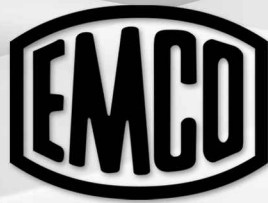
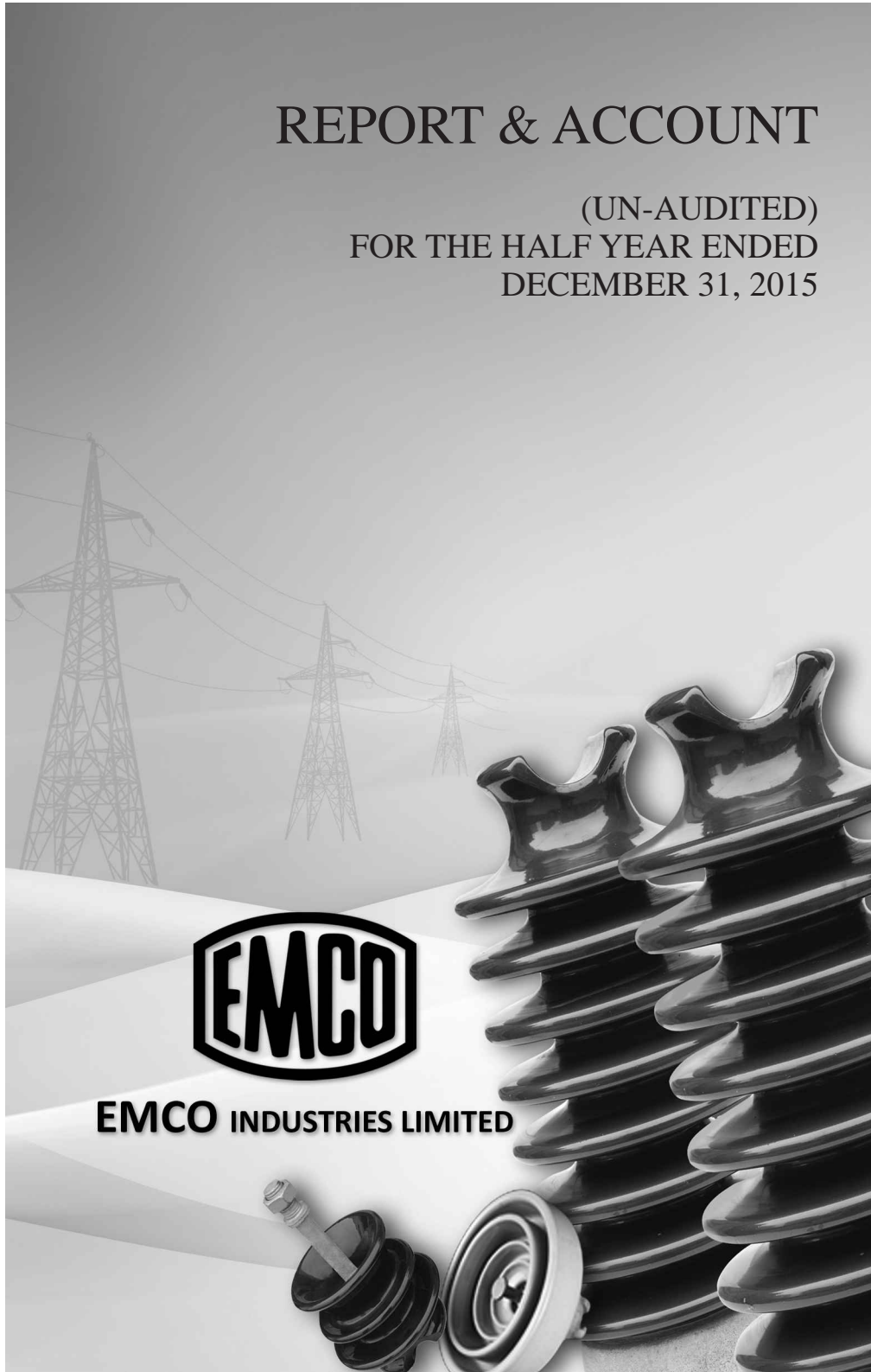


# REPORT & ACCOUNT

(UN-AUDITED)  
FOR THE HALF YEAR ENDED  
DECEMBER 31, 2015



**EMCO INDUSTRIES LIMITED**

## COMPANY INFORMATION

### COMPANY INFORMATION

#### Board of Directors

Mr. Tariq Rehman  
Mr. Shafiq A. Siddiqi  
Mr. Haris Noorani  
Mr. Suhail Mannan  
Mr. Javaid Shafiq Siddiqi  
Mr. Usman Haq  
Mr. Salem Rehman  
Mr. Ahsan Suhail Mannan

#### Audit Committee

Mr. Usman Haq  
Mr. Javaid Shafiq Siddiqi  
Mr. Salem Rehman  
Mr. Ahsan Suhail Mannan

#### Chief Financial Officer

Mr. Riaz Ahmad

#### Auditors

M/s. Horwath Hussain Chaudhury & Co.,  
Chartered Accountants, Lahore.

#### Bankers

Habib Bank Limited  
National Bank of Pakistan  
Standard Chartered Bank (Pakistan) Limited  
Faysal Bank Limited  
Bank of Punjab  
NIB Bank Limited

#### Share Registrar

Corplink (Pvt) Limited  
Wings Arcade. I-K, Commercial,  
Model Town, Lahore.

#### Registered Office

4th Floor, National Tower,  
28-Egerton Road,  
Lahore.

#### Factory

19-Kilometre, Lahore Sheikhpura Road, Lahore.

### BUSINESS ITEMS

#### Porcelain Insulators

- Suspension Insulator
- Pin Insulator
- Line Post Insulator
- Cap and pin Insulator
- Station Post Insulator
- Indoor Switch and Bus Insulator
- Apparatus Insulator
- Insulator for Railway Electrification
- Telephone Insulator
- Low Voltage Insulator
- Dropout Cutout Insulator
- Bushings

#### Switchgear

- Disconnect Switch upto 145 kv
- Metal Oxide Surge Arresters upto 430 kv  
(Under License from Siemens Germany)

#### Chemical Porcelain

- Acid Proof Wares and Bricks
- Rasching Ring and Saddles
- Acid Proof Porcelain Pipes and Fitting
- Acid Proof Cement

#### Special Porcelain

- High Alumina Porcelain
- Lining Special Refractories  
& Grinding Media

#### Ceramic Glazed Wall Tiles

- Coloured & Decorative Glazed Wall Tiles  
20 cm x 20 cm x 7 mm  
20 cm x 30 cm x 7 mm  
25 cm x 33 cm x 7 mm

#### Ceramic Glazed Floor Tiles

- Vitreous & Semi Vitreous  
Decorative Glazed Floor Tiles  
30 cm x 30 cm x 8 mm  
38 cm x 38 cm x 8 mm



## DIRECTORS' REVIEW

Dear Shareholders

On behalf of the Board of Directors, I present Unaudited financial statement of the Company for the half year ended December 31, 2015.

In view of the limited supply of gas to Punjab industrial sector, the Tile Division of the company remained closed since the beginning of the calendar year. However the 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. 527.66 million as compared to sale of Rs. 316.05 million for the corresponding period. Your company has incurred after tax consolidated loss of Rs. 11.574 million as compared to net loss after tax of Rs. 49.418 million in the same period last year. The reported loss is mainly attributed to booking of full depreciation of 24.25 million of tile division for the period under review.

Whilst company management has taken strong steps to reduce the overheads relating to the Tile plant, some administrative overheads and financial cost attributed to the tile division 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 -InshAllah.

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

### Insulator Plant Operation

Demand for the company's Insulators remained strong during the current period, which has resulted in a profit from operation of Rs. 26.647 million in the period as compared to Rs. 4.66 million for the corresponding period last year.

Given the reallocation of resources to the Insulator Division, average monthly production showed a strong improvement from 208 tons to 334 tons against the corresponding period. Sales for the period also increased significantly from Rs. 316.05 million to Rs. 527.66 million (i.e. 67%).

Major investment in the energy infrastructure in Pakistan is generating significant demand for Insulators within the country. We foresee that with the current orders in hand and future demand the company will see a significant improvement in the result 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 second half of FY 2015 - 16 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

February 29, 2016  
Lahore



## REPORT TO MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

### Introduction

We have reviewed the accompanying condensed interim balance sheet of EMCO Industries Limited as at December 31, 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity and the notes to the financial information for the half year 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 included in the condensed interim profit and loss account for the quarters ended December 31, 2014 and December 31, 2015 have not been reviewed, as we are required to review only the cumulative figures for half year ended December 31, 2015.

### 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 financial information consists of making inquiries, primarily of persons responsible for the 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, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

### Emphasis of Matter

We draw attention to note 2.6 to the interim financial information, which states that the Company has incurred net loss for the period of Rs. 11.575 million and has accumulated losses of Rs. 626.684 million as at December 31, 2015. Current liabilities of the Company exceed its current assets by Rs. 267.765 million as at December 31, 2015. These conditions alongwith others set forth in note 2.6 to the condensed interim financial information indicate the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified with regard to this matter.

LAHORE  
Dated: February 29, 2016

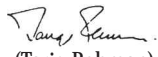
HORWATH HUSSAIN CHAUDHURY & CO.  
Chartered Accountants  
(Engagement Partner: Amin Ali)

## CONDENSED INTERIM BALANCE SHEET

		December 31, 2015	June 30, 2015 (Restated) (audited)	June 30, 2014 (Restated) (audited)
	Note	(Un-audited) Rupees	Rupees	Rupees
<b>ASSETS</b>				
<b>Non Current Assets</b>				
Property, plant and equipment	4	1,367,700,664	1,182,068,047	1,243,187,839
Intangible assets		2,896,742	1,997,830	3,455,661
Long term loans		2,141,051	2,031,638	3,206,109
Long term deposits		271,163	271,163	271,163
		1,373,009,620	1,186,368,678	1,250,120,772
<b>Current Assets</b>				
Stores, spares and loose tools		108,902,783	112,231,865	105,971,710
Stock-in-trade		344,785,050	369,573,296	317,276,956
Trade debts		378,426,321	379,227,299	322,931,715
Advances, deposits, prepayments and other receivables		63,709,384	75,965,661	86,524,491
Income tax refundable from the Government		101,077,942	72,283,110	37,417,388
Cash and bank balances		5,106,937	6,699,210	1,854,055
		1,002,008,417	1,015,980,441	871,976,315
<b>Total Assets</b>		2,375,018,037	2,202,349,119	2,122,097,087

The annexed notes form an integral part of this condensed interim financial information (un-audited).

Lahore  
February 29, 2016

  
(Tariq Rehman)  
Chief Executive



## (UN-AUDITED) AS AT DECEMBER 31, 2015

	Note	December 31, 2015 (Un-audited) Rupees	June 30, 2015 (Restated) (audited) Rupees	June 30, 2014 (Restated) (audited) Rupees
<b>CAPITAL AND LIABILITIES</b>				
<b>Share Capital and Reserves</b>				
Authorized share capital: 40,000,000 (June 30, 2015: 40,000,000)				
		400,000,000	400,000,000	400,000,000
Issued, subscribed and paid up capital: 35,000,000 (June 30, 2015: 35,000,000)				
		350,000,000	350,000,000	350,000,000
		129,898,526	129,898,526	129,898,526
	5	115,708,828	115,708,828	115,708,828
		(626,684,121)	(624,771,602)	(546,330,321)
		(31,076,767)	(29,164,248)	49,277,033
	6	761,777,853	582,459,878	594,237,181
<b>Non Current Liabilities</b>				
	7	256,285,977	280,423,117	267,104,642
		33,908,521	36,852,344	37,458,473
		84,349,534	63,483,695	90,343,639
		374,544,032	380,759,156	394,906,754
<b>Current Liabilities</b>				
		305,255,287	318,162,045	279,742,209
		163,448,175	160,564,677	144,359,698
		725,261,507	713,672,757	525,699,008
		75,807,950	75,894,854	133,875,204
		1,269,772,919	1,268,294,333	1,083,676,119
	8	-	-	-
		2,375,018,037	2,202,349,119	2,122,097,087

The annexed notes form an integral part of this condensed interim financial information (un-audited).

  
(Suhail Mannan)  
Director

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2015

	Note	Half Year Ended December 31,		Quarter Ended December 31,	
		2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees
Sales - net		527,655,578	316,053,276	258,310,341	172,207,895
Cost of sales	9	(455,897,800)	(253,167,820)	(231,063,971)	(128,699,588)
Gross Profit		71,757,778	62,885,456	27,246,370	43,508,307
- Selling and distribution expenses		(20,190,703)	(29,703,994)	(6,910,538)	(25,523,863)
- Administrative expenses		(24,919,720)	(28,520,094)	(11,531,323)	(17,398,616)
		(45,110,423)	(58,224,088)	(18,441,861)	(42,922,479)
Operating Profit		26,647,355	4,661,368	8,804,509	585,828
Other operating expenses		(663,729)	(919,580)	(297,500)	(872,620)
Finance cost		(41,301,067)	(49,168,620)	(20,857,799)	(24,976,809)
Other income		6,053,273	1,089,528	5,534,184	884,543
Loss before Taxation		(9,264,168)	(44,337,304)	(6,816,606)	(24,379,058)
Taxation		(2,310,307)	(5,080,828)	383,145	(3,642,374)
Net Loss for the Period		(11,574,475)	(49,418,132)	(6,433,461)	(28,021,432)
Loss per Share					
- Basic and Diluted (Rupees)		(0.33)	(1.41)	(0.18)	(0.80)

The annexed notes form an integral part of this condensed interim financial information (un-audited).

Lahore  
February 29, 2016

  
(Tariq Rehman)  
Chief Executive

  
(Suhail Mannan)  
Director






**CONDENSED INTERIM STATEMENT OF  
COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2015**

Note	Half Year Ended December 31,		Quarter Ended December 31,	
	2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees
Net Loss for the Period	(11,574,475)	(49,418,132)	(6,433,461)	(28,021,432)
Other comprehensive income				
Items that will not be re-classified subsequently to the profit or loss	-	-	-	-
Items that will be reclassified subsequently to the profit or loss	-	-	-	-
Total Comprehensive Loss for the Period	<u>(11,574,475)</u>	<u>(49,418,132)</u>	<u>(6,433,461)</u>	<u>(28,021,432)</u>

The annexed notes form an integral part of this condensed interim financial information (un-audited).

Lahore  
February 29, 2016

  
(Tariq Rehman)  
Chief Executive

  
(Suhail Mannan)  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2015

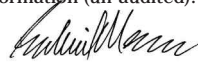
	Note	Half Year Ended December 31,	
		2015 Rupees	2014 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(9,264,168)	(44,337,304)
- Depreciation on property, plant and equipment - owned		36,893,534	38,723,089
- Depreciation on assets subject to finance lease		350,910	378,544
- Amortization of intangible assets		863,915	172,783
- Provision for gratuity		2,349,417	2,979,455
- Lease liability adjustment		65,845	-
- Bad debts		147,500	-
- Gain on disposal of property, plant and equipment		-	(282,464)
- Receivable written off		-	879,668
- Liabilities written back		(4,322,377)	-
- Exchange (gain) / loss		(1,633,337)	-
- Finance cost		41,301,067	49,168,620
		76,016,474	92,019,695
Operating profit before working capital changes		66,752,306	47,682,391
(Increase) / decrease in current assets:			
- Stores and spares		3,329,082	(1,605,656)
- Stock in trade		24,788,246	(64,891,650)
- Trade debts		2,286,815	57,845,091
- Loans, advances, deposits, prepayments and other receivable		9,995,287	(419,937)
(Decrease) / increase in current liabilities:			
- Trade and other payables		(8,584,381)	(4,328,869)
		31,815,049	(13,401,021)
Cash generated from operations		98,567,355	34,281,370
Finance cost paid		(38,417,569)	(37,656,320)
Payment to gratuity fund		(4,096,304)	(3,017,504)
Payments against discontinued provident fund		(1,196,936)	(2,466,786)
Income tax paid		(34,232,087)	(24,473,555)
Net Cash generated from / (used in) Operating Activities		20,624,459	(33,332,795)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Property, plant and equipment purchased		(9,904,336)	(188,171)
Intangible assets		(1,762,827)	-
Long term loans and other receivables		429,262	650,138
Proceeds from disposal of property, plant and equipment		-	298,575
Net Cash (used in) / generated from Investing Activities		(11,237,901)	760,542
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Long term financing from related parties acquired / (repaid) - net		1,000,000	(199,150)
Long term financing from banking companies repaid - net		(22,767,581)	(32,547,087)
Lease rentals paid		(800,000)	-
Short term borrowing from related parties acquired - net		22,934,810	86,056,456
Short term borrowing from banking companies repaid - net		(11,346,060)	(19,764,913)
Net Cash (used in) / generated from Financing Activities		(10,978,831)	33,545,306
Net (Decrease) / Increase in Cash and Cash Equivalents		(1,592,273)	973,053
Cash and cash equivalents at the beginning of the period		6,699,210	1,854,055
Cash and Cash Equivalents at the End of the Period		5,106,937	2,827,108

The annexed notes form an integral part of this condensed interim financial information (un-audited).

Lahore  
February 29, 2016

10 

  
(Tariq Rehman)  
Chief Executive

  
(Suhail Mannan)  
Director




**CONDENSED INTERIM STATEMENT OF  
CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2015**

Note	Share Capital Rupees	Reserves		Sponsors' Loan Rupees	Accumulated Loss Rupees	Total Rupees
		Share Premium Rupees	General Rupees			
Balance as at June 30, 2014 as previously reported	350,000,000	39,898,526	90,000,000	-	(546,330,321)	(66,431,795)
Effect of restatement 5	-	-	-	115,708,828	-	115,708,828
Balance as at June 30, 2014 as restated	350,000,000	39,898,526	90,000,000	115,708,828	(546,330,321)	49,277,033
Total comprehensive loss for six months period ended December 31, 2014	-	-	-	-	(49,418,132)	(49,418,132)
Incremental depreciation for the period on surplus on revaluation of property, plant and equipment net of deferred tax	-	-	-	-	6,251,492	6,251,492
Balance as at December 31, 2014	350,000,000	39,898,526	90,000,000	115,708,828	(589,496,961)	6,110,393
Balance as at June 30, 2015 as previously reported	350,000,000	39,898,526	90,000,000	-	(640,045,149)	(160,146,623)
Effect of restatement 5&7	-	-	-	115,708,828	15,273,547	130,982,375
Balance as at June 30, 2015 as restated	350,000,000	39,898,526	90,000,000	115,708,828	(624,771,602)	(29,164,248)
Total comprehensive loss for six months period ended December 31, 2015	-	-	-	-	(11,574,475)	(11,574,475)
Incremental depreciation for the period on surplus on revaluation of property, plant and equipment net of deferred tax	-	-	-	-	9,661,956	9,661,956
Balance as at December 31, 2015	350,000,000	39,898,526	90,000,000	115,708,828	(626,684,121)	(31,076,767)

The annexed notes form an integral part of this condensed interim financial information (un-audited).

Lahore  
February 29, 2016

  
(Tariq Rehman)  
Chief Executive

  
(Suhail Mannan)  
Director

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

FOR THE HALF YEAR ENDED DECEMBER 31, 2015

1. The Company and its Operations

- 1.1 EMCO Industries Limited ("the Company") is incorporated in Pakistan and is listed on Pakistan Stock Exchange Limited. The Company was incorporated as a Joint Stock Company in Pakistan under the Companies Act, 1913, (now the 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 stock exchanges on December 29, 1983. Its registered office is situated at 4th Floor, National Tower, 28 Egerton Road, Lahore.
- 1.2 The Company is principally engaged in the manufacture and sale of high/low tension electrical porcelain insulators, switchgear and ceramic tiles.

2. Basis of Preparation

- 2.1 This condensed interim financial information of the Company for the half year ended December 31, 2015 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.
- 2.2 This condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2015. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2015 whereas comparative profit and loss account, comparative statement of comprehensive income, comparative cash flows statement and comparative statement of changes in equity are extracted from unaudited interim financial information for the half year ended December 31, 2014.
- 2.3 This condensed interim financial information is unaudited; however, a limited scope review has been performed by the external auditors as required by the Code of Corporate Governance.
- 2.4 The preparation of these condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by the management in applying accounting policies and key sources of estimation were the same as those that were applied to the financial statements for the year ended June 30, 2015.
- 2.5 This condensed interim financial information is presented in Pak Rupees, which is the Company's functional and presentational currency. All the figures have been rounded off to the nearest rupees, unless otherwise stated.
- 2.6 **Going concern assumption**  
The Company has incurred a net loss of Rs. 11.575 million during the period ended December 31, 2015 while its accumulated loss stands at Rs. 626.684 million as at December 31, 2015. Current liabilities of the Company exceed its current assets by Rs. 267.765 million. Further, the Company has temporarily closed down the production facility of ceramic tiles due to suspension of gas supply. The Company, in order to carry



on its business and to meet its current obligations requires improvement in operating margins and increase in sales volume through increased production quantities. 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.

The management of the Company is confident that it will be able to meet its obligations and carry on the business based on the grounds that it will be able to achieve satisfactory level of profitability in future based on the plans drawn up by the management for this purpose, which include restructuring of the currently overdue borrowing facilities, continued support from sponsors and increased profitability through higher sales volumes and improved operating margins.

This condensed interim 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 Company's accounting and financial risk management policies and methods of computation of this condensed interim financial information are the same as those followed in the preparation of annual financial statements for the preceding financial year ended June 30, 2015.

	Note	December 31, 2015 (Un-audited) Rupees	June 30, 2015 (Audited) Rupees
4. Property, Plant and Equipment			
Opening written down value		1,182,068,047	1,256,051,422
Additions during the period / year		9,904,336	4,497,291
Revaluation surplus arised during the period / year 4.1		212,972,725	-
Disposals during the period / year		-	(165,928)
		1,404,945,108	1,260,382,785
Depreciation charge for the period / year		(37,244,444)	(78,314,738)
		1,367,700,664	1,182,068,047

4.1 During the period valuation was carried out by an independent valuer, on December 31, 2015 under depreciated market value method, wherever applicable, which resulted in revaluation surplus of Rs. 212,972,725.

### 5. Sponsors' Loan

The Company has opted for early adoption of Technical Release - 32 (Accounting Directors' Loan) issued by the Institute of Chartered Accountants of Pakistan. In accordance with TR-32, sponsors' interest free, unsecured loans that are repayable on the discretion of the Company have been taken up in equity and shown separately as sponsors' loan. Previously these loans were shown as long term financing. In accordance with the requirements of TR-32, the comparative balance sheets have been restated that do not have any other impact.

	Note	December 31, 2015 (Un-audited) Rupees	June 30, 2015 (Audited) Rupees
6. Surplus on Revaluation of Property, Plant and Equipment			
Land - Freehold		154,159,464	154,159,464
Buildings on freehold land		163,758,065	169,350,633
Plant and machinery		264,542,349	270,727,084
		582,459,878	594,237,181
Revaluation surplus arised during the period / year 4.1		212,972,725	-
		795,432,603	594,237,181
Less: Deferred tax impact related to surplus arised during the period / year		(36,641,559)	-
Effect of change in tax rates		12,648,765	7,864,140
Incremental depreciation charged on revalued property, plant and equipment in current year net of deferred tax transferred to retained earnings		(9,661,956)	(19,641,443)
		761,777,853	582,459,878
7. Long Term Financing			
Banking companies - secured			
NIB Bank Limited		20,383,224	25,446,433
The Bank of Punjab		22,881,112	38,281,112
Standard Chartered Bank (Pakistan) Limited	7.1	146,141,356	148,445,728
Effect of restatement		-	(15,273,547)
		146,141,356	133,172,181
		189,405,692	196,899,726
Associated companies / related parties - unsecured			
Associated Engineers (Private) Limited		17,535,447	16,535,447
EMCO Industries Limited Provident Fund		137,810,643	137,810,643
Imperial Electric Company (Private) Limited		2,615,692	2,615,692
		157,961,782	156,961,782
		347,367,474	353,861,508
Less: current portion:			
- Banking companies		(58,546,307)	(62,933,541)
- Associated companies / related parties		(17,261,643)	(10,504,850)
		(75,807,950)	(73,438,391)
		271,559,524	280,423,117

7.1 In accordance with the requirements of IAS-39, deferred markup has been carried at amortised cost and the relevant difference being charged to retained earnings. During the year, imputed markup has been calculated and accounted for. This accounting treatment has been accounted for with retrospective effect.

#### 8. Contingencies and Commitments

##### Contingencies

8.1 The Collector of Sales Tax raised demands in previous years of Rs 0.11 million being sales tax and penalties under section 47 of the Sales Tax Act, 1990 on sale of fixed asset and vehicles. The demand was set aside by the Appellate Tribunal. The department had filed an appeal before the Lahore High Court which is pending hearing. No provision has been made in these condensed interim financial information as the management is confident that the case will be decided in its favour.



- 8.2 In the year ended June 30, 2005, Sales Tax Department conducted post exportation audit under the Duty and Tax Remission for Exports (DTRE) Scheme, 2001 and imposed a penalty of Rs 8.624 million due to non compliance of certain provisions of the scheme by the Company. On application by the Company, the Federal Board of Revenue (FBR) appointed an Alternate Dispute Resolution Committee (ADRC) for the resolution of the dispute between the Company and the department. ADRC has given its recommendations to FBR in favour of the Company and as such no provision is made in these condensed interim financial information in this regard. The final order of FBR in this regard is awaited.
- 8.3 The Company was selected for sales tax audit u/s 72B of the Sales Tax Act, 1990 by the Federal Board of Revenue for the period July 01, 2012 to June 30, 2013. Final order after audit proceedings was issued on June 03, 2015 creating a demand of Rs. 5.174 million. The Company has filed an appeal to the Commissioner (Appeals) against this order which is yet to be finalised. No provision has been made in these condensed interim financial information as the management is confident that the case will be decided in its favour.
- 8.4 The Company has indemnified the Trustees of EMCO Industries Limited Provident Fund and the beneficiaries thereof, from any and all events wherein they or anyone suffers any loss and / or damage for allowing the Company rescheduled time frame to repatriate the borrowed sum amounting to Rs. 140.871 million (June 30, 2015: Rs. 140.871 million) into the fund.

	December 31, 2015 (Un-audited) Rs. in millions	June 30, 2015 (Audited) Rs. in millions
Commitments		
Letters of credit other than for capital expenditure	34.072	37.692
Estimated outlay of implementation of SAP ERP	-	0.630
Guarantees		
WAPDA	148.813	127.287
Sui Northern Gas Pipelines Limited	32.506	32.506
Collectorate of Customs	1.000	-
	<u>182.319</u>	<u>159.793</u>

	Note	Half Year Ended December 31,		Quarter Ended December 31,	
		2015 Rupees	2014 Rupees	2015 Rupees	2014 Rupees
<b>9. Cost of Sales</b>					
Raw and packing material consumed		183,366,360	114,408,833	97,181,831	70,367,228
Stores and spares consumed		18,910,507	14,506,400	7,657,088	7,100,274
Salaries, wages and benefits		102,626,574	90,343,682	50,536,404	48,780,866
Power and gas		42,450,904	56,223,630	19,224,442	26,210,843
Vehicle maintenance		284,794	143,941	145,959	78,608
Repairs and maintenance		936,322	1,425,380	316,130	997,002
Insurance		1,818,386	1,851,047	909,193	905,811
Communication and stationery		539,977	554,340	235,390	324,344
Rent, rates and taxes		996,809	181,990	431,689	58,192
Travelling and conveyance		4,701,262	3,538,713	3,401,778	2,411,855
Testing and experiment charges		6,037,160	4,287,874	3,819,823	2,723,856
Others		145,133	200,437	70,587	105,280
Depreciation on property, plant and equipment		36,378,103	38,027,193	17,354,762	17,182,639
Depreciation on assets subject to finance lease		350,910	378,544	161,638	58,203
		<u>399,543,201</u>	<u>326,072,004</u>	<u>201,446,714</u>	<u>177,305,001</u>
Work in process:					
- Opening work in process		30,571,716	26,957,435	29,738,420	28,922,678
- Closing work in process		(33,396,231)	(40,850,724)	(33,396,231)	(40,850,724)
		<u>(2,824,515)</u>	<u>(13,893,289)</u>	<u>(3,657,811)</u>	<u>(11,928,046)</u>
Cost of goods manufactured		<u>396,718,686</u>	<u>312,178,715</u>	<u>197,788,903</u>	<u>165,376,955</u>
Finished goods:					
- Opening finished goods		242,344,714	185,234,655	216,440,668	207,568,183
- Closing finished goods		(183,165,600)	(244,245,550)	(183,165,600)	(244,245,550)
		<u>59,179,114</u>	<u>(59,010,895)</u>	<u>33,275,068</u>	<u>(36,677,367)</u>
		<u>455,897,800</u>	<u>253,167,820</u>	<u>231,063,971</u>	<u>128,699,588</u>

#### 10. Transactions with Related Parties

Related parties and associated companies comprise related group companies, associated companies, staff retirement funds, directors and key management personnel. Transactions along with balances with related parties and associated companies, other than remuneration and benefits to key management personnel under the terms of their employment, are as follows:

	Note	Half Year Ended December 31,	
		2015 Rupees	2014 Rupees
Associates and related parties			
Mark-up on long term financing		357,072	357,071
Mark-up on short term borrowing		5,041,126	3,334,438
Long term financing obtained		1,000,000	3,000,000
Long term financing repaid		-	3,199,150
Short term borrowing obtained		268,007,957	105,129,800
Short term borrowing repaid		245,073,147	18,309,795
Rent paid		660,000	666,000
Managerial services and expenses charged - net		7,302,979	6,348,032
Staff retirement fund			
Markup on loan from Employees' Provident Fund Trust		6,127,401	8,521,779
Expense charged to Gratuity Fund		1,830,762	2,555,566
Outstanding balances as at December 31,			
Accrued mark-up on long term financing		102,387,363	100,594,900
Accrued mark-up on short term borrowing		8,069,693	8,635,631
Long term financing		273,670,610	150,026,782
Short term borrowings		328,598,165	272,508,725





## 11. Segment Reporting

11.1 A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. The management has determined the operating segments based on the information that is presented to the Chief Executive Officer for allocation of resources and assessments of performance. Based on internal management reporting structure and products produced and sold, the Company is organized into following two operating segments:

Types of segments	Nature of business
- Insulator	Manufacture and sale of high/low tension electrical porcelain insulators and switchgear
- Tile	Manufacture and sale of ceramic tiles

The management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is generally evaluated based on certain key performance indicators including business volume, gross profit, profit from operations, reduction in operating cost and free cash flows.

The Company has temporarily closed down the production facility of tile segment, therefore, segment results for the period only include insulator segment.

Segment assets include all operating assets used by a segment and consist principally of receivables, inventories and property, plant and equipment, net of impairment and provisions but do not include deferred taxes. Segment liabilities include all operating liabilities and consist principally of trade payable, bills payable and short term borrowing.

### 11.2 Segment analysis

The segment information for the reportable segments for the half year ended December 31, 2015 is as follows:

Segment Results for the half year ended December 31, 2015	Insulator Rupees	Tile Rupees	Total Rupees
Revenue	<u>527,655,578</u>	<u>-</u>	<u>527,655,578</u>
Segment result from operations	<u>50,898,161</u>	<u>(24,250,806)</u>	<u>26,647,355</u>
Other operating expenses			(663,729)
Finance costs			(41,301,067)
Other income			<u>6,053,273</u>
Loss before taxation			<u>(9,264,168)</u>
Segment Results for the half year ended December 31, 2014			
Revenue	<u>316,053,276</u>	<u>-</u>	<u>316,053,276</u>
Segment result from operations	<u>4,661,368</u>	<u>-</u>	<u>4,661,368</u>
Other operating expenses			(919,580)
Finance costs			(49,168,620)
Other income			<u>1,089,528</u>
Loss before taxation			<u>(44,337,304)</u>

	Insulator Rupees	Tile Rupees	Total Rupees
Segment asset as at December 31, 2015			
Segment assets	<u>1,402,815,307</u>	<u>796,999,511</u>	<u>2,199,814,818</u>
Segment asset as at June 30, 2015			
Segment assets	<u>1,212,236,220</u>	<u>830,864,287</u>	<u>2,043,100,507</u>
		December 31, 2015 (Un-audited) Rupees	June 30, 2015 (Audited) Rupees
Reportable segments' assets are reconciled to total assets as follows:			
Segment assets for reportable segments		2,199,814,818	2,043,100,507
Corporate assets unallocated		170,096,282	152,549,402
Cash and bank balances		5,106,937	6,699,210
Total assets as per the balance sheet		<u>2,375,018,037</u>	<u>2,202,349,119</u>
Reportable segments' liabilities are reconciled to total liabilities as follows:			
Corporate liabilities unallocated		<u>1,644,316,951</u>	<u>1,649,053,489</u>

#### 12. Restatement of Financial Statements

The Company has opted for early adoption of the TR-32 issued by the Institute of Chartered Accountants of Pakistan. During the year, the financial statements have been restated to conform with the said requirements of the TR-32. Furthermore, the deferred markup of loan obtained from the Standard Chartered Bank of Pakistan is now opted to be amortised as per paragraph 9 of IAS 39.

#### 13. Date of Authorization for Issue

This condensed interim financial information (un-audited) is authorized for issuance on February 29, 2016 by the Board of Directors of the Company.

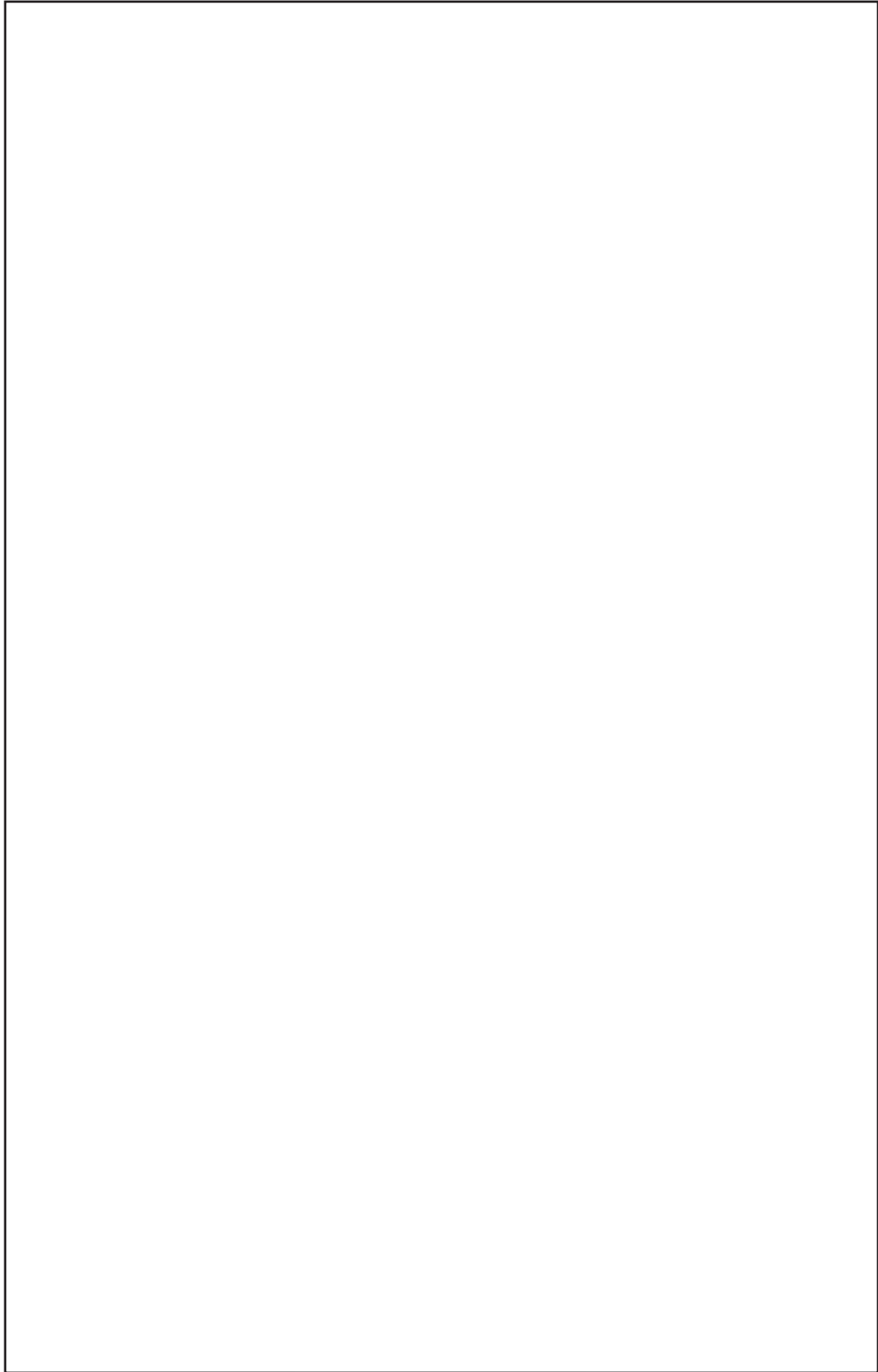
#### 14. General

Corresponding figures are re-arranged / reclassified, wherever necessary, to facilitate comparison.

Lahore  
February 29, 2016

  
(Tariq Rehman)  
Chief Executive

  
(Suhail Mannan)  
Director



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