

Emco Industries Limited.

Annual Report 2002

Contents

Company Information
Business Items
Notice of Meeting
Director's Report to the Members
Financial Highlights of Last Ten Years
Chairman's Review
Auditor's Report
Balance Sheet
Profit and Loss Account
Cash Flow Statement
Statement of Change in Equity
Notes to the Accounts
Pattern of Shareholdings

COMPANY INFORMATION

Board of Directors

Mr. S. A. Mannan, Chairman
Mr. Tariq Rehman, Chief Executive
Mr. Haris Noorani
Mr. Suhail Mannan
Mr. Iqbal Shafiq
Ms. Ayesha Noorani
Ms. Maha Rehman
Mr. Muhammad Shafiq Gill-ICP Nominee

Auditors

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

Bankers

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

Registered Office

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

Factory

19-Kilometre, Lahore-Sheikhupura Road,
Lahore.

BUSINESS ITEMS

Porcelain Insulators

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

Switchgear

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

Chemical Porcelain

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

Special Porcelain

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

Ceramic Glazed Wall Tiles

- Coloured & Decorative Glazed Wall Tiles
15 cm x 15 cm x 6 mm
20 cm x 20 cm x 6 mm
20 cm x 25 cm x 6 mm

Ceramic Glazed Floor Tiles

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

NOTICE OF MEETING

Notice is hereby given that 47th Annual General Meeting of Members of EMCO Industries Limited will be held on 21st October, 2002 at 11.00 a.m. at the Registered Office of the Company, 2nd floor, Union Bank Building, 14-Kashmir/Egerton Road, Lahore, to transact the following business:-

1. To confirm the minutes of the last Extra-ordinary General Meeting held on 29th June, 2002.
2. To receive, approve and adopt the Audited Accounts for the year ended 30.06.2002 and Director's Report thereon.
3. To appoint Auditors for the next financial year and fix their remuneration .M/s. A. F Ferguson & Co., Chartered Accountants, the present auditors of the Company, retire and being eligible, offer themselves for re-appointment.
4. To transact any other business with permission of the Chair.

By Order of the Board

Lahore

September 23-09-2002.

HARIS NOORANI

(DIRECTOR CORPORATE AFFAIRS)

NOTES:-

1. The Share Transfer Books of the Company will remain closed and no transfer of Shares will be accepted for registration from 14-10-2002 to 21-10-2002 (both days inclusive).
2. A member entitled to attend and vote at the General Meeting may appoint another member as his/her proxy to attend and vote instead of him/her at the meeting. Proxies must be deposited at the Company's Registered Office not less than forty eight hours before the time of holding the meeting. Form of Proxy is enclosed.
3. Members are requested to notify immediately the change of address, if any.

DIRECTOR'S REPORT

The Board of Directors is pleased to present the 47th Annual Report of EMCO Industries Limited for the year ended June 30, 2002.

Financial Results

Rupees

Net loss for the year after taxation	(107,202,948)
Unappropriated loss brought forward from prior year	(478,959,460)
Unappropriated loss carried forward	<u>(586,162,408)</u>

Corporate Governance

The Securities & Exchange Commission of Pakistan, in later half of the year introduced Code of Corporate Governance to enhance transparency visibility and creditability in the corporate sector, specially of listed companies. The Code is being enforced through listing regulations of Karachi Stock Exchange (Guarantee) Ltd. Accordingly the company has taken necessary steps to implement and follow these rules in its true essence. Following the SECR the Board of Directors in its meeting held on 23-09-2002 has constituted the Audit Committee and the internal audit functions.

The Board of Directors held four meetings during the year for consideration and approval of annual business plans, quarterly, half-yearly and annual reports alongwith other matters of significant importance. Overall 71.4% attendance was witnessed in these four Board meetings.

In compliance with the listing regulation 37 (xix) of the Karachi Stock Exchange (Guarantee) Limited (Code of Corporate Governance), the Board of Directors hereby declares that;

- the financial statements for the year ended June 30, 2002 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, 2002 and accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards (IAS) as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no doubts about the company's ability to continue as a going concern;
- There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.
- The value of Provident Fund investments for the year ended June 30, 2002 was Rs. 106.755 million.
- The value of gratuity for the year ended June 30, 2002 was Rs.4.281 million.

The company has not declared dividend or issued bonus share owing to huge losses as dividend can be paid out of the profit of company only U/S 249 of Companies Ordinance 1984.

		2002	2001
Earning / (Loss) per share			
Net loss for the year	Rupees	<u>(107,202,948)</u>	<u>(100,036,161)</u>
Number of ordinary shares outstanding during the year	Numbers	15,333,333	15,333,333
Loss per share-basic	Rupees	<u>(6.99)</u>	<u>(6.52)</u>

Financial Highlights

Financial highlights of last ten years are appear on page 8.

Statement of Compliance with the Code of Corporate Governance

Statement of compliance with the code of corporate governance is appear on page number 9.

Pattern of Shareholding

A statement showing the pattern of holding of shares in the Company as on June 30, 2002 appear on page 38.

Auditors

The retiring Auditors M/s. A. F. Ferguson, Chartered Accountants being eligible, offer themselves for reappointment.

Number of Employees

The Company's number of employees at the period end is 928 (932 in year end 2001).

Chairman's Review

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

On behalf of the Board of Directors

Tariq Rehman

Chief Executive

Lahore: September 23, 2002

FINANCIAL HIGHLIGHTS OF LAST TEN YEARS

	2002	2001	2000	1999	1998	1997	1996	1994	1993	1992
	(RUPEES IN MILLIONS)									
Net Total Sales	532	484	489	480	307	490	791	462	348	417
Exports	117	99	86	78	50	50	44	31	20	8
Employees Costs	139	124	133	114	63	126	183	103	85	81
Profit/(Loss) before tax	(105)	(97)	(143)	(144)	(63)	(20)	38	23	15	25
Profit/(Loss) after tax	(107)	(100)	(148)	(146)	(64)	(23)	54	21	23	15
Earning per Share	(7)	(7)	(11)	(10)	(6)	(2)	9	3	6	4
Capital Expenditure	2	2	11	2	255	29	102	28	15	61
Cash Dividend Rate							0	0	0	0
Stock Dividend Rate							0			
Shareholder's Equity		(106)	(96)	79	187	251	213	172	159	99

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The company is in process of implementing the requirements of the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan and adopted by Stock Exchanges. The company has duly complied with the provisions of the Code, relevant for the year ended June 30, 2002.

The Code of Corporate Governance requires a listed company to obtain a statement of compliance with best practices of code of corporate governance from the statutory auditors. On receipt of the statement of

compliance from the auditors on September 19, 2002, we now enclose the said statement.

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Emco Industries Limited to comply with the Listing Regulation No. 37, 43 & 36 of the Karachi, Lahore and Islamabad Stock Exchanges respectively, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls. Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2002.

CHAIRMAN'S REVIEW

On behalf of the board of Directors I welcome you to the 47th Annual General Meeting of the Company and present you the Annual Report and Financial Statements for the year ended 30th June, 2002.

This year your Company has sustained a loss after tax amounting to Rs. 107.203 million. Last year after tax loss was Rs. 100.036 million, which has now been increased by Rs.7.167 million. The operating results of the Insulator plant are very encouraging. There has been an increase in the net sales of Rs.48,822 million as compared to the last year. The profit from operation increased from Rs.23.953 million to Rs.44.708 million. Average monthly production also increased during the year to 219 ton, from 190 ton. In subsequent period due to increase in WAPDA orders and upward trend in export this division will perform very good operating results.

The sale of Wall Tile division has decreased by Rs.31.431 million, the operating loss of this division increased from Rs.63.014 million to Rs.85.535 million. The decrease in sale of Wall Tile is owing to huge production loss resulting a less production of M2 as compared to previous year. The sale of Floor Tile division has increased by Rs.30.235 million. The operating profit of this division has increased from Rs.12.704 million to Rs.26.888 million.

After re-organizing the marketing management and strategic policy of production in the tiles division, we expect marked improvement in the operating results of this division.

During the year your Company has contributed a sum of Rs.84.214 million to government towards the taxes in the shape of import duty, sales tax, income tax and other government levies, which is 15.84% of total sales.

Despite a huge losses the Management is still committed with the Company and will continue to support the company. The Directors and sponsors have injected Rs.50.704 million cash during the year to stabilize the financial position.

Employment Relations

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

Acknowledgement

I take this opportunity to place on record the dedication of the employees and staff during the difficult period. I would also like to thank our customers and dealers, who have reposed confidence in the products supplied to them and would like to re-affirm the Company's pledge to continue "Provide Quality Products and Services to the Satisfaction of Customers." I would also like to thank bankers and leasing companies for their co-operation and standing behind us in this difficult time and hope they will continue their support in future periods.

S. A. Mannan

(Chairman)

Lahore: September 23,2002

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Emco Industries Limited as at June 30, 2002 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) : / la our opinion

- (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
- (ii) the expenditure incurred during the year was for the purpose of the company's business; and
- (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2002 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our opinion, we draw attention to note 2.2 to the accounts which states that the company has incurred a net loss of Rs 107.203 million for the year ended June 30, 2002 and has accumulated losses of Rs 586.162 million as of that date. The company's current liabilities exceeded its current assets by Rs 279.644 million. Against the credit facility of Rs 368.395 million available from commercial banks, the company has availed Rs 315.137 million. These factors raise substantial doubt that the company will be able to continue as a going concern. Management's plan in regard to this matter includes a restructuring plan, which involves injection of cash equity by sponsors and associated companies and measures to increase contribution through improved productivity. The detailed plan is discussed in note 2.2 to the accounts.

A. F. FERGUSON & CO.
Chartered Accountants

Lahore: September 23, 2002

BALANCE SHEET AS AT JUNE 30, 2002

	Note	2002 Rupees	2001 Rupees
Share Capital and Reserves			
Authorised			
25,000,000 (2001: 25,000,000) ordinary shares of Rs. 10 each		250,000,000	250,000,000
Issued, subscribed and paid up capital			
15,333,333 (2001: 15,333,333) ordinary shares of Rs 10 each	3	153,333,330	153,333,330
Reserves	4	129,898,526	129,898,526
Accumulated loss		(586,162,408)	(478,959,460)
		(302,930,552)	(195,727,604)
SURPLUS ON REVALUATION OF LAND	5	18,830,530	18,830,530
LONG TERM LOANS FROM			
DIRECTORS - UNSECURED	6	154,675,969	103,971,877
LONG TERM LOANS AND LIABILITIES	7	184,421,236	280,675,863
LIABILITIES AGAINST ASSETS SUBJECT			
TO FINANCE LEASE	8	38,734,681	56,304,851
DEFERRED LIABILITIES	9	4,281,271	4,436,891
CURRENT LIABILITIES			
Current portion of			
Long term loans and liabilities	7	111,537,574	58,840,538
Liabilities against assets subject to finance lease	8	17,570,167	18,961,518
Short term loans from directors - unsecured	10	1,000,000	-
Short term loan- unsecured	11	2,200,000	-
Finances under mark up arrangements and other credit facilities- secured	12	315,137,466	320,955,874
Creditors, accrued and other liabilities	13	182,741,570	138,749,117
		630,186,777	537,507,047
CONTINGENCIES AND COMMITMENTS	14	-	-
		728,199,912	805,999,455

	Note	2002 Rupees	2001 Rupees
Fixed Capital Expenditure			
Operating fixed assets	15	303,560,669	335,261,434
Assets subject to finance lease	16	43,417,135	49,747,010

		346,977,804	385,008,444
LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COST	17	30,325,727	40,789,541
LONG TERM LOANS AND OTHER RECEIVABLES	18	354,156	408,773
CURRENT ASSETS			
Stores, spares and loose tools	19	37,796,958	38,666,120
Stock-in-trade	20	179,685,520	218,916,821
Trade debts	21	108,491,414	104,789,125
Loans, advances, deposits, prepayments and other receivables	22	19,893,429	13,528,966
Cash and bank balances	23	4,674,904	3,891,665
		350,542,225	379,792,697

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2002

	Note	2002 Rupees	2001 Rupees
Sales	24	531,538,637	483,912,329
Cost of goods sold	25	462,233,968	425,503,172
Gross profit		69,304,669	58,409,157
Operating expenses			
Administration and general	26	37,287,134	43,223,845
Selling and distribution	27	45,956,051	41,542,436
		83,243,185	84,766,281
Operating loss		(13,938,516)	(26,357,124)
Other income	28	1,767,815	2,586,895
		(12,170,701)	(23,770,229)
Financial charges	29	92,745,862	73,126,204
Other charges	30	-	5,102
		92,745,862	73,131,306
Loss before taxation		(104,916,563)	(96,901,535)
Provision for taxation	31	2,286,385	3,134,626
Loss after taxation		(107,202,948)	(100,036,161)
Accumulated loss brought forward		(478,959,460)	(378,923,299)
Accumulated loss carried forward		(586,162,408)	(478,959,460)
Loss per share	38	(7)	(7)

The annexed notes form an integral part of these accounts.

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2002

	Note	2002 Rupees	2001 Rupees
Cash flow from operating activities			
Cash generated from operations	36	95,581,670	76,017,590
Financial charges paid		(65,579,642)	(75,043,877)
Taxes paid		(7,555,110)	(4,647,822)
Import levies paid		(2,392,418)	(2,392,468)
Golden handshake liability paid		-	(5,324,021)
Gratuity paid		(303,489)	(185,462)
Net cash (used)/from operating activities		19,751,011	(11,576,060)
Cash flow from investing activities			
Fixed capital expenditure		(1,809,491)	(1,504,567)
Net (increase)/decrease in long-term loans and other receivables		54,617	(18,151)
Net increase in long-term deposits and prepayments		(7,991,888)	(298,000)
Sale proceeds of fixed assets		2,820,000	115,000
Net cash used in investing activities		(6,926,762)	(1,705,718)
Cash flow from financing activities			
Net increase in long term loans from directors		50,704,092	79,076,697
Net decrease in long term loans and liabilities		(41,165,173)	(39,240,309)
Net increase in short term loan		2,200,000	-
Net increase in short term loans from directors		1,000,000	-
Payment of finance lease liabilities		(18,961,521)	(8,706,512)
Net cash (used)/from financing activities		(6,222,602)	31,129,876
Net increase in cash and cash equivalents		6,601,647	17,848,098
Cash and cash equivalents at the beginning of the year		(317,064,209)	(334,912,307)
Cash and cash equivalents at the end of the year	37	(310,462,562)	(317,064,209)

The annexed notes form an integral part of these accounts.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED

JUNE 30, 2002

	Share capital Rupees	Share premium Rupees	General reserve Rupees	Accumulated loss Rupees	Total Rupees
Balance as on June 30, 2000	153,333,330	39,898,526	90,000,000	(378,923,299)	(95,691,443)
Loss for the year	-	-	-	(100,036,161)	(100,036,161)
Balance as on June 30, 2001	53,333,330	39,898,526	90,000,000	(478,959,460)	(195,727,604)
Loss for the year	-	-	-	(107,202,948)	(107,202,948)
Balance as on June 30, 2002	<u>153,333,330</u>	<u>39,898,526</u>	<u>90,000,000</u>	<u>(586,162,408)</u>	<u>(302,930,552)</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2002**1. Legal status and nature of business**

The company is incorporated in Pakistan and listed on Karachi, Lahore and Islamabad Stock Ex changes. The company was incorporated as a joint Stock Company in Pakistan under the Companies Act, 1913, (now Companies Ordinance 1984) as a private limited company on August 17, 1954 by the name of Electric Equipment Manufacturing Company (Private) Limited. Later it was converted into a public company on August 20, 1983 and its name was changed to EMCO Industries Limited on September 12, 1983. The company was listed on the stock exchange on December 29, 1983.

The company is principally engaged in manufacture and sale of high/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 2.12 have been incorporated in the cost of relevant assets.

These accounts have been prepared in accordance with the requirements of Companies Ordinance, 1984 and International Accounting Standards, as applicable in Pakistan in all material respects.

2.2 Basis of preparation

The company has incurred a loss of Rs 107.203 million for the year ended June 30, 2002 and has accumulated losses of Rs 586.162 million as of that date. The company's current liabilities exceeded its current assets by Rs 279.644 million. Against the credit facility of Rs 368.395 million available from commercial banks, the company has availed Rs 315.137 million. These factors raise doubt that the company may be able to continue as a going concern. In order for the company to continue as a going concern, a restructuring plan is being evolved by the management in consultation with long term and short term lenders of the company which involves:

- Injection of cash equity by sponsors and associated companies
- Conversion of long term loans to equity
- Measures to increase contribution through improved productivity

As a result these accounts have been prepared on the assumptions based on management's plans for restructuring, the company will continue as a going concern and consequently do not include any adjustments that might result should the company not be able to continue as a going concern.

23 Taxation**Current**

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credit and tax rebates realizable, if any, or one half percent of turnover, whichever ever is higher.

Deferred

The Company accounts for deferred taxation, using the liability method, on all major timing differences. 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. '•': ';;^/ ^^^^y . "

2.4 Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

2.5 Fixed capital expenditure and depreciation/amortization

Operating fixed assets except land are stated at cost less accumulated depreciation. 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 differences referred to in note 2.12 and cost of borrowing during construction period in respect of loans taken for specific projects.

Depreciation on all operating fixed assets is charged to profit and loss account on the reducing balance method so as to write off the written down value of an asset over its estimated useful life at the rates given in note 15.

Additions during the year are depreciated for full year irrespective of date of addition except for BMR/expansion of plant on which depreciation is charged on pro rata basis for the period in which it has been used for commercial production and no depreciation is charged for assets disposed off during the year.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of fixed assets are taken to the profit and loss account.

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 acquired under a finance lease are amortized over the useful life of the asset on reducing balance method at the rates given in note 16. Amortization of leased assets is charged to profit and loss account.

The full annual rate of amortization is applied on the additions, while no amortization is charged on transfers to fixed assets during the year.

2.7 Deferred cost

The expenses and losses incurred during expansion and trial run period of wall and floor tile plants are being amortized over a period of 5 years beginning from July I, 1998 except deferred import levies amounting to Rs 758,582 which are amortized over a period of three years beginning from July I, 1999

The expenses incurred for head office and display centre renovations are being amortized over a period of 5 years beginning from July I, 1999 and July I, 2001 respectively.

The machinery spares used in kilns are being amortized over a period of 3 years.

2.8 Stores, spares and loose tools

Stores and spares are valued at weighted average cost. Items in transit are valued at cost comprising invoice values plus other charges paid thereon.

2.9 Stock-in-trade

Stock of raw materials and components, except for those in transit, are valued at the lower of

weighted average cost and net realizable value. Stocks of work-in-process and finished goods are valued at the lower of average cost and net realizable value. Cost of work-in-process and finished goods comprises cost of direct materials, labour and appropriate manufacturing overheads.

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

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

2.10 Receivables

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

2.11 Cash and cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash equivalents are short term highly liquid instruments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in values.

2.12 Foreign Currencies

Assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates approximating to those prevailing at the balance sheet date.

Exchange differences on loans utilized for the acquisition of plant and machinery are capitalized upto the date of commissioning of the assets.

All other exchange differences are taken to the profit and loss account.

2.13 Staff retirement Benefits

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

Retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

2.14 Mark up, interest, profit and other charges

Mark up, interest, profit and other charges on long-term liabilities are capitalized upto the date of commissioning of the respective plant and machinery, acquired out of the proceeds of such long-term liabilities. All other mark up, interest, profit and other charges are taken to profit and loss account.

2.15 Revenue recognition

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

2.16 Financial instruments

Financial instruments carried on the balance sheet include receivables, cash and bank balances, short term running finances and creditors, accrued and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

2.17 Business segments

The company is divided into three business segments:

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

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

2.17.1 Segment assets and liabilities

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

Segment liabilities include all operating liabilities consisting principally of long term loans, liabilities against assets subject to finance lease, deferred liabilities, finances under mark-up arrangements, other payables and accrued liabilities.

The carrying amount of certain assets/liabilities used jointly by segments is allocated to the segments on equal basis, while identifiable assets and liabilities are directly attributed to respective segments.

2.17.2 Allocation of segment expenses

joint expenses are allocated equally to the three business segments. All other identifiable expenses are directly attributed to the respective segments.

	2002	2001
	Rupees	Rupees
3 Issued, subscribed and paid up capital		
12,533,333 ordinary shares of Rs 10 each fully paid in cash	125,333,330	125,333,330
2,800,000 ordinary shares of Rs 10 each issued as full paid bonus shares	28,000,000	28,000,000
15,333,333	153,333,330	153,333,330

2,01 1,325 (2001: 2,01 1,325) ordinary shares are held by Associated Engineers (Private) Limited, an associated concern as at June 30, 2002.

4. Reserves

Movement in and composition of reserves is as follows:

Capital		
-Share premium	39,898,526	39,898,526
Revenue		
-General reserve	90,000,000	90,000,000
	129,898,526	129,898,526

5. Surplus on revaluation of land

This represents surplus arising out of revaluation of entire freehold land carried out during 1992.

6. Long term loans from directors - unsecured

These loans are interest free loans. These loans will be repaid after the repayment of consortium loans referred to in note 7.1 or improvement in the financial position of the company whichever is earlier.

	Note	2002	2001
		Rupees	Rupees
7. Long term loans and liabilities			
Secured loans			
Local currency loans	- note 7.1	214,967,031	242,624,001
Loan from Credit Agricole Indosuez	- note 7.2	-	11,700,000
		214,967,031	254,324,001
Unsecured loans			
Loans from associated companies	- note 7.3	3,522,417	10,380,620
Loans from other companies	- note 7.4	5,050,000	-
Long term liabilities			
Other payables	- note 7.5	-	2,392,418
Payable to provident fund	- note 7.6	72,419,362	72,419,362
		72,419,362	74,811,780
		295,958,810	339,516,401
Less: Current portion shown under current liabilities	7 million		
Secured loans [including overdue amount of Rs 31.5(2001: Rs Nil)]		93,432,733	56,448,120
Other payables		-	2,392,418
Payable to provident fund		18,104,841	-
		111,537,574	58,840,538
		184,421,236	280,675,863

7.1 Local currency loans - secured

These are composed of:

Loan	Lender	2002	Rate of	Interest	No. of instalments	Interest payable
		Rupees	2001	per annum		
			Rupees			
1	Pakistan Industrial Credit & Investment Corporation Limited		562,500	6% -		-
2	AMEX consortium loan - A	130,500,000	143,000,000	11.50%	7 half yearly, unequal instalments	Quarterly

3	AMEX consortium loan - B	28,827	30,469,797	Nil	ending June 2005 19 unequal, monthly instalments ending October 2003	Nil
4	American Express Bank, Standard Chartered Grindlays Bank and Deutsche Bank AG	12,419,759	12,489,087	Nil	24 equal and 1 unequal monthly instalments ending July 2003	Nil
5	Emirates Bank International	16,493,377	22,493,377		9% 34 monthly, equal instalments ending March 2005	Quarterly
6	Citibank N.A.	26,726,620	33,609,240		10% 35 monthly, unequal instalments ending May 2005	Monthly
		214,967,031	242,624,001			

AMEX Consortium loans consist of American Express Bank, Standard Chartered Grindlays Bank, Deutsche Bank AG, Saudi Pak Industrial & Agricultural Investment Company (Private) Limited and First International Investment Bank.

Loan 3 represents balance of interest payable from July 1, 1999 to April 30, 2002 on consortium loan and loan 4 represents balance of interest payable from July 1, 1999 to March 31, 2001 on finances under mark up arrangements, converted into long term interest free loans.

A penalty is payable at the rate of 13.5% p.a. on loan 2 on the amounts overdue as referred to in note 7.

Security-

Loans 1 to 3 are secured by an equitable mortgage of immovable properties, hypothecation of all plant and machinery and a floating charge on all current assets subject to the hypothecation of stores, spares, stock-in-trade and trade debts in favour of the Company's bankers referred to in note

12

Loan 4 is secured by a first pari-passu charge on the current assets of the company. This loan ranks pari passu with other short term lenders referred to in note 12.

Loan 5 is secured by first pari passu charge on current assets and second ranking charge on fixed assets of the company.

Loan 6 is secured by first pari passu charge on current assets of the company.

7.2 Loan from Credit Agricole Indosuez -secured

This loan has been repaid during the year.

7.3 Loans from associated companies - unsecured

Mark up on loans from associated companies is payable annually at the rate Re 0.4444 per Rs 1,000 per diem or part thereof on the outstanding balances. These loans will be repaid after the repayment of consortium loans referred to in note 7.1 or improvement in the financial position of the company

whichever is earlier.

7.4 Loans from other companies - unsecured

Mark up on loans from other companies is payable annually at the rate Re 0.4657 per Rs 1,000 per diem or part thereof on the outstanding balances. These loans will be repaid after the repayment of consortium loans referred to in note 7.1 or improvement in the financial position of the company whichever is earlier.

7.5 Other payables - secured

These represent the import duties and sales tax deferred under the Deferment of Import Duties Rules, 1991. This has been repaid during the year.

7.6 Payable to provident fund

The balance payable to provident fund was converted into a long term loan on July 1, 2000 repayable in four equal annual instalments commencing from July 1, 2002. Mark up is payable annually at the rate of Re 0.4109 per 1,000 per diem or part thereof on the outstanding balance.

Note	2002 Rupees	2001 Rupees
8. Liabilities against assets subject to finance lease		
Present value of minimum lease rental payments	56,304,848	75,266,369
Less: Current portion shown under current liabilities	17,570,167	18,961,518
	38,734,681	56,304,851

The minimum lease rental payments under the lease agreement are payable in 223 unequal monthly instalments. The present value of minimum lease payments have been discounted at implicit interest

rates ranging from 12.08% to 26.20% per annum to arrive at their present value.

Repair and insurance costs are to be borne by the company.

Purchase option is exercisable by the company and the company intends to exercise its option. In case of late payment, charges ranging from 0.05% to 0.1% 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.

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

Years	Rupees
2003	23,952,146
2004	23,769,468
2005	13,200,948
2006	5,652,000
2007	2,060,151
	68,634,713
Less: Financial charge not due	12,329,865
	56,304,848

	Note	2002 Rupees	2001 Rupees
9. Deferred liabilities - staff gratuity			
Opening balance		4,436,891	4,320,931
Provision for the year		147,869	301,419
		4,584,760	4,622,350
Less: Payments during the year		303,489	185,459
Closing balance		4,281,271	4,436,891

10. Short term loans from directors - unsecured

This represents loans from directors which are repayable within one year and are interest free.

11. Short term loan - unsecured

This represents loan from ICC (Private) Limited and mark-up is payable annually at the rate of Re 0.4444 per Rs 1,000 per diem or part thereof on the outstanding balance.

	Note	2002 Rupees	2001 Rupees
12. Finances under mark up arrangements and other credit facilities - secured			
Running Finance	note 12.1	218,837,189	237,001,658
Export finances-SBP refinance	note 12.2	58,206,000	47,762,000
Import finances	note 12.2	38,094,277	36,192,216
		315,137,466	320,955,874

12.1 Running finances - secured

Short-term running finances available from various commercial banks under mark up arrangements amount to Rs 251,277 million (2001: Rs 280.836 million). The rates of mark-up range from Re 0.2740 to Re 0.41 I I per Rs 1,000 per diem or part thereof on the balances outstanding. In the event, the Company fails to pay the balances on the expiry of the quarter, year or earlier demand, mark up is to be computed at the rates ranging from Re 0.5479 to Re 0.6027 per Rs 1,000 per diem or part thereof on the balances unpaid. The aggregate short-term finances are secured by hypothecation of stores, spares and loose tools, stock-in-trade, trade debts and second charge on fixed assets of the company.

12.2 Export and import finances - secured

Export finance and import finance available from various commercial banks under mark up arrangement amount to Rs 56.360 million (2001: Rs 47.251 million) and Rs 60.758 million (2001: Rs 55.408 million) respectively. The rates of mark up range from Re 0.2055 to 0.41 I I per Rs 1,000 per diem or part thereof. In the event, the Company fails to pay the balances till due date, mark up is to be computed at the rates ranging from Re 0.3699 to Re 0.5000 per Rs 1,000 per diem or part thereof on the balances unpaid. The aggregate export and import finances are secured by hypothecation of stores, spares and loose tools, stock-in-trade, trade debts and second charge on the fixed assets of the company.

12.3 Of the aggregate facility of Rs 19,242 million (2001: Rs 24.592 million) for opening letters of credit and

Rs 37.863 million (2001: Rs 37.863 million) for guarantees, the amount utilized at June 30, 2002 was Rs 17.694 million (2001: Rs 24.597 million) and Rs 36.856 million (2001: Rs 34.894 million) respectively. These facilities are secured by hypothecation of stores, spares and loose tools, stock-in-trade, trade debts and second charge on fixed assets of the company.

13. Creditors, accrued and other liabilities

These are composed of:

Trade creditors	- note 13.1	44,665,227	40,935,705
Accrued liabilities		47,018,475	41,997,031
Sales tax payable		4,148,031	5,961,416
Interest accrued on secured borrowings		21,778,044	11,622,844
Interest accrued on unsecured borrowings		21,952,895	4,941,875
Worker's profit participation fund	- note 13.2	112,421	112,421
Unclaimed dividends		209,565	209,565
Employee's welfare fund		78,366	71,778
Payable to provident fund		34,336,276	25,266,317
Income tax payable		3,897,672	2,646,244
Others		4,544,598	4,983,921
		182,741,570	138,749,117

13.1 Trade creditors include amount due to associated companies Rs Nil (2001: Rs 0.220 million).

	Note	2002 Rupees	2001 Rupees
13.2 Worker's profit participation fund			
Opening balance		112,421	120,046
Provision for the year		112,421	120,046
Less: Payments made during the year		-	7,625
Closing balance		112,421	112,421

14. Contingencies and commitments

14.1 Contingencies

(i) Claims not acknowledged as debt Rs 5.643 million (2001: Rs 6.939 million)

(ii) The sales tax department raised a demand of Rs 6.609 million being the sales tax and additional tax under the Sales Tax Act, 1990 on advance receipt of sale consideration. The demand was declared unlawful by the Honorable Lahore High Court. The Central Board of Revenue has filed an appeal before the Supreme Court of Pakistan which is pending finalization. No provision has been made in the accounts for this as the management is confident that the case will be decided in its favour.

(iii) The Collector of Customs (Exports) raised a demand of Rs 1 million being the penalty, under SRO 962(1)/90 dated June 12, 1990. The company contested the imposition of penalty before the Customs, Central Excise and Sales Tax (Appellate) Tribunal and the demand was substantially modified. The company has filed an appeal before the Honourable Lahore High Court which is pending finalization. No provision has been made in the accounts for this as the management is confident that the case will be decided in its favour.

(iv) The Income Tax Department issued an order under section 12(6) of the Finance Act, 1991 on March 5, 1996 for Corporate Asset Tax liability of Rs 1.863 million including Rs 0.863 million as additional tax @ 24% under section 86 of the Income Tax Ordinance 1979. Out of the total demand, Rs 1 million has been provided in the accounts.

The case is pending before the Supreme Court of Pakistan and the additional tax has not been provided as the management is confident that the additional tax will be waived off.

(v) A criminal suit has been filed regarding embezzlement of receivables amounting to Rs 3.772 million at Regional Sales Office, Karachi. The management is confident that the amount will be realized, consequently no provision has been made in the accounts thereagainst.

14.2 Commitments in respect of

- (i) Letters of credit other than capital expenditure Rs 17.694 million (2001: Rs 24.597 million).
- (ii) Bank guarantees amounting to Rs 36.856 million (2001: Rs 34.894 million).

15. Operating fixed assets

15.1 The following is a statement of the operating fixed assets

	Cost to June 30, 2001	Additions/ (deletions) '	Transfer from assets subject to finance lease	Cost to June 30, 2002	Accumulated depreciation June 30, 2001	Depreciation charge/ (deletions) for the year	Accumulated Depreciation on transfers from assets subject to finance lease	Accumulated depreciation June 30, 2002	Book value as at June 30, 2002	Rate of depreciation • %
Land	22,088,046			22,088,046					22,088,046	
Buildings	75,328,243	-	-	75,328,243	49,957,932	2,537,031		52,494,963	22,833,280	10
Roads and boundary wall	6,806	-	-	6,806	2,914,183	194,586		3,108,769	3,697,145	5
Residential quarters	3,752	-	-	3,752,109	2,319,000	143,311		2,462	1,289,798	10
Plant and machinery	591,106,199	467,100 (6,073,234)	2,550,000	588,050	320,488,290	27,013,003 (3,612,516)	1,044,251	344,933,028	243,117,037	10
Tools and equipment	6,287,297			6,287,297	5,444,874	168,485		5,613,359	673,936	20
Dies	2,588,154			2,588,154	2,580,958	2,878		2,583,836	4	40
Furniture and fixtures	5,086	363,221		5,448,784	4,486,847	192,389		4,679,236	770	20
Office equipment	15,425,676	424,170		15,849,846	11,962,834	777,402		12,740	3,109,610	20
Vehicles	28,662,789	555 (1,155,400)		28,062,389	22,496,903	1,318,251 (1,025,776)		22,789,378	5,273,011	20
Tubewells	1,413,359			1,413,359	659,391	75,397		734,788	679	10
Construction machinery	167,401			167,401	138,104	2,930	1	121,034	26	10
Rupees 2002	758,710,750	1,809,491 (7,228,634)	2,550	755,842	423,449,316	32,425,663 4,638,292	1,044,251 1	452,280,938	303,560,665	
Rupees 2001	743,884,339	1,505 (723,717)	14,045,560	758,710,750	382,044,229	36,110,936 603,615	5,897,966 1	423,449,316	335,261,434	

2002 **2001**
Rupees **Rupees**

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

Cost of goods sold	- note 25	30,761,111	34,303,200
Administration and general expenses	- note 26	1,088,302	1,310,611
Selling and distribution expenses	- note 27	576,250	497,125
		32,425,663	36,110,936

15.3 Revaluation of land was carried out during 1992, resulting in a revaluation surplus of Rs 18.83 million which has been added to the book value of land as of that date and corresponding amount credited to surplus on revaluation of land. The revaluation was carried out by independent valuers on the basis of market value.

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

15.4 Disposal of operating fixed assets

Particulars of the assets	Sold to	Cost Rupees	Accumulated depreciation Rupees	Book value Rupees	Sale proceeds Rupees	Mode of disposal
Vehicles	Employee					
	Mr. Mahmood-ul-Hassan	355,400	274	81,520	185,000	Negotiation
	Outsiders					
	Mr. Amir Saeed Khan, Karachi	800,000	751,896	48,104	285	Negotiation
Machinery	Outsiders					
	Farhan Munir (Private) Limited, Faisalabad	5,305,707	3,298,206	2,007,501	1,050,000	Negotiation
	Clayworks, Zafar Ali Road, Lahore	768	314,310	453,217	1,300	Negotiation
		7,228,634	4,638,292	2,590,342	2,820,000	

16. Assets subject to finance lease

	Cost to June 30, 2001	Additions/ (transfer)	Cost to June 30, 2002	Accumulated amortization June 30, 2001	Amortization charge/ (transfer) for the year	Accumulated amortization June 30, 2002	Book value as at June 30, 2002	Rate of amortization %
--	-----------------------------	--------------------------	-----------------------------	---	---	---	---	------------------------------

Plant and machinery	86,536,302	(2,550,000)	83,986,302	36,789,292	4,824,126	40,569	43,417,135	10
Rupees 2002	86,536,302	(2,550)	83,986,302	36,789,292	4,824,126	40,569,167	43,417	
Rupees 2001	100,581,862	(14,045,560)	86,536,302	37,159,612	5,527,445	36,789,292	49,747,010	

The amortization charge for the year has been allocated to cost of sales.

	2002 Rupees	2001 Rupees
17. Long term deposits, prepayments and deferred cost		
Security deposits	1,578,752	974,800
Deferred cost		
- Plant expansion expenses	17,600,852	35,454,546
- Head office renovation expenses on leasehold premises	603,184	904,776
- Display centre renovation expenses on leasehold premises	1,096,652	-
Machinery spares	9,446,287	3,455,419
	28,746,975	39,814,741
	30,325,727	40,789,541
18. Long term loans and other receivables		
Loans to employees - considered good		
Executives	-	10,359
Others - note 18.1	738,765	813,453
	738,765	823,812
Less: Receivable within one year		
Executives	-	10,359
Others	384,609	404,680
	384,609	415,039
	354,156	408,773
Outstanding for periods		
- less than three years	328,476	271,867
- three years and more	25,680	136,906
	354,156	408,773
18.1 Loans for purchase of motor cycle and cycle are interest free and are repayable between four to six years. All the loans are granted to the employees of the company in accordance with their terms of employment. These loans are unsecured.		
The maximum aggregate amount outstanding due from executives and other employees at the end of any month during the year was Rs Nil (2001: Rs 0.039 million) and Rs 0.871 million (2001: Rs 0.830 million) respectively.		
19. : Stores, spares and loose tools		
Consumable stores	3,424,096	5,266,979
Machinery spares [including in transit Rs 0.382 million (2001: Rs Nil)]	30,319,854	28,378,908
Loose tools	3,069,143	3,456,834
Packing material	1,335,013	2,188,921
	38,148,106	39,291,642
Less: Provision for obsolete items		
- Consumable stores	114,715	244,280
- Machinery spares	192,962	329,204
- Loose tools	22,911	31,478
- Packing material	20,560	20,560
	351,148	625,522
	37,796,958	38,666,120
20. Stock-in-trade		
Raw materials and components [including in transit Rs 20.340 million (2001: Rs 31.929 million)]	71,029,160	91,514,224
Work-in-process	20,735,949	22,704,788
Finished goods	90,741,590	106,173,354
Others- Imported sanitary ware	1,274,128	1,286,263
	183,780,827	221,678,629

Less: Provision for obsolete items		
- Raw material	2,687,060	2,118,676
- Finished goods †	765,115	
- Others- Imported sanitary ware	643,132	643,132
	4,095,307	2,761,808
	179,685,520	218,916,821

Raw materials amounting to Rs 0.390 million (2001: Rs 0.271 million) are in the possession of M/s junjua Industries and M/s Zahid Brothers for further processing.

21. Trade debts		
Considered good- unsecured		
- Associated undertakings	- note 21.1	185,926
- Others	- note 21.2	104,603,199
		108,491,414
Considered doubtful- unsecured		
- Associated undertakings	-	-
- Others	24,993,475	22,442,933
	24,993,475	22,442,933
Less: Provision for doubtful debts	24,993,475	22,442,933
	108,491,414	104,789,125

Due from associated undertakings	
Imperial Electric Company (Private) Limited	55,890
ICC Textile Limited	2,922
Interhom (Private) Limited	67,761
johnson & Philips (Pakistan) Limited	59,353
	185,926

These are in the normal course of business and are interest free.

The maximum aggregate amount outstanding due from associated undertakings at the end of any month during the year was Rs Nil (2001: Rs 0.489 million).

21.2 Included in others is an amount of Rs Nil (2001: Rs 0.064 million) and Rs 0.039 million (2001: Rs 0.015 million) recoverable from directors and executives respectively. The maximum aggregate amount outstanding due from directors and executives at the end of any month during the year was Rs 0.043 million (2001: Rs 0.064 million) and Rs 0.053 million (2001: Rs 0.026 million) respectively.

	Note	2002 Rupees	2001 Rupees
22. Loans, advances, deposits, prepayments and other receivables			
Loans to employees - considered good	- note 22.1	384,609	415,039
Due from associated undertakings- considered good	- note 22.2	620,413	1,256,737
Advances to suppliers - considered good		7,461,057	7,169,177
Advances to directors and staff	- note 22.3	119,134	311,290
Letters of credit opening charges		120,910	177,668
Income tax refundable		7,261,395	1,992,670
Claims receivable		2,108,314	166,204
Prepayments		1,817,597	2,040,181
		19,893,429	13,528,966

22.1 Included in loans to employees is an amount due from executives Rs Nil (2001; Rs 0.010 million).

22.2 Due from associated undertakings		
ICC (Private) Limited	-	682,289
Interhom (Private) Limited	-	53,078
Associated Engineers (Private) Limited		620,413
		620,413
		1,256,737

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

The maximum aggregate amount outstanding due from associated undertakings at the end of any month during the year was Rs 0.620 million (2001: Rs 1.257 million).

22.3 These relate to normal business of the company and are interest free. The maximum aggregate amount outstanding due from directors at the end of any month during the year was Rs 0.366 million (2001: Rs 0.414 million).

3EL.) Cash and bank balances		
: At banks- current accounts	777,946	792,097
In hand	3,896,958	3,099,568
	4,674,904	3,891,665

24. Operating results by division

	Insulator 2002 Rupees	2001 Rupees	Wall Tile 2002 Rupees	2001 Rupees	Floor Tile 2002 Rupees	2001 Rupees	2002 Total Rupees	2001 Total Rupees
Gross sales								
- Local	156,080,816	16,869,660	123,919,382	160,205,505	204,690,846	168,442,278	484,691,044	445,517,443
- Export	117,167,909	98,853,982	-	-	-	-	17,167,909	98,853,982
	273,248,725	215,723,642	123,919,382	160,205,505	204,691	168,442	601,858,953	544,371,425
Less: Sales tax	20,373,401	11,670,639	18,857	23,711,784	31,089,891	25,076,673	70,320,316	60,459,096
Net sales	252,875,324	204,053	105,062,358	136,493,721	173,600,955	143,365,605	531,538,637	483,912,329
Cost of sales - note 25	180,534,530	158,500,923	165,002	166,770,685	116,696,959	100,231,564	462,233,968	425,503,172
Gross profit/(loss)	72,340,794	45,552,080	(59,940,121)	(30,277)	56,903,996	43,134,041	69,304,669	58,409,157
Operating expenses								
- Administrative and general - note 26	12,004,216	9,822,169	12,641,459	19,563,492	12,641,459	13,838,184	37,287	43,223,845
- Selling and distribution - note 27	15,628	11,777	12,952,963	13,173,813	17,374,762	16,591,604	45,956,051	41,542,436
	27,633	21,599,188	25,594,422	32,737,305	30,016,221	30,429,788	83,243	84,766,281
Profit/(Loss) from operations	44,708,252	23,953	(85,534,543)	(63,014)	26,887,775	12,704,253	(13,938,516)	(26,357,124)
24.1 Segment assets	236,340,387	237,798,810	284,325,896	345,029,800	200,739,073	23,658,191	721,405,356	806,486,801
24.2 Segment liabilities	293,409	285,024,038	431,112,073	426,913,368	287,779,097	73,439	1,012,299,934	985,376,545
24.3 Non cash items (excluding depreciation/amortization)	129	172,993	9	91,466	9,442	56,302	147,869	320,761
24.4 Capital expenditure	313,179	939	882,406	282,688	614	283	1,809	1,504,568

24.5 Inter segment sales

There are no inter segment sales.

24.6 Local sales of insulator division are inclusive of Rs Nil (2001: Rs25.455 million) towards sale against international tenders.

24.7 Export sales are exclusive of Rs 0.469 million (2001: Rs Nil) towards commission-

24.8 Local sales are exclusive of Rs 0-184 million (200 f: Rs 0.157 million) towards commission.

24.9 Export sales are inclusive of Rs Nil (2001: Rs 0.4! 7 million) towards discount.

24.10 Local sales are inclusive of Rs 52.776 million (2001: Rs 57.465 million) towards discount.

25. Cost of good sold

	Insulator Rupees	Wall Tile Rupees	Floor Tile Rupees	2002 Total Rupees	2001 Total Rupees
Raw materials and components consumed	66,799,431	42,626,784	37,994,892	147,421,107	148,414,600
Stores and spares consumed	22,910,696	15,837,498	12,937,849	51,686,043	46,614,968
Salaries, wages and benefits	56,830,547	35,455,652	19,092,659	111,378,858	99,075,492
Power	10,693,345	10,286,846	5,089,550	26,069,741	25,911,020
Gas	9,295,717	17,061,090	17,079,387	43,436,194	39,244,962
Depreciation	4,836,236	18,226	7,698,469	30,761,111	34,303,200
Amortization of leased assets	2,602,461	563,069	1,658,596	4,824,126	5,527,445
Amortization of deferred cost	-	11,614,668	6,239,027	17,853,695	17,853,692
Repairs and maintenance	1,457,165	2,301,627	1,123,341	4,882,133	7,321,244
Insurance	247,218	334,196	334,196	915,610	893,424
Communication and stationery	359,030	419,333	419,333	1,197,696	1,374,828
Rent, rates and taxes	103,212	717,281	717,281	1,537,774	2,142,336
Travelling and conveyance	485,666	529,290	529,290	1,544,246	1,122,771
Others	502,635	416,198	406,198	1,325,031	967,624
	177,123,359	156,389,938	111,320,068	444,833,365	430,767,606
Opening work in process	12,065,435	9,550,269	1,089,084	22,704,788	20,181,444
Less: Closing work in process	12,433,630	7,057,335	1,244,984	20,735,949	22,704,788
	(368,195)	2,492,934	(155,900)	1,968,839	(2,523,344)
Cost of goods produced	176,755,164	158,882,872	111,164,168	446,802,204	428,244,262
Opening stock of finished goods	54,259,219	28,336,553	23,577,582	106,173,354	103,432,264
	231,014,383	187,219,425	134,741,750	552,975,558	531,676,526
Less: Closing stock of finished goods	50,479,853	22,216,946	18,044,791	90,741,590	106,173,354

	180,534,530	165,002,479	116,696,959	462,233,968	425,503,172
--	--------------------	--------------------	--------------------	--------------------	--------------------

25.1 Salaries, wages and benefits include provident fund contribution of Rs 3.640 million (2001: Rs 3.445 million).

25.2 Inter segment purchases

There are no inter segment purchases.

26. Administration and general expenses

Salaries, allowances and benefits	5,908	5,908,371	5,908,371	17,725,113	15,920,808
Communication and stationery	565,877	565,877	565,877	1,697,631	1,924,672
Travelling	359,127	359,008	359,008	1,077,143	1,046,884
Vehicle maintenance	708,177	707,964	707,964	2,124,105	2,244,195
Rent, rates and taxes	734,865	734,864	734,864	2,204,593	2,595,229
Depreciation	362,840	363	362,731	1,088,302	1,310,611
Amortization of head office renovation	100,550	100,521	100,521	301,592	301,592
Electricity and gas	300,607	300,524	300,524	901,655	869,667
Insurance	13,970	13,966	13,966	41,902	114,216
Legal and professional charges - note 32	391,058	391,058	391,058	1,173,174	992,400
Repairs and maintenance	86,762	86,762	86,762	260,286	373,050
Computer charges	57,278	57,260	57,260	171,798	234,125
Security charges	109,294	109,293	109,293	327,880	311,664
Fees and taxes	226,342	226,341	226,341	679,024	389
Provision for doubtful debts		2,007,507	2,007,507	4,015,014	13,012,065
Provision for obsolete stock	1,369,541	-	-	1,369,541	643,132
Receivables written off	294,268	294,267	294,267	882,802	322,384
Others	415,289	415,145	415,145	1,245,579	618,101
	12,004,216	12,641,459	12,641,459	37,287,134	43,223,845

26.1 Salaries, wages and benefits include provident fund contribution of Rs 0.436 million (2001: Rs 0.424 million).

27. Selling and distribution expenses

	Insulator Rupees	Wall Tile Rupees	Floor Tile Rupees	2002 Total Rupees	2001 Total Rupees
Salaries, allowances and benefits	1,633,069	4,283,102	4,283,102	10,199,273	9,443,233
Travelling	655,630	197,126	197,126	1,049,882	1,144,407
Insurance	379,730	34	34,402	448,534	417,188
Handling, freight and transportation	10,872,528	2,076,118	5,479,625	18,428,271	17,045,126
Electricity and gas	45,840	498,310	498,310	1,042,460	759,172
Vehicle maintenance	151,603	1,495,355	1,495,355	3,142,313	3,185,379
Rent, rates and taxes	219,499	1,568,161	1,568,161	3,355,821	2,871,338
Communication	229,034	845,304	846,396	1,920,734	1,817,347
Repair and maintenance	11,350	316,785	316,785	644,920	186,451
Security charges	4,913	96,144	96,144	197,201	173,628
Advertisement and sales promotion	31,307	437	794	1,262,139	1,661,273
Depreciation	-	288	288	576,250	497,125
Others	1,393,823	816,725	1,477,705	3,688,253	2,340,769
	15,628,326	12,952,963	17,374,762	45,956,051	41,542,436

27.1 Salaries, wages and benefits include provident fund contribution of Rs 0.385 million (2001: Rs 0.369 million).

27.2 Repair and maintenance includes amortization of display centre renovation amounting to Rs 0.301 million (2001: Rs 0.020 million).

	2002 Rupees	2001 Rupees
28. Other income		
Scrap sale v		24,560
Interest on long term loans to employees		196
Profit on sale of fixed assets		229,658
Exchange gain		403,701
Liabilities no longer payable - written back		883,997
Others		225,703
	1,767,815	2,586,895

29. Financial charges

Interest and mark up on		
- Long-term loans	33,051,498	36,389,796

- Long-term loans no longer payable- written back	-	(12,156,411)
- Short-term running finances	46,592,252	46,338,281
- Short-term running finances no longer payable- written back	-	(5,042,343)
- Long term loans from associated companies	556,391	1,575,945
- Short term loan	356,890	-
- Finance lease	9,142,101	10,041,736
Finance lease no longer payable- written back	-	(6,431,190)
Commission on bank guarantees	1,172,236	546,775
Bank charges	1,874,494	1,863,615
	92,745,862	73,126,204
30. Other charges		
Loss on sale of fixed assets	-	5,102

31. Provision for taxation

Current year	2,671,793	2,739,646
Prior years	(385,408)	394,980
	2,286,385	3,134,626

31.1 In view of the available tax losses, the current tax provision represents the minimum tax on turnover for the year due under section SOD of the Income Tax Ordinance, 1979.

31.2 In view of the available tax losses amounting to Rs 356.896 million, the management feels that timing differences will not reverse for some considerable foreseeable period. Consequently deferred tax to the extent of Rs 46 million (2001: Rs 63 million) has not been recognised in these accounts.

31.3 Since the company is in loss, the provision for taxation have been made on the basis of section 80D of the Income Tax Ordinance, 1979, therefore it is impracticable to prepare the tax charge reconciliation.

32. Professional services

The charges for professional services include the following in respect of auditors' services for:

Statutory audit	205,000	200,000
Statutory audit fee paid to previous auditors	15,000	60,000
Tax and secretarial services	107,000	392,400
Out of pocket expenses	25,000	25,000
	352,000	677,400

33. Remuneration of Chief Executive, Directors and Executives

33.1 The aggregate amount charged in the accounts for the year for remuneration, including certain benefits, to the Chief Executive, full time working directors and executives of the Company is as follows:

	Chief Executive		Director		Executive	
	2002 1 Rupees	2001 1 Rupees	2002 4 Rupees	2001 4 Rupees	2002 47 Rupees	2001 49 Rupees
Managerial remuneration	1,287,600	973,200	5,175,600	3,912,000	9,130,429	8,644,886
Production incentives	-	-	-	-	3,191,472	2,453,151
House rent	579,420	437,940	2,329,020	1,760,000	4,108,683	3,890,209
Utilities	285,850	318,230	859,114	782,654	935,844	848,296
Contribution to provident fund	-	-	-	-	835,138	832,058
Medical expenses	47,869	41,329	433,452	356,531	557,231	566,563
	2,200,739	1,770,699	8,797,186	6,811,185	18,758,797	17,235,163

33.2 The Company also provides some of them with company maintained cars and residential telephones.

	2002 Rupees	2001 Rupees
34. Transactions with associated undertakings		
Purchase of goods	-	245,065
Sale of goods	-	1,521,748
Mark up on long term loans	556,391	1,575,945
	556,391	3,342,758

Sale and purchase transactions with associated undertakings are carried out on commercial terms and conditions. Mark up is charged between associated undertakings on the basis of mutually agreed terms.

35. Capacity and production

	Capacity		Actual production	
	2002	2001	2002	2001
Insulators produced - tons	5,000	5,000	2,631	2,285
Wall tiles produced - sq. mtrs.	1,000,000	1,000,000	499,803	545,364
Floor tiles produced - sq. mtrs.	900,000	900,000	687,045	601,034

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. As the production of insulators is regulated according to orders from export, public sector and indigenous private electrical industries which resulted in low production during the year.

Low production activity during the year in wall tile and floor tile was due to inadequate working capital lines available with the company.

36. Cash generated from operations

Loss before taxation	(104,916,563)	(96,901,535)
Add: Adjustment for non cash charges and other items:		
Depreciation	32,425,664	36,110,936
Amortization of leased assets	4,824,126	5,527,445
Provision for gratuity	147,869	301,419
Amortization of deferred cost	18,455,700	16,486,791
(Profit/loss on sale of fixed assets)	(229,658)	5,102
Financial charges	92,745,862	73,126,204
	148,369,563	131,557,897
Profit before working capital changes	43,453,000	34,656,362
Effect on cash flow due to working capital changes:		
- (Increase)/decrease in stores and spares	869,162	8,170,315
- (Increase)/decrease in stock in trade	38,960,308	2,573,280
- (Increase)/decrease in trade debts	(3,702,289)	(6,198,263)
- (Increase) / decrease in loans, advances, deposits, prepayments and other receivables	1,655,271	(4,388,847)
- Increase/(decrease) in creditors, accrued and other liabilities	14,346,218	41,204,743
	52,128,670	41,361,228
	95,581,670	76,017,590

37. Cash and cash equivalents

	2002 Rupees	2001 Rupees
Cash and bank balances	4,674,904	3,891,665
Finances under mark-up arrangements - secured	(315,137,466)	(320,955,874)
	(310,462,562)	(317,064,209)

38. Earnings/(loss) per share

38.1 Basic earnings/(loss) per share

Net loss for the year	Rupees	(107,202,948)	(100,036,161)
Number of ordinary shares outstanding during the year	Numbers	15,333,333	15,333,333
Loss per share- basic	Rupees	(7)	(7)

38.2 Diluted earnings/(loss) per share

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

39. Financial assets and liabilities

	Interest /mark-up Bearing			Non - interest bearing			2002 Total Rupees	2001 Total Rupees
	Maturity Up to one year Rupees	Maturity after one year Rupees	Sub total Rupees	Maturity upto one year Rupees	Maturity after one year Rupees	Sub total Rupees		
Financial assets								
Loans to employees			-	384,609	354,156	738,765	738,765	813,453
Long term security deposits			-	-	1,578,752	1,578,752	1,578,752	974,800
Trade debts	-	-		108,491	-	108,491,414	108,491	104,789,125
Loans, advances, deposits, prepayments and other receivables - claims receivable			-	56,687		56,687	56,687	163,852

Finished goods - insulator				15,590		15,590,266	15,590,266	7,880,338
Cash and bank balances			-	4,674,904		4,674,904	4,674,904	3,891,665
				129,197,880	1,933	131,131	131,130,788	118,513,233
Financial liabilities								
Long term loans from directors			-		154,675,969	154,675,969	154,675,969	103,971,877
Long term loans and liabilities	74,530,971	180,180,805	254,711,776	37,006,603	4,240,431	41,247,034	295,958,810	339,516
Liabilities against assets subject to finance lease	17,570	38,734,681	56,304,848	-			56,304,848	75,266,369
Short term loans from directors	-	-	-	1,000,000		1,000,000	1,000,000	-
Short term loan	2,200		2,200,000				2,200	
Finances under mark up arrangements and other credit facilities	315,137,466	-	315,137,466	-			315,137,466	320,955,874
Creditors, accrued and other liabilities	34,336,276		34,336,276		140,360	140,359,591	174,695,867	135,267,717
Letters of credit	-			17,694		17,694,000	17,694,000	24,597,912
	443,774,880	218,915,486	662,690,366	196,060,194	158,916,400	354,976,594	1,017,666,960	999,576,150

39.1 Financial instruments and risk management

Overall, risks arising from the company's financial instruments are limited.

39.2 Interest rate risk management

The company borrows at fixed and market based rates as such the risk arising is minimized.

39.3 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs 131.131 million, the financial assets which are subject to credit risk amounted to Rs 127.234 million. The company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the company applies credit limits to its customers.

39.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign companies. V »

39.5 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

40. Date of authorization of issue

These financial statements were authorised for issue on September 23rd, 2002 by the board of directors of the company.

41. Corresponding figures

Corresponding figures have been rearranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

42. During the year the company has adopted the recognition and measurement principles specified in International Accounting Standard 39 (IAS 39). This has no material effect on the financial results of the company for the year.

S. A. Mannan

Chairman

Tariq Rehman

Chief Executive

PATTERN OF SHARE HOLDING
BY THE SHAREHOLDING AS ON JUNE 30, 2002

No of Shareholders.	ShareHolding		Total Shares held
	From	To	
30	1	100	1,876

282	101	500	68,839
77	501	1000	53,606
126	1001	5000	278,776
22	5001	10,000	152,874
11	10,001	15,000	135,004
3	15,001	20,000	57,205
2	20,001	25,000	48,700
5	25,001	30,000	138,641
2	30,001	35,000	63,400
1	45,001	50,000	47,915
	50,001	55,000	54,594
2	60,001	65,000	129,400
8	65,001	70,000	547,133
1	70,001	75,000	71,300
4	75,001	80,000	305,577
1	110,001	115,000	112,355
1	115,001	120,000	115,575
3	130,001	135,000	396,820
3	145,001	150,000	445,230
	160,001	165,000	160,770
	165,001	170,000	165,668
	170,001	175,000	172,500
	175,001	180,000	177,125
2	180,001	185,000	367,970
	195,001	200,000	197,192
	200,001	205,000	201,250
	205,001	210,000	208,920
	235,001	240,000	235,149
	250,001	255,000	252,158
	255,001	260,000	258,411
	270,001	275,000	271,290
	280,001	285,000	283,654
	330,001	335,000	332,739
	335,001	340,000	339,093
	340,001	345,000	345,000
	370,001	375,000	371,960
	645,001	650,000	648,123
	650,001	655,000	654,301
	670,001	675,000	671,312
	740,001	745,000	741,382
	1,305,001	1,310,000	1,308,603
	1,730,00	1,735,000	1,732,618
	2,010,001	2,015,000	2,011,325
610			15,333,333

Categories of Shareholders	Number	Shares held	Percentage%
Individuals	591	6,372,590	41.56%
Insurance Companies	4	330,872	2.16%
joint Stock Companies	8	4,628,782	30.19%
Financial Institutions	6	2,692,486	26.10%
Foreign Company	-	1,308,603	8.53%
Total	610	15,333,333	100.00%

PATTERN OF SHAREHOLDING

DETAIL OF COMPANIES

Sr. Name of the Shareholder	Category shares held	No. of
1 THE IMPERIAL ELECTRIC CO.(PVT) LIMITED.	Joint Stock Company	1,732,618
2 M/S. ASSOCIATED ENGINEERS (PVT) LIMITED .	joint Stock Company	2,011,325
3 M/S. ICC (PVT.) LIMITED.	joint Stock Company	741,382
4 M/S. MUNIR HOLDING COMPANY LIMITED.	joint Stock Company	2,300
5 M/S . HIGH GRADE CARPETS (PVT.) LIMITED.	joint Stock Company	287
6 M/S. GOLDEN ARROW SELECTED STOCKS FUND LIMITED.	joint Stock Company	68,040
7 M/S ASIAN SECURITIES LIMITED.	joint Stock Company	24,915
8 M/S. ASIAN STOCKS FUND LIMITED.	joint Stock Company	47,915
9 M/S. STATE LIFE INSURANCE CO. LTD.	Insurance Company	115,575
10 M/S. EFU GENERAL INSURANCE CO. LTD.	Insurance Company	134,165

1	M/S. ADAMJEE INSURANCE COMPANY LIMITED.	Insurance Company	68,482
2	M/S. GULF INSURANCE COMPANY LIMITED.	Insurance Company	12,650
3	M/S.INVESTMENT CORPORATION OF PAKISTAN (ICP).	Financial Institution	648,123
14	M/s. NATIONAL BANK OF PAKISTAN(NIT)	Financial Institution	671,312
15	M/S. PAKISTAN INDUSTRIAL CREDIT & INVESTMENT (PICIC).	Financial Institution	172,500
16	M/S.CRESCENT INVESTMENT BANK LIMITED.	Financial Institution	654,301
17	M/S. AL-TOWFEEK INVESTMENT BANK LIMITED.	Financial Institution	201,250
18	M/S FAYSAL INVESTMENT BANK LIMITED.	Financial Institution	345,000
19	M/S.NEDERLANDSEFINANCIERINGS(FMO) HOLLAND.	Foreign Company	1,308,603
			8,960,743

Detail of Directors & their spouses, children etc.

Name of Shareholders	Designation	Shares	%age
1. Mr. S.A. Mannan	Chairman	545,560	3.56
2. Mrs. Kalsum Mannan	Spouse	112,355	0.73
3. Mr. Tariq Rehman	Chief Executive	387,333	2.53
4. Mrs. Shahima Rehman	Spouse	165,668	1.08
5. Mr. Haris Noorani	Director	63,740	0.42
6. Mr. Suhail Mannan	Director	632,393	4.12
7. Mr. Iqbal Shafiq	Director	291,777	1.9
8. Mrs. Ayesha Noorani	Director	339,093	2.21
9. Miss. Maha Rehman	Director	252,158	1.64
		2,790,077	18.19