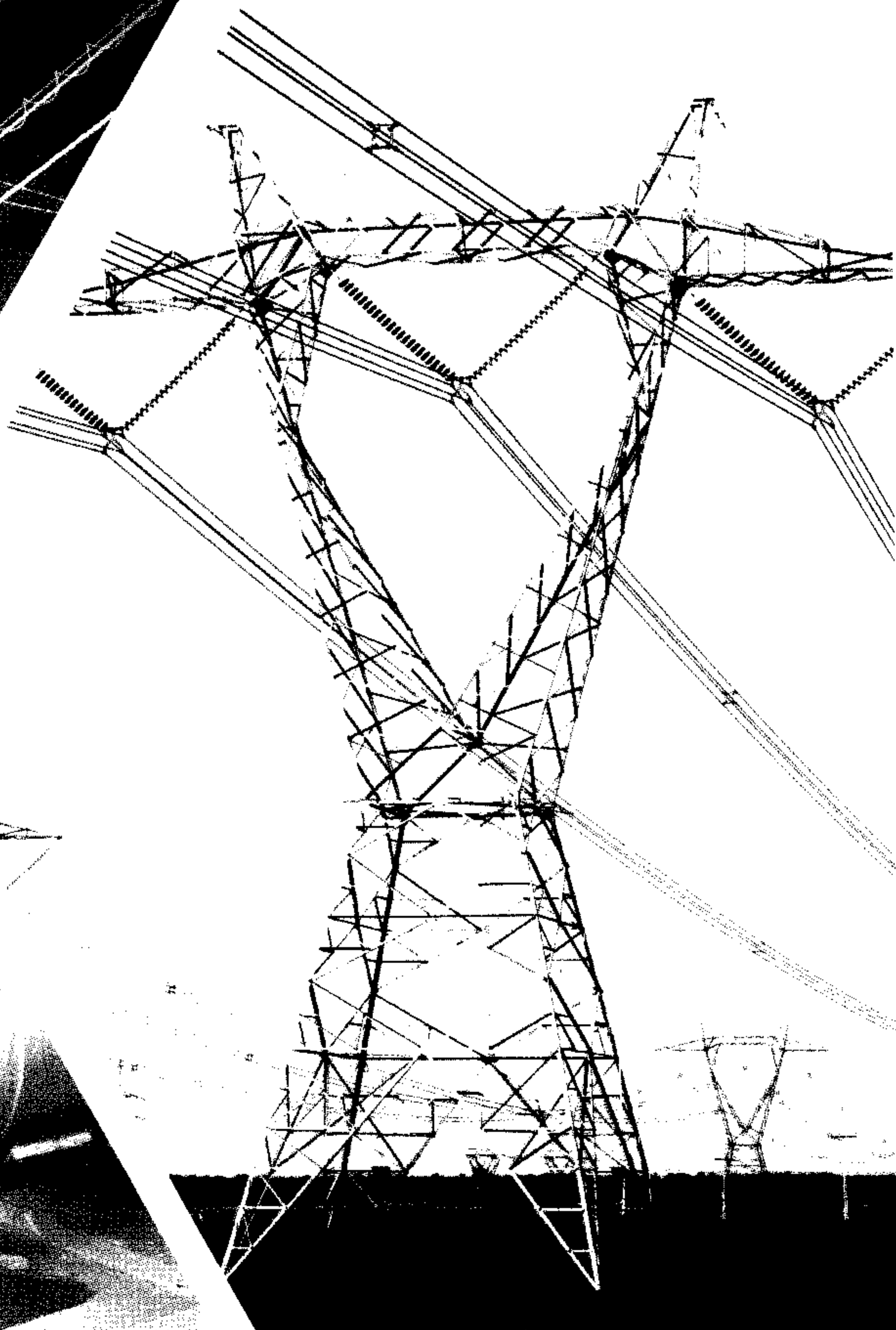
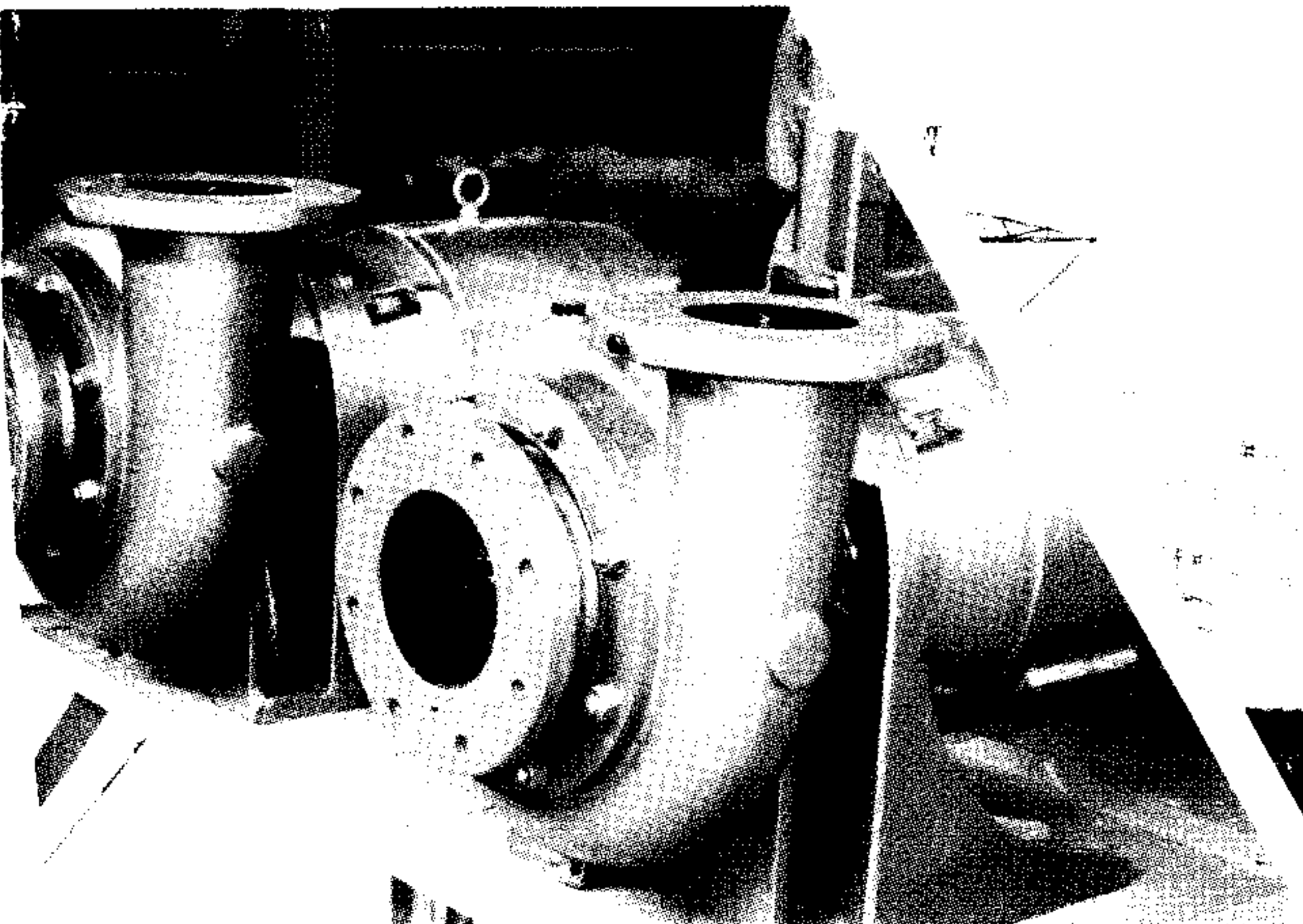
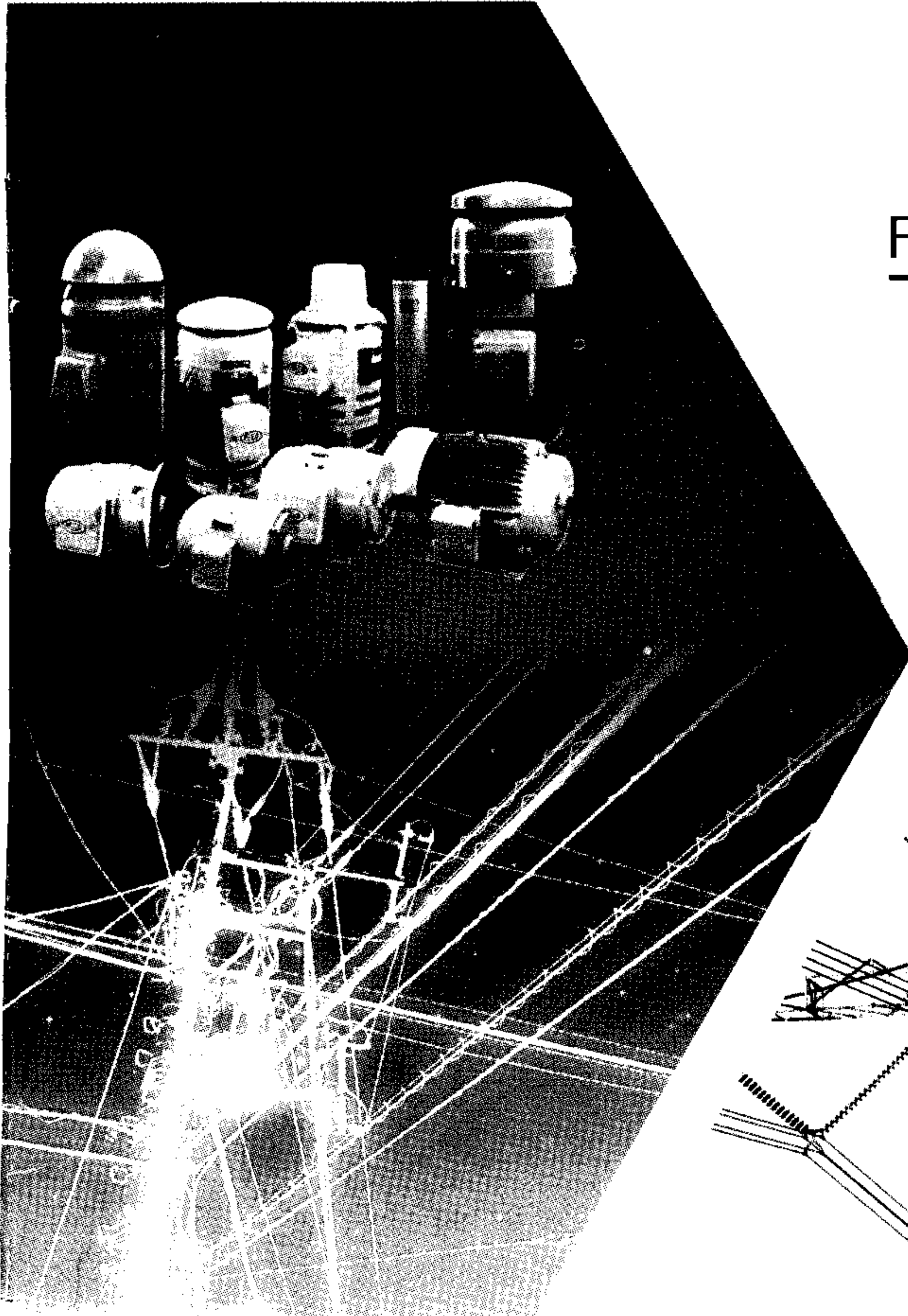


First Quarterly Report  
September 30, 2016



## COMPANY INFORMATION

### Board of Directors

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

### Board Audit & Risk Management Committee

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

### Board Finance Committee

Mr. Rashid Ali Khan (Chairman)  
Mr. Arif Ibrahim  
Mr. Liaqat Mohammad

### Board HR & Remuneration Committee

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

### CFO & Company Secretary

Mian Anwar Aziz

### 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

### 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](mailto:info@peco.com.pk)

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

Plants : Kot Lakhpat  
Lahore.

### Shares Registrar

Central Depository Company of  
Pakistan Limited  
2nd Floor, 307-Upper Mall, Opposite Lahore  
Gymkhana, Near Mian Mir Bridge  
Lahore. 54000

## Directors' Report

Dear Shareholders  
Assalam-o-Alaikum

On behalf of the Board, I am pleased to present the un-audited financial information for the first quarter ended September 30, 2016.

### Overview

The current financial year started with orders in hand of Rupees 798.71 million and Company has orders in hand worth Rupees 621.73 million as on 30.09.2016 besides orders in pipeline worth Rupees 373.92 million, the purchase orders (PO) of which are expected to be issued soon in favor of PECO and we are expecting good business in next quarter. During the period under review transmission line towers were supplied to IESCO, QESCO and NETRACON. In view of the Government priorities on electrification and electricity load management, there is a big potential in transmission line towers business.

Presently, the business of electricity transmission towers, in Pakistan, is getting significantly competitive due to entry of foreign companies in this business. Your Company, however, is gearing up to meet such challenges by better marketing policies, extensive market research, product development, updating technical production capabilities and better working capital management.

### Financial Results

The sales during the period ended on September 30, 2016 were Rupees 296.45 million as against Rupees 315.22 million during the corresponding period of last year, showing a decrease of Rupees 18.76 million. The Company earned a gross profit of Rupees 32.83 million against gross profit of Rupees 48.37 million compared with same period last year. The net profit after tax was Rupees 14.78 million against net profit of Rupees 23.02 million of same period last year. Earnings per share was Rupees 2.60 per share against Rupees 4.04 per share for same period last year.

First quarter of the year is normally low and due to floating of tenders during Nov/Dec by NTDC/DISCOs, we are hopeful that sale will be boosted in the second half of the financial year.

The Management of your Company is striving hard to maintain its trend of sales and profitability for the remaining period of financial year.

### Future Outlook

Though current orders of DISCOs and other buyers, are having lesser margins as selling prices had to be lowered due to intensive competition from foreign companies, yet, the Management of your Company is working hard to intensify its marketing strategies, increase production and minimize production cost. Keeping in view the orders in hand and prospective business of transmission line towers and telecommunication towers, it is anticipated that management of your company will be able to get orders at competitive prices to maintain good profit earning trends.

### 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 continued support in improvement of Company's business and good will. I am looking forward to a much better future of the Company, insha' Allah.

ON BEHALF OF THE BOARD

Mairaj Anees Ariff  
Chief Executive Officer

October 29, 2016

## اطلاعاتِ نظام

معزز حصص یافتگان

اسلام و علیکم!

مجھے، مجلسِ نظام کی جانب سے، ۳۰ ستمبر ۲۰۱۶ کو ختم ہونے والی پہلی سہ ماہی کی غیر محاسب شدہ مالی معلومات پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

## مجموعی جائزہ

رواں مالی سال ۲۰۱۶-۱۷ء میں ۹۸ ملین روپے کے ٹیکوں سے شروع ہوا جبکہ ۳۰ ستمبر ۲۰۱۶ کو کمپنی کے پاس ۴۳.۷۲ ملین روپے کے ٹیکے ہیں۔ زیر جائزہ مدت کے دوران آئیٹیکو، کیسکو اور نیٹراکون کو ترسیل سہے فراہم کیے گئے۔ بجلی اور بجلی کی لوڈ منیجمنٹ پر حکومتی ترجیحات کے پیش نظر، ترسیل سہوں کے کاروبار کے بہت مواقع ہیں۔ وقتِ حاضر میں غیر ملکی کمپنیوں کی ترسیل سہوں کے کاروبار میں آمدنی کی وجہ سے مسابقت بڑھتی جا رہی ہے۔ تاہم آپ کی کمپنی فروخت کاری کی بہتر پالیسی، وسیع بازاری تحقیق، مصنوعات کی ترقی، تکنیکی صلاحیت کی بہتری اور سرمائے کے بہتر انتظام کی بدولت ان چیلنجز سے نپٹنے کی بھرپور کوشش کر رہی ہے۔

## مالیاتی نتائج

۳۰ ستمبر ۲۰۱۶ کو ختم ہونے والے عرصے میں فروخت کاری ۲۹۶.۴۵ ملین روپے رہی جو پچھلے مالی سال اسی عرصے میں ۳۱۵.۲۲ ملین روپے تھی جو کہ ۷.۶۱ ملین روپے کم ہے۔ کمپنی کی کل آمدنی ۳۲۰.۸۳ ملین روپے رہی جو پچھلے مالی سال اسی عرصے میں ۳۷۸.۳۷ ملین روپے تھی۔ خالص منافع ۷۸.۷۸ ملین روپے رہا جو پچھلے مالی سال اسی عرصے میں ۲۳.۰۲ ملین روپے تھا۔ فی حصص آمدنی ۲۰.۶۰ روپے فی حصص رہی جو پچھلے مالی سال اسی عرصے میں ۳.۰۲ روپے فی حصص تھی۔ آپ کی کمپنی کی انتظامیہ مالی سال کی بقیہ مدت میں فروخت اور منافع کے اس رجحان کو برقرار رکھنے کے لیے سخت محنت کر رہی ہے۔

## مستقبل کا نقطہ نظر

اگرچہ ڈسکوز اور دیگر خریداروں کے موجودہ ٹیکوں میں مارجن کم ہے، کیونکہ غیر ملکی کمپنیوں کی سخت مسابقت کی وجہ سے قیمت فروخت کم کرنا پڑی۔ آپ کی کمپنی کی انتظامیہ بہتر فروخت کاری، پیداوار میں اضافہ اور پیداواری لاگت کو کم سے کم کرنے کے لئے سخت محنت کر رہی ہے۔ ترسیلی اور مواصلاتی سہوں کے موجودہ ٹیکوں کے پیش نظر، توقع ہے کہ آپ کی کمپنی کی انتظامیہ اچھے منافع کے رجحانات کو برقرار رکھنے کے لیے مسابقتی قیمتوں پر ٹیکے حاصل کرنے کے قابل ہو جائے گی۔

## اظہارِ تشکر

اس موقع پر میں اپنے قابل قدر صارفین، مہیا کار اور بینکاروں کا اُنکی مسلسل حمایت و اعتماد اور عملے کے ارکان کا اُنکی لگن و محنت پر شکریہ ادا کرنا چاہتا ہوں۔ میں کمپنی کے کاروبار اور کاروباری سہا کی بہتری میں مسلسل حمایت پر مجلسِ نظام کا بھی شکریہ ادا کرنا چاہتا ہوں۔ میں، انشاء اللہ، کمپنی کے بہتر مستقبل کا منتظر ہوں۔

PAKISTAN ENGINEERING COMPANY LIMITED

مجلسِ نظام کی جانب سے

معراج انیس عارف  
سربراہ اعلیٰ

۲۹ اکتوبر ۲۰۱۶

**CONDENSED INTERIM BALANCE SHEET  
AS AT SEPTEMBER 30, 2016**

	Un-audited September 30, 2016	Audited June 30, 2016
	----- Rupees in thousand -----	
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Share capital	56,902	56,902
Revenue reserve - general	10,000	10,000
Accumulated loss	<u>(900,977)</u>	<u>(925,610)</u>
	<b>(834,075)</b>	<b>(858,708)</b>
Surplus on revaluation of fixed assets	14,506,654	14,516,504
<b>NON - CURRENT LIABILITIES</b>		
Long term financing	<b>1,834,725</b>	1,839,601
Deferred liabilities - net	<b>135,936</b>	133,662
	<b>1,970,661</b>	1,973,263
<b>CURRENT LIABILITIES</b>		
Trade and other payables	<b>566,026</b>	812,842
Short term borrowing - secured	<b>49,984</b>	49,984
Current portion of long term borrowings	<b>19,503</b>	19,503
Accrued mark-up	<b>2,540</b>	2,541
Provision for taxation	<b>3,146</b>	56,123
	<b>641,199</b>	940,993
<b>CONTINGENCIES AND COMMITMENTS</b>	4	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>16,284,439</u></b>	<b><u>16,572,052</u></b>
<b>ASSETS</b>		
<b>NON - CURRENT ASSETS</b>		
Property, plant and equipment	5	14,546,881
Investment property		602
Long term investment		725
Long term deposits		<u>2,253</u>
		<b>14,550,461</b>
Free hold land - held for sale		314,724
<b>CURRENT ASSETS</b>		
Stores, spares and loose tools		<b>122,991</b>
Stock-in-trade		<b>293,980</b>
Trade debts-unsecured		<b>846,666</b>
Advances		<b>7,302</b>
Trade deposits, prepayments and other receivables		<b>28,545</b>
Advance income tax - net		<b>81,493</b>
Cash and bank balances		<b>38,277</b>
		<b>1,419,254</b>
<b>TOTAL ASSETS</b>		<b><u>16,284,439</u></b>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

Mairaj Anees Ariff  
Chief Executive Officer

5

Muhammad Iqbal  
Director

PAKISTAN ENGINEERING COMPANY LIMITED

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

	Note	Quarter ended	
		September 30, 2016	September 30, 2015
----- Rupees in thousand -----			
Sales - net		296,452	315,217
Cost of sales	6	(263,627)	(266,851)
<b>Gross profit</b>		<b>32,825</b>	<b>48,366</b>
Selling and distribution expenses		(1,810)	(1,337)
Freight and forwarding expenses		(2,003)	(2,459)
Administrative expenses		(17,199)	(14,146)
Other operating charges		(291)	(708)
		(21,303)	(18,650)
Other operating income		11,045	426
<b>Operating profit</b>		<b>22,567</b>	<b>30,142</b>
Finance cost		(4,639)	(3,974)
<b>Profit before taxation</b>		<b>17,928</b>	<b>26,168</b>
Taxation		(3,146)	(3,152)
<b>Profit after taxation for the period</b>		<b>14,782</b>	<b>23,016</b>
<b>Earnings per share - Basic and diluted</b>	7	<b>2.60</b>	<b>4.04</b>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

Mairaj Anees Ariff  
Chief Executive Officer

6

Muhammad Iqbal  
Director

PAKISTAN AIRWAYS CORPORATION

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

	Quarter ended	
	September 30, 2016	September 30, 2015
	----- Rupees in thousand -----	
Profit after taxation for the period	14,782	23,016
Other comprehensive income for the period	-	-
<b>Total comprehensive income for the period</b>	<u><u>14,782</u></u>	<u><u>23,016</u></u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

PAKISTAN ENGINEERING COMPANY LIMITED

Mairaj Anees Ariff  
Chief Executive Officer

7

Muhammad Iqbal  
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

	Note	Quarter ended	
		September 30, 2016	September 30, 2015
----- Rupees in thousand -----			
Cash generated from operations	8	15,626	26,408
Finance cost paid		(3,956)	(3,941)
Gratuity paid		(168)	-
Income tax paid		(488)	(21,549)
Workers' profit participation fund		(7,192)	-
<b>Net cash generated from operating activities</b>		<b>3,822</b>	<b>918</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure incurred		(335)	(5,325)
Proceeds from disposal of Property, plant and equipment		18,151	485
Long term deposits		(421)	-
<b>Net cash generated from/(used in) from investing activities</b>		<b>17,395</b>	<b>(4,840)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short term borrowings		-	(5)
Long term borrowings - (repayments)		(4,876)	(4,876)
<b>Net cash generated (used in) financing activities</b>		<b>(4,876)</b>	<b>(4,881)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>16,341</b>	<b>(8,803)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>21,936</b>	<b>22,500</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>38,277</b>	<b>13,697</b>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

Mairaj Anees Ariff  
Chief Executive Officer

8

Muhammad Iqbal  
Director



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

	Issued, subscribed and paid-up capital	Revenue Reserve - General	Accumulated Loss	TOTAL
----- Rupees in thousand -----				
<b>Balance as at June 30, 2015 - (Audited)</b>	<b>56,902</b>	<b>10,000</b>	<b>(1,165,358)</b>	<b>(1,098,456)</b>
- Profit after tax for the year ended June 30, 2016	-	-	219,486	219,486
- Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	219,486	219,486
Surplus on revaluation of property, plant and equipment realized during the year on account of:				
- incremental depreciation - net off tax	-	-	18,019	18,019
- disposal of revalued machinery - net off tax	-	-	2,243	2,243
<b>Balance as at June 30, 2016 - (Audited)</b>	<b>56,902</b>	<b>10,000</b>	<b>(925,610)</b>	<b>(858,708)</b>
- Profit after tax for the period ended Sep 30, 2016	-	-	14,782	14,782
- Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	14,782	14,782
Surplus on revaluation of property, plant and equipment realized during the period on account of:				
- incremental depreciation - net off tax	-	-	4,528	4,528
- disposal of revalued machinery - net off tax	-	-	5,323	5,323
<b>Balance as at September 30, 2016 - (Un-audited)</b>	<b>56,902</b>	<b>10,000</b>	<b>(900,977)</b>	<b>(834,075)</b>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

Mairaj Anees Ariff  
Chief Executive Officer

9

Muhammad Iqbal  
Director

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

**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 Ordinance, 1984) as a public limited company. Its shares are quoted on Pakistan Stock Exchange (PSX). The registered office of the Company is situated at 6/7 Ganga Ram Trust Building, Shahrah-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 un-audited and is being submitted to shareholders as required by section 245 of the Companies Ordinance. This condensed interim financial information of the Company for the quarter ended September 30, 2016 has been prepared in accordance with the requirements of International Accounting Standard 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.

This condensed interim financial information is presented in Pakistani Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest thousand except otherwise stated.

This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended June 30, 2016.

**2.2 Estimates, judgements and financial risk management**

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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, 2016.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted 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 as at and for the year ended June 30, 2016. Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any significant impact on the accounting policies of the Company.

**4. CONTINGENCIES AND COMMITMENTS**

**CONTINGENCIES**

4.1 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, 2016: Rupees 2.912 million).

4.2 Guarantees of Rupees 592.670 million (June 30, 2016: Rupees 581.446 million) issued by the banking and insurance companies to different parties on behalf of the company.



Rent, rates and taxes	403	508
Repair and maintenance	561	646
Insurance	259	259
Vehicle running expenses	609	570
Other expenses	856	563
Depreciation	8,592	8,260
	<u>308,465</u>	<u>353,054</u>
(Increase) in work in process inventory	<u>(20,464)</u>	<u>(41,908)</u>
<b>Cost of goods manufactured</b>	<b>288,001</b>	<b>311,146</b>
(Increase) in finished goods inventory	<u>(24,374)</u>	<u>(44,295)</u>
	<u><u>263,627</u></u>	<u><u>266,851</u></u>

	Quarter ended	
	September 30, 2016	September 30, 2015
<b>7. EARNINGS PER SHARE - BASIC AND DILUTED</b>		
There is no dilutive effect on the basic earnings per share which is based on:		
Profit attributable to ordinary shareholders (Rupees in thousand)	14,782	23,016
Weighted average number of ordinary shares (Numbers)	5,690,200	5,690,200
Earnings per share (Rupees)	<u>2.60</u>	<u>4.04</u>

	Quarter ended	
	September 30, 2016	September 30, 2015
<b>8. CASH GENERATED FROM OPERATIONS</b>		
	----- Rupees in thousand -----	
Profit before taxation	17,928	26,168
Adjustments for non-cash charges and other items:		
Depreciation	9,267	9,572
Financial charges	3,955	3,537
Interest on workers' profit participation fund	684	437
Provision for gratuity	2,443	1,073
Gain on sale of property, plant and equipment	(9,452)	-
Working capital changes 8.1	(9,199)	(14,379)
	<u>15,626</u>	<u>26,408</u>

<b>8.1 Working capital changes</b>		
(Increase)/decrease in current assets:		
- Stores, spares and loose tools	(1,720)	12,352
- Stock in trade	(37,167)	(100,527)
- Trade debts	273,274	(25,798)
- Advances	(615)	(43)
- Trade deposits, prepayments and other receivables	(2,664)	18
	231,108	(113,998)
(Decrease)/Increase in trade and other payables	(240,307)	99,619
	<u>(9,199)</u>	<u>(14,379)</u>

PAKISTAN ENGINEERING COMPANY LIMITED

	Quarter ended	
	September 30, 2016	September 30, 2015
<b>9. TRANSACTIONS WITH RELATED PARTIES</b>	----- Rupees in thousand -----	
<b>STATE ENGINEERING CORPORATION</b>		
Reimbursement of expenses payable	151	151
<b>PAKISTAN MACHINE TOOL FACTORY</b>		
Receivable at the end of the period	273	1,571

**10. FINANCIAL RISK MANAGEMENT**

Company's risk management policies are consistent with those disclosed in the financial statements for the year ended June 30, 2016.

**11. OPERATING SEGMENTS**

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

**11.1 Information about products and services**

- Revenue from sales of electricity transmission and communication towers represents 90.15% (June 30, 2016: 98.97%) of total sales.

**11.2 Information about geographical areas**

- 100% (June 30, 2016: 100%) of the gross sales of the Company are made to customers located in Pakistan.

**11.3 Information about major customers**

- The Company's most significant customers are electric supply companies.  
 - Electricity transmission company (IESCO, QESCO and AJK) and tower erection and installation company (NATRACON) accounts for more than 90.15% of the gross sales of the Company for the period.

**12. DATE OF AUTHORIZATION FOR ISSUE**

This financial information has been authorized for issue by Board of Directors on October 29, 2016.

**13. GENERAL**

Figures have been rounded off to the nearest thousand rupee unless otherwise stated.

Mairaj Anees Ariff  
 Chief Executive Officer

Muhammad Iqbal  
 Director

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