

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

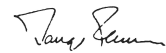
April 29, 2010
Lahore

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 | <u>(94,534,209)</u> | <u>(9,783,465)</u> | <u>(111,658,186)</u> | <u>(69,597,533)</u> |

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

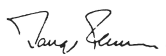
**CONDENSED INTERIM STATEMENT OF
CHANGES IN EQUITY (UN-AUDITED)**

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).

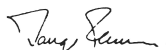
7. Cost of goods sold

| | 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 |

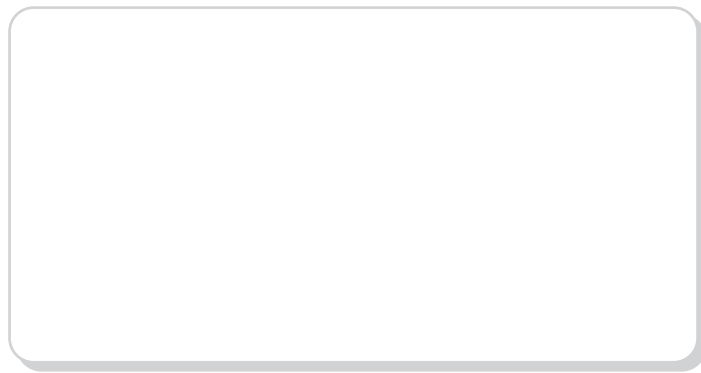
| | July to March | |
|---|----------------|----------------|
| | 2010 Rupees | 2009 Rupees |
| 9. Cash generated from operations (Loss)/Profit before taxation | (104,389,694) | (95,140,630) |
| Add: | | |
| Depreciation | 65,694,329 | 46,370,180 |
| Depreciation of leased assets | 2,910,420 | 3,522,172 |
| 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