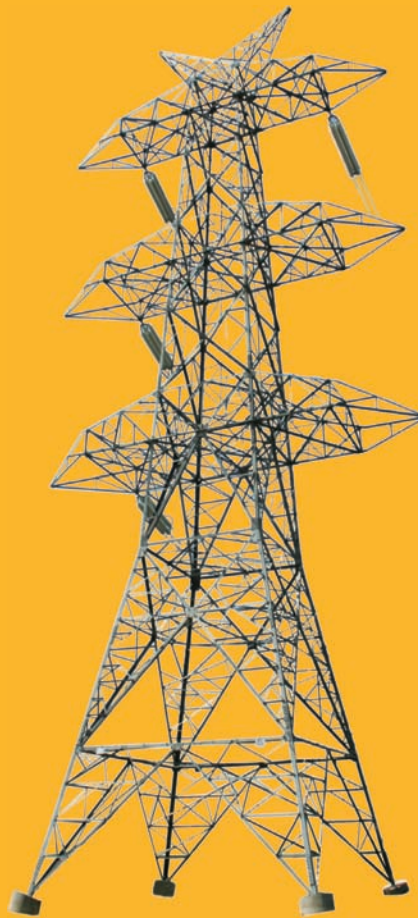


Quarterly Report

September 30, 2013



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PAKISTAN ENGINEERING COMPANY LIMITED

COMPANY INFORMATION

QUARTERLY REPORT 2013

Board of Directors

Raja Muhammad Abbas
(Chairman)
Mr. Babar Hassan Bharwana
(Managing Director)
Mr. Arif Ibrahim
Mr. Muhammad Arif Habib
Mr. Rashid Ali Khan
Mr. Liaqat Mohammad
Mr. Muhammad Iqbal
Mirza Mahmood Ahmad
Mr. Muhammad Iqbal Awan

Board Audit Committee

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

Board Finance Committee

Mr. Rashid Ali Khan (Chairman)
Mr. Muhammad Arif Habib
Mr. Arif Ibrahim

Board HR Committee

Raja Muhammad Abbas
(Chairman)
Mr. Arif Ibrahim
Mr. Muhammad Iqbal
Mr. Muhammad Iqbal Awan

CFO & Company Secretary

Mian Anwar Aziz

Auditors

M/s. Fazal Mahmood & Co.
Chartered Accountants

Bankers

National Bank of Pakistan
United Bank Limited
Summit Bank

Legal Advisor

Sardar Zulfiqar Umar Khan Tahim

Registered Office

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

Phones : 042 37 32 0225-7

Fax No. : 042 37 32 3108

E-Mail : info@peco.com.pk

Website : <http://www.peco.com.pk>

Plants : Kot Lakhpat

Lahore

Share Registrar:

M/s. Scarlet IT System (Pvt) Ltd.
24-Ferozpur Road,
Near Mozang Chungi,
Lahore.

DIRECTOR'S REPORT

Dear Shareholders,
Assalam-o-Alakum

Over view

I feel honour to present the Un Audited Accounts & Reports for the first quarter of the year 2013-14 ended on September 2013. The current financial year started with orders in hand of Rs. 812.2 million . During the period under review transmission line towers were supplied to WAPDA and Telecommunication towers to Z.T.E.

Financial Results

The sale during the period ended on September 30, 2013 were Rs. 6.8 million as against Rs. 182.2 million during the corresponding period of last year, showing a decrease of Rs. 175 million. The cost of goods sold was high due to lesser production and high input cost. Resultantly the Company incurred a gross loss of Rs. 17.7 million against gross loss of Rs. 11.5 million compared with same period last year. The net loss before tax was Rs. 35.6 million against net loss of Rs. 30.5 million of same period last year.

Future Outlook

The current orders with WAPDA are on good prices and reasonable margins. The Management of your Company is working hard to increase production and minimize production cost. Keeping in view the orders in hand and prospective business of transmission line towers & telecommunication towers, it is anticipated that performance of your Company during rest of the year would be relatively better.

Acknowledgement

I take this opportunity to thank all our valued Customers, Suppliers and Bankers for their confidence and continued support, staff members for their dedication and hard work. I would also like to thank our Board of Directors for their guidance and support for the improvement of Company's business and good will.

I look forward for better future of the Company.

On behalf of the Board

Dated: October 29, 2013
Lahore

Babar Hassan Bharwana
(Managing Director)

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT SEPTEMBER 30, 2013

	September 30, 2013	June 30, 2013
(Rupees in '000).....	
ASSETS		
NON - CURRENT ASSETS		
Property, plant and equipment	8,653,486	8,663,363
Long term investment	624	624
Long term deposits	964	964
	8,655,074	8,664,951
LAND HELD FOR SALE	314,724	314,724
CURRENT ASSETS		
Stores, spares and loose tools	133,291	129,279
Stock-in-trade	202,208	191,326
Trade debts	126,440	136,869
Advances	5,943	4,781
Trade deposits, prepayments & other receivables	48,076	40,898
Advance income tax	31,545	31,359
Cash and bank balances	17,018	71,333
	564,521	605,845
TOTAL ASSETS	9,534,319	9,585,520
 EQUITY & LIABILITIES		
SHARE CAPITAL & RESERVES		
SHARE CAPITAL	56,902	56,902
REVENUE RESERVE - GENERAL	10,000	10,000
ACCUMULATED LOSS	(1,233,947)	(1,203,064)
	(1,167,045)	(1,136,162)
SURPLUS ON REVALUATION OF FIXED ASSETS	8,590,947	8,595,650
NON - CURRENT LIABILITIES		
GOVERNMENT OF PAKISTAN LOANS - SECURED	1,790,848	1,790,848
LONG TERM BORROWINGS - SECURED	-	-
DEFERRED TAX LIABILITY - NET	109,657	109,657
	1,900,505	1,900,505
CURRENT LIABILITIES		
Trade & other payables	98,501	111,031
Mark-up accrued - on short term borrowing	3,060	3,115
Short term borrowing - secured	108,351	108,351
Current maturity of long term borrowings	-	3,030
	209,912	225,527
CONTINGENCIES AND COMMITMENTS		
TOTAL EQUITY AND LIABILITIES	9,534,319	9,585,520

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

BABAR HASSAN BHARWANA
(MANAGING DIRECTOR)

MUHAMMAD IQBAL
(DIRECTOR)

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)



FOR THE QUARTER ENDED
SEPTEMBER 30, 2013

	Note	Jul - Sep, 2013	Jul - Sep, 2012
.....(Rupees in '000).....			
Sales - net		6,816	182,226
Cost of sales	5	<u>(24,512)</u>	<u>(193,742)</u>
GROSS (LOSS) / PROFIT		(17,696)	(11,516)
Selling & distribution expenses		<u>(1,055)</u>	<u>(1,250)</u>
Freight and forwarding expenses		<u>(32)</u>	<u>(397)</u>
Administrative expenses		<u>(12,394)</u>	<u>(12,517)</u>
Other operating charges		<u>(140)</u>	<u>(200)</u>
		<u>(13,621)</u>	<u>(14,364)</u>
Other operating income		1,811	1,533
OPERATING (LOSS)		(29,506)	(24,347)
Finance cost		<u>(6,082)</u>	<u>(6,187)</u>
(LOSS) BEFORE TAXATION FROM OPERATIONS		(35,588)	(30,534)
Taxation		-	-
(LOSS) AFTER TAXATION FOR THE PERIOD		(35,588)	(30,534)
BASIC AND DILUTED (LOSS) PER SHARE		(6.25)	(5.37)

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

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER ENDED SEP 30, 2013

	Jul - Sep, 2013	Jul - Sep, 2012
.....(Rupees in '000).....		
(Loss) after taxation for the period	(35,588)	(30,534)
Other comprehensive income for the period	-	-
Total comprehensive (loss) for the period	(35,588)	(30,534)

Surplus on revaluation of fixed assets has been reported in accordance with the requirements of the Companies Ordinance, 1984, in a separate account below equity.

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

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	Jul - Sep, 2013	Jul - Sep, 2012
.....(Rupees in '000).....		
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) before taxation	(35,588)	(30,534)
Adjustments for:		
Depreciation	9,885	7,071
Financial charges	3,595	4,286
Interest on workers' profit participation fund	2,488	1,603
Provision for gratuity	5	-
Amortization expense (Long Term Loan - NBP)	-	298
(Loss) before working capital changes	(19,615)	(17,276)
Movements in working capital		
(Increase) / decrease in current assets:	(12,809)	11,009
Increase / (decrease) in current liabilities:	(15,025)	(26,692)
Cash generated from / (used in) operations	(47,449)	(32,959)
Finance costs paid	(3,650)	(4,223)
Income tax paid	(186)	(2,409)
Net cash (utilized in) operating activities	(51,285)	(39,591)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed Capital Expenditure	-	(501)
Net cash (utilized in) investing activities	-	(501)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term borrowings - (repayments)	(3,030)	-
Net cash (utilized in) financing activities	(3,030)	-
Net (decrease) in cash and cash equivalents	(54,315)	(40,092)
Cash and cash equivalents at the beginning of the period	71,333	58,491
Cash and cash equivalents at the end of the period	17,018	18,399

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

BABAR HASSAN BHARWANA
(MANAGING DIRECTOR)

MUHAMMAD IQBAL
(DIRECTOR)

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

QUARTERLY REPORT 2013

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

	Issued, Subscribed and Paid up capital	Revenue Reserve General	Accumulated Loss	TOTAL
	(Rupees in '000)			
Balance as at June 30, 2012	56,902	10,000	(1,134,148)	(1,067,246)
Total comprehensive (Loss) for the year:				
- (Loss) after tax for the year ended June 30, 2013	-	-	(83,107)	(83,107)
- Other comprehensive income	-	-	-	-
	-	-	(83,107)	(83,107)
Surplus on revaluation of property, plant & equipment realized during the year on account of:				
- Incremental depreciation charged thereon - net of tax	-	-	14,191	14,191
Balance as at June 30, 2013	56,902	10,000	(1,203,064)	(1,136,162)
Total comprehensive (Loss) for the Quarter:				
- (Loss) after tax for the quarter ended September 30, 2013	-	-	(35,588)	(35,588)
- Other comprehensive income	-	-	-	-
	-	-	(35,588)	(35,588)
Surplus on revaluation of property, plant & equipment realized during the year on account of:				
- Incremental depreciation charged thereon - net of tax	-	-	4,705	4,705
Balance as at September 30, 2013	56,902	10,000	(1,233,947)	(1,167,045)

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

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

1. THE COMPANY AND ITS OPERATIONS

Pakistan Engineering Company Limited (a State Public Sector Enterprise) was incorporated in Pakistan on February 15, 1950 under the Companies Act, 1913 (Now Companies Ordinance, 1984) as a public limited company. Its shares are quoted on all Stock Exchanges of Pakistan. 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. The registered office of the Company is situated at 6/7-Sir Ganga Ram Trust Building, Shakra-e-Quaid-e-Azam, Lahore.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements are un-audited and have been prepared in accordance with the requirements of the International Accounting Standard IAS 34 "Interim Financial Reporting" as applicable in Pakistan. These Condensed interim financial statements do not include all of the information and disclosures required for full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 2013.

Company's functional currency and all financial information presented has been rounded off to the nearest thousand.

2.2 Estimates, judgements 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 30 June 2013.

3. SIGNIFICANT 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 30 June 2013.

4. CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

- 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 2.517 million (30 June 2013: Rupees 2.517 million).
- Guarantees of Rupees 340.095 million (30 June 2013: Rupees 293.091 million) issued by the banking and insurance companies to different parties on behalf of the company.
- The Sui Gas authorities have claimed an amount of Rupees. 29.21 million. The Company has filed an appeal against the claim and the case is pending in the court of law. The outcome of the matter cannot presently be determined.

BABAR HASSAN BHARWANA
(MANAGING DIRECTOR)

MUHAMMAD IQBAL
(DIRECTOR)

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)



COMMITMENTS

- Capital expenditure commitments outstanding as at 30 September 2013 amounted to Rs. 4.461 million (2012: Nil).

	July - Sep 2013	July - Sep 2012
(Rupees in '000).....	
5. COST OF GOODS SOLD		
Raw material consumed	10,852	76,162
Stores & spares consumed	1,033	23,925
Salaries & Wages (including all benefits)	10,122	14,181
Fuel & power	2,081	2,901
Travelling and Conveyance	198	100
Postage, telegrams and Telephone	61	45
Printing stationery and office supplies	144	185
Inspection Fee	15	20
Service charges	293	5
Rent, Rate & Taxes	194	184
Repair & Maintenance	178	321
Insurance	246	110
Vehicle Running Expenses	304	542
Other expenses	98	206
Depreciation	8,394	5,943
	34,213	124,830
(Increase) / decrease in work in process inventory	(12,116)	81,485
Cost of goods manufactured	22,097	206,315
(Increase) / decrease in finished goods inventory	2,415	(12,573)
Cost of Goods Sold	24,512	193,742

6. ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT (AT COST)

	Sep 30, 2013		Jun 30, 2013	
(Rupees in '000).....			
DESCRIPTION	ACQUISITION	DISPOSALS	ACQUISITION	DISPOSALS
OWNED ASSETS:				
Factory Building	-	-	3,931	-
Plant & Machinery	-	-	15,097	-
Furniture & Fixture	-	-	301	-
Vehicles	-	-	2,715	1,427
Electric Installation	-	-	906	-
Tools	-	-	240	-
Total	-	-	23,190	1,427

	Sep 30, 2013	Jun 30, 2013
(Rupees in '000).....	
7. CAPITAL WORK IN PROGRESS		
Civil Works	2,239	2,239
Advance to Suppliers	101	101
	2,340	2,340

	Sep 30, 2013	Jun 30, 2013
(Rupees in '000).....	
8. TRANSACTIONS WITH RELATED PARTIES		
STATE ENGINEERING CORPORATION (SEC)		
Reimbursement of Expenses to SEC	297	320
Expenses Payable to SEC	93	186
Service Charges Payable to SEC	1,000	2,000
PAKISTAN MACHINE TOOL FACTORY (PMTF)		
Receivable at the end of the year	1,571	1,571

9. DATE OF AUTHORISATION
This financial information has been authorized for issue by board of directors on September 29, 2013.

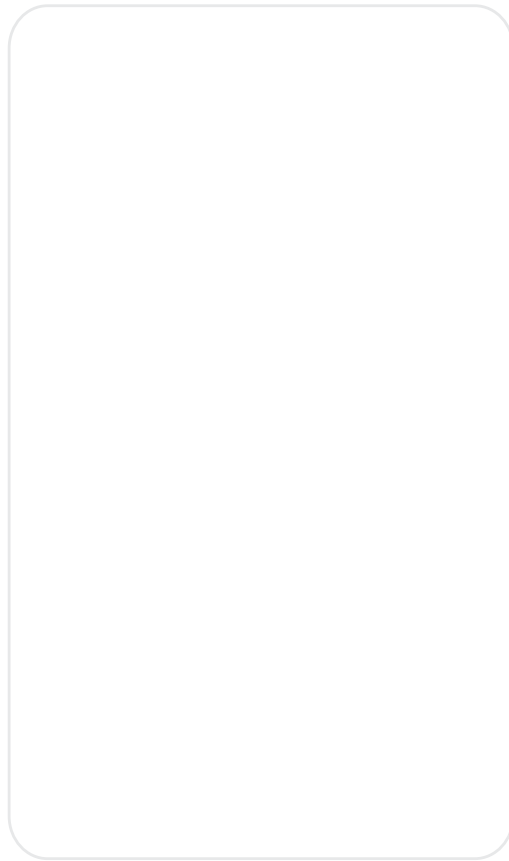
10. GENERAL
Figures has been rounded off to the nearest thousand rupees.

BABAR HASSAN BHARWANA
(MANAGING DIRECTOR)

MUHAMMAD IQBAL
(DIRECTOR)



BOOK POST



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PAKISTAN ENGINEERING CO. LTD.

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