

## **Emco Industries Limited**

Annual Report 1999

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### **Company Information**

#### **Board of Directors**

Mr. S. A. Mannan, Chairman

Mr. Tariq Rehman, Chief Executive

Mr. A. Rehman

Mr. Shafiq A. Siddiqi

Mr. T.M. Sheikh

Mr. Haris Noorani

Mr. Suhail Mannan

Mr. Tahir Rehman

Mr. Iqbal Shafiq

Mr. Muhammad Shafiq Gill-ICP Nominee

#### **Auditors**

S.A. Salam & Co.

Chartered Accountants,

Lahore

#### **Bankers**

Habib Bank Ltd.

United Bank Ltd.

Standard Chartered Bank

Emirates Bank International

Deutsche Bank A.G.

American Express Bank Ltd.

#### **Registered Office**

2nd Floor, Emirates Bank Building,

14-Kashmir-Egerton Road,

Lahore-54000

#### **Factory**

19-Kilometre, Lahore-Sheikhupura Road,

Lahore.

### **Business Items**

#### **Porcelain Insulators**

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

#### **Switchgear**

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

#### **Chemical Porcelain**

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

#### **Special Porcelain**

- Special Refractories
- High Alumina Porcelain  
Lining & Grinding Media

#### **Ceramic Glazed Wall Tiles**

Coloured & Decorative Glazed Wall Tiles  
15cmx 15cmx6mm  
20 cm x 25 cm x 6mm

#### **Ceramic Glazed Floor Tiles**

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

### **Notice of Meeting**

NOTICE IS HEREBY GIVEN that the 44th Annual General Meeting of the Members of EMCO INDUSTRIES LIMITED, will be held on 29th December, 1999 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, 1999.
2. To consider and adopt the Audited Accounts of the Company for the year ended 30th June, 1999 and reports of the Auditors and Directors thereon.
3. To appoint Auditors and fix their remuneration.

By order of the Board  
**(HARIS NOORANI)**  
DIRECTOR CORPORATE AFFAIRS

Lahore: November 29, 1999

**NOTES:**

i) The Shares Transfer Books of the Company will remain closed and no transfer of Shares will be accepted for registration from 20th December, 1999 to 29th December, 1999 (both days inclusive).

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

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

**Directors' Report**

The Board of Directors is pleased to present the 44th Annual Report of EMCO Industries Limited year ended June 30, 1999

**Financial Results**

	Rupees
Net loss for the year after taxation	(146,357,682)
Unappropriated loss brought forward from prior year	(58,257,837)
Unappropriated loss carried forward	(204,615,519)

**Pattern of Holding of Shares**

A statement showing the pattern of holding of shares in the Company as on June 30, 1999 appears in the last.

**Auditors**

The retiring auditors, Messrs. S.A. Salam 8: Co, being eligible, offer themselves for re-appointment.

**Chairman's Review**

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

On behalf of the Board of Directors

Lahore: November 29, 1999

TARIQ REHMAN  
(Chief Executive)

**FINANCIAL HIGHLIGHTS**

		June 30, 1999	June 30, 1998
Net Sales	Rs. in Million	480	307
Profit / (Loss) before tax	Rs. in Million	(143.9)	(62.7)
Income Tax	Rs. in Million	2.4	1.5
Profit/(Loss) after tax	Rs. in Million	(146.3)	(64.2)
Earning Per Share	Rs. in Million	(9.57)	(5.58)
No. of Shares Outstanding	(000's)	15,333	11,500
Taxes & Duties	Rs. in Million	84*	83*

\* For details see Note 31 to the Accounts

**APPLICATION OF REVENUE**

*Rupees*

	<i>In Million</i>	%
Material Services & Utilities	317	55.90%
Depreciation	52	9.20%
Taxes & Duties	84	14.80%
Salaries	114	20.10%
	-----	-----
	567	100%

## TEN YEARS AT A GLANCE

	1999	1998	1997	1996	1994	1993	1992	1991	1990	1989
	18 Months									
<b>(Rupees in Million)</b>										
Net Total Sales	480	307	490	791	462	348	417	296	238	192
Exports	78	50	50	44	31	20	8	17	23	16
Employees Costs	114	76	126	183	103	85	81	65	53	46
Profit/(Loss) before tax	(144)	(63)	(20)	38	23	15	25	17	26	16
Profit/(Loss) after tax	(146)	(64)	(23)	54	21	23	15	14	23	9
Earning per share	(9.55)	(5.58)	(2.25)	8.97	3.45	5.83	3.78	3.54	5.74	2.17
Capital Expenditure	2	255	29	102	28	15	61	84	84	15
Cash Dividend Rate	-	-	-	20.00%	17.50%	17.50%	15.00%	15.00%	20.00%	17.50%
Stock Dividend Rate	-	-	15%	-	-	-	-	-	-	-
Shareholders' Equity	79	187	251	213	172	159	99	89	81	66

## CHAIRMAN'S REVIEW

On behalf of the Board of Directors it gives me great pleasure to welcome you to the 44th Annual General Meeting of the Company and to present before you the Annual Report and Financial Statements for the year ended 30th June, 1999.

During this year your Company has sustained a loss after tax amounting to Rs. 146.358 million as compared to a loss of Rs. 64.197 million last year. In 1997-98 losses incurred during Expansion and Trial Run periods were deferred for amortisation over next five years. Continuous losses since last three years have resulted in serious cash flow problems. Current year's loss can be attributable to the following reasons:

1. Owing to the continued financial crisis of WAPDA, the Company even this year did not have sufficient orders to run its Insulator Plant at Profitable level. However, there have been about 50 million increase in the net sales from Rs. 121 million to 170 million of this division and average monthly production achieved during the year was 145 tons as compared to 72 tons last year which has resulted into reducing losses of this Division substantially.
2. About 82% of the total losses pertains to Wall and Floor Tile Divisions out of which Wall Tile's share is substantially high because of the following reasons:
  - a. Spray Dryer Machine which feeds granulate to both the Wall and Floor Tile Plants was shut down for a period of two months for major repair and maintenance which caused closure of Floor Tile plant completely for two months whereas the Wall Tile plant was run with stand-by Spray Dryer which was not sufficient to meet the market requirement.
  - b. Owing to closure of plants due to major repair of Spray Dryer the fixed factory overheads resulted into increasing the cost of product as compared to Net Realisable Value (NRV). Consequently major portion of finished goods inventory had to be valued at NRV.
  - c. Despite fresh working capital facilities of Rs. 100 million from UBL which was basically a part replacement of lines blocked by foreign banks, the Company faced lot of problems in production due to inadequate working capital lines specially L/C and guarantee facilities. Had

there been adequate working capital lines available with the Company the production performance would have been much better.

d. Some technical problems were also faced during the year which can be attributable to frequent production stoppages due to non-availability of imported raw materials. Continuity of production is a key factor to get quality product in Ceramic Industry.

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

4. This was the first year in which the full year's financial charges, depreciation on expanded production facilities and amortisation of deferred cost which works out to Rs. 65.717 million were charged to Profit and Loss Account.

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

The Company during the year declared right issue for Rs. 38.333 million in the ratio of one share for three shares already held. Because of the poor response from General Public which was obvious due to economic condition of the Country, and Company's financial position in particular, 99% portion remained un-subscribed which was picked up by the sponsoring directors.

The Company has adequate orders in hand to achieve break even level for Insulator Division. There has been substantial increase in Export of Insulators and concerted efforts are being made to further increase export sales. To achieve break even level in Insulator Division seems possible in 1999-2000.

In first quarter of the current year the Floor Tile has shown positive results. Efforts are being made to maximise profit of this division.

The financial results of Wall Tile has very adversely affected the over all performance of the Company. As stated earlier the Company is facing acute shortage of L/C and guarantee facilities and existing lines are sufficient only to run Insulator and Floor Tile plants. To bridge the gap of working capital lines your Company has requested AMEX led consortium to provide additional non-funded facilities so that losses being sustained by the Company due to non-availability of imported raw materials can be stopped. The negotiations are still going on in his respect and we hope the consortium will come up to help the company for its genuine needs.

During the year your Company requested the long term lenders and leasing companies for rescheduling of loan for a period ranging from 1 to 11/2 years which was accepted by them. The long term loan of Rs. 175 million provided by the AMEX led consortium was rescheduled and the loan period was increased from 5 to 6 1/2 years. A short term facility of Rs. 40 million was also re-structured with Citibank N.A. according to which the short term facility was converted into long term for a period of six years with a grace period of one year. The monthly repayment of this loan will start from June 30, 2000 and mark-up rate has been agreed at 10% per annum.

Computer problems relating to Year-2000 called as "Millennium Bug" is a major issue being faced by all over the world. Your company has already obtained Year-2000 Compliance Certificate from the Software Consultants.

#### **EMPLOYEES RELATIONS**

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

#### **FUTURE LOOK**

Keeping in view the financial results of the Company it appends that next two years are going to be difficult during which Company is likely to tide over its cash flows to honour its financial obligations. The insulator and Floor .The Divisions are doing well and it is expected that these divisions will show substantial improvement in financial results during year 1999-2000. Efforts are being made to minimise the losses of

Wall Tile by improving recoveries and product mix. Additional working capital facilities required to achieve desired results are being arranged.

#### ACKNOWLEDGMENT

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, dealers, and bankers who have reposed confidence in the products supplied to them and would like to re-affirm the Company's pledge to continue "To Provide Quality Products and Services to the Satisfaction of Customers."

Lahore : November 29, 1999.

S. A. MANNAN  
(Chairman)

#### Auditors' Report to the Members

We have audited the annexed Balance Sheet of EMCO Industries Limited as at June 30, 1999 and the related Profit and Loss Account and Statement of Changes in financial position, 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 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 and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied.

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and the Statement of Changes in financial position, 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, 1999 and of the loss and the changes in financial position for the year then ended; and

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

Lahore: November 29, 1999.

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

#### BALANCE SHEET AS AT JUNE 30, 1999

	Note	June 30, 1999 Rupees	June 30, 1998 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
25,000,000 ordinary shares of Rs. 10 each.		250,000,000	250,000,000
		=====	=====
Issued, subscribed and paid up capital	3	153,333,330	115,000,000
Reserves and unappropriated profit/(loss)	4	(74,716,993)	71,640,689

		78,616,337	186,640,689
<b>SURPLUS ON REVALUATION OF LAND</b>	5	18,830,530	18,830,530
<b>SUBORDINATED LOAN</b>	6	63,400,000	67,000,000
<b>LONG TERM AND DEFERRED LIABILITIES</b>			
Long term loans	7	194,437,500	137,543,948
Liabilities against assets subject to finance lease	8	62,523,056	48,885,973
Deferred liabilities	9	13,730,524	25,128,657
		270,691,080	211,558,578
<b>CURRENT LIABILITIES</b>			
Short term finances - Secured	10	342,476,290	334,502,606
Loan from associated company - Unsecured		3,200,000	--
Current maturity of long term loans	7	35,319,347	52,962,899
Current maturity of liabilities against assets subject to finance lease	8	21,420,407	26,057,086
Current maturity of deferred import levies	9	2,392,469	2,392,469
Creditors, accrued and other liabilities	11	125,092,025	114,469,612
		529,900,538	530,384,672
<b>CONTINGENCIES &amp; COMMITMENTS</b>	12	-	-
		961,438,485	1,014,414,469
<b>TANGIBLE FIXED ASSETS</b>			
Operating assets	13	397,648,869	440,129,756
Assets subject to finance lease	14	74,720,073	82,694,207
		472,368,942	522,823,963
<b>DEFERRED EXPENSES</b>	15	87,610,671	110,947,274
<b>LONG TERM LOANS AND DEPOSITS</b>	16	933,653	977,274
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	17	47,188,816	52,921,864
Stock-in-trade	18	182,546,935	178,340,967
Trade debts	19	106,368,829	101,827,919
Advances, deposits, prepayments and other receivables	20	63,561,853	44,831,969
Cash and bank balances	21	858,786	1,743,239
		400,525,219	379,665,958
		961,438,485	1,014,414,469

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

Lahore: November 29, 1999.

**S. A. Mannan**  
(Chairman)

**Tariq Rehman**  
(Chief Executive)

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

Note	June 30, 1999 Rupees	June 30, 1998 Rupees
------	----------------------------	----------------------------

Gross Sales	22	539,835,312	368,165,018
Less: excise duty & sales tax		60,206,616	60,911,668
		-----	-----
Net Sales		479,628,696	307,253,350
Cost of sales	23	426,564,457	258,313,323
		-----	-----
<b>GROSS PROFIT</b>		53,064,239	48,940,027
<b>OPERATING EXPENSES</b>			
Administration and general	24	28,243,441	22,820,547
Selling and distribution	25	42,268,865	27,665,633
		-----	-----
		70,512,306	50,486,180
		-----	-----
<b>LOSS FROM OPERATIONS</b>		(17,448,067)	( 1,546,153)
Other income	26	482,846	2,932,589
		-----	-----
		(16,965,221)	1,386,436
Financial charges	27	126,994,318	64,046,767
		-----	-----
<b>LOSS BEFORE TAXATION</b>		(143,959,539)	(62,660,331 )
Taxation	28	2,398,143	1,536,267
		-----	-----
<b>LOSS AFTER TAXATION</b>		(146,357,682)	(64,196,598)
Unappropriated profit/(loss) brought forward		(58,257,837)	5,938,761
		-----	-----
Unappropriated loss' carried to reserves	4	(204,615,519)	(58,257,837)
		=====	=====

Lahore: November 29, 1999.

**S.A. Mannan**  
(Chairman)

**Tariq Rehman**  
(Chief Executive)

#### STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED JUNE 30, 1999

	June 30, 1999 Rupees	June 30, 1998 Rupees
<b>Cash Flow from Operating Activities</b>		
Loss before tax	(143,959,539)	(62,660,331 )
Adjustments to reconcile net loss before tax to net cash provided by operating activities:		
Depreciation	52,147,115	34,661,122
(Gain)/Loss on sale of fixed assets	8,418	(754,050)
Provision for staff gratuity	970,597	1,181,172
Interest expense	126,994,318	64,046,767
Movement in working capital (Note -A)	(13,534,483)	58,501,743
	-----	-----
	166,585,965	157,636,754
	-----	-----
Cash generated from operations	22,626,426	94,976,423
Deferred expenses	23,336,603	(110,947,274)
Golden hand shake	(6,000,000)	15,000,000
	-----	-----
	17,336,603	(95,947,274)
	-----	-----
Payments for:		
Staff gratuity	(500,257)	(1,067,564)



Interest	(121,730,705)	(54,654,965)
Income tax	(1,187,346)	(1,187,346)
Deferred import levies	(2,392,468)	(2,392,468)
Payment of golden handshake liability	(3,476,005)	--
	(130,148,008)	(59,302,343)
Net cash (used) provided by operating activities	(90,184,979)	(60,273,194)
<b>Cash Flow from Investing Activities</b>		
Movement in long term loans & advances	43,621	1,684,357
Capital Expenditure	(2,369,585)	(64,634,463)
Sale proceeds of fixed assets	669,072	3,278,000
Net cash (used <sup>1</sup> ) provided by investing activities	(1,656,892)	(59,672,106)
<b>Cash Flow from Financing Activities</b>		
Proceeds from issue of share capital	38,333,330	--
Subordinated Loan	(3,600,000)	67,000,000
Movement in long term loans	39,250,000	(9,212,900)
Repayment of lease finance	9,000,404	(14,133,330)
Net cash (used)/provided by financing activities	82,983,734	43,653,770
Net (decrease)/increase in cash & cash equivalents	(8,858,137)	(76,291,530)
Cash & cash equivalent at beginning of the year	(332,759,367)	(256,467,837)
Cash & cash equivalent at the end of the year (Note-B)	(341,617,504)	(332,759,367)

**A: Movement in Working Capital**

(Increase) / Decrease in current assets

Stores and spares	5,733,048	(594,851)
Stock-in-trade	(4,205,968)	21,858,932
Trade debts	(4,540,910)	14,358,457
Advances, deposits, prepayments & other receivables	(19,079,454)	14,854,471
	(22,093,284)	50,477,009
Increase/(Decrease) in current liability		
Loan from associated company	3,200,000	--
Creditors, accrued & other liabilities	5,358,801	8,024,734
	(13,534,483)	58,501,743

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

Cash at bank & in hand	858,786	1,743,239
Secured short term finances	(342,476,290)	(334,502,606)
	(341,617,504)	(332,759,367)

**C: Supplemental Schedule of Non-cash Investing  
and Financing Activities:**

Purchase of fixed assets against finance lease	--	26,201,340
--	----	------------

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1999**

### **1. STATUS AND NATURE OF BUSINESS**

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

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1 Accounting Convention**

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

#### **2.2 Staff Retirement Benefits**

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

#### **2.3 Taxation**

##### **a) Current**

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

##### **b) Deferred**

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

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

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

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

##### **a) Fixed assets except freehold land are stated at cost less accumulated depreciation.**

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

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

during the period.

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

#### 2.6 Assets subject to finance lease

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

#### 2.7 Stores, spares and loose tools

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

#### 2.8 Stock-in- Trade

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

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

#### 2.9 Revenue recognition

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

	<b>June 30, 1999 Rupees</b>	<b>June 30, 1998 Rupees</b>
<b>3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
12,533,333 (1998: 8,700,000) ordinary shares of Rs. 10 each fully paid in cash (note 3(a))	125,333,330	87,000,000
2,800,000 (1998: 2,800,000) ordinary shares of Rs. 10 each issued as fully paid as bonus shares	28,000,000	28,000,000
	----- 153,333,330	----- 115,000,000
	=====	=====

3(a) During 1998-99 right issue amounting to Rs. 38,333,330 was declared at par @ one share for three shares held.

#### 4. RESERVES AND UNAPPROPRIATED PROFIT/LOSS

Capital reserve (note 4 (a))	39,898,526	39,898,526
Revenue reserve (note 4 (b))	(114,615,519)	31,742,163
	----- (74,716,993)	----- 71,640,689
	=====	=====
a) Capital reserve	39,898,526	39,898,526
	=====	=====
b) The revenue reserve consists of:		
General reserve	90,000,000	90,000,000
Unappropriated (loss)	(204,615,519)	(58,257,837)
	----- (114,615,519)	----- 31,742,163
	=====	=====

**5. SURPLUS ON REVALUATION OF LAND**

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

**6. SUBORDINATED LOAN**

Subordinated loan from banks (note 6 (a))	60,100,000	56,500,000
Loan from Associated Company (note 5 (b))	3,300,000	10,500,000
	-----	-----
	63,400,000	67,000,000
	=====	=====

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

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

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

**7. LONG TERM LOANS-SECURED****Foreign Currency Loans**

<b>FMO</b>	7.2	12,694,347	12,694,347
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**Local Currency Loans**

PICIC	7.3	2,062,500	2,812,500
American Express Bank	7.5	40,000,000	40,000,000
Standard Chartered Bank	7.5	35,000,000	35,000,000
Saudi Pak Inv. Co.	7.5	50,000,000	50,000,000
Deutsche Bank AG	7.5	30,000,000	30,000,000
1st Int. Inv. Bank	7.5	20,000,000	20,000,000
Citibank	7.6	40,000,000	--
		-----	-----
		217,062,500	177,812,500
		-----	-----
		229,756,847	190,506.85

Less: Current maturity of long term loans shown under current liabilities		(35,319,347)	(52,962,899)
		-----	-----
		194,437,500	137,543,948
		=====	=====

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

7.2 The total sanctioned loan is of DFL 4.8 million. The year end balance has been translated at DFL: 8.7258=100 Pak Rupees at which rate the exchange risk cover has been provided by State Bank of Pakistan. The loan is repayable in 13 equal half yearly installments commencing from January 01, 1994 and carries interest at 9% per annum excluding exchange risk fee of 5% per annum.

Loan installment due on January 01,1999 was remitted during July, 1999 due to delay in granting approval by State Bank of Pakistan. Only one installment of this loan is left which will be remitted in January, 2000.

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

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

7.5 The Company has obtained a Medium Term Loan amounting to Rs. 175 Million from American Express Bank led consortium for expansion of Wall Tile project. The consortium consists of the following Banks:

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

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

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

7.6 This represents conversion of running finance facility of Rs. 40 million into long term loan.

This carries markup @ 10% per annum. The loan is repayable in 60 equal installments starting from June 30, 2000 after a grace period of one year. The markup on loan has been included in the monthly installment which works out to be Rs. 937,880/-. The loan is secured against first pari-passu charge on the current assets of the company to the extent of facility amount plus markup (with additional 210 days coverage as per normal banking practice).

	<b>June 30, 1999 Rupees</b>	<b>June 30, 1998 Rupees</b>
<b>8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Present Value of minimum lease payments	83,943,463	74,943,059
Less: Current maturity shown under current liabilities	(21,420,407)	(26,057,086)
	-----	-----
	62,523,056	48,885,973
	=====	=====

The present value of minimum lease payments has been discounted using the rates of interest implicit in the lease agreements varying from 20.36% to 26.20% per annum. Purchase option is exercisable by the Company and the Company intends to exercise this option. In case of any late payment, charges ranging from 0.083 to 0.1% per thousand per day are payable. In case of early termination of lease the Company is obliged to deliver the asset to the lessor along with payment of agreed loss value as per lease agreements.

#### 9. DEFERRED LIABILITIES

Staff gratuity		
Balance at beginning of the year	3,709,890	3,596,282
Payments during the year	(500,257)	(1,067,564)
Provision for the year	970,597	1,181,172
	-----	-----
Balance at the end of the year	4,180,230	3,709,890
Deferred import levies	6,418,768	8,811,236
Less: current maturity shown under current liabilities	(2,392,469)	(2,392,469)

	4,026,299	6,418,767
Golden hand shake payable	5,523,995	15,000,000
	13,730,524	25,128,657

**10. SHORT TERM FINANCES - SECURED****Citibank N.A.**

Running finance	-	37,959,842
Import finance (TR)	-	975,726
Demand finance	-	11,562,600

**Standard Chartered Bank**

Running finance	39,996,991	48,357,317
Export re-finance	12,760,000	34,649,000
Import finance (TR)	8,350,000	16,554,000

**Deutsche Bank AG**

Running Finance	14,972,026	14,974,686
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**American Express Bank Ltd.**

Running finance	19,570,441	19,985,857
Export re-finance	-	8,711,000
Import finance	-	1,131,481

**Emirates Bank International**

Running finance	41,983,530	43,148,308
-----------------	------------	------------

**Habib Bank Ltd.**

Running finance	85,946,697	79,887,596
Export re-finance	13,215,000	10,000,000
Import finance	26,803,109	4,80,871

**Credit Agricole Indosuez Bank**

Running finance	-	1,797,322
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**United Bank Ltd.**

Running finance	33,355,085	-
Export re-finance	10,054,000	-
Import finance	16,517,880	-

**Faysal Bank Ltd.**

Running finance	14,988,080	-
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**Soneri Bank Ltd.**

Running finance	3,963,451	-
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	342,476,290	334,502,606
--	-------------	-------------

Short term finances include running finance, import finance, export re-finance and finance against bills discounting obtained from various banks. Total sanctioned facilities from various banks amounts to Rs. 330.06 million (1998: Rs. 403 million). The rates of markup ranges from 17% to 18.5% per annum except for export re-finance which carries mark up at 8% per annum.

The facilities for letters of credit and bank guarantees from various banks amounts to Rs. 110.63 million (1998: Rs. 263 million). The amount utilised at the year end amounts to Rs. 16.5 million for letters of credit (1998: Rs. 44.50 million) and Rs. 51.11 million for guarantees (1998: Rs. 45.28 million). These facilities are secured by hypothecation of stocks and book debts, second charge on fixed assets and certain securities owned by directors and their family members.

	June 30, 1999 Rupees	June 30, 1998 Rupees
<b>11. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
Creditors	43,492,245	45,116,637
Accrued salaries, benefits and other expenses	13,618,246	17,965,241
Accrued interest and other financial charges	35,999,581	30,735,968
Sales tax payable	3,619,575	3,240,813
Unclaimed dividend	209,565	210,261
Other payables	28,152,813	17,200,692
	-----	-----
	125,092,025	114,469,612
	=====	=====

**12. CONTINGENCIES AND COMMITMENTS**

Counter-guarantees to banks	51,982,606	50,068,897
Letters of credit other than for capital expenditure	16,547,220	22,083,000
Commitments in respect of lease arrangements executed by the company are as follows:		
1999-2000	38,438,501	32,087,872
2000-2001	40,057,749	20,906,265
2001-2002	27,401,337	8,970,000
2002-2003	10,486,366	1,295,780
2003-2004	2,004,813	--

**13. OPERATING ASSETS****13.1 The following is a statement of operating assets:**

Description	COST			(Amounts in Rupees)						
	Cost/ Revaluation as at June 30, 1998	Additions/ transfers* during the year	Sales/ transfers* during the year	Cost/ Revaluation* as at June 30, 1999	Accumulated depreciation as at 30-Jun-99	Accumulated depreciation relating to sales/transfers''	Depreciation for the year	Accumulated depreciation as at June 30, 1999	Net book value as at June 30, 1999	Annual rate of depreciation %
Freehold Land	220,881,146	--	--	22,088,046	--	--	--	--	22,088,046	
Building on freehold land	75,328,243	--	--	75,328,243	40,526,719	--	3,480,153	44,006,872	31,321,371	10
Roads and boundary wall	6,805,914	--	--	6,805,914	2,266,791	--	226,956	2,493,747	4,312,167	5
Residential quarters	3,752,109	--	--	3,752,109	1,786,254	--	196,585	1,982,839	1,769,270	10
Plant and machinery	582,625,340	2,216,385 661,250*	(6,000,000)*	579,502,975	217,506,133	(50,000)* 205,981 *	36,184,086	253,846,200	325,656,775	10
Tools and equipment	6,287,297	--	--	6,287,297	4,641,939	--	329,072	4,971,011	1,316,286	20
Dies	2,588,154	--	--	2,588,154	2,554,837	--	13,327	2,568,164	19,990	40
Furniture and fixture	5,131,616	--	(46,053)	5,085,563	3,953,785	(37,591)	233,874	4,150,068	935,495	20
Office equipment	11,450,311	153,200 984,000*	--	12,587,511	7,956,522	--	806,275	9,362,405	3,225,106	20
Vehicles	12,370,189	9,081,786*	( 1,829,926)	19,622,049	8,594,181	( 1,160,898) 5,013,147*	1,435,124	13,881,554	5,740,495	20
Tubewells	1,127,159	--	--	1,127,159	446,243	--	68,092	514,335	612,824	10
Construction machinery	167,401	--	--	167,401	127,213	--	4,019	131,232	36,169	10
Show room renovation	1,715,613	--	--	1,715,613	9,471,119	--	153,719	1,100,738	614,875	20
Total (Rupees) 1999	731,437,392	13,096,621	(7,875,979)	736,658,034	291,307,636	4,570,247	43,131,282	339,009,165	397,648,869	--
Total (Rupees) 1998	507,366,693	228,553,695	(4,482,996)	731,437,392	268,884,764	(3,047,719)	25,470,591	291,307,636	440,129,756	--

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

	<b>June 30, 1999 Rupees</b>	<b>June 30, 1998 Rupees</b>
Cost of sales	41,186,675	17,808,393
Administration and general expenses	1,354,391	575,137
Selling and Distribution expenses	590,216	404,239
Deferred Cost	--	6,682,822
	-----	-----
	43,131,282	25,470,591
	=====	=====

#### 14. ASSETS SUBJECT TO FINANCE LEASE

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

Description	(Amounts in Rupees)									
	Cost as at 30-Jun-98	COST Additions during the year	Adjustments	Cost as at June 30, 1999	Accumulated depreciation as at June 30, 1998	DEPRECIATION relating to Adjustments	Depreciation for the year	Accumulated depreciation as at 30-Jun-99	Net book Value as at June 30, 1999	Annual Rate depreciation %
Vehicles	18,627,166	--	(9,081,786)	9,545,380	9,453,992	(5,013,147)	1,020,907	5,461,752	4,083,628	20
Office equipment	3,447,150	--	(984,000)	2,463,150	17,448,614	(599,608)	263,578	1,408,838	1,054,312	20
Plant and machinery	92,347,552	--	5,338,750	976,863,112	20,528,801	(155,980)	7,731,348	28,104,169	69,582,133	10
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total (Rupees) 1999	114,421,868	--	(4,727,036)	109,694,832	31,727,661	(5,768,735)	9,015,833	34,974,759	74,720,073	
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total (Rupees) 1998	90,055,028	26,201,340	(1,834,500)	114,421,868	23,282,957	(745,827)	9,190,531	31,727,661	82,694,207	
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

14.2 The depreciation charge has been allocated as follows:

	<b>June 30, 1999 Rupees</b>	<b>June 30, 1998 Rupees</b>
Cost of sales	8,131,628	6,652,611
Administration and general expenses	597,873	1,046,006
Selling and distribution expenses	286,332	364,764
Deferred Cost	--	1,127,150
	-----	-----
	9,015,833	9,190,531
	=====	=====

#### 14.3 DISPOSAL OF FIXED ASSETS

Description	Original Cost	Accumulated Depreciation	Written Down Value	Sale Proceeds	Gain/(Loss)	Name & Address of Purchaser (By negotiation)
Vehicle	111,000	97,964	13,036	30,000		16,964 Employee
Vehicle	445,640	245,994	199,646	210,000		10,354 Employee
Vehicle	335,000	214,936	120,064	120,000		(64) Employee
Vehicle	598,974	384,302	214,672	182,472		(32,200) Employee
Vehicle	339,31	217,702	121.61	115,000		(6,610) Mr. Muhammad Gulzar R/o Jinnah Park, Sheikhpura
Furniture	46,053	37,591	8,462	11,600		3,138 Employee
	-----	-----	-----	-----	-----	-----
	1,875,979	1,198,489	677,490	669,072	(8,418)	
	=====	=====	=====	=====	=====	=====

<b>June 30, 1999 Rupees</b>	<b>June 30, 1998 Rupees</b>
-------------------------------------	-------------------------------------

#### 15. DEFERRED EXPENSES



Deferred expenses of golden hand shake (note 15 (a))	17,207,242	22,942,988
Deferred plant expansion expenses (note 15 (b))	70,403,429	88,004,286
	-----	-----
	87,610,671	110,947,274
	=====	=====

15 (a) In order to adjust the staff strength according to business volume in Insulator Division an early retirement scheme was offered during 1997-98.266 applications were received which were all accepted by the management. Total cost under this scheme was Rs. 28.679 million.

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

15 (b) These represent expenses and losses incurred during expansion and trial run period. These expenses will be amortized over a period of 5 years beginning from July 01, 1998.

#### 16. LONG TERM LOANS AND DEPOSITS

SECURITY DEPOSITS	461,600	392,800
LONG TERM LOANS (note 16(a))	472,053	584,474
	-----	-----
	933,653	977,274
	=====	=====

16 (a) Long term loans to employees considered good

Executive	69,556	99,105
Others	846,490	608,100
	-----	-----
	916,046	707,205
	=====	=====

Less: Installments due within 12 months (Note 20)

Executives	26,837	35,713
Others	417,156	87,018
	-----	-----
	443,993	122,731
	-----	-----
	472,053	584,474
	=====	=====

Outstanding for period exceeding three years	194,749	584,474
	-----	-----

The maximum month end balances during the period are as follows:

Executives	69,556	580,770
Others	846,490	1,207,097
	-----	-----

#### 17. STORES, SPARES AND LOOSE TOOLS

Consumable stores	7,453,675	9,921,585
Machinery spares	33,634,096	37,655,678
Loose tools	2,872,241	2,625,414
Packing material	3,228,804	2,719,187
	-----	-----
	47,188,816	52,921,864
	=====	=====

#### 18. STOCK-IN-TRADE

Raw materials and components	48,039,591	47,713,898
Work-in-process	36,505,005	41,295,355
Finished goods	98,002,339	89,331,714
	-----	-----
	182,546,935	178,340,967
	=====	=====

18.1 Out of total stocks of Wall Tile of Rs. 25,450,012/- and of Floor Tile of Rs. 17,248,562/-, stocks amounting to Rs. 16,338,331/- i.e. 64.2% and 1,908,284/- i.e. 11.06% of Wall Tile and Floor Tile respectively are valued at NRV.

**19. TRADE DEBTS**

Trade debts	111,734,271	104,827,919
Less: Provision for doubtful debts	(5,365,442)	130,000,001
	-----	-----
	106,368,829	101,827,919
	=====	=====

All trade debts, including Rs. 74,263 11998: Rs. 74263) due from associated companies are unsecured but considered good except for certain debts for which provision of Rs. 5,365,442 has been made which is considered as adequate.

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

Loans to employees due within 12 months		
Considered good (note 16)	443,993	122,731
Advances for supply of goods and services	3,587,722	3,512,219
Deposits and prepayments	5,647,692	8,689,619
Letters of credit and goods-in-transit	33,710,429	12,648,571
Advance income tax	18,267,079	18,616,649
Rebates and claims receivable	1,904,938	1,242,180
	-----	-----
	63,561,853	44,831,969
	=====	=====

**21. CASH AND BANK BALANCES**

In hand	681,320	184,617
At banks in current accounts	177,466	1,558,622
	-----	-----
	858,786	1,743,239
	=====	=====

**22. OPERATING RESULTS BY DIVISION**

Particulars	30-Jun-99				June 30, 1998			
	Insulator	Wall Tile	Floor Tile	Total	Insulator	Wall Tile	Floor Tile	Total
Gross Sales								
Local	101,500,888	184,589,838	176,151,379	462,242.11	74,500,889	100,559,324	143,357,403	318,417,616
Export	77,593,207	--	--	77,593,207	497,474,112	--	--	497,474,112
	-----	-----	-----	-----	-----	-----	-----	-----
	179,094,095	184,589,838	176,151,379	539,835,312	124,248,291	100,559,324	143,357,403	368,165,018
Less: excise duty; & sales ta	8,708,713	27,149,409	24,348,494	60,206,616	3,034,402	27,468,257	30,409,009	60,911,668
	-----	-----	-----	-----	-----	-----	-----	-----
Net Sales	170,385.38	157,440,429	151,802,885	479,628,696	121,213,889	73,091,067	112,948,394	307,253,350
Cost of sales (Note 23)	143,123,945	174,865.90	108,574,610	426,564,457	137,354,325	53,075,986	67,883,012	258,313,323
	-----	-----	-----	-----	-----	-----	-----	-----
Gross Profit/(Loss)	27,261,437	(17,425,473)	43,228,275	531,164,239	(16,140,436)	20,015,081	45,065,382	48,940,027
Operating Expenses								
Admin and General (Note 24)	8,582,733	10,080,354	9,580,354	28,243,441	11,057,260	4,279,738	7,483,549	22,820,547
Selling and distribution -(No	10,392,739	14,369,898	17,506,228	42,268,865	5,228,622	8,658,075	13,778,936	27,665,633
	-----	-----	-----	-----	-----	-----	-----	-----
	18,975,472	24,450,252	27,086,582	70,512,306	16,285,882	12,937,813	21,262,485	50,486,180
	-----	-----	-----	-----	-----	-----	-----	-----
Profit/(Loss) from operation	8,285,965	(41,875,725)	16,141,693	(17,448,067)	(32,426,318)	7,077,268	23,802,897	(1,546,153)
	-----	-----	-----	-----	-----	-----	-----	-----

22.1 Local sales of Insulators for the year include sale of Rs. 20,183,164/- 11998: Rs. 47,763,378/-) to

Wapda against International tenders.

				<b>June 30, 1999 Rupees</b>	<b>June 30, 1998 Rupees</b>
<b>23. COST OF SALES</b>					
	<b>Insulator</b>	<b>Wall Tile</b>	<b>Floor Tile</b>	<b>Total</b>	<b>Total</b>
Raw materials and components consumed	46,568,270	67,596,506	42,038,619	156,203,395	93,126,536
Stores and spares consumed	18,099,212	15,895,420	9,520,687	43,515,319	29,183,684
Salaries, wages and other be	49,319,654	30,818,576	14,240,883	94,379,113	64,281,951
Power	8,982,507	11,098,636	8,574,449	28,655,592	16,733,980
Gas	5,928,271	12,842,345	12,426,355	31,196,971	17,304,102
Depreciation	10,373,182	25,820,830	13,124,292	49,318,304	24,461,004
Amortization of deferred cos	--	11,614,666	5,986,191	17,600,857	--
Repair and maintenance	1,326,670	1,128,738	1,182,708	3,638,116	1,589,230
Other miscellaneous expens	3,511 186	2,318,702	2,150,645	7,980,533	6,385,241
	-----	-----	-----	-----	-----
	144,108,952	179,134,419	109,244,829	432,488,200	253,065,728
ADD: Opening work in proc	36,670,785	3,447,275	1,177,295	41,295,355	46,897,297
	-----	-----	-----	-----	-----
	180,779,737	182,581,694	110,422,124	473,783,555	299,963,025
LESS: Closing work in proce	26,358,231	9,325,807	820,967	36,505,005	41,295,355
	-----	-----	-----	-----	-----
Cost of goods manufactured	154,421,506	173,255,887	109,601,157	437,278,550	258,667,670
ADD: Opening inventory of finished goods	42,186,333	27,060,027	16,222,015	85,468,375	85,114,028
	-----	-----	-----	-----	-----
	196,607,839	200,315,914	125,823,172	522,746,925	343,781,698
LESS: Closing inventory of finished goods	53,483,894	25,450,012	17,248,562	96,182,468	85,468,375
	-----	-----	-----	-----	-----
	143,123,945	174,865,902	108,574,610	426,564,457	258,313,323
	-----	-----	-----	-----	-----

	<b>June 30, 1999 Rupees</b>	<b>June 30, 1998 Rupees</b>
<b>24. ADMINISTRATION AND GENERAL EXPENSES</b>		
Salaries, allowances and other benefits	11,232,084	11,515,539
Communication and stationery	2,321,495	1,498,317
Travelling	1,345,092	1,063,814
Vehicle maintenance	1,571,869	87,907
Office rent	3,064,462	2,208,125
Depreciation (note 13 and 14)	1,952,264	1,621 143
Fuel and power	830,561	594,302
Insurance	516,228	723,434
Legal and professional charges (note 24.1)	564,000	381,767
Repair and maintenance	242,867	155,849
Charity and donations (note 24.2)	8,027	195,751
Fees and taxes	414,661	347,317
Provision for doubtful debts	2,500,000	--
Other expenses	1,679,831	1,636,118
	-----	-----
	28,243,441	22,820,547
	=====	=====

**24.1 LEGAL AND PROFESSIONAL CHARGES**

Audit fee	57,000	54,000
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Tax consultancy and company law work	313,700	294,000
Legal charges	193,300	33,767
	-----	-----
	564,000	381,767
	=====	=====

24.2 These include Rs. Nil (1998' Rs. 195,000) donated to M/s. Khair-un-Nisa Hospital Foundation, Lahore in which five of the Directors are interested as its trustees.

## 25. SELLING AND DISTRIBUTION EXPENSES

Salaries, allowances and other benefits	8,202,023	6,596,209
Travelling expenses	1,129,628	973,939
Insurance	488,092	507,827
Handling, freight and transport	18,985,767	10,029,696
Vehicle maintenance	2,417,994	1,760,647
Office rent	2,148,506	1,941,619
Communication	1,493,416	1,072,204
Advertisement and sales promotion	2,312,193	1,202,298
Depreciation (note 13 & 14)	876,548	769,003
Others	4,214,698	2,812,191
	-----	-----
	42,268,865	27,665,633
	=====	=====

## 26. OTHER INCOME

Gain/(Loss) on sale of fixed assets	(8,418)	754,050
Interest on long term loans to employees	7,020	25,238
Others	484,244	2,153,301
	-----	-----
	482,846	2,932,589
	=====	=====

## 27. FINANCIAL CHARGES

### Long term Loans

Interest	33,479,028	8,314,219
Exchange risk fee	529,800	419,667
Financial charges on assets subject to finance lease	22,301,401	15,084,300

### Short term borrowings

Mark up on short term finances	68,051,830	37,372,034
Mark up on borrowings from associated companies	548,533	899,717
Bank charges	2,083,726	1,956,830
	-----	-----
	126,994,318	64,046,767
	=====	=====

## 28. TAXATION

Current year (note 28. 1)	2,398,143	1,536,267
	-----	-----
	2,398,143	1,536,267
	=====	=====

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

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

## 29. REMUNERATION TO CHIEF EXECUTIVE,

**DIRECTORS AND EXECUTIVES**

	June 30, 1999			June 30, 1998		
	Chief Executive	Directors	Executive	Chief Executive	Directors	Executive
Managerial remuneration	--	2,427,600	3,021,902	693,600	2,776,800	4,090,320
Production Incentives	--	--	154,426	134,387	531,549	668,745
House rent	--	1,092,420	1,359,865	312,120	1,249,560	1,840,741
Reimbursement of medical expenses	--	281,809	231,220	30,754	218,594	288,485
Reimbursement of utilities	--	521,655	302,199	317,901	561,225	347,212
<b>TOTAL</b>	--	<b>4,323,484</b>	<b>5,069,612</b>	<b>1,488,762</b>	<b>5,337,728</b>	<b>7,235,503</b>
No. of persons	1	4	11	1	4	17

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

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

	June 30, 1999	June 30, 1998
	Rupees	Rupees

**30. TRANSACTIONS WITH ASSOCIATED COMPANIES**

Sale of goods and services	972,737	1,439,784
Purchase of goods and services	31,942	335,240
Mark up.	548,533	899,717
Lease rentals	24,500	98,000

Maximum debit balance of associated companies at the end of any month during the year ended June 30, 1999 was Rs. 63,882,986/- (1998: Rs. 653,784/-)

Maximum credit balance of associated companies at the end of any month during the year ended June 30, 1999 was Rs. 629,981/- (1998: Rs. 14,182,949/-)

**31. TAXES AND DUTIES**

Import duties on raw materials	18,280,815	21,856,896
Sales tax on finished goods	63,746,613	40,403,815
Excise duty on finished goods	40,000	19,203,650
Income tax	2,398,159	1,536,267
	<b>84,465,587</b>	<b>83,000,628</b>

**32. PLANT CAPACITY AND ACTUAL PRODUCTION**

	June 30, 1999			30-Jun-98	
Insulator (tons)	Wall Tile (sq. meters)	Floor Tile (sq. meters)	Insulator (tons)	Wall Tile (sq. meters)	Floor Tile (sq. meters)

PLANT CAPACITY	5,000	1,500,000	900,000	5,000	1,500,000	900,000
ACTUAL PRODUCTION	1,747	543,478	554,572	863	410,030	523,757

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

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

iii) Low production activity during the year in Wall Tile and Floor Tile was due to inadequate working capital lines available with the company.

### 33. FIGURES

-- have been rounded off to the nearest rupee.

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

-- appearing in profit & loss Account of 1998-99 are not comparable with 1997-98 because losses incurred during the expansion and trial run periods were capitalized last year.

**S.A. Mannan**  
(Chairman)

**Tariq Rehman**  
(Chief Executive)

### Pattern of Holding of the Shares held by the Shareholders of EMCO Industries Limited as on June 30, 1999

No. of Shareholders	Share Holding		Total Shares held	Percentage
	From	To		
15	11	100	971	0.01
279	101	500	68,529	0.45
77	501	1,000	53,856	0.35
126	1,001	5,000	278,941	1.82
21	5,001	10,000	143,341	0.93
14	10,001	20,000	192,209	1.25
5	20,001	30,000	134,757	0.88
3	30,001	40,000	101,732	0.66
3	40,001	50,000	138,328	0.90
12	50,001	75,000	802,427	5.23
37	75,001	AND ABOVE	13,418,242	87.52
-----	-----	-----	-----	-----
592			15,333,333	100.00
-----	-----	-----	-----	-----

Categories of Shareholders	Numbers	Shares held	Percentage
Individuals	573	6,369,790	41.54%
Investment companies	3	140,870	0.92%
Insurance companies	4	330,872	2.16%
Joint stock companies	5	4,487,912	29.27%
Financial institutions	7	4,003,889	26.11%
	-----	-----	-----
Total	592	15,333,333	100.00%
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