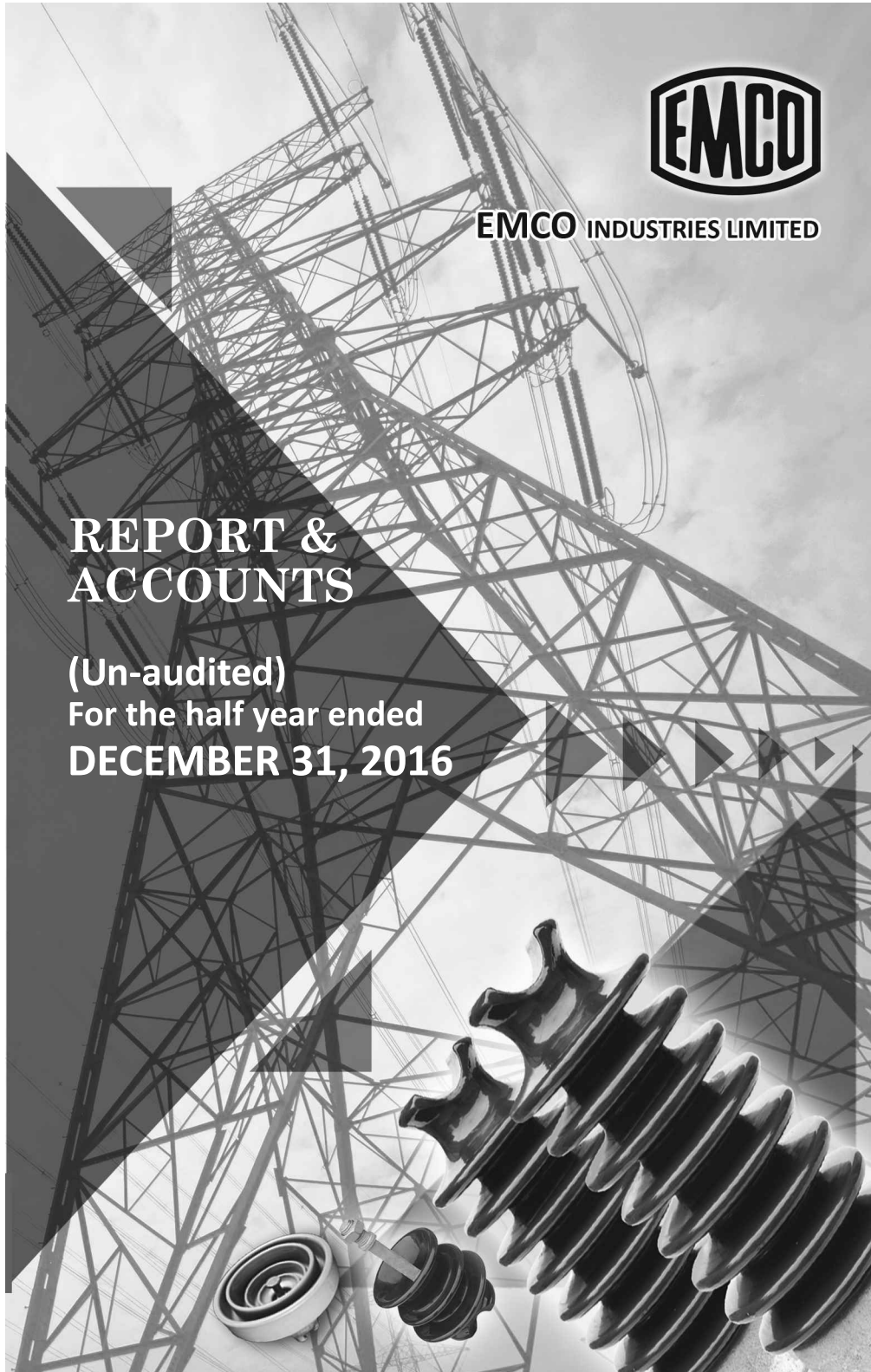




EMCO INDUSTRIES LIMITED

REPORT & ACCOUNTS

**(Un-audited)
For the half year ended
DECEMBER 31, 2016**



COMPANY INFORMATION

COMPANY INFORMATION

Board of Directors

Mr. Tariq Rehman
Mr. Shafiq A. Siddiqi (late)
Mr. Haris Noorani (late)
Mr. Suhail Mannan
Mr. Javaid Shafiq Siddiqi
Mr. Usman Haq
Mr. Pervaiz Shafiq Siddiqi (appointed as on 16-02-2017)
Mr. Salem Rehman
Mr. Ahsan Suhail Mannan
Mr. Awais Noorani (appointed as on 08-02-2017)

Audit Committee

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

Chief Financial Officer

Mr. Riaz Ahmad

Auditors

A.F. Ferguson & 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



DIRECTORS' REVIEW

Dear Shareholders

On behalf of the Board of Directors, I present Un-audited condensed Interim financial information of the Company for the half year ended December 31, 2016.

Sale for the period under review was driven entirely by the Insulator Division and recorded at Rs. 482.136 Million as compared to sale of Rs. 527.66 Million for the corresponding period. Your company has earned profit after tax of Rs.20.94 million as compared to net loss after tax of Rs. 11.574 million in the same period last year. Turnaround of results is mainly owing to effective management of resources and economies of scale of operations. However company is booking full depreciation of Rs. 21.572 million of tile division for the period under review.

By the grace of Allah and continuous efforts of Management, Company results are showing growth. 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 future -InshAllah.

The key highlights of the six months under review 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.56.42 Million in the period as compared to Rs. 26.647 million for the corresponding period last year.

Given the reallocation of resources to the Insulator Division, average monthly production showed a strong improvement from 334 tons to 396 tons against the corresponding period. However, sales for the period decreased from Rs.527.66 Million to Rs. 482.14 Million due to change in sales mix.

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 results of the company in the near future.

The Auditors in their report have qualified conclusion on the receivables of the Tile Division. The Management would like to place on record that it is continuously striving to recover these receivables and will continue to make progress.

The Auditors in their report have also emphasized on the matters relating to the current liabilities exceeding its current assets. The Management would like to state that company has shown continuous improvement in the profitability during the last year and in current period and reduced the gap between current liabilities and current assets and expects this gap to reduce substantially by the end of the calendar year.

Tile Plant Operation

Operations were kept suspended as stated above during the period. The decision will be reviewed during second half of FY 2016 - 17 based on availability of the options.

The Management would like to place on record that the results of the period have been prepared for the first time in the new SAP based system.

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 28, 2017
Lahore

ڈائریکٹر کا جائزہ

محترم حصص یافتگان!

میں بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کے غیر نظر ثانی شدہ نتائج برائے ششماہی 2016-12-31 ختمہ پیش کرتا ہوں، زیر جائزہ مدت میں آمدن مکمل طور پر انسولیٹر ڈویژن سے حاصل کی گئی۔ جو گزشتہ ششماہی میں ہونے والی آمدنی مبلغ 527.66 ملین روپے کے مقابلے میں اس ششماہی کے دوران حاصل ہونے والی آمدنی مبلغ 482.136 ملین روپے تھی۔ آپ کی کمپنی نے گزشتہ ششماہی کے دوران مبلغ 11.574 ملین روپے ٹالہا بعد از ٹیکس نقصان کے مقابلے میں 20.94 ملین روپے بعد از ٹیکس منافع کمایا ہے۔ نتائج میں اس مثبت تبدیلی کی خاص وجہ وسائل اور مالیاتی آپریشن کی بہتر اور موثر مینجمنٹ ہے۔ تاہم کمپنی نے زیر جائزہ مدت میں ٹائل ڈویژن کی انحطاط کی مد میں 21.572 ملین روپے کب کیے۔

اللہ تعالیٰ کی مہربانی اور مینجمنٹ کی مسلسل کادوشوں کی بدولت کمپنی اچھے نتائج ظاہر کر رہی ہے۔ انسولیٹر پلانٹ کا آپریشنل منافع کمپنی کے تمام اضافی بوجھ کو اٹھانے میں لگا تار مدد کرتا رہا ہے۔

کمپنی اپنے تصور کے مطابق اپنی تمام تر توجہ انسولیٹر ڈویژن پر مرکوز کیے ہوئے ہے اور آپریشنل نتائج مستقبل میں مزید بہتر ہوں گے انشاء اللہ۔

گزشتہ 6 ماہ کے نتائج کی اہم جھلکیاں مندرجہ ذیل ہیں:

انسولیٹر پلانٹ آپریشن:

گزشتہ 6 ماہ کے دوران کمپنی کے انسولیٹر کی طلب مضبوط رہی۔ جس کی وجہ سے گزشتہ برس اسی عرصہ کے دوران پیداواری منافع 26.647 ملین سے بڑھ کر اس ششماہی میں 56.42 ملین روپے رہا۔ انسولیٹر ڈویژن کے وسائل کی از سر نو تعمیراتی سے اوسط ماہانہ پیداوار گزشتہ برس اسی عرصہ کے دوران 334 ٹن سے بڑھ کر 396 ٹن ہو گئی۔ تاہم گزشتہ برس اس عرصہ میں سیل 527.66 ملین روپے سے کم ہو کر اس ششماہی میں 482.14 ملین روپے رہی۔ اس کی وجہ سیل کس میں تبدیلی ہے۔ پاکستان میں توانائی کے بنیادی ڈھانچے پر بڑے پیمانے پر سرمایہ کاری سے ملک کے اندر انسولیٹر کی واضح طلب پیدا ہو رہی ہے۔ انتظامیہ مستقبل میں موجودہ آرڈر اور مستقبل کی طلب میں اہم اضافہ کی پیش بینی کرتی ہے اور اس سے مستقبل قریب میں کمپنی کے مالیاتی نتائج میں واضح بہتری آنے کا امکان ہے۔

آڈیٹرز نے ٹائل ڈویژن کی وصولیوں پر اپنی کوالیفائیڈ رپورٹ جاری کی ہے۔ مینجمنٹ اس چیز کو ریکارڈ پر رکھنا چاہتی ہے کہ وہ ان قابل وصول رقم کی وصولی کے لیے مسلسل کوشاں ہے اور اس سلسلے میں پیش رفت جاری رکھے گی۔

آڈیٹرز نے اپنی رپورٹ میں کمپنی کے موجودہ جاری اثاثوں سے زیادہ موجودہ جاری قرضوں میں فرق پر بھی زور دیا ہے۔ مینجمنٹ اس بات کو واضح کرنا چاہتی ہے کہ کمپنی نے موجودہ دورانہ اور گزشتہ برس منافع میں لگا تار بہتری، موجودہ اثاثوں اور موجودہ قرضوں کے درمیان پائے جانے والے لفرقی کو کم کرنے میں لگا تار بہتری دکھائی ہے اور اس فرق کو اس کیلنڈر سال کے آخر تک کافی حد تک کم کرنے کی امید رکھتی ہے۔

ٹائل پلانٹ آپریشن:

اوپر بیان کردہ مدت کے دوران ٹائل پلانٹ آپریشنز کو معطل رکھا گیا تھا۔ مالی سال 2016-2017 کے دوسرے نصف کے دوران موجودہ آپریشنز کو مد نظر رکھتے ہوئے اس فیصلہ پر نظر ثانی کی جائے گی۔

مینجمنٹ اس بات کو ریکارڈ پر لانا چاہتی ہے کہ اس مدت کے نتائج پہلی مرتبہ نئے سیپ سسٹم (SAP SYSTEM) میں تیار کیے جا رہے ہیں۔ ڈائریکٹر ز اپنے معزز کسٹمرز / ڈیلرز / مالیاتی اداروں اور دیگر حصہ داروں کے لگا تار اعتماد پر ان کے مشکور ہیں۔ انتظامیہ نے تمام ملازمین کی محنت کو تسلیم کیا اور تعریف کی ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے



طارق رحمان، چیف ایگزیکٹو

28-02-2017



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 (here-in-after referred to as the "Company") as at December 31, 2016 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 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 and condensed interim statement of comprehensive income for the quarters ended December 31, 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

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.

Basis for Qualified Conclusion

Included in trade debts - unsecured is an amount of Rs 89.366 million in relation to the sale of tiles which are long outstanding. As at reporting date, general provision against doubtful receivables amounts to Rs 34.432 million. The management considers that the provision of Rs 34.432 million is sufficient and considers that the company has a high chance of recovering the remaining amount owing by the customers. We were unable to ascertain the extent of recoverability of Rs 54.934 million through our review procedures. As a result we were unable to determine whether any adjustments would be required in provision against doubtful debts and related elements making up profit or loss account, statement of comprehensive income, statement of changes in equity and cash flows.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the preceding paragraph, 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, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to note 1.2 to the interim financial information which indicates that the current liabilities of the company have exceeded its current assets by Rs 206.696 million and the reserves of the company have been significantly depleted. Further, the company has shut down its tile manufacturing unit since January 2014. These factors, along with other matters as set forth in note 1.2 indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. Our report is not qualified in respect of this matter.

Other matter

The condensed interim financial information for the half year ended December 31, 2015 and financial statements for the year ended June 30, 2016 were reviewed and audited by another firm of Chartered Accountants who expressed an unmodified conclusion and opinion thereon vide their reports dated February 29, 2016 and September 22, 2016, respectively. However, their reports contained an emphasis of matter paragraph with regard to going concern assumption.

A.F. Ferguson & Co.
Chartered Accountants
LAHORE, February 28, 2017
(Engagement Partner: Asad Aleem Mirza)

CONDENSED INTERIM BALANCE SHEET

	Note	Un-audited December 31, 2016 Rupees	Audited June 30, 2016 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 40,000,000 (June 30, 2016: 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 30, 2016: 35,000,000) ordinary shares of Rs 10 each		350,000,000	350,000,000
Reserves		129,898,526	129,898,526
Sponsors' loan		115,708,828	115,708,828
Accumulated loss		(543,973,290)	(574,299,548)
		51,634,064	21,307,806
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		737,016,739	746,402,897
NON-CURRENT LIABILITIES			
Long term financing	6	228,353,034	238,885,384
Deferred liabilities		25,887,484	34,854,948
Deferred taxation		92,301,608	90,885,492
		346,542,126	364,625,824
CURRENT LIABILITIES			
Trade and other payables		277,247,625	263,745,534
Accrued finance cost		182,772,763	171,091,408
Short term borrowings	7	666,830,073	645,460,193
Current portion of non-current liabilities	6	52,115,233	62,566,631
		1,178,965,694	1,142,863,766
CONTINGENCIES AND COMMITMENTS	8	-	-
		2,314,158,623	2,275,200,293

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Lahore
February 28, 2017


(Tariq Rehman)
Chief Executive



AS AT DECEMBER 31, 2016

	Note	Un-audited December 31, 2016 Rupees	Audited June 30, 2016 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,337,385,608	1,348,691,088
Intangible assets		2,541,617	2,675,387
Long term loans		1,690,768	1,882,771
Long term deposits		271,163	271,163
		1,341,889,156	1,353,520,409
CURRENT ASSETS			
Stores and spares and loose tools		109,253,735	107,266,583
Stock-in-trade		386,680,849	381,895,545
Trade debts		354,153,248	292,246,677
Advances, deposits, prepayments and other receivables		57,808,484	58,506,225
Income tax refundable from the Government		62,184,873	72,908,786
Cash and bank balances		2,188,278	8,856,068
		972,269,467	921,679,884
		2,314,158,623	2,275,200,293

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.


 (Ahsan Suhail Mannan)
 Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2016 (UN-AUDITED)

	Note	Un-audited Quarter Ended		Un-audited Half Year Ended	
		December 31, 2016 Rupees	December 31, 2015 Rupees	December 31, 2016 Rupees	December 31, 2015 Rupees
Sales		280,200,819	258,310,341	482,136,135	527,655,578
Cost of sales	10	(216,264,588)	(231,063,971)	(373,933,655)	(455,897,800)
Gross profit		63,936,231	27,246,370	108,202,480	71,757,778
Administrative expenses		(11,733,728)	(11,531,323)	(25,703,999)	(24,919,720)
Selling and distribution expenses		(18,182,598)	(6,910,538)	(26,078,122)	(20,190,703)
		(29,916,326)	(18,441,861)	(51,782,121)	(45,110,423)
Operating profit		34,019,905	8,804,509	56,420,359	26,647,355
Other income		2,847,084	5,534,184	2,967,386	6,053,273
Other operating expenses		(1,030,399)	(297,500)	(1,430,399)	(663,729)
Finance cost		(15,475,386)	(20,857,799)	(30,779,770)	(41,301,067)
Profit / (loss) before taxation		20,361,204	(6,816,606)	27,177,576	(9,264,168)
Taxation		(4,218,122)	383,145	(6,237,477)	(2,310,307)
Profit / (loss) for the period		16,143,082	(6,433,461)	20,940,099	(11,574,475)
Earnings / (loss) per share - Basic and Diluted (Rupees)	11	0.46	(0.18)	0.60	(0.33)

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Lahore
February 28, 2017


(Tariq Rehman)
Chief Executive


(Ahsan Suhail Mannan)
Director



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2016
(UN-AUDITED)

Note	Un-audited Quarter ended		Un-audited Half Year ended	
	December 31, 2016 Rupees	December 31, 2015 Rupees	December 31, 2016 Rupees	December 31, 2015 Rupees
Profit / (loss) for the period	16,143,082	(6,433,461)	20,940,099	(11,574,475)
Other comprehensive income				
Items that will not be reclassified to profit or loss	-	-	-	-
Items that will be reclassified to profit or loss	-	-	-	-
Total comprehensive income/ (loss) for the period	16,143,082	(6,433,461)	20,940,099	(11,574,475)

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Lahore
February 28, 2017


(Tariq Rehman)
Chief Executive


(Ahsan Suhail Mannan)
Director

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE HALF YEAR ENDED DECEMBER 31, 2016 (UN-AUDITED)

	Note	Un-audited half year ended December 31,	
		2016 Rupees	2015 Rupees
Cash flows from operating activities			
Cash generated from operations	13	29,853,950	98,567,355
Finance cost paid		(16,385,110)	(38,417,569)
Gratuity paid		(1,102,660)	(4,096,304)
Payments against discontinued provident fund		(134,945)	(1,196,936)
Income tax refunded / (paid) - net		5,902,552	(34,232,087)
Net cash generated from operating activities		18,133,787	20,624,459
Cash flows from investing activities			
Fixed capital expenditure		(23,003,245)	(9,904,336)
Intangible assets		-	(1,762,827)
Long term loans		192,003	429,262
Proceeds from disposal of property, plant and equipment		260,000	-
Net cash used in investing activities		(22,551,242)	(11,237,901)
Cash flows from financing activities			
Long term financing from related parties - net		1,400,000	1,000,000
Long term financing from banking companies - net		(25,020,215)	(22,767,581)
Lease rentals paid		-	(800,000)
Short term loan from related parties - net		65,305,795	22,934,810
Short term borrowings from banking companies - net		(43,935,915)	(11,346,060)
Net cash used in financing activities		(2,250,335)	(10,978,831)
Net decrease in cash and cash equivalents		(6,667,790)	(1,592,273)
Cash and cash equivalents at beginning of the period		8,856,068	6,699,210
Cash and cash equivalents at the end of the period		2,188,278	5,106,937

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Lahore
February 28, 2017


(Tariq Rehman)
Chief Executive


(Ahsan Suhail Mannan)
Director



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 2016 (UN-AUDITED)

	Ordinary Share Capital Rupees	Reserves Share Premium Rupees	General Reserve Rupees	Sponsors' Loan Rupees	Accumulated Loss Rupees	Total Rupees
Balance as on July 01, 2015	350,000,000	39,898,526	90,000,000	115,708,828	(623,934,633)	(28,327,279)
Net loss for the period	-	-	-	-	(11,574,475)	(11,574,475)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(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
Total contributions by and distributions to owners of the Company recognised directly in equity	-	-	-	-	-	-
Balance as on December 31, 2015	350,000,000	39,898,526	90,000,000	115,708,828	(625,847,152)	(30,239,798)
Net profit for the period	-	-	-	-	38,796,934	38,796,934
Other comprehensive income for the period	-	-	-	-	366,892	366,892
Total comprehensive loss for the period	-	-	-	-	39,163,826	39,163,826
Incremental depreciation for the period on surplus on revaluation of property, plant and equipment net of deferred tax	-	-	-	-	12,383,778	12,383,778
Total contributions by and distributions to owners of the Company recognised directly in equity	-	-	-	-	-	-
Balance as on June 30, 2016	350,000,000	39,898,526	90,000,000	115,708,828	(574,299,548)	21,307,806
Net profit for the period	-	-	-	-	20,940,099	20,940,099
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	20,940,099	20,940,099
Incremental depreciation for the period on surplus on revaluation of property, plant and equipment net of deferred tax	-	-	-	-	9,386,159	9,386,159
Total contributions by and distributions to owners of the Company recognised directly in equity	-	-	-	-	-	-
Balance as on December 31, 2016	350,000,000	39,898,526	90,000,000	115,708,828	(543,973,290)	51,634,064

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

Lahore
February 28, 2017


 (Tariq Rehman)
 Chief Executive


 (Ahsan Suhail Mannan)
 Director

SELECTED NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2016
(UN-AUDITED)

1. The Company and its operations

- 1.1 EMCO Industries Limited ("the Company") is incorporated in Pakistan and is listed on Pakistan Stock Exchange. 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 the stock exchanges on December 29, 1983. Its registered office is situated at 4th Floor, National Tower, 28 Egerton Road, Lahore. The manufacturing facility is situated at 19-Kilometer, Lahore Sheikhpura road, Lahore.

The Company is principally engaged in the manufacture and sale of high / low tension electrical porcelain insulators, switchgear and ceramic tiles.

1.2 Going concern assumption

As at the reporting date, the current liabilities of the Company have exceeded its current assets by Rs 206.696 million (June 30, 2016: Rs 221.184 million) and the reserves of the Company have been significantly depleted. The Company has shut down its tile manufacturing unit since January 2014. The Company has not been able to meet obligations towards its lenders, including repayment of principal and markup thereon in respect of its borrowings. These conditions raise significant doubts on the Company's ability to continue as a going concern.

The management of the Company however, is continuously engaged with its lenders for restructuring of its borrowings. Subsequent to the period end, National Bank of Pakistan has offered, which the Company has accepted, to restructure its short term borrowings aggregating to Rs 116.250 million on terms mentioned in note 7.1. The Company is also enjoying continued support from its sponsors and related parties. During the year the Company received Rs 65 million from ICC (Private) Limited, a related party on terms mentioned in note 7.2.

The above plan is expected to be augmented by other actions of the management of the Company which include improving operational results through high volume of sales and reduction in operating costs. As a result the Company earned profit during the last year and the current period.

The condensed interim financial information has been prepared on a going concern basis based on the management's expectations that:

- the Company will be able to obtain relaxation from its lenders as highlighted above; and
- the Company will be able to sustain satisfactory level of profitability.

The condensed interim financial information consequently, does not include any adjustment relating to the realisation of its assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Basis of preparation

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984. It has been prepared in accordance with the requirements of the International Accounting Standard (IAS)



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. The figures for the half year ended December 31, 2016 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, 2016.

3. Significant accounting policies

3.1 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 financial statements of the Company for the year ended June 30, 2016.

3.2 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

3.2.1 Amendments to published standards effective and relevant in current year

There were certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Interpretations which became effective during the period but are not considered to be relevant and are, therefore, not disclosed in this condensed interim financial information except for the amendments as explained below:

Annual improvements 2014 applicable for annual periods beginning on or after January 01, 2016. The amendments include changes from the 2012-14 cycle of the annual improvements project that affect 4 standards: IFRS 5, 'Non current assets held for sale and discontinued operations' regarding methods of disposal, IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts, IAS 19, 'Employee benefits' regarding discount rates and IAS 34, 'Interim financial reporting' regarding disclosure of information. The application of these amendments do not have a material impact on this condensed interim financial information.

Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative. These amendments are part of the IASB initiative to improve presentation and disclosure in financial reports. Effective for annual periods beginning on or after 1 January 2016, subject to EU endorsement. The application of this amendment does not have a material impact on this condensed interim financial information.

Amendments to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are applicable on accounting periods beginning on or after January 01, 2016. IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The application of these amendments do not have a material impact on this condensed interim financial information.

3.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

Standards or Interpretations Annual improvements 2014–2016	Effective date (accounting periods beginning on or after)
IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10.	January 01, 2018
IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard.	January 01, 2018
IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value.	January 01, 2018
IFRS 9, 'Financial instruments'	January 01, 2018
IFRS 15, 'Revenue from contracts with customers'	January 01, 2018
IFRS 16 'Leases'	January 01, 2019
Amendments to IAS 7, Statement of cash flows on disclosure initiative	January 01, 2017
Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealised losses	January 01, 2017
Amendment to IAS 40, Investment property' relating to transfers of investment property	January 01, 2018
Amendments to IFRS 2, 'Share based payments', on clarifying how to account for certain types of share-based payment transactions	January 01, 2018
Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'	January 01, 2018
Amendment to IFRS 15, 'Revenue from contracts with customers'	January 01, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 01, 2018

4. Taxation

The provision for taxation for the half year ended December 31, 2016 has been made using the tax rate that would be applicable to expected total annual earnings.

5. Estimates

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended June 30, 2016, with the exception of changes in estimates that are required in determining the provision for income taxes as referred to in Note 4.



	Note	Un-audited December 31, 2016 Rupees	Audited June 30, 2016 Rupees
6. Long term loans			
- Secured	6.1	125,122,373	145,039,859
- Unsecured	6.2	155,345,894	156,412,156
		280,468,267	301,452,015
Less: Current portion shown under current liabilities		52,115,233	62,566,631
		228,353,034	238,885,384
6.1 Long term loans - secured			
NIB Bank Limited		9,627,467	14,211,492
The Bank of Punjab		-	8,181,112
Standard Chartered Bank (Pakistan) Limited		115,494,906	122,647,255
		125,122,373	145,039,859
Less: Current portion shown under current liabilities		35,394,852	43,379,988
		89,727,521	101,659,871
6.2 Loans from associated companies - unsecured			
- Associated Engineering (Private) Limited		19,498,518	18,098,518
- Imperial Electric Company (Private) Limited		2,569,995	2,569,995
- EMCO Industries Limited Provident Fund		133,277,381	135,743,643
		155,345,894	156,412,156
Less: Current portion shown under current liabilities		16,720,381	19,186,643
		138,625,513	137,225,513
7. Short term borrowings			
Interest bearing			
Banking companies - secured:			
- Running finances	7.1	193,107,966	206,216,658
- Export and import finances		125,188,705	156,015,925
		318,296,671	362,232,583
Related parties - unsecured:			
- Associated company - ICC (Private) Limited	7.2	75,000,000	10,000,000
- Directors	7.3	90,683,933	63,231,516
		165,683,933	73,231,516
Interest free			
Related parties - unsecured:			
- Associated company - ICC (Private) Limited		80,750,000	80,750,000
- Directors and close relatives thereof	7.3	102,099,469	129,246,094
		182,849,469	209,996,094
		666,830,073	645,460,193

7.1 Subsequent to the period end, National Bank of Pakistan ('the Bank') has offered, which the Company has accepted, to restructure its short term borrowings aggregating to Rs 116.250 million along with their accrued markup of Rs 31.716 million on following key terms:

- the Company will make upfront down payment of Rs 22.602 million to the Bank;
- conversion of existing short term borrowings aggregating to Rs 98.649 million to Demand Finance I ('DFI'). DFI to be repaid in six years including one year grace period and markup to be charged at one month KIBOR; and
- conversion of accrued markup of Rs 31.716 million to Demand Finance II ('DFII') to be repaid in six years including one year grace period in 60 monthly instalments.

7.2 During the current period the Company has obtained an additional Rs 65 million loan as an unsecured loan priced at 3 months KIBOR plus 3% per annum. The aggregate balance is repayable on demand.

7.3 During the current period the Company converted interest free director's loan of Rs 23.948 million to interest bearing. The rate of markup to be charged @ 6 month KIBOR plus 2%.

8. Contingencies and commitments

8.1 Contingencies

There has been no material change in contingencies since last audited annual financial statements.

8.2 Commitments

Letters of credit other than for capital expenditure amount to Rs 45.20 million as on December 31, 2016 (June 30, 2016: Rs 23.183 million).

Bank guarantees amount to Rs 162.238 million as on December 31, 2016 (June 30 2016: Rs 181.087 million) that have been issued in favor of the following companies:

	Note	Un-audited December 31, 2016 Rupees	Audited June 30, 2016 Rupees
Sui Northern Gas Pipeline Limited		29,806,000	22,406,000
WAPDA		132,431,901	158,680,600
		<u>162,237,901</u>	<u>181,086,600</u>
9. Property, plant and equipment			
Operating assets	9.1	1,315,412,513	1,315,164,858
Capital work-in-progress		21,973,095	33,526,230
		<u>1,337,385,608</u>	<u>1,348,691,088</u>
9.1 Operating assets - at net book value			
Opening book value		1,315,164,858	1,164,054,464
Add: Additions during the period / year	9.1.1	41,331,371	17,035,533
Add: Revaluation adjustment		-	212,972,725
		<u>1,356,496,229</u>	<u>1,394,062,722</u>
Less: Disposals during the period / year - vehicle		76,030	108,764
Less: Depreciation charged during the period / year		41,007,686	78,789,100
Closing book value		<u>1,315,412,513</u>	<u>1,315,164,858</u>



	Un-audited December 31, 2016 Rupees	Audited June 30, 2016 Rupees
9.1.1 Additions during the period / year		
Buildings on freehold land	31,241,230	-
Plant, machinery and equipment	9,299,491	14,477,763
Furniture and fixture	-	914,889
Vehicles	-	638,141
Office equipment	790,650	1,004,740
	<u>41,331,371</u>	<u>17,035,533</u>

	Un-audited Quarter Ended		Un-audited Half Year Ended	
	December 31, 2016 Rupees	December 31, 2015 Rupees	December 31, 2016 Rupees	December 31, 2015 Rupees
10. Cost of sales				
Raw and packing material consumed	83,684,705	97,181,831	165,840,096	183,366,360
Stores and spares consumed	6,513,121	7,657,088	15,004,931	18,910,507
Salaries, wages and benefits	56,709,237	50,536,404	113,025,631	102,626,574
Power and gas	27,543,802	19,224,442	54,256,240	42,450,904
Vehicle maintenance	171,700	145,959	323,619	284,794
Repairs and maintenance	1,144,106	316,130	2,367,372	936,322
Insurance	768,220	909,193	1,671,536	1,818,386
Communication and stationery	242,467	235,390	529,369	539,977
Rent, rates and taxes	385,783	431,689	869,566	996,809
Travelling and conveyance	1,047,408	3,401,778	2,524,521	4,701,262
Testing and inspection	1,824,247	3,819,823	7,721,288	6,037,160
Others	300,408	70,587	773,555	145,133
Depreciation on property, plant and equipment	20,996,625	17,354,762	40,626,217	36,378,103
Depreciation on assets subject to finance lease	-	161,638	-	350,910
	<u>201,331,829</u>	<u>201,446,714</u>	<u>405,533,941</u>	<u>399,543,201</u>
Work in process:				
- Opening work in process	19,214,396	29,738,420	21,295,773	30,571,716
- Closing work in process	(25,685,997)	(33,396,231)	(25,685,997)	(33,396,231)
	<u>(6,471,601)</u>	<u>(3,657,811)</u>	<u>(4,390,224)</u>	<u>(2,824,515)</u>
Cost of goods manufactured	<u>194,860,228</u>	<u>197,788,903</u>	<u>401,143,717</u>	<u>396,718,686</u>
Finished goods:				
- Opening finished goods	235,568,371	216,440,668	186,953,949	242,344,714
- Closing finished goods	(214,164,011)	(183,165,600)	(214,164,011)	(183,165,600)
	<u>21,404,360</u>	<u>33,275,068</u>	<u>(27,210,062)</u>	<u>59,179,114</u>
	<u>216,264,588</u>	<u>231,063,971</u>	<u>373,933,655</u>	<u>455,897,800</u>

	Un-audited Quarter Ended		Un-audited Half Year Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
11. Earnings / (loss) per share				
11.1 Basic loss per share				
Earnings / (loss) per share (Rupees)	16,143,082	(6,433,461)	20,940,099	(11,574,475)
Weighted average number of ordinary shares outstanding during the period (number)	35,000,000	35,000,000	35,000,000	35,000,000
Earnings / (loss) per share (Rupees)	0.46	(0.18)	0.60	(0.33)

11.2 Diluted earnings / (loss) per share

Diluted earnings / (loss) per share has not been presented as the Company does not have any convertible instruments in issue as at December 31, 2016 and December 31, 2015, which would have any effect on the earnings / (loss) per share if the option to convert is exercised.

12. Transactions with related parties

Related parties comprise associated companies, related group companies, directors of the Company and their close relatives, key management personnel and post employment benefit plans. The Company in the normal course of business carries out the following significant transactions with various related parties:

Related party	Nature of transaction	Un-audited December 31, 2016 Rupees	Un-audited December 31, 2015 Rupees
Directors and close relatives thereof	Short term borrowing obtained	265,262,724	268,007,957
	Short term borrowing repaid	264,944,133	245,073,147
	Markup on short term borrowing	2,277,892	2,563,879
	Markup on short term borrowing paid	1,512,375	903,599
	Conversion of interest free loan to interest bearing	23,948,000	-
Post employment benefit plan	Markup on long term financing	4,985,419	6,127,401
	Markup paid	250,000	3,496,308
	Principal repaid	2,466,262	-
	Gratuity expense	1,479,204	1,830,762
Others	Short term borrowing obtained	65,000,000	-
	Long term financing obtained	1,400,000	1,000,000
	Markup on long term financing	357,072	357,072
	Markup on short term borrowing	3,429,243	2,477,247
	Markup on short term borrowing paid	3,574,047	8,947,822
	Rent expense	660,000	660,000
	Remuneration of key management personnel	7,761,610	7,302,979



	Un-audited December 31, 2016 Rupees	Audited June 30, 2016 Rupees
12.1 Period end balances		
Payable to related parties:		
- Directors and close relatives thereof	310,470,781	309,399,472
- Post employment benefit plan	239,914,298	237,645,141
- Others	388,215,804	320,596,966
Receivable from related parties:		
- Directors and close relatives thereof	521,908	521,908
- Others	400,713	400,713

	Un-audited December 31, 2016 Rupees	Un-audited December 31, 2015 Rupees
13. Cash generated from operations		
Profit/(loss) before taxation	27,177,576	(9,264,168)
Adjustments for:		
- Depreciation on property, plant and equipment-owned	41,007,686	36,893,534
- Depreciation on assets subject to finance lease	-	350,910
- Amortization of intangible assets	133,770	863,915
- Provision for gratuity	1,479,204	2,349,417
- Lease liability adjustment	-	65,845
- Bad debts	6,985,402	147,500
- Gain on disposal of property, plant and equipment	(183,970)	-
- Liabilities written back	(2,292,267)	(4,322,377)
- Exchange (gain) / loss	-	(1,633,337)
- Finance cost	30,779,770	41,301,067
Profit before working capital changes	105,087,171	66,752,306
Effect on cash flow due to working capital changes		
- (Increase) / decrease in stores and spares	(8,762,143)	3,329,082
- (Increase) / decrease in stock-in-trade	(4,785,304)	24,788,246
- (Increase) / decrease in trade debts	(68,891,973)	2,286,815
- Decrease in advances, deposits, prepayments and other receivables	697,741	9,995,287
- Increase / (decrease) in trade and other payables	6,508,458	(8,584,381)
	(75,233,221)	31,815,049
Cash generated from operations	29,853,950	98,567,355

14. Segment Reporting

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 switchgears
- 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.

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 and bills payable.

14.1 Segment analysis

The segment information for the reportable segments for the period ended December 31, 2016 and year ended June 30, 2016 is as follows.

	Insulator Rupees	Tiles Rupees	Total Rupees
Segment Results for the Period ended December 31, 2016			
Sales	482,136,135	-	482,136,135
Segment result from operations	77,992,583	(21,572,224)	56,420,359
Other operating expenses			(1,430,399)
Other income			2,967,386
Finance costs			(30,779,770)
Profit before taxation			27,177,576
Segment Results for the Period ended December 31, 2015			
Sales	527,655,578	-	527,655,578
Segment results from operations	50,898,161	(24,250,806)	26,647,355
Other operating expenses			(663,729)
Other income			6,053,273
Finance costs			(41,301,067)
Loss before taxation			(9,264,168)
Segment asset as at December 31, 2016			
Segment asset	1,342,705,404	844,768,036	2,187,473,440
Segment asset as at June 30, 2016			
Segment asset	1,262,754,348	867,345,545	2,130,099,893



	Un-audited December 31, 2016 Rupees	Audited June 30, 2016 Rupees
Reportable segments' assets are reconciled to total assets as follows:		
Segment assets for reportable segments	2,187,473,440	2,130,099,893
Corporate assets unallocated	124,496,905	136,244,332
Cash and bank balances	2,188,278	8,856,068
Total assets as per the balance sheet	2,314,158,623	2,275,200,293
Reportable segments' liabilities are reconciled to total liabilities as follows:		
Corporate liabilities unallocated	1,525,507,820	1,507,489,590

15. Fair value estimation

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

The tables below analyze assets carried at fair value as at December 31, 2016 and June 30, 2016.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following is categorization of assets measured at fair value at December 31, 2016:

	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
Assets:				
Recurring fair value measurement of property, plant and equipment:				
Freehold land	-	265,930,000	-	265,930,000
Plant and machinery	-	-	713,047,764	713,047,764
Buildings	-	-	328,659,112	328,659,112
	-	265,930,000	1,041,706,876	1,307,636,876

The following is categorization of assets measured at fair value at June 30, 2016:

	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
Recurring fair value measurement of property, plant and property:				
Freehold land	-	265,930,000	-	265,930,000
Plant and machinery	-	-	731,907,952	731,907,952
Buildings	-	-	309,429,645	309,429,645
	-	265,930,000	1,041,337,597	1,307,267,597

There were no transfers between Levels 1 and 2 & Levels 2 and 3 during the period and there were no changes in valuation techniques during the periods.

Valuation techniques used to measure level 2 and 3 assets

The fair value of these assets is determined by an independent professionally qualified valuer. Latest valuation of these assets was carried out on December 31, 2015. The level 2 fair value of freehold land has been derived using the sales comparison approach. The most significant input into this valuation approach is price per acre. Level 3 fair value of Buildings has been determined on the basis of present condition of the plant and building.

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the period and year ended December 31, 2016 and June 30, 2016 for recurring fair value measurements:

	Un-audited December 31, 2016 Rupees	Audited June 30, 2016 Rupees
Opening value	1,041,337,597	964,890,960
Additions during the period / year	40,540,721	23,740,823
Add: Revaluation gain during the period / year	-	129,292,725
Less: depreciation during the period / year	(40,171,442)	(76,586,911)
Closing value	1,041,706,876	1,041,337,597

The revaluation gain (net of tax) is credited to Surplus on Revaluation of Property, plant and equipment in the balance sheet.

Valuation inputs and relationship to fair value

The following table summarises the quantitative and qualitative information about the significant unobservable inputs used in recurring level 3 fair value measurements. See paragraph above for the valuation techniques adopted.



Description	Fair Value at		Significant Unobservable inputs	Quantitative Data / Range and relationship to the fair value
	Dec 31, 2016 Rs'000	Jun 30, 2016 Rs'000		
Plant and machinery	713,047,764	731,907,952	Cost of setup of a new similar plant	The market value has been determined by using a suitable depreciation factor, depending upon age and condition, on cost of setup a similar new plant. Higher, the estimated cost of setup of a new plant, higher the fair value. Further, higher the depreciation rate, the lower the fair value of the plant.
			Suitable depreciation rate to arrive at depreciated replacement value	
Buildings	328,659,112	309,429,645	Cost of construction of a new similar building	The market value has been determined by using a depreciation factor of approximately 3% per annum on cost of constructing a similar new building. Higher, the estimated cost of construction of a new building, higher the fair value. Further, higher the depreciation rate, the lower the fair value of the building.
			Suitable depreciation rate to arrive at depreciated replacement value	

16. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial information does not include all financial risk management information and disclosures required in annual financial statements, and should be read in conjunction with the company's annual financial statements.

There have been no significant changes in the risk management policies since the year end.

17. Date of authorization for issue

This condensed interim financial information was authorised for issue on February 28, 2017 by the Board of Directors of the Company.

18. Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison and better presentation as per reporting framework.

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.

Lahore
February 28, 2017


(Tariq Rehman)
Chief Executive


(Ahsan Suhail Mannan)
Director

www.emco.com.pk

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