

ANNUAL REPORT 2020



EMCO INDUSTRIES LIMITED



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Company Information

Board of Directors

Mr. Javaid S. Siddiqi	Chairman / Non-Executive Director
Mr. Tariq Rehman	Chief Executive / Executive Director
Mr. Suhail Mannan	Non-Executive Director
Mr. Pervaiz S. Siddiqi	Non-Executive Director
Mr. Usman Haq	Non-Executive Director
Mr. Salem Rehman	Executive Director
Mr. Ahsan Suhail Mannan	Executive Director / Company secretary
Mr. Awais Noorani	Non-Executive Director
Mrs. Ayesha Mussadaque Hamid	Independent Director
Ch. Imran Ali	Independent Director
Syed Muhammad Mohsin	Independent Director

Chief Financial Officer

Mr. Riaz Ahmad

Company Secretary

Mr. Ahsan Suhail Mannan

Audit Committee

Ch. Imran Ali	Chairman
Syed Muhammad Mohsin	Member
Mr. Javaid Shafiq Siddiqi	Member
Mr. Usman Haq	Member

Mr. Ahsan Suhail Mannan
will be the Committee Secretary as required by the
Chapter IX, 27 (1) (iv) of Code of Corporate Governance, Regulations 2019.

HR Committee

Mrs. Ayesha Mussadaque Hamid	Chairman
Mr. Pervaiz Shafiq Siddiqi	Member
Mr. Ahsan Suhail Mannan	Member / Committee Secretary
Mr. Awais Noorani	Member

Risk Management Committee

Syed Muhammad Mohsin	Chairman
Mr. Tariq Rehman	Member
Mr. Salem Rehman	Member / Committee Secretary
Mr. Javaid Shafiq Siddiqi	Member

Nomination Committee

Ch. Imran Ali	Chairman
Mr. Ahsan Suhail Mannan	Member / Committee Secretary
Mr. Salem Rehman	Member
Mr. Pervaiz Shafiq Siddiqi	Member

External Auditors

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

Internal Auditors

M/s. Zeeshan & Co.
Chartered Accountants, Lahore.

Legal Advisers

Cornelius Lane & Mufti
Law Associates
Rizvi & Company

Bankers

Habib Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
Faysal Bank Limited
The Bank of Punjab
Silk Bank Limited
Askari Bank Limited

BUSINESS ITEMS

Porcelain Insulators

- Tension Insulator
- Suspension Insulator
- Pin Insulator
- Line Post Insulator
- Cap and pin Insulator
- Station Post Insulator
- Insulator for Railway Electrification
- Telephone Insulator
- Low Voltage Insulator
- Dropout Cutout Insulator
- HT & LT Bushings

Switchgear

- Disconnect Switch upto 245 kv
- Metal Oxide Surge Arresters upto 245 kv

RTV Coating

- Room Temperature Vulcanised
- Silicone Rubber Coating

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

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.

Notice of Annual General Meeting

NOTICE TO THE SHAREHOLDERS FOR THE 65TH ANNUAL GENERAL MEETING OF
EMCO INDUSTRIES LIMITED TO BE HELD AT ICC HOUSE, 2-CHAMBA HOUSE LANE, GOLF ROAD, GOR-1,
LAHORE ON FRIDAY 18TH SEPTEMBER 2020 AT 11:00 A.M.

NOTICE is hereby given that the 65th Annual General Meeting of the Shareholders of EMCO Industries Limited (the "Company") will be held at ICC House, 2-Chamba House Lane, Golf Road, GOR-1, Lahore on Friday 18th September 2020 at 11:00 A.M. to conduct the following business:

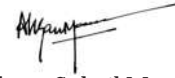
Ordinary Business:

1. To confirm the minutes of the last Extra Ordinary General Meeting (EOGM) of the Company held on 30.06.2020.
2. To receive, consider, approve and adopt the Annual Audited Accounts of the Company for the year ended 30th June 2020 together with the Director's and Auditor's Reports thereon.
3. To appoint Auditors for the next financial year ending 30th June 2021 and to fix their remuneration. The present Auditors, M/s CROWE HUSSAIN CHAUDHURY & CO., Chartered Accountants, retires and being eligible, offer themselves for re-appointment.

Other Business:

1. To transact any other business with the permission of the Chair.

By order of the Board of Directors



Ahsan Suhail Mannan
(Company Secretary / Director)

Place: Lahore
Dated: 13.08.2020

NOTES:

- (a) The Share Transfer Books of the Company will remain closed from 11th September, 2020 to 18th September 2020 (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 at 4th Floor, National Tower, 28-Egerton Road, Lahore not less than 48 (forty-eight) hours before the time of holding the meeting. Form of Proxy is enclosed.
- (c) Any individual beneficial owner of CDC, entitled to vote at the AGM (Annual 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. CorpLink (Pvt) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore.



نوٹس بھانجہ داران برائے 65 ویں عام سالانہ اجلاس ایمکوانڈسٹری لمیٹڈ بمقام آئی سی ہاؤس، 2۔ چیمبر ہاؤس لین، گولف روڈ، جی او آر-1، لاہور بروز جمعہ 18 ستمبر 2020 بوقت 11 بجے صبح

نوٹس ہذا کے ذریعے مطلع کیا جاتا ہے ایمکوانڈسٹری لمیٹڈ (کمپنی) کے حصص داران کا 65 ویں سالانہ عام اجلاس بروز جمعہ 18 ستمبر 2020 کو بمقام آئی سی ہاؤس، 2۔ چیمبر ہاؤس لین، گولف روڈ، جی او آر-1، لاہور، بوقت 11 بجے صبح مندرجہ ذیل کاروبار کو چلانے کے لیے منعقد ہوگا۔

عام کاروبار:-

- 1- 30-06-2020 کو کمپنی کے غیر معمولی عام اجلاس کی کارروائی کی تصدیق کرنا۔
- 2- 30 جون 2020 کو ختم ہونے والے سال کے لیے کمپنی کے سالانہ آڈٹ شدہ کھاتوں بشمول ان پڑاؤ ایریکٹرز اور آڈیٹرز کی رپورٹس کو وصول کرنا، غور کرنا، منظور کرنا اور اپنانا۔
- 3- 30 جون 2021 کو ختم ہونے والے اگلے مالی سال کے لیے آڈیٹرز کی تقرری اور ان کے معاوضے کا تعین کرنا۔ موجودہ آڈیٹرز میسرز کرو حسین چوہدری اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ ریٹائر ہوتے ہیں اور اہلیت کے باعث دوبارہ تقرری کے لیے پیش کرتے ہیں۔

دیگر کاروبار:-

چیئرمین کی اجازت سے کسی دوسرے کاروبار کا لین دین کرنا۔

بورڈ آف ڈائریکٹرز کے حکم سے



احسن سہیل منان،

کمپنی سیکرٹری/ڈائریکٹر

بمقام: لاہور

بتاریخ: 13-08-2020

نوٹ:-

(الف)

کمپنی کے شیئرز انسفر کی کتابیں 11 ستمبر 2020 سے 18 ستمبر 2020 تک بند رہیں گی (دونوں دن شامل ہیں)۔

(ب)

عام سالانہ اجلاس میں شرکت اور ووٹ ڈالنے کا حقدار ممبر اجلاس میں شریک ہونے اور اس کی بجائے ووٹ دینے کے لیے کسی دوسرے ممبر کو اپنا پراکسی مقرر کر سکتا ہے۔ اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے پہلے چوتھی منزل نیشنل ٹاور 28 ایجرٹن روڈ لاہور میں کمپنی کے رجسٹرڈ آفس میں پراکسیز جمع کروانا ضروری ہے۔ پراکسی فارم منسلک ہے۔

(ج)

سی ڈی سی کا کوئی بھی فرد فائدہ مند مالک، اے جی ایم (سالانہ عام اجلاس) میں ووٹ ڈالنے کا حقدار ہے۔ اپنی شناخت ثابت کرنے کے لیے اپنا کمپیوٹرائزڈ قومی شناختی کارڈ ضرور ہمراہ لائے۔ اور پراکسی کی صورت میں حصص دار کی کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ کاپی پراکسی فارم کے ساتھ منسلک ہونا ضروری ہے۔ کارپوریٹ ممبر کا نمائندہ اس مقصد کے لیے درکار معمول کی دستاویزات لائے۔

(د)

ممبران سے گزارش ہے کہ کمپنی کے شیئر رجسٹرار میسرز کارپ لنک (پرائیویٹ) لمیٹڈ ونگز آرکیڈ K-1 کمرشل ماڈل ٹاؤن لاہور کو اپنے پتے کی تبدیلی (اگر کوئی ہو تو) فوری طور پر مطلع کریں۔

Chairman Review

I am pleased to present the Annual Review of the Company's performance, and the Audited Financial Statements for the year ending 30th June 2020.

Your Company has achieved an overall revenue of Rs.1.598 Billion, which is an increase of 15% from the last Fiscal year. The Company continues to invest in research and developments to enhance its products in the local and export markets. The management is also investing incrementally in BMR activities to streamline production and to achieve better efficiency from its operations. The management has also started investing in enhancing its production activities to ensure positive growth for your organization. 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 2019-2020. 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.


Your Company had to go for a shutdown for 2.5 weeks starting 24th March 2020 due to the Government enforced lockdown brought about due to Corona Virus pandemic. After reopening, your company has adopted all Covid related SOP's to keep your employees safe and healthy.

Pursuant to the updated Code of Corporate Governance, the company is trying to ensure full compliance of the Code of Corporate Governance. These steps will undoubtedly improve board development, remuneration processes, accountability and audit, and relations with Shareholders.

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.

Finally, I would like to appreciate the role played by the Board in achieving your Company's objective effectively. The Board has notified various Committees, including the Audit Committee, the HR & Remuneration Committee, the Nomination Committee and the Risk Management Committee. Through the Audit Committee, the Board reviewed the internal controls and financial statements, and ensured that the accounts fairly represent the financial position of your Company. Similarly, the HR & Remuneration Committee overviews the HR policy framework and recommends selection and compensation of senior management team. The Risk Committee played a vital role in assessing risk exposure of your Company's operations and offering suggestion to mitigate the risk accordingly. All committees played an excellent role in supporting the Board throughout the year.

Dated: August 13, 2020


Javaid S. Siddiqi
(Chairman)



چیئر مین کا جائزہ

مجھے کمپنی کی کارکردگی کا سالانہ جائزہ اور 30 جون 2020ء کو ختم ہونے والے سال کے لیے آڈٹ شدہ مالی بیانات پیش کرنے پر خوشی ہے۔

آپ کی کمپنی نے مجموعی طور پر 1.598 بلین روپے کی آمدنی حاصل کی ہے جو گزشتہ مالی سال کے مقابلے میں 15 فیصد کا اضافہ ہے۔ کمپنی مقامی اور برآمدی منڈیوں میں اپنی مصنوعات کو بڑھانے کے لیے تحقیق اور پیش رفت میں سرمایہ کاری کرتی رہتی ہے۔ انتظامیہ پیداوار کو ہموار کرنے اور اپنے کاموں سے بہتر کارکردگی کے حصول کے لیے بی ایم آر (BMR) سرگرمیوں میں اضافی سرمایہ کاری کر رہی ہے۔ انتظامیہ نے آپ کی آرگنائزیشن کی مثبت ترقی کو یقینی بنانے کے لیے اپنی پیداواری سرگرمیوں میں اضافہ کرنے میں بھی سرمایہ کاری کا آغاز کیا ہے۔ فروخت کی رفتار مجموعی طور پر اطمینان بخش ہے اور ہم توقع کرتے ہیں کہ آئندہ چند سالوں میں بھی یہ رجحان جاری رہے گا۔

مالی سال 2019-2020 کے دوران مالی اعشارے اور سال کے اہم واقعات آپ کے لیے دستیاب کر دیے گئے ہیں۔ سال کے دوران، بورڈ نے مکمل غور و فکر اور تنقیدی تجزیے کے بعد مالی بیانات اور تمام معاون دستاویزات کا جائزہ لیا، اس پر تبادلہ خیال کیا اور اس کی منظوری دی۔ بورڈ نے اس بات کو یقینی بنایا ہے کہ بورڈ کے ہر ممبر کو کمپنی کے تمام آپریشنل اور اسٹریٹجک امور پر اپنی رائے پیش کرنے کا مناسب موقع ملا ہے۔

کورونا وائرس وبائی امراض کی وجہ سے حکومت نے لاک ڈاؤن کیا جس کی وجہ سے کمپنی کو 24 مارچ سے 2.5 ہفتوں کے لیے شٹ ڈاؤن کے لیے جانا پڑا۔ دوبارہ کھولنے کے بعد، آپ کی کمپنی نے اپنے ملازمین کو سلامت اور صحت مندر کھنے کے لیے کوویڈ سے متعلق تمام ایس او بیز کو اپنایا ہے۔

کارپوریٹ گورننس کے تازہ ترین جاری شدہ ضابطہ کے مطابق، کمپنی کارپوریٹ گورننس کے ضابطہ اخلاق کی مکمل تعمیل کو یقینی بنانے کی کوشش کر رہی ہے۔ یہ اقدامات بلاشبہ بورڈ کی ترقی، معاوضے کے عمل، احتساب اور آڈٹ اور حصص یافتگان کے ساتھ تعلقات میں بہتری لائیں گے۔

کمپنی کی انتظامیہ توانائی کے شعبے میں سرمایہ کاری کے ماحول کے روشن امکانات پر مبنی کمپنی کی کارکردگی میں مزید بہتری لانے کے لیے پراعتماد ہے اور ہم اپنے قابل قدر حصص یافتگان کی مستقل حمایت کے منتظر ہیں۔

آخر میں، میں آپ کی کمپنی کے مقصد کو موثر طریقہ سے حاصل کرنے میں بورڈ کے کردار کی تعریف کرنا چاہتا ہوں۔ بورڈ نے متعدد کمیٹیوں بشمول آڈٹ کمیٹی، ایچ آر اینڈ معاوضہ کمیٹی، نامزدگی کمیٹی اور رسک مینجمنٹ کمیٹی کا اعلان کیا۔ آڈٹ کمیٹی کے ذریعے بورڈ نے اندرونی کنٹرولوں اور مالی بیانات کا جائزہ لیا اور اس بات کو یقینی بنایا کہ اکاؤنٹس منصفانہ طور پر آپ کی کمپنی کی مالی حیثیت کی نمائندگی کریں۔ اس طرح ایچ آر اینڈ معاوضہ کمیٹی ایچ آر پالیسی کے فریم ورک کا جائزہ لیتی ہے اور سینئر مینجمنٹ ٹیم کے انتخاب اور معاوضہ کی سفارش کرتی ہے۔ رسک مینجمنٹ کمیٹی نے آپ کی کمپنی کو درپیش خطرات کا اندازہ لگانے اور اس کے مطابق رسک کو کم کرنے کی تجویز پیش کرنے میں اہم کردار ادا کیا ہے۔ تمام کمیٹیوں نے سال بھر بورڈ کی حمایت میں ایک اہم کردار ادا کیا ہے۔



جاوید الیس صدیقی
چیئر مین

لاہور 13 اگست 2020

Directors' Report

On behalf of the Board of Directors, we welcome you to the 65th 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, 2020. Financial Results are as follows: -

	2020 Rupees	2019 Rupees
Profit before Tax	163,078,319	138,745,143
Taxation	(45,179,356)	5,794,212
Profit after Tax	117,898,963	144,539,355
Other Comprehensive Income/(Loss)	568,655	(258,733)
Total Comprehensive Profit	118,467,618	144,280,622
Accumulated Loss brought forward	(57,741,076)	(340,387,836)
Incremental Depreciation on Revaluation	21,005,922	19,097,919
Transfer of Surplus of Revaluation on disposal of Land	-	119,268,219
	(36,735,154)	(202,021,698)
Accumulated Profit / (Loss) carried forward	81,732,464	(57,741,076)
Profit/(Loss) per Share	3.37	4.13

REVIEW OF OPERATING RESULTS

In the period under review, the Company has made a pretax profit of Rs. 163.078 Million and an after tax profit of Rs. 117.899 Million. This is the fifth year in continuation that your Company has made profits. This healthy trend of improved profitability is expected to continue in the future.

The Company requires continuous gas supply for heating its kilns. According to the new Government policy, the Industrial gas tariff has been changed from combination of natural gas and RLNG tariff to only RLNG tariff which is pegged to crude oil and USS, resulting in considerable appreciation to the input cost for Gas. This pricing formula has exerted downward pressure on the gross margin in the period under review. As such, pricing of the products have been revised in light of this change, as well as taking 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 were classified as 'Held for Sale', and the sale of these assets has been completed.

By the grace of ALLAH Almighty, your Company has been able to achieve its targets effectively. Production of Insulator was recorded at 4198 tons during this year as compared to 4556 tons during last year. The decrease was on account of closure of the plant from March 24, 2020 to April 6, 2020 due to the Government lockdown due to Covid. The plant was restarted on April 6, 2020, but the production from our plant was available from mid-April 2020 only due to heating up of kilns to the desired temperatures. 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 continues to grow owing to the Government of Pakistan's efforts to improve the energy transmission and distribution network. The current orders in handstand at more than 2500 tons and we are expecting to get further orders of above 2000 tons to be completed in the current financial year. Your Company has undertaken some BMR to the process to streamline production and we expect to improve our efficiencies 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 remained Rs. 42.118 Million in the period under review. Management is fully committed to enhancing the export base further through a push into the regional and broader international markets.

Your 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's contribution to the exchequer in the year under review is Rs. 341.890 Million in the shape of import duty, sales tax, income tax and other government levies.

COVID-19 EFFECTS AND MEASURES

The Government of Pakistan, keeping in view the pandemic situation in the World, locked down all of Pakistan from March 24th, 2020. Accordingly, our factory was also closed down as per government orders. Your management got special approvals from the Government to restart the factory on April 6th, 2020 as the Company had to deliver the orders to NTDC/DISCOs as per the contract terms to avoid any load shedding in the summer and Ramazan. The Company took strict measures to comply with all the Government provided SOP's before starting the factory. Despite the additional costs of these safety measures, your Company continues to keep the health and safety of our employees as its top priority. We will continue to adopt these measures till the Pandemic is fully eradicated.

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, 2020 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, 2020 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, 2020 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;
- Based upon qualification and experience, Four Directors are exempted from the directors training program certification. Three directors have already completed the directors training program certification and at least 75% directors on the Board will acquire prescribed certificate under Directors' Training Program of SECP during coming year ending June 30, 2021;
- The value of Assets of Provident Fund based on its audited accounts as at December 31, 2019 was Rs. 178.434 Million. The value of investment includes accrued interest.

BOARD MEETINGS

The Board of Directors, which consist of eleven 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 2020. The current Board members are as follows:

Sr. #	NAME OF DIRECTOR	
1.	Mr. Javaid S. Siddiqi	Non-Executive Director / Chairman
2.	Mr. Tariq Rehman	Chief Executive / Managing Director / Executive Director
3.	Mr. Suhail Mannan	Non-Executive Director
4.	Mr. Pervaiz S. Siddiqi	Non-Executive Director
5.	Mr. Usman Haq	Non-Executive Director
6.	Mr. Salem Rehman	Executive Director
7.	Mr. Ahsan Suhail Mannan	Executive Director / Company Secretary
8.	Mr. Awais Noorani	Non-Executive Director
9.	Mrs. Ayesha Mussadaque Hamid	Independent Director
10.	Ch. Imran Ali	Independent Director
11.	Syed Muhammad Mohsin	Independent Director

The term of the existing members of the Board will expire on 30-06-2023, 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 five meetings of the Board of Directors were held during the year ended June 30, 2020. The attendance of the Board members was as follows: -

SR. #	NAME OF DIRECTOR	MEETINGS ATTENDED
1.	Mr. Javaid Shafiq Siddiqi	05
2.	Mr. Tariq Rehman	04
3.	Mr. Suhail Mannan	05
4.	Mr. Pervaiz Shafiq Siddiqi	04
5.	Mr. Usman Haq	05
6.	Mr. Salem Rehman	05
7.	Mr. Ahsan Suhail Mannan	04
8.	Mr. Awais Noorani	04
9.	Ch. Imran Ali	05

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 the following transactions in the shares of the Company;

Mr. Suhail Mannan sold 1000 shares
Mr. Ahsan Suhail Mannan bought 750 shares
Syed Muhammad Mohsin bought 500 shares
Mrs. Ayesha Mussadaque Hamid bought 500 shares

COMMITTEES OF THE BOARD

Audit Committee

The AC reviews the annual and quarterly financial statements, internal audit reports, 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.

Ch. Imran Ali	Chairman
Mr. Javaid Shafiq Siddiqi	Member
Mr. Usman Haq	Member

Due to the Election of directors held on 30th Jun 2020, the Board has appointed the following members of Audit Committee for a period of three years w.e.f. 01.07.2020 in the meeting of Board of Directors held on 13.07.2020.



Ch. Imran Ali	Chairman
Syed Muhammad Mohsin	Member
Mr. Javaid Shafiq Siddiqi	Member
Mr. Usman Haq	Member

Mr. Ahsan Suhail Mannan will be the Committee Secretary as required by Chapter IX, 27 (1) (iv) of Code of Corporate Governance, Regulations 2019.

HR & Remuneration Committee:

Ch. Imran Ali	Chairman
Mr. Pervaiz Shafiq Siddiqi	Member
Mr. Usman Haq	Member
Mr. Salem Rehman	Member
Mr. Ahsan Suhail Mannan	Member / Committee Secretary

Due to the Election of directors held on 30th Jun 2020, the Board has appointed the following members of HR & Remuneration Committee for a period of three years w.e.f. 01.07.2020 in the meeting of Board of Directors held on 13.07.2020.

Mrs. Ayesha Mussadaque Hamid	Chairman
Mr. Pervaiz Shafiq Siddiqi	Member
Mr. Ahsan Suhail Mannan	Member / Committee Secretary
Mr. Awais Noorani	Member

Risk Committee:

Ch. Imran Ali	Chairman
Mr. Pervaiz Shafiq Siddiqi	Member
Mr. Usman Haq	Member
Mr. Salem Rehman	Member
Mr. Ahsan Suhail Mannan	Member / Committee Secretary

Due to the Election of directors held on 30th Jun 2020, the Board has appointed the following members of Risk Committee for a period of three years w.e.f. 01.07.2020 in the meeting of Board of Directors held on 13.07.2020.

Syed Muhammad Mohsin	Chairman
Mr. Tariq Rehman	Member
Mr. Salem Rehman	Member / Committee Secretary
Mr. Javaid Shafiq Siddiqi	Member

Nomination Committee:

Ch. Imran Ali	Chairman
Mr. Javaid Shafiq Siddiqi	Member
Mr. Awais Noorani	Member
Mr. Salem Rehman	Member
Mr. Ahsan Suhail Mannan	Member / Committee Secretary

Due to the Election of directors held on 30th Jun 2020, the Board has appointed the following members of Nomination Committee for a period of three years w.e.f. 01.07.2020 in the meeting of Board of Directors held on 13.07.2020.

Ch. Imran Ali	Chairman
Mr. Ahsan Suhail Mannan	Member / Committee Secretary
Mr. Salem Rehman	Member
Mr. Pervaiz Shafiq Siddiqi	Member

DIRECTORS' REMUNERATION

The Company has an approved Director Remuneration policy governing remuneration of executive, non-executive and independent director of the Company. The significant features of the policy are:

1. All directors including independent director are entitled to receive remuneration as per approval from the Board in The Board of Directors ("BOD") meetings.
2. The BOD on recommendation of Human Resource & Remuneration (HR & R) Committee from time to time, determines and approves the remuneration of the members of the BOD for attending Board Meetings

Please note that the Company does not pay remuneration to its non-executive director. Aggregate amount of the remuneration paid to Chief executive, executive directors and non-executive directors have been disclosed in note 38 of the annexed financial statements.

RISK MANAGEMENT

It is our policy to view risk management as integral to the creation, protection and enhancement of shareholder value by managing the significant uncertainties and risks that could possibly influence the achievement of our corporate goals and objectives.

Following are the risk which may be face by the Company in future:

1. Devaluation of Rupee.
2. Domestic Hyperinflation.
3. High cost of doing business and high cost of manufacturing as well.
4. Uncertainties relating COVID 19 on the Sales side, as well as on the Production side.

ENVIROMENT PROTECTION

Strict preventive maintenance schedule is in place to ensure exhaust emission values meet the legal requirements. A proper waste management system is in place and we manage the hazardous and non-hazardous waste as per legal requirements through approved vendors. The activities undertaken by the Company with regard to corporate social responsibility during the year are as under: -

- 1- Tree Plantation Drive.
- 2- Water filtration and water recycling mechanism deployed.
- 3- Arrangement done in the Head office & factory to prevent our staff and worker from COVID-19. Distribution of Covid related material like face masks, Soaps, Sanitizer, gloves etc. to all employees keeping in view Covid-19 situation.

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 extensive losses in the past, no dividend is recommended for the year ended June 30, 2020.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2020 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 Crowe Hussain Chaudhury & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

For and on behalf of the board of Directors



Tariq Rehman
Managing Director

Lahore: August 13, 2020



Ahsan Suhail Mannan
Director / Company Secretary

ڈائریکٹر رپورٹ

بورڈ آف ڈائریکٹرز کی طرف سے ہم آپ کو کمپنی کے 65 ویں سالانہ جنرل اجلاس میں خوش آمدید کہتے ہیں اور 30 جون 2020 کو ختم ہونے والے سال کیلئے آپ کو آڈٹ شدہ مالی بیانات اور آڈیٹرز کی رپورٹ پیش کرتے ہیں۔ مالی نتائج مندرجہ ذیل ہیں:-

تفصیل	2020 روپے	2019 روپے
قبل از ٹیکس نفع	163,078,319	138,745,143
ٹیکس	(45,179,356)	5,794,212
بعد از ٹیکس نفع	117,898,963	144,539,355
دیگر جامع آمدن/(نقصان)	568,655	(258,733)
کلی جامع نفع	118,467,618	144,280,622
جمع شدہ (نقصان) آگے آیا	(57,741,076)	(340,387,836)
از سر نو تعین پر اضافی تحقیر	21,005,922	19,097,919
زمین کی فروخت پر از سر نو تعین پر اضافی تحقیر	-	119,268,219
	(36,735,154)	(202,021,698)
جمع شدہ (نقصان) C/F	81,732,464	(57,741,076)
نفع فی شیئر	3.37	4.13

زیر عمل نتائج کا جائزہ:-

زیر جائزہ مدت میں کمپنی نے 163.078 ملین روپے قبل از ٹیکس اور 117.899 ملین روپے بعد از ٹیکس منافع بنایا ہے۔ تسلسل میں یہ پانچواں سال ہے کہ آپ کی کمپنی نے منافع کمایا۔ بہتر منافع کا یہ صحت مندرجہ جہان آئندہ بھی متوقع ہے۔

کمپنی کو اپنے بھٹوں کو گرم کرنے کیلئے گیس کی مسلسل فراہمی کی ضرورت ہے۔ حکومت کی نئی پالیسی کے مطابق صنعتی گیس کے نرخوں کو قدرتی گیس اور آرائیل این جی کے نرخوں کو تبدیل کر کے صرف آرائیل این جی کے نرخ میں تبدیل کر دیا گیا ہے۔ جو خام تیل اور امریکی ڈالر کے ساتھ منسلک ہیں جس کے نتیجے میں گیس کے خرچہ کی لاگت میں خاطر خواہ اضافہ ہوا ہے۔ قیمتوں کا تعین کرنے کے اس فارمولے نے زیر غور مدت میں مجموعی مارجن پر دباؤ ڈالا ہے۔ اس کے ساتھ ساتھ مقامی کرنسی کی قدر میں کمی کو بھی مد نظر رکھتے ہوئے کمپنی کی مصنوعات کی قیمتوں میں تبدیلی کی گئی ہے۔ اور مستقبل کے نتائج اس تبدیلی کو مثبت طور پر ظاہر کریں گے۔

بورڈ اور جنرل باڈی کی منظوری کے تحت ٹائل ڈویژن کے اثاثوں کی فروخت کو "ہولڈ فاریسل" کے تحت درجہ بند کیا گیا تھا اور ان اثاثوں کی فروخت مکمل ہو چکی ہے۔

اللہ کے فضل و کرم سے آپ کی کمپنی اپنے اہداف کو موثر انداز میں حاصل کرنے میں کامیاب رہی ہے۔ پچھلے سال کے دوران 4556 ٹن کے مقابلے میں انسولیٹر کی

پیداوار اس سال کے دوران 4198 ٹن ریکارڈ کی گئی۔ کمی کو ویڈی کی وجہ سے حکومت کے لاک ڈاؤن کے سبب 24 مارچ 2020 سے 6 اپریل 2020 تک پلانٹ کی بندش کی وجہ سے تھی۔ یہ پلانٹ 06 اپریل 2020 کو دوبارہ شروع کیا گیا تھا۔ لیکن ہمارے پلانٹ کی پیداوار صرف بھٹوں کے مطلوبہ درجہ حرارت تک گرم ہونے کی وجہ سے اپریل 2020 کے وسط سے دستیاب تھی۔ اس مستحکم آپریشن نے ہمارے معاشی وعدوں کو وقت پر پورا کرنے میں ہماری مدد کی۔ مزید یہ کہ ہمارے پاس رواں مالی سال کے لیے انسولیٹرز کے بڑے پیمانے پر آرڈرز ہیں۔



حکومت پاکستان کی جانب سے توانائی کی ترسیل اور تقسیم کے نیٹ ورک کو بہتر بنانے کی کوششوں کی وجہ سے مارکیٹ میں انسولیزر کی طلب میں اضافہ جاری ہے۔ موجودہ آرڈر 2500 ٹن سے زیادہ ہیں اور رواں مالی سال میں 2000 ٹن سے زائد کے مزید آرڈر زمل جانے کی توقع ہے۔ آپ کی کمپنی نے پیداوار کو ہموار کرنے کے لیے کچھ بی ایم آر "BMR" کا عمل شروع کیا ہے اور ہم توقع کرتے ہیں کہ اپنی افادیت کو مزید بہتر بنائیں گے اور زیادہ فروخت حاصل کریں گے۔ توانائی کے شعبے میں طلب کو مد نظر رکھتے ہوئے کمپنی نئی ویلیو ایڈڈ مصنوعات کو بھی شامل کرنے کی منصوبہ بندی کر رہی ہے۔ جس سے مستقبل میں منافع میں مزید اضافہ ہوگا۔

براہ راست برآمدات کی فروخت زیر جائزہ مدت میں 42.118 ملین روپے رہی۔ انتظامیہ علاقائی اور وسیع تر بین الاقوامی منڈیوں میں اضافے کے ذریعے برآمدی اہداف کو مزید بڑھانے کے لیے پوری طرح پرعزم ہے۔

آپ کی کمپنی اپنے اسٹیک ہولڈرز کو مطلع کرتے ہوئے خوش ہے کہ ہمارے تعلقات تمام بینکوں کے ساتھ موجود ہیں اور ہم معاہدوں کے مطابق وقت پر اپنی ذمہ داریوں کو پورا کر رہے ہیں۔

زیر جائزہ سال میں حکومتی خزانہ میں کمپنی کی شراکت سیلز ٹیکس، انکم ٹیکس اور دیگر سرمایہ کاری محصولات کی شکل میں 341.890 ملین روپے ہے۔

کوویڈ-19 اثرات اور اقدامات:

حکومت پاکستان نے دنیا میں وبائی صورت حال کو مد نظر رکھتے ہوئے 24 مارچ 2020 کو پورے پاکستان کو بند کر دیا۔ اسی طرح سرکاری احکامات کے مطابق ہماری فیکٹری بھی بند کر دی گئی تھی۔ آپ کی انتظامیہ کو 6 اپریل 2020 کو فیکٹری دوبارہ شروع کرنے کے لیے حکومت کی خصوصی منظوری حاصل ہوئی کیونکہ کمپنی کو موسم گرما اور رمضان میں لوڈ شیڈنگ سے بچنے کیلئے معاہدوں کی شرائط کے مطابق این ڈی سی / ڈسکوز کو آرڈرز وقت پر مہیا کرنے تھے۔ کمپنی نے فیکٹری شروع کرنے سے پہلے حکومت کی فراہم کردہ SOP کی تعمیل کے لیے سخت اقدامات اٹھائے تھے۔ ان حفاظتی اقدامات کے اضافی اخراجات کے باوجود آپ کی کمپنی ہمارے ملازمین کی صحت اور حفاظت کو اپنی اولین ترجیح کے طور پر برقرار رکھے گی۔ ہم ان اقدامات کو اپناتے رہیں گے جب تک کہ وبائی بیماری کا مکمل خاتمہ نہیں ہو جاتا۔

کارپوریٹ گورننس کا ضابطہ:

کمپنی کی طرف سے 30 جون 2020 کو ختم ہونے والے سال کے کارپوریٹ نظم و نسق کے ضابطہ میں پاکستان اسٹاک ایکسچینج کی طرف سے جاری کردہ لسٹنگ ضابطے کو اپنایا گیا ہے اور ان کی تعمیل کی گئی ہے۔ اس بارے میں بیان اس رپورٹ کے ساتھ منسلک ہے۔

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

☆ 30 جون 2020 کو ختم ہونے والے سال کی تیار کردہ مالیاتی بیانات، اس کی کارکردگی، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کا واضح اظہار ہیں۔

☆ اکاؤنٹنگ کی مناسب / درست کتابیں تیار کی گئی ہیں۔

☆ مناسب اکاؤنٹنگ پالیسیاں 30 جون 2020 کو ختم ہونے والے سال کے لیے مالی بیانات کی تیاری کے لیے مستقل طور پر لاگو کی گئیں، اکاؤنٹنگ کے تخمینے معقول اور محتاط

فیصلے پر مبنی ہیں۔

☆ بین الاقوامی اکاؤنٹنگ معیارات (IAS) جیسے کہ پاکستان میں قابل اطلاق ہیں، کو مد نظر رکھتے ہوئے مالی بیانات تیار کیے گئے ہیں۔

☆ اندرونی انحطاط کا نظام مضبوط خدوخال پر استوار کیا گیا ہے اور اس کو موثر انداز میں نافذ اور نگرانی کی گئی ہے۔

☆ کارپوریٹ گورننس کے بہترین طریقہ کار سے کسی قسم کی مراعات نہیں ہوئی ہیں جیسا کہ فہرست سازی کے ضوابط میں تفصیل ہے۔

☆ اہلیت اور تجربے کی بنیاد پر 04 ڈائریکٹرز کمیشن کے ڈائریکٹرز ٹریننگ پروگرام سے مستثنیٰ ہیں۔ 03 ڈائریکٹرز نے ڈائریکٹرز ٹریننگ پروگرام مکمل کر کے سرٹیفیکیٹ حاصل کر لیا

ہے۔ اور بورڈ میں کم از کم 75% ڈائریکٹرز 30 جون 2021 کو ختم ہونے والے سال کے دوران ایس ای سی پی کے ڈائریکٹرز ٹریننگ پروگرام کے تحت مقررہ سند حاصل کریں گے۔

☆ پراویڈنٹ فنڈ کے اثاثوں کی مالیت 31 دسمبر 2019 کو اس کے آڈٹ شدہ اکاؤنٹس کی بنیاد پر 178.434 ملین روپے تھی۔ سرمایہ کاری کی قدر میں جمع شدہ سود بھی شامل ہے۔

بورڈ کے اجلاس:

بورڈ آف ڈائریکٹرز جو گیارہ ممبروں پر مشتمل ہے پر ذمہ داری عائد ہوتی ہے کہ وہ آزادانہ اور شفاف طور پر کمپنی کی کارکردگی کی نگرانی کرے اور کمپنی کی قدر میں پائیدار ترقی کے حصول کے لیے حکمت عملی سے فیصلے کرے۔ بورڈ کے تمام ممبران کا انتخاب ہر تین سال کے بعد عام اجلاس میں ہوتا ہے۔ موجودہ بورڈ آف ڈائریکٹرز 30 جون 2020 کو منتخب ہوئے تھے۔ موجودہ بورڈ ممبران درج ذیل ہیں۔

نمبر شمار	نام ڈائریکٹر	
1	مسٹر جاوید شفیق صدیقی	نان ایگزیکٹو ڈائریکٹر / چیئرمین
2	مسٹر طارق رحمن	چیف ایگزیکٹو / مینجنگ ڈائریکٹر / ایگزیکٹو ڈائریکٹر
3	مسٹر سہیل منان	نان ایگزیکٹو ڈائریکٹر
4	مسٹر پرویز شفیق صدیقی	نان ایگزیکٹو ڈائریکٹر
5	مسٹر عثمان حق	نان ایگزیکٹو ڈائریکٹر
6	مسٹر سالم رحمن	ایگزیکٹو ڈائریکٹر
7	مسٹر احسن سہیل منان	ایگزیکٹو ڈائریکٹر / کمپنی سیکرٹری
8	مسٹر اویس نورانی	نان ایگزیکٹو ڈائریکٹر
9	مسز عائشہ صدق حمید	آزاد ڈائریکٹر
10	چوہدری عمران علی	آزاد ڈائریکٹر
11	سید محمد محسن	آزاد ڈائریکٹر

بورڈ کے موجودہ ممبران کی میعاد بشمول اس پر عمل کرنے کی رضامندی، کارپوریٹ گورننس کے ضوابط کے تقاضوں کے مطابق مقررہ فارم پر اعلامیہ دائر کرنے 30 جون 2023 کو ختم ہو جائے گی۔

ورکنگ پیپرز کے ساتھ بورڈ کے اجلاس کا تحریری نوٹس ممبروں کو اجلاسوں سے سات دن پہلے بھیجا گیا تھا۔ 30 جون 2020 کو ختم ہونے والے سال کے دوران بورڈ آف ڈائریکٹرز کے کل پانچ اجلاس منعقد ہوئے تھے۔ بورڈ آف ممبران کی حاضری کچھ یوں ہے:

نمبر شمار	نام ڈائریکٹر	اجلاس میں شمولیت
1	مسٹر جاوید شفیق صدیقی	05
2	مسٹر طارق رحمن	04
3	مسٹر سہیل منان	05
4	مسٹر پرویز شفیق صدیقی	04
5	مسٹر عثمان حق	05
6	مسٹر سالم رحمن	05
7	مسٹر احسن سہیل منان	04
8	مسٹر اویس نورانی	04
9	چوہدری عمران علی	05



غیر حاضری کی اجازت ان ڈائریکٹرز کو دی گئی جو اجلاس میں شرکت نہیں کر سکتے تھے۔

لین دین کا عمل / کمپنی کے حصص کی تجارت:

مالی سال کے دوران کسی بھی ڈائریکٹر، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری (بشمول ان کے بیوی اور چھوٹے بچوں کے) کمپنی حصص میں درج ذیل لین دین کو انجام دیا۔

- ☆ مسٹر سہیل منان نے 1000 حصص فروخت کیے۔
- ☆ مسٹر احسن سہیل منان نے 750 حصص خریدے۔
- ☆ سید محمد محسن نے 500 حصص خریدے۔
- ☆ مسز عائشہ مصدق حمید نے 500 حصص خریدے۔

بورڈ کی کمیٹیاں:-

محاسبہ کمیٹی:

محاسبہ کمیٹی کا کام 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 و دیگر معاملات کو دیکھنا ہے۔ 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 فنانشل آفیسر اور اندرونی محاسبہ کے سربراہ اجلاس میں بھی شامل ہیں۔

محاسبہ کمیٹی کے موجودہ اراکین کے نام مندرجہ ذیل ہیں:

نمبر شمار	نام ڈائریکٹر	اجلاس میں شمولیت
1	چوہدری عمران علی	چیئر مین
2	مسٹر جاوید شفیق صدیقی	ممبر
3	مسٹر عثمان حق	ممبر

30 جون 2020ء کو منعقدہ ڈائریکٹرز کے الیکشن کی وجہ سے، 13-07-2020 کو بورڈ آف ڈائریکٹرز کے اجلاس میں مندرجہ ذیل ممبران کو مورخہ 01-07-2020 سے تین سال کے لیے محاسبہ کمیٹی کے طور پر مقرر کیا۔

1	چوہدری عمران علی	چیئر مین
2	سید محمد محسن	ممبر
3	مسٹر جاوید شفیق صدیقی	ممبر
4	مسٹر عثمان حق	ممبر

مسٹر احسن سہیل منان، کارپوریٹ گورننس کے ضابطے 2019ء کے باب 09، (iv) 27 کے مطابق کمیٹی کے سیکرٹری ہونگے۔

ایچ آر اینڈ معاوضہ کمیٹی:-

1	چوہدری عمران علی	چیئر مین
2	مسٹر پرویز شفیق صدیقی	ممبر
3	مسٹر عثمان حق	ممبر
4	مسٹر سالم رحمن	ممبر
5	مسٹر احسن سہیل منان	ممبر / کمیٹی سیکرٹری

30 جون 2020 کو منعقدہ ڈائریکٹرز کے الیکشن کی وجہ سے، 13-07-2020 کو بورڈ آف ڈائریکٹرز کے اجلاس میں بورڈ نے ایچ آر اور معاوضہ کمیٹی کے درج ذیل ممبران کو مورخہ 01-07-2020 سے تین سال کے لیے مقرر کیا ہے۔

1	مسز عائشہ صدق حمید	چیئر مین
2	مسٹر پرویز شفیق صدیقی	ممبر
3	مسٹر احسن سہیل منان	ممبر / کمیٹی سیکرٹری
4	مسٹر اولیس نورانی	ممبر

رسک مینجمنٹ کمیٹی:

1	چوہدری عمران علی	چیئر مین
2	مسٹر پرویز شفیق صدیقی	ممبر
3	مسٹر عثمان حق	ممبر
4	مسٹر سالم رحمن	ممبر
5	مسٹر احسن سہیل منان	ممبر / کمیٹی سیکرٹری

30 جون 2020 کو منعقدہ ڈائریکٹرز کے الیکشن کی وجہ سے، 13-07-2020 کو بورڈ آف ڈائریکٹرز کے اجلاس میں بورڈ نے رسک مینجمنٹ کمیٹی کے درج ذیل ممبران کو مورخہ 01-07-2020 سے تین سال کے لیے مقرر کیا ہے۔

1	سید محمد محسن	چیئر مین
2	مسٹر طارق رحمن	ممبر
3	مسٹر سالم رحمن	ممبر / کمیٹی سیکرٹری
4	مسٹر جاوید شفیق صدیقی	ممبر

نامزدگی کمیٹی:

1	چوہدری عمران علی	چیئر مین
2	مسٹر جاوید شفیق صدیقی	ممبر
3	مسٹر اولیس نورانی	ممبر
4	مسٹر سالم رحمن	ممبر
5	مسٹر احسن سہیل منان	ممبر / کمیٹی سیکرٹری



30 جون 2020 کو منعقدہ ڈائریکٹرز کے الیکشن کی وجہ سے، 13-07-2020 کو بورڈ آف ڈائریکٹرز کے اجلاس میں بورڈ نے نامزدگی کمیٹی کے درج ذیل ممبران کو مورخہ 01-07-2020 سے تین سال کے لیے مقرر کیا ہے۔

1	چوہدری عمران علی	چیئر مین
2	مسٹر احسن سہیل منان	ممبر / کمیٹی سیکرٹری
3	مسٹر سالم رحمن	ممبر
4	مسٹر پرویز شفیق صدیقی	ممبر

ڈائریکٹرز کا معاوضہ:

کمپنی کے پاس ایک منظور شدہ ڈائریکٹر معاوضہ کی پالیسی ہے۔ جس میں کمپنی کے ایگزیکٹو، غیر ایگزیکٹو اور آزاد ڈائریکٹر کے معاوضے پر کام کیا گیا ہے۔ پالیسی کی اہم خصوصیات یہ ہیں۔

- 1- آزاد ڈائریکٹر سمیت تمام ڈائریکٹرز بورڈ آف ڈائریکٹرز (بی او ڈی) کے اجلاسوں میں بورڈ سے منظوری کے مطابق معاوضے کے حقدار ہیں۔
- 2- ایچ آر اور معاوضہ کمیٹی (ایچ آر اینڈ آر) کی وقتاً فوقتاً سفارش پر بورڈ بی او ڈی ممبران کو اجلاس میں شرکت پر معاوضے کا تعین اور منظوری دیتا ہے۔
- براہ کرم نوٹ فرمائیں کہ کمپنی اپنے نان ایگزیکٹو ڈائریکٹرز کو معاوضے کی ادائیگی نہیں کرتی ہے۔ چیف ایگزیکٹو، ایگزیکٹو ڈائریکٹرز اور نان ایگزیکٹو ڈائریکٹرز کو ادا کی جانے والی اجرت کی مجموعی رقم منسلک مالیاتی بیانات کے نوٹ 38 میں ظاہر کر دی گئی ہے۔

رسک مینجمنٹ:

غیر یقینی صورتحال اور خطرات کا نظم و نسق کے ذریعے حصص یافتگان کی قدر کی تشکیل، حفاظت اور اضافہ کے لیے لازمی طور پر رسک مینجمنٹ کو دیکھنا ہماری پالیسی ہے۔ جو کہ ممکنہ طور پر ہمارے کارپوریٹ اہداف اور مقاصد کی کامیابی پر اثر انداز ہو سکتی ہے۔ مندرجہ ذیل خطرے کمپنی کو مستقبل میں درپیش آ سکتے ہیں۔

- 1- روپے کی قدر میں کمی
- 2- مقامی افراط زر
- 3- کاروبار کرنے کی زیادہ قیمت اور مصنوعات سازی کی بھی زیادہ لاگت
- 4- فروخت کے ساتھ ساتھ پیداوار کی طرف کووڈ-19 سے متعلق غیر یقینی صورتحال

ماحولیاتی تحفظ:

بیرونی اخراج کی مقدار کو قانون کے مطابق پورا رکھنے کے لیے سخت حفاظتی دیکھ بھال کا شیڈول موجود ہے۔ فضلہ کے انتظام کا ایک مناسب نظام موجود ہے اور منظور شدہ وینڈرز کے ذریعے سال کے دوران کارپوریٹ سماجی ذمہ داری کے سلسلے میں کی جانے والی سرگرمیاں مندرجہ ذیل ہیں۔

- 1- درخت لگانے کی مہم
- 2- پانی کی صفائی اور دوبارہ قابل استعمال بنانے کے تکنیکی نظام کی تعیناتی
- 3- ہمارے عملے اور کارکنان کو کووڈ-19 سے بچانے کے لیے ہیڈ آفس اور فیکٹری میں انتظامات، کووڈ-19 کی صورتحال کو مد نظر رکھتے ہوئے تمام ملازمین میں کووڈ سے متعلقہ مواد جیسے چہرے کے ماسک، صابن، سینیٹائزر، دستانے وغیرہ کی تقسیم

ملازمین کے باہمی 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 پوری قوم گزر رہی ہے مزید حمایت کی توقع رکھے گی۔ انتظامیہ انجینئرنگ ٹیم کی جانب سے جاری لگاتار 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 چاہیے گی۔ دیگر تمام حکموں 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:

گزشتہ نقصانات کو دیکھتے ہوئے 30 جون 2020 تک ختم ہونے والے سال کیلئے حصص داران کیلئے کسی قسم کے منافع کی سفارش نہیں کی جاتی۔

ملکیتی تفصیل:

30 جون 2020 کو ملکیتی تفصیل کا رپورٹ گورنرس کے ضابطہ کے مطابق اس رپورٹ کے ساتھ منسلک ہے۔

مالیاتی جھلکیاں:

کمپنی کے گزشتہ 10 سالہ کارکردگی کی اہم مالیاتی جھلکیاں اس رپورٹ میں دستیاب ہیں۔

آڈیٹرز:

آڈٹ کمیٹی کی سفارش کے مطابق حالیہ آڈیٹرز، میسرز کرو حسین چوہدری اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ ریٹائر ہونے اور اہل ہونے کے بعد دوبارہ تقریری کے لیے خود کو پیش کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

Tariq Raza

طارق رحمن
مینیجنگ ڈائریکٹر

Alimuddin

احسن سہیل منان
ڈائریکٹر / کمپنی سیکرٹری

لاہور، 13 اگست 2020ء



Financial Highlights of Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
.....(Rupees in Million).....										
Net Total sales	1,598	1,386	1,148	1,006	1,058	783	932	1,596	1,856	1,855
Exports (Direct & Indirect)	42	22	72	118	74	44	51	46	61	104
Employees Costs	359	311	293	276	254	222	213	313	285	325
Profit/(Loss) before tax	163	139	(25)	68	38	(125)	(106)	(39)	(14)	(35)
Profit/(Loss) after tax	118	145	36	29	27	(98)	(104)	(35)	(21)	(46)
Earning per share	3.37	4.13	1.03	0.83	0.78	(2.80)	(2.96)	(0.99)	(0.61)	(1.32)
Capital Expenditure	78	75	60	22	35	18	13	23	37	8
Cash Dividend Rate	-	-	-	-	-	-	-	-	-	-
Stock Dividend Rate	-	-	-	-	-	-	-	-	-	-
Shareholder's Equity (Excl. Rev.Surplus)	547	408	125	72	21	(28)	50	17	33	36
Shareholder's Equity (Incl. Rev.Surplus)	1,474	1,166	1,016	993	768	422	528	621	448	469

Statement of Compliance

WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE)
REGULATIONS, 2019 OF EMCO INDUSTRIES LIMITED FOR THE YEAR ENDED JUNE 30, 2020

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

1. The total number of Directors are 11 as per the following, -

- a. Male: 10
b. Female: 1

2. The composition of the Board is as follows:

Category	Names
Independent Directors*	Ch. Imran Ali Syed Muhammad Mohsin Mrs. Ayesha Mussadaque Hamid
Executive Directors	Mr. Tariq Rehman Mr. Salem Rehman Mr. Ahsan Suhail Mannan
Non-Executive Directors	Mr. Suhail Mannan Mr. Usman Haq Mr. Javaid Shafiq Siddiqi Mr. Pervaiz Shafiq Siddiqi Mr. Awais Noorani
Female Directors	Mrs. Ayesha Mussadaque Hamid

*The Board has been reconstituted with 11 directors. Two additional independent directors have been added including one female director. The Company is continuously improving its governance structure. The Company could not round up independent director's fraction due to challenges in inducting further independent directors. The company will strive to fill this gap at the earliest.

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company;
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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the 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 the Board;
8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations;
9. The Board has arranged Directors' Training program for the following during this year:

Ahsan Suhail Mannan (Director Admin/ Company Secretary) Completed the Course on 5th October 2019.

Mr. Salem Rehman (Director Operations), have completed half the Course



NOTE:

- Mr. Ahsan Suhail Mannan Completed the Course on 5th October 2019.
- Mr. Salem Rehman attended half the course and could not attend the latter half of Course due to illness. He only needs to attend second half now on next available opportunity to complete the course, it was originally scheduled for April 2020 but was cancelled due to COVID-19 lockdown. He has Certificate issued by the Institute that he has attended half the Course.
- Out of 11 Board Directors, 04 Directors are exempted from DTP (Mr. Tariq Rehman, Mr. Javaid Shafiq Siddiqi, Mr. Suhail Mannan and Mr. Usman Haq) because they have minimum of 14 years of education and 15 years of experience on the Board of a listed Company.
- Out of 11, 03 have completed Directors' Training Program DTP (Mr. Ahsan Suhail Mannan, Syed Muhammad Mohsin and Mrs. Ayesha Mussadaque Hamid).
- Overall, 63.63% of the Board of Directors have either completed the Directors' Training Program or are exempted from it.

10. The Board has approved appointment of Chief Financial Officer, 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. Chief Financial Officer and 02 Directors including Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below: -

a) Audit Committee:

Ch. Imran Ali	Chairman
Mr. Javaid Shafiq Siddiqi	Member
Mr. Usman Haq	Member

The Board has appointed the following members of Audit Committee for a period of three years w.e.f. 01.07.2020 in the meeting of Board of Directors held on 13.07.2020.

Ch. Imran Ali	Chairman
Syed Muhammad Mohsin	Member
Mr. Javaid Shafiq Siddiqi	Member
Mr. Usman Haq	Member

Mr. Ahsan Suhail Mannan will be the Committee Secretary as required by Chapter IX, 27 (1) (iv) of Code of Corporate Governance, Regulations 2019.

b) HR & Remuneration Committee:

Ch. Imran Ali	Chairman
Mr. Pervaiz Shafiq Siddiqi	Member
Mr. Usman Haq	Member
Mr. Salem Rehman	Member
Mr. Ahsan Suhail Mannan	Member / Committee Secretary

The Board has appointed the following members of HR & Remuneration Committee for a period of three years w.e.f. 01.07.2020 in the meeting of Board of Directors held on 13.07.2020.

Mrs. Ayesha Mussadaque Hamid	Chairman
Mr. Pervaiz Shafiq Siddiqi	Member
Mr. Ahsan Suhail Mannan	Member / Committee Secretary
Mr. Awais Noorani	Member

c) Risk Management Committee:

Ch. Imran Ali	Chairman
Mr. Pervaiz Shafiq Siddiqi	Member
Mr. Usman Haq	Member
Mr. Salem Rehman	Member
Mr. Ahsan Suhail Mannan	Member / Committee Secretary

The Board has appointed the following members of Risk Committee for a period of three years w.e.f. 01.07.2020 in the meeting of Board of Directors held on 13.07.2020.

Syed Muhammad Mohsin	Chairman
Mr. Tariq Rehman	Member
Mr. Salem Rehman	Member / Committee Secretary
Mr. Javaid Shafiq Siddiqi	Member

d) Nomination Committee:

Ch. Imran Ali	Chairman
Mr. Javaid Shafiq Siddiqi	Member
Mr. Awais Noorani	Member
Mr. Salem Rehman	Member
Mr. Ahsan Suhail Mannan	Member / Committee Secretary

The Board has appointed the following members of Nomination Committee for a period of three years w.e.f. 01.07.2020 in the meeting of Board of Directors held on 13.07.2020.

Ch. Imran Ali	Chairman
Mr. Ahsan Suhail Mannan	Member / Committee Secretary
Mr. Salem Rehman	Member
Mr. Pervaiz Shafiq Siddiqi	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: (Quarterly).
 - b) HR and Remuneration Committee: (Half Yearly).
 - c) Risk Management Committee: (Yearly).
 - d) Nomination Committee: (Yearly).
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;
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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, Company secretary or Director of the Company;
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 requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with and all other requirements of the Regulations have been complied with.
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below (if applicable):

This is not applicable because we confirm that all other requirements of the Regulations have been complied with.



(JAVAID SHAFIQ SIDDIQI)
Chairman





INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF EMCO INDUSTRIES LIMITED REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of EMCO Industries Limited ("the Company") for the year ended June 30, 2020 in accordance with the requirements of regulation 36 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. 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.

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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountants

Lahore
Dated: 13 August 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EMCO INDUSTRIES LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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, 2020 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 statement, 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 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 state of the Company's affairs as at June 30, 2020 and of the profit, its comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan 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. We have determined that there are no key audit matters to communicate in our report.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, 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 are responsible for overseeing the Company's financial reporting process.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss account, 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;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) 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 auditor's report is Muhammad Nasir Muneer.

Lahore
Dated: 13 August 2020



CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountants





STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital			
40,000,000 (2019: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up capital			
35,000,000 (2019: 35,000,000) ordinary shares of Rs. 10 each	5	350,000,000	350,000,000
Reserves	6	81,732,464	(57,741,076)
Sponsors' loan	7	115,708,828	115,708,828
Surplus on revaluation of property, plant and equipment	8	926,135,400	757,853,611
		1,473,576,692	1,165,821,363
Non Current Liabilities			
Long term financing	9	213,797,385	237,092,262
Lease liabilities	10	4,799,669	-
Deferred liabilities	11	64,031,075	57,658,457
Deferred tax liability	12	23,628,740	-
		306,256,869	294,750,719
Current Liabilities			
Trade and other payables	13	272,258,522	271,980,730
Unclaimed dividends		243,677	243,677
Accrued finance cost	14	26,626,525	26,555,724
Short term borrowings	15	547,187,306	614,434,005
Current and overdue portion of long term financing and lease liabilities	9 & 10	65,011,707	66,847,343
		911,327,737	980,061,479
Liabilities of disposal group classified as held for sale		-	16,830,375
Contingencies and Commitments			
	16	-	-
		2,691,161,298	2,457,463,936
ASSETS			
Non Current Assets			
Property, plant and equipment	17	1,362,665,573	1,149,254,897
Intangible assets	18	1,682,417	1,961,168
Deferred tax asset	12	-	27,349,030
Long term prepayments and other receivables	19	46,803,001	51,389,848
Long term loans	20	730,120	1,463,500
Long term deposits		3,751,900	1,659,900
		1,415,633,011	1,233,078,343
Current Assets			
Stores, spares and loose tools	21	80,613,844	79,567,641
Stock in trade	22	610,421,620	449,783,487
Trade receivables	23	366,066,725	533,532,521
Advances, deposits, prepayments and other receivables	24	83,381,045	78,036,810
Income tax refundable from the Government		91,095,096	51,984,532
Cash and bank balances	25	43,949,957	5,273,337
		1,275,528,287	1,198,178,328
Disposal group classified as held for sale	26	-	26,207,265
		2,691,161,298	2,457,463,936

The annexed notes from 1 to 46 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Revenue	27	1,598,032,861	1,385,892,713
Cost of revenue	28	(1,218,460,167)	(1,038,364,381)
Gross Profit		379,572,694	347,528,332
Administrative expenses	29	(78,744,789)	(69,396,191)
Selling and distribution expenses	30	(30,876,341)	(27,753,122)
		(109,621,130)	(97,149,313)
Operating Profit		269,951,564	250,379,019
Other operating expenses	31	(14,924,431)	(80,030,737)
Other income	32	5,429,419	50,169,168
Finance cost	33	(97,378,233)	(81,772,307)
Profit before Taxation		163,078,319	138,745,143
Taxation	34	(45,179,356)	5,794,212
Net Profit for the Year		117,898,963	144,539,355
Earnings per Share - Basic and Diluted	35	3.37	4.13

The annexed notes from 1 to 46 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER





STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	2020 Rupees	2019 Rupees
Net Profit for the Year	117,898,963	144,539,355
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial gains / (losses) due to experience adjustments	791,483	(360,402)
Related tax impact	(222,828)	101,669
Revaluation surplus on property, plant and equipment - net	191,552,505	-
Related tax impact	(2,524,640)	-
<i>Items that may be reclassified to profit or loss</i>	-	-
Other comprehensive income / (loss) for the year - net of tax	189,596,520	(258,733)
Total Comprehensive Income for the Year	307,495,483	144,280,622

The annexed notes from 1 to 46 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Generated from Operations	36	326,102,759	40,786,927
Changes in long term prepayments and other receivables		4,586,847	(14,033,397)
Finance cost paid		(83,240,883)	(57,678,681)
Gratuity paid		(4,311,565)	(62,477)
Payments against discontinued provident fund		(1,070,403)	(65,000)
Workers' Profit Participation Fund paid		(7,033,260)	-
Income tax paid / withheld		(35,799,771)	(32,892,150)
		(131,455,882)	(90,698,308)
Net Cash Generated from / (Used in) Operating Activities		199,233,724	(63,944,778)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(77,143,634)	(51,726,348)
Capital work in progress		(377,302)	(23,303,038)
Recoveries / (disbursements) of long term loans		733,380	(85,850)
Proceeds from disposal of assets held for sale		23,419,000	155,295,326
Proceeds from disposal of property, plant and equipment		-	1,134,000
Net Cash (Used in) / Generated from Investing Activities		(53,368,556)	81,314,090
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(79,092,329)	(100,402,233)
Proceeds from long term financing		39,150,480	1,150,000
Short term borrowings (repaid) / obtained - net		(67,246,699)	77,020,989
Net Cash Used in Financing Activities		(107,188,548)	(22,231,244)
Net Increase / (Decrease) in Cash and Cash Equivalents		38,676,620	(4,861,932)
Cash and cash equivalents at the beginning of the year		5,273,337	10,135,269
Cash and Cash Equivalents at the End of the Year		43,949,957	5,273,337

The annexed notes from 1 to 46 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER





STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2020

Particulars	Issued, Subscribed and Paid up Capital	Reserves				Sponsors' Loan	Surplus on Revaluation of Property, Plant and Equipment	Total
		Capital	Revenue		Total Reserves			
		Share Premium Reserve	General Reserve	Accumulated Loss				
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2018	350,000,000	39,898,526	90,000,000	(470,286,362)	(340,387,836)	115,708,828	890,805,277	1,016,126,269
Net profit for the year	-	-	-	144,539,355	144,539,355	-	-	144,539,355
Other comprehensive loss for the year	-	-	-	(258,733)	(258,733)	-	-	(258,733)
Surplus on revaluation of property, plant and equipment realized on disposal of land	-	-	-	119,268,219	119,268,219	-	(119,268,219)	-
Incremental depreciation for the year on surplus on revaluation of property, plant and equipment-net	-	-	-	19,097,919	19,097,919	-	(19,097,919)	-
Effect of change in effective tax rate	-	-	-	-	-	-	5,414,472	5,414,472
Balance as at June 30, 2019	350,000,000	39,898,526	90,000,000	(187,639,602)	(57,741,076)	115,708,828	757,853,611	1,165,821,363
Net profit for the year	-	-	-	117,898,963	117,898,963	-	-	117,898,963
Other comprehensive income for the year	-	-	-	568,655	568,655	-	189,027,865	189,596,520
Incremental depreciation for the year on surplus on revaluation of property, plant and equipment - net	-	-	-	21,005,922	21,005,922	-	(21,005,922)	-
Effect of change in effective tax rate	-	-	-	-	-	-	259,846	259,846
Balance as at June 30, 2020	350,000,000	39,898,526	90,000,000	(48,166,062)	81,732,464	115,708,828	926,135,400	1,473,576,692

The annexed notes from 1 to 46 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

NOTES TO AND THE FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1. THE COMPANY AND ITS OPERATIONS

EMCO Industries Limited ("the Company") was incorporated as a Joint Stock Company in Pakistan under the repealed 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. The Company is domiciled in Pakistan and its registered office 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. BASIS OF PREPARATION

2.1 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), 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, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The financial statements provide comparative information in respect of the previous year. In addition, the Company presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

2.2 Basis of measurement

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

- a) Employee retirement benefits (Gratuity) - Note 11.2
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 periodically.
- 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.

2.3 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.



2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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; revalued amounts of property, plant and equipment; amortization of intangible assets; loss allowance on trade receivables; impairment of assets; provisions for defined benefit obligations; slow moving and obsolete inventory; taxation; and contingent liabilities. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in these financial statements.

2.5 Changes in accounting standards, interpretations and pronouncements

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

The following amendments to existing standards and interpretations have been published and are mandatory for the year ended June 30, 2020 and are considered to be relevant to the Company's financial statements:

IFRS 9 Financial Instruments [Amendments]	January 1, 2019
IAS 23 Borrowing costs [Amendments]	January 1, 2019
IFRS 16 Leases	January 1, 2019
Annual improvements to IFRSs (2015-2017 Cycle)	January 1, 2019

The following standards, amendments and interpretations thereto as notified under the Companies Act, 2017 are either not relevant to the Company's operations or are not likely to have significant impact on the Company's financial statements:

IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019
IAS 28 Investments in Associates and Joint Ventures [Amendments]	January 1, 2019
IAS 19 Employee Benefits [Amendments]	January 1, 2019
IFRS 3 Business Combinations [Amendments]	January 1, 2019
IFRS 11 Joint Arrangement [Amendments]	January 1, 2019

2.5.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting and reporting 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)
Conceptual Framework in IFRS Standards [Amendments]	January 1, 2020
IFRS 7 Financial Instruments: Disclosures [Amendments]	January 1, 2020
IFRS 9 Financial Instruments [Amendments]	January 1, 2020
IAS 16 Property, Plant and Equipment [Amendments]	January 1, 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets [Amendments]	January 1, 2022
IFRS 16 Leases [Amendments]	June 1, 2020
IAS 1 Presentation of Financial Statements [Amendments]	January 1, 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors [Amendments]	January 1, 2020
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented except for the application of IFRS 16 leases (Note 3.4 and Note 4) adopted with effect from July 01, 2019.

3.1 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.

3.2 Employee retirement benefits

Defined benefit plan

The Company operates an unfunded gratuity scheme for its employees. The unfunded gratuity scheme is a defined benefit final salary plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method, which is carried out by an independent actuary.

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

3.3 Taxation

Income tax comprises current and deferred tax. Income tax is recognized in the statement of profit or loss except to the extent that relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income.

3.3.1 Current

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting date.

The charge for current tax is higher of corporate tax (higher of tax based on taxable income and minimum tax) and alternative corporate tax.

Corporate tax is based on taxable income for the year determined in accordance with the prevailing laws of taxation. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years. 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.

Alternative corporate tax is calculated at 17% of accounting profit, after taking into account the required adjustments.

Current tax for current and prior periods, to the extent unpaid, is recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognized as an asset.

The Company offsets current tax assets and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.



3.3.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary timing differences arising from the difference between the carrying amount of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss.

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, unused tax losses and tax credits can be utilized.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

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

Deferred tax is calculated at rates that are expected to apply to the period when the differences reverse based on the tax rates and tax laws that have been enacted or have been notified for subsequent enactment by the reporting date.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average rates that are expected to apply to the taxable profit (tax loss) of the periods in which temporary differences are expected to reverse.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.4 Leases

For contracts entered into, or modified, on or after January 1, 2019; the Company assesses whether a contract contains a lease or not at the inception of a contract. The Company reassesses whether a contract is, or contains, a lease further when the terms and conditions of the contract are modified.

The Company determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain to not to exercise that option.

The Company reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in the determination of the lease term.

The Company revises the lease term if there is a change in the non-cancellable period of a lease.

3.4.1 Company as a lessee

3.4.1.1 Recognition

The Company recognizes a right-of-use asset and a lease liability at the commencement date. A commencement date is the date on which the lessor makes an underlying asset available for use by the lessee (the Company).

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of all underlying assets that have a lease term of 12 months or less and leases for which the underlying asset, when new, is of low-value as per the threshold set by the Company. The Company recognizes the lease payments associated with these leases as an expense on straight-line basis over the lease term.

3.4.1.2 Initial measurement

Lease liability

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid. The lease payments are discounted using the interest rate implicit in the lease, or the Company's incremental borrowing rate if the implicit rate is not readily available. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments comprise fixed payments less any lease incentives receivable; variable lease payments that depend on an index or a rate; amounts expected to be payable by the Company under residual value guarantees; the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

Right-of-use asset

The Company initially measures the right-of-use asset at cost. This cost comprises the amount of lease liability as initially measured, plus any lease payments made on or before the commencement date, less lease incentives received, initial direct costs and estimated terminal costs (i.e. dismantling or other site restoration costs required by the terms and conditions of the lease contract).

3.4.1.3 Subsequent measurement

Lease liability

After the commencement date, the Company re-measures the lease liability to reflect the affect of interest on outstanding lease liability, lease payments made, reassessments and lease modifications etc. Variable lease payments not included in the measurement of the lease liability and interest on lease liability are recognized in the statement of profit or loss account, unless these are included in the carrying amount of another asset.

Lease payments are apportioned between the finance charges and reduction of the lease liability using the incremental borrowing rate implicit in the lease to achieve a constant rate of interest on the remaining balance of the liability.

Lease liability payable in foreign currency is translated to local currency of the Company i.e. PKR at the reporting date. Any foreign exchange differences arising on translation of lease liability are recognized in profit or loss.

Right-of-use asset

After the commencement date, the Company measures the right-of-use asset at cost less accumulated depreciation and accumulated identified impairment losses, if any, adjusted for any remeasurement of the lease liability.

The Company depreciates the cost of right-of-use asset, net of residual value, from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. However, if the lease contract transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise the purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

Depreciation is charged to profit or loss account at rates given in note 17.2.

3.5 Property, plant and equipment

Property, plant and equipment, except freehold land, buildings thereon and plant and machinery, are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount less any identified impairment loss while buildings on freehold land and plant and machinery are stated at revalued amount less accumulated depreciation and any



accumulated impairment loss. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value. 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 may also include 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 profit or loss 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 profit or loss 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 accumulated profit / loss 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 17.1.

Depreciation method, residual value and useful lives of assets are reviewed at least at each reporting date 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 profit or loss.

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

3.6 Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment loss, if any, 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 may also include applicable borrowing costs. Transfers are made to relevant property, plant and equipment category as and when the assets are available for use.

3.7 Intangible assets

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the Company and the cost of such asset can be measured reliably. Cost of intangible assets i.e. ERP software includes purchase cost and directly attributable expenses incidental to bring the software to its intended use.

Costs that are directly associated with identifiable software and have probable economic benefits beyond one year, are recognized as an intangible asset. However, costs associated with the maintenance of software are recognized as an expense.

All intangibles are measured initially at cost and subsequently stated at cost less accumulated amortization and identified impairment losses, if any. Amortization is charged to income using the straight line method so as to write off the cost of an asset over its estimated useful life. The amortization period and the amortization method for intangible assets are reviewed, at each reporting date, and adjusted if impact on amortization is significant. ERP software is being amortized over 10 years based on estimated useful life.

3.8 Impairment of non-financial assets

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready to use - are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses on fixed assets that offset available revaluation surplus are charged against this surplus, all other impairment losses are charged to profit or loss. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date. Where impairment loss is recognized, the depreciation / amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, over its remaining useful life.

3.9 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are charged to profit or loss account in the period in which they are incurred.

3.10 Stores, spares and loose tools

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

3.11 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.

3.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.12.1 Financial assets

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 financial assets are recognized and derecognized, as applicable, using trade-date accounting or settlement date accounting.



3.12.1.1 Classification

The Company classifies its financial assets in the following categories: at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. The classification is based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The management determines the classification of its financial assets at the time of initial recognition.

- a) **Financial assets at amortized cost**
A financial asset is measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- b) **Financial assets at fair value through other comprehensive income**
A financial asset is measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- c) **Financial assets at fair value through profit or loss**
A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. However, the Company can make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income unless these are held for trading in which case these have to be measured at fair value through profit or loss. The equity investments of the Company held in short term investments are classified at fair value through profit or loss because they are frequently traded.

3.12.1.2 Initial recognition and measurement

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 – the date on which the Company commits to purchase or sell the asset.

Except for trade receivables, financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account when the Company's right to receive payments is established. Trade receivables are initially measured at the transaction price if these do not contain a significant financing component in accordance with IFRS 15. Where the Company uses settlement date accounting for an asset that is subsequently measured at amortized cost, the asset is recognized initially at its fair value on the trade debt.

3.12.1.3 Subsequent measurement

For the purpose of measuring financial assets after initial recognition, these are classified into the following categories:

- financial assets at amortized cost;
- financial assets at fair value through other comprehensive income; and
- financial assets at fair value through profit or loss.

Financial assets carried at amortized cost are subsequently measured using the effective interest method. Gain or loss on financial assets not part of hedging relationship is recognized in profit or loss when the financial asset is derecognized, reclassified, through the amortization process or in order to recognize impairment gains or losses.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in profit or loss.

Financial assets 'at fair value through other comprehensive income' are marked to market using the closing market rates and are carried in the statement of financial position at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognized in other comprehensive income. Interest calculated using the effective interest rate method is credited to the statement of profit or loss. Dividends on equity instruments are credited to the statement of profit or loss when the Company's right to receive payments is established.

Financial assets 'at fair value through profit or loss' are marked to market using the closing market rates and are carried in the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise.

Fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

3.12.1.4 Derecognition

Financial assets are derecognized when:

- the contractual rights to receive cash flows from the assets have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - a) the Company has transferred substantially all the risks and rewards of the asset; or
 - b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The difference between the carrying amount and the consideration received is recognized in profit or loss.

If the Company transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognizes either a servicing asset or a servicing liability for that servicing contract.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability which cannot be offset with the related asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

If the Company's continuing involvement is in only a part of a financial asset, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the consideration received for the part no longer recognized is recognized in profit or loss.



3.12.1.5 Impairment of financial assets

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

The Company recognizes a loss allowance for expected credit losses on a financial asset measured at amortized cost and through other comprehensive income, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract. In case of financial assets measured at fair value through other comprehensive income, loss allowance is recognized in other comprehensive income and carrying amount of the financial asset in the statement of financial position is not reduced.

The Company measures, at each reporting date, the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. Where the credit risk on a financial instrument has not increased significantly since the initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Company always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions under IFRS 15 and lease receivables.

The Company recognizes the amount of expected credit losses (or reversal), that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized, in the profit or loss.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

3.12.2 Financial liabilities

3.12.2.1 Initial recognition and measurement

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

Financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost except for financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts, commitments to provide a loan at a below-market interest rate and contingent consideration recognized in a business combination.

The Company does not reclassify any of its financial liabilities.

Financial liabilities are initially recognized at fair value minus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognized at fair value and transaction costs are credited in the profit and loss account.

3.12.2.2 Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The amount of change in the fair value that is attributable to changes in the credit risk of financial

liability is presented in other comprehensive income and the remaining amount of change in the fair value of the liability is presented in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if it eliminates or significantly reduces a measurement or recognition inconsistency or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Company's key management personnel. The Company has not designated any financial liability as at fair value through profit or loss.

All other liabilities

All other financial liabilities are measured at amortized cost using the Effective Interest Rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

3.12.2.3 Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss account.

3.12.3 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.

3.13 Balances from contract with customers

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. The Company recognizes a contract asset for the earned consideration that is conditional if the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional. Trade receivables are carried at original invoice amount less expected credit loss based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. A contract liability is recognized at earlier of when the payment is made or the payment is due if a customer pays consideration before the Company transfers goods or services to the customer.

Right of return assets

"Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to



return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

3.14 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand and cash at banks.

3.15 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 statement of profit or loss.

3.16 Revenue recognition

Revenue is recognized in accordance by applying the following steps:

- i) Identify the contract with a customer
- ii) Identify the performance obligation in the contract
- iii) Determine the transaction price of the contract
- iv) Allocate the transaction price to each of the separate performance obligations in the contract
- v) Recognize the revenue when (or as) the entity satisfies a performance obligation

Revenue is recognized at a point in time, when the Company satisfies performance obligations by transferring the promised goods to its customers.

3.17 Contingent liabilities

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

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

3.18 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

3.19 Related party transactions

Related parties comprise the parent Company, associated companies / undertakings, directors of the Company and their close relatives and key management personnel of the Company. 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. Following are the key related parties of the Company:

Name of Related party	Basis of Relationship	% of Holding in the Company
Mr. Tariq Rehman	Director / CEO	0.37880571%
Mr. Suhail Mannan	Director	6.23888857%
Mr. Javaid Shafiq	Director	6.86086000%
Mr. Pervaiz Shafiq Siddiqi	Director	6.86086000%
Mr. Usman Haq	Director	5.22802857%
Mr. Salem Rehman	Director	3.42857143%
Mr. Ahsan Suhail Mannan	Director	5.56864286%
Mr. Awais Noorani	Director	0.05860286%
Ch. Imran Ali	Director	0.00142857%
Syed Muhammad Mohsin	Director	0.00142857%
Ms. Ayesha Mussadaque Hamid	Director	0.00142857%
Key management personnel	Directors' close family members	27.77136857%
Associated Engineers (Private) Limited	Common Directorship	5.74450000%
ICC (Private) Limited	Common Directorship	8.40974571%
The Imperial Electric Company (Private) Limited	Common Directorship	1.66371143%
Imperial Soft (Private) Limited	Common Directorship	0.00000000%
Nur Enterprises	Associated undertaking	0.00000000%
Imperial Consultants (Private) Limited	Common Directorship	0.00000000%
Fatima Memorial Hospital Trust	Associated undertaking	0.00000000%

4. CHANGE IN ACCOUNTING POLICY

The Company has consistently applied the accounting policies to all periods presented in these financial statements except for the change in accounting policy relating to leases to comply with standards, amendments and interpretations to approved accounting and reporting standards which has been accounted for in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. However, no restatement has been deemed necessary in this regard.

4.1 IFRS 16 'Leases'

The Company has adopted IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019) during the period that has replaced IAS 17 - Leases, IFRIC 4 - Determining whether an arrangement contains a lease, SIC-15 - Operating Leases - Incentives and SIC-27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 aims to set out the principles for recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for virtually all of the leases. IFRS 16 includes an optional exemptions for certain short-term leases and leases of low-value assets for lessees. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make the lease payments. Under the previous standard, IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17 'Leases'. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, as the IASB has updated the guidance on the definition of a lease as well as the guidance on the combination and separation of contracts, lessors will also be affected by the new standard. The adoption of IFRS 16 has necessitated change in accounting policy for the Company.

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore the comparative information presented has not been restated and continues to be reported under IAS 17 and related interpretations.

On transition to IFRS 16, the Company has elected to use the following practical expedients under IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease;
- A single discount rate has been applied to portfolio of leases with reasonably similar characteristics;
- Leases with a remaining term of twelve months or less from the date of application have been accounted for as short- term leases (i.e. not recognized in the statement of financial position) even though the initial term of the leases from lease commencement date may have been more than twelve months;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Company, as a lessee, previously used to classify leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. The Company used to recognize minimum lease payments in full as an expense. Now, under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for all leases, after taking into account the elections made for available practical expedients described above.

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining Whether an Arrangement contains a Lease'. The Company now assesses whether a contract is, or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.



The Company depreciates right-of-use assets in depreciation and amortization and unwounds the discount on lease liability into finance cost.

On transition, there was no impact of leases on the financial statements of the Company.

The Company has applied IAS 36 Impairment of Assets to ROU assets at the date of initial application and assessed that ROU assets are not impaired as at that date.

There is no effect on prior period figures in statement of profit and loss, statement of comprehensive income, statement of cash flows and statement of changes in equity.

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2020 No. of Share	2019 No. of Share		2020 Rupees	2019 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 as right shares	136,295,400	136,295,400
<u>35,000,000</u>	<u>35,000,000</u>		<u>350,000,000</u>	<u>350,000,000</u>

5.1 There has been no movement in ordinary share capital during the year ended June 30, 2020.

5.2 Ordinary shares of the Company held by its associated companies as at the reporting date are as follows:

	2020 (Number of Shares)	2019
Associated Engineers (Private) Limited	2,010,575	2,010,575
ICC (Private) Limited	2,943,411	2,943,411
The Imperial Electric Company (Private) Limited	582,299	582,299
	<u>5,536,285</u>	<u>5,536,285</u>

5.3 All ordinary shares rank equally with regard to residual assets of the Company. Ordinary shareholders are entitled to receive all distributions including dividends and other entitlements in the form of bonus and right shares as and when declared by the Company. Voting and other rights are in proportion to the shareholding.

5.4 The terms of agreement between the Company and certain lenders impose certain restrictions on distribution of dividends by the Company.

6. RESERVES	Note	2020 Rupees	2019 Rupees
Capital - share premium	6.1	39,898,526	39,898,526
Revenue - general reserve		90,000,000	90,000,000
Accumulated loss		(48,166,062)	(187,639,602)
		<u>81,732,464</u>	<u>(57,741,076)</u>

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

7. SPONSORS' LOAN

This represents unsecured, interest free loans 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.

8. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	Note	2020 (Rupees)	2019 (Rupees)
Land - Freehold:			
Opening balance		360,253,745	479,521,964
Surplus on revaluation realized on disposal of land held for sale		-	(119,268,219)
Revaluation surplus arisen during the year		182,585,000	-
		542,838,745	360,253,745
Buildings on freehold land:			
Opening balance		230,850,681	239,785,858
Reversal of revaluation surplus due to impairment arising during the year		(54,126,680)	-
Related deferred taxation		15,238,392	-
		191,962,393	239,785,858
Plant and machinery:			
Opening balance		166,749,185	171,497,455
Revaluation surplus arisen during the year - net	8.3	63,094,185	-
Related deferred taxation		(17,763,032)	-
		212,080,338	171,497,455
Effect of change in tax rates		259,846	5,414,472
Incremental depreciation charged on revalued property, plant and equipment in current year-net of deferred tax (transferred to retained earnings)		(21,005,922)	(19,097,919)
		926,135,400	757,853,611

8.1 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 independent valuer on June 30, 2020 using current market price / replacement cost methods, wherever applicable for the respective assets. This resulted in net additional revaluation surplus of Rs. 191.553 million.

8.2 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 actual depreciation based on revalued carrying amount of the asset and equivalent depreciation based on the original carrying amount of the asset.

8.3 This includes reversal of revaluation surplus previously recognized on certain assets amounting to Rs. 21.58 million (2019: Nil).



9. LONG TERM FINANCING	Note	2020 (Rupees)	2019 (Rupees)
Banking companies - secured			
National Bank of Pakistan	9.1	46,720,813	69,160,813
Unwinding / winding up of interest	9.2	(625,551)	(1,379,623)
		46,095,262	67,781,190
Standard Chartered Bank (Pakistan) Limited	9.3	60,760,494	71,671,753
Unwinding / winding up of interest	9.2	(6,554,709)	(11,126,244)
		54,205,785	60,545,509
Habib Bank Limited	9.4	35,150,480	-
		135,451,527	128,326,699
Associated companies / related parties - unsecured			
Associated Engineers (Private) Limited	9.5	27,335,447	23,335,447
Unwinding / winding up of interest	9.2	(3,088,998)	(1,462,260)
		24,246,449	21,873,187
EMCO Industries Limited Provident Fund	9.6	148,979,818	194,720,888
Unwinding / winding up of interest	9.2	(35,417,886)	(43,539,584)
		113,561,932	151,181,304
The Imperial Electric Company (Private) Limited	9.7	2,615,692	2,615,692
Unwinding / winding up of interest	9.2	(295,582)	(57,277)
		2,320,110	2,558,415
		275,580,018	303,939,605
Less: current and overdue portion			
Banking companies		(56,802,815)	(40,126,455)
Associated companies / related parties		(4,979,818)	(26,720,888)
		(61,782,633)	(66,847,343)
		213,797,385	237,092,262

- 9.1 This represents long term financing (Demand Finance - I and Demand Finance II) created during the year ended June 30, 2017 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 that carried mark-up at 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 to Rs. 0.529 million each carrying no further mark up. Later on lump sum payment of Rs 22.60 million was made against DF-I, of Rs. 17.76 million, and against DF-II of Rs. 4.840 million. Repayment schedule was further revised in July 2018. Under the latest rescheduling terms, remaining loan will be repaid in 48 equal monthly installments of DF-I of Rs. 1.442 million and DF-II of Rs. 0.428 million each. These loans are secured by Joint Pari Passu charge on fixed assets of Rs. 112 million along with the personal guarantees of certain directors of the Company. This loan will be fully repaid by June 30, 2022.

- 9.2 In accordance with the requirements of IFRS 9 discounting and unwinding have been carried out and the relevant difference is charged to the statement of profit or loss.
- 9.3 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 fully repaid. Deferred markup as at the reporting date is Rs. 55.826 million. These loans are secured by Joint Pari Passu charge on fixed assets of Rs. 110 million and Joint Pari Passu charge on current assets of Rs. 50 million along with the personal guarantees of certain directors of the Company. This loan will be fully repaid by February 28, 2023.
- 9.4 This represents a term finance facility under the refinance scheme for payment of wages and salaries (RFWS Scheme) to the workers and employees for an amount up to the equivalent of Rs. 60 million. The facility is sanctioned to finance wages and salaries of permanent, contractual, daily wagers as well as outsourced employees. It carries markup @ 3 months KIBOR plus 1% per annum. These loans are secured by Joint Pari Passu charge on fixed assets of Rs. 80 million.
- 9.5 This represents interest free loan; last year, this loan also included interest bearing portion of Rs. 7.396 million that carried mark-up @ 7.55% per annum. The loan is unsecured and terms of repayment of loan and mark-up accrued till last year have yet not been formalized; however, this loan is not repayable within next 12 months.
- 9.6 This represents loan obtained from EMCO Industries Limited Provident Fund on July 01, 2000. Owing to liquidity issues, this loan has 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:
- 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 principal amount.
 - The employees who are the members of the funds, will be inducted in a new gratuity scheme of the Company with effect from the effective date.
- 9.7 This represents interest free loan; last year, the loan also included interest bearing portion of Rs. 1.986 million that carried mark-up at 7.55% per annum. The loan is unsecured and terms of repayment of loan and mark-up accrued till last year have yet not been formalized; however, this loan is not repayable within next 12 months.

10. LEASE LIABILITIES	Note	2020 Rupees	2019 Rupees
Opening balance			
Add: Additions during the year		7,945,787	-
Add: Interest expense	33	82,956	-
Gross liability		8,028,743	-
Less: Current and overdue portion		(3,229,074)	-
Closing balance		4,799,669	-



10.1 Summary of amounts relating to leases charged in different line items of the financial statements is as follows:

	Included in	Note	2020 Rupees	2019 Rupees
Carrying amount of ROU assets	Statement of Financial Position	17.2	7,725,071	-
Expense relating to short-term leases	Administrative expenses	29	1,716,551	-
Expense relating to short-term leases	Selling and distribution expenses	30	93,727	-
Depreciation charge	Administrative expenses	29	220,716	-
Interest expense	Finance cost	33	82,956	-

10.2 Maturity analysis of contractually undiscounted cash flows

At June 30, 2020	Within One Year	Between Two to Five Years	Later than Five Years
	----- Rupees -----		
	3,441,269	6,088,399	-

10.3 Nature of leasing activities

The Company's leases comprise space taken from a related party for office operations. Periodic rentals are fixed over the lease term. These neither contain any variable lease payments nor any lease incentives. The Company is not committed to any lease not yet commenced as at the reporting date.

Remaining lease term of existing lease contract is 3 years for which lease liability is recorded.

11. DEFERRED LIABILITIES	Note	2020 Rupees	2019 Rupees
Payable to employees against discontinued provident fund	11.1	4,632,632	4,551,759
Staff gratuity - unfunded	11.2	59,398,443	53,106,698
		64,031,075	57,658,457

11.1 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% (2019: 5%) per annum.

11.2 Staff gratuity - unfunded

Latest actuarial valuation of the gratuity scheme was conducted as on June 30, 2020. Results of actuarial valuation are as under:

11.2.1 Movement in net liability for staff gratuity	Note	2020 Rupees	2019 Rupees			
Opening balance		53,106,698	40,931,971			
Charge for the year - statement of profit or loss	11.2.2	16,053,677	11,876,802			
Actuarial (gains) / losses due to experience adjustments		(791,483)	360,402			
Payments made / approved during the year		(4,311,565)	(62,477)			
Benefits due but not paid		(4,658,884)	-			
Closing balance		59,398,443	53,106,698			
11.2.2 Charge for the year						
The amounts recognized in the statement of profit or loss against defined benefit scheme are as follows:						
Current service cost		10,089,816	9,273,723			
Interest cost		5,963,861	2,603,079			
		16,053,677	11,876,802			
11.2.3 Actuarial assumptions		2020	2019			
Discount rate - per annum		9.00%	13.25%			
Expected rate of increase in salary level - per annum		8.00%	12.25%			
Average expected remaining working lives of employees		9 Years	8 Years			
Expected mortality rate for active employees		SLIC (2001-2005) Mortality Table				
Actuarial valuation method		Projected Unit Credit Method				
11.2.4 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:						
		2020 Rupees	2019 Rupees	2018 Rupees	2017 Rupees	2016 Rupees
Present value of defined benefit obligation		59,398,443	53,106,698	40,931,971	33,479,360	29,300,567
Fair value of plan asset		-	-	-	-	-
Net liability		59,398,443	53,106,698	40,931,971	33,479,360	29,300,567
						16,441,144
11.2.5 Estimated charge for the year 2020-2021						Rupees
Current and past service cost						11,095,284
Interest cost						5,345,860
11.2.6 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:						
Discount rate + 1%						53,614,069
Discount rate - 1%						66,186,563
Salary increase + 1%						66,186,563
Salary increase - 1%						53,514,338



11.2.7 The charge for the year has been allocated as follows:

	Note	2020 Rupees	2019 Rupees
Cost of revenue	28	11,094,009	7,940,089
Administrative expenses	29	4,168,927	3,306,548
Selling and distribution expenses	30	790,741	630,165
		<u>16,053,677</u>	<u>11,876,802</u>

12. DEFERRED TAXATION

	Note	2020 Rupees	2019 Rupees
Credit / (debit) balances arising in respect of timing differences relating to:			
Taxable temporary differences			
- Accelerated tax depreciation and amortization		16,024,914	18,439,621
- Revaluation of property, plant and equipment		144,098,949	148,646,939
		<u>160,123,863</u>	<u>167,086,560</u>
Deductible temporary differences			
- Provision for doubtful debts		(28,498,165)	(28,631,792)
- Provision for obsolete stores and spares		(616,294)	(617,317)
- Provision for obsolete stock		(4,425,412)	(4,211,612)
- Provision for staff gratuity		(16,722,562)	(14,874,420)
- Unused tax losses / tax credits		(79,199,575)	(142,079,697)
- Others		(7,033,115)	(4,020,752)
		<u>(136,495,123)</u>	<u>(194,435,590)</u>
		<u>23,628,740</u>	<u>(27,349,030)</u>
12.1 Reconciliation of deferred tax liabilities / (assets), net			
Opening balance		(27,349,030)	35,427,534
Effect of change in tax rates on revaluation surplus		(259,846)	(5,414,472)
Recognized in statement of profit or loss		16,171,674	(57,260,423)
Recognized in statement of comprehensive income		222,828	(101,669)
Charged to revaluation surplus through other comprehensive income		2,524,640	-
Adjustment with provision for tax payable against minimum tax credit availed		32,318,474	-
Closing balance		<u>23,628,740</u>	<u>(27,349,030)</u>

13	TRADE AND OTHER PAYABLES	Note	2020 Rupees	2019 Rupees
	Trade creditors	13.1	135,928,481	144,782,466
	Accrued liabilities		47,837,326	60,777,119
	Employee retirement benefit funds		2,440,506	2,618,430
	Contract liabilities	13.2	35,376,182	16,282,149
	Sales tax payable		28,986,815	30,234,584
	Withholding tax payable		2,082,982	3,603,680
	Workers' (profit) participation fund	13.3	8,805,292	7,036,777
	Workers' welfare fund	13.4	10,800,938	6,645,525
			272,258,522	271,980,730

13.1 Trade creditors include Rs. 21,119 (2019: Rs. 7,283,449) due to related parties.

13.2 Contract liabilities amounting to Rs. 20.747 million will be satisfied during year ended June 30, 2021.

13.3	Workers' (Profit) Participation Fund	Note	2020 Rupees	2019 Rupees
	Balance at the beginning of the year		7,036,777	1,631,773
	Allocation for the year	31	8,801,775	7,397,167
			15,838,552	9,028,940
	Payment / Adjustment		(7,033,260)	(1,992,163)
	Closing balance		8,805,292	7,036,777
13.4	Workers' welfare fund			
	Balance at the beginning of the year		6,645,525	2,852,341
	Allocation for the year	31	4,155,413	3,793,184
			10,800,938	6,645,525
	Payments / Adjustments		-	-
	Closing balance		10,800,938	6,645,525

		2020 Rupees	2019 Rupees
14	ACCRUED FINANCE COST		
	Accrued finance cost on:		
	Long term financing from banking companies	1,948,976	971,783
	Long term financing from associated companies / related parties	8,734,867	8,734,867
	Short term borrowings from banking companies	6,698,802	7,859,165
	Short term borrowings from associated companies / related parties	9,243,880	8,989,909
		26,626,525	26,555,724



	Note	2020 Rupees	2019 Rupees
15	SHORT TERM BORROWINGS		
Interest bearing			
Banking companies - secured	15.1 & 15.2	298,629,081	286,650,009
Related parties - unsecured:			
Associated company - ICC (Private) Limited	15.3	155,750,000	75,000,000
Director	15.4	-	49,888,766
		155,750,000	124,888,766
		454,379,081	411,538,775
Interest free			
Related parties - unsecured:			
Associated company - ICC (Private) Limited		-	80,750,000
- Directors and close relatives thereof	15.5	92,808,225	122,145,230
		92,808,225	202,895,230
		547,187,306	614,434,005

15.1 Short-term running finance and local bill discounting facilities available from various commercial banks under mark-up arrangements amount to Rs. 231 million (2019: Rs. 191 million) towards the working capital requirement. Rates of mark-up range from 1 month KIBOR + 1% to 3 months KIBOR + 3% (2019: from 1 month KIBOR + 1% to 6 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 assets, 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 and properties of certain directors, subordination of sponsors' loan, mortgage over commercial properties owned by Associated Engineering (Private) Limited, an associated company.

15.2 Export and import finances available from various commercial banks under mark-up arrangements amount to Rs. 190.565 million (2019: Rs. 151 million). The rates of mark-up range from 1 month KIBOR + 1% to 6 months KIBOR plus 2% (2019: from 1 month KIBOR to 6 months KIBOR plus 3.5%). In the event the Company fails to pay the balances till due date, liquidated charges of 1% over and above the mark-up rate, or capped to 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. Joint Pari Passu charge on all present and future assets of the Company, lien over export LCs / contracts, personal guarantees and properties of certain directors, and subordination of sponsors' loan.

The unutilized portion in respect of above funded facilities mentioned in note 15.1 & 15.2 amounts to Rs. 122.936 million (2019: Rs. 55.35 million).

15.3 This represents unsecured borrowings obtained from the associated company, to meet working capital requirements, that carries mark-up @ 3 months KIBOR + 3% per annum on the balance outstanding.

15.4 This represented unsecured borrowing obtained from a director, to meet working capital requirements, that carried mark-up at 3 month KIBOR + 4% (2019: 3 month KIBOR + 4%) per annum on the balance outstanding.

15.5 This represents loan taken from directors to meet working capital requirements of the Company.

15.6 Letters of credit and guarantee

The main facilities for opening letters of credit and guarantee aggregate to Rs. 578.424 million (2019: Rs. 378.704 million). The amount utilized as at June 30, 2020, for letters of credit was Rs. 55.555 million (2019: Rs. 39.206 million) and for letters of guarantee was Rs. 332.893 million (2019: Rs. 243.495 million). The amounts unavailed as at the reporting date amount to Rs. 189.976 million (2019: Rs. 96.003 million). The aggregate facilities for opening letters of credit and letters of guarantee are secured by charge on present and future fixed assets of the Company, lien over import documents, personal guarantees and properties of certain directors, subordination of sponsors' loan and counter guarantees of the Company.

16 CONTINGENCIES AND COMMITMENTS

Contingencies

- 16.1 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 into the fund.
- 16.2 The Collector of Customs has raised a demand of Rs. 10.978 million including penalty of Rs. 2 million on account of duty / taxes, which has been challenged by the Company in Lahore High Court on April 22, 2017. The Honourable Court has granted interim injunction against recovery of the claimed amount and the matter is pending adjudication. The management is confident about the favorable outcome of this litigation and therefore has not incorporated any provision in these financial statements.
- 16.3 Through amendment order passed under section 122(5A) of the Income Tax Ordinance, 2001; the Company's return of total income for Tax Year 2010 was amended and taxable income was assessed at Rs. 145.063 million against declared loss of Rs. 418.19 million; however tax liability of mere Rs. 401,427 emerged due to availability of unused tax losses. The Company preferred an appeal filed on July 26, 2016 before Commissioner Inland Revenue (Appeals - 1), Lahore. Order against this appeal is yet to be issued. The Company's management and legal advisor feel that there are strong grounds to defend the Company's stance and the liability will not materialize, hence, no provision / adjustment has been made in these financial statements.
- 16.4 A demand of Rs. 4.148 million (including default surcharge of Rs. 2.27 million) was raised against the Company under section 161/205 (3) of the Income Tax Ordinance, 2001 for the period relevant to Tax Year 2011 alleging non-compliance with various applicable withholding provisions contained in the Ordinance. The Company preferred appeal before Commissioner Inland Revenue (Appeals - 1), Lahore who vide order dated July 25, 2014 has given relief on various issues to the Company and has deleted the entire amount of default surcharge. The tax demand after appellate order works out to Rs. 703,172. The Company has contested this order before Appellate Tribunal Inland Revenue, Lahore (ATIR) on August 22, 2014 hearing whereof is still pending. The Company's management and legal advisor feel that there are strong grounds to defend the Company's stance and the liability will not materialize, hence, no provision / adjustment has been made in these financial statements.
- 16.5 Through amendment order passed under section 122(1) read with 122 (4) / 122 (5) of the Income Tax Ordinance, 2001; the Company's return of total income for Tax Year 2011 was amended and taxable income was assessed at Rs. 78.211 million against declared income of Rs. 20.222 million, however no tax liability emerged due to availability of unused tax losses. The Company preferred an appeal filed on May 5, 2015 before Commissioner Inland Revenue (Appeals - 1), Lahore. Order against this appeal is yet to be issued. The Company's management and legal advisor feel that there are strong grounds to defend the Company's stance and the liability will not materialize, hence, no adjustment has been made in these financial statements.
- 16.6 Through amendment order passed under section 122(1) read with 122(5) of the Income Tax Ordinance, 2001; the Company's return of total income for Tax Year 2016 was amended and taxable income was assessed at Rs. 130.951 million against declared loss of Rs. 308.518 million; however no tax liability emerged due to availability of unused tax losses. The Company preferred an appeal filed on March 16, 2020 before Commissioner Inland Revenue (Appeals - 1), Lahore which is pending adjudication.



The Company's management and legal advisor feel that there are strong grounds to defend the Company's stance and the liability will not materialize, hence, no adjustment has been made in these financial statements.

- 16.7 Subsequent to the reporting date, the Honorable Supreme Court of Pakistan issued judgment on August 13, 2020 regarding applicability of Gas Infrastructure Development Cess (GIDC). The Court has ordered that GIDC shall be recovered in 24 equal monthly installments starting from August 1, 2020 without the component of late payment surcharge. The management is in the process of evaluating the possible impact of the judgment with its legal team and shall incorporate the same in the financial statements on next reporting date. The management strongly believes that impact of GIDC, if any, will not be material. Hence, no provision has been made in these financial statements.
- 16.8 4 (2019: 3) ex-employees have filed cases against the Company in various courts on various dates. Because of their uncertain nature, it is not possible to quantify their financial impact. The cases are pending adjudication. The management and the legal advisors of the Company are of the view that the outcome of these cases is expected to be favorable and liability, if any, arising out of the settlement is not likely to be material. No provision has been made in these financial statements.
- 16.9 Bank guarantees amount to Rs. 332.893 million (2019: Rs. 243.495 million) that have been issued in favour of the following:

	2020 Rupees	2019 Rupees
Sui Northern Gas Pipeline Limited	22,406,000	22,406,000
NTDC / DISCOS	301,508,214	212,110,715
Collector of Customs	8,978,358	8,978,358
	<u>332,892,572</u>	<u>243,495,073</u>

Commitments

- 16.10 Letters of credit other than for capital expenditure amount to Rs. 47.219 million (2019: Rs. 29.83 million).
- 16.11 Letters of credit for capital expenditure amount to Rs. 8.337 million (2019: Rs. 9.376 million).
- 16.12 Commitments for future minimum 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 -----		
5,054,508	9,456,866	-

17. PROPERTY, PLANT AND EQUIPMENT	Note	2020 Rupees	2019 Rupees
Operating fixed assets	17.1	1,354,563,200	1,149,254,897
Right of use assets	17.2	7,725,071	-
Capital work in progress - civil works	17.3	377,302	-
		<u>1,362,665,573</u>	<u>1,149,254,897</u>

17.1 Operating fixed assets - owned

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, 2020								
Opening net book value	385,775,000	457,163,958	300,420,184	78,627	604,742	861,752	4,350,634	1,149,254,897
Additions	-	55,023,334	31,885,577	-	-	205,128	1,518,509	88,632,548
Depreciation charge	-	(34,604,612)	(38,938,946)	(16,357)	(120,252)	(195,976)	(1,000,607)	(74,876,750)
Revaluation adjustment	182,585,000	(54,126,680)	63,094,185	-	-	-	-	191,552,505
Closing net book value	568,360,000	423,456,000	356,461,000	62,270	484,490	870,904	4,868,536	1,354,563,200
Depreciation rates		5%	4%-35%	20%-40%	20%	20%	20%	
Gross Carrying Value Basis As at June 30, 2020								
Cost / revalued amount	568,360,000	798,900,132	1,084,487,328	9,288,723	8,726,401	8,829,914	34,621,636	2,513,214,134
Accumulated depreciation	-	(375,444,132)	(728,026,328)	(9,226,453)	(8,241,911)	(7,959,010)	(29,753,100)	(1,158,650,934)
Net book value	568,360,000	423,456,000	356,461,000	62,270	484,490	870,904	4,868,536	1,354,563,200
Net Carrying Value Basis Year Ended June 30, 2019								
Opening 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
Additions	-	61,215,418	23,970,673	43,000	-	-	1,473,487	86,702,578
Disposal during the year								
- Cost	-	-	-	-	-	1,673,000	14,000	1,687,000
- Accumulated depreciation	-	-	-	-	-	(1,568,952)	(700)	(1,569,652)
	-	-	-	-	-	(104,048)	(13,300)	(117,348)
Depreciation charge	-	(32,576,962)	(38,117,733)	(15,615)	(151,182)	(241,450)	(895,762)	(71,998,704)
Transferred from non current assets classified as held for sale	3,500,000	-	-	-	-	-	-	3,500,000
Closing net book value	385,775,000	457,163,958	300,420,184	78,627	604,742	861,752	4,350,634	1,149,254,897
Depreciation rates		5%	4%-35%	20%-40%	20%	20%	20%	
Gross Carrying Value Basis As at June 30, 2019								
Cost / revalued amount	385,775,000	798,003,478	989,507,566	9,288,723	8,726,401	8,624,786	33,103,127	2,233,029,081
Accumulated depreciation	-	(340,839,520)	(689,087,382)	(9,210,096)	(8,121,659)	(7,763,034)	(28,752,493)	(1,083,774,184)
Net book value	385,775,000	457,163,958	300,420,184	78,627	604,742	861,752	4,350,634	1,149,254,897

17.1.1 Apportionment of depreciation charge for the year

Depreciation charge for the year has been apportioned as follows:

	Note	2020 Rupees	2019 Rupees
Cost of revenue	28	74,613,384	71,687,460
Administrative expenses	29	263,366	311,244
		74,876,750	71,998,704



17.1.2 Particulars of immovable property (land and building) of the Company are as follow:

Location	Usage of immovable property	Total area
19-KM Lahore Sheikhpura Road	Production plant	222 Kanals 18 Marlas

17.1.3 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:

	2020 Rupees	2019 Rupees
Freehold land	25,521,255	25,521,255
Buildings on freehold land	176,494,849	138,429,528
Plant and machinery	76,026,548	72,907,809
	<u>278,042,652</u>	<u>236,858,592</u>

17.1.4 Fair value of the properties was determined using the market comparable method. Fair values are categorized as level 2 fair value hierarchy where inputs are observable. The valuations have been performed by an independent professional valuer and are based on proprietary databases of prices of transactions for properties of similar nature, location and condition. Net gain from the revaluation of the assets carried out as at June 30, 2020 amounted to Rs. 191.553 million (note 8). Forced sale value of land, buildings and plant and machinery is Rs. 483.106 million; Rs. 359.938 million; and Rs. 285.169 million respectively.

17.1.5 The property, plant and equipment of the Company are subject to first and joint pari passu charge as security for certain financing by banks (refer Note to 9 and 15).

17.2	Right of use assets	Note	2020 Rupees	2019 Rupees
	Opening balance			
	Add: Additions during the year		7,945,787	-
	Less: Depreciation charge for the year	29	(220,716)	-
	Closing balance		<u>7,725,071</u>	<u>-</u>
	Lease Term (Years)		<u>3 Years</u>	<u>N/A</u>

There are no variable lease payments in the lease contracts. There were no leases with residual value guarantees or leases not yet commenced to which the Company is committed.

17.3 The reconciliation of the carrying amount is as follows:

	2020 Rupees	2019 Rupees
Civil Works:		
Opening balance	-	11,673,192
Construction cost	377,302	19,368,038
Other additions during the year	-	3,935,000
Transfers during the year	-	(34,976,230)
Closing balance	<u>377,302</u>	<u>-</u>

18.	INTANGIBLE ASSETS	Note	2020 Rupees	2019 Rupees
	Intangible asset	18.1	<u>1,682,417</u>	<u>1,961,166</u>

18.1	Net Carrying Value	Note	2020 Rupees	2019 Rupees
	Net carrying value - opening balance		1,961,166	2,239,916
	Additions during the year		-	-
			1,961,166	2,239,916
	Amortization during the year	18.2	(278,750)	(278,750)
	Net carrying value as at June 30,		1,682,416	1,961,166
	Gross Carrying Value			
	Cost		2,787,496	2,787,496
	Accumulated amortization		(1,105,079)	(826,330)
	Net book value		1,682,417	1,961,166
			10%	10%

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

19.	LONG TERM PREPAYMENTS AND OTHER RECEIVABLES	Note	2020 Rupees	2019 Rupees
	Long term prepayments	19.1	31,232,373	36,202,690
	Recoverable from employees	19.2	15,570,628	15,187,158
			46,803,001	51,389,848
19.1	Long term prepayments			
	Opening balance		50,093,295	29,277,192
	Addition during the year		14,367,455	33,042,430
	Charge to profit or loss	19.1.1	(16,194,550)	(12,226,327)
			48,266,200	50,093,295
	Current portion of long term prepayments	24	(17,033,827)	(13,890,605)
			31,232,373	36,202,690

19.1.1 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.

19.2	Recoverable from employees	Note	2020 Rupees	2019 Rupees
	Long term recoverable from employees	19.2.1	15,920,581	16,242,951
	Current portion	24	(349,953)	(1,055,793)
			15,570,628	15,187,158

19.2.1 This represents recoveries imposed on employees, falling under bonus policy on account of production of faulty finished goods.



20	LONG TERM LOANS	Note	2020 Rupees	2019 Rupees
	Loans to employees - (Secured - considered good)	20.1	894,340	1,564,990
	Less: current portion	24	(164,220)	(101,490)
			730,120	1,463,500
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.			
21	STORES, SPARES AND LOOSE TOOLS	Note	2020 Rupees	2019 Rupees
	Stores		37,853,463	30,144,964
	Spare parts		42,906,451	49,429,527
	Loose tools		2,043,000	2,182,220
			82,802,914	81,756,711
	Less: Provision for obsolescence of stock	21.1	(2,189,070)	(2,189,070)
			80,613,844	79,567,641
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
21.2	Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.			
22	STOCK-IN-TRADE	Note	2020 Rupees	2019 Rupees
	Raw materials		261,692,586	173,021,540
	Materials in transit		42,143,564	17,201,409
	Work-in-process		69,305,970	51,773,493
	Finished goods	22.1	252,998,539	222,721,841
			626,140,659	464,718,283
	Less: Provision for obsolescence of stock	22.2	(15,719,039)	(14,934,796)
			610,421,620	449,783,487

22.1	Provision for obsolescence of stock		2020 Rupees	2019 Rupees
	Opening balance		14,934,796	14,934,796
	Provision for the year	31	784,243	-
			15,719,039	14,934,796
	Less: Obsolete stocks written off		-	-
			15,719,039	14,934,796
22.2	Stocks are under charge by way of hypothecation as security against financing obtained from banks (refer to Note 9 and 15).			
23	TRADE RECEIVABLES	Note	2020 Rupees	2019 Rupees
	Local - (Unsecured - considered good)	23.1	356,309,595	520,471,896
	Local - (Unsecured - considered doubtful)		101,225,313	101,225,313
	Foreign - (Unsecured - considered good)		9,757,130	13,060,625
			467,292,038	634,757,834
	Less: Loss allowance	23.2	(101,225,313)	(101,225,313)
			366,066,725	533,532,521
23.2	Loss allowance			
	Opening balance		101,225,313	97,215,241
	Loss allowance for the year	31	-	4,315,938
			101,225,313	101,531,179
	Less: Bad debts written off		-	(305,866)
			101,225,313	101,225,313
24.	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2020 Rupees	2019 Rupees
	Advances:			
	- to employees - considered good	24.1	1,533,252	1,525,692
	- to suppliers			
	- Considered good		54,337,330	51,458,318
	- Considered doubtful		575,685	575,685
			56,446,267	53,559,695
	Security deposits		5,350,631	7,327,631
	Margins held by bank		3,628,540	2,214,589
	Claim receivable		655,316	365,366
	Prepayments		327,976	97,326
	Current portion of loans to employees			
	- considered good	20	164,220	101,490
	Current portion of long term prepayments	19.1	17,033,827	13,890,605
	Current portion of recoverable from employees	19.2	349,953	1,055,793
			83,956,730	78,612,495
	Less: Provision for doubtful advances	24.2	(575,685)	(575,685)
			83,381,045	78,036,810



24.1 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 (2019: Nil). The amount is paid to Commercial Manager as an advance for expenditure to be adjusted by the Company. These balances are secured against employees' retirement benefit balances.

	Note	2020 Rupees	2019 Rupees
24.2 Provision for doubtful advances			
Opening balance		575,685	575,685
Add: Provision for the year	31	-	-
		<u>575,685</u>	<u>575,685</u>

	2020 Rupees	2019 Rupees
25 CASH AND BANK BALANCES		
Cash in hand	1,094,228	1,022,139
Cash at bank - in current accounts	42,855,729	4,251,198
	<u>43,949,957</u>	<u>5,273,337</u>

	2020 Rupees	2019 Rupees
26 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE		
Land	-	-
Plant and machinery	-	23,936,983
Spare parts	-	2,270,282
	<u>-</u>	<u>26,207,265</u>

	2020 Rupees	2019 Rupees
27 REVENUE		
Gross revenue:		
- Local	1,810,141,479	1,629,607,297
- Export	42,118,019	21,691,205
	<u>1,852,259,498</u>	<u>1,651,298,502</u>
Less: Sales tax	(243,168,104)	(243,168,104)
Less: Trade discounts	(332,767)	(63,875)
Less: Late delivery charges / liquidity damages	(10,725,766)	(22,173,810)
Net sales	<u>1,598,032,861</u>	<u>1,385,892,713</u>

28.	COST OF REVENUE	Note	2020 Rupees	2019 Rupees
	Raw and packing materials consumed		497,696,602	451,427,439
	Salaries, wages and benefits	28.1	294,591,809	258,221,085
	Power and gas		234,335,239	172,234,145
	Stores and spares consumed		48,462,232	49,535,698
	Testing and inspection		38,588,221	36,113,511
	Travelling and conveyance		61,329,427	28,674,045
	Rent, rates and taxes		3,015,087	2,983,437
	Repairs and maintenance		3,905,573	2,233,975
	Entertainment		2,065,767	2,062,629
	Insurance		2,994,323	3,630,330
	Ijarah rentals		2,422,448	1,342,272
	Communication and stationery		1,373,886	1,251,878
	Vehicle maintenance		794,784	606,010
	Miscellaneous		80,560	389,545
	Depreciation		74,613,384	71,687,460
			1,266,269,342	1,082,393,459
	Work in process			
	- Opening work in process		51,773,493	49,737,606
	- Closing work in process		(69,305,970)	(51,773,493)
			(17,532,477)	(2,035,887)
	Cost of goods manufactured		1,248,736,865	1,080,357,572
	Finished goods			
	- Opening finished goods		222,721,841	180,728,650
	- Closing finished goods		(252,998,539)	(222,721,841)
			(30,276,698)	(41,993,191)
			1,218,460,167	1,038,364,381

28.1 This includes provision for gratuity expense amounting to Rs. 11.094 million (2019: Rs. 7.94 million).

29	ADMINISTRATIVE EXPENSES	Note	2020 Rupees	2019 Rupees
	Salaries, wages and benefits	29.1	57,390,130	47,424,675
	Communication and stationery		1,791,370	1,648,451
	Travelling		4,527,095	6,884,035
	Rent, rates and taxes	29.2	1,716,551	2,042,796
	Legal and professional charges		6,252,058	4,095,974
	Fees and subscription		2,248,158	2,322,082
	Vehicle maintenance		516,707	562,920
	Utilities		912,332	797,233
	Insurance		212,149	259,973
	Repairs and maintenance		442,034	315,596
	Computer charges		583,344	676,933
	Security charges		203,599	240,703
	Miscellaneous		149,861	382,078
	Entertainment		1,036,569	1,152,748
	Depreciation on owned assets	17.1	263,366	311,244
	Depreciation on right of use assets	17.2	220,716	-
	Amortization	18.1	278,750	278,750
			78,744,789	69,396,191



29.1 This includes provision for gratuity expense amounting to Rs. 4.169 million (2019: Rs. 3.307 million).

29.2 This represents expense relating to short term leases (2019: operating lease rentals).

30	SELLING AND DISTRIBUTION EXPENSES	Note	2020 Rupees	2019 Rupees
	Handling, freight and transportation		17,408,654	16,819,795
	Salaries, wages and benefits	30.1	6,651,809	5,151,221
	Travelling		3,999,277	3,413,060
	Insurance		177,074	112,949
	Vehicle maintenance		176,001	374,252
	Rent, rates and taxes	30.2	93,727	107,520
	Communication		228,218	151,316
	Advertisement and sales promotion		1,516,906	1,155,039
	Entertainment		572,803	426,078
	Miscellaneous		51,872	41,892
			30,876,341	27,753,122

30.1 This includes provision for gratuity expense amounting to Rs. 0.791 million (2019: Rs. 0.63 million).

30.2 This represents expense relating to short term leases (2019: operating lease rentals).

31	OTHER OPERATING EXPENSES	Note	2020 Rupees	2019 Rupees
	Auditor's remuneration:			
	- statutory audit		908,000	908,000
	- half yearly review		275,000	275,000
			1,183,000	1,183,000
	Impairment loss on disposal group		-	57,941,524
	Workers' (profit) participation fund	13.3	8,801,775	5,405,004
	Workers' welfare fund	13.4	4,155,413	3,793,184
	Bad debts written off		-	7,392,087
	Loss allowance	23.2	-	4,315,938
	Provision for obsolescence of stock in trade	22.1	784,243	-
			14,924,431	80,030,737

32	OTHER INCOME	Note	2020 Rupees	2019 Rupees
	Exchange gain		1,615,022	1,887,037
	Gain on disposal of non-current assets held for sale		329,515	45,141,787
	Gain on disposal of property, plant and equipment		-	1,016,651
	Winding up of liabilities	9.2	2,370,583	1,970,378
	Rental income		42,624	40,164
	Miscellaneous income		448,132	113,151
	Liabilities written back		623,543	-
			5,429,419	50,169,168

33	FINANCE COST	Note	2020 Rupees	2019 Rupees
	Short term borrowings from banking companies		42,643,050	29,764,873
	Short term borrowings from associated companies / related parties		27,098,384	15,949,488
	Unwinding of liabilities	9.2	13,952,845	18,708,879
	Long term financing from banking companies		5,963,026	7,665,778
	Commission on bank guarantees		4,937,898	3,783,129
	Long term financing from associated companies / related parties		-	708,322
	Lease liabilities	10	82,956	-
	Discontinued provident fund	11.1	113,704	129,490
	Bank charges		2,586,370	5,062,348
			97,378,233	81,772,307

34	TAXATION	Note	2020 Rupees	2019 Rupees
	Current		29,007,682	52,811,989
	Prior year adjustment		-	(1,345,778)
	Deferred	12.1	29,007,682 16,171,674	51,466,211 (57,260,423)
			45,179,356	(5,794,212)
34.1	Relationship between tax expense and accounting profit			
	Profit before taxation		163,078,319	138,745,143
	Tax at the applicable rate of 29% (2019: 29%)		47,292,713	40,236,091
	Tax effect of amounts that are:			
	Taxable under final tax regime		(2,261,909)	(296,186)
	Inadmissible expenses under tax laws		33,804,942	45,112,489
	Accelerated expenses under tax laws		(48,233,785)	(29,843,338)
	Prior year adjustment		-	(1,345,778)
	Tax credit		(1,594,279)	(2,397,067)
	Deferred tax		16,171,674	(57,260,423)
			45,179,356	(5,794,212)

35	EARNINGS PER SHARE		2020	2019
	Earnings for the year attributable to ordinary shareholders	Rupees	117,898,963	144,539,355
	Weighted average number of ordinary shares outstanding during the year	Numbers	35,000,000	35,000,000
	Earnings per share - Basic and diluted	Rupees	3.37	4.13

35.1 Diluted earnings per share

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



36. CASH GENERATED FROM OPERATIONS

	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	163,078,319	138,745,143
Adjustment for:		
- Depreciation	74,876,750	71,998,704
- Depreciation on right of use assets	220,716	-
- Amortization	278,750	278,750
- Provision for gratuity	16,053,677	11,876,802
- Workers' (profit) participation fund	8,801,775	5,405,004
- Workers' welfare fund	4,155,413	3,793,184
- Markup payable to employees against discontinued provident fund	113,704	129,490
- Impairment loss on disposal group	-	57,941,524
- Loss allowance	-	4,315,938
- Provision for obsolescence of stock in trade	784,243	-
- Bad debts written off	-	7,392,087
- Gain on disposal of property, plant and equipment	-	(1,016,651)
- Lease liabilities	82,956	-
- Gain on disposal of non-current assets held for sale	(329,515)	(45,141,787)
- Liabilities written back	(623,543)	-
- Winding up of liabilities	(2,370,583)	(1,970,378)
- Exchange gain	(1,615,022)	(1,887,037)
- Unwinding of liabilities	13,952,845	18,708,879
- Finance cost	83,311,684	63,063,428
	197,693,850	194,887,937
Operating profit before working capital changes	360,772,169	333,633,080
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(20,399,617)	5,354,503
- Stock in trade	(161,422,376)	(73,019,059)
- Trade receivables	169,080,818	(242,442,697)
- Advances, deposits, prepayments and other receivables	(7,436,235)	(4,471,178)
Increase / (decrease) in current liabilities		
- Trade and other payables	(14,492,000)	21,732,278
	(34,669,410)	(292,846,153)
Cash generated from operations	326,102,759	40,786,927

37. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	As at June 30, 2019 Rupees	Non-cash changes Rupees	Cash flows (Net) Rupees	As at June 30, 2020 Rupees
Long term financing - net	303,939,605	11,582,262	(39,941,849)	275,580,018
Short term borrowings - net	614,434,005	-	(67,246,699)	547,187,306
	918,373,610	11,582,262	(107,188,548)	822,767,324

	As at June 30, 2018	Non-cash changes	Cash flows (Net)	As at June 30, 2019
	Rupees	Rupees	Rupees	Rupees
Long term financing - net	386,453,337	16,738,501	(99,252,233)	303,939,605
Short term borrowings - net	537,413,016	-	77,020,989	614,434,005
	<u>923,866,353</u>	<u>16,738,501</u>	<u>(22,231,244)</u>	<u>918,373,610</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	
	2020	2019	2020	2019	2020	2019	2020	2019
	Rupees		Rupees		Rupees		Rupees	
Managerial remuneration	8,093,400	7,357,680	8,059,464	7,326,792	-	-	4,015,952	6,343,884
House rent allowance	3,642,030	3,310,956	3,626,759	3,297,056	-	-	701,573	655,679
Bonus	-	-	-	-	-	-	-	-
Utilities	1,063,023	987,906	1,699,923	1,549,126	-	-	239,905	229,706
Gratuity	-	-	973,852	885,320	-	-	201,378	188,204
Medical expenses	318,651	365,501	1,333,712	1,090,865	-	-	125,890	84,923
Reimbursable expenses	1,028,456	1,105,087	4,291,326	3,464,727	-	-	254,271	254,812
	<u>14,145,560</u>	<u>13,127,130</u>	<u>19,985,036</u>	<u>17,613,886</u>	<u>-</u>	<u>-</u>	<u>5,538,969</u>	<u>7,757,208</u>
Number of persons	1	1	2	2	8	5	2	2

- 38.1 An executive is defined as an employee, other than the Chief Executive Officer and directors, whose basic salary exceeds Rs. 1.2 million in a financial year.
- 38.2 The Company provides the Chief Executive Officer 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. These are un-secured 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			2020 Rupees	2019 Rupees
Related party	Relationship	Nature of transaction		
Associated Engineers (Private) Limited	Associated company	Loan term financing obtained Markup on long term financing Conversion of interest bearing to interest free	4,000,000 - 7,396,095	1,150,000 558,403 -
EMCO Industries Limited Provident Fund	Associated undertaking	Principal repaid	45,741,070	26,714,152
The Imperial Electric Company (Private) Limited	Associated company	Markup on long term financing Rent expense Short term borrowings received Short term borrowings repaid Conversion of interest bearing to interest free Payment of rent expense	- 1,978,748 - - 1,985,640 992,248	149,919 2,150,316 106,500,000 106,500,000 - -
ICC (Private) Limited	Associated company	Short term borrowings obtained Short term borrowings repaid Markup on short term borrowings Markup paid on short term borrowings Conversion of interest free to interest bearing Loan term financing repaid Markup on long term financing Markup paid on long term financing	143,700,000 143,700,000 23,553,102 22,512,069 80,750,000 - - -	84,000,000 84,000,000 9,165,729 8,583,245 - 13,125,005 515,665 632,252
Nur Enterprises	Associated undertaking	Short term borrowings repaid	1,037,484	-
Directors and close family members	Associated persons	Short term borrowings obtained Short term borrowings repaid Markup on short term borrowings Markup on short term borrowings paid	429,810,009 507,998,296 3,545,282 4,332,344	261,965,757 246,408,172 6,783,759 7,209,461
Outstanding Balance as at the year end			2020 Rupees	2019 Rupees
Associated Engineers (Private) Limited		Long term financing - interest bearing Long term financing - interest free Mark-up on long term financing	- 27,335,447 6,391,541	7,396,095 15,939,352 6,391,541
EMCO Industries Limited Provident Fund		Long term financing	148,979,818	194,720,888
Imperial Soft (Private) Limited		Trade creditors	-	191,400
The Imperial Electric Company (Private) Limited		Long term financing - interest bearing Long term financing - interest free Markup on long term financing Payable against rent	- 2,615,692 2,343,326 8,049,862	1,985,640 630,052 2,343,326 7,063,362
ICC (Private) Limited		Short term borrowing - interest free Short term borrowing - interest bearing Markup on borrowing Trade creditors Advance given	- 155,750,000 8,600,739 - 29,544	80,750,000 75,000,000 7,559,706 28,687 -
Nur Enterprises		Short term borrowing	-	1,037,484
Directors and close family members		Sponsors' loan Short term borrowing Markup on short term borrowing	115,708,828 92,808,225 643,141	115,708,828 170,996,512 1,430,203

40.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, other market price 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 minimize 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, 2020, 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. 1.57 million (2019: Rs. 0.432 million) lower / higher, mainly as a result of foreign exchange losses / gains on translation of US dollar-denominated financial assets and liabilities.

(ii) Interest rate risk

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

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

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. 5.305 million (2018: Rs. 4.901 million) lower / higher, 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.

(iii) Other market price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.



The Company is not exposed to any market price risk.

(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 receivables and other receivables. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilization 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, if any. Carrying values of financial assets exposed to credit risk, which are neither past due nor impaired are as under:

	2020 Rupees	2019 Rupees
Long term loans	894,340	1,564,990
Long term deposits	3,751,900	1,659,900
Trade receivables	366,066,725	533,532,521
Deposits and other receivables	9,634,487	9,907,586
Bank balances	42,855,729	4,251,198
The aging of receivables as at reporting date date is as follows:		
Past due 1 - 90 days	284,961,488	413,262,477
Past due 91 - 180 days	1,719,474	81,659,011
Past due 181 - 365 days	40,774,730	12,738,535
More than 365 days	38,611,033	25,872,498
	366,066,725	533,532,521

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings and DISCOs. 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 receivables 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 statement of profit or loss.

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	2020 Rupees	2019 Rupees
Allied Bank Limited	A1+	AAA	PACRA	38,481,701	3,016,616
Askari Bank Limited	A1+	AA+	PACRA	145,015	17,733
Bank Alfalah Limited	A1+	AA+	PACRA	21,796	20,296
The Bank of Punjab	A1+	AA	PACRA	605,650	39,160
Faysal Bank Limited	A1+	AA	PACRA	8,354	(4,552,689)
Habib Bank Limited	A1+	AAA	JCR-VIS	234,346	179,636
MCB Bank Limited	A1+	AAA	PACRA	2,455,581	62,617
National Bank of Pakistan	A1+	AAA	PACRA	188,451	(57,220)
Silk Bank Limited	A2	A-	JCR-VIS	511,887	5,400,808
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	100,000	100,000
United Bank Limited	A1+	AAA	JCR-VIS	102,948	24,241
				42,855,729	4,251,198

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected cash outflows during its operating cycle, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company monitors rolling forecasts of the liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flows. 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 at the reporting date, to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows and also include the impact of estimated future interest payments.

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, 2020:						
Long term financing	275,580,018	347,975,701	62,540,565	118,029,543	119,405,593	48,000,000
Trade and other payables	183,765,807	183,765,807	183,765,807	-	-	-
Payable to employees against discontinued provident fund	4,632,632	4,632,632	-	4,632,632	-	-
Accrued finance cost	26,626,525	26,626,525	26,626,525	-	-	-
Lease liabilities	8,028,743	9,529,668	3,441,269	3,176,556	2,911,843	-
Short term borrowings	547,187,306	547,187,306	547,187,306	-	-	-
	1,045,821,031	1,119,717,639	823,561,472	125,838,731	122,317,436	48,000,000
Contractual maturities of financial liabilities as at June 30, 2019:						
Long term financing	303,939,605	336,448,702	66,847,343	92,880,000	176,721,359	-
Trade and other payables	205,559,585	205,559,585	205,559,585	-	-	-
Payable to employees against discontinued provident fund	4,551,759	4,551,759	-	4,551,759	-	-
Accrued finance cost	26,555,724	26,555,724	26,555,724	-	-	-
Short term borrowings	614,434,005	614,434,005	614,434,005	-	-	-
	1,155,040,678	1,187,549,775	913,396,657	97,431,759	176,721,359	-



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.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. Fair value is determined on the basis of objective evidence at each reporting date. The carrying values of financial assets and financial liabilities approximate their fair values.

40.2 Financial instruments by categories

Financial assets as at June 30, 2020	At fair value through profit or loss Rupees	At amortized cost Rupees	At fair value through other comprehensive income Rupees	Total Rupees
Long term loans	-	894,340	-	894,340
Long term deposits	-	3,751,900	-	3,751,900
Trade receivables	-	366,066,725	-	366,066,725
Deposits and other receivables	-	9,634,487	-	9,634,487
Cash and bank balances	-	43,949,957	-	43,949,957
	-	424,297,409	-	424,297,409

Financial assets as at June 30, 2019

Long term loans	-	1,564,990	-	1,564,990
Long term deposits	-	1,659,900	-	1,659,900
Trade receivables	-	533,532,521	-	533,532,521
Deposits and other receivables	-	9,907,586	-	9,907,586
Cash and bank balances	-	5,273,337	-	5,273,337
	-	551,938,334	-	551,938,334

Financial liabilities at amortized cost	2020 Rupees	2019 Rupees
Long term financing	275,580,018	303,939,605
Trade and other payables	183,765,807	205,559,585
Payable to employees against discontinued provident fund	4,632,632	4,551,759
Accrued finance cost	26,626,525	26,555,724
Lease liabilities	8,028,743	-
Short term borrowings	547,187,306	614,434,005
	1,045,821,031	1,155,040,678

41 CAPITAL RISK MANAGEMENT

While managing capital, 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 pay-out 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) less cash and cash equivalents. Total capital is calculated as equity as shown in the statement of financial position plus net debt. As at the reporting date, the gearing ratio of the Company was worked out as under:

	2020 Rupees	2019 Rupees
Borrowings	830,796,067	918,373,610
Cash and bank balances	(43,949,957)	(5,273,337)
Net debt	786,846,110	913,100,273
Equity	1,473,576,692	1,165,821,363
Total capital employed	2,260,422,802	2,078,921,636
Gearing ratio	34.81%	43.92%

42. PLANT CAPACITY AND PRODUCTION

	Capacity		Total Production	
	2020 Rupees	2019 Rupees	2020 Rupees	2019 Rupees
Insulators - tons	5,000	5,000	4,198	4,556

- 42.1 Actual production has been decreased during the year due to utilization of resources on high value products that required more labour time and resources.

43. PROVIDENT FUND RELATED DISCLOSURES

The Company operated a recognized provident fund for all its permanent workers that was discontinued effective from March 06, 2018 pursuant to a rescheduling agreement between the Company and the Trustees of the fund as detailed in note 9.6.

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. 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.





44.	NUMBER OF EMPLOYEES	Note	2020 Rupees	2019 Rupees
	Number of employees as at June 30,		455	471
	Average number of employees during the year		463	479

45 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue on 13 August 2020 by the Board of Directors of the Company.

46 CORRESPONDING FIGURES

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

Nature	From	To	Amount Rupees
Entertainment expense	Miscellaneous (Note 30) (Selling and distribution expenses)	Entertainment (Note 30) (Selling and distribution expenses)	426,078


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER





PATTERN OF SHARE HOLDING

AS ON JUNE 30, 2020

No. of Shareholders	From	Shareholding To	Total Shares Held
129	1	100	3,142
272	101	500	65,818
63	501	1,000	51,357
108	1,001	5,000	254,313
26	5,001	10,000	210,795
10	10,001	15,000	126,280
3	15,001	20,000	56,084
4	20,001	25,000	82,022
4	25,001	30,000	111,250
2	30,001	35,000	61,315
1	35,001	40,000	40,000
3	40,001	45,000	121,956
1	45,001	50,000	49,681
1	65,001	70,000	69,019
1	70,001	75,000	71,500
1	80,001	85,000	80,691
1	95,001	100,000	100,000
1	120,001	125,000	125,000
2	125,001	130,000	251,811
1	130,001	135,000	132,582
2	135,001	140,000	279,400
1	160,001	165,000	161,208
1	170,001	175,000	174,000
1	175,001	180,000	177,125
1	210,001	215,000	214,500
1	225,001	230,000	228,052
1	245,001	250,000	246,312
1	255,001	260,000	259,500
1	275,001	280,000	276,902
1	290,001	295,000	291,777
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	845,001	850,000	850,000
1	1,095,001	1,100,000	1,100,000
1	1,160,001	1,165,000	1,164,915
1	1,175,001	1,180,000	1,179,001
1	1,195,001	1,200,000	1,200,000
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	1,845,001	1,850,000	1,850,000
1	2,010,001	2,015,000	2,010,575
1	2,100,001	2,105,000	2,102,920
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
669			35,000,000

2.3 Categories of Shareholders

	Shares Held	Percentage
2.3.1 Directors, Chief Executive Officer, and their spouse and minor children	14,158,588	40.4531%
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	5,536,285	15.8180%
2.3.3 NIT and ICP	1,057	0.0030%
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	924	0.0026%
2.3.5 Insurance Companies	12,550	0.0359%
2.3.6 Modarabas and Mutual Funds	0	0.0000%
2.3.7 Shareholders holding 10% or more	0	0.0000%
2.3.8 General Public		
a. Local	15,097,269	43.1351%
b. Foreign	3,065	0.0088%
2.3.9 Others (to be specified)		
1- Joint Stock Companies	118,821	0.3395%
2- Pension Funds	69,019	0.1972%
3- Others	2,422	0.0069%

PATTERN OF SHARE HOLDING

AS ON JUNE 30, 2020

CATEGORY OF SHAREHOLDER		HOLDING	% AGE
<u>DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN</u>			
1	MR. TARIQ REHMAN - (CDC)	132,582	0.3788
2	MR. SUHAIL MANNAN	2,102,920	6.0083
	MR. SUHAIL MANNAN (CDC)	80,691	0.2305
3	MR. JAVAID SHAFIQ SIDDIQI	291,777	0.8336
	MR. JAVAID SHAFIQ SIDDIQI (CDC)	2,109,524	6.0272
4	MR. PERVAIZ SHAFIQ SIDDIQI (CDC)	2,401,301	6.8609
5	MR. USMAN HAQ (CDC)	1,829,810	5.2280
6	MR SALEM REHMAN (CDC)	436,046	1.2458
	MR SALEM REHMAN (CDC)	763,954	2.1827
7	MR. AHSAN SUHAIL MANNAN	161,208	0.4606
	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	SYED MUHAMMAD MOHSIN	500	0.0014
11	MRS. AYESHA MUSSADAQUE HAMID	500	0.0014
12	MRS. SHAHIMA REHMAN W/O TARIQ REHMAN	290	0.0008
	MRS. SHAHIMA REHMAN W/O TARIQ REHMAN - (CDC)	399,378	1.1411
13	MRS. AMINA SUHAIL MANNAN W/O SUHAIL MANNAN - (CDC)	246,312	0.7037
14	MRS. NAILA SUHAIL MANNAN W/O SUHAIL MANNAN- (CDC)	228,052	0.6516
15	MRS. AMBREEN HAQ W/O USMAN HAQ (CDC)	1,164,915	3.3283
		<u>14,158,588</u>	<u>40.4531</u>
<u>ASSOCIATED COMPANIES:</u>			
1	ASSOCIATED ENGINEERS (PVT) LTD.	2,010,575	5.7445
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
		<u>5,536,285</u>	<u>15.8180</u>
<u>NIT & ICP:</u>			
1	IDBP (ICP UNIT)	1,057	0.0030
		<u>1,057</u>	<u>0.0030</u>
<u>FINANCIAL INSTITUTION:</u>			
1	PAKISTAN INDUSTRIAL CREDIT & INVESTMENT CORP. LTD.	500	0.0014
2	NATIONAL BANK OF PAKISTAN (CDC)	424	0.0012
		<u>924</u>	<u>0.0026</u>
<u>INSURANCE COMPANIES:</u>			
1	GULF INSURANCE COMPANY LIMITED	12,550	0.0359
		<u>12,550</u>	<u>0.0359</u>
<u>MODARABAS & MUTUAL FUNDS:</u>			
		<u>0</u>	<u>0.0000</u>
<u>PENSION FUNDS</u>			
1	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND (CDC)	69,019	0.1972
		<u>69,019</u>	<u>0.1972</u>





PATTERN OF SHARE HOLDING

AS ON JUNE 30, 2020

SR. #	NAME	HOLDING	% AGE
JOINT STOCK COMPANIES:			
1	MUNIR HOLDING (PVT) LTD.	2,300	0.0066
2	ASIAN SECURITIES LIMITED	49	0.0001
3	NAEEM'S SECURITIES (PVT) LTD.	1,310	0.0037
4	ALI USMAN STOCK BROKERAGE (PVT) LIMITED - (CDC)	150	0.0004
5	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)	71,500	0.2043
9	MSMANIAR FINANCIALS (PVT) LIMITED - (CDC)	400	0.0011
11	NH SECURITIES (PVT) LIMITED - (CDC)	1,000	0.0029
12	VENUS SECURITIES (PVT.) LIMITED (CDC)	40,000	0.1143
13	WASI SECURITIES (SMC-PVT) LIMITED - (CDC)	30	0.0001
		118,821	0.3395
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):		15,097,269	43.1351
SHARES HELD BY THE GENERAL PUBLIC (FOREIGN):		3,065	0.0088
		15,100,334	43.1438
TOTAL:		35,000,000	100.0000
SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL:			
NIL			
SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL:			
1	ICC (PVT) LIMITED (CDC)	2,943,411	8.4097
2	MR. JAVAID SHAFIQ SIDDIQI	2,401,301	6.8609
3	MR. PERVAIZ SHAFIQ SIDDIQI (CDC)	2,401,301	6.8609
4	MR. SUHAIL MANNAN	2,183,611	6.2389
5	ASSOCIATED ENGINEERS (PVT) LTD.	2,010,575	5.7445
6	MR. AHSAN SUHAIL MANNAN (CDC)	1,949,025	5.5686
7	MR. USMAN HAQ (CDC)	1,829,810	5.2280
8	MR. MUNAF IBRAHIM (CDC)	1,850,000	5.2857
		17,569,034	50.1972
All trades in the shares of the listed company, carries out by its Directors, CEO, CFO, Company Secretary and their spouses and minor children:			
1	MR. SUHAIL MANNAN	1,000	-
2	MR. AHSAN SUHAIL MANNAN	-	750
3	SYED MUHAMMAD MOHSIN	-	500
4	MRS. AYESHA MUSSADAQUE HAMID	-	500

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*Mobile apps are also available for download for android and ios devices



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
 of
 or failing him / her
 of

as my/our proxy to vote for me/us and my/our behalf at the 65th Annual General Meeting of the Company to be held at ICC House, 2-Chamba House, Golf Road, GOR-1, Lahore on 18th September 2020 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)

WITNESS 1:

Signature -----

Name -----

Address -----

CNIC #: -----

Passport #:-----

WITNESS 2:

Signature -----

Name -----

Address -----

CNIC #: -----

Passport #:-----

Note:

- Proxies, in order to be effective must be received by the Company EMCO Industries Limited at its Registered Head Office Address: 4th Floor, National Tower, 28-Egerton Road Lahore, not less than 48 (Forty Eight) hours before the meeting, duly completed in all respects.
- CDC shareholders and their Proxies are requested to attach an attested photocopy of their National Identity Card or Passport with the proxy form before submission to the Company.

www.emco.com.pk



EMCO INDUSTRIES LIMITED

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Email: info@emco.com.pk

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