IN TECHNICAL COLL ABORATION WITH
DOULTON
BATH ROOMS ENGLAND

THE LARGEST CERAMIC MANUFACTURERS IN PAKISTAN

KARAM CERAMICS LIMITED

SANITARY WARE - TILES - BATH TUBS

ANNUAL REPORT 2011

32nd ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011

CONTENTS

COMPANY INFORMATION

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

COMPANY SECRETARY
Manzoorali Natha

AUDIT COMMITTEE
Shaban Ali G. Kassim
Sakin Noorallah
Shahnawaz Madhani

BANKERS
Soneri Bank Limited
Habib Bank Limited
National Bank Limited
Muslim Commercial Bank Limited
Habib Metropolitan Bank Limited

AUDITORS/ REGISTRAR AND SHARE TRANSFER OFFICE
Qavi & Co
Chartered Acoountants

T.H.K Associates (Private) Limited
Ground Floor, State Life Builading No3
Dr Ziaudding Ahmed Road Karachi

NATIONAL TAX NUMBER	**:**	**0710857-5**
SALES TAX REGISTERATION 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 OFFICE
4 L, Gulberg 3, Ferozpur Road, Lahore

NOTICE OF MEETING

Notice is hereby given that the 32nd Annual General meeting of the Company will be held at the Registered Office of the Company on Monday October 24, 2011 at 6:00 p.m. to transact the following business:

1. To confirm the minutes of the 31st Annual General Meeting held on October 27, 2010.

2. To consider and adopt the Audited Accounts of the Company for the year ended June 30, 2011 along with the Report of the Directors thereon.

3. To declare dividend.The Directors have recommended a cash dividend. of 10% (Re.1.00 per shere .)

4. To appoint Auditors for the year 2012 and fix their remuneration.

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

By Order of the Board

Karachi
October 3, 2011

Manzoorali Natha
Company Secretary

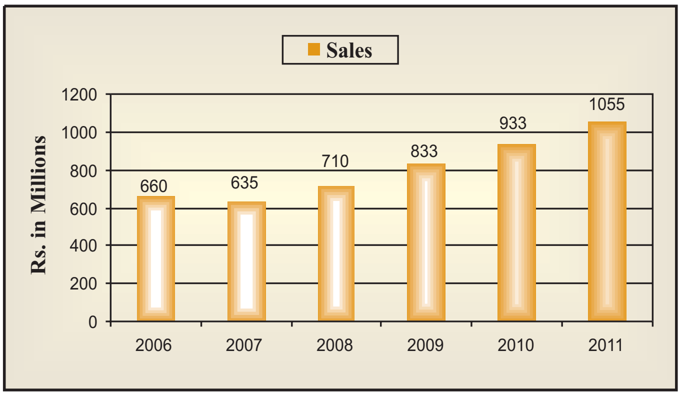
Notes:

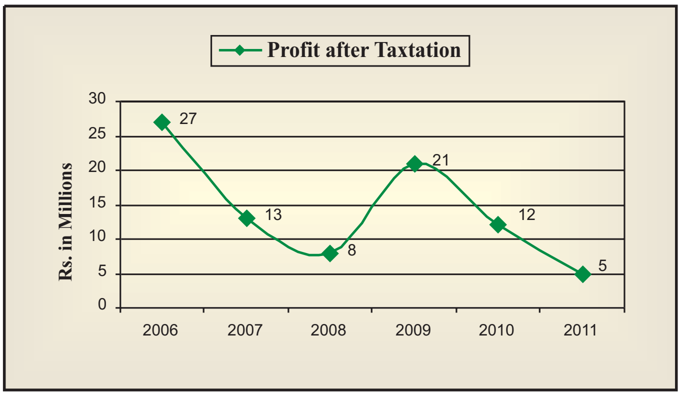
1. The share transfer book of the company will remain closed from October 18, 2011 to October 24 2011 (both days inclusive).

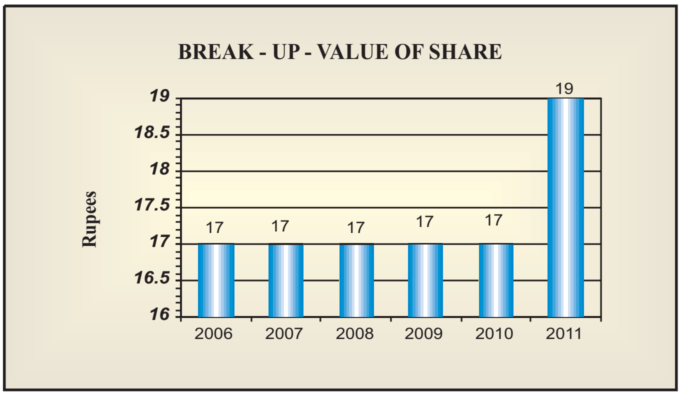
2. A member eligible to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies to be effective must be received by the company not less than 48 hours before the time of holding of the meeting.

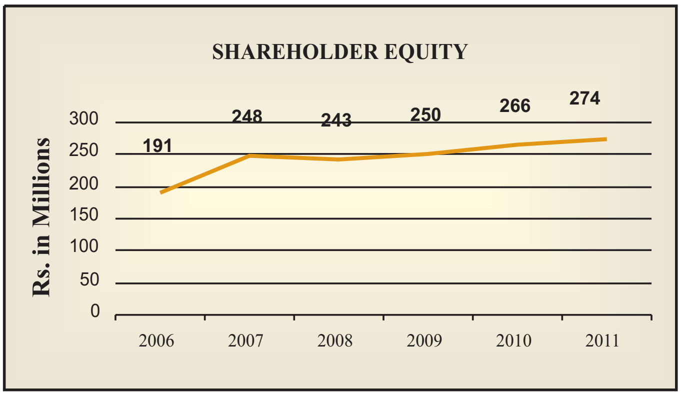
3. The beneficial owners of shares recorded in Central Depository Company of Pakistan Limited (CDCPL) are required to bring their National Identity Cards and in case of institutions being the beneficial owner, notarially certified copy of power of attorney or other authority, together with the proof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

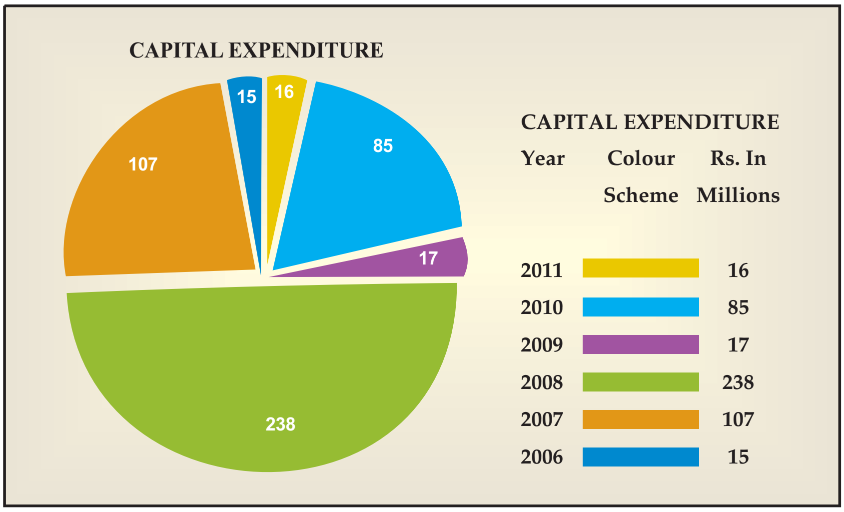
4. Members are requested to communicate to the company or the Registrar to the company of any change in their address.


Sales
Rs. in Millions
1200
1000
800
600
400
200
0
660
635
710
833
933
1055
2006
2007
2008
2009
2010
2011


Profit after Taxtation
Rs. in Millions
30
25
20
15
10
5
0
27
13
8
21
12
5
2006
2007
2008
2009
2010
2011


BREAK - UP - VALUE OF SHARE
Rupees
19
18.5
18
17.5
17
16.5
16
17
17
17
17
17
19
2006
2007
2008
2009
2010
2011


SHAREHOLDER EQUITY
Rs. in Millions
300
250
200
150
100
50
0
191
248
243
250
266
274
2006
2007
2008
2009
2010
2011


CAPITAL EXPENDITURE
15
16
85
17
238
107
CAPITAL EXPENDITURE
Year
Colour Scheme
Rs. In Millions
2011 16
2010 85
2009 17
2008 238
2007 107
2006 15

FINANCIAL HIGHLIGHTS

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Sales	1055	933	833	710	635	660	613	482	504	449
Gross Profit	129	114	130	139	99	136	137	96	99	78
Expenses	117	102	117	106	83	80	70	62	63	57
Profit before Taxtation	12	13	13	33	16	56	67	34	36	21
Profit after Taxtation	5	12	21	8	13	27	35	21	22	17
Dividend %	10	-	-	12.5	12.5	-	15	15	18	17.5
Right Shares %	-	-	-	-	-	33.3	-	-	-	-
Earning per Share (Rs.)	0.37	0.86	1.46	0.55	1.03	2.2	3.22	1.91	1.99	1.59

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors of your company are pleased to present the Annual Report with audited financial statements of the Company for the year ended June 30, 2011

OPERATING RESULTS

During the year ended June 30, 2011; the company have registered growth in Net revenue of Rs. 1,055.48 million which is 13.09% higher than the net revenue of Rs. 933.33 million for the preceding year. Increase in sales was due to high sale value and volume of ceramics tiles achieved during the year.

Moreover, the selling prices of its products remained under pressure due to stiff competition from imported cheaper Chinese tiles as well as severe competition from local tiles manufacturers. The gross profit for the year increased to Rs.129.20 million against the last year gross profit of Rs.114.44 million. Rising cost of raw material, fuel, power and other production expenses were the factors due to which higher gross profit could not be achieved

RETAINED EARNINGS

The company managed to earn Profit before tax for the year at Rs. 12.15 million against the profit of Rs.12.73 million for the year 2010 and after tax profit of Rs 5.42 million as against the profit of Rs 12.49 million of last year.

EARNING PER SHARE

Earning per share for the year ended 30th June, 2011 was Rs.0.37 as compared to Rs 0.86 for the last year.

Un-appropriated profit to be carried forward is Rs 128.88 M

FUTURE OUTLOOK

It is expected that future demand of ceramics tiles would increase as a result of economic improvement forecasted globally. Post flood and recent increase in construction activities would also raise demand of Ceramic Tiles. There is a wider gap between demand and supply. However selling price of the products would remain under pressure due to import of large quantities of ceramics tiles into the country at competitive rates To discourage dumping of ceramics tiles and protect local industry, a case has been filed for imposing of anti dumping duties on import of ceramics tiles

Rising gas tariff rates is also seriously impacting profitability of the company. In order to combat the higher cost of production our company is importing new Press machines and with addition of same in our production line and installation of new Kiln, the company is expecting better efficiency in production. Increase in production shall reduce cost of production. The Company shall continue its focus on consumer preferences and expand its market share by introducing new innovative designs.

CODE OF CORPORATE GOVERNANCE

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

" The financial statement, prepared by the management of your company present fairly its state of affairs, the results of its operation, cash flow and changes in equity.
" Proper books of accounts of the company have been maintained.
" Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
" The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
" The system of internal control is sound in design and has been effectively implemented and monitored.
" The Company has the ability to continue as a going concern; and
" There has been no deviation from the best practices of Corporate Governance, as detailed in the listing regulations.

NUMBER OF BOARD MEETINGS HELD

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

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

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

EMPLOYEES RELATION

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

AUDITORS

The present auditors M/s. Qavi & Co., Chartered Accountants have completed audit for the financial year ended 30th June, 2011 and shall retire on the conclusion of the 32nd 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, 2012. 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, 2011 is annexed.

APPRECIATION

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

MUNAWAR ALI S. KASSIM
CHIEF EXECUTIVE

September 28, 2011

Karam Ceramics Limited

Vision Statement

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

Mission Statement

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

Corporate Goal

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

Overall Corporate Strategy

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

RANGE OF PRODUCTS

COLOURED & DECORATIVE /EFFECT GLAZED WALL TILES

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

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 Officer (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, 2011 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

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

We have reviewed the statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2011 prepared by the Board of Directors of KARAM CERAMICS LIMITED ("the Company") to comply with the listing Regulations of the Karachi and Lahore Stock Exchanges, where the Company is Listed.

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

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

Further, Listing Regulations of the Stock Exchanges where the Company is listed, require the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit 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 June 30, 2011.

DATE: September 28, 2011
Karachi

Chartered Accountants
Engagement Partner: Ghulam Abbas

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of KARAM CERAMICS LIMITED as at June 30, 2011 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 conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

b) in our opinion:

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

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, 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, 2011 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: Ghulam Abbas

DATE: September 28, 2011
Karachi

BALANCE SHEET
AS AT JUNE 30, 2011

	Note	2011 Rupees	2010 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	4	**145,486,760**	145,486,760
Unappropriated Profit		**128,881,173**	120,242,736
		274,367,933	265,729,496
Surplus on revaluation of fixed assets	5	**40,346,418**	43,566,530
Non Current Liabilities			
Long term financing	6	**118,003,889**	231,657,111
Retirement benefit obligation	7	**57,455,845**	57,533,381
		175,459,734	289,190,492
Deferred taxation	8	**100,200,103**	104,389,426
Current Liabilities			
Advance from customers		**19,550,000**	-
Trade and other payables	9	**105,323,282**	102,024,666
Mark up accrued on loans		**8,399,145**	7,637,269
Short term running finance	10	**33,949,430**	3,916,366
Provision for taxation		**10,806,847**	8,546,580
Current portion of long term financing		**98,496,333**	82,521,337
		276,525,037	204,646,218
Contingencies and commitments	11		
		866,899,225	907,522,162

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

KARAM CERAMICS LIMITED

BALANCE SHEET
AS AT JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipments	12	**642,121,677**	609,619,688
Capital work in progress	13	**-**	84,702,580
Long term deposits		**897,038**	875,788
Current Assets			
Stores and spares	14	**10,141,551**	8,086,556
Stock in trade	15	**165,633,078**	128,900,010
Trade debts - unsecured considered good		**5,323,505**	23,340,631
Loans and advances	16	**4,922,462**	5,727,354
Income tax refundable		**3,862,348**	4,383,223
Short-term prepayments and balances with statutory authorities	17	**28,508,495**	31,654,905
Cash and bank balances	18	**5,489,071**	10,231,427
		223,880,510	212,324,106
		866,899,225	907,522,162

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, 2011

	Note	2011 Rupees	2010 Rupees
Net Sales	19	**1,055,479,354**	933,333,387
Cost of sales	20	**(926,283,082)**	(818,887,530)
Gross Profit		**129,196,272**	114,445,857
Selling and distribution expenses	21	**(51,866,393)**	(57,650,095)
Administrative expenses	22	**(18,597,939)**	(16,227,539)
		(70,464,332)	(73,877,634)
Other operating charges	23	**(4,710,011)**	(4,228,252)
Financial charges	24	**(42,286,600)**	(35,455,881)
		(46,996,612)	(39,684,133)
Other operating income	25	**420,147**	11,842,978
Profit before taxation		**12,155,475**	12,727,068
Taxation	26	**(6,737,150)**	(231,677)
Profit after taxation		**5,418,324**	12,495,391
Earnings per share	27	**0.37**	0.86

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

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME

For the Year ended June 30, 2011

	Note	2011 Rupees	2010 Rupees
Profit after taxation		**5,418,324**	12,495,391
Other comprehensive income			
Incremental depreciation transfer from surplus on revaluation of fixed assets (net of deferred tax)		**3,220,112**	3,577,902
Total comprehensive income for the year		**8,638,436**	16,073,293

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

Chief Executive

Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	2011 Rupees	2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**12,155,475**	12,727,068
Adjustments for:		
Depreciation	**67,930,905**	64,813,987
Provision for staff gratuity	**4,558,532**	3,676,298
Workers' profit participation fund	**671,299**	683,516
Workers' welfare fund	**599,206**	259,736
Financial charges	**42,286,600**	35,455,881
Gain on sale of vehicles	**(338,882)**	-
Return on deposits	**(1,265)**	(13,014)
	115,706,396	104,876,404
(Increase) / Decrease in operating assets		
Stores and spares	**(2,054,995)**	(899,097)
Stock in trade	**(36,733,068)**	(4,960,873)
Trade debts	**18,017,126**	(2,915,430)
Loans and advances	**804,892**	(1,207,918)
Short-term prepayments and balances - with statutory authorities	**2,307,988**	211,008
	(17,658,057)	(9,772,310)
Increase / (Decrease) in operating liabilities		
Short term running finance	**30,033,064**	(54,139,514)
Trade and other payables	**2,971,363**	25,517,841
	33,004,427	(28,621,673)
Cash generated from operations	**143,208,241**	79,209,489
Financial charges paid	**(41,524,725)**	(37,217,329)
Income tax paid	**(7,566,647)**	(8,401,365)
Gratuity paid	**(4,636,068)**	(3,523,747)
Workers' profit participation fund paid	**(683,516)**	(707,369)
Workers' welfare fund paid	**-**	(878,312)
	(54,410,956)	(50,728,122)
Net cash generated from operating activities	**88,797,285**	28,481,367
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of vehicle	**695,000**	-
Purchase of property, plant and equipment	**(16,086,432)**	(218,000)
Capital expenditure	**-**	(84,702,580)
Return on deposits	**1,265**	13,014
Net cash used in investing activities	**(15,390,167)**	(84,907,566)
CASH FLOWS FROM FINANCING ACTIVITIES		
Directors loan	**(8,078,537)**	3,425,500
Long term loan received	**63,000,000**	133,625,000
Long term loan paid	**(114,421,476)**	(45,311,336)
Bills payable against long term loan	**(38,178,213)**	30,001,427
Long term deposits and prepayments	**(21,250)**	-
Advance from customers	**19,550,000**	-
Payment of suppliers credit loan	**-**	(79,398,723)
Net cash (used in) / generated from financing activities	**(78,149,476)**	42,341,868
Net (decrease) /increase in cash and cash equivalents	**(4,742,356)**	(14,084,331)
Cash and cash equivalents at beginning of the year	**10,231,427**	24,315,758
Cash and cash equivalents at end of the year	**5,489,071**	10,231,427

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

Chief Executive Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	Share Capital	Unappropriated Profit (Rupees)	Total
Balance as at June 30, 2009	145,486,760	104,169,443	249,656,203
Total comprehensive income for the year	-	16,073,293	16,073,293
Balance as at June 30, 2010	145,486,760	120,242,736	265,729,496
Total comprehensive income for the year	-	8,638,436	8,638,436
Balance as at June 30, 2011	145,486,760	128,881,173	274,367,932

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

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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

2 BASIS OF PREPARATION

2.1 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 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 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 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 32 to these financial statements.

2.5 STANDARDS, INTERPRETATIONS, REVISIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

Standards Or Interpretations		Effective Date (Accounting periods beginning on or after)
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 1, 2012
IFRS 7	Financial Instruments : Disclosures - Amendments enhancing disclosures about transfers of financial assets	July1, 2011
IAS 12	Income Taxes (Amendments) - Deferred Taxes: Recovery of underlying assets	January 1, 2012
IAS 19	Employee Benefits- Amended Standard resulting from the post-employment benefits and termination benefits projects	January 1, 2013
IAS 24	Related Party Disclosures (Revised)	January 1, 2011
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)	January 1, 2011

The Company expects that adoption of the above interpretation, revisions and amendments of the standards will not have material affect on the Company's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 1, 2011. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standards		IASB Effective Date (Annual periods beginning on or after)
IFRS 9	Financial Instruments	January 1, 2013
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Join Arrangements	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013

2.6 STANDARDS, INTERPREPTATIONS AND AMENDMENTS DURING THE YEAR

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year :

IFRS 2 Group Cash-settled Share-based Payment Arrangements
IAS 32 Financial Instruments: Presentation - Classification of Rights Issues {Amendment}
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IMPROVEMENTS TO VARIOUS STANDARDS ISSUED BY IASB

Issued in 2009
IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations
IFRS 8 Operating Segments
IAS 1 Presentation of Financial Statements
IAS 7 Statement of Cash flows Presentation of Financial Statements
IAS 17 Leases
IAS 36 Impairment of Assets
IAS 39 Financial Instruments : Recognition and Measurement

Issued in May 2010
IFRS 3 Business Combinations
IAS 27 Consolidated and Separate Financial Statements

The adoption of the above standards, interpretations, revisions and amendments did not have any affect on the financial statements.

The Company has not early adopted any standards, interpretations, revisions and amendments that has been issued but is not yet effective.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Retirement Benefit Obligation

Defined Benefit Plan-Gratuity

The company operates an Unfunded Gratuity Scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. The provision is made on the basis of actuarial valuation to cover the obligation under the scheme for all employees eligible to gratuity benefits. The latest actuarial valuation for gratuity scheme was carried out as on June 30, 2011.

3.2 Borrowings

Loans and borrowings are recorded as the proceeds are received. Financial charges are accounted for on an accrual basis.
All mark-up, interest and other charges on long-term and short term borrowings are charged to profit and loss account in the period in which they are incurred.

3.3 Trade and Other Payables

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

3.4 **Property, Plant and Equipments**

Owned:

(a) Property, plant and equipments are stated at cost (including related borrowing cost) less accumulated depreciation and impairment losses, if any, except that freehold land which is stated at revalued amount and factory building on freehold land is stated at revalued amount less accumulated depreciation. Depreciation on property, plant and equipments is charged to profit and loss account applying the reducing balance method at the rates disclosed in Note 12.

(b) Six month depreciation is charged on property, plant and equipments acquired and disposed off during the year.

(c) Gains / (losses) on disposal of property, plant and equipments are included in profit and loss account currently.

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

3.5 **Capital Work-in-progress**

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

3.6 **Stores, spares and loose tools**

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

3.7 **Stock-in-Trade**

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

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

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

3.8 **Trade debts**

Trade debts are recognized and carried at original invoiced amount which is fair value of the consideration to be received in future. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Debts considered irrecoverable are written-off.

3.9 Cash and cash equivalents

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

3.10 Foreign currency transactions

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

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

3.11 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in comprehensive income, in which case it is recognized in comprehensive income.

Current
Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation on income. The change for current tax also includes prior year adjustments, where considered necessary, arising due to assessments finalized during the year.

Deferred
Deferred tax is recognized using balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the balance sheet date.

The Company recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Further, the Company also recognizes deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipments which is adjusted against the related deficit / surplus.

3.12 Financial instruments

All financial assets and financial liabilities are recognized at the time when company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially made at fair value, and subsequently made at fair value 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

Financial assets

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

Non-Financial assets

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

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

3.16 Transactions with related parties

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

3.17 Dividend and appropriation in / from reserves

Dividend distribution to the Company's shareholders and appropriation to / from reserves is recognized in the period in which these are approved.

3.18 Revenue recognition

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

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

Sales are recorded on dispatch of goods to customers.

Profit on bank deposits is recognized on an accrual basis.

4 SHARE CAPITAL

Number of ordinary shares of Rs. 10 each			2011 Rupees	2010 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

5 SURPLUS ON REVALUATION OF FIXED ASSETS

	2011	2010
Opening balance	43,566,530	47,144,432
Less: Incremental depreciation transferred from surplus on revaluation of fixed assets to retained earning (net of tax)	(3,220,112)	(3,577,902)
	40,346,418	43,566,530

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. 104,580,000 . Revaluation of factory land was again carried out on February 1, 2007 by an independent valuer, M/s. Iqbal A. Nanjee & Co. This valuation has resulted into surplus of Rs. 94,170,000.

6 LONG TERM FINANCING

	Note	2011 Rupees	2010 Rupees
From Banking companies:			
Term Finance Loan	6.1	111,654,855	179,051,327
Bills payable against plant and machinery		-	38,178,213
From related parties:			
Directors Loan - unsecured	6.3	6,349,034	14,427,571
		118,003,889	231,657,111

6.1 Term Finance Loans

	Note	2011 Rupees	2010 Rupees
Long Term Loans	6.1.1	210,151,188	261,572,664
Less: Current maturity	6.1.2	(98,496,333)	(82,521,337)
		111,654,855	179,051,327

6.1.1 Term Finance Loans

	2011 Rupees	2010 Rupees
Soneri Bank Term Finance Loan III	66,000,000	99,000,000
Soneri Bank Term Finance Loan IV	21,843,000	31,551,000
Soneri Bank Term Finance Loan V	3,863,746	6,305,000
Soneri Bank Term Finance Loan VI	-	8,666,664
Soneri Bank Term Finance Loan VII	-	8,700,000
Soneri Bank Term Finance Loan VIII	-	7,350,000
Soneri Bank Term Finance Loan IX	69,444,442	100,000,000
Habib Bank Term Finance Loan I	49,000,000	-
	210,151,188	261,572,664

6.1.2 Current maturity of Term Finance Loans

	2011 Rupees	2010 Rupees
Soneri Bank Term Finance Loan III	33,000,000	33,000,000
Soneri Bank Term Finance Loan IV	9,708,000	9,708,000
Soneri Bank Term Finance Loan V	1,455,000	1,455,000
Soneri Bank Term Finance Loan VI	-	2,000,004
Soneri Bank Term Finance Loan VII	-	1,800,000
Soneri Bank Term Finance Loan VIII	-	1,225,000
Soneri Bank Term Finance Loan IX	33,333,333	33,333,333
Habib Bank Term Finance Loan I	21,000,000	-
	98,496,333	82,521,337

Name of Bank	Description	Principal Amount Rupees	Purpose	Installments Rupees	Rate of Mark-up	2011 ----------Rupees	--------- 2010
Soneri Bank Limited	Term Finance III	165,000,000	For Fixed Assets financing	2,750,000	6 months Avg. KIBOR + 2% p.a	66,000,000	99,000,000
Soneri Bank Limited	Term Finance IV	48,600,593	For Fixed Assets financing	809,000	6 months Avg. KIBOR + 2% p.a	21,843,000	31,551,000
Soneri Bank Limited	Term Finance V	7,275,000	For Fixed Assets financing	121,250	6 months Avg. KIBOR + 2% p.a	3,863,746	6,305,000
Soneri Bank Limited	Term Finance VI	10,000,000	For Fixed Assets financing	166,667	6 months Avg. KIBOR + 2% p.a	-	8,666,664
Soneri Bank Limited	Term Finance VII	9,000,000	For Fixed Assets financing	150,000	6 months Avg. KIBOR + 2% p.a	-	8,700,000
Soneri Bank Limited	Term Finance VIII	7,350,000	For Fixed Assets financing	122,500	6 months Avg. KIBOR + 2% p.a	-	7,350,000
Soneri Bank Limited	Term Finance IX	100,000,000	For Fixed Assets financing	2777,778	6 months Avg. KIBOR + 2% p.a	69,444,442	100,000,000
Habib Bank Limited	Term Finance I	63,000,000	For Fixed Assets financing	1,750,000	6 months Avg. KIBOR + 1.5% p.a	49,000,000	-

6.2 All term finance facilities are obtained against first equitable mortgage registered charge over Company's fixed assets except term finance facility obtained from Habib Bank Limited that is secured against third party mortgage over KCL Head Office, located at BC-6, Block 5, Scheme # 5, Kehkashan Clifton, Karachi.

6.3 This represent net amount due to three directors. The loan carried interest @ 7% per annum (2010: 7%), the amount will be paid on September 15, 2012.

7 RETIREMENT BENEFIT OBLIGATION

7.1 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, 2011 using the Projected Unit Credit method.

	Note	2011 Rupees	2010 Rupees
7.2 Principal actuarial assumptions			
Following are few important actuarial assumptions used in the valuation carried out as on June 30, 2011:			
Discount rate		**12%**	12%
Expected rate of salary increase in future years		**11%**	11%
Average expected remaining working life time of employees		**11 years**	11 years
7.3 Reconciliation of payable to Defined Benefit Plan			
Present value of defined benefit obligation		**52,028,353**	52,105,889
Unrecognized actuarial gain /(loss)		**5,427,492**	5,427,492
	7.4	**57,455,845**	57,533,381
7.4 Movement in liability recognized in Balance sheet			
Balance Sheet Liability / (Asset) as on June 30, 2010		**57,533,381**	57,380,830
Current service cost for the year	7.5	**3,733,317**	3,520,688
Interest cost for the year		**6,252,707**	5,583,102
Actuarial gain realized		**(5,427,492)**	(5,427,492)
Payment made during the year		**(4,636,068)**	(3,523,747)
Present value of Defined Benefit Obligation as on June 30, 2011		**57,455,845**	57,533,381
7.5 Charge for the year			
Current service cost		**3,733,317**	3,520,688
Interest cost		**6,252,707**	5,583,102
Actuarial gain charge		**(5,427,492)**	(5,427,492)
		4,558,532	3,676,298
7.6 Charge for the year has been allocated as follows:			
Cost of sales		**4,093,106**	3,443,269
Selling and distribution expenses		**175,959**	71,318
Administrative expenses		**289,467**	161,711
		4,558,532	3,676,298

7.7 Historical information

	2011 Rupees	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees
Present value of obligation	52,028,353	52,105,889	46,525,847	53,627,354	49,729,312
Unrecognized actuarial gain /(loss)	5,424,492	5,427,492	10,854,983	2,489,273	2,308,334

	Note	2011 Rupees	2010 Rupees
8 DEFERRED TAXATION			
Deferred tax liability comprises of taxable/(deductible) temporary differences in respect of the following:			
Credit / (debit) balances arising on account of			
Accelerated depreciation for tax purpose		135,914,805	141,865,172
Relating to surplus on revaluation of fixed assets (Net after tax effect of incremental depreciation)		(15,605,157)	(17,339,063)
Deductible temporary differences related to staff retirement benefits		(20,109,546)	(20,136,683)
		100,200,103	104,389,426
9 TRADE AND OTHER PAYABLES			
Trade creditors		23,516,788	14,973,071
Accrued expenses		49,761,706	47,602,950
Bills payable		23,546,451	27,157,513
Sales tax payable		6,775,684	10,928,638
Workers' profit participation fund	9.1	671,299	683,516
Workers' welfare fund		599,206	259,736
Unclaimed dividend		338,123	338,123
Withholding tax payable		114,026	81,119
		105,323,282	102,024,666
9.1 Workers' profit participation fund			
Opening balance		683,516	707,369
Allocation for the year		671,299	683,516
Interest on fund utilized in company's business		39,047	40,233
		710,346	723,749
		1,393,862	1,431,118
Less: Paid during the year		**(722,563)**	(747,602)
		671,299	683,516
10 SHORT TERM RUNNING FINANCE			
Running finance under mark-up arrangement	10.1	33,949,430	3,916,366

10.1 The company has obtained short term running finance facility from Soneri Bank Limited of Rs. 120,000,000 (2010: Rs.120,000,000) carrying markup of six months average KIBOR plus 2% subject to revision with the prevailing market rate, (upto June 30, 2010: KIBOR plus 2%). The arrangement is secured by way of hypothecation charge over company's stocks with 25% margin and personal guarantee of directors of the company.

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

Nil

11.2 Commitments

Commitments under letter of credit of raw materials as at June 30, 2011 amounted to Rs. 18,943,234 (2010: Rs. 4,357,922)

12 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Building: Factory Free-hold land	Building: Lahore warehouse on free hold land	Plant and machinery	Motor vehicles	Furniture, fixture & equipment	Moulds	Laboratory equipment	Total
COST									
Balance as at July 01, 2009	15,330,000	266,279,103	2,664,102	1,168,139,108	23,058,283	12,495,151	642,747	1,512,579	1,490,121,073
Additions during the year	-	-	-	-	-	218,000	-	-	218,000
Disposal during the year	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2010	15,330,000	266,279,103	2,664,102	1,168,139,108	23,058,283	12,713,151	642,747	1,512,579	1,490,339,073
Balance as at July 01, 2010	15,330,000	266,279,103	2,664,102	1,168,139,108	23,058,283	12,713,151	642,747	1,512,579	1,490,339,073
Additions during the year	-	401,672	-	96,344,294	-	-	4,043,046	-	100,789,012
Disposal during the year	-	-	-	-	(2,913,000)	-	-	-	(2,913,000)
Balance as at June 30, 2011	15,330,000	266,680,775	2,664,102	1,264,483,402	20,145,283	12,713,151	4,685,793	1,512,579	1,588,215,085
DEPRECIATION									
Balance as at July 01, 2009	-	155,493,637	2,368,121	630,313,823	16,985,602	8,697,405	642,684	1,404,124	815,905,396
Charge for the year	-	10,801,583	28,858	52,437,965	1,153,810	381,180	17	10,574	64,813,987
Disposal during the year	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2010	-	166,295,220	2,396,979	682,751,788	18,139,412	9,078,585	642,701	1,414,698	880,719,383
Balance as at July 01, 2010	-	166,295,220	2,396,979	682,751,788	18,139,412	9,078,585	642,701	1,414,698	880,719,383
Charge for the year	-	9,768,512	26,044	56,267,052	898,914	354,370	606,470	9,543	67,930,905
Disposal during the year	-	-	-	-	(2,556,882)	-	-	-	(2,556,882)
Balance as at June 30, 2011	-	176,063,732	2,423,023	739,018,840	16,481,444	9,432,955	1,249,171	1,424,241	946,093,406
Book value as at June 30, 2010	15,330,000	99,983,883	267,123	485,387,320	4,918,871	3,634,566	46	97,881	609,619,688
Book value as at June 30, 2011	15,330,000	90,617,042	241,079	525,464,561	3,663,838	3,280,196	3,436,622	88,338	642,121,677
Annual depreciation rate %	-	10	10	10	20	10	30	10	

	Note	2011 Rupees	2010 Rupees
12.1 Depreciation charge for the year has been allocated as follows:			
Cost of sales	20.1	67,096,256	64,017,635
Selling and distribution expenses	21	402,201	412,606
Administrative and general expenses	22	432,448	383,747
		67,930,905	64,813,988

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

12.2 **Disposal of fixed assets**

Particulars	Cost of Acquisition	Accumulated Depreciation	Book Value	Sale Proceeds	Gain	Mode of Sale	Particulars of Purchaser
			Rupees				
Mazda Truck	220,000	219,335	665	160,000	159,335	Negotiation	Mr. Suleman Khan 42401-3881543-4
Toyota Carina	990,000	962,134	27,866	125,000	97,134	Negotiation	Mr. Kamran Rasheed 42301-7072561-7
Suzuki Baleno	774,000	571,101	202,899	255,000	52,101	Negotiation	Mr. Mohsin Tahir Rehmani 42201-0718035-5
Toyota Carolla	929,000	804,312	124,688	155,000	30,312	Negotiation	Mr. Liaquat Ali Qureshi 41201-5705553-5
Total 2011	2,913,000	2,556,882	356,118	695,000	338,882		
Total 2010	-	-	-	-	-		

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

	Note	2011 Rupees	2010 Rupees
Freehold land		3,964,588	3,964,588
Factory building		45,363,318	50,264,065
		49,327,906	54,228,653

13 CAPITAL WORK IN PROGRESS

	Note	2011 Rupees	2010 Rupees
Civil works		-	401,672
Plant and Machinery		-	84,300,908
		-	84,702,580
14 STORES AND SPARES	14.1	10,141,551	8,086,556

14.1 It is not considered practicable to segregate stores, spares and loose tools in view of the nature of the Company's operation.

15 STOCK-IN-TRADE

	Note	2011 Rupees	2010 Rupees
Raw material		82,756,853	80,745,446
Packing material in hand		6,133,160	3,133,125
Work-in-process		7,740,882	7,883,917
Finished goods		76,298,970	44,434,309
		172,929,865	136,196,797
Provision for slow moving and obsolete stock	15.1	(7,296,787)	(7,296,787)
		165,633,078	128,900,010

	Note	2011 Rupees	2010 Rupees
15.1 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

16 LOANS AND ADVANCES

	Note	2011 Rupees	2010 Rupees
Loans to employees - considered good	16.1	**480,200**	301,850
Advances - considered good			
- Employees		**328,159**	274,900
- Purchases		**64,104**	485,415
- Others		**3,650,000**	4,265,190
- Purchase of land	16.2	**400,000**	400,000
		4,922,462	5,727,354

16.1 Maximum aggregate balance of loans due at the end of any month during the year 2011 was Rs. 480,200 (2010: Rs. 385,855). 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.

17 SHORT-TERM PREPAYMENTS AND BALANCES WITH STATUTORY AUTHORITIES

	2011 Rupees	2010 Rupees
Letters of credit charges	**18,003,246**	20,872,466
Other prepayments	**651,231**	90,000
Advance income tax	**7,562,944**	8,401,365
Receivable from Custom Authority	**2,291,074**	2,291,074
	28,508,495	31,654,905

18 CASH AND BANK BALANCES

	2011 Rupees	2010 Rupees
Cash in hand	**1,179,158**	472,315
Cheques in hand	**-**	8,686,500
	1,179,158	9,158,815
Balance with banks in:		
- Current accounts	**3,701,019**	472,683
- Deposit accounts	**608,894**	599,929
	4,309,913	1,072,612
	5,489,071	10,231,427

19 SALES - NET

	2011 Rupees	2010 Rupees
Gross sales	**1,288,039,102**	1,106,440,994
Less: Sales return	**(37,460,102)**	(14,440,931)
	1,250,579,000	1,092,000,063
Less: Sales tax	**(179,431,490)**	(149,333,342)
Less: Federal excise duty	**(15,668,156)**	(9,333,334)
	1,055,479,354	933,333,387

	Note	2011 Rupees	2010 Rupees
20 COST OF SALES			
Opening stock of finished goods		**44,434,309**	62,807,710
Cost of goods manufactured	20.1	**958,147,743**	800,514,129
		1,002,582,052	863,321,839
Closing stock of finished goods		**(76,298,970)**	(44,434,309)
		926,283,082	818,887,530
20.1 Cost of goods manufactured			
Raw materials consumed			
Opening stock		**80,745,446**	62,943,664
Purchases			
- Local		**116,918,361**	56,570,473
- Imported		**160,384,082**	185,571,117
Total purchases		**277,302,444**	242,141,590
Available for use		**358,047,890**	305,085,254
Closing stock		**(82,756,853)**	(80,745,446)
		275,291,037	224,339,808
Other manufacturing expenses			
Moulds, dyes and consumable stores and spares		**31,130,825**	28,633,548
Fuel, power and water		**400,505,867**	330,565,873
Salaries allowances, wages and other benefits		**120,237,696**	100,048,380
Director's remuneration		**1,800,000**	1,800,000
Insurance		**1,101,809**	1,375,744
Vehicles running and maintenance		**576,131**	703,113
Repairs and maintenance		**15,799,900**	14,834,375
Other production expenses		**1,444,034**	1,972,849
Packing materials consumed		**43,021,154**	34,622,171
Depreciation	12.1	**67,096,256**	64,017,635
Total manufacturing expenses		**958,004,708**	802,913,496
Opening work-in-process		**7,883,917**	5,484,550
		965,888,625	808,398,046
Closing work-in-process		**(7,740,882)**	(7,883,917)
		958,147,743	800,514,129
21 SELLING AND DISTRIBUTION EXPENSES			
Salaries, allowances and other benefits		**5,749,233**	6,079,736
Rent, rates and taxes		**596,040**	556,975
Electricity and gas charges		**526,599**	501,867
Postage, telegraph and telephone charges		**240,858**	323,442
Printing and stationery		**79,581**	120,729
Vehicles running and maintenance		**863,900**	1,017,402
Repairs and maintenance		**427,933**	599,062
Travelling and conveyance		**1,017,490**	337,130
Entertainment		**480,385**	48,160
Advertisement expenses		**381,313**	687,165
Insurance		**167,828**	365,499
Forwarding and transportation		**40,535,630**	46,036,550
Commission		**340,430**	464,540
Depreciation	12.1	**402,201**	412,606
Sundry expenses		**56,971**	99,232
		51,866,393	57,650,095

	Note	2011 Rupees	2010 Rupees
22 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits		9,908,714	6,095,825
Directors, remuneration and allowance		1,800,000	1,800,000
Rent, rates and taxes		865,260	946,055
Electricity and gas charges		699,042	1,061,034
Postage, telegraph and telephone charges		688,799	736,148
Printing and stationery		335,930	300,121
Vehicles running and maintenance		636,973	633,094
Repairs and maintenance		752,733	508,802
Travelling and conveyance		430,214	294,070
Entertainment		67,459	62,210
Legal and professional charges		720,915	1,213,000
Fees and subscription		587,616	1,354,096
Insurance		671,836	839,337
Depreciation	12.1	432,448	383,747
		18,597,939	16,227,539
23 OTHER OPERATING CHARGES			
Auditors' remuneration	23.1	370,000	360,000
Donations	23.2	765,500	2,925,000
Exchange loss		2,304,006	-
Workers' profit participation fund		671,299	683,516
Workers' welfare fund		599,206	259,736
		4,710,011	4,228,252
23.1 Auditors' Remuneration			
Audit fee		300,000	300,000
Half yearly review		35,000	30,000
Code of corporate governance review		35,000	30,000
		370,000	360,000

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	2011 Rupees	2010 Rupees
Memon Health & Education Foundation	-	1,000,000
The Aga khan Hospital & Medical College	210,000	310,000
Karachi Lions AKUH Blood Bank	10,000	10,000
Network of Organization for people with Disabilities	-	25,000
Aga Khan Education Services of Pakistan	500,000	1,000,000
Focus Humanitarian Assistance	-	500,000
Chippa Welfare Association	10,000	-
Others	35,500	80,000
	765,500	2,925,000

	Note	2011 Rupees	2010 Rupees
24 FINANCIAL CHARGES			
Interest on workers' profit participation fund		39,047	40,233
Mark-up on :			
Short term finances		4,159,897	9,739,959
Term finance		37,031,555	24,689,486
Bank charges		555,392	245,100
Interest on directors' loan		500,710	741,103
		42,286,600	35,455,881
25 OTHER INCOME			
Income from financial assets			
Return on deposit accounts		1,265	13,014
Income from non-financial assets			
Gain on sale of vehicles	12.2	338,882	-
Exchange gain		-	11,829,964
Remission of liability		80,000	-
		420,147	11,842,978
26 TAXATION			
For current year			
- Current		10,806,847	8,546,580
- Deferred		(4,189,323)	(8,924,415)
		6,617,523	(377,835)
For prior year			
- Income tax		(319,520)	-
- Workers' welfare fund		439,147	609,512
		6,737,150	231,677

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

	2011	2010	2011 Rupees	2010 Rupees
	Effective tax rate			
Profit before taxation			12,155,475	12,727,068
Application Tax rate	35.00	35.00	4,254,416	4,454,474
Tax effect of amount that are inadmissible/ admissible in determining taxable profit	51.27	74.81	6,231,684	9,521,638
Tax effect of minimum tax liability	0.57	-	68,694	-
Tax effect of brought forward taxable loss	-	(39.30)	-	(5,001,283)
Tax effect of tax credit	(2.19)	(3.36)	(266,103)	(428,250)
Tax effect of amount relating to prior year's tax	0.98	4.79	119,627	609,512
Tax effect of temporary difference (Deferred tax)	(34.46)	(70.12)	(4,189,323)	(8,924,416)
Tax effect of 15% surcharge	4.26	-	518,156	-
Average effective rate charged to income	55.42	1.82	6,737,150	231,677

26.2 The income tax assessments of the company have been finalized upto the financial year ended June 30, 2010.

	2011 Rupees	2010 Rupees

27 EARNINGS PER SHARE-BASIC AND DILUTED

27.1 Earnings per share - Basic

	2011 Rupees	2010 Rupees
Net profit for the year after taxation	**5,418,324**	12,495,391
	Number of shares	
Weighted average ordinary shares in issue	**14,548,676**	14,548,676
Basic earnings per share	**0.37**	0.86

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	
	2011	2010	**2011**	2010	**2011**	2010
Managerial remuneration and allowances	**1,161,289**	1,161,289	**1,161,289**	1,161,289	**2,322,578**	2,322,578
House rent	**522,579**	522,579	**522,579**	522,579	**1,045,158**	1,045,158
Utilities	**116,132**	116,132	**116,132**	116,132	**232,264**	232,264
Total	**1,800,000**	1,800,000	**1,800,000**	1,800,000	**3,600,000**	3,600,000
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.

29 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	2011	2010
Director's spouse	Payment of rent of office premises	**1,161,600**	1,056,000
Directors	Interest on loan	**500,710**	741,103

30 CAPACITY AND PRODUCTION

	TILES 2011 (Sq. Meters)	TILES 2010 (Sq. Meters)
Capacity	**3,600,000**	3,100,000
Actual production	**3,399,118**	3,179,109

Increase in production capacity during the year was due to replacement of some machines which also increased production efficiency to 94.42%.

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, market risk, credit risk and liquidity 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 31.1.1, 31.1.2 and 31.1.3 below:

31.1.1 Credit risk and concentration of credit risk

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

Credit risk arises from cash and cash equivalents and credit exposures to customers, including trade receivables and committed transactions. Out of the total financial assets of Rs. 18,923,150 (2010: Rs. 42,466,274), the financial assets that are subject to credit risk amounted to Rs. 15,452,918 (2010: Rs. 31,016,386).

The maximum exposure to credit risk as at June 30, 2011, along with comparative is tabulated below:

	2011 Rupees	2010 Rupees
Financial Assets		
Long term deposits	**897,038**	875,788
Trade debts	**5,323,505**	23,340,631
Loans and advances	**4,922,462**	5,727,355
Bank balances	**4,309,913**	1,072,612
	15,452,918	31,016,386

The bank balances along with credit rating are tabulated below

Name of bank	Credit rating	Rating agency	Amount Rupees
Soneri Bank Limited	A1+	PACRA	1,094,959
National Bank of Pakistan	A-1+	JCR-VIS	3,129
MCB Bank	A1+	PACRA	1,344,449
Habib Metropolitan Bank	A1+	PACRA	15,393
Habib Bank Limited	A-1+	JCR-VIS	1,851,982
			4,309,913

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

31.1.2 Liquidity risk

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

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

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

2011

	Interest / Mark-up bearing			Non-interest bearing			
	Maturity within year	Maturity after year	Sub total	Maturity within year	Maturity after year	Sub total	Grand Total
	---------- Rupees ----------						
FINANCIAL LIABILITIES							
Long term financing	98,496,333	118,003,889	216,500,222	-	-	-	216,500,222
Short term borrowings	33,949,430	-	33,949,430	-	-	-	33,949,430
Trade and other payable		-	-	-	96,824,944	96,824,944	96,824,944
Markup accrued on loans		-	-	-	8,399,145	8,399,145	8,399,145
	132,445,763	118,003,889	250,449,652	105,224,089	-	105,224,089	355,673,741

2010

	Interest / Mark-up bearing			Non-interest bearing			
	Maturity within year	Maturity after year	Sub total	Maturity within year	Maturity after year	Sub total	Grand Total
FINANCIAL LIABILITIES	---------- Rupees ----------						
Long term financing	82,521,337	231,657,111	314,178,448	-	-	-	314,178,448
Long term liabilit	-	-	-	-	38,178,213	38,178,213	38,178,213
Short term borrowings	3,916,366	-	3,916,366	-	-	-	3,916,366
Trade and other payable	-	-	-	89,733,534	-	89,733,534	89,733,534
Markup accrued on loans	-	-	-	7,637,269	-	7,637,269	7,637,269
	86,437,703	231,657,111	318,094,814	97,370,803	38,178,213	135,549,016	453,643,830

31.1.5 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt

Consistent with others in the industry, the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings ('long term financing' and 'current portion of the long term financing' as shown in the balance sheet). Total capital comprise shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

As at June 30, 2011 the shareholder's equity amounts to Rs. 314,714,351 (2010: Rs. 309,296,026)

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 asumptions 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 judgemental 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 equipment

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

31.1.3 Market Risk

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, 2011, 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. 1,177,323 (2010: Rs. 1,357,876). This will mainly result due to foreign exchange gains / losses on translation of USD and Euro-denominated bank balances and bills payables.

Interest rate risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. At June 30, 2011 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 also stated in note 31.1.1.

	Carring amount	
	2011	2010
	Rupees	Rupees
Fixed rate instruments		
Financial liabilities	6,349,034	14,427,571
Variable rate instrument		
Financial liabilities	244,100,618	265,489,030

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. 2,441,006 (2010: Rs. 2,654,890). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2010.

31.1.4 Fair value of financial instruments

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

As at June 30, 2011 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

31.1.5 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt

Consistent with others in the industry, the company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectation of the shareholders. Debt is calculated as total borrowings ('long term financing' and 'current portion of the long term financing' as shown in the balance sheet). Total capital comprise shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

As at June 30, 2011 the shareholder's equity amounts to Rs. 314,714,351 (2010: Rs. 309,296,026)

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 asumptions 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 judgemental 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 equipment
The Company's management determines the estimated useful lives and related depreciation charge for its plant and equipments. The estimates for revalued amounts of different classes of property, plant and equipments are based on valuation performed by external professional valuers and equipment, 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 realisable 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**	**2011**	2010
	Number of Employees as at June 30	**388**	355

34 **DATE OF AUTHORIZATION**

The Financial Statements have been authorized for issue by the Board of Directors of the company in its meeting held on 28 September 2011.

35 **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.

36 **EVENTS AFTER THE BALANCE SHEET DATE**

The Board of Directors has proposed a final dividend for the year ended June 30, 2011 of Rs. 1/- per share (2010: Rs. Nil per share), amounting to Rs. 14,548,676 (2010: Rs. Nil) at their meeting held on 28 September 2011. for approval of the members at the annual general meeting to be held on 25 th October 2011. 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.

37 **GENERAL**

Figures have been rounded off to the nearest rupee.

Chief Executive   Director

PATTERN OF SHAREHOLDING

AS AT 30 JUNE 2011

No. of Shareholders	Having Shares From	To	Shares Held	Percetage
131	1	100	2162	0.0149
91	101	500	41068	0.2823
22	501	1000	17093	0.1175
33	1001	5000	88018	0.6050
13	5001	10000	97735	0.6718
1	10001	15000	10166	0.0699
1	25001	30000	27244	0.1873
1	30001	35000	34102	0.2344
1	35001	40000	36745	0.2526
1	75001	80000	76654	0.5269
1	180001	185000	182554	1.2548
1	355001	360000	358232	2.4623
1	430001	435000	430146	2.9566
1	485001	490000	489113	3.3619
1	490001	495000	490612	3.3722
1	730001	735000	732920	5.0377
3	735001	740000	2207760	15.1750
3	980001	985000	2942678	20.2264
2	1470001	1475000	2943674	20.2333
1	3335001	3340000	3340000	22.9574
310			14548676	100.0000

TOTAL OUT STANDING SHARES

AS AT 30 JUNE 2011

CATEGORIES OF SHAREHOLDERS

Serial No	Name	<---Shares Held in Physical Form ---> No of Shareholders	Shares Held	<---- Shares Held in CDC ----> No of Shareholders	Shares Held	<----- Total Shareholding -----> No of Shareholders	Shares Held	% Holding
01	PROMOTORS/DIRECTORS/ACQUIRERS	14	9833423	1	1500	15	9834923	67.6001
02	PERSONS/BODIES WITH "CONTROLLING INTEREST"	0	0	0	0	0	0	0.0000
03	GOVERNMENT HOLDING AS PROMOTOR/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	SHARES HELD WITH GENERAL PUBLIC	79	83246	216	4630507	295	4713753	32.3999
	Total	93	9916669	217	4632007	310	14548676	100.0000

FORM OF PROXY

I / We ____

of ____

being a member of KARAM CERAMICS LIMITED, and holder of ____________________

ordinary shares as per Registered Folio No.____________________________________

hereby appoint Mr. ____

of ____of failing him

Mr. ____

of ____ who is also

a member of KARAM CERAMICS LIMITED vide Registered Folio No. as my proxy to vote for and on my behalf at the 32nd Annual General Meeting of the Company to be held on Monday, October 24, 2011 at Company's Registered Office situated at BC-6, Block-5, Scheme-5, Kehkashan, Clifton, Karachi.

WITNESS:

(1) Signature____________________________

Name____________________________

Address____________________________

____

NIC or Passport No.____________________

2) Signature____________________________

Name____________________________

Address____________________________

____

NIC or Passport No.____________________

Signature on
Rupees Five
Revenue Stamp

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

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 from. ____________________