

REPORT & ACCOUNTS

(UN-AUDITED)

FOR THE THIRD QUARTER ENDED
MARCH 31, 2014



Emco Industries Limited

DIRECTORS' REPORT

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present Unaudited financial statements of the Company for the third quarter ended March 31, 2014.

Sale for the period under review is Rs. 719.98 million as compared to Rs.1,127.26 million and your company has incurred net loss after tax of Rs. 133.27 million as compared to net loss after tax of Rs. 71.08 million in the same period last year. The loss in this period is attributed to the unprecedented natural gas load-shedding during this period. Natural gas to domestic industry was completely switched off from December 10, 2013 and remained off till mid March, 2014. Given these force majeure conditions, a decision was taken by the board to shut down the Tile Division till gas supply resumed to at least 5 days per week. To this effect, the Tile Plant was shut down in mid January, 2014.

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

Insulator Plant

The profit from operation is Rs. 37.90 million in this period as compared to operating profit of Rs 45.809 million for the same period last year. Average monthly production has decreased from 205 tons to 101 tons against the corresponding period. With the improved orders in hand, the management is now working towards maximizing efficiency and production in the Insulator Division. It has already been planned to increase the production from an average of 101 tons per month in the last 9 months, to 300 tons per month for the foreseeable future. The present order book indicates orders in excess of Rs. 600 Million, and a strong growth is expected after the announcement of the Federal Budget in June, 2014.

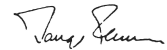
With the exceptionally high demand for Insulators, higher margins and better operating margins in the Insulator plant, the company is expected to come into a profit by December, 2014.

Tile Plant

The operating loss of this division is Rs. 181.36 million as compared to operating loss of Rs. 36.89 million over the same period last year. The net sales have decreased from Rs. Rs. 816.12 million to Rs. 483.31 million over the same period last year. The average monthly production of tile plant has decreased from 209,448 M² to 173,349 M² primarily owing to severe shortage of gas and electricity. We have closed the plant from January 15, 2014 due to non availability of Gas till the natural gas supply to industry is resumed to the level of 5 days per week

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


April 30, 2014
Lahore

CONDENSED INTERIM BALANCE SHEET

	Note	March 31, 2014 Rupees	June 30, 2013 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		(574,388,714)	(461,994,376)
		(94,490,188)	17,904,150
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		583,690,293	604,623,040
NON-CURRENT LIABILITIES			
Long term loans from directors - unsecured		115,708,828	115,708,828
Long term loans and liabilities	4	296,973,929	257,268,254
Liabilities against assets subject to finance lease		-	-
Deferred liabilities		45,562,424	45,047,704
Deferred Tax		95,489,208	110,277,352
		553,734,388	528,302,138
CURRENT LIABILITIES			
Current portion of			
- Long term loans and liabilities	4	113,865,107	175,633,232
- Liabilities against assets subject to finance lease		2,149,130	4,600,839
Short term loans from related parties-unsecured		158,411,392	125,538,486
Finances under mark up arrangements - secured		348,485,015	366,576,111
Trade and other payables		277,629,840	324,608,021
Accrued mark-up on loans and other payables		134,869,824	104,588,388
		1,035,410,308	1,101,545,077
CONTINGENCIES AND COMMITMENTS	6		
		2,078,344,803	2,252,374,405

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

Lahore
April 30, 2014


 (Tariq Rehman)
 Chief Executive

(UN-AUDITED) AS AT MARCH 31, 2014

	Note	March 31, 2014 Rupees	June 30, 2013 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,223,969,425	1,305,834,295
Assets subject to finance lease		9,754,719	13,929,065
Intangible Assets		3,484,104	3,839,623
Capital work in progress		-	-
Long term deposits		2,532,100	809,778
Long term loans		3,751,488	1,114,295
		<hr/> 1,243,491,836	<hr/> 1,325,527,056
CURRENT ASSETS			
Stores, spares and loose tools		106,533,495	118,406,907
Stock-in-trade		363,071,626	363,706,465
Trade debts		236,574,561	258,080,528
Loans, advances, deposits, prepayments and other receivables		74,301,989	74,206,533
Taxation - net		53,171,820	65,345,820
Cash and bank balances		1,199,476	47,101,096
		<hr/> 834,852,967	<hr/> 926,847,349
		<hr/> <u>2,078,344,803</u>	<hr/> <u>2,252,374,405</u>


(Haris Noorani)
Director


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

FOR THE THIRD QUARTER ENDED MARCH 31, 2014

	Notes	January to March		July to March	
		2014 Rupees	2013 Rupees	2014 Rupees	2013 Rupees
Sales		136,147,271	395,223,414	719,979,980	1,127,025,607
Cost of goods sold	7	(170,744,661)	(332,297,082)	(663,271,894)	(977,199,257)
Gross profit		(34,597,390)	62,926,332	56,708,086	149,826,350
Administration expenses		(12,782,551)	(17,390,407)	(47,771,168)	(51,469,071)
Distribution and selling costs		(30,386,878)	(27,393,577)	(77,583,112)	(89,440,327)
Other operating expenses		-	(888,269)	(1,364,397)	(3,957,438)
		(43,169,429)	(45,672,253)	(126,718,677)	(144,866,836)
		(77,766,819)	17,254,079	(70,010,591)	4,959,514
Other operating income		(41,776)	(434,789)	3,872,152	4,908,530
Profit from operations		(77,808,595)	16,819,290	(66,138,439)	9,868,044
Finance cost		(24,217,297)	(24,822,036)	(74,777,033)	(84,477,536)
(Loss) / Profit before taxation		(102,025,892)	(8,002,746)	(140,915,472)	(74,609,492)
Taxation		3,567,909	(1,976,117)	7,588,345	3,527,219
(Loss) / Profit after taxation		(98,457,984)	(9,978,863)	(133,327,127)	(71,082,273)
(Loss) / Earnings per share - Basic and diluted		(2.81)	(0.29)	(3.81)	(2.03)

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

Lahore
April 30, 2014


(Tariq Rehman)
Chief Executive



(Haris Noorani)
Director

**CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME(UN-AUDITED)**
FOR THE THIRD QUARTER ENDED MARCH 31, 2014

	January to March		July to March	
	2014 Rupees	2013 Rupees	2014 Rupees	2013 Rupees
Profit / (Loss) after taxation	(98,457,984)	(9,978,863)	(133,327,127)	(71,082,273)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	(98,457,984)	(9,978,863)	(133,327,127)	(71,082,273)

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

Lahore
April 30, 2014


(Tariq Rehman)
Chief Executive


(Haris Noorani)
Director

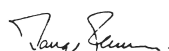
**CONDENSED INTERIM STATEMENT OF
CHANGES IN EQUITY (UN-AUDITED)**

FOR THE THIRD QUARTER ENDED MARCH 31, 2014

	Share Capital Rupees	Share Premium Rupees	General Reserve Rupees	Accumulated Loss Rupees	Total Rupees
Balance as on June 30, 2012	350,000,000	39,898,526	90,000,000	(447,269,291)	32,629,235
(Loss) for the period	-	-	-	(41,279,660)	(41,279,660)
Transfer from surplus on revaluation of property, plant and equipment net of deferred taxation: - Incremental depreciation for the period	-	-	-	9,797,335	9,797,335
Balance as on December 31, 2012	350,000,000	39,898,526	90,000,000	(478,751,616)	1,146,910
(Loss) for the period	-	-	-	7,344,296	7,344,296
Transfer from surplus on revaluation of property, plant and equipment net of deferred taxation - Incremental depreciation for the period	-	-	-	9,412,944	9,412,944
Balance as on June 30, 2013	350,000,000	39,898,526	90,000,000	(461,994,376)	17,904,150
Profit for the period	-	-	-	(133,327,127)	(133,327,127)
Transfer from surplus on revaluation of property, plant and equipment net of deferred taxation - Incremental depreciation for the period	-	-	-	20,932,790	20,932,790
Balance as on March 31, 2014	350,000,000	39,898,526	90,000,000	(574,388,714)	(94,490,188)

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

Lahore
April 30, 2014



(Tariq Rehman)
Chief Executive



(Haris Noorani)
Director


CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE THIRD QUARTER ENDED MARCH 31, 2014

	Notes	March 31, 2014 Rupees	March 31, 2013 Rupees
Cash flow from operating activities			
Cash generated from operations	9	19,314,382	190,669,643
Financial cost paid		(44,495,597)	(65,201,436)
Taxes paid		5,291,512	(9,430,861)
Gratuity paid		(5,910,120)	(5,047,415)
Net cash (used in)/from operating activities		(25,799,822)	110,989,931
Cash flow from investing activities			
Fixed capital expenditure		(7,185,630)	(16,946,650)
Net (increase)/decrease in long-term loans and other receivables		1,084,593	(350,000)
Net (increase)/decrease in long-term deposits and prepayments		(2,068,783)	136,714
Proceeds from disposal of property, plant and equipment		3,918,844	365,000
Net cash used in investing activities		(4,250,976)	(16,794,936)
Cash flow from financing activities			
Net increase/(decrease) in long term loans and liabilities		(22,062,450)	(46,772,791)
Net (decrease)/increase in short term loans from directors		32,872,906	25,459,147
Repayment of finance lease liabilities		(2,451,709)	(4,666,163)
Net cash from financing activities		8,358,747	(25,979,807)
Net (decrease)/increase in cash and cash equivalents		(21,692,051)	68,215,188
Cash and cash equivalents at the beginning of the year	10	(325,593,488)	(546,295,766)
Cash and cash equivalents at the end of the period		(347,285,539)	(478,080,578)

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

Lahore
April 30, 2014


(Tariq Rehman)
Chief Executive


(Haris Noorani)
Director

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

FOR THE THIRD QUARTER ENDED MARCH 31, 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, 2013.
3. These accounts have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting".

	March 31, 2014 Rupees	June 30, 2013 Rupees
4. Long term loans and liabilities		
Secured loans		
- Local currency loans	249,527,104	269,079,554
Unsecured loans from		
- Associated companies	14,951,139	14,951,139
- Others	8,000,000	8,000,000
Other payables		
- Payable to provident fund	138,360,793	140,870,793
	410,839,036	432,901,486
Less: Current portion shown under current liabilities		
- Secured loans	107,008,107	94,179,232
- Payable to provident fund	6,857,000	81,454,000
	113,865,107	175,633,232
	296,973,929	257,268,254
5. Property, plant and equipment		
Opening book value	1,305,834,295	1,087,203,565
Add: Additions during the period (note 5.1)	7,185,673	23,327,423
Transfers in during the period	2,606,297	-
Surplus on revaluation during the period (note 5.2)	-	304,654,485
	1,315,626,265	1,415,185,473
Less: Disposals during the period (at book value)	2,606,297	1,051,352
Depreciation charged during the period	89,050,543	108,299,826
Adjustments	-	-
	91,656,840	109,351,178
	1,223,969,425	1,305,834,295
5.1 Additions during the period		
Building on freehold land	-	-
Plant and machinery	7,055,349	20,482,293
Office equipment	130,324	800,930
Furniture and fixtures	-	6,200
Vehicles	-	2,038,000
	7,185,673	23,327,423

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. 57.930 million (June 2013: Rs. 57.67 million).

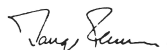
(ii) Bank guarantees amounting to Rs. 117.443 million (June 2013: Rs. 125.49 million).

	January to March		July to March	
	2014 Rupees	2013 Rupees	2014 Rupees	2013 Rupees
7. Cost of goods sold				
Raw and packing materials consumed	46,915,317	122,580,205	194,829,270	345,239,549
Stores and spares consumed	6,351,703	14,328,403	26,923,367	42,312,958
Salaries, wages and benefits	38,963,561	60,341,863	143,059,264	191,623,928
Power	30,227,582	98,972,747	216,446,857	274,684,026
Depreciation	29,216,346	24,828,932	87,649,037	74,486,797
Depreciation of leased assets	552,670	320,341	961,023	961,023
Vehicle maintenance	77,912	86,237	274,005	354,666
Repairs and maintenance	468,090	1,900,142	3,678,787	5,415,685
Insurance	804,259	429,570	2,378,547	2,206,135
Communication and stationery	268,625	594,005	1,056,285	1,688,139
Rent, rates and taxes	1,121,354	5,464,857	15,140,890	14,807,424
Travelling and conveyance	1,127,126	1,155,460	3,228,932	3,732,406
Provision for obsolete stock	-	-	-	-
Others	4,256,524	3,010,459	4,855,446	5,991,588
	160,351,069	334,013,221	700,481,711	963,504,324
Opening work in process	46,998,549	39,675,749	35,462,946	37,114,281
Less: Closing work in process	(29,019,834)	(42,248,007)	(29,019,834)	(42,248,007)
	17,978,715	(2,572,258)	6,443,113	(5,133,726)
Cost of goods produced	178,329,784	331,440,963	706,924,824	958,370,598
Opening stock of finished goods	225,632,688	202,907,993	189,564,881	220,880,533
	403,962,472	534,348,956	896,489,704	1,179,251,131
Less: Closing stock of finished goods	(233,217,811)	(202,051,875)	(233,217,811)	(202,051,875)
	170,744,661	332,297,082	663,271,894	977,199,257
Cost of goods sold - purchased for resale	-	-	-	-
	170,744,661	332,297,082	663,271,894	977,199,257

	Insulator		Tile		Total	
	July to March		July to March		July to March	
	2014	2013	2014	2013	2014	2013
8. Segment Information						
Segment revenue - external						
Cost of Sales	236,669,678	310,909,237	483,310,302	816,116,370	719,979,980	1,127,025,607
	144,436,576	230,650,194	518,835,318	746,549,063	663,271,894	977,199,257
Gross profit/(loss)	92,233,102	80,259,043	(35,525,016)	69,567,307	56,708,086	149,826,350
Distribution costs	16,587,432	19,134,973	60,995,680	70,305,354	77,583,112	89,440,327
Administration expenses	15,203,354	15,315,425	32,567,814	36,153,646	47,771,168	51,469,071
	31,790,786	34,450,398	93,563,494	106,459,000	125,354,280	140,909,398
Segment result from operations	60,442,316	45,808,645	(129,088,510)	(36,891,693)	(68,646,194)	8,916,952
8.1 Inter segment pricing						
There are no inter segment sales.						
	March 31, 2014	June 30, 2013	March 31, 2014	June 30, 2013	March 31, 2014	June 30, 2013
Segment assets	849,995,835	773,542,978	1,089,403,248	1,286,414,282	1,939,399,083	2,059,957,260
Unallocated assets					138,945,677	192,417,145
					2,078,344,760	2,252,374,405
8.2 Segment assets						
Segment liabilities	313,057,428	338,425,417	313,057,428	338,425,417	626,114,855	676,850,835
Unallocated liabilities					963,029,841	938,663,081
					1,589,144,696	1,629,847,215
8.4 Other segment information						
Capital expenditure	1,064,764	1,738,848	6,120,871	15,424,190	7,185,635	17,163,038
					7,185,635	17,163,038
Depreciation	21,459,372	16,868,028	67,591,171	59,294,537	89,050,543	76,162,565
Depreciation of leased assets	88,274	88,274	1,479,777	1,479,777	1,568,050	1,568,050
					90,618,593	77,730,615

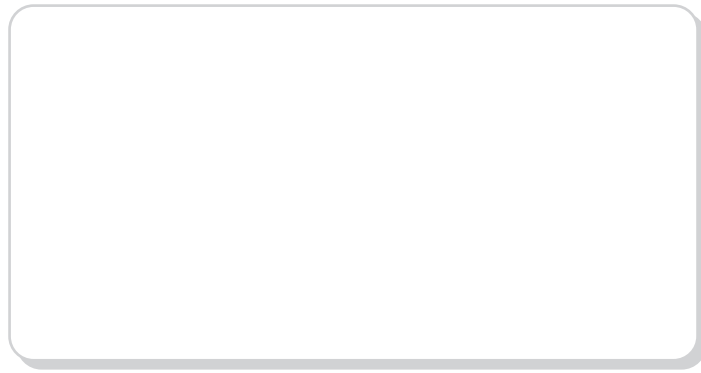
		July to March	
		2014 Rupees	2013 Rupees
9.	Cash generated from operations		
	(Loss)/Profit before taxation	(140,915,472)	(74,609,492)
	Add:		
	Depreciation	89,050,543	76,162,565
	Depreciation of leased assets	1,568,050	1,568,050
	Amortization of intangibles	355,521	355,521
	Provision for gratuity	6,424,841	6,385,498
	Loss/(Gain) on sale of fixed assets	(1,312,547)	46,502
	Financial charges	74,777,033	84,477,536
		170,863,441	170,222,221
	Profit before working capital changes	29,947,969	95,612,729
	Effect on cash flow due to working capital changes:		
	- (Increase)/decrease in stores and spares	11,873,419	(6,759,386)
	- (Increase)/decrease in stock in trade	634,840	72,902,521
	- (Increase)/decrease in trade debts	21,462,271	(34,165,150)
	- (Increase)/decrease in loans, advances, deposits, prepayments and other receivables	(13,045,252)	(7,856,214)
	- Increase/(decrease) in creditors, accrued and other liabilities	(31,558,865)	70,935,143
		(10,633,587)	95,056,914
		19,314,382	190,669,643
10.	Cash and cash equivalents		
	Cash and bank balances	42,068,642	18,063,222
	Finances under mark-up arrangements - secured	(367,662,130)	(564,358,988)
		(325,593,488)	(546,295,766)
11.	Transaction with related parties		
	Sale of goods	49,780	194,507
	Goods purchased	-	1,157,011
	Mark-up on short term borrowings	531,727	580,290
	Rent Paid	1,956,730	3,858,872
12.	Date of authorization for issue		
	These financial statements were authorised for issue on April 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
April 30, 2014


(Tariq Rehman)
Chief Executive


(Haris Noorani)
Director

UNDER POSTAL CERTIFICATE



If undelivered please return to:

Emco Industries Limited

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

Sehantech
Tel: 3630723