

# Annual Report 2020



## KARAM CERAMICS LIMITED

[www.karamceramics.com](http://www.karamceramics.com)

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# 41st ANNUAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2020

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## COMPANY INFORMATION

### BOARD OF DIRECTORS

Mrs. Mariam Shaban ali	Chairperson
Mr. Irshad Ali S.Kassim	Vice. Chairman
Mr. Munawar Ali S.Kassim	Chief Executive
Miss. Anushka Kassim	Director
Mr. Shahid Anwar Tata	Independent Non-Executive Director
Mr. Suleman Basaria	Independent Non-Executive Director
Ms. Roshan Ara sayani	Independent Non-Executive Director
Mr. Muhammad Shehzad Dhedhi	Chief Financial officer
Mr. Manzoor Ali Natha	Company Secretary

### AUDIT COMMITTEE

Mr. Suleman Basaria	Chariman
Miss Anushka Kassim	Member
Ms. Roshan Ara sayani	Member

### HUMAN RESOURCES & REMUNERATION COMMITTEE

Ms. Roshan Ara sayani	Chairperson
Mr. Munawar Ali S. Kassim	Member
Miss. Anushka Kassim	Member

### BANKERS

Soneri Bank Limited  
Habib Bank Limited  
JS Bank Limited  
MCB Bank Limited  
Habib Metropolitan Bank Limited  
Faysal Bank Limited  
Allied Bank Limited  
Bank Alfalah Limited

### AUDITORS / REGISTRAR AND SHARE TRANSFER OFFICE

Crowe Hussain Choudhury  
Chartered Accountants  
T.H.K. Associates (Private) Limited  
1st Floor, 40 C, Block -6 P.E.C.H.S  
Karachi-75400

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

### HEAD OFFICE

Bc-6, Block -5, Scheme-5, Kehkashan, Clifton ,Karachi ( ph # 021-35865561-64 )

### FACTORY

295/311, Deh Halkani, Hub Dam Road Karachi

### LAHORE

4-L, Gulburg 111 Ferozpur Road Lahore  
Tel# (92-42)-35864579

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 41st Annual General Meeting ("AGM") of Karam Ceramics Limited (the 'Company') will be held on Friday November 27, 2020, at 4:30 P.M, at the Registered Office of the Company.

To transact the following business:

1. To Confirm the minutes of the 40th Annual General Meeting held on 25th October 2019.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2020, together with the reports of Directors' and Auditors' thereon.
3. To appoint External auditor of the company for the year ending June 30, 2021 and fix their remuneration. The present auditors, M/s. Qavi & Co., Chartered Accountants, shall stand retired on the conclusion of AGM. The Board of Directors, based on the recommendation of Audit Committee, has recommended the appointment of M/s. Crowe Hussain Choudhury & Co. Chartered accountants, as auditors of the Company, for the year ending June 30, 2021 till conclusion of the next AGM.
4. To transact any other business with the permission of the Chair.

Karachi  
November 5, 2020.

By Order of the Board

**Manzoor Ali Natha**  
Company Secretary

**Notes :**

1. The Share transfer book of the company will remain closed from November 20, 2020 to November 27, 2020 (both days inclusive). The transfers received at Company's Share Registrar namely M/s THK Associates (Pvt) Ltd. 1st floor, 40-C, Block-6, PECHS Karachi up to the close of business on November 19, 2020.
2. For attending the meeting through video link due to COVID-19 Pandemic:

In pursuance of SECP Circular Nos. 5 and 10 of 2020 dated. 17 March 2020 and 04 April 2020 respectively regarding Regulation Relief to dilute impact of Corona Virus (COVID-19) for Corporate Sector, the entitled shareholders interested in attending the Annual General Meeting (AGM) through video link("Zoom" which can be downloaded from Google Play or Apple App Store) are requested to get themselves registered with the Company Secretary Office at least two working days before the holding of the AGM at karamceramics@gmail.com by providing the following details:-

Name of Shareholder	CNIC No.	Folio No.	Cell No.	Email Address

- Upon in receipt of above information from interested shareholders, the Company will send the login details at their email addresses.
  - On the AGM day, the shareholders will be able to login and participate in the AGM proceeding through their smart phones or computer devices from their any convenient location.
  - The login facility will be opened thirty (30) minutes before the meeting time to enable the participants to join the meeting after identification process and verification process.
  - Shareholders will be encouraged to participate in the AGM to consolidate their attendance and participation through proxies.
3. A member entitled to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend, speak and vote instead of him / her. 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.
  4. The beneficial owners of shares recorded in Central Depository Company of Pakistan Limited (CDCPL) are required to bring their Original CNIC and in case of instructions being the beneficial owner, notorially 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.
  5. Members are requested to communicate to the company or the Registrar to the company of any change in their address.
  6. Members are requested to provide their International Banking Account Number (IBAN) together with a copy of Computerized National Identity Card (CNIC) to update our records. In case of non-submission, all future dividend payments may be withheld.
  7. Members are requested to submit declaration (CZ-50) as per Zakat & Ushr Ordinance 1980 for zakat exemption and to advise change in address, if any.

#### **UNCLAIMED DIVIDENDS**

Shareholders, who by any reason, could not claim their dividend, are advised to contact our Share Registrar M/s THK Associates (Pvt) Ltd, to collect/ enquire about their unclaimed dividend, if any.

Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all dividends unclaimed for the period of three (3) years from the date due and payable shall be deposited to the credit of the Federal Government.

#### **E-DIVIDEND**

As per Section 242 of the Companies Act, 2017, in case of a Public Limited Company, any dividend payable in cash shall only be paid through electronic mode directly into bank account designated by the entitled shareholders. Therefore, through this notice, all shareholders are requested to update their bank account details in the Central Depository System through respective participants. E-Dividend mandate form is enclosed.



## E - VOTING

Members can exercise their right to demand a poll subject to meeting requirements of Section 143 - 145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

## VIDEO CONFERENCE

Pursuant to SECP Circular No. 10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in the city subject to availability of such facility in the city. To avail this facility please provide the following information to the Share Registrar Office of the Company i.e, M/s THK Associates Pvt Ltd. 1st floor, 40-C, Block-6, PECHS Karachi.

I/We, of being a member of Karam Ceramics Limited holder of Ordinary Share(s) as per Register Folio No : \_\_\_\_\_ hereby opt for video conference facility at (Please insert name of City).

\_\_\_\_\_  
Signature of member

## CIRCULATION OF NOTICE OF MEETING & ANNUAL ACCOUNTS

With reference to SRO 787/1/2014 dated 8th September 2014 issued by SECP, shareholders have an option to receive Annual Audited Financial Statements and Notice of General Meeting through email. Shareholders of the Company are requested to give their consent on prescribed form to our Shares Registrar M/s THK Associates (Pvt) Ltd. 1st floor, 40-C, Block-6, PECHS Karachi, to update our record if they wish to receive Annual Audited Financial Statements and Notice of General Meeting through email. However if a shareholder, in addition, request for hard copy of Audited Financial Statement the same shall be provided free of cost within seven (7) days of receipt of such request.

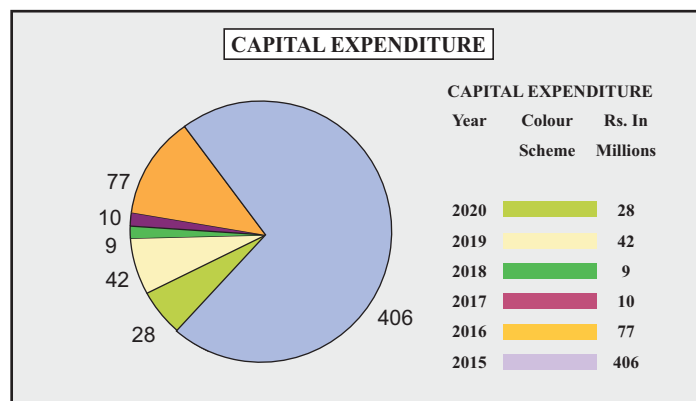
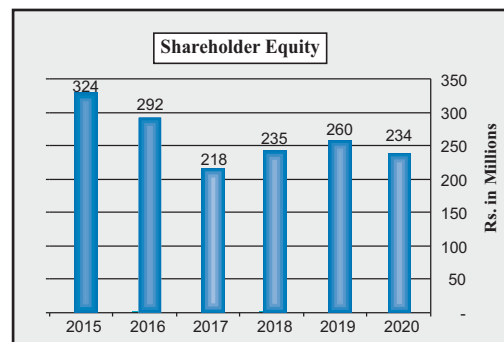
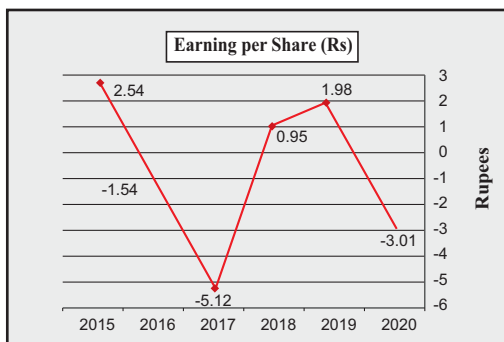
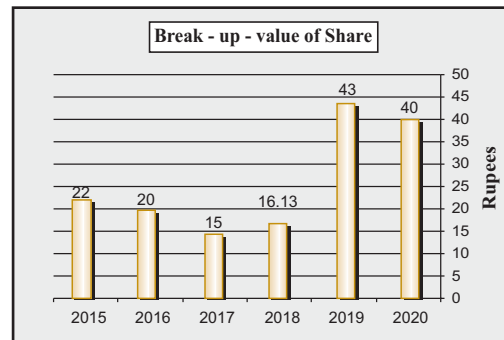
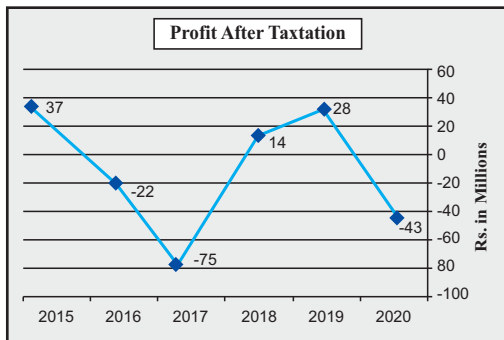
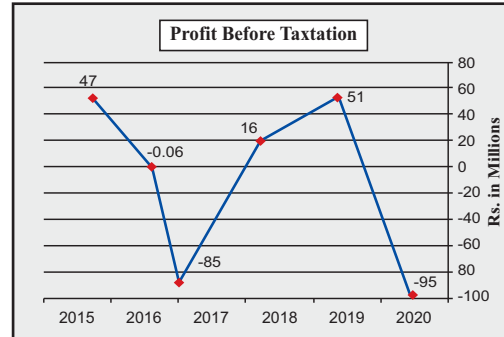
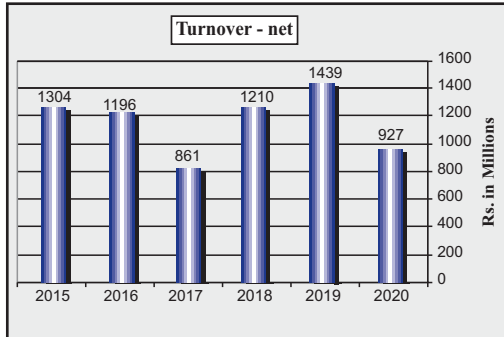
### KCL Share Department

**Mr. Manzooralinatha**  
021-35865561-64, manzooralinatha.karam@gmail.com

### KCL Share Registrar

**THK Associates (Pvt) Ltd.**  
021-34168270 UAN 021-111-000-322 secretariat@thk.com.pk

- 1 The corporate shareholders having CDC accounts required to have their National Tax Number (NTN) updated with their respective participants. Whereas corporate physical Shareholders should send a copy of their NTN certificate to the company or its Share Registrar i.e. THK Associates (Pvt) Ltd, the shareholders while sending NTN or NTN Certificates, as the case may be, must quote company name and their respective folio numbers.**



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## REVIEW REPORT BY THE CHAIRPERSON

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Karam Ceramics Limited is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

For the financial year ended June 30, 2020, the Board's overall performance and effectiveness has been assessed as Satisfactory. Improvement is an ongoing process leading to action plans. The overall assessment as Satisfactory is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

The Board of Directors of the Company received agendas and supporting written material including follow up materials in sufficient time prior to the board and its committee meetings. The board meets frequently enough to adequately discharge its responsibilities. The non-executive and independent directors are equally involved in important decisions.

*Mariam Shaban Ali*

**Mariam Shaban Ali**

Chairperson

Date: September 25, 2020

## چیر پرسن کی جانب سے جائزہ رپوٹ

کوڈ آف کارپوریٹ گورننس کے تحت کرم سیرامکس لمیٹڈ کے بورڈ آف ڈائریکٹرز کی سالانہ میٹنگ منعقد کی گئی جس کا منعقد اس بات کو یقینی بنانا ہے کہ بورڈ نے تمام تر کارکردگی کا موثر طور پر جائزہ لیا ہے اور کمپنی کے لئے جو مقاصد ترتیب دیئے گئے ہیں اسی کے مطابق کارکردگی سرانجام دی گئی ہے۔

30 جون 2020ء کو ختم ہونے والے مالیاتی سال کیلئے بورڈ تمام کارکردگی اور موثر تشخیص سے مطمئن ہے اور یہ کارکردگی مسلسل جاری ہے۔ یہ تمام تشخیص جو کہ ضروری جز جس میں اقدار، مشن اور بصارت شامل ہے، پلاننگ کی حکمت عملی مرتب کی گئی، پالیسیاں تشکیل دی گئیں اور ادارے کی کاروباری سرگرمیوں کا بھی جائزہ لیا گیا۔ انتظامی مالی ذرائع پر موثر طور پر عمل درآمد کیا گیا اور تمام ملازمین بورڈ کے کاروبار کو بہتر طریقہ سے چلانے کے اہل ہیں۔

کمپنی کے بورڈ ڈائریکٹرز نے ایجنڈا اصول کیا ہے جس کے لئے تحریری مواد کا جائزہ بورڈ اور اس کی کمپنی کی میٹنگ سے قبل لیا گیا۔ بورڈ مسلسل اپنی تمام ذمہ داریاں خوش اسلوبی سے انجام دے رہا ہے۔ نان ایگزیکٹو اور انفرادی ڈائریکٹرز ان تمام اہم فیصلوں میں مساوی طور پر شامل ہیں۔

Marisam Shoban a.l.

مریم شعبان علی

چیر پرسن

مورخہ: 25 ستمبر 2020ء

## FINANCIAL HIGHLIGHTS

(Rs. In millions)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Sales	927	1439	1210	861	1196	1304	1278	1156	1187	1055
Gross Profit	-66	187	136	22	58	134	93	111	107	129
Expenses (Net)	119	136	120	107	95	87	72	96	104	117
Profit before Taxtation	-95	51	16	-85	-0.06	47	23	14	3	12
Profit after Taxtation	-43	28	14	-75	-22	37	17	2.4	7	5
Dividend %		5%	8%	-		12%	10%	-	-	10%
Right Shares %	-	-	-	-	-	-	-	-	-	-
Earning per Share (Rs.)	-3.01	1.98	0.95	-5.12	-1.54	2.54	1.16	0.17	0.05	0.37

## DIRECTORS' REPORT

The Directors of your company have pleasure in submitting the report along with audited accounts for the year ended 30th June 2020.

### OPERATING PERFORMANCE

During the year ended June 30, 2020, the sales of the company have decreased by Rs. 512.281 million from Rs. 1,439.29 million in the corresponding period of last year, representing decrease of 36% which is due to impact of the COVID-19 complying with the lockdown, the company temporarily suspended its operations from March 23, 2020. In the Company's case the lock down was subsequently relaxed from end of May 2020.

Cost of sales decreased to Rs. 993.76 million from Rs. 1,251.82 million in corresponding period of last year, representing decrease of 21%

Other expenses have decreased by 5.20 million, representing decrease of 86.27% which was mainly due to non provision of worker profit participation fund, and Workers Welfare Fund due to loss. .

### RETAINED EARNINGS

Your company is to report a loss before tax at Rs. 95.05 million compared to profit Rs. 51.50 million of last year and after tax loss of Rs. 43.77 million compared to profit Rs. 28.88 million of last year. The management of your company will continuously make efforts for improving performance in these difficult days to carry on profitability in future. The company's management team and marketing staff has given challenging and aggressive target to meet in the ensuing year.

### (loss) / EARNINGS PER SHARE

Loss per share for the year ended 30th June, 2020 is Rs.(3.01) as compared to Earning per share Rs. 1.98 per share for the last year.

### HEALTH, SAFETY AND ENVIRONMENT

We strongly believe in maintaining the highest standards in health, safety and environment to ensure the well-being of the people who work with us as well as of the communities where we operate.

### CORPORATE SOCIAL RESPONSIBILITY:

Your company is aware of its social responsibilities and continues to contribute for health and education in Pakistan.

### FUTURE OUTLOOK

It is expected that future demand of ceramics tiles would increase as a result of favorable economic outlook of the country and increase in construction of commercial and housing schemes. However, still import trade price (ITP) of imported tiles remains a challenge and we believe ITP rationalization together with reduction in high energy cost is essential to provide a level playing field for the local tile manufacturers.

However, we are confident that the future demand of ceramics tiles would increase as a result of economic improvement. The company shall continue its focus on consumer preference and expand its market share by introducing new innovative designs.

#### **CODE OF CORPORATE GOVERNANCE**

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

- The Company is complied with the provisions of the Code of Corporate Governance as required by the Securities and Exchange Commission of Pakistan (SECP).
- The financial statements, 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 judgement.
- The International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the Company's ability to continue as a going concern.
- A summary of key operating and financial data of the Company for the last six years is annexed in this annual report.
- There are no outstanding statutory payments due on account of taxes, levies and charges except those disclosed in these financial statements.
- There has been no material deviation from the best practice of Corporate Governance, as detailed in the listing regulations.

#### **APPOINTMENT OF CHIEF EXECUTIVE OFFICER, CHAIRMAN AND VICE CHAIRMAN**

- |   |                         |
|---|-------------------------|
| 1. Mr. Munawar Ali Kassim re-appointed as CEO       | w.e.f October 28, 2019. |
| 2. Mrs. Mariam Shaban Ali appointed as Chirperson   | w.e.f October 28, 2019. |
| 3. Mr. Irshad Ali Kassim appointed as Vice Chairman | w.e.f October 28, 2019. |

#### **APPOINTMENT OF NON - EXECUTIVE DIRECTORS**

- |  |                   |
|--|-------------------|
| 1. Mrs. Mariam Shaban Ali appointed on | October 28, 2019. |
| 2. Ms. Anushka Kassim appointed on     | October 28, 2019. |

#### **APPOINTMENT OF INDEPENDENT DIRECTORS**

- |                             |                   |
|-----------------------------|-------------------|
| 1. Mr. Shahid Anwer Tata on | October 28, 2019. |
| 2. Mr. Suleman Basaria on   | October 28, 2019. |
| 3. Ms. Roshan Ara Sayani on | October 28, 2019  |

**TWO COMMITTEES FORMED NAMELY AUDIT COMMITTEE & HR AND REMUNERATION COMMITTEE**

**AUDIT COMMITTEE**

- |                          |          |
|--------------------------|----------|
| 1. Mr. SulemanBasaria    | Chairman |
| 2. Ms. AnushkaKassim     | Member   |
| 3. Ms. Roshan Ara Sayani | Member   |

**HR & REMUNERATION COMMITTEE**

- |                           |             |
|---------------------------|-------------|
| 1. Ms. Roshan Ara Sayani  | Chairperson |
| 2. Mr. Munawar Ali Kassim | Member      |
| 3. Ms. AnushkaKassim      | Member      |

**NUMBER OF BOARD MEETINGS HELD**

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

- |                              |   |
|------------------------------|---|
| 1. Mr. Irshad Ali S. Kassim  | 4 |
| 2. Mr. Munawar Ali S. Kassim | 4 |
| 3. Ms Mariam S.G. Kassim     | 3 |
| 4. Ms. AnushkaKassim         | 3 |
| 5. Mr.ShahidAnwer Tata       | 2 |
| 6. Mr.SulemanBasaria         | 1 |
| 7. Ms.Roshan Ara Sayani      | 1 |

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

**AUDIT COMMITTEE**

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

Members Name	Attendance
Mr.SulemanBasaria	3
Ms.AnushkaKassim	3
Ms. Roshan Ara	1

**HR COMMITTEE**

The HR Committee held one (1) meeting during the year. Attendance by each member was as follows:

Members Name	Attendance
Ms.Roshan Ara Sayani	1
Mr. Munawar Ali S. Kassim	1
Ms. AnushkaKassim	1

### Composition of Board

The board consists of 4 male and 3 female directors with following composition:

Independent director	3
Non-Executive directors	2
Executive Directors	2

### Remuneration Policy of Non-Executive Directors

The remuneration of the Directors shall from time to time be determined by the members in the General Meeting subject to the provision of Companies Act 2017.

### TRAINING PROGRAM OF DIRECTORS:

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

### EMPLOYEES RELATION

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

### AUDITORS

The Board of Directors' recommends the appointment of M/s. Crown Hussain Choudhury & Co. Chartered accountants as the Company's auditors for the next year, as suggested by the Audit Committee. M/s. Qavi & Co., Chartered Accountants, the outgoing auditors, provided a professional service to the Company. The relationship of M/s. Qavi & Co., Chartered Accountants is due to expire. Hence the change in auditors is recommended.

### PATTERN OF SHARE HOLDING

Pattern of share holding as at June 30, 2020 is annexed.

### APPRECIATION

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

*Mariam Shaban Ali*

**MARIAM SHABAN ALI**  
CHAIRPERSON

*Munawarali S. Kassim*

**MUNAWARALI S. KASSIM**  
CHIEF EXECUTIVE

September 25, 2020

ڈائریکٹرز رپورٹ:

آپ کی کمپنی کے ڈائریکٹرز اختتامی سال 30 جون 2020ء کی رپورٹ بشمول آڈٹ شدہ اکاؤنٹ پیش کرنے میں خوشی محسوس کر رہے ہیں۔

کارکردگی کا معیار:

دوران سال 30 جون 2020ء کے اختتام پر کمپنی کی فروخت مبلغ 1,439.29 ملین روپے سے کم ہو کر مبلغ 512,281 ملین روپے ہو گئی جس کا موازنہ گزشتہ سال کی مدت سے کیا جاسکتا ہے۔ %36 کی یہ کمی Covid-19 کے اثرات اور لاک ڈاؤن کے باعث ہوئی اور کمپنی نے 23 مارچ 2020ء سے عارضی طور پر اپنے آپریشنز معطل کر دیئے اور مئی 2020ء میں آخر میں لاک ڈاؤن میں نرمی کر دی گئی۔

قیمت فروخت مبلغ 1,251.82 ملین روپے سے کم ہو کر مبلغ 993.76 ملین روپے ہو گئی جس کا موازنہ گزشتہ سال کی اسی مدت سے کیا جاسکتا ہے جو کہ %21 کی کمی ہے۔

دیگر اخراجات میں 5.20 ملین روپے کی کمی ہوئی جو کہ %86.27 کی کمی ہے جس کی بنیادی وجہ نقصان کے باعث ورکر پرافٹ پارٹنر شپس فنڈ اور ورکرز ویلفیئر فنڈ کی عدم فراہمی تھی۔

حاصل کردہ آمدنیاں:

آپ کی کمپنی کو قبل از ٹیکس خسارہ مبلغ 95.05 ملین روپے ہوا جس کا موازنہ گزشتہ سال کے منافع مبلغ 51.50 ملین روپے سے کیا جاسکتا ہے اور بعد از ٹیکس خسارہ مبلغ 43.77 ملین روپے ہوا جس کا موازنہ گزشتہ سال کے منافع مبلغ 28.88 ملین روپے سے کیا جاسکتا ہے۔ آپ کی کمپنی کی انتظامیہ مستقبل میں اپنی کارکردگی کو بہتر بنانے کی کوشش کرے گی۔ کمپنی کی انتظامی ٹیم مارکیٹنگ کے عملے کی کارکردگی کو درپیش چیلنج اور آنے والے سال میں ملنے والے ہدف کیلئے ان کی حوصلہ افزائی کرتی ہے۔

فی شیئر کے حساب سے (خسارہ)/آمدنی:

30 جون 2020ء کو ختم ہونے والے سال میں فی شیئر خسارہ 3.01 روپے ہوا جس کا موازنہ گزشتہ سال کی آمدنی فی شیئر 1.98 روپے سے کیا جاسکتا ہے۔

صحت، حفاظت اور ماحول:

جو لوگ ہمارے ساتھ کام کرتے ہیں اور ان کے ساتھ برادریاں جہاں ہم کام کرتے ہیں ان کی خوشحالی کو یقینی بنانے کیلئے ہم صحت، تحفظ اور ماحول کو اعلیٰ ترین معیار کو برقرار رکھنے پر زور دیتے ہیں۔

کارپوریٹ معاشرتی ذمہ داریاں:

آپ کی کمپنی اپنی معاشرتی ذمہ داری سے پوری طرح آگاہ ہے اور پاکستان میں صحت اور تعلیم کیلئے مستقل طور پر تعاون کر رہی ہے۔

مستقبل پر نظر:

ہم یہ توقع کرتے ہیں کہ مستقبل میں سیرامکس ٹائلز کی طلب مناسب اقتصادی نقطہ نظر کے نتیجے میں بڑھے گی اور تجارتی اور ہاؤسنگ منصوبوں میں اضافہ ہوگا۔ تاہم درآمد شدہ ٹائلوں کی تجارتی قیمت ITP بھی ایک چیلنج ہے۔ اور ہم ITP بشمول توانائی کی لاگت میں کمی اور مقامی ٹائل مینوفیکچررز کی کھیل کے میدان میں فراہمی کا یقین رکھتے ہیں۔

تاہم ہمیں یقین ہے کہ سیرامکس ٹائلز کی مستقبل کی طلب اقتصادی ترقی کو بہتر بنائے گی۔ کمپنی صارفین کی ترجیح پر اپنی توجہ مرکوز رکھے گی اور نئے جدید ڈیزائن متعارف کرانے کے ذریعے اس کی مارکیٹ کا اشتراک بڑھے گا۔

کارپوریٹ نظم و ضبط کا کوڈ:

کمپنی کے ڈائریکٹرز نے کارپوریٹ نظم و ضبط کے کوڈ کا جائزہ لیا ہے اور درج ذیل تحریر کرتے ہیں:

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

چیف ایگزیکٹو آفیسر، چیئر مین اور وائس چیئر مین کی تقرری:

- ۱۔ جناب منور علی قاسم کی دوبارہ تقرری بطور چیف ایگزیکٹو آفیسر مورخہ 28 اکتوبر 2019
- ۲۔ محترمہ مریم شعبان علی بطور چیئر پرسن مورخہ 28 اکتوبر 2019
- ۳۔ جناب ارشاد علی قاسم بطور وائس چیئر مین مورخہ 28 اکتوبر 2019

نان ایگزیکٹو ڈائریکٹرز کی تقرری:

- ۱۔ محترمہ مریم شعبان علی مورخہ 28 اکتوبر 2019
- ۲۔ مس انوشکا قاسم مورخہ 28 اکتوبر 2019

آزاد ڈائریکٹرز کی تقرری:

- ۱۔ جناب شہد انور ٹاٹا مورخہ 28 اکتوبر 2019
- ۲۔ جناب سلیمان بصریہ مورخہ 28 اکتوبر 2019
- ۳۔ مس روشن آراء سیانی مورخہ 28 اکتوبر 2019

دو کمیٹیاں آڈٹ کمیٹی اور ایچ آر اور معاضوں کی کمیٹی کی تشکیل:

آڈٹ کمیٹی

- ۱۔ جناب سلیمان بصریہ چیئر مین
- ۲۔ مس انوشکا قاسم ممبر
- ۳۔ مس روشن آراء سیانی ممبر

ایچ آر اور معاضوں کی کمیٹی:

- ۱۔ مس روشن آراء سیانی چیئر پرسن
- ۲۔ جناب منور علی قاسم ممبر
- ۳۔ مس انوشکا قاسم ممبر

بورڈ کی منعقدہ میٹنگز کی تعداد:

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

4	جناب ارشاد علی ایس قاسم
4	جناب منور علی ایس قاسم
3	مس مریم ایس جی قاسم
3	مس انوشکا قاسم
2	جناب شاہد انور ٹاٹا
1	جناب سلیمان بصریہ
1	مس روشن آراء سیانی

(میٹنگ میں شرکت نہ کرنے والے ڈائریکٹرز کو غیر حاضری کے سبب چھٹی دی گئی)۔

آڈٹ کمیٹی:

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

ممبرز کا نام	شرکت کی تعداد
جناب سلیمان بصریہ	3
مس انوشکا قاسم	3
مس روشن آراء	1

ہیومن ریورس کمیٹی:

اس سال کے دوران ہیومن ریورس کمیٹی کی ایک میٹنگ منعقد ہوئی۔ شرکت کرنے والے ممبرز کی تفصیل درج ذیل ہے:

ممبرز کا نام	شرکت کی تعداد
مس روشن آراء سیانی	1
جناب منور علی ایس قاسم	1
مس انوشکا قاسم	1

### بورڈ کی تشکیل:

بورڈ درج ذیل چار مرد اور تین خواتین ڈائریکٹرز پر مشتمل ہے

3	آزاد ڈائریکٹر
2	نان ایگزیکٹو ڈائریکٹرز
2	ایگزیکٹو ڈائریکٹرز

نان ایگزیکٹو ڈائریکٹرز کے معاوضوں کی پالیسی:

کمپنی ایکٹ 2017ء کے تحت ڈائریکٹرز کے معاوضے جنرل میٹنگ میں وقتاً فوقتاً ممبران کی جانب سے طے کئے جائیں گے۔

### ڈائریکٹرز کا تربیتی پروگرام:

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

### ملازمین سے تعلقات:

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

### آڈیٹرز:

کمپنی کے موجودہ آڈیٹرز مسرز قومی اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس نے مالیاتی سال 30 جون 2020ء کے لئے آڈٹ مکمل کر لیا ہے اور یہ کمپنی کی 41 ویں سالانہ جنرل میٹنگ میں ریٹائر ہو جائیں گے۔ مالیاتی سال 30 جون 2021ء کیلئے انہوں نے دوبارہ تقرری کی اہلیت پر کمپنی میں اپنی خدمات پیش کرنے کی سفارش کی ہے۔ ایکسٹرنل آڈیٹرز نے انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹینٹ آف پاکستان کے کوالٹی کنٹرول جائزہ پروگرام کے تحت اطمینان بخش ریٹنگ پیش کی ہے۔

### شیئر ہولڈنگ کا طریقہ کار:

شیئر ہولڈنگ کا طریقہ کار 30 جون 2020ء میں منسلک ہے۔

اظہار تشکر:

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

Mariam Shaban ali.

مریم شعبان علی

چیئر پرسن

N. Q.

منور علی ایس قاسم

چیف ایگزیکٹو

مورخہ: 25 ستمبر 2020ء



## 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 60cm   | 30cm x 60cm |
| - 20cm x 30cm | 25cm x 33cm |
| - 30cm x 30cm | 30cm x 46cm |
| - 40cm x 40cm | 25cm x 25cm |

## STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

**Name of Company : Karam Ceramics Limited**  
**Year ended June 30, 2020**

The company has complied with the requirements of the regulations in the following manner:

1. The total number of Directors are 07 as per the following.

- a) Male - 04
- b) Female - 03

2. The composition of the Board is as follows

<b>Category</b>	<b>Name</b>
Independent Directors*	Mr. Shahid Tata
	Mr. Suleman Basaria
	Ms. Roshan Ara Sayani
Executive Directors	Mr. Irshad Ali S. Kassim
	Mr. Munawar Ali S. Kassim
Non - Executive Directors	Ms. Mariam Shaban Ali
	Ms. Anushka Kassim
Female Directors	Ms. Mariam Shaban Ali
	Ms. Anushka Kassim
	Ms. Roshan Ara Sayani

" The Board has been reconstituted with 07 directors. Three additional independent directors have been added. The company is continuously improving its governance structure.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

4. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended is maintained.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the act and these Regulations;

7. The meeting of the board was presided over by the Chairman and, in absence by, the director elected by the Board for this purpose. The Board has complied with the requirements of Act and these Regulations with respect to frequency, recording and circulating minutes of the Board.
8. The Board have a formal policy and transparent procedure for remuneration of Directors in accordance with the act of these regulations;
9. The company arranged orientation course for its directors as and when needed to apprise them of their duties and responsibilities. Three directors are certified under the Directors Training program, and three directors meet the criteria of exemption under Code of Corporate Governance.
10. The board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the regulations;
11. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
12. The Board has formed committees comprising of members given below.

**Audit Committee:**

Mr.SulemanBasaria	- Chairman
Mr.AnushkaKassim	- Member
Ms.Roshan Ara	- Member

The Board has appointed the following members of the Audit Committee for a period of three years w.e.f. 28-10-2019 in the meeting of Board of directors held on the 28-10-2019

Mr.SulemanBasaria	- Chairman
Mr.AnushkaKassim	- Member
Ms.Roshan AraSayani	- Member

Mr.Mnzoor Ali Natha will be the Committee Secretary as required by chapter IX, 27(1) (iv) of code of Corporate Governance, Regulations 2019.

**(b) HR & Remuneration Committee:**

Ms.Roshan Ara Sayani	- Chairperson
Mr.Munawar Ali Kassim	- Member
Ms.Anushka Kassim	- Member

The board has appointed the following members of HR & remuneration Committee for the period of three years w.e.f. 28-10-2019 in the meeting of the Board of Directors held on the 28-10-2019

Ms.Roshan Ara Sayani	- Chairperson
Mr.Munawar Ali Kassim	- Member
Ms.Anushka Kassim	- Member

13. The terms of reference of the aforesaid committee have been formed, documented and advised to the committee for compliance;
14. The Frequency of the meeting (Quarterly/Yearly) of the committee were as per following
  - (a) Audit committee meeting: - (Quarterly)
  - (b) HR an Remuneration Committee - (Yearly)
15. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purposes and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their 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 and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, Company secretary or Director of the Company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with and all other requirements of the Regulations have been complied with.
19. 19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

Regulations	Explanation
24(4)(vii)	The non compliance will be adequately addressed through provisioning of adequate resources at the earliest. This could not be done during the year because of the sudden COVID-19 pandemic.

By order of the Board

*Mariam Shaban Ali*

**Mariam Shaban Ali**  
 Chairperson  
 25th September, 2020

## Independent Auditor's Review report to the Members of Karam Ceramics Limited Review Report on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with The Listed Companies ( Code of Corporate Governance Regulation, 2019 ( the Regulations) prepared by the Board of Directors of KaramCeramics Limited ( the Company) for the year ended June 30, 2020, in accordance with the requirements of regulation 36 of the Regulations

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non- compliance with these requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

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

The Regulations requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions.

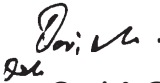
We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

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 requirements contained in the Regulations as applicable to the company for the year ended June 30, 2020.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the paragraph reference wherein it is stated in the Statement of Compliance:

Paragraph Reference	Description
i) 24(4)(vii)	Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the company.

Date: October 31, 2020  
 Karachi

  
 Qavi & Co  
 Chartered Accountants

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## Independent Auditor's Review report to the Members of Karam ceramics Limited

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of **Karam Ceramics Limited** ( the Company), which comprise the statement of financial position as at June 30, 2020 and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit .

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2020 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion, and we do not provide a separate opinion on these matters.

**Following are the Key Audit Matters:**

S.No,	Key Audit Matters	How the matter was addressed in our audit
i.	<p><b>Impact of COVID -19</b></p> <p>As disclosed in note 43 to the financial statements, the COVID-19 Pandemic caused significant and unprecedented Curtailment in economic and social activities from March 2020 in line with the directives of the Government. This situation posed a range of business and financial challenges to the businesses globally and across various sectors of the economy in Pakistan.</p> <p>In relation to the accounting and reporting obligations, the Management assessed the impact of COVID-19 related events in its financial statements particularly effects of the outbreak on the Company's assessment of the appropriateness of the use of the going concern basis including financial and non-financial considerations and assumptions used and estimates associated with measurement of various assets liabilities in the financial statements.</p> <p>In view of the unique nature of these events and its possible Impacts on the business operations and financial reporting, we considered this area as a key audit matter to identify specific risks in relation to the financial statements and devise our audit strategy accordingly.</p>	<p>Our audit procedures, amongst others, included the following :</p> <ul style="list-style-type: none"> <li>• we obtained an overall understanding of the impact on the financial reporting process and underlying controls in order to determine the appropriate audit strategy;</li> <li>• we assessed the authenticity of the confirmations received through emails, by performing call back procedures;</li> <li>• we checked the key covenants of the loan agreements and checked that the Company is in compliance with these covenants;</li> <li>• we checked subsequent recoveries, on a sample basis, and assessed the reasonableness of forward- looking factors used by the management in determination of expected credit loss for trade receivables;</li> <li>• we evaluated whether any impairment indicators exist that could trigger impairment for non- financial assets;</li> <li>• we evaluated management's going concern assessment by reviewing the future projections and assessed whether going concern assumption is appropriate; and</li> <li>• we checked the adequacy of disclosures made by the Company under the applicable financial reporting framework.</li> </ul> <p>Our audit procedures in respect of this area included;</p> <p>Obtained an understanding of the Company's processes and related internal controls for lease accounting, including those relating to assessment of discount rates, lease term and extension options and considered their appropriateness;</p> <p>On a sample basis, tested the lease data by comparing the lease agreement with related IFRS 16 lease calculations;</p> <p>Tested, on a sample basis , the calculation of right of use asset and lease liabilities by performing recalculations and tracing the terms with relevant supporting documents;</p>

S.No,	Key Audit Matters	How the matter was addressed in our audit
ii.	<p><b>Adoption of IFRS 16-'Leases'</b> Refer note 4.21 to the financial statements. The Company has adopted IFRS 16 'Leases' on July 1, 2019. Under the requirement of IFRS 16, the Company recognized right of use assets and lease liabilities for certain lease payments - i.e. these lease are on the statement of financial position. The application of this standard requires management to make judgments, estimates and assumptions with regard to lease term and discount rate for calculation of lease liabilities and consequently considered as a key audit matter.</p>	<p>We also considered the adequacy of the related disclosures and assessed these are in accordance with the applicable financial reporting standards and the Companies Act, 2017.</p> <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>● Obtaining understanding of the Company's processes and controls over litigations through meetings with the management and review of the minutes of the Board of Directors and Audit Committee.</li> <li>● Reading correspondence of the Company with regulatory departments and the Company's external counsel, where applicable.</li> </ul>
iii.	<p><b>Contingencies</b> The Company has certain litigation cases involving recoveries of higher gas tariff rates, cess and tax.</p> <p>Given the nature and amounts involved in such case and the appellate forums at which this is pending, the ultimate outcome and the resultant accounting in the financial statements is subject to significant judgment, which can change over time as new facts emerge and legal case progresses, and therefore, we have identified this as key audit matter.</p>	<ul style="list-style-type: none"> <li>● Where relevant, also assessing external legal advices obtained by the Company.</li> <li>● Discussing open matters and developments with the officials of the legal department of the Company.</li> <li>● Circularizing external confirmations, where appropriate, on material cases and assessing the replies received thereto.</li> <li>● whilst noting the inherent uncertainties involved with the legal and regulatory matters, assessing the appropriateness of the related disclosures made in the annexed financial statements.</li> </ul>

#### Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information . The other information comprises of the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated, If based on the work we have performed, we conclude that there is a material of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements .

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit We also ;

- " Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery intentional omissions, misrepresentations, or override of internal control.
- " Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- " Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- " Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion, Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- " Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

Based on our audit, we further report that in our opinion;

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act , 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Centre Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Ghulam Abbas.

Date: October 31, 2020  
Karachi

  
Ghulam Abbas  
Qavi & Co  
Chartered Accountants  
Engagement partner; Ghulam Abbas

## STATEMENT OF FINANCIAL POSITION

### AS AT JUNE 30, 2020

	Note	2020	2019
		----- Rupees -----	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,069,821,000	1,143,533,466
Right-of-use assets	6	1,361,594	1,701,993
Long term deposits	7	897,038	897,038
		1,072,079,632	1,146,132,497
<b>Current assets</b>			
Stores and spares	8	13,231,964	11,149,252
Stock in trade	9	427,205,721	307,036,047
Trade debts	10	101,449,135	22,244,347
Loans and advances - considered good	11	640,146	2,575,299
Advance tax		14,968,132	17,067,473
Refunds due from the government	12	60,463,197	79,668,445
Short term deposits, prepayments and other receivables	13	673,695	5,277,791
Cash and bank balances	14	15,807,906	5,819,737
		634,439,896	450,838,391
<b>TOTAL ASSETS</b>		<b>1,706,519,528</b>	<b>1,596,970,888</b>

## STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

	Note	2020	2019
		----- Rupees -----	
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	15	145,486,760	145,486,760
Unappropriated profit		88,837,903	114,182,801
Revaluation surplus on property, plant & equipment	16	345,316,258	365,875,241
		579,640,921	625,544,802
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term financing	17	471,128,608	312,183,922
Lease liabilities	6	792,247	1,171,377
Deferred income -government grant	18	867,586	-
Post employment benefits	19	105,048,731	99,988,922
Deferred taxation	20	96,017,129	156,114,366
		673,854,301	569,458,587
<b>Current liabilities</b>			
Trade and other payables	21	118,969,312	166,841,609
Markup accrued on loans	22	34,653,652	11,280,044
Short term borrowings	23	258,978,407	91,861,471
Long term financing	17	19,520,608	101,349,857
Unclaimed Dividend		513,191	463,360
Dividend payable		6,225,120	5,144,458
Deferred income-government grant	18	1,184,204	-
Lease Liabilities	6	331,282	297,327
Provision for taxation		12,648,530	24,729,373
		453,024,306	401,967,499
<b>Total liabilities</b>		1,126,878,607	971,426,086
<b>Contingencies and Commitments</b>	24	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		1,706,519,528	1,596,970,888

The annexed notes 1 to 46 form an integral part of these financial statements.

  
 Chief Executive

  
 Chief Financial Officer

  
 Director

## STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		----- Rupees -----	
<b>Revenue</b>	25	927,013,022	1,439,294,244
Cost of sales	26	(993,756,184)	(1,251,817,584)
<b>Gross (loss) /profit</b>		<b>(66,743,162)</b>	187,476,660
Selling and distribution expenses	27	11,751,385	38,561,297
Administrative expenses	28	24,675,157	34,536,725
Other expenses	29	828,980	6,036,912
		<b>(37,255,522)</b>	(79,134,934)
Operating (loss) / profit		<b>(103,998,684)</b>	108,341,726
Other income	30	90,233,278	4,964,787
Finance cost	31	(81,284,070)	(61,809,124)
		<b>8,949,208</b>	(56,844,337)
(Loss) / Profit before taxation		<b>(95,049,476)</b>	51,497,389
Taxation	32	51,275,772	(22,619,449)
(Loss) / Profit after taxation		<b>(43,773,704)</b>	28,877,940
(Loss) / Earnings per share - basic and diluted	33	<b>(3.01)</b>	1.98

The annexed notes 1 to 46 form an integral part of these financial statements.

  
 Chief Executive

  
 Chief Financial Officer

  
 Director

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended June 30, 2020

	2020	2019
	----- Rupees -----	
(Loss) / Profit after taxation	(43,773,704)	28,877,940
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss in subsequent periods</b>		
Remeasurement of retirement benefit obligation	7,245,297	4,017,284
Deferred tax on retirement benefit obligation	(2,101,136)	117,037
	5,144,161	4,134,321
<b>Items in subsequent periods that may be reclassified to profit or loss</b>		
Surplus on revaluation of land and buildings	-	377,892,119
Deferred tax on surplus of buildings	-	(77,198,615)
	-	300,693,504
<b>Total comprehensive loss / income for the year</b>	<b>(38,629,543)</b>	<b>333,705,765</b>

The annexed notes 1 to 46 form an integral part of these financial statements.

  
 Chief Executive

  
 Chief Financial Officer

  
 Director

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	----- Rupees -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / Profit before taxation	(95,049,476)	51,497,389
Adjustments for non cash charges and other items		
Depreciation	102,175,952	81,412,991
Provision for gratuity	18,198,091	12,857,605
Workers' profit participation fund	-	2,814,565
Workers' welfare fund	-	1,979,347
Amortization of grant	(349,877)	-
Gain on disposal of property, plant and equipment	(205,443)	(488,406)
Exchange gain on non-financial assets	(3,808,128)	-
Gain on remeasurement of interest free loans	(85,869,830)	-
Finance cost	81,284,070	61,809,124
	<u>111,424,835</u>	<u>160,385,226</u>
Cash flows from operating activities before working capital changes	16,375,359	211,882,615
Effect on cash flow due to working capital changes		
Increase in stores and spares	(2,082,712)	(7,741,744)
Increase in stock in trade	(120,169,674)	(16,948,430)
Increase / decrease in trade debts	(79,204,788)	14,992,776
Decrease / increase in loans and advances	1,935,153	(1,818,422)
Decrease in short term deposits, prepayments and other receivables	4,604,096	8,439,737
Decrease / Increase in trade and other payables	(41,193,666)	687,621
	<u>(236,111,591)</u>	<u>(2,388,462)</u>
Cash flows (used in) / generated from operations	(219,736,232)	209,494,153
Finance cost paid	(41,190,457)	(52,803,123)
Income tax paid	(3,572,320)	(17,964,243)
Sales tax paid	(471,954)	(9,418,246)
Gratuity paid	(5,892,985)	(4,981,568)
Workers' profit participation fund paid	(2,574,497)	(982,856)
Workers' welfare fund paid	(1,979,347)	(1,327,487)
	<u>(55,681,560)</u>	<u>(87,477,523)</u>
Net cash flows generated from operating activities	(275,417,792)	122,016,630
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Addition to property, plant and equipment	(28,182,644)	(41,618,567)
Proceeds from disposal of property, plant and equipment	265,000	635,000
Net cash flows used in investing activities	<u>(27,917,644)</u>	<u>(40,983,567)</u>
	27,917,644	(40,983,567)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing obtained / repaid-net	152,823,327	(60,030,503)
Short term borrowings	90,790,782	-
Lease rentals paid	(472,813)	(449,291)
Dividend paid	(6,143,845)	(10,874,540)
Net cash flows used in financing activities	<u>236,997,451</u>	<u>(71,354,334)</u>
Net increase in cash and cash equivalents	(66,337,985)	9,678,729
Cash and cash equivalents at the beginning of the year	(8,641,734)	(95,720,463)
Cash and cash equivalents at the end of the year -note 38	<u>(152,379,719)</u>	<u>(86,041,734)</u>

The annexed notes 1 to 46 form an integral part of these financial statements.

  
 Chief Executive

  
 Chief Financial Officer

  
 Director

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2020

	Share Capital	Unappropriated Profit	Surplus on revaluation of property, plant and equipment	Total
----- (Rupees) -----				
Balance at July 01, 2018	145,486,760	89,233,636	68,473,608	303,194,004
Final Dividend for the year ended June 30, 2018 declared subsequent to year end	-	(11,638,941)	-	(11,638,941)
Profit after taxation for the year ended June 30, 2019	-	28,877,940	-	28,877,940
<b>Other comprehensive income for the year</b>				
Remeasurement of retirement benefit obligation	-	4,017,284	-	4,017,284
Deferred tax on retirement benefit obligation	-	117,037	-	117,037
	-	4,134,321	-	4,134,321
Surplus on revaluation of land and building net of deferred tax	-	-	300,693,504	300,693,504
Transferred from surplus on revaluation of property, plant and equipment incremental depreciation for the year - net of deferred tax	-	3,575,845	(3,575,845)	-
Effect of change in tax rate	-	-	283,974	283,974
	-	3,575,845	297,401,633	300,977,478
<b>Balance as at June 30, 2019</b>	<u>145,486,760</u>	<u>114,182,801</u>	<u>365,875,241</u>	<u>625,544,802</u>
Final Dividend for the year ended June 30, 2019 declared subsequent to year end	-	(7,274,338)	-	(7,274,338)
Loss after taxation for the year ended June 30, 2020	-	(43,773,704)	-	(43,773,704)
<b>Other comprehensive income for the year</b>				
Remeasurement of retirement benefit obligation	-	7,245,297	-	7,245,297
Deferred tax on retirement benefit obligation	-	(2,101,136)	-	(2,101,136)
	-	5,144,161	-	5,144,161
Transferred from surplus on revaluation of property, plant and equipment incremental depreciation for the year - net of deferred tax	-	20,558,983	(20,558,983)	-
	-	20,558,983	(20,558,983)	-
<b>Balance as at June 30, 2020</b>	<u>145,486,760</u>	<u>88,837,903</u>	<u>345,316,258</u>	<u>579,640,921</u>

The annexed notes 1 to 46 form an integral part of these financial statements.

  
 Chief Executive

  
 Chief Financial Officer

  
 Director

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 1. THE COMPANY AND ITS OPERATION

Karam Ceramics Limited was incorporated in Pakistan on April 8, 1979 as a public limited company under the repealed Companies Act, 1913 (now Companies Act, 2017). The shares of The Company are quoted on Pakistan Stock Exchange. The registered office of The Company is situated at BC-6, Block-5, Kehkashan, Clifton, Karachi, Pakistan and manufacturing facilities of The Company are located at 295/311, Deh Halkani, Hub Dam Road, Manghopir, Karachi. The principal activity of The Company is manufacturing and sale of tiles.

Business Unit	Geographical Location
Factory	295/311, Deh Halkani Hub Dam Road, Manghopir, Karachi.
Ware house	S-86R-257/H-Hail, Main Ferozpur Road, Lahore

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services and factories have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. However, the impact varies from industry to industry in different jurisdictions. Based on management's assessment, considering demand from its customers, availability of imports and measures taken by Government to support the industry in which the Company operates, COVID-19 does not have a significant impact on the Company and supports the appropriateness of its going concern assumption.

### 2. Summary of significant transactions and events occurred during the year

Following is the summary of significant transactions and events that have affected the financial position and performance of The Company:

- 2.1 The Company envisaged declining trend in sales; 20.6% in the first quarter and 18.4% in the second quarter. The overall decline in sales of 19.3% is based on two major factors. The first factor is the imposition of CNIC requirements as regards purchase exceeding 50,000 while the second most important factor is the adverse socio economic problems prevailing in the country which have hindered provision of construction activities. The improvement in the declining trend between two quarters of 2.2% is based on the relaxation granted by the Government relating to the CNIC requirements.
- 2.3 The Company's operations were also affected by Covid 19 pandemic as detailed in note 43.
- 2.4 The adoption of new accounting standards on leases as detailed in note 4.10.

### 3. BASIS OF PREPARATION

#### 3.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

#### 3.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention except to the extent of the following:

##### a) Staff retirement benefits (Gratuity)

The Company uses the valuation performed by an independent actuary to determine the present value of its retirement benefit obligations.

##### b) Certain property , plant and equipment

The Company is using the revaluation model for certain property, plant and equipment. Revaluation is performed by an independent valuer periodically

##### c) Interest free loans from directors

The Company is carrying interest free loans from directors at amortized cost.

#### 3.3 Functional and presentation currency

These financial statements are prepared and presented in Pak Rupees (PKR or Rupee) which is the Company's functional and presentation currency. All the figures have been rounded off to the nearest rupee, unless otherwise stated.

#### 3.4 Key Judgements and estimates

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- (a) Property, plant and equipment (refer note 4.1)
- (b) Inventories (refer note 4.2)
- (c) Trade debts, loans, advances, deposits and other receivables (refer note 4.3)
- (d) Staff retirement benefits (refer note 4.8)
- (e) Provisions (refer note 4.15)
- (f) Taxation (refer note 4.7)
- (g) Impairment of non-financial assets (refer note 4.4)
- (h) Lease liabilities (refer note 4.10)
- (i) Government grant (refer note 4.9)
- (j) Contingent assets and contingent liabilities (refer note 4.17 & 4.18)

**3.5 New standards, amendments to approved accounting standards and new interpretations**

**(a) Standards, interpretations and amendments to approved accounting standards which become effective during the year**

The following amendments to existing standards and interpretations have been published and are mandatory for the year ended June 30, 2020 and are considered to be relevant to the Company's financial statements:

IFRS 9 Financial Instruments [Amendments]	January 1, 2019
IAS 23 Borrowing costs [Amendments]	January 1, 2019
IFRS 16 Leases	January 1, 2019
Annual improvements to IFRSs (2015-2017 Cycle)	January 1, 2019

The following standards, amendments and interpretations thereto as notified under the Companies Act, 2017 are either not relevant to the Company's operations or are not likely to have significant impact on the Company's financial statements:

IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019
IAS 28 Investments in Associates and Joint Ventures [Amendments]	January 1, 2019
IAS 19 Employee Benefits [Amendments]	January 1, 2019
IFRS 3 Business Combinations [Amendments]	January 1, 2019
IFRS 11 Joint Arrangement [Amendments]	January 1, 2019

**(b) Standards, interpretation and amendments to approved accounting standards that are not yet effective**

The following standards, amendments and interpretations with respect to the approved accounting and reporting standards as applicable in Pakistan and relevant to the Company, would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or interpretation	Effective Date (Period beginning on or after)
Conceptual Framework in IFRS Standards [Amendments]	January 1, 2020
IFRS 7 Financial Instruments: Disclosures [Amendments]	January 1, 2020
IFRS 9 Financial Instruments [Amendments]	January 1, 2020
IAS 16 Property, Plant and Equipment [Amendments]	January 1, 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets [Amendments]	January 1, 2022
IFRS 16 Leases [Amendments]	June 1, 2020
IAS 1 Presentation of Financial Statements [Amendments]	January 1, 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors [Amendments]	January 1, 2020
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

#### 4. 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 periods presented except for the application of IFRS 16 leases (Note 4.10 and Note 4.21) adopted with effect from July 01, 2019.

##### 4.1 Property, Plant and Equipment

###### Measurement

Items of property, plant and equipment other than land, buildings, leasehold improvements and capital work in progress are measured at cost less accumulated depreciation and impairment loss (if any).

Freehold land and building on freehold land are measured at the revalued amount less accumulated depreciation and impairment loss (if any).

Capital work in progress is stated at cost less impairment loss (if any).

###### Revaluation

Any revaluation increase arising on the revaluation of freehold land and building on freehold land is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of freehold land and building on freehold land is charged to profit or loss to the extent that it exceeds the balance, if any, held in the Revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The surplus on revaluation of building on freehold land to the extent of incremental depreciation charged (net of deferred tax) is transferred to unappropriated profit.

### **Depreciation**

Depreciation is charged so as to write off the cost or revalued amount of assets (other than freehold land and capital work in progress) over their estimated useful lives, using the reducing balance method at rates specified in note 5 to the financial statements.

### **Disposal**

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on derecognition of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in as other income in the statement of profit or loss. In case of the derecognition of a revalued property, the attributable revaluation surplus remaining in the surplus on revaluation is transferred directly to the unappropriated profit.

### **Judgement and estimates**

The useful lives, residual values and depreciation method are reviewed on a regular basis. The effect of any changes in estimate is accounted for on a prospective basis. Further, The key assumptions used to determine the fair value of property, plant and equipment are provided in note 5.3.

### **Impairment**

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

## **4.2 Inventories**

### **Recognition and measurement**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts (if any). Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### **Judgement and estimates**

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made on each reporting date on inventories for excess inventories, obsolescence and declines in net realisable value and an allowance is recorded against the inventory balances for any such declines.

#### **4.3 Trade debts, loans, advances, deposits and other receivables**

These are initially measured at the fair value of the consideration receivable. Subsequently these are valued at amortised cost. These assets are written off when there is no reasonable expectation of recovery. Credit loss is based on the expected credit loss.

#### **4.4 Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

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 amortisation, if no impairment loss had been recognised. A reversal of impairment loss for a cash generating unit is allocated to the assets of the unit, pro rata with the carrying amounts of those assets. The increase in the carrying amounts shall be treated as reversals of impairment losses for individual assets and recognized in profit or loss unless the asset is measured at revalued amount. Any reversal of impairment loss of a revalued asset shall be treated as a revaluation increase.

#### **4.5 Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short- term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

#### 4.6 Foreign currency transactions

Transactions in foreign currencies are translated to Pakistani Rupees at the foreign exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange approximating those at the statement of financial position date. Exchange gains / losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to the statement of profit or loss.

#### 4.7 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

##### (i) Current

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### (ii) Deferred

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses and credits only if it is probable that future taxable amounts will be available to utilise those temporary differences and unused tax losses and credits.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### **Judgement and estimates**

Significant judgment is required in determining the income tax expenses and corresponding provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain as these matters are being contested at various legal forums. The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Further, the carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. If required, carrying amount of deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits to allow the benefit of part or all of that recognised deferred tax asset to be utilised. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

### **Off- setting**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## **4.8 Employee benefitsw-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.

Defined benefit plans provide an amount of gratuity that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined benefit plan is a plan that is not a defined contribution plan. The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligations at the end of the reporting period. The defined benefit obligations are calculated annually by independent actuary using the projected unit credit method.

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

Remeasurement gains / losses are recognized in other comprehensive income.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of profit or loss.

## **Jugement and estimates**

In determining the liability for long-service payments management must make an estimate of salary increases over the following five years, the discount rate for the next five years to use in the present value calculation, and the number of employees expected to leave before they receive the benefits.

### **4.9 Government grants**

Government grants are transfers of resources to an entity by a government entity in return for compliance with certain past or future conditions related to the entity's operating activities - e.g. a government subsidy. The definition of "government" refers to governments, government agencies and similar bodies, whether local, national or international.

The Company recognizes government grants when there is reasonable assurance that grants will be received and the Company will be able to comply with conditions associated with grants.

Government grants are recognized at fair value, as deferred income, when there is reasonable assurance that the grants will be received and the Company will be able to comply with the conditions associated with the grants.

Grants that compensate the Company for expenses incurred, are recognized on a systematic basis in the income for the year in which the related expenses are recognized. Grants that compensate for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

A loan is initially recognized and subsequently measured in accordance with IFRS 9. IFRS 9 requires loans at below-market rates to be initially measured at their fair value - e.g. the present value of the expected future cash flows discounted at a market-related interest rate. The benefit that is the government grant is measured as the difference between the fair value of the loan on initial recognition and the amount received, which is accounted for according to the nature of the grant.

### **4.10 Lease Liabilities**

Lease liabilities are initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease. If the implicit rate cannot be readily determined, the Company's incremental borrowing rate is used. Subsequently these are increased by interest, reduced by lease payments and remeasured for lease modifications, if any.

Liabilities in respect of short term and low value leases are not recognised and payments against such leases are recognised as expense in profit or loss.

### **4.11 Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within one year of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### 4.12 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which such costs are capitalized as part of the cost of that asset.

#### 4.13 Financial instruments

##### Financial Assets

The Company classifies its financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

##### a) Financial assets at amortised cost

Financial assets at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

##### b) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those financial assets which are either designated in this category or not classified in any of the other categories. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

Financial assets are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

#### **Financial Liabilities**

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

#### **4.14 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the financial statements if the Company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **4.15 Provisions**

##### **Recognition and measurement**

Provisions for legal claims and make good obligations are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

#### **Judgement and estimates**

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

#### **4.16 Dividend and appropriation in / from reserves**

Dividend is recognised as a liability in the period in which it is declared. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

#### **4.17 Contingent assets**

Contingent assets are disclosed when there is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognised until their realisation become virtually certain.

#### **4.18 Contingent liabilities**

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

#### **4.19 Revenue recognition**

Sales are stated net of sales tax & discounts & are recognised when persuasive evidence of sale exists. The key area of judgment in recognising revenue is the timing of recognition, which reflects the point or period when The Company has transferred control of goods to customers. Revenue from sale of goods is measured at fair value of the consideration received or receivable and is recognised as revenue on dispatch of goods to customers.

Profit on bank balances are recognised on a time proportion basis on the principal amount outstanding and at the applicable rate.

#### **4.20 Basic and diluted (loss) / earnings per share**

The Company presents basic and diluted (loss) / earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of "the Company" by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

#### **4.21 CHANGE IN ACCOUNTING POLICY**

The Company has consistently applied the accounting policies to all periods presented in these financial statements except for the change in accounting policy relating to leases to comply with standards, amendments and interpretations to approved accounting and reporting standards which has been accounted for in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. However, no restatement has been deemed necessary in this regard.

##### **IFRS 16 'Leases'**

The Company has adopted IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019) during the period that has replaced IAS 17 - Leases, IFRIC 4 - Determining whether an arrangement contains a lease, SIC-15 - Operating Leases - Incentives and SIC-27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 aims to set out the principles for recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for virtually all of the leases. IFRS 16 includes an optional exemptions for certain short-term leases and leases of low-value assets for lessees. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make the lease payments. Under the previous standard, IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17 'Leases'. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, as the IASB has updated the guidance on the definition of a lease as well as the guidance on the combination and separation of contracts, lessors will also be affected by the new standard. The adoption of IFRS 16 has necessitated change in accounting policy for the Company.

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore the comparative information presented has not been restated and continues to be reported under IAS 17 and related interpretations.

On transition to IFRS 16, the Company has elected to use the following practical expedients under IFRS 16 to leases previously classified as operating leases under IAS 17:

- 
- Applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease;
  - A single discount rate has been applied to portfolio of leases with reasonably similar characteristics;
  - leases with a remaining term of twelve months or less from The date of application have been accounted for as short- term leases (i.e. not recognized in the statement of financial position) even though the initial term of the leases from lease commencement date may have been more than twelve months;
  - Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Company, as a lessee, previously used to classify leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. The Company used to recognize minimum lease payments in full as an expense. Now, under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for all leases, after taking into account the elections made for available practical expedients described above.

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining Whether an Arrangement contains a Lease'. The Company now assesses whether a contract is, or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company depreciates right-of-use assets in depreciation and amortization and unwinds the discount on lease liability into finance cost.

On transition, there was no impact of leases on the financial statements of the Company.

The Company has applied IAS 36 Impairment of Assets to ROU assets at the date of initial application and assessed that ROU assets are not impaired as at that date.

There is no effect on prior period figures in statement of profit and loss, statement of comprehensive income, statement of cash flows and statement of changes in equity.

## 5. Property, Plant and Equipments

	Freehold Land	Building		Plant and machinery	Furniture and fittings	Mould	Laboratory equipment	owned	Total
		Factory Building on freehold land	Lahore ware house on free hold land						
----- Rupees -----									
<b>Net carrying value basis</b>									
<b>Year ended June 30, 2020</b>									
Opening net book value	164,250,000	362,864,161	104,934	604,420,719	1,489,477	1,105,056	38,451	9,260,668	1,143,533,466
Additions (at cost)	-	-	-	26,873,644	-	-	-	1,309,000	28,182,644
Surplus on revaluation during the year	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(36,286,416)	(10,493)	(63,114,933)	(148,948)	(331,517)	(3,845)	(1,939,401)	(101,835,553)
Disposal	-	-	-	-	-	-	-	(59,557)	(59,557)
<b>Closing net book value</b>	<b>164,250,000</b>	<b>326,577,745</b>	<b>94,441</b>	<b>568,179,430</b>	<b>1,340,529</b>	<b>773,539</b>	<b>34,606</b>	<b>8,570,710</b>	<b>1,069,821,000</b>
<b>Gross carrying value basis</b>									
<b>At June 30, 2020</b>									
Cost	164,250,000	628,310,252	2,664,102	1,841,664,592	12,646,654	8,356,171	1,505,564	33,749,827	2,693,147,162
Accumulated depreciation	-	(301,732,507)	(2,569,661)	(1,273,485,162)	(11,306,125)	(7,582,632)	(1,470,958)	(25,179,117)	(1,623,326,162)
<b>Net book value</b>	<b>164,250,000</b>	<b>326,577,745</b>	<b>94,441</b>	<b>568,179,430</b>	<b>1,340,529</b>	<b>773,539</b>	<b>34,606</b>	<b>8,570,710</b>	<b>1,069,821,000</b>
<b>Net carrying value basis</b>									
<b>Year ended June 30, 2019</b>									
Opening net book value	52,560,000	109,773,831	116,594	627,671,015	1,654,974	1,578,651	42,723	11,759,078	805,156,866
Additions (at cost)	-	-	-	41,618,567	-	-	-	-	41,618,567
Surplus on revaluation during the year	111,690,000	266,202,119	-	-	-	-	-	-	377,892,119
Depreciation charge	-	(13,111,789)	(11,660)	(64,868,863)	(165,497)	(473,595)	(4,272)	(2,351,816)	(80,987,492)
Disposal	-	-	-	-	-	-	-	(146,594)	(146,594)
<b>Closing net book value</b>	<b>164,250,000</b>	<b>362,864,161</b>	<b>104,934</b>	<b>604,420,719</b>	<b>1,489,477</b>	<b>1,105,056</b>	<b>38,451</b>	<b>9,260,668</b>	<b>1,143,533,466</b>
<b>Gross carrying value basis</b>									
<b>At June 30, 2019</b>									
Cost	164,250,000	628,310,252	2,664,102	1,814,790,949	12,646,654	8,356,171	1,505,564	33,440,827	2,665,964,519
Accumulated depreciation	-	(265,446,091)	(2,559,168)	(1,210,370,230)	(11,157,177)	(7,251,115)	(1,467,113)	(24,180,159)	(1,522,431,053)
<b>Net book value</b>	<b>164,250,000</b>	<b>362,864,161</b>	<b>104,934</b>	<b>604,420,719</b>	<b>1,489,477</b>	<b>1,105,056</b>	<b>38,451</b>	<b>9,260,668</b>	<b>1,143,533,466</b>
Rate of Depreciation	-	10%	10%	10%	10%	30%	10%	20%	

### 5.1 The depreciation charge for the year has been allocated as follows:

	Note	2020	2019
----- Rupees -----			
Cost of sales	26	100,586,218	79,993,925
Selling and distribution expenses	27	602,030	478,780
Administrative expenses	28	647,305	514,787
		<b>101,835,553</b>	<b>80,987,492</b>

**5.2 Revalued freehold land and factory building on freehold land**

On 2005, the Company elected to measure freehold land and factory building on freehold land (classified as property, plant and equipment) using the revaluation model. The fair value of the Company's freehold land and factory building on freehold land are determined on periodic, but at least triennial, by an independent professionally qualified valuer.

The carrying values of the freehold land and factory building on freehold land would have been Rs.3,964,588 (2019: Rs. 3,964,588) and Rs. 65,914,891 (2019: Rs. 73,238,768) under the cost model.

The forced sale value of the freehold land and factory building on freehold land has been assessed at Rs. 164.25 million and Rs. 366.02 million respectively.

**5.3 Fair value measurements under revaluation model for property , plant and equipment**

The fair value measurements of the Company's freehold land and factory building on freehold land as at June 30, 2019 were performed by Dimensions Evaluators and Consultants (Private) Limited, who are independent valuers not related to the Company. Dimensions Evaluators and Consultants (Private) Limited are members of Pakistan Banks' Association & they have appropriate qualifications & recent experience in the fair value measurement of properties in the relevant locations.

The fair value of the freehold land was determined through market study of trend of sale and purchase in the area. The fair value of factory building on freehold land was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age. The significant inputs include the estimated construction costs and other ancillary expenditure.

**5.4 Fair value hierarchy**

Details of the Company's freehold land and factory building on freehold land and information about the fair value hierarchy as at the end of the reporting period are as follows:

	Level - 2	Level - 3	Fair value as at June 30, 2020
	.....Rupees.....		
Freehold land	164,250,000	-	164,250,000
Factory building on freehold land	-	366,019,255	366,019,255
	<b>164,250,000</b>	<b>366,019,255</b>	<b>530,269,255</b>

## 5.5 Security

### - Soneri Bank Limited

- 1- Specific ranking charge of Rs. 59 million (2019: Rs. 59 million) over plant and machinery.
- 2- 1st Pari Passu Equitable Mortgage charge of Rs. 800 million (2019: Rs. 800 million) over factory building on freehold land.

### - Habib Bank Limited

- 1- Specific ranking charge of Rs. 35 million (2019: Rs. 35 million) over plant and machinery.
- 2- Combined ranking charge of Rs. 200 million (2019: Rs. 200 million) over plant and machinery.

### - JS Bank Limited

1st Pari Passu charge over present and future freehold land, building on freehold land, plant and machinery amounting to Rs. 267 million (2019: Rs. 267 million).

## 5.6 Particulars of immovable property (freehold land, factory building on freehold land and Lahore warehouse on freehold land) in the Company are as follows:

Location	Usage of Immovable property	Total Area (square meters)
295/311, Deh Halkani, Hub Dam Road, Manghopir, Karachi.	Manufacturing facility	88,626
S-86R-257/H-Hall, Main Ferozpur Road, Lahore	Warehouse	4,181

**2020**                      **2019**  
 ----- Rupees -----

## 6. LEASES

### Right-of-use assets

Balance at the beginning of the year	1,701,993	2,127,491
Additions	-	-
Disposals	-	-
Depreciation expense - 20% reducing balance method	(340,399)	(425,498)
Balance at the end of the year	1,361,594	1,701,993

### 6.1 The depreciation charge on right-of-use assets for the year has been allocated as follows :

Cost of sales	336,223	420,278
Selling and distribution expenses	2,164	2,515
Administrative expenses	2,012	2,705
	340,399	425,498

## 6.2 Lease Liabilities

The Company acquired vehicle on lease from Soneri Bank Limited at Rs.2,163,550 having maturity of 5 years. In accordance with the terms of agreement, a down-payment was made amounting to Rs. 460,350. The remaining amount is payable in equal monthly installments whereas the mark-up is recovered on quarterly bases at 3 months KIBOR plus 1.5%.

### Security / collateral

The ownership of the asset will remain with the lessor till the maturity date.

	2020	2019
	----- Rupees -----	
<b>6.2.1 Movement in lease liabilities</b>		
Balance at the beginning of the year	1,468,704	1,703,200
Interest expense	127,638	214,795
Payments	(472,813)	(449,291)
	1,123,529	1,468,704
Current portion grouped under current liabilities	(331,282)	(297,327)
Balance at the end of the year	792,247	1,171,377

### 6.2.2 Lease liabilities are payable as follows:

	2020			2019		
	Minimum lease payments	Finance cost allocated to future periods	Present value of minimum lease payments	Minimum lease payments	Finance cost allocated to future periods	Present value of minimum lease payments
	← Rupees →					
Not later than one year	446,904	115,622	331,282	476,352	179,025	297,327
Later than one year and not later than five years	893,808	101,561	792,247	1,429,056	257,679	1,171,377
	1,340,712	217,183	1,123,529	1,905,408	436,704	1,468,704

	2020	2019
	----- Rupees -----	
<b>7. LONG TERM DEPOSITS</b>		
Others - note 7.1	897,038	897,038

7.1 This includes deposits placed with utility companies including K-Electric, Pakistan Telecommunication Company Limited and Sui Southern Gas Company.

	2020	2019
	----- Rupees -----	
<b>8. STORES AND SPARES</b>		
Spares	12,712,985	10,094,168
Stores	518,979	1,055,084
	13,231,964	11,149,252
<b>9. STOCK IN TRADE</b>		
Raw material	246,106,118	201,952,962
Packing materials	4,959,870	2,816,066
Work-in-process	11,443,820	6,403,232
Finished goods	161,697,294	91,672,892
	424,207,102	302,845,152
Stock in transit	2,998,619	4,190,895
	427,205,721	307,036,047
<b>9.1 Pledged as security</b>		
<b>- Soneri Bank Limited</b>		
1st Hypothecation charge over inventory of the Company amounting to Rs. 191.5 million (2019: Rs. 191.5 million).		
<b>- Habib Bank Limited</b>		
2nd Hypothecation charge over inventory of the Company amounting to Rs. 150 million (2019: Rs. 150 million).		
<b>10. TRADE DEBTS</b>	<b>2020</b>	<b>2019</b>
	----- Rupees -----	
Considered good - unsecured	101,449,135	22,244,347
<b>10.1 As of June 30, ageing analysis of trade debts is as follows:</b>		
Neither past due nor impaired	75,232,139	10,767,417
Past due but not impaired		
- 1 - 30 days	8,063,379	6,192,049
- 30 - 90 days	6,155,755	4,195,041
- More than 90 days	11,997,862	1,089,840
	101,449,135	22,244,347
<b>11. LOANS AND ADVANCES - CONSIDERED GOOD</b>		
Loans to employees - not 11.1	73,100	259,050
Advances to:		
Suppliers	121,734	1,849,737
Seller of land - note 11.2	400,000	400,000
Employees - note 11.3	45,312	66,512
	567,046	2,316,249
	640,146	2,575,299

- 11.1 Loans have been granted under staff loan policy, as temporary financial assistance, to staff. These are secured against the gratuity payable to employees and are recoverable in 12 equal monthly installments. Therefore, all of the amount is recoverable within 1 year as of reporting date.
- 11.2 This represents advance given for purchase of land in Lahore to Mr. Muhammad Latif Bhatti (deceased). As per the original terms of the agreement, this was the token money given by the Company to the landlord whilst an amount of Rs. 3.5 million was required to be made in order to execute the transfer deed. Subsequent to the death of the landlord, the legal heirs refused to execute the agreement, resultantly, the Company filed a civil suit in Lahore for the specific performance of the agreement. As on the reporting date, this case is pending. However, the legal counsel of the Company is confident that the case will be decided in favor of the Company.
- 11.3 The advances to employees are given to meet business expenses and are settled as and when the expenses are incurred.

2020                      2019  
----- Rupees -----

**12. REFUNDS DUE FROM THE GOVERNMENT**

Sales tax receivable	-	2,595,999
Income tax refundable	<u>60,463,197</u>	<u>77,072,446</u>
	<u>60,463,197</u>	<u>79,668,445</u>

**13. SHORT TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

Prepayments	339,567	4,108,597
Letters of credit	78,879	738,867
Short term deposits	220,000	395,000
Other receivables	<u>35,249</u>	<u>35,327</u>
	<u>673,695</u>	<u>5,277,791</u>

**14. CASH AND BANK BALANCES**

Cash in hand	253,792	67,381
Cash at banks		
- Current accounts	<u>14,313,097</u>	<u>4,546,307</u>
- Deposit accounts	<u>1,241,017</u>	<u>1,206,049</u>
	<u>15,554,114</u>	<u>5,752,356</u>
	<u>15,807,906</u>	<u>5,819,737</u>

**15. SHARE CAPITAL**

	2020	2019		2020	2019
	(Number of shares)			----- Rupees -----	
<b>Authorized Share Capital</b>					
15,000,000	15,000,000		Ordinary shares of Rs. 10 each	150,000,000	150,000,000
<b>Issued, subscribed and paid up Share Capital</b>					
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		Ordinary shares of Rs. 10 each issued as bonus shares	12,808,900	12,808,900
	<u>14,548,676</u>	<u>14,548,676</u>		<u>145,486,760</u>	<u>145,486,760</u>

	2020	2019
	Number of shares	
<b>15.1 Shares held by the related parties of the Company</b>		
<b>Name of shareholders</b>		
Mr. Irshad Ali S. Kassim	3,320,214	3,315,214
Mr. Munawar Ali S. Kassim	3,583,459	3,583,459
Ms. Mariam Shaban Ali	90,612	90,612
Ms. Hina Bashir	-	219,500
Mrs. Roshan Ara	500	-
Mr. Shah Nawaz Noor Ali A. Madhani	-	435,812
Ms. Anushka Kassim	980,226	980,226
Ms. Natalia Kassim	735,920	735,920
Mr. Suleman Basaria	666	-
Mr. Shahid Ahmed	5,000	500
Mr. Shahid Anwar Tata	1,000	-
Mrs. Shaheen A. Rehman	10,000	10,000
Mrs. Sakin Noorallah	10,000	10,000
Ms. Aliza Kassim	1,008,470	1,008,470
Ms. Alishba Irshad Ali	981,226	981,226
Ms. Maneeza	735,920	735,920
Ms. Manisha Kassim	735,920	735,920
Ms. Myra Kassim	735,920	735,920

**15.2** There has been no movement in ordinary share capital during the year ended June 30, 2020.

**15.3** All ordinary shares rank equally with regard to residual assets of the Company. Ordinary shareholders are entitled to receive all distributions including dividends and other entitlements in the form of bonus and right shares as and when declared by the Company. Voting and other rights are in proportion to the shareholding.

	2020	2019
	----- Rupees -----	
<b>16. REVALUATION SURPLUS ON PROPERTY, PLANT &amp; EQUIPMENT</b>		
Surplus on revaluation of operating fixed assets as at July 1	449,848,553	76,992,835
Surplus arising on revaluation during the year	-	377,892,119
Transfer to unappropriated profit in respect of incremental depreciation charged during the year	(20,558,983)	(3,575,845)
Related deferred tax liability	(8,397,331)	(1,460,556)
Surplus on revaluation of operation fixed assets as at June 30	420,892,239	449,848,553
Less: related deferred tax liability:		
at beginning of the year	83,973,312	8,519,227
on surplus arising on revaluation during the year	-	77,198,615
on adjustment due to change in tax rate	-	(283,974)
on incremental depreciation charged during the year	(8,397,331)	(1,460,556)
	(75,575,981)	(83,973,312)
	345,316,258	365,875,241

- 16.1 The revaluation surplus relating to the above-mentioned property, plant and equipment excluding freehold land is net of applicable deferred income taxes. Incremental depreciation charged on revalued factory building on freehold land has been transferred to the statement of changes in equity to record realization of surplus to the extent of incremental depreciation. Incremental depreciation represents the difference between actual depreciation based on revalued carrying amount of the asset and equivalent depreciation based on the original carrying amount of the asset.

	2020	2019
	----- Rupees -----	
<b>17. LONG TERM FINANCING</b>		
<b>Banking companies- secured</b>		
<b>Soneri Bank Limited</b>		
Fair value of Loan outstanding - note 17.1	65,211,974	89,383,273
Loan modification adjustment	1,014,929	-
	66,226,903	89,383,273
Unwinding of loan at amortized cost	1,279,922	-
Amortised cost as at June 30	67,506,825	89,383,273
Deferment of FATR Facilities -note 23.5	48,927,727	-
	116,434,552	89,383,273
<b>SBP Refinance Scheme</b>		
Fair value of loan outstanding - note 17.2	14,279,433	-
Less: Adjustment pertaining to fair value of loan at below market interest rate - note 17.7	(2,051,790)	-
Add: net impact recorded in statement of profit or loss account	38,409	-
Amortised cost as at June 30	12,266,052	-
<b>JS Bank Limited</b>		
Fair value of loan outstanding - note 17.3	21,898,112	50,269,828
Loan modification adjustment	(833,254)	-
	21,064,858	50,269,828
Unwinding of loan at amortized cost	611,005	-
Amortised cost as at June 30	21,675,863	50,269,828
<b>Habib Bank Limited</b>		
Fair value of loan outstanding - note 17.4	3,927,810	11,715,555
<b>Related parties - unsecured</b>		
Fair value of loan outstanding - note 17.5	155,500,000	155,500,000
Unwinding of discount	(78,624,515)	(2,857,404)
	76,875,485	152,642,596
Interest bearing loan - note 17.6	259,469,454	109,522,527
	336,344,939	262,165,123
<b>Less: Current portion</b>		
Banking companies	(19,520,608)	(101,349,857)
	471,128,608	312,183,922

**17.1** Terms and conditions of borrowings from Soneri Bank Limited are as follows:

Facility name	Term Finance -III	Term Finance-IV	Term Finance-IV	Term Finance
Loan outstanding (Fair value)	Rs. 25.23 million	Rs. 5.55 million	Rs. 11.7 million	Rs 22.73 million
Nature of facility	Term Finance	Term Finance	Term Finance	Term Finance
Sanctioned limit	151.204 million	7.400 million	15.6 million	34.100 million
Markup rate	6MK + 2% p.a.	6MK+2.5% p.a.	6MK+2.5% p.a.	6MK+2% p.a.
Total installments	65 monthly	36 monthly	36 monthly	36 monthly
No. of installments outstanding	10 monthly	27 monthly	27 monthly	24 monthly
Date of final repayment	Feb, 2022	June 28, 2023	July 3, 2023	April 10, 2023

**Purpose:**

- For import of Plant and Machinery
- For local purchase of Plant and Machinery

**Security/Collateral:**

- First equitable mortgage charge of Rs. 800 million on factory property including land, building, plant and machinery situated at Hub Dam road, Karachi.
- First hypothecation charge over stocks of the company amounting to Rs. 191.5 million.
- Specific charge on imported machinery for Rs. 59 million.
- Personal guarantees provided by the directors of The Company.

**17.1.1** These loans were restructured on April 1, 2020. The revised terms of the agreement deferred the outstanding principal payments for a period of 1 year whilst the markup is payable as per the original terms of the agreement.

**17.2** Due to the effects of pandemic, State Bank of Pakistan took various steps to support the economy. SBP introduced a refinance scheme for payment of salaries and wages at subsidized rate of borrowing.

The company has obtained the said borrowing from a commercial bank at subsidized rate in two tranches on May 21, 2020 and June 8, 2020. In accordance with the terms of the grant, the company is prohibited to lay-off the employees atleast for three months from the period of the grant. The terms and conditions of the facility are as follows:

Facility name	SBP - Refinance
Loan outstanding (Fair value)	14.28 million
Nature of facility	Term Finance
Sanctioned limit	23.25 million
Markup rate	SBP+3% p.a
Total installments	8 quarterly
No. of installments outstanding	8 quarterly
Date of final repayment	Jan 31, 2023

**Purpose:**

- For the payment of salaries and wages of employees of the Company excluding Director's remuneration.

**Security/Collateral:**

- 1st Hypothecation Charge over the stocks of the company for 191.50 million.
- 1st Pari Passu equitable mortgage charge of 800 million over fixed assets of the company.
- Personal guarantees provided by the directors of the Company.

**17.3** Terms and conditions of borrowings from JS Bank Limited are as follows:

Facility name	Term Loan - 1
Loan outstanding (Fair value)	Rs. 21.89 million
Nature of facility	Term Finance
Sanctioned limit	175.917 million
Markup rate	3MK + 1.75% p.a.
Total installments	54 monthly
No. of installments outstanding	8 monthly
Date of final repayment	Dec 10, 2021

**Purpose:**

- For import of Plant and Machinery

**Security/Collateral:**

- First Pari Passu charge over fixed assets amounting to Rs. 267 million inclusive of 25% margin.
- Personal guarantees provided by the directors of the Company.
- Subordination of Directors' loan amounting to Rs. 50 million.

**17.3.1** This loan was restructured on April 1, 2020. The revised terms of the agreement deferred the outstanding principal payments for a period of 1 year whilst the markup is payable as per the original terms of the agreement.

**17.4** Terms and conditions of borrowings from Habib Bank Limited are as follows:

Facility name	Term Finance - 1	Term Finance - 2
Loan outstanding (Fair value)	Rs. 1.71 million	Rs. 2.22 million
Nature of facility	Term Finance	Term Finance
Sanctioned limit	23.058 million	11.987 million
Markup rate	3MK + 1.5% p.a.	3MK + 1.5% p.a.
Total installments	54 monthly	54 monthly
No. of installments outstanding	4 monthly	10 monthly
Date of final repayment	Oct 13, 2020	Apr 01, 2021

**Purpose:**

- For import of plant and machinery

**Security/ Collateral:**

- Mortgage charge over plant and machinery amounting to Rs. 35 million.
- Personal guarantees provided by the directors of the Company.
- Ranking charge over plant and machinery of the company amounting to Rs. 200 million.
- Equitable mortgage of Rs. 189 million on Company's Headoffice which is in the name of the Director

17.4.1 These loans were restructured on April 1, 2020 whereby principal payments were deferred for a period of one year whilst the markup was payable as per the terms of the original agreement. However, these conditions were not implemented by the bank as a result of which modification adjustments as per requirements of IFRS 9 have not been accounted for in these financials.

17.5 The maturity date of these loans was modified on July 1, 2019 as a result of restructuring of loans with banking companies whereby these loans were subordinated to the banks. Keeping in view the forecasted cashflows and profits, the management decided to extend the maturity date of these loans to June 30, 2025. As a result, modification adjustments have been made to these loans in accordance with the requirements of IFRS 9. In addition, unwinding of discount has also been recorded thereagainst.

17.6 This represents interest bearing loans carrying markup at the weighted average KIBOR rate which will mature at June 30, 2025.

	2020	2019
	----- Rupees -----	
<b>17.7 Adjustment pertaining to fair value of loan at below market interest rate</b>		
Difference of fair value of loan and loan received	2,401,667	-
Amortisation of loan	(3,498,777)	-
	2,051,790	-
<b>18. Deffered Income - Government grant</b>		
Grant recognised on loan at below market interest rate	2,401,667	-
Less: unwinding of grant to profit or loss account	(349,877)	-
	2,051,790	-
Less: current portion	(1,184,204)	-
	867,586	-

**19. POST EMPLOYMENT BENEFITS**

**19.1 Description of the unfunded gratuity scheme**

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn gross salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2020 using the Projected Unit Credit Method.

**19.2 Risks on account of defined benefit plan**

The Company faces the following risks on account of defined benefit plan:

**19.2.1 Final salary risk** - The risk that the final salary at the time of cessation of service is greater than what the Group has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

**19.2.2 Mortality risk** - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

**19.2.3 Withdrawal risk** - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

**19.2.4 Discount rate fluctuation** - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities.

**19.3 Actuarial assumption**

Following are a few important actuarial assumptions used in the valuation:

	2020	2019
Discount factor used	8.5%	14.3%
Expected rate of increase in salaries	7.5%	13.3%
Retirement age (years)	60	60

	2020	2019
	----- Rupees -----	
<b>19.4 Movement of the liability recognized in the statement of financial position</b>		
Opening balance	99,988,922	96,130,169
Charge for the year	18,198,091	12,857,605
Remeasurement	(7,245,297)	(4,017,284)
Benefits paid	(5,892,985)	(4,981,568)
Closing balance	105,048,731	99,988,922
<b>19.5 Movement in the present value of defined benefit obligation</b>		
Opening balance	99,988,922	96,130,169
Service cost	4,705,483	4,444,624
Interest cost	13,492,608	8,412,981
Remeasurement	(7,245,297)	(4,017,284)
Benefits paid	(5,892,985)	(4,981,568)
Closing balance	105,048,731	99,988,922
<b>19.6 Amounts recognised in the statement of profit or loss account</b>		
Service cost	4,705,483	4,444,624
Interest cost	13,492,608	8,412,981
	18,198,091	12,857,605
<b>19.7 Amounts recognised in statement of other comprehensive income (OCI)</b>		
Remeasurement due to:		
Change in financial assumptions	(327,086)	318,684
Experience adjustments	(6,918,211)	(4,335,968)
	(7,245,297)	(4,017,284)

### 19.8 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption Rupees	Decrease in assumption Rupees
Discount rate at June 30	1%	10,810,380	2,070,682
Future salary increases	1%	2,070,682	10,918,835

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognized within the Statement of Financial Position.

### 19.9 Maturity profile of the defined benefit obligation

**Maturity Profile**

Time in year	Increase and Decrease in assumption
1	9,473,424
2	5,285,783
3	10,135,767
4	8,359,273
5-11	250,093,206
Weighted average duration	6 years

**2020**                      **2019**  
 ----- Rupees -----

### 20. DEFERRED TAXATION

Credit balance arising in respect of:

- accelerated tax depreciation allowance
- revaluation surplus on property, plant and equipment

Debit balance arising in respect of:

- Finance lease obligations
- provision for post employment benefit obligations
- unused tax loss
- minimum tax credit

96,929,963	101,137,841
75,575,981	83,973,312
<b>172,505,944</b>	185,111,153
(69,039)	-
(30,464,132)	(28,996,787)
(33,307,114)	-
(12,648,530)	-
<b>96,017,129</b>	<b>156,114,366</b>

The gross movement in the deferred tax liability during the year is as follows:

	2020	2019
	----- Rupees -----	
Balance as at July 01	156,114,366	78,430,052
Amounts recognised in statement of P&L	(62,198,373)	886,710
Amounts recognised in statement of OCI	2,101,136	76,797,604
	96,017,129	156,114,366
<b>20.1</b>	<b>Deferred tax balance has been recognised at the rate at which these are expected to be settled /realised</b>	
<b>21. TRADE AND OTHER PAYABLES</b>		
Trade creditors / bills payable	45,553,313	105,347,313
Accrued expenses - note 21.1	66,117,024	47,516,690
Sales tax payable	3,425,976	6,493,929
Workers' profit participation fund - note 21.2	460,700	2,814,565
Workers' welfare fund	2,616,070	4,595,417
Withholding tax payable	796,229	73,695
	118,969,312	166,841,609
<b>21.1</b>	<b>This includes an amount of Rs. 7,091,664 (2019: Rs.5,390,976) in respect of rent payable to Kulsoom Sohaila Associates - related party.</b>	
<b>21.2 Worker's Profit Participation Fund</b>		
Balance at July 01	2,814,565	923,062
Interest on funds utilized in Company's business	220,632	59,794
Allocation for the year	-	2,814,565
	3,035,197	3,797,421
Amount paid during the year	(2,574,497)	(982,856)
Balance at June 30	460,700	2,814,565
<b>22. Markup accrued on loans</b>		
<b>Accrued finance cost on:</b>		
Long term financing from banking companies	64,799	3,648,503
Short term financing from banking companies	7,317,744	717,068
Long term financing from related parties	27,271,109	6,914,473
	34,653,652	11,280,044
<b>23. SHORT TERM BORROWINGS</b>		
<b>Borrowings from banks - secured</b>		
Soneri Bank Limited - note 23.1	124,938,924	8,433,808
Soneri Bank Limited FATR - note 23.2	79,749,777	-
Habib Bank Limited - note 23.3	43,248,701	46,397,183
Habib Bank Limited FATR - note 23.4	59,968,732	37,030,480
Less: Deferment of FATR Facilities - note 23.5	(48,927,727)	-
	258,978,407	91,861,471

- 23.1** This represents Running Finance Facility amounting to Rs. 221.5 million (2019: Rs. 191.5 million). The profit rate on this facility is 3 months KIBOR plus 2% (2019: 3 months KIBOR plus 1.50%). This is secured by first hypothecation charge over stock of the company for Rs. 191.5 million and first pari passu equitable charge of Rs. 800 million over fixed assets of the company and personal guarantee of the Directors.
- 23.2** This represents Finance Against Trust Receipt Facility amounting to Rs. 100 million (2019: Rs. NIL). The profit rate on this facility is 3 months KIBOR + 2% (2019: NIL). This is secured by first hypothecation charge over stock of the company for Rs. 191.5 million and first pari passu equitable charge of Rs. 800 million over fixed assets of the company and personal guarantee of the Directors.
- 23.3** This represents Running Finance Facility amounting to Rs. 50 million (2019: Rs. 50 million). The profit rate on this facility is 3 months KIBOR plus 1% (2019: 3 months KIBOR plus 1%). This is secured by third party mortgage over Company's headoffice situated at Kehkashan Clifton, Karachi valued at Rs. 189 million, ranking charge over plant and machinery of Rs. 200 million and second ranking charge on hypothecated stock and first charge on book debts of Rs. 150 million and personal guarantee of the Directors.
- 23.4** This represents Finance Against Trust Receipt Facility amounting to Rs. 80 million (2019: Rs. 80 million). The profit rate on this facility is 3 months KIBOR + 1% (2019: Matching tenor KIBOR plus 1%). This is secured by third party mortgage over Company's headoffice situated at Kehkashan Clifton, Karachi valued at Rs. 189 million, ranking charge over plant and machinery of Rs. 200 million and second ranking charge on hypothecated stock and first charge on book debts of Rs. 150 million and personal guarantee of the Directors.

	2020	2019
	----- Rupees -----	
<b>23.5 DEFERMENT OF FATR FACILITIES</b>		
Soneri Bank Limited - FATR - note 23.5.1	79,754,773	-
Habib Bank Limited FATR - note 23.5.2	43,611,307	-
	123,366,080	-
Less: Non-current portion shown under non-current liabilities	(48,927,727)	-
	74,438,353	-

- 23.5.1** On April 1, 2020, the Company entered into an agreement with Soneri Bank Limited to reschedule its FATR facilities whereby principal and interest payment thereon was deferred for a period of six and twelve months respectively. FATR facilities amounting to Rs. 18,785,034 and Rs. 30,142,693 and interest thereon were deferred for a period of six and twelve months respectively. Their final maturity dates after the revision are August 22, 2021 and September 7, 2021 respectively.

The impact of modification on this facility as per the requirements of IFRS 9 is not material, hence, the same has been recorded at fair value of consideration payable under long term financing in non-current liabilities.

- 23.5.2** On April 1, 2020, the Company entered into an agreement with Habib Bank Limited to reschedule its FATR facility whereby principal and interest payment thereon was deferred for a period of six months. The final maturity date after the revision is February 24, 2021.

## 24. CONTINGENCIES AND COMMITMENTS

### Contingencies

The Company has following contingent liabilities in respect of legal and other claims arising in the ordinary course of business.

#### 24.1 Claims subject to legal proceedings

The details of claims by the company which are currently subject to the legal proceedings are detailed below:

- 24.1.1** The Company filed suit no. 151 of 2017 with High Court of Sindh against the increase of higher gas tariff rate from December 30, 2016 by the Sui Southern Gas Company Limited (SSGC). The Honorable High Court passed an interim injunction and ordered to deposit cheques monthly for the price differential amount with the Nazir of Sindh High Court, which amounted to Rs. 100,880,590 for the period from January'17 to June'19. The Company, based on the legal advice of its legal counsel, is confident of a favourable outcome of these applications to the Sindh High Court and, therefore, has not provided for this amount in these financial statements.

#### Name of the court, agency or authority

- High Court of Sindh

#### Principal parties

- Karam Ceramics Limited VS Federation of Pakistan , Oil & Gas Regulatory Authority and Sui Southern Gas Company Limited.

#### Date instituted

- January 19, 2017

- 24.1.2** During the year 2011, the Gas Infrastructure Development Cess (GIDC) was levied at Rs 13 per unit of gas consumption through the Gas Infrastructure Development Cess Act, 2011 (the Act) . The rate was increased to Rs 100 per unit w.e.f. July 2012 whereas subsequently it was reduced to Rs 50 per unit through a notification dated September 7, 2012. The High Court of Sindh through its order dated September 19, 2012, however, has restrained Sui Southern Gas Company Limited (SSGCL), being the company required to charge and collect the cess, from charging cess over and above Rs 13 per unit from the Company. In case of a separate petition on June 13, 2013, the GIDC Act was declared unconstitutional by the Peshawar High Court (PHC) and such judgment was also upheld by the Honorable Supreme Court of Pakistan (SCP) on August 22, 2014.

On September 25, 2014, the Gas Infrastructure Development Cess Ordinance, 2014 (the GIDC Ordinance) was promulgated which levied GIDC at Rs 150 per unit. Section 8 of the Ordinance inter alia states that notwithstanding anything to the contrary contained in any decree of any court, the cess levied under the Act shall be deemed to have been validly levied under the provision of the Ordinance (i.e. retrospective application). The Company filed a petition to invalidate the promulgation of the Ordinance which is pending adjudication. In the meantime on the basis of the Company's application on October 10, 2014, the High Court of Sindh issued a stay order in favour of the Company refraining SSGCL from collecting GIDC under the GIDC Ordinance.

On May 23, 2015, the Gas Infrastructure Development Cess Act, 2015 (the new GIDC Act) was promulgated which levied GIDC at Rs 100 per unit. Section 8 of the new GIDC Act inter alia states that notwithstanding anything to the contrary contained in any decree of any court, the cess levied under the new GIDC Act shall be deemed to have been validly levied under the provision of the new GIDC Act (i.e. retrospective application). The Company filed a petition to invalidate the promulgation of the new GIDC Act which is pending adjudication. On the basis of the Company's application on July 24, 2015, the High Court of Sindh issued a stay order in favour of the Company refraining SSGCL from collecting GIDC under the GIDC Act, 2015.

Subsequent to the reporting date, the Honorable Supreme Court of Pakistan (SCP) issued judgment on August 13, 2020 regarding applicability of Gas Infrastructure Development Cess (GIDC). The Court has ordered that GIDC shall be recovered in 24 equal monthly installments starting from August 1, 2020 without the component of late payment surcharge.

The Company, in this regard, filed Suit No. Nil of 2020 before the Honourable High Court of Sindh challenging the bills issued to the Company by SSGC allegedly in view of the Supreme Court judgement. While presenting arguments before the Honourable High Court of Sindh, reference was made to paragraph 37 and 42 of the Supreme Court Judgement whereby the Company has never collected GIDC from its clients / customers and have not even passed GIDC to their clients / customers.

The High Court of Sindh passed an order granting an ad-interim injunction restraining SSGC from taking any coercive action against the Company for non-payment of any bills showing arrears.

Further, the Company is considering filing a review petition with the SCP in due course of time. The Company, based on the legal advice of its legal counsel, is confident of a favourable outcome and, therefore, has not provided for GIDC amount in these financial statements.

**Name of the court, agency or authority:**

- High Court of Sindh

**Principal parties**

- Karam Ceramics Limited VS Federation of Pakistan, Oil & Gas Regulatory Authority and Southern Gas Company Limited.

**Date instituted**

- October 10, 2014
- July 24, 2015
- August 30, 2020

**24.1.3** Through amendment order passed under section 122 (1) of the Income Tax Ordinance, 2001; the Company's return of total income for Tax Year 2018 was amended and taxable income was assessed at Rs. 60,029,594 against declared income of Rs. 56,032,053 before Workers Welfare Fund, however no tax liability emerged due to availability of income tax refunds. The Company preferred an appeal filed on March 2020 before Commissioner Inland Revenue (Appeals - 1), Karachi. Order against this appeal is yet to be issued. The Company's management and legal advisor feel that there are strong grounds to defend the Company's stance and the liability will not materialize, hence, no adjustment has been made in these financial statements.

**Name of the court, agency or authority:**

- Commissioner Inland Revenue (Appeals-1)

**Principal parties**

- Karam Ceramics Limited VS Federal Board of Revenue.

**Date insituted**

- March 12, 2020

**24.2 Commitments**

Letters of credit other than for capital expenditure amount to Rs.30,712,576 (2019: Rs.52,991,328).

	2020	2019
	----- Rupees -----	
<b>25. REVENUE</b>		
Gross local sales	1,112,712,469	1,752,071,011
Less: Sales tax	(185,699,447)	(312,776,767)
	927,013,022	1,439,294,244
<b>26. COST OF SALES</b>		
Raw materials consumed		
Opening stock	201,952,962	190,447,689
Purchases	332,763,663	448,312,598
Closing stock	(246,106,118)	(201,952,962)
	288,610,507	436,807,325
<b>Manufacturing expenses</b>		
Fuel, power and water	441,667,150	500,671,449
Salaries, wages and benefits - note 26.1	128,953,723	146,008,616
Stores and spare parts consumed	4,110,076	7,926,392
Packing material consumed	37,768,722	24,221,420
Repairs and maintenance	44,448,775	32,068,454
Depreciation - note 5.1 and 6.1	100,922,441	80,414,203
Director's remuneration	3,900,000	3,900,000
Insurance	5,069,347	5,483,130
Vehicles running and maintenance	341,316	463,856
Others - note 26.2	13,029,117	15,097,623
	780,210,667	816,255,143
Opening work in process	6,403,232	7,143,665
Closing work in process - note 9	(11,443,820)	(6,403,232)
Cost of goods manufactured	1,063,780,586	1,253,802,901
Opening stock of finish goods	91,672,892	89,687,575
Closing stock of finished goods - note 9	(161,697,294)	(91,672,892)
	993,756,184	1,251,817,584

- 26.1 This includes Rs. 16,560,264 (2019: Rs. 11,700,421) in respect of staff retirement benefits.
- 26.2 Expense in respect of short term leases of generator amounted to Rs. 9,171,501 (2019: Rs. 11,631,252).

	2020	2019
	----- Rupees -----	
<b>27. SELLING AND DISTRIBUTION EXPENSES</b>		
Salaries, wages and benefits - note 27.1	6,274,094	6,264,771
Freight charges	1,521,163	27,409,367
Rent, rates and taxes	242,930	162,452
Fuel, power and water	481,855	562,595
Postage, telegraph and telephone charges	237,164	281,662
Printing and stationery	27,134	45,560
Vehicles running and maintenance	863,567	936,410
Repairs and maintenance	146,794	1,392,148
Travelling and conveyance	270,421	315,650
Entertainment	297,725	226,831
Advertisement expenses	545,743	225,155
Insurance	238,601	257,400
Depreciation - note 5.1	604,194	481,296
	<b>11,751,385</b>	<b>38,561,297</b>

- 27.1 This includes Rs. 363,962 (2019: Rs. 257,152) in respect of staff retirement benefits.

**28. ADMINISTRATIVE EXPENSES**

Salaries, wages and benefits - note 28.1	11,306,554	9,843,471
Director's remuneration	3,900,000	3,900,000
Fees and subscription	1,546,647	1,283,108
Rent, rates and taxes - note 28.2	1,772,552	1,592,500
Fuel, power and water	1,383,072	1,235,379
Postage, telegraph and telephone charges	476,369	634,410
Printing and stationery	163,302	219,599
Vehicles running and maintenance	307,774	201,374
Repairs and maintenance	207,379	262,581
Travelling and conveyance	448,040	795,590
Entertainment	59,202	13,852
Legal and professional charges	902,720	629,768
Insurance	1,552,229	957,601
Insurance claim written off	-	12,450,000
Depreciation - note 5.1 and 6.1	649,317	517,492
	<b>24,675,157</b>	<b>34,536,725</b>

- 28.1 This includes Rs. 1,273,865 (2019: Rs. 900,031) in respect of staff retirement benefits.
- 28.2 Expense in respect of short term lease of headoffice premises amounted to Rs. 1,700,688 (2019: Rs. 1,546,080).

	2020	2019
	----- Rupees -----	
<b>29. OTHER EXPENSES</b>		
Auditor's remuneration - note 29.1	818,980	743,000
Worker profit participation fund	-	2,814,565
Worker welfare fund	-	1,979,347
Donations - note 29.2	10,000	500,000
	828,980	6,036,912
<b>29.1 Auditor's remuneration</b>		
<b>Audit services</b>		
Audit fee	577,500	525,000
Fee for review of half yearly financial information	66,000	60,000
Out of pocket expenses	70,000	35,600
<b>Non-audit services</b>		
Statutory Certifications	50,000	70,000
Others	55,480	52,400
	818,980	743,000
<b>29.2</b> None of the Directors or their spouse have any interest in the donees.		
<b>30. OTHER INCOME</b>		
<b>Income from financial assets</b>		
Remission of trade creditors	-	4,476,381
Present value adjustment on modification of interest free loan from directors	85,869,830	-
Amortisation of government grant - note 18	349,877	-
	86,219,707	4,476,381
<b>Income from non-financial assets</b>		
Exchange gain	3,808,128	-
Gain on disposal of items of property, plant and equipment	205,443	488,406
	90,233,278	4,964,787
<b>31. FINANCE COST</b>		
Mark-up on:		
Short term borrowings	27,456,989	1,201,179
Lease liabilities	127,638	214,795
Refinance scheme	388,286	-
Term Finance	18,397,308	24,266,275
Unwinding of loans recorded at amortized cost	181,675	-
	46,551,896	25,682,249
Interest on directors' loan - note 31.1	33,095,570	12,173,564
Bank charges	1,415,972	1,610,639
Interest on workers' profit participation fund	220,632	59,794
Exchange loss	-	22,282,878
	81,284,070	61,809,124

**31.1** This includes reversal of imputed interest income on Directors' interest free loan to the Company amounting to Rs. 10,102,719 (2019: Rs. 7,736,708).

	2020	2019
	----- Rupees -----	
<b>32. TAXATION</b>		
Current - note 32.1	12,648,530	24,729,373
Deferred	(62,198,373)	886,710
Prior year	(1,725,929)	(2,996,634)
	(51,275,772)	22,619,449

**32.1** Current tax for the year ended June 30, 2020 represents minimum tax at the rate of 1.50% of the turnover in accordance with section 113 of the Income Tax Ordinance, 2001.

**32.2** As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

	2019	2018	2017
Provision for taxation	24,729,373	9,135,413	-
Tax assessed	23,003,444	8,627,572	-

	2020	2019
	----- Rupees -----	
<b>32.3 Tax expense / (income) on items recognized in other comprehensive income</b>		
Revaluation of property, plant and equipment	-	(77,198,615)
Remeasurement of defined benefit liability	(2,101,136)	117,037
	(2,101,136)	(77,081,578)
Relationship between tax expenses and accounting profit		
(Loss) / profit before taxation	(95,049,476)	51,497,389
Tax at the applicable rate of 29%	(27,564,348)	14,934,243
Tax effect of permanent differences	(21,972,462)	5,854,145
Effect of prior tax	(1,725,929)	(2,996,634)
Others	(13,033)	4,827,695
	(51,275,772)	22,619,449

**33. LOSS / EARNINGS PER SHARE - BASIC AND DILUTED**

(Loss) / profit after taxation attributable to ordinary shareholders	(43,773,704)	28,877,940
Weighted average number of shares	14,548,676	14,548,676
(Loss) / earnings per share (Rupees) - basic and diluted	(3.01)	1.98

**33.1** There is no dilutive effect on the basic (loss) / profit per share of the Company.

### 34. TRANSACTIONS WITH RELATED PARTIES

The following transactions were carried out with related parties during the year, in addition to remuneration of chief executive and directors whose details have been separately disclosed in note 35.

Related party	Relationship	Nature of transactions	2020	2019
			----- Rupees -----	
Kulsoom Sohailia	Associates	Rent expenses	1,700,688	1,405,536
Directors	Associated persons	Loan (paid) / received - net	150,746,927	(22,570,000)
Directors	Associated persons	Interest on loan	22,992,851	6,446,627
Directors	Associated persons	Notional interest on loan	10,102,719	8,201,208
Directors	Associated persons	Loan modification as per IFRS-9	85,869,830	-
Director	Associated persons	Remuneration and allowances	8,001,987	8,564,603
Directors & close family members	Associated persons	Dividend paid	6,789,099	10,862,559

The related party status of outstanding balances is included in long term financing from directors, markup accrued on loans from directors and accrued expenses.

### 35. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTOR

The aggregate amounts charged in the financial statements of the year for remuneration including all benefits to chief executive and director of the Company are as follows:

	Chief Executive		Director		Executives		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Managerial remuneration and allowances	2,667,619	3,089,581	2,566,626	2,707,280	1,110,000	-	6,344,245	5,796,861
House rent	1,132,258	1,132,258	1,132,258	1,132,258	-	-	2,264,516	2,264,516
Utilities	251,613	251,613	251,613	251,613	-	-	503,226	503,226
Bonus	-	-	-	-	-	-	-	-
	<b>4,051,490</b>	<b>4,473,452</b>	<b>3,950,497</b>	<b>4,091,151</b>	<b>1,110,000</b>	<b>-</b>	<b>9,111,987</b>	<b>8,564,603</b>
Number of persons	1	1	1	1	1	-	3	2

35.1 The Chief Executive and Director of the Company are also provided with free use of Company maintained cars in accordance with their terms of employment.

35.2 No remuneration has been paid in current and preceding year to non-executive directors of the Company.

	2020	2019
<b>36. PLANT CAPACITY AND PRODUCTION</b>	<b>Square Meters</b>	
Installed Capacity	6,480,000	6,480,000
Actual Production	1,801,148	2,667,607
<b>36.1</b> Difference is due to the current supply / demand situation in the market.		
	<b>2020</b>	<b>2019</b>
<b>37. NUMBER OF EMPLOYEES</b>	<b>Number</b>	
Total employees of the Company at the year end	335	382
Average employees of the Company at the year end	359	409
Employees working in the Company's factory at the year end	314	359
Average employees working in the Company's factory at the year end	337	383
	<b>2020</b>	<b>2019</b>
<b>38. CASH AND CASH EQUIVALENTS</b>	<b>----- Rupees -----</b>	
Cash and bank balances	15,807,906	5,819,737
Short term borrowings from banks-secured	(168,187,625)	(91,861,471)
	(152,379,719)	(86,041,734)
<b>39. FINANCIAL INSTRUMENTS BY CATEGORY</b>		
<b>FINANCIAL ASSETS</b>		
<b>At amortized cost</b>		
Long term deposits	897,038	897,038
Trade debts	101,449,135	22,244,347
Loans to employees	73,100	259,050
Short term deposits and other receivables	255,249	430,327
Bank balance	15,554,114	5,752,356
	118,228,636	29,583,118
<b>FINANCIAL LIABILITIES</b>		
<b>At amortized cost</b>		
Long term finance	490,649,216	413,533,779
Post employment benefits	105,048,731	99,988,922
Lease liabilities	1,123,529	1,468,704
Trade and other liabilities	111,670,337	152,864,003
Accrued markup on loans	34,653,652	11,280,044
Short term borrowings	258,978,407	91,861,471
Unclaimed dividend	513,191	463,360
Dividend payable	6,225,120	5,144,458
	1,008,862,183	776,604,741

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## 40. FINANCIAL RISK MANAGEMENT

### 40.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, other market price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

The Company's overall risk management procedures, to minimize the potential adverse effects of financial market on the Company's performance, are as follows:

#### (a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, interest rate, commodity price and equity price that will affect the Company's income or the value of its holdings of financial instruments.

#### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to United States Dollar (USD) and Euro (EUR). Currently, the Company's foreign exchange risk exposure is restricted to the amounts payable to foreign entities and foreign currency bank balances.

At June 30, 2020, if the Rupee had weakened / strengthened by 5% against the US dollar and Euro with all other variables held constant, pre-tax profit for the year would have been Rs. 390,328 (2019: Rs. 3,559,473) lower / higher, mainly as a result of foreign exchange losses / gains on translation of US dollar and Euro-denominated financial assets and liabilities.

#### (ii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Company has no significant floating interest rate assets, the Company's income is substantially independent of changes in market interest rates. The Company's interest rate risk arises from short term borrowings and long term financings. These financing, issued at variable rates, expose the Company to cash flow interest rate risk. The Company analyses its interest rate exposure on a dynamic basis taking into consideration refinancing, renewal of existing positions and alternative financing.

### Cash flow sensitivity analysis for variable rate instruments

If interest rates at the reporting date fluctuate by 10% higher / lower with all other variables held constant, profit before tax for the year would have been Rs. 67,269,292 (2019: Rs. 35,277,273) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at the reporting date are outstanding for the entire year.

#### (iii) Other market

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is not exposed to any market price risk.

#### (b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure.

Credit risk of the Company arises from deposits with banks, long term deposits, short term deposits, trade receivables and other receivables. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilization of credit limits is regularly monitored. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings, if any. Carrying values of financial assets exposed to credit risk, which are neither past due nor impaired are as under:

	2020	2019
	----- Rupees -----	
Long term deposits	897,038	897,038
Trade debts	101,449,135	22,244,347
Loans to employees	73,100	1,849,737
Short term deposits	255,249	430,327
Bank balances	<u>15,807,906</u>	<u>5,819,737</u>
	<u>118,482,428</u>	<u>31,241,186</u>

The aging of receivables as at reporting date is as follows:

Neither past due nor impaired	75,232,139	10,767,417
Past due but not impaired		
1 - 30 days	8,063,379	6,192,049
31 - 90 days	6,155,755	4,195,041
More than 90 days	<u>11,997,862</u>	<u>1,089,840</u>
	<u>101,449,135</u>	<u>22,244,347</u>

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and trade receivables are subject to specific credit ceilings based on customer credit history.

The management estimates the recoverability of trade receivables on the basis of financial position and past history of its customers based on the objective evidence that it shall not receive the amount due from the particular customer. The provision is written off by the Company when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amounts written off are credited directly to the statement of profit or loss.

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating			2020	2019
	Short term	Long term	Rating Agency	----- Rupees -----	-----
Soneri Bank Limited	A1+	AA-	PACRA	3,688,442	2,239,547
Muslim Commercial Bank	A1+	AAA	PACRA	393,998	482,318
Habib Metropolitan Bank	A1+	AA+	PACRA	6,741,941	261,458
JS Bank Ltd	A1+	AA-	PACRA	7,821	37,102
Alfalah Bank Ltd.	A1+	AA+	PACRA	156,446	406,480
Faysal Bank Limited	A1+	AA+	PACRA	1,193,225	1,748,569
Habib Bank Limited	A1+	AAA	JCR-VIS	2,068	(4,266)
Allied Bank Limited	A1+	AAA	PACRA	3,370,173	581,148
				<u>15,554,114</u>	<u>5,752,356</u>

**(c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected cash outflows during its operating cycle, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company monitors rolling forecasts of the liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows. In addition, the Company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities and maintaining debt financing plans. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date, to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows and also include the impact of estimated future interest payments.

Description	Carrying amount Rupees	Contractual cash flows Rupees	Within one year Rupees	After one year Rupees
<b>Contractual maturities of financial liabilities as at June 30, 2020:</b>				
Long term financing	490,649,216	569,214,510	19,520,608	471,128,608
Post employment benefits	105,048,731	105,048,731	-	105,048,731
Lease liabilities	1,123,529	1,123,529	331,282	792,247
Trade and other payables [trade creditors and accrued expenses]	111,670,337	111,670,337	-	111,670,337
Short term borrowings	258,978,407	258,978,407	-	258,978,407
Markup accrued on loans	34,653,652	34,653,652	-	34,653,652
Unclaimed dividend	513,191	513,191	-	513,191
Dividend payable	6,225,120	6,225,120	-	6,225,120
	<u>1,008,862,183</u>	<u>1,087,427,477</u>	<u>19,851,890</u>	<u>989,010,293</u>

Description	Carrying amount Rupees	Contractual cash flows Rupees	Within one year Rupees	After one year Rupees
<b>Contractual maturities of financial liabilities as at June 30, 2019:</b>				
Long term financing	413,533,779	416,391,183	101,349,857	312,183,922
Post employment benefits	99,988,922	99,988,922	-	99,988,922
Lease liabilities	1,468,704	1,468,704	297,327	1,171,377
Trade and other payables [trade creditors and accrued expenses]	152,864,003	152,864,003	-	152,864,003
Short term borrowings	91,861,471	91,861,471	-	91,861,471
Markup accrued on loans	11,280,044	11,280,044	-	11,280,044
Unclaimed dividend	463,360	463,360	-	463,360
Dividend payable	5,144,458	5,144,458	-	5,144,458
	<u>776,604,741</u>	<u>779,462,145</u>	<u>101,647,184</u>	<u>674,957,557</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at the reporting date. The rates of interest / mark up have been disclosed in relevant notes to these financial statements.

**(d) 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.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. Fair value is determined on the basis of objective evidence at each reporting date. The carrying values of financial assets and financial liabilities approximate their fair values.

#### 41. CAPITAL RISK MANAGEMENT

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

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

	2020	2019
	----- Rupees -----	
Total borrowings	749,627,623	505,395,250
Cash and bank - note 14	(15,807,906)	(5,819,737)
Net debt	733,819,717	499,575,513
Equity	579,640,921	625,544,802
Total capital	<u>1,313,460,638</u>	<u>1,125,120,315</u>
Debt to capital ratio	56%	44%

#### 42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	As at June 30, 2019	Non-cash changes	Cash Flows	As at June 30, 2020
	----- Rupees -----			
Long term financing	413,533,779	(75,707,890)	152,823,327	490,649,216
Lease liabilities	1,468,704	127,638	(472,813)	1,123,529
Short term borrowings	91,861,471	-	167,116,936	258,978,407
	<u>506,863,954</u>	<u>(75,580,252)</u>	<u>319,467,450</u>	<u>750,751,152</u>

#### 43. IMPACT OF COVID-19

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On March 20, 2020, the Government of the Sindh announced a temporary lock down as a measure to reduce the spread of the COVID-19. Complying with the lockdown, the Company temporarily suspended its operations from March 23, 2020. In the Company's case, the lockdown was subsequently relaxed from end of May, 2020.

After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company henceforth resumed its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity. The lockdown has caused disruptions in supply chain including supply to the customers resulting in a decline in sales. However, after the lockdown, there's been a steady increase in the overall economic activity due to increase in construction projects as a result of relief packages announced by the Government of Pakistan. Accordingly, the company forecasts an increase in turnover of the next reporting period which also goes on to support the going-concern assumption of the Company accompanied with positive cashflows due to maturity dates of various financing activities approaching in the next two reporting periods which will significantly reduce future finance cost.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these financial statements.

**44. CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and to reflect the substance of the transactions.

**45. GENERAL**

46. These financial statements were authorized for issue on 25 September, 2020 by the Board of Directors of the Company.

  
Chief Executive

  
Chief Financial Officer

  
Director

## PATTERN OF SHAREHOLDING AS AT 30 JUNE 2020

No. of Shareholders	Having Shares		Shares Held	Percentage
	From	To		
177	1	100	1715	0.0118
92	101	500	41594	0.2859
18	501	1000	14928	0.1026
28	1001	5000	73799	0.5073
8	5001	10000	62443	0.4292
3	10001	15000	36612	0.2517
1	25001	30000	27244	0.1873
1	30001	35000	32751	0.2251
2	35001	40000	74000	0.5086
1	75001	80000	80000	0.5499
1	215001	220000	219500	1.5087
1	310001	315000	312360	2.1470
1	360001	365000	363000	2.4951
1	435001	440000	435812	2.9955
1	730001	735000	732920	5.0377
3	735001	740000	2207760	15.1750
3	980001	985000	2942678	20.2264
1	1350001	1355000	1354263	9.3085
1	1630001	1635000	1631623	11.2149
2	1950001	1955000	3903674	26.8318
<b>346</b>	<b>Company Total</b>		<b>14548676</b>	<b>100.0000</b>

## TOTAL OUT STANDING SHARES AS AT 30 JUNE 2020 CATEGORIES OF SHAREHOLDERS

Serial No	Name	<--Shares Held in Physical Form -->		<--- Shares Held in CDC --->		<---- Total Shareholding ---->		% Holding
		No of Shareholders	Shares Held	No of Shareholders	Shares Held	No of Shareholders	Shares Held	
01	PROMOTORS/DIRECTORS/ACQUIRERS	12	9,826,757	6	3,096,130	18	13,363,699	91.8551
02	PERSONS/BODIES WITH "CONTROLLING INTEREST"	0	0	0	0	0	0	0.0000
03	GOVERNMENT HOLDING AS PEROMOTOR/ACQUIRER	0	0	0	0	0	0	0.0000
04	ASSOCIATED/GROUP COMPANIES (CROSS-HOLDING)	0	0	0	0	0	0	0.0000
05	SHARES THAT COULD NOT BE SOLD IN THE OPEN MARKET, IN NORMAL	0	0	0	0	0	0	0.0000
06	SHARE HELD WITH GENERAL PUBLE	77	296,749	251	888,228	328	1,184,977	8.1449
	Total	89	10,123,506	257	3,984,358	346	14,548,676	100.0000

## CATEGORY OF SHARE HOLDERS AS AT 30 JUNE 2020

Folio No	Name	Code	Balance Held	Percentage
000000000002	MR. IRSHAD ALI S. KASSIM	001	1951838	13.4159
000000000003	MR. MUNAWAR ALI S. KASSIM	001	1951836	13.4159
000000000004	MRS .MARIAM SHABAN ALI	001	10612	0.0729
000000000005	MRS. SHAHEEN A. REHMAN	001	10000	0.0687
000000000006	MRS. SAKIN NOORALLAH	001	10000	0.0687
000000000734	MR. SHAHNAWAZ NOOR ALI A.MADHANI	001	435812	2.9955
000000000831	MISS. ALIZA KASSIM	001	981226	6.7444
000000000838	MISS. ALISHBA IRSHAD ALI	001	981226	6.7444
000000000861	MISS. ANUSHKA KASSIM	001	980226	6.7376
000000000862	MISS MANEEZA	001	732920	5.0377
000000000863	MISS MANISHA KASSIM	001	735920	5.0583
000000000864	MISS MYRA KASSIM	001	735920	5.0583
000000000865	MISS NATALIA KASSIM	001	735920	5.0583
000000000871	IRSHAD ALI SHABAN ALI KASSIM	001	9113	0.0626
000364017317	SHAHID AHMAD	001	5000	0.0344
003277064848	IRSHAD ALI SHABAN ALI KASSIM	001	1354263	9.3085
003277064857	MUNWAR ALI KASSIM	001	1631623	11.2149
003277064868	ALIZA KASSIM	001	27244	0.1873
003277072006	MANEEZA KASSIM	001	3000	0.0206
003277086457	MARIAM SHABAN ALI	001	80000	0.5499
003889000028	NATIONAL BANK OF PAKISTAN	004	202	0.0014
007393000024	SUMMIT BANK LIMITED	004	312360	2.1470
000000000773	GULF INSURANCE COMPANY LTD.	005	1500	0.0103
003277078335	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	010	32751	0.2251
003277082127	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	010	1149	0.0079
005736000015	NCC - PRE SETTLEMENT DELIVERY ACCOUNT	010	500	0.0034
006445000028	DARSON SECURITES (PVT) LIMITED	010	1	0.0000
012732008027	AKIK CAPITAL (PRIVATE) LIMITE	010	363000	2.4951

## CATEGORIES OF SHAREHOLDERS AS AT 30 JUNE 2020

Particulars	No. of Folio	Balance Share	Percentage
DIRECATORS,CEO & CHILDREN	20	13363699	91.8551
BANKS,DFI & NBFI	2	312562	2.1484
INSURANCE COMPANIES	1	1500	0.0103
GENERAL PUBLIC (LOCAL)	317	473513	3.2547
GENERAL PUBLIC (FOREIGN)	1	1	0.0000
OTHERS	5	397401	2.7315
<b>Company Total</b>	<b>346</b>	<b>14548676</b>	<b>100.0000</b>



## 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 41st Annual General Meeting of the Company to be held on Friday,  
November 27, 2020 at 4:30 pm Company's Registered Office situated at BC-6, Block-5,  
Scheme-5, Kehkashan, Clifton , Karachi.

### WITNESS:

(1) Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

NIC or Passport No. \_\_\_\_\_

2) Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

NIC or Passport No. \_\_\_\_\_

Dated \_\_\_\_\_

Signature on  
Rupees Five  
Revenue Stamp

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

### Important:

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

## پراکسی فارم

میں/ہم \_\_\_\_\_

بطور ممبر کرم سیراکس لمیٹڈ اور عارضی شیئرز \_\_\_\_\_ رجسٹرڈ فولیو نمبر \_\_\_\_\_ اپنی جانب سے جناب \_\_\_\_\_ کا تقرر کرتا ہوں جو کہ کرم سیراکس لمیٹڈ رجسٹرڈ فولیو نمبر کے تحت ممبر ہیں اور میرے نمائندے کے طور پر کمپنی کی 41 ویں سالانہ جنرل میٹنگ میں شرکت کر کے ووٹ دے سکتے ہیں جس کا انعقاد بروز جمعہ 27 نومبر 2020ء کو شام 4:30 بجے کمپنی کے رجسٹرڈ آفس واقع BC-6، بلاک 5، اسکیم نمبر 5، کہکشاں کلفٹن کراچی میں ہوگا۔

گواہ:

(پانچ روپے والے ریونیو اسٹیپ  
پر دستخط)

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

نام: \_\_\_\_\_

دستخط: \_\_\_\_\_

پتہ: \_\_\_\_\_

شناختی کارڈ/ پاسپورٹ نمبر: \_\_\_\_\_

نام: \_\_\_\_\_

دستخط: \_\_\_\_\_

پتہ: \_\_\_\_\_

شناختی کارڈ/ پاسپورٹ نمبر: \_\_\_\_\_

مورخہ: \_\_\_\_\_

نوٹ:

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



Dear Shareholder(s)

Dated:

**MANDATORY PAYMENT OF DIVIDEND THROUGH ELECTRONIC MODE**

In pursuance of Section 242 of the recently promulgated Companies Act, 2017, it is now mandatory for all listed companies to pay dividend only by way of electronic mode, directly into the bank accounts of entitled shareholders.

Keeping in view the same, all cash dividend, if declared by the Company in future will be directly transferred in bank account, In order to enable us to follow the directives of the regulators in regard to payment of dividend only through electronic mode, you are requested to please provide/ update your bank account details in below mentioned format.

1. I hereby authorize Karam Ceramics Limited to directly credit cash dividend declared by it, if any, in the below mentioned bank account.

**Bank Account Details of Transfer for Cash Dividend**

\*( Mandatory to provide)

<i>i) Shareholder's Detail</i>	
Name of Company	
Name of Share holder	
Folio No. / CDC Participants ID A/c No.	
CNIC No*	
Passport No ,( in case of foreign Shareholder )**	
Land Line Phone Number	
Cell Number	

<i>ii) Shareholder's Bank detail</i>	
Title of Bank Account	
International Bank Account Number (IBAN)	PK
<b>Mandatory</b>	
Bank's Name	
Branch Name And Address	

2. It is stated that the above-mentioned information is correct, that I will intimate the changes in the above mentioned information to the above addresses as soon as these occur.

\_\_\_\_\_  
(signature of shareholder)

**KINDLY NOTE: COMPANY MAY WITHHOLD THE PAYMENT OF DIVIDEND OF A MEMBER WHERE THE MEMBER HAS NOT PROVIDED THE COMPLETE INFORMATION OR DOCUMENTS AS SPECIFIED,**

The shareholders who hold share in Central Depository Company are requested to submit the above mentioned dividend mandate form after duly filed in to their participants/ investor account services of the central depository company limited.

The shareholder who hold shares in physical form are requested to submit the above-mentioned dividend mandate form after duly filled in to Company's registrar office, as mentioned below:

**M/s THK Associates (Pvt.) Limited**

1th Floor, 40-C, Block 6,  
P.E.C.H.S, Karachi-75400

For any query, you may please contact on Tel # 021-111-000-322 or email at [sfc@thk.com.pk](mailto:sfc@thk.com.pk)  
Thanking you.

**Manzoor Ali Natha**  
(Company Secretary)  
Karam Ceramics Limited

Note : This is a computer generated letter and does not require signature.

\*Please attach attested photocopy of CNIC

\*\* please attach attested photocopy of the Passport



