

Emco Industries Limited

Manufacturers of High Tension Electrical Porcelain Insulators, High Voltage Switchgear



SD-66

February 21, 2020

The General Manager,
Pakistan Stock Exchange
(Guarantee) Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi.

Subject: **SUBMISSION OF HALF YEARLY ACCOUNTS
FOR THE PERIOD ENDED DECEMBER 31, 2019**

Dear Sir,

In compliance with the provisions of Section 237 of The Companies Act 2017, read with PSX Notice No. PSX/N-4207 dated July 13, 2018 and PSX/N-4952 dated August 29, 2018, we are pleased to submit electronically through PUCAR un-audited accounts for the half year ended December 31, 2019.

Thanking you,

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Riaz Ahmad', written over a circular stamp.

(Riaz Ahmad)
Chief Financial Officer



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FACTORY : 19-Km, Lahore - Shiekhupura Road, Lahore. PABX: (042) 3716 8922-28, FAX : (042) 3716 8932
E-MAIL : insulator@emco.com.pk

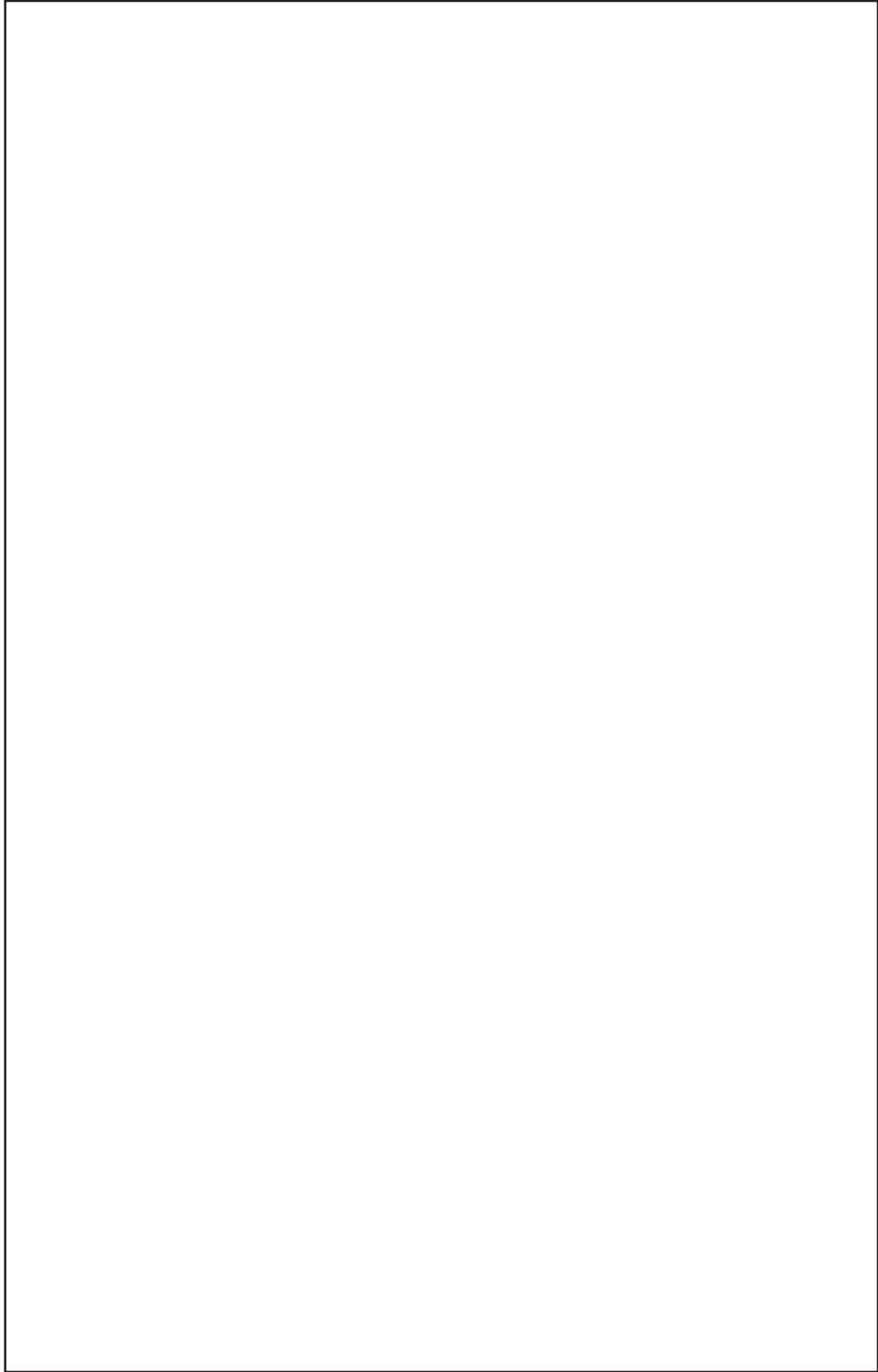
INTERIM FINANCIAL INFORMATION (Un-audited)

FOR THE HALF YEAR ENDED

DECEMBER 31, 2019



EMCO INDUSTRIES LIMITED





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COMPANY INFORMATION

Board of Directors

Mr. Javaid Shafiq Siddiqi (Chairman)
Mr. Tariq Rehman (Chief Executive Officer)
Mr. Suhail Mannan
Mr. Pervaiz Shafiq Siddiqi
Mr. Usman Haq
Mr. Salem Rehman
Mr. Ahsan Suhail Mannan
Mr. Awais Noorani
Ch. Imran Ali (Independent Director)

Chief Financial Officer

Mr. Riaz Ahmad

Company Secretary

Mr. Ahsan Suhail Mannan

Audit Committee

Ch. Imran Ali (Chairman)
Mr. Javaid Shafiq Siddiqi (Member)
Mr. Usman Haq (Member)

HR Committee

Ch. Imran Ali (Chairman)
Mr. Pervaiz Shafiq Siddiqi (Member)
Mr. Usman Haq (Member)
Mr. Salem Rehman (Member)
Mr. Ahsan Suhail Mannan (Member)

Risk Management Committee

Ch. Imran Ali Chairman
Mr. Pervaiz Shafiq Siddiqi Member
Mr. Usman Haq Member
Mr. Salem Rehman Member
Mr. Ahsan Suhail Mannan Member / Committee Secretary

Nomination Committee

Ch. Imran Ali Chairman
Mr. Javaid Shafiq Siddiqi Member
Mr. Awais Noorani Member
Mr. Salem Rehman Member
Mr. Ahsan Suhail Mannan Member / Committee Secretary

External Auditors

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

Internal Auditors

M/s. Zeeshan & Co.
Chartered Accountants, Lahore.

Legal Advisers

Cornelius Lane & Mufti
Law Associates
Rizvi & Company

Bankers

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

BUSINESS ITEMS

Porcelain Insulators

- Tension Insulator
- Suspension Insulator
- Pin Insulator
- Line Post Insulator
- Cap and pin Insulator
- Station Post Insulator
- Insulator for Railway Electrification
- Telephone Insulator
- Low Voltage Insulator
- Dropout Cutout Insulator
- HT & LT Bushings

Switchgear

- Disconnect Switch upto 245 kv
- Metal Oxide Surge Arresters upto 245 kv

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

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.



DIRECTORS' REVIEW

Dear Shareholders

On behalf of the Board of Directors I am pleased to present the performance review of your Company together with the un-audited financial statements for the half-year ended December 31, 2019.

Operations and Sales Review

The Company produced 2,181 tons during the period under review (July-December 2019) as compared to 2,305 tons of the corresponding period of last year.

Company sold 2,274 tons during the period under review (July-December 2019) as compared to 2,096 tons of the corresponding period of last year.

In terms of value, the net sales of the Company for the period under review (July-December 2019) increased to Rs. 797.13 million as compared to Rs. 665.30 million of the corresponding period of last year.

Financial Performance

For the period under review (July-December 2019), the Company posted gross profit of Rs. 173.03 million compared to Rs. 165.40 million of the corresponding period of last year.

The net operating profit for the period under review (July-December 2019) is recorded at Rs. 116.91 million as compared to Rs. 119.99 million of the corresponding period of last year.

Finance cost for the period under review (July-December 2019) has been increased and stood at Rs. 51.54 million as compared to Rs. 40.02 million of the corresponding period of last year owing to prevailing higher interest rate scenario.

After taking into account financial charges, profit before tax increased to Rs. 65.44 million as compared to profit before tax of Rs. 54.72 million for the corresponding period of last year.

After accounting for tax, primarily backed by increased net sales, the Company has made a net profit of Rs. 56.86 million for the period under review as compared to a profit of Rs. 52.67 million for the corresponding period of last year.

During the period under review, the Company has paid Rs. 35.47 million toward Long Term Loans and there is no overdue against any loans.

Earnings per Share

The basic earnings per share is reported at Rs. 1.62 as compared to basic earnings per share of Rs. 1.50 of the comparable period of last year. There is no dilution effect on the earnings per share for the period under review and corresponding period of last year.

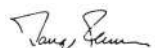
Near Term Outlook

Going forward, Management of your Company foresees stable demand for Company's products. Moreover, the Company has already started some exports to regional countries during the period under review and is keenly working to improve it further. Besides, management has constantly been striving to improve productivity and efficiencies of existing facilities by undertaking different projects from time to time. Management of your Company will endeavor to maintain the performance in ensuing quarter with optimum plant utilization, volume maximization and a favorable product mix. Management is also exploring different related business ventures to capitalize the improving Financial Metrics of the your Company.

Acknowledgments

Your Directors appreciate the continued support and commitment of all the stakeholders. They are especially thankful to the Banks and Financial Institutions. They also wish to acknowledge, hard and sincere work of the staff and employees of the Company.

On behalf of board



Tariq Rehman
Chief Executive Officer

February 18, 2020
Lahore



ڈائریکٹرز کا جائزہ

بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2019 کو ختم ہونے والے نصف سال کے لیے آپ کی کمپنی کی کارکردگی کا جائزہ مع غیر آڈٹ شدہ مالیاتی گوشوارے پیش کرنا میرے لیے باعث مسرت ہے۔

کاروبار کی کارکردگی اور سیل کا جائزہ:

کمپنی نے زیر جائزہ مدت (جولائی تا دسمبر 2019) کے دوران 2,181 ٹن کی پیداواری جو کہ گزشتہ سال کی اسی مدت میں 2,305 ٹن تھی۔ کمپنی نے زیر جائزہ مدت (جولائی تا دسمبر 2019) میں 2,274 ٹن کی فروخت کی جو کہ گزشتہ سال کی اسی مدت میں 2,096 ٹن تھی۔ قدر کے اعتبار سے زیر جائزہ مدت (جولائی تا دسمبر 2019) میں سیل و بیلیو 797.13 ملین روپے تک بڑھ گئی جو کہ گزشتہ سال اسی مدت میں 665.30 ملین روپے تھی۔

مالیاتی کارکردگی:

زیر جائزہ مدت (جولائی تا دسمبر 2019) میں کمپنی نے 173.03 ملین روپے کا مجموعی منافع کمایا جو کہ گزشتہ سال اسی مدت میں 165.40 ملین روپے تھا۔

زیر جائزہ مدت (جولائی تا دسمبر 2019) میں آپریٹنگ منافع 116.91 ملین روپے ریکارڈ کیا گیا۔ جو کہ گزشتہ سال اسی مدت میں 119.91 ملین روپے تھا۔

زیر جائزہ مدت (جولائی تا دسمبر 2019) میں مالیاتی اخراجات بڑھ کر 51.54 ملین روپے تک ہو گئے جو کہ گزشتہ سال اسی مدت میں 40.02 ملین روپے تھے۔ جس کی بنیادی وجہ بڑھتی ہوئی شرح سود ہے۔

مالیاتی اخراجات منہما کرنے کے بعد زیر جائزہ مدت (جولائی تا دسمبر 2019) میں قبل از ٹیکس منافع 65.44 ملین روپے رہا جو کہ گزشتہ سال اسی مدت میں 54.72 ملین روپے تھا۔

ٹیکس کو ڈکالنے کے بعد کمپنی نے زیر جائزہ مدت (جولائی تا دسمبر 2019) میں 56.86 ملین روپے کا خالص منافع کمایا، جو کہ گزشتہ سال اسی مدت میں 52.67 ملین روپے تھا۔

زیر جائزہ مدت (جولائی تا دسمبر 2019) کمپنی نے طویل مدتی قرضوں کی مد میں 35.47 ملین روپے واپس کیے ہیں۔ اور کوئی طویل مدتی قرضہ زائد المیاد نہیں ہے۔

فی شیئر آمدنی:

گزشتہ سال اسی مدت کیلئے بنیادی فی شیئر آمدنی 1.50 روپے کے مقابلے میں زیر جائزہ مدت (جولائی تا دسمبر 2019) کی بنیادی فی شیئر آمدنی 1.62 روپے رپورٹ کی گئی۔ زیر جائزہ مدت اور گزشتہ سال کی اسی مدت کیلئے فی شیئر آمدنی کے کمزور پڑنے کے کوئی آجائز نہیں ہیں۔

قریب مدتی منظر نامہ:

منجنت مستقبل قریب میں کمپنی کی مصنوعات کی طلب میں استحکام دیکھ رہی ہے۔ مزید برآں کمپنی نے موجودہ مدت کے دوران علاقائی ممالک کو برآمدات بھی شروع کر دی ہیں اور اس کو مزید بڑھانے کیلئے کوشاں ہے۔ منجنت پیداواری صلاحیت کی بہتری اور موجودہ وسائل کی کارکردگی کو بڑھانے کیلئے مستقل بنیادوں پر وقتاً فوقتاً پیشتر پراجیکٹس پر کام کرتی رہتی ہے۔ کمپنی کی انتظامیہ پلانٹ کے موثر استعمال، پیداواری حجم میں اضافے اور موزوں پراڈکٹس کے ذریعے آنے والی سہ ماہی میں اپنی کارکردگی کو برقرار رکھنے کیلئے بھرپور طریقہ سے مصروف عمل ہے۔

انتظامیہ آپ کی کمپنی کی کے بہتر ہوتے مالیاتی اشارے کو بروئے کار لانے کیلئے مختلف متعلقہ کاروباری منصوبوں کی بھی تلاش کر رہی ہے۔

اظہار تشکر:

آپ کے ڈائریکٹرز کی مسلسل سرپرستی اور وابستگی پر تمام سٹیک ہولڈرز کو خراج تحسین پیش کرتے ہیں۔ وہ بنکوں اور مالیاتی اداروں کے خصوصی شکر گزار ہیں۔ وہ کمپنی کے عملے اور ملازمین کی محنت اور پر خلوص کارکردگی کا بھی اعتراف کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے



طارق رحمان،

چیف ایگزیکٹو آفیسر

لاہور: 18 فروری، 2020



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of EMCO Industries Limited as at December 31, 2019 and the related condensed interim statement of profit or loss account and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures included in the condensed interim statement of profit or loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2018 and December 31, 2019 have not been reviewed, as we are required to review only the cumulative figures for half year ended December 31, 2019.

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 statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Nasir Muneer.

LAHORE
Dated: February 18, 2020

CROWE HUSSAIN CHAUDHURY & CO.

Chartered Accountants

CONDENSED INTERIM STATEMENT OF FINANCIAL

	Note	(Un-Audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital 40,000,000 (2019: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up capital 35,000,000 (2019: 35,000,000) ordinary shares of Rs. 10 each		350,000,000	350,000,000
Reserves		8,223,236	(57,741,076)
Sponsors' loan		115,708,828	115,708,828
Surplus on revaluation of property, plant and equipment 4		748,489,853	757,853,611
		1,222,421,917	1,165,821,363
Non Current Liabilities			
Long term financing	5	209,813,027	237,092,262
Deferred liabilities		61,449,233	57,658,457
		271,262,260	294,750,719
Current Liabilities			
Trade and other payables		220,746,724	271,980,730
Unclaimed dividends		243,677	243,677
Accrued finance cost		28,487,618	26,555,724
Short term borrowings	6	605,239,722	614,434,005
Current portion of long term financing	5	65,062,812	66,847,343
		919,780,553	980,061,479
Liabilities of disposal group classified as held for sale		-	16,830,375
Contingencies and Commitments	7	-	-
		2,413,464,730	2,457,463,936

The annexed notes from 1 to 15 form an integral part of these financial statements.

Lahore
February 18, 2020


(Tariq Rehman)
Chief Executive Officer




POSITION AS AT DECEMBER 31, 2019

	Note	(Un-Audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	8	1,135,967,550	1,149,254,897
Intangible assets		1,821,796	1,961,168
Deferred tax asset		33,794,336	27,349,030
Long term prepayments and other receivables		61,898,147	51,389,848
Long term loans		1,436,280	1,463,500
Long term deposits		1,659,900	1,659,900
		<u>1,236,578,009</u>	<u>1,233,078,343</u>
Current Assets			
Stores, spares and loose tools		85,679,064	79,567,642
Stock in trade		546,770,947	449,783,487
Trade receivables		390,008,064	533,532,521
Advances, deposits, prepayments and other receivables		86,207,185	78,036,809
Income tax refundable from the Government		58,240,918	51,984,532
Cash and bank balances		9,980,543	5,273,337
		<u>1,176,886,721</u>	<u>1,198,178,328</u>
Disposal group classified as held for sale	9	-	26,207,265
		<u>2,413,464,730</u>	<u>2,457,463,936</u>

The annexed notes from 1 to 15 form an integral part of these financial statements.


(Ahsan Suhail Mannan)
Director


(Riaz Ahmed)
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF PROFIT
OR LOSS (UN-AUDITED)**
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2019

	Note	Half Year Ended December 31,		Quarter Ended December 31,	
		2019 Rupees	2018 Rupees	2019 Rupees	2018 Rupees
Revenue		797,132,918	665,302,761	385,583,684	356,871,928
Cost of sales	10	(624,101,147)	(499,901,560)	(310,711,794)	(260,278,150)
Gross Profit		173,031,771	165,401,201	74,871,890	96,593,778
Administrative expenses		(39,310,370)	(32,339,959)	(19,308,079)	(15,559,250)
Selling and distribution expenses		(16,812,287)	(13,070,085)	(9,173,446)	(6,583,061)
		(56,122,657)	(45,410,044)	(28,481,525)	(22,142,311)
Operating Profit		116,909,114	119,991,157	46,390,365	74,451,467
Other operating expenses		(4,220,634)	(43,194,941)	(2,009,411)	(38,373,234)
Other income		4,296,983	17,950,933	3,243,931	17,765,228
Finance cost		(51,543,218)	(40,023,322)	(28,052,333)	(23,063,126)
Profit before Taxation		65,442,245	54,723,827	19,572,552	30,780,335
Taxation	11	(8,578,133)	(2,054,895)	(2,171,082)	1,800,490
Net Profit for the Period		56,864,112	52,668,932	17,401,470	32,580,825
Earnings per Share - Basic and Diluted		1.62	1.50	0.50	0.93

The annexed notes from 1 to 15 form an integral part of these financial statements.

Lahore
February 18, 2020


(Tariq Rehman)
Chief Executive Officer


(Ahsan Suhail Mannan)
Director


(Riaz Ahmed)
Chief Financial Officer




**CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2019**

	Half Year Ended December 31,		Quarter Ended December 31,	
	2019 Rupees	2018 Rupees	2019 Rupees	2018 Rupees
Net Profit for the Period	56,864,112	52,668,932	17,401,470	32,580,825
Other comprehensive income				
Items that will not be reclassified to profit or loss	-	-	-	-
Items that may be reclassified to profit or loss	-	-	-	-
Total Comprehensive Income for the Period	56,864,112	52,668,932	17,401,470	32,580,825

The annexed notes from 1 to 15 form an integral part of these financial statements.


Lahore
February 18, 2020
(Tariq Rehman)
Chief Executive Officer


(Ahsan Suhail Mannan)
Director


(Riaz Ahmed)
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF
CASH FLOWS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2019**

	Half Year Ended December 31,	
	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	65,442,245	54,723,827
Adjustments for:		
- Depreciation	36,499,219	33,982,060
- Amortization	139,372	133,800
- Provision for gratuity	8,041,872	5,978,172
- Interest on workers' (profit) participation fund	56,852	360,400
- Workers' (profit) participation fund	3,516,630	1,172,234
- Impairment loss	-	16,000,000
- Gain on disposal of property, plant and equipment held for sale	(328,796)	(13,887,572)
- Gain on disposal of property, plant and equipment	-	(1,015,952)
- Liabilities written back	(307,860)	-
- Exchange gain	(943,696)	(553,657)
- Discounting and amortization	6,405,177	8,484,490
- Finance cost	42,767,458	29,170,580
	95,846,228	79,824,555
Operating profit before working capital changes	161,288,473	134,548,382
(Increase) / decrease in current assets		
- Stores, spares and loose tools	(6,111,422)	(820,203)
- Stock in trade	(96,987,460)	(8,372,558)
- Trade debts	144,468,153	(42,302,663)
- Advances, deposits, prepayments and other receivables	(8,170,376)	(11,189,685)
- Long term prepayments and other receivables	(10,508,299)	(20,792,372)
Decrease in current liabilities		
- Trade and other payables	(47,409,516)	(27,113,029)
	(24,718,920)	(110,590,510)
Net Cash Generated from Operating Activities	136,569,553	23,957,872



CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2019


	Half Year Ended December 31,	
	2019 Rupees	2018 Rupees
Finance cost paid	(40,835,564)	(26,643,893)
Income tax paid	(21,543,383)	(16,488,080)
Payments against discontinued provident fund	(723,131)	(65,000)
Gratuity paid	(3,382,401)	(62,477)
Worker's profit participation fund paid	(7,033,260)	-
	(73,517,739)	(43,259,450)
Net Cash Generated from / (Used in) Operating Activities	63,051,814	(19,301,578)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(23,211,872)	(44,248,217)
Recoveries against long term loans	27,220	6,660
Advance against non-current assets held for sale	9,503,270	52,900,000
Proceeds from disposal of property, plant and equipment	-	1,134,000
Net Cash (Used in) / Generated from Investing Activities	(13,681,382)	9,792,443
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing repaid - net	(35,468,943)	(63,316,213)
Short term borrowings obtained / (repaid) - net	(9,194,283)	88,040,841
Diminishing musharakah repaid	-	(671,136)
Net Cash (Used in) / Generated from Financing Activities	(44,663,226)	24,053,492
Net Increase in Cash and Cash Equivalents	4,707,206	14,544,357
Cash and cash equivalents at the beginning of the period	5,273,337	10,135,269
Cash and Cash Equivalents at the End of the Period	9,980,543	24,679,626

The annexed notes from 1 to 15 form an integral part of these financial statements.

Lahore
February 18, 2020

(Tariq Rehman)
Chief Executive Officer



(Ahsan Suhail Mannan)
Director


(Riaz Ahmed)
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF
CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2019**

Particulars	Issued, Subscribed and Paid up Capital Rupees	Capital Share Premium Reserve Rupees	Reserves		Total Reserves Rupees	Sponsors' Loan Rupees	Surplus on revaluation of property, plant and equipment Rupees	Total Rupees
			General Reserve Rupees	Accumulated Loss Rupees				
Balance as at June 30, 2018	350,000,000	39,898,526	90,000,000	(470,286,362)	(340,387,836)	115,708,828	890,805,277	1,016,126,269
Net profit for the period	-	-	-	52,668,932	52,668,932	-	-	52,668,932
Other comprehensive loss for the period	-	-	-	-	-	-	-	-
Incremental depreciation for the year on surplus on revaluation of property, plant and equipment-net	-	-	-	9,550,228	9,550,228	-	(9,550,228)	-
Effect of change in effective tax rate	-	-	-	-	-	-	5,469,722	5,469,722
Balance as at December 31, 2018	350,000,000	39,898,526	90,000,000	(408,067,202)	(278,168,676)	115,708,828	886,724,771	1,074,264,923
Balance as at June 30, 2019	350,000,000	39,898,526	90,000,000	(187,639,602)	(57,741,076)	115,708,828	757,853,611	1,165,821,363
Net profit for the period	-	-	-	56,864,112	56,864,112	-	-	56,864,112
Other comprehensive loss for the period	-	-	-	-	-	-	-	-
Surplus on revaluation of property, plant and equipment realized on disposal of land	-	-	-	-	-	-	-	-
Incremental depreciation for the year on surplus on revaluation of property, plant and equipment - net	-	-	-	9,100,200	9,100,200	-	(9,100,200)	-
Effect of change in effective tax rate	-	-	-	-	-	-	(263,558)	(263,558)
Balance as at December 31, 2019	350,000,000	39,898,526	90,000,000	(121,675,290)	8,223,236	115,708,828	748,489,853	1,222,421,917

The annexed notes from 1 to 15 form an integral part of these financial statements.

Lahore
February 18, 2020

(Tariq Rehman)
Chief Executive Officer


(Ahsan Suhail Mannan)
Director


(Riaz Ahmed)
Chief Financial Officer



NOTES TO AND THE FORMING PART OF CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2019

1 The Company and its Operations

1.1 EMCO Industries Limited ("the Company") was incorporated as a Joint Stock Company in Pakistan under the Companies Act, 1913, (now the Companies Act, 2017) on August 17, 1954 by the name of Electric Equipment Manufacturing Company (Private) Limited. Later, it was converted into a public company on August 20, 1983 and its name was changed to EMCO Industries Limited on September 12, 1983. The Company was listed on the stock exchange on December 29, 1983. Corporate office of the Company is located at 4th Floor, National Tower, 28 Egerton Road, Lahore, while its factory is located at 19-Km, Lahore Sheikhpura Road, Lahore.

1.2 The Company is principally engaged in the manufacture and sale of high / low tension electrical porcelain insulators and switchgears.

1.3 The manufacturing unit of the Company is located at 19-Km, Lahore Sheikhpura Road, Lahore.

2 Basis of Preparation

2.1 These condensed interim financial statements have been prepared in accordance with the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and are in compliance with the International Accounting Standard - 34 (Interim Financial Reporting).

2.2 These condensed interim financial statements should be read in conjunction with annual audited financial statements for the year ended June 30, 2019. Comparative statement of financial position is extracted from annual audited financial statements for the year ended June 30, 2019 whereas comparative statement of profit or loss, comparative statement of comprehensive income, comparative statement of cash flows and comparative statement of changes in equity are extracted from unaudited condensed interim financial statements for the half year ended December 31, 2018.

2.3 These condensed interim financial statements are 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 statements 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 these condensed interim financial statements, 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, 2019.

2.5 These condensed interim financial statements are 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.

3 Significant Accounting Policies

The Company's accounting and financial risk management policies and methods of computation adopted in the preparation of these condensed interim (un-audited) financial statements are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30, 2019 except for the adoption of new and amended standards as set out below:

3.1 Initial application of standards, amendments or interpretations to existing standards

There has been no financial effect of the change in accounting policy on the prior period financial statements.

The following amendments to existing standards have been published that are applicable to the Company's condensed interim financial statements:

3.1.1 Standards, amendments and interpretations to approved accounting and reporting standards that are effective in the current period

Certain standards, amendments and interpretations to approved accounting and reporting standards are effective for accounting periods beginning on January 1, 2019, but are considered not to be relevant or to have any significant effect on the Company's condensed interim financial statements and are, therefore, not detailed in these condensed interim financial statements.

The following standards, amendments and interpretations to approved accounting and reporting standards have been adopted by the Company which are relevant for the Company. Any change in presentation or classification of items has been accounted for in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. However, no restatement has been deemed necessary in this regard.

3.1.1.1 IFRS 16 'Leases'

The Company has adopted IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019) during the period that has replaced IAS 17 - Leases, IFRIC 4 - Determining whether an arrangement contains a lease, SIC-15 - Operating Leases - Incentives and SIC-27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 aims to set out the principles for recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for virtually all of the leases. IFRS 16 includes an optional exemptions for certain short-term leases and leases of low-value assets for lessees. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make the lease payments. Under the previous standard, IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17 'Leases'. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, as the IASB has updated the guidance on the definition of a lease as well as the guidance on the combination and separation of contracts, lessors will also be affected by the new standard. The adoption of IFRS 16 has necessitated change in accounting policy for the Company.

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore the comparative information presented has not been restated and continues to be reported under IAS 17 and related interpretations.

On transition to IFRS 16, the Company has elected to use the following practical expedients under IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease;
- A single discount rate has been applied to portfolio of leases with reasonably similar characteristics;



- Leases with a remaining term of twelve months or less from the date of application have been accounted for as short-term leases (i.e. not recognized in the statement of financial position) even though the initial term of the leases from lease commencement date may have been more than twelve months;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Company, as a lessee, previously used to classify leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. The Company used to recognize minimum lease payments in full as an expense. Now, under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for all leases, after taking into account the elections made for available practical expedients described above.

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining Whether an Arrangement contains a Lease'. The Company now assesses whether a contract is, or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company depreciates right-of-use assets in depreciation and amortization and unwinds the discount on lease liability into finance cost.

On transition, there is no impact of IFRS 16 on the financial statements of the Company.

	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
4 Surplus on Revaluation of Property, Plant and Equipment		
Land - Freehold	360,253,745	360,253,745
Buildings on freehold land	230,850,681	239,785,858
Plant and machinery	166,749,185	171,497,455
	757,853,611	771,537,058
Effect of change in effective tax rates	(263,558)	5,414,472
Incremental depreciation charged on revalued property, plant and equipment in current period-net of deferred tax (transferred to retained earnings)	(9,100,200)	(19,097,919)
	<u>748,489,853</u>	<u>757,853,611</u>

	Note	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
5	Long Term Financing		
	Banking companies - secured		
	National Bank of Pakistan	57,940,813	69,160,813
	Adjustment due to impact of IFRS 9	(411,287)	(1,379,623)
		57,529,526	67,781,190
	Standard Chartered Bank (Pakistan) Limited	63,813,880	71,671,753
	Adjustment due to impact of IFRS 9	(8,403,327)	(11,126,244)
		55,410,553	60,545,509
	Associated companies / related parties - unsecured	112,940,079	128,326,699
	Associated Engineers (Private) Limited	25,335,447	23,335,447
	Adjustment due to impact of IFRS 9	(2,149,137)	(1,462,260)
		23,186,310	21,873,187
	EMCO Industries Limited Provident Fund	176,329,818	194,720,888
	Adjustment due to impact of IFRS 9	(39,974,614)	(43,539,584)
		136,355,204	151,181,304
	Imperial Electric Company (Private) Limited	2,615,692	2,615,692
	Adjustment due to impact of IFRS 9	(221,446)	(57,277)
		2,394,246	2,558,415
		274,875,839	303,939,605
	Less: current portion:		
	- Banking companies	(37,963,343)	(40,126,455)
	- Associated companies / related parties	(27,099,469)	(26,720,888)
		(65,062,812)	(66,847,343)
		209,813,027	237,092,262
6	Short Term Borrowings		
	Interest bearing		
	Banking companies - secured:		
	- Running finances	214,598,007	177,111,038
	- Export and import finances	150,688,370	109,538,971
		365,286,377	286,650,009
	Related parties - unsecured:		
	- ICC (Private) Limited - Associated company	155,750,000	75,000,000
	- Director	-	49,888,766
		155,750,000	124,888,766
		521,036,377	411,538,775



	Note	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
Interest free			
Related parties - unsecured:			
- ICC (Private) Limited - Associated company	6.1	-	80,750,000
- Directors and close relatives thereof		84,203,345	122,145,230
		84,203,345	202,895,230
		605,239,722	614,434,005

6.1 During the period, loan obtained from the associated company has been agreed to be interest bearing carrying mark-up @ 3 months KIBOR + 3% per annum on the balance outstanding.

7 Contingencies and Commitments

Contingencies

There is no material change in the status of contingencies as reported in financial statements of the Company for the year ended June 30, 2019.

Commitments

7.1 Commitment for Letters of credit other than for capital expenditure amount to Rs. 41.61 million (2019: 29.83 million).

7.2 Letter of credit for capital expenditure amount to Rs. Nil (2019 : 9.376 million).

7.3 Bank guarantees amount to Rs. 256.920 million (2019: Rs. 243.495 million) that have been issued in favour of the following companies:

	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
Sui Northern Gas Pipeline Limited	22,406,000	22,406,000
NTDC and electric distribution companies	225,535,356	212,110,715
Collector of Customs	8,978,358	8,978,358
	256,919,714	243,495,073

7.4 Commitments for future minimum lease payments in respect of Ijarah arrangements are as follows:

Not later than one year	Later than one year and later than five years	Later than five years
----- Rupees -----		
<u>2,962,531</u>	<u>6,245,416</u>	<u>-</u>

	Note	(Un-audited) December 31, 2019 Rupees	(Audited) June 30, 2019 Rupees
8 Property, Plant and Equipment			
Operating fixed assets	8.1	<u>1,135,967,550</u>	<u>1,149,254,897</u>
8.1 Operating fixed assets			
Opening written down value		1,149,254,897	1,131,168,371
Additions during the period / year		23,211,872	86,702,578
Disposals during the period / year		-	(117,348)
Transferred in from assets classified as held for sale to non current assets		-	3,500,000
Depreciation charge for the period / year		<u>1,172,466,769</u> (36,499,219)	<u>1,221,253,601</u> (71,998,704)
		<u>1,135,967,550</u>	<u>1,149,254,897</u>
9 Non Current Assets Classified As Held For Sale			
Plant and machinery		-	23,936,983
Spare parts		-	2,270,282
		<u>-</u>	<u>26,207,265</u>

9.1 Disposal of remaining plant and machinery has been completed during the period.



10. Cost of Sales

	Half Year Ended December 31,		Quarter Ended December 31,	
	2019 Rupees	2018 Rupees	2019 Rupees	2018 Rupees
Raw and packing material consumed	256,731,345	241,041,614	139,349,345	129,743,400
Salaries, wages and benefits	153,765,140	127,738,626	73,785,765	66,214,134
Stores and spares consumed	23,105,611	21,223,158	64,062,895	12,091,785
Power and gas	126,344,445	64,211,380	12,312,810	33,548,609
Testing and inspection	21,042,803	15,824,210	12,669,905	9,982,083
Travelling and conveyance	25,330,376	11,453,675	15,680,777	7,940,374
Rent, rates and taxes	1,081,421	898,515	202,061	125,331
Repairs and maintenance	2,025,096	1,026,008	1,101,626	405,850
Entertainment	2,250,512	1,106,614	2,250,512	617,822
Insurance	1,621,707	1,715,752	702,883	856,399
Ijarah rentals	941,180	671,136	941,180	335,568
Communication and stationery	693,418	163,939	377,390	57,594
Vehicle maintenance	368,616	564,504	116,314	319,173
Miscellaneous	280,650	528,175	-	453,869
Depreciation	36,496,861	33,826,438	18,376,976	17,290,870
	652,079,181	521,993,744	341,930,439	279,982,861
Work in process:				
- Opening work in process	51,773,493	49,737,606	59,756,970	44,220,934
- Closing work in process	(62,726,021)	(46,747,482)	(62,726,021)	(46,747,482)
	(10,952,528)	2,990,124	(2,969,051)	(2,526,548)
Cost of goods manufactured	641,126,653	524,983,868	338,961,388	277,456,313
Finished goods:				
- Opening finished goods	222,721,841	180,728,650	211,497,753	188,632,795
- Closing finished goods	(239,747,347)	(205,810,958)	(239,747,347)	(205,810,958)
	(17,025,506)	(25,082,308)	(28,249,594)	(17,178,163)
	624,101,147	499,901,560	310,711,794	260,278,150

	Half Year Ended December 31,	
	2019 (Un-audited) Rupees	2018 (Un-audited) Rupees
11 Taxation		
Current	12,228,864	8,315,847
Prior year adjustment - current tax	3,058,133	(1,345,778)
Deferred	15,286,997 (6,708,864)	6,970,069 (4,915,174)
	8,578,133	2,054,895

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 transactions with various related parties. Amounts due from and due to related parties are shown under respective notes to these financial statements. Significant transactions with related parties are given below:

Transactions during the period			Half Year Ended December 31,	
			2019 (Un-audited) Rupees	2018 (Un-audited) Rupees
Related party	Relationship	Nature of transaction		
Associated Engineers (Private) Limited	Associated company	Long term financing obtained Markup on long term financing	2,000,000 -	300,000 281,496
EMCO Industries Limited Provident Fund	Associated undertaking	Principal repaid	18,391,070	13,771,152
Imperial Electric Company (Private) Limited	Associated company	Markup on long term financing Rent expense Short term borrowing received Short term borrowing repaid	- 967,928 - -	75,576 1,075,158 106,500,000 106,500,000
ICC (Private) Limited	Associated company	Short term borrowing obtained Short term borrowing repaid Markup on short term borrowing Markup paid Long term financing repaid Markup on long term financing Markup paid on long term financing	143,700,000 143,700,000 12,521,235 9,959,577 - - -	79,000,000 79,000,000 4,104,154 3,816,328 10,208,331 467,306 462,552
Directors and close relatives thereof	Associated persons	Short term borrowing obtained Short term borrowing repaid Markup on short term borrowing Markup on short term borrowing paid	92,752,503 180,583,154 2,047,555 3,385,803	133,909,757 116,859,081 3,644,044 3,887,593
Associated undertakings	Related party	Managerial services and expenses charged-net	10,198,109	10,632,608
Associated undertakings	Related party	Expense charged to gratuity fund	8,041,872	5,978,172
			December 31, 2019 (Un-audited) Rupees	June 30, 2019 (Audited) Rupees
Associated Engineers (Private) Limited		Long term financing - interest bearing Long term financing - interest free Markup on long term financing	- 25,335,447 6,391,541	7,396,095 14,477,092 6,391,541
EMCO Industries Limited Provident Fund		Long term financing	176,329,818	194,720,888
Imperial Electric Company (Private) Limited		Long term financing - interest bearing Long term financing - interest free Markup on long term financing	- 2,615,692 2,343,326	1,985,640 572,775 2,343,326
ICC (Private) Limited		Short term borrowing - interest free Short term borrowing - interest bearing Markup on borrowing	- 155,750,000 10,121,364	80,750,000 75,000,000 7,559,706
ICC (Private) Limited		Receivable against sales	63,059	-
Directors, executives and close relatives thereof		Sponsors' loans Short term borrowing - interest bearing and interest free Markup on short term borrowing	115,708,828 84,203,345 91,955	115,708,828 172,033,996 1,430,203



13 Segment Reporting

There is only one reportable segment of the Company.

14 Date of Authorization for Issue

These condensed interim financial statements (un-audited) is authorized for issuance on February 18, 2020 by the Board of Directors of the Company.

15 General

Corresponding figures are re-arranged / reclassified, wherever necessary, to facilitate comparison. No material reclassifications have been made in these condensed interim financial statements (un-audited).

Lahore
February 18, 2020

(Tariq Rehman)
Chief Executive Officer

(Ahsan Suhail Mannan)
Director

(Riaz Ahmed)
Chief Financial Officer

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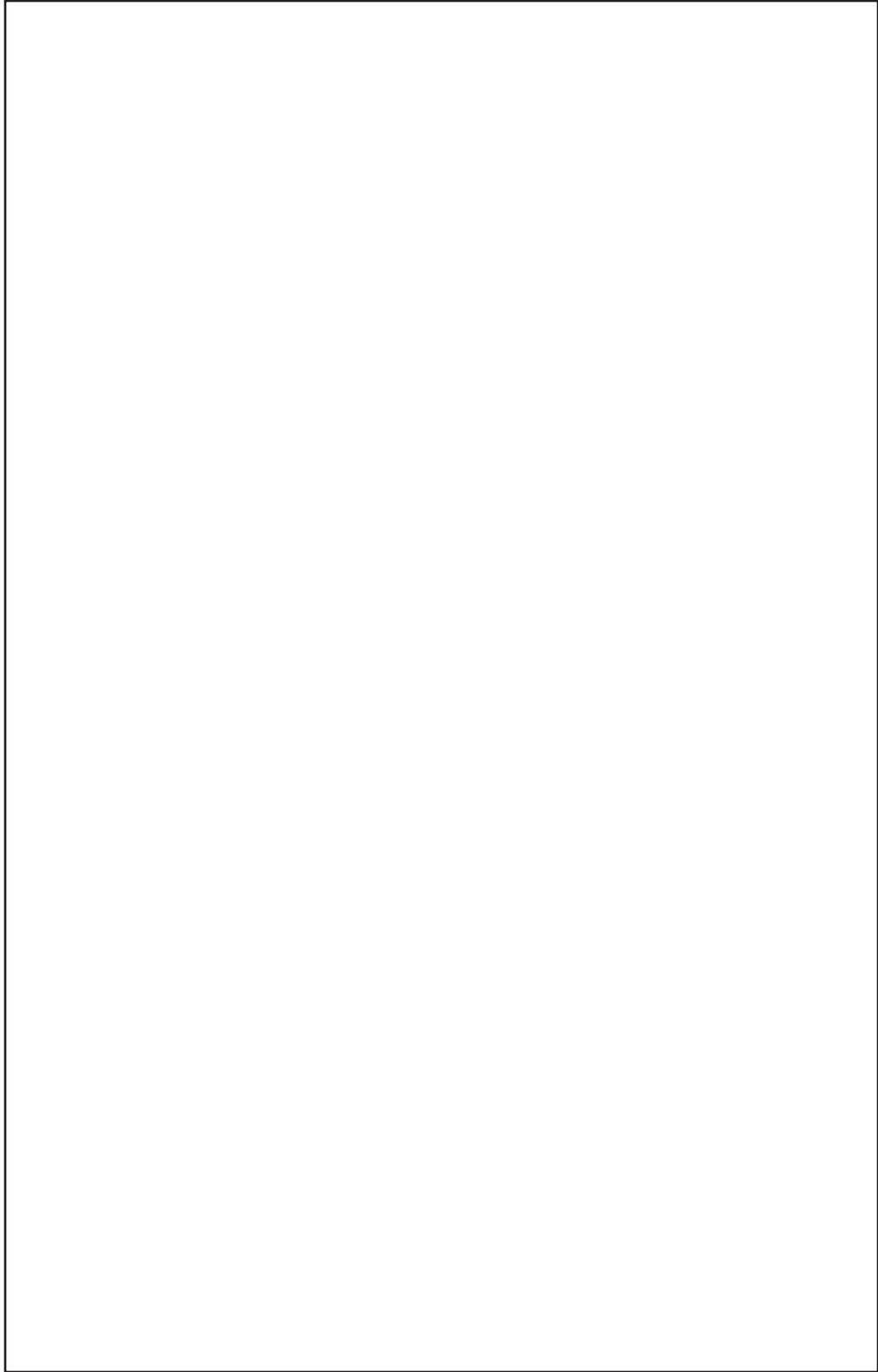
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