6,806,765)	(80,426,344)
CASH FLOW FROM FINANCING ACTIVITIES		
Directors loan	5,663,272	(2,840,501)
Long term loan received	48,600,595	165,000,000
Long term loan paid	(60,090,566)	(73,000,000)
Bills payable against long term loan	(40,255,889)	(112,647,364)
Long term deposits and prepayments	30,000	(9,000)
Dividend paid	(13,975,536)	(18,185,845)
Net cash used in financing activities	(60,028,124)	(41,682,710)
Net (decrease)/increase in cash and bank balances	(10,117,212)	19,917,621
Cash and bank balances at beginning of the period	34,432,970	14,515,349
Cash and bank balances at end of the period	24,315,758	34,432,970

The annexed notes form an integral part of these financial statements.

Chief Executive

Director

IN TECHNICAL COLLABORATION WITH DOULTON BATH ROOMS ENGLAND

KARAM CERAMICS LIMITED

SANITARY WARE - TILES - BATH TUBS

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2009

	Share Capital Rupees	Unappropriated Profit Rupees	Total Rupees
Balance as at June 30, 2007	145,486,760	102,948,557	248,435,317
Net profit for the year ended June 30, 2008		7,961,365	7,961,365
	145,486,760	110,909,922	256,396,682
Appropriation:			
Final dividend for the year ended 30-06-07	-	(18,185,845)	(18,185,845)
Incremental depreciation transfer from surplus on revaluation of fixed assets (net of tax)	-	4,417,162	4,417,162
	-	(13,768,683)	(13,768,683)
Balance as at June 30, 2008	145,486,760	97,141,239	242,627,999
Net profit for the year ended June 30, 2009	-	21,238,601	21,238,601
	145,486,760	118,379,840	263,866,600
Appropriation:			
Final dividend for the year ended 30-06-08	-	(18,185,845)	(18,185,845)
Incremental depreciation transferred from surplus on revaluation of fixed assets (net of tax)	-	3,975,447	3,975,447
	-	(14,210,398)	(14,210,398)
Balance as at June 30, 2009	145,486,760	104,169,442	249,656,202

The annexed notes form an integral part of these financial statements.

Chief Executive Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 Stock Exchange. 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, Manghpoir, Karachi. The principal activity of the company is to manufacturing of tiles.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF MEASUREMENT

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

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency and rounded to the nearest rupees

2.4 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revision to accounting estimates are recognized prospectively commencing from the period of revision.
In the process of applying the company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements;

2.4.1 Staff Retirement Benefits

Defined Benefit Plan-Gratuity

The company operates an Unfunded Gratuity Scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. The provision is made on the basis of actuarial valuation to cover the obligation under the scheme for all employees eligible to gratuity benefits. The latest acturial valuation for gratuity scheme was carried out as at Rs. 57,380,830/= (refer note 6).

2.4.2 **Borrowings**

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

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

2.4.3 **Trade and Other Payables**

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

2.4.4 **Property Plant and Equipments**

Owned:

(a) Operating Assets are stated at cost (including related borrowing cost) less accumulated depreciation and accumulated impairment losses, if any, except that freehold land which is stated at revalued amount and factory building on freehold land is stated at revalued amount less accumulated depreciation. Depreciation on operating assets is charged to income applying the reducing balance method at the rates disclosed in Note 11.

(b) Six monthly basis depreciation is charged on assets acquired and disposed off during the year.

(c) Gains/losses on disposal of assets are included in income currently.

(d) Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvents are capitalized and the assets so replaced, if any, are retired.

Leased:

(a) Assets geld under finance lease are stated at lower of present value of minimum lease payments under the lease agreement and the fair value of the assets. The related obligations under the lease are accounted for as liabilities.

(b) Six monthly basis depreciation is charged on assets acquired and disposed off during the year.

(c) The financial charges are calculated at the rate implicit in the lease.

2.4.5 **Capital Work-in-Progress**

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

2.4.6 **Stores, Spares and Loose Tools**

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

2.4.7 **Stock-in-Trade**

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

Raw Material	At lower of weighted average cost and net realizable value.
Work in Process	At lower of weighted average cost of direct material, labour and appropriate manufacturing expenses and net realizable value.

Finished goods	At lower of weighted average cost and net realizable value. Cost is determined on the basis of prime cost and appropriate factory overheads.
Fittings and accessories	At lower of cost on FIFO basis and net realizable value.
Packing Material	At lower of cost on FIFO basis and net realizable value.
Stock in Transit	At invoice value.

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

2.4.8 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.

2.4.9 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 / drafts in hand and balances with banks.

2.4.10 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. Foreign exchange differences arising on translation are recognized in the income statement, except for the differences arising from the capital expenditure.

2.4.11 Taxation

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 accounted for using the balance sheet liability method on all temporary differences between the carrying amount of assets and liabilities for the financial reporting purposes and the amount used for the taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available in future years against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Further, the company has recognized the deferred tax liability on surplus on revaluation of fixed assets which has been adjusted against the related surplus."

2.4.12 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. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. All financial 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.

2.4.13 Offsetting

A financial asset and financial liability is offset and the amount is reported in the balance sheet if 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.

2.4.14 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, it is probable that an outflow of resources embodying 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.

2.4.15 Impairment

The carrying amount of the Company 's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists the carrying amount of such assets is estimated and impairment losses are recognized in the profit and loss account.

2.4.16 Transactions with related Parties

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

2.4.17 Proposed Dividend and Transfer between Reserves

Dividend declared and transferred between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognized in the financial statements in the period in which such dividends are declared / transfers made.

2.4.18 Revenue Recognition

Revenue comprises of the fair value of the consideration received or receivable from the sale of goods and services 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.

2.5 INITIAL APPLICATION OF A STANDARD OR AN INTERPRETATION

The following standards, amendments and interpretations became effective during the current year:

IFRS 7 - Financial Instruments: Disclosures (effective for annual periods beginning on or after April 28 2008) supersedes IAS 30 - Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation. The application of the standard is not expected to have significant impact on the Company's financial statements other than increase in disclosures.

IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after April 28 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard is not likely to have an effect on the Company's financial statements.

IFRIC 13 Customer Loyalty Programmes (effective for annual periods beginning on or after July 01 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an effective on the Company's financial statements.

IFRIC 14 IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for an annual periods beginning on or after January 01 2008). IFRIC 14 clarifies when refunds or reduction in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such assets. The interpretations has no effect on Company's financial statements for the year ended June 30 2009.

2.6 STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases;

		Effective for periods beginning on or after
IFRS 1	First time adoption of IFRS (Revised)	July 01, 2009
IFRS 2	Share-based Payment (Amendments)	January 01, 2009
IFRS 3	Business Combinations (Revised)	July 01, 2009
IFRS 4	Insurance Contracts (Amendments)	January 01, 2009
IFRS 5	Non-current assets held-for-sale and discounted operations (Amendments)	January 01, 2009
IFRS 7	Financial statement disclosure (Amendments)	January 01, 2009
IFRS 8	Operating Segments	January 01, 2009
IAS 1	Presentation of financial statements (Revised)	January 01, 2009
IAS 7	Statements of cash flows (Amendments)	January 01, 2009
IAS 12	Income taxes (Amendments)	January 01, 2009
IAS 16	Property, plant and equipment (Amendments)	January 01, 2009
IAS 18	Revenue (Amendments)	January 01, 2009
IAS 19	Employee benefits (Amendments)	January 01, 2009
IAS 20	Government grants and disclosure of government assistance (Amendments)	January 01, 2009
IAS 21	The effects of changes in foreign exchange rates (Amendments)	January 01, 2009

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IFRS 7	Financial statement disclosure (Amendments)	January 01, 2009
IFRS 8	Operating Segments	January 01, 2009
IAS 1	Presentation of financial statements (Revised)	January 01, 2009
IAS 7	Statements of cash flows (Amendments)	January 01, 2009
IAS 12	Income taxes (Amendments)	January 01, 2009
IAS 16	Property, plant and equipment (Amendments)	January 01, 2009
IAS 18	Revenue (Amendments)	January 01, 2009
IAS 19	Employee benefits (Amendments)	January 01, 2009
IAS 20	Government grants and disclosure of government assistance (Amendments)	January 01, 2009
IAS 21	The effects of changes in foreign exchange rates (Amendments)	January 01, 2009

IAS 23	Borrowing Costs (Revised)	January 01, 2009
IAS 27	Consolidated and Separate Financial Statement (Amendments)	July 01, 2009
IAS 28	Investment in associates (Amendments)	January 01, 2009
IAS 31	Interests in joint ventures (Amendments)	January 01, 2009
IAS 32	Financial Instruments: Presentation (Amendments)	January 01, 2009
IAS 33	Earnings per share (Amendments)	January 01, 2009
IAS 34	Interim financial reporting (Amendments)	January 01, 2009
IAS 36	Impairment of assets (Amendments)	January 01, 2009
IAS 38	Intangible assets (Amendments)	January 01, 2009
IAS 39	Financial Instruments: Recognition and measurement (Amendments)	January 01, 2009
IAS 40	Investment property (Amendments)	January 01, 2009
IAS 41	Agriculture (Amendments)	January 01, 2009
IFRIC 1	Changes in existing decommissioning restoration and similar liabilities (Amendments)	January 01, 2009
IFRIC 2	Member's share in corporate entities and similar liabilities (Amendments)	January 01, 2009
IFRIC 4	Determining whether an agreements contains a lease	July 01, 2010
IFRIC 12	Service concession agreements	July 01, 2010
IFRIC 14	The limit on a defined benefit asset minimum funding requirement and their interaction (Amendments)	January 01, 2009
IFRIC 15	Agreement for Construction of Real Estate	January 01, 2009
IFRIC 16	Hedge of Net Investment in a Foreign Operation	October 01, 2008
IFRIC 17	Distributions of Non-cash assets to owners	July 01, 2009

Adoption of the above amendments may only impact the extent of disclosures presented in the future financial statements.

3 SHARE CAPITAL

Issued, Subscribed And Paid-Up Capital

Number of Ordinary Shares of Rs. 10/- each 2009	2008		2009 Rupees	2008 Rupees
13,267,786	13,267,786	Ordinary shares of Rs.10/- each fully paid in cash	132,677,860	132,677,860
1,280,890	1,280,890	Shares allotted as bonus shares	12,808,900	12,808,900
14,548,676	14,548,676		145,486,760	145,486,760

4 SURPLUS ON REVALUATION OF ASSETS

	2009	2008
Opening balance as on 1st July	51,119,879	55,537,042
Less: Incremental depreciation transferred from surplus on revaluation of fixed assets to retained earning (net of tax)	(3,975,447)	(4,417,163)
	47,144,432	51,119,879

Fixed assets of the company, comprising of land and building were first revalued in the year 2005. The revaluation had resulted into surplus of Rs.104.58 M. Revaluation of factory land was again carried out on 1st February, 2007 by an independent valuer, M/s. Iqbal A. Nanjee & Co. This valuation has resulted into surplus of Rs.94.17 M.

		2009 Rupees	2008 Rupees
5 LONG TERM FINANCING			
From Banking Companies:			
Soneri Bank Limited Term Finance Loan	5.1	130,551,000	132,000,000
Bills payable against plant & machinery	5.2	8,176,786	48,432,675
Supplier's credit	5.3	79,398,723	74,434,975
From Related Parties:			
Directors Loan - unsecured	5.4	11,002,071	5,338,799
		229,128,580	260,206,449

5.1 Soneri Bank Limited-Term Finance Loan

	2009	2008
Soneri Bank Limited-Term Finance Loan	173,259,000	184,748,973
Less:- Current maturity	(42,708,000)	(52,748,973)
	130,551,000	132,000,000

	2009	2008
SBL Term Finance Loan	-	19,748,973
Soneri Bank Term Finance Loan I	132,000,000	165,000,000
Soneri Bank Term Finance Loan III	41,259,000	-
Soneri Bank Term Finance Loan IV	173,259,000	184,748,973

	2009	2008
Current maturity of SBL Term Finance Loan	-	19,748,973
Soneri Bank Term Finance Loan I	33,000,000	33,000,000
Soneri Bank Term Finance Loan III	9,708,000	-
Soneri Bank Term Finance Loan IV	42,708,000	52,748,973

Name of Bank	Description	Principal Amount	Purpose	No. of Installments	Rate of Mark-up	2009	2008
Soneri Bank Limited	Term Finance III	145.75 M	For Fixed Assets financing	Rs. 2.75 M, 60 monthly	6 months Avg. KIBOR + 2.5% p.a	132.00 M	165.00 M
Soneri Bank Limited	Term Finance IV	45.30 M	For Fixed Assets financing	Rs. 0.809 M, 56 monthly	6 months Avg. KIBOR + 2.5% p.a	41.26 M	-

5.2 Payment to the supplier of plant and machinery on due dates, will be made by Soneri Bank Limited against the long term loan.

5.3 Supplier's credit represents amount payable to supplier of plant and machinery against an irrevocable letter of credit issued by Soneri Bank Limited payable at sight after the date of certification of erection and good working condition. The letter of credit facility is secured by registered hypothecation of related plant and machinery and an irrevocable undertaking by the Company vide letter dated April 15, 2003. The supplier has been declared bankrupt by Milan Court Italy, The Company is negotiating with official liquidator to settle the matter.

5.4 This represent loans obtained from the directors to meet the working capital requirements of the Company. The interest is payable @ 7% per annum (2008: 7%) and are repayable after July 2010.

IN TECHNICAL COLLABORATION WITH DOULTON BATH ROOMS ENGLAND

KARAM CERAMICS LIMITED

SANITARY WARE - TILES - BATH TUBS

6 STAFF RETIREMENT BENEFITS-GRATUITY

6.1 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 actuarial valuation carried out as at 30 June 2009, using the Projected Unit Credit Method.

		Note	2009 Rupees	2008 Rupees
6.2	**Principal Actuarial Assumptions**			
	Following are a few important actuarial assumptions used in the valuation:			
	Discount rate		12%	10%
	Expected rate of salary increase in future years		11%	9%
	Average expected remaining working life time of employees		11 years	11 years
6.3	**Reconciliation of Payable to Defined Benefit Plan**			
	Present value of defined benefit obligation		46,525,847	53,627,354
	Unrecognized actuarial gain /(loss)		10,854,983	2,489,273
		6.4	57,380,830	56,116,627
6.4	**Movement in Liability Recognized in Balance Sheet**			
	Balance Sheet Liability (Asset) as on June 30th 2008		56,116,627	52,037,646
	Charge for the year		3,143,472	4,061,883
	Interest cost for the year		5,362,735	5,169,669
	Payment made during the year		(7,242,004)	(5,152,571)
	Present value of Defined Benefit Obligation as on 30, June 2009		57,380,830	56,116,627
6.5	**Charge for the year**			
	Current service cost		3,143,472	4,061,883
	Interest cost		5,362,735	5,169,669
			8,506,207	9,231,552
6.6	**Charge for the Year has been allocated as follows:**			
	Cost of sale		7,967,025	8,646,393
	Selling and distribution expenses		165,015	179,086
	Administrative expenses		374,167	406,074
			8,506,207	9,231,552

6.7 Historical information

	2009 Rupees	2008 Rupees	2007 Rupees	2006 Rupees	2005 Rupees
Present value of obligation	46,525,847	53,627,354	49,729,312	50,872,967	43,410,934
Unrecognized actuarial gain /(loss)	10,854,983	2,489,273	2,308,334	(2,220,940)	(1,365,945)

		Note	2009 Rupees	2008 Rupees
7	**DEFERRED TAXATION**			
	Deferred tax liability comprises of taxable/(deductible) temporary differences in respect of the following:			
	Accelerated depreciation for tax purpose		114,131,506	119,437,135
	Relating to surplus on revaluation of fixed assets (Net after tax effect of incremental depreciation)		19,265,626	21,406,251
			133,397,132	140,843,386
	Deductible temporary differences related to staff retirement benefits		(20,083,291)	(19,640,819)
			113,313,841	121,202,567
8	**TRADE AND OTHER PAYABLES**			
	Trade creditors		9,837,242	5,781,941
	Accrued expenses		40,044,388	35,886,641
	Bills payable		19,593,019	11,291,058
	Sales tax payable		5,405,208	6,295,226
	Workers' profit participation fund	8.1	707,369	493,451
	Workers' welfare fund		268,800	523,639
	Unclaimed dividend		338,123	338,123
	Withholding tax payable		345,593	77,700
			76,539,743	60,687,779
8.1	**Workers' profit participation fund**			
	Opening balance		493,451	(35,253)
	Allocation for the year		707,369	1,362,554
	Interest on fund utilized in company's business		24,902	-
			732,271	1,362,554
			1,225,722	1,327,301
	Less: Paid during the year		(518,353)	(833,850)
			707,369	493,451
9	**SHORT TERM BORROWINGS**			
	From banking companies -secured			
	Running finance under mark-up arrangement	9.1	58,055,880	33,041,627
			58,055,880	33,041,627

9.1 The company has obtained short term running finance facility from Soneri Bank Limited of Rs.100 M (2008: 100 M) carrying markup of six months average KIBOR plus 2.5% subject to revision with the prevailing market rate, (30th June, 2008: KIBOR plus 2%). The arrangement is secured by way of hypothecation of Rs. 134 M over stock in trade and personal guarantee of directors of the company.

10 CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

Guarantees issued in favour of Collector of Customs, Appraisement, Custom House, for Rs. 77,960/- and Rs. 45,606/- (2008: Nil).

IN TECHNICAL COLLABORATION WITH DOULTON BATH ROOMS ENGLAND

KARAM CERAMICS LIMITED

SANITARY WARE - TILES - BATH TUBS

10.2 Commitments

Capital expenditures commitments outstanding as at 30 June 2009 amounted to Rs 59.894 M (2008: Nil)

Commitments under letter of credit of raw materials as at 30 June 2009 amounted to Rs. 14.941 M (2008: 42.466 M)

11 PROPERTY, PLANT AND EQUIPMENT

	COST					DEPRECIATION				W.D.V
	As at 01-07-08	Additions	Transfers/ (disposal)	As at 30-6-2009	Rate %	As at 01-07-08	For the year	Transfers/ (disposal)	As at 30-06-2009	as at 30-06-2009
OWNED ASSETS										
Free-hold land	15,330,000	-	-	15,330,000	-	-	-	-	-	15,330,000
Building on Free-hold land	262,572,555	3,706,548	-	266,279,103	10	143,720,205	11,773,432	-	155,493,637	110,785,466
Lahore warehouse on free hold land	2,664,102	-	-	2,664,102	10	2,336,145	31,976	-	2,368,121	295,981
Plant and machinery	1,166,418,218	1,720,890	-	1,168,139,108	10	572,301,387	58,012,436	-	630,313,823	537,825,285
Motor vehicles	22,455,018	1,157,265	(554,000)	23,058,283	20	16,096,963	1,237,721	(349,082)	16,985,602	6,072,682
Furniture, fixture & equipment	11,812,151	683,000	-	12,495,151	10	8,294,312	403,093	-	8,697,405	3,797,746
Moulds	642,747	-	-	642,747	30	642,660	24	-	642,684	63
Laboratory equipment	1,512,579	-	-	1,512,579	10	1,392,407	11,717	-	1,404,124	108,455
Total 2009	1,483,407,370	7,267,703	(554,000)	1,490,121,073		744,784,079	71,470,398	(349,082)	815,905,395	674,215,678
Total 2008	1,246,147,272	237,500,098	(240,000)	1,483,407,370		676,849,447	68,095,989	(161,357)	744,784,079	738,623,292

	Note	2009 Rupees	2008 Rupees
11.1 Depreciation charge for the year has been allocated as follows:			
Manufacturing	18.1	70,618,016	67,266,374
Selling and distribution	19	442,179	589,107
Administration	20	410,203	240,507
		71,470,398	68,095,989

11.2 Disposal of fixed assets

Particulars	Cost of Acquisition	Accumulated Depreciation	Written Down Value	Sale Proceeds	Profit / (Loss)	Mode of Sale	Particulars of Purchaser
	----------	----------	Rupees	----------	----------		
Suzuki Pickup LHO 6838	225,000	222,925	2,075	101,000	98,925	Negotiation	Abdul Kalim 42101-1192857-7
Toyota Starlet C-5065	80,000	78,847	1,153	110,000	108,847	Negotiation	Muhammad Faraz 42101-8721407-5
Suzuki Mehran AFK-106	249,000	47,310	201,690	222,000	20,310	Negotiation	Abdul Ghaffar 42301-2734803-3
Total 2009	554,000	349,082	204,918	433,000	228,082		
Total 2008	240,000	161,357	78,643	148,000	69,357		

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

	Note	2009 Rupees	2008 Rupees
Freehold land		3,964,588	3,964,588
Factory building		54,534,807	56,887,682
		58,499,395	60,852,270

12 STORES AND SPARES

Stores		544,788	771,535
Spares		6,642,671	-
		7,187,459	771,535

13 STOCK-IN-TRADE

Raw material		62,943,664	19,878,014
Work-in-process		5,484,550	2,121,232
Finished goods		62,807,710	29,702,550
		131,235,924	51,701,796
Provision for slow moving and obsolete stock	13.1	(7,296,787)	(7,296,787)
		123,939,137	44,405,009

13.1 Provision for slow moving stock

Balance at the beginning of the year		7,296,787	7,296,787
Provision for the year		-	-
Balance at the end of the year		7,296,787	7,296,787
		7,296,787	7,296,787

14 LOANS AND ADVANCES

Loans to employees - considered good	14.1	310,755	644,355
Advances - considered good			
- Employees		212,800	253,000
- Purchases		350,935	71,714
- Others		2,393,384	2,522,381
- Advance against purchase of land	14.2	400,000	400,000
		3,667,874	3,891,450

14.1 Maximum aggregate balance of loans due at the end of any month during the year 2009 was Rs. 732,820 (2008: Rs.2,847,095). These are secured against gratuity payable to them.

14.2 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.

15 SHORT-TERM PREPAYMENTS AND CURRENT ACCOUNT BALANCES WITH STATUTORY AUTHORITIES

Prepayments			
Letters of credit charges		22,696,997	8,560,541
Rent	15.1	750,000	450,000
Advance income tax		5,162,011	3,646,933
Others		17,551	-
		28,626,559	12,657,474

15.1 The above prepayment is made to M/s Kulsoom and Sohaila Associates, a related party, against the advance rent of head office building situated at Plot No BC-6, Block-5, KDA Scheme No-5 Kehkashan Clifton Karachi.

		Note	2009 Rupees	2008 Rupees
16	**CASH AND BANK BALANCES**			
	Cash in hand		1,551,651	1,345,328
	Cheques and drafts in hand		18,919,035	27,588,172
			20,470,686	28,933,500
	Balance with banks in:			
	- Current accounts		3,274,094	5,158,656
	- Deposit accounts		570,978	340,814
			3,845,072	5,499,470
			24,315,758	34,432,970
17	**SALES - NET**			
	Gross sales		984,193,104	834,464,102
	Less: Sales return		(9,906,193)	(9,101,931)
			974,286,911	825,362,171
	Less: Sales tax		(133,235,817)	(107,904,841)
	Less: Federal excise duty		(8,327,239)	(7,193,656)
			832,723,855	710,263,674
18	**COST OF SALES**			
	Opening stock of finished goods		29,702,550	30,519,237
	Cost of goods manufactured	18.1	735,850,884	568,238,817
	Consumption of fittings and accessories	18.2	-	998,250
			735,850,884	569,237,067
			765,553,434	599,756,304
	Closing stock of finished goods		(62,807,710)	(29,702,550)
			702,745,724	570,053,754
	Cost of sales - imported products			
	Opening stock		-	2,895,019
	Purchases		-	-
			-	2,895,019
	Closing stock		-	-
	Imported products consumed		-	2,895,019
			702,745,724	572,948,773
18.1	**Cost of goods manufactured**			
	Raw materials consumed			
	Opening stock		19,878,014	26,377,127
	Purchases			
	- Local		48,451,817	39,309,865
	- Imported		201,516,136	94,799,219
	Total purchases		249,967,953	134,109,084
	Available for use		269,845,967	160,486,211
	Closing stock		(62,943,664)	(19,878,014)
			206,902,303	140,608,197

		Note	2009 Rupees	2008 Rupees
	Other manufacturing expenses			
	Moulds, dyes and consumable stores and spares		23,363,613	13,700,387
	Fuel, power and water		288,404,017	203,363,644
	Salaries, wages and other benefits		92,972,314	78,979,693
	Director's remuneration		1,400,000	1,320,000
	Insurance		1,930,791	1,650,000
	Vehicles running and maintenance		1,284,344	1,481,920
	Repairs and maintenance		19,236,184	21,052,282
	Other production expenses		1,604,674	1,882,896
	Packing materials consumed		31,497,946	34,842,118
	Depreciation	11.1	70,618,016	67,266,374
	Total manufacturing expenses		739,214,202	566,147,511
	Opening work-in-process		2,121,232	4,212,538
			741,335,434	570,360,049
	Closing work-in-process		(5,484,550)	(2,121,232)
			735,850,884	568,238,817
18.2	**Consumption of fittings and accessories**			
	Opening stock		-	998,250
	Purchases		-	-
	Available for use		-	998,250
	Closing stock		-	-
			-	998,250
19	**SELLING AND DISTRIBUTION EXPENSES**			
	Salaries, allowances and other benefits		4,360,988	4,157,816
	Rent, rates and taxes		1,326,643	501,261
	Electricity and gas charges		371,676	313,751
	Postage, telegraph and telephone charges		141,264	126,314
	Printing and stationery		58,647	49,445
	Vehicles running and maintenance		798,756	622,534
	Repairs and maintenance		318,756	270,607
	Traveling and conveyance		292,230	7,680
	Entertainment		371,913	18,637
	Advertisement and sales promotion		774,971	727,613
	Insurance		366,700	-
	Forwarding and transportation		43,453,705	36,787,390
	Commission		317,135	260,544
	Depreciation	11.1	442,179	589,107
	Sundry expenses		60,964	21,881
			53,456,527	44,454,580
20	**ADMINISTRATIVE EXPENSES**			
	Salaries, allowances and other benefits		5,356,818	6,151,334
	Directors, remuneration and allowance		1,400,000	1,706,046
	Rent, rates and taxes		798,160	771,345
	Electricity and gas charges		859,381	905,012
	Postage, telegraph and telephone charges		872,215	924,378
	Printing and stationery		339,533	324,480
	Vehicles running and maintenance		668,309	608,604
	Repairs and maintenance		545,624	960,404
	Traveling and conveyance		1,744,284	1,142,538
	Entertainment		70,394	43,553
	Legal and professional charges		1,128,000	320,035
	Fees and subscription		671,248	617,469
	Insurance		696,721	442,364
	Depreciation	11.1	410,203	240,507
	Sundry expenses		18,159	313,145
			15,579,049	15,471,214

		Note	2009 Rupees	2008 Rupees
21	**OTHER OPERATING CHARGES**			
	Auditors' remuneration	21.1	255,000	225,000
	Donations	21.2	800,000	415,000
	Exchange loss		5,989,710	24,981,975
	Workers profit participation fund		707,369	1,362,554
	Workers welfare fund		268,800	523,639
			8,020,879	27,508,168
21.1	**Auditors' Remuneration**			
	Audit fee		200,000	150,000
	Half yearly review report		30,000	25,000
	Code of corporate governance review report		25,000	25,000
	Other services		-	25,000
			255,000	225,000

21.2 None of the directors or spouse is interested in the funds of donees.

		Note	2009 Rupees	2008 Rupees
22	**FINANCIAL CHARGES**			
	Interest on workers' profit participation fund		24,902	26,055
	Mark-up on :			
	Short term finances		6,395,254	1,492,926
	Term finance		31,691,807	14,905,909
	Bank charges		1,061,249	148,221
	Interest on directors' loan		833,272	497,041
			40,006,484	17,070,152
23	**OTHER INCOME**			
	Income from financial assets			
	Return on deposit accounts		27,938	39,209
	Income from non-financial assets			
	Gain on sale of fixed assets	11.2	228,082	69,357
			256,020	108,566
24	**TAXATION**			
	For current year			
	- Current		-	3,864,925
	- Deferred		(7,888,726)	21,070,418
			(7,888,726)	24,935,343
	For prior year			
	- Income tax		(313,411)	173,780
	- Workers welfare fund		134,748	(151,135)
			(8,067,389)	24,957,988

The income tax assessments of the company have been finalized upto the financial year ended June 30, 2008.

Relationship between accounting profit and tax expenses for the year is as follows:	2009 %	2008 %
Application Tax rate	35.00	35.00
Tax effect of amount that are inadmissible/ admissible in determining taxable profit	(35.00)	(35.00)
Tax effect of minimum tax liability	-	13.48
Tax effect of Tax on other Income	-	0.15
Tax effect of tax credit	-	(0.11)
Tax effect of amount relating to prior year's tax	(1.36)	0.09
Tax effect of temporary difference (Deferred tax)	(59.89)	71.49
Effects of import under final tax liability	-	1.23
Average effective rate charged to income	(61.25)	86.33

25 EARNINGS PER SHARE-BASIC AND DILUTED

	Note	2009 Rupees	2008 Rupees
25.1 Earnings per share - Basic			
Net profit for the year after taxation		21,238,601	7,961,365
Weighted average Ordinary Shares in issue		Number of shares	
During the year		14,548,676	14,548,676
Basic earnings per share		1.46	0.55

25.2 Earnings per share - Diluted

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

26 REMUNERATION OF DIRECTORS AND EXECUTIVES

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

	CHIEF EXECUTIVE		DIRECTOR		TOTAL	
	2009	2008	2009	2008	2009	2008
Managerial remuneration and allowances	903,228	851,616	903,228	1,100,678	2,921,470	2,629,323
House rent	406,447	383,220	406,447	495,298	1,314,643	1,183,178
Utilities	90,325	85,164	90,325	110,070	292,153	262,938
RUPEES	1,400,000	1,320,000	1,400,000	1,706,046	4,528,265	4,075,439
No of persons	1	1	2	2	8	8

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

		2009 Rupees	2008 Rupees

27 TRANSACTIONS WITH RELATED PARTY

The detail of transactions with the related parties during the year are as follows:

Relation with the Company	Nature of Transaction	2009 Rupees	2008 Rupees
Associated undertaking	Payment of rent of office premises	660,000	600,000
Directors	Interest on loan	833,272	497,041

28 CAPACITY AND PRODUCTION

	TILES 2009 (Sq. Meters)	TILES 2008 (Sq. Meters)
Capacity	3,100,000	3,100,000
Actual production	2,909,758	2,873,626

Increase in production during the year was as result of better productivety.

29 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The information about company's exposure to interest rate risk based on contractual repayments or maturity dates whichever is earlier is as follows:

	2009				
	Interest / Mark-up bearing		Non-interest bearing		
Interest rate sensitivity position	**One month to one year Rupees**	**Over one year Rupees**	**One month to one year Rupees**	**Over one year Rupees**	**Grand Total Rupees**
FINANCIAL ASSETS					
Long term deposits	-	-	-	875,788	875,788
Trade debts	-	-	20,425,201	-	20,425,201
Loan and advances	-	-	3,267,873	-	3,267,873
Cash and bank balances	570,978	-	23,744,781	-	24,315,758
	570,978	-	47,437,855	875,788	48,884,620
FINANCIAL LIABILITIES					
Long term financing	42,708,000	130,551,000	-	-	173,259,000
Long term liability	-	-	-	79,398,723	79,398,723
Short term borrowings	58,055,880	-	-	-	58,055,880
Trade and other payable	20,300,388	-	56,239,354	-	76,539,742
	121,064,268	130,551,000	56,239,354	79,398,723	387,253,345
on balance sheet gap (a)	(120,493,290)	(130,551,000)	(8,801,501)	(78,522,935)	(338,368,726)
Off Balance Sheet Items					
Financial commitments					
Letter of credits	14,901,701	-	-	-	14,901,701
Capital commitments including Letter of credits	-	-	-	-	-
	14,901,701	-	-	-	14,901,701
Total gap	(144,524,865)	(130,551,000)	47,437,855	(125,632,417)	(353,270,427)

	2008				
	Interest / Mark-up bearing		Non-interest bearing		
Interest rate sensitivity position	**One month to one year Rupees**	**Over one year Rupees**	**One month to one year Rupees**	**Over one year Rupees**	**Grand Total Rupees**
FINANCIAL ASSETS					
Long term deposits	-	-	-	905,788	905,788
Trade debts	-	-	51,747,805	-	51,747,805
Loan and advances	-	-	3,491,450	-	3,491,450
Cash and bank balances	340,814	-	34,092,156	-	34,432,970
	340,814	-	89,331,411	905,788	90,578,013
FINANCIAL LIABILITIES					
Long term financing	52,748,973	132,000,000	-	-	184,748,973
Long term liability	-	-	-	74,434,975	74,434,975
Short term borrowings	33,041,627	-	-	-	33,041,627
Trade and other payable	11,784,509	-	48,903,270	-	60,687,779
	97,575,109	132,000,000	48,903,270	74,434,975	352,913,354
on balance sheet gap (a)	(97,234,295)	(132,000,000)	40,428,141	(73,529,187)	(262,335,341)
Off Balance Sheet Items					
Financial commitments					
Letter of credits	42,466,390	-	-	-	42,466,390
Capital commitments including Letter of credits	-	-	-	-	-
	42,466,390	-	-	-	42,466,390
Total gap	(139,700,685)	(132,000,000)	40,428,141	(73,529,187)	(304,801,731)

(b) Effective rate of markup for financial assets and liabilities are as follows:

	2009 %	2008 %
Assets		
Bank balances	1.2 to 3.5	0.96
Liabilities		
Short term financing/bills payable	KIBOR plus 2.5%	KIBOR plus 2%
Directors' loan	7.00	7.00

29.1 Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. All financial assets of the company, except cash in hand, are exposed to credit risk. The company believes that it is not exposed to major concentration of credit risk. To manage exposure of credit risk, the company applies credit limits to its certain customers.

29.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered in foreign currencies. The company incurs foreign currency risk on sales and purchases that are entered in a currency other than Pak Rupees. The company uses forward exchange contracts to hedge its foreign currency risk, where considered appropriate. As at the year end the company had liabilities in foreign currencies aggregating Nil (2008: Nil) against which no forward exchange contracts were obtained.

29.3 Capital risk management

The objective of the company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares.

29.4 Fair value of financial instruments

The carrying value of all financial assets and liabilities reflected in the financial statement approximate their fair value.

	Note	2009 Rupees	2008 Rupees
30 STAFF STRENGTH			
Number of Employees as at 30th June		355	397

31 DATE OF AUTHORIZATION

The Financial Statement have been authorized for issue by the Board of Directors of the company in its meeting held on September 28, 2009.

32 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.

33 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors has proposed a final dividend for the year ended June 30, 2009 of Rs. NIL per share (2008: Rs. 1.25 per share), amounting to Rs. NIL million (2008: Rs. 18.185 million) at their meeting held on 28 September 2009 for approval of the members at the annual general meeting held on 28 October 2009. However these events have been considered as non-adjusting events under IAS 10 "Events after the Balance Sheet Date" and have not been recognized in these financial statements.

34 GENERAL

34.1 Figures have been rounded off to the nearest rupee.

Chief Executive　　　　　　　　Director

KARAM CERAMICS LIMITED
IN TECHNICAL COLLABORATION WITH DOULTON BATH ROOMS ENGLAND
SANITARY WARE - TILES - BATH TUBS

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2009

No. of Shareholders	Having Shares From	To	Shares Held	Percetage
46	1	100	1078	0.0074
90	101	500	41097	0.2824
28	501	1000	21922	0.1506
32	1001	5000	88642	0.6092
12	5001	10000	89079	0.6122
3	10001	15000	35734	0.2456
3	15001	20000	49965	0.3434
1	20001	25000	24666	0.1695
2	25001	30000	55415	0.3808
1	35001	40000	36000	0.2474
1	40001	45000	43465	0.2987
2	45001	50000	99065	0.6809
1	115001	120000	116900	0.8035
1	130001	135000	131100	0.9011
1	195001	200000	196020	1.3473
1	295001	300000	299901	2.0613
1	355001	360000	358232	2.4622
1	365001	370000	369009	2.5363
1	425001	430000	426156	2.9291
1	430001	435000	433919	2.9825
1	720001	725000	722903	4.9688
1	835001	840000	837072	5.7535
1	1245001	1250000	1249613	8.5891
1	1265001	1270000	1269208	8.7238
1	1475001	1480000	1475927	10.1447
1	2735001	2740000	2736588	18.8098
1	3335001	3340000	3340000	22.9574
236			**14548676**	**100.0000**

CATEGORIES OF SHAREHOLDERS
AS AT 30 JUNE 2009

PARTICULARS	SHAREHOLDERS	SHAREHOLDINGS	PERCENTAGE
DIRECTORS, CEO & CHILDREN	9	7,798,794	53.6043
NIT & ICP	1	358,232	2.4622
BANKS,DFI & NBFI	3	3,767,156	25.8934
INSURANCE COMPANIES	1	1,500	0.0103
MODARABAS & MUTUAL FUNDS	1	369,009	2.5363
GENERAL PUBLIC (Local)	217	2,242,302	15.4124
GENERAL PUBLIC (FOREIGN)	1	3,499	0.024
OTHERS	3	8,184	0.0562
COMPANY TOTAL	236	14,548,676	100.0000

KARAM CERAMICS LIMITED

In technical collaboration with DOULTON BATH ROOMS ENGLAND

SANITARY WARE - TILES - BATH TUBS

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 30th Annual General Meeting of the Company to be held on Wednesday, October 28, 2009 at Company's Registered Office situated at BC-6, Block-5, Scheme-5, Kehkashan, Clifton, Karachi.

WITNESS:

(1) Signature ______________________

Name ______________________

Address ______________________

____

NIC or Passport No. ______________

Signature on Rupees Five Revenue Stamp

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

(2) Signature ______________________

Name ______________________

Address ______________________

____

NIC or Passport No. ______________

Dated ______________________

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.