

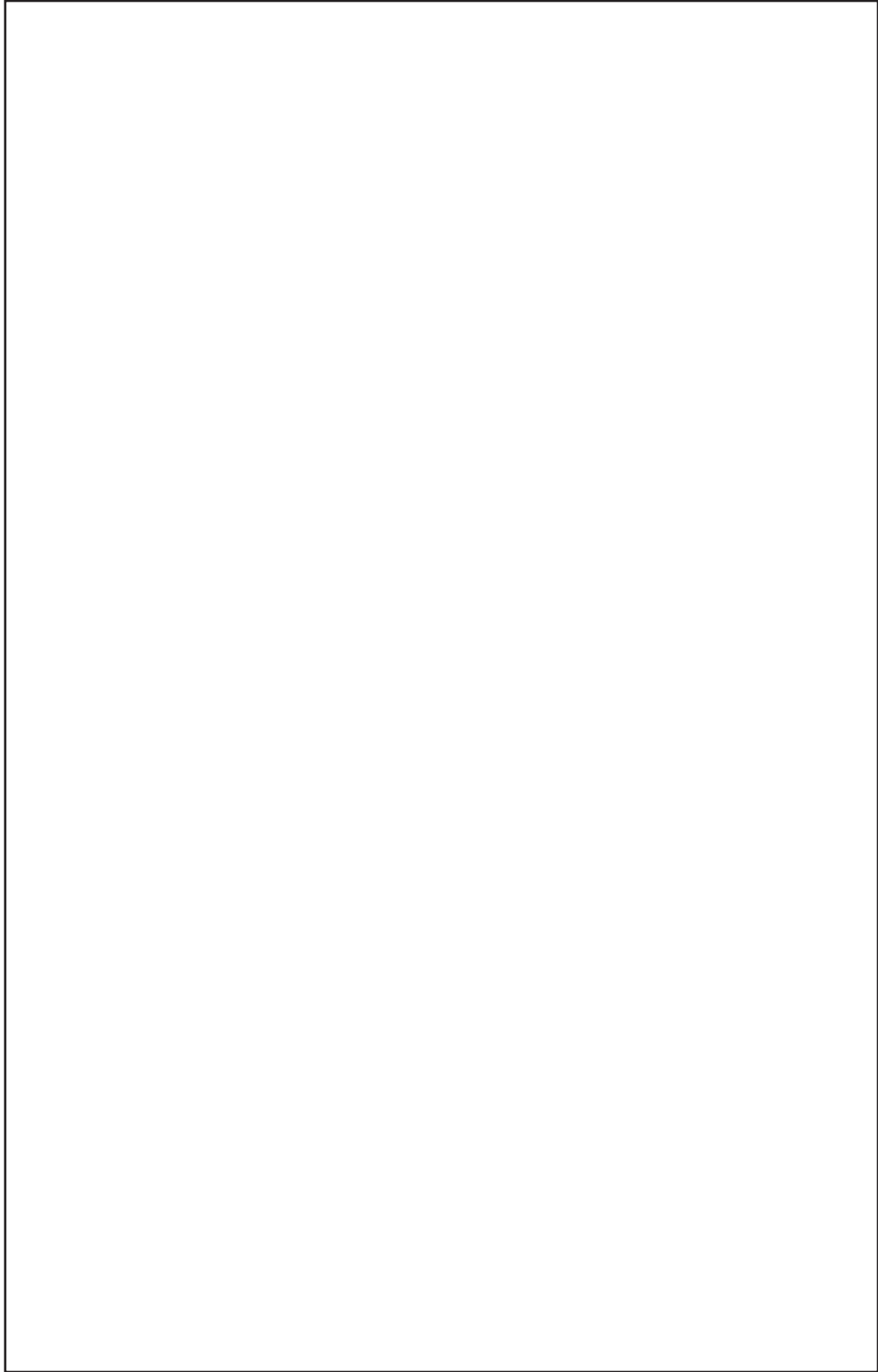
REPORT & ACCOUNT

(UN-AUDITED)

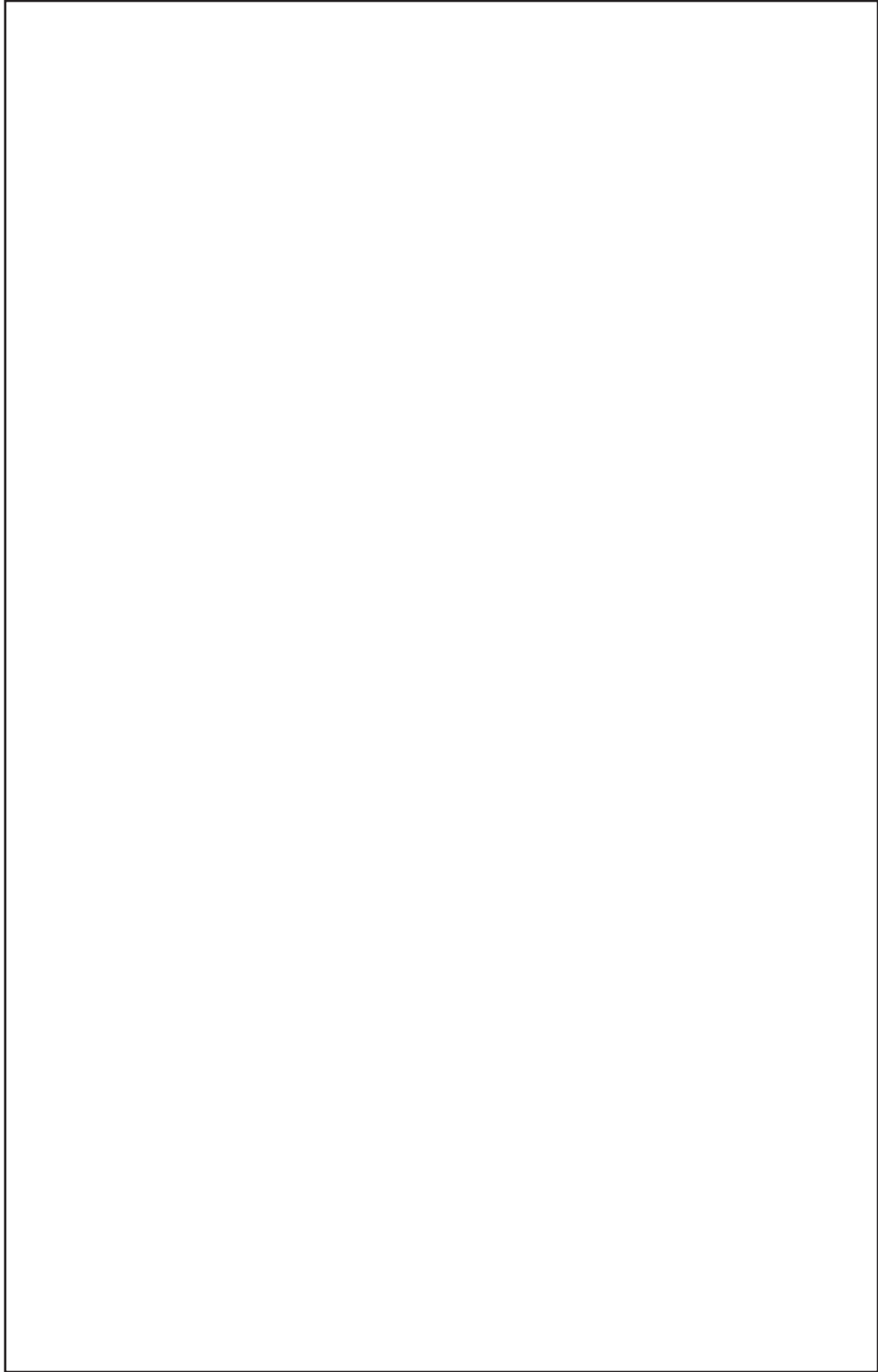
FOR THE FIRST QUARTER ENDED

SEPTEMBER 30, 2014

EMCO INDUSTRIES LIMITED









DIRECTORS' REVIEW

Dear Shareholders

On behalf of the Board of Directors, I present Unaudited financial statement of the Company for the first quarter ended September 30, 2014.

In view of the limited supply of gas to Punjab industrial sector, the Tile Division of the company remained shutdown since the beginning of the calendar year, and depreciation on the plant is fully charged related to the period under review in compliance with the IFRS.

Sale for the period under review was driven entirely by the Insulator Division and recorded at Rs. 143.845 Million as compared to sale of Rs. 70.214 Million in the Insulator Division and Rs.256.689 Million for the Tile Division (consolidated sale of Rs. 326.903 Million) for the corresponding period. Your company has incurred after tax consolidated loss of Rs. 21.397 million as compared to net loss after tax of Rs. 19.627 million in the same period last year.

Whilst company management has taken strong steps to reduce the overheads relating to the Tile plant, some administrative overheads and financial cost continue to be borne by the company, the burden of which has been transferred to the Insulator plant. Operational profit from the Insulator plant is on an upward trajectory and continues to support the overhead burden of the entire company.

Company continues to re-align its vision and strengthen its focus on the Insulator Division and operational results will continue to improve in the near future - Insh Allah.

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

Insulator Plant Operation

Demand for the company's Insulators remained strong during the current quarter, which has resulted in a profit from operation of Rs.19.533 Million in the period as compared to an operating loss of Rs.1.706 Million for the corresponding period last year.

Given the reallocation of resources to the Insulator Division, average monthly production showed a strong improvement from 94 tons to 232 tons against the corresponding period. Sales for the period also doubled from Rs.70.214 Million to Rs.143.845 Million.

Major investment in the energy infrastructure in Pakistan is generating significant demand for Insulators within the country. Simultaneously, the company has successfully cleared international product certification and testing for its major products during the period under review. These factors will contribute to improvement in the result of the Insulator Division and results of the company in the near future.

Tile Plant Operation

Operations were kept suspended as stated above during the period. The decision will be reviewed in Q3 of FY 2014 - 15 based on availability of natural gas.

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

On behalf of board

Tariq Rehman
Managing Director

October 30, 2014
Lahore

CONDENSED INTERIM BALANCE SHEET

	Note	September 30, 2014 Rupees	June 30, 2014 Rupees
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized capital 40,000,000 (June 2013: 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 2013: 35,000,000) ordinary shares of Rs 10 each		350,000,000	350,000,000
Reserves		129,898,526	129,898,526
Accumulated loss		(562,867,785)	(546,330,321)
		(82,969,259)	(66,431,795)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		589,377,829	594,237,181
NON-CURRENT LIABILITIES			
Long term loans from directors - unsecured		115,708,828	115,708,828
Long term loans and liabilities	4	241,897,182	267,104,643
Liabilities against assets subject to finance lease		-	-
Deferred liabilities		36,465,933	37,458,474
Deferred Tax		90,343,639	90,343,639
		484,415,582	510,615,582
CURRENT LIABILITIES			
Current portion of			
- Long term loans and liabilities	4	132,303,433	131,726,074
- Liabilities against assets subject to finance lease		2,149,130	2,149,130
Short term loans from related parties-unsecured		218,071,162	186,452,269
Finances under mark up arrangements - secured		376,471,618	339,246,740
Trade and other payables		250,733,934	276,589,259
Accrued mark-up on loans and other payables		147,040,753	144,359,697
		1,126,770,030	1,080,523,169
CONTINGENCIES AND COMMITMENTS	6		
		2,117,594,183	2,118,944,136

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

Lahore
October 30, 2014


(Tariq Rehman)
Chief Executive



(UN-AUDITED) AS AT SEPTEMBER 30, 2014

	Note	September 30, 2014 Rupees	June 30, 2014 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,206,143,651	1,227,666,782
Assets subject to finance lease		9,848,375	10,371,058
Intangible Assets		3,337,156	3,455,661
Capital work in progress		5,150,000	5,150,000
Long term deposits		2,532,100	271,163
Long term loans		2,755,075	3,206,109
		1,229,766,356	1,250,120,773
CURRENT ASSETS			
Stores, spares and loose tools		107,386,088	105,971,709
Stock-in-trade		346,026,129	317,276,956
Trade debts		301,750,411	322,931,715
Loans, advances, deposits, prepayments and other receivables		82,412,215	83,371,541
Taxation - net		44,191,866	37,417,387
Cash and bank balances		6,061,117	1,854,055
		887,827,827	868,823,363
		2,117,594,183	2,118,944,136

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


(Suhail Mannan)
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2014

	Note	July to September	
		2014 Rupees	2013 Rupees
Sales		143,845,381	326,903,649
Cost of goods sold	7	(124,468,232)	(280,302,741)
Gross profit		19,377,149	46,600,908
Administration expenses		(11,121,478)	(17,099,900)
Distribution and selling costs		(4,180,131)	(22,894,094)
Other operating expenses		(46,960)	(409,798)
		(15,348,569)	(40,403,792)
		4,028,580	6,197,116
Other operating income		204,985	162,901
Profit from operations		4,233,565	6,360,017
Finance cost		(24,191,811)	(24,867,562)
(Loss) / Profit before taxation		(19,958,246)	(18,507,545)
Taxation		(1,438,454)	(1,119,048)
(Loss) / Profit after taxation		(21,396,700)	(19,626,594)
(Loss) / Earnings per share - Basic and diluted		(0.61)	(0.56)

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

Lahore
October 30, 2014


(Tariq Rehman)
Chief Executive


(Suhail Mannan)
Director



**CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2014**

	Note	July to September	
		2014 Rupees	2013 Rupees
Profit / (Loss) after taxation		(21,396,700)	(19,626,594)
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		<u>(21,396,700)</u>	<u>(19,626,594)</u>

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

Lahore
October 30, 2014


(Tariq Rehman)
Chief Executive


(Suhail Mannan)
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2014

	Note	July to September	
		2014 Rupees	2013 Rupees
Cash flow from operating activities			
Cash generated from operations	9	(8,479,811)	19,790,901
Financial cost paid		(21,510,755)	(12,193,137)
Taxes paid		(8,212,933)	(8,083,085)
Gratuity paid		(2,474,507)	(539,080)
Net cash (used in)/from operating activities		(40,678,006)	(1,024,401)
Cash flow from investing activities			
Fixed capital expenditure		224,575	(5,230,195)
Net (increase)/decrease in long-term deposits and prepayments		446,829	(458,024)
Net cash used in investing activities		671,404	(5,688,219)
Cash flow from financing activities			
Net increase/(decrease) in long term loans and liabilities		(24,630,108)	(14,537,149)
Net (decrease)/increase in short term loans from directors		31,618,893	(8,855,260)
Repayment of finance lease liabilities		-	(449,018)
Net cash from financing activities		6,988,785	(23,841,427)
Net (decrease)/increase in cash and cash equivalents		(33,017,817)	(30,554,046)
Cash and cash equivalents at the beginning of the year	10	(337,392,686)	(322,077,802)
Cash and cash equivalents at the end of the period		(370,410,501)	(352,631,848)

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

Lahore
October 30, 2014


(Tariq Rehman)
Chief Executive


(Suhail Mannan)
Director



**CONDENSED INTERIM STATEMENT OF
CHANGES IN EQUITY (UN-AUDITED)
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2014**

	Share Capital Rupees	Share Premium Rupees	General Reserve Rupees	Accumulated Loss Rupees	Total Rupees
Balance as on June 30, 2013	350,000,000	39,898,526	90,000,000	(461,994,376)	17,904,150
Effect of change in accounting policy (Loss) for the period	-	-	-	(1,350,835) (34,869,144)	(1,350,835) (34,869,144)
Transfer from surplus on revaluation of property, plant and equipment net of deferred taxation: - Incremental depreciation for the period	-	-	-	13,955,165	13,955,165
Balance as on December 31, 2013	350,000,000	39,898,526	90,000,000	(484,259,190)	(4,360,664)
(Loss) for the period	-	-	-	(68,890,418)	(68,890,418)
Effect of change in accounting policy	-	-	-	1,337,042	1,337,042
Transfer from surplus on revaluation of property, plant and equipment net of deferred taxation - Incremental depreciation for the period	-	-	-	5,482,245	5,482,245
Balance as on June 30, 2014	350,000,000	39,898,526	90,000,000	(546,330,321)	(66,431,795)
Profit for the period	-	-	-	(21,396,700)	(21,396,700)
Transfer from surplus on revaluation of property, plant and equipment net of deferred taxation - Incremental depreciation for the period	-	-	-	4,859,236	4,859,236
Balance as on September 30, 2014	350,000,000	39,898,526	90,000,000	(562,867,785)	(82,969,259)

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

Lahore
October 30, 2014


(Tariq Rehman)
Chief Executive


(Suhail Mannan)
Director

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

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2014

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, 2014.
3. These accounts have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting".

	Note	September 30, 2014 Rupees	June 30, 2014 Rupees
4. Long term loans and liabilities			
Secured loans			
- Local currency loans		222,974,683	248,604,792
Unsecured loans from			
- Associated companies		13,335,447	12,335,447
- Others		2,615,692	2,615,692
Other payables			
- Payable to provident fund		135,274,793	135,274,793
		374,200,615	398,830,724
Less: Current portion shown under current liabilities			
- Secured loans		125,446,433	127,326,081
- Payable to provident fund		6,857,000	4,400,000
		132,303,433	131,726,081
		241,897,182	267,104,643
5. Property, plant and equipment			
Opening book value		1,227,666,782	1,305,834,295
Add: Additions during the period	5.1	64,000	7,395,830
Transfers in during the period		-	-
		1,227,730,782	1,313,230,125
Less: Disposals during the period (at book value)		288,575	1,006,000
Depreciation charged during the period		21,298,556	85,190,332
Adjustments		-	(632,989)
		21,587,131	85,563,343
		1,206,143,651	1,227,666,782
5.1 Additions during the period			
Building on freehold land		-	-
Plant and machinery		64,000	7,265,506
Office equipment		-	130,324
Furniture and fixtures		-	-
Vehicles		-	-
		64,000	7,395,830



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. 30.096 million (June 2014: Rs. 51.52 million).
- (ii) Bank guarantees amounting to Rs. 110.858 million (June 2014: Rs. 102.39 million).

	Note	July to September	
		2014 Rupees	2013 Rupees
7. Cost of goods sold			
Raw and packing materials consumed		44,041,605	85,993,621
Stores and spares consumed		7,406,126	12,546,467
Salaries, wages and benefits		41,562,816	54,293,685
Power		30,012,787	121,961,234
Depreciation		20,844,554	26,506,617
Depreciation of leased assets		320,341	320,341
Vehicle maintenance		65,333	61,600
Repairs and maintenance		428,378	936,024
Insurance		945,236	787,144
Communication and stationery		229,996	459,596
Rent, rates and taxes		123,798	7,936,747
Travelling and conveyance		726,858	1,192,513
Others		2,059,176	933,204
		148,767,004	313,928,794
Opening work in process		26,957,435	35,462,946
Less: Closing work in process		(28,922,678)	(47,608,179)
		(1,965,243)	(12,145,233)
Cost of goods produced		146,801,760	301,783,562
Opening stock of finished goods		185,234,655	189,564,881
		332,036,415	491,348,442
Less: Closing stock of finished goods		(207,568,183)	(211,045,701)
Cost of goods sold - purchased for resale		124,468,232	280,302,741

	Insulator		Tile		Total	
	July to September 2014 Rupees	2013 Rupees	July to September 2014 Rupees	2013 Rupees	July to September 2014 Rupees	2013 Rupees
8. Segment information						
Segment revenue - external	143,845,381	70,214,545		256,689,104	143,845,381	326,903,649
Cost of Sales	109,530,082	61,571,552	14,938,150	218,731,189	124,468,232	280,302,741
Gross profit/(loss)	34,315,299	8,642,993	(14,938,150)	37,957,915	19,377,149	46,600,908
Distribution costs	4,089,291	4,905,986	90,840	17,988,108	4,180,131	22,894,094
Administration expenses	10,692,363	5,443,172	429,115	11,656,728	11,121,478	17,099,900
	14,781,654	10,349,158	519,955	29,644,836	15,301,609	39,993,994
Segment result from operations	19,533,645	(1,706,165)	(15,458,105)	8,313,079	4,075,540	6,606,914
	September 30, 2014 Rupees	June 30, 2014 Rupees	September 30, 2014 Rupees	June 30, 2014 Rupees	September 30, 2014 Rupees	June 30, 2014 Rupees
8.1 Inter segment pricing There are no inter segment sales.						
8.2 Segment assets Segment assets Unallocated assets	917,445,975	885,106,929	1,144,883,407	1,087,272,147	2,062,329,382	1,972,379,076
					55,264,801	146,565,060
					2,117,594,183	2,118,944,136
8.3 Segment liabilities Unallocated liabilities					1,611,185,612	1,591,138,751
					1,611,185,612	1,591,138,751
8.4 Other segment information Capital expenditure	64,000	447,179	-	4,782,977	64,000	5,230,156
					64,000	5,230,156
Depreciation	6,421,055	6,496,513	14,877,501	20,578,444	21,298,556	27,074,957
Depreciation of leased assets	29,425	29,425	493,259	493,259	522,683	522,683
					21,821,240	27,597,640



	Note	July to September	
		2014 Rupees	2013 Rupees
9. Cash generated from operations			
(Loss)/Profit before taxation		(19,958,246)	(18,507,545)
Add:			
Depreciation		21,298,556	27,074,957
Depreciation of leased assets		522,683	522,683
Amortization of intangibles		118,507	118,507
Provision for gratuity		1,481,966	1,925,948
Financial charges		24,191,811	24,867,562
		47,613,524	54,509,657
Profit before working capital changes		27,655,277	36,002,111
Effect on cash flow due to working capital changes:			
- (Increase)/decrease in stores and spares		(1,414,379)	6,633,951
- (Increase)/decrease in stock in trade		(28,749,176)	(41,941,224)
- (Increase)/decrease in trade debts		21,483,217	17,275,845
- (Increase)/decrease in loans, advances, deposits, prepayments and other receivables		(2,495,433)	(3,514,983)
- Increase/(decrease) in creditors, accrued and other liabilities		(24,959,317)	5,335,201
		(36,135,088)	(16,211,210)
		(8,479,811)	19,790,901
10. Cash and cash equivalents			
Cash and bank balances		1,854,055	45,584,328
Finances under mark-up arrangements - secured		(339,246,740)	(367,662,130)
		(337,392,686)	(322,077,802)
11. Transaction with related parties			
Sale of goods		-	194,507
Goods purchased		-	1,157,011
Services received		154,198	-
Mark-up on short term borrowings		1,838,016	580,290
Rent Paid		330,000	3,858,872

12. Date of authorization for issue

These financial statements were authorised for issue on October 30, 2014 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 30, 2014


(Tariq Rehman)
Chief Executive


(Suhail Mannan)
Director

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