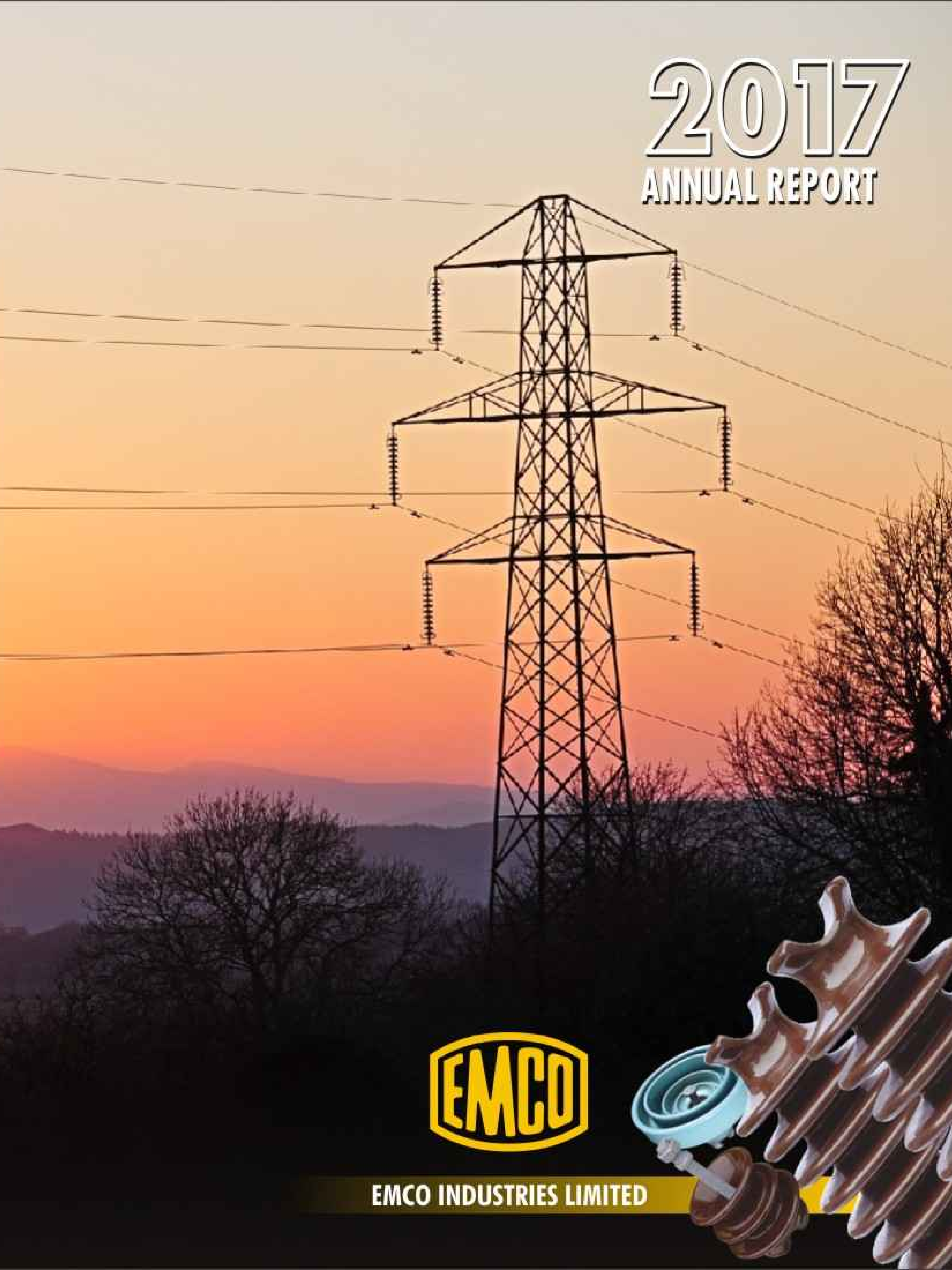
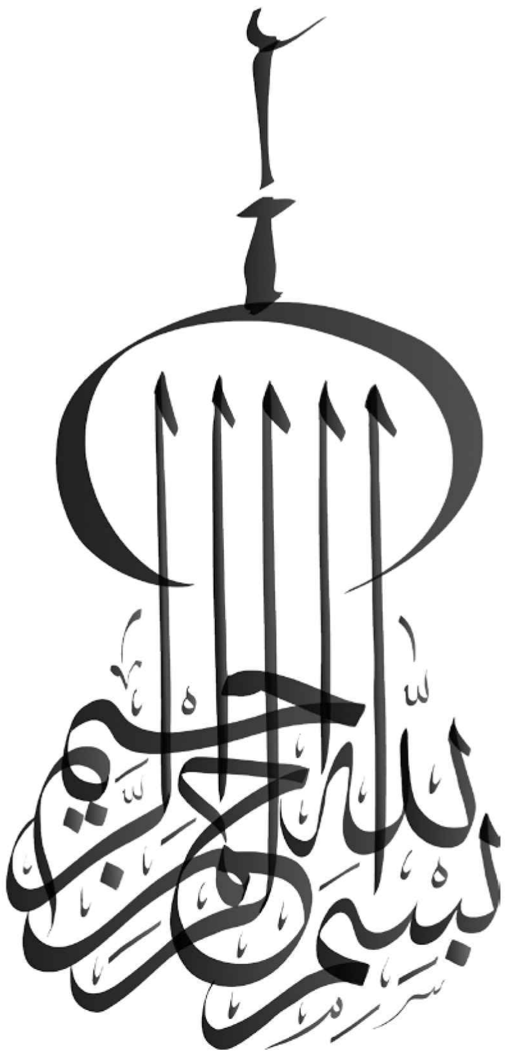
2017 ANNUAL REPORT



EMCO

EMCO INDUSTRIES LIMITED


بسم الله الرحمن الرحيم


EMCO

CONTENTS

Company Information

Board of Directors

Mr. Tariq Rehman
Mr. Shafiq A. Siddiqi (late)
Mr. Haris Noorani (late)
Mr. Suhail Mannan
Mr. Javaid Shafiq Siddiqi
Mr. Usman Haq
Mr. Pervaiz Shafiq Siddiqi (appointed as on 14-02-2017)
Mr. Salem Rehman
Mr. Ahsan Suhail Mannan
Mr. Awais Noorani (appointed as on 07-02-2017)
Dr. Imran Ali

Audit Committee

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

Chief Financial Officer

Mr. Riaz Ahmad

Auditors

M/s. Horwath Hussain Chaudhury & Co.,
Chartered Accountants, Lahore.

Bankers

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

Share Registrar

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

Registered Office

4th Floor, National Tower,
28-Egerton Road,
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

Chemical Porcelain

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

Special Porcelain

- High Alumina Porcelain
- Lining Special Refractories
  & Grinding Media

Notice of Annual General Meeting

NOTICE is hereby given that the 62nd Annual General Meeting of the shareholders of EMCO Industries Limited (the "Company") will be held at 4th Floor, National Tower, 28-Egerton Road Lahore on 28th September 2017 at 10:30 a.m. to conduct the following business:

Ordinary Business:

1. To confirm the minutes of the last EOGM of the Company held on 22.06.2017.
2. Approval of Annual Accounts for the Year Ended 30.06.2017.
3. To Appoint Auditors for the next financial year and to fix their remuneration.

Special Business:

4. To consider and if deem fit to approve/pass the following resolutions as Special Business

   (a) "Resolved that Asset 1 may be sold to any suitable buyer(s) on best available terms and price as may be deemed fit by the Committee".

   (b) "Resolved further that Asset 2 may be sold to any suitable buyer(s) on best available terms and price as may be deemed fit by the Committee".

   (c) "Resolved further that Asset 1 and Asset 2 may be sold, together or separately, to one or more suitable buyers".

   (d) "Resolved further that, Mr. Tariq Rehman (CEO/Director) and Mr. Usman Haq (Director) be authorized, jointly, to execute, for and on behalf of the Company and in its name, any and all documents required in connection with sale of Asset 1 and Asset 2, including but not limited to Agreement to Sell, Sale Deed and all other relevant or connected documents."

5. To get consent & approval of the Shareholders of Emco Industries Limited as per SRO No. 470(1)2016 dated May 31, 2016 issued by the Securities & Exchange Commission of Pakistan (SECP), for the transmission of annual reports including annual audited accounts, notices of annual general meeting and other information contained therein of the Company commencing from the year ending 30th June, 2017 onwards through CD or DVD or USB instead of transmitting the same in hard copies.

   "Resolved that consent & approval of the Shareholders of Emco Industries Limited be and is hereby accorded for transmission of annual reports including annual audited accounts, notices of annual general meeting and other information contained therein of the Company commencing from the year ending 30th June, 2017 onwards through CD or DVD or USB instead of transmitting the same in hard copies."

   "Further Resolved that the Chief Executive or Company Secretary be and is hereby authorized to do all acts, deeds and things, take or cause to be taken all necessary actions to comply with all legal formalities and requirements and file necessary documents as may be incidental for the purpose of implementing this resolution."

   Statement under Section 134(3) of the Companies Act, 2017 pertaining to the Special business will be sent to the shareholders along with this notice.

Other Business:

Any other ordinary business with permission of the chair.

By order of the Board of Directors

Ahsan Suhail Mannan
(Company Secretary/Director)

Place: Lahore
Dated: 30.08.2017

NOTES:

(a) The Share Transfer Books of the company will remain closed from 21st September 2017 to 28th September 2017 (both days inclusive).

(b) A member entitled to attend and vote at the AGM 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 4th floor, National Tower, 28-Rgerton Road, Lahore not less than 48 (forty-eight) hours before the time of holding the meeting.

(c) Any individual beneficial owner of CDC, entitled to vote at the General Meeting, must bring his/her CNIC with him/her to prove his/her identity, and in case of proxy, attested copy of shareholder's CNIC must be attached with the proxy form. The representative of corporate member should bring the usual documents required for such purpose.

(d) Members are requested to promptly notify the change in their address, if any, to the Company's Share Registrar M/s. Corp Link (Pvt) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore.

STATEMENT UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017

Agenda Item No: 4

(a) "Resolved that Asset 1 may be sold to any suitable buyer(s) on best available terms and price as may be deemed fit by the Committee".

(b) "Resolved further that Asset 2 may be sold to any suitable buyer(s) on best available terms and price as may be deemed fit by the Committee".

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Note:

1) The Directors of the Company are not interested in the aforementioned special business.

2) The aforementioned special business is being undertaken in respect of the underlined objectives:

(a) To meet various liabilities, requirements and allied expenses of the Company. This will help the Company to bring down financial cost.

(b) The Management wants to re-focus the company on to its energy sector business and therefore, wants to sell the assets relating to Tile Plant.

3) The following information is material in respect of the aforementioned special business:

(a) Land measuring 84- Kanal, situated at 19-Km, Lahore Sheikhupura Road, (the "Asset 1"), The market price of Asset 1 is approximately Rs. [140 million]. Therefore, in light of the foregoing the Asset 1 may be sold to any suitable buyer(s) and on such terms as maybe deemed fit by the Committee.

(b) Machinery of tile plant (including spares) of the Company (the "Asset 2") is to be sold. The market price of Asset 2 is approximately Rs. [110 million]. Therefore, in light of the foregoing the Asset 2 may be sold to any suitable buyer(s) and on such terms as maybe deemed fit by the Committee.

Details of Assets

The Detail of Tangible Assets being disposed-off are as follows:

Assets	Cost Rs,'000	Book Value Rs,'000	Approx. Current Market Value Fair Rs,'000
Land Area 84 Kanals Location: 19-km, Lahore - Sheikhupura Road	2,541	122,700	140,000
Plant and Machinery (with Stores & Spares)	973,497	230,240	110,000

4) The proposed manner of selling Asset 1 and Asset 2 is as follow:

(a) The Committee created by the Board of Directors of the Company shall negotiate with various prospective buyers to finalize the maximum possible sale price for Asset 1 and Asset 2.

(b) The Company shall obtain No-Objection Certificate(s) from concerned creditors/Financial Institutions in respect of the sale of Asset 1 and Asset 2.

(c) Subject to approval from the shareholders, the Board has decided to sell Asset 1 and Asset 2, together or separately, to one or more buyer(s) with the objective to achieve the best possible terms and price.

(d) Subject to approval from the shareholders, Mr. Tariq Rehman (CEO/Director) and Mr. Usman Haq (Director) be authorized, jointly, to execute, for and on behalf of the Company and in its name, any and all documents required in connection with sale of Asset 1 and Asset 2, including but not limited to Agreement to Sell, Sale Deed and all other relevant or connected documents.

(e) The final sale price would be determined on the basis of offers received and negotiation with the prospective buyers

5) Reason for the disposal of assets:

(a) Non-availability of Natural Gas (NG) continuously.

(b) Expensive gas is available in form of mixture of NG and RLNG for which cost is almost doubled. Not feasible to run Tile plant on such an expensive gas.

(c) Tough market Competition due to Chinese products

(d) Technology change in Tile manufacturing machinery

(e) Want to reduce debt and liabilities.

6) Benefits expected to accrue to the shareholders:

(a) The proceeds from disposal of such assets will be utilized to BMR (Balancing, Modernization and Replacement) the Insulator plant and to reduce the banks borrowings and other liabilities thereby reducing debt burden of the Company and increasing efficiency in production.

(b) Profitability of the company will increase as there will be a reduced financial cost and production will be more cost effective and efficient.

Note

Directors of the Company or their spouses or relatives have no direct or indirect interest in the above said business except as shareholders of the Company.

Directors' Report

On behalf of the Board of Directors, I welcome you to the 62nd Annual General Meeting of the Company and present to you the audited financial statements and Auditor's Report thereon for the year ended June 30, 2017. Financial Results are as follows: -

	2017 Rupees	2016 Rupees
Profit/(Loss) before Tax	67,647,406	37,650,551
Taxation	(38,527,912)	(10,428,092)
Profit/(Loss) after Tax	29,119,494	27,222,459
Other Comprehensive Income	(506,197)	366,892
Total Comprehensive Profit/(Loss)	26,613,297	27,589,351
Accumulated Loss brought forward	(574,299,548)	(623,934,633)
Incremental Depreciation on Revaluation	22,170,905	22,045,734
	(552,045,339)	(601,888,899)
Accumulated Loss carried forward	(523,515,346)	(574,299,548)
Profit/(Loss) per Share	0.83	0.78

Review of Operating Results

In the period under review, the company has made a pretax profit of Rs. 67.647 Million and an after tax profit of Rs. 29.119 Million despite the tile plant being closed and all its costs being charged to the insulator division. This is the second year in continuation that your company has made profits. This healthy trend of improved profitability is expected to continue in the future.

By the grace of Allah, we have been able to achieve our targets effectively. There is an increase of 13.7% in the production (4817 tons from 4237 tons) of the Insulator Division during this year, which, coupled with other cost control measures has resulted in a better GP. This has helped us in meeting our financial commitments on time. Moreover, we have sizable orders for insulators for the current financial year.

The market demand for the Insulators is growing owing to the Government of Pakistan's efforts to eliminate load shedding by 2018-19. With further investments planned in the energy sector, the demand is likely to keep growing in the future. The current orders in hand stand at more than 1240 tons and we are expecting to get further orders of above 3500+ tons to be completed in the current financial year. We are currently almost at the maximum production capacity of our plant but with some BMR to the back process we can expect to enhance our production further and achieve higher sales. Considering the demand in the energy sector the company is also planning to add new value added products, which would further enhance profitability in the future.

Direct export sales have increased by Rs. 7.45 M to Rs. 21.27 M and Indirect exports through International tenders funded by foreign loan giving agencies increased by Rs. 37.14 to Rs. 96.91 M this year. This increasing trend is expected to enhance further in the next financial year.

The Auditors in their report have qualified conclusion on the receivables of the Tile Division. The Management would like to place on record that it is continuously striving to recover these receivables and will continue to make progress.

The company is pleased to inform its stakeholders that our relationships with all banks are current, and we are meeting our obligations on time as per agreements.

The Company had closed down its Tile Division in January 2014. This is the third financial year in which only the Insulator Plant has been operating. Results for this year, therefore, are based on the Insulator Plant bearing the complete costs of depreciation and financial charges of the Tile plant. It is to be noted that in accordance with International Accounting Standards, the Company has stated its financial results by charging the full year depreciation of the Tile Division of Rs. 49.87 Million despite suspended operations during the complete financial year under review.

Under the new policy of Government of Pakistan, the availability of Gas for industry in Punjab will be based on a combination of indigenous Natural gas, and imported LNG in the form of RLNG injected into the natural gas system. This change has resulted in a substantial increase in the average cost of gas supplied. With these increased cost, the management has now proposed a divestment of the Tile Division assets. The due process of carrying out the divestment has been initiated.

The Company's contribution to the exchequer in the year under review is Rs. 266.9 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 Pakistan Stock Exchange in its Listing Regulations, relevant for the year ended June 30, 2017 have been adopted by the Company and have been duly complied with. A statement to this effect is annexed with the report.

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

- The financial statements for the year ended June 30, 2017 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, 2017 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 certain financial indicators creating doubts regarding going concern assumption of the company. However, management has adequate mitigating plans to address those indicators as fully explained in Note 1.2 to the financial statements.
- 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, 2016 was Rs 252.794 Million. The value of investment includes accrued interest.

Board Meetings

The Board of Directors, which consist of nine 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 current board of Directors were elected on 30th June 2017. This time an independent Director is also on the board taking the total board to 9 members. The current board members are as follows:

Sr. #	NAME OF DIRECTOR
1.	Mr. Tariq Rehman
2.	Mr. Suhail Mannan
3.	Mr. Javaid Shafiq
4.	Mr. Usman Haq
5.	Mr. Salem Rehman
6.	Mr. Ahsan Suhail Mannan
7.	Mr. Pervaiz Shafiq Siddiqi
8.	Mr. Awais Noorani
9.	Dr. Imran Ali

The term of the existing members of the Board will expire on 30-06-2020, 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, 2017. The attendance of the board members was as follows: -

Sr. #	Name of Director		Meetings Attended
1.	Mr. Tariq Rehman		04
2.	Mr. Shafiq A. Siddiqi	(passed away on 10.02.2017)	01
3.	Mr. Haris Noorani	(passed away on 29.11.2016)	0
4.	Mr. Suhail Mannan		03
5.	Mr. Javaid Shafiq		03
6.	Mr. Usman Haq		04
7.	Mr. Salem Rehman		02
8.	Mr. Ahsan Suhail Mannan		04
9.	Mr. Pervaiz Shafiq Siddiqi	(appointed as on 14.02.2017)	02
10.	Mr. Awais Noorani	(appointed as on 07.02.2017)	01

Leave of absence was granted to Directors who could not attend the meetings.

TRANSACTION / TRADE OF COMPANY'S SHARE

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

S.No	NAME	SALE	PURCHASE
1	MR. SUHAIL MANNAN	1,788,317	-
2	MR. AHSAN SUHAIL MANNAN	-	1,787,817
3	CH. IMRAN ALI	-	500

Audit Committee

The AC reviews the annual and quarterly financial statements, internal audit report, and information before dissemination to Pakistan Stock Exchange 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 present members of Audit Committee are as follows:

1.	Dr. Imran Ali	Chairman
2.	Mr. Javaid S. Siddiqi	Member
3.	Mr. Usman Haq	Member
4.	Mr. Salem Rehman	Member
5.	Mr. Ahsan Suhail Mannan	Member

Employees' relations

Despite the 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 the difficult time that the nation is presently undergoing. The management would also like to place on record the continuous research and development by the Engineering team and the very cooperative role played by the Union in increasing the output on virtually each stage of production and reducing losses wherever possible. The support of all other departments is also acknowledged.

Acknowledgement

We would like to thank our valued customers and 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, 2017.

Pattern of Shareholding

The pattern of shareholding as on June 30, 2017 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

The present auditors M/s Horwath Hussain Chaudhary & Co., Chartered Accountants, retire and offer themselves for re-appointment. The Board of Director, on recommendation of audit committee, purpose the re-appointment of M/s Horwath Hussain Chaudhary & Co., Chartered Accountants, for the year ending 30 June 2018.

For and on behalf of the board of Directors

[Tariq Rehman]
Chief Executive

Lahore: August 30, 2017

ڈائریکٹرز رپوٹ

بورڈ آف ڈائریکٹرز کی جانب سے میں آپ کا کمپنی کے 62واں سالانہ جنرل اجلاس پر خیر مقدم کرتا ہوں اور 30-06-2017 تک ختم ہونے والے سال کے لیے آپ کو آڈٹ کردہ مالی بیانات اور اڈیٹر کی رپوٹ پیش کرتا ہوں۔ مالی نتائج مندرجہ ذیل ہیں۔

تفصیل	2017 روپے	2016 روپے
قبل از ٹیکس نفع	67,647,406	37,650,551
(ٹیکس)	(38,527,912)	(10,428,092)
بعد از ٹیکس نفع	29,119,494	27,222,459
دیگر جامع آمدن	506,197	366,892/-
کلی جامع نفع	26,613,297	27,589,351
جمع شدہ (نقصان) b/f	(574,299,548)	(623,934,633)
از سرِ نو تعین پر اضافی تحقیر	22,170,905	22,045,734
	(552,045,339)	(601,888,899)
جمع شدہ (نقصان) c/f	(523,515,346)	(574,299,548)
نفع فی شیئر	0.83	0.78

زیرِ عمل نتائج کا جائزہ:۔

اس زیرِ جائزہ سال میں کمپنی نے 67.647 ملین روپے قبل از ٹیکس 29.119 ملین روپے بعد از ٹیکس کا منافع بنایا ہے۔ باوجود اس کے کہ ٹائل پلانٹ بند رہا اور اس کے تمام اخراجات انسولیٹر ڈویژن کو پڑتے رہے۔ یہ مسلسل دوسرا سال ہے کہ آپ کی کمپنی نے منافع بنایا ہے۔ امید کی جاتی ہے کہ منافع میں اضافہ کا یہ صحت مندانہ رواج مستقبل میں بھی جاری رہے گا۔

اللہ کے فضل و کرم سے ہم اپنے مقاصد کو موثر طریقے سے حاصل کرنے کے قابل ہو گئے ہیں۔ اس سال کے دوران انسولیٹر ڈویژن کی پیداوار (4237 ٹن سے 4817 ٹن) میں 13.7 فیصد اضافہ ہوا ہے۔ جس میں دیگر لاگت کے کنٹرول کے اقدامات کے ساتھ مل کے مجموعی منافع (G.P) کے بہتر نتائج ملے ہیں۔ اس سے ہمیں اپنے مالی عزائم کو بروقت پورا کرنے میں مدد ملی ہے۔ اس کے علاوہ ہمارے پاس موجودہ مالی سال کے لیے انسولیٹر کے کافی آرڈر ہیں۔

2018-19 تک لوڈ شیڈنگ کو ختم کرنے کے لیے پاکستان کی حکومت کی کوششوں کی وجہ سے انسولیٹرز کے لیے مارکیٹ کی طلب بڑھ رہی ہے۔ توانائی کے شعبے میں منصوبہ بندی کی مزید سرمایہ کاری کے ساتھ مستقبل میں بڑھتی ہوئی ترقی کا امکان ہے۔ اس وقت ہمارے پاس 1240 ٹن سے زائد کے آرڈر موجود ہیں اور ہمیں 3500+ ٹن سے زائد کے آرڈر حاصل کرنے کی توقع ہے۔ جو کہ موجودہ مالی سال میں مکمل ہونگے۔

ہم اپنے پلانٹ کی انتہائی پیداواری صلاحیت بروکار لا رہے ہیں. لیکن بیک پراسس کی BMR کے ساتھ ہم اپنی پیداوار بڑھانے اور اضافی سیل مقاصد بڑھانے کی توقع کر سکتے ہیں۔ توانائی کے شعبے میں طلب پر غور کرتے ہوئے کمپنی انسولیٹر پلانٹ کی کارکردگی اور پیداوار کو بڑھانے کے لیے نئ قدر اضافی مصنوعات شامل کرنے کی منصوبہ بندی کر رہی ہے۔

براہ راست برآمدات 7.45 ملین روپے اضافہ کے ساتھ 21.27 ملین روپے رہیں اور غیر ملکی قرضہ دینے والی ایجنسیوں کی وساطت سے بین الاقوامی ٹینڈرز کے ذریعے بالواسطہ برآمدات 37.14 ملین روپے اضافہ کے ساتھ سے 96.91 ملین روپے رہی اور اگلے مالی سال میں مزید بڑھانے کی امید ہے۔

بیرونی محسب نے ٹائل ڈویژن کی وصولیوں پر اپنی کوالفائیڈ رپورٹ جاری کی ہے۔انتظامیہ اس کو ریکارڈ پر رکھنا چاہتی ہے کہ وہ ان قابلِ وصول و رقوم کی وصولی کے لیے مسلسل کوشاں ہے اور اس سلسلے میں پیش رفت جاری رکھے ہوئے ہے۔

کمپنی اپنے حصص داران کو مطلع کرتے ہوئے خوشی محسوس کرتی ہے کہ ہمارے تعلقات تمام بنکوں کے ساتھ ہیں اور ہم معاہدوں کے مطابق اپنی ذمہ داریاں بروقت پوری کررہے ہیں۔

کمپنی نے 2014 میں اپنے ٹائل پلانٹ کو بند کر دیا تھا۔ یہ تیسرا مالی سال ہے جس میں صرف انسولیٹر پلانٹ چل رہا ہے۔اسی وجہ سے اس سال کے نتائج انسولیٹر پلانٹ کی کارکردگی پر مبنی ہیں۔جو ٹائل پلانٹ کی تخفیف اور مالیاتی اخراجات کا اضافی بوجھ بھی شامل ہے۔یہ بات قابلِ غور ہے کہ بین الاقوامی اکاؤنٹنگ معیار کے مطابق کمپنی نے اپنے مالی نتائج میں ٹائل ڈویژن کی مکمل سال کی تخفیف تقریباً 50 ملین روپے ڈال کر ظاہر کی ہے۔باوجود اس کے کہ زیرِ جائزہ مالی سال کے دوران آپریشن معطل رہے۔

حکومتِ پاکستان کی نئی پالیسی کے تحت پنجاب میں صنعت کے لیے گیس دستیابی مقامی قدرتی گیس اور درآمدی ایل این جی (LNG) کے مجموعہ پر مبنی ہوگی جسے آر ایل این جی (RLNG) کی شکل میں قدرتی گیس کے ترسیل سسٹم میں داخل کیا جائے گا۔یہ تبدیلی گیس فراہمی کی اوسط لاگت میں کافی اضافے کا باعث ہوئی ہے۔اس بڑھتی ہوئی قیمت کے ساتھ انتظامیہ نے اب ٹائل ڈویژن کے اثاثوں کی فروخت کی تجویز پیش کی ہے۔فروخت کے لیے کیے جانے والے ممکنہ عمل کا آغاز کر دیا گیا ہے۔

زیرِ جائزہ سال میں کمپنی نے ملکی خزانے میں درآمدی ڈیوٹی، سیلز ٹیکس، آمدن ٹیکس و دیگر سرکاری لگان کی شکل میں 266.9 ملین ادا کیے۔

کارپوریٹ گورننس کے تحت بیان:

کمپنی کی طرف سے 30 جون 2017 کو ختم ہونے والے سال کے لیے کارپوریٹ نظم و نسق کے ضابطہ میں پاکستان سٹاک ایکسچینج کی طرف سے جاری کردہ لسٹنگ ضابطے کی مطلوبہ ضروریات کو اپنایا گیا ہے اور ان پر مناسب طریقے سے عمل کیا گیا ہے۔اس کا موثر بیان رپورٹ کے ساتھ شامل ہے۔

ضابطہ کی دفعات کے مطابق، بورڈ ممبران مندرجہ ذیل بیان ریکارڈ پر لانے میں خوشی محسوس کرتے ہیں۔

-1 کمپنی کی طرف سے تیار کردہ مالیاتی اسٹیٹمنٹ اس کی کارکردگی نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کا واضح اظہار ہیں۔

-2 کمپنی کے اکاؤنٹس کی مناسب/درست کتابیں تیار کی گئی ہیں۔

-3 مالیاتی اسٹیٹمنٹ کی تیاری اکاؤنٹنگ کی مخصوص پالیسیوں کا یکساں اور مسلسل اطلاق کیا گیا ہے۔اکاؤنٹنگ تخمینے موزوں اور محتاط اندازوں پر مبنی ہے۔اکاؤنٹنگ پالیسی میں تبدیلی کا مناسب انکشاف کیا گیا ہے

-4 مالیاتی اسٹیٹمنٹ کی تیاری میں بین الاقوامی اکاؤنٹنگ معیار پر عمل کیا گیا ہے اور اس کسی بھی انحراف کو وضاحت کے ساتھ سالانہ اکاؤنٹس میں بیان کیا گیا ہے۔

-5 اندرونی انحطاط کا نظام مضبوط خدوخال پر استوار کیا گیا ہے۔اور موثر اطلاق اور جانچ کی گئی ہے۔

-6 ایسے بعض مالی اشارے موجود ہیں جو کمپنی کے بارے میں شکوک و شبہات پیدا کررہے ہیں۔تاہم کمپنی انتظامیہ کے پاس ان نشاندہیوں کو پورا کرنے کے لیے مناسب منصوبے موجود ہیں۔جیسا کہ مکمل تفصیل مالیاتی گوشوارے کے نوٹ 1.2 میں موجود ہے۔

-7 کارپوریٹ گورنس کے بہترین معیار اور ضابطی عمل سے کوئی قابل ذکر انحراف نہیں کیا گیا۔

-8 پراویڈنٹ فنڈ ٹرسٹ کے اثاثوں کی قیمت سالانہ آڈٹ رپورٹ برائے سال بہ اختتام 31 دسمبر 2016ء 252.794 ملین روپے ہے۔

بورڈ کے اجلاس:

بورڈ کے ڈائریکٹرز جن میں 09 ارکین شامل ہیں اور وہ کمپنی کی کارکردگی کو آزادانہ اور شفاف طریقہ سے نگرانی کے ذمہ دار ہیں اور ذمہ داری رکھتے ہیں طریقے سے نگرانی کرتے ہیں اور کمپنی کی قدر میں پائیدار ترقی حاصل کرنے کے لیے حکمتِ عملی پر مبنی فیصلے کرتے ہیں۔تمام بورڈ ممبران ہر تین سال بعد جنرل اجلاس میں منتخب ہوتے

ہیں۔موجودہ بورڈ آف ڈائریکٹرز **30-06-2017** کو منتخب ہوا تھا۔بورڈ اراکین کی تعداد **09** کو پورا کرنے کے کیے اس دفعہ ایک آزاد رکن بھی شامل کیا گیا ہے۔

موجودہ بورڈ ممبران درج ذیل ہیں۔

نمبر شمار	نام ڈائریکٹر
1	مسٹر طارق رحمٰن
2	مسٹر سہیل منان
3	مسٹر جاوید شفیق
4	مسٹر عثمان حق
5	مسٹر سالم رحمٰن
6	مسٹر احسن سہیل منان
7	مسٹر پرویز شفیق صدیقی
8	مسٹر اویس نورانی
9	ڈاکٹر عمران علی

بورڈ کے موجودہ ممبران کی مدت بشمول ان کے ڈائریکٹر کے طور پر کام کرنے کی رضامندی مجوزہ فارم پر ان کی قرارداد کا خاتمہ **30-06-2020** کو ہوگا۔

بورڈ کے اجلاس کی تحریری اطلاع بمعہ دستاویزات ممبران کو اجلاس سے سات دن پہلے بھیج دی گئی تھی۔**30-06-2017** تک بورڈ آف ڈائریکٹرز کے کل چار اجلاس ہوئے۔بورڈ کے ممبران کی حاضری درج ذیل ہے:

نمبر شمار	نام ڈائریکٹر		اجلاس میں شمولیت
1	مسٹر طارق رحمٰن		4
2	مسٹر شفیق اے صدیقی	(تاریخ وفات:- **10-02-2017**)	1
3	مسٹر حارث نورانی	(تاریخ وفات:- **29-11-2016**)	0
4	مسٹر سہیل منان		3
5	مسٹر جاوید شفیق		3
6	مسٹر عثمان حق		4
7	مسٹر سالم رحمٰن		2
8	مسٹر احسن سہیل منان		4
9	مسٹر پرویز شفیق صدیقی	(تاریخ ملازمت:- **14-02-2017**)	2
10	مسٹر اویس نورانی	(تاریخ ملازمت:- **07-02-2017**)	1

اجلاس میں شامل نہ ہو سکنے والے ڈائریکٹرز کو غیر حاضری کی اجازت دے دی گئی تھی۔

مالی سال کے دوران مندرجہ ذیل بھی ڈائریکٹر، چیف فنانشل آفیسر، چیف ایگزیکٹیو آفیسر، کمپنی سیکرٹری (بشمول بیوی اور چھوٹے بچوں کے) کمپنی حصص کی تجارت کی۔

نمبر شمار	نام	فروخت	خرید
1	مسٹر سہیل منان	1,788,317	-
2	مسٹر احسن سہیل منان	-	1,787,817
3	ڈاکٹر عمران علی	-	500

محاسبہ کمیٹی:

اکاؤنٹ کا جائزہ، سالانہ اور سہ ماہی مالیاتی گوشوارے، داخلی محاسبہ کی رپورٹ اور پاکستان اسٹاک ایکسچینج کو جاری کرنے سے قبل معلومات اور بیرونی محاسبہ کاروں کی مجوزہ تقرری کی حصص داران سے منظوری دیگر معاملات کے علاوہ اہم اہمیت کے حامل ہیں۔ محاسبہ کمیٹی کا اجلاس بورڈ کے اجلاس سے قبل منعقد ہوتا ہے۔ زیرِ جائزہ سال کے دوران محاسبہ کمیٹی کے کل چار اجلاس منعقد ہوئے۔ اس میں بیرونی محاسبہ کاروں کے ساتھ چیف فنانشل آفیسر اور اندرونی محاسبہ کے سربراہ اجلاس بھی شامل ہیں۔

محاسبہ کمیٹی کے اراکین کے نام مندرجہ ذیل ہے:

نمبر شمار	نام ڈائریکٹر	اجلاس میں شمولیت
1	ڈاکٹر عمران علی	چیئر مین
2	مسٹر جاوید الیس صدیقی	ممبر
3	مسٹر عثمان حق	ممبر
4	مسٹر سالم رحمن	ممبر
5	مسٹر احسن سہیل منان	ممبر

ملازمین کے باہمی روابط:

افراطِ زر کے دباؤ کے باوجود انتظامیہ دورانِ سال ملازمین کے مثبت اور باہمی تعاون پر مبنی کردار کو ریکارڈ پر لانا پسند کرے گی۔ انتظامیہ اس سلسلے میں اپنی تعریف ریکارڈ پر لانا پسند کرے گی اور ان سے اس مشکل وقت کے دوران جس سے تمام قوم گزر رہی ہے مزید لگاتار حمایت کی توقع رکھے گی۔ انتظامیہ انجینئرنگ ٹیم کی جانب سے جاری تحقیق اور ترقی کو اور یونین کی جانب سے پیداوار کے ہر مرحلے پر پیداوار میں اضافے اور ہر ممکن حد تک نقصانات کو کم کرنے میں انتہائی تعاون کے کردار کو ریکارڈ پر لانا چاہے گی۔ دیگر تمام محکموں کی حمایت بھی تسلیم کی جاتی ہے۔

اعتراف:

ہم اپنے قابلِ قدر صارفین اور بنکوں کا شکریہ ادا کرنا چاہتے ہیں جنہوں نے نہ صرف تعاون کیا بلکہ کچھ ادائیگوں میں تحمل کا مظاہرہ کیا جن میں تاخیر ہوئی تھی کیونکہ وہ انتظامیہ کے قابو سے باہر تھا۔ اور آخر میں ہم اپنے حصص داران کو ان کی غیر متزلزل حمایت کیلئے شکریہ ادا کرنا چاہتے ہیں۔

حصص داران کا منافع:

آگے لائے جانے والے نقصانات کو دیکھتے ہوئے **30** جون **2017** تک ختم ہونے والے سال کیلئے حصص داران کیلئے کسی قسم کے منافع کی سفارش نہیں کی جاتی۔

ملکیتی تفصیل:

30 جون **2017** کو ملکیتی تفصیل کارپوریٹ گورنس گورننس کے ضابطہ کے مطابق اس رپورٹ کے ساتھ منسلک ہے۔

مالیاتی جھلکیاں:

کمپنی کے آخری **10** سال کی کارکردگی کیلئے اہم مالیاتی جھلکیاں اس رپورٹ میں دستیاب ہیں۔

آڈیٹرز:

آڈٹ کمیٹی کی سفارش کے مطابق حالیہ آڈیٹرز، میسرز ہاروتھ حسین چوہدری اینڈ کمپنی چارٹرڈ اکانٹنٹ نے اگلی مدت کے اہل ہونے کے سبب دوبارہ تقرری کیلئے پیش کی ہے۔

آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹرز آنے والے سالانہ عام اجلاس میں آڈیٹرز، میسرز ہاروتھ حسین چوہدری اینڈ کمپنی چارٹرڈ اکانٹنٹ کی مالی سال **2018** کے کیے قانونی تقرری کی سفارش کرتا ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے

طارق رحمان، چیف ایگزیکٹو
30-08-2017

Financial Highlights of Last Ten Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	....(Rupees in Million)..									
Net Total sales	1,006	1,058	783	932	1,596	1,856	1,855	1,861	1,550	1,260
Exports (Direct & Indirect)	118	74	44	51	46	61	104	164	93	79
Employees Costs	275	254	222	213	313	285	325	307	301	271
Profit/(Loss) before tax	68	38	(125)	(106)	(39)	(14)	(35)	(76)	(103)	(16)
Profit/(Loss) after tax	29	27	(98)	(104)	(35)	(21)	(46)	(71)	(81)	(14)
Earning per share	0.83	0.78	(2.80)	(2.96)	(0.99)	(0.61)	(1.32)	(2.05)	(2.39)	(0.09)
Capital Expenditure	21	35	18	13	23	37	8	18	149	222
Cash Dividend Rate	-	-	-	-	-	-	-	-	-	-
Stock Dividend Rate	-	-	-	-	-	-	-	-	-	-
Shareholder's Equity	72	21	(28)	50	17	33	36	64	118	(16)

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of EMCO Industries Limited ("the Company") for the year ended June 30, 2017 to comply with the requirements of Listing Regulations No. 5.19 of the Listing Regulations of the Pakistan Stock Exchange where the Company is listed.

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

As part of our audit of the 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 of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Following instance of non-compliance with the requirements of the Code were observed which are not stated in the Statement of Compliance:

a) The mechanism for annual evaluation of the Board's own performance has not been put in place.

Based on our review, except for the above instance of non-compliance, 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 as applicable to the Company for the year ended June 30, 2017.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the note reference where these are stated in the Statement of Compliance:

Serial #:	Description
1	The Company has appointed an independent director effective from June 22, 2017 to comply with the requirements of the Code of Corporate Governance; however, before that there was no independent director in the Board.
15	The Company had an Audit committee comprising four members of which two were executive directors and the chairman was not an independent director. However, these deficiencies have been met by subsequent formation of an Audit Committee in line with the requirements of the Code.

Horwath Hussain Ch. & Co.

Lahore
August 30, 2017

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants
(Engagement partner: Muhammad Nasir Muneer)

Statement of Compliance

With the Code of Corporate Governance for the year ended June 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the relevant listing Rules of Pakistan Stock Exchange 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 CCG in the following manner:

1. The Election of Directors was held on 22nd June, 2017. At present the Board includes:

Category	Names
Independent Director	Dr. Imran Ali
Executive Director	Mr. Tariq Rehman Mr. Salem Rehman Mr. Ahsan Suhail Mannan
Non-Non-Executive Director	Mr. Suhail Mannan Mr. Usman Haq Mr. Javaid S. Siddiqi Mr. Pervaiz Shafiq Siddiqi Mr. Awais Noorani

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

3. 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.

4. Two casual vacancies occurred during the year under review. Mr. Haris Noorani passed away on 29th November 2016 and Mr. Awais Noorani was appointed in his place on 7th February 2017. The second casual vacancy occurred on the passing away of Mr. Shafiq A. Siddiqi on 10th February 2017 and Mr. Pervaiz Shafiq was appointed in his place on 14th February 2017.

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

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

7. 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.

8. 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, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

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

10. After the resignation of Mr. Haris Noorani from the post of Company Secretary on 22nd September 2016, Mr. Ahsan Suhail Mannan was appointed as Company Secretary with effect from 22nd September 2016.

11. The director's report for the year ended June 30, 2017 has prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

13. 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.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board had following Audit Committee consisting of four members:

Name of Member		Status
Mr. Javaid Shafiq Siddiqi	Chairman	Non-Executive Director
Mr. Usman Haq	Member	Non-Executive Director
Mr. Salem Rehman	Member	Executive Director
Mr. Ahsan Suhail Mannan	Member	Executive Director

However, the board has made a new Audit Committee comprises of five members with effect from 01-July-2017.

Name of Member		Status
Dr. Imran Ali	Chairman	Independent Director
Mr. Javaid Shafiq Siddiqi	Member	chairman / Non-Executive Director
Mr. Usman Haq	Member	Non-Executive Director
Mr. Salem Rehman	Member	Executive Director
Mr. Ahsan Suhail Mannan	Member	Executive Director

16. 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 CCG. The terms of references of the committee have been formed and advised to the committee for compliance.

17. The board had following HR and Remuneration Committee consisting of three members:

Name of Member		Status
Mr. Shafiq A. Siddiqi	Chairman	Non-Executive Director
Mr. Tariq Rehman	Member	Managing Director / Executive Director
Mr. Usman Haq	Member	Non-Executive Director

The board has formed a new HR and Remuneration Committee with effect from 01-July-2017. It comprises four members, of whom 2 are non-executive directors and two executive directors and the chairman is non-executive director

Name of Member		Status
Mr. Pervaiz Shafiq Siddiqi	Chairman	Non-Executive Director
Mr. Usman Haq	Member	Non-Executive Director
Mr. Salem Rehman	Member	Executive Director
Mr. Ahsan Suhail Mannan	Member	Executive Director

18. The board has setup an internal audit function comprised of personnel considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

19. The statutory auditors of the company have confirmed that they have been given satisfactory rating under the quality control review programmed 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.

20. 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.

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

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

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

Lahore
August 30, 2017

(Ahsan Suhail Mannan)
Company Secretary/Director

Auditors' Report To The Members

We have audited the annexed balance sheet of EMCO Industries Limited as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) Trade debts include long outstanding receivables amounting to Rs. 88.562 million in respect of sale of tiles that have been provided to the extent of Rs. 34.433 million. The management is confident about the recoverability of these receivables; however, we were unable to obtain sufficient appropriate audit evidence as to their recoverability, adequacy of relevant provisioning and any possible adjustments that may be required in the accompanying financial statements for the year ended June 30, 2017.

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

c) 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 accountand are further in accordance with the accounting policies consistently applied;
   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

d) in our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in paragraph "a", 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 Pakistanand 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, 2017 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

e) 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 the following:

f) Note 1.2 of accompanied financial statements states that the Company has shut down its tile manufacturing unit since January 2014 and subsequent to the reporting date the Board has resolved to dispose-off this unit (refer to Note 42). Further, as at the reporting date, the current liabilities of the Company exceed its current assets by Rs. 8.530million. These factors indicate the existence of a material uncertainty, which may cast doubt about the Company's ability to continue as going concern. Our opinion is not qualified in respect of this matter.

Horwath Hussain Ch & Co.

Lahore
August 30, 2017

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants
(Engagement partner: Muhammad Nasir Muneer)

BALANCE SHEET
AS AT JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital			
40,000,000 (2016: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up capital			
35,000,000 (2016: 35,000,000) ordinary shares of Rs. 10 each	4	350,000,000	350,000,000
Reserves	5	(393,616,820)	(444,401,022)
Sponsors' loan	6	115,708,828	115,708,828
		72,092,008	21,307,806
Surplus on Revaluation of Property, Plant and Equipment	7	920,533,260	746,402,897
Non Current Liabilities			
Long term financing	8	331,989,413	238,885,384
Deferred liabilities	9	37,850,488	34,854,948
Deferred taxation	10	101,628,934	90,885,492
		471,468,835	364,625,824
Current Liabilities			
Trade and other payables	11	316,405,998	263,745,534
Accrued finance cost	12	132,358,712	171,091,408
Short term borrowings	13	492,719,846	645,460,193
Current portion of long term financing	8	87,867,785	62,566,631
		1,029,352,341	1,142,863,766
Contingencies and Commitments	14	-	-
		2,493,446,444	2,275,200,293
ASSETS			
Non Current Assets			
Property, plant and equipment	15	1,468,332,961	1,348,691,088
Intangible assets	16	2,519,906	2,675,387
Long term loans	17	1,499,861	1,882,771
Long term deposits		271,163	271,163
		1,472,623,891	1,353,520,409
Current Assets			
Stores, spares and loose tools	18	110,990,667	107,266,583
Stock in trade	19	426,127,467	381,895,545
Trade debts	20	336,184,239	292,246,677
Advances, deposits, prepayments and other receivables	21	83,759,175	58,506,225
Income tax refundable from the Government		61,201,919	72,908,786
Cash and bank balances	22	2,559,086	8,856,068
		1,020,822,553	921,679,884
		2,493,446,444	2,275,200,293

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

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
Sales	23	1,006,698,230	1,058,446,517
Cost of sales	24	(781,724,935)	(868,715,938)
Gross Profit		224,973,295	189,730,579
Administrative expenses	25	(49,962,175)	(50,226,463)
Selling and distribution expenses	26	(51,357,104)	(25,886,208)
		(101,319,279)	(76,112,671)
Operating Profit		123,654,016	113,617,908
Other operating expenses	27	(27,728,408)	(8,687,383)
Other income	28	30,755,338	11,011,659
Finance cost	29	(59,033,540)	(78,291,633)
Profit before Taxation		67,647,406	37,650,551
Taxation	30	(38,527,912)	(10,428,092)
Net Profit for the Year		29,119,494	27,222,459
Earnings per Share - Basic and Diluted	31	0.83	0.78

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	2017 Rupees	2016 Rupees
Net Profit for the Year	29,119,494	27,222,459
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of retirement benefits asset	(713,858)	515,009
Less: Related tax impact	207,661	(148,117)
Other comprehensive (loss) / income for the year	(506,197)	366,892
Items that may be reclassified to profit or loss	-	-
Total Comprehensive Income for the Year	28,613,297	27,589,351

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

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Generated from Operations	32	130,122,759	242,660,067
Finance cost paid		(45,782,962)	(67,764,902)
Gratuity paid		(6,356,241)	(4,353,167)
Payments against discontinued provident fund		(1,329,325)	(1,224,143)
Income tax paid		(435,136)	(10,784,060)
		(53,903,664)	(84,126,272)
Net Cash Generated from Operating Activities		76,219,095	158,533,795
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment		(13,825,850)	(17,035,533)
Intangible asset		(124,511)	-
Capital work in progress		(8,404,186)	(17,918,034)
Long term loans		429,442	565,414
Proceeds from disposal of property, plant and equipment		1,786,953	150,000
Net Cash Used in Investing Activities		(20,138,152)	(34,238,153)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing repaid - net		(8,285,700)	(50,878,494)
Lease rentals paid		-	(800,000)
Short term borrowings repaid - net		(54,092,225)	(70,460,290)
Net Cash Used in Financing Activities		(62,377,925)	(122,138,784)
Net (Decrease) / Increase in Cash and Cash Equivalents		(6,296,982)	2,156,858
Cash and cash equivalents at the beginning of the year		8,856,068	6,699,210
Cash and Cash Equivalents at the End of the Year		2,559,086	8,856,068

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

Particulars	Issued, Subscribed and Paid up Capital	Reserves			Total Reserves	Sponsors' Loan	Total
		Capital	Revenue				
		Share Premium Reserve	General Reserve	Accumulated Loss			
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2015	350,000,000	39,898,526	90,000,000	(623,934,633)	(494,036,107)	115,708,828	(28,327,279)
Net profit for the year	-	-	-	27,222,459	27,222,459	-	27,222,459
Other comprehensive income for the year	-	-	-	366,892	366,892	-	366,892
Total comprehensive income for the year	-	-	-	27,589,351	27,589,351	-	27,589,351
Incremental depreciation for the year on surplus on revaluation of property, plant and equipment net of deferred tax	-	-	-	22,045,734	22,045,734	-	22,045,734
Balance as at June 30, 2016	350,000,000	39,898,526	90,000,000	(574,299,548)	(444,401,022)	115,708,828	21,307,806
Net profit for the year	-	-	-	29,119,494	29,119,494	-	29,119,494
Other comprehensive loss for the year	-	-	-	(506,197)	(506,197)	-	(506,197)
Total comprehensive income for the year	-	-	-	28,613,297	28,613,297	-	28,613,297
Incremental depreciation for the year on surplus on revaluation of property, plant and equipment net of deferred tax	-	-	-	22,170,905	22,170,905	-	22,170,905
Balance as at June 30, 2017	350,000,000	39,898,526	90,000,000	(523,515,346)	(393,616,820)	115,708,828	72,092,008

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

CHIEF EXECUTIVE

DIRECTOR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

1. THE COMPANY AND ITS OPERATIONS

1.1 EMCO Industries Limited ("the Company") was incorporated as a Joint Stock Company in Pakistan under the Companies Act, 1913, (now the Companies Ordinance, 1984) 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 office is situated at 4th Floor, National Tower, 28 Egerton Road, Lahore.

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

1.2 Going concern assumption

As at June 30, 2017, the current liabilities of the Company exceed its current assets by Rs. 8.530 million (2016: Rs. 221.184 million). Further, the Company has shut down its tile manufacturing unit since January 2014 and has decided to dispose it off subsequent to the year end. These factors raise doubts about the Company being a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The operational results of the company are consistent as last year that have led to a considerable reduction in liabilities due to net profit and positive cash flows from operations during the year. The Company has successfully restructured its short term borrowings from National Bank of Pakistan into long term financing with waiver of certain portion of mark-up and an associated company has lent further long term financing to the Company. These improvements lead the management to believe that the Company is in a much better position to continue to service its liabilities and continue to pay off long term debt obligations. Furthermore, the disposal of tile division assets, surplus land and projected profits in the forthcoming year are expected to overcome net liability position and further improvements in overall financial and operational outlook of the Company. Keeping in view the continuous support from directors and favourable negotiation with lenders, the going concern assumption is considered appropriate and, therefore, these financial statements have been prepared on going concern basis.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance). Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984 and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except to the extent of the following:

a) Employee retirement benefits (Gratuity) - Note 9
The Company uses the valuation performed by an independent actuary to determine the present value of its retirement benefit obligations.

b) Certain property, plant and equipment - Note 15

The Company is using the revaluation model for certain property, plant and equipment. Revaluation is performed by an independent valuer.

c) Deferred markup and interest free loans from related parties

The Company is carrying interest free loans from related parties and deferred markup on certain lendings at amortised cost.

2.3 Functional and presentation currency

These financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency. All the figures have been rounded off to the nearest rupee, unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

These estimates and related assumptions are reviewed on an on going basis. Accounting estimates are revised in the period in which such revisions are made. Significant management estimates in these financial statements relate to the useful life and residual values of property, plant and equipment; amortization of intangible assets; provisions for doubtful receivables; provisions for defined benefit obligations; slow moving and obsolete inventory and taxation. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in these financial statements.

2.5 Changes in accounting standards, interpretations and pronouncements

2.5.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

The following amendments to standards are relevant that became effective during the year. These amendments are not likely to have any impact on the Company's financial statements.

	Effective Date (Period beginning on or after)
IFRS 7 - Financial Instruments: Disclosures [Amendments]	January 01, 2016
IAS 1 - Presentation of Financial Statements [Amendments]	January 01, 2016
IAS 16 - Property, Plant and Equipment [Amendments]	January 01, 2016
IAS 19 - Employee Benefits [Amendments]	January 01, 2016
IAS 38 - Intangible Assets [Amendments]	January 01, 2016

2.5.2 Standards, interpretations and amendments to approved accounting standards which became effective during the year but are not relevant

There were certain amendments to the approved accounting standards which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

2.5.3 Standards, interpretations and amendments to approved accounting standards that are relevant but not yet effective

i) IAS 7 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers balance sheet items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided.

ii) IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after January 1, 2018). This standard is yet to be notified by the SECP. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

2.5.4 Standards, interpretations and amendments to approved accounting standards that are neither relevant and nor yet effective

'Revision / improvements / amendments to IFRS and interpretations

	Effective Date (Period beginning on or after)
-Amendments to IAS 12 'Income Taxes' (Unrealised losses on debt instruments)	January 1, 2017
-Amendments to IFRS 2 - 'Share-based Payment'	January 1, 2018
-Amendments to IAS 40 'Investment Property'	January 1, 2018
-IFRS 12 'Disclosure of Interests in Other Entities'	January 1, 2017
-Amendments to IAS 28 'Investment in Associates and Joint Ventures'	January 1, 2018

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 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 shall be required to settle the obligation and the amount has been reliably estimated. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.2 Employee retirement benefits

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

3.2.1 Defined contribution plan

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

3.2.2 Defined benefit plan

The Company operates an unfunded gratuity scheme for non-workmen employees who are not covered under the provident fund scheme. The unfunded gratuity scheme is a defined benefit final salary plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method, which is carried out by an independent actuary.

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

3.3 Taxation

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

3.3.1 Current

The charge for current tax is based on taxable income for the year determined in accordance with the prevailing laws of taxation. All tax credits and tax rebates are taken into account in calculating this charge. However, in case of loss for the year, income tax expense is recognised as minimum tax liability on turnover of the Company in accordance with the provisions of the Income Tax Ordinance, 2001.

3.3.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary timing differences arising from the difference between the carrying amount of the assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are recognised for all major taxable temporary differences.

Deferred tax assets are recognised for all major deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Carrying amounts of deferred tax assets are reviewed at each balance sheet date and is recognised only to the extent that it is probable that future taxable profits will be available against which assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent of probable future taxable profit available that will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is utilised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

3.4 Leases

Finance leases

Leases where the Company has substantially all the risks and rewards of ownership are classified as 'finance lease'. 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, if any.

Related rental obligations, net of finance charges are included in liabilities against assets subject to finance lease. Liabilities are classified as current and long term depending upon the timing of payments. 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 using the reducing balance method at the same rates as used for owned assets. Depreciation of leased assets is charged to the profit and loss account. Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Operating leases

Leases where a significant portion of 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 straight line basis over the lease term.

3.5 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid or given in future for goods and services received or to be delivered or for any other amount, whether or not billed to the Company.

3.6 Property, plant and equipment

Property, plant and equipment are stated at revalued amount / cost, less accumulated depreciation and identified impairment losses, if any, except freehold land which is stated at revalued amount. Revaluation is carried out with sufficient regularity to ensure that the carrying amounts of assets do not differ materially from their fair values. Additions, subsequent to revaluation, are stated at cost less accumulated depreciation and any identified impairment loss.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost in relation to certain assets also includes cost of borrowing during construction period in respect of loans taken for specific projects.

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

Depreciation on additions is charged from the month in which the assets are available for use while no depreciation is charged in the month in which the assets are disposed off. Rates of depreciation are disclosed in Note 15.

Depreciation method, residual value and useful lives of assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalised. Gains or losses on disposal of property, plant and equipment are included in the current year's income.

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

3.7 Capital work-in-progress

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

3.8 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any identified impairment loss, if any. Intangible assets are amortised using the diminishing balance method at the rate of 10%.

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

3.9 Impairment of Assets

The Company assesses at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit and loss account. Where an impairment loss is recognised, the depreciation charge is adjusted in future periods to allocate the asset’s revised carrying amount over its estimated useful life.

3.10 Borrowing costs

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

3.11 Stores, spares and loose tools

Stores and spares are valued 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 is made for obsolete and slow moving stores and spares based on management estimate.

3.12 Stock-in-trade

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

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

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale. If the net realisable value is lower than the carrying amount, a write-down is recognised for the amount by which the carrying amount exceeds its net realisable value. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management estimate.

3.13 Financial instruments

Financial assets

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

Financial assets at fair value through profit and loss

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

Loans and receivables

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

Available-for-sale financial assets

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

Held to maturity

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

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

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

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

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

Financial liabilities

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

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

3.14 Offsetting of financial assets and liabilities

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

3.15 Long term financing

All borrowings are initially recognized at fair value less directly attributable transaction costs. Difference between the fair value and the proceeds of borrowings is recognized as income or expense in the profit and loss account.

Gains and losses are recognized in the profit and loss account when the liabilities are derecognized as well as through the amortization process.

3.16 Trade debts

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

3.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.18 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak rupees at exchange rates prevailing at the date of transaction. Exchange gains and losses are included in the profit and loss account.

3.19 Revenue recognition

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

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

3.20 Business segments

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

The Company is divided into two business segments:

- Insulator Division - manufacture of high and low tension electrical porcelain insulators and switchgear; and
- Tile Division - manufacture of ceramic wall and floor tiles.

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

Segment assets and liabilities

The assets of a segment include all operating assets used by a segment and consist principally of receivables, inventories and property, plant and equipment, net of allowances and provisions. Segment liabilities are primarily unallocable. Carrying amounts of jointly used assets and liabilities are allocated to the segments on the following basis:

Insulator	47%
Tile	53%

Allocation of segment expenses

All identifiable expenses are directly attributed to the respective segments.

3.21 Contingent liabilities

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

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

3.22 Dividend and other appropriations

Dividend to the shareholders is recognized in the period in which it is declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

4. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2017	2016		2017	2016
No. of Share			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

4.1 There has been no movement in ordinary share capital during the year ended June 30, 2017.

4.2 Ordinary shares of the Company held by its associated companies as at the year end are as follows:

	2017	2016
	(Number of Shares)	
Associated Engineers (Private) Limited	2,011,325	2,011,325
ICC (Private) Limited	2,943,411	2,943,411
	4,954,736	4,954,736

5. RESERVES

	Note	2017 Rupees	2016 Rupees
Capital - share premium	5.1	39,898,526	39,898,526
Revenue - general reserve		90,000,000	90,000,000
Accumulated loss		(523,515,346)	(574,299,548)
		(393,616,820)	(444,401,022)

5.1 This reserve can be utilized by the Company only for the purposes specified in Section 83(2) of the Companies Ordinance, 1984.

6. SPONSORS' LOAN

This represents unsecured, interest free loan given by directors and related parties to meet the liquidity requirements of the Company. These loans are repayable at the discretion of the Company and are sub-ordinated to facilities obtained from various financial institutions. In line with Technical Release - 32 (TR 32 - Accounting Directors' Loan) issued by the Institute of Chartered Accountants of Pakistan (ICAP), these loans are shown as part of equity.

7. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2017 Rupees	2016 Rupees
Land - Freehold:		
Opening balance	237,839,464	154,159,464
Add: Surplus on revaluation arisen during the year	241,682,500	83,680,000
	479,521,964	237,839,464
Buildings on freehold land:		
Opening balance	192,718,295	163,758,065
Add: Surplus on revaluation arisen during the year	99,113,069	48,651,435
Less: Related deferred taxation	(28,831,992)	(13,992,154)
	262,999,372	198,417,346
Plant and machinery:		
Opening balance	315,845,138	264,542,349
Add: Surplus/(Impairment) on revaluation arisen during the year	(159,929,107)	80,641,290
Less: Related deferred taxation	46,523,377	(23,192,435)
	202,439,408	321,991,204
Effect of change in tax rates	(2,256,579)	10,200,617
Incremental depreciation charged on revalued property, plant and equipment	(22,170,905)	(22,045,734)
in current year net of deferred tax transferred to retained earnings	920,533,260	746,402,897

7.1 This represents surplus over book value resulting from the revaluation of freehold land, buildings on freehold land and plant and machinery, adjusted by incremental depreciation arising on revaluation of the above-mentioned assets except freehold land. Latest revaluation was carried out by an approved, independent valuer at June 30, 2017 using current market price / replacement cost methods, wherever applicable for the respective assets. This resulted in revaluation surplus of Rs. 180,866,462. 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.

7.2 The revaluation surplus relating to the above-mentioned property, plant and equipment excluding freehold land is net of applicable deferred income taxes. Incremental depreciation charged on revalued property, plant and equipment has been transferred to the statement of changes in equity to record realization of surplus to the extent of incremental depreciation. Incremental depreciation represents the difference between the actual depreciation on the above-mentioned assets excluding freehold land and the equivalent depreciation based on the historical cost of these assets.

8. LONG TERM FINANCING

	Note	2017 Rupees	2016 Rupees
Banking companies - secured			
NIB Bank Limited	8.1	3,917,401	14,211,492
The Bank of Punjab	8.2	-	8,181,112
National Bank of Pakistan	8.3	130,646,761	-
Adjustment due to impact of IAS-39	8.4	(4,537,590)	-
		126,109,171	-
Standard Chartered Bank (Pakistan) Limited	8.5	120,669,487	138,569,175
Adjustment due to impact of IAS-39	8.4	(15,234,095)	(15,921,920)
		105,435,392	122,647,255
		235,461,964	145,039,859
Associated companies / related parties - unsecured			
Associated Engineers (Private) Limited	8.6	19,698,518	18,152,456
Adjustment due to impact of IAS-39	8.4	341	(53,938)
		19,698,859	18,098,518
EMCO Industries Limited Provident Fund	8.7	132,954,131	135,743,643
ICC (Private) Limited	8.8	29,166,668	-
Imperial Electric Company (Private) Limited	8.9	2,569,995	2,561,714
Adjustment due to impact of IAS-39	8.4	5,581	8,281
		2,575,576	2,569,995
		419,857,198	301,452,015
Less: current portion			
Banking companies		(45,340,654)	(43,379,988)
Associated companies / related parties		(42,527,131)	(19,186,643)
		(87,867,785)	(62,566,631)
		331,989,413	238,885,384

8.1 This represents term financing obtained from NIB Bank Limited that was rescheduled on June 30, 2015. This financing is repayable in monthly installments of Rs. 1 million each effective from June 2015 and carries mark-up @ 8% per annum. This is secured by first pari passu charge of Rs. 102.0 million over fixed assets (land, building, plant and machinery) of the Company and personal guarantees of certain directors of the Company. This is due to mature on September 30, 2017.

8.2 This represented term finance obtained from the Bank of Punjab carrying mark-up @ 3 months KIBOR per annum. The entire financing has been repaid during the year.

8.3 This represents long term financing (Demand Finance - I and Demand Finance II) created during the year by restructuring short term borrowings obtained from National Bank of Pakistan and accrued/unpaid markup thereon effective from March 30, 2017.

As per the covenants of this agreement, Rs. 17.602 million was paid upfront towards the principal liabilities and the balance amounting to Rs. 98.649 Million was converted into DF-I, repayable in six years including one year grace period and carries mark-up @ 1 month KIBOR. The mark up outstanding on financing facilities till cut-off date of June 30, 2016 was recalculated by the Bank and the resulting amount of Rs. 31.7 million was transferred to DF-II as frozen markup, repayable in 60 equal monthly installments amounting Rs. 0.529 Million and carries no mark up. These loans are secured by ranking charge of Rs. 216 million over fixed assets (land, building, plant and machinery) of the Company alongwith the personal guarantees of certain directors of the Company. This is due to mature on June 30, 2022.

8.4 In accordance with the requirements of IAS-39, deferred markup on loans obtained from Standard Chartered Bank (Pakistan) Limited, National Bank of Pakistan and interest free portions of loans from M/s Imperial Electric Company (Private) Limited and M/s Associated Engineers (Private) Limited have been carried at amortised cost and the relevant difference is being charged to the profit and loss account.

8.5 The loan was restructured during the year ended June 30, 2013 and further restructured during the year ended June 30, 2015. It carries markup @ 3 months KIBOR per annum. Under the restructured agreement the outstanding principal of Rs. 109 million is repayable by way of quarterly staggered installments over the period of 5 years. The outstanding markup payable and markup accrued after restructured agreement shall be paid after the principal amount has been paid off. Deferred markup as at the balance sheet date is Rs. 52.866 million. This loan is secured by a ranking charge of Rs. 172 million in favour of the Bank over the property, plant and equipment of the Company. This is due to mature on February 28, 2023.

8.6 This includes interest-bearing loan of Rs. 7,396,095 (2016: Rs. 7,396,095) and interest free loan of Rs. 12,302,423 (2016: Rs. 11,539,352) The interest bearing loan carries mark-up @ 7.55 % (2016: 7.55%) per annum. The loan is unsecured and terms of repayment of loan and mark-up have yet not been formalized by the related parties; however, this loan is not repayable within next 12 months.

8.7 This represents loan obtained from EMCO Industries Limited Provident Fund on July 01, 2000. Owing to non-repayment of loan due to liquidity issues, this loan had been rescheduled a number of times. Latest rescheduling of the loan was carried out on October 01, 2013 by the Trustees of the fund whereby the loan is repayable in 48 unequal quarterly installments commencing from October 01, 2013 and carries mark up @ weighted average cost of capital + 1% on outstanding principal. This loan is due to mature on June 30, 2025.

8.8 This represents the balance of long term loan of Rs. 35 million (2016: Nil) obtained from an associated company to improve the liquidity position of the Company. This loan carries markup of 1-month KIBOR + 3% p.a., recoverable on monthly basis alongwith pricinipal component in 24 equal monthly instalments and carries no grace period. The loan is secured by corporate inter-company guarantees for the principal and markup amounts.

8.9 This represents outstanding loan obtained from M/s Imperial Electric Company (Private) Limited. Of this amount Rs. 1.986 million (2016: 1.986 million) carries mark-up @ 7.55% (2016: 7.55%) per annum and the remaining amount is interest free. The terms of repayment of loan have yet not been agreed; however, this loan is not repayable within next 12 months.

9. DEFERRED LIABILITIES

	Note	2017 Rupees	2016 Rupees
Payable to employees against discontinued provident fund	9.1	4,371,128	5,554,381
Non-workmen staff gratuity - unfunded	9.2	33,479,360	29,300,567
		37,850,488	34,854,948

	Note	2017 Rupees	2016 Rupees
9.1 Payable to employees against discontinued provident fund			
Opening balance		5,554,381	6,161,392
Add: Mark-up accrued		146,072	617,132
		5,700,453	6,778,524
Less: Payments made / transferred to final settlements		(1,329,325)	(1,224,143)
Closing balance		4,371,128	5,554,381

9.1.1 This represents outstanding balance of employer contribution payable to non-workmen employees on termination of provident fund scheme with effect from December 31, 2002. The outstanding balance of employer contribution payable includes both, principal and interest portions. Interest is being charged on the principal portion at a rate of 5% (2016: 5%) per annum. The balance, along with the interest, is being paid as and when requested by employees.

9.2 Non-workmen staff gratuity - unfunded

Latest actuarial valuation of the gratuity scheme was conducted as on June 30, 2017. Results of actuarial valuation are as under:

	Note	2017 Rupees	2016 Rupees
9.2.1 Movement in net liability for staff gratuity			
Opening balance		29,300,567	30,690,952
Charge for the year - Profit and loss account	9.2.2	9,821,176	3,477,791
Charge for the year - Other comprehensive income		713,858	(515,009)
Payments made / approved during the year		(6,356,241)	(4,353,167)
Closing balance	9.2.3	33,479,360	29,300,567
9.2.2 Charge for the year			
The amounts recognised in the profit and loss account against defined benefit scheme are as follows:			
Current service cost		8,505,033	1,759,388
Interest cost		1,316,143	1,718,403
		9,821,176	3,477,791
9.2.3 Staff gratuity			
Present value of defined benefit obligation	9.2.4	26,827,769	20,014,667
Benefits due but not paid		6,651,591	9,285,900
Liability as at June 30,		33,479,360	29,300,567

	2017 Rupees	2016 Rupees
9.2.4 Movement in present value of defined benefit obligation		
Opening balance	20,014,667	21,134,849
Benefits due but not paid from last year	9,285,900	9,556,103
Current service cost	8,505,033	1,759,388
Interest cost	1,316,143	1,718,403
Benefits paid / approved	(6,356,241)	(4,353,167)
Benefits due but not paid	(6,651,591)	(9,285,900)
Actuarial gain recognized in other comprehensive income	713,858	(515,009)
Closing balance	26,827,769	20,014,667
9.2.5 Actuarial assumptions		
Discount rate - per annum	7.25%	7.25%
Expected rate of increase in salary level - per annum	6.25%	6.25%
Average expected remaining working lives of employees	9 Years	9 Years
Expected mortality rate for active employees	SLIC (2001-2005) Mortality Table	
Actuarial valuation method	Projected Unit Credit Method	

9.2.6 The Company does not have any plan assets covering its post-employment benefits payable. The comparative statement of present value of defined benefit obligations is as under:

	2017 Rupees	2016 Rupees	2015 Rupees	2014 Rupees	2013 Rupees
Present value of defined benefit obligation	33,479,360	29,300,567	21,134,849	20,334,448	29,668,170
Fair value of plan asset	-	-	-	-	-
Net balance sheet liability	33,479,360	29,300,567	21,134,849	20,334,448	29,668,170

	Rupees
9.2.7 Estimated Charge for the year 2017-2018	
Current service cost	2,466,452
Interest cost	1,945,013
	4,411,465

9.2.8 Year end sensitivity analysis on defined benefit obligation

Reasonably possible changes at the balance sheet date to one of the relevant actuarial assumptions, holding other assumptions constant, would have resulted in present value of defined benefit obligation as stated below:

Discount rate + 1%	24,761,599
Discount rate - 1%	29,153,211
Salary increase + 1%	29,153,211
Salary increase - 1%	24,734,209

		2017 Rupees	2016 Rupees
9.2.9 The charge for the year has been allocated as follows:			
Cost of sales	25	5,401,648	1,912,785
Administrative expenses	26	3,633,834	1,286,783
Selling and distribution expenses	27	785,694	278,223
		9,821,176	3,477,791

10. DEFERRED TAXATION

	2017 Rupees	2016 Rupees
Credit / (debit) balances arising in respect of timing differences relating to:		
Taxable temporary differences		
- Accelerated tax depreciation	56,859,534	65,447,557
- Revaluation of property, plant and equipment	172,518,710	196,664,237
	229,378,244	262,111,794
Deductible temporary differences		
- Provision for doubtful debts	(14,343,782)	(9,902,796)
- Provision for obsolete stores and spares	(636,800)	(629,576)
- Provision for obsolete stock	(4,344,532)	(4,295,247)
- Others	(12,170,964)	(9,394,937)
- Unused tax losses / tax credits	(96,253,232)	(147,003,746)
	(127,749,310)	(171,226,302)
	101,628,934	90,885,492

11. TRADE AND OTHER PAYABLES

		2017 Rupees	2016 Rupees
Trade creditors	11.1	180,163,625	147,435,112
Accrued liabilities		71,091,149	70,115,504
Employee retirement benefit funds		2,156,503	2,414,461
Advances from customers		28,697,128	27,392,128
Provident fund payable		937,157	426,970
Unclaimed dividends		244,802	244,802
Sales tax payable		22,287,129	11,598,850
Employees' welfare fund		417,686	212,962
Withholding tax payable		2,626,869	1,114,317
Workers' (profit) participation fund		5,692,640	2,022,049
Workers' welfare fund		2,091,310	768,379
		316,405,998	263,745,534

11.1 Trade creditors include Rs. 5,237,427 (2016: Rs. 3,304,606) due to related parties.

	2017 Rupees	2016 Rupees
11.2 Workers' Profit Participation Fund		
Balance at the beginning of the year	2,022,049	-
Allocation for the year	3,482,540	2,022,049
	5,504,589	2,022,049
Interest on funds utilized in the Company's business	188,051	-
Payment	-	-
	5,692,640	2,022,049

12. ACCRUED FINANCE COST

	2017 Rupees	2016 Rupees
Long term financing from banking companies	103,789	77,430
Long term financing from associated companies / related parties	119,367,887	108,511,399
Short term borrowings from banking companies	3,959,582	55,716,247
Short term borrowings from associated companies / related parties	8,927,454	6,786,332
	132,358,712	171,091,408

13. SHORT TERM BORROWINGS

	Note	2017 Rupees	2016 Rupees
Interest bearing			
Banking companies - secured:			
- Running finances	13.1	153,895,504	206,216,658
- Export and import finances	13.2	55,674,267	156,015,925
		209,569,771	362,232,583
Related parties - unsecured:			
- Associated company - ICC (Private) Limited	13.3	-	10,000,000
- Director	13.4	76,575,955	63,231,516
		76,575,955	73,231,516
		286,145,726	435,464,099
Interest free			
Related parties - unsecured:			
- Associated company - ICC (Private) Limited		80,750,000	80,750,000
- Directors and close relatives thereof		125,824,120	129,246,094
		206,574,120	209,996,094
		492,719,846	645,460,193

13.1 Short-term running finances available from various commercial banks under mark-up arrangements amount to Rs. 154 million (2016: Rs. 210 million). Rates of mark-up range from 1 month KIBOR + 1% to 3 months KIBOR + 3% per annum on the balance outstanding. Aggregate short term finances are secured by first pari passu charge on present and future current, ranking charge over the Company's present and future fixed assets, joint pari passu charge on current assets of the Company, lien over sale documents, personal guarantees of certain directors, mortgage over commercial properties owned by Associated Engineering (Private) Limited, an associated company, and properties owned by directors and their close relatives.

13.2 Export and import finances available from various commercial banks under mark-up arrangements amount to Rs. 185 million (2016: Rs. 263.752 million). The rates of mark-up range from 1 month KIBOR to 6 months KIBOR plus 1%. In the event the Company fails to pay the balances till due date, liquidated charges of 2% over and above the mark-up rate or a flat rate of 16% shall be charged on the principal amount. The aggregate export and import finances are secured by hypothecation of stores, spares and loose tools, stock-in-trade, trade debts, charge on property, plant and equipment of the Company and property owned by directors.

13.3 This represented unsecured borrowings obtained from associated company that carried mark-up @ of 3 months KIBOR + 3% per annum on the balance outstanding. The entire borrowing has been repaid during the year.

13.4 This represents unsecured borrowing obtained from a director and carries mark-up ranging from 3 month KIBOR + 5% to 12.37% per annum on the balance outstanding.

14. CONTINGENCIES AND COMMITMENTS

Contingencies

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

14.2 The Company has indemnified the Trustees of EMCO Industries Limited Provident Fund and the beneficiaries thereof, from any and all events wherein they or anyone suffers any loss and / or damage for allowing the Company rescheduled time frame to repatriate the borrowed sum amounting to Rs. 132.954 million (2016: Rs. 135.744 million) as at June 30, 2017 into the fund.

14.3 The Collector of Customs has raised a demand of Rs. 8.978 million alongwith applicable penalty agaisnt liablities of the Company, which has been challenged by the Company in Lahore High Court, Lahore. The Honourable court has granted interim injunction against recovery of dues and the matter is in initial proceedings. The management is confident about the favourable outcome of this litigation and therefore has not incorpoarted any provision in these financial statements.

Commitments

14.4 Letters of credit other than for capital expenditure amount to Rs. 60.771 million (2016: Rs. 23.183 million).

14.5 Bank guarantees amount to Rs. 133.171 million (2016: Rs. 181.086 million) that have been issued in favour of the following companies:

	2017 Rupees	2016 Rupees
Sui Northern Gas Pipeline Limited	22,406,000	22,406,000
WAPDA	101,786,577	158,680,600
Collector of Customs	8,978,358	-
	133,170,935	181,086,600

15. PROPERTY, PLANT AND EQUIPMENT

	Note	2017 Rupees	2016 Rupees
Operating fixed assets	15.1	1,437,943,775	1,315,164,858
Capital work in progress - civil works		30,389,186	33,526,230
		1,468,332,961	1,348,691,088

15.1 Operating fixed assets

	Note	2017 Rupees	2016 Rupees
Owned assets	15.1.1	1,437,943,775	1,315,164,858
Leased assets	15.1.2	-	-
		1,437,943,775	1,315,164,858

Reconciliation of carrying amounts of property, plant and equipment at the beginning and at end of the year is as follows:

Description	Freehold Land Rupees	Buildings on Freehold Land Rupees	Plant and Machinery Rupees	Tools and Equipment Rupees	Furniture and Fittings Rupees	Vehicles Rupees	Office Equipment Rupees	Total Rupees
15.1.1 Owned assets								
Net Carrying Value Basis Year Ended June 30, 2017								
Opening net book value	265,930,000	309,429,645	731,907,952	81,365	1,182,113	3,237,728	3,396,055	1,315,164,858
Additions	-	11,541,230	12,424,250	-	-	-	1,401,600	25,367,080
Revaluation adjustment	241,682,500	99,113,069	(159,929,107)	-	-	-	-	180,866,462
Disposal during the year								
- Cost	-	-	-	-	-	4,577,000	-	4,577,000
- Accumulated depreciation	-	-	-	-	-	(3,495,879)	-	(3,495,879)
	-	-	-	-	-	(1,081,121)	-	(1,081,121)
Depreciation charge	-	(23,379,144)	(57,256,171)	(15,813)	(237,221)	(647,545)	(837,610)	(82,373,504)
Closing net book value	507,612,500	396,704,800	527,146,924	65,552	944,892	1,509,062	3,960,045	1,437,943,775
Depreciation rates		5%	4%-35%	20%-40%	20%	20%	20%	
Gross Carrying Value Basis As at June 30, 2017								
Cost / revalued amount	507,612,500	675,462,126	1,779,292,145	9,245,723	8,726,401	10,297,786	30,950,668	3,021,587,349
Accumulated depreciation	-	(278,757,326)	(1,252,145,221)	(9,180,171)	(7,781,509)	(8,788,724)	(26,990,623)	(1,583,643,574)
Net Book Value	507,612,500	396,704,800	527,146,924	65,552	944,892	1,509,062	3,960,045	1,437,943,775
Net Carrying Value Basis Year Ended June 30, 2016								
Opening net book value	182,250,000	281,769,648	683,121,312	100,749	519,020	3,492,327	3,187,438	1,154,440,494
Additions	-	-	14,477,763	-	914,889	638,141	1,004,740	17,035,533
Revaluation adjustment	83,680,000	48,651,435	80,641,290	-	-	-	-	212,972,725
Transferred from leased assets								
- Cost	-	-	16,538,177	-	-	-	-	16,538,177
- Accumulated depreciation	-	-	(7,275,117)	-	-	-	-	(7,275,117)
	-	-	9,263,060	-	-	-	-	9,263,060
Disposal during the year								
- Cost	-	-	-	-	-	461,000	-	461,000
- Accumulated depreciation	-	-	-	-	-	(352,236)	-	(352,236)
	-	-	-	-	-	(108,764)	-	(108,764)
Depreciation charge	-	(20,991,438)	(55,595,473)	(19,384)	(251,796)	(783,976)	(796,123)	(78,438,190)
Closing net book value	265,930,000	309,429,645	731,907,952	81,365	1,182,113	3,237,728	3,396,055	1,315,164,858
Depreciation rates		5%	4%-35%	20%-40%	20%	20%	20%	
Gross Carrying Value Basis As at June 30, 2016								
Cost / revalued amount	265,930,000	564,807,827	1,926,797,002	9,245,723	8,726,401	14,874,786	29,549,068	2,819,930,807
Accumulated depreciation	-	(255,378,182)	(1,194,889,050)	(9,164,358)	(7,544,288)	(11,637,058)	(26,153,013)	(1,504,765,949)
Net Book Value	265,930,000	309,429,645	731,907,952	81,365	1,182,113	3,237,728	3,396,055	1,315,164,858

		2017 Rupees	2016 Rupees
15.1.2 Leased assets			
Net Carrying Value Basis			
Net carrying value - opening balance		-	9,613,970
Transferred to owned assets:			
-Cost		-	16,538,177
-Accumulated depreciation		-	(7,275,117)
		-	(9,263,060)
Depreciation charge		-	(350,910)
Closing net book value		-	-
Gross Carrying Value Basis			
Cost		-	-
Accumulated amortization		-	-
Net book value		-	-

15.2 Apportionment of depreciation charge for the year

Depreciation charge for the year has been apportioned as follows:

	Note	2017 Rupees	2016 Rupees
Owned assets			
Cost of sales	24	81,616,909	77,450,353
Administrative expenses	25	756,595	987,837
		82,373,504	78,438,190
Leased assets			
Cost of sales	24	-	350,910
		82,373,504	78,789,100

15.3 Disposal of property, plant and equipment

Detail of property, plant and equipment disposed off during the year is as follows:

Particulars	Cost Rupees	Accumulated depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Gain on disposal Rupees	Buyer Name	Mode of sale
Asset with book value exceeding Rs. 50,000							
Vehicles	2,038,000	(1,411,926)	626,074	891,250	265,176	Mr. Naseem Khan	At market value
	1,561,000	(1,325,297)	235,703	235,703	-	Mr. Haris Noorani	As per Company policy
	639,000	(495,686)	143,314	400,000	256,686	Mr. Naeem Malik	At market value
	339,000	(262,970)	76,030	260,000	183,970	Mr. Shahzad Younus	At market value
Total 2017	4,577,000	(3,495,879)	1,081,121	1,786,953	705,832		
Total 2016	461,000	(352,236)	108,764	150,000	41,236		

15.4 Cost, accumulated depreciation and book value of revalued assets, had there been no revaluation

Had there been no revaluation, the carrying amounts of the following classes of assets would have been as follows:

	2017 Rupees	2016 Rupees
Freehold land	28,090,536	28,090,536
Buildings on freehold land	55,393,005	47,514,589
Plant and machinery	293,006,231	293,932,205
	376,489,772	369,537,330

15.5 The carrying amount of temporarily idle property, plant and equipment as at the balance sheet date is Rs. 494.400 million (2016: 789.290 million).

15.6 The property, plant and equipment of the Company are subject of first and joint pari passu charge as security for certain financing by banks (refer Note to 8 and 13).

16. INTANGIBLE ASSETS	Note	2017 Rupees	2016 Rupees
Intangible asset	16.1	2,519,906	-
Capital work in progress - SAP		-	2,675,387
		2,519,906	2,675,387
16.1 Net Carrying Value			
Net carrying value - opening balance		-	1,727,830
Additions during the year		2,799,898	-
		2,799,898	1,727,830
Amortization during the year	16.2	(279,992)	(1,727,830)
Net carrying value as at June 30, 2017		2,519,906	-
Gross Carrying Value			
Cost		8,994,900	6,195,002
Accumulated amortization		(6,474,994)	(6,195,002)
Net book value		2,519,906	-
		10%	10%

16.2 The Company has implemented new ERP (SAP). Amortization charge for the year has been allocated to administrative expenses.

17. LONG TERM LOANS	Note	2017 Rupees	2016 Rupees
Loans to employees - (Secured - considered good)	17.2	1,848,668	2,278,110
Less: current portion		(348,807)	(395,339)
		1,499,861	1,882,771

17.1 These represent loans for purchase of motorcycles, bicycles and for the construction of residential houses etc. These loans are secured against gratuity and are interest free. The loans are repayable over a period of two to eight years.

	2017 Rupees	2016 Rupees
17.2 Reconciliation of carrying amount of loans to executive		
Opening balance	1,491,252	1,506,252
Add: Disbursements	-	-
Less: Repayments	(180,000)	(15,000)
Closing balance on June 30,	1,311,252	1,491,252

		Note	2017 Rupees	2016 Rupees
18.	STORES, SPARES AND LOOSE TOOLS			
	Stores		18,793,680	18,791,825
	Spare parts		91,940,480	88,221,507
	Loose tools		2,445,576	2,442,320
			113,179,736	109,455,652
	Less: Provision for obsolescence of stock	18.1	(2,189,069)	(2,189,069)
			110,990,667	107,266,583
18.1	Provision for obsolescence of stock			
	Opening balance		2,189,069	2,189,069
	Provision for the year		-	-
			2,189,069	2,189,069
	Less: Obsolete stocks written off		-	-
			2,189,069	2,189,069

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

		Note	2017 Rupees	2016 Rupees
19.	STOCK-IN-TRADE			
	Raw materials		145,722,304	181,265,179
	Materials in transit		7,330,672	7,315,440
	Work-in-process		29,735,130	21,295,773
	Finished goods		258,274,157	186,953,949
			441,062,263	396,830,341
	Less: Provision for obsolescence of stock	19.1	(14,934,796)	(14,934,796)
			426,127,467	381,895,545
19.1	Provision for obsolescence of stock			
	Opening balance		14,934,796	14,934,796
	Provision for the year		-	4,503,226
			14,934,796	19,438,022
	Less: Obsolete stocks written off		-	(4,503,226)
			14,934,796	14,934,796

19.2 Stocks are under charge by way of hypothecation as security against financing obtained from banks (refer to Note 8 and 13).

20. TRADE DEBTS	Note	2017 Rupees	2016 Rupees
Local - (Unsecured - considered good)	20.1	331,190,978	287,819,024
Local - (Unsecured - considered doubtful)		49,308,292	34,432,530
Foreign - (secured - considered good)		4,993,261	4,427,653
		385,492,531	326,679,207
Less: Provision for doubtful debts	20.2	(49,308,292)	(34,432,530)
		336,184,239	292,246,677

20.1 Due from related parties

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

	2017 Rupees	2016 Rupees
Fatima Memorial Hospital Trust	-	31,788
ICC (Private) Limited	63,059	63,059
Nur Enterprises	305,866	305,866
	368,925	400,713

20.1.1 Aging of the balances due from related parties is as follow:

Upto 1 year Rupees	1 to 2 years Rupees	2 to 3 years Rupees	Over 3 years Rupees
-	-	-	368,925

20.2 Provision for doubtful debts	2017 Rupees	2016 Rupees
Opening balance	34,432,530	34,432,530
Provision for the year	14,875,762	147,500
	49,308,292	34,580,030
Less: Bad debts written off	-	(147,500)
	49,308,292	34,432,530

21. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2017 Rupees	2016 Rupees
Advances:			
- to employees - considered good	21.1	9,428,761	7,545,874
- to suppliers			
- Considered good		42,627,560	14,386,843
- Considered doubtful		575,686	575,686
		52,632,007	22,508,403
Current portion of loans to employees -considered good	17	348,807	395,339
Security deposits		5,639,315	6,366,347
Recoverable from employees	21.2	17,166,441	18,312,396
Margins held by bank		3,632,163	11,353,321
Prepayments		4,916,128	146,105
		84,334,861	59,081,911
Less: Provision for doubtful advances	21.3	(575,686)	(575,686)
		83,759,175	58,506,225

21.1 This includes an amount of Rs. Nil (2016: Rs. 0.522 million) due from directors. The amount is paid to directors as advance for expenditure to be reimbursed by the Company.

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

21.3 Provision for doubtful advances

	2017	2016
Opening balance	575,686	575,686
Add: Provision for the year	-	-
	575,686	575,686
Less: Advances written off against provision	-	-
	575,686	575,686

22. CASH AND BANK BALANCES

	2017 Rupees	2016 Rupees
Cash in hand	875,231	868,306
Cash at bank - in current accounts	1,683,855	7,987,762
	2,559,086	8,856,068

23. SALES

	Note	2017 Rupees	2016 Rupees
Gross sales:			
- Local		1,039,415,789	1,153,121,488
- Against international tender and funding		96,908,124	59,764,543
- Export		21,270,429	13,819,789
		1,157,594,342	1,226,705,820
Less: Trade discounts		(171,030)	(334,261)
Less: Sales tax		(150,725,082)	(167,925,042)
Net sales		1,006,698,230	1,058,446,517

24. COST OF SALES

	Note	2017 Rupees	2016 Rupees
Raw and packing material consumed		361,859,531	341,565,430
Stores and spares consumed		33,379,359	38,937,942
Salaries, wages and benefits	24.1	237,888,329	217,385,199
Power and gas		102,993,930	96,806,045
Vehicle maintenance		631,408	495,380
Repairs and maintenance		3,969,786	2,072,516
Testing and inspection		22,665,604	13,124,549
Entertainment		1,472,978	3,503,893
Insurance		3,454,104	3,603,224
Communication and stationery		1,012,768	1,015,618
Rent, rates and taxes		1,199,225	1,899,672
Travelling and conveyance		9,062,774	5,487,393
Miscellaneous		277,795	351,106
Depreciation	15.2	81,616,909	77,801,263
		861,484,500	804,049,230
Work in process			
- Opening work in process		21,295,773	30,571,716
- Closing work in process		(29,735,130)	(21,295,773)
		(8,439,357)	9,275,943
Cost of goods manufactured		853,045,143	813,325,173
Finished goods			
- Opening finished goods		186,953,949	242,344,714
- Closing finished goods		(258,274,157)	(186,953,949)
		(71,320,208)	55,390,765
		781,724,935	868,715,938

24.1 This includes contribution to the Provident Fund amounting to Rs. 2,427,228 (2016: Rs. 2,386,526) and gratuity amounting to Rs. 5,401,648 (2016: Rs. 1,912,785).

25. Administrative Expenses	Note	2017 Rupees	2016 Rupees
SSalaries, wages and benefits	25.1	31,674,432	30,657,589
Communication and stationery		1,925,656	1,936,997
Travelling		3,421,130	1,583,550
Vehicle maintenance		2,782,903	2,856,830
Rent, rates and taxes		1,254,000	1,254,000
Power and gas		867,507	614,542
Insurance		254,130	162,075
Legal and professional charges		1,833,445	4,662,776
Repairs and maintenance		558,658	568,441
Computer charges		452,550	324,964
Security charges		165,966	176,045
Fees and taxes		1,919,277	1,782,161
Miscellaneous		674,406	394,234
Entertainment		1,141,530	536,592
Depreciation	15.2	756,595	987,837
Amortization	16.2	279,990	1,727,830
		49,962,175	50,226,463

25.1 This includes contribution to the Provident Fund amounting to Rs. 13,053 (2016: Rs. 12,110) and gratuity amounting to Rs. 3,633,834 (2016: Rs. 1,286,783).

26. SELLING AND DISTRIBUTION EXPENSES	Note	2017 Rupees	2016 Rupees
Salaries, wages and benefits	26.1	5,811,600	6,106,244
Travelling		3,741,005	3,472,136
Insurance		69,773	840,693
Handling, freight and transportation		14,190,176	11,212,165
Utilities		18,201	-
Vehicle maintenance		168,159	177,758
Rent, rates and taxes		126,192	113,165
Communication		295,283	340,432
Advertisement and sales promotion		217,600	181,079
Late delivery charges / Liquidity damages		25,635,047	2,810,621
Miscellaneous		1,084,068	631,915
		51,357,104	25,886,208

26.1 This includes contribution to gratuity amounting to Rs. 785,694 (2016: Rs. 278,223).

27. OTHER OPERATING EXPENSES	Note	2017 Rupees	2016 Rupees
Auditor's remuneration:			
- statutory audit		730,000	730,000
- half yearly review		250,000	250,000
		980,000	980,000
Workers' (profit) participation fund		3,482,540	2,022,049
Workers' welfare fund		1,322,931	768,379
Obsolete stock written off		-	4,503,226
Bad debts written off		6,985,402	147,500
Provision for doubtful debts		14,875,762	-
Miscellaneous charges		-	266,229
Sales tax penalties		81,773	-
		27,728,408	8,687,383

28. OTHER INCOME

	Note	2017 Rupees	2016 Rupees
Income from financial assets			
Profit on margins held by bank		-	246,692
Exchange gain		353,241	2,098,539
		353,241	2,345,231
Income from non - financial assets			
Gain on disposal of property, plant and equipment		705,832	41,236
Rental income		207,025	199,590
Liabilities written back		3,012,622	7,731,572
Gain on restructuring of short term borrowings from National Bank of Pakistan		20,267,274	-
Miscellaneous income		2,536,105	-
Adjustment due to impact of IAS-39	8.4	3,673,239	694,030
		30,402,097	8,666,428
		30,755,338	11,011,659

29. FINANCE COST

	Note	2017 Rupees	2016 Rupees
Long term financing from banking companies		8,913,922	10,731,822
Long term financing from associated companies/ related parties		11,126,488	14,194,509
Short term borrowings from banking companies		21,051,615	35,561,673
Short term borrowings from associated companies/ related partie		12,586,081	10,392,943
Finance lease		-	65,845
Discontinued provident fund	9.1	146,072	191,269
Commission on bank guarantees		2,393,457	2,549,478
Interest on WPPF		188,051	-
Bank charges		2,627,854	4,604,094
		59,033,540	78,291,633

30. TAXATION

	Note	2017 Rupees	2016 Rupees
Current	30.1	12,142,003	10,158,384
Deferred		26,385,909	269,708
		38,527,912	10,428,092

30.1 In view of the available income tax losses, the provision for current taxation represents tax under Alternate Corporate Tax (ACT) under section 113C of the Income Tax Ordinance, 2001. Owing to charging ACT on profit before tax reconciliation of average effective tax rate with applicable tax rate is not given.

31. EARNINGS PER SHARE

		2017	2016
Earnings for the year attributable to ordinary shareholders	Rupees	29,119,494	27,222,459
Weighted average number of ordinary shares outstanding during the year	Numbers	35,000,000	35,000,000
Earnings per share - Basic	Rupees	0.83	0.78

31.1 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 that would result in dilution of earnings of the Company.

32. CASH GENERATED FROM OPERATIONS

	2017 Rupees	2016 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	67,647,406	37,650,551
Adjustment for:		
- Depreciation	82,373,504	78,789,100
- Amortization	279,992	1,727,830
- Provision for gratuity	9,821,176	3,477,791
- Workers' (profit) participation fund	3,482,540	2,022,049
- Workers' welfare fund	1,322,931	768,379
- Markup payable to employees against discontinued provident fund	146,072	617,132
- Lease liability adjustment	-	65,852
- Obsolete stock written off	-	4,503,226
- Provision for doubtful debts	14,875,762	-
- Doubtful debts written off	6,985,402	147,500
- Gain on disposal of property, plant and equipment	(705,832)	(41,236)
- Gain on restructuring of short term borrowings from National Bank of Pakistan loan	(20,267,274)	-
- Liabilities written back	(3,012,622)	(7,731,572)
- Amortisation of deferred markup	(3,673,239)	(694,030)
- Exchange gain	(353,241)	(2,098,539)
- Finance cost	59,033,540	78,291,633
	150,308,711	159,845,115
Operating profit before working capital changes	217,956,117	197,495,666
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(3,724,084)	4,965,282
- Stock in trade	(44,231,922)	(16,825,475)
- Trade debts	(65,445,485)	88,931,661
- Advances, deposits, prepayments and other receivables	(25,299,482)	15,320,574
Increase / (decrease) in current liabilities		
- Trade and other payables	50,867,615	(47,227,641)
	(87,833,358)	45,164,401
Cash generated from operations	130,122,759	242,660,067

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Aggregate amounts charged in the financial statements for the year as remuneration and benefits to the chief executive, full time working directors and other executives of the company are as follows:

	Chief Executive		Executive Directors		Non-Executive Directors		Executives	
	2017	2016	2017	2016	2017	2016	2017	2016
	Rupees		Rupees		Rupees		Rupees	
Managerial remuneration	-	-	4,593,600	3,445,200	-	-	10,740,661	7,156,197
House rent allowance	-	-	2,067,120	1,550,340	-	-	3,065,881	2,328,389
Bonus	-	-	382,800	-	-	-	-	-
Utilities	502,183	400,467	1,342,231	1,222,508	-	-	717,307	579,088
Medical expenses	498,819	168,412	2,877,198	3,179,792	-	-	845,538	204,495
Reimbursable expenses	591,796	1,431,500	1,218,809	4,621,853	-	-	1,667,814	1,735,239
	1,592,798	2,000,379	12,481,758	14,019,693	-	-	17,037,201	12,003,408
Number of persons	1	1	2	4	5	3	6	5

33.1 An executive is defined as an employee, other than the chief executive and directors, whose basic salary exceeds Rs. 500,000 in a financial year.

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

33.3 No meeting fee has been paid to any director of the Company.

34. TRANSACTION WITH RELATED PARTIES

Related parties comprise associated companies, related group companies, directors of the Company and their close relatives, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under respective notes to these financial statements. Significant transactions with related parties are given below:

Transactions during the year

Related party	Relationship	Nature of transaction	2017 Rupees	2016 Rupees
Associated Engineers (Private) Limited	Associated company	Short term borrowing obtained	1,600,000	2,400,000
		Markup on long term financing	558,403	559,933
EMCO Industries Limited Provident Fund	Associated undertaking	Markup on long term financing	9,861,197	13,484,247
		Markup paid	270,000	5,082,309
		Principal repaid	2,789,512	2,067,000
Imperial Electric Company (Private) Limited	Associated company	Markup on long term financing	149,919	150,329
		Rent expense	1,320,000	1,320,000
		Short term borrowing received	44,200,000	-
		Short term borrowing repaid	(44,200,000)	-
ICC (Private) Limited	Associated company	Short term borrowing obtained	65,000,000	10,000,000
		Short term borrowing repaid	75,000,000	50,000,000
		Markup on short term borrowing	6,779,876	4,643,552
		Markup paid	4,965,760	11,542,558
		Loan term financing obtained	35,000,000	-
		Loan term financing repaid	5,833,332	-
		Markup on long term financing	956,799	-
		Markup paid on short term borrowing	723,461	-
Directors and close relatives thereof	Associated persons	Short term borrowing obtained	580,983,917	703,422,393
		Short term borrowing repaid	571,046,059	688,053,049
		Markup on short term borrowing	5,806,205	5,749,391
		Markup on short term borrowing paid	5,435,275	4,755,601

Outstanding Balance at the year end		2017 Rupees	2016 Rupees Restated
Associated Engineers (Private) Limited	Long term financing - interest bearing	19,698,859	18,152,456
	Markup on long term financing	5,274,735	4,716,332
EMCO Industries Limited Provident Fund	Long term financing	132,954,131	135,743,643
	Markup on long term financing	112,049,664	101,901,498
Imperial Electric Company (Private) Limited	Long term financing - interest bearing	2,575,576	2,561,714
	Payable for expenses	5,237,418	3,304,606
	Markup on long term financing	2,043,488	1,893,569
ICC (Private) Limited	Short term borrowing - interest free	80,750,000	80,750,000
	Short term borrowing - interest bearing	-	10,000,000
	Markup on short term borrowing	7,325,893	5,573,302
	Long term financing	29,166,668	-
Fatima Memorial Hospital Trust	Receivable against sales	-	31,788
ICC (Private) Limited	Receivable against sales	63,059	63,059
Nur Enterprises	Receivable against sales	305,866	305,866
Directors, executives and close relatives thereof	Sponsors' loans	115,708,828	115,708,828
	Advance for expenses	-	521,908
	Short term borrowing - interest bearing & interest free	202,400,079	192,477,610
	Markup on short term borrowing	8,927,454	1,213,030

35. SEGMENT REPORTING

35.1 A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. The management has determined the operating segments based on the information that is presented to the Chief Executive Officer for allocation of resources and assessments of performance. Based on internal management reporting structure and products produced and sold, the Company is organized into following two operating segments:

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

The management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is generally evaluated based on certain key performance indicators including business volume, gross profit, profit from operations, reduction in operating cost and free cash flows.

Segment assets include all operating assets used by a segment and consist principally of receivables, inventories and property, plant and equipment, net of impairment and provisions but do not include deferred taxes. Segment liabilities include all operating liabilities and consist principally of trade and bills payable.

35.2 Segment analysis

The segment information for the reportable segments for the year ended June 30, 2017 is as follows.

	Insulator Rupees	Tile Rupees	Total Rupees
Segment Results for the Year ended June 30, 2017			
Revenue	1,006,698,230	-	1,006,698,230
Segment result from operations	173,521,995	(49,867,979)	123,654,016
Other operating expenses			(27,728,408)
Other income			30,755,338
Finance costs			(59,033,540)
Profit before taxation			67,647,406

	Insulator Rupees	Tile Rupees	Total Rupees
Segment Results for the year ended June 30, 2016			
Revenue	1,058,446,517	-	1,058,446,517
Segment results from operations	163,774,324	(50,156,416)	113,617,908
Other operating expenses			(8,687,383)
Other income			11,011,659
Finance costs			(78,291,633)
Loss before taxation			37,650,551
Segment asset as at June 30, 2017	1,771,017,355	618,114,603	2,389,131,958
Segment asset as at June 30, 2016	1,262,754,348	867,345,545	2,130,099,893

	2017 Rupees	2016 Rupees
Reportable segments' assets are reconciled to total assets as follows:		
Segment assets for reportable segments	2,389,131,958	2,130,099,893
Corporate assets unallocated	101,755,400	136,244,332
Cash and bank balances	2,559,086	8,856,068
Total assets as per the balance sheet	2,493,446,444	2,275,200,293
Reportable segments' liabilities are reconciled to total liabilities as follows:		
Corporate liabilities unallocated	1,500,821,176	1,507,489,590

35.3 Entity-wide disclosures regarding reportable segment are as follows:

- Information about major customers
3 customers (2016: 3 customer) of the Company account for 46.32% (2016: 40.40%) of total sales for the year.

- Information about geographical area
- All non-current assets of the Company are located in Pakistan as at the reporting date.

- Revenue from external customers attributed to foreign countries are as follows:

	2017	2016
- Pakistan	985,427,801	1,044,626,728
- Turkey	21,270,429	9,388,013
- Middle East	-	4,431,776
	1,006,698,230	1,058,446,517

36. FINANCIAL RISK MANAGEMENT

36.1 Financial risk factors

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

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

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

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, interest rate, commodity price and equity price that will affect the Company's income or the value of its holdings of financial instruments.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

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

At June 30, 2017, if the Rupee had weakened / strengthen by 1% against the US dollar with all other variables held constant, pre-tax profit for the year would have been Rs. 0.560 million (2016: Rs. 0.188 million) lower / higher, mainly as a result of foreign exchange losses / gains on translation of US dollar-denominated financial assets and liabilities.

(ii) Interest rate risk

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

As the Company has no significant floating interest rate assets, the Company's income is substantially independent of changes in market interest rates. The Company's interest rate risk arises from short term borrowings and long term financings. These financing, issued at variable rates, expose the Company to cash flow interest rate risk. The Company analyses its interest rate exposure on a dynamic basis taking into consideration refinancing, renewal of existing positions, alternative financing and hedging etc.

(iii) Cash flow sensitivity analysis for variable rate instruments

If interest rates at the balance sheet date fluctuate by 1% higher / lower with all other variables held constant, profit before tax for the year would have been Rs. 6.938 million (2016: Rs. 7.247 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at the balance sheet date are outstanding for the entire year.

(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. Carrying amounts of financial assets represent the maximum credit exposure.

Credit risk of the Company arises from deposits with banks, trade debts, loans and advances and other receivables. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

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

	2017 Rupees	2016 Rupees
Long term loans	1,848,668	2,278,110
Long term deposits	271,163	271,163
Trade debts	336,184,239	292,246,677
Advances, deposits and other receivables	9,271,478	17,719,668
Bank balances	1,683,855	7,987,762
The aging of trade debts as at balance sheet date s as follows:		
Past due 1 - 90 days	139,917,122	172,311,217
Past due 91 - 180 days	60,787,168	42,134,997
Past due 181 - 365 days	12,305,222	9,191,801
More than 365 days	123,174,727	68,608,662
	336,184,239	292,246,677

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and trade debts are subject to specific credit ceilings based on customer credit history.

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

The credit quality of bank balances 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:

	Rating Short term	Rating Long term	Rating Agency	2017 Rupees	2016 Rupees
Allied Bank Limited	A1+	AA+	PACRA	42,434	457,278
Askari Bank Limited	A1+	AA+	PACRA	1,403	809,109
Bank Alfalah Limited	A1+	AA	PACRA	25,498	9,764
The Bank of Punjab	A1+	AA	PACRA	51,903	516,558
Faysal Bank Limited	A1+	AA	PACRA	779,908	797,805
Habib Bank Limited	A-1+	AAA	JCR-VIS	356,734	3,037,599
MCB Bank Limited	A1+	AAA	PACRA	4,819	14,844
National Bank of Pakistan	A1+	AAA	PACRA	16,954	39,332
Silk Bank Limited	A-2	A-	JCR-VIS	275,143	1,570,203
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	100,000	9,442
United Bank Limited	A-1+	AAA	JCR-VIS	29,059	725,828
				1,683,855	7,987,762

(c) Liquidity risk

Liquidity risk represents the risk that the Company shall encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. The management monitors the forecasts of the Company's cash and cash equivalents on the basis of expected cash flow. This is generally carried out in accordance with the practice and limits set by the Company. These limits vary by location to take into account the liquidity of the market in which the Company operates. In addition, the Company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities and maintaining debt financing plans. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period as at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.

Description	Carrying Amount Rupees	Contractual cash flows Rupees	Within 1 year Rupees	1-2 Years Rupees	2-5 Years Rupees	Above 5 Years Rupees
Contractual maturities of financial liabilities as at June 30, 2017:						
Long term financing	419,857,198	485,771,578	94,811,505	69,797,793	227,570,930	93,591,350
Trade and other payable	254,766,120	254,766,120	254,766,120	-	-	-
Accrued finance cost	132,358,712	132,358,712	132,358,712	-	-	-
Short term borrowings	492,719,846	492,719,846	492,719,846	-	-	-
	1,299,701,876	1,365,616,256	974,656,183	69,797,793	227,570,930	93,591,350
Contractual maturities of financial liabilities as at June 30, 2016:						
Long term financing	301,452,015	498,772,586	180,566,235	47,497,351	133,537,000	137,172,000
Trade and other payable	220,605,009	263,745,534	263,745,534	-	-	-
Accrued finance cost	171,091,408	171,091,408	171,091,408	-	-	-
Short term borrowings	645,460,193	645,460,193	645,460,193	-	-	-
	1,338,608,625	1,579,069,721	1,260,863,370	47,497,351	133,537,000	137,172,000

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at the balance sheet date. The rates of interest / mark up have been disclosed in relevant notes to these financial statements.

d) Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

As at June 30, 2017 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The fair values of all other financial assets and liabilities are not considered to be significantly different from their carrying values.

36.2 Financial instruments by categories

Financial assets as at June 30, 2017	Cash and Cash Equivalents Rupees	Loans and advances Rupees	Available-for-sale Rupees	Total Rupees
Long term loans	-	1,848,668	-	1,848,668
Long term deposits	-	271,163	-	271,163
Trade debts	-	336,184,239	-	336,184,239
Advances, deposits and other receivables	-	9,271,478	-	9,271,478
Cash and bank balances	2,559,086	-	-	2,559,086
	2,559,086	347,575,548	-	350,134,634
Financial assets as at June 30, 2016				
Long term loans	-	2,278,110	-	2,278,110
Long term deposits and advances	-	271,163	-	271,163
Trade debts	-	292,246,677	-	292,246,677
Advances, deposits and other receivables	-	17,719,668	-	17,719,668
Cash and bank balances	8,856,068	-	-	8,856,068
	8,856,068	312,515,618	-	321,371,686

	2017 Rupees	2016 Rupees
Financial liabilities at amortized cost		
Long term financing	419,857,198	301,452,015
Trade and other payables	254,766,120	220,605,009
Accrued finance cost	132,358,712	171,091,408
Short term borrowings	492,719,846	645,460,193
	1,299,701,876	1,338,608,625

37. CAPITAL RISK MANAGEMENT

While managing capitals, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhances shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchasing shares, if possible, selling surplus property, plant and equipment without affecting the optimal operating level and regulating its dividend payout thus maintaining smooth capital management.

in line with the industry norm, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current and excluding sponsors' loans) and finance leases less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt. As at the balance sheet date, the gearing ratio of the Company was worked out as under:

	2017 Rupees	2016 Rupees
Borrowings	912,577,044	946,912,208
Cash and bank balances	(2,559,086)	(8,856,068)
Net debt	910,017,958	938,056,140
Equity	72,092,008	21,307,806
Total capital employed	982,109,966	959,363,946
Gearing ratio	92.66%	97.78%

38. Plant Capacity and Production

	Capacity		Total Production	
	2017	2016	2017	2016
Insulators - tons	5,000	5,000	4,817	4,237
Wall tile - sq. meters.	4,100,000	4,100,000	-	-
Floor tile - sq. meters.	900,000	900,000	-	-

39. PROVIDENT FUND RELATED DISCLOSURES

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

The following information is based on audited financial statements of the Fund as at December 31, 2016 and December 31, 2015:

	2016 Rupees	2015 Rupees
Size of the Fund	252,794,232	250,210,851
Cost of investments made	498,604	6,208
Percentage of the investments made	0.1972%	0.0025%
Fair value of investments	498,604	6,208
Break up of investments		
Special accounts in a scheduled bank	498,604	6,208

39.1 Owing to its working capital needs, the Company has utilized funds of the Provident Fund (the Fund) at the rate of weighted average cost of long term capital to the Company + 1% per annum. As at December 31, 2016, the Company owes Rs. 133.277 million (2015: Rs. 138.160 million) as principal and Rs. 106.637 million (2015: Rs. 97.445 million) as mark-up to the Fund. Except for the above, the investments of the provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

40.	NUMBER OF EMPLOYEES	2017 Rupees	2016 Rupees
	Employees as at June 30,	462	481
	Average number of employees during the year	472	492

41. AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on 30th August 2017 by the Board of Directors of the Company.

42. SUBSEQUENT EVENTS

The Board of Directors through its resloution dated August 30, 2017, has resolved to dispose off plant and machinery pertaining to Tile Division and certain portion of surplus land available to the Company. Consequently, these assets shall be classified as "Held for Sale" and the Company shall take permission from appropriate forums to execute this disposal.

43. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, to facilitate comparison. Following re-arrangements / reclassifications have been made in these financial statements for better presentation:

Nature	From	To	Amount Rupees
Administrative expenses Entertainment expenses	Miscellaneous	Entertainment	536,592

CHIEF EXECUTIVE

DIRECTOR

PATTERN OF SHARE HOLDING
AS ON JUNE 30, 2017

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
133	1	100	3,211
270	101	500	66,392
62	501	1,000	50,173
106	1,001	5,000	254,491
30	5,001	10,000	235,295
9	10,001	15,000	111,485
3	15,001	20,000	54,742
4	20,001	25,000	86,522
3	25,001	30,000	88,750
1	30,001	35,000	30,815
5	40,001	45,000	209,456
1	45,001	50,000	49,681
1	50,001	55,000	50,500
2	65,001	70,000	139,019
1	80,001	85,000	80,691
1	85,001	90,000	90,000
1	90,001	95,000	93,500
1	120,001	125,000	125,000
2	125,001	130,000	252,811
2	135,001	140,000	279,400
1	160,001	165,000	160,458
1	170,001	175,000	174,000
1	175,001	180,000	177,125
1	220,001	225,000	224,970
2	225,001	230,000	458,052
1	245,001	250,000	246,312
1	275,001	280,000	276,902
1	290,001	295,000	291,777
1	300,001	305,000	301,365
1	335,001	340,000	339,093
1	395,001	400,000	399,378
1	435,001	440,000	436,046
1	530,001	535,000	532,618
1	635,001	640,000	637,654
1	660,001	665,000	660,492
1	755,001	760,000	756,711
1	925,001	930,000	927,258
1	1,160,001	1,165,000	1,164,915
1	1,285,001	1,290,000	1,288,942
1	1,475,001	1,480,000	1,475,634
1	1,785,001	1,790,000	1,787,817
1	1,825,001	1,830,000	1,829,810
1	2,040,001	2,045,000	2,040,501
1	2,105,001	2,110,000	2,109,524
1	2,010,001	2,015,000	2,011,325
1	2,015,001	2,020,000	2,016,153
1	2,100,001	2,105,000	2,103,920
1	2,375,001	2,380,000	2,377,013
1	2,400,001	2,405,000	2,401,301
1	3,040,001	3,045,000	3,041,000
669			35,000,000

Categories of Shareholders	Numbers of Shareholders	Shares Held	% of paid up Capital
Individuals	649	29,278,594	83.653
Insurance Companies	1	12,550	0.036
Joint Stock Companies	15	5,637,856	16.108
Financial Institutions	3	1,981	0.006
Pension Fund	1	68,019	0.197
Total	669	35,000,000	100.000

PATTERN OF SHARE HOLDING
AS ON JUNE 30, 2017

	CATEGORY OF SHAREHOLDER	HOLDING	% AGE
	DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN:		
1	MR. TARIQ REHMAN - (CDC)	2,377,013	6.7915
2	MR. SUHAIL MANNAN	2,103,920	6.0112
	MR. SUHAIL MANNAN (CDC)	80,691	0.2305
3	MR. JAVAID SHAFIQ SIDDIQI	291,777	0.8336
	MR. JAVAID SHAFIQ SIDDIQI (CDC)	2,109,524	6.0272
4	MR. PERVAIZ SHAFIQ SIDDIQI (CDC)	2,401,301	6.8609
5	MR. USMAN HAQ (CDC)	1,829,810	5.2280
6	MR SALEM REHMAN (CDC)	436,046	1.2458
7	MR. AHSAN SUHAIL MANNAN	160,458	0.4585
	MR. AHSAN SUHAIL MANNAN (CDC)	1,787,817	5.1080
8	MR. AWAIS NOORANI	20,511	0.0586
9	CH. IMRAN ALI	500	0.0014
10	MRS. SHAHIMA REHMAN W/O TARIQ REHMAN	290	0.0008
	MRS. SHAHIMA REHMAN W/O TARIQ REHMAN - (CDC)	399,378	1.1411
11	MRS. AMINA SUHAIL MANNAN W/O SUHAIL MANNAN - (CDC)	246,312	0.7037
12	MRS. NAILA SUHAIL MANNAN W/O SUHAIL MANNAN- (CDC)	228,052	0.6516
13	MRS. AMBREEN HAQ W/O USMAN HAQ (CDC)	1,164,915	3.3283
		15,638,315	44.6809
	ASSOCIATED COMPANIES:		
1	ASSOCIATED ENGINEERS (PVT) LTD.	2,011,325	5.7466
2	ICC (PVT) LIMITED	2,016,153	5.7604
3	ICC (PVT) LIMITED (CDC)	927,258	2.6493
		4,954,736	14.1564
	NIT & ICP:		
1	IDBP (ICP UNIT)	1,057	0.0030
		1,057	0.0030
	FINANCIAL INSTITUTION:		
1	PAKISTAN INDUSTRIAL CREDIT & INVESTMENT CORP. LTD.	500	0.0014
2	NATIONAL BANK OF PAKISTAN (CDC)	424	0.0012
		924	0.0026
	INSURANCE COMPANIES:		
1	GULF INSURANCE COMPANY LIMITED	12,550	0.0359
		12,550	0.0359
	MODARABAS & MUTUAL FUNDS:	0	0.0000
	PENSION FUNDS:		
1	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND (CDC)	69,019	0.1972
		69,019	0.1972

PATTERN OF SHARE HOLDING
AS ON JUNE 30, 2017

	CATEGORY OF SHAREHOLDER	HOLDING	% AGE
	JOINT STOCK COMPANIES:		
1	MUNIR HOLDING (PVT) LTD.	2,300	0.0066
2	ASIAN SECURITIES LIMITED	49	0.0001
3	NAEEM'S SECURITIES (PVT) LTD.	1,310	0.0037
4	ALI USMAN STOCK BROKERAGE (PVT) LIMITED - (CDC)	150	0.0004
5	CLIKTADE LIMITED - (CDC)	82	0.0002
6	FIKREE'S (SMC-PVT) LTD. (CDC)	1,999	0.0057
7	MAPLE LEAF CAPITAL LIMITED - (CDC)	1	0.0000
8	MRA SECURITIES LIMITED - MF (CDC)	93,500	0.2671
9	MSMANIAR FINANCIALS (PVT) LIMITED - (CDC)	400	0.0011
10	NH SECURITIES (PVT) LIMITED - (CDC)	1,000	0.0029
11	THE IMPERIAL ELECTRIC CO PVT LTD - (CDC)	532,618	1.5218
12	THE IMPERIAL ELECTRIC COMPANY (PVT.) LIMITED - (CDC)	49,681	0.1419
13	WASI SECURITIES (SMC-PVT) LIMITED - (CDC)	30	0.0001
		683,120	1.9518
	OTHERS:		
1	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST (CDC)	2,422	0.0069
		2,422	0.0069
	SHARES HELD BY THE GENERAL PUBLIC (LOCAL):	13,634,792	38.9565
	SHARES HELD BY THE GENERAL PUBLIC (FOREIGN):	3,065	0.0088
		13,637,857	38.9653
	TOTAL:	35,000,000	100.0000

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL:

S. No.	Name	Holding	% AGE
	NIL		

SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL:

S. No.	Name	Holding	% AGE
1	MR. SUHAIL MANNAN	2,184,611	6.2417
2	MR. AHSAN SUHAIL MANNAN (CDC)	1,948,275	5.5665
3	ICC (PVT) LIMITED	2,943,411	8.4097
4	MR. JAVAID SHAFIQ SIDDIQI	2,401,301	6.8609
5	MR. PERVAIZ SHAFIQ SIDDIQI (CDC)	2,401,301	6.8609
6	MR. TARIQ REHMAN - (CDC)	2,377,013	6.7915
7	MR. MUHAMMAD ZULQARNAIN MEHMOOD KHAN (CDC)	2,040,501	5.8300
8	ASSOCIATED ENGINEERS (PVT) LTD.	2,011,325	5.7466
9	MR. USMAN HAQ (CDC)	1,829,810	5.2280
10	MR. MUNAF IBRAHIM (CDC)	3,041,000	8.6886
		23,178,548	66.2244

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

S.No	NAME	SALE	PURCHASE
1	MR. SUHAIL MANNAN	1,788,317	-
2	MR. AHSAN SUHAIL MANNAN	-	1,787,817
3	CH. IMRAN ALI	-	500

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FORM OF PROXY

I/We . . . .

of . . . . being member of EMCO Industries Limited

and holder Of . . . . Ordinary shares as per share Register Folio No. . . . .

and/or CDC Participant I.D.No. . . . . and Sub Account No. . . . .

hereby appoint . . . .

or failing him /her . . . .

of . . . . as my/our proxy to vote for me/us and my/our behalf at the

Annual General Meeting of the Company of the Company to be held at Registered Office 4th Floor, 28-Egertion Road, Lahore on 28th September 2017 at 10.30 A.M. and at any adjournment thereof.

Signed this................................ day of ....

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

1. Signature -------------------------------

   Name -----------------------------------

   Address ---------------------------------

   NIC/Passport #................................

2. Signature -------------------------------

   Name -----------------------------------

   Address ---------------------------------

   NIC/Passport #................................

Note:

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

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

www.emco.com.pk

EMCO INDUSTRIES LIMITED

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Email: info@emco.com.pk

Factory: 19-Kilometre, Lahore Sheikhupura Road, Lahore.