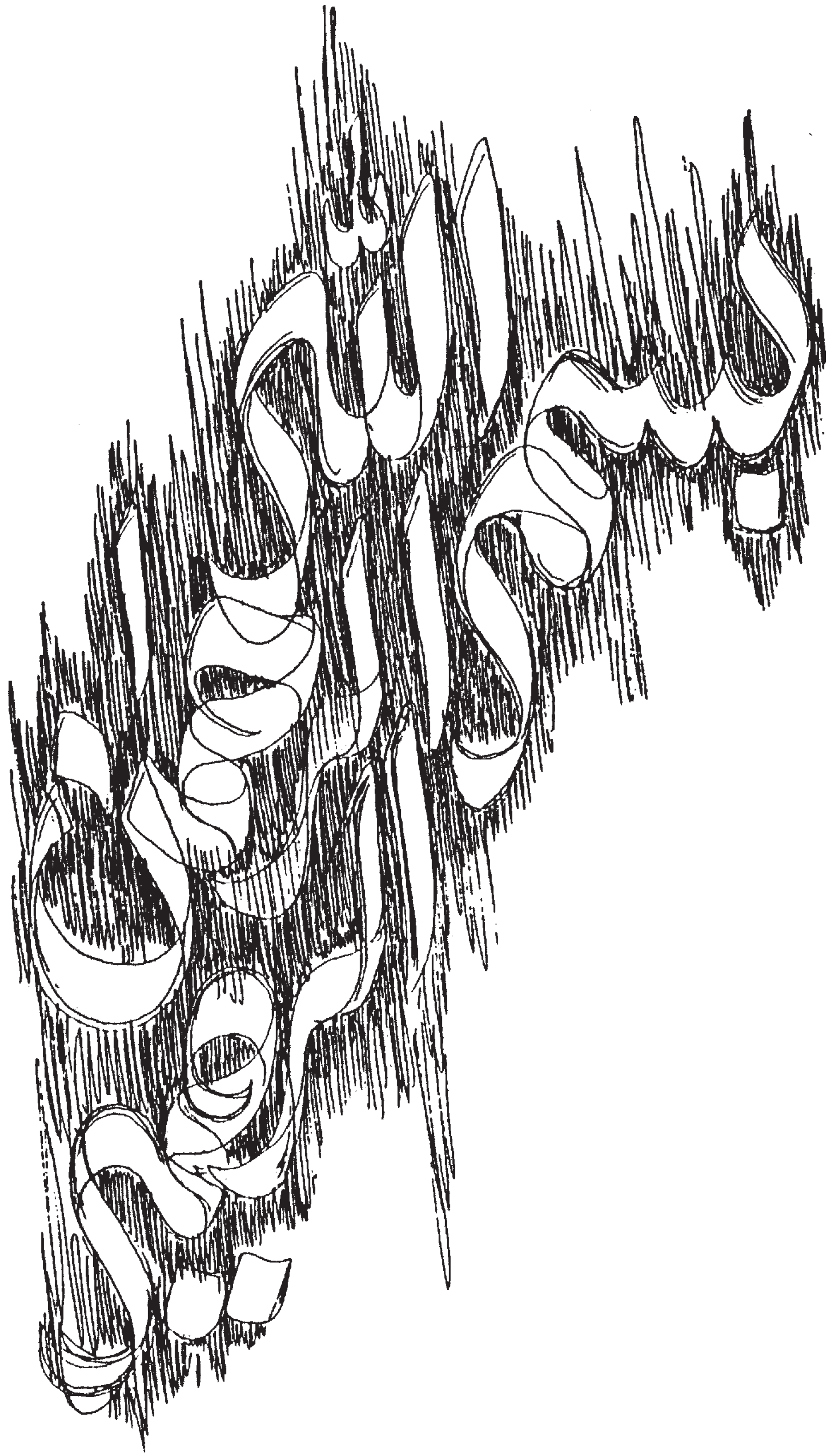
بسم الله الرحمن الرحيم

# Contents

# COMPANY INFORMATION

**Board of Directors**

Mr. S. A. Mannan, Chairman
Mr. Tariq Rehman, Chief Executive Officer
Mr. Shafiq A. Siddiqi
Mr. Haris Noorani
Mr. Suhail Mannan
Mr. Tahir Rehman
Mr. Javaid Shafiq
Mr. Usman Haq

**Audit Committee**

Mr. Tariq Rehman, Chairman
Mr. Suhail Mannan, Member
Mr. Tahir Rehman, Member
Mr. Usman Haq, Member

**Chief Financial Officer**

Mr. Mansoor Jamal Butt

**Auditors**

A. F. Ferguson & Co.
Chartered Accountants.
Lahore.

**Bankers**

Habib Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
Royal Bank of Scotland
Faysal Bank Limited
Bank of Punjab

**Share Registrar**

Corplink (Pvt.) Ltd.
Wings Arcade, 1-K, Commerical,
Model Town, Lahore

**Registered Office**

119/E-I, Hali Road,
Gulberg III, Lahore.

**Factory**

19-Kilometre, Lahore-Sheikhupura Road,
Lahore.

# *BUSINESS ITEMS*

***Porcelain Insulators***

- Suspension Insulator
- Pin Insulator
- Line Post Insulator
- Cap and Pin Type Support Insulator
- Station Post Insulator
- Indoor Switch and Bus Insulator
- Apparatus Insulator
- Insulator for Railway Electrification
- Telephone Insulator
- Low Voltage Insulator
- Dropout Cutout Insulator
- Bushings

***Switchgear***

- Disconnect Switch upto 145 kV
- Metal Oxide Surge Arresters upto 430 kV (Under Licence from Siemens, Germany)

***Chemical Porcelain***

- Acid Proof Wares and Bricks
- Raschig Ring and Saddles
- Acid Proof Porcelain Pipes and Fitting
- Acid Proof Cement

***Special Porcelain***

- Special Refractories
- High Alumina Porcelain
- Lining & Grinding Media

***Ceramic Glazed Wall Tiles***

- Coloured & Decorative Glazed Wall Tiles
  20 cm x 20 cm x 7 mm
  20 cm x 30 cm x 7 mm
  25 cm x 33 cm x 7 mm

***Ceramic Glazed Floor Tiles***

- Vitreous & Semi Vitreous Decorative Glazed Floor Tiles
  30 cm x 30 cm x 8 mm
  38 cm x 38 cm x 8 mm

# NOTICE OF MEETING

*Notice is hereby given that 54th Annual General Meeting of Members of EMCO Industries Limited will be held on 30th October, 2009 at 11.00 a.m. at the Registered Office of the Company , 119/E-1, Hali Road, Gulberg-III, Lahore, to transact the following business;*

1. *To confirm the minutes of the last Annual General Meeting held on 30th October, 2008*

2. *To receive, approve and adopt the Audited Accounts of the Company for the year ended 30th June 30, 2009 together with Directors' and Auditors' Report thereon.*

3. *To appoint Auditors for the next financial year and fix their remuneration M/s. A.F. Ferguson & Co. Chartered Accountants, the present auditors of the Company retire and being eligible, offer themselves for re-appointment.*

4. *To transact any other business with the permission of the chairman.*

*By Order of the Board*

*Place : Lahore;*
*Dated : 07.10.2009*

***(HARIS NOORANI)***
*DIRECTOR CORPORATE AFFAIRS*

***NOTES; -***

1. *The Share Transfer Books of the Company will remain closed and no transfer of Shares will be accepted for registration from 22.10.2009 to 30.10.2009 (both days inclusive). No transfer will be accepted for registration during this period.*

2. *A member entitled to attend and vote at the General Meeting may appoint another member as his/her proxy to attend and vote instead of him/her at the meeting. Proxies must be deposited at the Company's Registered Office not less than forty-eight hours before the time of holding the meeting. Form of proxy is enclosed.*

3. *Members through CDC, entitled to attend and vote at this meeting, must bring his/her NIC or passport to prove his/her identity and in case of Proxy must enclose anattested copy of his/her NIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.*

4. *Members are requested to promptly notify the change in their address, if any, to the Company's Share Registrar M/s. Corplink (Pvt) Limited, Wings Arcade, I-K Commercial, Model Town, Lahore.*

# DIRECTORS' REPORT

*The directors have pleasure in presenting the Report of the company for the year ended June 30, 2009 together with the Audited Accounts and the Auditors' Report thereon.*

Financial Results are as follows:-

| | **2009 Rupees** | 2008 Rupees |
|---|---|---|
| Profit /(Loss) before taxation | ***(103,150,623)*** | ***(15,582,981)*** |
| Taxation | ***21,931,954*** | ***1,756,121*** |
| Profit/(Loss) after Tax | ***(81,218,669)*** | ***(13,826,860)*** |
| Un-appropriated profit / (Loss) brought forward | ***(299,089,835)*** | ***(317,263,872)*** |
| Incremental Depreciation on revaluation | ***17,970,918*** | ***32,028,750*** |
| Disposal of Revalued Assets | ***980,249*** | ***2,664,543*** |
| Dividend @ 0.50 per share | - | ***(2,692,396)*** |
| | ***(280,138,668)*** | ***(285,262,976)*** |
| Profit / (Loss) carried forward | ***(361,357,337)*** | ***(299,089,835)*** |
| Profit / (Loss) per share | ***(2.39)*** | ***(0.72)*** |

***Code of Corporate Governance***

*The requirements of the Code of Corporate Governance set out by the Karachi, Lahore, and Islamabad Stock Exchanges in their Listing Regulations, relevant for the year ended June 30, 2009 have been adopted by the Company and have been duly complied with. A statement to this effect is annexed with the report.*

*In compliance with the provisions of the Code, the Board members are pleased to place the following statement on record:*

- *The financial statements for the year ended June 30, 2009 present fairly its state of affairs, the results of its operations, cash flow and changes in equity;*
- *Proper books of accounts have been maintained;*
- *Appropriate accounting policies have been consistently applied in preparation of financial statements for the year ended June 30, 2009 accounting estimates are based on reasonable and prudent judgment;*
- *International Accounting Standards (IAS), 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 significant doubts about the company's ability to continue as a going concern;*
- *There has been no material departure from the best practices of corporate governance, as detailed in listing regulations;*
- *The value of investment of Provident Fund based on its audited accounts as at December 31, 2008 was Rs.167.477 million. The value of investment includes accrued interest.*

***Board Meetings***

*The Board of Directors, which consist of eight members, have responsibility to independently and transparently monitor the performance of the company and take strategic decisions to achieve sustainable growth in the company value. All members of the Board are elected in the general meeting after every three years. The term of the existing members of the Board will expire on 30-06-2011, along with their consent to act so, filed a declaration on the prescribed form as requirements of the Code of Corporate Governance.*

*A written notice of the Board meeting along with working papers was sent to the members seven days before meetings. A total of six meetings of the Board of Directors were held during the year ended June 30, 2009. The attendance of the board members was as follows: -*

| *Sr. #* | *NAME OF DIRECTOR* | *MEETINGS ATTENDED* |
|---|---|---|
| 1. | Mr. S.A. Mannan | 06 |
| 2. | Mr. Tariq Rehman | 04 |
| 3. | Mr. Shafiq A. Siddiqi | 06 |
| 4. | Mr. Haris Noorani | 04 |
| 5. | Mr. Suhail Mannan | 06 |
| 6. | Mr. Tahir Rehman | 05 |
| 7. | Mr. Javaid Shafiq | 04 |
| 8. | Mr. Usman Haq | 05 |

Leave of absence was granted a Director who could not attend the meetings.

*During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows:*

| *S. No.* | *Name* | *Purchase* | *Sale* | *Transmission* |
|---|---|---|---|---|
| 1. | Mr. Tariq Rehman | 1,612,397 (Right Shares) | - | - |
| 2. | Mr. Haris Noorani | 1,101,858 (Right Shares) | - | - |
| 3. | Mr. Sohail Mannan | 3,307,895 (Right Shares) | - | - |
| 4. | Mr. Tahir Rehman | 1,060,180 (Right Shares) | - | - |
| 5. | Mr. Usman Haq | 720,269 (Right Shares) | - | - |
| 6. | Mrs. Saeeda Shafiq W/O Shafiq A. Siddiqui | 3,440,641 (Right Shares) | - | - |
| 7. | Mrs. Amina Suhail Mannan W/O Suhail Mannan | 10,260 (Right Shares) | - | - |
| 8. | Mrs. Ambreen Haq | 418,667 (Right Shares) | - | - |

***Audit Committee***

*The AC reviews the annual and quarterly financial statements, internal audit report, and information before dissemination to stock exchanges and proposes appointment of the external auditors for approval of the shareholders, apart from other matters of significant nature. The AC holds its meeting prior to the Board meeting. A total of four meetings of Audit Committee were held during the year under review. It includes statutory meeting with external auditors before start of annual audit and meeting with external auditors without CFO and head of internal audit being present. Name of the members of Audit Committee are as follows:*

| | | |
|---|---|---|
| 1. | Mr. Tariq Rehman | Chairman |
| 2. | Mr. Suhail Mannan | Member |
| 3. | Mr. Tahir Rehman | Member |
| 4. | Mr. Usman Haq | Member |

***Dividend***

*Considering the brought forward losses, no dividend is recommended for the year ended June 30, 2009.*

***Chairman's Review***

*The accompanied Chairman's review deals with the performance of the company during the year and future outlook. The directors of the company endorse the contents of the review.*

***Pattern of Shareholding***

*The pattern of shareholding as on June 30, 2009 and its disclosure, as required by the Code of Corporate Governance is annexed with this report.*

***Financial Highlights***

*The key financial highlights for the last 10 years performance of the company are available in this report.*

***Auditors***

*As recommended by the Audit Committee, the present auditors M/s A. F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.*

For and on behalf of the board of Directors

**Tariq Rehman**
Chief Executive

Lahore:- October 07, 2009

# *FINANCIAL HIGHLIGHTS OF LAST TEN YEARS*

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|
| | (Rupees in Million) | | | | | | | | | |
| Net Total Sales | 1,550 | 1,260 | 1,208 | 1,045 | 898 | 760 | 612 | 532 | 484 | 489 |
| Exports | 93 | 79 | 151 | 164 | 108 | 97 | 108 | 117 | 99 | 86 |
| Employees Costs | 301 | 271 | 241 | 219 | 192 | 169 | 151 | 139 | 124 | 133 |
| Profit/(Loss) before tax | (103) | (16) | 11 | (14) | 105 | 38 | (11) | (105) | (97) | (143) |
| Profit/(Loss) after tax | (81) | (14) | 20 | (56) | 86 | 109 | 48 | (107) | (100) | (148) |
| Earning per Share | (2.39) | (0.72) | 1.30 | (3.66) | 5.62 | 7.13 | 3.13 | (6.99) | (6.52) | (11.37) |
| Capital Expenditure | 149 | 222 | 55 | 99 | 15 | 36 | 3.3 | 1.8 | 1.5 | 11.1 |
| Cash Dividend Rate | - | - | 5% | - | - | - | - | - | - | - |
| Stock Dividend Rate | - | - | - | - | - | - | - | - | - | - |
| Shareholder's Equity | 118 | (16) | (34) | (84) | (49) | (146) | (255) | (303) | (196) | (96) |

# *REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE*

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of EMCO Industries Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange, where the company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

**A.F. FERGUSON & CO.**
**Chartered Accountants**

**Lahore:** October 07, 2009

# *STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2009*

*This statement is being presented to comply with the Code of Corporate Governance in the listing regulations of Karachi, Lahore & Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.*

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

1. *The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.*

2. *All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.*

3. *The Board has developed a vision statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies alongwith the date on which they were approved or amended has been maintained.*

4. *All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other Executive Directors, have been taken by the Board.*

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

6. *The Board has approved the appointment, remuneration and terms and conditions of employment of Chief Financial Officer, Head of Internal Audit and the Company Secretary.*

7. *The directors' report for the year ended June 30, 2009 has prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.*

8. *The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.*

9. *The directors, CEO and executive do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.*

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

11. *The Board has formed an audit committee. It comprises of four members.*

12. *The meetings of the audit committee were held at least once every quarter prior to recommend the approval of interim and final results of the company and as required by the Code. The terms of references of the committee have been formed and advised to the committee for compliance.*

13. *The Board has set up an internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the company and are involved in the Internal Audit function on a full time basis.*

14. *The statutory auditors of the company have confirmed that they have been given satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.*

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

***(Tariq Rehman)***
Chief Executive

# CHAIRMAN'S REVIEW

*On behalf of the board of Directors I welcome you to the 54th Annual General Meeting of the Company and present to you the Audited Report, Financial Statements and review of the performance of the company for the year ended June 30, 2009.*

*Due to on going financial crunch and aggravating economic down turn. Various economic indictors like, core inflation, very high lending rates, shortage of power and gas, rising trade deficit has reduced the purchasing power of the masses. Further with the reduction of annual development expenditures both by federal as well as provincial governments have badly affected the economic activities. Owing to the circular debt within the government of Pakistan and specifically with WAPDA orders which were expected from various formations of WAPDA were delayed abnormally. These factors have obviously resulted in a severe cash flow and finally the production was reduced as compared to our projected production.*

*Keeping in view the shutdown of gas to the industrial units during the months of December and January, EMCO had made arrangements to install the first of its kind Synthetic Natural Gas (SNG) plant which uses LPG and mixes it with certain proportion of air to become equivalent to natural gas. This facility therefore, allowed EMCO to make an immediate switchover in case of natural gas shutdown. We would like to place on record here that the plant has been operating very successfully.*

*With the grace of Allah Almighty new Wall Tile plant has been commissioned and started production from January 15, 2009.The market response and feedback towards the products are encouraging.*

*These force-majeure conditions have resulted in the company suffering a loss before tax of Rs.103.151 million as compared to net loss before tax of Rs.15.583 million of last year.After the adjustment of deferred tax and current year taxation,the after tax loss is Rs.81.219million as compared to a loss after tax of Rs.13.827 million last year.*

*Net sales of the Company increased from Rs.1,260.415 million to Rs.1,550.428 million and have posted a 23% increase in sales as compared to the previous year.*

*Plant wise performance is given below.*

***Insulator Plant***

*Insulator plant for the year under review has earned an operating profit of Rs.19.874 million as compared to Rs.1.524 million last year. The net sale has increased from Rs.498.784 million to Rs.666.200 million.The gross profit has increased from Rs.60.996 million to Rs.83.868 million.Average monthly production has also increased from 362 tons to 388 tons. Keeping in view the orders in hand from the local utility companies and export orders, we expect a better performance of this plant in the next financial year.*

***Wall Tile***

*The plant was shut down for 17 days due to installation and commissioning of plant. New plant has started production from January 15, 2009. The operating results of this plant are very encouraging. Profit from operations is Rs.100.567 million as compared to operating profit of Rs. 49.686 million over the same period.Average monthly production has increased from 148,624 M² to 200,493 M².*

***Floor Tile***

*The management had planned an annual shutdown of its Floor Tile plant keeping in view the non availability of gas in December but due to earlier shutdown of gas compelled us to completely stop the Floor Tile production since November. The plant has been shut down almost for four months for annual maintenance and non availability of natural gas resultantly this division suffered an operating loss of Rs.40.525 million from operating profit of Rs.40.963 Million of last year. Average monthly production has decreased from 89,156M² to 56,956M². We expect improved results in the years to come.*

*The Company's contribution to exchequer is Rs. 272.983 million for the year under review in the shape of import duty, sales tax, income tax and other government levies.*

## *EMPLOYMENT RELATIONS*

*The Management would like to place on record the positive attitude and co-operation of the employees during the year. Our management and labour union believe in resolving issues mutually and we expect that this trend will continue in future years.*

## *FUTURE OUTLOOK*

*The clouds of recession and economic down turn have started showing improvements. Few economic indicators have shown some improvements which is good for the industrial as well as agricultural sector of the country. The bench mark lending rates have seen some declining trends in recent period which is good for the economic growth. Keeping in view the plants performance especially Wall Tile plant we look forward to a bright future of the Company Inshallah.*

## *ACKNOWLEDGEMENT*

*I thank our valued customers, dealers, banks, leasing companies, creditors and all employees for their cooperation and contribution towards the progress of the Company. And also thank our shareholders for their support.*

**S.A. Mannan**
Chairman

Lahore:- October 07, 2009

# *AUDITORS' REPORT TO THE MEMBERS*

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

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

We conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements.

An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) In our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) In our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009 and of the loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**A.F. FERGUSON & CO.**
**Chartered Accountants**

**Lahore:** October 07, 2009

# BALANCE SHEET

| | Note | 2009 Rupees | 2008 Rupees |
|---|---|---|---|
| ***EQUITY AND LIABILITIES*** | | | |
| ***CAPITAL AND RESERVES*** | | | |
| *Authorised capital* | | | |
| *40,000,000 (2008: 40,000,000) ordinary shares of Rs 10 each* | | **400,000,000** | 400,000,000 |
| *Issued, subscribed and paid up capital* | | | |
| *35,000,000 (2008: 15,333,333) ordinary shares of Rs 10 each* | 5 | **350,000,000** | 153,333,330 |
| *Reserves* | 6 | **129,898,526** | 129,898,526 |
| *Accumulated loss* | | **(361,357,337)** | (299,089,835) |
| | | **118,541,189** | (15,857,979) |
| ***SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT*** | 7 | **411,445,884** | 437,779,005 |
| ***NON-CURRENT LIABILITIES*** | | | |
| *Long term loans from directors* | 8 | **74,570,569** | 171,175,969 |
| *Long term finances* | 9 | **428,301,887** | 330,914,966 |
| *Long term morabaha* | 10 | - | - |
| *Liabilities against assets subject to finance lease* | 11 | **16,315,641** | 13,212,297 |
| *Deferred liabilities* | 12 | **23,986,703** | 23,520,540 |
| *Deferred taxation* | 13 | **27,631,143** | 45,293,818 |
| | | **570,805,943** | 584,117,590 |
| ***CURRENT LIABILITIES*** | | | |
| *Current portion of long term liabilities* | 14 | **83,131,432** | 100,958,465 |
| *Short term borrowings from related parties - unsecured* | 15 | **17,324,801** | 52,226,754 |
| *Finances under mark-up arrangements - secured* | 16 | **558,086,289** | 544,813,779 |
| *Trade and other payables* | 17 | **317,183,765** | 193,702,191 |
| *Accrued mark-up on loans and other payables* | 18 | **65,296,268** | 27,213,644 |
| | | **1,041,022,555** | 918,914,833 |
| ***CONTINGENCIES AND COMMITTMENTS*** | 19 | - | - |
| | | **2,141,815,571** | 1,924,953,449 |

*The annexed notes 1 to 47 form an integral part of these financial statements.*

Lahore:
October 07, 2009

**Tariq Rehman**
(Chief Executive)

## AS AT JUNE 30, 2009

| | Note | 2009 Rupees | 2008 Rupees |
|---|---|---|---|
| ***ASSETS*** | | | |
| ***NON-CURRENT ASSETS*** | | | |
| *Property, plant and equipment* | 20 | ***1,160,830,877*** | *905,453,375* |
| *Assets subject to finance lease* | 21 | ***39,869,002*** | *32,879,427* |
| *Intangible asset* | 22 | ***3,345,300*** | *3,717,000* |
| *Capital work in progress* | 23 | ***7,265,466*** | *201,123,950* |
| *Long term deposits* | | ***7,218,688*** | *4,604,423* |
| *Long term loans* | 24 | ***2,275,750*** | *2,194,280* |
| | | ***1,220,805,083*** | *1,149,972,455* |
| ***CURRENT ASSETS*** | | | |
| *Stores, spares and loose tools* | 25 | ***96,558,665*** | *106,128,537* |
| *Stock-in-trade* | 26 | ***437,345,036*** | *361,827,225* |
| *Trade debts* | 27 | ***278,969,594*** | *225,486,523* |
| *Loans, advances, deposits, prepayments and other receivables* | 28 | ***30,231,265*** | *39,015,627* |
| *Taxation - net* | | ***19,288,567*** | *3,937,814* |
| *Cash and bank balances* | 29 | ***58,617,361*** | *38,585,268* |
| | | ***921,010,488*** | *774,980,994* |
| | | ***2,141,815,571*** | *1,924,953,449* |

**Haris Noorani**
(Director)

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

| | Note | **2009 Rupees** | 2008 Rupees |
|---|---|---|---|
| *Sales* | 30 | ***1,550,427,563*** | 1,260,415,348 |
| *Cost of goods sold* | 31 | ***(1,283,504,802)*** | (993,257,611) |
| *Gross profit* | | ***266,922,761*** | 267,157,737 |
| *Administration expenses* | 32 | ***(70,423,678)*** | (62,459,439) |
| *Distribution and selling costs* | 33 | ***(1176,582,550)*** | (112,525,165) |
| *Other operating expenses* | 34 | ***(4,288,856)*** | (2,329,900) |
| | | ***(191,295,084)*** | (177,314,504) |
| | | ***75,627,677*** | 89,843,233 |
| *Other operating income* | 35 | ***6,408,767*** | 6,612,664 |
| *Profit from operations* | | ***82,036,444*** | 96,455,897 |
| *Finance cost* | 36 | ***(185,187,067)*** | (112,038,878) |
| *(Loss) before taxation* | | ***(103,150,623)*** | (15,582,981) |
| *Taxation* | 37 | ***21,931,954*** | 1,756,121 |
| *(Loss) for the year* | | ***(81,218,669)*** | (13,826,860) |
| *(Loss) per share - Basic and diluted* | 38 | ***(2.39)*** | (0.72) |

*The annexed notes 1 to 47 form an integral part of these financial statements.*

| | | |
|---|---|---|
| ***Lahore:*** | ***Tariq Rehman*** | ***Haris Noorani*** |
| October 07, 2009 | (Chief Executive) | (Director) |

# STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED JUNE 30, 2009

| | Share capital Rupees | Share premium Rupees | General reserve Rupees | Accumulated loss Rupees | Total Rupees |
|---|---|---|---|---|---|
| **Balance as on June 30, 2007** | **153,333,330** | **39,898,526** | **90,000,000** | **(317,263,872)** | **(34,032,016)** |
| (Loss) for the year | - | - | - | (13,826,860) | (13,826,860) |
| Transfer from surplus on revaluation of property, plant and equipment - net of deferred taxation: | | | | | |
| - Incremental depreciation for the year | - | - | - | 32,028,750 | 32,028,750 |
| - Dividend 2007 @ Rs 0.5 per share (2006 @ Rs Nil) | - | - | - | (2,692,396) | (2,692,396) |
| - Disposal of revalued assets | - | - | - | 2,664,543 | 2,664,543 |
| **Balance as on June 30, 2008** | **153,333,330** | **39,898,526** | **90,000,000** | **(299,089,835)** | **(15,857,979)** |
| Right issue @ 1.28 shares for each share held | 196,666,670 | - | - | - | 196,666,670 |
| (Loss) for the year | - | - | - | (81,218,669) | (81,218,669) |
| Transfer from surplus on revaluation of property, plant and equipment - net of deferred taxation: | | | | | |
| - Incremental depreciation for the year | - | - | - | 17,970,918 | 17,970,918 |
| - Disposal of revalued assets | - | - | - | 980,249 | 980,249 |
| **Balance as on June 30, 2009** | **350,000,000** | **39,898,526** | **90,000,000** | **(361,357,337)** | 118,541,189 |

The annexed notes 1 to 47 form an integral part of these financial statements.

**Lahore:**
October 07, 2009

**Tariq Rehman**
(Chief Executive)

**Haris Noorani**
(Director)

# CASH FLOW STATEMENT
## FOR THE YEAR ENDED JUNE 30, 2009

| | Note | 2009 Rupees | 2008 Rupees |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash generated from operations | 40 | 194,979,795 | 112,350,202 |
| Finance cost paid | | (146,850,645) | (105,326,014) |
| Taxes paid | | (18,463,380) | (8,864,177) |
| Payments against discontinued provident fund | 12.1 | (1,542,036) | (6,507,188) |
| Gratuity paid | 12.2 | (4,803,896) | (1,182,809) |
| Dividend paid | | (225) | (2,655,883) |
| Long-term deposits (paid) | | (4,864,448) | (1,773,800) |
| **Net cash inflow / (outflow) from operating activities** | | 18,455,165 | (13,959,669) |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | | (148,866,353) | (222,339,688) |
| Net (increase) in long-term loans | | (359,120) | (968,033) |
| Proceeds from disposal of property, plant and equipment | 20.3 | 4,946,634 | 2,623,250 |
| **Net cash used in investing activities** | | (144,278,839) | (220,684,471) |
| **Cash flow from financing activities** | | | |
| Proceeds from long term finances | | 163,500,000 | 168,412,345 |
| Repayment of long term finances | | (77,089,301) | (49,457,315) |
| Proceeds from loan from Directors | | 1,450,000 | - |
| Repayment of loan to Directors | | (1,760,000) | - |
| Proceeds from right issue | | 60,371,270 | - |
| Repayment of long term morabaha | | (7,174,998) | (14,350,004) |
| Proceeds from short term loans | | 13,100,000 | 61,621,212 |
| Repayment of short term loans | | (8,001,953) | (21,907,458) |
| Lease rentals paid | | (11,811,761) | (14,346,953) |
| **Net cash from financing activities** | | 132,583,257 | 129,971,827 |
| **Net increase / (decrease) in cash and cash equivalents** | | 6,759,583 | (104,672,313) |
| **Cash and cash equivalents at the beginning of the year** | | (506,228,511) | (401,556,198) |
| **Cash and cash equivalents at the end of the year** | 41 | (499,468,928) | (506,228,511) |

The annexed notes 1 to 47 form an integral part of these financial statements.

| | | |
|---|---|---|
| **Lahore:** | **Tariq Rehman** | **Haris Noorani** |
| October 07, 2009 | (Chief Executive) | (Director) |

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

### 1. LEGAL STATUS AND NATURE OF BUSINESS

*The company is incorporated in Pakistan and listed on Karachi, Lahore and Islamabad Stock Exchanges. The company was incorporated as a Joint Stock Company in Pakistan under the Companies Act, 1913, (now Companies Ordinance 1984) as a private limited company on August 17, 1954 by the name of Electric Equipment Manufacturing Company (Private) Limited. Later it was converted into a public company on August 20, 1983 and its name was changed to EMCO Industries Limited on September 12, 1983. The company was listed on the stock exchange on December 29, 1983. Its registered and head offices are situated at 119-E/1, Hali Road, Gulberg III, Lahore.*

*The company is principally engaged in manufacture and sale of high/low tension electrical porcelain insulators, switchgear and ceramic tiles.*

### 2. BASIS OF PREPARATION

**2.1** *These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise such International Accounting Standards as notified under the provisions of Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence and recognition of certain employee retirement benefits at present value.*

**2.2 Standards, Interpretations and amendments to published approved accounting standards**

**2.2.1 Amendments to published standards effective in current year**

*- IFRIC 14, ‘ IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction’ is effective from January 1, 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum requirement. It’s adoption does not have any significant impact on the company’s financial statements.*

**2.2.2 Amendments and interpretations to published standards applicable to the company not yet effective**

*The following amendments and interpretations to existing standards have been published and are mandatory for the company’s accounting periods beginning on or after their respective effective dates:*

*- IAS 1 (Revised), ‘Presentation of financial statements’ is effective from January 1, 2009. The revised standard will prohibit the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in performance statement, but company can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The above standard will only impact the presentation of financial statements.*

*Certain amendments to IAS 23 ‘ Borrowing Costs’ have been published that are applicable to the company’s financial statements covering annual periods, beginning on or after January 01, 2009. Adoption of these amendments would require the company to capitalise the borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset (one that take substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed. Its adoption will not have any impact on the company’s financial statements.*

*- IFRS 7 ‘Financial Instruments: Disclosures’ is effective from July 01, 2008 and supersedes the disclosure requirements of IAS 32 ‘Financial Instruments: Presentation’. It introduces new disclosures relating to financial instruments which have been set out in note 39 to these financial statements. Its adoption does not have any impact on the classification and valuation of the company’s financial instruments.*

*- IFRS 8, 'Operating Segments' replaces IAS 14 and is effective from financial year July 01, 2009. IFRS 8 provides guidance for disclosure of information about entity's operating segments, products and services, geographical areas in which it operates, and major customers.*

**2.2.3 *Standards and interpretations to existing standards that are not applicable to the company and not yet effective***

*- IFRIC 12, 'Service concession arrangements' applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is effective from financial year July 01, 2008 but it is not relevant to the company's operations.*

*- IFRIC 13, 'Customer loyalty programmes' clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is effective from July 1, 2008 but it is not relevant to the company's operations.*

*In addition to the above, a new standard 'IFRS 4 - Insurance Contracts' has been issued by the International Accounting Standards Board and has been adopted by the Institute of Chartered Accountants of Pakistan (ICAP) but the notification from SECP is still awaited and, hence, presently do not form part of the local financial reporting framework.*

## *3. BASIS OF MEASUREMENT*

*These financial statements have been prepared on the historical cost convention, except for certain items of property, plant and equipment which have been carried at revalued amount as stated in note 4.3 and measurement of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.*

*The company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:*

*(a) Provision for Taxation*
*(b) Employee retirement benefits and other obligations*
*(c) Accrued liabilities*
*(d) Useful life and residual values of property, plant and equipment*
*(e) Provision for doubtful debts*
*(f) Provision for obsolete stock*

## *4. SIGNIFICANT ACCOUNTING POLICIES*

### *4.1 Taxation*

***Current***

*Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.*

***Deferred***

*Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are generally recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.*
*Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.*

### *4.2 Staff retirement benefits*

**4.2.1** *The Company operates a defined contributory provident fund for all its permanent workmen employees. Equal monthly contributions are made by the company and employees to the fund.*

**4.2.2** *The company operates an unfunded gratuity scheme for the non-workmen employees who are not covered under the provident fund scheme. The unfunded gratuity scheme is a defined benefit final salary plan. Actuarial Valuations are conducted every year to determine the defined benefit liability and current service cost under the scheme.*

*Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the fair value of plan assets or 10% of the present value of defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives of the employees participating in the plan.*

*Retirement benefits are payable to staff on resignation, retirement or termination from service, subject to completion of prescribed qualifying period of service under these schemes.*

### 4.3 Property, plant and equipment

*Property, plant and equipment except freehold land, buildings thereon and plant and machinery are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any subsequent accumulated impairment losses. Buildings on freehold land and plant and machinery are stated at revalued amounts less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Additions subsequent to revaluation are stated at cost less accumulated depreciation and any identified impairment loss. Cost in relation to certain assets comprises historical cost and cost of borrowing during construction period in respect of loans taken for specific projects.*

*Depreciation on all property, plant and equipment except freehold land is charged to profit on straight line method with the exception of tools and equipment, furniture and fixture, office equipment and vehicles which are charged to profit on diminishing balance method so as to write off the cost or revalued amount of an asset over its estimated useful life. Depreciation on machinery spares, included in plant and machinery, is charged to profit on diminishing balance method so as to write off the cost over the estimated useful life. Depreciation is being charged at the rates given in note 20. Incremental depreciation representing 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 is transferred from accumulated loss to surplus on revaluation of property, plant and equipment. All transfers to/from surplus on revaluation of property, plant and equipment are net of applicable deferred income taxes.*

*Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.*

*The assets' residual values and estimated useful lives are reviewed, at each financial year end and adjusted if impact on depreciation is significant. Previously, upto June 30, 2008, depreciation was provided on the following items of property, plant and equipment at annual rates mentioned below on straight line basis:*

| | |
|---|---|
| *Building on freehold land* | *5 - 10%* |
| *Plant and machinery* | *10 - 35%* |

*Subsequent to June 30, 2008 the management carried out a comprehensive review of useful lives of buildings and plant and machinery. Now the company charges depreciation in respect of such assets so as to write off the book value over their following remaining re-estimated useful lives taking into account their residual values:*

| | *years* |
|---|---|
| *Building on freehold land* | *20* |
| *Plant and machinery* | *10 - 30* |

*Such change has been accounted for as a change in accounting estimate in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, changes in accounting estimates and error".*

*Had there been no change in accounting estimates, the loss after tax for the year ended June 30, 2009 would have been higher by Rs 18.439 million and the carrying value of property, plant and equipment as at that date would have been lower by Rs 27.065 million.*

*The company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.*

*Impairment loss or its reversal, if any, is also charged to profit. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.*

*Subsequent costs are included in the assets's carrying or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.*

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

### *4.4 Capital work in progress*

*Capital work in progress is stated at cost less any identified impairment loss.*

### *4.5 Intangible assets*

*Intangible assets are stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using diminishing balance method so as to write off the cost over the estimated useful life. Amortisation is being charged at the rate given in note 22.*

*Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortisation is charged for the month in which the asset is disposed off.*

*The company assesses at each balance sheet date whether there is any indication that intangible may be impaired. If such indication exists, the carrying amount of such assets is reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account for the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the amortisation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.*

### *4.6 Leases*

*The company is the lessee:*

#### *Finance leases*

*Leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are initially recognized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently, these assets are stated at cost less accumulated depreciation and any identified impairment loss.*

*The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease as referred to in note 11. The liabilities are classified as current and non-current depending upon the timing of the payment.*

*Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.*

*Assets acquired under a finance lease are depreciated over the useful life of the asset on diminishing balance method at the rates given in note 21. Depreciation on leased assets is charged to profit and loss account.*

*Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which an asset is disposed off/ transferred.*

#### *Operating leases*

*Leases where significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight line basis over the lease term.*

### *4.7 Stores, spares and loose tools*

*Usable stores and spares are valued principally at weighted average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.*

*Provision for obsolete and slow moving stores & spares is based on management estimate.*

### *4.8 Stock-in-trade*

*Raw materials, packing material and components, except for those in transit, are valued at the lower of weighted average cost and net realizable value. Work-in-process and finished goods are valued at the lower of average cost and net realizable value. Work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads. Cost of goods purchased for resale comprises the invoice value plus charges paid thereon.*

*Materials in transit are stated at cost comprising invoice values plus other charges paid thereon.*

*Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale.*

*Provision for obsolete and slow moving stock-in-trade is based on management estimate.*

### *4.9 Financial instruments*

*Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument and derecognised when the company losses control of contractual contract that comprise the financial assets and incase of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of financial assets and financial liabilities is included in the profit and loss account for the year.*

*All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively.These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statement associated with each item.*

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

*Financial assets and liabilities are offset and net amount is reported in the financial statements only when there is legally enforceable right to set off the recognised amount and the company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.*

### *4.11 Trade debts*

*Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.*

### *4.12 Cash and cash equivalents*

*Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and short term finances under mark-up arrangements, included in current liabilities in the balance sheet.*

### *4.13 Borrowings*

*Loans and borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. Finance costs are accounted for on an accrual basis and are included in accrued mark-up on loans and other payables to the extent of the amount remaining unpaid.*

### *4.14 Trade and other payables*

*Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in future for goods and services.*

### *4.15 Provisions*

*Provisions are recongnised when the company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.*

### 4.16 Foreign currencies

*All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.*

*The company charges all exchange differences to profit and loss account.*

*The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.*

### 4.17 Revenue recognition

*Revenue from sales is recognized on dispatch of goods to the customers.*

### 4.18 Borrowing costs

*Mark-up, interest and other charges on borrowings are capitalised upto the date of commissioning of the related property, plant and equipment acquired, out of the proceeds of such borrowings. All other mark-up, interest and other charges are charged to profit and loss account.*

### 4.19 Business segments

*The company is divided into three business segments:*

- *Insulator division - manufacture of high and low tension electrical porcelain insulators and switchgear;*
- *Wall tile division - manufacture of ceramic wall tiles; and*
- *Floor tile division - manufacture of ceramic floor tiles.*

*All these business segments are located in the same geographical area.*

#### 4.19.1 Segment assets and liabilities

*The assets of a segment include all operating assets used by a segment and consists principally of operating cash, receivables, inventories and property, plant and equipment, net off allowances and provisions.*

*Segment liabilities include all operating liabilities consisting principally of deferred liabilities, other payables and accrued liabilities.*

*The carrying amount of identifiable assets and liabilities are directly attributed to respective segments. The carrying amount of jointly used assets and liabilities is allocated to the segments on the following basis:*

| | |
|---|---|
| Insulator | 50% |
| Wall Tile | 32% |
| Floor Tile | 18% |

#### 4.19.2 Allocation of segment expenses

*All identifiable expenses are directly attributed to the respective segments. The jointly incurred expenses are allocated to the segments on the following basis.*

| | |
|---|---|
| Insulator | 50% |
| Wall Tile | 32% |
| Floor Tile | 18% |

### 4.20 Dividend distribution

*Dividend distribution to the shareholders is recognised as a liability in the period in which it is approved by the shareholders.*

## 5. *ISSUED, SUBSCRIBED AND PAID UP CAPITAL*

| ***2009*** | 2008 | | ***2009*** | 2008 |
|---|---|---|---|---|
| ***(Number of shares)*** | | | ***Rupees*** | Rupees |
| ***18,570,460*** | 12,533,333 | ordinary shares of Rs 10 each fully paid in cash | ***185,704,600*** | 125,333,330 |
| ***2,800,000*** | 2,800,000 | ordinary shares of Rs 10 each issued as fully paid bonus shares | ***28,000,000*** | 28,000,000 |
| ***13,629,540*** | - | ordinary shares of Rs 10 each issued for consideration other than cash | ***136,295,400*** | - |
| ***35,000,000*** | 15,333,333 | | ***350,000,000*** | 153,333,330 |

Ordinary shares of the company held by associated undertakings as at year end are as follows:

| | | |
|---|---|---|
| Associated Engineers (Private) Limited | ***2,011,325*** | 2,011,325 |
| The Imperial Electric Company (Private) Limited | ***532,618*** | 532,618 |
| ICC (Private) Limited | ***2,692,285*** | 741,382 |
| | ***5,236,228*** | 3,285,325 |

**5.1** In accordance with the terms of agreement between the company and the lender of long term loan, there are certain restrictions on distribution of dividend by the company.

**5.2** During the year the Board of Directors approved a right issue to existing shareholders, in proportion of 1.2826 for every one share already held at an exercise price, set at par of Rs 10 per share. Of the aggregate 19.667 million shares, 6.037 million shares have been issued against cash and 13.629 million have been issued against consideration other than cash, being the conversion of long term loan from directors as mentioned in note 8.

## 6. *RESERVES*

Composition of reserves is as follows:

| | | | |
|---|---|---|---|
| Capital - share premium | - note 6.1 | ***39,898,526*** | 39,898,526 |
| Revenue - general reserve | | ***90,000,000*** | 90,000,000 |
| | | ***129,898,526*** | 129,898,526 |

**6.1** This reserve can be utilized by the company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

## 7. *SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX*

| | | |
|---|---|---|
| Opening balance | ***437,779,005*** | 475,430,482 |
| Revaluation on assets disposed off | ***(1,438,844)*** | (2,664,543) |
| Deferred tax thereon | ***(6,923,359)*** | (2,958,184) |
| Revaluation - net of deferred tax | ***429,416,802*** | 469,807,755 |
| Transferred to accumulated loss - net of deferred taxation: | | |
| Incremental depreciation for the year | ***(17,970,918)*** | (32,028,705) |
| | ***411,445,884*** | 437,779,005 |

Incremental depreciation represents the difference between actual depreciation on revalued property, plant and equipment and equivalent depreciation based on the historical cost of property, plant and equipment.

Surplus on revaluation of property, plant and equipment can be utilized by the company only for the purposes specified in section 235 of the Companies Ordinance, 1984.

| | | **2009 Rupees** | 2008 Rupees |
|---|---|---|---|
| ***8. LONG TERM LOANS FROM DIRECTORS AND CLOSE RELATIVES THEREOF*** | | | |
| Opening balance as at July 1 | | ***171,175,969*** | 171,175,969 |
| Add: | | | |
| Conversion of short term loan into long term loans | | ***40,000,000*** | - |
| Loan received during the year | | ***1,450,000*** | - |
| | | ***415,450,000*** | - |
| Less: | | | |
| Amount converted into share capital | | ***(136,295,400)*** | - |
| Payments made during the year | | ***(1,760,000)*** | - |
| | | ***(138,055,400)*** | - |
| Balance as at June 30 | | ***(74,570,569)*** | 171,175,969 |

During the year long term loans from directors and close relatives amounting to Rs 136.295 million were converted into 13.629 million ordinary shares of the company against right issue at an exercise price of Rs 10 per share.

Long term loan to the extent of Rs 34.88 million is subordinated to the following:
- Financing from NIB Bank Limited as referred to in note 9.2;
- All financing from Faysal Bank Limited;
- All financing from National Bank of Pakistan;
- All financing from Habib Bank Limited;
- All financing from Standard Chartered Bank (Pakistan) Limited; and
- Running finances from Royal Bank of Scotland.

### *9. LONG TERM FINANCES*

| | | | |
|---|---|---|---|
| These are composed of long term finances from: | | | |
| Related parties - unsecured | - note 9.1 | ***159,551,932*** | 101,363,273 |
| Banking companies - secured | - note 9.2 | ***339,886,124*** | 311,664,084 |
| | | ***499,438,056*** | 413,027,357 |
| Less: Current maturity | | | |
| Related parties - unsecured | | ***(10,167,358)*** | (12,624,934) |
| Banking companies - secured | | ***(60,968,811)*** | (69,487,457) |
| | - note 14 | ***(71,136,169)*** | (82,112,391) |
| | | ***428,301,887*** | 330,914,966 |

***9.1 Related parties - unsecured***

| | | | |
|---|---|---|---|
| Associated undertakings: | | | |
| - Imperial Electric Company (Private) Limited | - note 9.1.1 | ***3,615,692*** | 3,615,692 |
| - Associated Engineers (Private) Limited | - note 9.1.2 | ***12,335,447*** | 7,835,447 |
| | | ***15,951,139*** | 11,451,139 |
| EMCO Industries Limited Provident Fund | - note 9.1.4 | ***143,600,793*** | 89,912,134 |
| | | ***159,551,932*** | 101,363,273 |

**9.1.1** Mark-up on the loan is payable annually at the rate of 7.55% (2008: 7.55%) per annum on the outstanding principal of loan, amounting to Rs 2.985 million, rescheduled on August 20, 2008. Under an agreement with Imperial Electric Company (Private) Limited the repayment schedule has been revised effective January 01, 2009. Under the revised schedule the loan is repayable in 14 equal monthly installments of Rs 0.250 million each and the 15th installment of Rs 0.115 million commencing January 01, 2009. However no repayment has been made till June 30, 2009.

**9.1.2** These are comprise of the following loans :

| Loan | Rate of Interest per annum | Repayment period | ***2009 Rupees*** | 2008 Rupees |
|---|---|---|---|---|
| 1 | 7.55% | Mark-up on the loan is payable annually at the rate of 7.55% (2008: 7.55%) per annum on the outstanding principal of loan, amounting to Rs 2.896 million, rescheduled on August 20, 2008. Under the agreement with Associated Engineers Limited the repayment schedule has been revised effective January 01, 2009. Under the revised schedule the loan is repayable in 18 equal monthly installments of Rs 0.250 million each and the 19th installment of Rs 0.161 million commencing January 01, 2009. However no installment has been paid up to June 30, 2009. | ***4,661,580*** | 4,661,580 |
| 2 | Nil | After improvement in the financial position of the company | ***3,173,867*** | 3,173,867 |
| 3 | 7.55% | After improvement in the financial position of the company | ***4,500,000*** | - |
| | | | ***12,335,447*** | 7,835,447 |

**9.1.3** This represents the balance payable to EMCO Industries Limited Provident Fund converted into a long term loan on July 1, 2000. In 2003, under a plan approved by the Securities and Exchange Commission of Pakistan (SECP), the company developed a revised repayment schedule to repay this balance. Under this scheme the liability towards the workmen aggregating Rs. 90.959 milliion along with mark-up which was to be computed at the rate of 10% per annum on the outstanding balance, was repayable in 20 unequal quarterly installments ending on December 31, 2007.

As on June 1, 2007 the outstanding amount of Rs 90.061 million was rescheduled through an agreement between the Company and the Trustees of the fund. Under the revised repayment schedule the outstanding amount along with mark up at the rate of 13% per annum, was repayable in 20 unequal quarterly installments ending May 31, 2012.

During the year the company obtained additional loan from Emco Industries Limited Provident Fund resulting in the aggregate outstanding balance of Rs 143.6 million. Under a revised agreement effective December 31, 2008 between the company and the Trustees of the Fund the balance is repayable by December 2014 in 24 unequal quarterly installments commencing July 01, 2009. Mark-up on which is payable quarterly, at the rate of weighted average cost of funds to the company + 1% per annum. Mark-up is payable from January 01, 2009. Effective rate is charged during the year at 18.03 %. Mark-up installments due on March 31, 2009 and June 30, 2009 were not paid till June 30, 2009.

### 9.2 Banking companies - secured

| Loan | Lender | 2009 Rupees | 2008 Rupees | Rate of mark-up per annum | Repayment Period |
|---|---|---|---|---|---|
| 1 | NIB Bank Limited | ***135,251,776*** | 112,907,191 | 3 months KIBOR +3.50% with floor of 13% | *Under an agreement with NIB Bank Limited, effective December 14, 2008 the outstanding facilities amounting to Rs 103.862 (2008: Rs 112.907 million) and Rs 31.389 million (2008: Rs 34.122 million) was rescheduled. As per new agreement the aggregate outstanding balance of Rs 135.251 million (2008: Rs 147.029 million) is now repayable in 10 equal quarterly installments of Rs 16.058 million each commencing December 14, 2009. Mark-up is payable quarterly from December 14, 2008. Mark-up installment due on June 14, 2009 has not been paid upto June 30, 2009.* |
| 2 | NIB Bank Limited | **-** | 34,122,543 | 3 months KIBOR +3.50% with floor of 13% | |
| 3 | The Bank of Punjab | ***164,634,348*** | 164,634,348 | 3 months avg. KIBOR +3% with no floor and cap | *During the year, outstanding amount of Rs 164.634 million (2008: 164.364 million) was rescheduled by The Bank of Punjab. Under the new agreement effective January 06, 2009, the outstanding balance is now repayable in 24 equal quarterly installments of Rs 6.859 million each commencing January 06, 2010. Mark-up is payable quarterly from January 06, 2009.* |
| 4 | Faysal Bank Limited | ***40,000,000*** | - | 6 months KIBOR +3.5% | *Amount is repayable in 18, unequal, quarterly installments ending September, 2013. Mark-up is payable quarterly commencing December 24, 2008.* |
| | | ***339,886,124*** | 311,664,082 | | |

***Security***

Loan 1 is secured by a first pari passu charge on fixed assets including land, building, plant and machinery of the company amounting to Rs 301.463 million and first pari passu charge on fixed assets including land, building, plant and machinery of the company amounting to Rs 97.772 million.

Loan 3 is secured by a first pari passu charge on all fixed assets including present and future movable and immovable assets of the company amounting to Rs 227 million and first pari passu charge on all present and future current assets of the company amounting to Rs. 93 million.

Loan 4 is secured by mortgage over commercial property situated at Patiala Ground Link Mcload Road, Lahore owned by Associated Engineers (Private) Limited and property owned by a director and his close relatives. This is also secured by ranking charge on current assets of the company amounting to Rs 47 million.

### 10. LONG TERM MORABAHA

| Morabaha | Lender | 2009 Rupees | 2008 Rupees | Rate of mark-up per annum | Number of instalments outstanding | Mark-up payable |
|---|---|---|---|---|---|---|
| 1 | Faysal Bank Limited | **-** | 5,674,998 | 6 months KIBOR +3.5% | Nil | Monthly |
| 2 | Faysal Bank Limited | **-** | 1,500,000 | 6 months KIBOR +3.5% | Nil | Monthly |
| | | **-** | 7,174,998 | | | |
| | Less: Current portion shown under current liabilities | **-** | (7,174,998) | | | |
| | | **-** | - | | | |

### 11. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

| | | 2009 Rupees | 2008 Rupees |
|---|---|---|---|
| Present value of minimum lease payments | | ***28,310,904*** | 24,883,373 |
| Less: Current portion shown under current liabilities | - note 14 | ***(11,995,263)*** | (11,671,076) |
| | | ***16,315,641*** | 13,212,297 |

The present value of minimum lease payments have been discounted at implicit interest rates ranging from 7.07% to 17.95% per annum to arrive at their present value.

Taxes, repairs, replacements and insurance costs are to be borne by the lessee.

Purchase option is exercisable by the company and the company intends to exercise its option. In case of late payment, charges vary from Rs 100 per day to Rs 0.05 per Rs 1,000 per day on the principal overdue. In case of early termination of lease, the company is obliged to deliver the asset to the lessor along with payment of agreed loss value as per lease agreement whereas early payment results in prepayment penalty of 5% on the outstanding balance.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

| | Minimum Lease Payments Rupees | Future Financial Charges Rupees | ***2009 Present Value of Lease Liability Rupees*** | 2008 Present Value of Lease Liability Rupees |
|---|---|---|---|---|
| Not later than one year | 15,161,439 | 3,166,176 | ***11,995,263*** | 11,671,076 |
| Later than one year and not later than five years | | | | |
| 2010 | - | - | ***-*** | 9,679,793 |
| 2011 | 7,142,251 | 1,973,696 | ***5,168,555*** | 2,888,795 |
| 2012 | 5,542,087 | 1,369,958 | ***4,172,129*** | 643,710 |
| 2013 | 4,862,040 | 769,074 | ***4,092,966*** | - |
| 2014 | 2,979,687 | 97,696 | ***2,881,991*** | - |
| | 20,526,065 | 4,210,424 | ***16,315,641*** | 13,212,298 |
| | 35,687,504 | 7,376,600 | ***28,310,904*** | 24,883,374 |

| | | ***2009 Rupees*** | 2008 Rupees |
|---|---|---|---|
| ***12. DEFERRED LIABILITIES*** | | | |
| Payable to employees against discontinued provident fund | - note 12.1 | ***3,016,952*** | 4,305,190 |
| Non-workmen staff gratuity - unfunded | - note 12.2 | ***20,969,751*** | 19,215,350 |
| | | ***23,986,703*** | 23,520,540 |

***12.1 Payable to employees against discontinued provident fund***

| | | | |
|---|---|---|---|
| Opening balance | | ***4,305,190*** | 10,369,521 |
| Mark-up accrued thereon | - note 36 | ***253,798*** | 442,857 |
| | | ***4,558,988*** | 10,812,378 |
| Less: Payments made during the year | | ***(1,542,036)*** | (6,507,188) |
| Closing balance | | ***3,016,952*** | 4,305,190 |

This represents outstanding balance of employer contribution payable to non-workmen employees for termination of provident fund scheme with effect from December 31, 2002. The balance along with the profit at the rate of 14.53% (2008: 11.25%) is being paid as and when requested by the employees.

### 12.2 *Non-workmen staff gratuity - unfunded*

The latest valuation under the defined benefit gratuity scheme was conducted on June 30, 2009. Prior to year ended June 30, 2007, the closing liability was calculated for all non-workmen employees who had reached the prescribed qualifying period of service at the end of the year, on the basis of their last drawn salary in respect of completed number of years of service.

| | ***2009 Rupees*** | 2008 Rupees |
|---|---|---|
| ***Movement in the net liability recognised in balance sheet is as follows:*** | | |
| Opening balance | ***19,215,350*** | 15,044,146 |
| Charge for the year | ***6,558,297*** | 5,354,013 |
| Payments made during the year | ***(4,803,896)*** | (1,182,809) |
| Closing balance | ***20,969,751*** | 19,215,350 |
| ***The amounts recognised in profit and loss account against defined benefit scheme are as follows:*** | | |
| Current service cost | ***2,237,654*** | 3,816,944 |
| Interest cost | ***4,320,643*** | 1,537,069 |
| | ***6,558,297*** | 5,354,013 |
| ***The amounts recognised in balance sheet are as follows:*** | | |
| Present value of defined benefit obligation | ***21,816,987*** | 18,647,118 |
| Unrecognised actuarial (loss)/gain | ***(847,236)*** | 568,232 |
| | ***20,969,751*** | 19,215,350 |
| ***Movement in the present value of defined benefit obligation is as follows:*** | | |
| Opening balance | ***18,647,118*** | 15,370,692 |
| Interest cost | ***4,320,643*** | 1,537,069 |
| Current service cost | ***2,237,654*** | 3,816,944 |
| Benefits paid | ***(4,803,896)*** | (1,182,809) |
| Actuarial loss/(gain) | ***1,415,468*** | (894,778) |
| Present value of the defined benefit obligation at the end of year | ***21,816,987*** | 18,647,118 |
| ***The principal actuarial assumptions at the reporting date were as follows:*** | | |
| Discount rate | 12% per annum | 12% per annum |
| Future salary increases | 11% per annum | 11% per annum |
| Average expected remaining working life of employees | 7.4 years | 7 years |
| ***Historical Information*** | | |
| Present Value of defined benefit obligation | ***21,816,987*** | 18,647,118 |
| Experience adjustments arising on defined benefit obligation | ***1,145,468*** | (894,778) |

A comparison for the period prior to 2008 in respect of the above is not practicable, as the method for estimation has changed at the beginning of the previous period.

Best estimate of contributions expected to be paid to the plan during the next financial year i.e. year ended June 30, 2010 is Rs 7.274 million (2008: Rs 6.558 Million)

| | | | ***2009 Rupees*** | 2008 Rupees |
|---|---|---|---|---|
| ***13.*** | ***DEFERRED TAXATION*** | | | |
| | Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 35% | | | |
| | Opening balance | | ***(45,293,818)*** | (50,393,832) |
| | Credited to profit and loss account | | ***25,044,582*** | 8,058,198 |
| | Deferred tax on revaluation | | ***(7,381,907)*** | (2,958,184) |
| | Closing balance | | ***(27,631,143)*** | (45,293,818) |
| | The deferred tax asset comprises of temporary differences arising due to: | | | |
| | Accelerated tax depreciation | | ***(117,493,695)*** | (62,728,680) |
| | Revaluation of property, plant and equipment | | ***(122,957,773)*** | (124,441,871) |
| | Provision for doubtful debts | | ***3,257,997*** | 1,954,254 |
| | Provision for obsolete stores & spares | | ***697,709*** | - |
| | Provision for obsolete stock | | ***4,584,033*** | 4,331,570 |
| | Minimum tax available for carry forward | | ***-*** | 13,326,578 |
| | Unused tax losses | | ***204,280,586*** | 122,264,331 |
| | | | ***(27,631,143)*** | (45,293,818) |
| ***14.*** | ***CURRENT PORTION OF LONG TERM LIABILITIES*** | | | |
| | Long term finances | - note 9 | ***71,136,169*** | 82,112,391 |
| | Long term morabaha | - note 10 | ***-*** | 7,174,998 |
| | Liabilities against assets subject to finance lease | - note 11 | ***11,995,263*** | 11,671,076 |
| | | | ***83,131,432*** | 100,958,465 |
| ***15.*** | ***SHORT TERM BORROWINGS FROM RELATED PARTIES - UNSECURED*** | | | |
| | Directors and close relatives thereof | - note 15.1 | ***17,324,801*** | 52,226,754 |

**15.1** This represents interest free loans from directors and their close relatives and are repayable by June 30, 2009.

During the year Rs 40 million has been transferred to long term loan from directors as disclosed in note 8.

| | | | | |
|---|---|---|---|---|
| ***16.*** | ***FINANCES UNDER MARK-UP ARRANGEMENTS - SECURED*** | | | |
| | Running finances | - note 16.1 | ***365,187,086*** | 347,096,001 |
| | Export and import finances | - note 16.2 | ***192,899,203*** | 197,717,778 |
| | | | ***558,086,289*** | 544,813,779 |

**16.1 Running finances - secured**

Short-term running finances available from various commercial banks under mark-up arrangements amounting to Rs 368.8 million (2008: Rs 358 million). The rates of mark-up range from 3 month KIBOR + 2.5% to 3 month KIBOR + 2.75% per annum on the balance outstanding. The aggregate short term finances are secured by hypothecation of stores, spares, loose tools, stock-in trade, receivables and charge on present and future packing material and second charge on future and present property plant and equipment of the company. These are also secured by first joint pari passu charge on entire assets of the company.

**16.2 Export and import finances - secured**

Export and import finances available from various commercial banks under mark-up arrangements amount to Rs 50 million (2008: Rs 50 million) and Rs 210 million (2008: Rs 190 million) respectively. The rates of mark-up range from 1 month KIBOR plus 2.5% to 6 month KIBOR plus 2.5%. In the event, the Company fails to pay the balances till due date, mark-up is to be computed at rates ranging from 14.77% to 22% per annum on the balances unpaid. The aggregate export and import finances are secured by hypothecation of stores, spares and loose tools, stock-in-trade, trade debts and second charge on the property, plant and equipment of the company.

**16.3** Of the aggregate facilities of Rs 210 million (2008: Rs 270 million) for opening letters of credit and Rs 144.930 million (2008: Rs 116.530 million) for guarantees, the amount utilized at June 30, 2009 was Rs 52.380 million (2008: Rs 82.638 million) and Rs 141.018 million (2008: Rs 97.100 million) respectively. These facilities are secured by hypothecation of stores, spares and loose tools, stock-in-trade, trade debts and second charge on property, plant and equipment of the company.

***17. TRADE AND OTHER PAYABLES***

| | | 2009 Rupees | 2008 Rupees |
|---|---|---|---|
| Trade creditors | - note 17.1 | 167,312,248 | 98,947,439 |
| Accrued liabilities | | 105,527,197 | 63,900,810 |
| Sales tax and special excise duty payable | | 30,092,885 | 14,490,741 |
| Advances from customers | | 1,925,840 | 3,442,052 |
| Workers' profit participation fund | - note 17.2 | 131,948 | 132,868 |
| Unclaimed dividends | | 244,839 | 245,064 |
| Employees' welfare fund | | 884,136 | 787,535 |
| Payable to EMCO Industries Limited Provident Fund | - note 17.3 | 1,171,414 | 1,161,186 |
| Withholding tax payable | | 2,726,194 | 4,100,545 |
| Others | | 7,167,064 | 6,493,951 |
| | | 317,183,765 | 193,702,191 |

**17.1** Trade creditors include Rs. 1.706 million (2008: Rs 1.081 million) payable to Imperial Soft (Private) Limited and Rs 1.418 million (2008: Rs 3.016 million) payable to Imperial Electric Company (Private) Limited, associated undertakings.

***17.2 Workers' profit participation fund***

| | 2009 | 2008 |
|---|---|---|
| Opening balance | 132,868 | 777,880 |
| Less: Payments made during the year | (920) | (645,012) |
| Closing balance | 131,948 | 132,868 |

**17.3** This represents contribution payable to EMCO Industries Limited Provident Fund.

***18. ACCRUED MARK-UP ON LOANS AND OTHER PAYABLES***

***Mark-up accrued on:***

| | 2009 | 2008 |
|---|---|---|
| - Long term finances | | |
| From related parties - unsecured | 21,627,764 | 1,595,635 |
| From banking companies - secured | 15,362,762 | 3,281,758 |
| - Long term morabaha | - | 18,660 |
| - Liabilities against assets subject to finance lease | 678,339 | 120,137 |
| - Short term borrowings from EMCO Industries Limited Provident Fund | 2,143,575 | 286,534 |
| - Finances under mark-up arrangements - secured | 25,483,828 | 21,910,920 |
| | 65,296,268 | 27,213,644 |

## *19. CONTINGENCIES AND COMMITTMENTS*

### 19.1 Contingencies

**(i)** Claims not acknowledged as debts amounting to Rs 5.948 million (2008: Rs 5.948 million)

**(ii)** The Collector of Sales Tax raised a demand of Rs 0.11 million being sales tax and penalties under section 47 of the Sales Tax Act, 1990 on sale of fixed asset and vehicles. The demand was set aside by the Appellate Tribunal. The department has now filed an appeal before the Lahore High Court which is pending hearing. No provision has been made in financial statements for this as the management is confident that the case will be decided in its favour.

**(iii)** A criminal suit has been filed regarding embezzlement of receivables amounting to Rs 8.733 million at Regional Sales Office, Karachi. The management is confident that the amount will be realized, consequently no provision has been made in the financial statements there against.

**(iv)** In the year ended June 30, 2005 , Sales Tax Department had conducted post exportation audit under the Duty and Tax Remission for Exports (DTRE), 2001 and had imposed a penalty of Rs 8.624 million due to non compliance of certain provisions of the scheme by the company. On application by the company, Federal Board of Revenue (FBR) appointed an Alternate Dispute Resolution Committee (ADRC) for the resolution of the dispute between the company and the department. ADRC has given its recommendations to FBR in favour of the company and as such no provision is made in these financial statements in this regard. The final order of FBR in this regard is awaited.

**(v)** The company has indemnified the Trustees of EMCO Industries Limited Provident Fund and the beneficiaries thereof, from any and all events wherein they or any one suffers any loss and or damage for allowing the company rescheduled time frame to repatriate the borrowed sum amounting to Rs 143.601 million as at June 30, 2009, into the fund.

### *19.2 Commitments in respect of*

**(i)** Letters of credit other than capital expenditure Rs 52.380 million (2008: Rs 82.639 million).

**(ii)** Bank guarantees amounting to Rs 141.018 million (2008: Rs 105.510 million).

## *20. PROPERTY, PLANT AND EQUIPMENT*

| | Cost /revalued amount as at July 1, 2008 | Additions/ (deletions) | Tranfers | Cost / revalued amount as at June 30, 2009 | Accumulated depreciation as at July 1, 2008 | Depreciation charge/ (deletions) for the year | Transfers | Accumulated depreciation as at June 30, 2009 | Book value as at June 30, 2009 | Rate of deprecia-tion |
|---|---|---|---|---|---|---|---|---|---|---|
| | (Rupees) | (Rupees) | (Rupees) | (Rupees) | (Rupees) | (Rupees) | (Rupees) | (Rupees) | (Rupees) | % |
| Freehold land | 151,880,000 | - | - | 151,880,000 | - | - | - | - | 151,880,000 | - |
| Buildings on freehold land | 311,912,793 | 71,193,453 | - | 383,106,246 | 120,270,376 | 11,034,084 | - | 131,304,460 | 251,801,786 | 5 |
| Plant and machinery | 1,162,984,112 | 268,745,910<br>(6,679,047) | - | 1,425,050,975 | 614,934,807 | 71,962,560<br>(3,912,345) | - | 682,985,022 | 742,065,953 | 7.3 - 35 |
| Tools and equipment | 9,201,723 | - | - | 9,201,723 | 8,800,563 | 80,270 | - | 8,880,833 | 320,890 | 20 - 40 |
| Furniture and fittings | 8,034,029 | 266,035 | - | 8,300,064 | 5,986,611 | 447,495 | - | 6,434,106 | 1,865,958 | 20 |
| Office equipment | 23,696,426 | 2,135,468<br>(50,000) | - | 25,781,894 | 18,087,507 | 1,242,128<br>(36,893) | - | 19,292,742 | 6,489,152 | 20 |
| Vehicles | 11,855,013 | 44,560<br>(7,445,000) | 11,128,000 | 15,582,573 | 6,030,857 | 1,410,150<br>(4,202,445) | 5,936,873 | 9,175,435 | 6,407,138 | 20 |
| **2009** | 1,679,564,096 | 342,385,426<br>(14,174,047) | 11,128,000 | 2,018,903,475 | 774,110,721 | 86,176,687<br>(8,151,683) | 5,936,873 | 858,072,598 | 1,160,830,877 | |

| | Cost /revalued amount as at July 1, 2007 (Rupees) | Additions/ (deletions) (Rupees) | Tranfers (Rupees) | Cost / revalued amount as at June 30, 2008 (Rupees) | Accumulated depreciation as at July 1, 2007 (Rupees) | Depreciation charge/ (deletions) for the year (Rupees) | Transfers (Rupees) | Accumulated depreciation as at June 30, 2008 (Rupees) | Book value as at June 30, 2008 (Rupees) | Rate of deprecia-tion % |
|---|---|---|---|---|---|---|---|---|---|---|
| Freehold land | 151,880,000 | - | - | 151,880,000 | - | - | - | - | 151,880,000 | - |
| Buildings on freehold land | 307,856,840 | 4,055,953 | - | 311,912,793 | 99,233,747 | 21,036,629 | - | 120,270,376 | 191,642,417 | 5 - 10 |
| Plant and machinery | 1,125,343,838 | 22,949,139<br>(8,308,865) | 23,000,000 | 1,162,984,112 | 553,288,093 | 61,924,176<br>(7,426,690) | 7,149,228 | 614,934,807 | 548,049,305 | 10 - 35 |
| Tools and equipment | 9,103,351 | 98,372 | - | 9,201,723 | 8,715,886 | 84,677 | - | 8,800,563 | 401,160 | 20 - 40 |
| Furniture and fittings | 7,518,229 | 515,800 | - | 8,034,029 | 5,594,030 | 392,581 | - | 5,986,611 | 2,047,418 | 20 |
| Office equipment | 21,616,522 | 2,079,904 | - | 23,696,426 | 17,044,782 | 1,042,725 | - | 18,087,507 | 5,608,919 | 20 |
| Vehicles | 11,514,513 | 1,561,000<br>(2,218,500) | 998,000 | 11,855,013 | 5,564,307 | 1,190,191<br>(1,357,536) | 633,895 | 6,030,857 | 5,824,156 | 20 |
| **2008** | 1,634,833,293 | 31,260,168<br>(10,527,365) | 23,998,000 | 1,679,564,096 | 689,440,845 | 85,670,979<br>(8,784,226) | 7,783,123 | 774,110,721 | 905,453,375 | |

- Included in additions to plant and machinery is borrowing cost of Rs 24.526 million (2008: Nil).

| | | ***2009 Rupees*** | 2008 Rupees |
|---|---|---|---|
| **20.1** The depreciation charge for the year has been allocated as follows: | | | |
| Cost of goods sold | - Note 31 | ***83,956,161*** | 83,190,914 |
| Administrative expenses | - Note 32 | ***1,614,233*** | 1,327,239 |
| Distribution and selling costs | - Note 33 | ***606,293*** | 1,152,826 |
| | | ***86,176,687*** | 85,670,979 |

**20.2** Property and plant of the company were most recently revalued on May 9, 2007 by M/s Engineering Pakistan International (Private) Limited on the basis their professional assessment of its depreciated replacement cost. This revaluation was incorporated on June 1, 2007 and resulted in a surplus of Rs 315.717 million over the written down value of Rs 621.362. Had there been no revaluation the carrying amount of the revalued assets would have been as follows:

| | 2009 | 2008 |
|---|---|---|
| Freehold land | ***3,257,516*** | 3,257,516 |
| Buildings on freehold land | ***23,053,151*** | 24,266,475 |
| Plant and machinery | ***242,464,869*** | 261,610,933 |
| | ***268,775,536*** | ***289,134,924*** |

### *20.3 Disposal of property, plant and equipment*

Detail of property, plant and equipment disposed off during the year with book value of more than Rs 50,000 is as follows:

| *Particulars of the assets* | *Sold to* | *Cost/revalued amount Rupees* | *Accumulated depreciation Rupees* | *Book value Rupees* | *Sale proceeds Rupees* | *Mode of disposal* |
|---|---|---|---|---|---|---|
| ***Plant and Machinery*** | | | | | | |
| Fork Lifters | M/S Data Ali Hajveri & Co. | 1,541,342 | 862,776 | 678,566 | 220,333 | Negotiation |
| Fork Lifters | M/S Data Ali Hajveri & Co. | 5,137,705 | 3,049,569 | 2,088,136 | 440,667 | Negotiation |
| | | 6,679,047 | 3,912,345 | 2,766,702 | 661,000 | |
| ***Vehicles*** | ***Employees*** | | | | | |
| Honda Civic | Mr. Babar Jalal Mansoor | 1,460,500 | 626,678 | 833,822 | 1,001,265 | Company Policy |
| Suzuki Cultus | Mr. Rizwan Ahmed | 560,000 | 390,174 | 169,826 | 208,800 | Company Policy |
| Suzuki Cultus | Mr. Zubair Ahmed | 604,000 | 406,080 | 197,920 | 202,620 | Company Policy |
| Honda City | Mr. Muhammad Rizwan Asghar | 790,500 | 503,259 | 287,241 | 532,292 | Company Policy |
| Honda City | Mr. Usman Sami | 790,500 | 503,259 | 287,241 | 532,292 | Company Policy |
| Suzuki Pothohar | Mr. Abdul Qayyum | 678,000 | 431,638 | 246,362 | 390,865 | Company Policy |
| | | 4,883,500 | 2,861,088 | 2,022,412 | 2,868,134 | |
| | ***Outsiders*** | | | | | |
| Honda Civic | Faysal Bank | 1,460,500 | 619,810 | 840,690 | 950,000 | Insurane claim |
| Santro | Mrs. Amna Shanzay, Lahore | 565,000 | 389,092 | 175,908 | 211,800 | Negotiation |
| Master Truck | Mr. Nadeem, Karachi | 536,000 | 332,455 | 203,545 | 245,700 | Negotiation |
| | | 2,561,500 | 1,341,357 | 1,220,143 | 1,407,500 | |

## *21. ASSETS SUBJECT TO FINANCE LEASE*

| | Cost as at July 1, 2008 (Rupees) | Additions/ (transfer) (Rupees) | Cost as at June 30, 2009 (Rupees) | Accumulated depreciation as at July 1, 2008 (Rupees) | Depreciation charge/ (transfer) for the year (Rupees) | Accumulated depreciation as at June 30, 2009 (Rupees) | Book value as at June 30, 2009 (Rupees) | Rate of depreciation % |
|---|---|---|---|---|---|---|---|---|
| Plant and machinery | 20,420,086 | 16,538,177 | 36,958,263 | 2,335,162 | 1,836,543 | 4,171,705 | 32,786,558 | 7.3 |
| Vehicle | 23,044,500 | - - (11,128,000) | 11,916,500 | 8,249,997 | - 2,520,932 (5,936,873) | 4,834,056 | 7,082,444 | 20 |
| ***2009*** | ***43,464,586*** | ***16,538,177 (11,128,000)*** | ***48,874,763*** | ***10,585,159*** | ***4,357,475 (5,936,873)*** | ***9,005,761*** | ***39,869,002*** | |

| | Cost as at July 1, 2007 (Rupees) | Additions/ (transfer) (Rupees) | Cost as at June 30, 2008 (Rupees) | Accumulated depreciation as at July 1, 2007 (Rupees) | Depreciation charge/ (transfer) for the year (Rupees) | Accumulated depreciation as at June 30, 2008 (Rupees) | Book value as at June 30, 2008 (Rupees) | Rate of depreciation % |
|---|---|---|---|---|---|---|---|---|
| Plant and machinery | 43,420,086 | - (23,000,000) | 20,420,086 | 6,558,407 | 2,925,983 (7,149,228) | 2,335,162 | 18,084,924 | 10 |
| Vehicle | 22,156,500 | 1,886,000 (998,000) | 23,044,500 | 5,443,989 | 3,439,903 (633,895) | 8,249,997 | 14,794,503 | 20 |
| ***2008*** | ***65,576,586*** | ***1,886,000 (23,998,000)*** | ***43,464,586*** | ***12,002,396*** | ***6,365,886 (7,783,123)*** | ***10,585,159*** | ***32,879,427*** | |

**21.1** The depreciation charge for the year has been allocated as follows:

| | | ***2009 Rupees*** | 2008 Rupees |
|---|---|---|---|
| Cost of goods sold | - note 31 | ***2,178,547*** | 3,520,407 |
| Administrative expenses | - note 32 | ***1,215,085*** | 1,411,698 |
| Distribution and selling costs | - note 33 | ***963,843*** | 1,433,781 |
| | | ***4,357,475*** | 6,365,886 |

## *22. INTANGIBLE ASSETS*

| | Cost as at July 1, 2008 (Rupees) | Additions/ (deletions) (Rupees) | Cost as at June 30, 2009 (Rupees) | Accumulated Amortization as at July 1, 2008 (Rupees) | Amortization charge/ (deletions) for the year (Rupees) | Accumulated Amortization as at June 30, 2009 (Rupees) | Book value as at June 30, 2009 (Rupees) | Rate of depreciation % |
|---|---|---|---|---|---|---|---|---|
| Computer software and ERP system | 4,130,000 | - | 4,130,000 | 413,000 | 371,700 | 784,700 | 3,345,300 | 10 |
| **2009** | 4,130,000 | - | 4,130,000 | 413,000 | 371,700 | 784,700 | 3,345,300 | |

| | Cost as at July 1, 2007 (Rupees) | Additions/ (deletions) (Rupees) | Cost as at June 30, 2008 (Rupees) | Accumulated Amortization as at July 1, 2007 (Rupees) | Amortisztion charge/ (deletions) for the year (Rupees) | Accumulated Amortization as at June 30, 2008 (Rupees) | Book value as at June 30, 2007 (Rupees) | Rate of depreciation % |
|---|---|---|---|---|---|---|---|---|
| Computer software and ERP system | - | 4,130,000 | 4,130,000 | - | 413,000 | 413,000 | 3,717,000 | 10 |
| **2008** | - | 4,130,000 | 4,130,000 | - | 413,000 | 413,000 | 3,717,000 | |

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

| | | ***2009 Rupees*** | 2008 Rupees |
|---|---|---|---|
| Administratie expenses | - note 32 | ***371,700*** | 413,000 |

## *23. CAPITAL WORK IN PROGRESS*

| | | ***2009*** | 2008 |
|---|---|---|---|
| Building | | ***2,083,251*** | - |
| Plant and Machinery | - note 23.1 | ***3,117,215*** | 198,960,479 |
| Software development | - note 23.2 | ***2,065,000*** | 2,065,000 |
| Miscellaneous expenses | | **-** | 98,471 |
| | | ***7,265,466*** | 201,123,950 |

**23.1** Included in Plant and Machinery is borrowing cost of Rs Nil (2008: Rs 2.207 million).

**23.2** This represents advances given to Imperial Soft (Private) Limited, an associated undertaking, for software development.

| | | 2009 Rupees | 2008 Rupees |
|---|---|---|---|
| ***24. LONG TERM LOANS - CONSIDERED GOOD*** | | | |
| Loans to employees - considered good | | | |
| - Executives | - note 24.1 | ***2,255,000*** | 1,975,000 |
| - Other employees | | ***1,350,640*** | 1,271,520 |
| | | ***3,605,640*** | 3,246,520 |
| Less: Receivable within one year | | ***(1,329,890)*** | (1,052,240) |
| | | ***2,275,750*** | 2,194,280 |

Loans for purchase of motor cycle, cycle, construction of house and loan against gratuity are interest free and are repayable between two to six years. All loans other than those secured by employees' gratuity balances are unsecured.

| | | 2009 Rupees | 2008 Rupees |
|---|---|---|---|
| ***24.1 Reconciliation of carrying amount of loans to Executives*** | | | |
| Opening balance on July 1 | | ***1,975,000*** | 925,000 |
| Add: Disbursements | | ***1,000,000*** | 1,500,000 |
| Less: Repayments | | ***(720,000)*** | (450,000) |
| | | ***2,255,000*** | 1,975,000 |

| | | 2009 Rupees | 2008 Rupees |
|---|---|---|---|
| ***25. STORES, SPARES AND LOOSE TOOLS*** | | | |
| Consumable stores | | ***22,875,895*** | 22,246,473 |
| Machinery spares [including in transit Rs Nil million (2008: Rs 0.592 million)] | | ***72,923,241*** | 83,404,847 |
| Loose tools | | ***2,948,598*** | 2,805,100 |
| | | ***98,747,734*** | 108,456,420 |
| Less: Provision for obsolete items | | | |
| - Consumable stores | - note 25.1 | ***705,042*** | 74,747 |
| - Machinery spares | - note 25.2 | ***1,461,116*** | 2,230,225 |
| - Loose tools | | ***22,911*** | 22,911 |
| | | ***2,189,069*** | 2,327,883 |
| | | ***96,558,665*** | 106,128,537 |

| | | 2009 Rupees | 2008 Rupees |
|---|---|---|---|
| ***25.1 Provision for obsolete items - consumable stores*** | | | |
| Opening balance | | ***74,747*** | 74,747 |
| Add: Provision for the year | - note 32 | ***630,295*** | - |
| Closing balance | | ***705,042*** | 74,747 |

| | | 2009 Rupees | 2008 Rupees |
|---|---|---|---|
| ***25.2 Provision for obsolete items - machinery spares*** | | | |
| Opening balance | | ***2,230,225*** | 2,230,225 |
| Less: Obsolete stock written off against provision | | ***(769,109)*** | - |
| Closing balance | | ***1,461,116*** | 2,230,225 |

| | | 2009 Rupees | 2008 Rupees |
|---|---|---|---|
| **26. STOCK-IN-TRADE** | | | |
| Raw materials and components [including in transit Rs 26.984 million (2008: Rs 55.215 million)] | | ***166,563,321*** | 182,329,312 |
| Packing material | | ***1,503,703*** | 805,641 |
| Work-in-process | | ***26,962,783*** | 33,596,152 |
| Finished goods | | ***251,908,976*** | 140,983,138 |
| Goods purchased for resale: | | ***3,503,494*** | 14,487,742 |
| | | ***450,442,277*** | 372,201,985 |
| Less: Provision for obsolete items | | | |
| - Raw material | - note 26.1 | ***1,853,375*** | 1,867,355 |
| - Finished goods | - note 26.2 | ***10,598,274*** | 7,861,812 |
| - Goods purchased for resale: | | ***645,592*** | 645,593 |
| | | ***13,097,241*** | 10,374,760 |
| | | ***437,345,036*** | 361,827,225 |

**26.1 *Provision for obsolete items - Raw material***

| | | 2009 Rupees | 2008 Rupees |
|---|---|---|---|
| Opening balance | | ***1,867,355*** | 2,602,366 |
| Less: Obsolete stock written off against provision | | ***(13,981)*** | (735,011) |
| Closing balance | | ***1,853,374*** | 1,867,355 |

**26.2 *Provision for obsolete items - Finished goods***

| | | 2009 Rupees | 2008 Rupees |
|---|---|---|---|
| Opening balance | | ***7,861,812*** | 6,343,901 |
| Add: Provision for the year | - note 32 | ***2,736,462*** | 1,517,911 |
| Closing balance | | ***10,598,274*** | 7,861,812 |

Raw materials amounting to Rs 4.503 million (2008: Rs 2.255 million) are in the possession of various vendors for further processing.
Raw materials amounting to Rs 106.259 million (2008: Rs 143.59 million) are pledged as security against finances availed from commercial banks as referred to in note 16.
Finished goods amounting to Rs 1.178 million (2008: Rs 0.039 million) are valued at net realizable value.

**27. *TRADE DEBTS***

| | | 2009 Rupees | 2008 Rupees |
|---|---|---|---|
| Considered good: | | | |
| - Due from Related parties | - note 27.1 | ***189,927*** | 251,814 |
| - Others | | ***278,779,667*** | 225,234,709 |
| | | ***278,969,594*** | 225,486,523 |
| Considered doubtful- others | | ***9,308,562*** | 5,583,583 |
| | | ***288,278,156*** | 231,070,106 |
| Less: Provision for doubtful debts | - note 27.2 | ***(9,308,562)*** | (5,583,583) |
| | | ***278,969,594*** | 225,486,523 |

Trade debts include secured debts of Rs 7.394 million (2008: Rs 24.487 million).

| | | | 2009 Rupees | 2008 Rupees |
|---|---|---|---|---|
| **27.1** | ***Due from related parties*** | | | |
| | Fatima Memorial Hospital Trust | | ***48,472*** | 149,769 |
| | Directors | | ***101,798*** | 102,045 |
| | Executives | | ***39,657*** | - |
| | | | ***189,927*** | 251,814 |

These relate to normal business of the company and are interest free.

| | | | | |
|---|---|---|---|---|
| **27.2** | ***Provision for doubtful debts*** | | | |
| | Opening balance | | ***5,583,583*** | 4,638,386 |
| | Add: Provision for the year | - note 32 | ***5,552,228*** | 1,822,167 |
| | | | ***11,135,811*** | 6,460,553 |
| | Less: Bad debts written off against provision | | ***(1,827,249)*** | (876,970) |
| | Closing balance | | ***9,308,562*** | 5,583,583 |

***28. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES***

| | | | |
|---|---|---|---|
| Current portion of loans to employees - considered good | | ***1,329,890*** | 1,052,240 |
| Advances - considered good | | | |
| - to employees | - note 28.1 | ***1,544,155*** | 292,846 |
| - to suppliers | | ***8,431,911*** | 10,822,321 |
| | | ***9,976,066*** | 11,115,167 |
| Due from related parties - considered good | - note 28.2 | ***15,121*** | 15,121 |
| Short term security deposits | | ***4,548,493*** | 9,116,002 |
| Letters of credit opening charges | | ***1,096,375*** | 954,426 |
| Claims recoverable from government | | | |
| - Income tax recoverable | | ***3,500,000*** | - |
| - Sales tax | | ***28,623*** | 28,623 |
| - Excise duty | | ***1,132,585*** | 1,418,019 |
| - Export freight subsidy | | ***1,162,798*** | 986,327 |
| | | ***5,824,006*** | 2,432,969 |
| Prepayments | | ***2,904,722*** | 1,535,997 |
| Margins held by bank | | ***4,517,965*** | 10,882,397 |
| Others | | ***18,627*** | 1,911,308 |
| | | ***30,231,265*** | 39,015,627 |

**28.1** Included in advances to employees is an amount of Rs 1.111 million (2008: Nil) due from executives.

| | | | |
|---|---|---|---|
| **28.2** | ***Due from related parties*** | | |
| | ICC (Private) Limited | ***15,121*** | 15,121 |

These relate to normal business of the company and are interest free.

***29. CASH AND BANK BALANCES***

| | | |
|---|---|---|
| At banks - current accounts | ***57,764,051*** | 37,477,612 |
| Cash in hand | ***853,310*** | 1,107,656 |
| | ***58,617,361*** | 38,585,268 |

## 30. SALES

| | Insulator Rupees | Wall Tile Rupees | Floor Tile Rupees | 2009 Total Rupees | 2008 Total Rupees |
|---|---|---|---|---|---|
| Gross sales | | | | | |
| - Local | 651,605,539 | 792,252,833 | 227,009,550 | **1,670,867,922** | 1,348,602,382 |
| - Export | 92,973,500 | - | - | **92,973,500** | 79,163,571 |
| | 744,579,039 | 792,252,833 | 227,009,550 | **1,763,841,422** | 1,427,765,953 |
| Goods purchased for resale | - | 22,067,645 | 207,323 | **22,274,968** | 26,426,249 |
| Less: Sales tax | (73,693,787) | (115,868,689) | (32,191,219) | **(221,753,695)** | (181,645,523) |
| Less: Special Excise Duty | (4,685,134) | (7,244,746) | (2,005,252) | **(13,935,132)** | (12,131,331) |
| Net sales | 666,200,118 | 691,207,043 | 193,020,402 | **1,550,427,563** | 1,260,415,348 |

**30.1** There are no inter segment sales.

**30.2** Local sales are exclusive of Rs 40.874 million (2008: Rs 48.6 million) towards discount.

**30.3** Goods purchased for resale are exclusive of Rs 0.061 million (2008: 0.348) towards discount.

## 31. COST OF GOODS SOLD

| | | Insulator Rupees | Wall Tile Rupees | Floor Tile Rupees | 2009 Total Rupees | 2008 Total Rupees |
|---|---|---|---|---|---|---|
| *Raw and packing materials consumed* | | *364,301,637* | *235,260,550* | *75,234,279* | ***674,796,466*** | *448,349,773* |
| *Stores and spares consumed* | | *35,767,670* | *33,495,407* | *15,393,120* | ***84,656,197*** | *49,963,690* |
| *Salaries, wages and benefits* | *- note 31.1* | *120,536,839* | *76,254,942* | *41,255,365* | ***238,047,146*** | *207,235,384* |
| *Power and gas* | | *53,771,105* | *137,264,697* | *55,078,542* | ***246,114,344*** | *152,708,269* |
| *Depreciation on owned assets* | *- note 20.1* | *32,669,748* | *36,504,020* | *14,782,393* | ***83,956,161*** | *83,190,914* |
| *Depreciation on leased assets* | *- note 21.1* | *1,908,761* | *174,429* | *95,357* | ***2,178,547*** | *3,520,407* |
| *Vehicle Maintenance* | | *222,449* | *218,528* | *119,754* | ***560,731*** | *385,379* |
| *Repairs and maintenance* | | *3,755,749* | *1,807,992* | *987,090* | ***6,550,831*** | *4,089,532* |
| *Insurance* | | *943,811* | *1,111,258* | *599,923* | ***2,654,992*** | *2,193,700* |
| *Communication and stationery* | | *1,031,136* | *955,838* | *365,241* | ***2,352,215*** | *1,567,034* |
| *Rent, rates and taxes* | | *3,394,139* | *5,502,348* | *2,973,390* | ***11,869,877*** | *7,976,301* |
| *Travelling and conveyance* | | *2,945,610* | *2,360,080* | *1,279,143* | ***6,584,833*** | *6,770,480* |
| *Others* | | *9,946,995* | *595,206* | *413,095* | ***10,955,296*** | *9,121,750* |
| | | *631,195,649* | *531,505,295* | *208,576,692* | ***1,372,626,598*** | *977,072,613* |
| *Opening work in process* | | *22,694,058* | *9,632,380* | *1,269,714* | ***33,596,152*** | *24,402,420* |
| *Less: Closing work in process* | | *11,377,414* | *12,213,413* | *3,371,956* | ***26,962,783*** | *33,596,152* |
| | | *11,316,644* | *(2,581,033)* | *(2,102,242)* | ***6,633,369*** | *(9,193,732)* |
| *Cost of goods produced* | | *642,512,293* | *528,924,262* | *206,474,450* | ***1,377,911,005*** | *967,878,881* |
| *Opening stock of finished goods* | | *135,925,989* | *2,291,032* | *2,766,117* | ***140,983,138*** | *147,493,084* |
| | | *778,438,282* | *531,215,294* | *209,240,567* | ***1,5518,894,143*** | *1,115,371,965* |
| *Less: Closing stock of finished goods* | | *(196,106,072)* | *(40,550,107)* | *(15,252,797)* | ***(251,908,976)*** | *(140,983,138)* |
| | | *582,332,210* | *490,665,187* | *193,987,770* | ***1,266,985,167*** | *974,388,827* |
| *Cost of goods sold - purchased for resale* | | *-* | *16,359,867* | *159,768* | ***16,519,635*** | *18,868,784* |
| | | *582,332,210* | *507,025,054* | *194,147,538* | ***1,283,504,802*** | *993,257,611* |

**31.1** Salaries, wages and benefits include provident fund charge of Rs 3.068 million (2008: Rs 2.920 million) and gratuity charge Rs 3.230 million (2008: Rs 3.712 million).

**31.2** There are no inter segment purchases.

## 32. *ADMINISTRATIVE EXPENSES*

| | | Insulator Rupees | Wall Tile Rupees | Floor Tile Rupees | 2009 Total Rupees | 2008 Total Rupees |
|---|---|---|---|---|---|---|
| *Salaries, allowances and benefits* | - note 32.1 | 18,558,814 | 11,877,641 | 6,681,174 | **37,117,629** | 37,199,387 |
| *Communication and stationery* | | 1,069,785 | 684,662 | 385,123 | **2,139,570** | 1,912,198 |
| *Travelling* | | 572,685 | 366,518 | 206,167 | **1,145,370** | 793,250 |
| *Vehicle maintenance* | | 2,222,339 | 1,422,297 | 800,042 | **4,444,678** | 4,017,325 |
| *Rent, rates and taxes* | - note 32.2 | 1,722,576 | 1,102,448 | 620,127 | **3,445,151** | 2,548,968 |
| *Depreciation on owned assets* | - note 20.1 | 935,590 | 431,762 | 246,881 | **1,614,233** | 1,327,239 |
| *Depreciation on leased assets* | - note 21.1 | 607,543 | 388,827 | 218,715 | **1,215,085** | 1,411,698 |
| *Amortization of intangible assets* | - note 22.1 | 185,850 | 118,944 | 66,906 | **371,700** | 413,000 |
| *Electricity and gas* | | 499,025 | 319,376 | 179,649 | **998,050** | 1,086,157 |
| *Insurance* | | 220,846 | 141,341 | 79,504 | **441,691** | 477,870 |
| *Legal and professional charges* | note 32.3 | 1,180,102 | 755,266 | 424,837 | **2,360,205** | 2,731,619 |
| *Repairs and maintenance* | | 297,014 | 190,089 | 106,925 | **594,028** | 335,903 |
| *Computer charges* | | 356,390 | 228,090 | 128,301 | **712,781** | 722,551 |
| *Security charges* | | 377,673 | 241,711 | 135,962 | **755,346** | 463,132 |
| *Fees and taxes* | | 719,334 | 460,374 | 258,960 | **1,438,668** | 2,121,082 |
| *Provision for doubtful debts - trade* | - note 27.2 | 552,041 | 3,250,122 | 1,750,065 | **5,552,228** | 1,822,167 |
| *Provision for obsolete stock* | - note 26.2 | 2,736,462 | - | - | **2,736,462** | 1,517,911 |
| *Provision for obsolete stores and spares* | - note 25.1 | 315,148 | 201,694 | 113,453 | **630,295** | - |
| *Obsolete stock writtenoff* | | 251,200 | - | - | **251,200** | - |
| *Others* | | 1,229,654 | 786,979 | 442,675 | **2,459,308** | 1,557,982 |
| | | 34,610,071 | 22,968,141 | 12,845,466 | **70,423,678** | 62,459,439 |

**32.1** Salaries, wages and benefits include provident fund charge of Rs 0.071 million (2008: Rs 0.072 million) and gratuity charge of Rs 1.266 million (2008: charge of Rs 0.322 million).

**32.2** Rent, rates and taxes include operating lease rentals amounting to Rs 3.445 million (2008: Rs 2.549 million).

**32.3** ***Professional services***

| | 2009 Rupees | 2008 Rupees |
|---|---|---|
| The charges for professional services include the following in respect of auditors' services for: | | |
| Statutory audit | **700,000** | 357,500 |
| Half yearly review | **225,000** | 132,000 |
| Tax and other services | **670,000** | 605,000 |
| Out of pocket expenses | **118,452** | 115,694 |
| | **1,713,452** | 1,210,194 |

## 33. DISTRIBUTION AND SELLING COSTS

| | | Insulator Rupees | Wall Tile Rupees | Floor Tile Rupees | 2009 Total Rupees | 2008 Total Rupees |
|---|---|---|---|---|---|---|
| Salaries, allowances and benefits | - note 33.1 | 7,057,269 | 12,426,811 | 6,684,203 | **26,168,283** | 26,561,574 |
| Travelling | | 1,889,157 | 3,054,562 | 1,644,764 | **6,588,483** | 6,338,830 |
| Insurance | | 1,010,520 | 166,257 | 89,523 | **1,266,300** | 273,234 |
| Handling, freight and transportation | | 13,484,144 | 29,871,532 | 11,982,329 | **55,338,005** | 48,791,050 |
| Electricity and gas | | 44,451 | 582,640 | 313,729 | **940,820** | 814,892 |
| Vehicle maintenance | | 19,859 | 526,273 | 283,378 | **829,510** | 664,943 |
| Rent, rates and taxes | | 700,499 | 2,777,995 | 1,495,844 | **4,974,338** | 4,824,439 |
| Communication | | 232,631 | 818,748 | 440,864 | **1,492,243** | 1,502,403 |
| Repair and maintenance | | 2,757 | 416,194 | 224,105 | **643,056** | 732,314 |
| Security charges | | 10,663 | 57,166 | 30,779 | **98,608** | 134,216 |
| Advertisement and sales promotion | | 159,920 | 1,698,067 | 626,238 | **2,484,225** | 2,352,991 |
| Depreciation on owned assets | - note 20.1 | - | 394,090 | 212,203 | **606,293** | 1,152,826 |
| Depreciation on leased assets | - note 21.1 | 263,011 | 455,541 | 245,291 | 963,843 | 1,433,781 |
| Compensation for breakage | | - | 6,446,327 | 1,873,154 | **8,319,481** | 8,577,986 |
| Late delivery charges | | 3,474,477 | - | - | **3,474,477** | 5,720,089 |
| Others | | 1,034,847 | 954,203 | 405,535 | **2,394,585** | 2,649,597 |
| | | 29,384,305 | 60,646,406 | 26,551,939 | **116,582,550** | 112,525,165 |

**33.1** Salaries, wages and benefits include provident fund charge of Rs 0.058 million (2008: Rs 0.055 million) and gratuity charge of Rs 2.222 million (2008: Rs 1.319 million).

## 34. OTHER OPERATING EXPENSES

| | | 2009 Rupees | 2008 Rupees |
|---|---|---|---|
| Workers' Welfare Fund | | **89,601** | - |
| Donations | | **533,069** | 17,170 |
| Loss on disposal of fixed assets | | **2,108,809** | - |
| Others | - note 34.1 | **1,557,377** | 2,312,730 |
| | | **4,288,856** | 2,329,900 |

**34.1** Included in others is an amount of Rs 0.950 million (2008: Rs 0.265 million) on account of penalties imposed by sales tax authorities.

## 35. OTHER OPERATING INCOME

| | 2009 Rupees | 2008 Rupees |
|---|---|---|
| ***Income from financial assets*** | | |
| Exchange gain | **4,747,341** | 940,570 |
| ***Income from non-financial assets*** | | |
| Liabilities no longer payable - written back | **-** | 1,072,727 |
| Rental income | **90,240** | 2,165,345 |
| Gain on disposal of fixed assets | **1,033,079** | 880,111 |
| Others | **538,107** | 1,553,911 |
| | **1,661,426** | 5,672,094 |
| | **6,408,767** | 6,612,664 |

| | | 2009 Rupees | 2008 Rupees |
|---|---|---|---|
| **36. FINANCE COST** | | | |
| Mark-up on | | | |
| - Long term finances | | | |
| - From related parties - unsecured | | ***1,138,113*** | 634,290 |
| - From EMCO Industries Limited Provident Fund | | ***15,953,945*** | 11,704,079 |
| - From banking companies - secured | | ***35,835,546*** | 23,610,988 |
| - Long-term morabaha | | ***348,399*** | 2,007,320 |
| - Discontinued Provident fund | - note 12.1 | ***253,798*** | 442,857 |
| - Short term borrowings from provident fund | | ***1,857,041*** | 784,843 |
| - Finances under mark-up arrangements - secured | | ***98,315,502*** | 56,068,423 |
| - Finance lease | | ***5,188,797*** | 3,480,175 |
| Commission on bank guarantees | | ***2,207,106*** | 1,229,717 |
| Bank and other charges | - note 36.1 | ***24,088,820*** | 12,076,186 |
| | | ***185,187,067*** | 112,038,878 |

**36.1** This include Rs 20.702 million on account of losson cross currency swap agreement entered between the company and bank, which was terminated during the year.

| | 2009 Rupees | 2008 Rupees |
|---|---|---|
| **37. TAXATION** | | |
| For the year | | |
| - Current | ***1,170,550*** | 6,302,077 |
| - Deferred | ***(33,794,437)*** | (1,395,920) |
| | ***(32,623,887)*** | 4,906,157 |
| Prior years | | |
| - Current | ***1,942,078*** | - |
| - Deferred | ***8,749,855*** | (6,662,278) |
| | ***10,691,933*** | (6,662,278) |
| | ***(21,931,954)*** | (1,756,121) |

**37.1** In view of the available tax losses, current tax provision represents final tax under section 148 and 154 of the Income Tax Ordinance, 2001.

For the purpose of current taxation, the tax losses available for carry forward as at June 30, 2009 are estimated approximately at Rs 596.117 million (2008: Rs 345.627 million).

***37.2 Tax Charge Reconciliation***

Since the company is in losses, the current tax provision represents the tax under sections 148 and 154 of the Income Tax Ordinance, 2001, therefore it is impracticable to prepare the tax charge reconciliation.

***38. EARNINGS PER SHARE***

***38.1 Basic earnings per share***

| | | 2009 | 2008 |
|---|---|---|---|
| (Loss) for the year attributable to ordinary shareholders | Rupees | ***(81,218,669)*** | (13,826,860) |
| Weighted average number of ordinary shares | Numbers | ***33,957,937*** | 19,151,959 |
| Basic earnings per share | Rupees | ***(2.39)*** | (0.72) |

Prior year loss per share has been adjusted to give effect of bonus element included in right issue made during the year.

**38.2 Diluted earnings per share**

There is no dilution effect on the basic earnings per share of the company as the company has no such commitments.

## 39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

**39.1** The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits to the chief executive, full time working directors and other executives of the company is as follows:

| | Chief Executive | | Director | | Executive | |
|---|---|---|---|---|---|---|
| | 2009 Rupees | 2008 Rupees | 2009 Rupees | 2008 Rupees | 2009 Rupees | 2008 Rupees |
| Managerial remuneration | **3,452,760** | 3,002,400 | **10,790,220** | 9,382,800 | **9,172,397** | 7,463,618 |
| Production incentives | - | 222,400 | - | 695,000 | **3,598,830** | 4,395,740 |
| House rent | **1,553,748** | 1,351,080 | **4,855,608** | 4,222,260 | **4,127,585** | 3,358,628 |
| Utilities | **251,171** | 321,139 | **631,435** | 548,341 | **1,113,572** | 945,122 |
| Medical expenses | **162,236** | 188,283 | **797,216** | 1,020,845 | **413,943** | 316,738 |
| Reimbursable expenses note 39.2 | **981,274** | 1,099,015 | **4,290,432** | 3,995,914 | **3,100,894** | 2,782,801 |
| | **6,401,189** | 6,184,317 | **21,364,911** | 19,865,160 | **21,527,221** | 19,262,647 |
| Number of persons | 1 | 1 | 3 | 3 | 8 | 7 |

**39.2** The Company provides the Chief Executive and some of the directors and executives with company maintained vehicles, residential telephone expenses, reimbursable club expenses, and servant salaries.

## 40. CASH GENERATED FROM OPERATIONS

| | | 2009 Rupees | 2008 Rupees |
|---|---|---|---|
| Profit/ (Loss) before taxation | | **(103,150,623)** | (15,582,981) |
| Add: Adjustment for non-cash charges and other items: | | | |
| Depreciation on property, plant and equipment | - note 20.1 | **86,176,687** | 85,670,979 |
| Depreciation on leased assets | - note 21.1 | **4,357,475** | 6,365,886 |
| Amortisation of Intangibles | | **371,700** | 413,000 |
| Capital work in progress expensed out | | **339,411** | - |
| Security deposit adjusted against rent expense | | **423,392** | - |
| Provision for gratuity | - note 12.2 | **6,558,297** | 5,354,013 |
| Provision for doubtful debts - trade | - note 27.2 | **5,552,228** | 1,822,167 |
| Provision for obsolete stock | - note 26.2 | **2,987,662** | 1,517,911 |
| Provision for obsolete stores and spares | - note 25.1 | **630,295** | - |
| Liabilities no longer payable - written back | - note 35 | **-** | (1,072,727) |
| Loss\(Gain) on disposal of property, plant and equipment | - note 34 | **1,075,730** | (880,111) |
| Finance cost | - note 36 | **185,187,067** | 112,038,878 |
| | | **293,659,944** | 211,229,996 |
| Profit before working capital changes | | **190,509,321** | 195,647,015 |

| | 2009 Rupees | 2008 Rupees |
|---|---|---|
| Effect on cash flow due to working capital changes: | | |
| - Decrease/ (Increase) in stores and spares | ***8,939,577*** | (21,394,141) |
| - (Increase) in stock-in-trade | ***(78,505,473)*** | (70,223,064) |
| - (Increase) in trade debts | ***(59,035,299)*** | (23,227,138) |
| - Decrease/ (Increase) in loans, advances, deposits, prepayments and other receivables | ***8,904,903*** | (12,058,229) |
| - Increase in trade and other payables | ***124,166,766*** | 43,605,759 |
| | ***4,470,474*** | (83,296,813) |
| | ***194,979,795*** | 112,350,202 |

### 41. *CASH AND CASH EQUIVALENTS*

| | | 2009 | 2008 |
|---|---|---|---|
| Cash and bank balances | - note 29 | ***58,617,361*** | 38,585,268 |
| Finances under mark-up arrangements - secured | - note 16 | ***(558,086,289)*** | (544,813,779) |
| | | ***(499,468,928)*** | (506,228,511) |

### 42. *RELATED PARTY DISCLOSURES*

#### A. *Related parties with whom the company had transactions*

The related parties comprise subsidiaries, associated undertakings, other related group companies, key management personnel and post employment benefit plans.The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 39. Other significant transactions with related parties are given below:

| | ***Relationship with the company*** | ***Nature of transactions*** | ***2009 Rupees*** | 2008 Rupees |
|---|---|---|---|---|
| i. | Associated undertakings | Long term finances obtained | 9,500,000 | - |
| | | Repayment of long term finances | 5,000,000 | - |
| | | Mark-up on long term finances | 1,138,113 | 634,290 |
| | | Sale of goods | 458,459 | 1,376,089 |
| | | Rental income | - | 1,836,420 |
| | | Purchase of goods & services | 798,662 | 6,193,503 |
| ii. | Directors and close relative thereof | Long term loan obtained | 1,450,000 | - |
| | | Long term loan repaid | 1,760,000 | - |
| | | Short term borrowing obtained | 13,100,000 | 60,850,000 |
| | | Short term borrowing repaid | 5,690,463 | 21,907,458 |
| | | Short term loan converted into long term | 40,000,000 | - |
| | | Loan adjusted against right issue | 136,295,400 | - |
| | | Sale of goods | 1,485 | 11,770 |
| | | Rent paid | 3,000,000 | - |
| iii. | Employee benefits plans - EMCO Industries Limited Provident Fund | Balance as at July 01, | - | - |
| | | Short term loan obtained | 114,000,000 | 34,500,000 |
| | | Repayment of short term loan | - | (34,500,000) |
| | | Transferred to long term loan | (114,000,000) | - |
| | | Balance as at June 30, | - | - |
| | | Balance as at July 01, | 89,912,134 | 90,061,073 |
| | | Repayment of long term loan | (60,311,341) | (148,939) |
| | | Transferred from short term loan | 114,000,000 | - |
| | | Balance as at June 30, | 143,600,793 | 89,912,134 |
| | | Markup on short term loan | 1,857,041 | 784,843 |
| | | Markup on long term loan | 15,953,945 | 11,704,079 |
| iv. | Undertaking in which close family members of a director are holding directorship Sale of goods | | 458,459 | 1,376,039 |
| | Purchase of goods & services | | 798,662 | 87,959 |

## 43. SEGMENT RESULTS

| | | Insulator | | Wall Tile | | Floor Tile | | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|
| | | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 | **Total** | Total |
| | | **Rupees** | Rupees | **Rupees** | Rupees | **Rupees** | Rupees | **Rupees** | Rupees |
| External sales | - note 30 | 666,200,118 | 498,784,411 | 691,207,043 | 469,784,195 | 193,020,402 | 291,846,742 | 1,550,427,563 | 1,260,415,348 |
| Cost of goods sold | - note 31 | (583,006,691) | (437,788,493) | (507,456,722) | (349,050,523) | (194,390,351) | (206,418,595) | (1,284,853,764) | (993,257,611) |
| Gross profit | | 83,193,427 | 60,995,918 | 183,750,32 | 120,733,672 | (1,369,949) | 85,428,147 | 265,573,799 | 267,157,737 |
| Operating expenses | | | | | | | | | |
| - Administrative expenses | - note 32 | (33,470,369) | (31,300,951) | (22,238,732) | (19,825,773) | (12,435,173) | (11,332,715) | (68,144,274) | (62,459,439) |
| - Distribution and selling costs | - note 33 | (29,849,426) | (28,170,782) | (60,944,147) | (51,222,162) | (26,719,419) | (33,132,221) | (117,512,992) | (112,525,165) |
| | | (63,319,795) | (59,471,733) | (83,182,879) | (71,047,935) | (39,154,592) | (44,464,936) | (185,657,266) | (174,984,604) |
| Segment results | | 19,873,632 | 1,524,185 | 100,567,442 | 49,685,737 | (40,524,541) | 40,963,211 | 79,916,533 | 92,173,133 |
| Other operating expenses | | | | | | | | (4,288,856) | (2,329,900) |
| Other operating income | | | | | | | | 6,408,767 | 6,612,664 |
| Profit from operations | | | | | | | | 82,036,444 | 96,455,897 |
| Finance cost | | | | | | | | (185,187,067) | (112,038,878) |
| Profit/ (Loss) before taxation | | | | | | | | (103,150,623) | (15,582,981) |
| Taxation | | | | | | | | 21,937,034 | 1,756,121 |
| Profit/ (Loss) for the year | | | | | | | | (81,213,589) | (13,826,860) |

### 43.1 *Inter segment sales and purchases*

There are no inter segment sales and purchases.

***Other segment information***

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **43.2** | Segment assets | 795,211,043 | 867,134,175 | 1,020,573,855 | 543,280,946 | 199,610,112 | 450,047,552 | 2,015,395,010 | 1,860,462,673 |
| | Unallocated assets | | | | | | | 126,420,561 | 64,490,776 |
| | | | | | | | | 2,141,815,571 | 1,924,953,449 |
| **43.3** | ***Segment liabilities*** | 158,591,882 | 96,851,096 | 101,498,805 | 61,984,701 | 57,093,078 | 34,866,394 | 317,183,765 | 193,702,191 |
| | Unallocated liabilities | | | | | | | 1,294,639,653 | 1,309,330,232 |
| | | | | | | | | 1,611,823,418 | 1,503,032,423 |
| **43.4** | ***Capital expenditure*** | 20,935,298 | 8,018,477 | 129,565,172 | 129,571,404 | 14,564,655 | 68,966,048 | 165,065,125 | 206,555,929 |
| **43.5** | ***Depreciation (owned and leased assets)*** | 36,384,653 | 41,071,776 | 38,348,669 | 34,504,677 | 15,800,840 | 16,460,412 | 90,534,162 | 92,036,865 |
| **43.6** | ***Non cash items*** (excluding depreciation /amortization) | 3,854,851 | 1,639,944 | 3,451,816 | 956,160 | 1,863,518 | 743,974 | 9,170,185 | 3,340,078 |
| **43.7** | ***Secondary reporting format*** Segment revenue from external customers by geographical areas is as follows: | | | | | | | | |
| | Export sales | 92,973,500 | 79,163,571 | - | - | - | - | 92,973,500 | 79,163,571 |
| | Local sales | 573,226,618 | 419,620,840 | 691,207,043 | 469,784,195 | 193,020,402 | 291,846,742 | 1,457,454,063 | 1,181,251,777 |
| | | 666,200,118 | 498,784,411 | 691,207,043 | 469,784,195 | 193,020,402 | 291,846,742 | 1,550,427,563 | 1,260,415,348 |

## 44. FINANCIAL RISK MANAGEMENT

### 44.1 Financial risk factors

*Overall, risks arising from the company's financial assets and liabilities are limited. The company manages its exposure to financial risk in the following manner:*

**(a) Market risk**

**(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 that exist due to transactions in foreign currencies. The company's exposure to currency risk is as follows:*

| | **2009 Rupees** | 2008 Rupees |
|---|---|---|
| Trade and other receivables - USD | **92,100** | 350,592 |
| Net exposure - USD | **92,100** | 350,592 |

*The following significant exchange rates were applied during the year:*

| **Rupees per USD** | | |
|---|---|---|
| Average rate | **79.92** | 62.55 |
| Reporting date rate | **81.30** | 68.20 |

**(ii) Interest rate risk**

*Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable market rates and contracting floor and cap of these rates as referred to in note 9.2.*

| | **2009 Rupees** | 2008 Rupees |
|---|---|---|
| **Fixed rate instruments** | | |
| **Financial liabilities** | | |
| Long term finances | **12,777,272** | 8,277,272 |
| Liabilities against assets subject to finance lease | **12,127,990** | 24,883,361 |
| Finances under mark-up arrangements - secured | **37,555,000** | 49,642,000 |
| **Total exposure** | **62,460,262** | 82,802,633 |
| **Floating rate instruments** | | |
| **Financial liabilities** | | |
| Long term finances | **483,486,917** | 401,576,218 |
| Liabilities against assets subject to finance lease | **16,182,914** | - |
| Finances under mark-up arrangements - secured | **520,531,289** | 495,171,779 |
| | **1,020,201,120** | 896,747,997 |

**Fair value sensitivity analysis for fixed rate instruments**

*The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the company.*

**Cash flow sensitivity analysis for variable rate instruments**

*If interest rates on long term loans from associates, banks and short term running finance, during the year, fluctuate by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs 4.570 million higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.*

**(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. Credit risk arises from deposits with banks, trade debts, loans and advances and other receivables.*

**(i) Exposure to credit risk**

*The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:*

| | 2009 Rupees | 2008 Rupees |
|---|---|---|
| Long term deposits | 11,767,181 | 13,720,425 |
| Long term loans | 3,605,640 | 3,246,520 |
| Trade debts | 277,043,754 | 222,461,597 |
| Loans, advances, deposits and other receivables | 6,095,868 | 13,101,672 |
| Cash and bank balances | 57,764,051 | 37,477,612 |
| | 356,276,494 | 290,007,826 |

*Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The risk on liquid funds is limited because counter parties are banks with reasonably high credit ratings. The company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the company applies credit limits to its customers.*

**(ii) Credit quality of major financial assets**

*The credit quality of major financial assets 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:*

| Banks | Rating Short | Rating Long | Rating Agency | 2009 Rupees | 2008 Rupees |
|---|---|---|---|---|---|
| Allied Bank | A1+ | AA | PACRA | 5,541,360 | 4,456,836 |
| Askari Commercial Bank | A1+ | AA | PACRA | 1,567,636 | 1,227,386 |
| Bank Al Falah | A1+ | AA | PACRA | 7,391,446 | 388,726 |
| The Bank of Punjab | A1+ | AA- | PACRA | 871,868 | 166,713 |
| Faysal Bank | A-1+ | AA | PACRA | 10,238,203 | 229,034 |
| Habib Bank | A-1+ | AA+ | JCR-VIS | 136,979 | 195,150 |
| MCB Bank Limited | A1+ | AA+ | PACRA | 8,788,110 | 2,688,956 |
| National Bank of Pakistan | A-1+ | AAA | JCR-VIS | 535,504 | 69,012 |
| Slik Bank Limited | A-3 | A- | JCR-VIS | 19,213,430 | 23,590,891 |
| Standard Chartered | A1+ | AAA | PACRA | 128,917 | 1,652,174 |
| United Bank Limited | A-1+ | AA+ | JCR-VIS | 3,350,598 | 2,812,734 |
| | | | | 57,764,051 | 37,477,612 |

*Due to the company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company. Accordingly, the credit risk is minimal.*

**(c) Liquidity risk**

*Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.*

*Liquidity risk reflects an enterprise's inability in raising funds to meet commitments associated with the financial instruments. The company follows an effective cash management and planning policy to ensure availability of funds. The company also aims at maintaining flexibility in funding by keeping committed credit lines available.*

*The following are the contractual maturities of financial liabilities as at June 30, 2009:*

| | Carrying amount | Less than one year | One to five years | More than five years |
|---|---|---|---|---|
| | Rupees | Rupees | Rupees | Rupees |
| Long term loans from directors | 74,570,569 | - | - | 74,570,569 |
| Long term finances | 499,438,056 | 71,136,169 | 387,143,300 | 41,158,587 |
| Long term morabaha | - | - | - | - |
| Liabilities against assets subject to finance lease | 28,310,904 | 11,995,263 | 16,315,641 | - |
| Short term borrowings from related parties - unsecured | 17,324,801 | 17,324,801 | - | - |
| Finances under mark-up arrangements - secured | 558,086,289 | 558,086,289 | - | - |
| Trade and other payables | 288,320,597 | 288,320,597 | - | - |
| Accrued finance cost | 65,296,268 | 65,296,268 | - | - |
| | 1,531,347,484 | 1,012,159,387 | 403,458,941 | 115,729,156 |

*The following are the contractual maturities of financial liabilities as at June 30, 2008:*

| | Carrying amount | Less than one year | One to five years | More than five years |
|---|---|---|---|---|
| Long term loans from directors | 171,175,969 | 136,295,400 | - | 34,880,569 |
| Long term finances | 413,027,357 | 82,112,391 | 330,914,966 | - |
| Long term morabaha | 7,174,998 | 7,174,998 | - | - |
| Liabilities against assets subject to finance lease | 24,883,373 | 11,671,076 | 13,212,297 | - |
| Short term borrowings from related parties - unsecured | 52,226,754 | 52,226,754 | - | - |
| Finances under mark-up arrangements - secured | 544,813,779 | 544,813,779 | - | - |
| Trade and other payables | 163,460,295 | 163,460,295 | - | - |
| Accrued finance cost | 27,213,644 | 27,213,644 | | |
| | 1,403,976,169 | 1,024,968,337 | 344,127,263 | 34,880,569 |

### 44.2 Fair values of financial assets and liabilities

*The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.*

### 44.3 Financial instruments by categories

| | Available for sale | | At fair value through profit & loss | | Loans and receivables | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees | Rupees |
| ***Financial assets as per balance sheet*** | | | | | | | | |
| Long term deposits | - | - | - | - | 11,767,181 | 13,720,425 | 11,767,181 | 13,720,425 |
| Long term loans | - | - | - | - | 3,605,640 | 3,246,520 | 3,605,640 | 3,246,520 |
| Trade debts | - | - | - | - | 277,043,754 | 222,461,597 | 277,043,754 | 222,461,597 |
| Loans, advances, deposits, prepayments, and other receivables | - | - | - | - | 6,095,868 | 13,101,672 | 6,095,868 | 13,101,672 |
| Cash and bank balances | - | - | - | - | 58,617,361 | 38,585,268 | 58,617,361 | 38,585,268 |
| | - | - | - | - | 357,129,804 | 291,115,482 | 357,129,804 | 291,115,482 |

| | Other financial liabilities 2009 Rupees | 2008 Rupees |
|---|---|---|
| ***Financial liabilities as per balance sheet*** | | |
| Long term loans from directors | ***74,570,569*** | 171,175,969 |
| Long term finances | ***499,438,056*** | 413,027,357 |
| Long term morabaha | **-** | 7,174,998 |
| Liabilities against assets subject to finance lease | ***17,324,801*** | 52,226,754 |
| Finances under mark-up arrangements - secured | ***558,086,289*** | 544,813,779 |
| Trade and other payables | ***288,320,597*** | 163,460,295 |
| Accrued finance cost | ***65,296,268*** | 27,213,644 |
| | ***1,531,347,484*** | 1,403,976,169 |

### 44.4 *Capital risk management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt.

Consistent with others in the industry and the requirements of the lenders the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term loan obtained by the Company as referred to in note 9 & 10. Total capital employed includes equity as shown in the balance sheet plus borrowings. The gearing ratio as at year ended June 30, 2009 and June 30, 2008 are as follows:

| | | **2009** | 2008 |
|---|---|---|---|
| Borrowings | Rupees | ***499,438,056*** | 420,202,355 |
| Total capital employed | Rupees | ***617,984,325*** | 404,344,376 |
| Gearing ratio | Percentage | ***81%*** | 104% |

### 45. *CAPACITY AND PRODUCTION*

| | *Capacity* | | *Actual production* | |
|---|---|---|---|---|
| | ***2009*** | 2008 | ***2009*** | 2008 |
| Insulators produced - tons | ***5,000*** | 5,000 | ***4,567*** | 4,324 |
| Wall tiles produced - sq. mtrs. | ***2,466,000*** | 1,560,000 | ***2,405,919*** | 1,783,488 |
| Floor tiles produced - sq. mtrs. | ***900,000*** | 900,000 | ***683,478*** | 1,069,873 |

Low production activity during the year in floor tile division is because of closure of plant due to gas shortage for a period of 44 days i.e October 13, 2008 to November 26, 2008 and for a period of 59 days i.e December 25, 2008 to February 22, 2009.

**46. *DATE OF AUTHORIZATION OF ISSUE***

These financial statements were authorized for issue on October 07, 2009 by the Board of Directors of the company.

**47. *CORRESPONDING FIGURES***

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made during the year, except for the following:

| | Note | From | To | 2008 |
|---|---|---|---|---|
| | | | | Rupees |
| Loans, advances, deposits, prepayments and other receivables | 28 | Export freight subsidy | Excise duty | 1,132,585 |
| Cost of goods sold | 31 | Stores and spares consumed | Raw and packing materials consumed | 34,934,038 |
| Cost of goods sold | 31 | Stores and spares consumed | Power and gas | 8,355,547 |

Corresponding figure of closing stock of packing material amounting to Rs 0.806 million has been re-arranged from stores, spares and loose tools to stock in trade as given in note 26.

***Lahore:***
October 07, 2009

***Tariq Rehman***
(Chief Executive)

***Haris Noorani***
(Director)

# PATTERN OF SHARE HOLDING
*as on June 30, 2009*

| No of Shareholders | Shareholding From | Shareholding To | Total Shares held |
|---|---|---|---|
| 68 | 1 | 100 | 3707 |
| 286 | 101 | 500 | 67593 |
| 97 | 501 | 1000 | 79425 |
| 133 | 1001 | 5000 | 322142 |
| 27 | 5001 | 10000 | 214241 |
| 18 | 10001 | 15000 | 226249 |
| 7 | 15001 | 20000 | 126825 |
| 4 | 20001 | 25000 | 85564 |
| 5 | 25001 | 30000 | 138652 |
| 3 | 30001 | 35000 | 95121 |
| 1 | 35001 | 40000 | 36239 |
| 1 | 45001 | 50000 | 46500 |
| 1 | 55001 | 60000 | 58500 |
| 2 | 60001 | 65000 | 129400 |
| 1 | 75001 | 80000 | 76100 |
| 1 | 80001 | 85000 | 82500 |
| 1 | 90001 | 95000 | 93587 |
| 1 | 95001 | 100000 | 98500 |
| 1 | 100001 | 105000 | 101119 |
| 2 | 115001 | 120000 | 233399 |
| 1 | 120001 | 125000 | 121000 |
| 2 | 135001 | 140000 | 279400 |
| 1 | 155001 | 160000 | 159650 |
| 2 | 160001 | 165000 | 321958 |
| 1 | 165001 | 170000 | 167000 |
| 1 | 170001 | 175000 | 175000 |
| 1 | 175001 | 180000 | 177125 |
| 1 | 195001 | 200000 | 200000 |
| 1 | 205001 | 210000 | 205500 |
| 2 | 220001 | 225000 | 447456 |
| 1 | 245001 | 250000 | 246000 |
| 1 | 250001 | 255000 | 250294 |
| 3 | 290001 | 295000 | 875332 |
| 1 | 335001 | 340000 | 339093 |
| 1 | 395001 | 400000 | 399378 |
| 1 | 435001 | 440000 | 436046 |
| 1 | 510001 | 515000 | 511076 |
| 1 | 530001 | 535000 | 532618 |
| 1 | 635001 | 640000 | 637654 |
| 1 | 660001 | 665000 | 660492 |
| 1 | 750001 | 755000 | 754929 |
| 1 | 755001 | 760000 | 756711 |
| 1 | 775001 | 780000 | 777641 |
| 1 | 800001 | 805000 | 800087 |
| 1 | 820001 | 825000 | 821019 |
| 1 | 880001 | 885000 | 881039 |
| 1 | 985001 | 990000 | 989511 |
| 1 | 990001 | 995000 | 995000 |
| 1 | 1035001 | 1040000 | 1037163 |
| 1 | 1060001 | 1065000 | 1064120 |
| 1 | 1125001 | 1130000 | 1125643 |
| 1 | 1170001 | 1175000 | 1174419 |
| 1 | 2010001 | 2015000 | 2011325 |
| 1 | 2375001 | 2380000 | 2377013 |
| 1 | 2690001 | 2695000 | 2692285 |
| 1 | 3445001 | 3450000 | 3445641 |
| 1 | 3835001 | 3840000 | 3839019 |
| 702 | | | **35000000** |

| Categories of shareholders | Number of Share Holders | Shares held | % of paid up capital |
|---|---|---|---|
| Individuals | 665 | 26,960,562 | 77.030 |
| Insurance Companies | 2 | 128,125 | 0.360 |
| Joint Stock Companies | 30 | 6,372,486 | 18.210 |
| Financial Institutions | 5 | 1,538,827 | 4.400 |
| | **702** | **35,000,000** | **100.00%** |

# PATTERN OF SHAREHOLDERS AS ON 30TH JUNE 2009

| Category of Shareholder | Holding | Percentage % |
|---|---|---|
| **DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN:** | | |
| MR. S. A. MANAN | 159,650 | 0.4561 |
| MR. TARIQ REHMAN - (CDC) | 2,377,013 | 6.7915 |
| MR. SHAFIQUE A. SIDDIQUI | 177,125 | 0.5061 |
| MR. HARIS NOORANI | 246,000 | 0.7029 |
| MR. HARIS NOORANI - (CDC) | 1,125,643 | 3.2161 |
| MR. SUHAIL MANNAN | 3,839,019 | 10.9686 |
| MR TAHIR REHMAN - (CDC) | 1,174,419 | 3.3555 |
| MR. USMAN HAQ | 881,039 | 2.5173 |
| MR. JAVED SHAFIQ SIDDIQUI | 291,777 | 0.8336 |
| MRS. SHAHIMA REHMAN W/O TARIQ REHMAN | 290 | 0.0008 |
| MRS. SHAHIMA REHMAN W/O TARIQ REHMAN - (CDC) | 399,378 | 1.1411 |
| MRS. SAEEDA SHAFIQ W/O SHAFIQ A. SIDDIQUI | 76,100 | 0.2174 |
| MRS. SAEEDA SHAFIQ W/O SHAFIQ A. SIDDIQUI - (CDC) | 3,445,641 | 9.8447 |
| MRS. AYESHA NOORANI W/O HARIS NOORANI | 339,093 | 0.9688 |
| MRS. AMINA SUHAIL MANNAN W/O SUHAIL MANNAN - (CDC) | 18,260 | 0.0522 |
| MRS. ANJUM TAHIR REHMAN W/O TAHIR REHMAN. (CDC) | 637,654 | 1.8219 |
| MRS. AMBREEN HAQ W/O USMAN HAQ | 1,037,163 | 2.9633 |
| MR. ZULFIQAR SUHAIL MANNAN (MINOR) | 139,700 | 0.3991 |
| MR. ABDULLAH SUHAIL MANNAN (MINOR) | 139,700 | 0.3991 |
| | 16,504,664 | 47.1562 |
| **ASSOCIATED COMPANIES:** | | |
| ICC (PVT) LIMITED | 2,692,285 | 7.6922 |
| ASSOCIATED ENGINEERS (PVT) LTD. | 2,011,325 | 5.7466 |
| THE IMPERIAL ELECTRIC COMPANY (PVT) LIMITED - (CDC) | 532,618 | 1.5218 |
| | 5,236,228 | 14.9607 |
| **NIT & ICP:** | | |
| IDBP (ICP UNIT) | 1,057 | 0.0030 |
| NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT. - (CDC) | 754,929 | 2.1569 |
| NBP TRUSTEE - NI(U)T (LOC) FUND - (CDC) | 777,641 | 2.2218 |
| | 1,533,627 | 4.3818 |
| **FINANCIAL INSTITUTION:** | | |
| PAKISTAN INDUSTRIAL CREDIT & INVESTMENT CORP. LTD. | 500 | 0.0014 |
| BANK ALFALAH LIMITED. (CDC) | 4,700 | 0.0134 |
| | 5,200 | 0.0149 |
| **INSURANCE COMPANIES:** | | |
| GULF INSURANCE COMPANY LIMITED | 12,550 | 0.0359 |
| STATE LIFE INSURANCE CORP. OF PAKISTAN - (CDC) | 115,575 | 0.3302 |
| | 128,125 | 0.3661 |
| **MODARABAS & MUTUAL FUNDS:** | 0 | 0.0000 |
| **JOINT STOCK COMPANIES:** | | |
| MUNIR HOLDING (PVT) LTD. | 2,300 | 0.0066 |
| ASIAN SECURITIES LIMITED | 49 | 0.0001 |
| NAEEM'S SECURITIES (PVT) LTD. | 1,310 | 0.0037 |
| ALI USMAN STOCK BROKERAGE (PVT) LIMITED - (CDC) | 150 | 0.0004 |
| AMIN TAI SECURITIES (PVT) LIMITED - (CDC) | 800,087 | 2.2860 |
| CLIKTADE LIMITED - (CDC) | 82 | 0.0002 |
| DURVESH SECURITIES (PVT) LIMITED - (CDC) | 6,927 | 0.0198 |

| Category of Shareholder | Holding | Percentage % |
|---|---|---|
| FAIR EDGE SECURITIES (PVT) LTD - (CDC) | 2,565 | 0.0073 |
| FAIR EDGE SECURITIES (PVT) LTD - (CDC) | 2,000 | 0.0057 |
| FAIRTRADE CAPITAL SECURITIES (PVT) LIMITED - (CDC) | 200,000 | 0.5714 |
| JAMSHAID & HASAN SECURITIES (PVT) LIMITED - (CDC) | 2,000 | 0.0057 |
| MAM SECURITIES (PVT) LIMITED - (CDC) | 250 | 0.0007 |
| MSMANIAR FINANCIALS (PVT) LIMITED - (CDC) | 400 | 0.0011 |
| NH SECURITIES (PVT) LIMITED - (CDC) | 1,000 | 0.0029 |
| STOCK MASTER SECURITIES (PRIVATE) LIMITED - (CDC) | 2,200 | 0.0063 |
| STOCK MASTER SECURITIES (PRIVATE) LIMITED - (CDC) | 82 | 0.0002 |
| UNITED CAPITAL SECURITIES PVT. LIMITED - (CDC) | 498 | 0.0014 |
| UNITED EQUITIES (SMC-PVT) LIMITED - (CDC) | 81 | 0.0002 |
| Y. S. SECURITIES & SERVICES (PVT) LIMITED - (CDC) | 13,158 | 0.0376 |
| YASIR MAHMOOD SECURITIES (PVT) LIMITED - (CDC) | 101,119 | 0.2889 |
| | 1,136,258 | 3.2465 |
| SHARES HELD BY THE GENERAL PUBLIC: | 10,455,898 | 29.8740 |
| **TOTAL:** | **35,000,000** | **100.0000** |
| **SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL:** | | |
| MR. SUHAIL MANNAN | 3,839,019 | 10.9686 |
| MRS. SAEEDA SHAFIQ W/O SHAFIQ A. SIDDIQUI | 3,521,741 | 10.0621 |
| | 7,360,760 | 21.0307 |

**During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows:**

| S. No. | NAME | SALE | PURCHASE | |
|---|---|---|---|---|
| 1 | MR. TARIQ REHMAN | - | 1,612,397 | (RIGHT SHARES) |
| 2 | MR. HARIS NOORANI | - | 1,101,858 | (RIGHT SHARES) |
| 3 | MR. SOHAIL MANNAN | - | 3,307,895 | (RIGHT SHARES) |
| 4 | MR. TAHIR REHMAN | - | 1,060,180 | (RIGHT SHARES) |
| 5 | MR. USMAN HAQ | - | 720,269 | (RIGHT SHARES) |
| 6 | MRS. SAEEDA SHAFIQ W/O SHAFIQ A. SIDDIQUI | - | 3,440,641 | (RIGHT SHARES) |
| 7 | MRS. AMINA SUHAIL MANNAN W/O SUHAIL MANNAN | - | 10,260 | (RIGHT SHARES) |
| 8 | MRS. AMBREEN HAQ | - | 418,667 | (RIGHT SHARES) |

# FORM OF PROXY

I/We ______________________________________________

Of ________________________________ being member of EMCO Industires Limited

and holder of __________ Ordinary shares as per share Register Folio NO. __________

and/or CDC particpant I.D. No. __________ and Sub Account No. ______________

hereby appoint ______________________________________

of ______________________________________________

or failing him/her ____________________________________

of____________as my proxy to vote for me/us and my/our behalf at the Annual General Meeting of the Company to be held at Registered office of the Company, 119-E/1, Hali Road, Gulberg-III, Lahore on 30th October, 2009 at 11.00 a.m. and at any adjournment thereof.

Signed this ____________________ day of ________________________

**Witness 1:**
Signature ________________
Name ________________
Address ________________
________________
NIC # ________________
Passport ________________

**Witness 2:**
Signature ________________
Name ________________
Address ________________
________________
NIC # ________________
Passport ________________

Signature on
Rupees five
Revenue Stamp

(Signature should agree with the specimen signature registered with the Company)

**Note:**
Proxies, in order to be effective must be received by the Company not less than 48 hours before the meeting, duly completed in all respects.

CDC shareholders and their Proxies are requested to attach an attested photocopy of their National Identity Card or Passport with the proxy form before submission to the Company.