

Emco Industries Limited

Annual Report 2000

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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. Muhammad Shafiq Gill-ICP Nominee

Auditors

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

Bankers

Habib Bank Ltd.
United Bank Ltd.
Standard Chartered Bank
Emirates Bank International
Deutsche Bank A.G.
American Express Bank Ltd.
Citibank N.A.

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 cm x 15 cm x 6 mm
20 cm x 20 cm x 6 mm
20 cm x 25 cm x 6 mm

Ceramic Glazed Floor Tiles

- Vitreous & Semi Vitreous Decorative Glazed
Floor Tiles
- 30 cm x 30 cm x 8 mm
- Semi Vitreous Glazed Floor Tiles
- 40 cm x 40 cm x 8 mm

· Floor and Facing Tiles
10 cm x 30 cm x 8 mm

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 45th Annual General Meeting of the Members of EMCO INDUSTRIES LIMITED, will be held on 30th December, 2000 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 29th December, 1999.
2. To consider and adopt the Audited Accounts of the Company for the year ended 30th June, 2000 and reports of the Auditors and Directors thereon.
3. To appoint Auditors and fix their remuneration.
4. To consider and if thought fit to pass the following resolution as a special resolution:
RESOLVED that the following clause be and is hereby incorporated in the Memorandum of Association of the Company.

"To borrow or raise or get financial facilities and services from banks and financial or other Institutions or secure the payment of moneys in such a manner as the Company shall think fit, by the issue of debentures or debenture stock perpetual or otherwise charged upon all or any of the Company's property both present and future including its uncalled capital and to purchase, redeem or pay off any such securities and to provide security, guarantee, mortgage, pledge, hypothecation and whatever is agreed upon with the lender or bank or financial or other institution for any facility or accommodation".

The above addition is subject to the approval of the Securities and Exchange Commission of Pakistan, Islamabad.

By order of the Board

(HARIS NOORANI)
DIRECTOR CORPORATE AFFAIRS

Lahore: December 02, 2000

NOTES:

- i) The Shares Transfer Books of the Company will remain closed and no transfer of Shares will be accepted for registration from 23rd December, 2000 to 30th December, 2000 (both days inclusive).
- 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 45th Annual Report of **EMCO Industries Limited** for the year ended June 30, 2000

Financial Results

Rupees

Net loss for the year after taxation	(148,382,543)
Prior Year Adjustment	1,731,813
Unappropriated loss brought forward from prior year	(204,615,519)

Unappropriated loss carried forward	(351,266,249)
	=====

Pattern of Holding of Shares

A statement showing the pattern of holding of shares in the Company as on June 30, 2000 appears on page 37.

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.

On behalf of the Board of Directors

TARIQ REHMAN
(Chief Executive)

Lahore: December 02, 2000

FINANCIAL HIGHLIGHTS

		<i>June 30,</i> <i>2000</i>	<i>June 30,</i> <i>1999</i>
Net Sales	Rs. in Million	489	480
Profit/(Loss) before tax	Rs. in Million	(142.86)	(143.90)
Income Tax	Rs. in Million	5.5	2.4
Profit / (Loss) after tax	Rs. in Million	(148.38)	(146.30)
Earning Per Share	Rs.	(9.68)	(9.57)
No. of Shares Outstanding	(000's)	15,333	15.33
Taxes & Duties	Rs. In Million	92*	84*

* For details see Note 32 to the Accounts

APPLICATION OF REVENUE

	<i>Rupees</i> <i>In Million</i>	<i>%</i>
Material Services & Utilities	345	57.02
Depreciation	47	7.77

Taxes & Duties	92	15.21
Salaries	121	20
	-----	-----
	605	100%
	=====	=====

TEN YEARS AT A GLANCE

	2000	1999	1998	1997	1996 18 Months	1994	1993	1992	1991	1990
(Rupees in Million)										
Net Total Sales	489	480	307	490	791	462	348	417	296	238
Exports	86	78	50	50	44	31	20	8	17	23
Employees Costs	121	114	76	126	183	103	85	81	65	53
Profit/(Loss) before tax	(143)	(144)	(63)	(20)	38	23	15	25	17	26
Profit/(Loss) after tax	(148)	(146)	(64)	(23)	54	21	23	15	14	23
Earning per share	(9.68)	(9.55)	(5.58)	(2.25)	8.97	3.45	5.83	3.78	3.54	5.74
Capital Expenditure	0.30	2	255	29	102	28	15	61	84	84
Cash Dividend Rate	--	--	--	--	20.0%	17.5%	17.5%	15.0%	15.0%	20.0%
Stock Dividend Rate	--	--	--	15%	--	--	--	--	--	--
Shareholders' Equity	(68)	79	187	251	213	172	159	99	89	81

CHAIRMAN'S REVIEW

On behalf of the Board of Directors I welcome you to the 45th Annual General Meeting of the Company and present before you the Annual Report and Financial Statements for the year ended 30th June, 2000.

During this year your Company has suffered a loss after tax amounting to Rs. 148.382 million as compared to a loss of Rs. 146.358 million last year. Included in the loss is an amount of Rs. 23.332 million (1999; Rs. 23.332 million) on account of carried forward Trial Run losses and deferred amount of Golden Hand Shake which was capitalized in the year 1997-98 for writing off in the subsequent years. The Company is suffering losses for the last four years resulting in serious cash flow problems.

Despite 15% increase in the production of Wall Tile, EMCO has not been able to minimize losses in this division. The net sales of this division has decreased by 12.5%. About 80% of the total accounting losses of the Company are due to the Wall Tile Plant which can be attributable to inadequate working capital lines, shut down of Spray Dryer Machine in the month of May & June 2000, lower recoveries of biscuits and unfavorable quality mix. Higher depreciation and financial charges owing to expansion with no matching revenue are also one of the major reasons for losses in this division.

Prices increase in local as well as imported raw materials and rising trend of inflation also contributed in increasing the product cost. Due to the tough market competition the corresponding increase in the selling price was not possible.

However, the operating results of Insulator Division and Floor Tile Division have shown improvement which is enumerated below:

* The operating results of the Insulator Plant are very encouraging and showing better performance

every year. There has been Rs. 20.175 million (12%) increase in the net sales as compared to last year. Average monthly production also increased during the year to 171 ton, from 145 ton last year thus increasing the profit from operation of this division from Rs. 8.286 million to Rs. 14.694 million i.e. an increase of about 77%. Keeping in view the increase in orders from WAPDA, upward trend in export business, good production & sales performance in the subsequent period and adequate orders in hand, it is expected that this division will earn accounting profit in the year 2000-01.

* The Floor Tile division has also shown improvement in its production and net sales. The production of this division has gone up by 12% and net sales by 6%. Owing to increase in production with favourable product mix, the profit from operation of this division has increased from Rs. 16.142 million to Rs. 23.792 million i.e. an increase of 47%. EMCO has never suffered cash losses in this division during last three years crises time and there is a potential to maximise profit by increasing production with good quality mix in this division.

Despite such huge losses the management is still committed with the Company and trying its level best to bring it out of crises which is evident from the following:-

* All the cash losses suffered during the period under view have been financed by the Sponsors by injecting additional funds and without increasing bank borrowings of the company.

* On request from your company the AMEX led consortium has agreed in principle to reschedule the Long Term Loan of Rs. 172 million with appreciable reduction in the mark up rates. This will result in substantial saving in the financial charges. All the terms & conditions of the restructuring have been verbally agreed and the consortium members are in the process of getting approvals from their respective Head Offices. The legal documentation of this rescheduling is expected to be completed by 31st, January, 2001.

* A working capital facility of Rs. 30 million was also restructured with Emirates Bank International according to which this facility was converted into Long Term Loan for the period of five years. The monthly installment of this loan is Rs. 500,000 per month. The payment of this loan has already started since April 2000. Mark-up rate on this loan for the entire loan period has been agreed at 9% per annum.

* Your company is also negotiating with four major leasing companies i.e. ORIX, NDLC, ATLAS and SAUDI PAK to get extension in the lease period and reduction in the mark-up rates. There has been a favourable response from these companies. We hope to finalize all terms and conditions of the rescheduling by 31st, January, 2001.

* The company has adequate orders in hand to achieve profitable results in the Insulator division. The production performance of all the three divisions during the period from July to November 2000 is better as compared to the correspondence period. In the presence of working capital constraints a production strategy has been finalised based on which more emphasis will be given to the production of Insulators and Floor Tile to generate more funds. In the Wall Tile Plant production of only those sizes will be made which can give good product mix and better recoveries even if plant operates at below rated capacity. We are hopeful to reduce accounting losses substantially in the year 2000-01.

* Some cost saving measures were also taken during the year by virtue of which Marketing Department in Lahore was merged with Head Office.

SUBSEQUENT EVENTS

No material changes or commitments effecting financial position of the company have taken place between

the end of the financial year and the date of this report.

MILLENNIUM BUG

No computer operational problems relating to year 2000 were faced a compliance certificate from the Software consultants was received well in time.

EMPLOYEES RELATIONS

The Management would like to place on record the positive attitude and co-operation of the employees during the difficult phase, the Company is passing through. The Company has during this period faced acute cash flow problems and the employees have shown their loyalty to the organization by cutting costs wherever possible.

FUTURE LOOK

Keeping in view the financial results of the Company, it appears that next two years are going to be difficult during which Company is likely to tide over its cash flows to honour its financial obligations. The Insulator and Floor Tile Divisions are doing well and it is expected that these divisions will continue to show substantial improvement in financial results during year 2000-01. Efforts are being made to minimize the losses of Wall Tile by producing different sizes of Wall Tile and improving recoveries and product mix.

ACKNOWLEDGEMENT

I take this opportunity to place on record the dedication of the employees and staff during the difficult period. I would also like to thank our customers and dealers, 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 also thank bankers and leasing companies for their co-operation and standing behind us in this difficult time and hope they will continue their support in coming years.

S. A. MANNAN
(Chairman)

Lahore: December 2, 2000.

Auditors' Report to the Members

We have audited the annexed Balance Sheet of **EMCO Industries Limited** as at June 30, 2000 and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Cash Flow Statement and the Statement of Changes in equity together with the notes forming part thereof conform with approved accounting standard 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, 2000 and of the loss, its cash flows and changes in equity, for the year then ended; and

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

Lahore: December 02, 2000

S. A. SALAM & CO.,
Chartered Accountants.

BALANCE SHEET AS AT JUNE 30, 2000

	<i>Note</i>	<i>June 30, 2000 Rupees</i>	<i>June 30, 1999 Rupees</i>
SHARE CAPITAL AND RESERVES			
Authorised capital 25,000,000 ordinary shares of Rs. 10 each.		250,000,000 =====	250,000,000 =====
Issued, subscribed and paid up capital	3	153,333,330	153,333,330
Reserves and unappropriated loss	4	(221,367,723)	(74,716,993)
		----- (68,034,393)	----- 78,616,337
SURPLUS ON REVALUATION OF LAND	5	18,830,530	18,830,530
SUBORDINATED LOAN	6	127,388,660	63,400,000
LONG TERM AND DEFERRED LIABILITIES			
Long term loans	7	166,040,117	194,437,500
Liabilities against assets subject to finance lease	8	42,115,370	62,523,056
Deferred liabilities	9	6,713,348	13,730,524
		----- 214,868,835	----- 270,691,080

CURRENT LIABILITIES

Short term finances - Secured	10	310,165,142	342,476,290
Loan from associated company - Unsecured		--	3,200,000
Current maturity of long term loans	7	75,351,540	35,319,347
Current maturity of liabilities against assets subject to finance lease	8	33,295,424	21,420,407
Current maturity of deferred import levies	9	2,392,469	2,392,469
Creditors, accrued and other liabilities	11	177,631,556	125,092,025
		-----	-----
		598,836,131	529,900,538
CONTINGENCIES & COMMITMENTS	12	--	--
		-----	-----
		891,889,763	961,438,485
		=====	=====

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

Lahore: December 02, 2000.

TANGIBLE FIXED ASSETS

Operating assets	13	361,840,110	397,648,869
Assets subject to finance lease	14	63,422,250	74,720,073
		-----	-----
		425,262,360	472,368,942
DEFERRED EXPENSES	15	65,986,102	87,610,671
LONG TERM LOANS AND DEPOSITS	16	1,067,422	933,653

CURRENT ASSETS

Stores, spares and loose tools	17	41,815,370	47,188,816
Stock-in-trade	18	195,337,480	182,546,935
Trade debts	19	98,227,884	106,368,829
Advances, deposits, prepayments and other receivables	20	59,253,105	63,561,853
Cash and bank balances	21	4,940,040	858,786
		-----	-----
		399,573,879	400,525,219
		-----	-----
		891,889,763	961,438,485
		=====	=====

The annexed notes form an integral part of these accounts.

S. A. Mannan
(Chairman)

Tariq Rehman
(Chief Executive)

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2000**

<i>Note</i>	<i>June 30,</i>	<i>June 30,</i>
	<i>2000</i>	<i>1999</i>

		<i>Rupees</i>	<i>Rupees</i>
Gross Sales	22	561,106,074	539,835,312
Less: Sales tax		72,454,641	60,206,616
		-----	-----
Net Sales		488,651,433	479,628,696
Cost of sales	23	437,551,561	426,564,457
		-----	-----
GROSS PROFIT		51,099,872	53,064,239
OPERATING EXPENSES			
Administration and general	24	32,047,323	28,243,441
Selling and distribution	25	36,621,882	42,268,865
		-----	-----
		68,669,205	70,512,306
		-----	-----
LOSS FROM OPERATIONS		(17,569,333)	(17,448,067)
Other income/(Loss)	26	(328,498)	482,846
		-----	-----
		(17,897,831)	(16,965,221)
Financial charges	27	124,959,525	126,994,318
		-----	-----
LOSS BEFORE TAXATION		(142,857,356)	(143,959,539)
Taxation	28	5,525,187	2,398,143
		-----	-----
LOSS AFTER TAXATION		(148,382,543)	(146,357,682)
Prior Year adjustment		1,731,813	--
		-----	-----
		(146,650,730)	(146,357,682)
Unappropriated loss brought forward		(204,615,519)	(58,257,837)
		-----	-----
Unappropriated loss carried to reserves	4	(351,266,249)	(204,615,519)
		=====	=====
Basic earning per share	29	(9.68)	(9.55)

Lahore: December 02, 2000. **S.A. Mannan**
(Chairman)

Tariq Rehman
(Chief Executive)

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2000

	<i>June 30,</i> <i>2000</i> <i>Rupees</i>	<i>June 30,</i> <i>1999</i> <i>Rupees</i>
Cash Flow from Operating Activities		
Loss before tax	(142,857,356)	(143,959,539)
Adjustments to reconcile net loss before tax to net cash provided by operating activities:		
Depreciation	46,606,577	52,147,115
Loss on sale of fixed assets	599,592	8,418

Provision for staff gratuity	211,563	970,597
Golden hand shake	577,947	(6,000,000)
Deferred expenses	22,383,096	23,336.60
Interest expense s	124,959,525	126,994,318
Prior year adjustment	1,731,813	--
	-----	-----
	197,070,113	197,457,051
	-----	-----
Operating profit before working capital changes	54,212,757	53,497,512
	-----	-----
Movement in working capital (Note - A)	2,580,736	(13,534,483)
	-----	-----
Cash generated from operations	56,793,493	39,963,029
Payments for:		
Staff gratuity	(70,862)	(500,257)
Interest	(90,955,740)	121,730,705
Income tax	12,262,418	(2,048,573)
Deferred import levies	(2,392,409)	(2,392,468)
Golden hand shake liability	(6,101,942)	(3,476,005)
	-----	-----
	(87,258,535)	130,148,008
	-----	-----
Net cash (used)/provided by operating activities	(30,465,042)	90,184,979
Cash Flow from Investing Activities		
Movement in long term loans & advances	(133,769)	43,621
Purchase of fixed Assets	(274,588)	(2,369,585)
Sale proceeds of fixed assets	175,000	669,072
	-----	-----
Net cash (used)/provided by investing activities	(233,357)	(1,656,892)
Cash Flow from Financing Activities		
Proceeds from issue of share capital	--	38,333,330
Subordinated Loan	63,988,660	(3,600,000)
Movement in long term loans	11,634,810	39,250,000
Repayment of lease finance	(8,532,669)	9,000,404
	-----	-----
Net cash (used)/provided by financing activities	67,090,801	82,983,734
	-----	-----
Net (decrease)/increase in cash & cash equivalents	36,392,402	(8,858,137)
Cash & cash equivalents at beginning of the year	(341,617,504)	(332,759,367)
	-----	-----
Cash & cash equivalents at the end of the period (Note-B)	(305,225,102)	(341,617,504)
	=====	=====
A: Movement in Working Capital		
(Increase)/Decrease in current assets		
Stores and spares	5,373,446	5,733,048
Stock-in-trade	(12,790,545)	(4,205,968)
Trade debts	8,140,945	(4,540,910)

Advances, deposits, prepayments & other receivables	(13,478,857)	(19,079,454)
	-----	-----
	(12,755,011)	(22,093,284)
Increase/(Decrease) in current liability		
Loan from associated company	(3,200,000)	3,200,000
Creditors, accrued & other liabilities	18,535,747	5,358,801
	-----	-----
	2,580,736	(13,534,483)
	=====	=====

B: Cash and Cash Equivalents

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

Cash at bank & in hand	4,940,040	858,786
Secured short term finances	(310,165,142)	(342,476,290)
	-----	-----
	(305,225,102)	(341,617,504)
	=====	=====

STATEMENT OF CHANGES IN EQUITY

	<i>Issued Subscribed & paid up Share Capital</i>	<i>Capital Reserves</i>	<i>General Reserves</i>	<i>Unappropriated Profit/(Loss)</i>	<i>Total</i>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Balance as at June 30, 1998	115,000,000	39,898,526	90,000,000	(58,257,837)	186,640,689
Right issue of Share capital	38,333,330	--	--	--	38,333,330
Loss for the year	--	--	--	(146,357,682)	(146,357,682)
	-----	-----	-----	-----	-----
Balance as at June, 30 1999	153,333,330	39,898,526	90,000,000	(204,615,519)	78,616,337
Loss for the year	--	--	--	(148,382,543)	(148,382,543)
Prior Year Adjustment	--	--	--	1,731,813	1,731,813
	-----	-----	-----	-----	-----
Balance as at June 30, 2000	153,333,330	39,898,526	90,000,000	(351,266,249)	(68,034,393)
	=====	=====	=====	=====	=====

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2000**

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 except for BMR/expansion of plant on which depreciation is charged on prorata basis for the period in which they have been used for commercial production and no depreciation is charged for assets disposed off during the period.

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

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 their 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 Stores, spares and loose tools

These are valued at lower of cost and net realizable value. Cost is calculated on weighted average basis except for items in transit which are valued at actual cost.

2.8 Stock-in-Trade

a) Raw material and components are valued at the lower of cost and net realizable value. Cost is calculated on weighted average 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.

2.9 Revenue recognition

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

	<i>June 30, 2000 Rupees</i>	<i>June 30, 1999 Rupees</i>
3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
12,533,333 (1999: 12,533,333) ordinary shares of Rs. 10 each fully paid in cash	125,333,330	125,333,330
2,800,000 (1999: 2,800,000) ordinary shares of Rs. 10 each issued as fully paid as bonus shares	28,000,000	28,000,000
	-----	-----
	153,333,330	153,333,330
	=====	=====
4. RESERVES AND UNAPPROPRIATED PROFIT/(LOSS)		
Capital reserve (note 4 (a))	39,898,526	39,898,526
Revenue reserve (note 4 (b))	(261,266,249)	(114,615,519)
	-----	-----
	(221,367,723)	(74,716,993)
	=====	=====
a) Capital reserve		
Share premium	39,898,526	39,898,526
	=====	=====

b) The revenue reserve consists of:

General reserve	90,000,000	90,000,000
Unappropriated (loss)	(351,266,249)	(204,615,519)
	-----	-----
	(261,266,249)	(114,615,519)
	=====	=====

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. SUBORDINATED LOAN

Subordinated loan from banks	(note 6 (a))	94,593,480	60,100,000
Loan from Associated Companies	(note 6 (b))	7,900,000	3,300,000
Loan from Directors	(note 6 (c))	24,895,180	--
		-----	-----
		127,388,660	63,400,000
		=====	=====

6(a) These represent subordinated loans from banks against personal securities provided by the directors/associated company.

6(b) These represent loans from Associated Companies. Company is paying markup on these loans ranging from 14.25% to 17% per annum.

6(c) These represent interest free subordinated loans from Directors and their family members.

These loans will be repaid after the repayment of consortium loan or improvement in the financial position of the company whichever is earlier. In view of the nature of total amount, the management has not classified these as current liabilities.

7. LONG TERM LOANS-SECURED

Foreign Currency Loans

FMO	7.2	--	12,694,347
-----	-----	----	------------

Local Currency Loans

PICIC	7.3	1,312,500	2,062,500
American Express Bank	7.5	39,310,000	40,000,000
Standard Chartered Bank	7.5	34,400,000	35,000,000
Saudi Pak Inv. Co.	7.5	49,130,000	50,000,000
Deutsche Bank AG	7.5	29,490,000	30,000,000
1st Int. Inv. Bank	7.5	19,670,000	20,000,000
Citibank N.A	7.6	39,585,780	40,000,000
Emirates Bank International	7.7	28,493,377	--

		-----	-----
		241,391,657	217,062,500

		-----	-----
		241,391,657	229,756,847

Less: Current maturity of long term loans shown under current liabilities		(75,351,540)	(35,319,347)
		-----	-----

166,040,117	194,437,500
=====	=====

7.1 Foreign and local currency loans from PICIC, FMO and Consortium 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.

7.2 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 01, 1994 and carries interest at 9% per annum excluding exchange risk fee of 5% per annum. This loan fully repaid in January 2000.

7.3 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.

7.4 The loans referred to in Note Nos. 7.2 & 7.3 were to finance the capital expenditure of Floor Tile Plant.

7.5 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:

-- American Express Bank Ltd.	-- Standard Chartered Bank Ltd.
-- Deutsche Bank AG	-- Saudi Pak Industrial & Agricultural
-- First International Investment Bank Ltd.	Investment Company (Pvt) Ltd.

The above loan was repayable in eight equal half yearly installments commencing from 18 months from the date of first drawdown of the loan. The first drawdown was made during April, 1997. On request of the company this loan was rescheduled by the consortium during the year 1999 by increasing tenure of loan from five years to six and half years. According to the revised terms the first loan installment became due in March 31, 2000, after a grace period of thirty six months from the date of first draw down.

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

7.6 This represents conversion of running finance facility of Rs. 40 million into long term loan. This carries markup @ 10% per annum. The loan is repayable in 60 equal monthly installments starting from June 30, 2000 after a grace period of one year. The markup on loan has been included in the monthly installment which works out to be Rs. 934,870/-. The loan is secured against first pari-passu charge on the current assets of the company to the extent of facility amount plus markup (with additional 210 days coverage as per normal banking practice).

7.7 This represents conversion of running finance facility of Rs. 30 million into long term loan. This carries mark up @ 9% per annum. The loan is repayable in 60 equal monthly installments starting from 1st April 2000. The loan is secured against first pari passu charge on current assets and second charge over the fixed assets of the company.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Opening Balance	83,943,463	74,943,059
Add: New Lease obtained during the year	--	5,400,000
Grace period mark up	3,366,842	14,997,408
Less: Payment during the year	(11,899,511)	(11,397,004)
	-----	-----
	75,410,794	83,943,463
Less: Current maturity shown under current liabilities	(33,295,424)	(21,420,407)
	-----	-----
	42,115,370	62,523,056
	=====	=====

The present value of minimum lease payments has been discounted using the rates of interest implicit in the lease agreements varying from 20.36% to 26.20% per annum. Purchase option is exercisable by the Company and the Company intends to exercise this option. In case of any delay in lease rental late payment charges ranging from 0.083 to 0.1% per thousand per day are payable. 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.

9. DEFERRED LIABILITIES

Staff gratuity		
Balance at beginning of the year	4,180,230	3,709,890
Payments during the year	(70,862)	(500,257)
Provision for the year	211,563	970,597
	-----	-----
Balance at the end of the year	4,320,931	4,180,230
Deferred import levies	4,026,299	6,418,768
Provision for the year	758,587	--
Less: current maturity shown under current liabilities	(2,392,469)	(2,392,469)
	-----	-----
	2,392,417	4,026,299
Golden hand shake payable	--	5,523,995
	-----	-----
	6,713,348	13,730,524
	=====	=====

10. SHORT TERM FINANCES - SECURED**Standard Chartered Bank**

Running finance	39,968,883	39,996,991
Export re-finance	12,760,000	12,760,000
Import finance (TR)	--	8,350,000

Deutsche Bank AG

Running Finance	14,772,049	14,972,026
-----------------	------------	------------

American Express Bank Ltd.

Running finance	19,570,318	19,570,441
-----------------	------------	------------

Emirates Bank International

Running finance	--	41,983,530
-----------------	----	------------

Habib Bank Ltd.

Running finance	95,359,217	85,946,697
Export re-finance	14,177,000	13,215,000
Import finance	29,480,861	26,803,109

United Bank Ltd.

Running finance	37,023,457	33,355,085
Export re-finance	24,420,000	10,054,000
Import finance	9,708,331	16,517,880
Demand finance	2,979,211	--

Faysal Bank Ltd.

Running finance	9,945,815	14,988,080
-----------------	-----------	------------

Soneri Bank Ltd.

Running finance	--	3,963,451
-----------------	----	-----------

-----	-----
310,165,142	342,476,290
=====	=====

Short term finances include running finance, import finance and export re-finance obtained from various banks. Total sanctioned facilities from various banks amounts to Rs. 313 million (1999: Rs. 330 million). The rates of markup ranges from 13% to 17% per annum except for export re-finance which carries mark up at 8% per annum.

The facilities for letters of credit and bank guarantees from various banks amounts to Rs. 85 million (1999: Rs. 110.63 million). The amount utilised at the year end amounts to Rs. 0.5 million for letters of credit (1999: Rs. 16.50 million) and Rs. 27.214 million for guarantees (1999: Rs. 51.11 million). These facilities are secured by hypothecation of stocks and book debts, second charge on fixed assets and certain securities owned by directors and their family members.

11. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	49,127,393	43,492,245
Accrued salaries, benefits and other expenses	30,881,421	17,416,116
Accrued interest and other financial charges	70,003,366	35,999,581
Sales tax payable	292,024	3,619,575
Unclaimed dividend	200,215	209,565
Other payables (11.1)	27,127,137	24,354,943

-----	-----
177,631,556	125,092,025
=====	=====

11.1 OTHER PAYABLES

Provident Fund Trust	19,207,476	16,627,444
Current Maturity of Golden hand shake	5,422,100	6,000,000
Income Tax deducted at source	1,185,372	423,086
Deceased employees assistance	482,819	282,130
Unpaid wages	638,513	774,466
Unpaid WPPF	120,046	123,088
Employees Welfare Fund	62,025	47,550
Union Fund	7,410	6,961
Education Stipends	--	4,550
Citi Car Loan	1,376	2,368
Professional Tax	--	63,300

-----	-----
27,127,137	24,354,943
=====	=====

12. CONTINGENCIES AND COMMITMENTS

Counter-guarantees to banks	27,213,972	51,982,606
Letters of credit other than for capital expenditure	501,360	16,547,220
Commitments in respect of lease arrangements Executed by the company are as follows:		
2000-2001	54,463,754	40,057,749
2001-2002	37,311,836	27,401,337
2002-2003	10,486,367	10,486,366
2003-2004	2,004,813	2,004,813

13. OPERATING ASSETS**13.1 The following is a statement of operating assets:***(Amounts in Rupees)*

<i>Description</i>	<i>Cost</i>			<i>Depreciation</i>			<i>Accumulated depreciation as at June 30, 2000</i>	<i>Net book value as at June 30, 2000</i>	<i>Annual rate of depreciation %</i>	
	<i>Cost/ *Revaluation as at June 30, 1999</i>	<i>Additions/ transfers* during the year</i>	<i>Sales/ transfers* during the year</i>	<i>Cost/ Revaluation* as at June 30, 2000</i>	<i>Accumulated depreciation as at June 30, 1999</i>	<i>Accumulated depreciation relating to sales/*transfers</i>				<i>Depreciation for the year</i>
Freehold Land	22,088,046	--	--	22,088,046	--	--	--	22,088,046	--	
Building on freehold land	75,328,243	--	--	75,328,243	44,006,872	--	3,132,137	47,139,009	28,189,234	10
Roads and boundary wall	6,805,914	--	--	6,805,914	2,493,747	--	215,608	2,709,355	4,096,559	5
Residential quarters	3,752,109	--	--	3,752,109	1,982,839	--	176,927	2,159,766	1,592,343	10
Plant and machinery	579,502,975	80,700	--	582,201,675	253,846,200	--	32,935,123	287,777,079	294,424,596	10
		*2,618,000					* 995,756			
Tools and equipment	6,287,297	--	--	6,287,297	4,971,011	--	263,257	5,234,268	1,053,029	20
Dies	2,588,154	--	--	2,588,154	2,568,164	--	7,996	2,576,160	11,994	40
Furniture and fixture	5,085,563	--	--	5,085,563	4,150,068	--	187,099	4,337,167	748,396	20
Office equipment	12,587,511	193,888	--	14,044,549	9,362,405	--	771,783	10,957,419	3,087,130	20
		* 1,263,150					* 823,231			
Vehicles	19,622,049	--	144,564,111	24,408,229	13,881,554	(285,923)	1,491,172	18,443,540	5,964,689	20
		* 5,231,820					* 3,356,737			
Tubewells	1,127,159	--	--	1,127,159	514,335	--	61,282	575,617	551,542	10
Construction machinery	167,401	--	--	1,674,111	131,232	--	3,617	134,849	32,552	10
Show room renovation	1,715,613	--	117,156,131	--	1,100,738	(1,100,738)	--	--	--	20
Total (Rupees) 2000	736,658,034	9,387,558	12,161,2531	743,884,339	339,009,165	3,789,063	39,246,001	382,044,229	361,840,110	--
Total (Rupees) 1999	731,437,392	13,096,621	(7,875,979)	736,658,034	2,913,117,636	4,570,247	43,131,282	339,009,165	397,648,869	--

*June 30,**June 30,*

	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
13.2 The depreciation charge has been allocated as follows:		
Cost of sales	37,436,745	41,186,675
Administration and general expenses	1,352,314	1,354,391
Selling and Distribution expenses	456,942	590,216
	-----	-----
	39,246,001	43,131,282
	=====	=====

14. ASSETS SUBJECT TO FINANCE LEASE

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

<i>Description</i>	<i>Cost</i>			<i>Depreciation</i>			<i>Net book value as at June 30, 2000</i>	<i>Annual Rate of depreciation %</i>		
	<i>Cost as at June 30, 1999</i>	<i>Additions during the year</i>	<i>Adjustments</i>	<i>Cost as at June 30, 2000</i>	<i>Accumulated depreciation as at June 30, 1999</i>	<i>Depreciation relating to Adjustments</i>			<i>Depreciation for the year</i>	<i>Accumulated depreciation as at June 30, 2000</i>
Vehicles	9,545,380	--	152,318,201	4,313,560	5,461,752	(3,356,737)	441,709	2,546,724	1,766,836	20
Office equipment	2,463,150	--	(1,263,150)	1,200,000	1,408,838	(823,231)	122,879	708,486	491,514	20
Plant and machinery	97,686,302	--	(2,618,000)	95,068,302	281,114,169	(995,756)	6,795,989	33,904,402	61,163,900	10
	-----	-----	-----	-----	-----	-----	-----	-----	-----	
Total (Rupees) 2000	109,694,832	--	(9,112,970)	100,581,862	34,974,759	15,175,724	7,360,577	37,159,612	63,422,250	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	
Total (Rupees) 1999	114,421,868	--	(4,727,036)	1,119,694,832	31,727,661	(5,768,735)	9,015,833	34,974,759	74,720,073	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	

	<i>June 30, 2000</i> <i>Rupees</i>	<i>June 30, 1999</i> <i>Rupees</i>
14.2 The depreciation charge has been allocated as follows:		
Cost of sales	7,023,359	8,131,628
Administration and general expenses	210,698	597,873
Selling and distribution expenses	126,520	286,332
	-----	-----
	7,360,577	9,015,833
	=====	=====

14.3 DISPOSAL OF FIXED ASSETS

<i>Description</i>	<i>Original Cost</i>	<i>Accumulated Depreciation</i>	<i>Written Down Value</i>	<i>Sale Proceeds</i>	<i>Gain/(Loss)</i>	<i>Name & Address of Purchaser (By negotiation)</i>
Vehicle	445,640	285,923	159,717	175,000		15,283 Mr. Shehzad Mehmood House No. 20. Siddiqi Street # 45 Mozang Adda, Lahore
Show room renovation	1,715,613	1,100,738	614,875	--		16,148,751 Show room vacated and assets written off.

2,161,253	1,386,661	774,592	175,000	(599,592)
-----------	-----------	---------	---------	-----------

		<i>June 30, 2000 Rupees</i>	<i>June 30, 1999 Rupees</i>
15. DEFERRED EXPENSES			
Deferred expenses of golden hand shake	(note 15 (a))	11,471,495	17,207,242
Deferred plant expansion expenses	(note 15 (b))	53,308,239	70,403,429
Head office renovation	(note 15 (c))	1,206,368	--
		-----	-----
		65,986,102	87,610,671
		=====	=====

In order to adjust the staff strength according to business volume in Insulator Division an early retirement scheme was offered during 1997-98. 266 applications were received which were all accepted by the management. Total cost under this scheme was Rs. 28.67 million.

The expenses have been deferred in accordance with TR-28 issued by ICAP and will be amortized over a period of 5 years beginning from July 01, 1997.

15 (b) These represent expenses and losses incurred during expansion and trial run period of wall and floor tile plants. These expenses will be amortized over a period of 5 years beginning from July 01, 1998. It includes amount of Rs. 758,582/- of deferred import levies which is to be amortized over a period of three years beginning from July 1, 1999.

These represent expenses incurred for head office renovation. These expenses will be amortized over a period of 5 years beginning from July 1, 1999.

16. LONG TERM LOANS AND DEPOSITS

Security Deposits		676,800	461,600
Long Term Loans	(note 16(a))	390,622	472,053
		-----	-----
		1,067,422	933,653
		=====	=====

16(a) Long term loans to employees considered good

Executive		33,937	69,556
Others		779,816	846,490
		-----	-----
		813,753	916,046

Less: Installments due within 12 months

(Note 20)

Executives		19,200	26,837
Others		403,931	417,156
		-----	-----
		423,131	443,993
		-----	-----
		390,622	472,053
		=====	=====

Outstanding for period exceeding three years	144,664	194,749
	-----	-----
The maximum month end balances during the period are as follows:		
Executives	58,274	69,556
Others	1,006,753	846,490
	-----	-----

17. STORES, SPARES AND LOOSE TOOLS

Consumable stores	5,741,838	7,453,675
Machinery spares	29,436,212	33,634,096
Loose tools	2,624,732	2,872,241
Packing material	4,012,588	3,228,804
	-----	-----
	41,815,370	47,188,816
	=====	=====

18. STOCK-IN-TRADE

Raw materials and components	54,251,953	48,039,591
Work-in-process	21,546,665	36,505,005
Finished goods	119,538,862	98,002,339
	-----	-----
	195,337,480	182,546,935
	=====	=====

18.1 Out of total stocks of Wall Tile of Rs. 40,597,839/- and of Floor Tile of Rs. 17,658,327/-, stocks amounting to Rs. 7,505,771/- i.e. 18.49% and 3,426,518/- i.e. 19.40% of Wall Tile and Floor Tile respectively are valued at NRV.

19. TRADE DEBTS

Trade debts	108,929,354	111,734,271
Less: Provision for doubtful debts	(10,701,470)	(5,365,442)
	-----	-----
	98,227,884	106,368,829
	=====	=====

All trade debts, including Rs. 168,416/- 11999: Rs. 74,263) due from associated companies are unsecured but considered good except for certain debts for which provision of Rs. 10,701,470 has been made which is considered adequate.

20. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Loans to employees due within 12 months		
Considered good (note 16)	423,131	443,993
Advances for supply of goods and services	3,384,392	3,587,722
Deposits and prepayments	1,468,004	5,647,692
Letters of credit and goods-in-transit	48,882,235	33,710,429
Advance income tax	479,474	18,267,079
Claims receivable	4,615,869	1,904,938
	-----	-----
	59,253,105	63,561,853
	=====	=====

21. CASH AND BANK BALANCES

In hand	4,726,511	681,320
At banks in current accounts	213,529	177,466
	-----	-----
	4,940,040	858,786
	=====	=====

22. OPERATING RESULTS BY DIVISION

<i>Particulars</i>	<i>June 30, 2000</i>				<i>June 30, 1999</i>			
	<i>Insulator</i>	<i>Wall Tile</i>	<i>Floor Tile</i>	<i>Total</i>	<i>Insulator</i>	<i>Wall Tile</i>	<i>Floor Tile</i>	<i>Total</i>
Gross Sales								
Local	118,944,376	165,184,362	190,612,448	474,741,186	101,500,888	184,589,838	176,151,379	462,242,105
Export	86,364,888	--	--	86,364,888	77,593,207	--	--	77,593,207
	-----	-----	-----	-----	-----	-----	-----	-----
	205,309,264	165,184,362	190,612,448	561,106,074	179,094,095	184,589,838	176,151,379	539,835,312
Less: sales tax	14,748,650	27,328,883	30,377,108	72,454,641	8,708,713	27,149,409	24,348,494	60,206,616
	-----	-----	-----	-----	-----	-----	-----	-----
Net Sales	190,560,614	137,855,479	160,235,340	488,651,433	170,385,382	157,440,429	151,802,885	479,628,696
Cost of sales (Note 23)	155,352,805	171,139,877	111,058,879	437,551,561	143,123,945	174,865,902	108,574,610	426,564,457
	-----	-----	-----	-----	-----	-----	-----	-----
Gross Profit/(Loss)	35,207,809	(33,284,398)	49,176,461	51,099,872	27,261,437	(17,425,473)	43,228,275	53,064,239
Operating Expen (Note 24)	13,017,557	9,714,883	9,314,883	32,047,323	8,582,733	10,080,354	9,580,354	28,243,441
Selling and distri (Note 25)	7,496,059	13,056,570	16,069,253	36,621,882	10,392,739	14,369,898	17,506,228	42,268,865
	-----	-----	-----	-----	-----	-----	-----	-----
	20,513,616	22,771,453	25,384,136	68,669,205	18,975,472	24,450,252	27,086,582	70,512,306
	=====	=====	=====	=====	=====	=====	=====	=====
Profit/(Loss) from operations	14,694,193	(56,055,851)	23,792,325	(17,569,333)	8,285,965	(41,875,725)	16,141,693	(17,448,067)
	=====	=====	=====	=====	=====	=====	=====	=====

22.1 Included in the local sales of Insulator for the year Rs. 12,433,712/- (1999: Rs. 20,183,164/-) to Wapda against International tenders.

	<i>June 30, 2000</i>				<i>June 30, 1999</i>
	<i>Insulator</i>	<i>Wall Tile</i>	<i>Floor Tile</i>	<i>Total</i>	<i>Total</i>
	<i>Rupees</i>				<i>Rupees</i>
23. COST OF SALES					
Raw materials and components consumed	50,089,560	67,966,093	46,770,944	164,826,597	156,203,395
Stores and spares consumed	15,206,651	18,887,587	9,536,253	43,630,491	43,515,319
Salaries, wages and other benefits	53,726,740	31,390,311	14,513,708	99,630,759	95,328,408
Power	8,717,139	11,879,334	5,986,934	26,583,407	28,655,592
Gas	5,590,897	16,890,372	12,437,417	34,918,686	31,196,971
Depreciation	9,472,788	23,195,376	11,791,939	44,460,103	49,318,304
Amortization of deferred cost	--	11,614,666	6,239,051	17,853,717	17,600,857
Repair and maintenance	1,753,050	1,875,748	1,881,498	5,510,296	3,638,116
Other miscellaneous expenses (23)	1,768,495	2,719,680	2,761,120	7,249,295	7,031,238
	-----	-----	-----	-----	-----

	146,325,320	186,419,167	111,918,864	444,663,351	432,488,200
ADD: Opening work in process	26,358,231	9,325,807	820,967	36,505,005	41,295,355
	-----	-----	-----	-----	-----
	172,683,551	195,744,974	112,739,831	481,168,356	473,783,555
LESS: Closing work in process	10,818,208	9,457,270	1,271,187	21,546,665	36,505,005
	-----	-----	-----	-----	-----
Cost of goods manufactured	161,865,343	186,287,704	111,468,644	459,621,691	437,278,550
ADD: Opening inventory of finished goods	53,483,894	25,450,012	17,248,562	96,182,468	85,468,375
	-----	-----	-----	-----	-----
	215,349,237	211,737,716	128,717,206	555,804,159	522,746,925
LESS: Closing inventory of finished goods	59,996,432	40,597,839	17,658,327	118,252,598	96,182,468
	-----	-----	-----	-----	-----
	155,352,805	171,139,877	111,058,879	437,551,561	426,564,457
	=====	=====	=====	=====	=====

June 30,
2000
Rupees

June 30,
1999
Rupees

23.1 OTHER MISCELLANEOUS EXPENSES

Travelling	2,281,167	749,596
Insurance	374,638	1,304,545
Telephone expenses	952,578	841,969
Transportation	818,627	869,672
Testing and experiment	142,109	1,330,046
Entertainment	458,478	354,681
Freight etc.	788,895	277,477
Printing and stationery	350,755	429,681
Fee and taxes	277,148	572,276
Training expenses	34,800	30,500
Subscription	8,313	9,620
Computer charges	--	18,750
Conveyance	41,249	47,866
Design & development	106,182	116,156
Office contingencies	67,723	89,515
Newspaper books and periodicals	14,487	13,746
Gardening expenses	3,040	100
Rent shovel loader/forklifter	649,578	--
Postage and telegrams	2,022	20,854
Sui gas and electricity (colony)	(122,494)	(45,812)
	-----	-----
	7,249,295	7,031,238
	=====	=====

24. ADMINISTRATION AND GENERAL EXPENSES

Salaries, allowances and other benefits	11,905,292	11,232,084
Communication and stationery	2,058,728	2,321,495
Travelling	1,476,045	1,345,092
Vehicle maintenance	1,869,896	1,571,869

Office rent	3,110,448	3,064,462
Depreciation (note 13 and 14)	1,563,012	1,952,264
Fuel and power	1,116,557	830,561
Insurance	155,696	516,228
Legal and professional charges (note 24.1)	818,520	564,000
Repair and maintenance	463,220	242,867
Charity and donations (note 24.2)	--	8,027
Fee and taxes	348,431	414,661
Provision for doubtful debts	5,300,000	2,500,000
Other expenses (note 24.3)	1,861,478	1,679,831
	-----	-----
	32,047,323	28,243,441
	=====	=====

24.1 LEGAL AND PROFESSIONAL CHARGES

Audit fee	60,000	57,000
Tax consultancy and company law work	402,400	313,700
Legal charges	356,120	193,300
	-----	-----
	818,520	564,000
	=====	=====

24.2 These include Rs. Nil (1999: Rs. Nil) donated to M/s Khair-ur-Nissa Hospital Foundation Lahore in which five of the Directors are interested as its trustees.

24.3 OTHER EXPENSES

Entertainment	291,770	222,087
Subscription	52,951	120,609
Computer charges	233,000	382,706
Stipend	47,542	40,999
ISO-9001	429,234	346,644
Advertisement	126,794	176,982
Newspaper books and periodicals	23,896	28,308
Office contingencies	37,728	40,687
Training expenses	500	13,600
Brinks charges	170,750	165,145
Security services	145,721	141,809
Right issue expenses	--	255
Amortization of head office renovation	301,592	--
	-----	-----
	1,861,478	1,679,831
	=====	=====

25. SELLING AND DISTRIBUTION EXPENSES

Salaries, allowances and other benefits	9,558,220	8,202,023
Travelling expenses	1,132,233	1,129,628
Insurance	245,067	488,092
Handling, freight and transport	13,295,187	18,985,767
Vehicle maintenance	2,591,734	2,417,994
Office rent	2,184,950	2,148,506
Communication	1,795,614	1,493,416
Advertisement and sales promotion	1,487,054	2,312,193

Depreciation (note 13 & 14)	583,465	876,548
Others (note 25.1)	3,748,358	4,214,698
	-----	-----
	36,621,882	42,268,865
	=====	=====

25.1 OTHER EXPENSES

Cost of tender documents	150,350	291,757
Commission	251,035	730,800
Compensation for defects	674,612	695,238
Ware house expenses	38,782	34,906
Gifts and presents	29,320	12,540
Entertainment	618,214	428,100
Seminars	54,227	--
Fee and taxes	215,017	263,242
Sui gas, electricity	899,788	919,754
Subscription	38,448	63,672
Repair and maintenance	393,426	399,106
Advertisement	12,458	20,000
Stipend	1,000	1,000
Newspaper books and periodicals	31,566	36,419
Office contingencies	30,215	12,674
Training expenses	6,500	6,900
Gardening expenses	10,000	13,036
Computer charges	96,800	121,630
Security services	196,600	163,924
	-----	-----
	3,748,358	4,214,698
	=====	=====

26. OTHER INCOME

Gain/(Loss) on sale of fixed assets	(599,592)	(8,418)
Interest on long term loans to employees	6,252	7,020
Others	264,842	484,244
	-----	-----
	(328,498)	482,846
	=====	=====

27. FINANCIAL CHARGES**Long term Loans**

Interest	36,637,802	33,479,028
Exchange risk fee	107,937	529,800
Financial charges on assets subject to finance lease	17,610,483	22,301,401

Short term borrowings

Mark up on short term finances	66,954,835	68,051,830
Mark up on borrowings from associated companies	1,152,779	548,533
Bank charges	2,495,689	2,083,726
	-----	-----
	124,959,525	126,994,318
	=====	=====

28. TAXATION

Current year (note 28.1)	2,443,257	2,398,143
Prior Years	3,081,930	--
	-----	-----
	5,525,187	2,398,143
	=====	=====

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.

28.2 No provision for deferred tax is considered necessary by the management due to prior years' tax losses and current year's loss.

29. EARNING PER SHARE**29.1 Basic earning per share**

Loss after taxation	(148,382,543)	(146,357,682)
No of ordinary shares	15,333,333	15,333,333
Earning/(loss) per share	(9.68)	(9.55)

29.2 Diluted earning per share

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

30. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	<i>(Amounts in Rupees)</i>					
	<i>June 30, 2000</i>			<i>June 30, 1999</i>		
	<i>Chief Executive Rs.</i>	<i>Directors Rs.</i>	<i>Executive Rs.</i>	<i>Chief Executive Rs.</i>	<i>Directors Rs.</i>	<i>Executive Rs.</i>
Managerial remuneration	--	2,792,400	3,363,913	--	2,427,600	3,021,902
Production Incentives	--	--	651,670	--	--	154,426
House rent	--	1,256,580	1,513,761	--	1,092,420	1,359,865
Reimbursement of medical expenses	--	163,152	323,242	--	281,809	231,220
Reimbursement of utilities	--	608,785	336,391	--	521,655	302,199
	-----	-----	-----	-----	-----	-----
TOTAL	--	4,820,917	6,188,977	--	4,323,484	5,069,612
	=====	=====	=====	=====	=====	=====
No. of persons	1	4	11	1	4	11
	=====	=====	=====	=====	=====	=====

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

30.2 Salary of Chief Executive and one director is being paid by M/s ICC (Pvt) Ltd., the associated company, owing to the cash flow problem of the company.

31. TRANSACTIONS WITH ASSOCIATED COMPANIES

	<i>Sales To Rs</i>	<i>Purchases From Rs.</i>	<i>Mark-up Rs.</i>	<i>Lease Rental Rs.</i>	<i>June 30, 2000 Maximum Balance Rs.</i>	<i>Sales to Rs.</i>	<i>Purchases From Rs.</i>	<i>Mark-up Rs.</i>	<i>Lease Rental Rs.</i>	<i>June 30, 1999 Maximum Balance Rs.</i>
Imperial Electric Co. (Pvt) Ltd.	39,297	636,777	638,562	--	(6,051,168)	--	31,942	548,533	--	(3,097,728)
ICC (Pvt) Ltd.	80,983	--	441,151	--	(2,953,816)	--	--	--	--	(39,703,816)
ICC Textile Limited	25,244	--	--	--	31,105	38,638	--	--	--	--
Interhom (Pvt) Ltd.	8,676	--	--	--	59,619	--	--	--	--	123,900
Johnson & Phillips (Pak) Ltd.	2,780,934	--	--	--	(949,082)	934,099	--	--	--	(590,826)
Lease Pak Ltd. Associated Engineers (Pvt) Ltd.	--	--	--	--	--	--	--	--	24,500	--
	--	--	73,066	--	(2,163,184)	--	--	--	--	--
	2,935,134	636,777	1,152,779	--	(12,026,526)	972,737	31,942	548,533	24,500	(43,268,470)

*June 30,
2000
Rupees*

*June 30,
1999
Rupees*

32. TAXES AND DUTIES

Import duties on raw materials	16,376,991	18,280,815
Sales tax on finished goods	69,803,104	63,746,613
Excise duty on finished goods	--	40,000
Income tax:		
Current	2,443,257	2,398,159
Prior Year	3,081,930	--
	91,705,282	84,465,587

33. PLANT CAPACITY AND ACTUAL PRODUCTION

	<i>June 30, 2000</i>			<i>June 30, 1999</i>		
	<i>Insulator (tons)</i>	<i>Wall Tile (sq. meters)</i>	<i>Floor Tile (sq. meters)</i>	<i>Insulator (tons)</i>	<i>Wall Tile (sq. meters)</i>	<i>Floor Tile (sq. meters)</i>
PLANT CAPACITY	5,000	1,500,000	900,000	5,000	1,500,000	900,000
ACTUAL PRODUCTION	2,048	626,705	621,382	1,747	543,478	554,572

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 export, public sector and indigenous private electrical industries.

iii) Low production activity during the year in Wall Tile and Floor Tile was due to inadequate

working capital lines available with the company.

34. FIGURES

- have been rounded off to the nearest rupee.

- of previous year have been rearranged and reclassified wherever considered necessary for the purpose of comparison.

S.A. Mannan
(Chairman)

Tariq Rehman
(Chief Executive)

Pattern of Holding of the Shares held by the Shareholders of EMCO Industries Limited as on June 30, 2000

<i>No. of Shareholders</i>	<i>Share Holding</i>		<i>Total Shares held</i>
	<i>From</i>	<i>To</i>	
16	1	100	1,121
280	101	500	68,679
77	501	1,000	53,856
126	1,001	5,000	278,941
21	5,001	10,000	143,341
11	10,001	15,000	135,004
3	15,001	20,000	57,205
2	20,001	25,000	48,700
4	25,001	30,000	109,842
2	30,001	35,000	63,400
1	35,001	40,000	38,332
1	45,001	50,000	47,915
1	50,001	55,000	54,594
2	60,001	65,000	129,400
8	65,001	70,000	547,133
1	70,001	75,000	71,300
4	75,001	80,000	305,577
1	110,001	115,000	112,355
1	115,001	120,000	115,575
3	130,001	135,000	396,820
3	145,001	150,000	445,230
1	160,001	165,000	160,770
1	165,001	170,000	165,668
1	170,001	175,000	172,500
1	175,001	180,000	177,125
2	180,001	185,000	367,970
1	195,001	200,000	197,192
1	200,001	205,000	201,250
1	205,001	210,000	208,920
1	235,001	240,000	235,149
1	250,001	255,000	252,158
1	255,001	260,000	258,411
1	270,001	275,000	271,290
1	280,001	285,000	283,654

1	330,001	335,000	332,739
1	335,001	340,000	339,093
1	340,001	345,000	345,000
1	370,001	375,000	371,960
1	645,001	650,000	648,623
1	650,001	655,000	654,301
1	670,001	675,000	671,312
1	740,001	745,000	741,382
1	1,305,001	1,310,000	1,308,603
1	1,730,001	1,735,000	1,732,618
1	2,010,001	2,015,000	2,011,325

593			15,333,333
=====			

Categories of Shareholders

	Number	Shares held	Percentage
Individuals	574	6,372,090	41.55%
Investment companies	3	140,870	0.92%
Insurance companies	4	330,872	2.16%
Joint stock companies	5	4,487,912	29.27%
Financial Institutions	7	4,001,589	26.10%

Total	593	15,333,333	100.00%
=====			