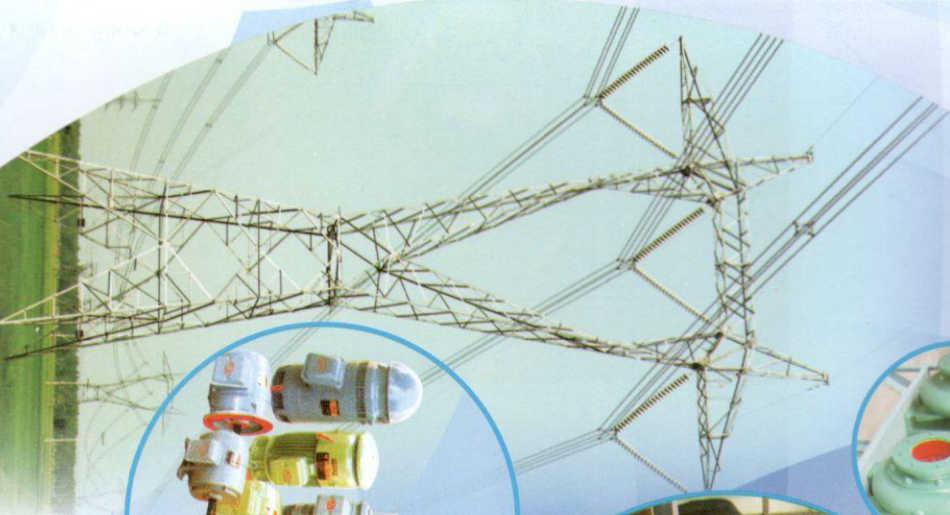
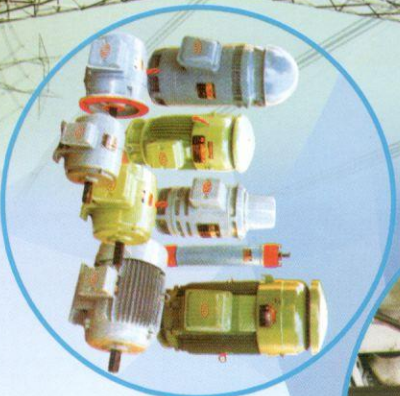


BOOK POST



Interim Financial Information
Nine months period ended
March 31, 2018



6/7-Sir Ganga Ram Trust Building, Shahrah-e-Quaid-e-Azam, Lahore.

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PAKISTAN ENGINEERING COMPANY LIMITED

پاکستان

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COMPANY INFORMATION

Board of Directors

Syed Kawkab Mohyuddin (Chairman)
 Mr. Mairaj Anees Ariff (Chief Executive)
 Mr. Naeem Jan Khan
 Mr. Muhammad Arif Habib
 Mr. Rashid Ali Khan
 Mr. Liaqat Mohammad
 Mr. Muhammad Iqbal
 Mirza Mahmood Ahmad
 Mr. Ansar Javed

Auditors

M/s. Tariq Abdul Ghani
 Maqbool and Company
 Chartered Accountants

Bankers

National Bank of Pakistan
 United Bank Limited
 Summit Bank

Legal Advisor

Sardar Zulfiqar Umar Khan Thahim

Board Audit & Risk Management Committee

Mirza Mahmood Ahmad (Chairman)
 Mr. Liaqat Mohammad
 Mr. Muhammad Iqbal
 Mr. Ansar Javed

Registered Office

6/7-Sir Ganga Ram Trust Building,
 Shahrah-e-Quaid-e-Azam, Lahore.
 Tel: 042-37320225 - 7
 Fax: 042 - 37323108
 Email: info@peco.com.pk

Board Finance Committee

Mr. Rashid Ali Khan (Chairman)
 Mr. Naeem Jan Khan
 Mr. Liaqat Mohammad
 Mr. Muhammad Iqbal

Website: <http://www.peco.com.pk>
 Plants: Kot Lakhpat,
 Lahore.

Board HR & Remuneration Committee

Mr. Ansar Javed (Chairman)
 Syed Kawkab Mohyuddin
 Mr. Naeem Jan Khan
 Mr. Rashid Ali Khan

Shares Register

M/s. Central Depository Company
 of Pakistan Limited
 Mezzanine Floor, South Tower,
 LSF Plaza, 19-Khayaban-e-Awan-e-Iqbal,
 Lahore - 54000, Pakistan.

CFO & Company Secretary

Mian Anwar Aziz

DIRECTORS' REPORT

Dear Shareholders

Assalam-o-Alaikum

On behalf of, Directors of Pakistan Engineering Company Limited ("the Company"), I am pleased to present the Directors' Report together with the financial information for the nine months period ended March 31, 2018.

Performance Outlook

Presently the Company has orders in hand, orders in pipeline and the orders in which PECO stood lowest of Rupees 177.97 million, Rupees 87.50 million and Rupees 398.95 million respectively, the Purchase Orders (PO) of which are expected to be issued soon in favor of PECO and we are expecting reasonable business in next quarter. During the period under review transmission line towers were supplied to IESCO, QESCO, GEPCO, LESCO, HESCO, NTDCL and NETRACON. Government priorities, on electrification and electricity load management, depict a big potential of transmission line towers business in Pakistan.

However, along with the potential opportunities, the business of electricity transmission towers, in Pakistan, has also become significantly competitive due to challenges posed by foreign companies in this business. However, your Company is gearing up to meet such competition through better marketing policies, extensive market research, product development, product diversification, updating production capabilities and better working capital management.

In the environment of such intense competition, the company was able to manage execution of orders of Rs. 1,214.96 million and earning of gross profit of Rs. 68.59 million. Management of your Company is striving hard to achieve better turn over/profitability during the current financial year.

Financial Performance

The sales revenue for nine months period ended on March 31, 2018 was Rupees 1,214.96 million against Rupees 962.92 million of the corresponding period last year, an increase of Rupees 252.04 million (26.17%). There was a gross profit of Rupees 68.59 million, against gross profit of Rupees 130.74 million of the corresponding period of last year, a decrease of Rupees 62.15 million (47.33%). Decrease in Sales/Gross Profit was mainly due to intense competition, low margins in new orders and acute increase in raw material prices.

The abnormal increase in the international prices of Zinc, Steel and depreciation of Pak Rupee were major factors in erosion of Profit. The prices of input costs showed an increase of 21.56% during this quarter. Such fluctuations have eroded the profit for the nine months of CFY 2017-18 by Rs. 26.79 million.

Operating expenses during the period were Rupees 88.41 million against Rupees 77.11 million of the same period last year, an increase of Rupees 11.29 million due to high Freight and Forwarding expenses as most of the orders were on FCS (Free on Consignee' Site) basis.

There was a loss after tax of Rupees 22.07 million, against profit after tax of Rupees 52.53 million of the same period last year.

Future Outlook

At present the company has orders in hand and in pipe line of transmission line towers. It is therefore, anticipated that performance of the company during rest of the year would be much improved.

Keeping the narrow working capital of the Company in view, potential Joint Venture (JV) arrangements are in process with various multinational companies to enhance operational capacities of PECO on a fast track.

Acknowledgement

I take this opportunity to thank all the valued customers, suppliers and bankers for their confidence and continued support and to staff members for their dedication and hard work. I would also like to thank the Board of Directors for their continued support in improvement of Company's business and good will. I am looking forward to a much better future for the Company, In sha'Allah.

For and on behalf of the
Board of Directors

Mairaj Anees Ariff
Chief Executive

April 28, 2018
Lahore

زیک، سٹیبل کی قیمتوں میں غیر معمولی اضافہ اور پاکستانی روپے کی فرسودگی منافع میں کٹاؤ کی بنیادی وجوہ تھی۔ اس سہاہی میں درآمدی لاگت میں ۲۱.۵۶ فیصد اضافہ ہوا۔ ان آثار چھڑھانے دوران سال کے نہائی منافع کو ۲۱.۲۶ ملین روپے سے کم کر دیا۔

عملیاتی اخراجات ۸۸.۴۱ ملین روپے رہے جو پچھلے مالی سال اسی عرصے میں ۱۱.۷۱ ملین روپے تھے۔ مالی خسارہ ۲۲.۲۴ ملین روپے رہا جو پچھلے مالی سال اسی عرصے میں ۵۲.۵۲ ملین روپے خاص منافع تھا۔

مستقبل کا اندازہ

موجودہ وقت میں کمپنی کے پاس تریبل کھیموں کے ٹھیکے ہیں۔ باقی مالی سال کے دوران کمپنی کی کارکردگی پہلے نہائی عرصے کے مقابلے میں بہتر رہے گی۔ کمپنی کے کام چلانے والے سرمائے کی کمی کے پیش نظر، یکوی عملیاتی صلاحیتوں کو بڑھانے کے لیے پیشگیرانہ اقدامات کی پیشین گوئیوں کے ساتھ حکمت مشورہ کر رہا ہوں۔

اظہار تشکر

اس موقع پر میں اپنے تمام قابل قدر صارفین، مہیا کار اور بیگانوں کا انکی مسلسل حمایت و اعتماد اور عملے کے ارکان کا انکی گن اور محنت پر شکر سید ادا کرنا چاہتا ہوں۔ میں کمپنی کے کاروبار اور کاروباری سائیکل میں مسلسل حمایت بخش کرنا، کا بھی شکر یہ ادا کرنا چاہتا ہوں۔ میں، انشا، واللہ، کمپنی کے بہت بہتر مستقبل کا منتظر ہوں۔

جلسہ ٹھکانا کی جانب سے

معاون اجرائی عارف

۲۰۱۸

سربراہ اعلیٰ

۱۲۸ اپریل

لاہور

اطلاعات نظام

معزز حصص یافتگان

اسلام آباد، پاکستان

مجھے، مجلس نظام کی جانب سے، ۱۸ مارچ ۲۰۱۸ کو منتخب ہونے والے غیر حاسب شدہ عمودی مالیاتی خرابی معلومات پیش کرتے ہوئے خوش محسوس ہو رہی ہے۔

کارکردگی کا جائزہ

اس وقت کمپنی کے پاس ۲۳.۳۳ ملین روپے کے ٹیکے ہیں جنکے خریداری آڈیٹڈری کمپو کے حق میں جاری کردیے جائیں گے اور ہمیں اگلی سرمایہ میں مناسبت کا رونا ورتو متوقع ہے۔ زیر جائزہ مدت کے دوران آئیڈیکو، بیسیکو اور نیڈ اراکون کو ترجیحی فراہم کیے گئے۔ بجلی اور بجلی کی لوڈ منیجمنٹ پر حکومتی ترجیحات کے پیش نظر، پاکستان میں ترجیحی کمپنیوں کا بہت کاروبار ہے۔ تاہم، ہماری کارکردگی کے ساتھ ساتھ غیر ملکی کمپنیوں کی ترجیحی کمپنیوں کے کاروبار میں آمد کی وجہ سے مسابقت برقی جاری ہے۔ آپ کی کمپنی فروخت کاروبار کی بہتر پالیسی، وضع بازار کی تحقیق، مصدوعات کی ترقی، مصدوعات کے تنوع، تکنیکی صلاحیت کی بہتری اور سامان کے بہتر انتظام کی بدولت اس مسابقت سے نپٹنے کی بھرپور کوشش کر رہی ہے۔

زیر جائزہ مدت کے دوران، کمپنی کی انتظامیہ نے، مقامی و غائب رجسٹریوں کے شریکیتوں کے لیے کی اجازت سے، معقول بازار کی جگہ پر قبضہ کرنے پر زور دیا۔ سخت محنت کے لیے اس ماحول میں بھی کمپنی ۲۰۱۸، ۲۰۱۷، ۲۰۱۶ ملین روپے کے ٹیکوں کو پورا کرنے اور ۲۰۱۵، ۲۰۱۴ ملین روپے کا نام منافع کم کرنے میں کامیاب رہی۔ آپ کی کمپنی کی انتظامیہ، رواں سال میں بہتر فروخت کاروبار کی اطلاع کے لیے بھرپور کوشش کر رہی ہے۔

مالیاتی کارکردگی

۲۰۱۸ مارچ ۲۰۱۸ کو ختم ہونے والے نہایت عرصے میں فروخت کاروبار ۱۲.۹۶ ملین روپے رہی جو پچھلے مالی سال ۱۱.۵۱ ملین روپے میں ۹.۲۲ ملین روپے تک، جو کہ ۲۰۱۷ مارچ ۲۰۱۷ میں ۵.۲۳ ملین (۲۱.۱۶) روپے زیادہ ہے۔ کمپنی کی کل آمدنی ۱۸.۵۹ ملین روپے رہی جو پچھلے مالی سال ۱۱.۵۱ ملین روپے میں ۳.۰۲ ملین روپے، جو کہ ۲۰۱۵ مارچ ۲۰۱۵ میں ۱.۵۲ ملین روپے (۳۳.۳۳) کم ہے۔ فروخت کاروبار کی آمدنی میں کمی کی بنیاد پر شریکیت مسابقت، ٹیکوں میں کم منافع اور غائب مالیاتی قیمتوں میں شدید اور اچانک اضافہ ہے۔

CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2018

Note

Un-audited March 31, 2018	Audited June 30, 2017
---------------------------------	-----------------------------

..... Rupees in thousand

EQUITY AND LIABILITIES		SHARE CAPITAL AND RESERVES	
Share capital	56,902	56,902	
Revenue reserve - general	10,000	10,000	
Accumulated loss	(841,908)	(832,934)	
Surplus on revaluation of fixed assets	(775,006)	(766,032)	
NON - CURRENT LIABILITIES	14,485,035	14,498,128	
Long term financing	14,622	29,250	
Deferred liabilities - net	96,804	115,609	
CURRENT LIABILITIES	111,426	144,859	
Trade and other payables	599,962	672,776	
Short term borrowing - secured	61,433	74,919	
Current portion of long term financing	19,503	19,503	
Accrued mark-up	2,249	2,491	
Provision for taxation	14,540	13,748	
Liabilities directly associated with free hold land - held for sale	697,687	783,437	
CONTINGENCIES AND COMMITMENTS	1,790,848	1,790,848	
TOTAL EQUITY AND LIABILITIES	16,309,990	16,451,240	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	14,549,753	14,555,168	
Investment property	557	579	
Long term investment	741	741	
Long term deposits	2,053	2,053	
CURRENT ASSETS	14,553,104	14,558,541	
Stores, spares and loose tools	167,726	170,463	
Stock-in-trade	439,702	446,910	
Trade debts - unsecured	680,312	781,691	
Advances	8,106	6,191	
Trade deposits, prepayments and other receivables	28,621	30,905	
Tax refunds due from Government	88,564	104,912	
Cash and bank balances	29,131	36,903	
	1,442,162	1,577,975	
For hold land - held for sale	314,724	314,724	
TOTAL ASSETS	16,309,990	16,451,240	

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

Matraj Anees Arif
Chief Executive Officer

Mian Anwar Aziz
Chief Financial Officer

Muhammad Iqbal
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS AND THREE MONTHS PERIOD ENDED MARCH 31, 2018

	Nine months ended		Three months ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Sales - net	1,214,957	962,917	469,147	416,420
Cost of sales	(1,146,366)	(832,181)	(462,302)	(360,867)
Gross Profit	68,591	130,736	6,845	55,553
Selling and distribution expenses	(10,084)	(6,926)	(3,994)	(2,946)
Freight and forwarding expenses	(22,711)	(16,957)	(1,973)	(4,003)
Administrative expenses	(55,610)	(53,229)	(17,991)	(19,201)
Other operating charges	(798)	(5,853)	(236)	(2,911)
	(89,203)	(82,965)	(24,194)	(29,061)
Other operating income	2,363	23,321	1,061	10,581
Operating (Loss)/profit	(18,249)	71,092	(16,288)	37,073
Finance cost	(13,238)	(12,988)	(4,307)	(4,182)
(Loss)/profit before taxation for the period	(31,487)	58,104	(20,595)	32,891
Taxation				
- Current	(15,187)	(10,572)	(5,864)	(6,112)
- Prior	647	(1,186)	-	-
- Deferred	23,961	6,184	7,407	(3,268)
	9,421	(5,574)	1,543	(9,380)
(Loss)/profit after taxation for the period	(22,066)	52,530	(19,052)	23,511
(Loss) / Earnings per share - Basic and diluted Rupees	(3.88)	9.23	(3.35)	4.13

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

Mairaj Anees Ariff
Chief Executive Officer

Mian Anwar Aziz
Chief Financial Officer

Muhammad Iqbal
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS AND THREE MONTHS PERIOD ENDED MARCH 31, 2018

	Nine months ended		Three months ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
(Loss)/profit after taxation for the period	(22,066)	52,530	(19,052)	23,511
Other comprehensive income for the period	-	-	-	-
Total comprehensive (Loss) / income for the period	(22,066)	52,530	(19,052)	23,511

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

Mairaj Anees Ariff
Chief Executive Officer

Mian Anwar Aziz
Chief Financial Officer

Muhammad Iqbal
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018**

	Note	
	March 31, 2018	March 31, 2017
	----- Rupees in thousand -----	
Cash generated from operations	11	
Finance cost paid	70,479	98,698
Gratuity paid	(11,190)	(11,179)
Income tax paid	(755)	(508)
Workers' profit participation fund paid	(9,652)	(5,729)
	(5,655)	(7,564)
Net cash generated from operating activities	43,227	73,718
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure incurred	(22,817)	(32,654)
Proceeds from disposal of Property, plant and equipment	-	21,471
Long term deposits	-	(221)
Net cash (used in) investing activities	(22,817)	(11,404)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowing - (repayments)	(13,486)	(751)
Long term financing - (repayments)	(14,628)	(14,627)
Dividend paid	(68)	(18)
Net cash (used in) financing activities	(28,182)	(15,396)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(7,772)	46,918
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	36,903	21,936
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	29,131	68,854

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

Mairaj Anees Ariff
Chief Executive Officer

Mian Anwar Aziz
Chief Financial Officer

Muhammad Iqbal
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018**

	----- Rupees in thousand -----			
	Issued Share and paid-up capital	Revenue Reserve-General	Accumulated loss	Total
Balance as at July 01, 2016 (Audited)	56,902	10,000	(925,610)	(858,708)
- Profit for the period ended March 31, 2017	-	-	52,530	52,530
- Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	52,530	52,530
Surplus on realization of fixed assets realized during the period on account of:				
- Incremental depreciation charged thereon - net of tax	-	-	13,585	13,585
- disposal of revalued machinery - net of tax	-	-	5,323	5,323
Balance as at March 31, 2017 (Un-audited)	56,902	10,000	(854,172)	(787,270)
Balance as at July 01, 2017 (Audited)	56,902	10,000	(832,934)	(766,032)
- Loss for the period ended March 31, 2018	-	-	(22,066)	(22,066)
- Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(22,066)	(22,066)
Surplus on realization of fixed assets realized during the period on account of:				
- Incremental depreciation charged thereon - net of tax	-	-	13,092	13,092
- disposal of revalued machinery - net of tax	-	-	-	-
Balance as at March 31, 2018 (Un-audited)	56,902	10,000	(841,908)	(775,006)

The annexed notes from 1 to 17 form an integral part of this condensed interim financial information.

Mairaj Anees Ariff
Chief Executive Officer

Mian Anwar Aziz
Chief Financial Officer

Muhammad Iqbal
Director

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2018**

1. THE COMPANY AND ITS OPERATIONS

Pakistan Engineering Company Limited was incorporated in Pakistan on February 15, 1950 under the Companies Act, 1913 (Now Companies Act, 2017) as a public limited company. Its shares are quoted on Pakistan Stock Exchange. The registered office of the Company is situated at 6/7 Ganga Ram Trust Building, Shahra-e-Quaid-e-Azam, Lahore. The company is principally engaged in the manufacturing and sale of engineering products. The major products of the company are electricity transmission and communication towers, electric motors, pumps and steel rolled products etc.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

This condensed interim financial information is unaudited and is being submitted to the members in accordance with section 237 of the Companies Act, 2017. 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 Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 has been followed.

These condensed interim financial information is presented in Pakistan Rupee which is also the Company's functional currency and all financial information presented has been rounded off to the nearest thousand.

2.2 Estimates, judgments and financial risk management

The preparation of interim financial information requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual result may differ from these estimates. In preparing these condensed interim financial information, the significant judgments made by the management is applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended June 30, 2017.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation applied in the preparation of this condensed interim financial information are the same as those applied in the preparation of annual financial statements of the Company for the preceding year June 30, 2017.

This condensed interim financial information does not include all the information and disclosures required for full financial statements, and should be read in conjunction with the company's audited annual financial Statements for the year ended June 30, 2017.

4. LONG TERM FINANCING

4.1 Loan from banking companies - secured

4.1.1 Movement of long term finances - from Banking Companies / Financial Institutions

	(Un-audited) March 31, 2018	(Audited) June 30, 2017
	----- Rupees in thousand -----	
Opening balance	48,753	68,256
Finance availed during the period	-	-
	48,753	68,256
Less: repayment during the period	(14,628)	(19,503)
	34,125	48,753
Less: Current maturity shown under current liabilities	(19,503)	(19,503)
	14,622	29,250

The financing forms part of total credit facility available to the extent of Rupees 108,351 million. The loan carries markup @ 3 months KIBOR plus 2.50%. The credit facility of the Company will be expired on December 31, 2019. This is secured against first charge of Rupees 73,128 million over movable fixed assets [excluding land and building] of the company.

5. SHORT TERM BORROWING - SECURED

5.1 From NBP Bank under markup arrangements-Secured-Running finance

	(Un-audited) March 31, 2018	(Audited) June 30, 2017
	----- Rupees in thousand -----	
	61,433	74,919

5.1 This running finance facility was availed from National Bank of Pakistan to meet working capital requirement of Company. This is secured against first charge of Rupees 100 million over current and movable fixed assets (excluding land and building) of the company. The loan carries markup @ 3 months KIBOR plus 2.50%. This facility is renewed on January 16, 2018.

6. LIABILITIES DIRECTLY ASSOCIATED WITH FREE HOLD LAND - HELD FOR SALE

6.1 Loan from Government of Pakistan - unsecured

Privatization commission loan	481,469	481,469
Government escrow account	112,937	112,937
Other Government loan	100,000	100,000
Federal Govt loan for compulsory separation scheme (CSS)	309,000	309,000
Federal Government bonds	787,442	787,442
	1,309,379	1,309,379
	1,790,848	1,790,848

7. CONTINGENCIES

7.1 Claims not acknowledged as debts in respect of various sub-judice cases filed against the company for which the maximum possible liabilities could be approximately Rupees 2,912 million (June 30, 2017: Rupees 2,912 million).

7.2 Guarantees of Rupees 621.90 million (June 30, 2017: Rupees 617.85 million) issued by the banks and insurance companies to different parties on behalf of the company.

7.3 The Privatization Commission has claimed additional loan liability amounting to Rupees 131,454 million and mark up amounting to Rupees 1,295.45 million. The management of the company in the minutes of the meeting held on October 7, 2010 at Ministry of Finance to reconcile the principal and mark up amounts with respect to Govt. of Pakistan loans does not agree with the stance of Privatization Commission in respect of additional loan and mark up claimed. Privatization Commission has been instructed by the Ministry of Finance to review the calculation / treatment of a loan amounting Rupees 131,454 million and has been asked to come up with firm stance on the foregoing loan amounting to Rupees 131,454 million. Further, Privatization Commission has been instructed to sort out the issue of charging interest on VSS loan and Privatization Commission has been asked to come up with sound reason and logic for charging interest on the above loan. The legal advisor of the company is also of the firm opinion that since there is no mention of any markup to be charged on this loan nor is there any markup agreement, therefore, no markup is payable by the company in respect of this loan. The management is confident that the ultimate outcome of the matter will result in favour of the company and hence no provision has been made in these financial statements in respect of the additional loan and markup claimed.

7.4 The Finance Division vide its letter dated August 11, 2015, for the year ended June 30, 2015 has claimed an amount of Rupees 2,801.41 million in respect of markup payable on remaining Government of Pakistan Loans. However, the management of the company is of the opinion that no markup is payable in the absence of any agreement for markup. The matter was taken up by the Ministry of Finance, in meeting held on October 7, 2010, to reconcile the principal and mark up amounts with respect to Govt. of Pakistan loans, which has instructed the Finance Division to re-examine the issue relating to Rupees 100,000 million loan and interest thereof to confirm the contention of PECO. Decision on this account would be conveyed to company at the earliest. Till the issue of annual accounts no such decision has been received by company. Furthermore, the company has also obtained the opinion from the legal advisor, who is also of opinion that no markup is payable. The management is confident that the ultimate outcome of the matter will result in favor of the company and hence no provision has been made in these financial statements in respect of the markup claimed.

7.5 The Additional Commissioner Inland Revenue (ACIR) has passed an order under section 122 (5A) of the Income Tax Ordinance, 2001 for tax years 2009 and 2010 whereby a demand of Rupees 53.43 million (2017: Rupees 53.43 million) has been raised. No provision against the demand has been made in these financial statements as the Company is able to get refund of Rupees 55.00 million from Federal Board of Revenue in current financial year. The Appellate Tribunal Income Tax (ATTIR) has passed an order under section 122 (5A) of Income Tax Ordinance, 2001, whereby brought forward losses of Rupees 170.644 million is allowed by ATTIR. As on reporting date, appeal effect decision was pending before ACIR which will result in further refund of Rupees 53.43 million.

8. PROPERTY PLANT AND EQUIPMENT

	Note	(Un-audited)		(Audited)	
		March 31, 2018	June 30, 2017	March 31, 2018	June 30, 2017
Operating fixed assets	8.1	14,504,280	14,499,770	14,533,107	13,503
Capital work-in-progress		2,982	2,982	13,503	
Advances against capital assets		42,491	52,416	14,546,610	
		14,549,753	14,555,168	(9,163)	
Operating fixed assets					
Opening written down value		14,499,770	14,533,107	14,537,447	
Add: Additions during the period/year	8.1.1	32,740	13,503	(37,677)	
		14,532,510	14,546,610	14,499,770	
Less: Disposals during the period/year (at book value)					
		14,532,510	14,537,447		
Less: Depreciation charged during the period/year		(28,230)	(37,677)		
		14,504,280	14,499,770		

8.1.1 Following is the detail of additions during the period/year

Factory Building	9,082	-
Plant and machinery	15,006	4,303
Office equipment	1,170	148
Computers	345	758
Furniture and fixtures	183	78
Vehicles	6,709	8,051
Electric equipment	219	165
Tools	26	-
	32,740	13,503

9. COST OF SALES

	Nine months ended		Three months ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Raw material consumed	861,666	786,628	205,923	343,045
Stores and spares consumed	78,167	65,198	8,285	16,444
Salaries and wages and other benefits	75,865	62,573	24,536	21,344
Fuel and power	42,593	37,813	11,395	14,871
Traveling and conveyance	963	618	238	236
Postage, telegram and telephone	537	657	171	309
Printing and stationery	1,011	555	238	177
Inspection fee	5,430	5,039	747	2,404
Processing and fabrication charges	52,280	12,086	17,111	2,545
Service charges	4,547	3,612	1,744	1,234
Rent, rates and taxes	1,034	1,091	344	344
Repair and maintenance	3,343	3,254	1,462	1,880
Insurance	978	781	364	262
Research and development	7	-	7	-
Vehicle running expenses	3,288	1,643	855	532
Other expenses	2,782	2,422	835	514
Depreciation	24,731	25,571	8,258	8,385
	1,159,222	1,009,541	282,513	414,526
(Increase)/decrease in work in process inventory	(18,696)	(166,051)	97,173	(90,893)
Cost of goods manufactured	1,140,526	843,490	379,686	323,633
(Increase)/decrease in finished goods inventory	5,840	(11,309)	82,616	37,234
Cost of sales	1,146,366	832,181	462,302	360,867

10. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share" which is based on:

	Nine months ended		Three months ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Profit attributable to ordinary shareholders (Rupees in thousand)	(22,066)	52,530	(19,052)	23,511
Weighted average number of ordinary shares (Numbers)	5,690,200	5,690,200	5,690,200	5,690,200
Earnings per share (Rupees)	(3.88)	9.23	(3.35)	4.13

11 CASH GENERATED FROM OPERATIONS

Profit before taxation
Adjustments for non cash charges and other items:

Depreciation
Financial charges
Interest on workers' profit participation fund
Provision for gratuity
Provision for WPPF
Provision for WWF
Balances written back
Gain on sale of property, plant and equipment

Profit before working capital changes

Effect on cash flow due to working capital changes:
(Increase)/decrease in current assets:

- Stores, spares and loose tools
- Stock in trade
- Trade debts
- Advances
- Trade deposits, prepayments and other receivables
- Sales tax refundable
Increase/(decrease) in current liabilities:
- Trade and other payables

(Un-audited) March 31, 2018	(Un-audited) March 31, 2017
----- Rupees in thousand -----	

(31,487)	58,104
28,252	28,160
10,948	10,931
2,290	2,057
5,912	7,392
-	3,157
-	1,865
-	(6,757)
-	(12,309)
47,402	34,496
15,915	92,600

2,737	(25,605)
7,208	(208,142)
101,379	534,680
(1,915)	(7,693)
2,284	(3,226)
12,252	(16,081)
(69,381)	(267,835)
54,564	6,098
70,479	98,698
(Un-audited) March 31, 2018	(Audited) June 30, 2017
----- Rupees in thousand -----	

12 TRANSACTIONS WITH RELATED PARTIES

State Engineering Corporation (SEC)

Outstanding SEC Service Charges paid
Reimbursement of Expenses payable

Pakistan Machine Tool Factory
Receivable at the end of the period

151	151
273	273

13. FINANCIAL RISK MANAGEMENT

Company's risk management policies are consistent with those disclosed in the financial statements for the year ended June 30, 2017.

14. OPERATING SEGMENTS

This condensed interim financial information has been prepared on the basis of a single reportable segment i.e. "Engineering".

14.1 Information about products and services

- Revenue from sales of electricity transmission and communication towers represents 93.38% (March 31, 2017: 92.18%) of total sales.

14.2 Information about geographical areas

- 100% (March 31, 2017: 100%) of the gross sales of the Company are made to customers located in Pakistan.

14.3 Information about major customers

- The Company's most significant customers are electric supply companies.
- Electricity transmission company (NTDCL) and Distribution companies (DISCOs) accounts for more than 93.38% of the gross sales of the Company for the period.

15. DATE OF AUTHORIZATION

This condensed interim financial information have been authorized for issue by Board of Directors on April 28, 2018.

16. CORRESPONDING FIGURES

"In order to comply with the requirements of International Accounting Standard (IAS) 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.

Corresponding figures have been re-arranged wherever necessary for purposes of better presentation as follows:

Reclassification from component	Reclassification to component	Rupees in thousand
Long term loans	Liabilities directly associated with free hold land - held for sale	
- Loans from Government of Pakistan	- Loans from Government of Pakistan	1,790,848

17. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Cost of sales	Cost of sales	Three months ended
- Stores and spares consumed	- Fuel and power	March 31, 2018
		----- Rupees in thousand -----
	24,473	13,700

Mairaj Anees Ariff
Chief Executive Officer

Mian Anwar Aziz
Chief Financial Officer

Muhammad Iqbal
Director