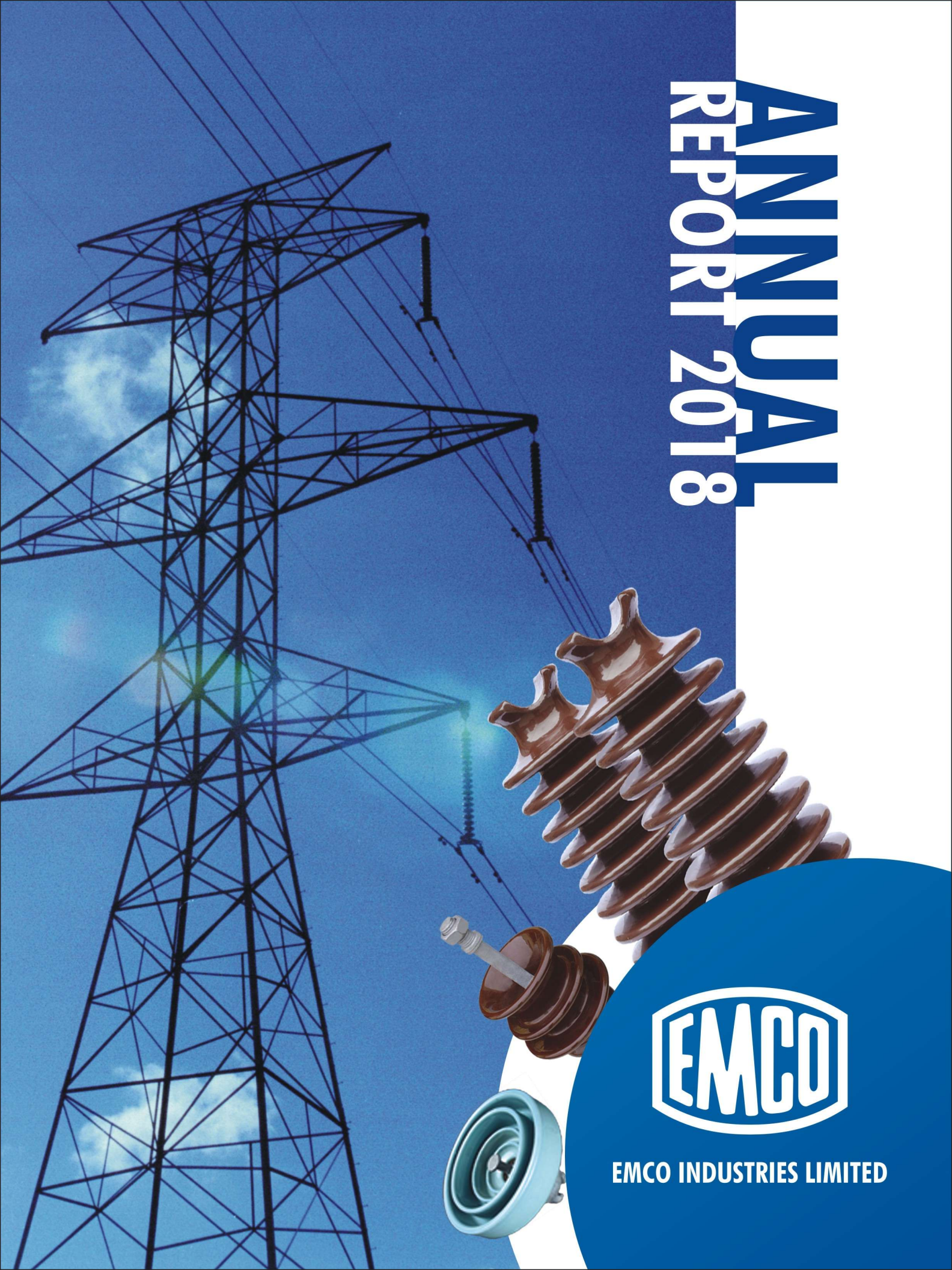
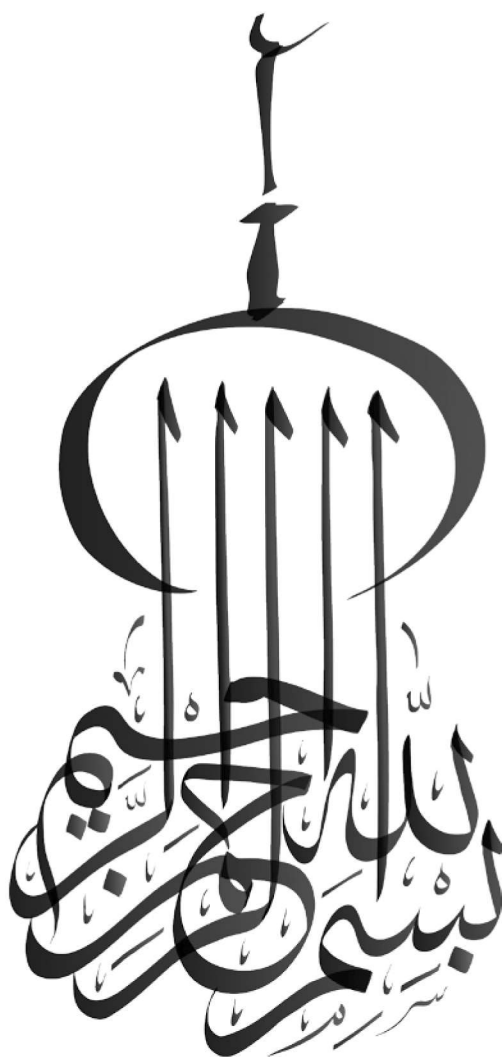


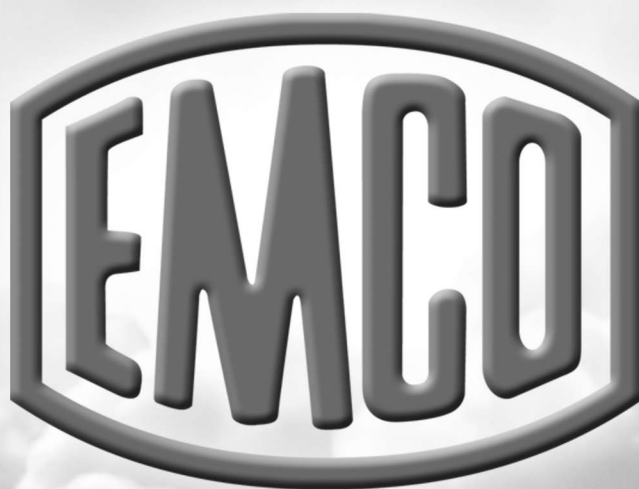
# ANNUAL REPORT 2018



EMCO INDUSTRIES LIMITED









# CONTENTS

Company Information and Business Items.....	4
Notice of Annual General Meeting.....	5
Chairman's Review.....	7
Directors' Report to the Members.....	9
Financial Highlights of Last Ten Years.....	17
Statement of Compliance with the Code of Corporate Governance .....	18
Review Report to the Members on Statement of Compliance with Code of Corporate Governance.....	20
Auditors' Report To The Members.....	21
Balance Sheet.....	25
Profit and Loss Account.....	26
Statement of Comprehensive Income.....	27
Cash Flow Statement.....	28
Statement of Changes in Equity.....	29
Notes to the Financial Statements.....	30
Pattern of Shareholdings.....	68
Form of Proxy.....	73

# Company Information

## Board of Directors

Mr. Tariq Rehman  
Mr. Suhail Mannan  
Mr. Javaid Shafiq Siddiqi  
Mr. Usman Haq  
Mr. Pervaiz Shafiq Siddiqi  
Mr. Salem Rehman  
Mr. Ahsan Suhail Mannan  
Mr. Awais Noorani  
Ch. Imran Ali

## Audit Committee

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

## Chief Financial Officer

Mr. Riaz Ahmad

## Auditors

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

## Bankers

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

## Share Registrar

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

## Registered Office

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

## Factory

19-Kilometre, Lahore Sheikhpura Road, Lahore.

## BUSINESS ITEMS

### Porcelain Insulators

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

### Switchgear

- Disconnect Switch upto 145 kv
- Metal Oxide Surge Arresters upto 430 kv

### Chemical Porcelain

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

### Special Porcelain

- High Alumina Porcelain
- Lining Special Refractories  
& Grinding Media



# Notice of Annual General Meeting



NOTICE TO THE SHAREHOLDERS FOR THE 63<sup>RD</sup> ANNUAL GENERAL MEETING OF EMCO INDUSTRIES LIMITED TO BE HELD AT THE REGISTERED OFFICE OF THE COMPANY SITUATED AT 4TH FLOOR, NATIONAL TOWER 28-EGERTON ROAD, LAHORE ON FRIDAY 26TH OCTOBER 2018, AT 11:00AM.

NOTICE is hereby given that the 63rd Annual General Meeting of the shareholders of EMCO Industries Limited (the "Company") will be held at 4th Floor, National Tower, 28-Egerton Road Lahore on Friday 26th October 2018 at 11:00 a.m. to conduct the following business:

## Ordinary Business:

- 1 To confirm the minutes of the last Annual General Meeting (AGM) of the Company held on 28.09.2017.
- 2 To receive, consider and adopt the Annual Audited Accounts of the company for the year ended 30th June 2018 together with the Director's and Auditor's Reports thereon.
- 3 To Appoint Auditors for the next financial year ending 30th June 2019 and to fix their remuneration. The present Auditors, M/s Horwath Hussain Chaudhary & Co., Chartered Accountants, retires and being eligible, offer themselves for re-appointment.

## Special Business:

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

Resolved that any two directors of the Company be and are hereby authorized, jointly, to execute, for and on behalf of the Company and in its name, any and all documents required in connection with sale of Asset 1 and Asset 2, including but not limited to Agreement to Sell (if any), Sale Deed(s) and all other relevant or connected documents and to issue any notices for termination of agreement(s) to sell (if required) and therefore, enter into a new agreement in respect of the following:

- i Parcel of land forming part of Asset 1 in terms of the Agreement to Sell dated 21st February 2018; and
- ii Agreement to sell dated 17th November 2017 for the sale of machinery including spare parts.

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

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

## Other Business:

Any other ordinary business with permission of the chair.

By order of the Board of Directors

Ahsan Suhail Mannan  
(Company Secretary/Director)

Place: Lahore  
Dated: 19.09.2018

## NOTES:

- a The Share Transfer Books of the company will remain closed from 19th October 2018 to 26th October 2018 (both days inclusive).
- b A member entitled to attend and vote at the AGM may appoint another member as his/her proxy to attend and vote instead of him/her at the meeting. Proxies must be deposited at the Company's Registered Office 4th floor, national tower, 28-egerton road, Lahore not less than 48 (forty-eight) hours before the time of holding the meeting. From of proxy is enclosed.
- c Any individual beneficial owner of CDC, entitled to vote at the General Meeting, must bring his/her CNIC with him/her to prove his/her identity, and in case of proxy, attested copy of shareholder's CNIC must be attached with the proxy form. The representative of corporate member should bring the usual documents required for such purpose.
- d Members are requested to promptly notify the change in their address, if any, to the Company's Share Registrar M/S. Corp Link (Pvt) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore.

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

Agenda Item No: 4

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

Resolved that any two directors of the Company be and are hereby authorized, jointly, to execute, for and on behalf of the Company and in its name, any and all documents required in connection with sale of Asset 1 and Asset 2, including but not limited to Agreement to Sell (if any), Sale Deed(s) and all other relevant or connected documents and to issue any notices for termination of agreement(s) to sell (if required), and therefore, enter into a new agreement in respect of the following:

- i Parcel of land forming part of Asset 1 in terms of the Agreement to Sell dated 21st February 2018; and
- ii Agreement to sell dated 17th November 2017 for sale of machinery including spare parts Asset 2."

Note:

- 1 Directors of the Company or their spouses or relatives have no direct or indirect interest in the above said business except as shareholders of the Company.
- 2 The aforementioned special business is being undertaken in respect of the underlined objectives:
  - a In order for the Company to smoothly undertake the transactions related to Asset 1 and Asset 2 and to perform the obligations of the Company without any hindrance and delay.
  - b To serve any notice for termination, if required, to the buyer(s) of the land measuring 81 Kanals and 01 Marla out of the Asset 1 (land Measuring 84 Kanals) and Asset 2 (Machinery of Tile Division including spare parts) and therefore, to enter into a new agreement, if required, with respect to the Asset 1 or Asset 2.



# Chairman Review

I am pleased to present the Annual Review of the Company's performance, and the Audited Financial Statements for the year ending 30 June 2018.

Your Company has achieved an overall revenue of Rs.1.16 Billion, which is an increase of 15% from the last Fiscal year. The Company continues to invest in additional product certifications from Independent International Laboratories to enhance its penetration of products in the local and export markets. The management is also investing incrementally in BMR activities to streamline production and achieve better efficiency from its operations. The overall trajectory of Sales is satisfactory and we expect the trend to continue positively in the next few years.

Financial indicators and significant events of the year have been made available to you over the fiscal year 2017-2018. During the course of the year, the board has reviewed, discussed and approved the financial statements and all the supporting documentation after thorough deliberation and critical analysis. The board has ensured that every board member has had an adequate opportunity to present their opinions on all operational and strategic matters of the Company.

Pursuant to the updated Code of Corporate Governance, a new mechanism was designed and implemented for the annual evaluation of the performance of Board of Directors. This step will undoubtedly improve the quality of the board's performance, and highlights areas of improvement of the board and its committees.

The Management of the Company is confident on achieving further improvement of the Company's performance based on the bright prospects of the energy sector investment climate, and we look forward to the continued support of our valued shareholders.



Javed S. Siddiqi  
(Chairman)

Dated: September 19, 2018



## چیرمین جائزہ رپورٹ

میں آپ کو کمپنی کی سالانہ کارکردگی اور آڈیٹڈ مالی گوشوارے پیش کرنے پر خوشی محسوس کرتا ہوں۔

آپ کی کمپنی نے مجموعی طور پر 1.16 ارب روپے کا فروخت ٹارگٹ حاصل کیا ہے۔ جو کہ پچھلے مالی سال سے 15 فیصد زیادہ ہے اور کمپنی اپنی مزید پروڈکٹس کو آزادانہ نمائش لیبارٹریوں سے ٹیسٹ کروا رہی ہے۔ تاکہ مقامی اور بین الاقوامی مارکیٹ میں اپنی فروخت کو بڑھایا جاسکے۔ انتظامیہ پروڈکشن بڑھانے اور موثر عملی کارکردگی کو حاصل کرنے کیلئے BMR کر رہی ہے۔ فروخت میں مجموعی اضافہ اطمینان بخش ہے اور اگلے سالوں میں اس اضافے کی توقع ہے۔

2017-2018 کے مالی سال کے مالی اعتمارے اور اہم واقعات پیش کیے ہیں۔ سال کے دوران بورڈ نے جائزہ لیا اور بحث کی اور مالی بیانات اور تمام معاون دستاویزوں کو مکمل مشاورت اور اہم تحلیل کے بعد منظور کیا ہے۔ بورڈ نے اس بات کا یقین کیا ہے کہ بورڈ کے ہر رکن نے کمپنی کے تمام آپریشنل اور اسٹریٹجک معاملات پر اپنی رائے پیش کرنے کا ایک مناسب موقع حاصل کیا ہے۔

کارپوریٹ گورننس کے تازہ کوڈ کے مطابق نیامیکانیزم بورڈ آف ڈائریکٹرز کی کارکردگی کی سالانہ تشخیص کیلئے ڈیزائن اور لاگو کیا گیا تھا۔ یہ قدم بلاشبہ بورڈ کی کارکردگی کی کیفیت کو بہتر بنائے گا اور اس کی کمیٹیوں کی بہتری کو نمایاں کرے گا۔

کمپنی کی انتظامیہ توانائی کے شعبے میں سرمایہ کاری، آب و ہوا کے روشن امکانات کی بنیاد پر کمپنی کی کارکردگی میں مزید بہتری کو حاصل کرنے پر اعتماد رکھتی ہے۔ اور ہم اپنے قابل حصص داروں کی مسلسل حمایت کے منتظر ہیں۔



جاوید شفیق صدیقی

چیرمین

19-09-2018



# Directors' Report

On behalf of the Board of Directors, we welcome you to the 63rd Annual General Meeting of the Company and present to you the audited financial statements and Auditor's Report thereon for the year ended June 30, 2018. Financial Results are as follows: -

	2018 Rupees	2017 Rupees
Profit/(Loss) before Tax	(24,931,361)	67,647,406
Taxation	60,881,391	(38,527,912)
Profit/(Loss) after Tax	35,950,030	29,119,494
Other Comprehensive Income	(2,440,101)	(506,197)
Total Comprehensive Profit/(Loss)	33,509,929	28,613,297
Accumulated Loss brought forward	(523,515,346)	(574,299,458)
Incremental Depreciation on Revaluation	19,719,055	22,170,905
	(503,796,291)	(552,128,553)
Accumulated Loss carried forward	(470,286,362)	(523,515,256)
Profit/(Loss) per Share	1.03	0.83

## Review of Operating Results

In the period under review, the company has made a pretax Loss of Rs. 24.931 Million and an after tax profit of Rs. 35.950 Million despite the tile plant being closed and all its costs being charged to the insulator division. This is the third year in continuation that your company has made profits. This healthy trend of improved profitability is expected to continue in the future.

Under the new policy of Government of Pakistan, the availability of Gas for industry in Punjab will be based on a combination of indigenous Natural gas, and imported LNG in the form of RLNG injected into the natural gas system. This change has resulted in a substantial increase in the average cost of gas supplied to the plant, which exerted downward pressure on the gross margin in the period under review. Pricing of the product has been revised in light of this change, as well as to take into account the devaluation of the local currency, and future results will reflect this change positively.

Pursuant to the approval of the board and general body, the sale of Tile Division assets is underway, and these assets have been classified as 'Held for sale'.

The Pre-tax loss of the company for the period is heavily attributable to one-time events including booking of impairment of the Tile Plant machinery and related spare parts, and provisioning of outstanding receivables of the Tile Division. Whilst the company continues the collection against these receivables, after reviewing the aging of the outstanding amounts, the management made a provision against these amounts in the interest of exercising financial prudence.

The Company has converted the Provident Fund Scheme to a Gratuity Scheme in this Financial Year. The impact of this change has been taken into account in the Financial Statements.

By the grace of Allah, we have been able to achieve our targets effectively. Production of Insulator remained stable 4862 tons during this year as compared to 4817 tons during last year. This stable operational level helped us in meeting our financial commitments on time. Moreover, we have sizable orders for insulators for the current financial year.

The market demand for the Insulators is growing owing to the Government of Pakistan's efforts to improve the energy transmission and distribution network. The current orders in hand stand at more than 1800 tons and we are expecting to get further orders of above 3000 tons to be completed in the current financial year. We are currently almost at the maximum production capacity of our plant but with some BMR to the back process we can expect to enhance our production further and achieve higher sales. Considering the demand in the energy sector the company is also planning to add new value added products, which would further enhance profitability in the future.

Direct export sales have increased from Rs. 21.27 M to Rs. 52.91 M in the period under review. Management is fully committed to enhancing the export base further.

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

The Company had closed down its Tile Division in January 2014. This is the third financial year in which only the Insulator Plant has been operating.

The Company's contribution to the exchequer in the year under review is Rs. 234.84 Million in the shape of import duty, sales tax, income tax and other government levies.

### Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Pakistan Stock Exchange in its Listing Regulations, relevant for the year ended June 30, 2018 have been adopted by the Company and have been duly complied with. A statement to this effect is annexed with the report.

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

- The financial statements for the year ended June 30, 2018 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, 2018 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 has been no material departure from the best practices of corporate governance, as detailed in listing regulations;
- The value of investment of Provident Fund based on its audited accounts as at December 31, 2017 was Rs 261.119 Million. The value of investment includes accrued interest.

### Board Meetings

The Board of Directors, which consist of nine members, have responsibility to independently and transparently monitor the performance of the company and take strategic decisions to achieve sustainable growth in the company value. All members of the Board are elected in the general meeting after every three years. The current board of Directors were elected on 30th June 2017. This time an independent Director is also on the board taking the total board to 9 members. The current board members are as follows:

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



The term of the existing members of the Board will expire on 30-06-2020, along with their consent to act so, filed a declaration on the prescribed form as requirements of the Code of Corporate Governance.

A written notice of the Board meeting along with working papers was sent to the members seven days before meetings. A total of seven meetings of the Board of Directors were held during the year ended June 30, 2018. The attendance of the board members was as follows: -

Sr. #	Name of Director	Meetings Attended
1.	Mr. Tariq Rehman	06
2.	Mr. Suhail Mannan	06
3.	Mr. Javaid Shafiq Siddiqi	05
4.	Mr. Usman Haq	07
5.	Mr. Pervaiz Shafiq Siddiqi	03
6.	Mr. Salem Rehman	05
7.	Mr. Ahsan Suhail Mannan	07
8.	Mr. Awais Noorani	05
9.	Ch. Imran Ali	07

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

#### TRANSACTION / TRADE OF COMPANY'S SHARE

During the financial year, Directors, CEO, CFO, Company Secretary (including their spouses and minor children) executed following transactions in the shares of the Company;

S.No	NAME	SALE	PURCHASE
1	MR. TARIQ REHMAN - (CDC)	1,345,796	-
2	MR SALEM REHMAN (CDC)	-	763,954

#### Audit Committee (AC)

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

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

#### Employees' relations

Despite the inflationary pressure the management would like to place on record a very positive and cooperative role of employees during the year. The management would like to place on record its appreciation in this regard and will look forward to their continuous support during the difficult time that the nation is presently undergoing. The management would also like to place on record the continuous research and development by the Engineering team and the very cooperative role played by the Union in increasing the output on virtually each stage of production and reducing losses wherever possible. The support of all other departments is also acknowledged.

### Acknowledgement

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

### Dividend

Considering the brought forward losses, no dividend is recommended for the year ended June 30, 2018.

### Pattern of Shareholding

The pattern of shareholding as on June 30, 2018 and its disclosure, as required by the Code of Corporate Governance is annexed with this report.

### Financial Highlights

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

### Auditors

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



Ahsan Suhail Mannan  
Director

For and on behalf of the board of Directors



Salem Rehman  
Director

Lahore: September 19, 2018





## ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے ہم آپ کا کمپنی کے 63 واں سالانہ جنرل اجلاس پر خیر مقدم کرتا ہوں اور 2018-06-30 تک ختم ہونے والے سال کے لیے آپ کو آڈٹ کردہ مالی بیانات اور ایڈیٹر کی رپورٹ پیش کرتے ہیں۔ مالی نتائج مندرجہ ذیل ہیں۔

2017	2018	
روپے	روپے	
67,647,406 (38,527,912)	(24,931,361) 60,881,391	قبل از ٹیکس نفع / (نقصان) (ٹیکس)
29,119,494 (506,197)	35,950,030 (2,440,101)	بعد از ٹیکس نفع دیگر جامع نفع / (نقصان)
28,613,297	33,509,929	کلی جامع نفع
(574,299,458) 22,170,905	(523,515,346) 19,719,055	جمع شدہ (نقصان) b/f از سر نو تعین پراضافی تحقیر
(552,128,553)	(503,796,291)	
(523,515,256)	(470,286,362)	جمع شدہ (نقصان) c/f
0.83	1.03	نفع فی شیئر

زیر عمل نتائج کا جائزہ:-

اس زیر جائزہ سال میں کمپنی نے 24.931 ملین روپے قبل از ٹیکس نقصان اور 35.950 ملین روپے بعد از ٹیکس کا منافع بنایا ہے۔ باوجود اس کے کہ ٹائل پلانٹ بند رہا اور اس کے تمام اخراجات انسولیٹرز ڈویژن کو پڑتے رہے۔ یہ مسلسل تیسرا سال ہے کہ آپ کی کمپنی نے منافع بنایا ہے۔ امید کی جاتی ہے کہ منافع میں اضافہ کا یہ صحت مندانہ رواج مستقبل میں بھی جاری رہے گا۔

پاکستان کی حکومت کی نئی پالیسی کے تحت، پنجاب میں صنعت کیلئے گیس کی دستیابی مقامی قدرتی گیس اور امپورٹڈ ایل این جی کے ایک مجموعہ پر مبنی ہوگی اور قدرتی گیس کے نظام میں انجکشن آریل این جی کی شکل میں ایل این جی درآمد کیا جائے گا۔ اس تبدیلی کے نتیجے میں گیس کی لاگت میں اضافہ کیا اور مجموعی مارجن میں کمی واقع ہوئی جس میں پلانٹ کو فراہم کردہ گیس کی اوسط قیمت میں کافی اضافہ ہوا ہے۔ اس تبدیلی کی روشنی میں مصنوعات کی قیمتوں کے تعین میں ترمیم کی گئی ہے اور اس کے ساتھ ساتھ مقامی کرنسی کی تشہیر کا اندازہ لگایا جائے گا اور مستقبل کے نتائج مثبت طور پر اس تبدیلی کی عکاسی کریں گے۔

بورڈ اور عمومی باڈی کی منظوری کے مطابق ٹائل ڈویژن کے اثاثوں کی فروخت جاری ہے اور ان اثاثوں کی "فروخت برائے فروخت" کے طور پر درجہ بندی کی گئی

ہے۔

اس مدت کیلئے کمپنی کیلئے کمپنی کے پری ٹیکس کے نقصانات ٹائل پلانٹ کی مشینری اور متعلقہ سپئر پارٹس کی خرابی کی بنگ، اور ٹائل پلانٹ کے بقایا Recivables

کیلئے Provision درج کی ہے۔

کمپنی نے اس مالی سال کے دوران پراویڈنٹ فنڈ سکیم کو گریجویٹ سکیم میں تبدیل کر دیا ہے۔ اور اس کا مالی Impact آڈٹ کردہ مالی بیانات میں درج ہے۔

اللہ کے فضل و کرم سے ہم اپنے مقاصد کو موثر طریقے سے حاصل کرنے کے قابل ہو گئے ہیں۔ اس سال کے دوران انسولیٹرز ڈویژن کی پیداوار میں (4817 ٹن

سے 4862 ٹن) اضافہ ہوا ہے۔ اس مستحکم آپریشنل سطح نے ہمارے مالیاتی وعدوں کو وقت پر ملنے میں مدد کی۔ اس کے علاوہ، ہمارے موجودہ مالی سال کیلئے انسولیٹرز کے قابل

اطمینان آرڈر موجود ہیں۔ اس کے علاوہ ہمارے پاس موجود مالی سال کے لیے انسولیٹر کے کافی آرڈر ہیں۔

توانائی کی منتقلی اور تقسیم کے نیٹ ورک کو بہتر بنانے کیلئے پاکستان کی کوششوں کی وجہ سے انسولیٹرز کیلئے مارکیٹ کی طلب بڑھ رہی ہے۔ کمپنی کے پاس موجود آرڈرز 1800 ٹن سے زائد ہیں اور ہم موجودہ مالی سال میں 3000 ٹن تک مکمل کرنے کے مزید آرڈرز حاصل کرنے کی توقع رکھتے ہیں۔ ہم فی الحال تقریباً ہمارے پلانٹ کی زیادہ سے زیادہ پیداواری صلاحیت پر ہیں لیکن کچھ BMR کے پیچھے عمل کے ساتھ ہم اپنی پیداوار کو مزید بہتر بڑھانے اور اعلیٰ فروخت حاصل کرنے کی توقع کر سکتے ہیں۔ توانائی کے شعبے میں مطالبہ پر غور کرتے ہوئے کمپنی نئی قیمتوں میں اضافی مصنوعات شامل کرنے کی منصوبہ بندی کر رہی ہے، جس سے مستقبل میں مزید فائدہ حاصل ہوگا۔

زیر جائزہ مدت میں براہ راست برآمد کی فروخت 21.27 ملین روپے سے 52.91 ملین روپے بڑھ گئی ہے۔ منجمنٹ برآمدات کو مزید بہتر بنانے کیلئے مکمل طور پر پرعزم ہے۔ کمپنی اپنے حصص داروں کو مطلع کرنے پر راضی ہے کہ تمام بینکوں کے ساتھ ہمارے تعلقات موجود ہیں اور ہم معاہدوں کے مطابق وقت پر اپنی ذمہ داریاں پوری کر رہے ہیں۔

کمپنی نے 2014ء میں اپنی ٹاکل ڈویژن کو بند کر دیا تھا۔ یہ تیسرا مالی سال ہے جس میں صرف انسولیٹر پلانٹ چل رہا ہے۔

زیر جائزہ سال میں کمپنی کا حصہ درآمدیو اُس، سیلز ٹیکس، آمدنی کے ٹیکس اور دیگر سرکاری اداروں کی شکل میں 234.84 ملین روپے ہے۔

کارپوریٹ نظم و نسق کا ضابطہ:

کمپنی کی طرف سے 30 جون 2018 کو ختم ہونے والے سال کے لیے کارپوریٹ نظم و نسق کے ضابطہ میں پاکستان شاک ایچ بیج کی طرف سے جاری کردہ لسٹنگ کے ضابطے مطلوبہ ضروریات کو اپنایا گیا ہے اور ان پر مناسب طریقے سے عمل کیا گیا ہے۔ اس کا موثر بیان رپورٹ کے ساتھ شامل ہے۔

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

1- 30 جون 2018 کو ختم ہونے والے سال کا مالیاتی گوشوارہ اس کے معاملات کی صورتحال، آپریشنز کے نتائج، پیسے کا بہاؤ اور اصل کاروباری حصہ میں کمی کو بہتر طور پر پیش کرتا ہے۔

2- اکاؤنٹس کی درست و معقول کتابیں موجود ہیں۔

3- 30 جون 2018 کے اختتامی سال کے لیے مالی گوشواروں کی تیاری میں لگاتار اکاؤنٹنگ کی پالیسیوں کا مسلسل اطلاق کیا گیا ہے۔ اکاؤنٹنگ کا تخمینہ مناسب اور معقول فیصلوں پر مبنی ہے۔

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

5- اندرونی کنٹرول کے نظام کا خاکہ مضبوط ہے اور اس پر موثر طریقے سے عملدرآمد اور نگرانی کی گئی ہے۔

6- کارپوریٹ گورننس کے بہترین طریقوں سے کوئی انحراف نہیں ہے۔

7- 31 دسمبر 2017 تک آڈٹ شدہ اکاؤنٹس پر مبنی پراویڈنٹ فنڈ کی سرمایہ کاری کی قدر 261.119 ملین تھی۔ سرمایہ کاری کی قدر میں جمع کردہ سود بھی شامل ہے۔

بورڈ کے اجلاس:

بورڈ کے ڈائریکٹرز جن میں 09 اراکین شامل ہیں آزادانہ طور پر ذمہ داری رکھتے ہیں اور کمپنی کی کارکردگی کی شفاف طریقے سے نگرانی کرتے ہیں اور کمپنی کی قدر میں پائیدار ترقی حاصل کرنے کے لیے حکمت عملی پر مبنی فیصلے کرتے ہیں۔ تمام بورڈ ممبران ہر تین سال بعد جنرل اجلاس میں منتخب ہوتے ہیں۔ موجودہ بورڈ آف ڈائریکٹرز 30-06-2017 کو منتخب ہوا تھا۔ بورڈ اراکین کی تعداد 09 کو پورا کرنے کے لیے اس دفعہ ایک آزاد رکن بھی شامل کیا گیا ہے۔

موجودہ بورڈ ممبران درج ذیل ہیں۔

نمبر شمار	نام ڈائریکٹر
1	مسٹر جاوید شفیق صدیقی
2	مسٹر طارق حُسن
3	مسٹر سہیل منان
4	مسٹر عثمان حق



5	مسٹر پرویز شفیق صدیقی
6	مسٹر سالم رحمن
7	مسٹر احسن سہیل منان
8	مسٹر اویس نورانی
9	چوہدری عمران علی

بورڈ کے موجودہ ممبران کی مدت بشمول ان کے ڈائریکٹر کے طور پر کام کرنے کی رضا مندی مجوزہ فارم پر ان کی قرارداد کا خاتمہ 30-06-2020 کو ہوگا۔  
 بورڈ کے اجلاس کی تحریری اطلاع بعد دستاویزات ممبران کو اجلاس سے سات دن پہلے بھیج دی گئی تھی۔ 30-06-2018 تک بورڈ آف ڈائریکٹرز کے کل سات اجلاس ہوئے۔ بورڈ کے ممبران کی حاضری درج ذیل ہے:

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

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

لین دین کا عمل / کمپنی حصص کی تجارت:

مالی سال کے دوران کسی بھی ڈائریکٹر، چیف فنانسل آفیسر، چیف ایگزیکٹو آفیسر، کمپنی سیکرٹری (بشمول بیوی اور نابالغ بچوں کے) کمپنی حصص کی تجارت درج ذیل ہے:

نمبر شمار	نام	فروخت	خرید
1	مسٹر طارق رحمن	1,345,796	-
2	مسٹر سالم رحمن	-	763,954

محاسبہ کمیٹی:

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

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

زمین کے باقی روابط:

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

اعتراف:

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

حصص داران کا منافع:

آگے لائے جانے والے نقصانات کو دیکھتے ہوئے 30-06-2018 تک ختم ہونے والے سال کیلئے حصص داران کیلئے کسی قسم کے منافع کی سفارش نہیں کی جاتی۔  
حصص رکھنے کا طریقہ:

30-06-2018 کو حصص رکھنے اور اس کے افشاء کرنے کا طریقہ جیسا کہ کارپوریٹ گورننس کے ضابطہ کا تقاضہ ہے اس رپورٹ کے ساتھ منسلک ہے۔

مالیاتی جھلکیاں:

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

آڈیٹرز:

آڈٹ کمیٹی کی سفارش کے مطابق حالیہ آڈیٹرز، میسرز ہاروتھ حسین چوہدری اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس ریٹائر اور اہل ہونے کے بعد خود کو دوبارہ تقرری کیلئے پیش کرتے ہیں۔  
آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹرز نے والے سالانہ عام اجلاس میں آڈیٹرز، میسرز ہاروتھ حسین چوہدری اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی مالی سال 2019 کے لیے قانونی تقرری کی سفارش کرتا ہے۔

بورڈ آف ڈائریکٹری کی جانب سے



احسن سہیل منان  
ڈائریکٹر



سالم رحمن  
ڈائریکٹر

لاہور 19-09-2018



# Financial Highlights of Last Ten Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
.....(Rupees in Million).....										
Net Total sales	1,159	1,006	1,058	783	932	1,596	1,856	1,855	1,861	1,550
Exports (Direct & Indirect)	72	118	74	44	51	46	61	104	164	93
Employees Costs	293	276	254	222	213	313	285	325	307	301
Profit/(Loss) before tax	(25)	68	38	(125)	(106)	(39)	(14)	(35)	(76)	(103)
Profit/(Loss) after tax	36	29	27	(98)	(104)	(35)	(21)	(46)	(71)	(81)
Earning per share	1.03	0.83	0.78	(2.80)	(2.96)	(0.99)	(0.61)	(1.32)	(2.05)	(2.39)
Capital Expenditure	60	22	35	18	13	23	37	8	18	149
Cash Dividend Rate	-	-	-	-	-	-	-	-	-	-
Stock Dividend Rate	-	-	-	-	-	-	-	-	-	-
Shareholder's Equity (Excl. Rev.Surplus)	125	72	21	(28)	50	17	33	36	64	118
Shareholder's Equity (Incl. Rev.Surplus)	1,016	993	768	422	528	621	448	469	515	530



# Statement of Compliance

With the Code of Corporate Governance for the year ended June 30, 2018

The company has complied with the requirements of the Regulations in the following manner:

1 The total number of directors are 09 as per the following:

- a. Male: 09
- b. Female: 00

2 The composition of board is as follows:

Category	Names
a) Independent Directors	Ch. Imran Ali
b) Other Non-executive Directors	Mr. Suhail Mannan Mr. Usman Haq Mr. Javaid S. Siddiqi Mr. Pervaiz S. Siddiqi Mr. Awais Noorani
c) Executive Directors	Mr. Tariq Rehman Mr. Salem Rehman Mr. Ahsan Suhail Mannan

3 The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4 The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

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

6 All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7 The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8 The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

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

10 The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11 CFO and two Directors duly endorsed the financial statements before approval of the board.(U/S 232 of Companies Act 2017).

12 The board has formed committees comprising of members given below:

a) Audit Committee (Name of members and Chairman)

Ch. Imran Ali	Chairman
Mr. Javaid S. Siddiqi	Member
Mr. Usman Haq	Member
Mr. Salem Rehman	Member
Mr. Ahsan Suhail Mannan	Member



b) HR and Remuneration Committee (Name of members and Chairman)

Mr. Pervaiz Shafiq Siddiqi	Chairman
Mr. Usman Haq	Member
Mr. Salem Rehman	Member
Mr. Ahsan Suhail Mannan	Member

However the board has formed a new HR & Remuneration Committee with effect from 19th September, 2018. It comprises of five members of whom one is an Independent Director, two are non-executive directors and two are executive directors. The chairman is an Independent Director.

Ch. Imran Ali	Chairman
Mr. Pervaiz S. Siddiqi	Member
Mr. Usman Haq	Member
Mr. Salem Rehman	Member
Mr. Ahsan Suhail Mannan	Member

- 13 The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
- 14 The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
  - a) Audit Committee meetings every quarter
  - b) HR and Remuneration Committee twice a year.
- 15 The board has set up an effective internal audit function and has outsourced the internal audit function to M/s. Zeeshan & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.  
  
From our accounts department, one person is designated to help and support him.
- 16 The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
- 17 The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 18 We confirm that all other requirements of the Regulations have been complied with.

Lahore  
September 19, 2018

  
(Javed Shafiq Siddiqi)  
Chairman

# REVIEW REPORT TO THE MEMBERS

## ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of EMCO Industries Limited for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

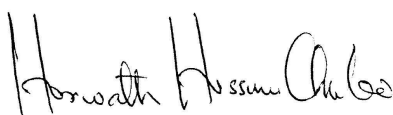
The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the Regulations as applicable to the Company for the year ended June 30, 2018.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the paragraph reference where it is stated in the Statement of Compliance:

Serial No.	Paragraph Reference	Description
I	12(b)	Chairman of the Human Resource and Remuneration Committee is a non-executive director.

Lahore  
September 19, 2018

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



# Auditors' Report To The Members

## Qualified Opinion

We have audited the annexed financial statements of Emco Industries Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of our audit report, and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the Company's affairs as at June 30, 2018 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

## Basis for Qualified Opinion

The Company's trade debts included long outstanding receivables amounting to Rs 88.562 million in respect of the tile division that had been provided to the extent of Rs 34.433 million as at June 30, 2017. No further provisioning was created during the last year in respect of these receivables. Our audit opinion on the financial statements for the year ended June 30, 2017, relating to trade debts, their recoverability and possible adjustments arising out of the potential provisioning was qualified accordingly. However, pursuant to the management's decision, the remaining trade debts relating to the tile division have been fully provided by creating a further provision as at June 30, 2018. Our opinion on the financial statements for the year ended June 30, 2018 is modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

Sr.#	Key audit matters	How the matter was addressed in our audit
<b>Preparation of the Financial Statements under the Companies Act, 2017</b>		
1	The Companies Act, 2017 (the new Act) has replaced the Companies Ordinance, 1984 and the requirements of the new Act have been applied in the preparation of annual financial statements of Emco Industries Limited (the Company) for the first time for the year ended June 30, 2018. The new Act forms an integral part of the financial reporting framework applicable in Pakistan. This transition from the Ordinance to the new Act has required significant changes in disclosure requirements of financial statements. Further, as required under the new Act, the Company has changed its accounting policy and has reclassified certain account balances as specified in note 5 to these financial statements.	<p>We discussed this transition with the management and assessed:</p> <ul style="list-style-type: none"> <li>procedures adopted by the Company to identify the changes introduced by the new Act;</li> <li>Extent of change in disclosure requirements, change in accounting policy and reclassification of account balances;</li> <li>Changes made in the bookkeeping system to account for the newly promulgated changes on a consistent basis; and</li> <li>Adequacy of enhanced disclosures to be given in the annual financial statements in accordance with the applicable reporting framework.</li> </ul>
	In view of the extensive impacts in the annexed financial statements due to first time application of the fourth schedule to the Companies Act, 2017, we considered it as a key audit matter.	

Sr.#	Key audit matters	How the matter was addressed in our audit
<b>Restructuring of Loan from Provident Fund</b>		
2	<p>The Company has restructured its provident fund loan to interest free long term financing, which significantly increased its other income by Rs. 57 million as at the reporting date as disclosed in note 10.6 and 32 to the financial statements.</p> <p>In view of restructuring of loan from the provident fund, reclassification of outstanding mark-up on this loan and consequent discounting of the long term payable balance, we considered this to be a key audit matter.</p>	<p>With respect to this transaction, we performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Discussion with the management on this restructuring;</li> <li>• Reviewed the documentation and approval process pertaining to this restructuring;</li> <li>• Reviewed the agreements, undertakings and other supporting documents relating to the restructuring;</li> <li>• Recalculation of the discounting factor; and</li> <li>• Evaluated the presentation and disclosure of long term financing in the financial statements as required by the applicable reporting framework.</li> </ul>

#### Non-Current Assets Classified as Held for Sale

3	<p>The Company has classified land, plant and machinery and spare parts pertaining to tile division as held for sale as disclosed in note 24 to the financial statements. We have focused on this area owing to the significance of this transaction.</p>	<p>With respect to this transaction, we performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Discussed with the management their active plan to dispose off the assets pertaining to this segment;</li> <li>• Obtained and reviewed the board minutes to confirm the approval of disposal of assets relevant to the tile division;</li> <li>• Assessed independence, scope of work and findings of management's third party valuation expert engaged for ascertaining the fair value of the assets being disposed;</li> <li>• Obtained direct confirmation from the purchaser of the terms and conditions governing this sales transaction; and</li> <li>• Evaluated the presentation and disclosure of Non-Current Assets Classified as Held for Sale in the financial statements as required by the applicable reporting framework.</li> </ul>
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#### Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2018, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.





### Responsibilities of Management and Board of directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

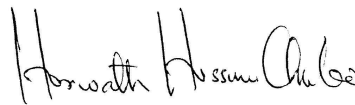
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is Muhammad Nasir Muneer.



Lahore  
September 19, 2018

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





# BALANCE SHEET

## AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees (Restated)	2016 Rupees (Restated)
<b>EQUITY AND LIABILITIES</b>				
<b>Share Capital and Reserves</b>				
Authorized share capital 40,000,000 (2017: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000	400,000,000
Issued, subscribed and paid up capital 35,000,000 (2017: 35,000,000) ordinary shares of Rs. 10 each	6	350,000,000	350,000,000	350,000,000
Reserves	7	(340,387,836)	(393,616,820)	(444,401,022)
Sponsors' loan	8	115,708,828	115,708,828	115,708,828
Surplus on revaluation of property, plant and equipment	9	890,805,277	920,533,260	746,402,897
		1,016,126,269	992,625,268	767,710,703
<b>Non Current Liabilities</b>				
Long term financing	10	315,810,026	331,989,413	238,885,384
Deferred liabilities	11	45,419,240	37,850,488	34,854,948
Deferred taxation	12	35,427,534	101,628,934	90,885,492
		396,656,800	471,468,835	364,625,824
<b>Current Liabilities</b>				
Trade and other payables	13	241,050,264	330,907,611	263,500,732
Unclaimed dividends		243,677	244,802	244,802
Accrued finance cost	14	21,170,977	132,358,712	171,091,408
Short term borrowings	15	537,413,016	492,719,846	645,460,193
Current portion of long term financing	10	70,643,311	87,867,785	62,566,631
		870,521,245	1,044,098,756	1,142,863,766
Liabilities against non current assets classified as held for sale		65,499,988	-	-
Contingencies and Commitments	16	-	-	-
		2,348,804,302	2,508,192,859	2,275,200,293
<b>ASSETS</b>				
<b>Non Current Assets</b>				
Property, plant and equipment	17	1,142,841,563	1,468,332,961	1,348,691,088
Intangible assets	18	2,239,916	2,519,906	2,675,387
Long term prepayments and other receivables	19	37,356,451	22,390,701	-
Long term loans	20	1,377,650	1,499,861	1,882,771
Long term deposits		1,659,900	271,163	271,163
		1,185,475,480	1,495,014,592	1,353,520,409
<b>Current Assets</b>				
Stores, spares and loose tools	21	84,922,144	110,990,667	107,266,583
Stock in trade	22	376,764,428	426,127,467	381,895,545
Trade debts	23	300,910,812	350,930,654	292,246,677
Advances, deposits, prepayments and other receivables	25	73,565,632	61,368,474	58,506,225
Income tax refundable from the Government		70,558,593	61,201,919	72,908,786
Cash and bank balances	26	10,135,269	2,559,086	8,856,068
		916,856,878	1,013,178,267	921,679,884
Non current assets classified as held for sale	24	246,471,944	-	-
		2,348,804,302	2,508,192,859	2,275,200,293

The annexed notes 1 to 47 form an integral part of these financial statements.

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

# PROFIT AND LOSS ACCOUNT

## FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees (Restated)
Sales	27	1,159,292,636	1,006,698,230
Cost of sales	28	(991,034,781)	(781,786,095)
Gross Profit		168,257,855	224,912,135
Administrative expenses	29	(60,211,029)	(50,593,004)
Selling and distribution expenses	30	(36,525,605)	(50,665,115)
		(96,736,634)	(101,258,119)
Operating Profit		71,521,221	123,654,016
Other operating expenses	31	(94,666,943)	(27,728,408)
Other income	32	60,160,490	30,755,338
Finance cost	33	(61,946,129)	(59,033,540)
(Loss) / Profit before Taxation		(24,931,361)	67,647,406
Taxation	34	60,881,391	(38,527,912)
Net Profit for the Year		35,950,030	29,119,494
Earnings per Share - Basic and Diluted	35	1.03	0.83

The annexed notes 1 to 47 form an integral part of these financial statements.

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

  
DIRECTOR

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER





# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees (Restated)
Net Profit for the Year	35,950,030	29,119,494
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of retirement benefits asset	(3,445,497)	(713,858)
Related tax impact	1,005,396	207,661
Surplus on revaluation of property, plant and equipment	-	340,795,569
Related tax impact	-	(28,831,992)
Surplus/(Impairment) on revaluation arisen during the year	(13,379,246)	(159,929,107)
Related tax impact	3,904,064	46,523,377
Items that may be reclassified to profit or loss	-	-
Other comprehensive (loss) / income for the year	(11,915,283)	198,051,650
Total Comprehensive Income for the Year	24,034,747	227,171,144

The annexed notes 1 to 47 form an integral part of these financial statements.

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER



# CASH FLOWS STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2018

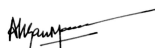
	Note	2018 Rupees	2017 Rupees (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Generated from Operations	36	85,186,399	130,122,759
Finance cost paid		(55,568,797)	(45,782,962)
Gratuity paid		(2,755,459)	(6,356,241)
Payments against discontinued provident fund		(22,329)	(1,329,325)
WPPF paid		(6,241,081)	-
Dividend paid		(1,125)	-
Income tax paid		(9,767,223)	(435,136)
		(74,356,014)	(53,903,664)
<b>Net Cash Generated from Operating Activities</b>		<b>10,830,385</b>	<b>76,219,095</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Property, plant and equipment		(17,072,823)	(13,825,850)
Intangible asset		-	(124,511)
Capital work in progress		(42,609,940)	(8,404,186)
Recoveries against long term loans		122,211	429,442
Long term security deposits		(1,492,400)	-
Advance against non-current assets held for sale		65,499,988	-
Proceeds from disposal of property, plant and equipment		34,278,376	1,786,953
<b>Net Cash Generated from / (used in) Investing Activities</b>		<b>38,725,412</b>	<b>(20,138,152)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term financing repaid - net		(86,672,784)	(8,285,700)
Short term borrowings obtained / (repaid) - net		44,693,170	(54,092,225)
<b>Net Cash Used in Financing Activities</b>		<b>(41,979,614)</b>	<b>(62,377,925)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>7,576,183</b>	<b>(6,296,982)</b>
Cash and cash equivalents at the beginning of the year		2,559,086	8,856,068
<b>Cash and Cash Equivalents at the End of the Year</b>		<b>10,135,269</b>	<b>2,559,086</b>

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

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER



# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED JUNE 30, 2018

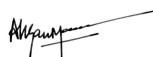
Particulars	Issued, Subscribed and Paid up Capital	Reserves						Total
		Capital		Revenue		Sponsors' Loan	Total Reserves	
		Share Premium Reserve	Revaluation Surplus	General Reserve	Accumulated Loss			
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2016 as previously reported	350,000,000	39,898,526	-	90,000,000	(574,299,548)	115,708,828	(444,401,022)	21,307,806
Impact of re-statement - note 5	-	-	746,402,897	-	-	-	746,402,897	746,402,897
Balance as at June 30, 2016 as restated	350,000,000	39,898,526	746,402,897	90,000,000	(574,299,548)	115,708,828	302,001,875	767,710,703
Net profit for the year	-	-	-	-	29,119,494	-	29,119,494	29,119,494
Other comprehensive income for the year	-	-	198,557,847	-	(506,197)	-	198,051,650	198,051,650
Total comprehensive income for the year	-	-	198,557,847	-	28,613,297	-	227,171,144	227,171,144
Effect of change in tax rates	-	-	(2,256,579)	-	-	-	(2,256,579)	(2,256,579)
Incremental depreciation for the year on surplus on revaluation of property, plant and equipment net of deferred tax	-	-	(22,170,905)	-	22,170,905	-	-	-
Balance as at June 30, 2017 as re-stated	350,000,000	39,898,526	920,533,260	90,000,000	(523,515,346)	115,708,828	526,916,440	992,625,268
Balance as at June 30, 2017 as previously reported	350,000,000	39,898,526	-	90,000,000	(523,515,346)	115,708,828	526,916,440	72,092,008
Impact of re-statement - note 5	-	-	920,533,260	-	-	-	920,533,260	920,533,260
Balance as at June 30, 2017 as re-stated	350,000,000	39,898,526	920,533,260	90,000,000	(523,515,346)	115,708,828	1,447,449,700	992,625,268
Net profit for the year	-	-	-	-	35,950,030	-	35,950,030	35,950,030
Other comprehensive loss for the year	-	-	(9,475,182)	-	(2,440,101)	-	(11,915,283)	(11,915,283)
Total comprehensive income for the year	-	-	(9,475,182)	-	33,509,929	-	24,034,747	24,034,747
Effect of change in tax rates	-	-	(533,746)	-	-	-	(533,746)	(533,746)
Incremental depreciation for the year on surplus on revaluation of property, plant and equipment net of deferred tax	-	-	(19,719,055)	-	19,719,055	-	-	-
Balance as at June 30, 2018	350,000,000	39,898,526	890,805,277	90,000,000	(470,286,362)	115,708,828	550,417,441	1,016,126,269

The annexed notes 1 to 47 form an integral part of these financial statements.

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

## 1. THE COMPANY AND ITS OPERATIONS

- 1.1 EMCO Industries Limited ("the Company") was incorporated as a Joint Stock Company in Pakistan under the Companies Act, 1913, (now the Companies Act, 2017) 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. Corporate office of the Company is located at 4th Floor, National Tower, 28 Egerton Road, Lahore, while its factory is located at 19-Km, Lahore Sheikhpura Road, Lahore.

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

## 2. Significant Transactions and Events Affecting the Company's Financial Position and Performance

- 2.1 With the promulgation of the Companies Act, 2017, certain prescribed changes have been made in the presentation and the amounts reported for the previous years are restated. This is explained in Note 5 and Note 47.

- 2.2 Summary of significant events and transactions in the current reporting period:

	2018 Impact in Rupees
- Reclassification of revaluation surplus owing to the requirements of the 4th Schedule to the Companies Act, 2017	890,805,277
- Reclassification of unclaimed dividend owing to the requirements of the 4th Schedule to the Companies Act, 2017	243,677
- Increase in short term borrowings	44,693,170
- Decrease in long term financing	(33,403,861)
- Purchase of property, plant and equipment	78,398,757
- Land and Machinery classified as Held for Sale	246,471,944
- Increase in tax refunds - net	9,356,674
- Increase in revenue as compared to last year	152,594,406
- Exchange gain during the year	2,411,845
- Adjustment of current tax expense arising from tax credits of prior year	(26,971,759)

## 3. Basis of Preparation

### 3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.



### 3.2 Basis of measurement

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

#### a) Employee retirement benefits (Gratuity) - Note 11

The Company uses the valuation performed by an independent actuary to determine the present value of its retirement benefit obligations.

#### b) Certain property, plant and equipment - Note 17

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

#### c) Deferred markup, interest free loans from related parties and provident fund loan

The Company is carrying deferred / frozen markup on certain bank borrowings, interest free loans from related parties and provident fund loan at amortized cost.

### 3.3 Functional and presentation currency

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

### 3.4 Use of estimates and judgments

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

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

### 3.5 Changes in accounting standards, interpretations and pronouncements

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

The Company has adopted the following accounting standard and the amendments which became effective for the current year:

- IAS 7 - Statement of Cash Flows - Disclosure Initiative - (Amendment)
- IAS 12 - Income Taxes — Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

Improvements to Accounting Standards Issued by the IASB in December 2014

- IFRS 12 - Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12

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

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan and relevant to the Company, would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation		Effective Date (Period beginning on or after)
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRS 9	Financial Instruments: Classification and Measurement	July 1, 2018
IFRS 15	Revenue from Contracts with Customers	July 1, 2018
IFRS 16	Leases	January 1, 2019
IAS 23	Borrowing costs	January 1, 2019

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application; except for IFRIC 22, IFRS 9 and IFRS 16.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

		Effective Date (Period beginning on or after)
-IFRS 14	'Regulatory Deferral Accounts'	January 1, 2016
-IFRS 17	'Insurance Contracts '	January 1, 2021

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

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

##### 4.1 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources shall be required to settle the obligation and the amount has been reliably estimated. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

##### 4.2 Employee retirement benefits

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

###### 4.2.1 Defined contribution plan

The Company operates a recognized provident fund for all its permanent workmen employees. Equal monthly contributions are made by the Company and employees into the fund at the rate of 10%



of the basic salary for officers and 10% of basic salary plus cost of living allowance for workers. Obligation for contributions to defined contribution plan is recognized as an expense in the profit or loss account as and when incurred.

#### 4.2.2 Defined benefit plan

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

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

#### 4.3 Taxation

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

##### 4.3.1 Current

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

##### 4.3.2 Deferred

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

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

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

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

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

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

#### 4.4 Leases

##### Finance leases

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



Related rental obligations, net of finance charges are included in liabilities against assets subject to finance lease. Liabilities are classified as current and long term depending upon the timing of payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset using the reducing balance method at the same rates as used for owned assets. Depreciation of leased assets is charged to the profit or loss account. Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

#### Operating leases

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

### 4.5 Trade and other payables

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

### 4.6 Property, plant and equipment

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

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

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

Depreciation on additions is charged from the month in which the assets are available for use while no depreciation is charged in the month in which the assets are disposed off. Rates of depreciation are disclosed in Note 17.

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

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

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



#### 4.7 Capital work-in-progress

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

#### 4.8 Intangible assets

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

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

#### 4.9 Impairment of Assets

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

#### 4.10 Borrowing costs

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

#### 4.11 Stores, spares and loose tools

Stores and spares are valued at weighted average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Provision is made for obsolete and slow moving stores and spares based on management estimate.

#### 4.12 Stock-in-trade

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

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

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

#### 4.13 Financial instruments

##### Financial assets

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

##### Financial assets at fair value through profit and loss

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

##### Loans and receivables

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

##### Available-for-sale financial assets

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

##### Held to maturity

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

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

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

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

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

##### Financial liabilities

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

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



#### 4.14 Offsetting of financial assets and liabilities

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

#### 4.15 Long term financing

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

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

#### 4.16 Trade debts

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

#### 4.17 Cash and cash equivalents

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

#### 4.18 Foreign currency transactions and translation

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

#### 4.19 Revenue recognition

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

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

#### 4.20 Business segments

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

The Company is divided into two business segments:

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

However, with the closure of Tile Division, the only reportable business segment is Insulator Division.

#### Segment assets and liabilities

The assets of a segment include all operating assets used by a segment and consist principally of receivables, inventories and property, plant and equipment, net of allowances and provisions. Segment liabilities are primarily unallocable. With the closure of Tile Division and reclassification of associated assets as held for sale, the carrying amounts of assets represent the only reportable business segment.

#### Allocation of segment expenses

All identifiable expenses are directly attributed to the respective segments.

#### 4.21 Contingent liabilities

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

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

#### 4.22 Dividend and other appropriations

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

### 5. CHANGE IN ACCOUNTING POLICY

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The Company has changed its accounting policy for the presentation and treatment of Surplus on Revaluation of Property, Plant and Equipment in line with the requirements of newly promulgated Companies Act, 2017 which does not stipulate any special treatment for revaluation surplus and therefore allows the presentation prescribed under IAS 16 "Property, Plant and Equipment". Thus, the Surplus on Revaluation of Property, Plant and Equipment is presented as equity. This change in policy is applied retrospectively in accordance with the requirements of IAS 8 "Accounting, Policies, Changes in Accounting Estimates and Errors" with effect from earliest period presented in these financial statements. Since section 235 of the repealed Companies Ordinance, 1984 has lost its application, the revaluation surplus which was previously shown as a separate line item on statement of financial position, has now been presented in equity for the year ended June 30 2017, and figures have been restated accordingly.

In view of the above, the accounting policy for the presentation and treatment of Surplus on Revaluation of Property, Plant and Equipment is given below:

Increase in the carrying amounts arising on revaluation of land and buildings are recognized, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognized in statement of profit or loss, the increase is first recognized in profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the Revaluation surplus on land and building to retained earnings.



The effect of change in accounting policy is summarized below:

	As at June 30, 2017			As at June 30, 2016		
	As previously reported on June 30, 2017	Adjustment	As restated on June 30, 2017	As previously reported on June 30, 2016	Adjustment	As restated on June 30, 2016
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Effect on statement of financial position						
Revaluation surplus on property, plant and equipment	920,533,260	(920,533,260)	-	746,402,897	(746,402,897)	-
Share capital and reserves	72,092,008	920,533,260	992,625,268	21,307,806	746,402,897	767,710,703
Effect on statement of changes in equity						
Capital Reserve - Surplus on revaluation of property, plant and equipment	-	920,533,260	920,533,260	-	746,402,897	746,402,897

	For the year ended June 30, 2017		
	As previously reported on June 30, 2017	Adjustment	As restated on June 30, 2017
	Rupees	Rupees	Rupees
Effect on statement of other comprehensive income			
Gain on revaluation of property, plant & equipment - net of deferred tax	-	198,557,847	198,557,847

There was no cash flow impact as a result of the retrospective application of change in accounting policy.

## 6. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2018 No. of Share			2018 Rupees	2017 Rupees
18,570,460	18,570,460	Ordinary shares of Rs. 10 each fully paid in cash	185,704,600	185,704,600
2,800,000	2,800,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	28,000,000	28,000,000
13,629,540	13,629,540	Ordinary shares of Rs. 10 each issued for consideration other than cash	136,295,400	136,295,400
35,000,000	35,000,000		350,000,000	350,000,000

6.1 There has been no movement in ordinary share capital during the year ended June 30, 2018.

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

	2018 (Number of Shares)	2017
Associated Engineers (Private) Limited	2,011,325	2,011,325
ICC (Private) Limited	2,943,411	2,943,411
	4,954,736	4,954,736



- 6.3 There are no agreements with shareholders for any specific voting rights, board selection, rights of first refusal and block voting etc.

7. RESERVES

	Note	2018 Rupees	2017 Rupees
Capital - share premium	7.1	39,898,526	39,898,526
Revenue - general reserve		90,000,000	90,000,000
Accumulated loss		(470,286,362)	(523,515,346)
		<u>(340,387,836)</u>	<u>(393,616,820)</u>

- 7.1 This reserve can be utilized by the Company only for the purposes specified in Section 81(2) of the Companies Act, 2017.

8. SPONSORS' LOAN

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

9. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2018 Rupees	2017 Rupees
Land - Freehold:		
Opening balance	479,521,964	237,839,464
Add: Surplus on revaluation arisen during the year	-	241,682,500
	<u>479,521,964</u>	<u>479,521,964</u>
Buildings on freehold land:		
Opening balance	252,550,999	192,718,295
Add: Surplus on revaluation arisen during the year	-	99,113,069
Less: Related deferred taxation	-	(28,831,992)
	<u>252,550,999</u>	<u>262,999,372</u>
Plant and machinery:		
Opening balance	188,460,297	315,845,138
Add: Surplus/(Impairment) on revaluation arisen during the year	-	(159,929,107)
Less: Related deferred taxation	-	46,523,377
	<u>188,460,297</u>	<u>202,439,408</u>
Reversal of revaluation surplus due to impairment of plant and equipment	(13,379,246)	-
Related deferred taxation	3,904,064	-
	<u>(9,475,182)</u>	<u>-</u>
Effect of change in tax rates	(533,746)	(2,256,579)
Incremental depreciation charged on revalued property, plant and equipment in current year-net of deferred tax (transferred to retained earnings)	(19,719,055)	(22,170,905)
	<u>890,805,277</u>	<u>920,533,260</u>



- 9.1 This represents surplus over book value resulting from the revaluation of freehold land, buildings on freehold land and plant and machinery, adjusted by incremental depreciation arising on revaluation of the above-mentioned assets except freehold land. Latest revaluation was carried out by an approved, independent valuer at June 30, 2017 using current market price / replacement cost methods, wherever applicable for the respective assets. This resulted in revaluation surplus of Rs. 180,866,462. Surplus on revaluation of property, plant and equipment can be utilized by the Company only for the purposes specified in section 241 of the Companies Act, 2017.
- 9.2 The revaluation surplus relating to the above-mentioned property, plant and equipment excluding freehold land is net of applicable deferred income taxes. Incremental depreciation charged on revalued property, plant and equipment has been transferred to the statement of changes in equity to record realization of surplus to the extent of incremental depreciation. Incremental depreciation represents the difference between the actual depreciation on the above-mentioned assets excluding freehold land and the equivalent depreciation based on the historical cost of these assets.

# 10. LONG TERM FINANCING

	Note	2018 Rupees	2017 Rupees
Banking companies - secured			
MCB Bank Limited (NIB)	10.1	-	3,917,401
National Bank of Pakistan	10.2	114,102,368	130,646,761
Adjustment due to impact of IAS-39	10.3	(2,838,939)	(4,537,590)
		111,263,429	126,109,171
Standard Chartered Bank (Pakistan) Limited	10.4	87,293,274	120,669,487
Adjustment due to impact of IAS-39	10.3	(13,199,291)	(15,234,095)
		74,093,983	105,435,392
		185,357,412	235,461,964
Associated companies / related parties - unsecured			
Associated Engineers (Private) Limited	10.5	22,185,447	20,535,447
Adjustment due to impact of IAS-39	10.3	(983,011)	(836,588)
		21,202,436	19,698,859
EMCO Industries Limited Provident Fund	10.6	221,435,040	132,954,131
Adjustment due to impact of IAS-39	10.3	(57,240,370)	-
		164,194,670	-
ICC (Private) Limited	10.7	13,125,005	29,166,668
Imperial Electric Company (Private) Limited	10.8	2,615,692	2,615,692
Adjustment due to impact of IAS-39	10.3	(41,878)	(40,116)
		2,573,814	2,575,576
		386,453,337	419,857,198
Less: current portion			
Banking companies		(28,772,531)	(45,340,654)
Associated companies / related parties		(41,870,780)	(42,527,131)
		(70,643,311)	(87,867,785)
		315,810,026	331,989,413

- 10.1 This represented term financing obtained from MCB Bank (NIB Bank) Limited that was rescheduled on June 30, 2015. This financing was repayable in monthly installments of Rs. 1 million each effective from June 2015 and carries mark-up @ 8% per annum. This was secured by first pari passu charge of Rs. 102.0 million and ranking charges of Rs 97.77 million over fixed assets (land, building, plant and machinery) of the Company and personal guarantees of certain directors of the Company. This finance matured on September 30, 2017 and the entire financing has been repaid during the year.
- 10.2 This represents long term financing (Demand Finance - I and Demand Finance II) created during the previous year by restructuring short term borrowings obtained from National Bank of Pakistan and accrued / unpaid markup thereon effective from March 30, 2017.
- As per the covenants of this agreement, Rs. 17.602 million was paid upfront towards the principal liabilities and the balance amounting to Rs. 98.649 Million was converted into DF-I, repayable in six years including one year grace period and carries mark-up @ 1 month KIBOR. The mark up outstanding on financing facilities till cut-off date of June 30, 2016 was recalculated by the Bank and the resulting amount of Rs. 31.7 million was transferred to DF-II as frozen markup, repayable in 60 equal monthly installments amounting Rs. 0.529 Million and carries no mark up. These loans are secured by ranking charge of Rs. 216 million over fixed assets (land, building, plant and machinery) and joint pari passu charge of Rs. 216 million over current assets of the Company alongwith the personal guarantees of certain directors of the Company. This is due to mature on June 30, 2022.
- 10.3 In accordance with the requirements of IAS-39, deferred markup on loans obtained from Standard Chartered Bank (Pakistan) Limited, National Bank of Pakistan and EMCO Contribution Provided Fund have been carried at amortised cost and the relevant difference is being charged to the profit or loss account.
- 10.4 The loan was restructured during the year ended June 30, 2013 and further restructured during the year ended June 30, 2015. It carries markup @ 3 months KIBOR per annum. Under the restructured agreement the outstanding principal of Rs. 109 million is repayable by way of quarterly staggered installments over the period of 5 years. The outstanding markup payable and markup accrued after restructured agreement shall be paid after the principal amount has been paid off. Deferred markup as at the reporting date is Rs. 54.819 million. This loan is secured by a ranking charge of Rs. 162 million in favour of the Bank over the property, plant and equipment and joint pari passu charges of Rs. 200 million over current assets of the Company. This is due to mature on February 28, 2023.
- 10.5 This includes interest-bearing loan of Rs. 7,396,095 (2017: Rs. 7,396,095) and interest free loan of Rs. 13,952,764 (2017: Rs. 12,302,423) The interest bearing loan carries mark-up @ 7.55 % (2017: 7.55%) per annum. The loan is unsecured and terms of repayment of loan and mark-up have yet not been formalized by the related parties; however, this loan is not repayable within next 12 months.
- 10.6 This represents loan obtained from EMCO Industries Limited Provident Fund on July 01, 2000. For liquidity issues, this loan had been rescheduled a number of times. Latest rescheduling of the loan was carried out on March 06, 2018 by the Trustees of the fund whereby the Company decided to discontinue the contributions to the provident fund and to discontinue the charging of markup on loan obtained from the fund on the basis of the following covenants:
- The company will pay Rs. 25 million upfront on or before March 31, 2018.
  - Thereafter, the remaining amount of loan to be repaid through monthly installments of Rs. 2.0 million till complete settlement of the loan. This loan is due to mature on July 31, 2027.
  - The payment will represent the principal repayment and no markup will be charged on the outstanding amounts.
  - The employees who are the members of the funds, will be inducted in a new gratuity scheme of the Company with effect from effective date.
- 10.7 This represents the balance of long term loan of Rs. 35 million obtained during the previous year from an associated company to improve the liquidity position of the Company. This loan carries markup of 1-month KIBOR + 3% p.a., recoverable on monthly basis along with principal component in 24 equal monthly installments and carries no grace period. The loan is secured by corporate inter-company guarantees for the principal and markup amounts.



10.8 This represents outstanding loan obtained from M/s Imperial Electric Company (Private) Limited. Of this amount Rs. 2.575 million (2017: 2.575 million) out of which Rs. 1.986 million carries mark-up @ 7.55% (2017: 7.55%) per annum and the remaining amount is interest free. The terms of repayment of loan have yet not been agreed; however, this loan is not repayable within next 12 months.

## 11. DEFERRED LIABILITIES

	Note	2018 Rupees	2017 Rupees
Payable to employees against discontinued provident fund	11.1	4,487,269	4,371,128
Non-workmen staff gratuity - unfunded	11.2	40,931,971	33,479,360
		45,419,240	37,850,488
11.1 Payable to employees against discontinued provident fund			
Opening balance		4,371,128	5,554,381
Add: Mark-up accrued		138,470	146,072
		4,509,598	5,700,453
Less: Payments made / transferred to final settlements		(22,329)	(1,329,325)
Closing balance		4,487,269	4,371,128

11.1.1 This represents outstanding balance of employer contribution payable to non-workmen employees on termination of provident fund scheme with effect from December 31, 2002. The outstanding balance of employer contribution payable includes both, principal and interest portions. Interest is being charged on the principal portion at a rate of 5% (2017: 5%) per annum. The balance, along with the interest, is being paid as and when requested by employees.

## 11.2 Non-workmen staff gratuity - unfunded

Latest actuarial valuation of the gratuity scheme was conducted as on June 30, 2018. Results of actuarial valuation are as under:

### 11.2.1 Movement in net liability for staff gratuity

	Note	2018 Rupees	2017 Rupees
Opening balance		33,479,360	29,300,567
Charge for the year - Profit and loss account	11.2.2	6,762,573	9,821,176
Charge for the year - Other comprehensive income		3,445,497	713,858
Payments made / approved during the year		(2,755,459)	(6,356,241)
Closing balance	11.2.3	40,931,971	33,479,360
11.2.2 Charge for the year			
The amounts recognised in the profit and loss account against defined benefit scheme are as follows:			
Current service cost		4,863,506	8,505,033
Interest cost		1,899,067	1,316,143
		6,762,573	9,821,176

	Note	2018 Rupees	2017 Rupees
11.2.3 Staff gratuity			
Present value of defined benefit obligation	11.2.4	35,768,351	26,827,769
Benefits due but not paid		5,163,620	6,651,591
Liability as at June 30,		40,931,971	33,479,360
11.2.4 Movement in present value of defined benefit obligation			
Opening balance		26,827,769	20,014,667
Benefits due but not paid from last year		6,651,591	9,285,900
Current and past service cost		4,863,506	8,505,033
Interest cost		1,899,067	1,316,143
Benefits paid / approved		(2,755,459)	(6,356,241)
Benefits due but not paid		(5,163,620)	(6,651,591)
Actuarial loss recognized in other comprehensive income		3,445,497	713,858
Closing balance		35,768,351	26,827,769

	2018	2017
11.2.5 Actuarial assumptions		
Discount rate - per annum	7.50%	7.25%
Expected rate of increase in salary level - per annum	6.50%	6.25%
Average expected remaining working lives of employees	9 Years	9 Years
Expected mortality rate for active employees	SLIC (2001-2005) Mortality Table	
Actuarial valuation method	Projected Unit Credit Method	

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

	2018 Rupees	2017 Rupees	2016 Rupees	2015 Rupees	2014 Rupees
Present value of defined benefit obligation	40,931,971	33,479,360	29,300,567	21,134,849	20,334,448
Fair value of plan asset	-	-	-	-	-
Net balance sheet liability	40,931,971	33,479,360	29,300,567	21,134,849	20,334,448

	Rupees
11.2.7 Estimated Charge for the year 2018-2019	
Current and past service cost	9,273,723
Interest cost	2,682,627
	11,956,350



### 11.2.8 Year end sensitivity analysis on defined benefit obligation

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

	Rupees
Discount rate + 1%	32,350,609
Discount rate - 1%	39,833,454
Salary increase + 1%	39,833,454
Salary increase - 1%	32,348,248

	Note	2018 Rupees	2017 Rupees
11.2.9 The charge for the year has been allocated as follows:			
Cost of sales	25	4,777,452	5,401,648
Administrative expenses	26	1,632,201	3,633,834
Selling and distribution expenses	27	352,920	785,694
		6,762,573	9,821,176

12. DEFERRED TAXATION		2018 Rupees	2017 Rupees
Credit / (debit) balances arising in respect of timing differences relating to:			
Taxable temporary differences			
- Accelerated tax depreciation		38,594,720	56,859,534
- Revaluation of property, plant and equipment		161,218,672	172,518,710
		199,813,392	229,378,244
Deductible temporary differences			
- Provision for doubtful debts		(28,367,407)	(14,343,782)
- Provision for obsolete stores and spares		(638,770)	(636,800)
- Provision for obsolete stock		(4,357,973)	(4,344,532)
- Others		(13,420,398)	(12,170,964)
- Unused tax losses / tax credits		(117,601,310)	(96,253,232)
		(164,385,858)	(127,749,310)
		35,427,534	101,628,934

13. TRADE AND OTHER PAYABLES	Note	2018 Rupees	2017 Rupees (Restated)
Trade creditors	13.1	136,667,306	180,163,625
Accrued liabilities		59,940,932	71,091,149
Employee retirement benefit funds		2,129,566	2,156,503
Advances from customers		11,954,517	43,443,543
Provident fund payable		-	937,157
Sales tax payable		24,458,443	22,287,129
Employees' welfare fund		158,968	417,686
Withholding tax payable		1,256,418	2,626,869
Workers' (profit) participation fund	13.2	1,631,773	5,692,640
Workers' welfare fund		2,852,341	2,091,310
		241,050,264	330,907,611



13.1 Trade creditors include Rs. 7,336,395 (2017: Rs. 5,237,427) due to related parties.

	2018 Rupees	2017 Rupees
13.2 Workers' Profit Participation Fund		
Balance at the beginning of the year	5,692,640	2,022,049
Allocation for the year	1,992,163	3,482,540
	7,684,803	5,504,589
Interest on funds utilized in the Company's business	188,051	188,051
Payment	(6,241,081)	-
Closing balance	1,631,773	5,692,640

	2018 Rupees	2017 Rupees
14. ACCRUED FINANCE COST		
Accrued finance cost on:		
- Long term financing from banking companies	487,940	103,789
- Long term financing from associated companies / related parties	8,026,545	119,367,887
- Short term borrowings from banking companies	3,746,197	3,959,582
- Short term borrowings from associated companies / related parties	8,910,295	8,927,454
	21,170,977	132,358,712

	Note	2018 Rupees	2017 Rupees
15. SHORT TERM BORROWINGS			
Interest bearing			
Banking companies - secured:			
- Running finances	15.1	161,996,165	153,895,504
- Export and import finances	15.2	63,190,440	55,674,267
		225,186,605	209,569,771
Related parties - unsecured:			
- Associated company - ICC (Private) Limited	15.3	75,000,000	-
- Director	15.4	32,648,590	76,575,955
		107,648,590	76,575,955
		332,835,195	286,145,726
Interest free			
Related parties - unsecured:			
- Associated company - ICC (Private) Limited		80,750,000	80,750,000
- Directors and close relatives thereof		123,827,821	125,824,120
		204,577,821	206,574,120
		537,413,016	492,719,846

15.1 Short-term running finances available from various commercial banks under mark-up arrangements amount to Rs. 152 million (2017: Rs. 154 million). Rates of mark-up range from 1 month KIBOR + 1% to 3 months KIBOR + 3% per annum on the balance outstanding. Aggregate short term finances are secured by first pari passu charge on present and future current, ranking charge over the Company's



present and future fixed assets, joint pari passu charge on current assets of the Company, lien over sale documents, personal guarantees of certain directors, mortgage over commercial properties owned by Associated Engineering (Private) Limited, an associated company, and properties owned by directors and their close relatives.

- 15.2 Export and import finances available from various commercial banks under mark-up arrangements amount to Rs. 161 million (2017: Rs. 185 million). The rates of mark-up range from 1 month KIBOR to 6 months KIBOR plus 1%. In the event the Company fails to pay the balances till due date, liquidated charges of 2% over and above the mark-up rate or a flat rate of 16% shall be charged on the principal amount. The aggregate export and import finances are secured by hypothecation of stores, spares and loose tools, stock-in-trade, trade debts, charge on property, plant and equipment of the Company and property owned by directors.
- 15.3 This represented unsecured borrowings obtained from associated company that carried mark-up @ of 3 months KIBOR + 3% per annum on the balance outstanding. The borrowing of Rs. 11,500,000 has been repaid during the year and new borrowing of Rs. 86,500,000 has been obtained.
- 15.4 This represents unsecured borrowing obtained from a director (Usman Haq) and carries mark-up ranging from 7.55% to 3 month KIBOR + 5% per annum on the balance outstanding.

## 16. CONTINGENCIES AND COMMITMENTS

### Contingencies

- 16.1 The Collector of Sales Tax raised demands in previous years of Rs. 0.11 million being sales tax and penalties under section 47 of the Sales Tax Act, 1990 on sale of fixed asset and vehicles. The demand was set aside by the Appellate Tribunal. The Department filed an appeal before the Lahore High Court which is pending hearing. No provision has been made in the financial statements as the management is confident that the case will be decided in its favour.
- 16.2 The Company has indemnified the Trustees of EMCO Industries Limited Provident Fund and the beneficiaries thereof, from any and all events wherein they or anyone suffers any loss and / or damage for allowing the Company rescheduled time frame to repatriate the borrowed sum amounting to Rs. 192.689 million (2017: Rs. 132.954 million) as at June 30, 2018 into the fund.
- 16.3 The Collector of Customs has raised a demand of Rs. 8.978 million alongwith applicable penalty against liabilities of the Company, which has been challenged by the Company in Lahore High Court, Lahore. The Honourable court has granted interim injunction against recovery of dues and the matter is in initial proceedings. The management is confident about the favourable outcome of this litigation and therefore has not incorporated any provision in these financial statements.
- 16.4 An employee Michael John has filed a case before labour court for claiming Rs. 500,000 as compensation for the injury happened while working in company's factory. The case is pending adjudication and the legal advisor is of the opinion that case will be dismissed in company's favour.

### Commitments

- 16.5 Letters of credit other than for capital expenditure amount to Rs. 32.25 million (2017: Rs. 60.771 million).
- 16.6 Bank guarantees amount to Rs. 147.519 million (2017: Rs. 133.171 million) that have been issued in favour of the following companies:

	2018 Rupees	2017 Rupees
Sui Northern Gas Pipeline Limited	22,406,000	22,406,000
WAPDA	116,134,993	101,786,577
Collector of Customs	8,978,358	8,978,358
	<u>147,519,351</u>	<u>133,170,935</u>

16.7 Commitments for future minimum lease payments in respect of Ijarah arrangements are as follows:

Not later than one year	Later than one year and later than five years	Later than five years
Rupees		
1,342,272	3,131,968	-

17. PROPERTY, PLANT AND EQUIPMENT	Note	2018 Rupees	2017 Rupees
Operating fixed assets	17.1	1,131,168,371	1,437,943,775
Capital work in progress - civil works		11,673,192	30,389,186
		1,142,841,563	1,468,332,961

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

Description	Freehold Land Rupees	Buildings on Freehold Land Rupees	Plant and Machinery Rupees	Tools and Equipment Rupees	Furniture and Fittings Rupees	Vehicles Rupees	Office Equipment Rupees	Total Rupees
Net Carrying Value Basis								
Year Ended June 30, 2018								
Opening net book value	507,612,500	396,704,800	527,146,924	65,552	944,892	1,509,062	3,960,045	1,437,943,775
Additions	-	61,325,934	16,379,851	-	-	-	692,972	78,398,757
Revaluation adjustment	-	-	-	-	-	-	-	-
Disposal during the year								
- Cost	-	-	174,250,734	-	-	-	-	174,250,734
- Accumulated depreciation	-	-	(136,998,116)	-	-	-	-	(136,998,116)
Impairment	-	-	(37,252,618)	-	-	-	-	(37,252,618)
	-	-	(37,555,665)	-	-	-	-	37,555,665
Depreciation charge	-	(29,505,232)	(51,287,086)	(14,310)	(188,968)	(301,812)	(866,808)	(82,164,216)
Transferred out to non current assets classified as held for sale - (note 24)								
- Cost	(125,337,500)	-	(400,846,728)	-	-	-	-	(526,184,228)
- Accumulated depreciation	-	-	297,982,566	-	-	-	-	297,982,566
	(125,337,500)	-	(102,864,162)	-	-	-	-	(228,201,662)
Closing net book value	382,275,000	428,525,502	314,567,244	51,242	755,924	1,207,250	3,786,209	1,131,168,371
Depreciation rates		5%	4%-35%	20%-40%	20%	20%	20%	
Gross Carrying Value Basis								
As at June 30, 2018								
Cost / revalued amount	507,612,500	736,788,060	965,536,893	9,245,723	8,726,401	10,297,786	31,643,640	2,269,851,003
Accumulated depreciation	-	(308,262,558)	(650,969,649)	(9,194,481)	(7,970,477)	(9,090,536)	(27,857,431)	(1,013,345,132)
Net Book Value	507,612,500	428,525,502	314,567,244	51,242	755,924	1,207,250	3,786,209	1,256,505,871
Net Carrying Value Basis								
Year Ended June 30, 2017								
Opening net book value	265,930,000	309,429,645	731,907,952	81,365	1,182,113	3,237,728	3,396,055	1,315,164,858
Additions	-	11,541,230	12,424,250	-	-	-	1,401,600	25,367,080
Revaluation adjustment	241,682,500	99,113,069	(159,929,107)	-	-	-	-	180,866,462
Disposal during the year								
- Cost	-	-	-	-	-	4,577,000	-	4,577,000
- Accumulated depreciation	-	-	-	-	-	(3,495,879)	-	(3,495,879)
	-	-	-	-	-	(1,081,121)	-	(1,081,121)
Depreciation charge	-	(23,379,144)	(57,256,171)	(15,813)	(237,221)	(647,545)	(837,610)	(82,373,504)
Closing net book value	507,612,500	396,704,800	527,146,924	65,552	944,892	1,509,062	3,960,045	1,437,943,775
Depreciation rates		5%	4%-35%	20%-40%	20%	20%	20%	
Gross Carrying Value Basis								
As at June 30, 2017								
Cost / revalued amount	507,612,500	675,462,126	1,779,292,145	9,245,723	8,726,401	10,297,786	30,950,668	3,021,587,349
Accumulated depreciation	-	(278,757,326)	(1,252,145,221)	(9,180,171)	(7,781,509)	(8,788,724)	(26,990,623)	(1,583,643,574)
Net Book Value	507,612,500	396,704,800	527,146,924	65,552	944,892	1,509,062	3,960,045	1,437,943,775



## 17.2 Apportionment of depreciation charge for the year

Depreciation charge for the year has been apportioned as follows:

	Note	2018 Rupees	2017 Rupees
Cost of sales	28	81,775,164	81,616,909
Administrative expenses	29	389,052	756,595
		<b>82,164,216</b>	<b>82,373,504</b>

## 17.3 Disposal of property, plant and equipment

Detail of property, plant and equipment with book value exceeding Rs. 500,000 disposed off during the year is as follows:

Particulars	Cost Rupees	Accumulated depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Gain on disposal Rupees	Buyer Name	Relationship	Mode of sale
Sale Of Diesel Generator (30KVA)	445,596	215,753	229,843	111,111	(118,732)	Naseem Khan	Employee	Negotiation
Sale Of Diesel Generator (22KVA)	563,500	331,961	231,539	128,205	(103,334)	Muhammad Naeem	Employee	Negotiation
Sale Of Induction Motor (17KVA)	81,000	42,269	38,731	64,103	25,372	Muhammad Naeem	Employee	Negotiation
Sale Of Diesel Generator (10KVA)	362,695	174,432	188,263	44,444	(143,819)	Muhammad Naeem	Employee	Negotiation
Sale Of Diesel Generator (10KVA)	362,695	201,930	160,765	64,957	(95,808)	Muhammad Naeem	Employee	Negotiation
Sale of Tile Machinery	172,435,248	136,031,771	36,403,477	33,865,556	(2,537,921)	M/S Equity Experts	-	At market value
Total 2018	174,250,734	136,998,116	37,252,618	34,278,376	(2,974,242)			
Total 2017	4,577,000	(3,495,879)	1,081,121	1,786,953	705,832			

## 17.4 Particulars of immovable property (land and building) in the name of the company is as follow;

Location	Usage of immovable property	Total area
Factory Insulator Division 19-Km, Lahore Sheikhupura Road, Lahore.	Production plant	304 kanal  (out of which 81 kanals is classified as held for sale)

## 17.5 Cost, accumulated depreciation and book value of revalued assets

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

	2018 Rupees	2017 Rupees
Freehold land	28,090,536	28,090,536
Buildings on freehold land	112,635,559	55,393,005
Plant and machinery	293,491,782	293,006,231
	<b>434,217,877</b>	<b>376,489,772</b>

## 17.6 The carrying amount of temporarily idle property, plant and equipment as at the reporting date is Rs. Nil (2017: 494.400 million).

## 17.7 The property, plant and equipment of the Company are subject of first and joint pari passu charge as security for certain financing by banks (refer Note to 10 and 15).

18.	INTANGIBLE ASSETS	Note	2018 Rupees	2017 Rupees
	Intangible asset	18.1	2,239,916	2,519,906
18.1	Net Carrying Value			
	Net carrying value - opening balance		2,519,906	-
	Additions during the year		-	2,799,898
			2,519,906	2,799,898
	Amortization during the year	18.2	(279,990)	(279,992)
	Net carrying value as at June 30,		2,239,916	2,519,906
	Gross Carrying Value			
	Cost		8,994,900	8,994,900
	Accumulated amortization		(6,754,984)	(6,474,994)
	Net book value		2,239,916	2,519,906
			10%	10%
18.2	The Company has implemented new ERP (SAP). Amortization charge for the year has been allocated to administrative expenses.			
19.	LONG TERM PREPAYMENTS AND OTHER RECEIVABLES	Note	2018 Rupees	2017 Rupees (Restated)
	Long term prepayments	19.1	21,640,980	5,224,260
	Recoverable from employees	19.3	15,715,471	17,166,441
			37,356,451	22,390,701
19.1	Long term prepayments			
	Opening balance		5,224,259	6,762,878
	Addition during the year		30,034,378	7,051,086
	Charge to profit or loss	19.2	(5,981,445)	(2,608,259)
			29,277,192	11,205,705
	Current portion of long term prepayments	25	(7,636,212)	(5,981,445)
			21,640,980	5,224,260
19.2	Long term prepayments comprise expenses incurred on product testing and international assurance on product quality whose benefits will be availed through a number of successive years. Thus, these amounts will be charged to profit or loss on time proportionate basis.			
19.3	Recoverable from employees	Note	2018 Rupees	2017 Rupees
	Long term recoverable from employees		16,915,471	17,166,441
	Current portion	25	(1,200,000)	-
			15,715,471	17,166,441
19.4	This represents recoveries imposed on employees on account of faulty finished goods and shortages of inventory.			



20.	LONG TERM LOANS	Note	2018 Rupees	2017 Rupees
	Loans to employees - (Secured - considered good)	20.1	1,645,790	1,848,668
	Less: current portion		(268,140)	(348,807)
			1,377,650	1,499,861
20.1	These represent loans for purchase of motorcycles, bicycles and for the construction of residential houses etc. These loans are secured against gratuity and are interest free. The loans are repayable over a period of two to eight years.			
20.2	Reconciliation of carrying amount of loans to executive		2018 Rupees	2017 Rupees (Restated)
	Opening balance		805,000	985,000
	Add: Disbursements		-	-
	Less: Repayments		(45,000)	(180,000)
	Closing balance on June 30,		760,000	805,000
20.2.1	An executive is defined as an employee, other than the chief executive and directors, whose basic salary exceeds Rs. 1.2 million in a financial year. Comparative figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017 (Previously, basic salary limit for executive was Rs. 500,000).			
21	STORES, SPARES AND LOOSE TOOLS	Note	2018 Rupees	2017 Rupees
	Stores		24,760,878	18,793,680
	Spare parts	24	60,036,547	91,940,480
	Loose tools		2,313,788	2,445,576
			87,111,213	113,179,736
	Less: Provision for obsolescence of stock	21.1	(2,189,069)	(2,189,069)
			84,922,144	110,990,667
21.1	Provision for obsolescence of stock			
	Opening balance		2,189,069	2,189,069
	Provision for the year		-	-
			2,189,069	2,189,069
	Less: Obsolete stocks written off		-	-
			2,189,069	2,189,069
22.	STOCK-IN-TRADE	Note	2018 Rupees	2017 Rupees
	Raw materials		159,280,974	145,722,304
	Materials in transit		1,951,994	7,330,672
	Work-in-process		49,737,606	29,735,130
	Finished goods		180,728,650	258,274,157
			391,699,224	441,062,263
	Less: Provision for obsolescence of stock	22.1	(14,934,796)	(14,934,796)
			376,764,428	426,127,467



		2018 Rupees	2017 Rupees
22.1	Provision for obsolescence of stock		
	Opening balance	14,934,796	14,934,796
	Provision for the year	-	-
		14,934,796	14,934,796
	Less: Obsolete stocks written off	-	-
		14,934,796	14,934,796

22.2 Stocks are under charge by way of hypothecation as security against financing obtained from banks (refer to Note 10 and 15).

	Note	2018 Rupees	2017 Rupees (Restated)
23.	TRADE DEBTS		
	Local - (Unsecured - considered good)	23.1 291,171,390	345,937,393
	Local - (Unsecured - considered doubtful)	97,215,241	49,308,292
	Foreign - (secured - considered good)	23.2 9,739,422	4,993,261
		398,126,053	400,238,946
	Less: Provision for doubtful debts	23.3 (97,215,241)	(49,308,292)
		300,910,812	350,930,654

#### 23.1 Due from related parties

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

ICC (Private) Limited	63,059	63,059
Nur Enterprises	305,866	305,866
	368,925	368,925

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

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

#### 23.2 Description of foreign trade debts:

As at June 30, 2018 :

Foreign Jurisdiction	Exports During the Year				
	Through cash against documents and advance	Through contract	Through letter of credit (LC)	Total	Amount outstanding at year end
	Rupees	Rupees	Rupees	Rupees	Rupees
Turkey	-	-	52,916,955	52,916,955	9,739,422

As at June 30, 2017 :

Foreign Jurisdiction	Exports During the Year				
	Through cash against documents and advance	Through contract	Through letter of credit (LC)	Total	Amount outstanding at year end
	Rupees	Rupees	Rupees	Rupees	Rupees
Turkey	-	-	21,270,429	21,270,429	4,993,261



		2018 Rupees	2017 Rupees	
23.3	Provision for doubtful debts			
	Opening balance	49,308,292	34,432,530	
	Provision for the year	47,906,949	14,875,762	
		97,215,241	49,308,292	
	Less: Bad debts written off	-		
		97,215,241	49,308,292	
24.	NON CURRENT ASSETS CLASSIFIED AS HELD FOR SALE	2018 Rupees	2017 Rupees	
	Land	125,337,500	-	
	Plant and Machinery	102,864,162	-	
	Spare parts	18,270,282	-	
		246,471,944	-	
24.1	The Company has classified a piece of land measuring 81 kanals, situated at 19 KM Sheikhpura Road, Lahore and plant & machinery of Tile Division alongwith related spare parts as Held for Sale in accordance with IFRS-5, "Non-current Assets Held for Sale and Discontinued Operations". The management has been successful in setting out an active plan for the sale of these non current assets through written agreements. By virtue of these agreements, advances of Rs. 65.499 million have been received by the Company during the year and have been separately shown in statement of financial position. These agreements anticipate the completion of sale by February 2019. The sales values agreed between the Company and the buyers represent fair values of non current assets less costs of sale since the agreements were reached on the basis of prevailing market prices.			
25.	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2018 Rupees	2017 Rupees (Restated)
	Advances:			
	- to employees - considered good	25.1	20,023,340	2,677,998
	- to suppliers			
	- Considered good		33,069,015	42,627,560
	- Considered doubtful		575,686	575,686
			53,668,041	45,881,244
	Current portion of loans to employees-considered good	20	268,140	348,807
	Security deposits		7,485,022	5,639,315
	Claim receivable		258,332	-
	Provident fund receivable		205,433	-
	Margins held by bank		2,988,339	3,632,163
	Prepayments		431,799	461,186
	Current portion of long term prepayments	19.1	7,636,212	5,981,445
	Current portion of recoverable from employees	19.3	1,200,000	-
			74,141,318	61,944,160
	Less: Provision for doubtful advances	25.2	(575,686)	(575,686)
			73,565,632	61,368,474

- 25.1 These advances are extended to employees and executives and are repayable in installments in accordance with the Company's policy. This does not include any amount due from directors (2017: Nil). The amount is paid to directors commercial manager as an advance for expenditure to be reimbursed by the Company. These balances are secured against employees' retirement benefit balances.

	2018 Rupees	2017 Rupees
25.2 Provision for doubtful advances		
Opening balance	575,686	575,686
Add: Provision for the year	-	-
	575,686	575,686
Less: Advances written off against provision	-	-
	575,686	575,686

	2018 Rupees	2017 Rupees
26. CASH AND BANK BALANCES		
Cash in hand	700,706	875,231
Cash at bank - in current accounts	9,434,563	1,683,855
	10,135,269	2,559,086

	2018 Rupees	2017 Rupees
27. SALES		
Gross sales:		
- Local	1,272,633,570	1,039,415,789
- Against international tender and funding	19,151,013	96,908,124
- Export	52,916,955	21,270,429
	1,344,701,538	1,157,594,342
Less: Trade discounts	(496,332)	(171,030)
Less: Sales tax	(184,912,570)	(150,725,082)
Net sales	1,159,292,636	1,006,698,230



28. COST OF SALES	Note	2018 Rupees	2017 Rupees (Restated)
Raw and packing material consumed		375,906,434	361,859,531
Salaries, wages and benefits	28.1	245,236,502	237,949,489
Stores and spares consumed		37,452,953	33,379,359
Power and gas		146,047,441	102,993,930
Testing and inspection		23,795,738	22,665,604
Travelling and conveyance		12,333,344	9,062,774
Rent, rates and taxes		1,445,557	1,199,225
Repairs and maintenance		1,064,464	3,969,786
Entertainment		1,809,016	1,472,978
Insurance		3,830,985	3,454,104
Ijarah rentals	16.7	894,848	-
Vehicle maintenance		610,294	631,408
Communication and stationery		933,740	1,012,768
Miscellaneous		355,270	277,795
Depreciation	17.2	81,775,164	81,616,909
		933,491,750	861,545,660
Work in process			
- Opening work in process		29,735,130	21,295,773
- Closing work in process		(49,737,606)	(29,735,130)
		(20,002,476)	(8,439,357)
Cost of goods manufactured		913,489,274	853,106,303
Finished goods			
- Opening finished goods		258,274,157	186,953,949
- Closing finished goods		(180,728,650)	(258,274,157)
		77,545,507	(71,320,208)
		991,034,781	781,786,095

28.1 This includes contribution to the Provident Fund amounting to Rs. 1,565,930 (2017: Rs. 2,427,228).

29. ADMINISTRATIVE EXPENSES	Note	2018 Rupees	2017 Rupees (Restated)
Salaries, wages and benefits	29.1	43,571,228	32,305,261
Communication and stationery		1,694,114	1,925,656
Travelling		3,008,120	3,421,130
Rent, rates and taxes		2,305,730	1,254,000
Legal and professional charges		2,432,904	1,833,445
Fees and taxes		1,899,494	1,919,277
Vehicle maintenance		846,237	2,782,903
Power and gas		775,465	867,507
Insurance		341,161	254,130
Repairs and maintenance		318,824	558,658
Computer charges		711,470	452,550
Security charges		240,271	165,966
Miscellaneous		673,915	674,406
Entertainment		723,054	1,141,530
Depreciation	17.2	389,052	756,595
Amortization	18.2	279,990	279,990
		60,211,029	50,593,004

29.1 This includes contribution to the Provident Fund amounting to Rs. 8,707 (2017: Rs. 13,053).

	2018 Rupees	2017 Rupees (Restated)
<b>30. SELLING AND DISTRIBUTION EXPENSES</b>		
Handling, freight and transportation	16,079,009	14,190,176
Late delivery charges / Liquidity damages	11,395,956	25,635,047
Salaries, wages and benefits	3,973,143	5,811,600
Travelling	2,685,509	3,741,005
Insurance	1,094,236	69,773
Vehicle maintenance	188,920	168,159
Rent, rates and taxes	121,358	126,192
Communication	140,419	295,283
Advertisement and sales promotion	260,319	217,600
Miscellaneous	586,736	392,079
Utilities	-	18,201
	<b>36,525,605</b>	<b>50,665,115</b>

	Note	2018 Rupees	2017 Rupees
<b>31. OTHER OPERATING EXPENSES</b>			
Auditor's remuneration:			
- statutory audit		730,000	730,000
- half yearly review		250,000	250,000
		980,000	980,000
Workers' (profit) participation fund		1,992,163	3,482,540
Workers' welfare fund		761,031	1,322,931
Impairment loss	31.1	42,906,137	-
Provision for doubtful debts		47,906,949	14,875,762
Security deposits written off		103,663	-
Sales tax penalties		17,000	81,773
Bad debts written off		-	6,985,402
		<b>94,666,943</b>	<b>27,728,408</b>

31.1 This includes impairment charged on spare parts amounting to Rs. 18,729,718 (2017:Nil).

	Note	2018 Rupees	2017 Rupees
<b>32. OTHER INCOME</b>			
Income from financial assets			
Profit on margins held by bank		-	-
Exchange gain		2,411,845	353,241
		<b>2,411,845</b>	<b>353,241</b>
Income from non - financial assets			
(Loss) / Gain on disposal of property, plant and equipment		(2,974,242)	705,832
Rental income		226,139	207,025
Liabilities written back		733,012	3,012,622
Gain on restructuring of short term borrowings from National Bank of Pakistan		-	20,267,274
Miscellaneous income		614,704	2,536,105
Adjustment due to impact of IAS-39	10.3	59,149,032	3,673,239
		<b>57,748,645</b>	<b>30,402,097</b>
		<b>60,160,490</b>	<b>30,755,338</b>



33.	FINANCE COST	Note	2018 Rupees	2017 Rupees
	Long term financing from banking companies		11,194,966	8,913,922
	Long term financing from associated companies / related parties		7,809,830	11,126,488
	Short term borrowings from banking companies		17,794,997	21,051,615
	Short term borrowings from associated companies / related parties		13,877,190	12,586,081
	Discontinued provident fund	11.1	138,470	146,072
	Commission on bank guarantees		3,275,752	2,393,457
	Interest on WPPF		-	188,051
	Unwinding of discount		5,493,932	-
	Bank charges		2,360,992	2,627,854
			<u>61,946,129</u>	<u>59,033,540</u>

34.	TAXATION	Note	2018 Rupees	2017 Rupees
	Current		13,794,977	12,142,003
	Prior year adjustment			
	- Current tax		13,587,331	-
	- Tax credits	34.1 & 34.4	(26,971,759)	-
			<u>410,549</u>	<u>12,142,003</u>
	Deferred		(61,291,940)	26,385,909
			<u>(60,881,391)</u>	<u>38,527,912</u>

34.1 These tax credits are exclusive of unused tax credits amounting to Rs. 26,399,819 (2017: 43,243,956) available to the Company on account of excess of minimum tax over tax payable.

34.2 The provision for current year tax represents minimum tax on revenue at the rate of 1.25%. Sufficient tax provision has been incorporated in these financial statements. Income tax assessments are deemed finalized by the management up to the Tax Year 2017 as tax returns were filed under the self assessment scheme.

34.3 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purpose of taxation is available. The comparison of estimated provision for taxation and actual tax assessed as per income tax return filed for previous years can be analyzed as follows:

	2017 Rupees	2016 Rupees	2015 Rupees
Provision for taxation as per financial statements	12,142,003	10,158,384	7,828,667
Tax liability as per return	25,729,334	6,857,631	7,424,356
Excess / (shortage)	<u>(13,587,331)</u>	<u>3,300,753</u>	<u>404,311</u>

34.4 For the tax year 2017, the tax provision was worked out on Alternat Corporate Tax being higher than the normal tax payable after adjustments of brought forward losses. However, while filing the income tax return, the Company opted to not to avail brought forward losses and the return was filed on normal tax payable basis. Such payable tax was adjusted through available minimum tax credits of previous years. Consequently, the tax short provided in the year 2017 has been accounted for during the current year.



35.	EARNINGS PER SHARE		2018 Rupees	2017 Rupees
	Earnings for the year attributable to ordinary shareholders	Rupees	35,950,030	29,119,494
	Weighted average number of ordinary shares outstanding during the year	Numbers	35,000,000	35,000,000
	Earnings per share - Basic	Rupees	1.03	0.83

35.1 Diluted earnings per share

There is no dilution effect on the earnings per share of the Company.

36.	CASH GENERATED FROM OPERATIONS		2018 Rupees	2017 Rupees
	(Loss) / profit before taxation		(24,931,361)	67,647,406
	Adjustment for:			
	- Depreciation		82,164,216	82,373,504
	- Amortization		279,990	279,992
	- Provision for gratuity		6,762,573	9,821,176
	- Workers' (profit) participation fund		1,992,163	3,482,540
	- Workers' welfare fund		761,031	1,322,931
	- Markup payable to employees against discontinued provident fund		138,470	146,072
	- Security deposits written off		103,663	-
	- Impairment loss		42,906,137	-
	- Provision for doubtful debts		47,906,949	14,875,762
	- Bad debts written off		-	6,985,402
	- Loss / (gain) on disposal of property, plant and equipment		2,974,242	(705,832)
	- Gain on restructuring of short term borrowings from National Bank of Pakistan		-	(20,267,274)
	- Liabilities written back		(733,012)	(3,012,622)
	- Discounting and Amortization of deferred markup - net		(64,642,964)	(3,673,239)
	- Exchange gain		(2,411,845)	(353,241)
	- Finance cost		61,946,129	59,033,540
			180,147,742	150,308,711
	Operating profit before working capital changes		155,216,381	217,956,117
	(Increase) / decrease in current assets			
	- Stores, spares and loose tools		(10,931,477)	(3,724,084)
	- Stock in trade		49,363,039	(44,231,922)
	- Trade debts		2,112,893	(65,445,485)
	- Advances, deposits, prepayments and other receivables		(12,197,158)	(25,299,482)
	- Long term prepayments and other receivables		(14,965,750)	-
	Increase / (decrease) in current liabilities			
	- Trade and other payables		(83,411,529)	50,867,615
			(70,029,982)	(87,833,358)
	Cash generated from operations		85,186,399	130,122,759



### 37. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	As at June 30, 2017	Non-cash changes	Cash flows (Net)	As at June 30, 2018
	Rupees	Rupees	Rupees	Rupees
Long term financing - net	419,857,198	64,522,230	(86,672,784)	397,706,644
Short term borrowings - net	492,719,846	-	44,693,170	537,413,016
	<u>912,577,044</u>	<u>64,522,230</u>	<u>(41,979,614)</u>	<u>935,119,660</u>

### 38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Executive Directors		Non-Executive Directors		Executives	
	2018	2017	2018	2017	2018	2017	2018	2017
	Rupees		Rupees		Rupees		Rupees	
Managerial remuneration	6,688,800	-	6,660,720	4,593,600	-	-	10,037,289	8,358,543
House rent allowance	3,009,960	-	2,997,324	2,067,120	-	-	993,632	2,240,799
Bonus	-	-	-	382,800	-	-	-	-
Utilities	705,235	502,183	1,177,481	1,342,231	-	-	220,807	219,352
Medical expenses	682,626	498,819	1,295,916	2,877,198	-	-	250,717	642,886
Reimbursable expenses	1,420,169	591,796	3,163,941	1,218,809	-	-	686,107	1,063,223
	<u>12,506,790</u>	<u>1,592,798</u>	<u>15,295,382</u>	<u>12,481,758</u>	<u>-</u>	<u>-</u>	<u>12,188,552</u>	<u>12,524,803</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>

38.1 An executive is defined as an employee, other than the chief executive and directors, whose basic salary exceeds Rs. 1.2 million in a financial year. Comparative figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017 (Previously, basic salary limit for executive was Rs. 500,000).

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

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

### 39. TRANSACTION WITH RELATED PARTIES

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

Transactions during the year			2018 Rupees	2017 Rupees
Related party	Relationship	Nature of transaction		
Associated Engineers (Private) Limited	Associated company	Short term borrowing obtained	-	1,600,000
		Loan term financing obtained	1,650,000	-
		Markup on long term financing	558,403	558,403
EMCO Industries Limited Provident Fund	Associated undertaking	Markup on long term financing	7,341,952	9,861,197
		Markup paid	265,444	270,000
		Principal repaid	30,645,263	2,789,512
Imperial Electric Company (Private) Limited	Associated company	Markup on long term financing	149,919	149,919
		Rent expense	2,427,088	1,320,000
		Short term borrowing received	74,000,000	44,200,000
		Short term borrowing repaid	74,000,000	44,200,000
ICC (Private) Limited	Associated company	Short term borrowing obtained	86,500,000	65,000,000
		Short term borrowing repaid	11,500,000	75,000,000
		Markup on short term borrowing	6,735,368	6,779,876
		Markup paid	6,869,917	4,965,760
		Loan term financing obtained	-	35,000,000
		Loan term financing repaid	16,041,663	5,833,332
		Markup on long term financing	1,982,670	956,799
Directors and close relatives thereof	Associated persons	Markup paid on short term borrowing	2,119,624	723,461
		Short term borrowing obtained	309,262,485	580,983,917
		Short term borrowing repaid	353,189,850	571,046,059
		Markup on short term borrowing	7,141,822	5,806,205
Outstanding Balance as at the year end Associated Engineers (Private) Limited		Markup on short term borrowing paid	6,887,478	5,435,275
		Long term financing - interest bearing	7,396,095	7,396,095
		Long term financing - interest free	13,806,341	12,302,764
		Markup on long term financing	5,833,138	5,274,735
EMCO Industries Limited Provident Fund		Long term financing	164,194,671	132,954,131
		Markup on long term financing	-	112,049,664
Imperial Electric Company (Private) Limited		Long term financing - interest bearing	1,985,640	1,985,640
		Long term financing - interest free	588,174	589,936
		Markup on long term financing	2,193,407	2,043,488
ICC (Private) Limited		Short term borrowing - interest free	80,750,000	80,750,000
		Short term borrowing - interest bearing	75,000,000	-
		Markup on borrowing	7,054,390	7,325,893
		Long term financing	13,125,005	29,166,668
Fatima Memorial Hospital Trust		Receivable against sales	-	-
ICC (Private) Limited		Receivable against sales	63,059	63,059
Nur Enterprises		Receivable against sales	305,866	305,866
Directors, executives and close relatives thereof		Sponsors' loans	115,708,828	115,708,828
		Short term borrowing - interest bearing & interest free	123,827,821	202,400,079
		Markup on short term borrowing	1,855,905	8,927,454



39.1 Following are the related parties with whom the Company had entered into transactions

S. No.	Company Name	Basis or Association	Aggregate % of Shareholding
1	ICC (Private) Limited	Associate	5.74%
2	Imperial Electric Company (Pvt.) Ltd.	Associate	1.66%
3	Associated Engineers (Pvt.) Ltd.	Associate	5.76%

#### 40. SEGMENT REPORTING

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

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

However, with the closure of Tile Division and the reclassification of associated assets as Held for Sale, the Tile Division is now no more a reportable segment for Chief Executive Officer. Segment information on the basis of reportable segments of previous years is given as follows.

	Insulator Rupees	Tile Rupees	Total Rupees
Segment Results for the year ended June 30, 2017			
Revenue	1,006,698,230	-	1,006,698,230
Segment results from operations	173,521,995	(49,867,979)	123,654,016
Other operating expenses			(27,728,408)
Other income			30,755,338
Finance costs			(59,033,540)
Loss before taxation			67,647,406
Segment asset as at June 30, 2017	1,262,754,348	867,345,545	2,130,099,893

*Reportable segments' assets are reconciled to total assets as follows:*

	2018 Rupees	2017 Rupees
Segment assets for reportable segments	1,952,935,571	2,389,131,958
Corporate assets unallocated	385,733,462	101,755,400
Cash and bank balances	10,135,269	2,559,086
Total assets as on reporting date	2,348,804,302	2,493,446,444

*Reportable segments' liabilities are reconciled to total liabilities as follows:*

Corporate liabilities unallocated	1,267,178,045	1,500,821,176
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40.2 Entity-wide disclosures regarding reportable segment are as follows:

- *Information about major customers*

3 customers (2017: 3 customer) of the Company account for 43.95% (2017: 46.32%) of total sales for the year.

- *Information about geographical area*

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

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

	2018 Rupees	2017 Rupees
- Pakistan	1,106,375,681	985,427,801
- Turkey	52,916,955	21,270,429
	1,159,292,636	1,006,698,230

## 41 FINANCIAL RISK MANAGEMENT

### 41.1 Financial risk factors

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

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

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

(a) Market risk

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

(i) Currency risk

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

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

At June 30, 2018, if the Rupee had weakened / strengthened by 1% against the US dollar with all other variables held constant, pre-tax profit for the year would have been Rs. 0.422 million (2017: Rs. 0.560 million) lower / higher, mainly as a result of foreign exchange losses / gains on translation of US dollar-denominated financial assets and liabilities.

(ii) Interest rate risk

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



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

(iii) Cash flow sensitivity analysis for variable rate instruments

If interest rates at the reporting date fluctuate by 1% higher / lower with all other variables held constant, profit before tax for the year would have been Rs. 5.827 million (2017: Rs. 6.938 million ) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at the reporting date are outstanding for the entire year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure.

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

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

	2018 Rupees	2017 Rupees
Long term loans	1,645,790	1,848,668
Long term deposits	1,659,900	271,163
Trade debts	300,910,812	350,930,654
Advances, deposits and other receivables	10,473,361	9,271,478
Bank balances	9,434,563	1,683,855
The aging of trade debts as at reporting date date is as follows:		
Past due 1 - 90 days	183,951,547	139,917,122
Past due 91 - 180 days	76,510,442	60,787,168
Past due 181 - 365 days	16,423,830	12,305,222
More than 365 days	57,358,322	123,174,727
	334,244,141	336,184,239

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

The management estimates the recoverability of trade receivables on the basis of financial position and past history of its customers based on the objective evidence that it shall not receive the amount



due from the particular customer. The provision is written off by the Company when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amounts written off are credited directly to the profit and loss account.

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

	Rating Short term	Rating Long term	Rating Agency	2018 Rupees	2017 Rupees
Allied Bank Limited	A1+	AAA	PACRA	17,634	42,434
Askari Bank Limited	A1+	AA+	PACRA	6,512	1,403
Bank Alfalah Limited	A1+	AA+	PACRA	20,032	25,498
The Bank of Punjab	A1+	AA	PACRA	10,018,020	51,903
Faysal Bank Limited	A1+	AA	PACRA	(4,265,356)	779,908
Habib Bank Limited	A-1+	AAA	JCR-VIS	711,529	356,734
MCB Bank Limited	A1+	AAA	PACRA	64,320	4,819
National Bank of Pakistan	A1+	AAA	PACRA	71,674	16,954
Silk Bank Limited	A-2	A-	JCR-VIS	584,977	275,143
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	100,000	100,000
United Bank Limited	A-1+	AAA	JCR-VIS	2,105,221	29,059
				<u>9,434,563</u>	<u>1,683,855</u>

(c) Liquidity risk

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

Description	Carrying Amount Rupees	Contractual cash flows Rupees	Within 1 year Rupees	1-2 Years Rupees	2-5 Years Rupees	Above 5 Years Rupees
Contractual maturities of financial liabilities as at June 30, 2018:						
Long term financing	386,453,337	460,462,119	70,643,311	75,173,000	196,382,000	118,263,808
Trade and other payable	198,653,095	198,653,095	198,653,095	-	-	-
Accrued finance cost	21,170,977	21,170,977	21,170,977	-	-	-
Short term borrowings	537,413,016	576,106,753	537,413,016	-	-	-
	<u>1,143,690,425</u>	<u>1,256,392,944</u>	<u>827,880,399</u>	<u>75,173,000</u>	<u>196,382,000</u>	<u>118,263,808</u>
Contractual maturities of financial liabilities as at June 30, 2017:						
Long term financing	419,857,198	485,771,578	94,811,505	69,797,793	227,570,930	93,591,350
Trade and other payable	254,766,120	254,766,120	254,766,120	-	-	-
Accrued finance cost	132,358,712	132,358,712	132,358,712	-	-	-
Short term borrowings	492,719,846	525,732,076	492,719,846	-	-	-
	<u>1,299,701,876</u>	<u>1,398,628,486</u>	<u>974,656,183</u>	<u>69,797,793</u>	<u>227,570,930</u>	<u>93,591,350</u>



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

(d) Fair value of financial instruments

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

As at June 30, 2018 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

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

41.2 Financial instruments by categories

	Cash and Cash Equivalents Rupees	Loans and advances Rupees	Available- for-sale Rupees	Total Rupees
Financial assets as at June 30, 2018				
Long term loans	-	1,645,790	-	1,645,790
Long term deposits	-	1,659,900	-	1,659,900
Trade debts	-	300,910,812	-	300,910,812
Advances, deposits and other receivables	-	10,473,361	-	10,473,361
Cash and bank balances	10,135,269	-	-	10,135,269
	<u>10,135,269</u>	<u>314,689,863</u>	<u>-</u>	<u>324,825,132</u>
Financial assets as at June 30, 2017				
Long term loans	-	1,848,668	-	1,848,668
Long term deposits and advances	-	271,163	-	271,163
Trade debts	-	336,184,239	-	336,184,239
Advances, deposits and other receivables	-	9,271,478	-	9,271,478
Cash and bank balances	2,559,086	-	-	2,559,086
	<u>2,559,086</u>	<u>347,575,548</u>	<u>-</u>	<u>350,134,634</u>
		2018 Rupees	2017 Rupees	
Long term financing		386,453,337	419,857,198	
Trade and other payables		198,653,095	254,766,120	
Accrued finance cost		21,170,977	132,358,712	
Short term borrowings		537,413,016	492,719,846	
		<u>1,143,690,425</u>	<u>1,299,701,876</u>	

42. CAPITAL RISK MANAGEMENT

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

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

	2018 Rupees	2017 Rupees (Restated)
Borrowings	923,866,353	912,577,044
Cash and bank balances	(10,135,269)	(2,559,086)
Net debt	913,731,084	910,017,958
Equity	1,016,126,269	992,625,268
Total capital employed	1,929,857,353	1,902,643,226
Gearing ratio	47.35%	47.83%

42.1 Equity for the year ended June 30, 2017 has been restated due to inclusion of revaluation surplus as detailed in note 5.

#### 43. PLANT CAPACITY AND PRODUCTION

	Capacity		Total Production	
	2018	2017	2018	2017
Insulators - tons	5,000	5,000	4,862	4,817

#### 44. PROVIDENT FUND RELATED DISCLOSURES

The Company operates a recognised provident fund for all its permanent workers. However, the company has decided to discontinue making and deducting contributions to the fund with effect from March 06, 2018 pursuant to a rescheduling agreement between the Company and the Trustees of the fund as detailed in note 10.6.

The following information is based on audited financial statements of the Fund as at December 31, 2017 and December 31, 2016:

	2017 Rupees	2016 Rupees
Size of the Fund	261,119,521	252,794,232
Cost of investments made	458,046	498,604
Percentage of the investments made	0.1754%	0.1972%
Fair value of investments	458,046	498,604
Break up of investments		
Special accounts in a scheduled bank	458,046	498,604

44.1 Owing to its working capital needs, the Company has utilized funds of the Provident Fund (the Fund) at the rate of weighted average cost of capital + 1% per annum. As at December 31, 2017, the Company owes Rs. 132.478 million (2016: Rs. 133.277 million) as principal and Rs. 117.456 million (2016: Rs. 106.637 million) as mark-up to the Fund. Except for the above, the investments of the provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.



45. NUMBER OF EMPLOYEES	Note	2018 Rupees	2017 Rupees
Employees as at June 30,	45.1	487	462
Average number of employees during the year	45.2	475	472

45.1 This includes 385 (2017: 357) number of factory employees.

45.2 This includes 385 (2017: 371) number of factory employees.

#### 46. AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue on 19 September 2018 by the Board of Directors of the Company.

#### 47. CORRESPONDING FIGURES

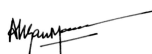
Corresponding figures have been re-arranged, wherever necessary, to facilitate comparison. Following re-arrangements / reclassifications have been made in these financial statements for better presentation:

Nature	From	To	Amount Rupees
Salary Expenses	Miscellaneous (Note 29)	Salaries, wages and benefits (Note 27)	764,580
Salary Expenses	Miscellaneous (Note 29)	Salaries, wages and benefits (Note 26)	51,272
Unclaimed dividends	Trade and other payables (Note 13)	Face of the Statement of Financial Position	243,677
Creditors	Trade and other payables (Note 13)	Advances to supplier (Note 25)	14,746,415

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

# PATTERN OF SHARE HOLDING

## AS ON JUNE 30, 2018

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
133	1	100	3,267
278	101	500	70,042
64	501	1,000	51,751
120	1,001	5,000	297,207
27	5,001	10,000	211,295
8	10,001	15,000	99,985
4	15,001	20,000	74,742
4	20,001	25,000	86,522
2	25,001	30,000	58,750
1	30,001	35,000	30,815
4	40,001	45,000	165,456
3	45,001	50,000	148,681
2	50,001	55,000	104,000
1	65,001	70,000	69,019
1	70,001	75,000	75,000
1	75,001	80,000	78,500
1	80,001	85,000	80,691
1	120,001	125,000	125,000
2	125,001	130,000	251,811
2	135,001	140,000	279,400
1	160,001	165,000	160,458
1	170,001	175,000	174,000
1	175,001	180,000	177,125
1	225,001	230,000	228,052
1	230,001	235,000	232,500
1	245,001	250,000	246,312
1	275,001	280,000	276,902
1	290,001	295,000	291,777
1	300,001	305,000	301,365
1	395,001	400,000	399,378
1	435,001	440,000	436,046
1	530,001	535,000	532,618
1	560,001	565,000	564,063
1	580,001	585,000	581,842
1	635,001	640,000	637,654
1	660,001	665,000	660,492
1	755,001	760,000	756,711
1	760,001	765,000	763,954
1	1,030,001	1,035,000	1,031,217
1	1,160,001	1,165,000	1,164,915
1	1,285,001	1,290,000	1,288,942
1	1,475,001	1,480,000	1,475,634
1	1,785,001	1,790,000	1,787,817
1	1,825,001	1,830,000	1,829,810
1	2,010,001	2,015,000	2,011,325
1	2,025,001	2,030,000	2,029,001
1	2,100,001	2,105,000	2,103,920
1	2,105,001	2,110,000	2,109,524
1	2,400,001	2,405,000	2,401,301
1	2,940,001	2,945,000	2,943,411
1	3,035,001	3,040,000	3,040,000
<b>690</b>			<b>35,000,000</b>

Categories of Shareholders	Numbers of Shareholders	Shares Held	% of paid up Capital
Individuals	668	29,308,594	83.739
Insurance Companies	1	12,550	0.036
Joint Stock Companies	17	5,607,856	16.022
Financial Institutions	3	1,981	0.006
Pension Fund	1	69,019	0.197
<b>Total</b>	<b>690</b>	<b>35,000,000</b>	<b>100.000</b>



# PATTERN OF SHARE HOLDING

## AS ON JUNE 30, 2018

CATEGORY OF SHAREHOLDER		HOLDING	% AGE
1	MR. TARIQ REHMAN - (CDC)	1,031,217	2.9463
2	MR. SUHAIL MANNAN	2,103,920	6.0112
	MR. SUHAIL MANNAN (CDC)	80,691	0.2305
3	MR. JAVAID SHAFIQ	291,777	0.8336
	MR. JAVAID SHAFIQ SIDDIQI (CDC)	2,109,524	6.0272
4	MR. PERVAIZ SHAFIQ SIDDIQI (CDC)	2,401,301	6.8609
5	MR. USMAN HAQ (CDC)	1,829,810	5.2280
6	MR SALEM REHMAN (CDC)	436,046	1.2458
	MR SALEM REHMAN (CDC)	763,954	2.1827
7	MR. AHSAN SUHAIL MANNAN	160,458	0.4585
	MR. AHSAN SUHAIL MANNAN (CDC)	1,787,817	5.1080
8	MR. AWAIS NOORANI	20,511	0.0586
9	CH. IMRAN ALI	500	0.0014
10	MRS. SHAHIMA REHMAN W/O TARIQ REHMAN	290	0.0008
	MRS. SHAHIMA REHMAN W/O TARIQ REHMAN - (CDC)	399,378	1.1411
11	MRS. AMINA SUHAIL MANNAN W/O SUHAIL MANNAN - (CDC)	246,312	0.7037
12	MRS. NAILA SUHAIL MANNAN W/O SUHAIL MANNAN- (CDC)	228,052	0.6516
13	MRS. AMBREEN HAQ W/O USMAN HAQ (CDC)	1,164,915	3.3283
		<b>15,056,473</b>	<b>43.0185</b>
<b>ASSOCIATED COMPANIES:</b>			
1	ASSOCIATED ENGINEERS (PVT) LTD.	2,011,325	5.7466
2	ICC (PVT) LIMITED (CDC)	2,943,411	8.4097
3	THE IMPERIAL ELECTRIC CO PVT LTD - (CDC)	532,618	1.5218
4	THE IMPERIAL ELECTRIC COMPANY (PVT.) LIMITED - (CDC)	49,681	0.1419
		<b>5,537,035</b>	<b>15.8201</b>
<b>NIT &amp; ICP:</b>			
1	IDBP (ICP UNIT)	1,057	0.0030
		<b>1,057</b>	<b>0.0030</b>
<b>FINANCIAL INSTITUTION:</b>			
1	PAKISTAN INDUSTRIAL CREDIT & INVESTMENT CORP. LTD.	500	0.0014
2	NATIONAL BANK OF PAKISTAN (CDC)	424	0.0012
		<b>924</b>	<b>0.0026</b>
<b>INSURANCE COMPANIES:</b>			
1	GULF INSURANCE COMPANY LIMITED	12,550	0.0359
		<b>12,550</b>	<b>0.0359</b>
<b>MODARABAS &amp; MUTUAL FUNDS:</b>			
		<b>0</b>	<b>0.0000</b>
<b>PENSION FUNDS</b>			
1	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND (CDC)	69,019	0.1972
		<b>69,019</b>	<b>0.1972</b>



# PATTERN OF SHARE HOLDING

## AS ON JUNE 30, 2018

JOINT STOCK COMPANIES:		HOLDING	% AGE
1	MUNIR HOLDING (PVT) LTD.	2,300	0.0066
2	ASIAN SECURITIES LIMITED	49	0.0001
3	NAEEM'S SECURITIES (PVT) LTD.	1,310	0.0037
4	ALI USMAN STOCK BROKERAGE (PVT) LIMITED - (CDC)	150	0.0004
5	CLIKTAD LIMITED - (CDC)	82	0.0002
6	FIKREES (PRIVATE) LIMITED (CDC)	1,999	0.0057
7	MAPLE LEAF CAPITAL LIMITED - (CDC)	1	0.0000
8	MRA SECURITIES LIMITED - MF (CDC)	53,500	0.1529
9	MSMANIAR FINANCIALS (PVT) LIMITED - (CDC)	400	0.0011
10	NCC - PRE SETTLEMENT DELIVERY ACCOUNT (CDC)	500	0.0014
11	NH SECURITIES (PVT) LIMITED - (CDC)	1,000	0.0029
12	WASI SECURITIES (SMC-PVT) LIMITED - (CDC)	30	0.0001
13	ABA ALI HABIB SECURITIES (PVT) LIMITED - MF (CDC)	9,500	0.0271
		70,821	0.2023

### OTHERS

1	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST (CDC)	2,422	0.0069
		2,422	0.0069

SHARES HELD BY THE GENERAL PUBLIC (LOCAL):	14,246,634	40.7047
SHARES HELD BY THE GENERAL PUBLIC (FOREIGN):	3,065	0.0088
	14,249,699	40.7134

### TOTAL:

35,000,000	100.0000
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### SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL:

S. No.	Name	Holding	% AGE
	NIL		

### SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL:

S. No.	Name	Holding	% AGE
1	MR. SUHAIL MANNAN	2,184,611	6.2417
2	MR. AHSAN SUHAIL MANNAN (CDC)	1,948,275	5.5665
3	MR. JAVAID SHAFIQ	2,401,301	6.8609
4	MR. PERVAIZ SHAFIQ SIDDIQI (CDC)	2,401,301	6.8609
5	MR. MUHAMMAD ZULQARNAIN MEHMOOD KHAN (CDC)	2,029,001	5.7971
6	ASSOCIATED ENGINEERS (PVT) LTD.	2,011,325	5.7466
7	MR. USMAN HAQ (CDC)	1,829,810	5.2280
8	MR. MUNAF IBRAHIM (CDC)	3,040,000	8.6857
		17,895,305	51.1294

All trades in the shares of the listed company, carries out by its Directors, CEO, CFO, Company Secretary and their spouses and minor children:

S.No	NAME	SALE	PURCHASE
1	MR. TARIQ REHMAN - (CDC)	1,345,796	-
2	MR SALEM REHMAN (CDC)	-	763,954



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# FORM OF PROXY

I/We .....  
 of ..... being member of EMCO Industries Limited  
 and holder Of ..... Ordinary shares as per share Register Folio No. ....  
 and/or CDC Participant I.D.No. .... and Sub Account No. ....  
 hereby appoint .....  
 or failing him /her .....  
 of ..... as my/our proxy to vote for me/us and my/our behalf at the

Annual General Meeting of the Company of the Company to be held at Registered Office 4th Floor, 28-Egerton Road, Lahore on 26<sup>th</sup> October 2018 at 11.00 A.M. and at any adjournment thereof.

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

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

1. Signature -----  
 Name -----  
 Address -----  
 NIC/Passport #.....

2. Signature -----  
 Name -----  
 Address -----  
 NIC/Passport #.....

## Note:

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

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



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Email: [info@emco.com.pk](mailto:info@emco.com.pk)

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