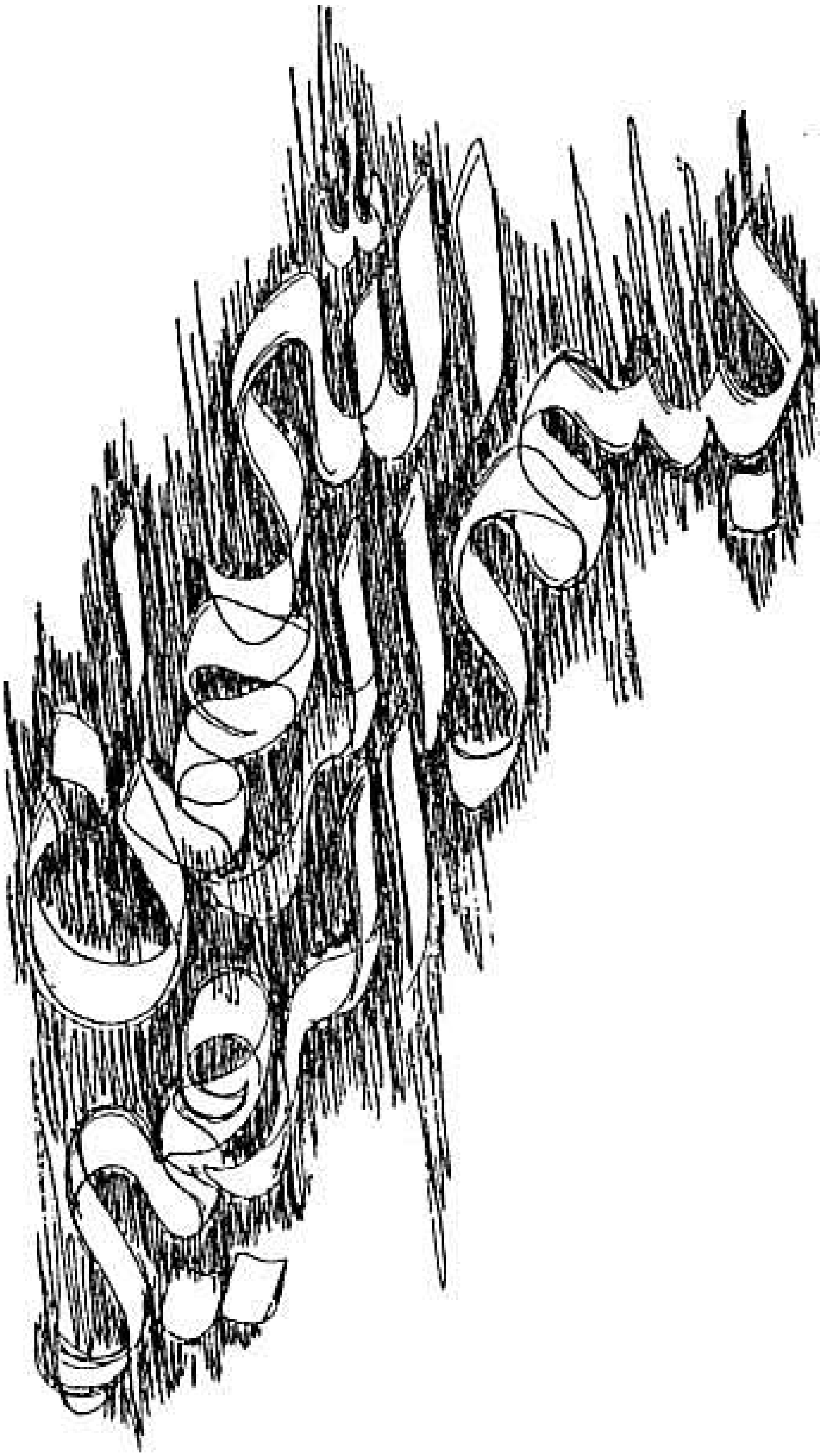
ANNUAL REPORT 2013

Emco Industries Limited


بسم الله الرحمن الرحیم

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COMPANY INFORMATION

Board of Directors.

Mr. Tariq Rehman
Mr. Shafiq A. Siddiqi
Mr. Haris Noorani
Mr. Suhail Mannan
Mr. Javaid Shafiq Siddiqi
Mr. Usman Haq
Mr. Salem Rehman
Mr. Ahsan Suhail Mannan

Audit Committee

Mr. Usman Haq
Mr. Javaid Shafiq Siddiqi
Mr. Salem Rehman
Mr Ahsan Suhail Mannan

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
Faysal Bank Limited
Bank of Punjab
NIB Bank Limited

Share Registrar

Corplink (Pvt) Limited
Wings Arcade. I-K , Commercial,
Model Town, Lahore.

Registered Office

119/E-1, 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 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 Genmany)

Chemical Porcelain

• Acid Proof Wares and Bricks
• Rasching Ring and Saddles
• Acid Proof Porcelain Pipes and Fitting
• Acid Proof Cement

Special Porcelain

• High Alumina Porcelain
• Lining Special Refractories
• & 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

NOTICE OF MEETING

Notice is hereby given that 58th Annual General Meeting of Members of EMCO Industries Limited will be held on 31st October, 2013 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 29th November, 2012.

2. To receive, approve and adopt the Audited Accounts of the Company for the year ended 30th June, 2013 together with Directors' and Auditors' Report thereon.

3. To appoint Auditors for the year ending June 30, 2014 and to fix their remuneration.

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

By Order of the Board

Place : Lahore;
Dated : 09.10.2013

(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 23.10.2013 to 31.10.2013 (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.

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 an attested 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

On behalf of the Board of Directors I welcome you to the 58th Annual General Meeting of the Company and present to you the audited report for the period ending June 30, 2013.

Financial Results are as follows: -

	2013 Rupees	2012 Rupees
Profit /(Loss) before taxation	(39,136,031)	(14,256,943)
Taxation	5,200,667	(7,096,882)
Profit/(Loss) after Tax	(33,935,364)	(21,353,825)
Un-appropriated profit / (Loss) brought forward	(447,269,291)	(443,905,070)
Incremental Depreciation on revaluation	19,210,279	17,989,604
	(428,059,012)	(425,915,466)
Profit / (Loss) carried forward	(461,994,376)	(447,269,291)
Profit / (Loss) per share	(0.97)	(0.61)

REVIEW OF OPERATING RESULTS

In this period under review, we faced severe shortage of gas and electricity. The Management of the Company, based on this situation, decided to work on lower production level and resultantly one of its tile plants was closed.

The current economic scenario in Pakistan and energy situation forced us to reduce the output from its capacity of the plant. This reduction in production coupled with inflationary pressure on input costs has adversely affected the financial results of the Company.

The Management of the Company in the Board meeting has written off their interest free loan of Rs.40 Million to give a boost to the Company's results as a gesture of goodwill. The Company has posted a loss after tax of Rs.33.935 Million. However, the current loss is higher than the loss of the previous year which was Rs.21.354 Million.

Results of the individual plants are as follows:

INSULATOR PLANT

There is a marginal increase in the production i.e. the production for the year under review is 2441 ton as compared to 2409 ton last year.

However, this division has posted an improved operating profit of 80.904 Million as compared to Rs. 38.542 Million in the previous year. The overall sales of Insulator division have reduced marginally which is attributed primarily to the cash flow issues. During the period the company had to pay liquidated damages owing to delay in deliveries.

The export sales are reduced owing to a very competitive market in the Kingdom of Saudi Arabia. Meanwhile the company is in the process of developing Turkey as a new market and the initial results are very encouraging.

TILE PLANT

Due to gas load-shedding situation and the Management decision to close one of its tile plant this year, the production of tile was 2.617 million sq.meter which is reduced from 3.518 million sq.meter last year. The Company tried its best to pass on the inflationary pressure in cost of material and other inputs by increasing its sale price but the lower production level and one major quality complaint during the year under review has resulted in an operational loss in tile division of Rs. 64.342 Million as compared to operating profit of Rs. 61.189 Million last year.

FUTURE OUTLOOK

The Insulator sales are likely to improve in the new financial year given the high priority being given to the energy sector within Pakistan. It is expected that this trend will continue in the next few years.

Tiles Division will InshaAllah show better results than last year owing to improved utilization of resources and targeted increase in the selling prices.

The company's contribution to the exchequer in the year under review is Rs. 312.794Million in the shape of import duty, sales tax, income tax and other government levies.

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, 2013 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, 2013 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, 2013 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, 2012 was Rs 222.720 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 30-06-2014, 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 four meetings of the Board of Directors were held during the year ended June 30, 2013. The attendance of the board members was as follows: -

Sr. #	Name of Director	Meetings Attended
1.	Mr. Tariq Rehman	03
2.	Mr. Shafiq A. Siddiqi	04
3.	Mr. Haris Noorani	03
4.	Mr. Suhail Mannan	03
5.	Mr. Javaid Shafiq Siddiqi	04
6.	Mr. Usman Haq	03
7.	Mr. Salem Rehman	03
8.	Mr. Ahsan Suhail Mannan	04

Leave of absence was granted to 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:

Sr. #	Name	Purchase	Sale
		Nil	Nil

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. Usman Haq	Chairman
2.	Mr. Javaid S. Siddiqi	Member
3.	Mr. Salem Rehman	Member
4.	Mr. Ahsan Suhail Mannan	Member

EMPLOYEES RELATIONS

Despite the very inflationary pressure the management would like to place on record a very positive and cooperative role of employees during the year. The management would like to place on record its appreciation in this regard and will look forward to their continuous support during this difficult time which the whole country is subjected to. The management would also like to place on record the very cooperative role played by the Union in increasing the output on virtually each stage of production and reduce loss.

Future outlook

Despite the future economic down turn the management is optimistic and will strive to produce better results for its stakeholders. The company has made its future plans based on the existing gas load shedding and with the active participation of its engineering cadre to bring about better efficiencies and ultimately a better result. We should all today pray together for a better Pakistan.

Acknowledgement.

We would like to thank our valued customers, dealers and especially the banks which have shown not only cooperation but patience in some payments which were delayed over which the management has no control and finally we would like to thank our shareholders for their unwavering support.

Dividend

Considering the brought forward losses, no dividend is recommended for the year ended June 30, 2013.

Pattern of Shareholding

The pattern of shareholding as on June 30, 2013 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 09, 2013

FINANCIAL HIGHLIGHTS OF LAST TEN YEARS

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	(Rupees in Million)									
Net Total sales	1,556	1,856	1,855	1,861	1,550	1,260	1,208	1,045	898	760
Exports	46	61	104	164	93	79	151	164	108	97
Employees Costs	313	285	325	307	301	271	241	219	191	169
Profit/(Loss) before tax	(39)	(14)	(35)	(76)	(103)	(16)	11	(14)	105	37
Profit/(Loss) after tax	(33)	(21)	(46)	(71)	(81)	(14)	20	(56)	86	109
Earning per share	(0.97)	(0.61)	(1.32)	(2.05)	(2.39)	(0.09)	1.30	(3.66)	5.62	7.13
Capital Expenditure	23	37	8	18	149	222	55	99	15	36
Cash Dividend Rate	-	-	-	-	-	-	5%	-	-	-
Stock Dividend Rate	-	-	-	-	-	-	-	-	-	-
Shareholder's Equity	18	33	36	64	118	(16)	(34)	(84)	(49)	(146)

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 ('the Company') to comply with the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges, 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's personnel and review of various documents prepared by the Company to comply with the Code.

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

Regulation 35 (x) of the Listing Regulations requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

We draw attention to the following notes of the statement of compliance:

- Note 16, which indicates that the Company has not constituted a Human Resource and Remuneration Committee;
- Note 17, which indicates that sale and purchase of goods from related parties were not placed before the Audit Committee and Board of Directors for their approval; and
- Note 18, which indicates that the directors training program was not conducted.

Our report is not qualified in respect of these matters.

A.F. FERGUSON & CO.
Chartered Accountants
Name of Egagement Partner: Muhammed Masood

Lahore: October 09, 2013

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

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 seven listed companies, including this company (Excluding the Listed Subsidiaries of the listed holding companies where applicable).

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. No casual vacancy occurred during the year under review.

4. 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.

5. 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.

6. 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.

7. 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.

8. The directors' report for the year ended June 30, 2013 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

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

11. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate throughout the Company along with its supporting Policies and Procedures.

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

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

14. 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.

15. 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.

16. The board has not formed an HR and Remuneration Committee. The board intends to form an HR and Remuneration Committee in future.

17. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and Board of Directors and are duly reviewed and approved except for sale and purchase of goods from related parties.

18. The directors were apprised about the changes in the Code, applicable laws and their duties and responsibilities to effectively manage the affairs of the Company for and on behalf of the shareholders. The directors of the Company having 15 years of experience on the board of a listed company are exempt from the requirements of directors training program. All the board members except two qualify for exemption under this provision of the Code. The Company will arrange the training program for the directors as provided under Code in future.

19. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

20. 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.

21. 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.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all material principles enshrined in the Code have been complied with.

(Haris Noorani)
Director

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of EMCO Industries Limited as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) In our opinion, proper books of 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 except for the changes in accounting policies as stated in note 2.3.1 to the annexed financial statements with which we concur;

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

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

(c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the loss, total comprehensive 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).

We draw attention to note 2.2 to the annexed financial statements which sets out in detail the uncertainties associated with the going concern of the Company. Our opinion is not qualified in respect of this matter.

A.F. FERGUSON & CO.
Chartered Accountants

Lahore: October 09, 2013

Name of the audit engagement partner: Muhammad Masood

BALANCE SHEET

	Note	2013 Rupees	2012 Rupees
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized capital			
40,000,000 (2012: 40,000,000) ordinary shares of Rs 10 each		400,000,000	*400,000,00*
ssued, subscribed and paid up capital			
35,000,000 (2012: 35,000,000) ordinary shares of Rs 10 each	5	350,000,000	350,000,000
Reserves	*6*	129,898,526	*129,898,526*
Accumulated loss		(461,994,376)	*(447,269,291)*
		17,904,150	*32,629,235*
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	*7*	604,623,040	*414,829,694*
NON-CURRENT LIABILITIES			
Long term loans from directors	*8*	115,708,828	*114,071,523*
Long term finances	*9*	257,268,254	*181,373,772*
Liabilities against assets subject to finance lease	*10*	-	*4,609,791*
Deferred liabilities	*11*	45,047,704	*43,405,398*
Deferred taxation	*12*	110,277,352	*27,837,160*
		528,302,138	*371,297,644*
CURRENT LIABILITIES			
Current portion of non-current liabilities	*13*	180,234,071	*163,354,480*
Short term borrowings from related parties - unsecured	*14*	125,538,486	*139,245,882*
Finances under mark-up arrangements - secured	*15*	366,576,111	*564,358,988*
Trade and other payables	*16*	324,608,021	*344,795,286*
Accrued finance cost	*17*	104,588,388	*95,078,924*
		1,101,545,077	*1,306,833,560*
CONTINGENCIES AND COMMITMENTS	18		
		2,252,374,405	*2,125,590,133*

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore:
October 09, 2013

Tariq Rehman
(Chief Executive)

AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	19	1,305,834,295	1,087,203,565
Assets subject to finance lease	20	13,929,065	15,821,682
Intangible assets	21	3,839,623	4,266,250
Long term deposits	22	809,778	3,966,692
Long term loans	23	1,114,295	1,506,097
		1,325,527,056	1,112,764,286
CURRENT ASSETS			
Stores, spares and loose tools	24	118,406,907	111,479,777
Stock-in-trade	25	363,706,465	440,928,589
Trade debts		258,080,528	342,371,744
Loans, advances, deposits, prepayments and other receivables	27	74,206,533	44,663,180
Income tax recoverable		65,345,820	55,319,335
Cash and bank balances	28	47,101,096	18,063,222
		926,847,349	1,012,825,847
		2,252,374,405	2,125,590,133

Lahore:
October 09, 2013

Suhail Mannan
(Director)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
Sales	29	1,555,807,696	1,856,059,580
Cost of sales	30	(1,350,928,550)	(1,539,092,677)
Gross profit		204,879,146	316,966,903
Administrative expenses	31	(72,860,944)	(64,689,782)
Selling and distribution expenses	32	(115,456,582)	(152,546,914)
Other operating expenses	33	(5,730,037)	(5,710,832)
Other income	34	58,193,150	31,366,988
Profit from operations		69,024,733	125,386,363
Finance cost	35	(108,160,764)	(139,643,306)
Loss before taxation		(39,136,031)	(14,256,943)
Taxation	36	5,200,667	(7,096,882)
Loss after taxation		(33,935,364)	(21,353,825)
Loss per share - basic and diluted	37	(0.97)	(0.61)

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore:
October 09, 2013

Tariq Rehman
(Chief Executive)

Suhail Mannan
(Director)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees
Loss after taxation	(33,935,364)	(21,353,825)
Other comprehensive income for the year - net of tax		
Items that will not be reclassified to profit or loss		
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	19,210,279	17,989,604
Total comprehensive loss for the year	(14,725,085)	(3,364,221)

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore:
October 09, 2013

Tariq Rehman
(Chief Executive)

Suhail Mannan
(Director)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2013

	Share capital Rupees	Share premium Rupees	General reserve Rupees	Accumulated loss Rupees	Total Rupees
Balance as on June 30, 2011	350,000,000	39,898,526	90,000,000	(443,905,070)	35,993,456
- Loss for the year	-	-	-	(21,353,825)	(21,353,825)
- Transfer from surplus on revaluation of property, plant and equipment - net of deferred taxation	-	-	-	17,989,604	17,989,604
Total comprehensive loss for the year	-	-	-	(3,364,221)	(3,364,221)
Balance as on June 30, 2012	350,000,000	39,898,526	90,000,000	(447,269,291)	32,629,235
- Loss for the year	-	-	-	(33,935,364)	(33,935,364)
- Transfer from surplus on revaluation of property, plant and equipment - net of deferred taxation	-	-	-	19,210,279	19,210,279
Total comprehensive loss for the year	-	-	-	(14,725,085)	(14,725,085)
Balance as on June 30, 2013	**350,000,000**	**39,898,526**	**90,000,000**	**(461,994,376)**	**17,904,150**

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore:
October 09, 2013

Tariq Rehman
(Chief Executive)

Suhail Mannan
(Director)

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
Cash flow from operating activities			
Cash generated from operations	39	414,294,164	106,667,825
Finance cost paid		(98,079,284)	(122,370,587)
Taxes paid		(31,432,828)	(38,263,475)
Tax refunded during the period		12,000,000	-
Payments against discontinued provident fund	11.1	(5,878,361)	(2,600,707)
Gratuity paid	11.2.1	(3,010,636)	(5,858,257)
Long term deposits		-	400,401
Net cash generated from / (used in) operating activities		287,893,055	(62,024,800)
Cash flow from investing activities			
Fixed capital expenditure		(23,327,344)	(7,789,005)
Net decrease in long term loans		391,802	2,275,688
Proceeds from disposal of property, plant and equipment	19.3	2,818,702	2,651,989
Net cash used in investing activities		(20,116,840)	(2,861,328)
Cash flow from financing activities			
Repayment of long term finances		(62,767,032)	(60,691,584)
Loan from directors		-	523
Short term borrowings from related parties - net		27,929,909	44,873,811
Lease rentals paid		(6,118,341)	(4,991,280)
Net cash used in financing activities		(40,955,464)	(20,808,530)
Net increase / (decrease) in cash and cash equivalents		226,820,751	(85,694,658)
Cash and cash equivalents at the beginning of the year		(546,295,766)	(460,601,108)
Cash and cash equivalents at the end of the year	40	(319,475,015)	(546,295,766)

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore:
October 09, 2013

Tariq Rehman
(Chief Executive)

Suhail Mannan
(Director)

1. Legal status and nature of business

EMCO Industries Limited ("the Company") is incorporated in Pakistan and is 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 exchanges on December 29, 1983. Its registered head office is situated at 119-E/1, Hali Road, Gulberg III, Lahore.

The Company is principally engaged in the 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 the requirements of the Companies Ordinance, 1984 (the Ordinance) and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives prevail.

2.2 Going concern assumption

The Company has incurred a loss after taxation of Rs 33.935 million during the year ended June 30, 2013 while the accumulated loss stands at Rs 461.994 million as at June 30, 2013. Current liabilities exceed current assets by Rs 174.698 million and the existing borrowing facilities are fully utilized and have overdue payments of Rs 79.555 million and Rs 79.279 million relating to loan repayments and accrued finance cost respectively. The Company, in order to carry on its business without material curtailment of operations and to meet its current obligations requires improvement in operating margins and increase in sales volume through increased production quantities. Continuation of the Company as a going concern is dependent on its ability to attain satisfactory level of profitability in future and continued support from sponsors.

The management of the Company is confident that it will be able to meet its obligations and carry on business without any curtailment based on the grounds that the Company will be able to achieve satisfactory level of profitability in the future based on the plans drawn up by the management for this purpose, which include restructuring of the currently overdue borrowing facilities, continued support from sponsors and increased profitability through higher sales volumes and improved operating margins.

This financial information consequently does not include any adjustments relating to the realization of its assets and liquidation of any liabilities that might be necessary should the Company be unable to continue as a going concern.

2.3 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.3.1 Standards, amendments to published standards and interpretations that are effective in the current year and are relevant to the Company.

There were certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Certain interpretations became effective during the year but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements except for the amendment to IAS1 'Presentation of financial statements' regarding' other comprehensive income' as explained below:

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income, emphasises on the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

2.3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after July 01, 2013 or later periods, and the Company has not early adopted them:

- IFRS 7, 'Disclosures on offsetting financial assets and financial liabilities' (Amendment), issued on December 19, 2011. The new disclosure requirements apply to offsetting of financial assets and financial liabilities. The amendment clarifies that the right of set-off must be available at present i.e. it is not contingent on a future event and must be legally enforceable for all counterparties. This amendment reflects the requirements to enhance current offsetting disclosures. The new disclosure is intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements. The Company shall apply these amendments for the financial reporting period commencing on July 01, 2013 and does not expect to have any material impact on its financial statements.

- IAS 19, 'Employee Benefits' (Amendment), issued in June 2011. This is applicable on annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The Company shall apply these amendments for the financial reporting period commencing on July 01, 2013 and is yet to assess the impact of this transition.

- IFRS 9, 'Financial Instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2015 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial Instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Company does not have any such liabilities.

- IFRS 10, 11 and 12, (Amendment on transitional guidance) , issued in July 2012, is applicable on annual periods beginning on or after January 01, 2013. This amendment provides additional transition relief in IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied. The Company shall apply this amendment for the financial reporting period commencing on July 01, 2013 and does not expect to have any material impact on its financial statements.

- IFRS 11, 'Joint Arrangements', applicable on annual periods beginning on or after January 01, 2013, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence, equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Company shall apply these amendments for the financial reporting period commencing on July 01, 2013 and does not expect to have any material impact on its financial statements.

- IFRS 12 - 'Disclosures of interests in other entities'. This is applicable on accounting periods beginning on or after January 01, 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company shall apply this standard for the financial reporting period commencing on July 01, 2013 and does not expect to have any material impact on its financial statements.

- IFRS 13 - 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 01, 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAPs, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAPs. The Company shall apply this standard for the financial reporting period commencing on July 01, 2013 and does not expect to have any material impact on its financial statements.

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, 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 and because of the judgment and estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience as well as 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 - (note 4.1)
(b) Employee retirement benefits and other obligations - (note 4.2)
(c) Useful life and residual values of property, plant and equipment - (note 4.3)
(d) Revaluation of property, plant and equipment - (note 4.3)
(e) Useful life and residual values of intangible assets - (note 4.5)
(f) Provision for obsolete stock, stores, spares and loose tools - (note 4.7 & note 4.8)
(g) Provision for doubtful debts - (note 4.11)
(h) Provisions and contingencies - (note 4.16 and 4.20)

4. Significant accounting policies

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

4.1 Taxation

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

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 amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized 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 assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account, except in the case of items charged or credited to equity in which case it is included in the statement of changes in equity.

4.2 Employee retirement benefits

The main features of the schemes operated by the Company for its employees are as follows:

Defined contribution plan

The Company operates a recognised provident fund for all its permanent workmen employees. Equal monthly contributions are made by the Company and employees into the fund at the rate of 10% of the basic salary for officers and 10% of basic salary plus cost of living allowance for workers. Obligation for contributions to defined contribution plan is recognised as an expense in the profit and loss account as and when incurred.

Defined benefit plan

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. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out annually. The most recent valuation was carried out as at June 30, 2013 using the "Projected Unit Credit Method".

The amount recognised in balance sheet represents the present value of the defined benefit obligation as on June 30, 2013 as adjusted for unrecognised actuarial gains and losses.

The future contribution rate of the plan includes allowances for deficit and surplus. Projected Unit Credit Method, using the following significant assumptions, is used for valuation of this scheme:

Discount rate	10% p.a.
Expected rate of increase in salary level per annum	9% p.a.
Expected mortality rate	EFU 61-66 mortality table.

Cumulative net unrecognised actuarial gains and losses at the end of the previous year which exceed 10% of the greater of the present value of the Company's obligation and the fair value of plan assets are amortised over the expected average working lives of the participating employees.

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 identified impairment loss while buildings on freehold land and plant and machinery are stated at revalued amount less accumulated depreciation and any accumulated impairment loss. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value. Additions, subsequent to revaluation, are stated at cost less accumulated depreciation and any identified impairment loss.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost in relation to certain assets also includes 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, whose depreciation is 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. 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 other comprehensive income 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 in which the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

The principal annual rates used for depreciation purpose are as follows:

Buildings on freehold land	5%
Plant and machinery	7.3% - 35%
Tools and equipment	20% - 40%
Furniture and fittings	20%
Office equipment	20%
Vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Increases in the carrying amounts arising due to revaluation of land and buildings are credited to revaluation surplus on property, plant and equipment. Decreases that offset previous increases of any other fixed asset of the Company are debited against revaluation surplus directly in equity. All other decreases are charged to the income statement.

The Company assesses at each balance sheet date whether there is any indication that an item of 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 charged to profit and loss. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount 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 profit and loss 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 recognized as an income or expense.

4.4 Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss and represents expenditure incurred on property, plant and equipment during the construction and installation. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. Cost also includes applicable borrowing costs. Transfers are made to relevant property, plant and equipment category as and when the assets are available for use.

4.5 Intangible assets

Expenditure incurred to acquire custom-made Enterprise Resource Planning (ERP) system has been capitalised as intangible assets and stated at cost less accumulated amortisation and any identified impairment loss. Intangible assets are amortised using the diminishing balance method at the rate of 10%.

Amortisation on additions to intangible assets is charged from the month in which an asset is acquired or capitalised while no amortization 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 the intangible asset 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 amounts. 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.

a) 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 10. 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 20. Depreciation on leased assets is charged to the 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.

b) Operating leases

Leases where a 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 thereo

Provision is made in the financial statements for obsolete and slow moving stores and spares 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 comprise cost of direct materials, labour and appropriate manufacturing overheads. Cost of goods purchased for resale comprises of invoice value plus charges paid thereon.

Materials in transit are stated at cost comprising invoice value 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. If the net realisable value is lower than the carrying amount, a write-down is recognised for the amount by which the carrying amount exceeds its net realisable value. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management estimate.

4.9 Financial instruments

4.9.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assetrs

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those having maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise advances, deposits and other receivables and cash and cash equivalents in the balance sheet.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity, are classified as held to maturity and are stated at amortized cost.

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date that is the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account when the Company's right to receive payments is established.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. 'Loans and receivables' and 'held to maturity' instruments are carried at cost using effective interest rate method.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

4.9.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

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

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 a 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 recognised initially at original invoice amount less provision for doubtful debts.

A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognised in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

4.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, bank overdrafts and finances under mark-up arrangements. Bank overdrafts are shown within finances under mark-up arrangements in current liabilities on the balance sheet.

4.13 Borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss over the period of the borrowings on an effective interest rate basis.

4.14 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalised as part of the cost of the asset until such time as the asset is substantially ready for its intended use or sale.

4.15 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

4.16 Provisions

Provisions are recognised when; the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources shall be required to settle the obligation; and the amount has been reliably estimated. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.17 Foreign currency transactions and translation

a) Transactions and balances

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 exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in income and expense.

b) Functional and presentation currency

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

4.18 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Revenue from sale of goods is recognised when the significant risk and rewards of ownership of the goods are transferred to the buyer i.e. on the dispatch of goods to the customers.

4.19 Business segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Director Operations.

The Company is divided into two business segments:
- Insulator division - manufacture of high and low tension electrical porcelain insulators and switchgear; and
- Tile division - manufacture of ceramic wall and 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 consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions.

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

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

Insulator	32%
Tile	68%

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	32%
Tile	68%

4.20 Contingent liabilities

Contingent liability is disclosed when:
- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

4.21 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

2013	2012		2013	2012
(Number of Shares)			Rupees	Rupees
18,570,460	18,570,460	Ordinary shares of Rs 10 each fully paid in cash	185,704,600	185,704,600
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	13,629,540	Ordinary shares of Rs 10 each issued for consideration other than cash	136,295,400	136,295,400
35,000,000	35,000,000		350,000,000	350,000,00

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

	2013 Rupees	2012 Rupees
Associated Engineers (Private) Limited	2,011,325	2,011,325
ICC (Private) Limited	2,943,411	2,943,411
	4,954,736	4,954,736

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.

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 - net of tax		414,829,694	432,819,298
Revaluation surplus during the year	- note 19	304,654,485	-
Deferred tax on revaluation surplus		(95,650,860)	-
Revaluation - net of deferred tax		623,833,319	432,819,298
Surplus transferred to other comprehensive income for the year on account of incremental depreciation - net of tax		(19,210,279)	(17,989,604)
		604,623,040	414,829,694

This represents surplus over book value resulting from the revaluation of freehold land, buildings on freehold land and plant and machinery, adjusted by incremental depreciation arising out of revaluation of abovementioned assets except freehold land. The valuation during the current year was carried out by independent valuers, M/s Anjum Adil and Associates, on March 13, 2013 under current market price / replacement cost methods wherever applicable for the respective assets. 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.

The revaluation surplus relating to abovementioned property, plant and equipment excluding freehold land is net of applicable deferred income taxes. Incremental depreciation represents the difference between the actual depreciation on the abovementioned assets excluding freehold land and the equivalent depreciation based on the historical cost of these assets.

8. Long term loans from directors

Movement of long term loans from directors and close relatives thereof is as follows :

Opening balance as at July 1	114,071,523	114,071,000
Add:		
Conversion of short term loan into long term loan	21,437,305	-
Loan received during the year	-	523
Loan written back during the year	(19,800,000)	-
	1,637,305	523
Less:		
Payments made during the year	-	-
	115,708,828	114,071,523

8.1 These loans are interest free and are subordinated to the following:
- All financing from NIB Bank Limited;
- All financing from Faysal Bank Limited;
- All financing from National Bank of Pakistan;
- All financing from Habib Bank Limited;
- All financing from Bank of Punjab Limited; and
- All financing from Standard Chartered Bank (Pakistan) Limited.

9. Long term finances

These are composed of long term finances from:

		2013 Rupees	2012 Rupees
Related parties - unsecured	- note 9.1	153,206,240	155,936,240
Banking companies - secured	- note 9.2	269,079,554	171,067,006
Others - unsecured	- note 9.3	10,615,692	11,615,692
		432,901,486	338,618,938
Less: current maturity			
Related parties - unsecured		(81,454,000)	(56,758,000)
Banking companies - secured		(94,179,232)	(100,487,166)
	- note 13	(175,633,232)	(157,245,166)
		257,268,254	181,373,772

9.1 Related parties - unsecured

		2013 Rupees	2012 Rupees
Associated undertaking:			
Associated Engineers (Private) Limited	- note 9.1.1	12,335,447	12,335,447
Others:			
EMCO Industries Limited Provident Fund	- note 9.1.2	140,870,793	143,600,793
		153,206,240	155,936,240

9.1.1 These are composed of the following loans :

Loan	Rate of interest per annum	Repayment period	2013 Rupees	2012 Rupees
1	7.55%	Mark-up on the loan is payable annually at the rate of 7.55% (2012: 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 (Private) Limited, the repayment schedule was revised effective January 1, 2009. Under the revised schedule, the loan was repayable in 18 equal monthly instalments of Rs 0.250 million each and the 19th instalment of Rs 0.161 million commencing January 1, 2009. However, no instalment has been paid up to June 30, 2013.	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	4,500,000
			12,335,447	12,335,447

9.1.1.1 As on June 30, 2013 Associated Engineers (Private) Limited has agreed not to demand the outstanding amount before June 30, 2014. Consequently, this amount has been classified as long term.

9.1.2 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 SECP, the Company developed a revised repayment schedule to repay this balance. Under this scheme, the liability towards the workmen aggregating Rs 90.959 million 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 instalments 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 instalments ending May 31, 2012.

As on December 31, 2008, the Company obtained additional loan from Emco Industries Limited Provident Fund resulting in the aggregate outstanding balance of Rs 143.6 million.The outstanding amount was rescheduled through an agreement between the Company and the Trustees of the Fund. Under the revised agreement, the balance was repayable by December 2014 in 24 unequal quarterly instalments commencing July 1, 2009. Mark-up on the outstanding balance was payable quarterly at the rate of weighted average cost of capital to the Company + 1% per annum

As on June 30, 2010, the Company entered into a revised agreement with Trustees of the Fund, whereby the outstanding mark-up payable to the Fund amounting to Rs. 42.911 million was capitalized thereby increasing the outstanding principal amount to Rs. 186.511 million.This balance was repayable by March 31, 2016 in 23 unequal quarterly instalments commencing September 30, 2010. Mark-up on the outstanding balance was payable quarterly at the rate of weighted average cost of long term capital to the Company + 1% per annum. Pursuant to the agreement, SECP approved the revised repayment schedule and directed the Company to submit the compliance report along with the evidence of payment to the Fund at the end of each quarter. As at March 14, 2012, the Company did not pay any instalment in accordance with the directive of the SECP. However, the Company was under negotiation with the Trustees of the Fund for rescheduling of the loan amount and the Company obtained an extension from the SECP for submission of revised repayment schedule till November 30, 2011.

As on March 14, 2012, the Company revised its earlier agreement with the trustees entered on June 30, 2010 whereby Rs 42.912 million of outstanding mark-up was made part of the principal portion. Pursuant to this revision, such amount of Rs 42.912 million was re-classified as mark-up payable thereby decreasing the outstanding principal amount to Rs 143.6 million. Consequently, the mark up charged on the outstanding amount of Rs 42.911 million in 2011 of Rs 6.802 million was reversed and credited to that year's profit and loss account. Accordingly, the mark up was then charged on the revised principal amount of Rs 143.6 million. However, the revised repayment schedule agreed with the trustees in the previous year has not yet been filed with SECP.

During the current year, the Company has made payments of Rs 2.730 million to the principal portion thus reducing the outstanding principal amount to Rs 140.871 million.

9.2 Banking companies - secured

Loan	Lender	2013 Rupees	2012 Rupees	Rate of mark-up per annum	Repayment Period
1	NIB Bank Limited	27,446,433	52,744,486	3 months KIBOR +1%	The loan was rescheduled in the year ended June 30, 2012. Under the revised agreement with NIB Bank Limited effective January 1, 2012, outstanding balance of Rs 57.864 million was repayable in 22 equal monthly instalments of Rs 2.5 million and 23rd instalment of Rs 2.864 million commencing January 01, 2012. Mark-up is payable quarterly from January 1, 2012. As at June 30, 2013 principal instalments amounting to Rs 14.583 million were due but not paid.
2	The Bank of Punjab	86,981,112	104,989,184	1 month KIBOR +1%	The loan was rescheduled during the year ended June 30, 2013. Under the rescheduled agreement effective November 1, 2012, the outstanding balance is repayable in 48 monthly instalments of amounts between Rs 0.50 million to Rs 2.45 million commencing November 1, 2012. Mark-up is payable monthly from November 1, 2012. As at June 30, 2013 principal instalments amounting to Rs 4.804 million were due but not paid.
3	Faysal Bank Limited	4,444,449	13,333,336	6 months KIBOR +1%	The loan was rescheduled in the year ended June 30, 2012. Under the rescheduled agreement, the outstanding amount of Rs 17.777 million was payable in 8 equal quarterly instalments of Rs 2.222 million each ending September 24, 2013, mark up being payable quarterly. As at June 30, 2013 principal instalments amounting to Rs 2.222 million were due but not paid.
4	Standard Chartered Bank (Pakistan) Limited	150,207,560	-	3 months KIBOR	The loan was restructured during the year ended June 30, 2013. Under the restructured agreement effective April 1, 2013, the outstanding liability of the Company against the running finance facility, which included principal and mark up portions of Rs 139.279 million and Rs 17.197 million respectively, was restructured as a long term finance under which the outstanding principal is payable in 14 quarterly instalments in 3.5 years and the outstanding mark up is payable in 16 quarterly instalments in 4 years commencing April 1, 2013. 25% of the mark up on outstanding liability is payable quarterly whereas rest of the mark up is to be deferred and paid with 15th and 16th quarterly instalment. As at June 30, 2013 instalments amounting to Rs 3.918 million were due but not paid.
		269,079,554	171,067,006		

9.2.1 Security

Loan 1

The loan is secured by a first pari passu charge for Rs 201 million on fixed assets including (land, building , plant and machinery) of the Company, post dated cheques for monthly instalments for complete tenor and personal guarantees of Tariq Rehman, Harris Noorani, Suhail Manan and Javaid Shafiq Siddiqui.

Loan 2

The loan is secured by a first pari passu charge of Rs 227 million over present and future fixed assets including land, building and machinery of the Company with 25% margin registered with SECP, post dated cheques as per tentative repayment schedule for entire tenor of the facility and personal guarantees of Tariq Rehman and Suhail Manan.

Loan 3

The loan is secured by mortgage over residential property no. 21-A-E/I, located at Gulberg-III, Lahore owned by Mr. Tariq Rehman, property measuring 15 kanals 7 Marlas located at Mouza Ameer Pura owned by Mr Tariq Rehman, ranking charge over current assets of Company up to Rs 47 million, joint pari passu charge on current assets of the Company amounting to Rs 106.67 million, mortgage over commercial property situated at McLeod Road, Lahore owned by Associated Engineering Limited and mortgage over residential property situated at 102, Saint John Park, Lahore.

Loan 4

The loan is secured by a first pari passu charge of Rs. 140 million in favour of the Bank over the fixed assets of the Company.

		2013 Rupees	2012 Rupees
9.3 Others - unsecured			
Pakistan Tribal Minerals	- note 9.3.1	8,000,000	8,000,000
Imperial Electric Company (Private) Limited	- note 9.3.2	2,615,692	3,615,692
		10,615,692	11,615,692

9.3.1 This represents trade payable of Pakistan Tribal Minerals, supplier of raw material, amounting to Rs. 8,000,000 which was converted into interest free long term loan through an agreement dated May 11, 2011. The loan was to be repaid in 8 equal monthly instalments of Rs. 1 million starting July 01, 2011. In the previous year, Rs 4 million of the outstanding amount of the loan was waived off by Pakistan Tribal Minerals against goods of sub-standard quality supplied to the Company during that period. Resultantly, the closing outstanding balance amounts to Rs 8 million. However, no instalment has been paid up to June 30, 2013. As on June 30, 2013, Pakistan Tribal Minerals have agreed not to demand the outstanding amount before June 30, 2014. Consequently, this amount has been classified as long term.

9.3.2 Mark-up on the loan is payable annually at the rate of 7.55% (2012: 7.55%) per annum on the outstanding principal of loan, amounting to Rs 1.986 million, rescheduled on August 20, 2008. Under an agreement with Imperial Electric Company (Private) Limited, the repayment schedule was revised effective January 1, 2009. Under the revised schedule, the loan was repayable in 14 equal monthly instalments of Rs 0.250 million each commencing January 1, 2009 and a 15th instalment of Rs 0.115 million repayable on March 1, 2010. However, only Rs 1 million was repaid up to June 30, 2013. As on June 30, 2013, Imperial Electric Company (Private) Limited has agreed not to demand the outstanding amount before June 30, 2014. Consequently, this amount has been classified as long term.

10. Liabilities against assets subject to finance lease

		2013	2012
Present value of minimum lease payments		4,600,839	10,719,105
Less: Current portion shown under current liabilities	- note 13	(4,600,839)	(6,109,314)
		-	4,609,791

The present value of minimum lease payments have been discounted at implicit interest rates ranging from 13.63% to 19.00% per annum (2012: 10.87% to 19.00% 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 and 3% per month of the outstanding principal balance. 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	2013 Present Value of Lease Liability Rupees	2012 Present Value of Lease Liability Rupees
Not later than one year	4,659,183	58,344	4,600,839	6,109,314
Later than one year and not later than five years				
2013-14	-	-	-	4,609,791
2014-15	-	-	-	-
2015-16	-	-	-	-
	-	-	-	4,609,791
	4,659,183	58,344	4,600,839	10,719,105

11. Deferred liabilities

		2013 Rupees	2012 Rupees
Payable to employees against discontinued provident fund	- note 11.1	12,248,634	15,299,507
Non-workmen staff gratuity - unfunded	- note 11.2	32,799,070	28,105,891
		45,047,704	43,405,398

11.1 Payable to employees against discontinued provident fund

		2013 Rupees	2012 Rupees
Opening balance		15,299,507	2,327,648
Add: amount transferred from provident fund		2,255,472	15,169,148
Mark-up accrued thereon	- note 35	572,016	403,418
		18,126,995	17,900,214
Less: Payments made during the year		(5,878,361)	(2,600,707)
Closing balance		12,248,634	15,299,507

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 outstanding balance of employer contribution payable includes both, principal and interest portions. Interest is being charged on the principal portion at a rate of 10% (2012: 12.5%) . The balance, along with the profit, is being paid as and when requested by the employees.

As per the Company's provident fund policy, if an employee joined the Company as a worker but was later promoted to staff category, he remained a member of the provident fund instead of being eligible for the gratuity scheme available to staff category employees. In the previous year, pursuant to an agreement with the members of the provident fund dated November 16, 2011, the balances of the staff category employees, who were members of the provident fund, were transferred to the discontinued provident fund as at January 1, 2012. This balance was transferred net off loan and interest thereon taken by the members against their provident fund balances. Furthermore, these employees were then entitled to the gratuity scheme with effect from January 1, 2012. In the current year, the amount transferred from provident fund represents the interest portion on provident fund contribution of such employees. As per the agreement, no interest will be accrued on the employees' contribution to date transferred to the fund, whereas mark-up will be accrued at 5% on the contribution by the Company.

11.2 Non-workmen staff gratuity - unfunded

The latest valuation under the defined benefit gratuity scheme was conducted on June 30, 2013. 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.

	2013 Rupees	2012 Rupees

11.2.1 Movement in net liability for staff gratuity

Movement in the net liability recognised in balance sheet is as follows:

	2013 Rupees	2012 Rupees
Liability as at July 1	28,105,891	27,070,916
Charge for the year	7,703,815	6,893,232
Payments made during the year	(3,010,636)	(5,858,257)
Liability as at June 30	32,799,070	28,105,891

11.2.2 Charge for the year

The amounts recognised in the profit and loss account against defined benefit scheme are as follows:

	2013 Rupees	2012 Rupees
Current service cost	4,634,164	3,585,693
Interest cost	3,069,651	3,307,539
	7,703,815	6,893,232

11.2.3 Staff gratuity

The amounts recognised in balance sheet are as follows:

	2013 Rupees	2012 Rupees
Present value of defined benefit obligation	29,668,170	25,580,428
Unrecognised actuarial gain	(1,350,835)	978,381
Benefits due but not paid	4,481,735	1,547,082
Liability as at June 30	32,799,070	28,105,891

11.2.4 Movement in present value of defined benefit obligation

Movement in the present value of defined benefit obligation is as follows:

	2013 Rupees	2012 Rupees
Opening balance	25,580,428	25,915,893
Benefits due but not paid as at June 30, 2012	1,547,082	-
Interest cost	3,069,651	3,307,539
Current service cost	4,634,164	3,585,693
Benefits paid	(3,010,636)	(5,858,257)
Benefits due but not paid	(4,481,735)	(1,547,082)
Actuarial loss	2,329,216	176,642
Present value of defined benefit obligation as at June 30	29,668,170	25,580,428

11.2.5 The principal actuarial assumptions at the reporting date were as follows:

	2013	2012
Discount rate	10% per annum	12% per annum
Expected rate of increase in salary	9% per annum	11% per annum
Average expected remaining working lives of employees	8 years	7 years

11.2.6 Amounts for current period and previous four annual periods of the present value of defined benefit obligation are as follows :

	2013 Rupees	2012 Rupees	2011 Rupees	2010 Rupees	2009 Rupees
Present value of defined benefit obligation	29,668,170	25,580,428	25,915,893	24,645,668	21,816,987
Experience adjustments arising on obligation	2,329,216	176,642	70,034	(2,072,293)	1,145,468

		2013 Rupees	2012 Rupees
12. Deferred taxation			
The gross movement in deferred tax liability during the year is as follows:			
Opening balance		27,837,160	34,976,137
Charged to profit and loss account		(13,210,668)	524,445
Deferred tax on revaluation surplus		95,650,860	(7,663,422)
Closing balance		110,277,352	27,837,160
The liability for deferred taxation comprises temporary differences relating to:			
Accelerated tax depreciation		102,886,437	112,399,599
Revaluation of property, plant and equipment		211,755,304	125,661,765
Provision for doubtful debts		(4,644,366)	(3,250,798)
Provision for obsolete stores & spares		(727,263)	(715,848)
Provision for obsolete stock		(5,428,205)	(5,343,003)
Unused tax losses		(193,564,555)	(200,914,555)
		110,277,352	27,837,160
13. Current portion of non-current liabilities			
Long term finances	- note 9	175,633,232	157,245,166
Liabilities against assets subject to finance lease	- note 10	4,600,839	6,109,314
		180,234,071	163,354,480
14. Short term borrowings from related parties - unsecured			
Directors and close relatives thereof		125,538,486	139,245,882
Interest free loans		63,538,486	139,245,882
Loans chargeable to interest	- note 14.2	62,000,000	-
		125,538,486	139,245,882

14.1 This represents interest free loans from directors, close relatives of directors and other related parties. These loans are repayable by June 30, 2014.

14.2 This represents loans from close relatives of directors and other related parties. The rates of mark-up range from 3 month KIBOR + 3% to 3 months KIBOR + 4% per annum on the balance outstanding. These loans are repayable by June 30, 2014.

		2013 Rupees	2012 Rupees
15. Finances under mark-up arrangements - secured			
Running finances	- note 15.1	201,488,104	369,520,912
Export and import finances	- note 15.2	165,088,007	194,838,076
		366,576,111	564,358,988

15.1 Running finances

Short-term running finances available from various commercial banks under mark-up arrangements amount to Rs 225.5 million (2012: Rs 379.0 million). The rates of mark-up range from 1 month KIBOR + 1 % to 3 months KIBOR + 3 % 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 fixed assets including land, building, plant, machinery and fixtures of the Company. These are also secured by first joint pari passu charge on entire assets of the Company and mortgage over commercial property situated at Patiala Ground, McLeod Road, Lahore, owned by Associated Engineering (Private) Limited and property owned by directors and their close relatives. Furthermore, personal guarantees of Directors have also been provided against certain facilities.

15.2 Export and import finances

Export and import finances available from various commercial banks under mark-up arrangements amount to Rs 50 million (2012: Rs 50 million) and Rs 375 million (2012: Rs 267 million) respectively. The rates of mark-up range from 1 month KIBOR plus 1 % to 3 month KIBOR plus 2.5 %. In the event the Company fails to pay the balances till due date, liquidated charges of 2% over and above the mark-up rate or a flat rate of 16% shall be charged on the principal amount . The aggregate export and import finances are secured by hypothecation of stores, spares and loose tools, stock-in-trade, trade debts, second charge on the property, plant and equipment of the Company and property owned by directors.

As at June 30, 2013, principal instalments against import finances amounting to Rs 7.77 million (2012: Nil) were due but not paid.

15.3 Of the aggregate facilities of Rs 114.78 million (2012: Rs 72.38 million) for opening letters of credit and Rs 155.40 million (2012: Rs 192.92 million) for guarantees, the amount utilized as at June 30, 2013 was Rs 57.67 million (2012: Rs 17.98 million) and Rs 125.488 million (2012: Rs 146.3 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.

		2013 Rupees	2012 Rupees
16. Trade and other payables			
Trade creditors	- note 16.1	177,018,677	228,841,066
Accrued liabilities	- note 16.2	78,142,987	63,521,265
Sales tax and special excise duty payable		31,079,953	33,076,833
Advances from customers		16,334,068	5,259,436
Unclaimed dividends		208,551	208,551
Employees' welfare fund		115,948	174,663
EMCO Industries Limited Provident Fund		920,229	983,076
Withholding tax payable		15,345,554	8,658,086
Others		5,442,054	4,072,310
		324,608,021	344,795,286

16.1 Trade creditors include amount due to related parties amounting to Rs 19,879 (2012: Rs 221,562).

	2013	2012
Imperial Soft (Private) Limited	-	221,562
ICC (Private) Limited	19,879	-
	19,879	221,562

16.2 Accrued liabilities include Rs 2.114 million (2012: Rs 1.962 million) payable to Mrs. Shahima Tariq, wife of Mr. Tariq Rehman (Managing Director), on account of rent of the Company's head office building.

	2013	2012
17. Accrued finance cost		
Mark-up accrued on:		
- Long term finances		
From related parties - unsecured	79,278,648	63,325,272
From banking companies - secured	7,419,589	7,088,444
- Liabilities against assets subject to finance lease	-	158,903
- Short term borrowings from related parties - unsecured	1,013,316	-
- Finances under mark-up arrangements - secured	16,876,835	24,506,305
	104,588,388	95,078,924

18. Contingencies and commitments

18.1 Contingencies

(i) Claims not acknowledged as debts amount to Nil (2012: Rs 5.948 million)

(ii) The Collector of Sales Tax raised demands in previous years 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 had 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) 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.

(iv) 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 140.871 million (2012: Rs 143.601) million as at June 30, 2013 into the fund.

18.2 Commitments in respect of

(i) Letters of credit other than for capital expenditure amount to Rs 57.67 million (2012: Rs 17.98 million)

(ii) Bank guarantees amount to Rs 125.49 million (2012: Rs 146.30 million). The Company has issued the guarantees in favour of the following companies:

	2013 Rupees	2012 Rupees
WAPDA	49,621,080	60,950,407
Sui Northern Gas Pipeline Limited	75,867,289	85,349,593
	125,488,369	146,300,000

(iii) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

Not later than one year	9,554,792	12,522,633
Later than one year but not later than five years	40,048,501	20,894,500
Later than five years	-	-
	49,603,293	33,417,133

19. Property, plant and equipment

	Freehold land	Buildings on freehold land	Plant and machinery	Tools and Equipment	Furniture and fittings	Office equipment	Vehicles	Total
Net carrying value basis								
Year ended June 30, 2013								
Opening net book value (NBV)	159,474,000	273,995,780	640,911,024	181,960	1,020,184	4,842,406	6,778,211	1,087,203,565
Additions (at cost)	-	-	20,482,293	-	6,200	800,930	2,038,000	23,327,423
Revaluation	22,776,000	64,449,572	217,428,913	-	-	-	-	304,654,485
Transfers in from leased assets	-	-	-	-	-	-	-	-
Disposals (at NBV)	-	-	-	-	-	-	(1,051,352)	(1,051,352)
Depreciation charge	-	(17,346,773)	(88,029,261)	(39,937)	(204,290)	(1,018,223)	(1,661,342)	(108,299,826)
Closing net book value (NBV)	182,250,000	321,098,579	790,792,969	142,023	822,094	4,625,113	6,103,517	1,305,834,295
Gross carrying value basis								
As at June 30, 2013								
Cost / Revalued amount	182,250,000	515,956,392	1,803,784,174	9,231,723	8,394,412	28,425,904	17,869,164	2,565,911,769
Accumulated depreciation	-	(194,857,813)	(1,012,991,205)	(9,089,700)	(7,572,318)	(23,800,791)	(11,765,647)	(1,260,077,474)
Net book value (NBV)	182,250,000	321,098,579	790,792,969	142,023	822,094	4,625,113	6,103,517	1,305,834,295
Depreciation rate % per annum	-	5	7.3 - 35	20 - 40	20	20	20	
Net carrying value basis								
Year ended June 30, 2012								
Opening net book value (NBV)	159,474,000	286,214,718	694,621,664	234,835	1,253,783	5,783,023	7,229,719	1,154,811,742
Additions (at cost)	-	4,231,811	30,874,262	-	18,660	268,530	2,038,000	37,431,263
Transfers in from leased assets	-	-	-	-	-	-	777,743	777,743
Disposals (at NBV)	-	-	-	-	-	(127,422)	(1,692,730)	(1,820,152)
Depreciation charge	-	(16,450,749)	(84,584,902)	(52,875)	(252,259)	(1,081,725)	(1,574,521)	(103,997,031)
Closing net book value (NBV)	159,474,000	273,995,780	640,911,024	181,960	1,020,184	4,842,406	6,778,211	1,087,203,565
Gross carrying value basis								
As at June 30, 2012								
Cost / Revalued amount	159,474,000	451,506,820	1,565,872,969	9,231,723	8,388,212	27,624,974	18,925,103	2,241,023,801
Accumulated depreciation	-	(177,511,040)	(924,961,945)	(9,049,763)	(7,368,028)	(22,782,568)	(12,146,892)	(1,153,820,236)
Net book value (NBV)	159,474,000	273,995,780	640,911,024	181,960	1,020,184	4,842,406	6,778,211	1,087,203,565
Depreciation rate % per annum	-	5	7.3 - 35	20 - 40	20	20		

		2013 Rupees	2012 Rupees
19.1 The depreciation charge for the year has been allocated as follows:			
Cost of sales	- note 30	105,923,783	101,762,674
Administrative expenses	- note 31	2,018,542	1,890,617
Selling and distribution expenses	- note 32	357,501	343,740
		108,299,826	103,997,031

19.2 The company's freehold land, buildings on freehold land and plant and machinery were revalued on May 9, 2007 by M/s Engineering Pakistan International (Private) Limited on the basis of 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 million. The Company's freehold land, buildings on freehold land and plant and machinery were again revalued on June 30, 2010 by M/s Engineering Pakistan International (Private) Limited resulting in a surplus of Rs 83.977 million over the written down value of Rs 1,061.3 million. During the current year, the Company's freehold land, buildings on freehold land and plant and machinery were revalued on March 13, 2013 by M/s Anjum Adil and Associates on the basis of their professional assessment of its depreciated replacement cost. The revaluation surplus net of deferred tax was credited to surplus on revaluation of property, plant and equipment. This revaluation was incorporated on April 1, 2013 and resulted in a surplus of Rs 304.654 million over the written down value of Rs 955.995 million. Had there been no revaluation in the current year, the carrying amounts of the following classes of assets would have been as follows:

	Note	2013 Rupees	2012 Rupees
Freehold Land		159,474,000	159,474,000
Buildings on freehold land		257,454,626	273,995,780
Plant and Machinery		577,332,056	640,911,024
		994,260,682	1,074,380,804

19.3 Disposal of property, plant and equipment

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

Particulars of the assets	Sold to	Cost / revalued amount Rupees	Accumulated depreciation Rupees	Book Value Rupees	Sale proceeds Rupees	Gain on Disposal Rupees	Mode of disposal
Vehicles	Employees						
Suzuki Cultus	Javaid Ahmed Khan	455,958	(44,456)	411,502	368,701	(42,801)	Company policy
Honda Civic VTi	Mehmood Ur Rasheed	1,322,500	(1,072,020)	250,480	900,000	649,520	Company policy
	Third Parties						
Honda Civic VTi	Outside Party	1,142,500	(926,112)	216,388	850,000	633,612	Negotiation
Honda Civic VTi	Outside Party	1,213,000	(1,040,019)	172,982	700,000	527,019	Negotiation
		4,133,958	(3,082,607)	1,051,352	2,818,701	1,767,350	

20 Assets subject to finance lease

	Cost as at July 1, 2012 Rupees	Additions/ (deletion) during the year Rupees	Cost as at June 30, 2013 Rupees	Accumulated amortisation as at July 1, 2012 Rupees	Amortisation charge/ (deletion) for the year Rupees	Accumulated amortisation as at June 30, 2013 Rupees	Book value as at June 30, 2013 Rupees	Rate of amortisation %
Plant and machinery	16,538,177	-	16,538,177 -	4,143,126	1,207,287	5,350,413 -	11,187,764	7.3
Vehicles	5,487,000	- -	5,487,000	2,060,369	685,330 -	2,745,699	2,741,301	20
2013	22,025,177	- -	22,025,177	6,203,495	1,892,613 -	8,096,112	13,929,065	

	Cost as at July 1, 2011 Rupees	Additions/ (deletion) during the year Rupees	Cost as at June 30, 2012 Rupees	Accumulated amortisation as at July 1, 2011 Rupees	Amortisation charge/ (transfer) for the year Rupees	Accumulated amortisation as at June 30, 2012 Rupees	Book value as at June 30, 2012 Rupees	Rate of amortisation %
Plant and machinery	16,538,177	-	16,538,177 -	2,930,918	1,212,208	4,143,126 -	12,395,051	7.3
Vehicles	7,373,000	- (1,886,000)	5,487,000	2,290,101	878,525 (1,108,257)	2,060,369	3,426,631	20
2012	23,911,177	- (1,886,000)	22,025,177	5,221,019	2,090,733 (1,108,257)	6,203,495	15,821,682	

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

	Note	2013 Rupees	2012 Rupees
Cost of sales	- note 30	1,160,511	1,281,364
Administrative expenses	- note 31	449,504	497,053
Selling and distribution expenses	- note 32	282,598	312,316
		1,892,613	2,090,733

21. Intangible assets

	Cost as at July 1, 2012 Rupees	Additions/ (transfers) during the year Rupees	Cost as at June 30, 2013 Rupees	Accumulated depreciation as at July 1, 2012 Rupees	Depreciation charge/ (transfer) for the year Rupees	Accumulated depreciation as at June 30, 2013 Rupees	Book value as at June 30, 2013 Rupees	Rate of depreciation %
Computer software and ERP system	6,195,002	- -	6,195,002	1,928,752	426,627 -	2,355,379	3,839,623	10
2013	6,195,002	- -	6,195,002	1,928,752	426,627 -	2,355,379	3,839,623	

	Cost as at July 1, 2010 Rupees	Additions/ (transfers) during the year Rupees	Cost as at June 30, 2012 Rupees	Accumulated depreciation as at July 1, 2010 Rupees	Depreciation charge/ (transfer) for the year Rupees	Accumulated depreciation as at June 30, 2012 Rupees	Book value as at June 30, 2012 Rupees	Rate of depreciation %
Computer software and ERP system	6,195,002	- -	6,195,002	1,454,724	474,028 -	1,928,752	4,266,250	10
2012	6,195,002	- -	6,195,002	1,454,724	474,028 -	1,928,752	4,266,250	

21.1 The amortisation charge for the year has been allocated to administrative expenses.

22. These include amounts deposited by the Company as security in accordance with the provisions of lease arrangements and various security deposits given to parties against services provided by them to the Company.

	Note	2013 Rupees	2012 Rupees
23. Long term loans			
Loans to employees - considered good			
- Executives	- note 23.1	41,540	620,000
- Other employees		3,256,108	3,450,323
		3,297,648	4,070,323
Less: Receivable within one year		(2,183,353)	(2,564,226)
		1,114,295	1,506,097

These represent loans for the purchase of motorcycles and cycles and for the construction of house. Loans against gratuity are interest free and are repayable between two to eight years. All loans other than those secured by employees' gratuity balances are unsecured.

		2013 Rupees	2012 Rupees
23.1 Reconciliation of carrying amount of loans to executives			
Opening balance on July 1		620,000	2,275,000
Add: Disbursements		41,540	-
Less: Repayments		(620,000)	(1,655,000)
		41,540	620,000
24. Stores, spares and loose tools			
Stores		22,546,186	22,990,539
Spare parts [including in transit Rs 7.185 million (2012: Rs 1.501 million)]		95,332,457	87,845,632
Loose tools		2,717,333	2,832,675
		120,595,976	113,668,846
Less: Provision for obsolete items			
- Stores	- note 24.2	705,042	705,042
- Spare parts	- note 24.3	1,461,116	1,461,116
- Loose tools	- note 24.4	22,911	22,911
		2,189,069	2,189,069
		118,406,907	111,479,777

24.1 Stores and spare parts include items which may result in fixed capital expenditure but are not distinguishable

	Note	2013 Rupees	2012 Rupees
24.2 Provision for obsolete items - stores			
Opening balance		705,042	705,042
Add: Provision for the year		-	-
Less: Obsolete stock written off against provision		-	-
Closing balance		705,042	705,042
24.3 Provision for obsolete items - spare parts			
Opening balance		1,461,116	1,461,116
Add: Provision for the year		-	-
Less: Obsolete stock written off against provision		-	-
Closing balance		1,461,116	1,461,116
24.4 Provision for obsolete items - loose tools			
Opening balance		22,911	22,911
Add: Provision for the year		-	-
Less: Obsolete stock written off against provision		-	-
Closing balance		22,911	22,911

25. Stock-in-trade

	Note	2013 Rupees	2012 Rupees
Raw materials [including in transit Rs 35.691 million (2012: Rs 57.408 million)]	- note 25.1	149,930,959	195,601,722
Work-in-process		35,462,946	37,114,281
Finished goods	- note 25.2	189,564,881	220,880,533
Goods purchased for resale		4,230,206	3,671,011
		379,188,992	457,267,547
Less: Provision for obsolete items			
- Raw material	- note 25.3	(1,738,175)	(1,853,374)
- Finished goods	- note 25.4	(13,098,760)	(13,839,992)
- Goods purchased for resale	- note 25.5	(645,592)	(645,592)
		(15,482,527)	(16,338,958)
		363,706,465	440,928,589

25.1 Raw materials amounting to Rs 1.547 million (2012: Rs 2.214) are in the possession of various vendors for further processing.

25.2 Finished goods amounting to Rs 1.412 million (2012: Rs 2.833 million) are valued at net realizable value.

	2013 Rupees	2012 Rupees
25.3 Provision for obsolete items - raw material		
Opening balance	1,853,374	1,853,374
Less: Obsolete stock written off against provision	(115,199)	-
Closing balance	1,738,175	1,853,374
25.4 Provision for obsolete items - finished goods		
Opening balance	13,839,992	15,147,439
Add: Provision recognized during the year	-	2,260,888
Less: Provision reversed during the year	(741,232)	-
Less: Obsolete Stock written off against provision	-	(3,568,335)
Closing balance	13,098,760	13,839,992
25.5 Provision for obsolete items - goods purchased for resale		
Opening balance	645,592	645,592
Less: Obsolete stock written off against provision	-	-
Closing balance	645,592	645,592

			2013 Rupees	2012 Rupees
26.	**Trade debts**			
	Considered good:			
	- Secured		7,638,938	17,106,289
	- Unsecured			
	- Due from related parties	- note 26.1	1,465,719	83,761,518
	- Others		248,975,871	241,503,937
			250,441,590	325,265,455
	Considered doubtful - others		13,979,597	9,940,974
			272,060,125	352,312,718
	Less: Provision for doubtful debts	- note 26.2	(13,979,597)	(9,940,974)
			258,080,528	342,371,744

			2013 Rupees	2012 Rupees
26.1	**Due from related parties**			
	Fatima Memorial Hospital Trust		189,116	34,860
	ICC (Private) Limited		63,059	-
	Nur Enterprises		1,213,544	83,726,658
			1,465,719	83,761,518

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

			2013 Rupees	2012 Rupees
26.2	**Provision for doubtful debts**			
	Opening balance		9,940,974	15,513,924
	Add: Provision for the year	- note 31	4,504,803	1,612,598
			14,445,777	17,126,522
	Less: Bad debts written off against provision		(466,180)	(7,185,548)
	Closing balance		13,979,597	9,940,974

			2013 Rupees	2012 Rupees
27.	**Loans, advances, deposits, prepayments and other receivables**			
	Current portion of loans to employees - considered good		2,183,353	2,564,226
	Advances - considered good			
	- to employees	- note 27.1	5,921,557	2,578,224
	- to suppliers		13,402,829	5,761,526
			19,324,386	8,339,750
	Due from related parties - considered good	- note 27.2	255,465	15,121
	Security deposits		19,127,772	4,264,995
	Letters of credit - margins, deposits, opening charges, etc		190,091	175,313
	Claims receivable		2,946,367	-
	Claims recoverable from government - Excise Duty		2,173	-
	Prepayments		510,985	1,598,290
	Recoverable from employees	- note 27.3	15,342,325	19,122,661
	Margins held by bank		14,899,302	8,582,824
			74,782,219	44,663,180
	Less: Provision for doubtful advances	- note 27.4	(575,686)	-
			74,206,533	44,663,180

27.1 Included in advances to employees is an amount of Rs 5.252 million (2012: Rs 1.602million) due from an executive (Senior Manager Commercial). The amount was paid as advance for maintenance of plant and machinery. Also included is an amount of Rs. 0.053 million (2012: Rs 0.029 million) due from Directors. The amount was paid to them as advance for expenditure to be reimbursed by the Company.

27.2 This represents amounts due from the following related parties. The amounts relate to normal business of the Company and are interest free.

	2013 Rupees	2012 Rupees
ICC (Private) Limited	-	15,121
Imperial Soft (Private) Limited	255,465	-
	255,465	15,121

27.3 This represents recoveries imposed on employees on account of faulty finished goods and shortages of inventory.

27.4 Provision for doubtful advances

		2013 Rupees	2012 Rupees
Opening balance		-	-
Add: Provision for the year	- note 31	575,686	-
		575,686	-
Less: Advances written off against provision		-	-
Closing balance		575,686	-

28. Cash and bank balances

	2013 Rupees	2012 Rupees
At banks - current accounts	35,663,067	12,307,932
In hand	11,438,029	5,755,290
	47,101,096	18,063,222

29. Sales

	Insulator Rupees	Tile Rupees	2013 Total Rupees	2012 Total Rupees
Gross sales				
- Local	515,277,003	1,314,817,159	1,830,094,162	2,203,454,718
- Export	46,192,501	-	46,192,501	61,479,019
	561,469,504	1,314,817,159	1,876,286,663	2,264,933,737
Goods purchased for resale	-	-	-	626,055
Less: Discounts given	-	(77,641,744)	(77,641,744)	(112,464,846)
Less: Sales tax	(66,889,229)	(175,947,994)	(242,837,223)	(297,035,366)
Less: Special excise duty	-	-	-	-
Net sales	494,580,275	1,061,227,421	1,555,807,696	1,856,059,580

29.1 There are no inter segment sales.

	Insulator Rupees	Tile Rupees	2013 Total Rupees	2012 Total Rupees
30. Cost of sales				
Raw and packing material consumed	145,921,027	315,452,125	461,373,152	622,728,164
Stores and spares consumed	26,003,828	33,434,380	59,438,208	66,777,572
Salaries, wages and benefits - note 30.1	116,759,992	137,707,509	254,467,501	225,359,792
Power and gas	52,481,788	335,919,969	388,401,757	435,143,180
Depreciation on property, plant and equipment - note 19.1	25,309,015	80,614,768	105,923,783	101,762,674
Depreciation on assets subject to finance lease - note 20.1	42,456	1,118,055	1,160,511	1,281,364
Vehicle maintenance	145,327	329,007	474,334	508,427
Repairs and maintenance	1,240,884	5,645,807	6,886,691	7,815,753
Insurance	2,383,259	1,073,017	3,456,276	3,722,030
Communication and stationery	775,275	1,279,838	2,055,113	2,046,547
Rent, rates and taxes	1,471,839	18,770,525	20,242,364	20,400,911
Travelling and conveyance	2,378,492	2,380,548	4,759,040	5,687,747
Others	6,716,517	2,606,316	9,322,833	13,647,802
	381,629,699	936,331,864	1,317,961,563	1,506,881,963
Add: Opening work-in-process	14,392,896	22,721,385	37,114,281	28,837,020
Less: Closing work-in-process	(21,914,066)	(13,548,880)	(35,462,946)	(37,114,281)
	(7,521,170)	9,172,505	1,651,335	(8,277,261)
Cost of goods produced	374,108,529	945,504,369	1,319,612,898	1,498,604,702
Add: Opening stock of finished goods	131,794,490	89,086,043	220,880,533	260,625,399
	505,903,019	1,034,590,412	1,540,493,431	1,759,230,101
Less: Closing stock of finished goods	(138,232,933)	(51,331,948)	(189,564,881)	(220,880,533)
	367,670,086	983,258,464	1,350,928,550	1,538,349,568
Cost of sales - purchased for resale	-	-	-	743,109
	367,670,086	983,258,464	1,350,928,550	1,539,092,677

	2013 Rupees	2012 Rupees
30.1 Salaries, wages and benefits		
Salaries, wages and benefits include following in respect of gratuity:		
Current service cost	3,241,279	2,150,141
Interest cost for the year	2,147,010	1,983,329
	5,388,289	4,133,470

In addition to above, salaries, wages and amenities include provident fund charge of Rs 2.633 million (2012: Rs 2.807 million).

30.2 There are no inter segment purchases.

		Insulator Rupees	Tile Rupees	2013 Total Rupees	2012 Total Rupees
31. Administrative expenses					
Salaries, allowances and benefits	- note 31.1	11,913,272	27,812,569	39,725,841	34,507,375
Communication and stationery		662,158	1,545,034	2,207,192	2,234,605
Travelling		355,403	829,273	1,184,676	1,143,593
Vehicle maintenance		1,371,731	3,200,707	4,572,438	4,321,414
Rent, rates and taxes	- note 31.2	2,137,500	4,987,500	7,125,000	6,082,165
Depreciation on property, plant and equipment	- note 19.1	524,821	1,493,721	2,018,542	1,890,617
Depreciation on assets subject to finance lease	- note 20.1	116,871	332,633	449,504	497,053
Amortization of intangible assets	- note 21	110,923	315,702	426,627	474,028
Electricity and gas		253,594	591,719	845,313	1,137,165
Insurance		91,055	212,462	303,517	134,939
Legal and professional charges	- note 31.3	927,264	2,126,216	3,053,480	3,912,788
Repairs and maintenance		141,752	330,755	472,507	246,206
Computer charges		136,025	317,393	453,418	358,555
Security charges		341,392	796,581	1,137,973	967,636
Fees and taxes		465,412	1,086,261	1,551,673	2,203,961
Provision for doubtful debts	- note 26.2	2,299,285	2,205,518	4,504,803	1,612,598
Provision for doubtful advances	- note 27.4	184,220	391,466	575,686	-
Provision for obsolete stock		-	-	-	1,307,447
Others		671,071	1,581,685	2,252,754	1,657,637
		22,703,749	50,157,195	72,860,944	64,689,782

	2013 Rupees	2012 Rupees
31.1 Salaries, wages and benefits		
Salaries, wages and benefits include following in respect of gratuity:		
Current service cost	936,804	780,046
Interest cost for the year	620,535	719,499
	1,557,339	1,499,545

In addition to above, salaries, wages and amenities include provident fund charge of Rs 0.05 million (2012: Rs 0.05 million).

31.2 Rent, rates and taxes include operating lease rentals amounting to Rs 7.125 million (2012: Rs 6.082 million).

	2013 Rupees	2012 Rupees
31.3 Legal and professional charges		
Legal and professional charges include the following in respect of auditors' services for:		
Statutory audit	880,000	880,000
Half yearly review	385,000	350,000
Tax services	1,285,500	1,285,500
Out of pocket expenses	299,830	299,830
	2,850,330	2,815,330

		Insulator Rupees	Tile Rupees	2013 Total Rupees	2012 Total Rupees
32. Selling and distribution expenses					
Salaries, allowances and benefits	- note 32.1	2,068,204	17,149,392	19,217,596	25,066,307
Travelling		2,183,433	6,814,213	8,997,646	8,542,054
Insurance		71,540	178,426	249,966	338,556
Handling, freight and transportation		7,871,216	55,405,678	63,276,894	82,117,669
Electricity and gas		45,251	1,483,920	1,529,171	1,402,337
Vehicle maintenance		18,980	866,767	885,747	752,291
Rent, rates and taxes	- note 32.2	890,292	4,947,454	5,837,746	4,989,200
Communication		199,340	1,314,888	1,514,228	1,599,737
Repair and maintenance		117,773	495,873	613,646	422,380
Security charges		-	319,116	319,116	174,837
Advertisement and sales promotion		137,641	883,477	1,021,118	1,976,016
Depreciation on property, plant and equipment	- note 19.1	-	357,501	357,501	343,740
Depreciation on assets subject to finance lease	- note 20.1	-	282,598	282,598	312,316
Late delivery charges		9,380,281	-	9,380,281	21,979,701
Others		318,519	1,654,809	1,973,328	2,529,773
		23,302,470	92,154,112	115,456,582	152,546,914

	2013 Rupees	2012 Rupees
32.1 Salaries, wages and benefits		
Salaries, wages and benefits include following in respect of gratuity:		
Current service cost	456,081	655,537
Interest cost for the year	302,106	604,680
	758,187	1,260,217

In addition to above, salaries, wages and amenities include provident fund charge of Rs 0.04 million (2012: Rs 0.05 million)

32.2 Rent, rates and taxes include operating lease rentals amounting to Rs 0.375 million (2012: Rs 0.320 million).

		2013 Rupees	2012 Rupees
33. Other operating expenses			
Donations		308,982	-
Advances written off		-	524,271
Others	- note 33.1	5,421,055	5,186,561
		5,730,037	5,710,832

33.1 Others represent amounts on account of penalties imposed by sales tax authorities.

		2013 Rupees	2012 Rupees
34. Other operating income			
Income from financial assets			
Exchange gain		502,684	1,614,678
Income from non-financial assets			
Rental income		45,749	40,290
Gain on disposal of property, plant and equipment		1,767,350	831,837
Liabilities written back	- note 34.1	55,164,520	26,243,130
Others		712,847	2,637,053
		57,690,466	29,752,310
		58,193,150	31,366,988

34.1 Liabilities written back include amounts on account of long term loans from directors written back amounting to Rs. 19.80 million (2012: Nil) and short term borrowings from related parties written back amounting to Rs. 20.20 million (2012: Nil).

		2013 Rupees	2012 Rupees
35. Finance cost			
Mark-up on			
- Long term finances			
- From related parties - unsecured		756,885	785,964
- From EMCO Industries Limited Provident Fund		18,051,989	16,869,674
- From banking companies - secured		17,476,891	30,991,758
- Short term finances from related parties - unsecured		2,491,232	-
- Discontinued provident fund	- note 11.1	572,016	403,418
- Finances under mark-up arrangements - secured		64,530,220	83,563,475
- Finance lease		763,866	1,745,805
Commission on bank guarantees		1,203,255	1,665,919
Bank charges		2,314,410	3,617,293
		108,160,764	139,643,306
36. Taxation			
Current			
- For the year		8,010,001	14,852,119
- Prior		-	(616,260)
		8,010,001	14,235,859
Deferred		(13,210,668)	(7,138,977)
		(5,200,667)	7,096,882

36.1 In view of the available income tax losses, the provision for current taxation represents tax under 'Final Tax Regime' and tax on minimum turnover under section 113 of the Income Tax Ordinance, 2001. Minimum tax under section 113 is available for set off for 3 years against normal tax liability arising in future years whereas tax under 'Final Tax Regime' is not available for set off against normal tax liabilities arising in future years.

For the purpose of current taxation, the tax losses available for carry forward as at June 30, 2013 are estimated approximately at Rs 553.042 million (2012: Rs 578.717 million).

36.2 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate.

	2013 %age	2012 %age
Applicable tax rate	35.00	35.00
Tax effects of amounts that are not deductible for tax purpose	(4.80)	(12.60)
Effect of change in prior years' tax	(1.87)	34.26
Tax credits for which no deferred tax asset has been recognized	(19.29)	(104.17)
Tax effect under presumptive tax regime and others	4.25	(2.27)
	(21.71)	(84.78)
Average effective tax rate charged to profit and loss account	13.29	(49.78)

		2013	2012
37. Earnings per share			
37.1 Earnings per share - Basic			
Loss for the year attributable to ordinary shareholders	Rupees	(33,935,364)	(21,353,825)
Weighted average number of ordinary shares	Numbers	35,000,000	35,000,000
Basic loss per share	Rupees	(0.97)	(0.61)

37.2 Earnings per share - Diluted

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

38. Remuneration of Chief Executive, Directors and Executives

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		Executive Director		Executive	
	2013 Rupees	2012 Rupees	2013 Rupees	2012 Rupees	2013 Rupees	2012 Rupees
Managerial remuneration	2,643,792	3,550,554	8,695,584	9,468,880	10,880,637	9,883,139
Production incentives	-	-	-	-	1,318,314	2,363,788
House rent	1,189,706	1,597,750	3,934,013	4,260,996	2,498,754	4,447,412
Utilities	433,940	454,835	1,285,944	1,293,381	564,250	1,228,324
Medical expenses	1,202,977	160,680	1,266,652	794,472	883,912	262,751
Reimbursable expenses - note 38.1	1,826,414	2,164,773	6,203,775	6,895,486	2,198,687	3,220,715
	7,296,829	7,928,592	21,385,968	22,713,215	18,344,554	21,406,129
Number of persons	1	1	4	4	8	7

38.1 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.

38.2 The Company does not provide any remuneration and benefits to non-executive directors of the Company.

39. Cash generated from operations

		2013 Rupees	2012 Rupees
Loss before taxation		(39,136,031)	(14,256,943)
Add: Adjustment for non-cash charges and other items:			
Depreciation on property, plant and equipment	- note 19.1	108,299,826	103,997,031
Depreciation on assets subject to finance lease	- note 20.1	1,892,613	2,090,733
Amortisation of intangible assets	- note 21	426,627	474,028
Security deposit adjusted against rent expense		-	377,200
Provision for gratuity	- note 11.2	7,703,815	6,893,232
Provision for doubtful debts	- note 26.2	4,504,803	1,612,598
Provision for obsolete stock	- note 31	-	1,307,447
Gain on disposal of property, plant and equipment	- note 34	(1,767,350)	(831,837)
Liabilities written back	- note 34	(55,164,520)	(26,243,130)
Exchange Gain	- note 34	(502,684)	(1,614,678)
Finance cost	- note 35	108,160,764	139,643,306
		173,553,894	227,705,930
Profit before working capital changes		134,417,863	213,448,987
Effect on cash flow due to working capital changes:			
- Increase in stores, spares and loose tools		(6,927,130)	(28,335,389)
- Decrease / (increase) in stock-in-trade		77,222,124	(14,486,033)
- Decrease / (increase) in trade debts		80,289,097	(145,195,030)
- Increase in loans, advances, deposits, prepayments and other receivables		(26,386,439)	(1,451,134)
- Increase in trade and other payables		155,678,649	82,686,424
		279,876,301	(106,781,162)
		414,294,164	106,667,825

		2013 Rupees	2012 Rupees
40. Cash and cash equivalents			
Cash and bank balances	- note 28	47,101,096	18,063,222
Finances under mark-up arrangements - secured	- note 15	(366,576,111)	(564,358,988)
		(319,475,015)	(546,295,766)

41. Related Party Disclosures

The related parties comprise associated undertakings, other related group companies, directors of the Company and their close relatives, 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 due to related parties are shown under trade debts and trade and other payables in note 26 and 16, accrued finance cost in respect of loans from related parties is disclosed in note 17, long term loans from related parties are disclosed under note 9, short term borrowings from related parties are disclosed under note 14, and remuneration of directors and key management personnel is disclosed in note 38. Other significant transactions with related parties are given below:

Relationship with the company	Nature of transaction	2013 Rupees	2012 Rupees
i. Associated undertakings	Mark-up on long term finances	557,636	785,964
	Mark-up on short term finances	2,339,470	-
	Purchase of goods & services	346,000	1,109,494
	Sale of goods	474,691,128	236,005,179
ii. Directors and close relatives thereof	Long term loan adjustments	-	523
	Short term borrowing obtained	149,013,814	136,000,000
	Short term borrowing repaid	121,083,905	90,502,306
	Short term loan converted into long term	21,437,305	-
iii. Employee Benefit plan - EMCO Industries Limited Provident Fund	Mark up on long term finance	18,051,989	16,869,674
iv. Undertaking in which close family members of a director are holding directorship	Sale of goods	355,347	159,058

42. Segment Information

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments.

Types of segments	Nature of business
Insulator	Manufacture and sale of high/low tension electrical porcelain insulators and switchgear
Tile	Manufacture and sale of ceramic tiles

	Insulator		Tile		Total	
	2013 Rupees	2012 Rupees	2013 Rupees	2012 Rupees	2013 Rupees	2012 Rupees
Net sales	494,580,275	553,352,414	1,061,227,421	1,302,707,166	1,555,807,696	1,856,059,580
Cost of sales	(367,670,086)	(453,685,616)	(983,258,464)	(1,085,407,061)	(1,350,928,550)	(1,539,092,677)
Gross profit	126,910,189	99,666,798	77,968,957	217,300,105	204,879,146	316,966,903
Administrative expenses	(22,703,749)	(21,991,829)	(50,157,195)	(42,697,953)	(72,860,944)	(64,689,782)
Selling and distribution expenses	(23,302,470)	(39,133,326)	(92,154,112)	(113,413,588)	(115,456,582)	(152,546,914)
Other operating expenses	-	-	-	-	(5,730,037)	(5,710,832)
Other income	-	-	-	-	58,193,150	31,366,988
Profit / (loss) from operations	80,903,970	38,541,643	(64,342,350)	61,188,564	69,024,733	125,386,363
Finance cost	(33,185,883)	(42,218,674)	(74,974,881)	(97,424,632)	(108,160,764)	(139,643,306)
Loss before taxation	47,718,087	(3,677,031)	(139,317,231)	(36,236,068)	(39,136,031)	(14,256,943)
Taxation					5,200,667	(7,096,882)
Loss after taxation					(33,935,364)	(21,353,825)
ASSETS						
Property, plant and equipment	343,999,479	259,905,881	961,834,816	827,297,684	1,305,834,295	1,087,203,565
Assets subject to finance lease	1,405,599	780,128	12,523,466	15,041,554	13,929,065	15,821,682
Stores, spares and loose tools	37,890,210	33,443,933	80,516,697	78,035,844	118,406,907	111,479,777
Stock-in-trade	197,059,321	193,061,290	166,647,144	247,867,299	363,706,465	440,928,589
Trade debts	193,188,369	190,717,155	64,892,159	151,654,589	258,080,528	342,371,744
Total assets for reportable segments	773,542,978	677,908,387	1,286,414,282	1,319,896,970	2,059,957,260	1,997,805,357

	2013 Rupees	2012 Rupees
42.1 Reconciliation of reportable segment assets		
Total assets for reportable segments	2,059,957,260	1,997,805,357
Unallocated assets		
Intangible assets	3,839,623	4,266,250
Loan to employees	1,114,295	1,506,097
Long term deposits	809,778	3,966,692
Loans, advances, deposits, prepayments and other receivables	74,206,533	44,663,180
Income tax recoverable	65,345,820	55,319,335
Cash and bank balances	47,101,096	18,063,222
Total assets as per balance sheet	2,252,374,405	2,125,590,133
42.2 Reconciliation of reportable segment liabilities		
Total liabilities for reportable segments	-	-
Unallocated liabilities	1,629,847,215	1,678,131,204
Total liabilities as per balance sheet	1,629,847,215	1,678,131,204
42.3 Information about geographical area		
Revenue from external customers		
Pakistan	1,509,783,018	1,794,580,561
Turkey	15,903,459	28,030,000
Middle East	22,801,395	24,355,638
Others	7,319,824	9,093,381
	1,555,807,696	1,856,059,580

42.4 Information about major customers

Included in revenue from insulator division, is revenue from one major customer which represents approximately Rs. 624.379 million of the total revenue.

43. Financial risk management

43.1 Financial risk factors

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

Risk management is carried out by the Company's Board of Directors (the Board). The Company's finance department evaluates and hedges financial risks. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and non-derivative financial instruments.

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

(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 and payables that exist due to transactions in foreign currencies.

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

At June 30, 2013, if the Rupee had weakened / strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been Rs 0.552 million (2012: Rs 1.116 million) lower / higher, mainly as a result of foreign exchange losses / gains on translation of US dollar-denominated financial assets and liabilities.

(ii) Cash flow interest rate risk

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

As the Company has no significant floating interest rate assets, the Company's income is substantially independent of changes in market interest rates.

The Company's interest rate risk arises from short term and long-term borrowings. These borrowings, issued at variable rates, expose the Company to cash flow interest rate risk.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

At June 30, 2013, if interest rates on floating rate borrowings had been 1% higher / lower with all other variables held constant, post-tax profit for the year would have been Rs 5.298 million (2012: Rs 5.550 million) lower / higher, 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 of the Company arises from cash and cash equivalents, from deposits with banks, trade debts, loans and advances and other receivables. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored . For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

(i) Exposure to credit risk

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

	2013 Rupees	2012 Rupees
Long term deposits	809,778	3,966,692
Long term loans	1,114,295	1,506,097
Trade debts	258,080,528	342,371,744
Loans, advances, deposits and other receivables	54,754,584	34,549,827
Bank balances	35,663,067	12,307,932
	350,422,252	394,702,292

The ageing analysis of trade receivables is as follows:

	2013 Rupees	2012 Rupees
Up to 90 days	142,666,471	172,331,956
90 to 180 days	58,687,194	29,224,992
181 to 365 days	13,613,443	31,528,660
Above 365 days	43,113,420	109,286,136
	258,080,528	342,371,744

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

(ii) Credit quality of financial assets

The credit quality of 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:

Bank	Rating Short term	Rating Long term	Rating Agency	2013 Rupees	2012 Rupees
Allied Bank Limited	A1+	AA+	PACRA	5,434,006	2,085,735
Askari Bank Limited	A1+	AA	PACRA	360,161	1,751
Bank Alfalah Limited	A1+	AA	PACRA	5,585,460	1,712,595
Bank of Punjab	A1+	AA-	PACRA	523,141	89,436
Faysal Bank	A1+	AA	PACRA	15,962,857	3,677,322
Habib Bank Limited	A-1+	AAA	JCR-VIS	466,871	1,336,252
MCB Bank Limited	A1+	AAA	PACRA	1,712,257	349,334
National Bank of Pakistan	A-1+	AAA	JCR-VIS	107,029	2,509,384
Silk Bank Limited	A-2	A-	JCR-VIS	1,562,219	(34,823)
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	136,846	173,294
United Bank Limited	A-1+	AA+	JCR-VIS	3,812,220	407,652
				35,663,067	12,307,932

(c) Liquidity risk

Liquidity risk represents the risk that the Company shall encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Company's business, the Company's finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the forecasts of the Company's cash and cash equivalents (note 40) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.

	Carrying amount	Less than one year	One to five years	More than five years
	Rupees	Rupees	Rupees	Rupees
Long term loans from directors	115,708,828	-	-	115,708,828
Long term finances	432,901,486	175,633,232	257,268,254	-
Liabilities against assets subject to finance lease	4,600,839	4,600,839	-	-
Short term borrowings from related parties-unsecured	125,538,486	125,538,486	-	-
Finances under mark-up arrangements-secured	366,576,111	366,576,111	-	-
Trade and other payables	324,608,021	324,608,021	-	-
Accrued finance cost	104,588,388	104,588,388	-	-
	1,474,522,159	1,101,545,077	257,268,254	115,708,828

The following are the contractual maturities of financial liabilities as at June 30, 2012:

	Carrying amount	Less than one year	One to five years	More than five years
	Rupees	Rupees	Rupees	Rupees
Long term loans from directors	114,071,523	-	-	114,071,523
Long term finances	338,618,938	157,245,166	181,373,772	-
Liabilities against assets subject to finance lease	10,719,105	6,109,314	4,609,791	-
Short term borrowings from related parties-unsecured	139,245,882	139,245,882	-	-
Finances under mark-up arrangements - secured	564,358,988	564,358,988	-	-
Trade and other payables	344,795,286	344,795,286	-	-
Accrued finance cost	95,078,924	95,078,924	-	-
	1,606,888,646	1,306,833,560	185,983,563	114,071,523

43.2 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.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

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 total debt divided by total capital employed. Total debt represents long term and short-term finances obtained by the Company including the long term loans from directors. Total capital employed includes equity as shown in the balance sheet plus total debt. The gearing ratio as at year ended June 30, 2013 and June 30, 2012 are as follows:

		2013	2012
Borrowings	Rupees	548,610,314	452,690,461
Total capital employed	Rupees	566,514,464	485,319,696
Gearing ratio	Percentage	97%	93%

43.3 Financial instruments by categories

	At fair value through profit or loss	Available for sale	Loans and receivables	Total
		Rupees		
As at June 30, 2013				
Assets as per balance sheet				
Long term deposits	-	-	809,778	809,778
Long term loans	-	-	1,114,295	1,114,295
Loans, advances and other receivables	-	-	54,754,584	54,754,584
Trade debts	-	-	258,080,528	258,080,528
Cash and bank balances	-	-	47,101,096	47,101,096
	-	-	361,860,281	361,860,281

	At fair value through profit or loss	Available for sale	Loans and receivables	Total
		Rupees		
As at June 30, 2012				
Assets as per balance sheet				
Long term deposits	-	-	3,966,692	3,966,692
Long term loans	-	-	1,506,097	1,506,097
Loans, advances and other receivables	-	-	34,549,827	34,549,827
Trade debts	-	-	342,371,744	342,371,744
Cash and bank balances	-	-	18,063,222	18,063,222
	-	-	400,457,582	400,457,582

	2013 Rupees	2012 Rupees
Liabilities as per balance sheet		
Long term finance - secured	432,901,486	338,618,938
Accrued finance cost	104,588,388	95,078,924
Trade and other payables	257,765,017	294,244,181
	795,254,891	727,942,043

	Capacity		Actual Production	
	2013	2012	2013	2012
44. Plant capacity and actual production				
Insulators - tons	5,000	5,000	2,441	2,409
Wall tile - sq. meters.	4,100,000	4,100,000	1,973,468	2,783,814
Floor tile - sq. meters.	900,000	900,000	644,204	734,593

The low production was due to poor quality of raw material and power shortage.

	2013	2012
45. Number of employees		
Total number of employees as at June 30	795	854
Average number of employees during the year	816	884

46. Disclosures relating to Provident Fund

The Company operates a recognised provident fund for all its permanent workers.

The following information is based on audited financial statements of the Fund as at December 31, 2012 and December 31, 2011 :

	2012	2011
(i) Size of the Fund	231,279,190	229,130,969
(ii) Cost of investments made	247,665	365,436
(iii) Percentage of investments made	0.11%	0.16%
(iv) Fair value of investments	247,665	365,436
Break up of investments		
Special accounts in a scheduled bank	247,665	365,436

	2012	2011
	% age of size of the fund	
Break up of investments		
Special accounts in a scheduled bank	0.11%	0.16%

During the year, the Company has, owing to its working capital needs, utilized funds of its Provident Fund (Fund) at the rate of weighted average cost of long term capital to the Company + 1% per annum. As at December 31, 2012, the company owes Rs 143.601 million (2011: Rs 143.601 million) as principal and Rs 70.237 million (2011: Rs 66.090 million) as mark-up to the fund. Except for the above, the investments of the provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

47. Date of authorization of issue

These financial statements were authorized for issue on October 09, 2013 by the Board of Directors of the Company.

48. Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison.

Pattern of Share Holding
as on June 30, 2013

No of Shareholders	Shareholding From	Shareholding To	Total Shares held
101	1	100	3,525
281	101	500	67,352
95	501	1,000	78,855
155	1,001	5,000	394,221
44	5,001	10,000	369,343
17	10,001	15,000	214,888
15	15,001	20,000	273,277
11	20,001	25,000	240,256
6	25,001	30,000	166,000
3	30,001	35,000	96,440
5	35,001	40,000	190,000
5	40,001	45,000	203,456
6	45,001	50,000	296,220
1	50,001	55,000	55,000
1	65,001	70,000	69,019
1	80,001	85,000	80,691
2	95,001	100,000	200,000
1	110,001	115,000	111,500
3	115,001	120,000	351,399
1	120,001	125,000	122,135
1	125,001	130,000	128,000
2	135,001	140,000	279,400
1	145,001	150,000	149,500
1	150,001	155,000	154,987
1	160,001	165,000	160,458
1	175,001	180,000	177,125
1	195,001	200,000	200,000
1	220,001	225,000	224,970
1	225,001	230,000	228,052
1	245,001	250,000	246,312
1	250,001	255,000	251,126
1	275,001	280,000	276,902
2	290,001	295,000	583,554
1	300,001	305,000	301,365
1	335,001	340,000	339,093
1	345,001	350,000	349,970
1	380,001	385,000	384,708
1	395,001	400,000	399,378
1	435,001	440,000	436,046
1	515,001	520,000	519,929
1	525,001	530,000	529,628
1	530,001	535,000	532,618
1	635,001	640,000	637,654
1	660,001	665,000	660,492
1	755,001	760,000	756,711
1	800,001	805,000	800,087
1	880,001	885,000	881,039
1	945,001	950,000	948,771
1	990,001	995,000	995,000
1	1,160,001	1,165,000	1,164,915
1	1,285,001	1,290,000	1,288,942
1	1,475,001	1,480,000	1,475,634
1	1,870,001	1,875,000	1,871,673
1	2,010,001	2,015,000	2,011,325
1	2,105,001	2,110,000	2,109,524
1	2,375,001	2,380,000	2,377,013
1	2,690,001	2,695,000	2,692,285
1	3,890,001	3,895,000	3,892,237
794			35,000,000

Categories of shareholders	Number of Share Holders	Shares held	% of paid up capital
Individuals	764	27,083,064	77.38%
Insurance Companies	2	128,125	0.37%
Joint Stock Companies	20	6,426,252	18.36%
Financial Institutions	8	1,362,559	3.89%
Total	794	35,000,000	100.000%

Pattern of Share Holding
as on June 30, 2013

	CATEGORY OF SHAREHOLDER	HOLDING	% AGE
	DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN:		
1	MR. TARIQ REHMAN - (CDC)	2,377,013	6.7915
2	MR. SHAFIQUE A. SIDDIQUI (CDC)	177,125	0.5061
3	MR. HARIS NOORANI	224,970	0.6428
4	MR. HARIS NOORANI - (CDC)	1,288,942	3.6827
5	MR. SUHAIL MANNAN	3,892,237	11.1207
6	MR. SUHAIL MANNAN (CDC)	80,691	0.2305
7	MR. JAVAID SHAFIQ	291,777	0.8336
8	MR. JAVAID SHAFIQ SIDDIQUI (CDC)	2,109,524	6.0272
9	MR. USMAN HAQ (CDC)	881,039	2.5173
10	MR SALEM REHMAN (CDC)	436,046	1.2458
11	MR. AHSAN SUHAIL MANNAN	160,458	0.4585
12	MRS. SHAHIMA REHMAN W/O TARIQ REHMAN	290	0.0008
13	MRS. SHAHIMA REHMAN W/O TARIQ REHMAN - (CDC)	399,378	1.1411
14	MRS. AYESHA NOORANI W/O HARIS NOORANI	339,093	0.9688
15	MRS. AMINA SUHAIL MANNAN W/O SUHAIL MANNAN - (CDC)	246,312	0.7037
16	MRS. NAILA SUHAIL MANNAN W/O SUHAIL MANNAN- (CDC)	228,052	0.6516
17	MRS. AMBREEN HAQ W/O USMAN HAQ (CDC)	1,164,915	3.3283
18	MR. ZULFIQAR SUHAIL MANNAN (MINOR)	139,700	0.3991
19	MR. ABDULLAH SUHAIL MANNAN (MINOR)	139,700	0.3991
		14,577,262	41.649
	ASSOCIATED COMPANIES		
1	ASSOCIATED ENGINEERS (PVT) LTD.	2,011,325	5.7466
2	ICC (PVT) LIMITED	2,692,285	7.6922
3	ICC (PVT) LIMITED (CDC)	251,126	0.7175
		4,954,736	14.156
	NIT & ICP		
1	IDBP (ICP UNIT)	1,057	0.0030
2	NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T DUND - (CDC)	754,929	2.1569
		755,986	2.160
	FINANCIAL INSTITUTION		
1	PAKISTAN INDUSTRIAL CREDIT & INVESTMENT CORP. LTD.	500	0.0014
2	THE BANK OF PUNJAB, TREASURY DIVISION (CDC)	149,500	0.4271
3	NATIONAL BANK OF PAKISTAN (CDC)	424	0.0012
4	NATIONAL BANK OF PAKISTAN (CDC)	384,708	1.0992
		535,132	1.529
	INSURANCE COMPANIES		
1	GULF INSURANCE COMPANY LIMITED	12,550	0.0359
2	STATE LIFE INSURANCE CORP. OF PAKISTAN - (CDC)	115,575	0.3302
		128,125	0.366
	MODARABAS & MUTUAL FUNDS	-	-
	PENSION FUNDS		
1	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND (CDC)	69,019	0.1972
		69,019	0.197

Pattern of Share Holding
as on June 30, 2013

	CATEGORY OF SHAREHOLDER	HOLDING	% AGE
	JOINT STOCK COMPANIES		
1	MUNIR HOLDING (PVT) LTD.	2,300	0.0066
2	ASIAN SECURITIES LIMITED	49	0.0001
3	NAEEM'S SECURITIES (PVT) LTD.	1,310	0.0037
4	ALI USMAN STOCK BROKERAGE (PVT) LIMITED - (CDC)	150	0.0004
5	AMIN TAI SECURITIES (PVT) LIMITED - (CDC)	800,087	2.2860
6	CLIKTADE LIMITED - (CDC)	82	0.0002
7	DARSON SECURITIES (PVT) LIMITED - (CDC)	4,000	0.0114
8	FAIR EDGE SECURITIES (PRIVATE) LIMITED - (CDC)	2,565	0.0073
9	HIGHLINK CAPITAL (PVT) LTD. - (CDC)	15,000	0.0429
10	MAM SECURITIES (PVT) LIMITED - (CDC)	250	0.0007
11	MSMANIAR FINANCIALS (PVT) LIMITED - (CDC)	400	0.0011
12	NH SECURITIES (PVT) LIMITED - (CDC)	1,000	0.0029
13	SAAO CAPITAL (PVT) LIMITED - (CDC)	10,000	0.0286
14	STOCK MASTER SECURITIES (PRIVATE) LTD - (CDC)	14,494	0.0414
15	TREET CORPORATION LIMITED - (CDC)	37,500	0.1071
16	WASI SECURITIES (SMC-PVT) LIMITED - (CDC)	30	0.0001
17	THE IMPERIAL ELECTRIC CO PVT LTD - (CDC)	582,299	1.6637
		1,471,516	4.204
	OTHERS		
1	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST (CDC)	2,422	0.0069
		2,422	0.007
	SHARES HELD BY THE GENERAL PUBLIC	12,505,802	35.731
	TOTAL	35,000,000	100.000
	SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL		
1	MR. SUHAIL MANNAN	3,972,928	11.3512
		3,972,928	11.351

SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL:

S. No.	Name	Holding	% AGE
1	MR. SUHAIL MANNAN	3,972,928	11.3512
2	ICC (PVT) LIMITED	2,943,411	8.4097
3	MR. JAVAID SHAFIQ	2,401,301	6.8609
4	MR. PERVAIZ SHAFIQ SIDDIQI (CDC)	2,401,301	6.8609
5	MR. TARIQ REHMAN - (CDC)	2,377,013	6.7915
6	ASSOCIATED ENGINEERS (PVT) LTD.	2,011,325	5.7466
		16,107,279	46.0208

During the financial year the no trading in the shares of the company, carries out by its Directors, CEO, CFO, Company Secretary and their spouses and minor children.

FORM OF PROXY

I/We --

of --- being a member of EMCO Industries Limited

and holder of ------------------------ Ordinary shares as per share Register Folio No. --------------------

and/or CDC Participant I.D. No. ……..……………and Sub Account No. --hereby

appoint --

of --

or failing him --- of

as my/our proxy to vote for me/us and my/our behalf at the Annual General Meeting of the Company to be held at Registered Office, 119/E-1, Hali Road, Gulberg-III, Lahore on 31 October 2013 at 11:00 A.M and at any adjournment thereof.

Signed this………………………day of ………………………………………………………………………

Signature on Revenue Stamp
(Signature should agree with the specimen
Signature registered with the Company)

WITNESS 1:	WITNESS 2:
Signature---------------------	Signature---------------------
Name -------------------------	Name -------------------------
Address. ----------------------	Address. ----------------------
NIC # :	NIC # :
Passport #:	Passport #:

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.