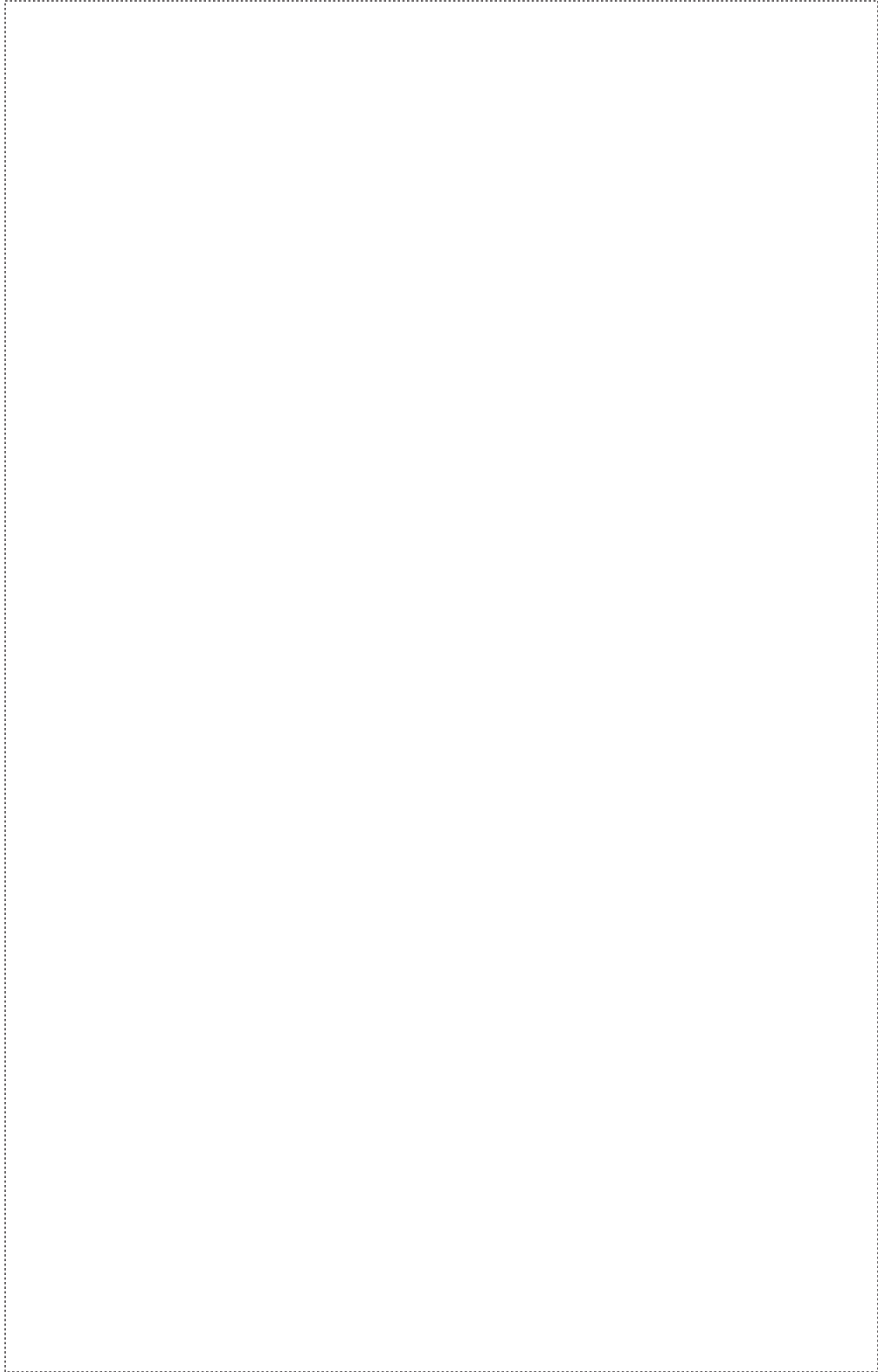


**REPORT & ACCOUNTS**  
FOR THE FIRST QUARTER ENDED  
SEPTEMBER 30, 2010



**Emco Industries Limited**



## *CHAIRMAN'S REVIEW*

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present Un-audited financial statement of the Company for the first quarter ended September 30, 2010.

Sales for the period under review is Rs.509.095 million as compared to Rs.444.571 million in the previous corresponding period, resulting an increase of 14.51%. Resultantly your company has earned net profit after tax of Rs.7.266 million in this quarter as compared to net loss after tax of Rs.3.957 million in the same period last year.

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

### Insulator Plant

The profit from operations is Rs.9.193 million in this period as compared to operating loss of Rs 0.131 million for the same period last year. Average monthly production has increased from 249 tons to 404 tons against the corresponding period. Keeping in view the orders in hand we expect improvement in results in subsequent quarters, depending on the frequency and length of natural gas curtailment for the upcoming winter season.

### Wall Tile

The profit from operations is Rs.41.272 million as compared to operating profit of Rs.38.189 million over the same period last year. The average monthly production of wall tile plant has decreased from 288,287 M<sup>2</sup> to 235,844 M<sup>2</sup> due to extended natural gas curtailment in September 2010. We are expecting improvement in the operating results of this division in coming quarters, depending on the frequency and length of natural gas curtailment for the upcoming winter season.

### Floor Tile

The operating profit of this plant is Rs.1.637 million as compared to operating profit of Rs. 6.147 million from the correspondence period. The average monthly production of this plant has decreased from 80,382 M<sup>2</sup> to 68,094 M<sup>2</sup> due to extended natural gas curtailment in September 2010. We are expecting improvement in the operating results of this division in coming quarters, depending on the frequency and length of natural gas curtailment for the upcoming winter season.

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

Lahore  
October 29, 2010




(Tariq Rehman)  
Chief Executive

## *CONDENSED INTERIM BALANCE SHEET*

	Note	September 30, 2010 Rupees	June 30, 2010 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorized capital 40,000,000 (June 2010: 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 2010: 35,000,000) ordinary shares of Rs 10 each		350,000,000	350,000,000
Reserves		129,898,526	129,898,526
Accumulated loss		(403,966,135)	(416,266,572)
		75,932,391	63,631,954
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>		446,293,949	451,328,383
<b>NON-CURRENT LIABILITIES</b>			
Long term loans from directors - unsecured		74,070,569	74,070,569
Long term loans and liabilities	4	285,496,393	290,994,441
Long term morabaha		17,777,780	20,000,002
Liabilities against assets subject to finance lease		11,285,033	12,509,506
Deferred liabilities		29,999,228	28,908,012
Deferred Tax		41,760,900	41,760,854
		460,389,903	468,243,384
<b>CURRENT LIABILITIES</b>			
Current portion of			
- Long term loans and liabilities	4	124,083,935	137,878,993
- Long term morabaha		20,111,110	21,111,110
- Liabilities against assets subject to finance lease		6,377,509	6,134,163
Short term loans from directors - unsecured		25,306,650	23,457,894
Finances under mark up arrangements - secured		534,948,399	561,963,103
Trade and other payables		381,903,423	361,002,377
Accrued mark-up on loans and other payables		91,106,146	89,005,374
		1,183,837,172	1,200,553,014
<b>CONTINGENCIES AND COMMITMENTS</b>	6		
		2,166,453,415	2,183,756,735

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

Lahore  
October 29, 2010

  
(Tariq Rehman)  
Chief Executive

*(UN-AUDITED) AS AT SEPTEMBER 30, 2010*

	Note	September 30, 2010 Rupees	June 30, 2010 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,187,254,173	1,209,669,615
Assets subject to finance lease		23,089,716	24,116,711
Intangible Assets		2,935,501	3,010,770
Capital work in progress		7,265,466	7,265,466
Long term deposits		3,637,378	3,577,378
Long term loans		2,915,320	3,639,190
		1,227,097,554	1,251,279,130
CURRENT ASSETS			
Stores, spares and loose tools		126,035,869	124,288,795
Stock-in-trade		354,763,783	346,808,267
Trade debts		354,952,570	337,709,771
Loans, advances, deposits, prepayments and other receivables		36,320,570	36,140,996
Taxation - net		40,664,767	36,521,475
Cash and bank balances		26,618,302	51,008,301
		939,355,861	932,477,605
		<u>2,166,453,415</u>	<u>2,183,756,735</u>

  
(Haris Noorani)  
Director

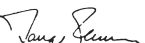
***CONDENSED INTERIM PROFIT AND LOSS ACCOUNT***  
***(UN-AUDITED)***

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2010

	Note	July to September	
		2010 Rupees	2009 Rupees
Sales		509,095,052	444,570,939
Cost of goods sold	7	(405,225,205)	(353,634,281)
Gross profit		103,869,847	90,936,658
Administration expenses		(16,981,795)	(16,283,786)
Distribution and selling costs		(34,786,815)	(30,448,412)
Other operating expenses		(516,394)	(1,032,918)
		(52,285,004)	(47,765,116)
Other operating income		51,584,843	43,171,542
		966,867	912,589
Profit from operations		52,551,710	44,084,131
Finance cost		(42,740,230)	(45,806,531)
(Loss) / Profit before taxation		9,811,480	(1,722,400)
Taxation		(2,545,475)	(2,235,559)
(Loss) / Profit after taxation		7,266,005	(3,957,959)
(Loss) / Earnings per share - Basic and diluted		0.21	(0.11)

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

Lahore  
October 29, 2010

  
(Tariq Rehman)  
Chief Executive

  
(Haris Noorani)  
Director

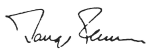
*CONDENSED INTERIM STATEMENT OF COMPREHENSIVE  
INCOME (UN-AUDITED)*

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2010

	Note	July to September	
		2010 Rupees	2009 Rupees
Profit / (Loss) after taxation		7,266,005	(3,957,959)
Other comprehensive income for the period		-	-
Total comprehensive Profit / (Loss) for the period		7,266,005	(3,957,959)

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

Lahore  
October 29, 2010

  
(Tariq Rehman)  
Chief Executive

  
(Haris Noorani)  
Director


**CONDENSED INTERIM CASH FLOW STATEMENT**  
**(UN-AUDITED)**

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2010

	Notes	September 30, 2010 Rupees	September 30, 2009 Rupees
<b>Cash flow from operating activities</b>			
Cash generated from operations	9	75,021,060	28,337,307
Financial cost paid		(40,639,458)	(37,031,328)
Taxes paid		(6,688,767)	(5,910,352)
Gratuity paid		(3,294,626)	(195,876)
<b>Net cash (used in)/from operating activities</b>		<b>24,398,209</b>	<b>(14,800,249)</b>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(789,675)	(356,052)
Net (increase)/decrease in long-term loans and other receivables		723,870	(1,498,340)
Net (increase)/decrease in long-term deposits and prepayments		(60,000)	(782,470)
<b>Net cash used in investing activities</b>		<b>(125,805)</b>	<b>(2,636,862)</b>
<b>Cash flow from financing activities</b>			
Net (decrease)/increase in long term loans and liabilities		(22,515,328)	(2,222,222)
Net increase/(decrease) in short term loans from directors		1,848,756	(976,324)
Repayment of finance lease liabilities		(981,127)	(2,103,101)
<b>Net cash from financing activities</b>		<b>(21,647,699)</b>	<b>(5,301,647)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>2,624,705</b>	<b>(22,738,758)</b>
Cash and cash equivalents at the beginning of the year	10	(510,954,802)	(499,468,928)
<b>Cash and cash equivalents at the end of the period</b>		<b>(508,330,097)</b>	<b>(522,207,686)</b>

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

Lahore  
October 29, 2010

  
(Tariq Rehman)  
Chief Executive

  
(Haris Noorani)  
Director



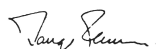
**CONDENSED INTERIM STATEMENT OF  
CHANGES IN EQUITY (UN-AUDITED)**

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2010

	Share Capital Rupees	Share Premium Rupees	General Reserve Rupees	Accumulated Loss Rupees	Total Rupees
Balance as on June 30, 2009	350,000,000	39,898,526	90,000,000	(361,357,337)	118,541,189
(Loss) for the period	-	-	-	(17,123,977)	(17,123,977)
Transfer from surplus on revaluation of property, plant and equipment net of deferred taxation: - Incremental depreciation for the period	-	-	-	8,371,611	8,371,611
Balance as on December 31, 2009	350,000,000	39,898,526	90,000,000	(370,109,703)	109,788,823
(Loss) for the period	-	-	-	(54,620,915)	(54,620,915)
Transfer from surplus on revaluation of property, plant and equipment net of deferred taxation - Incremental depreciation for the period	-	-	-	8,464,046	8,464,046
Balance as on June 30, 2010	350,000,000	39,898,526	90,000,000	(416,266,572)	63,631,954
Profit for the period	-	-	-	7,266,005	7,266,005
Transfer from surplus on revaluation of property, plant and equipment net of deferred taxation - Incremental depreciation for the period	-	-	-	5,034,432	5,034,432
Balance as on September 30, 2010	350,000,000	39,898,526	90,000,000	(403,966,135)	75,932,391

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

Lahore  
October 29, 2010

  
(Tariq Rehman)  
Chief Executive

  
(Haris Noorani)  
Director

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

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 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 three 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, 2010.
3. These accounts have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting".


	September 30, 2010 Rupees	June 30, 2010 Rupees
4. Long term loans and liabilities		
Secured loans		
- Local currency loans	250,028,396	269,321,502
Unsecured loans from		
- Associated companies	15,951,139	15,951,139
Other payables		
- Payable to provident fund	143,600,793	143,600,793
	409,580,328	428,873,434
Less: Current portion shown under current liabilities		
- Secured loans	102,795,775	100,639,695
- Payable to provident fund	21,288,160	37,239,298
	124,083,935	137,878,993
	285,496,393	290,994,441
5. Property, plant and equipment		
Opening book value	1,209,669,615	1,160,830,877
Add: Additions during the period (note 5.1)	789,675	36,811,682
Transfers in during the period	-	17,131,308
Surplus on revaluation during the period (note 5.2)	-	84,122,069
	1,210,459,290	1,298,895,936
Less: Disposals during the period (at book value)	-	745,589
Depreciation charged during the period	23,205,117	88,328,553
Adjustments	-	152,179
	23,205,117	89,226,321
	1,187,254,173	1,209,669,615
5.1 Additions during the period		
Building on freehold land	-	10,279,586
Plant and machinery	91,000	25,638,424
Tools & equipment	109,300	-
Office equipment	589,375	812,217
Furniture and fixtures	-	21,800
Vehicles	-	59,655
	789,675	36,811,682

	September 30, 2010 Rupees	June 30, 2010 Rupees
5.2 Surplus on revaluation during the period		
Free hold land	-	7,594,000
Building on freehold land	-	47,593,155
Plant & Machinery	-	28,934,914
	-	84,122,069
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. 39.662 million (June 2010: Rs. 56.690 million).		
(ii) Bank guarantees amounting to Rs. 168.303 million (June 2010: Rs. 185.755 million)		

	July to September	
	2010 Rupees	2009 Rupees
7. Cost of goods sold		
Raw and packing materials consumed	178,020,810	156,040,482
Stores and spares consumed	26,825,721	22,835,701
Salaries, wages and benefits	71,208,727	57,289,906
Power	32,093,334	23,862,180
Gas	65,743,615	50,036,618
Depreciation	22,714,163	21,207,429
Depreciation of leased assets	618,373	544,637
Insurance	907,949	591,748
Communication and stationery	580,347	423,275
Rent, rates and taxes	4,660,975	4,055,129
Travelling and conveyance	1,554,677	1,212,206
Others	6,502,173	5,074,552
	411,430,864	343,173,863
Opening work in process	37,514,097	26,962,783
Less: Closing work in process	(41,131,760)	(34,451,843)
	(3,617,663)	(7,489,060)
Cost of goods produced	407,813,201	335,684,803
Opening stock of finished goods	176,219,756	251,908,976
	584,032,957	587,593,779
Less: Closing stock of finished goods	(178,834,102)	(234,105,830)
	405,198,855	353,487,949
Cost of goods sold - purchased for resale	26,350	146,332
	405,225,205	353,634,281

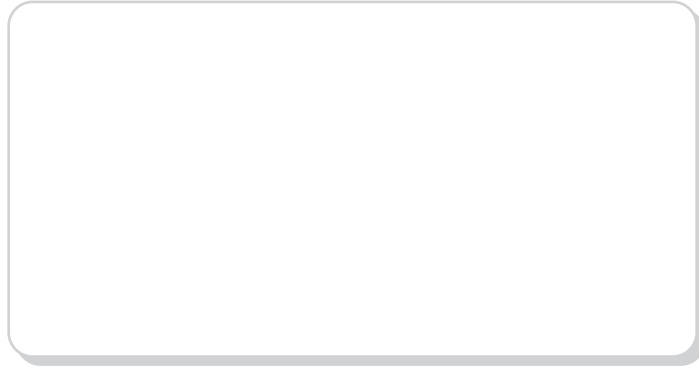
		July to September	
		2010	2009
		Rupees	Rupees
9.	Cash generated from operations		
	(Loss)/Profit before taxation	9,811,480	(1,722,400)
	Add:		
	Depreciation	23,205,117	21,872,084
	Depreciation of leased assets	1,026,996	996,443
	Amortization of intangibles	75,269	92,925
	Provision for gratuity	4,385,842	1,297,131
	Loss/(Gain) on sale of fixed assets	-	-
	Financial charges	42,740,230	45,806,531
		71,433,454	70,065,114
	Profit before working capital changes	81,244,934	68,342,714
	Effect on cash flow due to working capital changes:		
	- (Increase)/decrease in stores and spares	(1,747,074)	(12,667,047)
	- (Increase)/decrease in stock in trade	(7,955,473)	17,007,690
	- (Increase)/decrease in trade debts	(17,242,799)	(17,973,979)
	- (Increase)/decrease in loans, advances, deposits, prepayments and other receivables	(179,574)	5,643,579
	- Increase/(decrease) in creditors, accrued and other liabilities	20,901,046	(32,015,650)
		(6,223,874)	(40,005,407)
		75,021,060	28,337,307
10.	Cash and cash equivalents		
	Cash and bank balances	26,618,302	41,941,253
	Finances under mark-up arrangements - secured	(534,948,399)	(564,148,939)
		(508,330,097)	(522,207,686)
11.	Transaction with related parties		
	Sale of goods	-	-
	Goods purchased	-	-
	Services received	-	-
	Long term loans from	-	-
	Long term loans repaid	-	-
	Proceeds from short term borrowings	-	-
	Short term borrowings repaid	-	-
	Mark-up on long term loans	-	-
	Mark-up on short term borrowings	-	-
	Rent Paid	-	-
12.	Date of authorization for issue		
	These financial statements were authorised for issue on October 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  
October 29, 2010

  
(Tariq Rehman)  
Chief Executive

  
(Haris Noorani)  
Director

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