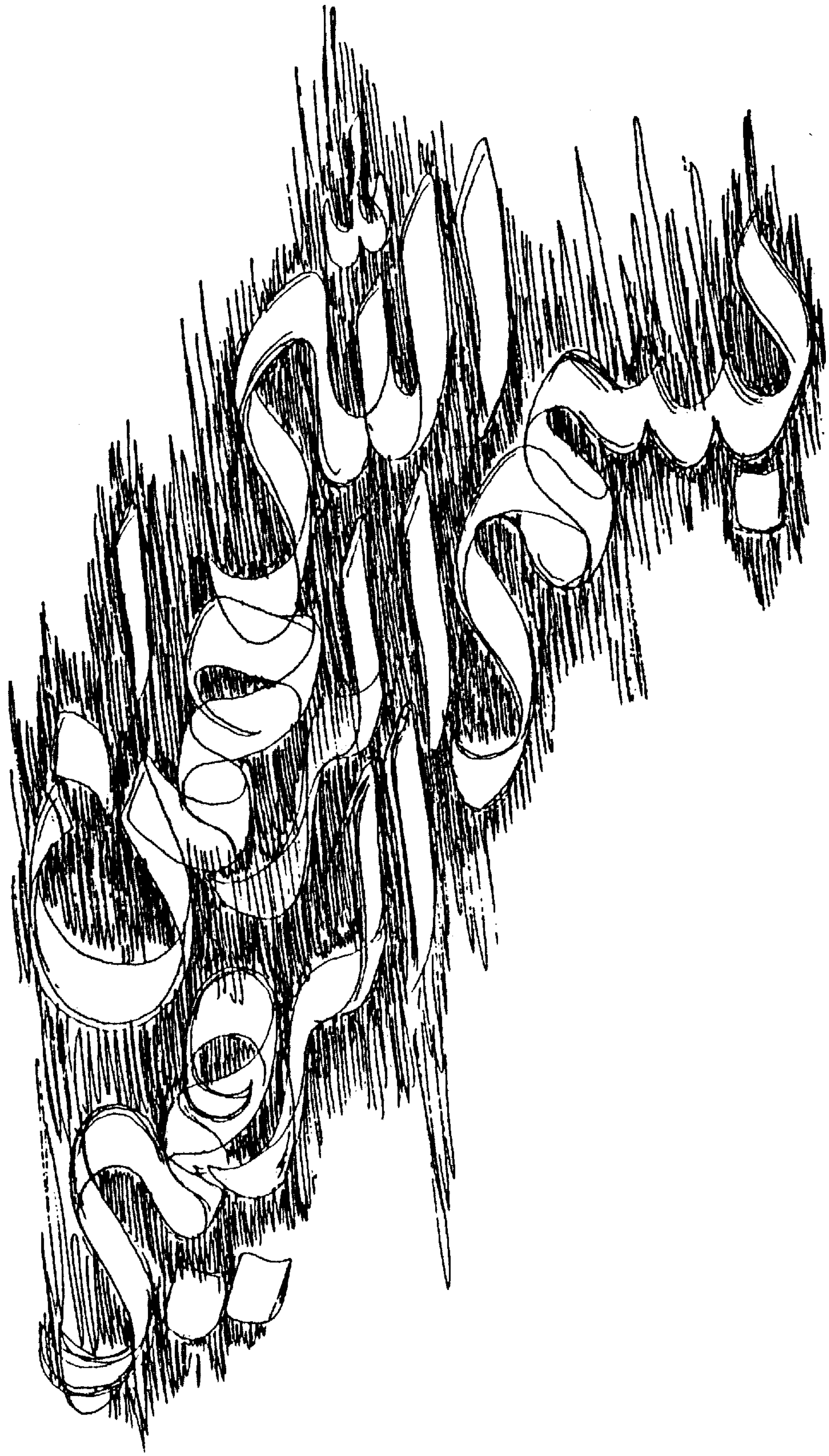
بسم الله الرحمن الرحيم

Contents

COMPANY INFORMATION

Board of Directors.

Mr. Tariq Rehman
Mr. Shafiq A. Siddiqi
Mr. Haris Noorani
Mr. Suhail Mannan
Mr. Tahir Rehman
Mr. Javaid S. Siddiqi
Mr. Usman Haq
Mr. Pervaiz S. Siddiqi

Audit Committee

Mr. Usman Haq
Mr. Tariq Rehman
Mr. Suhail Mannan
Mr. Tahir Rehman
Mr. Javaid S. Siddiqi

Chief Financial Officer

Mr. Mansoor Jamal Butt.

Auditors.

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

Bankers

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

Share Registrar

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

Registered Office

119/E-1, Hali Road,
Gulberg-III, Lahore

Factory

19-Kilometre, Lahore Sheikhupura Road, Lahore.

BUSINESS ITEMS

Porcelain Insulators

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

Switchgear

- Disconnect Switch upto 145 kv
- Metal Oxide Surge Arresters upto 430 kv
- (under Licence from Siemens Genmany)

Chemical Porcelain

- Acid Proff Wares and Bricks
- Rasching Ring and Saddles
- Acid Proff Porcelain Pipes and Fitting
- Acid Proff Cement

Special Porcelain

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

Ceramic Glazed Wall Tiles

- Coloured & Decorative Glazed Wall Tiles

20 cm x 20 cm x 7 mm
20 cm x 30 cm x 7 mm
25 cm x 33 cm x 7 mm

Ceramic Glazed Floor Tiles

- Vitreous & Semi Vitreous Decorative Glazed Floor Tiles

30 cm x 30 cm x 8 mm

NOTICE OF MEETING

Notice is hereby given that 55th Annual General Meeting of Members of EMCO Industries Limited will be held on 29th October, 2010 at 11.00 a.m. at the Registered Office of the Company , 119/E-1, Hali Road, Gulberg-III, Lahore, to transact the following business;

1. To confirm the minutes of the last Annual General Meeting held on 30th October, 2009.

2. To receive, approve and adopt the Audited Accounts of the Company for the year ended 30th June, 2010 together with Directors' and Auditors' Report thereon.

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

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

By Order of the Board

Place : Lahore;
Dated : 06.10.2010

(HARIS NOORANI)
DIRECTOR CORPORATE AFFAIRS

NOTES;-

1. The Share Transfer Books of the Company will remain closed and no transfer of Shares will be accepted for registration from 22.10.2010 to 29.10.2010 (both days inclusive). No transfer will be accepted for registration during this period.

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

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

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

DIRECTORS' REPORT

On behalf of the Board of Directors I welcome you to the 55th Annual General Meeting of the Company and present to you the audited report for the period ending June 30, 2010.
Financial Results are as follows: -

	2010	2009
	Rupees	Rupees
Profit /(Loss) before taxation	***(76,177,416)***	(103,150,623)
Taxation	***4,432,524***	21,931,954
Profit/(Loss) after Tax	***(71,744,892)***	(81,218,669)
Un-appropriated profit / (Loss) brought forward	***(361,357,337)***	(299,089,835)
Incremental Depreciation on revaluation	***16,835,657***	17,970,918
Disposal of Revalued Assets	**-**	980,249
	(344,521,680)	(280,138,668)
Profit / (Loss) carried forward	***(416,266,572)***	(361,357,337)
Profit / (Loss) per share	***(2.05)***	(2.39)

REVIEW OF OPERATING RESULTS

The year under review was the most difficult period owing to the poor economic situation in the country. Rising Inflation, increasing KIBOR rate, continuous devaluation of the Rupee, and unprecedented shortages of power and gas , has considerably increased the cost of doing business. In these circumstances the management of your Company has had to take very stringent measures to keep the operations as smooth as possible by controlling the costs and increasing the efficiencies wherever possible.

In the Chairman's review last year it was stated that EMCO had made arrangements to install a synthetic natural gas (SNG) plant as a substitute for natural gas. However, the financial viability of the plant was based on the average number of days of gas load shedding prevailing in the previous year. In the period under review, the frequency as well as the duration of gas shutdowns forced us to shut down the plant as it was not financially viable to run the plant on SNG.

The new Tile plant which was commissioned in January 2009 had produced very encouraging results which are seen from the financial performance of this plant.

Despite the circumstances described above the company has reduced the loss before tax to Rs. 76 Million as compared to a loss of 103 Million in the previous year. After adjusting all the deferred tax and the current year tax, the after tax loss is Rs. 71.745 million as compared to Rs. 81.219 million in the previous year.

The net sales of the company increased from Rs. 1542.108 million to Rs. 1860.987 million showing increase of approximately 21%. Despite the pressure on the costs the gross profit margin and profit from operations remained at 16.4% and 5.3% respectively, which are the same as last year.

Plant wise performance is given below.

INSULATOR PLANT

In view of the high inventory carried over from the previous year, we chose to lower production levels in the current year. The overall production in this plant was 4049 tons as compared to 4657 tons for the previous year. One of the tunnel kilns was shut down in November 2009 and was subsequently restarted in March 2010. The Insulator division increased sales of Rs. 739 Million as compared to 666 million last year, has shown operating loss of Rs. 2.145 Million as compared to operating loss of Rs. 19.814 Million in the previous year.

There has been an increase in the orders from the domestic utilities and this division is expected to have a gross production of approximately 5000 tons this year. The export market has continued to perform well and it is anticipated that more than 25% of the production may be exported. In addition to the existing export market, Turkey has been added as the new potential market for newer product.

WALL TILE

With the new plant in full operation, the total annual production increased to 2.96 million sq. m from 2.41 million sq. m, which converts towards 23% increase. However, this plant suffered a number of shutdowns / slowdowns owing to lack of gas. The months of January and February saw an extreme reduction in the availability of gas and the plant was run at less than 10% of its capacity. Sales for this division remained robust. The total sale for the current year is Rs. 871 Million as compared to Rs. 685 Million last year which is 27% increase. This higher sale has resulted in a net profit of Rs. 20.8 Million as compared to a profit of 8.2 million in the previous year. It is expected that if the gas is available through the year with scheduled load shedding the plant, Insha Allah will show better results.

FLOOR TILE

The Floor tile plant was very severely affected owing to lack of gas as described above. However, with better management the production has increased to 0.8 million as compared to 0.7 million last year whereas the sales have also increased to Rs. 252 million as compared to Rs. 191 million last year showing an increase of 31%. However, owing to the higher cost the Floor tile has shown a net loss of 20.123 million as compared to net loss of 51.682 million in the previous year. It is anticipated that in the new year the over all production is liable to increase owing to better planning.

The company's contribution to the exchequer in the year under review is Rs. 340.068 million in the shape of import duty, sales tax, income tax and other government levies.

CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi, Lahore, and Islamabad Stock Exchange in their Listing Regulations, relevant for the year ended June 30, 2010 have been adopted by the Company and have been duly compiled with. A statement to this effect is annexed with the report.

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

- The financial statements for the year ended June 30, 2010 present fairly its state of affairs, the results of its operations, cash flow and changes in equity;
- Proper books of accounts have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements for the year ended June 30, 2010 accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards (IAS), as applicable in Pakistan, have been followed in preparation of financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts about the company's ability to continue as a going concern;
- There has been no material departure from the best practices of corporate governance, as detailed in listing regulations;
- The value of investment of Provident Fund based on its audited accounts as at December 31, 2009 was Rs. 192.590 Million. The value of investment includes accrued interest.

BOARD MEETINGS

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

A written notice of the Board meeting along with working papers was sent to the members seven days before meetings. A total of four meetings of the Board of Directors were held during the year ended June 30, 2010. The attendance of the board members was as follows: -

SR. #	***NAME OF DIRECTOR***	***MEETINGS ATTENDED***
1.	Mr. S.A. Mannan	00
2.	Mr. Tariq Rehman	04
3.	Mr. Shafiq A. Siddiqi	04
4.	Mr. Haris Noorani	03
5.	Mr. Suhail Mannan	04
6.	Mr. Tahir Rehman	03
7.	Mr. Javaid Shafiq	03
8.	Mr. Usman Haq	03
9.	Mr.Pervaiz S.Siddiqi	00

Mr. S.A. Mannan was passed away on 7th November 2009 and temporary vacancy was filled by Mr. Pervaiz S. Siddiqi. Leave of absence was granted a Director who could not attend the meetings.

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

S. No.	***Name***	***Purchase***	***Sale***
1.	Mr. Tariq Rehman	301,365	301,365
2.	Mr. Haris Noorani	163,299	21,030
3.	Mr. Suhail Mannan	53,218	--
4.	Mr. Tahir Rehman	301,215	
5.	Mrs. Amina Suhail Mannan W/O Suhail Mannan	228,052	
6.	Mrs.Naila Suhail Mannan W/O Suhail Mannan	228,052	
7.	Mrs. Ambreen Haq	127,752	

AUDIT COMMITTEE

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

1.	Mr. Usman Haq	Chairman
2.	Mr. Tariq Rehman	Member
3.	Mr. Suhail Mannan	Member
4.	Mr. Tahir Rehman	Member
5.	Mr. Javaid S. Siddiqi	Member

EMPLOYEES RELATIONS

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

FUTURE OUTLOOK

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

ACKNOWLEDGEMENT

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

DIVIDEND

Considering the brought forward losses, no dividend is recommended for the year ended June 30, 2010.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2010 and its disclosure, as required by the Code of Corporate Governance is annexed with this report.

FINANCIAL HIGHLIGHTS

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

AUDITORS

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

For and on behalf of the board of Directors

(Tariq Rehman)
Chief Executive

Lahore:- October 06, 2010

FINANCIAL HIGHLIGHTS OF LAST TEN YEARS

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
	(Rupees in Million)									
Net Total Sales	1,861	1,550	1,260	1,208	1,045	898	760	612	532	484
Exports	164	93	79	151	164	108	97	108	117	99
Employees Costs	307	301	271	241	219	191	169	151	139	124
Profit/(Loss) before tax	(76)	(103)	(16)	11	(14)	105	37	(11)	(105)	(97)
Profit/(Loss) after tax	(71)	(81)	(14)	20	(56)	86	109	48	(107)	(100)
Earning per Share	(2.05)	(2.39)	(0.90)	1.30	(3.66)	5.62	7.13	3.13	(6.99)	(6.52)
Capital Expenditure	18	149	222	55	99	15	36	3.3	1.8	1.5
Cash Dividend Rate	-	-	-	5%	-	-	-	-	-	-
Stock Dividend Rate	-	-	-	-	-	-	-	-	-	-
Shareholder's Equity	64	118	(16)	(34)	(84)	(49)	(146)	(255)	(303)	(196)

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

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

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

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

Further, sub-regulation (xiii) of Listing Regulations 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's price or not.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2010.

A.F. FERGUSON & CO.
Chartered Accountants

Lahore: October 06, 2010

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010

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

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

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

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

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

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

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

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

7. The directors' report for the year ended June 30, 2010 has prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

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

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

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

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

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

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

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

(Haris Noorani)
Director

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of EMCO Industries Limited as at June 30, 2010 and the related profit and loss account, statement of comprehensive statement, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

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

(b) In our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in accounting policy referred to in note 2.3.1 with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2010 and of the loss, total comprehensive loss, cash flows and changes in equity for the year then ended; and

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

Without qualifying our opinion, we draw attention to note 2.2 to the financial statements which states that the continuation of the company as a going concern is dependant on its ability to attain satisfactory level of profitability in future and in the intervening period, continued support from sponsors. Management's plan in regard to this matter has been discussed in note 2.2 to the financial statements.

A.F. FERGUSON & CO.

Chartered Accountants

Lahore October 06, 2010

Name of the audit engagement partner: **Imran Farooq Mian**

BALANCE SHEET

	Note	2010 Rupees	2009 Rupees
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized capital			
40,000,000 (2009: 400,000,000) ordinary shares of Rs 10 each		**400,000,000**	400,000,000
Issued, subscribed and paid up capital			
35,000,000 (2009: 35,000,000) ordinary shares of Rs 10 each	5	**350,000,000**	350,000,000
Reserves	6	**129,898,526**	129,898,526
Accumulated loss		**(416,266,572)**	(361,357,337)
		63,631,954	118,541,189
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	**451,328,383**	411,445,884
NON-CURRENT LIABILITIES			
Long term loans from directors	8	**74,070,569**	74,570,569
Long term finances	9	**310,994,443**	428,301,887
Liabilities against assets subject to finance lease	10	**12,509,506**	16,315,641
Deferred liabilities	11	**28,908,012**	23,986,703
Deferred taxation	12	**41,760,854**	27,631,143
		468,243,384	570,805,943
CURRENT LIABILITIES			
Current portion of long term liabilities	13	**165,124,266**	83,131,432
Short term borrowings from related parties - unsecured	14	**23,457,894**	17,324,801
Finances under mark-up arrangements - secured	15	**561,963,103**	558,086,289
Trade and other payables	16	**361,002,377**	317,183,765
Accrued mark-up on loans and other payables	17	**89,005,374**	65,296,268
		1,200,553,014	1,041,022,555
CONTINGENCIES AND COMMITTMENTS	18	-	-
		2,183,756,735	2,141,815,571

The annexed notes 1 to 46 form an integral part of these financial statements.

Lahore:
October 06, 2010

Tariq Rehman
(Chief Executive)

AS AT JUNE 30, 2010

	Note	***2010 Rupees***	2009 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	*19*	***1,209,669,615***	*1,160,830,877*
Assets subject to finance lease	*20*	***24,116,711***	*39,869,002*
Intangible asset	*21*	***3,010,770***	*3,345,300*
Capital work in progress	*22*	***7,265,466***	*7,265,466*
Long term deposits		***3,577,378***	*7,218,688*
Long term loans	*23*	***3,639,190***	*2,275,750*
		1,251,279,130	*1,220,805,083*
CURRENT ASSETS			
Stores, spares and loose tools	*24*	***124,288,795***	*96,558,665*
Stock-in-trade	*25*	***346,808,267***	*437,345,036*
Trade debts	*26*	***337,709,771***	*278,969,594*
Loans, advances, deposits, prepayments and other receivables	*27*	***36,140,996***	*30,231,265*
Taxation - net		***36,521,475***	*19,288,567*
Cash and bank balances	*28*	***51,008,301***	*58,617,361*
		932,477,605	*921,010,488*
		2,183,756,735	*2,141,815,571*

Haris Noorani
(Director)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	**2010 Rupees**	2009 Rupees
Sales	29	***1,860,987,519***	*1,542,108,082*
Cost of goods sold	30	***(1,554,592,523)***	*(1,283,504,802)*
Gross profit		***306,394,996***	*258,603,280*
Administration expenses	31	***(75,201,076)***	*(70,423,678)*
Distribution and selling costs	32	***(128,255,507)***	*(108,263,069)*
Other operating expenses	33	***(7,714,583)***	*(4,288,856)*
		(211,171,166)	*(182,975,603)*
		95,223,830	*75,627,677*
Other operating income	34	***3,422,261***	*6,408,767*
Profit from operations		***98,646,091***	*82,036,444*
Finance cost	35	***(174,823,507)***	*(185,187,067)*
Loss before taxation		***(76,177,416)***	*(103,150,623)*
Taxation	36	***4,432,524***	*21,931,954*
Loss for the year		***(71,744,892)***	*(81,218,669)*
Loss per share - Basic and diluted	37	***(2.05)***	*(2.39)*

The annexed notes 1 to 46 form an integral part of these financial statements.

Lahore:
October 06, 2010

Tariq Rehman
(Chief Executive)

Haris Noorani
(Director)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	2010 Rupees	2009 Rupees
Loss after taxation	*(71,744,892)*	*(81,218,669)*
Other comprehensive income for the year	-	-
Total comprehensive (loss)/ income for the year	*(71,744,892)*	*(81,218,669)*

The annexed notes 1 to 46 form an integral part of these financial statements.

Lahore:
October 06, 2010

Tariq Rehman
(Chief Executive)

Haris Noorani
(Director)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Share capital Rupees	Share premium Rupees	General reserve Rupees	Accumulated loss Rupees	Total Rupees
Balance as on June 30, 2008	***153,333,330***	***39,898,526***	***90,000,000***	***(299,089,835)***	***(15,857,979)***
Right issue @1.28 shares for each share held	*196,666,670*	-	-	-	*196,666,670*
Loss for the year	-	-	-	*(81,218,669)*	*(81,218,669)*
Transfer from surplus on revaluation of property, plant and equipment - net of deferred taxation:					
- Incremental depreciation for the year	-	-	-	*17,970,918*	*17,970,918*
- Disposal of revalued assets	-	-	-	*980,249*	*980,249*
Balance as on June 30, 2009	***350,000,000***	***39,898,526***	***90,000,000***	***(361,357,337)***	***118,541,189***
Loss for the year	-	-	-	*(71,744,892)*	*(71,744,892)*
Transfer from surplus on revaluation of property, plant and equipment - net of deferred taxation:					
- Incremental depreciation for the year	-	-	-	*16,835,657*	*16,835,657*
Balance as on June 30, 2010	***350,000,000***	***39,898,526***	***90,000,000***	***(416,266,572)***	***63,631,954***

The annexed notes 1 to 46 form an integral part of these financial statements.

Lahore:
October 06, 2010

Tariq Rehman
(Chief Executive)

Haris Noorani
(Director)

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	**2010 Rupees**	2009 Rupees
Cash flow from operating activities			
Cash generated from operations	39	**219,711,764**	194,979,795
Finance cost paid		**(150,919,599)**	(146,850,645)
Taxes paid		**(22,574,586)**	(18,463,380)
Payments against discontinued provident fund	11.1	**(174,467)**	(1,542,036)
Gratuity paid	11.2	**(2,373,179)**	(4,803,896)
Dividend paid		**-**	(225)
Long-term deposits paid		**(1,715,100)**	(4,864,448)
Net cash from operating activities		**41,954,833**	18,455,165
Cash flow from investing activities			
Purchase of property, plant and equipment		**(17,749,126)**	(148,866,353)
Net increase in long-term loans		**(2,291,200)**	(359,120)
Proceeds from disposal of property, plant and equipment	19.3	**1,238,897**	4,946,634
Net cash used in investing activities		**(18,801,429)**	(144,278,839)
Cash flow from financing activities			
Proceeds from long term finances		**-**	163,500,000
Repayment of long term finances		**(44,453,510)**	(77,089,301)
Proceeds from loan from Directors		**-**	1,450,000
Repayment of loan from Directors		**(500,000)**	(1,760,000)
Proceeds from right issue		**-**	60,371,270
Repayment of long term morabaha		**-**	(7,174,998)
Proceeds from short term loans		**33,125,000**	15,100,000
Repayment of short term loans		**(26,991,907)**	(10,001,953)
Lease rentals paid		**(10,818,861)**	(11,811,761)
Net cash from financing activities		**(49,639,278)**	132,583,257
Net (decrease)/ increase in cash and cash equivalents		**(26,485,874)**	6,759,583
Cash and cash equivalents at the beginning of the year	40	**(484,468,928)**	(506,228,511)
Cash and cash equivalents at the end of the year	40	**(510,954,802)**	(499,468,928)

The annexed notes 1 to 46 form an integral part of these financial statements.

Lahore:
October 06, 2010

Tariq Rehman
(Chief Executive)

Haris Noorani
(Director)

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

2. BASIS OF PREPARATION

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

2.2 *The Company has incurred a loss after taxation of Rs 71.745 million during the year ended June 30, 2010 while the accomulated loss stands at Rs 416.267 million as at June 30, 2010. Current liabilities exceed current assests by Rs 268.075 million and the existing borrowing facilities are fully utilized. The company, in order to carry on its business without material curtailment of operations and to meet its current obligations requires improvement in operating margins and increase in sale volumes through increased production quantities which is dependent on availability of uninterrupted gas supply. Continuation of the company as a going concern is dependent on its ability to attain satisfactory level of profitability in future and in the intervening period, continued support from sponsors.*

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

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

2.3 Standards, Interpretations and amendments to published approved accounting standards

2.3.1 Amendments to published standards effective in current year

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

The company has preferred to present two statements; a profit and loss account (income statement) and a second statement beginning with profit or loss and display components of other comprehensive income (statement of comprehensive income).

- Certain amendments to IAS 23 ' Borrowing Costs' have been published that are applicable to the company's financial statements covering annual periods, beginning on or after January 1, 2009. Adoption of these amendments would require the company to capitalize the borrowing cost directly attributable to acquisition, construction or production of a qualifying asset (one that take substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed. Its adoption will not have any impact on the company's financial statements.

- IFRS 8, 'Operating Segments' replaces IAS 14 and is effective from January 01, 2009. IFRS 8 provides guidance for disclosure of information about entity's operating segments, products and services, geographical areas in which it operates, and major customers. Its adoption requires some additional disclosures but does not have any impact on the financial position of the company.

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

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

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. It is not expected to have a material impact on the company's financial statements.

- IAS 38 (amendment), 'Intangible assets'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in any significant impact on the company's financial statements.

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

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2009 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

3. BASIS OF MEASUREMENT

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Taxation

Current

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are generally recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.2 Staff retirement benefits

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

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

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

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

4.3 Property, plant and equipment

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

Depreciation on all property, plant and equipment except freehold land is charged to profit on straight line method with the exception of tools and equipment, furniture and fixture, office equipment and vehicles which are charged to profit on diminishing balance method so as to write off the cost or revalued amount of an asset over its estimated useful life. Depreciation on machinery spares, included in plant and machinery, is charged to profit on diminishing balance method so as to write off the cost over the estimated useful life. Depreciation is being charged at the rates given in note 19. Incremental depreciation representing the difference between actual depreciation based on revalued carrying amount of the asset and equivalent depreciation based on the original carrying amount of the asset is transferred from accumulated loss to surplus on revaluation of property, plant and equipment. All transfers to/from surplus on revaluation of property, plant and equipment are net of applicable deferred income taxes.

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

The assets' residual values and estimated useful lives are reviewed, at each financial year end and adjusted if impact on depreciation is significant. The company's estimate of the residual value of its property, plant and equipment as at June 30, 2010 has not required any adjustment as its impact is considered insignificant.

The company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in

income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.
Impairment loss or its reversal, if any, is also charged to profit. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

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

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

4.4 Capital work in progress

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

4.5 Intangible assets

Intangible assets are stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using diminishing balance method so as to write off the cost over the estimated useful life. Amortisation is being charged at the rate given in note 21.

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

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

4.6 Leases

The company is the lessee:

Finance leases

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

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease as referred to in note 10. The liabilities are classified as current and non-current depending upon the timing of the payment.

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

Assets acquired under a finance lease are depreciated over the useful life of the asset on diminishing balance method at the rates given in note 20. Depreciation on leased assets is charged to profit and loss account.

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

Operating leases

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

4.7 Stores, spares and loose tools

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

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

4.8 Stock-in-trade

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

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

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

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

4.9 Financial instruments

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

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

4.10 Offsetting of financial assets and liabilities

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

4.11 Trade debts

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

4.12 Cash and cash equivalents

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

4.13 Borrowings

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

4.14 Trade and other payables

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

4.15 Provisions

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

4.16 Foreign currencies

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

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

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

4.17 Revenue recognition

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

4.18 Borrowing costs

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

4.19 Business segments

The company is divided into three business segments:

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

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

4.19.1 Segment assets and liabilities

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

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

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

Insulator	*50%*
Wall Tile	*32%*
Floor Tile	*18%*

4.19.2 Allocation of segment expenses

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

Insulator	*50%*
WallTile	*32%*
FloorTile	*18%*

4.20 DIVIDEND DISTRIBUTION

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

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2010	2009		Note	***2010***	2009
(Number of shares)				***Rupees***	Rupees
18,570,460	18,570,460	ordinary shares of Rs 10 each fully paid in cash		***185,704,600***	185,704,600
2,800,000	2,800,000	ordinary shares of Rs 10 each issued as fully paid bonus shares		***28,000,000***	28,000,000
13,629,540	13,629,540	ordinary shares of Rs 10 each issued for consideration other than cash		***136,295,400***	136,295,400
35,000,000	35,000,000			***350,000,000***	350,000,000

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

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

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

6. RESERVES

	Note		
Composition of reserves is as follows:			
Capital - share premium	6.1	***39,898,526***	39,898,526
Revenue - general reserve		***90,000,000***	90,000,000
		129,898,526	129,898,526

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

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

Opening balance	***411,445,884***	437,779,005
Revaluation during the year	***84,122,069***	-
Revaluation on assets disposed off	***-***	(1,438,844)
Deferred tax thereon	***(27,403,913)***	(6,923,359)
Revaluation - net of deferred tax	***468,164,040***	429,416,802
Transferred to accumulated loss - net of deferred taxation:		
Incremental depreciation for the year	***(16,835,658)***	(17,970,918)
	451,328,383	411,445,884

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

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

	Note	***2010 Rupees***	2009 Rupees
8. LONG TERM LOANS FROM DIRECTORS AND CLOSE RELATIVES THEREOF			
Opening balance as at July 1		***74,570,569***	171,175,969
Add:			
Conversion of short term loan into long term loans		-	40,000,000
Loan received during the year		***1,650,000***	1,450,000
		1,650,000	41,450,000
Less:			
Amount converted into share capital		-	(136,295,400)
Payments made during the year		***(2,150,000)***	(1,760,000)
		(2,150,000)	(138,055,400)
		(74,070,569	74,570,569

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

9. LONG TERM FINANCES

	Note	***2010 Rupees***	2009 Rupees
These are composed of long term finances from:			
Related parties - unsecured	9.1	***159,551,932***	159,551,932
Banking companies - secured	9.2	***310,432,614***	339,886,124
		469,984,546	499,438,056
Less: Current maturity			
Related parties - unsecured		***(37,239,298)***	(10,167,358)
Banking companies - secured		***(121,750,805)***	(60,968,811)
		(158,990,103)	(71,136,169)
		310,994,443	428,301,887

9.1 Related parties - unsecured

	Note	***2010 Rupees***	2009 Rupees
Associated undertakings:			
- Imperial Electric Company (Private) Limited	9.1.1	***3,615,692***	3,615,692
- Associated Engineers (Private) Limited	9.1.2	***12,335,447***	12,335,447
		15,951,139	15,951,139
EMCO Industries Limited Provident Fund	9.1.3	***143,600,793***	143,600,793
		159,551,932	159,551,932

9.1.1 Mark-up on the loan is payable annually at the rate of 7.55% (2009: 7.55%) per annum on the outstanding principal of loan, amounting to Rs 2.985 million, rescheduled on August 20, 2008. Under an agreement with Imperial Electric Company (Private) Limited, the repayment schedule was revised effective January 1, 2009. Under the revised schedule, the loan was repayable in 14 equal monthly installments of Rs 0.250 million each commencing January 1, 2009 and a 15th installment of Rs 0.115 million repayable on March 1, 2010. However no repayment has been made upto June 30, 2010.

9.1.2 These are composed of the following loans :

Loan	Rate of Interest per annum	Repayment period	*2010 Rupees*	2009 Rupees
1	7.55%	Mark-up on the loan is payable annually at the rate of 7.55% (2009: 7.55%) per annum on the outstanding principal of loan, amounting to Rs 2.896 million, rescheduled on August 20, 2008. Under the agreement with Associated Engineers Limited, the repayment schedule was revised effective January 1, 2009. Under the revised schedule, the loan was repayable in 18 equal monthly installments of Rs 0.250 million each and the 19th installment of Rs 0.161 million commencing January 1, 2009. However no installment has been paid upto June 30, 2010.	***4,661,580***	4,661,580
2	Nil	After improvement in the financial position of the company	***3,173,867***	3,173,867
3	7.55%	After improvement in the financial position of the company	***4,500,000***	4,500,000 -
			12,335,447	12,335,447

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

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

During the year ended June 30, 2009, the company obtained additional loan from Emco Industries Limited Provident Fund resulting in the aggregate outstanding balance of Rs 143.6 million. Under the revised agreement effective December 31, 2008 between the company and the Trustees of the Fund, the balance is repayable by December 2014 in 24 unequal quarterly installments commencing July 1, 2009. Mark-up on the outstanding balance is payable quarterly at the rate of weighted average cost of capital to the company + 1% per annum commencing January 1, 2009. Effective rate charged during the year at 16.54% (2009: 18.03 %.). No installment has been paid up to June 30, 2010.

9.2 *Banking companies - secured*

Loan	Lender	2010 Rupees	2009 Rupees	Rate of mark-up per annum	Repayment Period
1	NIB Bank Limited	***111,546,919***	135,251,776	3 months KIBOR +3.5% with floor of 13%	*The loan was rescheduled during the year ended June 30, 2009. Under the rescheduled agreement with NIB Bank Limited effective December 14, 2008, outstanding balance of Rs 135.251 million was repayable in 10 equal quarterly installments of Rs 16.058 million each commencing December 14, 2009. Mark-up is payable quarterly from December 14, 2008. Principal balance and mark up due on June 14, 2010 has not been paid up to June 30, 2010.*
2	The Bank of Punjab	***157,774,583***	164,634,348	3 months avg. KIBOR +3% with no floor and cap	*The loan was rescheduled during the year ended June 30, 2009. Under the rescheduled agreement effective January 06, 2009, the outstanding balance was repayable in 24 equal quarterly installments of Rs 6.859 million each commencing January 6, 2010. Mark-up is payable quarterly from January 6, 2009. Installment due on April 6, 2010 and mark up for the quarters ended March 30, 2010 and June 30, 2010 has not been paid up to June 30, 2010.*
3	Faysal Bank Limited	***31,111,112***	40,000,000	6 months KIBOR +3.5%	*Amount is repayable in 18, equal, quarterly installments ending September 24, 2013. Mark up is payable quarterly commencing December 24, 2008. Principal balance and mark up due on June 24, 2010 has not been paid up to June 30, 2010.*
4	Royal Bank of Scotland	***10,000,000***	-	3 months KIBOR +3%	*This represents facility availed under FATR converted into long term loan during the year ended June 30, 2010. Under the agreement, the outstanding balance of Rs. 15 million is to be settled in 15 equal monthly installments of Rs 1 million each starting February 11, 2010. Mark up on the loan is payable quarterly on the outstanding principal amount.*
		310,432,614	339,886,124		

Security

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

Loan 2 is secured by a first pari passu charge on all fixed assets including present and future movable and immovable assets of the company amounting to Rs 227 million and first pari passu charge on all present and future current assets of the company amounting to Rs 93 million.

Loan 3 is secured by mortgage over commercial property situated at Patiala Ground Link Mcload Road, Lahore owned by Associated Engineers (Private) Limited and property owned by a director and his close relatives. This is also secured by ranking charge on current assets of the company amounting to Rs 47 million.

Loan 4 is secured by first joint pari passu hypothecation charge on the current assets of the company, mortgage over property situated at Muaza Ameerpura Lahore, and personal guarantees of the directors.

	Note	2010 Rupees	2009 Rupees
10. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments		***18,643,669***	28,310,904
Less: Current portion shown under current liabilities	13	***(6,134,163)***	(11,995,263)
		12,509,506	16,315,641

The present value of minimum lease payments have been discounted at implicit interest rates ranging from 9.73% to 19.00% per annum (2009: 7.07% to 17.95% per annum) to arrive at their present value.

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

Purchase option is exercisable by the company and the company intends to exercise its option. In case of late payment, charges vary from Rs 100 per day to Rs 0.05 per Rs 1,000 per day and 3% per month of the outstanding principal balance. In case of early termination of lease, the company is obliged to deliver the asset to the lessor along with payment of agreed loss value as per lease agreement whereas early payment results in prepayment penalty of 5% on the outstanding balance.

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

	Minimum Lease Payments Rupees	Future Financial Charges Rupees	***2010 Present Value of Lease Liability Rupees***	2009 Present Value of Lease Liability Rupees
Not later than one year	8,679,324	2,545,161	***6,134,163***	11,995,263
Later than one year and not later than five years				
2011	-	-	-	5,168,555
2012	6,953,538	1,706,880	***5,246,658***	4,172,129
2013	6,273,096	809,520	***5,463,576***	4,092,966
2014	1,863,923	64,651	***1,799,272***	2,881,991
	15,090,557	2,581,051	***12,509,506***	16,315,641
	23,769,881	5,126,212	***18,643,669***	28,310,904

	Note	***2010 Rupees***	2009 Rupees
11. DEFERRED LIABILITIES			
Payable to employees against discontinued provident fund	11.1	***3,037,287***	3,016,952
Non-workmen staff gratuity - unfunded	11.2	***25,870,725***	20,969,751
		28,908,012	23,986,703
11.1 Payable to employees against discontinued provident fund			
Opening balance		***3,016,952***	4,305,190
Mark-up accrued thereon	35	***194,802***	253,798
		3,211,754	4,558,988
Less: Payments made during the year		***(174,467)***	(1,542,036)
Closing balance		***3,037,287***	3,016,952

This represents outstanding balance of employer contribution payable to non-workmen employees for termination of provident fund scheme with effect from December 31, 2002. The balance along with the profit at the rate of 11.6% (2009: 14.5%) is being paid as and when requested by the employees.

11.2 *Non-workmen staff gratuity - unfunded*

The latest valuation under the defined benefit gratuity scheme was conducted on June 30, 2010. Prior to year ended June 30, 2007, the closing liability was calculated for all non-workmen employees who had reached the prescribed qualifying period of service at the end of the year, on the basis of their last drawn salary in respect of completed number of years of service.

	2010	2009
	Rupees	Rupees
Movement in the net liability recognised in balance sheet is as follows:		
Opening balance	***20,969,751***	19,215,350
Charge for the year	***7,274,153***	6,558,297
Payments made during the year	***(2,373,179)***	(4,803,896)
Closing balance	***25,870,725***	20,969,751
The amounts recognised in profit and loss account against defined benefit scheme are as follows:		
Current service cost	***2,618,038***	2,237,654
Interest cost	***4,656,115***	4,320,643
	7,274,153	6,558,297
The amounts recognised in balance sheet are as follows:		
Present value of defined benefit obligation	***24,645,668***	21,816,987
Unrecognised actuarial gain/ (loss)	***1,225,057***	(847,236)
	25,870,725	20,969,751
Movement in the present value of defined benefit obligation is as follows:		
Opening balance	***21,816,987***	18,647,118
Interest cost	***4,656,115***	4,320,643
Current service cost	***2,618,038***	2,237,654
Benefits paid	***(2,373,179)***	(4,803,896)
Actuarial (gain)/ loss	***(2,072,293)***	1,415,468
Present value of the defined benefit obligation at the end of year	***24,645,668***	21,816,987
The principal actuarial assumptions at the reporting date were as follows:		
Discount rate	12% per annum	12% per annum
Future salary increases	11% per annum	11% per annum
Average expected remaining working life of employees	7 years	7 years

	2010	2009	2008
	Rupees	Rupees	Rupees
Historical Information			
Present Value of defined benefit obligation	***24,645,668***	21,816,987	18,647,118
Experience adjustments arising on defined benefit obligation	***(2,072,293)***	1,145,468	(894,778)

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

Best estimate of contributions expected to be paid to the plan during the next financial year i.e. year ended June 30, 2011 is Rs 7.529 million (2009: Rs. 7.274 million).

		Note	***2010*** ***Rupees***	2009 Rupees
12.	***DEFERRED TAXATION***			
	Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 35%			
	Opening balance		***(27,631,143)***	(45,293,818)
	Credited to profit and loss account		***13,274,202***	25,044,582
	Deferred tax on revaluation		***(27,403,913)***	(7,381,907)
	Closing balance		***(41,760,854)***	(27,631,143)
	The deferred tax asset comprises of temporary differences arising due to:			
	Accelerated tax depreciation		***(119,072,990)***	(117,493,695)
	Revaluation of property, plant and equipment		***(142,246,741)***	(122,957,773)
	Provision for doubtful debts		***5,375,872***	3,257,997
	Provision for obsolete stores & spares		***711,973***	697,709
	Provision for obsolete stock		***5,778,148***	4,584,033
	Unused tax losses		***207,692,884***	204,280,586
			(41,760,854)	(27,631,143)
13.	***CURRENT PORTION OF LONG TERM LIABILITIES***			
	Long term finances	9	***158,990,103***	71,136,169
	Liabilities against assets subject to finance lease	10	***6,134,163***	11,995,263
			165,124,266	83,131,432
14.	***SHORT TERM BORROWINGS FROM RELATED PARTIES - UNSECURED***			
	Directors and close relatives thereof	14.1	***23,457,894***	17,324,801

14.1 This represents interest free loans from directors and their close relatives and are repayable by June 30, 2011.

		Note	2010 Rupees	2009 Rupees
15.	***FINANCES UNDER MARK-UP ARRANGEMENTS - SECURED***			
	Running finances	15.1	***365,663,703***	365,187,086
	Export and import finances	15.2	***196,299,400***	192,899,203
			561,963,103	558,086,289

15.1 **Running finances - secured**

Short-term running finances available from various commercial banks under mark-up arrangements amounting to Rs 358 million (2009: Rs 368.8 million). The rates of mark-up range from 1 month KIBOR + 2.5% to 3 months KIBOR + 3% per annum on the balance outstanding. The aggregate short term finances are secured by hypothecation of stores, spares, loose tools, stock-in trade, receivables and charge on present and future packing material and second charge on future and present fixed assets including land, building, plant, machinery and fixtures of the company. These are also secured by first joint pari passu charge on entire assets of the company and mortgage over commercial property situated at Patiala Ground Link McLeod Road, Lahore owned by Associated Engineering (Private) Limited and property owned by directors and their close relatives.

15.2 Export and import finances - secured

Export and import finances available from various commercial banks under mark-up arrangements amount to Rs 50 million (2009: Rs 50 million) and Rs 210 million (2009: Rs 210 million) respectively. The rates of mark-up range from 1 month KIBOR plus 2.5% to 6 month KIBOR plus 2.5%. In the event, the Company fails to pay the balances till due date, mark-up is to be computed at rates ranging from 14.77% to 22% per annum on the balances unpaid. The aggregate export and import finances are secured by hypothecation of stores, spares and loose tools, stock-in-trade, trade debts and second charge on the property, plant and equipment of the company.

15.3 Of the aggregate facilities of Rs 200 million (2009: Rs 210 million) for opening letters of credit and Rs 186.311 million (2009: Rs 144.930 million) for guarantees, the amount utilized at June 30, 2010 was Rs 56.69 million (2009: Rs 52.380 million) and Rs 185.755 million (2009: Rs 141.018 million) respectively. These facilities are secured by hypothecation of stores, spares and loose tools, stock-in-trade, trade debts and second charge on property, plant and equipment of the company.

16. TRADE AND OTHER PAYABLES

	Note	***2010 Rupees***	2009 Rupees
Trade creditors	16.1	***160,778,345***	167,312,248
Accrued liabilities		***125,860,118***	105,527,197
Sales tax and special excise duty payable		***37,643,046***	30,092,885
Advances from customers		***22,511,925***	1,925,840
Workers' profit participation fund	16.2	***131,844***	131,948
Unclaimed dividends		***244,839***	244,839
Employees' welfare fund		***900,021***	884,136
Payable to EMCO Industries Limited Provident Fund		***-***	1,171,414
Income tax payable		***4,561,697***	2,726,194
Others		***8,370,542***	7,167,064
		361,002,377	317,183,765

16.1 Trade creditors include Rs. 1.135 million (2009: Rs 1.706 million) payable to Imperial Soft (Private) Limited and Rs 0.010 million (2009: Rs 1.418 million) payable to Imperial Electric Company (Private) Limited, associated undertakings.

16.2 Workers' profit participation fund

	2010	2009
Opening balance	***131,948***	132,868
Less: Payments made during the year	***(104)***	(920)
Closing balance	***131,844***	131,948

17. ACCRUED MARK-UP ON LOANS AND OTHER PAYABLES

Mark-up accrued on:

	2010	2009
- Long term finances		
From related parties - unsecured	***46,172,250***	21,627,764
From banking companies - secured	***19,655,674***	15,362,762
- Liabilities against assets subject to finance lease	***678,339***	678,339
- Short term borrowings from EMCO Industries Limited Provident Fund	***2,143,575***	2,143,575
- Finances under mark-up arrangements - secured	***20,355,536***	25,483,828
	89,005,374	65,296,268

18. CONTINGENCIES AND COMMITTMENTS

18.1 Contingencies

(i) Claims not acknowledged as debts amounting to Rs 5.948 million (2009: Rs 5.948 million)

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

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

(iv) The company has indemnified the Trustees of EMCO Industries Limited Provident Fund and the beneficiaries thereof, from any and all events wherein they or any one suffers any loss and or damage for allowing the company rescheduled time frame to repatriate the borrowed sum amounting to Rs 143.601 million (2009: Rs 143.601 million as at June 30, 2010, into the fund.

18.2 Commitments in respect of

(i) Letters of credit other than capital expenditure Rs 56.69 million (2009: Rs 52.380 million).

(ii) Bank guarantees amounting to Rs 185.755 million (2009: Rs 141.018 million).

19. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings on freehold land	Plant and machinery	Tools and equipment	Furniture and fittings	Office equipment	Vehicles	Total
Net carrying value basis								
Year ended June 30, 2010								
Opening net book value (NBV)	151,880,000	251,801,786	742,065,953	320,890	1,865,958	6,489,152	6,407,138	1,160,830,877
Additions (at cost)	-	10,279,586	25,638,424	-	21,800	812,217	59,655	36,811,682
Inter transfer	-	-	15,678,913	-	-	-	1,452,395	17,131,308
Adjustments	-	-	-	-	-	(152,179)	-	(152,179)
Disposals (at NBV)	-	-	-	-	-	(13,468)	(732,121)	(745,589)
Depreciation charge	-	(13,495,037)	(71,714,289)	(64,203)	(376,185)	(1,308,627)	(1,370,212)	(88,328,553)
Surplus on revaluation	7,594,000	47,593,155	28,934,914	-	-	-	-	84,122,069
Deficit on revaluation	-	-	-	-	-	-	-	-
Closing net book value (NBV)	159,474,000	296,179,490	740,603,915	256,687	1,511,573	5,827,095	5,816,855	1,209,669,615
Gross carrying value basis								
As at June 30, 2010								
Cost / Revalued amount	159,474,000	440,978,987	1,500,044,399	9,201,723	8,321,864	26,384,470	16,495,603	2,160,901,046
Accumulated depreciation	-	(144,799,497)	(759,440,484)	(8,945,036)	(6,810,291)	(20,557,375)	(10,678,748)	(951,231,431)
Net book value (NBV)	159,474,000	296,179,490	740,603,915	256,687	1,511,573	5,827,095	5,816,855	1,209,669,615
Depreciation rate % per annum	-	5	7.3 - 35	20 - 40	20	20	20	

	Freehold land	Buildings on freehold land	Plant and machinery	Tools and equipment	Furniture and fittings	Office equipment	Vehicles	Total
Net carrying value basis								
Year ended June 30, 2009								
Opening net book value (NBV)	151,880,000	191,642,417	548,049,305	401,160	2,047,418	5,608,919	5,824,156	905,453,375
Additions (at cost)	-	71,193,453	268,745,910	-	266,035	2,135,468	44,560	342,385,426
Inter transfer	-	-	-	-	-	-	5,191,127	5,191,127
Adjustments	-	-	-	-	-	-	-	-
Disposals (at NBV)	-	-	(2,766,702)	-	-	(13,107)	(3,242,555)	(6,022,364)
Depreciation charge	-	(11,034,084)	(71,962,560)	(80,270)	(447,495)	(1,242,128)	(1,410,150)	(86,176,687)
Surplus on revaluation	-	-	-	-	-	-	-	-
Deficit on revaluation	-	-	-	-	-	-	-	-
Closing net book value (NBV)	151,880,000	251,801,786	742,065,953	320,890	1,865,958	6,489,152	6,407,138	1,160,830,877
Gross carrying value basis								
As at June 30, 2009								
Cost / Revalued amount	151,880,000	383,106,246	1,425,050,975	9,201,723	8,300,064	25,781,894	15,582,573	2,018,903,475
Accumulated depreciation	-	(131,304,460)	(682,985,022)	(8,880,833)	(6,434,106)	(19,292,742)	(9,175,435)	(858,072,598)
Net book value (NBV)	151,880,000	251,801,786	742,065,953	320,890	1,865,958	6,489,152	6,407,138	1,160,830,877
Depreciation rate % per annum	-	5	7.3 - 35	20 - 40	20	20	20	

- Included in additions to plant and machinery is borrowing cost of Rs Nil (2009: Rs. 24.526 million).

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

	Note	***2010 Rupees***	2009 Rupees
Cost of goods sold	30	***86,364,742***	83,956,161
Administrative expenses	31	***1,574,396***	1,614,233
Distribution and selling costs	32	***389,415***	606,293
		88,328,553	86,176,687

19.2 The company's freehold land, buildings on freehold land and plant and machinery were revalued on May 9, 2007 by M/s Engineering Pakistan International (Private) Limited on the basis their professional assessment of its depreciated replacement cost. This revaluation was incorporated on June 1, 2007 and resulted in a surplus of Rs 315.717 million over the written down value of Rs 621.362 million.

During the year ended June 30, 2010, revaluation of the company's freehold land, buildings on freehold land and plant and machinery were again carried out by M/s Engineering Pakistan International (Private) Limited. This revaluation has been incorporated in the financial statements with effect from June 1, 2010 resulting in a surplus of Rs 83.977 million over the written down value of Rs 1,061.30 million. Had there been no revaluation the carrying amount of the revalued assets would have been as follows:

Freehold land	***3,257,516***	3,257,516
Buildings on freehold land	***32,059,405***	23,053,151
Plant and machinery	***252,233,409***	242,464,869
	287,550,330	268,775,536

19.3 Disposal of property, plant and equipment

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

Particulars of the assets	*Sold to*	*Cost/revalued amount Rupees*	*Accumulated depreciation Rupees*	*Book value Rupees*	*Sale proceeds Rupees*	*Mode of disposal*
Vehicles	***Employees***					
Honda City	Mr. Rana Masood Anwar	830,500	462,254	368,246	598,896	Company policy
	Outsiders					
Hyundai Santro	Mrs. Rubina Shaheen	499,000	371,774	127,226	150,000	Negotiation
Honda Civic	Mrs. Asmatul Nisa	1,240,500	1,009,143	231,357	450,000	Negotiation
		1,739,500	1,380,917	358,583	600,000	
Other assets with book value less than Rs 50,000		*114,125*	*95,365*	*18,760*	*40,000*	

20. ASSETS SUBJECT TO FINANCE LEASE

	Cost as at July 1, 2009 (Rupees)	Additions/ (transfer) during the year (Rupees)	Cost as at June 30, 2010 (Rupees)	Accumulated depreciation as at July 1, 2009 (Rupees)	Depreciation charge/ (transfer) for the year (Rupees)	Accumulated depreciation as at June 30, 2010 (Rupees)	Book value as at June 30, 2010 (Rupees)	Rate of depreciation %
Plant and machinery	36,958,263	- (20,420,086)	16,538,177	4,171,705	2,293,342 (4,741,173)	1,723,875	14,814,302	7.3
Vehicle	11,916,500	5,487,000 (3,518,500)	13,885,000	4,834,056	1,814,640 (2,066,105)	4,582,591	9,302,409	20
2010	***48,874,763***	***5,487,000 (23,938,586)***	***30,423,177***	***9,005,761***	***4,107,982 (6,807,278)***	***6,306,466***	***24,116,711***	

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

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

	Nonte	***2010 Rupees***	2009 Rupees
Cost of goods sold	30	***2,473,492***	2,178,547
Administrative expenses	31	***976,777***	1,215,085
Distribution and selling costs	32	***657,714***	963,843
		4,107,983	4,357,475

21. INTANGIBLE ASSETS

	Cost as at July 1, 2009 (Rupees)	Additions/ (deletions) during the year (Rupees)	Cost as at June 30, 2010 (Rupees)	Accumulated amortisation as at July 1, 2009 (Rupees)	Amortisation charge/ (deletions) for the year (Rupees)	Accumulated amortisation as at June 30, 2010 (Rupees)	Book value as at June 30, 2010 (Rupees)	Rate of depreciation %
Computer software and ERP system	4,130,000	-	4,130,000	784,700	334,530	1,119,230	3,010,770	10
2010	4,130,000	-	4,130,000	784,700	334,530	1,119,230	3,010,770	

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

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

Administrative expenses	31	***334,530***	371,700

22. CAPITAL WORK IN PROGRESS

Building		***2,083,251***	2,083,251
Plant and Machinery		***3,117,215***	3,117,215
Software development	22.1	***2,065,000***	2,065,000
		7,265,466	7,265,466

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

		Note	***2010 Rupees***	2009 Rupees
23.	***LONG TERM LOANS - CONSIDERED GOOD***			
	Loans to employees - considered good			
	- Executives	23.1	***3,288,000***	2,255,000
	- Other employees		***2,608,840***	1,350,640
			5,896,840	3,605,640
	Less: Receivable within one year		***(2,257,650)***	(1,329,890)
			3,639,190	2,275,750

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

		2010	2009
23.1	**Reconciliation of carrying amount of loans to Executives**		
	Opening balance on July 1	***2,255,000***	1,975,000
	Add: Disbursements	***2,600,000***	1,000,000
	Less: Repayments	***(1,567,000)***	(720,000)
		3,288,000	2,255,000

		Note	***2010***	2009
24.	***STORES, SPARES AND LOOSE TOOLS***			
	Consumable stores		***27,449,031***	22,875,895
	Machinery spares [including in transit Rs 11.268 million (2009: Rs Nil million)]		***96,100,307***	72,923,241
	Loose tools		***2,928,526***	2,948,598
			126,477,864	98,747,734
	Less: Provision for obsolete items			
	- Consumable stores	24.1	***705,042***	705,042
	- Machinery spares	24.2	***1,461,116***	1,461,116
	- Loose tools		***22,911***	22,911
			2,189,069	2,189,069
			124,288,795	96,558,665

		2010	2009
24.1	***Provision for obsolete items - consumable stores***		
	Opening balance	***705,042***	74,747
	Add: Provision for the year	***-***	630,295
	Closing balance	***705,042***	705,042
24.2	***Provision for obsolete items - machinery spares***		
	Opening balance	***1,461,116***	2,230,225
	Add: Provision for the year	***-***	(769,109)
	Closing balance	***1,461,116***	1,461,116

	Note	***2010 Rupees***	2009 Rupees
25. STOCK-IN-TRADE			
Raw materials and components [including in transit Rs 35.160 million (2009: Rs 26.984 million)]		***144,732,098***	166,563,321
Packing material		***1,508,283***	1,503,703
Work-in-process		***37,514,097***	26,962,783
Finished goods		***176,219,756***	251,908,976
Goods purchased for resale		***3,343,025***	3,503,494
		363,317,259	450,442,277
Less: Provision for obsolete items			
- Raw material	25.1	***1,853,374***	1,853,375
- Finished goods	25.2	***14,010,026***	10,598,274
- Goods purchased for resale:		***645,592***	645,592
		16,508,992	13,097,241
		346,808,267	437,345,036

25.1 Provision for obsolete items - Raw material

	Note	2010	2009
Opening balance		***1,853,374***	1,867,355
Less: Obsolete stock written off against provision		***-***	(13,981)
Closing balance		***1,853,374***	1,853,374

25.2 Provision for obsolete items - Finished goods

	Note	2010	2009
Opening balance		***10,598,274***	7,861,812
Add: Provision for the year	31	***3,411,752***	2,736,462
Closing balance		***14,010,026***	10,598,274

Raw materials amounting to Rs 2.231 million (2009: Rs 4.503 million) are in the possession of various vendors for further processing.

Raw materials amounting to Rs 68.709 million (2009: Rs 106.259 million) are pledged as security against finances availed from commercial banks as referred to in note 15.

Finished goods amounting to Rs 0.151 million (2009: Rs 1.178 million) are valued at net realizable value.

26. TRADE DEBTS

	Note	2010	2009
Considered good:			
- Due from related parties	26.1	***358,946***	189,927
- Others		***337,350,825***	278,779,667
		337,709,771	278,969,594
Considered doubtful- others		***15,359,635***	9,308,562
		353,069,406	288,278,156
Less: Provision for doubtful debts	26.2	***15,359,635***	9,308,562
		337,709,771	278,969,594

Trade debts include secured debts of Rs 19.145 million (2009: Rs 7.394 million).

	Note	**2010 Rupees**	2009 Rupees
27.1 Due from related parties			
Fatima Memorial Hospital Trust		**204,446**	48,472
Directors		**112,882**	101,798
Executives		**41,618**	39,657
		358,946	189,927

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

	Note	**2010 Rupees**	2009 Rupees
26.2 Provision for doubtful debts			
Opening balance		**9,308,562**	5,583,583
Add: Provision for the year	31	**6,051,073**	5,552,228
		15,359,635	11,135,811
Less: Bad debts written off against provision		**-**	1,827,249
Closing balance		**15,359,635**	9,308,562

27. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	**2010 Rupees**	2009 Rupees
Current portion of loans to employees - considered good		**2,257,650**	1,329,890
Advances - considered good			
- to employees	27.1	**451,868**	1,544,155
- to suppliers		**11,471,853**	8,431,911
		11,923,721	9,976,066
Due from related parties - considered good	27.2	**15,121**	15,121
Short term security deposits		**6,293,028**	4,548,493
Letters of credit opening charges		**707,331**	1,096,375
Claims recoverable from government			
- Income tax recoverable		**-**	3,500,000
- Sales tax		**28,623**	28,623
- Excise duty		**-**	1,132,585
- Export freight subsidy		**1,791,022**	1,162,798
		1,819,645	5,824,006
Prepayments		**1,625,449**	2,904,722
Recoverable from employees		**5,316,622**	-
Margins held by bank		**6,162,987**	4,517,965
Others		**19,442**	18,627
		36,140,996	30,231,265

27.1 Included in advances to employees is an amount of Rs 0.005 million (2009: 1.111 million) due from executives.

27.2 This represents amount due from ICC (Private) Limited. The amount relates to normal business of the company and is interest free.

28. CASH AND BANK BALANCES

		2010 Rupees	2009 Rupees
At banks - current accounts		**49,994,464**	57,764,051
Cash in hand		**1,013,837**	853,310
		51,008,301	58,617,361

29. SALES

	Insulator Rupees	Wall Tile Rupees	Floor Tile Rupees	2010 Total Rupees	2009 Total Rupees
Gross sales					
- Local	657,484,304	1,030,120,573	296,589,144	1,984,194,021	1,662,548,441
- Export	164,520,652	-	-	164,520,652	92,973,500
	822,004,956	1,030,120,573	296,589,144	2,148,714,673	1,755,521,941
Goods purchased for resale	-	166,255	1,728	167,983	22,274,968
Less: Sales tax	(78,650,217)	(149,987,677)	(42,254,603)	(270,892,497)	(221,753,695)
Less: Special Excise Duty	(5,002,420)	(9,353,918)	(2,646,302)	(17,002,640)	(13,935,132)
Net sales	738,352,319	870,945,233	251,689,967	1,860,987,519	1,542,108,082

29.1 There are no inter segment sales.

29.2 Local sales are exclusive of Rs 79.387 million (2009: Rs 49.193 million) towards discount.

29.3 Goods purchased for resale are exclusive of Rs Nil (2009: 0.061 million) towards discount.

30. COST OF GOODS SOLD

	Note	Insulator Rupees	Wall Tile Rupees	Floor Tile Rupees	2010 Total Rupees	2009 Total Rupees
Raw and packing materials consumed		335,532,748	287,578,143	74,777,940	697,888,831	674,796,466
Stores and spares consumed		35,650,490	36,864,744	13,691,799	86,207,033	84,656,197
Salaries, wages and benefits	30.1	122,491,333	78,685,378	42,376,458	243,553,169	238,047,146
Power and gas		65,202,513	219,028,383	44,860,808	329,091,704	246,114,344
Depreciation on owned assets	19.1	27,869,038	46,343,705	12,151,999	86,364,742	83,956,161
Depreciation on leased assets	20.1	1,211,542	819,721	442,229	2,473,492	2,178,547
Vehicle Maintenance		288,522	164,271	89,538	542,331	560,731
Repairs and maintenance		2,049,289	2,691,654	1,421,375	6,162,318	6,550,831
Insurance		1,351,322	994,349	535,939	2,881,610	2,654,992
Communication and stationery		739,818	878,954	300,292	1,919,064	2,352,215
Rent, rates and taxes		4,767,363	7,403,629	4,003,078	16,174,070	11,869,877
Travelling and conveyance		2,534,117	2,152,856	1,111,450	5,798,423	6,584,833
Others		8,127,324	1,367,413	756,776	10,251,513	10,955,296
		607,815,418	684,973,200	196,519,681	1,489,308,300	1,371,277,636
Opening work in process		11,377,414	12,213,413	3,371,956	26,962,783	33,596,152
Less: Closing work in process		21,051,502	13,457,264	3,005,331	37,514,097	26,962,783
		(9,674,088)	(1,243,851)	366,625	(10,551,314)	6,633,369
Cost of goods produced		598,141,330	683,729,349	196,886,306	1,478,756,986	1,377,911,005
Opening stock of finished goods		196,106,072	40,550,108	15,252,796	251,908,976	140,983,138
		794,247,402	724,279,457	212,139,102	1,730,665,962	1,518,894,143
Less: Closing stock of finished goods		123,928,330	44,840,416	7,451,010	176,219,756	251,908,976
		670,319,072	679,439,041	204,688,092	1,554,446,206	1,266,985,167
Cost of goods sold - purchased for resale		-	145,062	1,255	146,317	16,519,635
		670,319,072	679,584,103	204,689,347	1,554,592,523	1,283,504,802

30.1 Salaries, wages and benefits include provident fund charge of Rs 3.016 million (2009: Rs 3.068 million) and gratuity charge Rs 3.709 million (2009: Rs 3.230 million).

30.2 There are no inter segment purchases.

31. ADMINISTRATIVE EXPENSES

	Note	*Insulator Rupees*	*Wall Tile Rupees*	*Floor Tile Rupees*	*2010 Total Rupees*	*2009 Total Rupees*
Salaries, allowances and benefits	31.1	18,939,673	12,121,391	6,818,282	***37,879,346***	37,117,629
Communication and stationery		1,143,991	732,155	411,837	***2,287,983***	2,139,570
Travelling		776,852	497,185	279,667	***1,553,704***	1,145,370
Vehicle maintenance		1,992,811	1,275,399	717,412	***3,985,622***	4,444,678
Rent, rates and taxes	31.2	2,851,205	1,824,771	1,026,434	***5,702,410***	3,445,151
Depreciation on owned assets	19.1	787,198	503,806	283,392	***1,574,396***	1,614,233
Depreciation on leased assets	20.1	488,388	312,569	175,820	***976,777***	1,215,085
Amortization of intangible assets	21.1	167,265	107,050	60,215	***334,530***	371,700
Electricity and gas		553,496	354,237	199,258	***1,106,991***	998,050
Insurance		136,807	87,557	49,251	***273,615***	441,691
Legal and professional charges	31.3	1,424,077	1,236,409	687,668	***3,348,154***	2,360,205
Repairs and maintenance		253,735	162,390	91,344	***507,469***	594,028
Computer charges		432,405	276,739	155,666	***864,810***	712,781
Security charges		640,389	409,849	230,540	***1,280,778***	755,346
Fees and taxes		935,599	598,783	336,816	***1,871,198***	1,438,668
Provision for doubtful debts - trade	26.2	177,769	3,817,648	2,055,656	***6,051,073***	5,552,228
Provision for obsolete stock	25.2	3,411,752	-	-	***3,411,752***	2,987,662
Provision for obsolete stores and spares	24.1	-	-	-	**-**	630,295
Others		1,095,234	700,950	394,284	***2,190,468***	2,459,308
		36,208,646	25,018,888	13,973,542	***75,201,076***	70,423,678

31.1 Salaries, wages and benefits include provident fund charge of Rs 0.06 million (2009: Rs 0.071 million) and gratuity charge of Rs 2.356 million (2009: Rs 1.266 million).

31.2 Rent, rates and taxes include operating lease rentals amounting to Rs 5.702 million (2009: Rs 3.445 million).

	2010 Rupees	2009 Rupees
31.3 Professional services		
The charges for professional services include the following in respect of auditors' services for:		
Statutory audit	***750,000***	700,000
Half yearly review and other certification	***300,000***	275,000
Tax services	***1,115,000***	620,000
Out of pocket expenses	***139,802***	118,452
	2,304,802	1,713,452

32. DISTRIBUTION AND SELLING COSTS

	Note	Insulator Rupees	Wall Tile Rupees	Floor Tile Rupees	2010 Total Rupees	2009 Total Rupees
Salaries, allowances and benefits	32.1	3,451,405	14,392,976	7,750,064	25,594,445	26,168,283
Travelling		2,293,534	3,078,786	1,657,808	7,030,128	6,588,483
Insurance		333,024	78,539	42,290	453,853	1,266,300
Handling, freight and transportation		19,100,756	39,329,074	14,522,292	72,952,122	55,338,005
Electricity and gas		47,489	471,420	253,842	772,751	940,820
Vehicle maintenance		8,995	468,240	252,129	729,364	829,510
Rent, rates and taxes		1,087,362	2,877,119	1,549,218	5,513,699	4,974,338
Communication		334,602	839,962	452,287	1,626,851	1,492,243
Repair and maintenance		3,250	1,024,315	551,554	1,579,119	643,056
Security charges		18,096	59,675	32,134	109,905	98,608
Advertisement and sales promotion		13,300	908,405	487,515	1,409,220	2,484,225
Depreciation on owned assets	19.1	-	253,120	136,295	389,415	606,293
Depreciation on leased assets	20.1	26,187	410,493	221,034	657,714	963,843
Late delivery charges		6,653,016	-	-	6,653,016	3,474,477
Others		598,482	1,402,799	782,624	2,783,905	2,394,585
		33,969,498	65,594,923	28,691,086	128,255,507	108,263,069

32.1 Salaries, wages and benefits include provident fund charge of Rs 0.06 million (2009: Rs 0.058 million) and gratuity charge of Rs 1.210 million (2009: Rs 2.222 million).

	Note	2010 Rupees	2009 Rupees
33. OTHER OPERATING EXPENSES			
Workers' Welfare Fund		-	89,601
Donations		4,549	533,069
Loss on disposal of fixed assets		-	2,108,809
Others	33.1	7,710,034	1,557,377
		7,714,583	4,288,856

33.1 Included in others is an amount of Rs 7.537 million (2009: Rs 0.950 million) on account of penalties imposed by sales tax authorities.

34. OTHER OPERATING INCOME

	2010 Rupees	2009 Rupees
Income from financial assets		
Exchange gain	514,995	4,747,341
Income from non-financial assets		
Rental income	90,734	90,240
Gain on disposal of fixed assets	493,308	1,033,079
Others	2,323,224	538,107
	2,907,266	1,661,426
	3,422,261	6,408,767

		Note	***2010*** ***Rupees***	2009 Rupees
35.	***FINANCE COST***			
	Mark-up on			
	- Long term finances			
	- From related parties - unsecured		***783,822***	1,138,113
	- From EMCO Industries Limited Provident Fund		***23,760,664***	15,953,945
	- From banking companies - secured		***53,386,875***	35,835,546
	- Long-term morabaha		***-***	348,399
	- Discontinued Provident fund	11.1	***194,802***	253,798
	- Short term borrowings from provident fund		***-***	1,857,041
	- Finances under mark-up arrangements - secured		***88,311,416***	119,018,360
	- Finance lease		***3,621,347***	5,188,797
	Commission on bank guarantees		***2,002,065***	2,207,106
	Bank charges		***2,762,516***	3,385,962
			174,823,507	185,187,067
36.	***TAXATION***			
	For the year			
	- Current		***10,132,077***	1,170,550
	- Deferred		***(15,210,432)***	(33,794,437
			(5,078,355)	(32,623,887)
	Prior years			
	- Current		***(1,290,399)***	1,942,078
	- Deferred		***1,936,230***	8,749,855
			645,831	10,691,933
			(4,432,524)	(21,931,954)

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

For the purpose of current taxation, the tax losses available for carry forward as at June 30, 2009 are estimated approximately at Rs 598.014 million (2009: Rs 596.117 million).

36.2 Tax Charge Reconciliation

Since the company is in losses, the current tax provision represents the tax under sections 113, 148 and 154 of the Income Tax Ordinance, 2001, therefore it is impracticable to prepare the tax charge reconciliation.

			2010	2009
37.	***EARNINGS PER SHARE***			
37.1	***Basic earnings per share***			
	Loss for the year attributable to ordinary shareholders	Rupees	***(71,744,892)***	(81,218,669)
	Weighted average number of ordinary shares	Numbers	***35,000,000***	33,957,937
	Basic loss per share	Rupees	***(2.05)***	(2.39)

37.2 Diluted earnings per share

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

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		***Director***		***Executive***	
	2010 Rupees	2009 Rupees	***2010 Rupees***	2009 Rupees	***2010 Rupees***	2009 Rupees
Managerial remuneration	***3,593,026***	3,452,760	***8,727,789***	10,790,220	***8,776,373***	9,172,397
Production incentives	**-**	-	-	-	***3,746,210***	3,598,830
House rent	***1,616,860***	1,553,748	***3,927,505***	4,855,608	***3,949,368***	4,127,585
Utilities	***454,315***	251,171	***1,022,514***	631,435	***1,127,367***	1,113,572
Medical expenses	***267,787***	162,236	***1,056,025***	797,216	***460,833***	413,943
Reimbursable expenses note 38.1	***1,694,824***	981,274	***4,854,152***	4,290,432	***4,084,719***	3,100,894
	7,626,812	6,401,189	***19,587,985***	21,364,911	***22,144,870***	21,527,221
Number of persons	1	1	3	3	8	8

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

38.2 The aggregate amount charged in the financial statements for the year ending June 30, 2010, on account of directors include remuneration and other benefits paid to three directors of the company up to November 30, 2009 and to two directors for the remaining months of the year.

39. CASH GENERATED FROM OPERATIONS

	Note	***2010 Rupees***	2009 Rupees
Profit/ (Loss) before taxation		***(76,177,416)***	(103,150,623)
Add: Adjustment for non-cash charges and other items:			
Depreciation on property, plant and equipment	19.1	***88,328,553***	86,176,689
Depreciation on leased assets	20.1	***4,107,983***	4,357,474
Amortisation of intangible	21.1	***334,530***	371,700
Capital work in progress expensed out		**-**	339,411
Security deposit adjusted against rent expense		***201,386***	423,392
Provision for gratuity	11.2	***7,274,153***	6,558,297
Provision for doubtful debts - trade	26.2	***6,051,073***	5,552,228
Provision for obsolete stock	25.2	***3,411,752***	2,987,662
Provision for obsolete stores and spares	24.1	**-**	630,295
(Gain)/Loss on disposal of property, plant and equipment	34	***(493,308)***	1,075,730
Finance cost	35	***174,823,507***	185,187,067
		284,039,629	293,659,944
Profit before working capital changes		***207,862,213***	190,509,321

	Note	2010 Rupees	2009 Rupees
Effect on cash flow due to working capital changes:			
- (Increase) / Decrease in stores and spares		***(46,792,686***	8,939,577
- Decrease / (Increase) in stock-in-trade		***87,125,017***	(78,505,473)
- Increase in trade debts		***(64,791,250)***	(59,035,299)
- (Increase) / Decrease in loans, advances, deposits, prepayments and other receivables		***(7,598,321)***	8,904,903
- Increase in trade and other payables		***43,906,791***	124,166,766
		11,849,551	4,470,474
		219,711,764	194,979,795

40. CASH AND CASH EQUIVALENTS

	Note	2010 Rupees	2009 Rupees
Cash and bank balances	28	***51,008,301***	58,617,361
Finances under mark-up arrangements - secured	15	***(561,963,103)***	(558,086,289)
FATR converted into long term loan	40.1	-	15,000,000
		(510,954,802)	(484,468,928)

40.1 This comprises Rs. 15 million converted into long term loan during the year subsequent to an agreement with the bank.

41. RELATED PARTY DISCLOSURES

The related parties comprise associated undertakings, other related group companies, directors of the company and their close relatives, key management personnel and post employment benefit plans.The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from directors and key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 38. Other significant transactions with related parties are given below:

	Relationship with the company	***Nature of transactions***	***2010 Rupees***	2009 Rupees
i.	Associated undertakings	Long term finances obtained -	9,500,000	
		Repayment of long term finances	-	5,000,000
		Mark-up on long term finances	***783,822***	1,138,113
		Sale of goods	***11,670***	458,459
		Purchase of goods & services	***2,793,827***	798,662
ii.	Directors and close relative thereof	Long term loan obtained	***1,650,000***	1,450,000
		Long term loan repaid	***2,150,000***	1,760,000
		Short term borrowing obtained	***33,125,000***	13,100,000
		Short term borrowing repaid	***26,991,907***	5,690,463
		Short term loan converted into long term	-	40,000,000
		Loan adjusted against right issue	-	136,295,400
		Sale of goods	***46,903***	1,485
		Rent paid	***4,500,000***	3,000,000
iii.	Employee benefits plans - EMCO Industries Limited Provident Fund	Opening balance of short term loan	-	-
		Short term loan obtained	-	114,000,000
		Transferred to long term loan	-	(114,000,000)
		Balance as at June 30	-	-
		Opening balance of long term loan	***143,600,793***	89,912,134
		Repayment of long term loan	-	(60,311,341)
		Transferred from short term loan	-	114,000,000
		Balance as at June 30	***143,600,793***	143,600,793
		Mark-up on short term loan	-	1,857,041
		Mark-up on long term loan	***23,760,664***	15,953,945
iv.	Undertaking in which close family members of a director are holding directorship	Sale of goods	***660,194***	458,459
		Purchase of goods & services	-	798,662
v.	Key management personnel	Sale of goods	***36,127***	-

42. SEGMENT INFORMATION

	Insulator		Wall Tile		Floor Tile		Total	Total
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	Rupees	Rupees	**Rupees**	Rupees	**Rupees**	Rupees	**Rupees**	Rupees
Revenue from external customers	738,352,319	666,200,118	870,945,233	684,760,716	251,689,967	191,147,248	1,860,987,519	1,542,108,082
Interest expense	74,875,842	87,328,970	72,992,362	66,419,668	26,955,303	31,438,429	174,823,507	185,187,067
Depreciation and amortisation	30,382,353	36,384,653	48,643,413	38,348,669	13,410,769	15,800,840	92,436,535	90,534,162
Segment operating profit/(loss)	(2,144,896)	19,873,632	100,747,319	100,567,442	4,335,990	(40,524,541)	102,938,413	79,916,533
Segment assets	937,855,980	799,000,030	890,139,370	1,021,639,048	221,863,275	200,199,562	2,049,858,625	2,020,838,640

	2010 Rupees	2009 Rupees
42.1 Reconciliation of segment profit/(loss)		
Total for segment profit	**102,938,413**	79,916,533
Other operating expenses	**(7,714,583)**	(4,288,856)
Other operating income	**3,422,261**	6,408,767
Profit from operations	**98,646,091**	82,036,444
Finance cost	**(174,823,507)**	(185,187,067)
Loss before tax	**(76,177,416)**	(103,150,623)
Taxation	**4,432,524**	21,931,954
Loss after tax	**(71,744,892)**	(81,218,669)
42.2 Reconciliation of segment assets		
Total for segment assets	**2,049,858,625**	2,020,838,640
Unallocated assets		
Intangible assets	**3,010,770**	3,345,300
Loan to employees	**3,639,190**	2,275,750
Long term deposits	**3,577,378**	7,218,688
Loans, advances, deposits, prepayments and other receivables	**36,140,996**	30,231,265
Taxation - net	**36,521,475**	19,288,567
Cash and bank balances	**51,008,301**	58,617,361
Total assets as per balance sheet	**2,183,756,735**	2,141,815,571
42.3 Information about geographical area		
Pakistan	**1,696,466,867**	1,449,134,582
Saudia Arabia	**133,896,389**	64,816,009
Others	**30,624,263**	28,157,491
	1,860,987,519	1,542,108,082

42.4 Information about major customers

Included in revenue from insulator division, is revenue from one major customer which represents approximately Rs. 527.833 million of the total revenue.

43. *Financial risk management*

43.1 *Financial risk factors*

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

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables that exist due to transactions in foreign currencies. The company's exposure to currency risk is as follows:

	2010 Rupees	2009 Rupees
Trade and other receivables - USD	***588,631***	92,050
Net exposure - USD	***588,631***	92,050

The following significant exchange rates were applied during the year:

Rupees per USD		
Average rate	***84.17***	79.92
Reporting date rate	***85.60***	81.30

(ii) Interest rate risk

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

	2010 Rupees	2009 Rupees
Fixed rate instruments		
Financial liabilities		
Long term finances	***12,777,272***	12,777,272
Liabilities against assets subject to finance lease	***6,731,277***	12,127,990
Finances under mark-up arrangements - secured	***48,889,000***	37,555,000
Total exposure	***68,397,549***	62,460,262
Floating rate instruments		
Financial liabilities		
Long term finances	***454,033,407***	483,486,917
Liabilities against assets subject to finance lease	***11,912,392***	16,182,914
Finances under mark-up arrangements - secured	***513,074,103***	520,531,289
	979,019,902	1,020,201,120

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates on long term loans from associates, banks and short term running finance, during the year, fluctuate by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs 6.831 million higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

(b) *Credit risk*

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks, trade debts, loans and advances and other receivables.

(i) *Exposure to credit risk*

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

	2010 Rupees	2009 Rupees
Long term deposits	9,870,406	11,767,181
Long term loans	5,896,840	3,605,640
Trade debts	353,069,406	288,278,156
Loans, advances, deposits and other receivables	11,966,040	6,095,868
Cash and bank balances	49,994,464	57,764,051
	430,797,156	367,510,896

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

The age of financial assets and related impairment loss at balance sheet date is as follows:

	2010 Rupees	2009 Rupees
The age of financial assets		
Not past due	336,903,714	315,057,183
Past due but not Impaired:		
Not more than one year	62,348,694	31,846,445
More than one year and not more than three years	14,512,144	9,916,746
Over three years	1,672,969	1,381,960
Past due and Impaired:		
More than one years and not more than three years	1,050,243	299,162
Over three years	14,309,392	9,009,400
	430,797,156	367,510,896

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

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Banks	**Rating Short**	**Rating Long**	**Rating Agency**	**2010 Rupees**	**2009 Rupees**
Allied Bank	A1+	AA	PACRA	9,404,270	5,541,360
Askari Bank Limited	A1+	AA	PACRA	778,823	1,567,636
Bank Al Falah Limited	A1+	AA	PACRA	8,112,113	7,391,446
The Bank of Punjab	A1+	AA-	PACRA	2,957,839	871,868
Faysal Bank Limited	A-1+	AA	PACRA	5,023,787	10,238,203
Habib Bank Limited	A-1+	AA+	JCR-VIS	379,885	136,979
MCB Bank Limited	A1+	AA+	PACRA	7,223,071	8,788,110
National Bank of Pakistan	A-1+	AAA	JCR-VIS	1,095,390	535,504
Silk Bank Limited	A-3	A-	JCR-VIS	7,049,999	19,213,430
Standard Chartered Limited	A1+	AAA	PACRA	2,557,758	128,917
United Bank Limited	A-1+	AA+	JCR-VIS	5,411,528	3,350,598
				49,994,463	57,764,051

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

(c) ***Liquidity risk***

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

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

The following are the contractual maturities of financial liabilities as at June 30, 2010:

	Carrying amount Rupees	**Less than one year Rupees**	**One to five years Rupees**	**More than five years Rupees**
Long term loans from directors	74,070,569	-	-	74,070,569
Long term finances	469,984,546	158,990,103	297,274,914	13,719,529
Liabilities against assets subject to finance lease	18,643,669	6,134,163	12,509,506	-
Short term borrowings from related parties - unsecured	23,457,894	23,457,894	-	-
Finances under mark-up arrangements - secured	561,963,103	561,963,103	-	-
Trade and other payables	270,816,363	270,816,363	-	-
Accrued finance cost	89,005,374	89,005,374	-	-
	1,507,941,518	1,110,367,000	309,784,420	87,790,098

	Carrying amount	Less than one year	One to five years	More than five years
	Rupees	Rupees	Rupees	Rupees

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

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

43.2 ***Fair values of financial assets and liabilities***

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

43.3 ***Financial instruments by categories***

	Loans and receivables	
	2010	2009
Financial assets as per balance sheet	***Rupees***	Rupees
Long term deposits	***9,870,406***	11,767,181
Long term loans	***5,896,840***	3,605,640
Trade debts	***353,069,406***	278,969,594
Loan, advances, deposits, prepayments and other receivables	***11,966,040***	6,095,868
Cash and bank balances	***51,008,301***	58,617,361
	431,810,993	359,055,644

	Other financial liabilities	
	2010	2009
Financial liabilities as per balance sheet	***Rupees***	Rupees
Long term loans from directors	***74,070,569***	74,570,569
Long term finances	***469,984,546***	499,438,056
Liabilities against assets subject to finance lease	***18,643,669***	28,310,904
Short term borrowings from related parties - unsecured	***23,457,894***	17,324,801
Finances under mark-up arrangements - secured	***561,963,103***	558,086,289
Trade and other payables	***270,816,363***	288,320,597
Accrued finance cost	***89,005,374***	65,296,268
	1,507,941,518	1,531,347,484

43.4 *Capital risk management*

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

Consistent with others in the industry and the requirements of the lenders the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term loan obtained by the Company as referred to in note 9 & 10. Total capital employed includes equity as shown in the balance sheet plus borrowings. The gearing ratio as at year ended June 30, 2010 and June 30, 2009 are as follows:

		2010	2009
Borrowings	Rupees	***469,984,546***	499,438,056
Total capital employed	Rupees	***533,616,500***	617,979,245
Gearing ratio	Percentage	***88%***	81%

44. *CAPACITY AND PRODUCTION*

	Capacity		**Actual production**	
	2010	2009	**2010**	2009
Insulators produced - tons	***5,000***	5,000	**4,049**	4,567
Wall tiles produced - sq. mtrs.	**4,100,000**	2,466,000	**2,963,302**	2,405,919

Low production activity during the year ended June 30, 2006 in wall tile division was due to closure of plant for BMR for a period of three months i.e. November 1, 2005 to January 31, 2006 and Floor tile plant remained closed for one month for the purpose of repair and maintenance.

45. *DATE OF AUTHORIZATION OF ISSUE*

These financial statements were authorized for issue on 06 October, 2010 by the Board of Directors of the company.

46. *CORRESPONDING FIGURES*

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

	Note	From	To	2009 Rupees
Compensation for breakage	32	Selling and distribution expenses	sales	8,319,481

Lahore:
October 06, 2010

Tariq Rehman
(Chief Executive)

Haris Noorani
(Director)

PATTERN OF SHARE HOLDING
as on June 30, 2010

No of Shareholders	Shareholding From	Shareholding To	Total Shares held
76	1	100	3,296
273	101	500	62,921
86	501	1,000	68,844
126	1,001	5,000	294,117
28	5,001	10,000	220,434
16	10,001	15,000	192,923
5	15,001	20,000	92,025
7	20,001	25,000	148,005
4	25,001	30,000	113,000
3	30,001	35,000	95,121
1	35,001	40,000	36,239
4	40,001	45,000	163,411
3	45,001	50,000	143,220
2	60,001	65,000	129,400
1	75,001	80,000	76,100
1	80,001	85,000	80,691
1	90,001	95,000	94,000
2	100,001	105,000	202,119
2	115,001	120,000	233,399
2	120,001	125,000	244,926
2	125,001	130,000	255,504
2	135,001	140,000	279,400
1	140,001	145,000	144,470
3	160,001	165,000	483,497
1	170,001	175,000	175,000
1	175,001	180,000	177,125
1	180,001	185,000	180,362
1	205,001	210,000	205,500
2	220,001	225,000	449,426
1	225,001	230,000	228,052
1	245,001	250,000	246,312
1	250,001	255,000	251,126
2	265,001	270,000	535,556
1	275,001	280,000	276,902
3	290,001	295,000	875,332
2	300,001	305,000	602,580
1	335,001	340,000	339,093
1	395,001	400,000	399,378
1	435,001	440,000	436,046
1	455,001	460,000	456,573
1	530,001	535,000	532,618
1	550,001	555,000	550,001
1	635,001	640,000	637,654
1	660,001	665,000	660,492
1	750,001	755,000	754,929
1	755,001	760,000	756,711
1	800,001	805,000	800,087
1	820,001	825,000	821,019
1	880,001	885,000	881,039
1	990,001	995,000	995,000
1	1,035,001	1,040,000	1,037,163
1	1,170,001	1,175,000	1,174,419
1	1,285,001	1,290,000	1,288,942
1	2,010,001	2,015,000	2,011,325
1	2,375,001	2,380,000	2,377,013
1	2,690,001	2,695,000	2,692,285
1	3,445,001	3,450,000	3,445,641
1	3,890,001	3,895,000	3,892,237
690			**35,000,000**

Categories of shareholders	Number of Share Holders	Shares held	% of paid up capital
Individuals	651	26,157,361	74.74
Insurance Companies	2	128,125	0.37
Joint Stock Companies	28	7,197,684	20.56
Financial Institutions	9	1,516,830	4.33
Total	**690**	**35,000,000**	**100.00**

PATTERN OF SHARE HOLDERS
AS ON JUNE 30, 2010

Category of Shareholder	Holding	Percentage %
DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN:		
MR. TARIQ REHMAN - (CDC)	2,377,013	6.7915
MR. SHAFIQUE A. SIDDIQUI	177,125	0.5061
MR. HARIS NOORANI	224,970	0.6428
MR. HARIS NOORANI - (CDC)	1,288,942	3.6827
MR. SUHAIL MANNAN	3,892,237	11.1207
MR. SUHAIL MANNAN (CDC)	80,691	0.2305
MR TAHIR REHMAN - (CDC)	1,174,419	3.3555
MR TAHIR REHMAN - (CDC)	301,215	0.8606
MR. USMAN HAQ	881,039	2.5173
MR. JAVAID SHAFIQ SIDDIQUI	291,777	0.8336
MR. JAVAID SHAFIQ SIDDIQUI (CDC)	267,778	0.7651
MR. PERVAIZ SHAFIQ	291,778	0.8337
MR. PERVAIZ SHAFIQ (CDC)	267,778	0.7651
MRS. SHAHIMA REHMAN W/O TARIQ REHMAN	290	0.0008
MRS. SHAHIMA REHMAN W/O TARIQ REHMAN - (CDC)	399,378	1.1411
MRS. SAEEDA SHAFIQ W/O SHAFIQ A. SIDDIQUI	76,100	0.2174
MRS. SAEEDA SHAFIQ W/O SHAFIQ A. SIDDIQUI - (CDC)	3,445,641	9.8447
MRS. AYESHA NOORANI W/O HARIS NOORANI	339,093	0.9688
MRS. AMINA SUHAIL MANNAN W/O SUHAIL MANNAN - (CDC)	246,312	0.7037
MRS. ANJUM TAHIR REHMAN W/O TAHIR REHMAN. (CDC)	637,654	1.8219
MRS. AMBREEN HAQ W/O USMAN HAQ	1,037,163	2.9633
MRS. AMBREEN HAQ W/O USMAN HAQ (CDC)	127,752	0.3650
MR. ZULFIQAR SUHAIL MANNAN (MINOR)	139,700	0.3991
MR. ABDULLAH SUHAIL MANNAN (MINOR)	139,700	0.3991
	18,105,545	**51.7301**
ASSOCIATED COMPANIES:		
ICC (PVT) LIMITED	2,692,285	7.6922
ICC (PVT) LIMITED (CDC)	251,126	0.7175
ASSOCIATED ENGINEERS (PVT) LTD.	2,011,325	5.7466
THE IMPERIAL ELECTRIC COMPANY (PVT) LIMITED - (CDC)	532,618	1.5218
THE IMPERIAL ELECTRIC COMPANY (PVT) LIMITED - (CDC)	49,681	0.1419
	5,537,035	**15.8201**
NIT & ICP		
IDBP (ICP UNIT)	1,057	0.0030
NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT. - (CDC)	754,929	2.1569
NATIONAL INVESTMENT TRUST LIMITED (CDC)	19,441	0.0555
	775,427	**2.2155**
FINANCIAL INSTITUTION		
PAKISTAN INDUSTRIAL CREDIT & INVESTMENT CORP. LTD.	500	0.0014
FAYSAL BANK LIMITED (CDC)	122,791	0.3508
THE BANK OF PUNJAB (CDC)	161,539	0.4615
NATIONAL BANK OF PAKISTAN (CDC)	456,573	1.3045
	741,403	**2.1183**
INSURANCE COMPANIES		
GULF INSURANCE COMPANY LIMITED	12,550	0.0359
STATE LIFE INSURANCE CORP. OF PAKISTAN - (CDC)	115,575	0.3302
	128,125	**0.3661**
MODARABAS & MUTAUAL FUNDS:	**0**	**0.000**

Category of Shareholder	Holding	Percentage %
JOINT STOCK COMPANIES		
MUNIR HOLDING (PVT) LTD.	2,300	0.0066
ASIAN SECURITIES LIMITED	49	0.0001
NAEEM'S SECURITIES (PVT) LTD.	1,310	0.0037
A.H.K.D. SECURITIES (PVT) LIMITED - (CDC)	28	0.0001
ALI USMAN STOCK BROKERAGE (PVT) LIMITED - (CDC)	150	0.0004
AMIN TAI SECURITIES (PVT) LIMITED - (CDC)	800,087	2.2860
CLIKTADE LIMITED - (CDC)	82	0.0002
DURVESH SECURITIES (PVT) LIMITED - (CDC)	25	0.0001
ELEVN STARS SECURITIES (PVT) LIMITED - (CDC)	550,001	1.5714
FAIR EDGE SECURITIES (PVT) LTD - (CDC)	2,000	0.0057
FAIR EDGE SECURITIES (PVT) LTD - (CDC)	2,565	0.0073
JAMSHAID & HASAN SECURITIES (PVT) LIMITED - (CDC)	2,000	0.0057
M.R. SECURITIES (SMC-PVT) LIMITED - (CDC)	1	0.0000
MAHA SECURITIES (PVT) LIMITED - (CDC)	180,362	0.5153
MAM SECURITIES (PVT) LIMITED - (CDC)	250	0.0007
MSMANIAR FINANCIALS (PVT) LIMITED - (CDC)	400	0.0011
NH SECURITIES (PVT) LIMITED - (CDC)	1,000	0.0029
PASHA SECURITIES (PVT) LIMITED - (CDC)	224	0.0006
SEVEN STAR SECURITIES (PVT) LIMITED - (CDC)	641	0.0018
STOCK MASTER SECURITIES (PRIVATE) LIMITED - (CDC)	82	0.0002
STOCK MASTER SECURITIES (PRIVATE) LIMITED - (CDC)	2,200	0.0063
UNITED CAPITAL SECURITIES PVT. LIMITED - (CDC)	498	0.0014
UNITED EQUITIES (SMC-PVT) LIMITED - (CDC)	81	0.0002
Y. S. SECURITIES & SERVICES (PVT) LIMITED - (CDC)	13,194	0.0377
YASIR MAHMOOD SECURITIES (PVT) LIMITED - (CDC)	101,119	0.2889
	1,660,649	4.7447
SHARES HELD BY THE GENERAL PUBLIC:	8,051,816	23.0052
TOTAL:	**35,000,000**	**100.0000**
SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL:		
MR. SUHAIL MANNAN	3,972,928	11.3512
MRS. SAEEDA SHAFIQ W/O SHAFIQ A. SIDDIQUI	3,521,741	10.0621
	7,494,669	**21.4133**

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

Sr. No.	*NAME*	*SALE*	*PURCHASE*
1.	MR. HARIS NOORANI	21,030	163,299
2.	MR. SUHAIL MANNAN	-	133,909
3.	MR. TARIQ REHMAN	301,365	301,365
4.	MR TAHIR REHMAN	-	301,215
5.	MR. JAVAID SHAFIQ SIDDIQUI	-	267,778
6.	MR. PERVAIZ SHAFIQ SIDDIQUI	-	267,778
7.	MRS. AMINA SUHAIL MANNAN W/O SUHAIL MANNAN	-	228,052
8.	MRS. NAILA SUHAIL MANNAN	-	228,052
9.	MRS. AMBREEN HAQ W/O USMAN HAQ	-	127,752

FORM OF PROXY

I/We ____

Of ____________________________________ being member of EMCO Industires Limited

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

and/or CDC particpant I.D. No. ____________ and Sub Account No. ________________

hereby appoint ____

of ____

or failing him/her ____

of______________as my proxy to vote for me/us and my/our behalf at the Annual General Meeting of the Company to be held at Registered office of the Company, 119/E-1, Hali Road, Gulberg III, Lahore on 29th October, 2010 at 11.00 a.m. and at any adjournment thereof.

Signed this _________________________ day of ______________________________

Witness 1:
Signature ____________________
Name ______________________
Address ____________________
____
NIC # ______________________
Passport ____________________

Witness 2:
Signature ____________________
Name ______________________
Address ____________________
____
NIC # ______________________
Passport ____________________

Signature on Rupees five Revenue Stamp

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

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

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