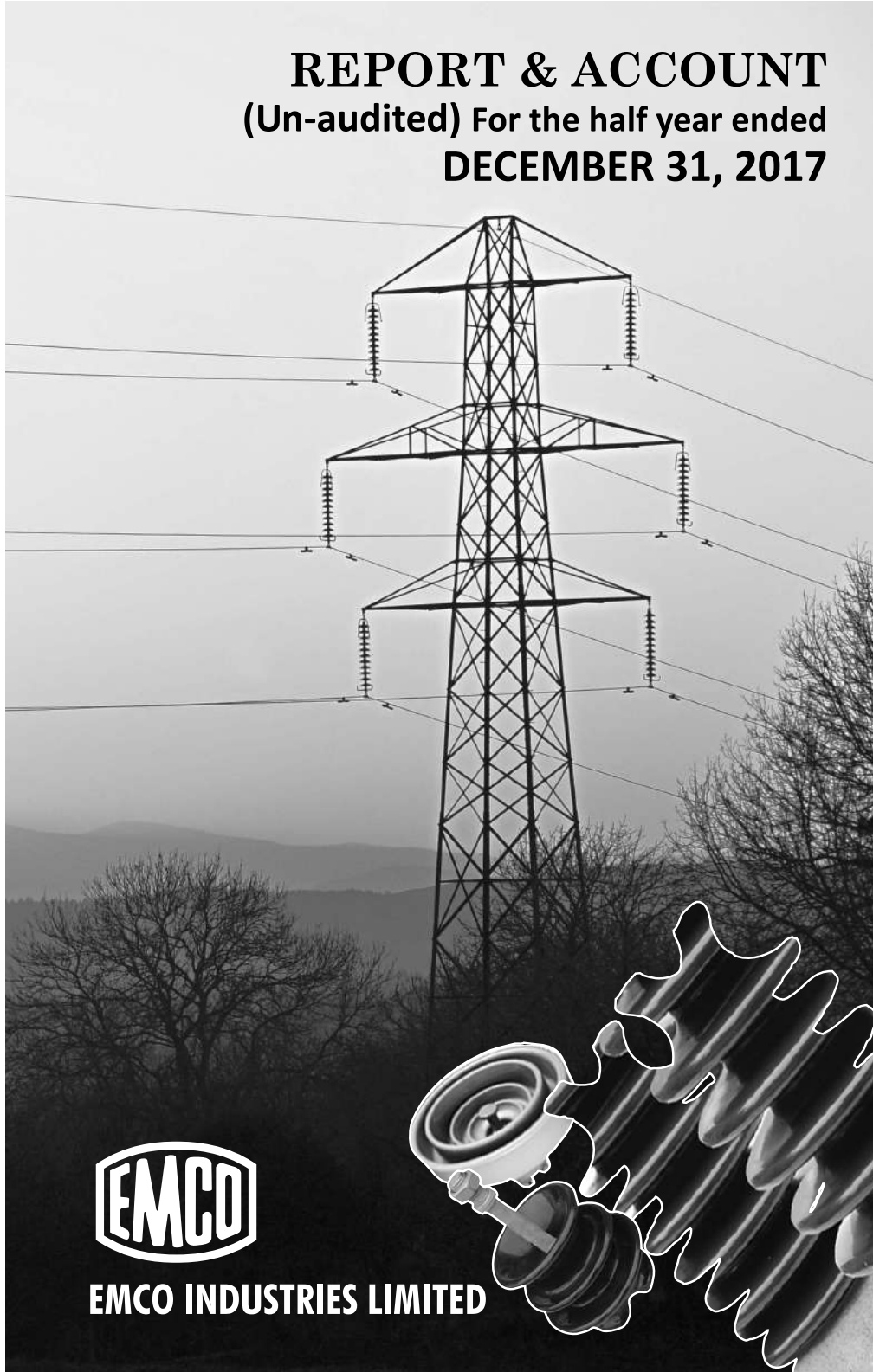


REPORT & ACCOUNT
(Un-audited) For the half year ended
DECEMBER 31, 2017



EMCO INDUSTRIES LIMITED

COMPANY INFORMATION

Board of Directors

Mr. Javaid Shafiq Siddiqi (Chairman)
Mr. Tariq Rehman (Chief Executive)
Mr. Suhail Mannan
Mr. Pervaiz Shafiq Siddiqi
Mr. Usman Haq
Mr. Salem Rehman
Mr. Ahsan Suhail Mannan
Mr. Awais Noorani
Ch. Imran Ali (Independent Director)

Chief Financial Officer

Mr. Riaz Ahmad

Company Secretary

Mr. Ahsan Suhail Mannan

Audit Committee

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

HR Committee

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

Auditors

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

Bankers

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

BUSINESS ITEMS

Porcelain Insulators

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

Switchgear

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

Chemical Porcelain

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

Special Porcelain

- High Alumina Porcelain
- Lining Special Refractories
& Grinding Media

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.



DIRECTORS' REVIEW

Dear Shareholders

On behalf of the Board of Directors, I present Un-audited condensed Interim financial information of your Company for the half year ended December 31, 2017

Sale for the period under review was driven entirely by the Insulator Division and recorded at Rs. 507.7 M (Rs. 482.1 M for December 2016). Your company has earned a gross profit of Rs. 79.2 M in this period (Rs.108.2 M for December 2016). Profit from operations for the period is Rs.33.8 M (Rs. 56.4 M for December 2016). These figures include booking full depreciation of Rs.17.3 M of the discontinued assets of Tile Division for the period under review.

There was some pressure on the gross profit in this period as your company invested a significant portion of proceeds towards type test certification from internationally accredited laboratories for both local and export markets. Aggressive export marketing campaigns were also initiated in this period. These steps have already started bearing fruit for the company to realize better export earnings.

The company has commenced sale proceedings of the Tile Division machinery and equipment and has finalized a buyer for the equipment. The finalized sale price is well above the original reserve price of the Tile Plant machinery approved in the AGM in September 2017. The final NÓC is awaited from one of the financial institutions, which is expected in the next few weeks.

Based on the finalized sale price of the tile plant machinery, and acting in prudence, the Company has taken an impairment on the tile plant machinery. Despite the net impairment of Rs. 24.2 M, your company has still realized a profit after tax of Rs. 22.2 M as compared to net profit after tax of Rs. 20.9 M in the same period last year.

Going forward, the company is actively working on shedding its non-productive assets to streamline its core Insulator Plant operations. The sale of unutilized land at the rear of the existing plant is being aggressively pursued and very attractive offers have been received. This sale will generate additional cash flow to be injected into operations for BMR, and will also be used to reduce debt burden of the company.

The orders in hand are very healthy and with the new transmission projects, new demand is being generated.

By the grace of Allah and continuous efforts of Management, Company results are showing growth. Operational profit from the Insulator plant is on an upward trajectory and will Insha-Allah continue to improve in the near future owing to an aggressive improvement in processes through better controls.

The key highlights of the six months under review are as under:

Insulator Plant Operation

Demand for the company's Insulators remained strong during the current period, which has resulted in a profit from operation of Rs.33.8 M in the period as compared to Rs. 56.4 M for the corresponding period last year.

The monthly production remained relatively stable against the corresponding period. However, sales for the period increased to Rs. 507.7 M from Rs.482.1 M.

Major investment in the energy infrastructure in Pakistan is generating significant demand for Insulators within the country. We foresee that with the current orders in hand and future demand the company will see a significant improvement in the results of the company in the near future.

The Auditors in their report have qualified conclusion on the receivables of the Tile Division. The Management would like to place on record that it is continuously striving to recover these receivables and will continue to make progress.

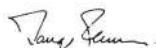
The Auditors in their report have also emphasized on the matters relating to the current liabilities exceeding its current assets. The Management would like to state that the company has shown continuous improvement in the profitability during the last two years, and in the current year. The current ratio for the period under review has improved to 0.99 from 0.82 in the corresponding period in December 2016.

Tile Plant Operation

As approved by the General Body, the Company had decided to dispose of the Tile Plant machinery and a part of unutilized land within the factory premises. These transactions will be executed over the next few weeks after receiving of the final NOC from one of our financial stakeholders. The process is well underway.

The Directors are thankful to our valued customers, dealers, financial institutions and other stakeholders for their continued trust. The hard work of all employees is recognized and appreciated.

On behalf of board



Tariq Rehman
Managing Director

February 28, 2018
Lahore



ڈائریکٹرز کا جائزہ

محترم حصص یافتگان:

میں بورڈ آف ڈائریکٹرز کی جانب سے آپ کی کمپنی کی غیر آڈٹ شدہ مالی معلومات برائے ششماہی 2017-12-31 ختمہ پیش کرتا ہوں۔

زیر جائزہ مدت میں آمدن مکمل طور پر انسولیڈرڈ ویزن سے حاصل کی گئی جو کہ مبلغ 507.7 ملین روپے ریکارڈ ہوئی جبکہ گزشتہ ششماہی میں مبلغ 482.1 ملین روپے تھی۔ آپ کی کمپنی نے مذکورہ عرصہ میں مبلغ 79.2 ملین روپے خام منافع کمایا ہے۔ جو کہ پچھلے سال کے اسی دورانیہ میں مبلغ 108.2 ملین روپے تھا۔ زیر جائزہ مدت میں آپریشنل منافع مبلغ 33.8 ملین روپے رہا جو کہ پچھلے سال اسی مدت میں مبلغ 56.4 ملین روپے تھا۔ اس زیر جائزہ مدت میں کمپنی نے مبلغ 17.3 ملین روپے ٹیکس کی ادائیگی کی اور اس کی اخراجات کی مدت میں بک کیے۔ اس خام منافع پر کچھ باؤڈنٹس کیونکہ کمپنی نے مقامی اور برآمد مارکیٹ کیلئے بین الاقوامی سطح پر منظور شدہ لیبارٹریوں سے ٹائپ ٹیسٹنگ سروسز کیلئے کے لیے آمدنی کا ایک بڑا حصہ خرچ کیا۔ اسی عرصہ میں جارحانہ برآمدی مارکیٹنگ شروع کی گئی۔ ان اقدامات نے پہلے سے ہی کمپنی کو بہتر برآمداتی کا نتیجہ دینا شروع کر دیا۔ آپ کی کمپنی نے ٹیکس پلانٹ کی مشینری اور آلات کی فروخت شروع کی ہے اور فروخت کی قیمت کے ساتھ سامان کے لیے خریدار کو تھمی شکل دی ہے۔ شیئر ہولڈرز نے ستمبر 2017ء میں اسے جی ایم (AGM) میں منظور دی اور ایک بینک کے علاوہ باقی تمام مالیاتی اداروں نے NOC دے دیے ہیں۔ اسی بینک کا NOC اگلے چند ہفتوں میں متوقع ہے۔

حتمی قیمت فروخت کو ذہن میں رکھتے ہوئے کمپنی نے اسی عرصہ میں ٹیکس پلانٹ کی مشینری پر انسٹیٹوٹ منٹ درج کی ہے۔ 24.2 ملین روپے کی انسٹیٹوٹ منٹ کے باوجود جو کمپنی نے پھر بھی خالص منافع بعد از ٹیکس مبلغ 22.2 ملین روپے کمایا جو کہ گزشتہ سال اسی مدت میں مبلغ 20.9 ملین روپے تھا۔ آنے والے وقت میں، کمپنی انسولیڈرڈ پلانٹ کے آپریشن کو بہتر بنانے کے لیے غیر پیداواری اثاثوں کو کم کرنے کے لیے فعال طور پر کام کر رہی ہے۔ موجودہ پلانٹ کے پیچھے غیر استعمال شدہ زمین کی فروخت کے لیے فعال طور پر کام ہو رہا ہے اور بہت پرکشش پیشکش موصول ہو رہی ہے۔ اس فروخت سے حاصل ہونے والی رقم BMR کے لیے اور کمپنی کے قرض کے پوچھ کو کم کرنے کے لیے استعمال کیا جائے گا۔ اس وقت کمپنی کے پاس کافی آرڈر ہیں اور نئے ٹرانسمیشن منصوبوں کیلئے نئی مانگ پیدا ہو رہی ہے۔ اللہ کے فضل اور انتظامیہ کی مسلسل کاوشوں کی بدولت کمپنی اچھے نتائج ظاہر کر رہی ہے۔ انسولیڈرڈ پلانٹ کا آپریشنل منافع بہتر ہو رہا ہے اور ان شاء اللہ جارحانہ اصلاحات اور بہتر کنٹرول کے ذریعے مزید بہتر ہوگا۔

گزشتہ 6 ماہ کی اہم ہتھکیاں مندرجہ ذیل ہیں:

انسولیڈرڈ پلانٹ آپریشن:

گزشتہ 6 ماہ کے دوران کمپنی کے انسولیڈرڈ کی طلب مضبوط رہی جس کی وجہ سے زیر جائزہ مدت میں پیداواری منافع مبلغ 33.8 ملین روپے رہا جو کہ گزشتہ برس اسی عرصہ میں مبلغ 56.4 ملین روپے تھا۔ اوسط ماہانہ پیداواری گزشتہ برس اسی عرصہ کے دوران مستحکم رہی۔ تاہم اس عرصہ کی سبیل مبلغ 507.7 ملین روپے رہی جو کہ گزشتہ برس اسی عرصہ میں مبلغ 482.1 ملین روپے تھی۔


پاکستان میں توانائی کے بنیادی ڈھانچے پر بڑے پیمانے پر سرمایہ کاری سے ملک کے اندر انسولیڈرڈ کی واضح طلب پیدا ہو رہی ہے۔ انتظامیہ مستقبل میں موجودہ آرڈر اور مستقبل کی طلب میں اہم اضافہ کی پیش بینی کرتی ہے اور اس سے مستقبل قریب میں کمپنی کے مالیاتی نتائج میں واضح برتری آنے کا امکان ہے۔ آڈیٹرز نے ٹیکس پلانٹ کی وصولیوں پر اپنی کوالیفیکیشنز کا جائزہ رپورٹ جاری کی ہے۔ مینجمنٹ اس چیز کو ریکارڈ پر رکھنا چاہتی ہے کہ وہ ان قابل وصول رقم کی وصولی کے لیے مسلسل کوشاں ہے اور اس سلسلے میں پیش رفت جاری رکھے گی۔

آڈیٹرز نے اپنی رپورٹ میں کمپنی کے موجودہ جاری اثاثوں سے زیادہ موجودہ جاری قرضوں میں فرق پر بھی زور دیا ہے۔ نتیجتاً اس بات کو واضح کرنا چاہتی ہے کہ کمپنی نے موجودہ سال اور گزشتہ دو برسوں میں منافع میں گاتار بہتری دکھائی ہے اس دورانیہ کی **current ratio** بہتر ہو کر **0.99** ٹائم ہو گئی ہے جو کہ پچھلے سال اسی دورانیہ میں **0.82** ٹائم تھی۔

ٹائل پلانٹ آپریشن:

جزل ہاڈی کی منظوری کے بعد کمپنی نے ٹائل پلانٹ کی مشینری اور فیکٹری احاطہ میں غیر استعمال شدہ زمین کا کچھ حصہ فروخت کرنے کا فیصلہ کیا تھا اور یہ فروخت اگلے چند ہفتوں میں تمام مالیاتی اداروں کی **NOC** آنے کے بعد ہو جائے گی۔ فروخت کا عمل ٹھیک چل رہا ہے۔ ڈائریکٹر اپنے معزز کسٹمرز/ڈیلرز/مالیاتی اداروں اور دیگر حصہ داروں کے گاتار اعتماد پر ان کے مشکور ہیں۔ انتظامیہ نے تمام ملازمین کی محنت کو تسلیم کیا اور تعریف کی ہے۔

بورڈ آف ڈائریکٹری کی جانب سے


طارق رحمان، چیف ایگزیکٹو

28-02-2018



AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of EMCO INDUSTRIES LIMITED ("the Company") as at December 31, 2017, the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity and the notes to the accounts for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

Trade debts include long outstanding receivables amounting to Rs. 88.734 million in respect of sale of tiles that have been provided to the extent of Rs.49.884 million. The management is confident about the recoverability of these receivables; however, through our review procedures, we were unable to ascertain the extent of their recoverability, the adequacy of relevant provisioning and any possible adjustments that may be required in the accompanying interim financial information for the six months period ended December 31, 2017.

Qualified Conclusion

Based on our review, except for the effects of matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six-month period ended December 31, 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to note 2.7 to the interim financial information which indicates that the current liabilities of the company have exceeded its current assets by Rs. 9,946,327 and the reserves of the company have been significantly depleted. Further, the company has shut down its tile manufacturing unit since January 2014. These factors, along with other matters as set forth in note 2.7, indicate the existence of a material uncertainty that may cause significant doubt about the company's ability to continue as going concern. Our report is not qualified in this matter.

Other matter

The condensed interim financial information for the six-month period ended December 31, 2016 were reviewed by another firm of Chartered Accountants who expressed a modified conclusion thereon vide their report dated February 28, 2017 and their report contained an emphasis of matter paragraph with regard to going concern assumption.

Lahore
Dated: February 28, 2018

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

CONDENSED INTERIM BALANCE SHEET

	Note	Un-audited December 31, 2017 Rupees	Audited June 30, 2017 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	4	1,419,708,074	1,468,332,961
Intangible assets		2,386,116	2,519,906
Long term loans		1,414,330	1,499,861
Long term deposits		271,163	271,163
		1,423,779,683	1,472,623,891
Current Assets			
Stores, spares and loose tools		110,571,902	110,990,667
Stock-in-trade		461,143,664	426,127,467
Trade debts		318,369,386	336,184,239
Advances, deposits, prepayments and other receivables		83,967,700	83,759,175
Income tax refundable from the Government		64,244,654	61,201,919
Cash and bank balances		5,710,067	2,559,086
		1,044,007,373	1,020,822,553
Total Assets		2,467,787,056	2,493,446,444

The annexed notes form an integral part of this condensed interim financial information (un-audited).

Lahore
February 28, 2018


(Tariq Rehman)
Chief Executive



AS AT DECEMBER 31, 2017

	Note	Un-audited December 31, 2017 Rupees	Audited June 30, 2017 Rupees
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital: 40,000,000 (June 30, 2017: 40,000,000) Ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up capital: 35,000,000 (June 30, 2017: 35,000,000) Ordinary shares of Rs. 10 each		350,000,000	350,000,000
Reserves		(361,345,577)	(393,616,820)
Sponsors' loan		115,708,828	115,708,828
		104,363,251	72,092,008
Surplus on Revaluation of Property, Plant & Equipment	5	900,804,538	920,533,260
Non Current Liabilities			
Long term financing	6	302,577,049	331,989,413
Diminishing musharika		3,218,861	-
Deferred liabilities		40,046,114	37,850,488
Deferred taxation		62,823,543	101,628,934
		408,665,567	471,468,835
Current Liabilities			
Trade and other payables		247,076,912	316,405,998
Accrued finance cost		137,700,502	132,358,712
Short term borrowings		578,219,342	492,719,846
Current portion of non-current liabilities		90,956,944	87,867,785
		1,053,953,700	1,029,352,341
Contingencies and Commitments	7	-	-
Total Equity and Liabilities		2,467,787,056	2,493,446,444

The annexed notes form an integral part of this condensed interim financial information (un-audited).


 (Ahsan Suhail Mannan)
 Director


 (Riaz Ahmad)
 Chief Financial Officer

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017
(UN-AUDITED)**

	Note	Un-audited Half Year Ended		Un-audited Quarter Ended	
		December 31, 2017 Rupees	December 31, 2016 Rupees	December 31, 2017 Rupees	December 31, 2016 Rupees
Sales - net		507,741,857	482,136,135	210,238,529	280,200,819
Cost of sales	8	(428,490,835)	(373,933,655)	(176,482,572)	(216,264,588)
Gross Profit		79,251,022	108,202,480	33,755,957	63,936,231
- Selling and distribution expenses		(15,918,755)	(26,078,122)	(8,541,982)	(18,182,598)
- Administrative expenses		(29,508,339)	(25,703,999)	(14,133,861)	(11,733,728)
		(45,427,094)	(51,782,121)	(22,675,843)	(29,916,326)
Operating Profit		33,823,928	56,420,359	11,080,114	34,019,905
Other operating expenses	9	(24,778,541)	(1,430,399)	(24,711,541)	(1,030,399)
Finance cost		(30,407,637)	(30,779,770)	(15,399,938)	(15,475,386)
Other income		1,285,309	2,967,386	775,537	2,847,084
Profit / (Loss) before Taxation		(20,076,941)	27,177,576	(28,255,828)	20,361,204
Taxation	10	42,284,912	(6,237,477)	46,003,703	(4,218,122)
Net Profit for the Period		22,207,971	20,940,099	17,747,875	16,143,082
Earnings per Share					
- Basic and Diluted (Rupees)		0.63	0.60	0.50	0.46

The annexed notes form an integral part of this condensed interim financial information (un-audited).

Lahore
February 28, 2018


(Tariq Rehman)
Chief Executive


(Ahsan Suhail Mannan)
Director


(Riaz Ahmad)
Chief Financial Officer



**CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME**
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017
(UN-AUDITED)


Note	Un-audited Half Year Ended		Un-audited Quarter Ended	
	December 31, 2017 Rupees	December 31, 2016 Rupees	December 31, 2017 Rupees	December 31, 2016 Rupees
Net Profit for the Period	22,207,971	20,940,099	17,747,875	16,143,082
Other comprehensive income				
Items that will not be re-classified subsequently to the profit or loss	-	-	-	-
Items that will be reclassified subsequently to the profit or loss	-	-	-	-
Total Comprehensive Profit for the Period	<u>22,207,971</u>	<u>20,940,099</u>	<u>17,747,875</u>	<u>16,143,082</u>

The annexed notes form an integral part of this condensed interim financial information (un-audited).

Lahore
February 28, 2018


(Tariq Rehman)
Chief Executive


(Ahsan Suhail Mannan)
Director


(Riaz Ahmad)
Chief Financial Officer

CONDENSED INTERIM FOR THE HALF YEAR ENDED

	Note	Un-audited half year ended December 31,	
		2017 Rupees	2016 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		(20,076,941)	27,177,576
- Depreciation on property, plant and equipment - owned		39,450,601	41,007,686
- Amortization of intangible assets		133,790	133,770
- Impairment Loss		24,176,419	-
- Provision for gratuity		3,558,156	1,479,204
- Bad debts		-	6,985,402
- Loss / Gain on disposal of property, plant and equipment		436,321	(183,970)
- Liabilities written back		(714,943)	(2,292,267)
- Amortization of deferred markup		304,091	-
- Finance cost		30,407,637	30,779,770
		97,752,072	77,909,595
Operating profit before working capital changes		77,675,131	105,087,171
(Increase) / decrease in current assets:			
- Stores, spares and loose tools		(14,586,534)	(8,762,143)
- Stock in trade		(35,016,197)	(4,785,304)
- Trade debts		(2,185,147)	(68,891,973)
- Advances, deposits, prepayments and other receivables		11,133,141	697,741
(Decrease) / increase in current liabilities:			
- Trade and other payables		(45,906,436)	6,508,458
		(86,561,173)	(75,233,221)
Cash (used in) / generated from operations		(8,886,042)	29,853,950
Finance cost paid		(25,065,847)	(16,385,110)
Payment to gratuity fund		(1,431,758)	(1,102,660)
Payments against discontinued provident fund		-	(134,945)
WPPF paid		(2,252,160)	-
Income tax (paid) / refunded - net		(6,992,788)	5,902,552
Net Cash (used in) / generated from Operating Activities		(44,628,595)	18,133,787



CASH FLOW STATEMENT

DECEMBER 31, 2017 (UN-AUDITED)


	Note	Un-audited half year ended December 31,	
		2017 Rupees	2016 Rupees
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(10,824,431)	(23,003,245)
Long term loans and other receivables		85,531	192,003
Proceeds from disposal of property, plant and equipment		412,820	260,000
Net Cash used in Investing Activities		(10,326,080)	(22,551,242)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing from related parties acquired / (repaid) - net		(7,467,428)	1,400,000
Long term financing from banking companies repaid - net		(19,744,483)	(25,020,215)
Diminishing Musharka repaid		(181,929)	-
Short term borrowing from related parties acquired - net		85,499,496	65,305,795
Short term borrowing from banking companies repaid - net		-	(43,935,915)
Net cash generated from / (used in) financing activities		58,105,656	(2,250,335)
Net increase / (decrease) in cash and cash equivalents		3,150,981	(6,667,790)
Cash and cash equivalents at the beginning of the period		2,559,086	8,856,068
Cash and cash equivalents at the end of the period		5,710,067	2,188,278

The annexed notes form an integral part of this condensed interim financial information (un-audited).

Lahore
February 28, 2018


(Tariq Rehman)
Chief Executive


(Ahsan Suhail Mannan)
Director


(Riaz Ahmad)
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF
CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)**


	Share Capital Rupees	Reserves		Sponsors' Loan Rupees	Accumulated Loss Rupees	Total Rupees
		Share Premium Rupees	General Reserve Rupees			
Balance as at June 30, 2016	350,000,000	39,898,526	90,000,000	115,708,828	(574,299,548)	21,307,806
Total comprehensive profit for six months period ended December 31, 2016	-	-	-	-	20,940,099	20,940,099
Incremental depreciation for the period on surplus on revaluation of property, plant and equipment net of deferred tax	-	-	-	-	9,386,159	9,386,159
Balance as at December 31, 2016	350,000,000	39,898,526	90,000,000	115,708,828	(543,973,290)	51,634,064
Balance as at June 30, 2017	350,000,000	39,898,526	90,000,000	115,708,828	(523,515,346)	72,092,008
Total comprehensive profit or six months period ended December 31, 2017	-	-	-	-	22,207,971	22,207,971
Incremental depreciation for the period on surplus on revaluation of property, plant and equipment net of deferred tax	-	-	-	-	10,063,272	10,063,272
Balance as at December 31, 2017	350,000,000	39,898,526	90,000,000	115,708,828	(491,244,103)	104,363,251

The annexed notes form an integral part of this condensed interim financial information (un-audited).

Lahore
February 28, 2018


(Tariq Rehman)
Chief Executive


(Ahsan Suhail Mannan)
Director


(Riaz Ahmad)
Chief Financial Officer



SELECTED NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2017
(UN-AUDITED)

1. The Company and its operations
 - 1.1 EMCO Industries Limited ("the Company") is incorporated in Pakistan and is listed on Pakistan Stock Exchange Limited. The Company was incorporated as a Joint Stock Company in Pakistan under the Companies Act, 1913, (now the Companies Ordinance, 1984) as a private limited company on August 17, 1954 by the name of Electric Equipment Manufacturing Company (Private) Limited. Later, it was converted into a public company on August 20, 1983 and its name was changed to EMCO Industries Limited on September 12, 1983. The Company was listed on stock exchanges on December 29, 1983. Its registered office is situated at 4th Floor, National Tower, 28 Egerton Road, Lahore.
 - 1.2 The Company is principally engaged in the manufacture and sale of high / low tension electrical porcelain insulators and switchgears.
2. Basis of Preparation
 - 2.1 This condensed interim financial information has been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan (SECP) and is in compliance with the International Accounting Standard - 34 (Interim Financial Reporting).
 - 2.2 The SECP vide its Circular No.23 dated 04 October 2017, has directed the companies whose financial year closes on or before December 31, 2017 to prepare the financial statements under the provisions of the repealed Companies Ordinance 1984, that has been replaced through the enactment of the Companies Act, 2017. As per Circular No. 17 of the Institute of Chartered Accountants of Pakistan issued on October 06, 2017, the Commission has included the preparation of interim financial information for the period ended December 31, 2017 within the scope of said SECP's circular. Thus, this condensed financial information has been prepared under the repealed Companies Ordinance, 1984.
 - 2.3 This condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2017. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2017 whereas comparative profit and loss account, comparative statement of comprehensive income, comparative cash flows statement and comparative statement of changes in equity are extracted from unaudited interim financial information for the half year ended December 31, 2016.
 - 2.4 This condensed interim financial information is unaudited; however, a limited scope review has been performed by the external auditors as required by the Code of Corporate Governance.
 - 2.5 The preparation of these condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements for the year ended June 30, 2017.
 - 2.6 This condensed interim financial information is presented in Pak Rupees, which is the Company's functional and presentational currency. All the figures have been rounded off to the nearest rupees, unless otherwise stated.

2.7 Going concern assumption

The Company has reported net profit of Rs. 22,207,971 during the six months period ended December 31, 2017 while its accumulated loss stands at Rs. 491,244,103 and its current liabilities exceed its current assets by Rs. 9,946,327 as at December 31, 2017. The Company, in order to carry on its business and to meet its current obligations requires improvement in operating margins and increase in sales volume through increased production quantities. The management is confident that the disposal of the tile division assets, surplus land and projected profits in the current year will improve the overall net liability position of the Company. Keeping in view the continuous support from directors and favorable negotiations with lenders, the going concern assumption is considered appropriate and, therefore, these condensed interim financial statements have been prepared on going concern basis.

The management of the Company is confident that it will be able to meet its obligations and carry on the business based on the grounds that it will be able to achieve satisfactory level of profitability in future based on the plans drawn up by the management for this purpose, which include restructuring of the currently overdue borrowing facilities, continued support from sponsors and increased profitability through higher sales volumes and improved operating margins.

This condensed interim financial information, consequently, does not include any adjustments relating to the realization of its assets and liquidation of any liabilities that might be necessary should the Company be unable to continue as a going concern.

3. Significant Accounting Policies

The Company's accounting and financial risk management policies and methods of computation of this condensed interim financial information are the same as those followed in the preparation of annual financial statements for the preceding financial year ended June 30, 2017.

	Note	Un-audited December 31, 2017 Rupees	Audited June 30, 2017 Rupees
4. Property, Plant and Equipment			
Operating fixed assets	4.1	1,402,964,977	1,437,943,775
Capital work in progress - civil works		11,673,192	30,389,186
Leased asset		5,069,905	-
		<u>1,419,708,074</u>	<u>1,468,332,961</u>
4.1 Operating fixed assets			
Opening written down value		1,437,943,775	1,315,164,858
Additions during the period / year		42,876,609	25,367,080
Revaluation surplus arised during the period / year		-	180,866,462
Disposals during the period / year		(849,141)	(1,081,121)
Impairment Loss		(37,555,665)	-
		<u>1,442,415,578</u>	<u>1,520,317,279</u>
Depreciation charge for the period / year		(39,450,601)	(82,373,504)
		<u>1,402,964,977</u>	<u>1,437,943,775</u>



	Un-audited December 31, 2017 Rupees	Audited June 30, 2017 Rupees
5. Surplus on Revaluation of Property, Plant and Equipment		
-Land - Freehold	479,521,964	237,839,464
Buildings on freehold land	252,550,999	192,718,295
Plant and machinery	193,034,313	315,845,138
	925,107,276	746,402,897
Revaluation surplus arisen during the period / year	-	180,866,462
	925,107,276	927,269,359
Less: Deferred tax impact related to surplus arisen during the period / year	-	17,691,385
Less: Reversal of revaluation surplus due to impairment of plant and equipment	(13,379,246)	-
Add: Related tax impact	3,912,092	-
Effect of change in effective tax rates	(860,220)	(2,256,579)
Incremental depreciation charged on revalued property, plant and equipment in current year net of deferred tax transferred to retained earnings	(10,063,272)	(22,170,905)
	<u>900,804,538</u>	<u>920,533,260</u>
6. Long Term Financing		
Banking companies - secured		
NIB Bank Limited	-	3,917,401
National Bank of Pakistan	123,174,935	130,646,761
Adjustment due to impact of IAS 39	(3,740,335)	(4,537,590)
	119,434,600	126,109,171
Standard Chartered Bank (Pakistan) Limited	112,010,140	120,669,487
Adjustment due to impact of IAS 39	(15,727,259)	(15,234,095)
	96,282,881	105,435,392
	215,717,481	235,461,964
Associated companies / related parties - unsecured		
Associated Engineers (Private) Limited	19,998,859	19,698,859
EMCO Industries Limited Provident Fund	132,478,368	132,954,131
ICC (Private) Limited	21,875,003	29,166,668
Imperial Electric Company (Private) Limited	2,575,576	2,575,576
	176,927,806	184,395,234
	392,645,287	419,857,198
Less: current portion:		
- Banking companies	(41,879,418)	(45,340,654)
- Associated companies / related parties	(48,188,820)	(42,527,131)
	(90,068,238)	(87,867,785)
	<u>302,577,049</u>	<u>331,989,413</u>

7. Contingencies and Commitments

- 7.1 The Collector of Sales Tax raised demands in previous years of Rs 0.11 million being sales tax and penalties under section 47 of the Sales Tax Act, 1990 on sale of fixed asset and vehicles. The demand was set aside by the Appellate Tribunal. The department had filed an appeal before the Lahore High Court which is pending hearing. No provision has been made in these condensed interim financial information as the management is confident that the case will be decided in its favour.
- 7.2 The Company has indemnified the Trustees of EMCO Industries Limited Provident Fund and the beneficiaries thereof, from any and all events wherein they or anyone suffers any loss and / or damage for allowing the Company rescheduled time frame to repatriate the borrowed sum amounting to Rs. 132.478 million (June 30, 2017: Rs. 132.954 million) into the fund.
- 7.3 The Collector of Customs has raised a demand of Rs. 8.978 million alongwith applicable penalty against liabilities of company, which has been challenged by company in Lahore High Court. The Honourable Court has granted interim injunction against recovery of dues and the matter is in initial proceedings. The management is confident about the favourable outcome of this litigation and therefore has not incorporated any provision in these condensed interim financial information.

	Un-audited December 31, 2017 Rs. in millions	Audited June 30, 2017 Rs. in millions
Commitments		
Letters of credit other than for capital expenditure	46.553	60.771
Guarantees		
WAPDA	116.608	101.787
Sui Northern Gas Pipelines Limited	20.956	22.406
Collectorate of Customs	8.978	8.978
	146.542	133.171

	Un-audited Half Year Ended		Un-audited Quarter Ended	
	December 31, 2017 Rupees	December 31, 2016 Rupees	December 31, 2017 Rupees	December 31, 2016 Rupees

8. Cost of Sales				
Raw and packing material consumed	171,359,817	165,840,096	79,103,142	83,684,705
Stores and spares consumed	19,694,796	15,004,931	9,693,999	6,513,121
Salaries, wages and benefits	118,689,388	113,025,631	59,123,597	56,709,237
Power and gas	58,883,780	54,256,240	30,372,564	27,543,802
Vehicle maintenance	312,940	323,619	184,813	171,700
Repairs and maintenance	1,261,555	2,367,372	737,570	1,144,106
Insurance	2,068,672	1,671,536	1,169,120	768,220
Communication and stationery	461,115	529,369	233,354	242,467
Rent, rates and taxes	543,833	869,566	304,282	385,783
Travelling and conveyance	10,024,648	2,524,521	3,579,664	1,047,408
Testing and experiment charges	9,066,416	7,721,288	2,578,150	1,824,247
Miscellaneous	1,170,719	773,555	1,170,719	300,408
Depreciation on property, plant and equipment	39,256,075	40,626,217	19,838,744	20,996,625
	432,793,754	405,533,941	208,089,718	201,331,829



	Half Year Ended		Quarter Ended	
	December 31, 2017 Rupees	December 31, 2016 Rupees	December 31, 2017 Rupees	December 31, 2016 Rupees
Work in process:				
- Opening work in process	29,735,130	21,295,773	35,077,870	19,214,396
- Closing work in process	(36,708,846)	(25,685,997)	(36,708,846)	(25,685,997)
	(6,973,716)	(4,390,224)	(1,630,976)	(6,471,601)
Cost of goods manufactured	425,820,038	401,143,717	206,458,742	194,860,228
Finished goods:				
- Opening finished goods	258,274,157	186,953,949	225,627,190	235,568,371
- Closing finished goods	(255,603,360)	(214,164,011)	(255,603,360)	(214,164,011)
	2,670,797	(27,210,062)	(29,976,170)	21,404,360
	428,490,835	373,933,655	176,482,572	216,264,588

9. Other operating expenses

Other operating expenses include the related impact amounting to Rs. 24,176,419 on account of impairment loss of plant and machinery of the tiles division (December 31, 2016: Nil).

	Half Year Ended Decemembr 31,	
	2017 Un-audited Rupees	2016 Audited Rupees
10. Taxation		
Current	6,191,111	6,237,477
Prior year adjustment:		
- Current tax	13,587,331	-
- Tax credits	(26,971,759)	-
Deferred	7,193,317 (35,091,595)	6,237,477
	(42,284,912)	6,237,477

11. Transactions with Related Parties

Related parties and associated companies comprise related group companies, associated companies, staff retirement funds, directors and key management personnel. Transactions along with balances with related parties and associated companies, other than remuneration and benefits to key management personnel under the terms of their employment, are as follows:

	Half Year Ended Decemembr 31,	
	2017 Un-audited Rupees	2016 Audited Rupees
Associates and related parties		
Mark-up on long term financing	1,550,070	357,077
Mark-up on short term borrowing	7,150,771	5,707,135
Long term financing obtained	-	1,400,000
Long term financing repaid	7,291,665	-
Short term borrowing obtained	213,149,895	330,262,724
Short term borrowing repaid	142,467,322	264,944,133
Conversion of interest free loan to interest bearing	-	23,948,000
Conversion of interest bearing loan to interest free	23,948,000	-
Mark-up on short term borrowing paid	6,826,579	5,086,422
Rent paid	1,351,930	660,000
Managerial services and expenses charged - net	11,968,380	7,761,610
Staff retirement fund		
Markup on loan from Employees' Provident Fund Trust	5,431,389	4,985,419
Principal repaid	475,763	2,466,262
Mark-up paid	25,000	250,000
Expense charged to Gratuity Fund	2,126,398	1,479,204
	Un-audited December 31, 2017 Rupees	Audited June 30, 2017 Rupees
Accrued mark-up on long term financing	125,131,348	119,367,887
Accrued mark-up on short term borrowing	8,969,721	16,253,347
Long term financing	292,636,634	300,103,721
Short term borrowings	353,532,652	283,150,079
Payable for expenses	6,878,789	5,237,418
Receivable against sales	368,925	368,925

12. Segment Reporting

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

Types of segments	Nature of business
- Insulator	Manufacture and sale of high/low tension electrical porcelain insulators and switchgear
- Tile	Manufacture and sale of ceramic tiles and the segment is subject to disposal decision by the management



The management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is generally evaluated based on certain key performance indicators including business volume, gross profit, profit from operations, reduction in operating cost and free cash flows.

The Company has closed down the production facility of tile segment, therefore, segment results for the period only include insulator segment and the segment is subject to disposal decision by the management.

Segment assets include all operating assets used by a segment and consist principally of receivables, inventories and property, plant and equipment, net of impairment and provisions but do not include deferred taxes. Segment liabilities include all operating liabilities and consist principally of trade payable, bills payable and short term borrowing.

12.2 Segment analysis

The segment information for the reportable segments for the half year ended December 31, 2017 is as follows:

	Insulator Rupees	Tiles Rupees	Total Rupees
Segment Results for the half year ended December 31, 2017			
Revenue	507,741,857	-	507,741,857
Segment result from operations	75,264,219	(41,440,291)	33,823,928
Other operating expenses			(24,778,541)
Finance costs			(30,407,637)
Other income			1,285,309
Profit before taxation			(20,076,941)
Segment Results for the half year ended December 31, 2016			
Revenue	482,136,135	-	482,136,135
Segment result from operations	77,992,583	(21,572,224)	56,420,359
Other operating expenses			(1,430,399)
Finance costs			(30,779,770)
Other income			2,967,386
Profit before taxation			27,177,576
Segment asset as at December 31, 2017			
Segment assets	1,781,427,024	523,515,114	2,304,942,138
Segment asset as at June 30, 2017			
Segment assets	1,771,017,355	618,114,603	2,389,131,958

	Un-audited December 31, 2017 Rupees	Audited June 30, 2017 Rupees
Segment assets for reportable segments	2,304,942,138	2,389,131,958
Corporate assets unallocated	157,134,851	101,755,400
Cash and bank balances	5,710,067	2,559,086
Total assets as per the balance sheet	2,467,787,056	2,493,446,444
Reportable segments' liabilities are reconciled to total liabilities as follows:		
Corporate liabilities unallocated	1,462,619,267	1,500,821,176

13. Date of Authorization for Issue

This condensed interim financial information (un-audited) is authorized for issuance on February 28, 2018 by the Board of Directors of the Company.

14. General

Corresponding figures are re-arranged / reclassified, wherever necessary, to facilitate comparison.

Lahore
February 28, 2018


(Tariq Rehman)
Chief Executive


(Ahsan Suhail Mannan)
Director


(Riaz Ahmad)
Chief Financial Officer

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UNDER POSTAL CERTIFICATE



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