

# Emco Industries Limited

(Annual Report 1996)

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## Company Information

### Board of Directors

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

### Auditors

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

### Bankers

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

### Registered Office

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

**Factory**

19-Kilometer, Lahore-Sheikhupura Road,  
Lahore.

**Business Items**

**Porcelain Insulators**

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

**Switchgear**

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

**Chemical Porcelain**

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

**Special Porcelain**

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

**Ceramic Glazed Wall Tiles**

- Coloured & Decorative Glazed Wall Tiles  
15 cmx 15 cmx6mm

**Ceramic Glazed Floor Tiles**

- Vitreous & Semi Vitreous Decorative Glazed  
Floor Tiles  
30cmx30cmx8mm
- Semi Vitreous Glazed Floor Tiles  
40cmx40cmx8mm
- Floor and Facing Tiles  
10cmx30cmx8mm

**Notice of Meeting**

NOTICE IS HEREBY GIVEN that the 41st Annual General Meeting of the Members of EMCO  
INDUSTRIES LIMITED, will be held on 12th December, 1996 at 11.00 A.M. at the Registered Office of

the Company, 2nd Floor, Emirates Bank Building, 14-Kashmir/Egerton Road, Lahore to transact the following business:-

1. To confirm the minutes of the last Extraordinary General Meeting held on 30th June, 1996.
2. To consider and adopt the Audited Accounts of the Company for the period 01-01-1995 to 30-6-1996 (18 months) and report of the Auditors and Directors thereon.
3. To declare a Dividend. The Board of Directors have recommended a cash dividend of 20% @ Rs. 2/- per Share.
4. To appoint Auditors and fix their remuneration.

**NOTES:**

i) The Share Transfer Books of the Company for cash dividend will remain closed and no transfer of Shares will be accepted for registration from 4th December, 1996 to 12th December, 1996 (both days inclusive). The members whose names appear in the Register at the close of the business on December 3, 1996 will qualify for entitlement of cash dividend. However, the Right Shares will not qualify for the dividend being declared.

ii) A Member entitled to attend and vote at the General Meeting may appoint another member as his/her proxy to attend and vote instead of him/her at the meeting. Proxies must be deposited at the Company's Registered Office not less than 48 hours before the time of holding the meeting.

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

**Directors' Report**

The Board of Directors is pleased to present the 41st Annual Report of EMCO Industries Limited for the period January 1, 1995 to June 30, 1996.

**Financial Results and Appropriations**

	Rupees
Net profit for the period after taxation	53,801,898
Unappropriated profit brought forward from prior year	16,682,077 -----
Total profit available for appropriation	70,483,975 -----
<b>Appropriations</b>	
Transferred to general reserve	30,000,000
Proposed dividend on 6 million shares of Rs.10/- each at Rs.2/- per share	12,000,000 -----
	42,000,000 -----
Unappropriated profit carried forward	28,483,975 =====

**Pattern of Holding of Shares**

A statement showing the pattern of holding of shares in the Company as on June 30, 1996 appears on page-34.

**Auditors**

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

**Chairman's Review**

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

**Financial Highlights**

**18 Months to 12 Months to  
June 30, 1996 Dec., 1994**

Net Sales	Rs. Million	791	462
Profit before Tax	Rs. Million	38	23
Income Tax	Rs. Million	4	2
Profit after Tax	Rs. Million	54	21
Earnings per Share	Rs. / Share	8.97	3.45
Dividend per Share	Rs. / Share	2	1.75
No. of Shares Outstanding	(000's)	6,000	6,000
Taxes and Duties	Rs. Million	226*	115'

\* For details see Note 31 to the Accounts

**APPLICATION OF REVENUE**

	<i>Million Rupees</i>	%
Materials, Services & Utilities	439	45.68
Depreciation	59	6.14
Taxes & Duties	226	23.52
Employees	183	19.04
Dividend	12	1.25
Retained in Business	42	4.37
	-----	-----
	961	100.00
	=====	=====

**Ten Years at a Glance**

	<b>18 months to</b>									
	30/6/1996	1994	1993	1992	1991	1990	1989	1988	1987	1986
<b>(Million Rupees)</b>										
Net Total Sales	791	462	348	417	296	238	192	180	154	125
Exports	44	31	20	8	17	23	16	16	3	3
Employees Costs	183	103	85	81	65	53	46	37	32	27
Profit before Tax	38	23	15	25	17	26	16	14	16	13

Profit after Tax	54	21	23	15	14	23	9	6	3	13
Earning per Share	8.97	3.45	5.83	3.78	3.54	5.74	2.17	1.46	0.76	3.91
Capital Expenditure	102	28	15	61	84	84	15	13	13	31
Dividend Rate	20%	17.50%	17.50%	15%	15%	20%	17.50%	17.50%	15%	
Shareholders' Equity	213	172	159	99	89	81	66	65	66	57

#### Chairman's Review

On behalf of the Board of Directors, it gives me great pleasure to welcome you on the Company's 41st Annual General Meeting and to present before you the Company's Annual Report and Financial Statements for a period of 18 months from January 01, 1995 to June 30, 1996.

During the period under review the business environment in the country was not conducive towards growth and was affected by continued recession. The frequent devaluation by the government together with increase in the costs of energy, import duties and taxes have affected the performance of the Company. Despite the circumstances mentioned above the management together with the workers have tried very hard to bring about an increased sale which is 16% higher as compared to the corresponding previous period. Other areas which have shown better performance are in the production and Shareholders equity. As mentioned in the last review the Floor Tile Division which was still in the initial period of production has now achieved excellent results and the profitability for the division has also increased. You would be pleased to note that the Wall Tile and Floor Tile Divisions have achieved production of 132% and 103% respectively of their rated capacity. However, the Insulator Plant has shown a negative growth. A brief review of the performance of each division follows:

#### Insulator Division:

There has been a 3% decrease in the gross turn-over of the division. This has been primarily owing to the restricted activities of the utilities within Pakistan. Another factor for the lower sales has been the reduction in the foreign loans available to WAPDA for electrification in the Country. Simultaneously the gross margin has also declined substantially owing to higher costs of power and gas, increase in the cost of raw materials owing to Rupee devaluation and additional taxes imposed by the Government together with a pressure on the selling prices owing to increased competition in the form of imports. The management, however, keeping in view the trends of reduced activities by the utilities within Pakistan, decided to expand the Insulator Division by adding facility for manufacturing High Voltage Metal Oxide Surge Arresters for voltages upto 430kV. This facility will manufacture the Surge Arresters under the "licensing agreement" with Siemens, Germany. The addition of such a facility has a very good sales potential not only locally but also in the foreign markets. Siemens, Germany will provide all the technical and marketing support for this product locally and internationally. Both BMR of Insulator Plant and production facility for Surge Arresters were executed and commissioned during later part of the period under review so the benefits from these investments shall start accruing to the Company in the coming years. To increase division's sales and profitability the management has decided to increase the export sales. We expect to achieve better results in the coming years for this Division.

#### Wall Tile Division:

The division operated at 132% of the rated capacity during the period and achieved record production and sales. Compared with corresponding period the gross turn-over of the division has gone up by 18%. The ratio of gross profit to gross sales has increased from 22% to 28%. The ratio of profit from operations to gross sales has increased from 10% to 16%. Strict control on costs resulted in the improvement of profitability of the division. To meet the increasing demand for Emco's Wall Tile the management has decided to double its capacity. The enhanced capacity shall result in the reduction of overheads which in turn will increase the profitability of the division. Your company expect to achieve much better results in Wall Tile Division in the coming years.

#### Floor Tile Division:

Eversince Floor Tile Division was commissioned in 1992, this is the first time that plant was operated at 103% of the rated capacity which obviously was due to increased demand for this product. Sales during the period registered an increase of 54% compared with corresponding period. The ratio of gross profit to

gross sales has gone up from 25% to 33%. The ratio of profit from operations to gross turn-over has increased from 6% to 17%. The marked turnaround in the operating results was possible owing to growing awareness in the market of the advantages of using ceramic tiles on floors, the concerted efforts of the production team to bring the manufacturing cost down by using various raw materials mix and extraordinary efforts put in by the Marketing Department in promoting sale of this product.

**Financial Results:**

Overall gross turn-over during the period amounts to Rs. 958.262 million and the profit from operations during the period was Rs. 130.766 million. The increase is attributable to the improved financial results of the Floor Tile and Wall Tile Divisions. Your Company earned a pretax net profit of Rs. 37.757 million i.e. 3.94% of gross sales compared with 4.13% in corresponding period. There has been slight decrease in net profit which is mainly due to increase in financial charges and depreciation owing to BMR and other additions made in Insulator Division. Profit after tax amounts to Rs. 53.802 million.

Keeping in view the tradition of declaring dividend every year the Board of Directors has announced a cash dividend @ 20%. For this purpose out of net profit of Rs. 53.802 million, Rs. 12.000 million are proposed to be appropriated for cash dividend and the remaining amount has been carried forward to strengthen the financial position of the Company and for future expansion.

**Shareholders' Equity:**

The shareholders' equity has shown upward trend and stand at Rs. 213 million as on June 30, 1996 increasing 24% from December 31, 1994. The paid up capital now stands at Rs. 60 million and Break-up value of each share is Rs. 39 (1994: Rs. 32). In order to finance the Wall Tile expansion the Board of Directors has decided to make a Right Issue of Rs. 60 million by offering Right Shares @ 2 Shares for every 3 Shares held, at a premium of Rs. 5 per Share. With this Right Issue the paid up capital will increase from Rs. 60 million to Rs. 100 million and share premium from Rs. 34.899 million to Rs. 54.899 million.

**Employees Relations:**

Over the years, we have succeeded in maintaining cordial industrial relations. This has been possible due to the positive attitude of Management and Labour Union. Our Management and Labour Union believe in resolving all issues mutually. Insha-Allah this trend will continue with the active co-operation of the Labour Union.

**Future Outlook:**

All three divisions are expected to perform better in 1996-97. Keeping in view the rising demand for Wall Tile the management has decided to double the production capacity of Wall Tile Plant. For this purpose the Company has recently entered into an agreement with American Express Bank Limited led Consortium for a medium term loan of Rs. 175 million. The Consortium consists of the following banks:

	(Rupees)
1. American Express Bank Limited	40 Million
2. Deutsche Bank	30 Million
3. First International Investment Bank Limited	20 Million
4. Standard Chartered Bank	35 Million
5. Saudi-Pak Industrial & Agricultural Investment Co. (Pvt) Limited.	50 Million

The total cost of the project is Rs. 255.027 million. The remaining funds shall be generated through internal resources and by making Right Issue. I am pleased to inform you that letters of credit in favour of all foreign suppliers have already been established. The imported machinery shall start reaching site in March 1997. The plant is expected to be commissioned during August, 1997.

In order to improve the export of Insulators and Tile the Company decided earlier this year to get certi-

fication for ISO 9001. There is already substantial work done and it is expected that the certification should be available by the middle of 1997.

**Acknowledgment:**

I take this opportunity to place on record the appreciation to the employees and staff for their co-operation and contribution towards the progress of the Company. I would also like to thank our customers, dealers, bankers and particularly WAPDA who have reposed confidence in the products supplied to them and would like to re-affirm the Company's pledge to continue to deliver a quality product on time and at all cost which represents the best value for their money.

**Auditors' Report to the Members**

We have audited the annexed Balance Sheet of EMCO Industries Limited as at June 30, 1996 and the related Profit and Loss Account and Cash Flow Statement, together with the notes forming part thereof, for the period January 01, 1995 to June 30, 1996 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 and, after due verification thereof, we report that:

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

b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit & Loss Account and the Cash Flow Statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1996 and of the profit and cash flow for the period then ended; and

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

**BALANCE SHEET AS AT**

	Note	June 30, 1996 Rupees	December 31, 1994 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
10,000,000 ordinary shares of Rs. 10 each		100,000,000	100,000,000
		=====	=====
Issued, subscribed & paid up capital	3	60,000,000	60,000,000

Reserves & unappropriated profit	4	153,382,501	111,580,603
		-----	-----
		213,382,501	171,580,603
SURPLUS ON REVALUATION OF LAND	5	18,830,530	18,830,530
LONG TERM AND DEFERRED LIABILITIES			
Long term loans	6	28,951,196	44,830,787
Liabilities against assets subject to finance lease	7	47,345,985	8,520,500
Deferred liabilities	8	15,419,538	41,694,346
		-----	-----
CURRENT LIABILITIES		91,716,719	95,045,633
Short term finances-Secured	9	252,584,672	208,350,286
Short term finances from associated companies-un secured		27,965,218	
Current maturity of long term loans	6	10,007,507	15,515,070
Current maturity of liabilities against assets subject to finance lease	7	13,791,109	11,976,908
Current maturity of deferred import levies	8	2,392,469	2,392,469
Creditors, accrued and other liabilities	10	93,856,710	60,728,105
Proposed dividend		12,000,000	10,500,000
		-----	-----
		412,597,685	309,462,838
CONTINGENCIES & COMMITMENTS	11	-	-
		-----	-----
		736,527,435	594,919,604
		=====	=====

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

**JUNE 30, 1996**

**TANGIBLE FIXED ASSETS**

Operating assets	12	242,756,108	239,053,402
Assets subject to finance lease	13	71,021,131	34,011,295
Capital work-in-progress	14	751,976	6,103,470
		-----	-----
		314,529,215	279,168,167

<b>LONG TERM LOANS AND DEPOSITS</b>	15	1,759,170	3,645,466
-------------------------------------	----	-----------	-----------

**CURRENT ASSETS**

Stores, spares and loose tools	16	45,939,123	25,807,138
Stock-in-trade	17	146,719,481	135,437,133
Trade debts	18	142,928,225	99,468,446
Advances, deposits, prepayments and other receivables	19	71,782,807	33,537,613
Cash and bank balances	20	12,869,414	17,855,641
		-----	-----
		420,239,050	312,105,971



-----  
 736,527,435    594,919,604  
 =====

The annexed notes form an integral part of these accounts.

**PROFIT AND LOSS ACCOUNT**  
**FOR EIGHTEEN MONTHS ENDED JUNE 30, 1996**

	Note	18months to June 30, 1996 Rupees	12months to December 31, 1994 Rupees
<b>Gross sales</b>	21	958,261,748	552,930,240
Less: excise duty & sales tax		167,150,369	91,049,706
		-----	-----
<b>Net sales</b>		791,111,379	461,880,534
Cost of sales		540,733,123	324,110,685
		-----	-----
<b>GROSS PROFIT</b>		250,378,256	137,769,849
<b>OPERATING EXPENSES</b>			
Administration and general	23	53,584,146	28,880,042
Selling and distribution	24	66,028,235	35,056,524
		-----	-----
		119,612,381	63,936,566
		-----	-----
<b>PROFIT FROM OPERATIONS</b>		130,765,875	73,833,283
Other income	25	996,744	540,832
		-----	-----
		131,762,619	74,374,115
Financial charges	26	91,859,209	50,278,594
Workers' profit participation fund	27	2,145,955	1,277,866
		-----	-----
		94,005,164	51,556,460
		-----	-----
<b>PROFIT BEFORE TAXATION</b>		37,757,455	22,817,655
Taxation	28	(16,044,443)	2,144,061
		-----	-----
<b>PROFIT AFTER TAXATION</b>		53,801,898	20,673,594
Unappropriated profit brought forward		16,682,077	47,508,483
		-----	-----
Profit available for appropriation		70,483,975	68,182,077
<b>APPROPRIATIONS</b>			
Transferred to general reserve		30,000,000	41,000,000
Proposed dividend @ 20% (1994: 17.50%)		12,000,000	10,500,000
		-----	-----
		42,000,000	51,500,000
Unappropriated profit carried to reserves and unappropriated profit	4	----- 28,483,975	----- 16,682,077

The annexed notes form an integral part of these accounts.

**CASH FLOW STATEMENT**  
**FOR EIGHTEEN MONTHS ENDED JUNE 30, 1996**

	18months to June 30, 1996 Rupees	12months to December 31, 1994 Rupees
<b>Cash Flow from Operating Activities</b>		
Profit before taxation	37,757,455	22,817,655
Adjustments to reconcile net profit before tax to net cash provided by operating activities:		
Depreciation	58,637,637	31,273,092
Gain on sale of fixed assets	(120,934)	(51,121)
Provision for staff gratuity	1,053,485	191,860
Interest expense	91,859,209	50,278,594
Movement in working capital (note-A)	(68,922,049)	9,008,297
	-----	-----
	82,507,348	90,700,722
	-----	-----
	120,264,803	113,518,377
Cash generated from operations		
Payments for:		
Staff gratuity	(150,888)	(120,727)
Interest	(91,398,701)	(50,605,558)
Income tax	(15,484,717)	(7,242,806)
Deferred import levies	(7,177,405)	(2,392,469)
	-----	-----
	(114,211,711)	(60,361,560)
	-----	-----
Net cash provided by operating activities	6,053,092	53,156,817
<b>Cash Flow from Investing Activities</b>		
Movement in long term loans & advances	1,886,296	71,667
Capital expenditure	(25,391,073)	(14,443,404)
Sale proceeds of fixed assets	1,075,300	717,000
	-----	-----
Net cash (used) in investing activities	(22,429,477)	(13,654,737)
<b>Cash Flow from Financing Activities</b>		
Proceeds from issue of share capital	-	2,078,750
Repayment of long term loans	(21,387,154)	(21,352,815)
Repayment of lease finance	(28,922,292)	(13,883,462)
Dividend paid	(10,500,000)	(10,500,000)
	-----	-----
Net cash (used) by financing activities	(60,809,446)	(43,657,527)
Net (decrease)/increase in cash and cash equivalents	(77,185,831)	(4,155,447)

Cash and cash equivalent at beginning of the period	(190,494,645)	(186,339,198)
	-----	-----
Cash and cash equivalents at the end of the period (note-B)	(267,680,476)	(190,494,645)
	=====	=====

**A. Movement in Working Capital**

(Increase)/decrease in current assets

Stores and spares	(20,131,985)	(7,402,097)
Stock-in-trade	(11,282,348)	(2,451,845)
Trade debts	(43,459,779)	7,191,189
Advances, deposits, prepayments & other receivables	(26,716,034)	13,149,646
	-----	-----
	(101,590,146)	10,486,893

(Decrease)/Increase in creditors, accrued & other liabilities	32,668,097	(1,478,596)
	-----	-----
	(68,922,049)	9,008,297
	=====	=====

**B. Cash and Cash Equivalents**

Cash at bank and in hand	12,869,414	17,855,641
Secured short term finances	(252,584,672)	(208,350,286)
Short term finances from associated companies	(27,965,218)	-
	-----	-----
	(267,680,476)	(190,494,645)
	=====	=====

**C. Supplemental schedule of non-cash investing and financing activities**

Acquisition of assets subject to finance lease	69,561,978	13,427,391
	=====	=====

**NOTES TO THE ACCOUNTS****FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 1996****1. STATUS AND NATURE OF BUSINESS**

The Company was incorporated as a Joint Stock Company in Pakistan under the Companies Act, 1913, (now Companies Ordinance 1984) as a private limited company on August 17, 1954 by the name of Electric Equipment Manufacturing Company (Private) Limited. Later it was converted into a public company on August 20, 1983 and its name was changed to EMCO Industries Limited on September 12, 1983. The Company was listed on stock exchange on December 29, 1983. The principal activities of the Company are the manufacture and sale of high and low tension electrical porcelain insulators, switchgear and ceramic tiles.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.1 Accounting Convention**

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

**2.2 Staff Gratuity**

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

### **2.3 Taxation**

#### **a) Current**

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

#### **b) Deferred**

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

### **2.4 Foreign currency translation and exchange differences**

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

### **2.5 Fixed assets and depreciation**

a) Fixed assets except freehold land are stated at cost less accumulated depreciation. Freehold land is stated at revalued amount and capital work-in-progress is stated at cost. Cost in relation to certain fixed assets signifies historical cost, exchange elements referred to in note 2.4 and cost of borrowing during construction period in respect of loans taken for specific project.

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

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

### **2.6 Assets subject to finance lease**

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

### **2.7 Revenue recognition**

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

### **2.8 Stores, spares and loose tools**

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

**2.9 Stock-in-Trade**

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

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

**3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

	June 30, 1996 Rupees	December 31, 1994 Rupees
4,700,000 ordinary shares of Rs. 10 each fully paid in cash	47,000,000	47,000,000
1,300,000 (1994: 1,300,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares	13,000,000	13,000,000
	-----	-----
	60,000,000	60,000,000
	=====	=====

**4. RESERVES AND UNAPPROPRIATED PROFIT**

Capital reserve [ note 4 (a) ]	34,898,526	34,898,526
Revenue reserve [ note 4 (b) ]	118,483,975	76,682,077
	-----	-----
	153,382,501	111,580,603
	=====	=====

a) Capital reserve  
Share Premium

Balance at beginning of the period	34,898,526	4,898,526
Premium on issue of 2,000,000 Right Shares at Rs. 15 per share	-	30,000,000
	-----	-----
	34,898,526	34,898,526
	=====	=====

b) The revenue reserve consists of:

General reserve	90,000,000	60,000,000
Unappropriated profit	28,483,975	16,682,077
	-----	-----
	118,483,975	76,682,077
	=====	=====

**5. SURPLUS ON REVALUATION OF LAND**

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

**6. LONG TERM LOANS - SECURED**

Foreign Currency Loans	Note		
PICIC	6.20	794,607	2,940,607
PICIC		-	1,436,633

FMO	6.30	33,851,596	46,545,946
		-----	-----
		34,646,203	50,923,186
<b>Local Currency Loans</b>			
NDLC		-	3,750,000
PICIC (PLS Accounts)	6.40	4,312,500	5,437,500
Duty deferral against bank guarantee		-	235,171
		-----	-----
		4,312,500	9,422,671
		-----	-----
		38,958,703	60,345,857
<i>Less: Current maturity of long term</i>			
<i>loans shown under current liabilities</i>		10,007,507	15,515,070
		-----	-----
		28,951,196	44,830,787
		=====	=====

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

6.2 The total sanctioned loan amounted to US \$ 862,000 and carries interest at 14% per annum inclusive of exchange risk fee, repayable in 24 half yearly installments commencing from January 1, 1989.

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

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

*The loans referred to in Note Nos. 6.3 & 6.4 are to finance the capital expenditure of Floor Tile Plant.*

<b>7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>	June 30,	December 31,
	1996	1994
	Rupees	Rupees
Present value of minimum lease payments	61,137,094	20,497,408
<i>Less: Current maturity shown under current liabilities</i>	13,791,109	11,976,908
	-----	-----
	47,345,985	8,520,500
	=====	=====

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

**8. DEFERRED LIABILITIES**

Deferred taxation	-	20,000,000
Staff gratuity		
Balance at beginning of the period	3,313,238	3,242,105
Payments during the period	(150,888)	(120,727)
Provision for the period	1,053,485	191,860
	-----	-----
Balance at the end of the period	4,215,835	3,313,238
Deferred import levies	13,596,172	20,773,577
Less current maturity shown under current liabilities	2,392,469	2,392,469
	-----	-----
	11,203,703	18,381,108
	-----	-----
	15,419,538	41,694,346
	=====	=====

**9. SHORT TERM FINANCES--SECURED**

**Citibank N.A.**

Running finance	45,005,431	54,542,732
Export re-finance	-	9,155,000
Import finance ( TR )	13,770,222	7,579,447
Demand finance	-	16,337,262

**Bank of America**

Running finance	39,960,296	4,868,702
Term finance	-	35,000,000

**Standard Chartered Bank**

Running finance	9,014,455	18,655,159
Export re-finance	13,000,000	1,629,000
Import finance ( TR )	5,940,000	4,349,353

**Muslim Commercial Bank Ltd.**

Running finance	-	28,749,463
Import finance	-	9,435,618

**Deutsche Bank**

Running finance	18,720,045	2,648,550
-----------------	------------	-----------

**American Express Bank Ltd.**

Running finance	19,633,213	-
Term finance	-	5,400,000
Import finance	5,701,138	-
Demand finance	17,600,000	-

**Emirates Bank International Ltd.**

Running finance	36,821,203	-
Import finance	8,174,669	-
Export finance	3,244,000	-

**NDLC**

Short term finance	6,000,000	-
--------------------	-----------	---

**Atlas Investment Bank Ltd.**

Short term finance	10,000,000	-
<b>PICIC</b>		
Short term finance	-	10,000,000
	-----	-----
	252,584,672	208,350,286
	=====	=====

Short term finances include running finance, import finance, export finance and finance against bills discounting obtained from various banks. Total sanctioned facilities from various banks amounts to Rs. 277 million (1994: Rs. 188 million). The rates of mark up range from 17.25% per annum to 20% per annum except for export finance which carries mark up at 13% per annum.

The facilities for letters of credit and bank guarantees from various banks amount to Rs. 135 million (1994: Rs. 130 million). The amount utilised at the year end amounts to Rs. 22.129 million for letters of credit (1994: Rs. 13 million) and Rs. 45.639 million for guarantees (1994: Rs. 45 million). These facilities are secured by hypothecation of stocks and book debts, equitable mortgage on the personal properties of directors, second charge on fixed assets and certain securities owned by directors and their family members.

**10. CREDITORS, ACCRUED AND OTHER LIABILITIES**

Creditors	38,737,689	17,823,544
Accrued salaries, benefits and other expenses	15,691,389	12,516,603
Accrued interest and other financial charges	12,367,274	11,906,766
Sales tax payable	6,372,288	5,208,053
Advances from customers	16,107,337	10,464,071
Workers' profit participation fund	1,987,235	1,200,929
Unclaimed dividend	181,122	195,339
Other payables	2,412,376	1,412,800
	-----	-----
	93,856,710	60,728,105
	=====	=====

**11. CONTINGENCIES AND COMMITMENTS**

Counter-guarantees to banks	45,638,584	44,969,150
Commitments for capital expenditure	-	30,000,000
Letters of credit other than for capital expenditure	21,690,246	12,985,753
Commitments in respect of lease arrangements executed by the company are as follows:		

1996- 1997	25,010,826
1997- 1998	21,150,582
1998 - 1999	19,970,034
1999 - 2000	16,471,212
2000 - 2001	9,497,755
2001 - 2002	2,077,505

**12. OPERATING ASSETS**

12.1 The following is a statement of operating assets



(Amounts in Rupees)

Depreciation	Cost			Description						
	Cost/ *revaluation at Dec 31, 1994	Additions transfers* during the period	Sales/ transfers* during the period	Cost/ revaluation at 30-Jun-96	Accumulated depreciation at Dec.31, 1994	Accumulated depreciation relating to sales/*transfers	Depreciation for the period	Accumulated depreciation as at June 30, 1996	Net book value at June 30, 1996	Annual Rate of depreciation %
Freehold Land	*19,000,000	3,088,046	-	22,088,046	-	-	-	-	22,088,046	-
Building on freehold land	55,511,976	12,687,160	-	68,199,136	26,823,41	-	6,206,358	33,029,772	35,169,364	10
Roads and boundary wall	5,028,324	506,625	-	5,534,949	1,520,064	-	301,116	1,821,180	3,713,769	5
Residential quarters	3,752,109	-	-	3,752,109	896,837	-	428,291	1,325,128	2,426,981	10
Plant and Machinery	317,097,462	7,857,557	(90,000)	347,105.42	140,390,422	(67,123)	29,651,168	179,082,133	168,023,286	10
		*22,240,400				*9,107,666				
Tools and equipment	3,777,816	2,509,481	-	6,287,297	2,614,622	-	1,101,803	3,716,425	2,570,872	20
Dies	2,588,154	-	-	2,588.15	2,356,782	-	138,823	2,495,605	92,549	40
Furniture and fixture	4,104,155	531,747	(13,493)	4,622,409	2,736,419	(8,659)	568,395	3,296,155	1,326,254	20
Office equipment	6,094,148	1,498,338	-	7,592,486	3,875,557	-	1,115,079	4,990,636	2,601,850	20
Vehicles	6,948,448	348,000	(735,673)	9,154,125	3,982,680	(623,514)	1,391,462	5,907,383	3,246,742	20
		*2,593,350				* 1,156,755				
Tubewell	591,852	-	-	591,852	302,614	-	43,386	346,000	245,852	10
Construction machinery	167,401	-	-	167,401	109,032	-	8,755	117,787	49,614	10
Show Room Renovation	-	1,715,613	-	1,715,613	-	-	514,684	514,684	1,200,929	20
Total (Rupees)	424,661,845	55,576,317	(839,166)	479,398,996	185,608,443	9,565,125	41,469,320	236,642,888	242,756,108	-
1994	404,335,633	20,527,120	(200,908)	424,661,845	157,364,559	3,240,971	25,002,913	185,608,443	239,053,402	-

12.2 The depreciation charge has been allocated as follows:

	18 months to June 30, 1996 Rupees	12 month to December 31, 1994 Rupees
Cost of sales	37,870,946	23,802,301
Administration and general expenses	2,795,323	1,200,612
Selling and distribution expenses	803,051	-
	41,469,320	25,002,913
	=====	=====

### 13. ASSETS SUBJECT TO FINANCE LEASE

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

(Amounts in Rupees)

Description	Cost as at Dec 31, 1994	Additions during the period	Disposals/ Adjustments	Cost as at June 30, 96	Accumulated depreciation as at Dec 31, 94	Depreciation relating to Disposals/ *Adjustments	Depreciation for the period	Accumulated depreciation as at June 30, 96	Net book value as at June 30, 96	Annual rate of depreciation %
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Vehicles	19,468,613	14,313,606	(3,134,828)	26,054,041	7,466,627	(2,320,332)	6,739,350	10,328,890	15,725,151	20
			*(4,593,350)			*(1,556,755)				
Office equipment	2,839,000	1,718,650	-	4,557,650	756,154	-	1,140,449	1,896,603	2,661,047	20
Plant and machinery	30,932,750	55,129,722	*(22,240,400)	63,822,072	11,006,287	*(9,107,666)	9,288,518	11,187,139	52,634,933	10
Total (Rupees)	53,240,363	71,161,978	(29,968,578)	94,433,763	19,229,068	(12,984,753)	17,168,317	23,412,632	71,021,131	-
1994	48,508,524	13,427,391	(8,695,552)	53,240,363	18,397,841	(5,438,952)	6,270,179	19,229,068	34,011,295	-

**13.2 The depreciation charge has been allocated as follows:**

	18 months to June 30, 1996 Rupees	12 months to 31-Dec-94 Rupees
Cost of sales	9,288,518	2,305,074
Administration and general expenses	5,718,254	3,965,105
Selling and distribution expenses	2,161,545	-
	-----	-----
	17,168,317	6,270,179
	=====	=====

**13.3 DISPOSAL OF FIXED ASSETS**

(Amounts in Rupees)

Description	Original Cost	Accumulated Depreciation	Written down Value	Sale Proceeds	Gain/(Loss)	Name & Address of Purchaser (By negotiation)
Vehicle	210,000	141,187	68,813	80,000		11,187Mr. Alexander Alfred, 16 Davis Road, Lahore
-do	156,000	139,250	16,750	25,000		8,250Mr. M. Iqbal, 18 Allama Iqbal Road, Lahore
-do-	210,000	141,187	68,813	73,000		4,187Mr. Zafar Iqbal, 43 Montgomery Road, Lahore
-do-	145,000	106,989	38,011	44,000		5,989Mr. Aziz ur Rehman, 650 Shadman Colony, Lahore
-do-	330,105	301,749	28,356	50,000		21,644Mr. Salahuddin Abbasi, 90-C, Model Town, Lahore
-do-	700,000	553,199	146,801	176,000		29,199Mr. Mohd Faheem, Main Boulevard Defence, Lahore
-do-	210,000	141,187	68,813	70,000		1,187Mr. A Malik, 105-B-Gulberg, Lahore
-do-	565,000	416,889	148,111	150,000		1,889Mr. Arif Hussain, 28-Allama Iqbal Road, Lahore
-do-	675,000	533,442	141,558	155,000		13,442Mr. Aqib Rasheed, 54-B-Gulberg II, Lahore
-do-	382,000	225,533	156,467	165,000		8,533Mr. M Naeem, 24-Golding Road, Lahore
-do-	157,396	140,495	16,901	30,000		13,099Syed Badshah, F-47-BIk-4, Metrovil-Site, Karachi
-do-	130,000	102,738	27,262	26,500		(762)Employee
Machinery	90,000	67,123	22,877	26,500		3,623M/s Trafo Panals Shah Di Khohi, New University Campus
Others	13,493	8,660	4,833	4,300		(533)Employees
	-----	-----	-----	-----	-----	
Total	3,973,994	3,019,628	954,366	1,075,300	120,934	
	=====	=====	=====	=====	=====	

June 30, 1996  
Rupees

December 31, 1994  
Rupees

**14. CAPITAL WORK-IN-PROGRESS**

Civil works and contract advances for the construction of building.	751,976	6,103,470
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**15. LONG TERM LOANS AND DEPOSITS**

SECURITY DEPOSITS [note 15 (a) ]	911,357	2,638,972
LONG TERM LOANS [note 15 (b) ]	847,813	1,006,494
	-----	-----
	1,759,170	3,645,466
	=====	=====
15 (a) Security deposits on lease	738,419	2,466,034
Security deposits-others	172,938	172,938
	-----	-----
	911,357	2,638,972
	=====	=====
15 (b) Long term loans to employees considered good		
Executives	635,036	1,462,375
Others	1,209,277	1,246,682
	-----	-----
	1,844,313	2,709,057
Less: Installments due within twelve months (note 19)		
Executives	97,719	893,419
Others	898,781	809,144
	-----	-----
	996,500	1,702,563
	-----	-----
	847,813	1,006,494
	=====	=====
Outstanding for period exceeding three years	745,446	302,057
	-----	-----
The maximum month end balances during the period are as follows:		
Executives	1,016,277	1,462,375
Others	1,209,277	1,427,995
	-----	-----

**16. STORES, SPARES AND LOOSE TOOLS**

Consumable stores	9,150,067	8,882,445
Machinery spares	34,153,127	14,095,014
Loose tools	421,730	266,244
Packing material	2,214,199	2,563,435
	-----	-----
	45,939,123	25,807,138
	=====	=====

**17. STOCK-IN-TRADE**

Raw materials and components	62,027,390	52,184,330
Work-in-process	31,692,271	18,353,442
Finished goods	52,999,820	64,899,361
	-----	-----
	146,719,481	135,437,133
	=====	=====

**18. TRADE DEBTS**

Trade debts	144,928,225	99,468,446
Less: Provision for doubtful debts	(2,000,000)	-

-----  
 142,928,225    99,468,446  
 =====

All trade debts, including Rs. 87,171 (1994: Rs. 220,352) due from associated companies are unsecured but considered good except for certain debts for which provision of Rs. 2 million has been made which is considered as adequate.

**19. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

Loans to employees due within 12 months considered good (note 15)	996,500	1,702,563
Advances for supply of goods and services	9,157,057	5,377,429
Deposits and prepayments	10,217,394	8,831,581
Letters of credit and goods-in-transit	29,935,461	8,229,102
Advance income tax	20,058,931	8,529,771
Rebates and claims receivable	1,417,464	867,167
	-----	-----
	71,782,807	33,537,613
	=====	=====

**20. CASH AND BANK BALANCES**

In hand	4,908,738	2,348,214
At banks in current accounts	7,960,676	15,507,427
	-----	-----
	12,869,414	17,855,641
	=====	=====

**21. OPERATING RESULTS BY DIVISION**

	18 months to June 30, 1996 Rupees				12 months to December 31, 1994 Rupees			
	Insulator	Wall Tile	Floor Tile	Total	Insulator	Wall Tile	Floor Tile	Total
Gross Sales:								
Local (note 21.1)	325,577,386	334,998,483	253,788,151	914,364,020	222,636,503	188,965,514	110,598,964	522,200,981
Export	42,599,381	-	1,298,347	43,897,728	30,729,259	-	-	-
	-----	-----	-----	-----	-----	-----	-----	-----
	368,176,767	334,998,483	255,086,498	958,261,748	253,365,762	188,965,514	110,598,964	552,930,240
Less: Excise duty & sales	37,349,754	74,424,526	55,376,089	167,150,369	22,420,159	43,762,611	24,866,936	91,049,706
	-----	-----	-----	-----	-----	-----	-----	-----
Net sales	330,827,013	260,573,957	199,710,409	791,111,379	230,945,603	145,202,903	85,732,028	461,880,534
Cost of sales	257,199,431	167,218,773	116,314,919	540,733,123	161,715,402	104,331,169	58,064,114	324,110,685
	-----	-----	-----	-----	-----	-----	-----	-----
Gross profit	73,627,582	93,355,184	83,395,490	250,378,256	69,230,201	40,871,734	27,667,914	137,769,849
Operating Expenses:								
Admn. and general	20,978,200	17,931,074	14,674,872	53,584,146	11,861,756	8,916,117	8,102,169	28,880,042
Selling and distribution	18,509,225	23,064,418	24,454,592	66,028,235	8,932,342	13,651,517	12,472,665	35,056,524
	-----	-----	-----	-----	-----	-----	-----	-----
	39,487,425	40,995,492	39,129,464	119,612,381	20,794,098	22,567,634	20,574,834	63,936,566
	-----	-----	-----	-----	-----	-----	-----	-----
Profit from operations	34,140,157	52,359,692	44,266,026	130,765,875	48,436,103	18,304,100	7,093,080	73,833,283

21.1 Local sales of Insulators for the period include sales of Rs. 14,990,008 (1994: Rs. 52,960,512) to WAPDA against international tenders.

**22. COST OF SALES**

	18 months to June 30, 1996 Rupees			12 months to December 31, 1994 Rupees	
	Insulator	Wall Tile	Floor Tile	Total	Total
Raw materials and components consumed	93,343,294	60,070,877	41,306,869	194,721,040	128,006,266
Stores and spares consumed	38,886,664	20,478,198	11,669,851	71,034,713	41,419,580
Salaries, wages and other benefits	88,721,784	45,754,107	16,088,558	150,564,449	86,545,921
Power	11,402,357	10,581,311	7,313,653	29,297,321	13,909,398
Gas	16,496,713	10,703,882	4,343,721	31,544,316	15,765,566
Depreciation	18,968,232	6,983,487	21,207,745	47,159,464	26,107,375
Repair and maintenance	2,329,802	1,626,850	486,600	4,443,252	2,363,956
Other miscellaneous expenses	7,659,295	3,513,638	2,234,923	13,407,856	4,024,627
	-----	-----	-----	-----	-----
	277,808,141	159,712,350	104,651,920	542,172,411	318,142,689
ADD: Opening work-in-process	15,167,155	2,223,791	962,496	18,353,442	25,950,350
	-----	-----	-----	-----	-----
	292,975,296	161,936,141	105,614,416	560,525,853	344,093,039
LESS: Closing work-in-process	27,366,510	2,830,050	1,495,711	31,692,271	18,353,442
	-----	-----	-----	-----	-----
Cost of goods manufactured	265,608,786	159,106,091	104,118,705	528,833,582	325,739,597
ADD: Opening inventory of finished goods	32,188,749	13,444,854	19,265,758	64,899,361	63,270,449
	-----	-----	-----	-----	-----
	297,797,535	172,550,945	123,384,463	593,732,943	389,010,046
LESS: Closing inventory of finished goods	40,598,104	5,332,172	7,069,544	52,999,820	64,899,361
	-----	-----	-----	-----	-----
	257,199,431	167,218,773	116,314,919	540,733,123	324,110,685

	18 months to June 30, 1996 Rupees	12months to December 31, 1994 Rupees
--	--	---

**23. ADMINISTRATION AND GENERAL EXPENSES**

Salaries, allowances and other benefits	25,687,803	13,353,943
Communication and stationery	3,200,736	1,815,216
Travelling	1,923,471	1,117,161
Vehicle maintenance	1,674,913	1,226,904
Office rent	3,668,124	2,384,563
Depreciation (note 12 & 13)	8,513,577	5,165,717
Fuel and power	932,424	520,605
Insurance	1,017,688	629,726

Legal and professional charges (note 23.1)	858,523	430,335
Repair and maintenance	338,211	238,774
Charity and donations (note 23.2)	427,168	196,667
Fees and taxes	150,860	163,768
Provision for doubtful debts	2,000,000	-
Loss on sale & lease back	485,608	-
Bad debts	191,995	-
Other expenses	2,513,045	1,636,663
	-----	-----
	53,584,146	28,880,042
	=====	=====

**23.1 LEGAL AND PROFESSIONAL CHARGES**

Audit fee	54,000	54,000
Tax consultancy and company law work	526,600	192,600
Legal charges	277,923	183,735
	-----	-----
	858,523	430,335
	=====	=====

23.2 These include Rs. 162,500 (1994: Rs. 120,000) donated to M/s. Khair-un-Nisa Hospital Foundation, Lahore in which five of the Directors are interested as its trustees.

**24. SELLING AND DISTRIBUTION EXPENSES**

Salaries, allowances and other benefits	14,155,875	8,792,434
Travelling expenses	3,821,404	2,516,521
Insurance	1,574,360	770,080
Handling freight and transport	23,277,332	10,432,876
Vehicles maintenance	3,412,394	2,359,170
Office rent	3,675,319	2,455,718
Communication	3,311,287	1,472,417
Advertisement and sales promotion	4,078,371	2,918,450
Depreciation (note 12 & 13)	2,964,596	-
Others	5,757,297	3,338,858
	-----	-----
	66,028,235	35,056,524
	=====	=====

**25. OTHER INCOME**

Gain on sale of fixed assets	120,934	51,121
Interest on long term loans to employees	76,738	55,845
Custom rebate	-	20,728
Others	799,072	413,138
	-----	-----
	996,744	540,832
	=====	=====

**26. FINANCIAL CHARGES***Long term loans*

Interest	6,163,184	6,556,128
Exchange risk fee	2,951,604	2,581,808
Interest on debentures	43,823	45,271

Financial charges on assets subject to finance lease	12,079,690	2,862,439
Excise duty	593,864	65,625

*Short term borrowings*

Mark up on short term finances	59,594,605	34,394,399
Mark up on borrowings from associated companies	3,632,809	80,000
Others	-	372,167
Excise duty	3,105,795	1,824,316
Bank charges	3,693,835	1,496,441
	-----	-----
	91,859,209	50,278,594
	=====	=====

**27. WORKERS' PROFIT PARTICIPATION FUND**

Provision for the period	1,987,235	1,200,929
Interest paid during the period	158,720	76,937
	-----	-----
	2,145,955	1,277,866
	=====	=====

**28. TAXATION**

Current taxation	3,955,557	2~309~403
Current period (note 28.1)	-	(165,342)
Prior period	-----	-----
	3,955,557	2,144,061
Deferred (note 28.2)	(20,000,000)	-
	-----	-----
	(16,044,443)	2,144,061
	=====	=====

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

28.2 Deferred tax provision has been written back in view of the tax losses especially on future expansion of Wall Tile Plant due to which the timing differences are not likely to reverse for the foreseeable future.

**29. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

(Amount in Rupees)

	18 months to June 30, 1996			12 months to December 31, 1994		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	792,000	3,246,000	5,316,630	486,000	1,989,000	2,621,281
Bonus	217,875	892,061	629,741	190,500	775,350	329,618
House rent	356,400	1,460,700	2,392,484	218,700	895,050	1,179,345
Reimbursement of medical expenses	65,106	231,399	254,936	67,350	244,045	111,878

Reimbursement of utilities	79,200	355,790	192,754	48,600	197,441	146,897
	-----	-----	-----	-----	-----	-----
T O T A L	1,510,581	6,185,950	8,786,545	1,011,150	4,100,886	4,389,019
	=====	=====	=====	=====	=====	=====
No. of persons	1	5	16	1	5	13
	=====	=====	=====	=====	=====	=====

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

### 30. TRANSACTIONS WITH ASSOCIATED COMPANIES

	June 30, 1996 Rupees	December 31, 1994 Rupees
Sale of goods and services	3,423,464	3,260,933
Purchase of goods and services	199,976	570,172
Mark up	3,632,809	80,000
Short term borrowings	27,965,218	-
Lease rentals	147,000	98,000

Maximum debit balance of associated companies at the end of any month during 18 months to June 30, 1996 was Rs. 186,063 (1994: Rs. 627,779).

Maximum credit balance of associated companies at the end of any month during 18 months to June 30, 1996 was Rs. 28,152,095 (1994: Rs. 324,674).

### 31. TAXES AND DUTIES

Import duties on raw materials	52,855,939	23,651,947
Sales tax on finished goods	127,547,424	68,455,880
Excise duty on finished goods	41,515,000	21,006,494
Income tax	3,955,557	2,144,061
	-----	-----
	225,873,920	115,258,382
	=====	=====

### 32. PLANT CAPACITY AND ACTUAL PRODUCTION

	18 months to June 30, 1996			12 months to December 31, 1994		
	Insulators (tons)	Wall Tile (sq. meters)	Floor Tile (sq. meters)	Insulators (tons)	Wall Tile (sq. meters)	Floor Tile (sq. meters)
PLANT CAPACITY	7,500	750,000	750,000	5,000	500,000	500,000
ACTUAL PRODUCTION	5,567	986,909	774,456	3,469	644,932	469,924

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

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

### 33. COMPARATIVE FIGURES

Previous year's figures have been rearranged and reclassified wherever considered necessary for the



purpose of comparison.

Pursuant to changes in Income Tax Ordinance, 1979 through Finance Act 1995, the company has changed its accounting year from December to June. Owing to this change these accounts have been prepared for eighteen months covering period from January 1, 1995 to June 30, 1996.

**Pattern of holding of the Shares held by the Shareholders of  
EMCO Industries Limited as at June 30, 1996**

No. of Shareholders	Share holding	Total Shares held	Percentage
0 Holding from	1 to	1	0.00
68 Holding from	11 to	100	6,350
293 Holding from	101 to	500	71,000
70 Holding from	501 to	1,000	60,650
82 Holding from	1,001 to	5,000	202,150
15 Holding from	5,001 to	10,000	105,650
25 Holding from	10,001 to	20,000	411,790
11 Holding from	20,001 to	30,000	280,840
5 Holding from	30,001 to	40,000	174,290
1 Holding from	40,001 to	50,000	46,400
3 Holding from	50,001 to	75,000	189,850
10 Holding from	75,001 to	And Above	4,451,030
-----		-----	-----
583		6,000,000	100.00
=====		=====	=====

Categories of Shareholders	Numbers	Shares held	Percentage
Individuals	567	2,089,920	34.83
Investment companies	2	35,500	0.59
Insurance companies	4	201,650	3.36
Joint stock companies	5	2,265,055	37.75
Financial institutions	5	1,407,875	23.47
-----	-----	-----	-----
Total	583	6,000,000	100.00
=====	=====	=====	=====