



KARAM CERAMICS LIMITED

2023 ANNUAL REPORT



www.karamceramics.com

44th ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2023

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COMPANY INFORMATION

BOARD OF DIRECTORS

| | |
|--------------------------------------|------------------------------------|
| Mrs. Suraiya Nasir | Chairperson |
| Mr. Syed Mazhar Ali Nasir | Chief Executive Officer |
| Mr. Syed Azhar Ali Nasir | Non-Executive Director |
| Mr. Syed Azfar Ali Nasir | Non-Executive Director |
| Lt. General (Rtd) Tariq Waseem Ghazi | Independent Non-Executive Director |
| Mr. Alireza M. Alladin | Executive Director |
| Mr. Shuja Ahmed Alvi | Independent Non-Executive Director |
| Mr. Syed Naqui Raza | Chief Financial officer |
| Mr. Manzoor Ali Natha | Company Secretary |

AUDIT COMMITTEE

| | |
|--------------------------------------|----------|
| Mr. Shuja Ahmed Alvi | Chairman |
| Lt. General (Rtd) Tariq Waseem Ghazi | Member |
| Syed Azhar Ali Nasir | Member |

HUMAN RESOURCES & REMUNERATION COMMITTEE

| | |
|--------------------------------------|----------|
| Mr. Shuja Ahmed Alvi | Chairman |
| Lt. General (Rtd) Tariq Waseem Ghazi | Member |
| Mr. Syed Azfar Ali Nasir | Member |

BANKERS

Soneri Bank Limited
Habib Bank Limited
JS Bank Limited
MCB Bank Limited
Habib Metropolitan Bank Limited
Habib Mertropolitan Islamic Banking Branch
Faysal Bank Limited
Allied Bank Limited
Bank Alfalah Limited
Meezan Bank Limited
MCB Islmic Banking

AUDITORS / REGISTRAR AND SHARE TRANSFER OFFICE

Crowe Hussain Choudhury & Co
Chartered Accountants
F-4/2, Mustafa Avenue, Behind "The Forum"
Block 9, Clifton, Karachi
Tel: +92-21-35877806 - 10

T. H. K. Associates (Private) Limited
Plot No. 32-C, Jami Commercial Street2,
D.H.A Phase VII Karachi-75500

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

HEAD OFFICE

A-31, Sindhi Muslim Cooperative Housing Society, Karachi-75400.
(Ph # 021-34555512-13)

FACTORY

295/311, Deh Halkani, Hub Dam Road, Karachi

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 44th Annual General Meeting ("AGM") of Karam Ceramics Limited (the 'Company') will be held on Friday 27th October 2023, at 3.00 P.M, at the Registered Office of the Company

To transact the following business:

1. To Confirm the minutes of the 43rd Annual General Meeting held on 26th November 2022.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2023, together with the Directors' and Auditors' reports thereon.
3. To appoint External Auditor of the Company for the year ending June 30, 2024 and fix their remuneration. The present auditor's M/s Crowe Hussain Chaudhury & Co. Chartered Accountants, retire and being eligible have offered themselves for reappointment.

Special Business:

4. To consider and approve increase in authorized capital and subsequent amendment in the Memorandum and Articles of Association of the Company. As recommended by the Board of Directors.

In order to give effect to the aforesaid, if thought fit, pass with or without modification(s) the following resolutions as Special Resolution:

- 4.1 **RESOLVED** "the authorized capital of the Company be and is hereby increased from Rs. 150,000,000/- (Rupees one hundred fifty million only) to Rs. 450,000,000/- (Rupees four hundred fifty million only) by creation of 30,000,000 (thirty million) new ordinary shares of Rs. 10/- each"
- 4.2 **FURTHER RESOLVED** "that the Memorandum and Articles of Association of the Company be and hereby altered by substituting the figures and words of Rs. 150,000,000/- (Rupees one fifty million only) divided into 15,000,000 (fifteen million) ordinary shares of Rs. 10/- each appearing in clause V of the Memorandum and Articles 2 of Articles of Association with the words and figures of Rs. 450,000,000/- (Rupees Four hundred and fifty million only) divided in to 45,000,000(forty five million) ordinary shares of Rs. 10/- each."
- 4.3 **FURTHER RESOLVED** "that the ordinary shares when issued shall carry equal voting rights and rank Pari passu with the existing ordinary shares of the Company in all respect / matters in conformity with the provisions of the Companies Act, 2017."
- 4.4 **FURTHER RESLOVED** "that the Chief Executive Officer and Company Secretary be and are hereby authorized singly to do all acts, deeds and things., take any or all necessary actions to complete all legal formalities and to file requisite documents with the Registrar to effectuate and implement the aforesaid resolutions."

5. To consider and, if thought fit, pass, with or without modification(s), the following resolution to enable and authorize the Company to circulate the Annual Report (including the audited financial statements, Auditors' report, Directors' report, Chairman's review report) to the members of the Company through QR enabled code and weblink, in accordance with Section 223(6) of the Act read with S.R.O. 389(I)/2023 dated March 21, 2023, instead of old technology which has become obsolete for transmission through CD/DVD/USB.

"RESOLVED THAT the Company be and is hereby authorized to circulate its annual report, including annual audited financial statements, Auditors' report, Directors' report, Chairman's review report and other reports contained therein, to the members of the Company through QR enabled code and weblink, in accordance with S.R.O. 389(I)/2023 issued by the Securities and Exchange Commission of Pakistan, and that the practice of circulation of the annual report through CD / USB be discontinued.

A statement under Section 134(3) of the Companies Act, 2017 pertaining to the Special Business referred to above is annexed to this Notice of Meeting.

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

Karachi
October 06, 2023.

By Order of the Board

Manzoor Ali Natha
Company Secretary

Notes :

1. Closure of Share Transfer Books.

The Share transfer book of the company will remain closed from October 20, 2023 to October 27, 2023 (both days inclusive). The transfers received at Company's Share Registrar Namely M/s THK Associates (Pvt) Ltd. Plot No. 32-C, Jami Commercial Street 2, D.H.A Phase VII Karachi-75500 before the close of business on October 18, 2023 will be considered in time for determination of entitlement of shareholders to attend and vote at the meeting.

2. Participation in General Meeting

A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote on his / her behalf. In case of a corporate entity, being a member, may appoint as its proxy any of its officials or any other person, through Board Resolution / Power of Attorney.

The instrument appointing proxy must be received at the Registered Office of the Company or at the office of our Share Registrar or through email at manzooralikaram@gmail.com not less than 48 hours before the time of the meeting. A proxy form is attached in the last portion of the Annual Report

3. Guideline to the general Meeting for CDC Account Holders.

CDC Account Holders will have to follow the guidelines below as laid down in Circular 1 dated. January 6, 2000 issued by the Securities and Exchange Commission of Pakistan.

For Attending the Meeting

- a) In case of individual, the account holder or sub-account holder whose securities and their registration details are up-loaded as per the CDC Regulations, shall authenticate his / her identity by showing his/ her Original Computerized National Identity Card ("CNIC") or original passport at the time of attending the general meeting.
- b) In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature and attested copy of valid CNIC of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

For appointing Proxies

- a) In case of individual, the account holder or sub-account holder whose securities and their registration details are up-loaded as per the CDC Regulations, shall submit the proxy form as per above requirement.
- b) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- c) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- d) The Proxy shall produce his / her original CNIC or original passport at the time of the meeting.
- e) In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature and an attested copy of valid CNIC of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted along with proxy form to the Company.

4. Change of Address

- . Members are requested to immediately inform the Company's Share Registrar of any change in their mailing address.

5. Submission of Computerized National Identity Card (CNIC) or National Tax Number (NTN) or Passport

The Shareholders are informed that as per Sub Clause 9 (i) of Regulation 4 of Companies (Distribution of Dividends) Regulations, 2017 the identification of the registered shareholder or its authorized person should be made available with the Company. Therefore, it is requested that shareholders must provide copy of their valid CNIC (in case of individual) or NTN (in case of other than individual) or Passport (in case of foreign individual) along with their folio number by mail or email to the Company Secretary or Share Registrar, unless it has been provided earlier.

6. E-Dividend

As per Section 242 of the Companies Act, 2017 it is mandatory for the public listed companies to pay cash dividend to its shareholders only through electronic mode, directly into bank account designated by the entitled shareholders. Therefore, all shareholders are requested to provide their valid bank account details (if it is not provided earlier) in the "Dividend Mandate Form", attached in the last portion of this report at the earliest, Shareholders maintaining shareholding under Central Depository System (CDS) are advised to submit their bank mandate information directly to the relevant participant / CDC Investor Account Service.

7. Unclaimed Dividend

As per Section 244 of the Companies Act, 2017 any dividend and / or share certificate which are remained unclaimed or unpaid for the period three years from the date these have become due and payable, the Company shall be liable to deposit these unclaimed / unpaid amounts with the Federal Government as per the directives to be issued by SECP from time to time.

8. Annual Audited Accounts through E-mail

Transmission of Annual Financial Statements through Email: In pursuance of the directions given by SECP, those members who desire to receive Annual Financial Statements in future through email instead of receiving the same by post are advised to give their formal consent along with their valid email address on a Standard Request Form which is available at the Company's website and send form duly filled in and signed along with a copy of his / her valid CNIC / Passport at the Share Registrar Office or Company Secretary. Please note that giving email address for receiving of Annual Financial Statements instead of receiving the same by post is optional, in case you do not wish to avail this facility please ignore the note.

9. Participation through video conferencing facility

The shareholders, can now participate in the AGM proceedings via video link also. Those Members who are willing to attend and participate in the AGM via video link are requested to register themselves by sending an email along with following particulars and valid copy of both sides of Computerized National Identity Card (CNIC) at manzoorali.karam@gmail.com with subject of 'Registration for AGM' not less than 48 hours before the time of the meeting.

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

Members who will be registered, after necessary verification as per the above requirement, will be provided a password protected video link by the company via email. The said link will remain open from 2:50 pm. on the date of AGM till the end of the meeting.

10. 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. ("the Regulations")

The members are hereby notified that pursuant to the Regulations amended through Notification dated December 05, 2022, issued by the Securities and Exchange Commission of Pakistan ("SECP"), SECP has directed all the listed companies to provide the right to vote through electronic voting facility and voting by post to the members on all businesses classified as special business.

Accordingly, members of the Company will be allowed to exercise their right to vote through electronic voting facility or voting by post for the special business as per the following procedures:

- **Procedure for E-Voting:**

- a) Details of the e-voting facility will be shared through an e-mail with those members of the Company who have their valid CNIC, cell numbers and e-mail addresses available in the register of members of the Company by the close of business of October 19, 2023.
- b) The web address and login details will be communicated to members via e-mail. The Security codes will be communicated to members through SMS from web portal of Share Registrar (being the e-voting services provider).
- c) Identity of the members intending to cast vote through E-Voting shall be authenticated through electronic signature of authentication for login.
- d) E-Voting lines will be start from 9.00 a.m. on October 22, 2023, and shall be closed at 5.00 p.m. on October 26, 2023. Member can cast their votes any time during the period. Once the vote on a resolution is cast by a member, he / she not be allowed to change it subsequently.

- **Procedure for Voting through Postal Ballot**

The Members shall ensure that dully filled ballot paper, along with copy of CNIC, should reach the Chairman of the meeting through post with address of office the Company / Share Registrar or through email at manzooralikaram@gmail.com by close of business day October 26, 2023. The signature on ballot paper shall match the signature on CNIC.

For the conscience of members, ballot paper is annexed to this notice and the same is also available on Company's website at www.karamceramics.com.

13. Deposit of Physical Shares in CDC Accounts

As per Section 72 of the Companies Act, 2017 every existing company shall be required to replace its physical Shares with book-entry form in a manner as may be specified and form the date notified by the SECP. within a period not exceeding four years from the commencement of the Companies Act. 2017 i.e., May 31. 2017.

In order to comply with the directives, the physical shareholders are once again requested to convert their shares into book-entry form by opening CDC sub-account with any of the brokers or investors account directly with CDC to with place their physical shares into scrip less form.

For any query / information, the investors may contact the Company / Share Registrar at the following:

| | |
|--|--|
| <p>Company's Registered Office A-31, Sindhi Muslim Cooperative Housing Society, Karachi. 75400. Tele (021) 345 555-12 & 13 Fax (021) 345 555 42</p> | <p>Share Registrar office THK Associates Pvt Limited Plot No. 32-C, Jami Commercial Street 2, D.H.A Phase VII, Karachi 75500. Tele(021) 111 000 322. Fax (021) 334 240 4222</p> |
|--|--|

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement is annexed to the Notice of the Annual General Meeting of Karam Ceramics Limited to be held on October 27, 2023 at which certain special business is to be transacted. The purpose of this statement is to set forth the material facts concerning such special business.

ITEM NO. 4 OF THE AGENDA

The current authorized capital of the Company is Rs.150,000,000/- (Rupees One hundred fifty million only) divided into 15,000,000 (fifteen million) ordinary shares of Rs. 10/- each. In order to cater for increase in paid up share capital in future, the Board of Directors has recommended that the authorized capital be increased from Rs.150,000,000/- to Rs. 450,000,000/- by creation of additional 30,000,000 ordinary shares of Rs. 10/- each. The proposed increase in the authorized capital of the Company will also necessitate amendments in Clause V of the Memorandum of Association and Article 2 of the Articles of Association of the Company to reflect the increase in authorized capital of the Company. For this purpose, a special resolution is required to be considered and approved in this meeting.

Memorandum of Association

| Clause No. | Existing Clause | Proposed Amendment |
|------------|---|---|
| v | The capital of the company is Rs. 150,000,000/- (Rupees one hundred fifty million) divided into 15,000,000 (fifteen million) shares of Rs. 10/- each with power to divide the shares in the capital for the time being into several classes and attach thereto any preferential, or deferred, qualified or special rights, privileges and conditions. | The capital of the company is Rs. 450,000,000/- (Rupees four hundred fifty million) divided into 45,000,000 (forty-five million) shares of Rs. 10/- each with power to divide the shares in the capital for the time being into several classes and attach thereto any preferential, or deferred, qualified or special rights, privileges and conditions. |

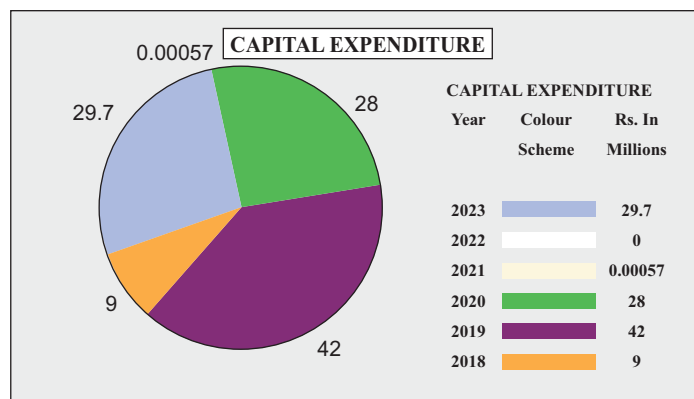
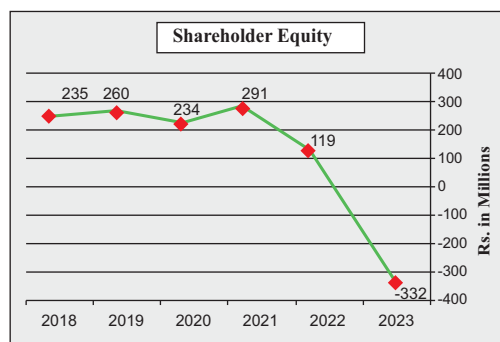
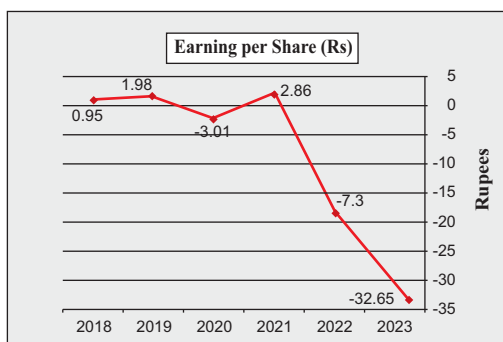
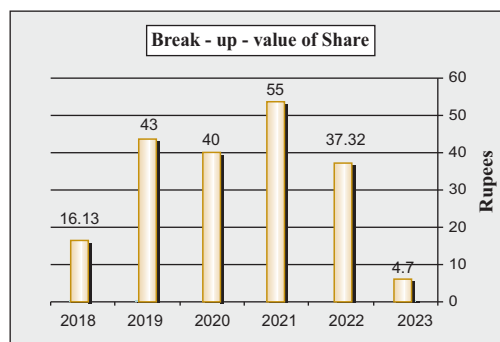
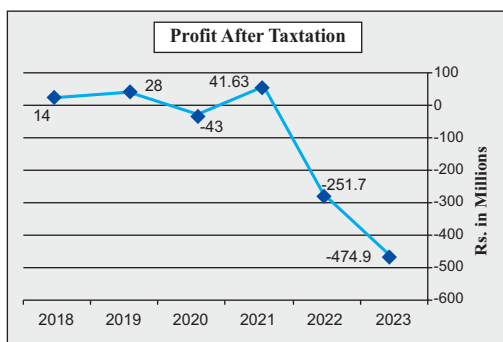
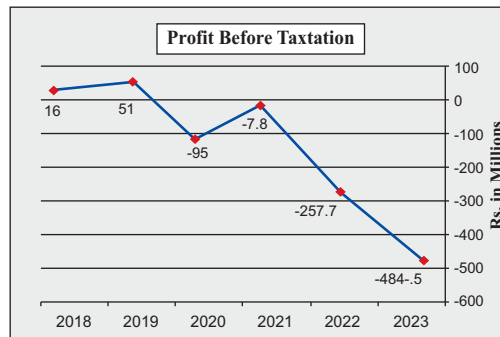
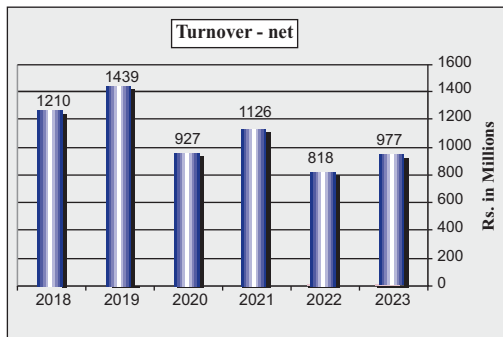
Articles of Association

| Clause No. | Existing Clause | Proposed Amendment |
|-------------------|---|---|
| 2 | The capital of the company is Rs. 150,000,000/- (Rupees one hundred fifty million) divided into 15,000,000 (fifteen million) shares of Rs. 10/- each with power to divide the shares in the capital for the time being into several classes and attach thereto any preferential, or deferred, qualified or special rights, privileges and conditions. | The capital of the company is Rs. 450,000,000/- (Rupees four hundred fifty million) divided into 45,000,000 (forty-five million) shares of Rs. 10/- each with power to divide the shares in the capital for the time being into several classes and attach thereto any preferential, or deferred, qualified or special rights, privileges and conditions. |

ITEM NO. 5 OF THE AGENDA

The Securities and Exchange Commission of Pakistan has allowed listed Companies, through its S.R.O No.389(I)/2023 dated March 21, 2023 to circulate the Audited Annual Financial Statements to their Members through QR-enabled code and weblink instead of transmitting the Audited Annual Financial Statements through CD/DVD/USB. The Company shall circulate Audited Annual Financial Statements through the email address in case it has been provided by the member to the Company, and upon demand, supply hard copies of the Audited Annual Financial Statements to the shareholders free of cost upon receipt of a duly completed Request Form, which may be obtained from the Company's Website i.e. <http://www.karamceramics.com>

None of the Directors of the Company have any direct or indirect interest in the special business, except in their capacity as members and directors of the company.



REVIEW REPORT BY THE CHAIRPERSON

Karam Ceramics Limited has maintained a strong commitment to compliance with the Companies Act, 2017, and the Listed Companies (Code of Corporate Governance) Regulations, 2019. The company's Board of Directors plays a pivotal role in the formulation of major policies and strategies, promoting efficient management and fostering a culture of innovation. This report aims to evaluate the Board's overall performance and effectiveness in relation to the company's objectives.

In the fiscal year 2022-23, the Board's performance, measured against approved criteria, was deemed satisfactory. It's important to note that improvement remains an ongoing process, and action plans are in place to enhance performance continually. The "satisfactory" rating is based on an evaluation of critical components, including the company's vision, mission, and values, active engagement in strategic planning, policy formulation, monitoring of business activities, financial resource management, fiscal oversight, equitable treatment of employees, and efficiency in conducting the Board's business.

The Board of Directors receives agendas and supporting materials well in advance of meetings, allowing for effective deliberations. The frequency of meetings ensures the Board adequately fulfills its responsibilities, with non-executive and independent directors actively participating in significant decisions.

Suraiya Nasir

SURAIYA NASIR
CHAIRPERSON
OCTOBER 02, 2023.

چیر پرسن کی جانب سے جائزہ رپورٹ

کرم سیرامکس لمیٹڈ کمپنیز ایکٹ 2017 اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 میں دی گئی تمام ضروریات کی تعمیل کرتی ہے جو کہ بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی تشکیل، طریقہ کار اور میٹنگز کے حوالے سے ہے۔ بورڈ کمپنی کو موثر طریقے سے منظم کرنے کے لیے تمام اہم پالیسیاں اور حکمت عملی تیار کرتا ہے اور کمپنی کے اندر جدت کو فروغ دینے اور فعال کرنے کے بارے میں مستقل ہے۔ اس تشخیص کا مقصد 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۔

مالیاتی سال 2022-23 کے دوران بورڈ کی تمام تر کارکردگی مجبوری طور پر تسلی بخش رہی۔ ایکشن پلان پر عمل کرنے کیلئے بہتری کا عمل جاری ہے۔ ”اطمینان بخش“ درجہ بندی اہم اجزاء کی تشخیص پر مبنی ہے جس میں کمپنی کا نظریہ، مشن، اقدار، اسٹریٹجک منصوبہ بندی میں فعال مشغولیت، پالیسی کی تشکیل، کاروباری سرگرمیوں کی نگرانی، مالی وسائل کا انتظام، مالیاتی نگرانی، ملازمین کے ساتھ مساوی سلوک، اور بورڈ کے کاروبار کو چلانے میں کارکردگی شامل ہیں۔

کمپنی کے بورڈ آف ڈائریکٹرز نے ایجنڈا وصول کیا ہے جس کے لئے تحریری مواد کا جائزہ بورڈ اور اس کی کمیٹی 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۔

Suraiya Naeir

ثریانا نیر

چیر پرسن

مورخہ: 02 اکتوبر 2023ء

FINANCIAL HIGHLIGHTS

(Rs. In millions)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|-------------------------|--------|--------|-------|-------|------|------|-------|-------|------|------|
| Sales | 977 | 818 | 1126 | 927 | 1439 | 1210 | 861 | 1196 | 1304 | 1278 |
| Gross Profit | -362 | -198 | 35.74 | -66 | 187 | 136 | 22 | 58 | 134 | 93 |
| Expenses (Net) | 126 | 101 | 123 | 119 | 136 | 120 | 107 | 95 | 87 | 72 |
| Profit before Taxation | -484.5 | -257.7 | -7.8 | -95 | 51 | 16 | -85 | -0.16 | 47 | 23 |
| Profit after Taxation | -474.9 | -251.8 | 41.63 | -43 | 28 | 14 | -75 | -22 | 37 | 17 |
| Dividend % | - | - | - | - | 5% | 8% | - | - | 12% | 10% |
| Right Shares % | - | - | - | - | - | - | - | - | - | - |
| Earning per Share (Rs.) | -32.65 | -17.30 | 2.86 | -3.01 | 1.98 | 0.95 | -5.12 | -1.54 | 2.54 | 1.16 |



DIRECTORS' REPORT

The Directors of your company have pleasure in submitting the report along with audited accounts for the year ended 30th June 2023.

OVERVIEW

The principal activity of your company is the manufacturing of ceramics wall and floor tiles. On July 26, 2023 there is a significant change in top management of your company due to the took over the company in accordance with the Securities Act, 2015 and the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulation, 2017 in July 2022.

The new management faced several challenges on takeover of the company. These challenges included poor condition of our manufacturing plant due to lack of prior investment in repairs and maintenance. The workforce needed training and development to enhance their skills. We also recognized the need to bolster our professional staff, improve our product's market reputation, and address high bank financing costs.

To address these issues, your company's sponsors provided interest-free loans to facilitate the repayment of bank-funded financing and for plant repairs, upgrades, and maintenance. As well as to meet the working capital requirements. Additionally, we recruited professional staff and conducted in-house training programs to empower our existing employees.

We introduced the "NOVA" brand to the market, emphasizing its superior quality and designs compared to our previous product offerings. Furthermore, we prioritized investments in research and development (R&D) to reduce costs and enhance product quality. These strategic initiatives reflect our commitment to revitalizing the company and achieving sustainable growth in the ceramics tile manufacturing industry.

OPERATING PERFORMANCE

Your company managed to increase sales by Rs.159.051 million from Rs.818.082 million in the last year representing increase in 19% Instead of tough operating condition such as dwindling economy and political situation, local currency significant devaluation, restriction on imports, unprecedented inflation.

Cost of sales increased to Rs. 322.655 million from Rs. 1,016.124 million in last year representing increase of 32% as a result Loss after tax increased to Rs. 474.96 million from Rs. 251.76 million in last year. This increase in loss can be attributed to the substantial investment in repair and maintenance activities carried out throughout the year. These efforts were aimed at enhancing plant efficiency and driving down production costs. Furthermore, a strategic decision to close the plant for approximately four months was made to facilitate comprehensive maintenance and machinery upgrades, which will contribute to our long-term operational excellence.

LOSS /EARNINGS PER SHARE

Loss per share for the year ended June 30, 2023 is Rs. 32.65 as compare to loss per share Rs. 17.30 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

In FY 2023, our tiles company grappled with challenges like polarized politics, PKR devaluation, inflation, and import restrictions. These issues persist into FY 2024, making adaptability crucial.

On a positive note, arrangements with the IMF and foreign assistance have averted a sovereign default. Resumption of CPEC Phase 2 and potential investments from Saudi Arabia and UAE offer growth prospects.

While inflation and interest rates rise, there's hope for lower policy rates as PKR stabilizes. Government intentions to revive growth and pent-up demand are encouraging. However, economic uncertainty and policy tightening continue, raising costs of business.

Import restrictions on LCs for raw materials may disrupt operations. The long-term outlook hinges on structural reforms and economic stability, especially in the run-up to the 2023 elections.

Despite challenges, your company remains cautiously optimistic, focusing on innovation and efficiency to thrive in Pakistan's dynamic economic landscape.

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 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.

NUMBER OF BOARD MEETINGS HELD

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

| | |
|--|---|
| 1. Mrs. Suraiya Nasir | 5 |
| 2. Mr. Syed Mazhar Ali Nasir | 5 |
| 3. Mr. Syed Azhar Ali Nasir | 5 |
| 4. Mr. Syed Azfar Ali Nasir | 5 |
| 5. Lt. Gen. (retd.) Tariq Waseem Ghazi | 4 |
| 6. Mr. Alireza M. Alladin | 5 |
| 7. Mr. Shuja Ahmed Alvi | 5 |

(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. Syed. Azhar Ali Nasir | 4 |
| Mr. Alireza M. Alladin | 4 |
| Mr. Shuja Ahmed Alvi | 4 |

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

HR COMMITTEE

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

| Members Name | Attendance |
|-------------------------------------|------------|
| Mr. Shuja Ahmed Alvi | 1 |
| Lt. Gen. (Retd.) Tariq Waseem Ghazi | 1 |
| Mr. Syed Azfar Ali Nasir | 1 |

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

Remuneration Package of Chief Executive and Directors

The remuneration package of the Chief Executive and other directors is disclosed in note 35 to the financial statements

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 Director's recommends the appointment of M/s Crowe Hussain Chaudhury & Co. Chartered Accountants as the Company's auditors for the next year as suggested by the Audit Committee. M/s Hussain Choudhury & Co. Chartered Accountants, the outgoing auditors, provided a professional service to the Company. Hence the continue in auditors is recommended.

PATTERN OF SHARE HOLDING

Pattern of shareholding as at June 30, 2023 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. 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.

Suraiya Nasir

SURAIYA NASIR
CHAIRPERSON

Syed Mazhar Ali Nasir

SYED MAZHAR ALI NASIR
CHIEF EXECUTIVE

October 02, 2023

ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز اختتامی سال 30 جون 2023ء کی رپورٹ بشمول آڈٹ شدہ اکاؤنٹ پیش کرنے میں خوشی محسوس کر رہے ہیں۔

جائزہ:

آپ کی کمپنی کی بنیادی سرگرمی سرانکس وال اور اور فرس فلور ٹائلز کی تیاری ہے۔ 23 جولائی 2023ء کو سیکورٹیز ایکٹ 2015ء اور لسٹنگ ریگولیشنز (ووٹنگ شیئرز اور ٹیک اور کا خاطر خواہ حصول) ریگولیشن 2017ء کے تحت آپ کی کمپنی کی انتظامیہ میں تبدیلی ہوئی۔

نئی انتظامیہ کو کمپنی کے ٹیک اور میں کئی چیلنجز کا سامنا کرنا پڑا۔ ہمیں جن چیلنجز کا سامنا کرنا پڑا ان میں ہمارے مینوفیکچرنگ پلانٹ کی خراب حالت شامل تھی، جو کہ مرمت اور دیکھ بھال میں ناکافی سرمایہ کاری کا نتیجہ تھا۔ اپنی صلاحیتوں کو بڑھانے کے لیے افرادی قوت کو تربیت اور ترقی کی ضرورت تھی۔ ہم نے اپنے پیشہ ور عملے کو تقویت دینے، اپنی مصنوعات کی مارکیٹ کی سلاکھ کو بہتر بنانے، اور زیادہ بینک مالیاتی اخراجات کو حل کرنے کی ضرورت کو بھی تسلیم کیا۔

ان مسائل کو حل کرنے کے لیے، آپ کی کمپنی کے اسپانسرز نے بینک سے مالی امداد کی ادائیگی اور پلانٹ کی مرمت، اپ گریڈ اور دیکھ بھال کے لیے بلا سود قرضے فراہم کیے ہیں۔ نیز ورکنگ کپینٹل کی ضروریات کو پورا کیا گیا۔ مزید برآں، ہم نے پیشہ ورانہ عملے کو بھرتی کیا اور اپنے موجودہ ملازمین کو بااختیار بنانے کے لیے اندرون ملک تربیتی پروگرامز کا انعقاد کیا۔

ہم نے "NOVA" برانڈ کو مارکیٹ میں متعارف کرایا، اپنی سابقہ مصنوعات کی پیشکش کے مقابلے میں اس کے اعلیٰ معیار اور ڈیزائن پر زور دیا۔ مزید برآں، ہم نے لاگت میں کمی اور مصنوعات کے معیار کو بڑھانے کے لیے ریسرچ اینڈ ڈویلپمنٹ (R&D) میں سرمایہ کاری کو ترجیح دی۔ یہ اسٹریٹیجک اقدامات کمپنی کو نئے سرے سے دوبارہ زندہ کرنے اور سیرانکس ٹائل مینوفیکچرنگ انڈسٹری میں پائیدار ترقی کے حصول کے لیے ہمارے عزم کی عکاسی کرتے ہیں۔

کارکردگی کا معیار:

آپ کی کمپنی کی فروخت 19 فیصد اضافہ کے ساتھ گزشتہ سال کی فروخت 818.082 ملین روپے کے مقابلے میں 159.051 ملین روپے ہو گئی۔ زیر جائزہ سال کے دوران ہمیں آپریٹنگ کے چیلنجز حالات کا سامنا کرنا پڑا، جس میں گرتی ہوئی معیشت، سیاسی عدم استحکام، کرنسی کی قدر میں نمایاں کمی، درآمدات پر پابندیاں، اور بڑھتا ہوا افراط زر شامل ہیں۔

فروخت کی لاگت میں 32 فیصد اضافہ ہوا جو کہ گزشتہ سال کے 1,016.124 ملین روپے سے بڑھ کر 322.655 ملین روپے ہو گئی جس کے نتیجے

میں بعد از ٹیکس خسارہ گزشتہ سال کے 251.76 ملین روپے سے بڑھ کر 474.96 ملین روپے ہو گیا۔ نقصان میں یہ اضافہ سال بھر کی جانے والی مرمت اور دیکھ بھال کی سرگرمیوں میں کافی سرمایہ کاری سے منسوب کیا جاسکتا ہے۔ ان کوششوں کا مقصد پلانٹ کی کارکردگی کو بڑھانا اور پیداواری لاگت کو کم کرنا تھا۔ مزید برآں، مکمل طور پر دیکھ بھال اور مشینری کو اپ گریڈ کرنے کیلئے پلانٹ کو تقریباً چار ماہ کے لیے بند کرنے کا اسٹریٹجک فیصلہ کیا گیا جو ہماری طویل مدتی آپریشنل بہتری میں معاون ثابت ہوگا۔

فی شیئر کے حساب سے آمدنی/خسارہ:

30 جون 2023ء کو ختم ہونے والے سال میں فی شیئر خسارہ 32.65 روپے رہا جس کا موازنہ گزشتہ سال کے خسارے فی شیئر 17.30 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:

مالی سال 2023ء میں، ہماری ٹائل کمپنی کو تقسیمی سیاست، پاکستانی روپے کی قدر میں کمی، افراط زر، اور درآمدی پابندیوں جیسے چیلنجز کا سامنا کرنا پڑا۔ موافقت کی اہمیت پر زور دیتے ہوئے یہ مسائل مالی سال 2024ء تک جاری رہیں گے۔

ایک مثبت نوٹ پر، IMF اور غیر ملکی امداد کے ساتھ معاہدوں نے خود مختار ڈیفالٹ کو روکا ہے۔ چین پاکستان اقتصادی راہداری (CPEC) فیئر 2 کی بحالی اور سعودی عرب اور متحدہ عرب امارات کی جانب سے سرمایہ کاری کے امکانات ترقی کے مواقع پیش کرتے ہیں۔

افراط زر اور شرح سود میں اضافہ ہوا، پاکستانی روپے کے مستحکم ہونے پر پالیسی کی شرح کم ہونے کی امید ہے۔ ترقی کو بحال کرنے کے حکومتی ارادے اور مانگ میں اضافہ حوصلہ افزا ہے۔ تاہم، اقتصادی غیر یقینی صورتحال اور پالیسی میں سختی جاری ہے، جس سے کاروباری اخراجات میں اضافہ ہو رہا ہے۔

خام مال کے لیے لیٹر آف کریڈٹ پر درآمدی پابندیاں آپریشن میں خلل ڈال سکتی ہیں۔ طویل مدتی نقطہ نظر ساختی اصلاحات اور معاشی استحکام پر منحصر ہے، خاص طور پر 2023 کے انتخابات سے قبل۔

چیلنجز کے باوجود، آپ کی کمپنی محتاط طور پر پرامید ہے، اور پاکستان کے بدلنے معاشی ماحول میں ترقی کے لیے کلیدی حکمت عملیوں کے طور پر جدت اور کارکردگی کو ترجیح دینے کے لیے پرعزم ہے۔

کارپوریٹ نظم و ضبط کا کوڈ:

- ☆ کمپنی کے ڈائریکٹرز نے کارپوریٹ نظم و ضبط کے کوڈ کا جائزہ لیا ہے اور درج ذیل تحریر کرتے ہیں:
- ☆ نظم و ضبط کے حوالے سے کمپنی میں کارپوریٹ گورننس کو مکمل طور پر نافذ کیا ہے جو کہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کیلئے ضروری ہے۔
- ☆ کمپنی کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے کمپنی کے حالات، اس کے آپریشنز کے نتائج، کیش 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 محتاط فیصلوں پر مبنی ہوتے ہیں۔
- ☆ مالیاتی گوشوارے کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ معیارات، جو کہ پاکستان میں نافذ العمل ہیں، ان کی پیروی کی گئی ہے۔
- ☆ انٹرنل کنٹرول کے نظام مضبوط ہیں اور اس کی موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- ☆ ٹیکسز، ڈیوٹیز اور دیگر چارجز کے اکاؤنٹ پر کوئی ادائیگی واجب الادا نہیں ہے جو کہ مالیاتی سال سے متعلق ہے۔
- ☆ کارپوریٹ نظم و ضبط کی اعلیٰ پریکٹس کے سلسلے میں کوئی مواد موجود نہیں ہے جیسا کہ قوانین کی فہرست میں دیا گیا ہے۔

بورڈ کی منعقدہ میٹنگز کی تعداد:

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

| | |
|---|--|
| 5 | محترمہ ثریا ناصر |
| 5 | جناب سید مظہر علی ناصر |
| 5 | جناب سید اظہر علی ناصر |
| 5 | جناب سید اظفر علی ناصر |
| 4 | لیفٹیننٹ جنرل (ریٹائرڈ) طارق وسیم غازی |
| 5 | جناب علی رضا ایم الدین |
| 5 | جناب شجاع احمد علوی |

(جو ڈائریکٹرز بورڈ کی میٹنگ میں شرکت نہیں کر سکے ان ڈائریکٹرز کو غیر حاضری کے سبب چھٹی دی گئی)۔

آڈٹ کمیٹی:

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

| ممبرز کا نام | شرکت کی تعداد |
|------------------------|---------------|
| جناب سیدناظہر علی ناصر | 4 |
| جناب علی رضا ایم الدین | 4 |
| جناب شجاع احمد علوی | 4 |

(جو ممبران مینٹنگ میں شرکت نہیں کر سکے ان ڈائریکٹرز کو غیر حاضری کے سبب چھٹی دی گئی)۔

ہیومن ریورس (HR) کمیٹی:

دوران سال ایچ آر کمیٹی کی ایک مینٹنگ منعقد ہوئی شرکت کرنے والے ممبرز کی تفصیل درج ذیل ہے:

| ممبرز کا نام | شرکت کی تعداد |
|---|---------------|
| جناب شجاع احمد علوی | 1 |
| لیفٹیننٹ جنرل (ریٹائرڈ) طارق وسیم ہزاری | 1 |
| جناب سیدناظہر علی ناصر | 1 |

(جو ممبران مینٹنگ میں شرکت نہیں کر سکے ان ڈائریکٹرز کو غیر حاضری کے سبب چھٹی دی گئی)۔

چیف ایگزیکٹو اور ڈائریکٹرز کے معاوضہ کا ہیکلج:

چیف ایگزیکٹو اور دیگر ڈائریکٹرز کے معاوضہ کے ہیکلج کا انکشاف مالیاتی گوشواروں کے نوٹ 35 میں کیا گیا ہے۔

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:

یورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی تجویز کے مطابق میسرز Crowe حسین چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی آئندہ سال کے لیے کمپنی کے آڈیٹرز کے طور پر تقرری کی سفارش کی ہے۔ میسرز حسین چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، سبکدوش ہونے والے آڈیٹرز نے کمپنی کیلئے اپنی پیشہ ورانہ خدمات انجام دیں۔ لہذا بطور آڈیٹرز ان کی خدمات جاری رکھنے کی سفارش کی جاتی ہے۔

شیئر ہولڈنگ کا طریقہ کار:

شیئر ہولڈنگ کا طریقہ کار 30 جون 2023ء 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 بینکنگ اور مالیاتی اداروں اور صارفین کا بھی کمپنی پر مکمل اعتماد کرنے پر شکریہ ادا کرتے ہیں۔

Suraiya Nabir

ثریا ناصر

چیئر پرسن

مظہر علی ناصر

چیف ایگزیکٹو

مورخہ: 02 اکتوبر 2023ء

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

- 300mm x 300mm
- 250mm x 500cm
- 400mm x 400mm
- 150mm x 300mm

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

Name of Company : Karam Ceramics Limited
Year ended June 30, 2023

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 - 06
- b) Female - 01

2. The composition of the Board is as follows

| Category | Name |
|---------------------------|---|
| Independent Directors | Lt. Gen (Retd.) Tariq Waseem Ghazi Mr. Shuja Ahmed Alvi |
| Executive Directors | Mr. Alireza M. Alladin Mr. Syed Mazhar Ali Nasir |
| Non - Executive Directors | Mr. Syed Azfar Ali Nasir Mr. Syed Azhar Ali Nasir Ms. Suraiya Nasir |
| Female Directors | Ms. Suraiya Nasir |

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.

(a) Audit Committee:

| | |
|--|------------|
| Syed Azhar Ali Nasir | - Chairman |
| Mr. Alireza M. Alladin | - Member |
| Mr. Shuja Ahmed Alvi (Till 27th March 2023) | - Member |

The board has appointed the following members of Audit Committee for the period of three years w.e.f 28th March 2023 in the meeting of the Board of Directors held on 28th March 2023.

| | |
|-------------------------------------|------------|
| Mr. Shuja Ahmed Alvi | - Chairman |
| Lt. Gen (Retd.) Tariq Waseem Ghazi | - Member |
| Syed Azhar Ali Nasir | - Member |

(b) HR & Remuneration Committee:

| | |
|---|------------|
| Syed Azfar Ali Nasir | - Chairman |
| Mr. Shuja Ahmed Alvi | - Member |
| Lt. Gen (Retd.) Tariq Waseem Ghazi (Till 27th March 2023) | - Member |

The board has appointed the following members of HR & remuneration Committee for the period of three years w.e.f 28th March 2023 in the meeting of the Board of Directors held on 28th March 2023.

| | |
|-------------------------------------|------------|
| Mr. Shuja Ahmed Alvi | - Chairman |
| Lt. Gen (Retd.) Tariq Waseem Ghazi | - Member |
| Mr. Syed Azfar Ali Nasir | - 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 & 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.
19. Explanation for non - compliance with requirement , other than regulations 3,6,7 8,27,32,33 and 36 is as follows :

| S.No. | Non-Mandatory Requirement | Reg.No | Explanation |
|-------|---|--------|--|
| 1. | The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances. | 29(1) | Currently, the board has not constituted a separate Nomination Committee and the function are being performed by the Board |
| 2. | The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board. | 30(1) | Currently, the board has not constituted a separate Risk Management Committee and the function are being performed by the Board. |

By order of the Board

Suraiya Nasir

Suraiya Nasir

Chairperson

2nd October, 2023

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) Regulations, 2019 (the 'Regulations') prepared by Board of Directors of **Karam Ceramics Limited** (the 'Company'), for the year ended June 30, 2023 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 the 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 a 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 require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 for and on behalf of the Company, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2023.



Crowe Hussain Chaudhury & Co.
Chartered Accountants
Karachi.

Dated: October 04, 2023
UDIN: CR202310207VPNyYbK07

Independent Auditor's 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 the Karam Ceramics Limited (the Company), which comprise the statement of financial position as at June 30, 2023 and the statement of profit or loss, and other comprehensive income, the statement of changes in equity, the statement of cash flows for the period 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 profit and loss statement. 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, 2023 and of its loss and other comprehensive income, the changes in equity and its cash flows for the year 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 have 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 thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

| Key Audit Matters | How the matter was addressed in our audit |
|---|---|
| <p>Existence and valuation of stock-in-trade Refer note 9 and to the annexed financial statements</p> <p>As at the reporting date, the stock-in-trade balance amounting to Rs.653.71 million constitutes approximately 35% of total assets of the Company. This comprises raw and packing material, work-in-process(WIP) , finished goods and stock-in-transit.</p> <p>As disclosed in note 4.3 to the accompanying financial statements, the cost of finished goods is determined on weighted average cost of direct material and labour including a proportion of production overheads.</p> <p>The NRV of stock-in-trade is determined mainly keeping in view 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.</p> <p>We have considered this area to be a key audit matter due to its materiality and judgments involved in estimating the NRV of underlying stock-in-trade as well as the management's judgment involved in determining an appropriate costing basis and assessing its valuation.</p> | <p>Our key audit procedures among others included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Company's process with respect to purchase and consumption of raw and packing material. Also tested design and operating effectiveness of controls relevant to such process. • Observed stock counts at year end to ascertain the existence and condition of stock-in-trade • Reviewed management's procedures for evaluating the NRV of stock-in-trade. Performed testing on sample basis to assess the NRV and evaluated the adequacy of write down of stock-in-trade to NRV by performing a review of sales close to and subsequent to the year-end comparing with the cost for a sample of products. • Evaluated the appropriateness and accuracy of provision for slow moving stock-in-trade assessed by the management, on a sample basis. • Assessed the appropriateness of management's basis for the allocation of cost and production overheads and recalculated per unit cost of finished goods, on a sample basis. • Assessed the adequacy and appropriateness of related financial statement disclosures in accordance with the applicable financial reporting framework. |
| <p>Subordinate Loan Refer note 17 to the annexed financial statements.</p> <p>One of the significant audit matters requiring our attention relates to the subordinate loan disclosed in Note 17 of the financial statements, with a total value of Rs. 1,453 million, Our audit procedures focused on evaluating the accuracy. Completeness, and disclosure of this loan, ensuring compliance with relevant accounting standards and regulatory requirements. This matter holds importance due to its materiality and potential impact on the financial statements, and our audit procedures were designed to provide reasonable assurance regarding the reliability of the information presented in this regard. Our findings and conclusions regarding the subordinate loan are detailed in the respective sections of this report.</p> | <p>Our key audit procedures among others included the following:</p> <ul style="list-style-type: none"> • Reviewed all relevant documentation related to the subordinate Loan, including the loan agreement, terms and conditions, and supporting correspondence. • Independently confirmed the existence and terms of the subordinate loan by directly communicating with the lending parties. • Conducted a thorough assessment of the valuation of the subordinate loan, ensuring that it was appropriately presented and disclosed in accordance with applicable accounting standards. • Tested the compliance with the terms and conditions of the subordinate loan agreement, including any covenants or restrictions. • Scrutinized the disclosures in Note 17, assessing their accuracy, Completeness, and compliance with relevant accounting Standards. |

| Key Audit Matters | How the matter was addressed in our audit |
|---|--|
| <p>Contingencies Refer note 24 to the annexed financial statements.</p> <p>The Company is subject to material litigations involving recoveries of tariff, rates, cess and tax.</p> <p>The accounting for, and disclosure of, contingencies is complex and is a matter of most significance in our audit because of the judgements required to determine the level of certainty on these matters.</p> | <p>Our audit procedures amongst others, included the following:</p> <p>Obtained an understanding of the Company's processes and Controls over litigations through meetings with the management and reviewed the minutes of the Board of Directors</p> <ul style="list-style-type: none"> - Inspected correspondence file of the Company with regulatory departments and the Company's external counsel. - Circularized confirmations to the Company's external legal advisor. - 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. |

Information Other than the Financial Statements and Auditors' Report Thereon

The Management is responsible for the other information . The other information comprises 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 material misstatement 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, such disclosures are inadequate, to modify our opinion, Our conclusions are based on the audit evidence obtained up to the date of our Auditors' 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.

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 the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980),

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



Crowe Hussain Chaudhury & Co.
Chartered Accountants

Karachi

Dated: October 04, 2023
UDIN: AR202310207J4CLjBqt9

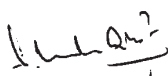
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2023

| | Note | 2023 | 2022 |
|--|------|-----------------------------|-----------------------------|
| | | ----- Rupees ----- | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 1,006,091,132 | 1,040,756,705 |
| Right-of-use assets | 6 | - | 871,421 |
| Long term security deposits | 7 | 898,453 | 898,453 |
| | | <u>1,006,989,585</u> | <u>1,042,526,579</u> |
| Current assets | | | |
| Stores, spares and parts | 8 | 85,131,657 | 31,141,875 |
| Stock in trade | 9 | 653,740,586 | 618,481,474 |
| Trade debts | 10 | - | 6,559,905 |
| Loans and advances - considered good | 11 | 1,546,536 | 787,427 |
| Advance tax | | 17,666,902 | 16,295,409 |
| Refunds due from the government | 12 | 61,816,494 | 45,852,024 |
| Deposits, prepayments and other receivables | 13 | 93,365 | 5,033,711 |
| Short term investment | | - | 7,000,000 |
| Cash and bank balances | 14 | 43,733,323 | 4,761,561 |
| | | <u>863,728,863</u> | <u>735,913,387</u> |
| TOTAL ASSETS | | <u><u>1,870,718,448</u></u> | <u><u>1,778,439,966</u></u> |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised capital 15,000,000 (2022: 15,000,000) ordinary shares of Rs.10 each | | <u>150,000,000</u> | <u>150,000,000</u> |
| Issued, subscribed and paid-up capital | 15 | 145,486,760 | 145,486,760 |
| Unappropriated profit | | (477,674,447) | (26,426,561) |
| Revaluation surplus on property, plant & equipment | 16 | 397,807,166 | 421,521,806 |
| Remeasurement of retirement benefit obligation | | 2,340,702 | 2,340,702 |
| Subordinated loan | 17 | 1,452,734,796 | - |
| | | <u>1,520,694,977</u> | <u>542,922,706</u> |

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2023

| | Note | 2023 | 2022 |
|--------------------------------------|------|----------------------|----------------------|
| | | ----- Rupees ----- | |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long-term financing | 18 | - | 613,952,693 |
| Post employment benefits | 19 | 22,130,474 | 90,330,501 |
| Deferred taxation | 20 | 32,272,215 | 54,048,315 |
| | | 54,402,689 | 758,331,509 |
| Current liabilities | | | |
| Trade and other payables | 21 | 178,458,389 | 73,086,444 |
| Markup accrued on loans | 22 | - | 38,001,226 |
| Short term borrowings | 23 | 90,000,000 | 314,809,771 |
| Long term financing | 18 | - | 36,981,209 |
| Advance from customers | | 11,286,628 | - |
| Unclaimed dividend | | 513,191 | 513,191 |
| Dividend payable | | 3,148,405 | 3,148,405 |
| Lease liabilities | 6 | - | 419,473 |
| Provision for taxation | | 12,214,168 | 10,226,030 |
| | | 295,620,781 | 477,185,749 |
| Total liabilities | | 350,023,470 | 1,235,517,258 |
| Contingencies and Commitments | 24 | - | - |
| TOTAL EQUITY AND LIABILITIES | | 1,870,718,448 | 1,778,439,966 |

The annexed notes 1 to 45 form an integral part of these financial statements.


Chief Executive

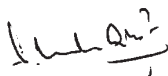

Chief Financial Officer


Director

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2023

| | Note | 2023 ----- Rupees ----- | 2022 |
|------------------------------------|------|----------------------------|----------------------|
| Revenue | 25 | 977,133,409 | 818,082,431 |
| Cost of sales | 26 | (1,338,780,229) | (1,016,124,940) |
| Gross loss | | (361,646,820) | (198,042,509) |
| Selling and distribution expenses | 27 | 29,074,100 | 12,566,904 |
| Administrative expenses | 28 | 24,155,022 | 26,982,243 |
| Other expenses | 29 | 10,302,000 | 3,625,729 |
| | | (63,531,122) | (43,174,876) |
| Operating loss | | (425,177,942) | (241,217,385) |
| Other income | 30 | 3,236,133 | 41,325,650 |
| Finance cost | 31 | (62,582,648) | (57,831,662) |
| | | (59,346,515) | (16,506,012) |
| Loss before taxation | | (484,524,457) | (257,723,397) |
| Taxation | 32 | 9,561,931 | 5,963,714 |
| Loss after taxation | | (474,962,526) | (251,759,683) |
| Loss per share - basic and diluted | 33 | (32.65) | (17.30) |

The annexed notes 1 to 45 form an integral part of these financial statements.


Chief Executive


Chief Financial Officer

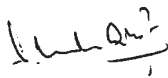

Director

STATEMENT OF COMPREHENSIVE INCOME

For the Year ended June 30, 2023

| | 2023 | 2022 |
|--|----------------------|----------------------|
| | ----- Rupees ----- | |
| Loss after taxation | (474,962,526) | (251,759,683) |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss in subsequent periods | | |
| Remeasurement of retirement benefit obligation | - | (8,020,491) |
| Deferred tax on retirement benefit obligation | - | 2,325,942 |
| | - | (5,694,549) |
| Items in subsequent periods that may be reclassified to profit or loss | | |
| Surplus on revaluation of land and buildings | - | (53,712,929) |
| Deferred tax on surplus of buildings | - | 1,500,211 |
| | - | (52,212,719) |
| Total comprehensive loss for the year | (474,962,526) | (309,666,951) |

The annexed notes 1 to 45 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, 2023

| | Share Capital | Interest free Loan From directors | Unappropriated Profit | Surplus on revaluation of property, plant and equipment | Remeasurement of retirement benefit obligation | Total |
|--|--------------------|-----------------------------------|-----------------------|---|--|--------------------------|
| ----- (Rupees) ----- | | | | | | |
| Balance at July 01, 2021 | 145,486,760 | - | 145,270,592 | 501,584,335 | 8,035,251 | 800,376,938 |
| Loss after taxation for the year ended June 30, 2022 | - | - | (251,759,683) | - | - | (251,759,683) |
| Other comprehensive income for the year | | | | | | |
| Remeasurement of retirement benefit obligation | - | - | - | - | (8,020,491) | (8,020,491) |
| Deferred tax on retirement benefit obligation | - | - | - | - | 2,325,942 (5,694,549) | 2,325,942 (5,694,549) |
| Surplus on revaluation of land and building - net of deferred tax | - | - | 53,712,929 | (53,712,929) | - | - |
| Transferred from surplus on of property, plant and equipment incremental depreciation for the year - net of deferred tax | - | - | 26,349,600 | (26,349,600) | - | - |
| | | | 80,062,529 | (80,062,529) | (5,694,549) | - |
| Balance as at June 30, 2022 | 145,486,760 | | (26,426,561) | 421,521,806 | 2,340,702 | 542,922,707 |
| Loss after taxation for the year ended June 30, 2023 | - | | (474,962,526) | - | - | (474,962,526) |
| Subordinated loan from directors | - | 1,452,734,796 | - | - | - | 1,452,734,796 |
| Other comprehensive income for the year | | | | | | |
| Transferred from surplus on of property, plant and equipment incremental depreciation for the year - net of deferred tax | - | - | 23,714,640 | (23,714,640) | - | - |
| Balance as at June 30, 2023 | 145,486,760 | 1,452,734,796 | (477,674,447) | 397,807,166 | 2,340,702 | 1,520,694,977 |

The annexed notes 1 to 45 form an integral part of these financial statements.


Chief Executive


Chief Financial Officer


Director

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2023

| | 2023 | 2022 |
|--|----------------------|----------------------|
| | ----- Rupees ----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before taxation | (484,524,457) | (257,723,397) |
| Adjustments for non-cash charges and other items | | |
| Depreciation | 88,482,847 | 95,983,582 |
| Provision for gratuity | 2,340,702 | 14,527,756 |
| Gain on disposal of property, plant and equipment | (765,941) | (40,817,244) |
| Exchange loss | 9,424,383 | - |
| Finance cost | 62,582,648 | 60,468,261 |
| | <u>162,064,639</u> | <u>130,162,355</u> |
| Operating loss before working capital changes | (322,459,818) | (127,561,042) |
| (Increase) / decrease in current asset | | |
| Capital work in progress | (23,248,740) | - |
| Security deposit | - | (1,415) |
| Stores and spares | (53,989,782) | (7,502,386) |
| Stock in trade | (35,259,112) | 7,369,362 |
| Trade debts | 6,559,905 | 28,382,216 |
| Loans and advances | (759,109) | 495,385 |
| Short term deposits, prepayments and other receivables | 4,940,346 | 11,253,994 |
| Short Term investment | 7,000,000 | - |
| | <u>(94,756,492)</u> | <u>39,997,155</u> |
| Increase / (decrease) in current Liability | | |
| Trade and other payables | 95,300,073 | (29,504,473) |
| Advance from customers | 11,286,628 | - |
| Cash flows used in operations | <u>(310,629,609)</u> | <u>(117,068,360)</u> |
| Finance cost paid | (44,433,797) | (44,708,998) |
| Income tax paid | (15,230,680) | (16,619,214) |
| Sales tax paid | (11,683,823) | (4,893,487) |
| Gratuity paid | (70,540,729) | (15,484,685) |
| | <u>(141,889,029)</u> | <u>(81,706,384)</u> |
| Net cash used in operating activities | (452,518,638) | (198,774,743) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Addition to property, plant and equipment | (29,742,007) | - |
| Proceeds from disposal of property, plant and equipment | 810,835 | 97,900,000 |
| Net cash (used in)/ generated from investing activities | (28,931,172) | 97,900,000 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Subordinated loan | 1,396,594,851 | - |
| Long term financing | (650,933,986) | 116,017,000 |
| Short term borrowings | 56,049,658 | (94,420,904) |
| Lease rentals paid | (429,522) | (446,521) |
| Dividend paid | - | (3,076,715) |
| Net cash flows generated from financing activities | 801,281,001 | 18,072,860 |
| Net increase in cash and cash equivalents | 319,831,191 | (82,801,883) |
| Cash and cash equivalents at the beginning of the year | (276,097,868) | (193,295,985) |
| Cash and cash equivalents at the end of the year | <u>43,733,323</u> | <u>(276,097,868)</u> |

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The annexed notes 1 to 45 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, 2023

1 THE LEGAL STATUS AND OPERATIONS

Karam Ceramics Limited (the Company) 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 A-31, S.M.C.HS, Karachi, Pakistan. 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. |

On March 04, 2022 the proposed acquirer entered in to an share purchase agreement with the sponsors of the Company for the purchase of 10,613,259 shares which represents 72.95% of the total capital of the Company at a price of Rs. 20 per ordinary share. Further, a public announcement was made on May 13, 2022 for the purchase of additional 1,967,700 ordinary shares which represents 13.52% of the total capital of the Company at a price of 62.77 per ordinary share, in which 536,813 shares obtained from minority share holders.

On July 26, 2023 the proposed shares has been transferred to the new sponsors as per the share purchase agreement. Thereafter new sponsors enjoy all the rights and benefits of and be subject to all the obligations of the outgoing sponsors.

2. BASIS OF PREPARATION

2.1 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.

2.2 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.

2.3 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.

2.4 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) Stock-in-trade and stores and spares (refer note 4.3)
- (c) Trade debts, loans, advances, deposits and other receivables (refer note 4.4)
- (d) Staff retirement benefits (refer note 4.9)
- (e) Provisions (refer note 4.16)
- (f) Taxation (refer note 4.8)
- (g) Impairment of non-financial assets (refer note 4.5)
- (h) Lease liabilities (refer note 4.10)
- (j) Contingent assets and contingent liabilities (refer note 4.17 & 4.18)

3 New and amended standards and interpretations

3.1 Standards, amendments and interpretations to the published standards that are relevant to the Company and adopted in the current year

There were certain amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 01, 2022. However, these are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and, therefore, have not been disclosed in these financial statements.

3.2 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company

There is a standard and certain other amendments to accounting and reporting standards that are not yet effective and are considered either not to be relevant or to have any significant impact on the Company's financial statements and operations and, therefore, have not been disclosed in these financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below.

4.1 Property, Plant and Equipment

Owned

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.

4.2 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.

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.

Leased

Assets subject to finance lease are stated at lower of present value of minimum lease payments as per the lease agreements and the fair value of assets less accumulated depreciation at the basis applicable to Company's owned assets. The related obligations of lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

4.3 Inventories

Stock in trade is valued at the lower of cost and estimated net realizable value. Cost is determined as follows:

| | | |
|--------------------------|---|--|
| Raw materials in stock | - | Lower of weighted average cost or net realizable value (NRV) |
| Raw materials in transit | - | Lower of actual cost or net realizable value (NRV) |
| Work-in-process | - | Lower of weighted average cost or net realizable value (NRV) |
| Finished goods | - | Lower of weighted average cost or net realizable value (NRV) |

The Company reviews the carrying amounts of communication stores on an on going basis and provision is made for obsolescence if there is any change in usage pattern and physical form. Impairment is also made for slow moving items.

'NRV signifies the estimated selling price in the ordinary course of business less estimated cost of completion and estimated cost necessary to be incurred to effect such sale.

4.4 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 amortized cost. These assets are written off when there is no reasonable expectation of recovery. Credit loss is based on the expected credit loss.

4.5 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 recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized 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 amortization, if no impairment loss had been recognized. 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.

4.6 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.

4.7 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.

4.8 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 realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses and credits only if it is probable that future taxable amounts will be available to utilize 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 utilized. 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 realize the asset and settle the liability simultaneously.

4.9 Employee benefits - 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.

Judgement 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.

4.10 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.

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 becomes 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 Borrowing costs

Borrowing costs relating to the acquisition, construction or production of a qualifying asset are recognised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which these are incurred.

4.20 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.

4.21 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.

| | Note | 2023 | 2022 |
|-------------------------------|--------------------------------------|----------------------|----------------------|
| | | ----- Rupees ----- | |
| 5 | PROPERTY, PLANT AND EQUIPMENT | | |
| Property, plant and equipment | 5.1 | 982,842,392 | 1,040,756,705 |
| Capital work in progress | 5.4 | 23,248,740 | - |
| | | <u>1,006,091,132</u> | <u>1,040,756,705</u> |

5. PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land | Factory Building on freehold land | Plant and machinery | Furniture and fittings | Moulds | Laboratory equipment | Vehicles | Total |
|--|--------------------|-----------------------------------|---------------------|------------------------|----------------|----------------------|-------------------|----------------------|
| ----- Rupees ----- | | | | | | | | |
| Net carrying value basis | | | | | | | | |
| Year ended June 30, 2023 | | | | | | | | |
| Opening net book value | 188,340,000 | 387,197,289 | 460,225,338 | 1,085,828 | 379,034 | 28,030 | 3,501,186 | 1,040,756,705 |
| Additions (at cost) | - | 5,000,000 | 10,791,207 | 50,800 | - | - | 13,900,000 | 29,742,007 |
| Surplus on revaluation during the year | - | - | - | - | - | - | - | - |
| Transfer of Leased Asset | - | - | - | - | - | - | 871,421 | 871,421 |
| Depreciation charge | - | (38,719,729) | (46,472,167) | (111,123) | (113,710) | (2,803) | (3,063,315) | (88,482,847) |
| Disposal | - | - | - | - | - | - | (44,894) | (44,894) |
| Closing net book value | 188,340,000 | 353,477,560 | 424,544,378 | 1,025,505 | 265,324 | 25,227 | 15,164,398 | 982,842,392 |
| Gross carrying value basis | | | | | | | | |
| At June 30, 2023 | | | | | | | | |
| Cost | 188,340,000 | 771,919,649 | 1,852,455,799 | 12,697,454 | 8,356,171 | 1,505,564 | 35,220,377 | 2,875,668,154 |
| Accumulated depreciation | - | (418,442,089) | (1,427,911,421) | (11,671,949) | (8,090,847) | (1,480,337) | (20,055,979) | (1,892,825,762) |
| Net book value | 188,340,000 | 353,477,560 | 424,544,378 | 1,025,505 | 265,324 | 25,227 | 15,164,398 | 982,842,392 |
| Net carrying value basis | | | | | | | | |
| Year ended June 30, 2022 | | | | | | | | |
| Opening net book value | 238,380,000 | 430,219,210 | 511,361,487 | 1,206,476 | 541,477 | 31,145 | 6,607,256 | 1,193,605,188 |
| Additions (at cost) | - | - | - | - | - | - | - | - |
| Surplus on revaluation during the year | - | - | - | - | - | - | - | - |
| Depreciation charge | - | (43,021,921) | (51,136,149) | (120,648) | (162,443) | (3,115) | (1,321,451) | (95,765,727) |
| Disposal | (50,040,000) | - | - | - | - | - | (1,784,619) | (57,082,756) |
| Closing net book value | 188,340,000 | 387,197,289 | 460,225,338 | 1,085,828 | 379,034 | 28,030 | 3,501,186 | 1,040,756,705 |
| Gross carrying value basis | | | | | | | | |
| At June 30, 2022 | | | | | | | | |
| Cost | 188,340,000 | 766,919,649 | 1,841,664,592 | 12,646,654 | 8,356,171 | 1,505,564 | 22,537,827 | 2,847,143,597 |
| Accumulated depreciation | - | (379,722,360) | (1,381,439,254) | (11,560,826) | (7,977,137) | (1,477,534) | (19,036,641) | (1,806,386,892) |
| Net book value | 188,340,000 | 387,197,289 | 460,225,338 | 1,085,828 | 379,034 | 28,030 | 3,501,186 | 1,040,756,705 |
| Rate of Depreciation | - | 10% | 10% | 10% | 30% | 10% | 20% | |

| | Note | 2023 | 2022 |
|--|------|--------------------|-------------------|
| | | ----- Rupees ----- | |
| 5.2 The depreciation charge for the year has been allocated as follows: | | | |
| Cost of sales | 26 | 87,397,326 | 94,590,858 |
| Selling and distribution expenses | 27 | 523,091 | 566,146 |
| Administrative expenses | 28 | 562,430 | 608,723 |
| | | <u>88,482,847</u> | <u>95,765,727</u> |

5.3 The details of Operating assets sold are as follows :

| Particulars | Original cost | Accumulated depreciation | Written down value | Sales proceeds | Gain/ (Loss) | Particulars of purchaser | Mode of disposal |
|----------------------|------------------|--------------------------|--------------------|----------------|----------------|--------------------------|------------------|
| ----- Rupees ----- | | | | | | | |
| Motor Cycle Honda-70 | 30,000 | 29,832 | 167 | 10,000 | 9,833 | Mr. Turk Ayub Khan | Company policy |
| Toyota Corolla | 844,000 | 839,267 | 4,733 | 550,000 | 545,267 | Mr. Malik Aftab Ahmed | Company policy |
| Toyota Corolla | 929,000 | 923,059 | 5,941 | 34,275 | 28,334 | Mr. Muhammad Saddam | Company policy |
| Honda Motor Cycle | 49,000 | 48,686 | 314 | 10,000 | 9,686 | Mr. Sean samson | Company policy |
| Hyundai Santro | 449,000 | 446,294 | 2,706 | 16,565 | 13,859 | Ms. Abida Ali Shah | Company policy |
| Toyota Corolla | 1,080,000 | 1,048,967 | 31,033 | 189,995 | 158,962 | Mr. Nasir Kaleem | Company policy |
| Total | <u>3,381,000</u> | <u>3,336,105</u> | <u>44,894</u> | <u>810,835</u> | <u>765,941</u> | | |

| | 2023 | 2022 |
|-------------------------------------|--------------------|----------|
| | ----- Rupees ----- | |
| 5.4 CAPITAL WORK IN PROGRESS | | |
| Addition during the year | 28,248,740 | - |
| Capitalized during the year | (5,000,000) | - |
| | <u>23,248,740</u> | <u>-</u> |

5.5 Revalued freehold land and factory building on freehold land

In financial year 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 (2022: Rs. 3,964,588) and Rs. 48,120,803 (2022: Rs. 59,493,396) under the cost model.

5.6 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 May 03, 2021 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 and they have appropriate qualifications and 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.

5.7 Particulars of immovable property (freehold land and building on freehold land) in the name of 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 | 88626 |

| | 2023 | 2022 |
|--|--------------------|-----------|
| | ----- Rupees ----- | |
| 6 LEASES | | |
| Right-of-use assets | | |
| Balance at the beginning of the year | 871,421 | 1,089,275 |
| Transferred To Fixed Assets | (871,421) | - |
| Depreciation expense - 20% reducing balance method | - | (217,855) |
| Balance at the end of the year | - | 871,421 |
| 6.1 The depreciation charge on right-of-use assets for the year has been allocated as follows : | | |
| Cost of sales | - | 215,182 |
| Selling and distribution expenses | - | 1,288 |
| Administrative expenses | - | 1,385 |
| | - | 217,855 |
| 6.2 Movement in lease liabilities | | |
| Balance at the beginning of the year | - | 803,166 |
| Interest expense | - | 62,910 |
| Payments | - | (446,603) |
| | - | 419,473 |
| Current portion grouped under current liabilities | - | (419,473) |
| Balance at the end of the year | - | - |

| | Note | 2023 | 2022 |
|--------------------------------------|---|--|--------------------|
| | | ----- Rupees ----- | |
| 7 LONG TERM SECURITY DEPOSITS | | | |
| Others | 7.1 | <u>898,453</u> | <u>898,453</u> |
| 7.1 | This includes deposits placed with utility companies including K-Electric, Pakistan Telecommunication Company Limited and Sui Southern Gas Company. | | |
| 8 STORES AND SPARES | | | |
| Spares | | 85,015,696 | 31,058,494 |
| Stores | | 115,961 | 83,381 |
| | | <u>85,131,657</u> | <u>31,141,875</u> |
| 9 STOCK IN TRADE | | | |
| Raw material | | 315,040,735 | 350,356,931 |
| Packing materials | | 13,398,298 | 11,462,258 |
| Work-in-process | | 3,029,011 | 3,820,925 |
| Finished goods | 9.1 | 322,272,542 | 252,841,360 |
| | | <u>653,740,586</u> | <u>618,481,474</u> |
| 9.1 | As at 30, June 2023 finished goods has been valued at estimated net realizabale value. | | |
| 9.2 Security | | | |
| | | - Habib Metropolitan Bank Limited | |
| | | - First charge of Rs. 270 million over stock and receivable. | |

| | Note | 2023 | 2022 |
|--|--|--------------------|-------------------|
| | | ----- Rupees ----- | |
| 10 Trade Debts | | | |
| Considered good - unsecured | | - | 6,559,905 |
| 10.1 As of June 30, ageing analysis of trade debts is as follows: | | | |
| Neither past due nor impaired | | - | - |
| Past due but not impaired | | | |
| - 1 - 30 days | | - | 4,823,148 |
| - 30 - 90 days | | - | 1,736,757 |
| - More than 90 days | | - | - |
| | | <u>-</u> | <u>6,559,905</u> |
| 11 LOANS AND ADVANCES - CONSIDERED GOOD | | | |
| Loans to employees | | 506,996 | 387,427 |
| Advances to: | | | |
| Suppliers | | 639,540 | - |
| Seller of land | 11.1 | 400,000 | 400,000 |
| | | <u>1,039,540</u> | <u>400,000</u> |
| | | <u>1,546,536</u> | <u>787,427</u> |
| 11.1 | 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. | | |
| | Note | 2023 | 2022 |
| | | ----- Rupees ----- | |
| 12 REFUNDS DUE FROM THE GOVERNMENT | | | |
| Sales tax receivable | | 9,895,091 | - |
| Income tax refundable | | 51,921,403 | 45,852,024 |
| | | <u>61,816,494</u> | <u>45,852,024</u> |

| | Note | 2023 | 2022 |
|--|-------------------|---|--------------------|
| | | ----- Rupees ----- | |
| 13 SHORT TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | | | |
| Prepayments | | - | 851,196 |
| Letters of credit | | 58,116 | 4,095,313 |
| Short term deposits | | - | 60,000 |
| Other receivables | | 35,249 | 27,202 |
| | | <u>93,365</u> | <u>5,033,711</u> |
| 14 CASH AND BANK BALANCES | | | |
| Cash in hand | | 187,001 | 37,768 |
| Cash at banks | | | |
| - Current accounts | | 24,095,339 | 4,711,284 |
| - Deposit accounts | 14.1 | 19,450,983 | 12,509 |
| | | <u>43,546,322</u> | <u>4,723,793</u> |
| | | <u>43,733,323</u> | <u>4,761,561</u> |
| 14.1 This carries mark-up @ rate of 16.5% to 18% per annum. | | | |
| 15. SHARE CAPITAL | | | |
| 2023 | 2022 | 2023 | 2022 |
| (Number of shares) | | ----- Rupees ----- | |
| Authorized Share Capital | | | |
| 15,000,000 | 15,000,000 | Ordinary shares of Rs. 10 each | 150,000,000 |
| Issued, subscribed and paid up Share Capital | | | |
| 13,267,786 | 13,267,786 | Ordinary shares of Rs. 10 each fully paid in cash | 132,677,860 |
| 1,280,890 | 1,280,890 | Ordinary shares of Rs. 10 each issued as bonus shares | 12,808,900 |
| <u>14,548,676</u> | <u>14,548,676</u> | <u>145,486,760</u> | <u>145,486,760</u> |

| | 2023 | 2022 |
|--|---------------------|---------------------|
| | ----- Rupees ----- | |
| 16 REVALUATION SURPLUS ON PROPERTY, PLANT & EQUIPMENT | | |
| Surplus on revaluation of operating fixed assets as at July 01 | 518,384,419 | 610,709,671 |
| Transfer to unappropriated profit in respect of disposal during the period / year | - | (53,712,929) |
| Transfer to unappropriated profit in respect of incremental depreciation charged during the year | (23,714,640) | (26,349,600) |
| Related deferred tax liability | (9,686,261) | (12,262,723) |
| Surplus on revaluation of operating fixed assets as at June 30 | <u>484,983,518</u> | <u>518,384,419</u> |
| Less: related deferred tax liability: | | |
| at beginning of the year | 96,862,613 | 109,125,336 |
| on surplus arising on revaluation during the year | - | (1,500,211) |
| on incremental depreciation charged during the year | (9,686,261) | (10,762,512) |
| | <u>(87,176,352)</u> | <u>(96,862,613)</u> |
| | <u>397,807,166</u> | <u>421,521,806</u> |

- 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.

| | Note | 2023 | 2022 |
|--|-------------|----------------------|----------|
| | | ----- Rupees ----- | |
| 17 SUBORDINATED LOAN | | | |
| Fair value of outstanding loan transferred | 17.1 & 18.1 | 752,734,796 | - |
| Additional loan obtained during the year | | 700,000,000 | - |
| | | <u>1,452,734,796</u> | <u>-</u> |

- 17.1** During the year in pursuance of share purchase agreement, on July 22, 2022 the new sponsors of the Company entered into a novation agreement whereby the loan as mentioned in note 18 of the financial statements of previous sponsors was assigned to new sponsors.

| | Note | 2023 | 2022 |
|---|------|--------------------|--------------------|
| | | ----- Rupees ----- | |
| 18 LONG TERM FINANCING | | | |
| Banking companies - secured | | | |
| Soneri Bank Limited | | | |
| Fair value of Loan outstanding | | - | 18,628,561 |
| SBL Refinance Scheme | | | |
| Fair value of loan outstanding | | - | 15,192,839 |
| Adjustment pertaining to fair value of loan at below market interest rate | | - | 3,159,809 |
| Amortised cost as at June 30 | | - | 18,352,648 |
| Related parties - unsecured | | | |
| Fair value of loan outstanding | | 98,740,006 | 88,506,745 |
| Unwinding of discount | 18.1 | 56,139,945 | 10,233,261 |
| Interest expense | | 28,490,473 | - |
| | | 183,370,424 | 98,740,006 |
| Fair value of loan outstanding | | 515,212,687 | 515,212,687 |
| Additional loan obtained during the year | | 54,151,685 | - |
| Interest bearing loan | | 569,364,372 | 515,212,687 |
| | | 752,734,796 | 650,933,902 |
| Less: Current portion | | | |
| Banking companies | | - | (36,981,209) |
| Less: transfer to equity | 18.2 | (752,734,796) | - |
| | | - | 613,952,693 |

18.1 It represent an unwinding of interest on interest free loan obtained in prior years, which has been discounted at present at value. During the year loan has been re-classified to equity as mentioned in Note 18.2.

18.2 It represent a loan to the Company by the directors and it is agreed to be paid at the discretion of the Company, hence does not pass the test of liability. Therefore as per TR-32 loan have been classified to equity at its face value.

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, 2022 using the Projected Unit Credit Method. Based on legal opinion obtained by the Company, post employment benefit scheme has been discontinued.

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 assumptions

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

| | 2023 | 2022 |
|---------------------------------------|------|------|
| Discount factor used | N/A | 10% |
| Expected rate of increase in salaries | N/A | N/A |
| Retirement age (years) | N/A | 60 |

| | 2023 | 2022 |
|--|--------------------|--------------------|
| | ----- Rupees ----- | |
| 19.4 Movement of the liability recognized in the statement of financial position | | |
| Opening balance | 90,330,501 | 83,266,939 |
| Charge for the year | 2,340,702 | 14,527,756 |
| Remeasurement | - | 8,020,491 |
| Benefits paid | (70,540,729) | (15,484,685) |
| Closing balance | <u>22,130,474</u> | <u>90,330,501</u> |
| 19.5 Movement in the present value of defined benefit obligation | | |
| Opening balance | 90,330,501 | 83,266,939 |
| Service cost | - | 3,993,357 |
| Interest cost | - | 10,534,399 |
| Remeasurement | - | 8,020,491 |
| Benefits paid | (70,540,729) | (15,484,685) |
| Closing balance | <u>19,789,772</u> | <u>90,330,501</u> |
| 19.6 Amounts recognised in the statement of profit or loss account | | |
| Service cost | - | 3,993,357 |
| Interest cost | - | 10,534,399 |
| | <u>-</u> | <u>14,527,756</u> |
| 19.7 Amounts recognised in statement of other comprehensive income (OCI) | | |
| Remeasurement due to: | | |
| Change in financial assumptions | - | 141,718 |
| Experience adjustments | - | 7,878,773 |
| | <u>-</u> | <u>8,020,491</u> |
| 20 DEFERRED TAXATION | | |
| Credit balance arising in respect of: | | |
| - accelerated tax depreciation allowance | 81,640,016 | 86,310,433 |
| - revaluation surplus on property, plant and equipment | 87,176,351 | 96,862,612 |
| - Right of use of assets | - | 252,712 |
| | <u>168,816,367</u> | <u>183,425,757</u> |
| Debit balance arising in respect of: | | |
| - Finance lease obligations | - | (121,647) |
| - provision for post employment benefit obligations | (6,417,837) | (26,195,845) |
| - unused tax loss | (90,352,079) | (73,511,744) |
| - minimum tax credit | (39,774,236) | (29,548,206) |
| | <u>32,272,215</u> | <u>54,048,315</u> |
| 20.1 Deferred tax balance has been recognised at the rate at which these are expected to be settled / realised. | | |

| | Note | 2023 | 2022 |
|--|------|--------------------|--------------------|
| | | ----- Rupees ----- | |
| 21 TRADE AND OTHER PAYABLES | | | |
| Trade creditors / bills payable | | 130,423,456 | 38,008,221 |
| Accrued expenses | | 42,451,333 | 30,142,112 |
| Sales tax payable | | - | 1,788,732 |
| Workers' welfare fund | | 2,616,070 | 2,616,070 |
| Withholding tax payable | | 2,967,530 | 531,309 |
| | | <u>178,458,389</u> | <u>73,086,444</u> |
| 22 Markup accrued on loans | | | |
| Accrued finance cost on: | | | |
| Financing from banking companies | | - | 9,510,753 |
| Long term financing from related parties | | - | 28,490,473 |
| | | <u>-</u> | <u>38,001,226</u> |
| 23 SHORT TERM BORROWINGS | | | |
| Borrowings from banks - secured | | | |
| Soneri Bank Limited | | - | 237,573,124 |
| Soneri Bank Limited FATR | | - | 33,950,342 |
| Habib Bank Limited | | - | 43,286,305 |
| Borrowings from related party | | | |
| Swat Ceramics Private Limited | 23.1 | 90,000,000 | - |
| | | <u>90,000,000</u> | <u>314,809,771</u> |

23.1 During the year the Company has obtained interest free loan from its related party and it is payable on demand.

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

The Company filed suit no. 1803 of 2020 with High Court of Sindh against the increase of higher gas tariff rate from October 2020 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. 24,251,461 for the period from October'20 to June'21. 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

- November 20, 2020

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 a restraining order preventing 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 Sui Sothern 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.
VS
Federal Board of Revenue"

Date instituted

- March 2020

24.2 Commitments

Letters of credit other than for capital expenditure amount to Rs. 45,017,280 (2022: Rs.27,817,125).

Commitments in respect of bank guarantees issued by a Commercial Bank in respect of:

| | 2023 | 2022 |
|----------------------------------|--------------------|---------------|
| | ----- Rupees ----- | |
| Sui Sourther Gas Company Limited | 150,000,000 | 91,951,000 |
| Nazir Of Sindh High Court | 114,650,000 | - |
| | 264,650,000 | 91,951,000 |
| 25 REVENUE | | |
| Gross local sales | 1,160,865,050 | 1,003,455,446 |
| Less: Sales tax | (183,731,641) | (185,373,015) |
| | 977,133,409 | 818,082,431 |

| | Note | 2023 | 2022 |
|---|------|----------------------|----------------------|
| | | ----- Rupees ----- | |
| 26 COST OF SALES | | | |
| Raw materials consumed | | | |
| Opening stock | | 350,356,931 | 352,330,262 |
| Purchases | | 513,507,087 | 342,390,839 |
| Closing stock | | (315,040,735) | (350,356,931) |
| | | <u>548,823,283</u> | <u>344,364,170</u> |
| Manufacturing expenses | | | |
| Fuel, power and water | | 336,873,826 | 346,857,927 |
| Salaries, wages and benefits | | 228,072,799 | 117,641,969 |
| Stores and spare parts consumed | | 21,284,681 | 8,019,655 |
| Packing material consumed | | 56,508,127 | 50,353,866 |
| Repairs and maintenance | | 106,572,236 | 29,298,857 |
| Freight charges | | 7,408,923 | - |
| Depreciation | 5.2 | 87,397,326 | 94,806,040 |
| Director's remuneration | | 2,420,000 | 3,900,000 |
| Insurance | | 3,561,400 | 3,936,824 |
| Vehicles running and maintenance | | 4,210,430 | 299,896 |
| Others | | 4,286,466 | 13,902,038 |
| | | <u>858,596,214</u> | <u>669,017,072</u> |
| Opening work in process | | 3,820,925 | 11,698,018 |
| Closing work in process | 9 | (3,029,011) | (3,820,925) |
| Cost of goods manufactured | | <u>1,408,211,411</u> | <u>1,021,258,335</u> |
| Opening stock of finished goods | | 252,841,360 | 247,707,966 |
| Closing stock of finished goods | 9 | (322,272,542) | (252,841,360) |
| | | <u>1,338,780,229</u> | <u>1,016,124,940</u> |
| 27 SELLING AND DISTRIBUTION EXPENSES | | | |
| Salaries, wages and benefits | | 7,893,677 | 6,412,136 |
| Freight charges | | 19,158,551 | 112,292 |
| Fees and subscription | | - | 2,460,196 |
| Rent, rates and taxes | | - | 1,207,875 |
| Fuel, power and water | | - | 228,913 |
| Postage, telegraph and telephone charges | | 620 | 120,980 |
| Printing and stationery | | - | 9,764 |
| Vehicles running and maintenance | | 776,400 | 419,480 |
| Repairs and maintenance | | 30,024 | 464,048 |
| Travelling and conveyance | | 63,063 | 40,610 |
| Entertainment | | 70,736 | 217,777 |
| Advertisement expenses | | 370,100 | 280,350 |
| Insurance | | 187,838 | 24,952 |
| Depreciation | 5.2 | 523,091 | 567,531 |
| | | <u>29,074,100</u> | <u>12,566,904</u> |

| | Note | 2023 | 2022 |
|---|------|--------------------|-------------------|
| | | ----- Rupees ----- | |
| 28 ADMINISTRATIVE EXPENSES | | | |
| Salaries, wages and benefits | | 14,124,665 | 15,374,665 |
| Director's remuneration | | 105,000 | 3,900,000 |
| Fees and subscription | | 1,241,630 | 1,123,665 |
| Freight charges | | 32,900 | - |
| Rent, rates and taxes | | 288,425 | 777,068 |
| Fuel, power and water | | 1,100,068 | 1,401,713 |
| Postage, telegraph and telephone charges | | 249,328 | 468,642 |
| Printing and stationery | | 572,288 | 147,767 |
| Vehicles running and maintenance | | 2,149,574 | 179,297 |
| Repairs and maintenance | | 945,394 | 1,425,677 |
| Travelling and conveyance | | 305,731 | 161,391 |
| Entertainment | | 592,349 | 15,675 |
| Legal and professional charges | | 708,000 | 1,059,859 |
| Advertisement expenses | | 144,061 | - |
| Insurance | | 1,033,179 | 336,813 |
| Depreciation | 5.2 | 562,430 | 610,011 |
| | | <u>24,155,022</u> | <u>26,982,243</u> |
| 29 OTHER EXPENSES | | | |
| Auditor's remuneration | 29.1 | 877,617 | 889,130 |
| Exchange loss | | 9,424,383 | 2,636,599 |
| Donations | | - | 100,000 |
| | | <u>10,302,000</u> | <u>3,625,729</u> |
| 29.1 Auditor's remuneration | | | |
| Audit services | | | |
| Audit fee | | 754,380 | 754,380 |
| Fee for review of half yearly financial information | | 47,800 | 59,400 |
| Out of pocket expenses | | 75,437 | 75,350 |
| | | <u>877,617</u> | <u>889,130</u> |

| | 2023 | 2022 |
|---|--------------------|--------------------|
| | ----- Rupees ----- | |
| 30 OTHER INCOME | | |
| Income from financial assets | | |
| Profit on deposit Account | 2,470,192 | 508,406 |
| Income from non-financial assets | | |
| Gain on disposal of items of property, plant and equipment | 765,941 | 40,817,244 |
| | <u>3,236,133</u> | <u>41,325,650</u> |
| 31 FINANCE COST | | |
| Mark-up on: | | |
| Short term borrowings | 3,159,955 | 40,581,017 |
| Lease liabilities | 10,132 | 62,910 |
| Refinance scheme | 27,082 | 828,494 |
| Term Finance | 309,237 | 4,980,275 |
| | 3,506,406 | 46,452,696 |
| Interest on directors' loan | 56,139,945 | 10,233,261 |
| Bank charges | 2,936,297 | 1,145,705 |
| | <u>62,582,648</u> | <u>57,831,662</u> |
| 32. TAXATION | | |
| Current | 12,214,168 | 10,226,030 |
| Deferred expense/ (income) | (21,776,099) | (16,189,744) |
| | <u>(9,561,931)</u> | <u>(5,963,714)</u> |

32.1 The Company has taxable loss for the year. The charge for the current taxation is based on minimum tax chargeable under section 133 of income tax Ordinance, 2001 after taking into account applicable tax credits, rebates and exemption available if any.

| | 2023 | 2022 |
|--|--------------------|---------------|
| | ----- Rupees ----- | |
| 33. LOSS / EARNINGS PER SHARE - BASIC AND DILUTED | | |
| Profit after taxation attributable to ordinary shareholders | (474,962,526) | (251,859,683) |
| Weighted average number of shares | 14,548,676 | 14,548,676 |
| Loss per share (Rupees) - Basic and diluted | (32.65) | (17.30) |

33.1 There is no dilutive effect on the basic 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 33.

| | | | 2023 | 2022 |
|---------------|--------------------|------------------------------|--------------------|-------------|
| | | | ----- Rupees ----- | |
| Related party | Relationship | Nature of transactions | | |
| Directors | Associated persons | Loan (paid) / received - net | - | 252,106,726 |
| Directors | Associated persons | Loan received | 700,000,000 | - |
| Directors | Associated persons | Short term loan received | 90,000,000 | - |
| Directors | Associated persons | Sale of raw material | 24,790,553 | - |
| Directors | Associated persons | Notional interest on loan | 56,139,945 | 10,233,261 |
| Directors | Associated persons | Remuneration and allowances | 2,420,000 | 7,800,000 |
| Directors | Associated persons | Purchase of Vehicle | 5,700,000 | - |
| Directors | Associated persons | Sale of vehicle | - | 371,301 |
| Directors | Associated persons | Sale of vehicle | - | 869,228 |
| Directors | Associated persons | Sale of vehicle | - | 489,554 |
| Directors | Associated persons | Sale of vehicle | - | 54,536 |

The related party status of outstanding balances is included in long term financing from directors, markup accrued on short term borrowings 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 | | Executive | | Total | |
|--|------------------|-----------|-----------|-----------|------------|------|------------|-----------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | -----Rupees----- | | | | | | | |
| Managerial remuneration and allowances | - | 2,516,129 | 2,420,000 | 2,516,129 | 10,887,210 | - | 13,307,210 | 5,032,258 |
| House rent | - | 1,132,258 | - | 1,132,258 | 6,193,177 | - | - | 2,264,516 |
| Utilities | - | 251,613 | - | 251,613 | 3,538,958 | - | - | 503,226 |
| | - | 3,900,000 | 2,420,000 | 3,900,000 | 20,619,345 | - | 13,307,210 | 7,800,000 |
| Number of persons | 1 | 1 | 1 | 1 | 8 | - | 10 | 2 |

In financial year 2022 basic salary of employees are below the basic salary limit required in the forth schedule of the Companies Act 2017 for disclosure, none of the employees fall within the definition of executive.

- 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 is paid to any non-executive directors (2022: Nil) .Aggregate amount charged in these financial statements in respect of fees to one independent director is Rs. 105,000/- (2022: Nil).

| | Note | 2023 | 2022 |
|--|------|-----------|-----------|
| 36. PLANT CAPACITY AND PRODUCTION | | | |
| Installed Capacity | | 6,480,000 | 6,480,000 |
| Actual Production | 36.1 | 1,216,034 | 1,392,304 |

- 36.1 Difference is due to the current supply / demand situation in the market.

| | 2023 | 2022 |
|---|------|------|
| 37. NUMBER OF EMPLOYEES | | |
| Total permanent employees at the year end | 9 | 80 |
| Total contractual employees at the year end | 360 | 162 |
| Average employees at the year end | 516 | 290 |

| | 2023 | 2022 |
|--|--------------------|----------------------|
| | ----- Rupees ----- | |
| 38. CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 43,733,323 | 4,761,561 |
| Short term borrowings from banks - secured | - | (280,859,429) |
| | <u>43,733,323</u> | <u>(276,097,868)</u> |
| 39. FINANCIAL INSTRUMENTS BY CATEGORY | | |
| FINANCIAL ASSETS | | |
| At amortized cost | | |
| Long term deposits | 898,453 | 898,453 |
| Trade debts | - | 6,559,905 |
| Loans to employees | 506,996 | 387,427 |
| Short term deposits and other receivables | 35,249 | 27,202 |
| Bank balances | 43,546,322 | 4,723,793 |
| | <u>44,987,020</u> | <u>12,596,780</u> |
| FINANCIAL LIABILITIES | | |
| At amortized cost | | |
| Long term financing | - | 650,933,902 |
| Post employment benefits | 22,130,474 | 90,330,501 |
| Lease liabilities | - | 419,473 |
| Trade and other liabilities | 172,874,789 | 68,150,333 |
| Accrued markup on loans | - | 38,001,226 |
| Short term borrowings | 90,000,000 | 314,809,771 |
| Unclaimed dividend | 513,191 | 513,191 |
| Dividend payable | 3,148,405 | 3,148,405 |
| | <u>288,666,859</u> | <u>1,166,306,802</u> |

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, 2023, 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. 2,358,490 (2022: Rs. 1,397,302) 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 nil (2022: Rs. 35,179,098) 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 price risk

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:

| | 2023 | 2022 |
|---|--------------------|-------------------|
| | ----- Rupees ----- | |
| Long term deposits | 898,453 | 898,453 |
| Trade debts | - | 6,559,905 |
| Loans to employees | 506,996 | 387,427 |
| Short term deposits and other receivables | 35,249 | 87,202 |
| Bank balances | <u>43,733,323</u> | <u>4,761,561</u> |
| | <u>45,174,021</u> | <u>12,694,548</u> |

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

| | | |
|-------------------------------|----------|------------------|
| Neither past due nor impaired | - | - |
| Past due but not impaired | | |
| 1 - 30 days | - | 4,823,148 |
| 31 - 90 days | - | 1,736,757 |
| More than 90 days | - | - |
| | <u>-</u> | <u>6,559,905</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 | | Rating Agency | 2023 | 2022 |
|-------------------------|------------|-----------|---------------|--------------------|------------------|
| | Short term | Long term | | ----- Rupees ----- | |
| Soneri Bank Limited | A1+ | AA- | PACRA | 2,421,778 | 2,132,901 |
| Muslim commercial Bank | A1+ | AAA | PACRA | 39,356 | 790,057 |
| Habib Metropolitan Bank | A1+ | AA+ | PACRA | 32,652,178 | 964,652 |
| JS Bank Ltd | A1+ | AA- | PACRA | 67,450 | 67,450 |
| Alfalah Bank Ltd. | A1+ | AA+ | PACRA | 56,208 | 56,242 |
| Faysal Bank Limited | A1+ | AA | PACRA | 66,625 | 309,125 |
| Habib Bank Limited | A1+ | AAA | PACRA | 4,905,263 | 2,068 |
| Allied Bank Limited | A1+ | AAA | PACRA | 75,269 | 77,032 |
| Meezan Bank Limited | A1+ | AAA | VIS | 3,262,196 | 324,265 |
| | | | | 43,546,323 | 4,723,793 |

(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 |
|---|---------------------------|----------------------------------|---------------------------|--------------------------|
| Contractual maturities of financial liabilities as at June 30, 2023: | | | | |
| Long term financing | - | 668,104,378 | - | - |
| Post employment benefits | 22,130,474 | 22,130,474 | - | 22,130,474 |
| Lease liabilities | - | - | - | - |
| Trade and other payables [trade creditors and accrued expenses] | 173,526,276 | 173,526,276 | - | 173,526,276 |
| Short term borrowings | 90,000,000 | 90,000,000 | - | 90,000,000 |
| Markup accrued on loans | - | - | - | - |
| Unclaimed dividend | 513,191 | 513,191 | - | 513,191 |
| Dividend payable | 3,148,405 | 3,148,405 | - | 3,148,405 |
| | 289,318,346 | 956,771,237 | - | 289,318,346 |

| Description | Carrying amount Rupees | Contractual cash flows Rupees | Within one year Rupees | After one year Rupees |
|---|---------------------------|----------------------------------|---------------------------|--------------------------|
| Contractual maturities of financial liabilities as at June 30, 2022: | | | | |
| Long term financing | 650,933,902 | 640,700,641 | 33,821,400 | 617,112,502 |
| Post employment benefits | 90,330,501 | 90,330,501 | - | 90,330,501 |
| Lease liabilities | 419,473 | 419,473 | 419,473 | - |
| Trade and other payables [trade creditors and accrued expenses] | 68,150,333 | 68,150,333 | - | 68,150,333 |
| Short term borrowings | 314,809,771 | 314,809,771 | - | 314,809,771 |
| Markup accrued on loans | 38,001,226 | 38,001,226 | - | 38,001,226 |
| Unclaimed dividend | 513,191 | 513,191 | - | 513,191 |
| Dividend payable | 3,148,405 | 3,148,405 | - | 3,148,405 |
| | 1,166,306,802 | 1,156,073,541 | 34,240,873 | 1,132,065,929 |

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.

| | 2023 | 2022 |
|-----------------------|--------------------|---------------|
| | ----- Rupees ----- | |
| Total borrowings | 90,000,000 | 965,743,673 |
| Cash and bank | (43,733,323) | (4,761,561) |
| Net debt | 46,266,677 | 960,982,112 |
| Equity | 1,520,694,977 | 542,922,707 |
| Total capital | 1,566,961,654 | 1,503,904,819 |
| Debt to capital ratio | 3% | 64% |

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | As at June 30, 2022 | Non-cash changes | Cash Flows | As at June 30, 2023 |
|-----------------------|------------------------|---------------------|----------------------|------------------------|
| | ----- Rupees ----- | | | |
| Long term financing | 650,933,902 | 81 | (650,933,983) | - |
| Lease liabilities | 419,473 | - | (419,391) | - |
| Short term borrowings | 314,809,771 | - | (224,809,771) | 90,000,000 |
| | <u>966,163,146</u> | <u>81</u> | <u>(876,163,145)</u> | <u>90,000,000</u> |

43. DATE OF AUTHORIZATION FOR ISSUE

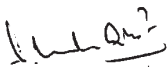
These financial statements were authorized for issue on October 2, 2023 by the Board of Directors of the Company.

44. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and reclassified, wherever necessary for the purpose of comparison of and for better presentation. However, no significant re-classification has been made during the year."

45. GENERAL

Figures have been rounded off to the nearest Pakistani Rupee unless otherwise stated.



Chief Executive



Chief Financial Officer



Director

PATTERN OF SHAREHOLDING

AS AT 30 JUNE 2023

| No. of Shareholders | Having Shares | | Shares Held | Percentage |
|---------------------|----------------------|---------|-----------------|-----------------|
| | From | To | | |
| 171 | 1 | 100 | 1276 | 0.0088 |
| 73 | 101 | 500 | 32547 | 0.2237 |
| 15 | 501 | 1000 | 11928 | 0.0820 |
| 15 | 1001 | 5000 | 31136 | 0.2140 |
| 5 | 5001 | 10000 | 46330 | 0.3184 |
| 1 | 25001 | 30000 | 27244 | 0.1873 |
| 1 | 30001 | 35000 | 32751 | 0.2251 |
| 1 | 310001 | 315000 | 312360 | 2.1470 |
| 3 | 980001 | 985000 | 2942678 | 20.2264 |
| 4 | 2775001 | 2780000 | 11110426 | 76.3673 |
| 289 | Company Total | | 14548676 | 100.0000 |

CATEGORY OF SHARE HOLDERS AS AT 30 JUNE 2023

| Folio No | Name | Code | Balance Held | Percentage |
|--------------|--|------|--------------|------------|
| 000000000772 | MR. ALIREZA M. ALLADIN | 001 | 200 | 0.0014 |
| 000000000876 | SYED MAZHAR ALI NASIR | 001 | 9913 | 0.0681 |
| 000000000877 | SURAIYA NASIR | 001 | 9923 | 0.0682 |
| 000000000878 | SYED AZHAR ALI NASIR | 001 | 9914 | 0.0681 |
| 000000000879 | SYED AZFAR ALI NASIR | 001 | 9914 | 0.0681 |
| 006452123910 | SYED AZHAR ALI NASIR | 001 | 2777608 | 19.0918 |
| 006452123928 | SURAIYA NASIR | 001 | 2777601 | 19.0918 |
| 006452124066 | SYED AZFAR ALI NASIR | 001 | 2777608 | 19.0918 |
| 006452124553 | SYED MAZHAR ALI NASIR | 001 | 2777609 | 19.0918 |
| 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 |
| 006445000028 | DARSON SECURITIES LIMITED | 010 | 1 | 0.0000 |

CATEGORIES OF SHAREHOLDERS AS AT 30 JUNE 2023

| Particulars | No. of Folio | Balance Share | Percentage |
|---------------------------|--------------|-----------------|-----------------|
| DIRECTORS, CEO & CHILDREN | 9 | 11150290 | 76.6413 |
| BANKS, DFI & NBFI | 2 | 312562 | 2.1484 |
| INSURANCE COMPANIES | 1 | 1500 | 0.0103 |
| GENERAL PUBLIC (LOCAL) | 272 | 3048923 | 20.9567 |
| GENERAL PUBLIC (FOREIGN) | 2 | 1500 | 0.0103 |
| OTHERS | 3 | 33901 | 0.2330 |
| Company Total | 289 | 14548676 | 100.0000 |



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 |
| Mandatory | |
| 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
Plot No.32-C, Jami Commercial Street2,
D.H.A Phase-VII, Karachi-75500

For any query, you may please contact on Tel # 021-111-000-322 or email at 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



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 44th Annual General Meeting of the Company to be held on
Friday, October 27, 2023 at 3:00 pm Company's Registered Office situated at A-31, S.M.C.H.S.,
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
A-31, S.M.C.H.S., Karachi not less than 48 hours before the meeting .

CDC Shareholder and their Proxied must attached either an attested photocopy of their
Computerized National Identity Card or Passport with this proxy from. _____

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 ۴۴ ویں سالانہ جنرل میٹنگ میں شرکت کر کے ووٹ دے سکتے ہیں جس کا انعقاد بروز جمعہ 27 اکتوبر 2023ء دوپہر 3:00 بجے کمپنی کے رجسٹرڈ آفس واقع A-31, S.M.C.H.S. 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 A-31, S.M.C.H.S. کراچی میں میٹنگ سے کم از کم 48 گھنٹے قبل جمع کرائیں۔ CDC شیئرز ہولڈرز اور ان کے پراکسی اپنے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ فوٹوکاپی پراکسی فارم کے ساتھ _____ تک جمع کرا دیں۔



POSTAL BALLOT PAPER

For voting through post for the Special Business at the Annual General Meeting to be held on Friday, October 27, 2023 at 3.00 p.m. at A/31, Sindhi Muslim Cooperative Housing Society, Karachi, and / or online through Zoom. Phone: (021)345 555 12 & 13; Website: Karamceramics.com

Designated email address of the Chairperson at which the duly filled in ballot paper may be sent: manzoorali.karam@gmail.com

| | |
|---|--|
| Name of shareholder/joint shareholders | |
| Registered Address | |
| Number of shares held and folio number | |
| CNIC Number (copy to be attached) | |
| Additional Information and enclosures (In case of representative of body corporate, corporation and Federal Government.) | |

I/we hereby exercise my/our vote in respect of the following resolutions through postal ballot by conveying my/our assent or dissent to the following resolution by placing tick (?) mark in the appropriate box below (delete as appropriate);

| Sr. No. | Nature and Description of resolutions | No. of ordinary shares for which votes cast | I/We assent to the Resolutions (FOR) | I/We dissent to the Resolutions (AGAINST) |
|---------|--|---|--------------------------------------|---|
| 2 | <p>Resolution For Agenda item No. 4</p> <p>RESOLVED "the authorized capital of the Company be and is hereby increased from Rs. 150,000,000/- (Rupees one hundred fifty million only) to Rs. 450,000,000/- (Rupees four hundred fifty million only) by creation of 30,000,000 (thirty million) new ordinary shares of Rs. 10/- each"</p> <p>FURTHER RESOLVED "that the Memorandum and Articles of Association of the Company be and hereby altered by substituting the figures and words of Rs. 150,000,000/- (Rupees one fifty million only) divided into 15,000,000 (fifteen million) ordinary shares of Rs. 10/- each appearing in clause V of the Memorandum and Articles 2 of Articles of Association with the words and figures of Rs. 450,000,000/- (Rupees Four hundred and fifty million only) divided in to 45,000,000(forty five million) ordinary shares of Rs. 10/- each."</p> <p>FURTHER RESOLVED "that the ordinary shares when issued shall carry equal voting rights and rank Pari passu with the existing ordinary shares of the Company in all respect / matters in conformity with the provisions of the Companies Act, 2017."</p> | | | |

| Sr. No. | Nature and Description of resolutions | No. of ordinary shares for which votes cast | I/We assent to the Resolutions (FOR) | I/We dissent to the Resolutions (AGAINST) |
|---------|--|---|--------------------------------------|---|
| | FURTHER RESLOVED "that the Chief Executive Officer and Company Secretary be and are hereby authorized singly to do all acts, deeds and things., take any or all necessary actions to complete all legal formalities and to file requisite documents with the Registrar to effectuate and implement the aforesaid resolutions." | | | |
| 2 | Resolution For Agenda item No. 5 "RESOLVED THAT the Company be and is hereby authorized to circulate its annual report, including annual audited financial statements, Auditors' report, Directors' report, Chairman's review report and other reports contained therein, to the members of the Company through QR enabled code and weblink, in accordance with S.R.O. 389(I)/2023 issued by the Securities and Exchange Commission of Pakistan, and that the practice of circulation of the annual report through CD / USB be discontinued. | | | |

Signature of shareholder(s)

Place: _____

Date: _____

NOTES:

1. Dully filled postal ballot should be sent to chairperson of Karam Ceramics Limited at A-31, S.M.C.H.S., Karachi or email at manzooralikaram@gmail.com.
2. Copy of CNIC should be enclosed with the postal ballot form.
3. Postal ballot forms should reach chairperson within business hours by or before Thursday, October 26, 2023. Any postal ballot received after this date, will not be considered for voting.
4. Signature on postal ballot should match with signature on CNIC.
5. Incomplete, unsigned, incorrect, defaced, torn, mutilated, over written ballot paper will be rejected.
6. In case of a representative of a body corporate, corporation or Federal Government, the Ballot Paper Form must be accompanied by a copy of the CNIC of an authorized person, an attested copy of Board Resolution, / Power of Attorney, / Authorization Letter etc., in accordance with Section(s) 138 or 139 of the Companies Act, 2017 as applicable. In the case of foreign body corporate etc., all documents must be attested by the Counsel General of Pakistan having jurisdiction over the member.
7. Ballot Paper form has also been placed on the website of the Company at: www.karamceramics.com. Members may download the Ballot paper from the website or use an original/photocopy published in newspapers.

