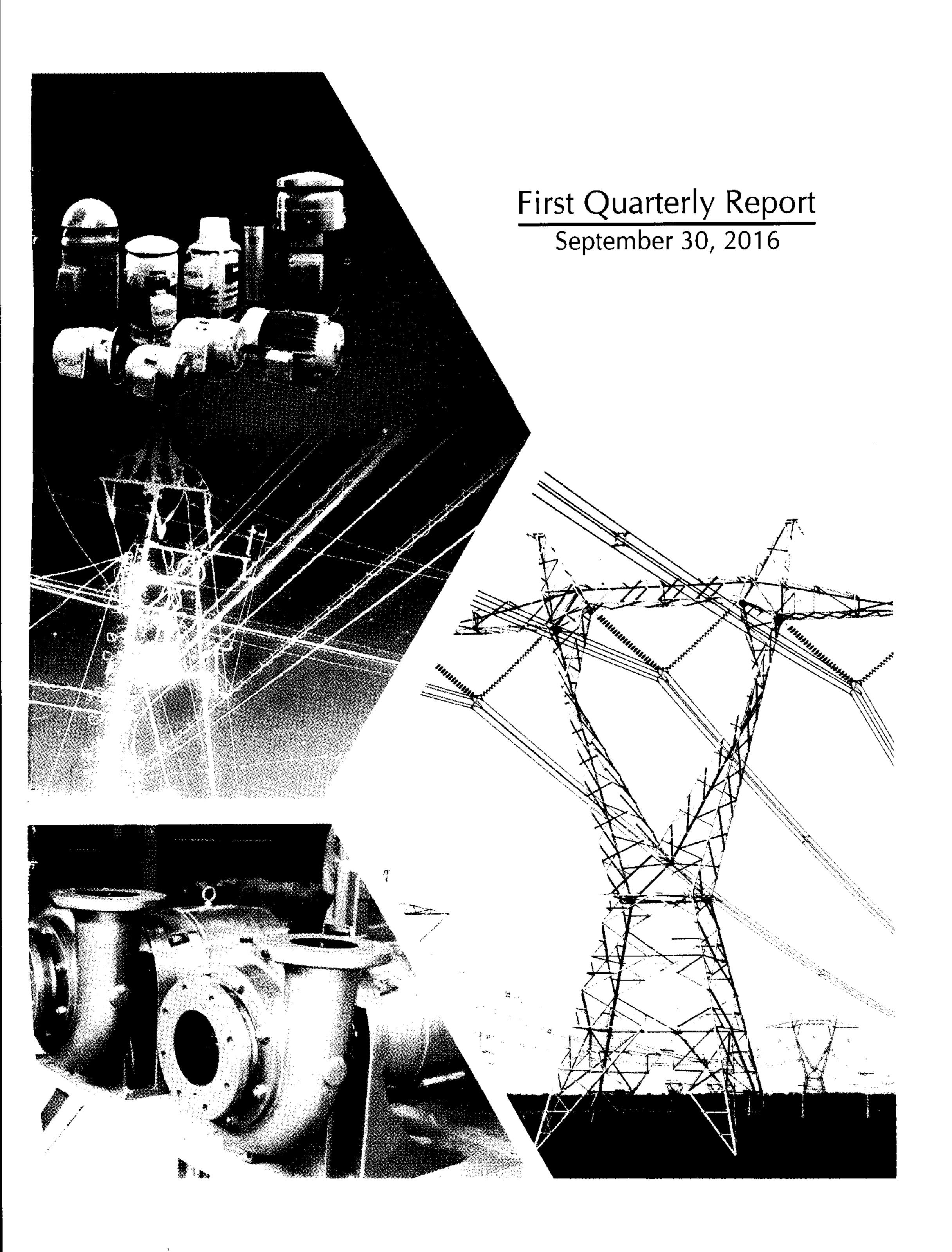
PAKISTAN ENGINEERING COMPANY LIMITED





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

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

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

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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

October 29, 2016

Mairaj Anees Ariff Chief Executive Officer

مجھے، مجلسِ نظماء کی جانب سے، ۱۳ ستمبر ۲۰۱۷ کونتم ہونے والی پہلی سہ ماہی کی غیرمحاسب شدہ مالی معلومات پیش کرتے ہوئے خوشی محسوس ہور ہی ہے۔

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رواں مالی سال اے۔ ۹۸ کیلین روپے کے تھیکوں سے شروع ہوا جبکہ ۱۳ ستمبر ۲۰۱۷ کو کمپنی کے پاس ۲۷۔ ۱۲۲ ملین روپے کے تھیکے ہیں۔ زیر جائزہ مدت تے دوران آئیسکو، کیسکو اور نیٹراکون کوتر سیل تھے فراہم کیے گئے۔ بجلی اور بھلی کی لوڈ مینجمٹ پرحکومتی ترجیحات کے پیش نظر ہتر سیلی تھمبوں کے کاروبار کے بہت مواقع ہیں۔ وقت حاضر میں غیرمکی نمپنیوں کی ترسیلی تھمبوں کے کاروبار میں آمد کی وجہ سے مسابقت بڑھتی جارہی ہے۔ تاہم آپ کی کمپنی فروخت کاری کی بہتر پالیسی، وسیع بازاری شخفیق، مصنوعات کی ترقی، سیمنیکی صلاحیت کی بہتری اور سرمائے کے بہتر انتظام کی بدولت اِن چیلنجز زے نبٹنے کی بھر پورکوشش کر رہی ہے۔

۳۰ میں ۱۹۱۲ کوختم ہونے والے عرصے میں فروخت کاری ۴۵۔ ۲۹۲ ملین روپے رہی جو پچھلے مالی سال اِسی عرصے میں ۴۷۔ ۱۵سلین روپے تھی جوکہ ۲۷۔ ۱۸ملین روپے کم ہے۔ سمینی کی کل آیدنی ۱۳۲۰ ۱۳۳ ملین رو پے رہی جو پچھلے مالی سال اِسی عرصے میں ۳۷۔ ۴۸ ملین روپے تھی۔ خالص منافع ۲۸۔ ۱۳ ملین روپے رہا جو پچھلے مالی سال اِسى عرصے میں ۲۰۔ ۲۳۰ملین روپے تھا۔ فی خصص آمدنی ۲۰-۲روپے فی خصص رہی جو پچھلے مالی سال اِسی عرصے میں ۴۳-۴روپے فی خصص تھی۔ آپ کی ممپنی کی انتظامیه مالی سال کی بقید مدت میں فروخت اور منافع کے اس رجحان کو برقر ارر کھنے کے لیے سخت محنت کررہی ہے۔

اگرچہ ڈِسکوزاور دیگرخریداروں کےموجودہ تھیکوں میں مارجن کم ہے، کیونکہ غیرملکی کمپنیوں کی سخت مسابقت کی وجہ سے قیمتِ فروخت کم کرناپڑی۔آپ کی سمینی کی انظامیہ بہتر فروخت کاری، پیداوار میں اضافہ اور بیداواری لاگت کو کم سے کم کرنے کے لئے سخت محنت کررہی ہے۔ تربیلی اور مواصلاتی تھمبول کے موجودہ ٹھیکوں کے پیشِ نظر، توقع ہے کہ آپ کی تمپنی کی انتظامیہ اچھے منافع کے رجحانات کو برقر ارد کھنے کے لیے مسابقتی قیمتوں پر ٹھیکے حاصل کرنے کے قابل ہوجائے گی۔

اس موقع پر میں اپنے قابلِ قدرصارفین ،مہیا کاراور بدیکاروں کا اُنگی مسلسل حمایت واعتماداور عملے کے ارکان کا اُنگی گئن ومحنت پرشکر بیادا کرنا جا ہتا ہوں۔ میں کمپنی کے کاروباراور کاروباری ساکھ کی بہتری میں مسلسل حمایت پرجلسِ نظماء کا بھی شکریدادا کرنا جا ہتا ہوں۔ میں ،انشاءاللہ، ممپنی کے بہت بہتر

CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2016		Un-audited	Audited
		September 30,	June 30,
	Note	2016	2016
EQUITY AND LIABILITIES		Rupees in t	housand
SHARE CAPITAL AND RESERVES			
Share capital		56,902	56,902
Revenue reserve - general		10,000	10,000
Accumulated loss		(900,977)	(925,610)
		(834,075)	(858,708)
Surplus on revaluation of fixed assets		14,506,654	14,516,504
NON - CURRENT LIABILITIES			
Long term financing		1,834,725	1,839,601
Deferred liabilities - net		135,936	133,662
CURRENT LIABILITIES		1,970,661	1,973,263
Trade and other payables		566,026	812,842
Short term borrowing - secured		49,984	49,984
Current portion of long term borrowings		19,503	19,503
Accrued mark-up		2,540	2,541
Provision for taxation		3,146	56,123
		641,199	940,993
CONTINGENCIES AND COMMITMENTS	4		
TOTAL EQUITY AND LIABILITIES		16,284,439	16,572,052
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	5	14,546,881	14,564,505
Investment property		602	610
Long term investment		725	725
Long term deposits		2,253	1,832
		14,550,461	14,567,672
Free hold land - held for sale		314,724	314,724
CURRENT ASSETS			
Stores, spares and loose tools		122,991	121,271
Stock-in-trade		293,980	256,813
Trade debts-unsecured		846,666	1,119,940
Advances		7,302	6,687
Trade deposits, prepayments and other receivables		28,545	25,881
Advance income tax - net		81,493	137,128
Cash and bank balances		38,277	21,936
		1,419,254	1,689,656
TOTAL ASSETS		16,284,439	16,572,052

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

Mairaj Anees Ariff Chief Executive Officer

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

		Quarte	en e	
	Note	September 30, 2016	September 30, 2015	
		Rupees in	thousand	
Sales - net		296,452	315,217	
Cost of sales	6	(263,627)	(266,851)	
Gross profit		32,825	48,366	
0.112		(1.01.0)	(1 227)	
Selling and distribution expenses		(1,810)	(1,337)	Anna separati
Freight and forwarding expenses		(2,003)	(2,459)	Magazine me r-e
Administrative expenses		[17,199]	(14,146)	
Other operating charges		(291)	(708)	
		(21,303)	(18,650)	American A
Other operating income		11,045	426	All the second s
Operating profit		22,567	30,142	
				de se stantine Se se stantine
Finance cost		(4,639)	(3,974)	
Profit before taxation		17,928	26,168	Section 1971
	•			Now made
Taxation		(3,146)	(3,152)	
				tandrity die 1886 besteur
Profit after taxation for the period		14,782	23,016	e establishe e e e establishe e e e e Englishe e e e e
				San a Maringh
				Andreed and A
Earnings per share - Basic and diluted	7	2.60	4.04	enterior de la companya de la compa La companya de la companya della companya del
				Statistical principal states

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

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Mairaj Anees Ariff
Chief Executive Officer

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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	
14,782	23,016	
-	-	

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

Mairaj Anees Ariff
Chief Executive Officer

Profit after taxation for the period

Other comprehensive income for the period

Total comprehensive income for the period

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

		Quarter ended		
	<u>Note</u>	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)	-	
Net cash generated from operating activities		3,822	918	
CASH FLOWS FROM INVESTING ACTIVITIES				
Fixed capital expenditure incurred		(335)	(5,325)	
Proceeds from disposal of Property, plant and equip	ment	18,151	485	
Long term deposits		(421)	-	
Net cash generated from/(used in) from investing ac	ctivities	17,395	(4,840)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Short term borrowings		-	(5)	
Long term borrowings - (repayments)		(4,876)	(4,876)	
Net cash generated (used in) financing activities		(4,876)	(4,881)	
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIV	VALENTS	16,341	(8,803)	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF	THE PERIO	D 21,936	22,500	
CASH AND CASH EQUIVALENTS AT THE END OF THE P	ERIOD	38,277	13,697	

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

Mairaj Anees Ariff Chief Executive Officer

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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				

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Balance as at June 30, 2015 - (Audited)	56,902	10,000	(1,165,358)	(1,098,456)
- Profit after tax for the year ended June 30, 2016 - Other comprehensive income	-	-	219,486	219,486 -
Total comprehensive income for the year	_	-	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
Balance as at June 30, 2016 - (Audited)	56,902	10,000	(925,610)	(858,708)
- Profit after tax for the period ended Sep 30, 2016 - Other comprehensive income	<u>-</u>		14,782	14,782
Total comprehensive income for the period	-	-	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
Balance as at September 30, 2016 - (Un-audited)	56,902	10,000	(900,977)	(834,075)

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

Mairaj Anees Ariff Chief Executive Officer

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

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.

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.

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.

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.

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4.3 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 Rs. 53.43 million (June 30, 2016: Rs. 53.43 million) has been raised. No provision against the demand has been made in these financial statements as the Company was able to get refund of Rupees 55.00 million from Federal Board of Revenue in previous financial year. The Appellate Tribunal Income Tax (ATIR) 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 ATIR. As on reporting date, appeal effect decision was pending before ACIR which will result in further refund of Rupees 53.43 million.

COMMITMENTS

4.4 Capital expenditure commitments outstanding as at September 30, 2016 amounted to Rupees 18.487 million (June 30, 2016: Nil).

10.	TO / IIIIIIIOII (June 30, 2010. Milj.		
5.	PROPERTY, PLANT AND EQUIPMENT	Un-audited September 30, 2016	Audited June 30, 2016
		Rupees in	thousand
	Operating fixed assets 5.1	14,518,392	14,533,107
	Capital work-in-progress	2,239	2,239
	Advances against capital assets	26,250	29,159
		14,546,881	14,564,505
5.1	Operating fixed assets		
	Opening written down value	14,533,107	8,570,860
	Add: Additions during the period/year	3,244	10,101
	Add: Revaluation surplus during the period/year		5,991,610
	Logg. Dignopole duving the newled (week feet be alwested)	14,536,351	14,572,571
	Less: Disposals during the period/year (at book value)	(8,699)	(2,870)
	Love Depreciation shared during the naried /ween	14,527,652	14,569,701
	Less: Depreciation charged during the period/year	(9,260)	(36,594)
		14,518,392	14,533,107
	Following is the detail of additions during the period/year:		
	Factory building	-	571
	Plant and machinery	-	2,312
	Office equipment	-	35
	Computers Furniture and fixtures	231	265
	Vehicles	2 060	C 052
	Electric equipment	2,969	6,852
	Dicetife equipment	3,244	10,101
			10,101
		Quarter	ended
		September 30,	September 30,
6.	COST OF SALES	2016	2015
		Rupees in	thousand
	Raw material consumed	233,422	268,782
	Stores and spares consumed	30,778	42,670
	Salaries and wages (including all benefits)	20,308	17,672
	Fuel and power	5,162	8,362
	Traveling and conveyance	266	152
	Postage, telegrams and telephone	170	184
	Printing stationery and office supplies	158	54
	Inspection fee	1,086	743
	Processing and fabrication charges	4,705	2,545
	Services and security charges	1,130	1,084

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			500	
	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	
		308,465	353,054	
	(Increase) in work in process inventory	(20,464)	(41,908)	
	Cost of goods manufactured	288,001	311,146	
	(Increase) in finished goods inventory	(24,374)	(44,295)	
		263,627	266,851	
		Quarte	er ended	أسلسأ
		September 30,	September 30,	
7.	EARNINGS PER SHARE - BASIC AND DILUTED	2016	<u> 2015</u>	Salatana.
	There is no dilutive effect on the basic earnings			
	per share which is based on:			: شهرانوردسیور
	Profit attributable to ordinary shareholders (Rupees in thousand)	14,782	23,016	المارية الماري المارية المارية الماري
	Weighted average number of ordinary shares (Numbers)	5,690,200	5,690,200	Section 1975
	Earnings per share (Rupees)	2.60	4.04	Section 1975
	Lai illiga per anare (Rupeea)			Emminante intelle
		Quarte	r andad	in the second se
		•	September 30,	Service to the total tot
8.	CASH GENERATED FROM OPERATIONS	September 30, 2016	2015	The same of the sa
				
		Rupees in	tnousanu	i ch an en anglich Sein (an anglich)
	Thurst City 1 - Course Assessable as	17,928	26,168	Children of
	Profit before taxation	17,920	20,100	And the second s
	Adjustments for non-cash charges and other items:	•		فسفي
	Depreciation	9,267	9,572	- Squigo we g
	Financial charges	3,955	3,537	ng an
	Interest on workers' profit participation fund	684	437	C. C.
	Provision for gratuity	2,443	1,073	Control of the control of
	Gain on sale of property, plant and equipment	(9,452)	-	
	Working capital changes 8.1	(9,199)	(14,379)	September 1997-1996
		15,626	26,408	The state of the s
				· · · · · · · · · · · · · · · · · · ·
8.1	Working capital changes			Company and
	(Increase)/decrease in current assets:			a, was displayed by
	- Stores, spares and loose tools	(1,720)	12,352	-
	- Stock in trade	(37,167)	(100,527)	And the state of t
		273,274	(25,798)	
	- Trade debts	1	1 1	
	- 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	propagation of the page of the contract of the
		(9,199)	(14,379)	

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Quarter ended

TRANSACTIONS WITH RELATED PARTIES	September 30, 2016	30, 2015
STATE ENGINEERING CORPORATION	Rupees in	thousand
Reimbursement of expenses payable	151	151
PAKISTAN MACHINE TOOL FACTORY		
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 errection 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

Director

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