

EMCO INDUSTRIES LIMITED

ANNUAL REPORT 1997

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Company Information

Board of Directors

Mr. S. A. Mannan, Chairman
Mr. Tariq Rehman, Chief Executive
Mr. A. Rehman
Mr. Shafiq A. Siddiqi
Mr. T.M. Sheikh
Mr. Haris Noorani
Mr. Suhail Mannan
Mr. Tahir Rehman
Mr. Iqbal Shafiq
Mr. Usman Haq

Auditors

S.A. Salam & Co.
Chartered Accountants,
Lahore

Bankers

American Express Bank Ltd.
Bank of America.
Citibank N.A.
Deutsche Bank A.G.
Emirates Bank International
Standard Chartered Bank

Registered Office

2nd Floor, Emirates Bank Building,
14-Kashmir-Egerton Road,
Lahore-54000

Factory

19-Kilometre, Lahore-Sheikhupura Road,
Lahore.

Business Items

Porcelain Insulators

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

Switchgear

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

Chemical Porcelain

- Acid Proof Wares and Bricks
- Raschig Rings and Saddles
- Acid Proof Porcelain Pipes and Fittings
- Acid Proof Cement

Special Porcelain

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

Ceramic Glazed Wall Tiles

- Coloured & Decorative Glazed Wall Tiles
15 cmx 15 cmx6mm

Ceramic Glazed Floor Tiles

- Vitreous & Semi Vitreous Decorative Glazed
Floor Tiles
30cmx30cmx 8 mm
- Semi Vitreous Glazed Floor Tiles
40cmx40cmx 8mm
Floor and Facing Tiles

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 42nd Annual General Meeting of the Members of EMCO INDUSTRIES LIMITED, will be held on 8th December, 1997 at 11.00 A.M. at the Registered Office of the Company, 2nd Floor, Emirates Bank Building, 14-Kashmir/Egerton Road, Lahore, to transact the following business>

1. To confirm the minutes of the last Annual General Meeting held on 12th December, 1996.
2. To consider and adopt the Audited Accounts of the Company for the year ended 30th June, 1997 and report of the Auditors and Directors thereon.
3. To appoint Auditors and fix their remuneration.

NOTES:

i) The Shares Transfer Books of the Company will remain closed and no transfer of Shares will be accepted for registration from 1st December, 1997 to 8th December, 1997 (both days inclusive). The members whose names appear in the Register at the close of the business on November 30, 1997 will qualify for entitlement to Bonus shares @ 15% of paid up Capital out of its Capital reserve as declared by the Board of Directors in their meeting held on November 10, 1997.

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

iii) Members are requested to notify immediately the change of address, if any.

Directors' Report

The Board of Directors is pleased to present the 42nd Annual Report of EMCO Industries Limited for the year ended June 30, 1997.

Financial Results and Appropriations

	Rupees
Net profit/(loss) for the year after taxation	(22,545,214)
Unappropriated profit brought forward from prior year	28,483,975

Unappropriated profit carried forward	5,938,761
	=====

The Board of Directors has declared bonus shares @15% of paid up capital out of the capital reserves for the year ended June 30, 1997.

Pattern of Holding of Shares

A statement showing the pattern of holding of shares in the Company as on June 30, 1997 appears on page 34.

Auditors

The retiring auditors, Messrs. S.A. Salam & Co., being eligible, offer themselves for re-appointment.

Chairman's Review

The accompanying Chairman's review deals with the performance of the Company during the year and the future outlook. The Directors endorse the contents of the review.

FINANCIAL HIGHLIGHTS

		12 Months to June 30, 1997	18 Months to June 30, 1996
Net Sales	Rs. in Million	490.00	791.00
Profit/(Loss) before Tax	Rs. in Million	(20.00)	38.00
Income Tax	Rs. in Million	2.50	4.00
Profit/(Loss) after Tax	Rs. in Million	(22.50)	54.00
Earnings per Share	Rs. / Share	(2.25)	8.97
Cash Dividend per Share	Rs. / Share	--	2.00
Stock Dividend	%	15	--
No. of Shares Outstanding	(000's)	10,000	6,000
Taxes and Duties	Rs. in Million	158*	226*

* For details see Note 31 to the Accounts

APPLICATION OF REVENUE

	Rupees in Million	%
Materials, Services & Utilities	298	47.91
Depreciation	35	5.63
Taxes & Duties	158	25.40
Salaries	131	21.06
	-----	-----
	622	100.00
	=====	=====

TEN YEARS AT A GLANCE

	1997	1996 18 Months	1994	1993	1992	1991	1990	1989	1988	1987
(Rupees in Million)										
Net Total Sales	490	791	462	348	417	296	238	192	180	154
Exports	50	44	31	20	8	17	23	16	16	3
Employees Costs	126	183	103	85	81	65	53	46	37	32
Profit/(Loss) before tax	(20)	38	23	15	25	17	26	16	14	16
Profit/(Loss) after tax	(22.5)	54	21	23	15	14	23	9	6	3

Earning per share	(2.25)	8.97	3.45	5.83	3.78	3.54	5.74	2.17	1.46	0.76
Capital Expenditure	29	102	28	15	61	84	84	15	13	13
Cash Dividend Rate	-	20.00%	17.50%	17.50%	15.00%	15.00%	20.00%	17.50%	17.50%	15.00%
Stock Dividend Rate	15%	-	-	-	-	-	-	-	-	-
Shareholders' Equity	251	213	172	159	99	89	81	66	65	66

CHAIRMAN'S REVIEW

On behalf of the Board of Directors it gives me great pleasure to welcome you to the 42nd Annual General Meeting of the Company and to present before you the Annual Report and financial statements for the year ended June 30, 1997.

Even during this year the over all business environment in the country remained sluggish and succumbed to persistent recession. Cutbacks in Government developmental budget followed by frequent currency devaluation has resulted in slowing down the business activities in the country. This state of affairs has affected all industrial sectors, especially those whose major portion of product cost consist of imported raw materials. To off-set the effect of devaluation it was impossible to achieve corresponding increase in selling prices of the products owing to competition with imported products which were cheaper because of lower import duties.

After 24 years your Company this year has sustained a loss after tax amounting to Rs. 22.500 million which primarily was due to the reasons .stated below:

* With the continuing financial crisis of WAPDA the company did not have sufficient orders in hand for operating the insulator Plant even at breakeven capacity. During the year the insulator Plant was operated at 51% of its rated capacity which was much below the breakeven level. EMCO commenced its business with the insulator Plant and over the years its fixed cost had increased substantially which cannot be recovered unless the plant operates at 70% of its rated capacity.

* As compared to corresponding period there has been Rs. 15.189 million decrease in the sale of Wall Tile. The main reason for this reduction was that this division was producing only one size i.e. 6"x6" ever-since it was commissioned in 1985 which is gradually going out of fashion. Imported Wall Tiles of different sizes were available in the market which has resulted in considerably reduced market share of 6"x6" size.

* Increase in the local and imported raw materials, owing to Rupee devaluation and rising trend of inflation with no corresponding increase in the selling prices.

* Substantial increase in the prices of other inputs especially gas during the year.

* Approximately 2% increase in the mark up rate by the banks on working capitals during the year which resulted in increasing the financial cost.

A brief performance evaluation of each division of the Company is as follows:

INSULATOR DIVISION

As stated above the plant was operated at 51% of its rated capacity during the year under review because of inadequate orders from WAPDA. During the year concerted efforts were made in exploring the export market of insulators which has resulted in increasing the export sales from Rs. 28.400 million to Rs. 49.200 million i.e. 73%. The management is determined to continue its efforts to bring the export sales at level where dependence on WAPDA can be reduced substantially. During October, 1997, however, your Company has received orders from WAPDA against international Tenders amounting to Rs. 70 million and more orders for local supplies are in the pipeline which are expected to be materialized by January, 1998. With continued efforts to increase export sales, execution of orders already in hand

and expected orders from WAPDA, it is expected that Insulator Division will come out of its first-ever crisis and start playing the role of major profit earning division of the Company.

WALL TILE DIVISION

There has been decrease in the sales of Wall Tile Division as compared to corresponding period which as mentioned above was mainly due to one size of product available for sale. As you are aware your Company last year decided to expand the capacity of Wall Tile Division with a total investment of Rs. 255.027 million which is at its final stages of completion and will inshallah start commercial production by the end of November, 1997. The capacity for this division is being enhanced from present capacity of 700,000 M2 to 1,500,000 M2 per annum. Now the plant shall be able to produce larger sizes and Superior Quality Tile as per market demand. Expansion of Wall Tile Plant has been carried out such that considerable automation has been incorporated and therefore, it will help in achieving the economy of scale and would result in improving the profitability of the division and its ability to compete with the local and imported Tiles.

FLOOR TILE-DIVISION

Despite continued recession and other negative factors this is the only division of the Company which has shown an upward trend in the sales and profitability. This became possible by the concerted efforts of the Production Team to bring manufacturing cost down, efforts put in by the Marketing Department in creating awareness in the market of the advantages of using ceramic tiles on floors. Keeping in view the rising demand of Floor Tile your Company last year decided to increase its production capacity by adding one more glazing line and automatic sorting line with the total cost of Rs. 32 million which has already been completed and commissioned on November 10, 1997. The production capacity of this plant has been increased from 500,000 M2 to 900,000 M2 per annum with no increased in fixed overheads. This increase in capacity shall result in achieving higher levels of economy of scale which will improve the profitability of the division and Company as a whole.

Owing to WAPDA's financial crisis and huge investments made in Tile Division for automation and increase in capacity, the management during the year reviewed all areas of operation of the Company. The management offered an early retirement scheme to its employees after negotiation with Labour Union during the month of September, 1997, which has been successfully implemented. The total cost incurred on this scheme was Rs. 30 million which is estimated to be recovered within a period of one year. Under this scheme the employees strength of the Company has been reduced from 1280 to 910 (i.e. 370 employees) out of which 2/3rd has been reduced in the Insulator Division only. This reduction in staff shall result in improving the break-even production level of insulator Division. The Company is in the process of restructuring the salaries and benefits of its remaining employees with an objective to encourage them so that they can increase their efficiency and productivity.

The management has taken many other cost saving measures wherever it was possible. You will observe decrease in various expenses when the financial statement of 1997-98 will be sent to you next year.

Since the new business friendly Government has come into power number of incentives have been given to the business community which include fixation of custom duties at 10% for all plant and machinery imported for BMR or expansion, withdrawal of regulatory duty ~ 10%, termination of services of COTECNA, reduction in Sales Tax rates from 18% to 12.5%, withdrawal of 1% Central Excise Duty on all types of loans, reduction in the Income Tax rates, reduction of mark up rates on export refinance from 13% to 11%, reduction in the duties of certain imported raw materials used for manufacturing of ceramic tiles and insulators. Banks are also reducing mark up rates on working capitals. The financial impact of all these benefits shall be available during 1997-98 and will certainly help in improving the profitability of the Company.

Keeping in view the tradition of declaring dividend every year the Board of Directors has decided to pay stock dividend ~ 15% in order to keep the track record of the Company consistent and friendly towards shareholders.

EMPLOYEES RELATIONS

The management would like to place on record the positive attitude of the Labour Union during the year under review and we will Inshallah look forward to resolving all issues mutually and with the active co-operation of the Labour Union.

FUTURE OUTLOOK

After the successful expansion of Wall Tile and BMR of Floor Tile the management is now considering the possibility of doubling the capacity of Floor Tile Division from 900,000 M2 to 1,800,000 M2 per annum in a year's time. All spade work in this regard has already been done and modes of financing for this expansion are being looked into. The estimated cost of this expansion shall be approximately Rs. 300 million.

The work on ISO 9001 is still in progress and it is expected that the certification should be available by the middle of next year.

ACKNOWLEDGMENT

I take this opportunity to place on record the appreciation to the employees and staff for their co-operation and contribution towards the progress of the Company. I would also like to thank our customers, dealers, bankers and particularly WAPDA who have reposed confidence in the products supplied to them and would like to re-affirm the Company's pledge to continue "To Provide Quality Products and Services to the Satisfaction of Customers". I would also like to thank our bankers namely American Express Bank, Deutsche Bank, Standard Chartered Bank, First International Investment Bank Limited and Saudi Pak Industrial & Agricultural Investment Company Limited who participated in the consortium for a medium term loan of Rs. 175 million for the expansion of the Wall Tile project.

Auditors' Report to the Members

We have audited the annexed Balance Sheet of EMCO Industries Limited as at June 30, 1997 and the related Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information, which to the best of our knowledge and belief were necessary for the purposes of our audit.

due verification thereof, we report that:

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

b) in our opinion:

i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the period 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 and the Cash Flow Statement, together with the notes forming part thereof, 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, 1997 and of the loss and cash flow for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

BALANCE SHEET AS AT

	Note	June 30, 1997 Rupees	June 30, 1996 Rupees
SHARE CAPITAL AND RESERVES			
Authorized capital			
25,000,000 ordinary shares of Rs. 10 each		250,000,000	250,000,000
		=====	=====
Issued, subscribed & paid up capital	3	100,000,000	60,000,000
Reserves & unappropriated profit	4	135,837,287	153,382,501
Reserves for issue of bonus shares	4	15,000,000	-
		-----	-----
		250,837,287	213,382,501
SURPLUS ON REVALUATION OF LAND	5	18,830,530	18,830,530
LONG TERM AND DEFERRED LIABILITIES		-----	-----
Long term loans	6	190,506,848	28,951,196
Liabilities against assets subject to finance	7	48,903,334	47,345,985
Deferred liabilities	8	12,407,517	15,419,538
		-----	-----
		251,817,699	91,716,719
CURRENT LIABILITIES			
Short term finances-secured	9	256,297,775	252,584,672
Short term finances from Associated Companies-unsecured		5,600,000	27,965,218
Current maturity of long term loans	6	9,212,899	10,007,507
Current maturity of liabilities against assets subject to finance lease	7	13,971,715	13,791,109
Current Maturity of deferred import levies		2,392,469	2,392,469
Creditors, accrued and other liabilities	10	97,053,076	93,856,710
Dividend payable		-	12,000,000
		-----	-----
		384,527,934	412,597,685
CONTINGENCIES & COMMITMENTS	11	-	-
		-----	-----
		906,013,450	736,527,435
		=====	=====

Auditors' report to the members of even date annexed hereto.

JUNE 30, 1997

Note	June 30, 1997	June 30, 1996
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Rupees Rupees

TANGIBLE FIXED ASSETS

Operating assets	12	238,481,929	242,756,108
Assets subject to finance lease	13	66,772,071	71,021,131
Capital work-in-progress	14	163,919,232	751,976
		-----	-----
		469,173,232	314,529,215

LONG TERM LOANS AND DEPOSITS

	15	2,661,631	1,759,170
--	----	-----------	-----------

CURRENT ASSETS

Stores, spa tools	16	52,327,013	45,939,123
Stock-in-trade	17	200,199,899	146,719,481
Trade debts	18	116,186,376	142,928,225
Advances, deposits, prepayments and other receivables	19	60,035,361	71,782,807
Cash and bank balances	20	5,429,938	12,869,414
		-----	-----
		434,178,587	420,239,050
		-----	-----
		906,013,450	736,527,435
		=====	=====

The annexed notes form an integral part of these accounts.

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1997**

	Note	12 months to June 30, 97	18 months to June 30, 96
		Rupees	Rupees
Gross sales	21	599,729,208	958,261,748
Less: excise duty & sales tax		109,442,023	167,150,369
		-----	-----
Net sales		490,287,185	791,111,379
Cost of sales	22	360,128,576	540,733,123
		-----	-----
GROSS PROFIT		130,158,609	250,378,256
OPERATING EXPENSES			
Administration and general	23	38,143,767	53,584,146
Selling and distribution	24	44,684,559	66,028,235
		-----	-----
		82,828,326	119,612,381
		-----	-----
PROFIT/(LOSS) FROM OPERATIONS		47,330,283	130,765,875
Other income/(loss)	25	(623,273)	996,744
		-----	-----
		46,707,010	131,762,619
		-----	-----
Financial charges	26	66,536,434	91,859,209

Workers' profit participation fund	27	264,354	2,145,955
		-----	-----
		66,800,788	94,005,164
		-----	-----
PROFIT/(LOSS) BEFORE TAXATION		(20,093,778)	37,757,455
Taxation	28	2,451,436	(16,044,443)
		-----	-----
PROFIT/(LOSS) AFTER TAXATION		(22,545,214)	53,801,898
Unappropriated profit brought forward		28,483,975	16,682,077
		-----	-----
Profit available for appropriation		5,938,761	70,483,975
APPROPRIATION			
Transferred to general reserve		-	30,000,000
Proposed dividend (1996:20%)		-	12,000,000
		-----	-----
		-	42,000,000
		-----	-----
Unappropriated profit carried to reserves and unappropriated profit	4	5,938,761	28,483,975
		=====	=====

The annexed notes form an integral part of these accounts.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 1997**

	June 30, 1997	June 30, 1996
	Rupees	Rupees
Cash Flow from Operating Activities		
(Loss)/Profit before tax	(20,093,778)	37,757,455
Adjustments to reconcile net profit/(Loss) before tax to net cash provided by operating activities:		
Depreciation	35,325,106	58,637,637
Loss/(Gain) on sale of fixed assets	797,001	(120,934)
Provision for staff gratuity	(160,774)	1,053,485
Interest expense	66,536,434	91,859,209
Movement in working capital (note-A)	(28,252,900)	(68,922,049)
	-----	-----
	74,244,867	82,507,348
	-----	-----
Cash generated from operations	54,151,089	120,264,803
Payments for:		
Staff gratuity	(458,779)	(150,888)
Interest	(57,559,542)	(91,398,701)
Income tax	(1,358,075)	(15,484,717)
Deferred import levies	(2,392,468)	(7,177,405)
	-----	-----
	(61,768,864)	(114,211,711)
	-----	-----
Net cash (used)/provided by operating activities	(7,617,775)	6,053,092
Cash Flow from Investing Activities	-----	-----

Movement in long term loans & advances	(902,461)	1,886,296
	(174,622,514)	(25,391,073)
Capital Expenditure		
Sale proceeds of fixed assets	1,144,437	1,075,300
	-----	-----
Net cash (used)/provided in investing activities	(174,380,538)	(22,429,477)
Cash Flow from Financing Activities		
Proceeds from issue of share capital	60,000,000	-
Movement in long term loans	160,761,044	(21,387,154)
Repayment of lease finance	(15,550,092)	(28,922,292)
Dividend paid	(12,000,000)	(10,500,000)
	-----	-----
Net cash provided/(used) by financing activities	193,210,952	(60,809,446)
	-----	-----
Net (decrease)/increase in cash & cash equivalents	11,212,639	(77,185,831)
Cash & cash equivalents at beginning of the year	(267,680,476)	(190,494,645)
	-----	-----
Cash & cash equivalents at the end of the year (Note-B)	(256,467,837)	(267,680,476)
	=====	=====
	June 30,	June 30,
	1997	1996
	Rupees	Rupees

A: Movement in Working Capital

(Increase) / Decrease in current assets

Stores and spares	(6,387,890)	(20,131,985)
Stock in trade	(53,480,418)	(11,282,348)
Trade debts	26,741,849	(43,459,779)
Advances, deposits, prepayments & other receivables	10,654,085	(26,716,034)
	-----	-----
	(22,472,374)	(101,590,146)
(Decrease)/Increase in creditors, accrued expenses & other liabilities	5,780,526	32,668,097
	-----	-----
	(28,252,900)	(68,922,049)
	=====	=====

B: Cash and Cash EquivalentsCash and cash equivalents included in the cash flow statement
comprise the following Balance Sheet amounts:

Cash at bank & in hand	5,429,938	12,869,414
Secured short term finances	(256,297,775)	(252,584,672)
Short term finances from associated companies	(5,600,000)	(27,965,218)
	-----	-----
	(256,467,837)	(267,680,476)
	=====	=====

**C: Supplemental Schedule of Non-cash investing
and financing activities**

Purchase of fixed assets against finance lease	17,288,050	69,561,978
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**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1997**

1. STATUS AND NATURE OF BUSINESS

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 stock exchange on December 29, 1983. The principal activities of the Company are the manufacture and sale of high and low tension electrical porcelain insulators, switchgear and ceramic tiles.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention except land which has been carried at revalued amount and certain exchange elements referred to in note 2.4 which have been incorporated in the cost of relevant assets.

2.2 Staff Retirement Benefits

The Company operates a contributory provident fund for all its confirmed employees. In addition, the company operates an unfunded gratuity scheme for the employees' service periods not covered by the provident fund scheme.

2.3 Taxation

a) Current

Provision for current taxation is based on current rates of tax after taking into account tax credits available, if any.

b) Deferred

The Company accounts for deferred taxation on all material timing differences using the liability method. However, deferred tax is not provided for if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future.

2.4 Foreign currency translation and exchange differences

Assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange prevailing at the balance sheet date except where exchange risk cover has been obtained for payment of liabilities, in which case the historical rates are used. Exchange differences in respect of foreign currency loans obtained for acquisition of fixed assets are incorporated in the cost of the relevant fixed assets. All other exchange differences are taken to profit and loss account. The exchange risk cover fee is charged to income currently.

2.5 Fixed assets and depreciation

a) Fixed assets except freehold land are stated at cost less accumulated depreciation.

Freehold land is stated at revalued amount and capital work-in-progress is stated at cost. Cost in relation to certain fixed assets signifies historical cost, exchange elements referred to in note 2.4 and cost of borrowing during construction period in respect

of loans taken for specific project.

b) Depreciation has been charged on reducing installment method at the rates calculated so as to write off the written down value over the useful life of the assets, however, the normal rates allowable under the Income Tax Law are adopted where the rates arrived at on the above basis are lower. Additions during the year are depreciated for full year irrespective of the date of addition and no depreciation is charged for assets disposed off during the year.

c) Maintenance and normal repairs are charged to income as and when incurred; major renewals and improvements are capitalised. Gains and losses on disposal of fixed assets

2.6 Assets subject to finance lease

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of the lease are accounted for as liabilities. Assets so acquired are amortized over the useful life of the relevant assets.

2.7 Revenue recognition

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

2.8 Stores, spares and loose tools

These are valued at lower of cost and net realisable value. Cost is calculated on a first-in-first-out basis except for items in transit which are valued at actual cost.

2.9 Stock-in-Trade

a) Raw material and components are valued at the lower of cost and net realizable value. Cost is calculated on a first-in-first-out basis.

b) Stocks of work-in-process and finished goods are valued at the lower of average cost and net realizable value. Cost includes purchase cost and applicable manufacturing expenses.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL	June 30, 1997 Rupees	June 30, 1996 Rupees
8,700,000 (1996: 4,700,000) ordinary shares of Rs. 10 each fully paid in cash	87,000,000	47,000,000
1,300,000 (1996:1,300,000) ordinary shares of Rs 10 each issued as fully paid bonus shares	13,000,000	13,000,000
	-----	-----
	100,000,000	60,000,000
	=====	=====

4. RESERVES AND UNAPPROPRIATED PROFIT

	June 30, 1997 Rupees	June 30, 1,996 Rupees
Capital reserve [note 4 (a)]	39,898,526	34,898,526

Revenue reserve [note 4 (b)]	95,938,761	118,483,975
	-----	-----
	135,837,287	153,382,501
	=====	=====
a) Capital reserve		
Share Premium		
Balance at beginning of the year	34,898,526	34,898,526
Premium on issue of 4,000,000 Right Shares at Rs. 5 per share	20,000,000	-
	-----	-----
	54,898,526	34,898,526
Less: Transferred to Reserve for Bonus Shares	(15,000,000)	-
	-----	-----
	39,898,526	34,898,526
	=====	=====
b) The revenue reserve consists of:		
General reserve	90,000,000	90,000,000
Unappropriated profit	5,938,761	28,483,975
	-----	-----
	95,938,761	118,483,975
	=====	=====

5. SURPLUS ON REVALUATION OF LAND

This represents surplus arising out of revaluation of entire freehold land carried out during 1992 by independent valuers M/s Indus Surveyors, Registered Surveyors and Valuation Consultants. On the basis of their valuation the revalued figure was incorporated in the accounts on December 31, 1992. The revaluation was carried out on the basis of market value. The land with the original cost of Rs. 169,470 was revalued at Rs. 19,000,000 resulting in the revaluation surplus of Rs. 18,830,530.

6. LONG TERM LOANS - SECURED

Foreign Currency Loans Note

PICIC		-	794,607
FMO	6.2	21,157,247	33,851,596
		21,157,247	34,646,203

Local Currency Loans

PICIC	6.3	3,562,500	4,312,500
American Express Bank	6.4	40,000,000	-
Standard Chartered Bank	6.4	35,000,000	-
Saudi Pak	6.4	50,000,000	-
Deutsche Bank AG	6.4	30,000,000	-
Ist Int. Inv. Bank	6.4	20,000,000	-
		-----	-----
		178,562,500	4,312,500
		-----	-----
		199,719,747	38,958,703

Less: Current maturity of long term loans shown under current liabilities		9,212,899	10,007,507
		-----	-----
		190,506,848	28,951,196
		=====	=====

6.1 Foreign and local currency loans from PICIC and FMO are secured by an equitable mortgage of the Company's immovable properties, hypothecation of all its plant and machinery, a floating charge on all other assets of the Company and personal guarantees of the directors.

6.2 The total sanctioned loan is of DFL 4.8 million. The year end balance has been translated at DFL: 8.7258=100 Pak Rupees at which rate the exchange risk cover has been provided by State Bank of Pakistan. The loan is repayable in 13 equal half yearly installments commencing from January 1, 1994 and carries interest at 9% per annum excluding exchange risk fee of 5% per annum.

6.3 The total sanctioned loan is Rs. 6 million carrying interest at 6% per annum under the LMM scheme of State Bank of Pakistan and is repayable in 32 equal quarterly installments commencing from July, 1994.

The loans referred to in Note Nos. 6.2 & 6.3 are to finance the capital expenditure q/' Floor Tile plant.

6.4 The Company has obtained a Medium Term Loan amounting to Rs. 175 million from American Express Bank Led consortium for expansion of Wall Tile project. The consortium consists of the following Banks:-

	Rs.
- American Express Bank Ltd.	40 Million
- Deutsche Bank AG	30 Million
- First International Investment Bank Ltd.	20 Million
- Standard Chartered Bank Ltd.	35 Million
- Saudi Pak Industrial & Agricultural Investment Company (Pvt) Ltd.	50 Million

The above loans are repayable in eight equal half yearly installments commencing from 18 months from the date of first drawdown of the loan. The first draw down was made during April, 1997. According to this basis the first installment shall become due during October, 1998.

Above loans carry mark-up (¢ 2% over the State Bank of Pakistan's Short Term Federal Bond Repo rate or 18.5% per annum, whichever is the higher. The mark-up is payable on quarterly basis.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	June 30, 1997	June 30, 1996
	Rupees	Rupees
Present value of minimum lease payments	62,875,049	61,137,094
Less: Current maturity shown under current liabilities	13,971,715	13,791,109
	-----	-----
	48,903,334	47,345,985
	=====	=====

The present value of minimum lease payments has been discounted using the rates of interest implicit in the lease agreements varying from 16.00% to 24.00% per annum. Purchase option is exercisable by the Company and the Company intends to exercise this option. In case of any late payment, charges at Rs 100 per day are payable. In case of early termination of lease the Company is obliged to deliver- the asset to the lessor alongwith payment of agreed loss value as per lease agreements.

8. DEFERRED LIABILITIES

	June 30, 1997	June 30, 1996
--	------------------	------------------

	Rupees	Rupees
Staff gratuity		
Balance at beginning of the year	4,215,835	3,313,238
Payments during the year	(458,779)	(150,888)
Provision for the year	(160,774)	1,053,485
	-----	-----
Balance at the end of the year	3,596,282	4,215,835
	-----	-----
Deferred import levies	11,203,704	13,596,172
Less: current maturity shown under current liabilities	2,392,469	2,392,469
	-----	-----
	8,811,235	11,203,703
	-----	-----
	12,407,517	15,419,538
	=====	=====
9. SHORT TERM BANK BORROWINGS		
Citibank N.A		
Running finance	48,975,559	45,005,431
Export re-finance	7,195,450	-
Import finance (TR)	18,525,983	13,770,222
Bank of America		
Running finance	40,138,211	39,960,296
Import finance	5,450,025	-
Standard Chartered Bank		
Running finance	36,540,153	9,014,455
Export re-finance	25,108,000	13,000,000
Import finance (TR)	13,609,000	5,940,000
Deutsche Bank AG		
Running finance	14,985,192	18,720,045
Import finance	2,795,862	-
American Express Bank Ltd.		
Running finance	11,129,208	19,633,213
Export refinance	15,619,000	-
Import finance	-	5,701,138
Demand finance	-	17,600,000
Emirates Bank International		
Running finance	16,226,132	36,821,203
Import finance	-	8,174,669
Export refinance	-	3,244,000
NDLC		
Short term finance	-	6,000,000
Atlas Investment Bank Ltd.		
Short term finance	-	10,000,000
	-----	-----
	256,297,775	252,584,672
	=====	=====

Short term finances include running finance, import finance, export finance and finance against bills discounting obtained from various banks. Total sanctioned facilities from various banks amounts to Rs. 346 million (1996: Rs. 277 million). The rates of mark-up range from 17.75 % per annum to 19.25 % per annum except for export finance which carries mark up at 13 % per annum.

The facilities for letters of credit and bank guarantees from various banks amounts to Rs. 230 million (1996: Rs. 135 million) The amount utilised at the year end amounts to Rs. 44.50 million for letters of credit (1996: Rs. 22.129 million) and Rs. 59.21 million for guarantees (1996: Rs. 45.639 million). These facilities are secured by hypothecation of stocks and book debts, equitable mortgage on the personal properties of directors, second charge on fixed assets and certain securities owned by directors and their family members.

10. CREDITORS, ACCRUED AND OTHER LIABILITIES

	June 30, 1997 Rupees	June 30, 1996 Rupees
Creditors	40,927,126	38,737,689
Accrued salaries, benefits and other expenses	13,173,110	15,691,389
Accrued interest and other financial charges	21,344,166	12,367,274
Sales tax payable	3,370,016	6,372,288
Advances from customers	14,524,327	16,107,337
Workers' profit participation fund	-	1,987,235
Unclaimed dividend	213,911	181,122
Other payables	3,500,420	2,412,376
	-----	-----
	97,053,076	93,856,710
	=====	=====

11. CONTINGENCIES AND COMMITMENTS

Counter-guarantees to banks	59,214,678	45,638,584
Letters of credit other than for capital expenditure	17,339,296	21,690,246
Commitments in respect of lease arrangements executed by the company are as follows:		
1997-1998	26,444,972	21,150,582
1998-1999	26,396,282	19,970,034
1999-2000	22,897,452	16,471,212
2000-2001	14,126,445	9,497,755
2001-2002	3,285,680	2,077,505

12. OPERATING ASSETS

12.1 The following is a statement of operating assets:

Description	Cost			Depreciation			(Amounts in rupees)			
	Cost revaluation at June 30, 1996	Additions/ transfers* during the year	Sales/ transfers* the year	Cost/ *revaluation at June 30, 1997	Accumulated depreciation at June 30, 1996	Accumulated Depreciation relating to sales/ transfers	Accumulated Depreciation for the year	Accumulated depreciation as at June 30, 1997	Net book value at June 30, 1997	Annual rate of depreciation %
Freehold land	22,088,046	-	-	22,088,046	-	-	-	-	22,088,046	-

Building on freehold land	68,199,136	4,157,937	-	72,357,073	33,029,772	-	3,932,730	36,962,502	35,394,571	10
Roads and boundary wall	5,534,949	420,431	-	5,955,380	1,821,180	-	206,710	2,027,890	3,927,490	5
Residential quarters	3,752,109	-	-	3,752,109	1,325,128	-	242,698	1,567,826	2,184,283	10
Plant and machinery	347,105,419	5,111,134	(2,024,547)	358,884,356	179,082,133	(903,834)	17,778,838	198,874.82	160,009,538	10
		*8,692,350				*2,917,681				
Tools and equipment	6,287,297	-	-	6,287,297	3,716,425	-	514,174	4,230,599	2,056,698	20
Dies	2,588,154	-	-	2,588,154	2,495,605	-	37,020	2,532,625	55,529	40
Furniture and fixture	4,622,410	489,606	-	5,112,016	3,296,155	-	363,172	3,659,327	1,452,689	20
Office equipment	7,592,486	1,163,525	(10,800)	9,979,211	4,990,636	(9,988)	872,591	6,488,848	3,490,363	20
		*1,234,000				*635,609				
Vehicles	9,154,125	112,625	(3,119,000)	17,888,185	5,907,383	(2,299,083)	1,649,015	11,292,125	6,596,060	20
		*11,740,435				6,034,810				
Tubewells	591,852	-	-	591,852	346,000	-	24,586	370,586	221.27	10
		-	-	167,401	117,787	-	4,961	122,748	44,653	10
Construction machinery	167,401	-	-	167,401	-	-	-	-	-	-
Show- Room renovation	1,715,613	-	-	1,715,613	514,684	-	240,186	754,870	960,743	20
Total (Rupees)1997	479,398,997	33,122,043	(5,154,347)	507,366,693	236,642,888	6,375.20	25,866,681	268,884,764	238,481,929	
Total (Rupees) 1996	424,661,846	55,576,317	(839,166)	479,398,997	185,608,443	9,565,125	41,469,320	236,642,888	242,756,108	

12.2 The depreciation charged has been allocated as follows:

	June 30, 97	June 30, 96
	Rupees	Rupees
Cost of sales	23,709,859	37,870,946
Administration and general expenses	1,206,877	2,795,323
Selling and Distribution expenses	949,945	803,051
	-----	-----
	25,866,681	41,469,320
	=====	=====

13. ASSETS SUBJECT TO FINANCE LEASE

13.1 The following is a statement of assets subject to finance lease:

Description	(Amounts in Rupees)									
	Cost as at June 30, 1996	Additions during the year	Disposals/ *Adjustments	Cost as at June 30, 1997	Accumulated depreciation as at June 30, 96	Depreciation relating to disposals/ *Adjustments	Depreciation for the year	Accumulated depreciation as at June 30, 97	Net book value as at June 30, 1997	Annual rate of depreciation %
Vehicles	26,054,041	5,071,560	*(11,740,435)	19,385,166	10,328,890	*(6,034,810)	3,018,219	7,312,299	12,072,867	20
Office Equipment	4,557,650	1,200,000	*(1,234,000)	4,523,650	1,896,603	*(635,609)	652,531	1,913,525	2,610,125	20
Plant and machinery	63,822,072	11,016,490	*(8,692,350)	66,146,212	11,187,139	*(2,917,681)	5,787,675	14,057,133	52,089,079	10
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total (Rupees) 1997	94,433,763	17,288,050	(21,666,785)	90,055,028	23,412,632	(9,588,100)	9,458,425	23,282,957	66,772,071	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Total (Rupees)1996	53,240,363	71,161,978	(29,968,578)	94,433,763	19,229,068	(12,984,753)	17,168,317	23,412,632	71,021,131	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

13.2 The depreciation charge has been allocated as follows:

	June 30, 1997 Rupees	June 30, 1996 Rupees
Cost of sales	6,642,443	9,288,518
Administration and general expenses	1,977,168	5,718,254
Selling and distribution expenses	838,814	2,161,545
	-----	-----
	9,458,425	17,168,317
	=====	=====

13.3 Disposal of fixed assets:

(Amounts in Rupees)

Description	Original Cost	Accumulated Depreciation	Written down Value	Sale Proceeds	Gain/(Loss)	Name & Address of Purchaser (By negotiation)
Vehicle	675,000	575,910	99,090	222,500	123,410	Mr. Mohd. Kashif Mughal, 9-Shalimar Link Road, Lahore.
-do-	305,000	260,226	44,774	75,000	30,226	Mr. Bashir Ahmed Butt, Kabli Gate C/o Fruit Market, Kot Lakpat, Lahore.
-do-	428,000	365,169	62,831	75,000	12,169	Mr. Mohd. Saeed Akhtar 3-B, St No. t 1, Satellite Town, Rawalpindi
-do-	895,000	574,232	320,768	250,000	(70,768)	Employee
-do-	163,500	104,902	58,598	62,500	3,902	Employee
-do-	217,500	139,548	77,952	84,000	6,048	Employee
-do-	217,500	139,548	77,952	80,000	2,048	Employee
-do-	217,500	139,548	77,952	84,500	6,548	Employee
Office Equipment	10,800	9,988	812	7,500	6,688	Employee
Machinery	2,024,543	903,834	1,120,709	203,437	(917,272)	Mr. Mohd. Sharif, 2-Misri Shah, Lahore.
	-----	-----	-----	-----	-----	
	5,154,343	3,212,905	1,941,438	1,144,437	(797,001)	
	=====	=====	=====	=====	=====	

14. CAPITAL WORK-IN-PROGRESS

	June 30, 1997 Rupees	June 30, 1996 Rupees
Machinery, other expansion work, Civil works and contract advances for the construction of building	163,919,232	751,976
	=====	=====

15. LONG TERM LOANS AND DEPOSITS

SECURITY DEPOSITS [note 15 (a)]	1,530,117	911,357
LONG TERM LOANS [note 15 (b)]	1,131,514	847,813
	-----	-----
	2,661,631	1,759,170
	=====	=====
15 (a) Security deposits on lease	738,419	738,419
Security deposits-others	791,698	172,938
	-----	-----
	1,530,117	911,357
	=====	=====
15 (b) Long term loans to employees considered good Executives	713,077	635,036

Others	1,152,185	1,209,277
	-----	-----
	1,865,262	1,844,313
Less: Installments due within 12 months (notel9)		
Executives	227,667	97,719
Others	506,081	898,781
	-----	-----
	733,748	996,500
	-----	-----
	1,131,514	847,813
	=====	=====
Outstanding for period exceeding three years	818,547	745,446
The maximum month end balances during the period are as follows:		
Executives	651,867	1,016,277
Others	1,201,395	1,209,277
	-----	-----

16. STORES, SPARES AND LOOSE TOOLS

Consumable stores	7,595,878	9,150,067
Machinery spares	40,480,850	34,153,127
Loose tools	1,168,007	421,730
Packing material	3,082,278	2,214,199
	-----	-----
	52,327,013	45,939,123
	=====	=====

17. STOCK-IN-TRADE

Raw materials and components	68,188,574	62,027,390
Work-in-process	46,897,297	31,692,271
Finished goods	85,114,028	52,999,820
	-----	-----
	200,199,899	146,719,481
	=====	=====

June 30,	June 30,
1997	1996
Rupees	Rupees

18. TRADE DEBTS

Trade debts	119,186,376	144,928,225
Less: Provision for doubtful debts	(3,000,000)	(2,000,000)
	-----	-----
	116,186,376	142,928,225
	=====	=====

All trade debts, including Rs. 217,232 (1996: Rs. 87,171) due from associated companies are unsecured but considered good except for certain debts for which provision of Rs. 3,000,000 has been made which is considered as adequate.

19. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Loans to employees due within 12 months, considered good (note 15)	733,748	996,500
Advances for supply of goods and services	4,033,643	9,157,057
Deposits and prepayments	16,486,255	10,217,394
Letters of credit and goods-in-transit	18,103,568	29,935,461
Advance income tax	18,965,570	20,058,931
Rebates and claims receivable	1,712,577	1,417,464
	-----	-----
	60,035,361	71,782,807
	=====	=====

20. CASH AND BANK BALANCES

In hand	2,452,258	4,908,738
At banks in current accounts	2,977,680	7,960,676
	-----	-----
	5,429,938	12,869,414
	=====	=====

21. OPERATING RESULTS BY DIVISION

PARTICULARS	JUNE 30, 1997				JUNE 30, 1996			
	Insulator	Wall Tile	Floor Tile	Total	Insulator	Wall Tile	Floor Tile	Total
Gross Sales								
Local	150,551,566	206,791,446	192,822,233	550,165,245	325,577,386	334,998,483	352,788,151	914,364,020
Export	49,201,293	-	362,670	49,563,963	42,599,381	-	1,298,347	43,897,728
	-----	-----	-----	-----	-----	-----	-----	-----
	199,752,859	206,791,446	193,184,903	599,729,208	368,176,767	334,998,483	255,086,498	958,261,748
Less: excise duty & sales tax	15,719,421	48,264,763	45,457,839	109,442,023	37,349,754	74,424,526	55,376,089	167,150,369
	-----	-----	-----	-----	-----	-----	-----	-----
Net Sales	184,033,438	158,526,683	147,727,064	490,287,185	330,827,013	260,573,957	199,710,409	791,111,379
Cost of sales (Note-22)	155,831,522	111,226,584	93,070,470	360,128,576	257,199,431	167,218,773	116,314,919	540,733,123
Gross Profit	-----	-----	-----	-----	-----	-----	-----	-----
Operating Expenses	28,201,916	47,300,099	54,656,594	130,158,609	73,627,582	93,355,184	83,395,490	250,378,256
Admin and general (Note-23)	12,835,971	12,524,191	12,783,605	38,143,767	20,978,200	17,931,074	14,674,872	53,584,146
Selling and distribution (Note-24)	7,768,557	16,819,771	20,096,231	44,684,559	18,500,225	23,064,418	24,454,592	66,028,235
	-----	-----	-----	-----	-----	-----	-----	-----
	20,604,528	29,343,962	32,879,836	82,828,326	39,487,425	40,995,492	39,129,464	119,612,381
	-----	-----	-----	-----	-----	-----	-----	-----
Profit/(Loss) from operations	7,597,388	17,956,137	21,776,758	47,330,283	34,140,157	52,359,692	44,266,026	130,765,875

21.1 Local sales of Insulators for the year include sale of Rs 109,076,489 (1996: Rs. 14,990,008) to Wapda against International Tenders.

Raw materials and components consumed	June 30, 1997				June 30, 1996
	Insulator	Wall Tile	Floor Tile	Total	Total
consumed	61,186,494	51,065,334	39,302,098	151,553,926	194,721,040
Stores and spares consumed	26,586,752	18,253,638	13,305,317	58,145,707	71,034,713
Salaries, wages and other benefits	53,933,607	34,245,008	14,139,143	102,317,758	150,564,449
Power	6,859,807	7,467,363	6,878,832	21,206,002	29,297,321

Gas	10,155,427	10,224,591	7,147,667	27,527,685	31,544,316
Depreciation	12,256,523	5,203,353	12,892,426	30,352,302	47,159,464
Repair and maintenance	2,208,994	868,865	947,482	4,025,341	4,443,252
Other miscellaneous expenses	7,222,688	2,259,297	2,837,104	12,319,089	13,407,856
	-----	-----	-----	-----	-----
	180,410,292	129,587,449	97,450,069	407,447,810	542,172,411
ADD: Opening work in process	27,366,510	2,830,050	1,495,711	31,692,271	18,353,442
	-----	-----	-----	-----	-----
	207,776,802	132,417,499	98,945,780	439,140,081	560,525,853
LESS: Closing work in process	43,751,835	2,063,926	1,081,536	46,897,297	31,692,271
	-----	-----	-----	-----	-----
Cost of goods manufactured	164,024,967	130,353,573	97,864,244	392,242,784	528,833,582
ADD: Opening inventory of finished goods	40,598,104	5,332,172	7,069,544	52,999,820	64,899,361
	-----	-----	-----	-----	-----
	204,623,071	135,685,745	104,933,788	445,242,604	593,732,943
LESS: Closing inventory of finished goods	48,791,549	24,459,161	11,863,318	85,114,028	52,999,820
	-----	-----	-----	-----	-----
	155,831,522	111,226,584	93,070,470	360,128,576	540,733,123
	-----	-----	-----	-----	-----

June 30, **June 30,**
1997 **1996**
Rupees **Rupees**

ADMINISTRATION AND GENERAL EXPENSES

Salaries, allowances and other benefits	18,950,175	25,687,803
Communication and stationery	2,821,065	3,200,736
Travelling	2,755,527	1,923,471
Vehicle maintenance	1,724,970	1,674,913
Office rent	2,668,374	3,668,124
Depreciation (note 12 & 13)	3,184,045	8,513,577
Fuel and power	694,671	932,424
Insurance	1,001,083	1,017,688
Legal and professional charges (note 23.1)	811,395	858,523
Repair and maintenance	396,054	338,211
Charity and donations (note 23.2)	460,400	427,168
Fees and taxes	508,081	150,860
Provision for doubtful debts	79,404	2,000,000
(Profit)/Loss on sale & lease back	(33,936)	485,608
Bad debts	42,168	191,995
Other expenses	2,080,291	2,513,045
	-----	-----
	38,143,767	53,584,146
	=====	=====

23.1 LEGAL AND PROFESSIONAL CHARGES

Audit fee	54,000	54,000
Tax consultancy and company law work	295,200	526,600
Legal charges	462,195	277,923
	-----	-----
	811,395	858,523
	=====	=====

23.2 These include Rs 140,000 (1996: Rs 162,500) donated to M/S. Khair-un-Nisa Hospital foundation,

Lahore in which five of the Directors are interested as its trustees.

24. SELLING AND DISTRIBUTION EXPENSES

Salaries, allowances and other benefits	9,692,255	14,155,875
Travelling expenses	1,397,884	3,821,404
Insurance	913,799	1,574,360
Handling freight and transport	15,939,776	23,277,332
Vehicle maintenance	2,816,818	3,412,394
Office rent	2,647,652	3,675,319
Communication	1,840,379	3,311,287
Advertisement and sales promotion	2,673,401	4,078,371
Depreciation (note 12 & 13)	1,788,759	2,964,596
Others	4,973,836	5,757,297
	-----	-----
	44,684,559	66,028,235
	=====	=====

25. OTHER INCOME

	June 30, 1997 Rupees	June 30, 1996 Rupees
Gain/(Loss) on sale of fixed assets	(797,001)	120,934
Interest on long term loans to employees	45,250	76,738
Others	128,478	799,072
	-----	-----
	(623,273)	996,744
	=====	=====

26. FINANCIAL CHARGES

Long term loans

Interest	2,761,101	6,163,184
Exchange risk fee	1,387,612	2,951,604
Interest on debentures	-	43,823
Financial charges on assets subject to finance lease	10,924,026	12,079,690
Excise duty	165,809	593,864

Short term borrowings

Mark up on short term finances	45,278,793	59,594,605
Mark up on borrowings from associated companies	1,191,202	3,632,809
Excise duty	2,307,769	3,105,795
Bank charges	2,520,122	3,693,835
	-----	-----
	66,536,434	91,859,209
	=====	=====

27. WORKERS' PROFIT PARTICIPATION FUND

Provision for the period	-	1,987,235
Interest paid during the year	264,354	158,720
	-----	-----
	264,354	2,145,955
	=====	=====

28. TAXATION

Current taxation		
Current year (note 28.1)	2,451,436	3,955,557
Deferred		(20,000,000)
	-----	-----
	2,451,436	(16,044,443)
	=====	=====

28.1 In view of brought forward tax losses no provision for current taxation is required. However, the current tax provision represents the minimum tax on turnover for the year under section 80-D of the Income Tax Ordinance 1979

29. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	(Amounts in Rupees)					
	June 30, 1997			June 30, 1996		
	Chief Executive	Directors	Executives	Chief Executive	Directors,	Executives
Managerial remuneration	567,600	2,264,400	4,357,273	792,000	3,246,000	5,316,630
Bonus	72,500	284,000	492,262	217,875	892,061	629,741
House rent	255,420	1,018,980	1,960,774	356,400	1,460,700	2,392,484
Reimbursement- of medical expenses	133,174	187,543	309,619	65,106	231,399	254,936
Reimbursement of utilities	159,451	467,057	256,740	79,200	355,790	192,754
	-----	-----	-----	-----	-----	-----
TOTAL	1,188,145	4,221,980	7,376,668	1,510,581	6,185,950	8,786,545
	=====	=====	=====	=====	=====	=====
No. of Persons	1	4	17	1	5	16
	=====	=====	=====	=====	=====	=====

In addition to the above benefits, all the above persons are provided with Company's maintained cars and residential telephones.

30. TRANSACTIONS WITH ASSOCIATED COMPANIES

	June 30, 1997 Rupees	June 30, 1996 Rupees
Sale of goods and services	443,030	3,423,464
Purchase of goods and services	62,005	199,976
Mark up	1,191,202	3,632,809
Short term borrowings	5,600,000	27,965,218
Lease rentals	98,000	147,000

Maximum debit balance of associated companies at the end of any month during the year ended June 30, 1997 was Rs. 438,550/- (1996: Rs. 186,063/-).

Maximum credit balance of associated companies at the end of any month during the year ended June 30, 1997 was Rs. 5,616,689/- (1996: Rs. 28,152,095/-).

31. TAXES AND DUTIES

	June 30, 1997 Rupees	June 30, 1996 Rupees
Import duties on raw materials	44,738,727	52,855,939

Sales tax on finished goods	81,923,332	127,547,424
Excise duty on finished goods	28,560,000	41,515,000
Income tax	2,451,436	3,955,557
	-----	-----
	157,673,495	225,873,920
	=====	=====

32. PLANT CAPACITY AND ACTUAL PRODUCTION

	June 30, 1997			June 30, 1996		
	Insulators (tons)	Wall Tile (sq. meters)	Floor Tile (sq. meters)	Insulators (tons)	Wall Tile (sq. meters)	Floor Tile (sq. meters)
PLANT CAPACITY	5,000	500,000	500,000	7,500	750,000	750,000
ACTUAL PRODUCTION	2,536	690,248	630,137	5,567	986,909	774,456

i) Plant capacity of insulators is expressed in weight whereas actual production of insulators is in a wide range of weights, shapes, sizes, specifications, designs etc.

ii) Production of insulators is mainly regulated according to orders from public sector and indigenous private electrical industry.

33. FIGURES

Have been rounded off to the nearest rupee.

Previous year's figures have been rearranged and reclassified wherever considered necessary for the purpose of comparison.

**Pattern of holding of the Shares held by the Shareholders of
EMCO Industries Limited as on June 30, 1997**

No. of Shareholders	Shareholding			Total Shares held	Percentage		
65	holding	from	1	to	100	6,081	0.06
273	holding	from	101	to	500	77,254	0.77
57	holding	from	501	to	1,000	48,977	0.49
108	holding	from	1,001	to	5,000	257,998	2.58
14	holding	from	5,001	to	10,000	108,431	1.08
16	holding	from	10,001	to	20,000	233,750	2.34
7	holding	from	20,001	to	30,000	175,942	1.76
13	holding	from	30,001	to	40,000	471,019	4.71
4	holding	from	40,001	to	50,000	178,205	1.78
9	holding	from	50,001	to	75,000	555,893	5.56
24	holding	from	75,001	to	And Above	7,886,450	78.86
-----	-----	-----	-----	-----	-----	-----	-----
590						10,000,000	100.00
=====	=====	=====	=====	=====	=====	=====	=====

Categories of Shareholders	Numbers	Shares held	Percentage
Individuals	571	3,069,476	30.69
Investment companies	3	122,498	1.22
Insurance companies,	4	287,716	2.88
Joint stock companies	5	2,997,570	29.98
Financial institutions	7	3,522,740	35.23
	-----	-----	-----

Total	590	10,000,000	100.00
	=====	=====	=====