

# **REPORT & ACCOUNTS**

**FOR THE HALF YEAR ENDED  
DECEMBER 31, 2010**



**Emco Industries Limited**

## *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 half year ended December 31, 2010.

The floods in the country during this summer season and ongoing energy crises has further affected the performance of the company for the period. Net Sales during six months under review is Rs. 915.004 million as compared to net sales of Rs. 916.309 million last year. During the period under review your company has suffered net loss after tax of Rs. 41.646 million as compared to after tax loss of Rs. 17.124 million during the same period last year.

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

### Insulator Plant

There has been increase of Rs. 64.437 Million in the sales as compared to the previous period. Keeping in view higher orders from all formations of WAPDA we expect improvement in results in the subsequent period.

### Wall Tile

Profit from operation is Rs. 62.695 million as compared to operating profit of Rs.68.712 million over the same period last year. The net sales have decreased from Rs. 487.989 million to Rs.444.406 million over the same period last year. The average monthly production of plant has decreased from 278,592 M<sup>2</sup> to 205,924 M<sup>2</sup>. We are expecting improvement in the operating results of this division in coming quarters.

### Floor Tile

The operating loss of this plant is Rs.7.226 million as compared to operating profit of Rs. 5.936 million from the correspondence period. The average monthly production of this plant has decreased from 75,064 M<sup>2</sup> to 53,862 M<sup>2</sup>. We are expecting improvement in the operating results of this division in coming quarter.

The Directors appreciate the hard work and dedication of all staff members of company at various levels. They are also grateful to the stake holders for their support and cooperation.

On behalf of board

Lahore  
February 28, 2011

**Tariq Rehman**  
Managing Director

## *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 as at December 31, 2010 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year 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. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2010 and 2009 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2010.

### 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 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.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Without qualifying our report, we draw attention to note 2.1 to the condensed interim financial information which states that the continuation of the company as a going concern is dependent on its ability to attain satisfactory level of profitability in future and continued support from sponsors. Management's plan in regard to this matter has been discussed in note 2.1 to the condensed interim financial information.

A.F.FERFUSON & CO.  
Chartered Accountants

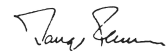
Lahore: February 28, 2011

## *CONDENSED INTERIM BALANCE SHEET*

|  | Note | December 31,<br>2010<br>Rupees | June 30,<br>2010<br>Rupees |
|--|------|--------------------------------|----------------------------|
| <b>EQUITY AND LIABILITIES</b>  |      |                                |                            |
| <b>CAPITAL AND RESERVES</b>  |      |                                |                            |
| Authorized capital 40,000,000<br>(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<br>(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   |      | (448,657,852)                  | (416,266,572)              |
|  |      | 31,240,674                     | 63,631,954                 |
| <b>SURPLUS ON REVALUATION OF PROPERTY,<br/>PLANT AND EQUIPMENT</b>   |      | 442,073,841                    | 451,328,383                |
| <b>NON-CURRENT LIABILITIES</b>   |      |                                |                            |
| Long term loans from directors - unsecured   |      | 74,070,569                     | 74,070,569                 |
| Long term finances   | 4    | 304,949,530                    | 310,994,443                |
| Liabilities against assets subject to finance lease  |      | 9,828,970                      | 12,509,506                 |
| Deferred liabilities   |      | 28,102,081                     | 28,908,012                 |
| Deferred taxation  |      | 30,514,947                     | 41,760,854                 |
|  |      | 447,466,097                    | 468,243,384                |
| <b>CURRENT LIABILITIES</b>   |      |                                |                            |
| Current portion of   |      |                                |                            |
| - Long term finances   | 4    | 173,348,820                    | 158,990,103                |
| - Liabilities against assets subject to finance lease  |      | 5,679,982                      | 6,134,163                  |
| Short term borrowings from related parties - unsecured   |      | 88,206,650                     | 23,457,894                 |
| Finances under mark up arrangements - secured  |      | 545,441,161                    | 561,963,103                |
| Trade and other payables   |      | 319,913,001                    | 361,002,377                |
| Accrued mark-up on loans and other payables  |      | 55,210,296                     | 89,005,374                 |
|  |      | 1,187,799,910                  | 1,200,553,014              |
| <b>CONTINGENCIES AND COMMITMENTS</b>   | 6    | 2,108,580,522                  | 2,183,756,735              |

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

Lahore  
February 28, 2011

  
(Tariq Rehman)  
Chief Executive

*(UN-AUDITED) AS AT DECEMBER 31, 2010*

|   | Note | December 31,<br>2010<br>Rupees | June 30,<br>2010<br>Rupees |
|---|------|--------------------------------|----------------------------|
| ASSETS  |      |                                |                            |
| NON-CURRENT ASSETS  |      |                                |                            |
| Property, plant and equipment                                   | 5    | 1,177,644,779                  | 1,209,669,615              |
| Assets subject to finance lease                                 |      | 21,438,973                     | 24,116,711                 |
| Intangible assets   |      | 2,860,232                      | 3,010,770                  |
| Capital work in progress  |      | 5,182,215                      | 7,265,466                  |
| Long term deposits  |      | 3,436,378                      | 3,577,378                  |
| Long term loans   |      | 3,213,411                      | 3,639,190                  |
|   |      | 1,213,775,988                  | 1,251,279,130              |
| CURRENT ASSETS  |      |                                |                            |
| Stores, spares and loose tools                                  |      | 119,834,185                    | 124,288,795                |
| Stock-in-trade  |      | 325,205,374                    | 346,808,267                |
| Trade debts   |      | 359,065,195                    | 337,709,771                |
| Loans, advances, deposits, prepayments<br>and other receivables |      | 42,010,970                     | 36,140,996                 |
| Taxation - net  |      | 40,301,572                     | 36,521,475                 |
| Cash and bank balances  |      | 8,387,239                      | 51,008,301                 |
|   |      | 894,804,535                    | 932,477,605                |
|   |      | 2,108,580,522                  | 2,183,756,735              |



(Haris Noorani)  
Director


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

FOR THE HALF YEAR ENDED DECEMBER 31, 2010

|                                    | Notes | October to December |                | July to December |                |
|------------------------------------|-------|---------------------|----------------|------------------|----------------|
|                                    |       | 2010<br>Rupees      | 2009<br>Rupees | 2010<br>Rupees   | 2009<br>Rupees |
| Sales                              |       | 405,909,016         | 475,030,679    | 915,004,068      | 916,308,565    |
| Cost of goods sold                 | 7     | (361,513,653)       | (385,440,791)  | (766,738,858)    | (739,075,072)  |
| Gross profit                       |       | 44,395,363          | 89,589,888     | 148,265,210      | 177,233,493    |
| Administration expenses            |       | (15,081,648)        | (21,056,699)   | (32,063,443)     | (36,457,296)   |
| Distribution and selling costs     |       | (32,771,772)        | (31,949,524)   | (67,558,587)     | (59,104,883)   |
| Other operating expenses           |       | (6,057,463)         | (1,969,902)    | (6,573,857)      | (3,002,820)    |
|                                    |       | (53,910,883)        | (54,976,125)   | (106,195,887)    | (98,564,999)   |
|                                    |       | (9,515,520)         | 34,613,763     | 42,069,323       | 78,668,494     |
| Other operating income             |       | 2,166,549           | 740,332        | 3,133,416        | 1,652,921      |
| (Loss) / Profit from operations    |       | (7,348,971)         | 35,354,095     | 45,202,739       | 80,321,415     |
| Finance cost                       |       | (47,638,094)        | (45,913,015)   | (90,378,324)     | (91,719,546)   |
| Loss before taxation               |       | (54,987,065)        | (10,558,920)   | (45,175,585)     | (11,398,131)   |
| Taxation                           |       | 6,075,237           | (3,490,287)    | 3,529,763        | (5,725,846)    |
| Loss after taxation                |       | (48,911,828)        | (14,049,207)   | (41,645,822)     | (17,123,977)   |
| Loss per share - Basic and diluted |       | (1.40)              | (0.40)         | (1.19)           | (0.49)         |

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

Lahore  
February 28, 2011

  
(Tariq Rehman)  
Chief Executive

  
(Haris Noorani)  
Director


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

FOR THE HALF YEAR ENDED DECEMBER 31, 2010

|   | October to December |                | July to December |                |
|---|---------------------|----------------|------------------|----------------|
|   | 2010<br>Rupees      | 2009<br>Rupees | 2010<br>Rupees   | 2009<br>Rupees |
| Loss after taxation                       | (48,911,828)        | (14,049,207)   | (41,645,822)     | (17,123,977)   |
| Other comprehensive income for the period | -                   | -              | -                | -              |
| Total comprehensive loss for the period   | (48,911,828)        | (14,049,207)   | (41,645,822)     | (17,123,977)   |

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

Lahore  
February 28, 2011

  
(Tariq Rehman)  
Chief Executive

  
(Haris Noorani)  
Director


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

FOR THE HALF YEAR ENDED DECEMBER 31, 2010

|  | Notes | December 31,<br>2010<br>Rupees | December 31,<br>2009<br>Rupees |
|--|-------|--------------------------------|--------------------------------|
| Cash flow from operating activities                                |       |                                |                                |
| Cash generated from operations                                     | 9     | 49,575,306                     | 48,289,553                     |
| Finance cost paid  |       | (81,262,256)                   | (78,781,090)                   |
| Taxes paid   |       | (11,496,241)                   | (11,155,941)                   |
| Gratuity paid  |       | (6,538,893)                    | (2,131,084)                    |
| Net cash used in operating activities                              |       | (49,722,084)                   | (43,778,562)                   |
| Cash flow from investing activities                                |       |                                |                                |
| Purchase of property, plant and equipment                          |       | (4,814,342)                    | (2,581,703)                    |
| Net decrease / (increase) in long term loans and other receivables |       | 896,409                        | (1,081,920)                    |
| Net increase in long term deposits                                 |       | (60,000)                       | (1,148,600)                    |
| Net cash used in investing activities                              |       | (3,977,933)                    | (4,812,223)                    |
| Cash flow from financing activities                                |       |                                |                                |
| Long term finances - net   |       | (34,597,342)                   | 10,555,556                     |
| Short term loans - net   |       | 64,748,756                     | 10,724,908                     |
| Lease rentals paid   |       | (2,550,517)                    | (5,659,258)                    |
| Net cash from financing activities                                 |       | 27,600,897                     | 15,621,206                     |
| Net decrease in cash and cash equivalents                          |       | (26,099,120)                   | (32,969,579)                   |
| Cash and cash equivalents at the beginning of the period           |       | (510,954,802)                  | (499,468,928)                  |
| Cash and cash equivalents at the end of the period                 | 10    | (537,053,922)                  | (532,438,507)                  |

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

Lahore  
February 28, 2011

  
(Tariq Rehman)  
Chief Executive

  
(Haris Noorani)  
Director



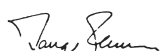
**CONDENSED INTERIM STATEMENT OF  
CHANGES IN EQUITY (UN-AUDITED)**

FOR THE HALF YEAR ENDED DECEMBER 31, 2010

|  | Share<br>Capital<br>Rupees | Share<br>Premium<br>Rupees | General<br>Reserve<br>Rupees | Accumulated<br>Loss<br>Rupees | Total<br>Rupees |
|--|----------------------------|----------------------------|------------------------------|-------------------------------|-----------------|
| Balance as on<br>June 30, 2009   | 350,000,000                | 39,898,526                 | 90,000,000                   | (361,357,337)                 | 118,541,189     |
| Total comprehensive loss<br>for the period   | -                          | -                          | -                            | (17,123,977)                  | (17,123,977)    |
| Transfer from surplus on<br>revaluation of property,<br>plant and equipment<br>net of deferred taxation:<br>- Incremental depreciation | -                          | -                          | -                            | 8,371,611                     | 8,371,611       |
| Balance as on<br>December 31, 2009   | 350,000,000                | 39,898,526                 | 90,000,000                   | (370,109,703)                 | 109,788,823     |
| Total comprehensive loss<br>for the period   | -                          | -                          | -                            | (54,620,915)                  | (54,620,915)    |
| Transfer from surplus on<br>revaluation of property,<br>plant and equipment<br>net of deferred taxation:<br>- Incremental depreciation | -                          | -                          | -                            | 8,464,046                     | 8,464,046       |
| Balance as on<br>June 30, 2010   | 350,000,000                | 39,898,526                 | 90,000,000                   | (416,266,572)                 | 63,631,954      |
| Total comprehensive loss<br>for the period   | -                          | -                          | -                            | (41,645,822)                  | (41,645,822)    |
| Transfer from surplus on<br>revaluation of property,<br>plant and equipment<br>net of deferred taxation:<br>- Incremental depreciation | -                          | -                          | -                            | 9,254,542                     | 9,254,542       |
| Balance as on<br>December 31, 2010   | 350,000,000                | 39,898,526                 | 90,000,000                   | (448,657,852)                 | 31,240,674      |

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

Lahore  
February 28, 2011



(Tariq Rehman)  
Chief Executive



(Haris Noorani)  
Director

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2010

1. **The Company and its operations**

The company is incorporated in Pakistan and listed on Karachi, Lahore and Islamabad Stock Exchanges. The company was incorporated as a Joint Stock Company in Pakistan under the Companies Act, 1913, (now 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 the stock exchange on December 29, 1983. Its registered and head offices are situated at 119 E/I, Hali Road, Gulberg III, Lahore. It is principally engaged in the manufacture and sale of high/low tension electrical porcelain insulators, switchgear and ceramic tiles.
2. **Basis of preparation**

This condensed interim financial information is unaudited and has been prepared and is being submitted to the shareholders in accordance with section 245 of the Companies Ordinance, 1984 and International Accounting Standard (IAS) 34 - 'Interim Financial Reporting'. The figures for the half year ended December 31, 2010 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements for the year ended June 30, 2010.

  - 2.1 The company has incurred a loss after taxation of Rs 41.646 million during the six months ended December 31, 2010 while the accumulated loss stands at Rs 448.658 million as at December 31, 2010. Current liabilities exceed current assets by Rs 292.995 million and the existing borrowing facilities are fully utilized. The company, in order to carry on its business without material curtailment of operations and to meet its current obligations requires improvement in operating margins and increase in sale volumes through increased production quantities which is dependent on availability of uninterrupted gas supply. Continuation of the company as a going concern is dependent on its ability to attain satisfactory level of profitability in future and in the intervening period, continued support from sponsors.

The management of the company is confident that it will be able to meet its obligations and carry on business without any curtailment based on the grounds that the company will be able to achieve satisfactory level of profitability in the future based on the plans drawn up by the management for this purpose, which include continued support from sponsors and increased profitability through higher sale volumes and improved operating margins.

This 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 accounting policies adopted for the preparation of this condensed interim financial information 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.
- 3.1 **Standards and interpretations to existing standards that are effective and applicable to the company**

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning July 01, 2010. However, the adoption of these new standards and amendments to standards did not have any significant impact on the financial information of the company:

  - IAS 1 (Amendment); 'Presentation of financial statements'
  - IAS 32 (Amendment); 'Classification of right issues'
  - IAS 39 (Amendment); 'Cash flow hedge accounting'
  - IFRIC 19, 'Extinguishing financial liabilities with equity instruments'
- 3.2 **Standards and interpretations to existing standards that are applicable to the company and not yet effective**

- IFRS 9, 'Financial Instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the company's accounting for its financial assets. The standard is not applicable until July 1, 2013 but is available for early adoption. IFRS 9

only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The company has not yet decided when to adopt IFRS 9.

- Revised IAS 24, 'Related Party Disclosures', issued in November 2009. It supersedes IAS 24, 'Related Party Disclosures', issued in 2003. The revised IAS 24 is required to be applied from July 1, 2011. Earlier application, in whole or in part, is permitted.

- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning July 1, 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

### 3.3 Standards and interpretations to existing standards that are not applicable to the company and not yet effective.

There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in April 2009 and improvements to International Financial Reporting Standards 2010, issued in May 2010 (not addressed above). These amendments are unlikely to have any impact on the company's financial statements and therefore have not been analyzed in detail.

|  | Note | December 31,<br>2010<br>Rupees | June 30,<br>2010<br>Rupees |
|--|------|--------------------------------|----------------------------|
| 4. Long term loans and liabilities   |      |                                |                            |
| Secured loans  |      |                                |                            |
| - Local currency loans   | 4.1  | 275,835,272                    | 310,432,614                |
| Unsecured loans from   |      |                                |                            |
| - Associated companies   |      | 15,951,139                     | 15,951,139                 |
| Other payables   |      |                                |                            |
| - Payable to provident fund  | 4.2  | 186,511,939                    | 143,600,793                |
|  |      | 478,298,350                    | 469,984,546                |
| Less: Current portion shown under current liabilities                            |      |                                |                            |
| - Secured loans (includes overdue principal amounting to Rs. 33,756 thousands)   |      | 132,412,681                    | 121,750,805                |
| - Unsecured loans (includes overdue principal amounting to Rs. 15,951 thousands) |      | 15,951,139                     | -                          |
| - Other payables (includes overdue principal amounting to Rs. 4,563 thousands)   |      | 24,985,000                     | 37,239,298                 |
|  |      | 173,348,820                    | 158,990,103                |
|  |      | 304,949,530                    | 310,994,443                |

4.1 This includes loan obtained from the Bank of Punjab, rescheduled during the period ended December 31, 2010. Under the reschedule agreement with the bank, the outstanding balance of Rs 144.055 million is repayable in 59 equal monthly installments of Rs. 2.441 million commencing from December 1, 2010. It carries mark-up at 1 month kibar plus 3% per annum, payable monthly.

4.2 This represents the balance payable to EMCO Industries Limited Provident Fund converted into a long term loan on July 1, 2000. In 2003, under a plan approved by the SECP, the company developed a revised repayment schedule to repay this balance. Under this scheme the liability towards the workmen aggregating Rs. 90.959 million along with mark-up which was to be computed at the rate of 10% per annum on the outstanding balance, was repayable in 20 unequal quarterly installments ending on December 31, 2007.

As on June 1, 2007 the outstanding amount of Rs 90.061 million was rescheduled through an agreement between the Company and the Trustees of the fund. Under the revised repayment schedule the outstanding amount along with mark up at the rate of 13% per annum, was repayable in 20 unequal quarterly installments ending May 31, 2012.

As on December 31, 2008, the company obtained additional loan from Emco Industries Limited Provident Fund resulting in the aggregate outstanding balance of Rs 143.6 million. The outstanding amount was rescheduled through an agreement between the company and the Trustees of the Fund. Under the revised agreement, the balance was repayable by December 2014 in 24 unequal quarterly installments commencing July 1, 2009. Mark-up on the outstanding balance was payable quarterly at the rate of weighted average cost of capital to the company + 1% per annum.

During the period ended December 31, 2010, the company under directions from SECP has restructured the loan payable to Provident Fund and capitalized the accrued mark-up of Rs 42.911 million increasing the outstanding principal to Rs. 186.511 million. The company has entered into a revised agreement with the Trustees of the Fund effective July 1, 2010. Under the revised agreement, the balance is repayable by March 31, 2016 in 23 unequal quarterly installments. Mark-up on the outstanding balance is payable quarterly at the rate of weighted average cost of funds to the company + 1% per annum. No installment has been paid up to December 31, 2010.

|   | Note | December 31,<br>2010<br>Rupees | June 30,<br>2010<br>Rupees |
|---|------|--------------------------------|----------------------------|
| 5. Property, plant and equipment  |      |                                |                            |
| Opening written down value  |      | 1,209,669,615                  | 1,160,830,877              |
| Add: Additions during the period  | 5.1  | 12,909,064                     | 36,811,682                 |
| Transfers in during the period  |      | 3,354,471                      | 17,131,308                 |
| Revaluations during the period  |      | -                              | 84,122,069                 |
|   |      | 1,225,933,150                  | 1,298,895,936              |
| Less: Disposals during the period (at written down value)   |      | -                              | 897,768                    |
| Depreciation charged during the period  |      | 48,288,371                     | 88,328,553                 |
|   |      | 48,288,371                     | 89,226,321                 |
|   |      | 1,177,644,779                  | 1,209,669,615              |
| 5.1 Additions during the period   |      |                                |                            |
| Building on freehold land   |      | 3,080,000                      | 10,279,586                 |
| Plant and machinery   |      | 8,805,723                      | 25,638,424                 |
| Tools and equipment   |      | -                              | -                          |
| Office equipment  |      | 1,020,441                      | 812,217                    |
| Furniture and fixtures  |      | 2,900                          | 21,800                     |
| Vehicles  |      | -                              | 59,655                     |
|   |      | 12,909,064                     | 36,811,682                 |
| 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 for capital expenditure amounting to Rs 55.964 million (June: 2010 Rs 56.69 million).              |      |                                |                            |
| (ii) Guarantees issued amounting to Rs 136.550 million (Jun 2010: Rs 185.755 million) against the performance of various contracts. |      |                                |                            |

|                                       | October to December |                | July to December |                |
|---------------------------------------|---------------------|----------------|------------------|----------------|
|                                       | 2010<br>Rupees      | 2009<br>Rupees | 2010<br>Rupees   | 2009<br>Rupees |
| 7. Cost of goods sold                 |                     |                |                  |                |
| Raw and packing materials consumed    | 138,894,278         | 184,694,293    | 316,915,088      | 340,734,775    |
| Stores and spares consumed            | 15,923,077          | 31,074,699     | 42,748,798       | 53,910,400     |
| Salaries, wages and benefits          | 61,603,474          | 63,004,374     | 132,812,201      | 120,294,280    |
| Power and gas                         | 83,252,981          | 81,166,193     | 181,089,930      | 155,064,991    |
| Depreciation on owned assets          | 24,485,375          | 22,435,862     | 47,199,538       | 43,643,291     |
| Depreciation on leased assets         | 40,171              | 839,476        | 658,544          | 1,384,113      |
| Vehicle maintenance                   | 179,210             | 120,920        | 284,329          | 220,254        |
| Repairs and maintenance               | 1,671,201           | 643,618        | 4,165,278        | 3,004,580      |
| Insurance                             | 935,699             | 660,322        | 1,843,648        | 1,252,070      |
| Communication and stationery          | 458,546             | 524,411        | 1,038,893        | 947,686        |
| Rent, rates and taxes                 | 3,520,689           | 3,403,673      | 8,181,664        | 7,458,802      |
| Travelling and conveyance             | 1,250,398           | 960,488        | 2,805,075        | 2,172,694      |
| Provision for obsolete stock          | 1,078,699           | 883,189        | 1,078,699        | 883,189        |
| Others                                | 1,927,884           | 1,625,185      | 5,830,861        | 4,239,439      |
|                                       | 335,221,681         | 392,036,703    | 746,652,545      | 735,210,564    |
| Add: Opening work in process          | 41,131,760          | 34,451,841     | 37,514,097       | 26,962,783     |
|                                       | 376,353,441         | 426,488,544    | 784,166,642      | 762,173,347    |
| Less: Closing work in process         | 42,021,021          | 39,861,431     | 42,021,021       | 39,861,431     |
| Cost of goods produced                | 334,332,419         | 386,627,113    | 742,145,620      | 722,311,916    |
| Add: Opening stock of finished goods  | 178,834,102         | 234,105,830    | 176,219,756      | 251,908,976    |
|                                       | 513,166,521         | 620,732,943    | 918,365,376      | 974,220,892    |
| Less: Closing stock of finished goods | 151,626,518         | 235,010,601    | 151,626,518      | 235,010,601    |
| Cost of goods sold                    |                     |                |                  |                |
| - own manufactured                    | 361,540,003         | 385,722,342    | 766,738,858      | 739,210,291    |
| Cost of goods sold                    |                     |                |                  |                |
| - purchased for resale                | (26,350)            | (281,551)      | -                | (135,219)      |
|                                       | 361,513,653         | 385,440,791    | 766,738,858      | 739,075,072    |

| 8. Segment Information  | Insulator             |               | Wall Tile             |               | Floor Tile            |               | Total                 |               |
|---|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
|   | July to December 2010 | June 30, 2010 | July to December 2010 | June 30, 2010 | July to December 2010 | June 30, 2010 | July to December 2010 | June 30, 2010 |
| Segment revenue - external  | 357,996,503           | 283,559,130   | 444,406,311           | 487,988,591   | 112,601,254           | 134,760,844   | 915,004,068           | 916,308,565   |
| Segment result from operations  | (10,212,796)          | 5,672,863     | 62,695,006            | 68,712,432    | (7,226,419)           | 5,936,120     | 45,255,790            | 80,321,415    |
| 8.1 Inter segment pricing<br>There are no inter segment sales.            |                       |               |                       |               |                       |               |                       |               |
| 8.2 Segment assets<br>Segment assets<br>Unallocated assets                | 889,917,842           | 937,855,980   | 842,225,871           | 890,139,370   | 276,226,951           | 221,863,275   | 2,008,370,664         | 2,049,858,625 |
|   |                       |               |                       |               |                       |               | 100,209,858           | 133,898,110   |
|   |                       |               |                       |               |                       |               | 2,108,580,522         | 2,183,756,735 |
| 8.3 Segment liabilities<br>Segment liabilities<br>Unallocated liabilities | 159,956,501           | 180,501,189   | 102,372,160           | 115,520,761   | 57,584,340            | 64,980,428    | 319,913,001           | 361,002,377   |
|   |                       |               |                       |               |                       |               | 1,313,353,006         | 1,307,794,021 |
|   |                       |               |                       |               |                       |               | 1,635,266,007         | 1,668,796,398 |
| 8.4 Other segment information<br>Capital expenditure                      | 6,916,695             | 2,477,840     | 5,206,127             | 67,176        | 786,242               | 36,687        | 12,909,064            | 2,581,703     |
|   |                       |               |                       |               |                       |               | 12,909,064            | 2,581,703     |
| Depreciation of owned assets  | 15,184,122            | 14,747,358    | 26,424,926            | 23,671,446    | 6,679,321             | 6,264,815     | 46,288,369            | 44,683,619    |
| Depreciation of leased assets   | 309,993               | 909,357       | 727,207               | 718,257       | 395,507               | 390,086       | 1,432,707             | 2,017,700     |
|   |                       |               |                       |               |                       |               | 49,721,076            | 46,701,319    |

|   | December 31,<br>2010<br>Rupees                         | December 31,<br>2009<br>Rupees |            |
|---|--|--------------------------------|------------|
| 9. Cash used in operations  |  |                                |            |
| Loss before taxation  | (45,175,585)   | (11,398,131)                   |            |
| Adjustments for:  |  |                                |            |
| Depreciation  | 48,288,371   | 44,683,619                     |            |
| Depreciation of leased assets   | 1,406,519  | 2,017,700                      |            |
| Amortization of intangibles   | 150,538  | 167,265                        |            |
| Provision for gratuity  | 5,732,962  | 4,963,864                      |            |
| Provision for doubtful receivables  | -  | 3,476,679                      |            |
| Provision for obsolete stocks   | 1,078,699  | 883,189                        |            |
| Provision for discount  | 13,063,937   | -                              |            |
| Financial charges   | 90,378,324   | 91,719,546                     |            |
|   | 160,099,350  | 147,911,862                    |            |
| Profit before working capital changes   | 114,923,765  | 136,513,731                    |            |
| Effect on cash flow due to working capital changes:                                 |  |                                |            |
| - Increase in stores and spares   | (3,640,113)  | (12,674,908)                   |            |
| - Decrease/ (increase) in stock-in-trade  | 20,524,195   | (533,361)                      |            |
| - Increase in trade debts   | (34,419,361)   | (59,410,915)                   |            |
| - Increase in loans, advances, deposits, prepayments and other receivables          | (6,723,804)  | (10,208,247)                   |            |
| - Decrease in creditors, accrued and other liabilities                              | (41,089,375)   | (5,396,747)                    |            |
|   | (65,348,459)   | (88,224,178)                   |            |
|   | 49,575,306   | 48,289,553                     |            |
| 10. Cash and cash equivalents   |  |                                |            |
| Cash and bank balances  | 8,387,239  | 15,852,948                     |            |
| Finances under mark-up arrangements - secured                                       | (545,441,161)  | (548,291,455)                  |            |
|   | (537,053,922)  | (532,438,507)                  |            |
| 11. Transactions with related parties   | Half year ended  |                                |            |
|   | December 31,<br>2010<br>Rupees                         | December 31,<br>2009<br>Rupees |            |
| Relationship with the company   | Nature of transaction                                  |                                |            |
| i. Associated undertakings  | Mark-up on long term finances                          | 395,132                        | 395,132    |
|   | Purchase of goods and services                         | -                              | 1,883,312  |
| ii. Directors and close relatives thereof   | Short term borrowings obtained                         | 78,900,000                     | 15,350,000 |
|   | Short term borrowings repaid                           | 14,151,244                     | 4,620,092  |
| iii. Post employment benefit plans  | Rent Paid  | 3,000,000                      | 3,000,000  |
|   | Expense charged in respect of retirement benefit plans | 7,368,530                      | 5,203,704  |
|   | Mark up on long term loan                              | 15,772,267                     | 11,564,388 |
| iv. Key management personnel  | Salaries and other employee benefits                   | 21,245,471                     | 20,559,064 |
| v. Undertaking in which close family members of a director are holding directorship | Sale of goods  | 244,355                        | 310,017    |

|                   | December 31,<br>2010<br>Rupees | June 30,<br>2010<br>Rupees |
|-------------------|--------------------------------|----------------------------|
| Balances due to:  |                                |                            |
| - Related parties | <u>19,386,162</u>              | <u>49,438,727</u>          |

12. Date of authorization for issue  
These financial statements were authorised for issue on 28-02-2011 by the Board of Directors of the company.

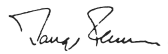
13. Corresponding figures  
In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been rearranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made during the year except for the following:

|  | Rupees    |
|--|-----------|
| Compensation for breakage classified from "Selling and distribution expenses" to "Sales" | 5,833,857 |

The above figures have been re-arranged as the reclassification made is considered more appropriate for the purposes of presentation.

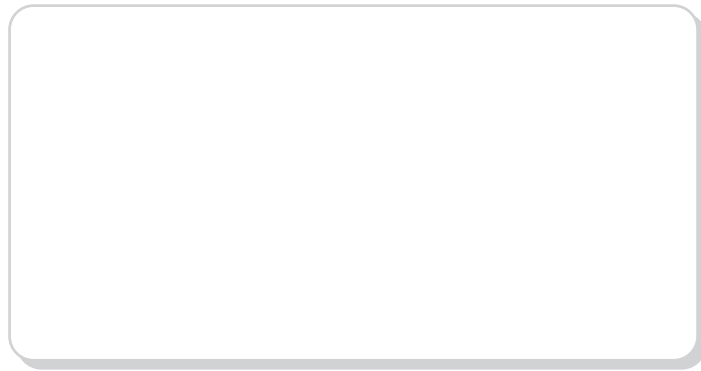
Lahore  
February 28, 2011

  
(Tariq Rehman)  
Chief Executive

  
(Haris Noorani)  
Director



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