

DIRECTORS' REPORT

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present Un-audited financial statement of the Company for the third quarter ended March 31, 2010.

Sales for the period under review is 1,269 million as compared to Rs. 1,029 million resulting an increase of 23%. Despite of increase in sales and revenue your company has suffered post tax loss of Rs. 111.658 million as compared to net loss after tax of Rs. 69.598 million in the same period last year. This loss is mainly attributed to poor economic condition prevailing in the country coupled with huge energy shortage. We had to shut down our tile plant and had to operate insulator plant on reduced capacity for January and February due to non availability of natural gas. We would like to place it on record that our optimism for subsequent quarter is based on the improvement of current energy crisis.

The key highlights of the nine months under review and plant wise performance are as under:

Insulator Plant

The loss from operation is Rs. 45.158 million in this period as compared to operating loss of Rs. 2.461 million for the same period last year. Average monthly production has decreased from 432 tons to 289 tons against the corresponding period. Keeping in view the orders in hand, we expect improvement in results in subsequent quarter.

Wall Tile


The operating profit is Rs. 66.597 million as compared to operating profit of Rs. 75.436 million over the same period last year. The net sales have increased from Rs. 461.370 million to Rs. 642.257 million over the same period last year. The average monthly production of wall tile plant has increased from 171,277 M² to 227,992 M². We are expecting considerable improvement in the operating results of this division in the coming quarter.

Floor Tile

The operating profit of this plant is Rs. 6.916 million as compared to operating loss of Rs. 25.600 million from the correspondence period. The average monthly production of this plant has increased from 48,940 M² to 62,890 M². We are expecting further improvement in the operating results of this division in coming quarter.

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

On behalf of Board



Tariq Rehman
Managing Director

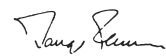
April 29, 2010
Lahore

CONDENSED INTERIM BALANCE SHEET

	Note	March 31, 2010 Rupees	June 30, 2009 Rupees
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized capital 40,000,000 (June 2009: 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 2009: 35,000,000) ordinary shares of Rs 10 each		350,000,000	350,000,000
Reserves		129,898,526	129,898,526
Accumulated loss		(466,986,090)	(361,357,337)
		12,912,436	118,541,189
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		405,416,449	411,445,884
NON-CURRENT LIABILITIES			
Long term loans from directors - unsecured		74,070,569	74,570,569
Long term loans and liabilities	4	336,593,140	399,412,997
Long term morabaha		22,222,224	28,888,890
Liabilities against assets subject to finance lease		14,912,864	16,315,641
Deferred liabilities		26,716,270	23,986,703
Deferred Tax		27,631,189	27,631,143
		502,146,256	570,805,943
CURRENT LIABILITIES			
Current portion of			
- Long term loans and liabilities	4	104,322,245	60,025,059
- Long term morabaha		24,111,110	11,111,110
- Liabilities against assets subject to finance lease		7,739,118	11,995,263
Short term loans from directors - unsecured		62,428,834	17,324,801
Finances under mark up arrangements - secured		517,659,536	558,086,289
Trade and other payables		308,011,123	317,183,765
Accrued mark-up on loans and other payables		74,178,766	65,296,268
		1,098,450,732	1,041,022,555
CONTINGENCIES AND COMMITMENTS	6		
		2,018,925,873	2,141,815,571

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.

Lahore
April 29, 2010


(Tariq Rehman)
Chief Executive

(UN-AUDITED) AS AT MARCH 31, 2010

	Note	March 31, 2010 Rupees	June 30, 2009 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,097,578,861	1,160,830,877
Assets subject to finance lease		42,430,582	39,869,002
Intangible Assets		3,094,402	3,345,300
Capital work in progress		4,163,250	7,265,466
Long term deposits		6,318,455	7,218,688
Long term loans		2,647,120	2,275,750
		<u>1,156,232,670</u>	<u>1,220,805,083</u>
CURRENT ASSETS			
Stores, spares and loose tools		108,081,907	96,558,665
Stock-in-trade		369,988,398	437,345,036
Trade debts		307,161,273	278,969,594
Loans, advances, deposits, prepayments and other receivables		35,401,223	26,731,265
Taxation - net		31,194,210	22,788,567
Cash and bank balances		10,866,192	58,617,361
		<u>862,693,203</u>	<u>921,010,488</u>
		<u>2,018,925,873</u>	<u>2,141,815,571</u>


(Haris Noorani)
Director


CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
(UN-AUDITED)

FOR THE THIRD QUARTER ENDED MARCH 31, 2010

	Notes	January to March		July to March	
		2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees
Sales		347,078,101	385,836,365	1,269,220,523	1,029,341,068
Cost of goods sold	7	(359,180,452)	(306,312,721)	(1,097,372,335)	(859,197,009)
Gross profit		(12,102,351)	79,523,644	171,848,188	170,144,059
Administration expenses		(11,010,862)	(13,432,641)	(48,351,347)	(44,252,216)
Distribution and selling costs		(30,203,221)	(28,527,069)	(95,141,961)	(78,516,318)
Other operating expenses		(1,997)	(4,615,483)	(3,004,817)	(10,927,766)
		(41,216,080)	(46,575,193)	(146,498,125)	(133,696,300)
		(53,318,431)	32,948,451	25,350,063	36,447,759
Other operating income		1,378,101	674,008	3,031,022	6,645,897
Profit from operations		(51,940,330)	33,622,459	28,381,085	43,093,656
Finance cost		(41,051,233)	(43,405,924)	(132,770,779)	(138,234,286)
(Loss) / Profit before taxation		(92,991,563)	(9,783,465)	(104,389,694)	(95,140,630)
Taxation		(1,542,646)	-	(7,268,492)	25,543,097
(Loss) / Profit after taxation		(94,534,209)	(9,783,465)	(111,658,186)	(69,597,533)
(Loss) / Earnings per share					
- Basic and diluted		(2.70)	(0.28)	(3.19)	(1.99)

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.

Lahore
April 29, 2010


(Tariq Rehman)
Chief Executive



(Haris Noorani)
Director

***CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME(UN-AUDITED)***
FOR THE THIRD QUARTER ENDED MARCH 31, 2010

	January to March		July to March	
	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees
Loss after taxation	(94,534,209)	(9,783,465)	(111,658,186)	(69,597,533)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	(94,534,209)	(9,783,465)	(111,658,186)	(69,597,533)

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.

Lahore
April 29, 2010


(Tariq Rehman)
Chief Executive


(Haris Noorani)
Director

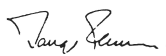
**CONDENSED INTERIM STATEMENT OF
CHANGES IN EQUITY (UN-AUDITED)**

FOR THE THIRD QUARTER ENDED MARCH 31, 2010

	Share Capital Rupees	Share Premium Rupees	General Reserve Rupees	Accumulated Loss Rupees	Total Rupees
Balance as on June 30, 2008	153,333,330	39,898,526	90,000,000	(299,089,835)	(15,857,979)
Right issue @ 1.28 shares for each share held	196,666,670	-	-	-	196,666,670
(Loss) for the period	-	-	-	(59,814,068)	(59,814,068)
Transfer from surplus on revaluation of property, plant and equipment net of deferred taxation: - Incremental depreciation for the period	-	-	-	14,338,542	14,338,542
Balance as on December 31, 2008	350,000,000	39,898,526	90,000,000	(344,565,361)	135,333,165
(Loss) for the period	-	-	-	(21,404,601)	(21,404,601)
Transfer from surplus on revaluation of property, plant and equipment net of deferred taxation: - Incremental depreciation for the period	-	-	-	3,632,376	3,632,376
- Disposal of revalued assets	-	-	-	980,249	980,249
Balance as on June 30, 2009	350,000,000	39,898,526	90,000,000	(361,357,337)	118,541,189
Profit for the period	-	-	-	(111,658,186)	(111,658,186)
Transfer from surplus on revaluation of property, plant and equipment net of deferred taxation: - Incremental depreciation for the period	-	-	-	6,029,433	6,029,433
Balance as on March 31, 2010	350,000,000	39,898,526	90,000,000	(466,986,090)	12,912,436

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.

Lahore
April 29, 2010


(Tariq Rehman)
Chief Executive


(Haris Noorani)
Director


CONDENSED INTERIM CASH FLOW STATEMENT
(UN-AUDITED)

FOR THE THIRD QUARTER ENDED MARCH 31, 2010

	Notes	March 31, 2010 Rupees	March 31, 2009 Rupees
Cash flow from operating activities			
Cash generated from operations	9	110,857,144	54,379,657
Financial cost paid		(123,888,281)	(116,551,998)
Taxes paid		(17,602,380)	(13,472,926)
Gratuity paid		(1,119,562)	(1,010,662)
Net cash (used in)/from operating activities		(31,753,079)	(76,655,929)
Cash flow from investing activities			
Fixed capital expenditure		(2,855,974)	(148,180,962)
Net (increase)/decrease in long-term loans and other receivables		(371,370)	(317,590)
Net (increase)/decrease in long-term deposits and prepayments		900,233	(4,026,473)
Proceeds from disposal of property, plant and equipment		-	2,610,195
Net cash used in investing activities		(2,327,111)	(149,914,830)
Cash flow from financing activities			
Proceeds from right issue		-	196,666,670
Net (decrease)/increase in long term loans from directors		(500,000)	(96,295,400)
Net increase/(decrease) in long term loans and liabilities		(12,189,337)	84,235,701
Net (decrease)/increase in short term loans from directors		45,104,033	(33,671,848)
Repayment of finance lease liabilities		(5,658,922)	9,932,794
Net cash from financing activities		26,755,774	160,867,917
Net (decrease)/increase in cash and cash equivalents		(7,324,416)	(65,702,842)
Cash and cash equivalents at the beginning of the year		(499,468,928)	(506,228,511)
Cash and cash equivalents at the end of the period		(506,793,344)	(571,931,353)

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.

Lahore
April 29, 2010


(Tariq Rehman)
Chief Executive


(Haris Noorani)
Director

***SELECTED NOTES TO CONDENSED INTERIM
FINANCIAL INFORMATION (UN-AUDITED)***

FOR THE THIRD QUARTER ENDED MARCH 31, 2010

1. These financial statements are being submitted to the shareholders in accordance with the requirements of the Companies Ordinance, 1984.
2. The accounting policies adopted for the preparation of these nine months financial statements are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended June 30, 2009.
3. These accounts have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting".

	March 31, 2010 Rupees	June 30, 2009 Rupees
4. Long term loans and liabilities		
Secured loans		
- Local currency loans	281,363,453	299,886,124
Unsecured loans from		
- Associated companies	15,951,139	15,951,139
Other payables		
- Payable to provident fund	143,600,793	143,600,793
	440,915,385	459,438,056
Less: Current portion shown under current liabilities		
- Secured loans	91,691,721	49,857,701
- Payable to provident fund	12,630,524	10,167,358
	104,322,245	60,025,059
	336,593,140	399,412,997
5. Property, plant and equipment		
Opening book value	1,160,830,877	905,453,375
Add: Additions during the period	2,665,333	342,385,426
Transfers in during the period	-	5,191,127
	1,163,496,210	1,253,029,928
Less: Disposals during the period (at book value)	-	6,022,364
Depreciation charged during the period	65,694,329	86,176,687
	65,694,329	92,199,051
	1,097,801,881	1,160,830,877
5.1 Additions during the period		
Building on freehold land	1,132,794	71,193,453
Plant and machinery	1,427,440	268,745,910
Office equipment	23,644	2,135,468
Furniture and fixtures	21,800	266,035
Vehicles	59,655	44,560
	2,665,333	342,385,426

6 Contingencies and commitments

6.1 Contingencies

There has been no material change in contingencies since last audited annual financial statements.

6.2 Commitments in respect of

(i) Letters of credit other than capital expenditure Rs. 82.126 million (June 2009: Rs. 52.380 million).

(ii) Bank guarantees amounting to Rs. 181.939 million (June 2009: Rs. 141.018 million).

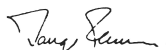
7. Cost of goods sold

	January to March		July to March	
	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees
Raw and packing materials consumed	131,817,698	165,230,797	472,552,473	413,019,677
Stores and spares consumed	21,378,321	42,054,007	75,288,721	107,676,863
Salaries, wages and benefits	55,252,605	60,496,921	175,546,885	179,931,983
Power	20,870,096	21,967,387	68,313,046	54,766,928
Gas	47,451,129	38,392,924	155,073,170	101,740,729
Depreciation	20,497,220	18,083,996	64,140,511	44,827,733
Depreciation of leased assets	575,925	571,008	1,960,038	1,713,024
Insurance	809,386	623,218	2,061,456	1,851,705
Communication and stationery	469,521	536,879	1,417,207	1,448,767
Rent, rates and taxes	3,242,125	3,458,315	10,700,927	8,138,774
Travelling and conveyance	989,245	1,591,674	3,161,939	4,472,910
Others	2,726,563	3,336,964	10,190,836	12,043,369
	306,079,834	356,344,090	1,040,407,209	931,632,462
Opening work in process	39,861,431	33,726,962	26,962,783	33,596,152
Less: Closing work in process	(38,233,594)	(33,379,091)	(38,233,594)	(33,379,091)
	1,627,837	347,871	(11,270,811)	217,061
Cost of goods produced	307,707,671	356,691,961	1,029,136,398	931,849,523
Opening stock of finished goods	235,010,601	171,417,709	251,908,976	140,983,138
	542,718,272	528,109,670	1,281,045,374	1,072,832,661
Less: Closing stock of finished goods	(183,744,740)	(229,992,178)	(183,744,740)	(229,992,178)
	358,973,532	298,117,492	1,097,300,634	842,840,483
Cost of goods sold - purchased for resale	206,920	8,195,229	71,701	16,356,526
	359,180,452	306,312,721	1,097,372,335	859,197,009

8. Segment Information	Insulator		Wall Tile		Floor Tile		Total	
	July to March		July to March		July to March		July to March	
	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees	2010 Rupees	2009 Rupees
Segment revenue - external	441,158,591	436,690,666	642,256,708	461,369,746	185,805,224	131,280,656	1,269,220,523	1,029,341,068
Segment result from operations	(45,158,053)	(2,460,572)	66,597,380	75,435,649	6,915,556	(25,599,552)	28,354,883	47,375,525
	March 31, 2010 Rupees	June 30, 2009 Rupees	March 31, 2010 Rupees	June 30, 2009 Rupees	March 31, 2010 Rupees	June 30, 2009 Rupees	March 31, 2010 Rupees	June 30, 2009 Rupees
8.1 Inter segment pricing There are no inter segment sales.								
8.2 Segment assets Segment assets Unallocated assets	681,474,447	795,211,043	1,025,460,690	1,020,573,855	222,468,911	199,610,112	1,929,404,048	2,015,395,010
							89,522,231	126,420,561
							2,018,926,279	2,141,815,571
8.3 Segment liabilities Segment liabilities Unallocated liabilities	154,005,562	158,591,882	98,563,559	101,498,805	55,442,002	57,093,078	308,011,123	317,183,765
							1,292,585,865	1,294,644,733
							1,600,596,988	1,611,828,498
	March 31, 2010 Rupees	June 30, 2009 Rupees	March 31, 2010 Rupees	June 30, 2009 Rupees	March 31, 2010 Rupees	June 30, 2009 Rupees	March 31, 2010 Rupees	June 30, 2009 Rupees
8.4 Other segment information Capital expenditure	1,647,424	11,064,394	784,941	260,570,196	423,609	8,138,051	2,855,974	279,772,641
							2,855,974	279,772,641
Depreciation	21,689,986	18,728,664	35,239,487	19,940,564	8,987,876	7,700,952	65,917,349	46,370,180
Depreciation of leased assets	1,287,240	2,127,837	1,051,820	900,629	571,361	493,706	2,910,421	3,522,172
							68,827,770	49,892,352

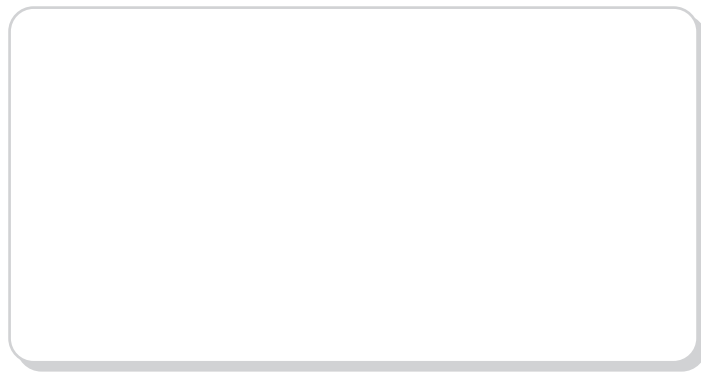
	July to March	
	2010 Rupees	2009 Rupees
9. Cash generated from operations (Loss)/Profit before taxation	(104,389,694)	(95,140,630)
Add:		
Depreciation	65,694,329	46,370,180
Depreciation of leased assets	2,910,420	3,522,172
Amortization of intangibles	223,020	278,775
Provision for gratuity	3,849,130	3,147,592
Loss/(Gain) on sale of fixed assets	-	9,728,433
Financial charges	132,770,779	138,234,286
	205,447,678	201,281,438
Profit before working capital changes	101,057,984	106,140,808
Effect on cash flow due to working capital changes:		
- (Increase)/decrease in stores and spares	(11,523,242)	(6,436,574)
- (Increase)/decrease in stock in trade	67,356,681	(122,759,246)
- (Increase)/decrease in trade debts	(28,191,679)	(29,974,273)
- (Increase)/decrease in loans, advances, deposits, prepayments and other receivables	(8,669,958)	(15,591,692)
- Increase/(decrease) in creditors, accrued and other liabilities	(9,172,642)	123,000,634
	9,799,160	(51,761,151)
	110,857,144	54,379,657
10. Cash and cash equivalents		
Cash and bank balances	10,866,192	12,708,053
Finances under mark-up arrangements - secured	(517,659,536)	(584,639,406)
	(506,793,344)	(571,931,353)
11. Transaction with related parties		
Sale of goods	516,038	436,897
Goods purchased	1,687,469	38,850
Services received	1,088,407	502,243
Long term loans from	-	123,500,000
Long term loans repaid	-	60,371,270
Proceeds from short term borrowings	55,350,000	136,300,000
Short term borrowings repaid	10,184,278	120,163,000
Mark-up on long term loans	17,761,484	5,801,412
Mark-up on short term borrowings	-	1,857,041
Rent paid	4,500,000	-
12. Date of authorization for issue		
These financial statements were authorised for issue on April 29, 2010 by the Board of Directors of the company.		
13. Corresponding figures		
Corresponding figures have been rearranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.		

Lahore
April 29, 2010


(Tariq Rehman)
Chief Executive



(Haris Noorani)
Director

BOOK POST
UNDER POSTAL CERTIFICATE



If undelivered please return to:

Emco Industries Limited
119-E/1, Hali Road, Gulberg III,
Lahore.

 Tel: (042) 636 9723