



Quarterly Report
September 2023



PAKISTAN ENGINEERING COMPANY LIMITED



PAKISTAN ENGINEERING COMPANY LIMITED

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ



Contents

Company Information	05
Statement of Financial Position	07
Statement of Profit and Loss Account	09
Statement of Comprehensive Income	10
Statement of Changes in Equity	11
Statement of Cash Flow	12
Notes to the Financial Statements	13

COMPANY INFORMATION

Board of Directors

Mirza Mahmood Ahmad (Chairman)
Mr. Salman Mufti (Managing Director)
Mr. Muhammad Arif Habib
Mr. Rashid Ali Khan
Mr. Ansar Javed
Mr. Muhammad Iqbal
Mr. Syed Muhammad Manzoor Raza

Auditors

M/s. Malik Haroon Ahmad & Company
Chartered Accountants

Bankers

National Bank of Pakistan
United Bank Limited
Summit Bank

Board Audit & Risk Management Committee

Mr. Ansar Javed (Chairman)
Mr. Muhammad Iqbal
Mr. Syed Muhammad Manzoor Raza

Legal Advisor

Sardar Zulfiqar Umar Khan
Thaheem

CFO & Company Secretary

Mian Anwar Aziz

Head of Internal Audit

Naeem Anwar Qureshi

Registered Office

6/7-Sir Ganga Ram Trust, Building,
Shahrah-e-Quaid-e-Azam, Lahore.
Phone: 042 37 32 0225
Phone: 042 35 12 0755
Fax No.: 042 37 32 3108
E-Mail: info@peco.com.pk
Website: <http://www.peco.com.pk>
Plant: Kot Lakhpat, Lahore

Share Registrar:

CDC Share Registrar Services Limited
CDC House, 99 -B, Block B, S.M.C.H.S,
Main Shahrah-e- Faisal,
Karachi. 74400.



PAKISTAN ENGINEERING COMPANY LIMITED
THREE MONTHS PERIOD ENDED ON
SEPTEMBER 30, 2023

PAKISTAN ENGINEERING COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2023

Note	September 30, 2023	June 30, 2023	
----- Rupees in "000" -----			
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	11	14,404,543	14,412,071
Investment property		421	426
Long term investment		819	819
Long term deposits		2,053	2,053
		14,407,836	14,415,369
CURRENT ASSETS			
Stores, spares and loose tools		11,094	11,084
Stock-in-trade		40,893	40,893
Short term investments		9	9
Trade debts - unsecured		8,754	8,754
Advances		36,916	37,254
Trade deposits, prepayments and other receivables		28,428	28,140
Tax refunds due from Government		145,231	145,230
Cash and bank balances	12	14,985	15,040
		286,311	286,404
Free hold land - held for sale	13	314,724	314,724
TOTAL ASSETS			
		15,008,871	15,016,497

The annexed notes from 1 to 22 form an integral part of this financial statements.

Abdul Shabir Khan Khattak
Managing Director

Mian Anwar Aziz
Chief Financial Officer

Arsalan Nayyar Sheikh
Director

PAKISTAN ENGINEERING COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2023

Note	September 30, 2023	June 30, 2023
----- Rupees in "000" -----		
EQUITY AND LIABILITIES		
Share capital	56,902	56,902
Revenue reserve - general	10,000	10,000
Accumulated loss	(2,127,077)	(2,090,602)
Surplus on revaluation of fixed assets	14,405,265	14,409,234
	12,345,090	12,385,534
NON - CURRENT LIABILITIES		
Long term deposits	4,000	4,000
Deferred liabilities - net	132,507	127,249
	136,507	131,249
CURRENT LIABILITIES		
Trade and other payables	567,364	543,218
Unclaimed Dividend	13,070	13,070
Short term borrowing - secured	95,930	95,930
Accrued mark-up	49,226	45,892
Provision for taxation	10,836	10,757
	736,426	708,866
Liabilities directly associated with free hold land - held for sale	1,790,848	1,790,848
CONTINGENCIES AND COMMITMENTS		
	15,008,871	15,016,497

The annexed notes from 1 to 22 form an integral part of this financial statements.

Abdul Shabir Khan Khattak
Managing Director

Mian Anwar Aziz
Chief Financial Officer

Arsalan Nayyar Sheikh
Director

PAKISTAN ENGINEERING COMPANY LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER PERIOD ENDED SEPTEMBER 30, 2023

	Note	Three months ended	
		September 30, 2023	September 30, 2022
----- Rupees in thousand -----			
Sales - net		6,300	8,123
Cost of sales	14	(11,751)	(14,620)
Gross Loss		(5,451)	(6,497)
Selling and distribution expenses		(2)	(208)
Freight and forwarding expenses		-	(304)
Administrative expenses		(10,735)	(13,090)
Other operating charges		(15,865)	(318)
		(26,602)	(13,920)
Other operating income		288	44,353
Operating Loss		(31,765)	23,937
Finance cost		(3,339)	(2,099)
Loss before levies & taxation for the period		(35,104)	21,837
Levy		(79)	(7,675)
Loss before taxation		(35,183)	14,162
Taxation		(5,261)	(1,394)
Loss after taxation for the period		(40,444)	12,768
Loss per share - basic and diluted - rupees	15	(7.11)	2.24

The annexed notes from 1 to 22 form an integral part of this financial statements.

Abdul Shabir Khan Khattak
Managing Director

Mian Anwar Aziz
Chief Financial Officer

Arslan Nayyar sheikh
Director

PAKISTAN ENGINEERING COMPANY LIMITED
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE QUARTER PERIOD ENDED SEPTEMBER 30, 2023

	Three months ended	
	September 30, 2023	September 30, 2022
	----- Rupees in thousand -----	
Loss after taxation for the period	(40,444)	(23,571)
Other comprehensive income for the period	-	-
Total comprehensive Loss for the period	(40,444)	(23,571)

The annexed notes from 1 to 22 form an integral part of this financial statements.

Abdul Shabir Khan Khattak
 Managing Director

Mian Anwar Aziz
 Chief Financial Officer

Arslan Nayyar sheikh
 Director

PAKISTAN ENGINEERING COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER PERIOD ENDED SEPTEMBER 30, 2023

	Issued, subscribed and paid-up capital	Revenue Reserve - General	Accumulated Loss	Surplus on revaluation of fixed asset	TOTAL
	----- Rupees in thousand -----				
Balance as at July 01, 2022 - (Audited)	56,902	10,000	(2,056,852)	14,422,954	12,433,004
- Loss for the period ended September 30, 2022	-	-	12,768	-	(23,571)
- Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	12,768	-	12,768
Surplus on revaluation of property, plant and equipment assets realized during the period on account of:					
- incremental depreciation - net off tax	-	-	3,608	(3,608)	-
- disposal of revalued machinery - net off tax	-	-	-	-	-
Balance as at September 30, 2022 - (Un-audited)	56,902	10,000	(2,040,476)	14,419,346	12,445,772
Balance as at July 1, 2023	56,902	10,000	(2,090,602)	14,409,234	12,385,534
- Loss for the period ended September 30, 2023	-	-	(40,444)	-	(40,444)
- Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	(40,444)	-	(40,444)
Surplus on revaluation of property, plant and equipment assets realized during the period on account of:					
- incremental depreciation - net off tax	-	-	3,969	(3,969)	-
- disposal of revalued machinery - net off tax	-	-	-	-	-
Balance as at September 30, 2023 (Un-audited)	56,902	10,000	(2,127,077)	14,405,265	12,345,090

The annexed notes from 1 to 22 form an integral part of this financial statements.

Abdul Shabir Khan Khattak
Managing Director

Mian Anwar Aziz
Chief Financial Officer

Arslan Nayyar Sheikh
Director

PAKISTAN ENGINEERING COMPANY LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2023

	September 30, 2023	September 30, 2022	
Note	----- Rupees in thousand -----		
Cash generated from operations	16	(25)	251
Finance cost paid		(5)	-
Gratuity paid		-	-
Income tax paid		-	(4)
Workers' profit participation fund paid		-	-
Workers' welfare fund paid		(25)	-
Net cash generated from operating activities		<u>(55)</u>	<u>247</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		-	-
Net cash (used in)/generated from investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowing - (repayments)		(0)	-
Net cash generated used in financing activities		<u>(0)</u>	<u>-</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(55)	247
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		<u>15,040</u>	<u>47,034</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12	<u><u>14,985</u></u>	<u><u>47,281</u></u>

The annexed notes from 1 to 22 form an integral part of this financial statements.

Abdul Shabir Khan Khattak
Managing Director

Mian Anwar Aziz
Chief Financial Officer

Arslan Nayyar sheikh
Director

PAKISTAN ENGINEERING COMPANY LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER PERIOD ENDED SEPTEMBER 30, 2023

1 LEGAL STATUS AND 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, Shakra-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 GOING CONCERN ASSUMPTION

During the FY 2018-19, a management crisis unfolded as the managing director appointed by the Government of Pakistan debarred the Board of Directors and key management personnel of the Company to continue their official duties and assumed control of the Company's operations, and made futile efforts to run the business independently. This crisis continued until March 21st, 2023, when the Board and the key management personnel was reinstated. The Board of Directors and key management personnel of the Company made all efforts to apprise all the stakeholders, i.e., Government of Pakistan, Securities and Exchange Commission of Pakistan (SECP) and Pakistan Stock Exchange (PSX), about the crises from time-to-time. Since then, the Board and the key management personnel have been working to compile accurate financial information to prepare financial statements that reflect the true position of the Company's affairs. Due to this crisis during the year the Company incurred loss before taxation of Rupees 35.104 million. The Board of directors of the Company is hopeful to successfully resume the operations of structure, pump/electric motor and foundry divisions in coming days. Accordingly, these financial statements are prepared on going concern basis.

Prior to this period, keeping in view the financial condition of the Company, the Government of Pakistan in past had closed down all the divisions of the Company, however, a rehabilitation plan was approved by the Federal Cabinet and according to the plan, Structure (STR) division was kept operational and Badami Bagh Works was closed down with its land being offered for sale by the Privatization Commission of Pakistan. Furthermore, the company was allowed to hire needed workforce on job-to-job basis on contract/daily wages. In this regard title deed of Badami Bagh Land was also handed over to the Privatization Commission of Pakistan. Expression of interest has been received by Privatization Commission of Pakistan in this regard from many parties and management is confident that the transaction will be completed soon.

As per the recorded order of the Government of Pakistan, the principal liabilities payable towards the GoP will be settled only through sale proceeds of Badami Bagh Land, the value of which has been estimated at Rs. 4,605.133 million. This value is significantly greater than the value of principle Government liabilities payable which amount to Rs. 1,790.848 million in aggregate. Further, the markup claimed by the Government departments on these liabilities is strongly disputed as there was no mention of charging interest in any agreement or decision. Further, to resolve the issue of charging of markup on the GoP loans a committee is recommended to be constituted which should comprise of representative from Ministry of Finance, Ministry of Industries and Production, Privatization Commission and Board Members of PECO.

The Government of Pakistan (through SEC) is one of the major stakeholders has provided in past continued support to the company and expressed its commitment in order to maintain the going concern status of the company. Further the Government's commitment to maintaining the going concern status of the Company is also supported by the fact that the Government in past has provided financial support to the Company in the form of interest free loans and financial support and continues to do so in the shape of credit ceilings vide Ministry of Finance to Rs. 700 million.

PAKISTAN ENGINEERING COMPANY LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER PERIOD ENDED SEPTEMBER 30, 2023

In view of the situation set out above, although material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of the business, however, the BoD and the management of the company is strongly committed to maintaining the going concern status of the Company, which is evident from the above paras and is firmly confident that all these conditions are temporary and not permanent and would reverse in the near future and that the going concern assumption is appropriate for the reasons explained in the above paragraphs, therefore, these Financial Statements have been prepared on the assumption that the company will continue as a going concern.

3 BASIS OF PREPARATION

3.1 Statement of compliance

This condensed interim financial information is un-audited 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 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 have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the audited annual financial statements of the Company for the year ended June 30, 2023.

3.2 Basis of Measurement

This condensed interim financial information has been prepared under the historical cost convention except for the revaluation of certain items of property, plant and equipment which are stated at revalued amounts, certain financial liabilities which are carried at amortized cost and recognition of employee retirement benefits at present value. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

3.3 Functional and presentation Currency

This condensed interim financial information has been presented in Pak Rupees, which is the functional and presentation currency of the Company.

4 INITIAL APPLICATION OF NEW STANDARDS, INTERPRETATIONS OR AMENDMENTS TO EXISTING STANDARDS

Standards, interpretations and amendments to accounting standards that are effective in the current period.

During the period, the Institute of Chartered Accountants of Pakistan (ICAP) has withdrawn Technical Release 27 'IAS 12, Income Taxes (Revised 2012)' and issued the 'IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes' (the Guidance). Accordingly, in accordance with the Guidance, the Company has changed its accounting policy to recognise minimum and final taxes as 'Levy' under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" which were previously being recognised as 'Income tax'.

The Company has accounted for the change in its accounting policy as per the requirement of the IAS 8 "Accounting Policies, Change in Accounting Estimates and Errors". The Company has applied the accounting policy of IAS-12 as per guidance. Resultantly, the final and minimum taxes classified as levy (as per IFRIC 21/ IAS 37). The effects of restatements are as follows:

PAKISTAN ENGINEERING COMPANY LIMITED
 SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
 FOR THE QUARTER PERIOD ENDED SEPTEMBER 30, 2023

	Had there been no change in accounting policy	Impact of change in accounting policy	After incorporating changes in accounting policy
	----- Rs. in thousands -----		
Effects on statement of profit or loss			
For the period ended September 31, 2023			
Levy (Minimum tax)	-	(79)	(79)
Loss before current income tax	(35,104)	(79)	(35,183)
Current income tax	(79)	79	-
For the period ended September 31, 2022			
Levy (Minimum tax)	-	(7,675)	(7,675)
Profit before current income tax	21,837	(7,675)	14,162
Current income tax	(7,675)	7,675	-

There were certain amendments that became applicable for the Company during the period but are not considered to be relevant or did not have any significant effect on the Company's operations and have, therefore, not been disclosed in these financial statements except that during the period certain amendments to IAS 1 'Presentation of Financial Statements' have become applicable to the Company which require entities to disclose their material accounting policy information rather than their significant accounting policies. These amendments to IAS have been introduced to help entities improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements. These amendments have been incorporated in these financial statements with the primary impact that the material accounting policy information has been disclosed rather than the significant accounting policies.

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES AND ESTIMATES

The accounting policies, related judgments, estimates and related assumptions adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the company for the year ended June 30, 2023.

6 RECTIFICATION OF PRIOR YEAR CLASSIFICATION ERRORS

During the period, the Company identified certain classification errors in the financial statements for the period ended June 30, 2023. The details are as follows:

An amount of Rs. 12.689 million relating to a party balance had been erroneously included within bank balances in previous financial statements. The error represented a classification error only and had no impact on profit, total equity, or cash flows. Accordingly, comparative figures have been restated to reclassify the amount from bank balances to trade and other payables.

The management reassessed the classification of a bank borrowing amounting to Rs. 24.374 million obtained from National Bank of Pakistan. The facility had matured on 31 December 2019 and no enforceable right to defer settlement beyond twelve months existed as at the prior reporting date. Accordingly, in compliance with IAS 1, the borrowing should have been classified as a current liability. The prior year financial statements incorrectly presented the amount as non-current. The Company has corrected this prior period error retrospectively in accordance with IAS 8 by restating the comparative figures.

The above corrections relate presentation and classification errors only and had no impact on profit or loss, total equity or net assets, therefore, the Company has not presented a statement of financial position as at the beginning of comparative period.

PAKISTAN ENGINEERING COMPANY LIMITED
 SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
 FOR THE QUARTER PERIOD ENDED SEPTEMBER 30, 2023

7 LONG TERM DEPOSITS

Security Deposits	7.1.1	4000	4000
7.1.1	These represents security deposits from dealers (Pump well Company, National Company and Cognitive Solutions) which , by virtue of agreement are interest free and used in company's business. These are repayable on cancellation of dealership contracts with dealers.		

8 SHORT TERM BORROWING - SECURED

		(Un-audited) Sep 30, 2023	(Audited) Jun 30, 2023
(Rupees in thousand)			
Loan from National Bank of Pakistan	8.1	24,374	24,374
Running Finance from National Bank of Pakistan	8.2	71,556	71,556
		<u>95,930</u>	<u>95,930</u>
8.1	The financing forms part of total credit facility available to the extent of Rs. 108.351 million. The loan carried markup @ 3 months KIBOR plus 2.50%. . This is secured against first charge of Rs. 73.128 million over movable fixed assets excluding land and building of the company. This long-term credit facility of the Company expired on December 31, 2019 and is overdue; accordingly, the outstanding balance has been classified as a current liability. Refer to note 6 for further details.		
8.2	The financing forms part of total credit facility available to the extent of Rs. 75.0 million (2023: 75 million). The loan carries markup @ 3 months KIBOR plus 2.50%. The credit facility of the Company was expired on December 31, 2018. This is secured against first charge of Rs. 100 million over current and movable fixed assets excluding land and building of the company.		

9 LIABILITIES DIRECTLY ASSOCIATED WITH FREE HOLD LAND - HELD FOR SALE

Loan from Government of Pakistan - unsecured	9.1	1,790,848	1,790,848
9.1 Loan From Government Of Pakistan - Unsecured			
Privatization commission loan	9.2.1	481,469	481,469
Government escrow account	9.2.3	112,937	112,937
Other Government loan	9.2.5	100,000	100,000
Federal	9.2.7	309,000	309,000
Federal Government bonds	9.2.9	787,442	787,442
		<u>1,309,379</u>	<u>1,309,379</u>
		<u>1,790,848</u>	<u>1,790,848</u>

9.2 These represent funds provided by the government of Pakistan (the Government), bank loans of the company taken over by the Government and amounts payable by the company to different Government departments like Customs, Railways and Karachi Port Trust. According to the Cabinet Committee Division decision dated May 30th 1994 and 2005 these liabilities will be settled against the proceeds from disposal of Land held for sale (Refer Note no. 13) and surplus land of Kot Lakhpat, if needed. There is no fix repayment schedule or tenure for repayment of these liabilities. An exercise to reconcile the liabilities is in process and several meetings have been conducted in this regard, however, all these meetings concluded without any decision or agreement with respect to the reconciliation of the loan liabilities and calculation, payment or mode of payment of interest on Government of Pakistan loans due to which there is currently no fixed tenure for repayment of these liabilities nor the total amount of the liability is determinable. In the absence of the availability of a defined repayment schedule due to reasons explained above, the fair value of these loans is not determinable and hence they have been stated at cost.

PAKISTAN ENGINEERING COMPANY LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER PERIOD ENDED SEPTEMBER 30, 2023

The Technical Advisory Committee (TAC) of Institute of Chartered Accountants of Pakistan (ICAP), on the request of Management of PECO, on March 28, 2017, also gave an opinion, on the issue of recording accrual of mark-up on GoP loans. After review of all details, workings and complete documents, The Committee is of the view that "the management of company needs to determine whether a present obligation exists at the end of the reporting period taking into account all the available evidences, including, the opinion of legal experts. Where there is a probability that a present obligation exists at the end of the reporting period, the provision should be recognized. Contrary to this will require an entity to disclose a contingent liability".

The Board of Directors in its various meetings has resolved that amount due under the law to the Government of Pakistan (GoP) for any loan given to PECO shall be paid. The Board has agreed with GoP to adjust its liabilities by disposal of Badami Bagh Land as decided in E.C.C decision dated 02.03.1993, which according to the recent valuation amounts to Rupees 4,605.13 million and it is in excess of the amount being claimed by GoP from PECO. The BoD and the management of the Company believes that they are not liable to pay any interest on these loans in the absence of any agreement. 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. Therefore, a disclosure of a contingent liability is made in notes (refer note 10.3, 10.4 & 10.5) to condensed interim financial information.

During the period and in past as well the Privatization Commission and Finance Division sent a letter to the auditors in November 2024, claiming the additional principal and markup on the above loan liabilities, however, the BoD and the management do not agree with the additional liabilities claimed and the claim of GoP regarding the payment of interest is disputed by the BoD and the management as there had never been any agreement in this regard. Further, the above loan liabilities were picked up by the GoP in order to provide public sector enterprises including PECO to give them clean slate on their liabilities so that they could be privatized and were provided without any specific request from these public sector enterprises, including PECO. In addition to the above, similar public sector entities which were provided similar reliefs by the GoP have never been asked to make any payments in respect of such reliefs. However, despite of this the BoD and the management of the Company is willing to repay the principal and in order to reconcile the principal and markup amounts with respect to GoP Loans, a committee was constituted as per the decision of Additional Finance Secretary in the meeting held in Government of Pakistan Finance Division (CF Wing), Islamabad. The committee includes representatives from Ministry of Finance, Ministry of Production, Privatization Commission and Board members from PECO. Several meetings have been taken place till date and in this regard a meeting of the committee was held on October 7, 2010 at Ministry of Finance (Finance Division) which was attended by representatives of Privatization Commission, Ministry of Production and PECO. The BoD and management of PECO agreed to repay all the outstanding principal, which the company is legally liable through disposal proceeds of Badami Bagh Land and surplus Land of Kot Lakhpat, if needed. However, the BoD and the management of the Company believes that they are not liable to pay any interest on these loans in the absence of any agreement. In the meeting held on 13 July 2015 in Privatization Commission, it was mutually agreed by all stakeholders to resolve the above issues at the earliest.

PAKISTAN ENGINEERING COMPANY LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER PERIOD ENDED SEPTEMBER 30, 2023

Further, the Finance Division was instructed in the meeting to re-examine the issue and confirm the contention of PECO. Following, the meeting held at Finance Division, the management of the company obtained fresh legal opinion from legal consultants regarding the matter of charging interest on GoP loans. The legal advisor was of the opinion that no markup/interest was payable by PECO to Ministry of Finance and Privatization Commission and instead believed that a case of causing loss to PECO on account of delay caused in disposing off the land at Badami Bagh should be made out, either by raising monetary claim or claiming set-off against the alleged principal loan liability. The management of the company had handed over the title documents of the said land to the Privatization Commission for disposal in the year 1994 and had Privatization Commission disposed off the land at that time no issue of interest would have risen. Further, meetings were held between the representatives of Ministry of Finance, Privatization Commission and Ministry of Production and the PECO Loan Committee to reconcile the loan liabilities. However, these meetings concluded without any decision or agreement with respect to the reconciliation of loan liabilities and calculation, payment or mode of payment of interest on Government of Pakistan loans.

Further, as agreed no SRO, notification, documentation was provided by the Ministry of Finance to substantiate their view point on the issue of levy of markup on Government loans and it was agreed to refer PECO's view points to Ministry of Finance who may refer the matter to Ministry of Law to form their verdict. Further, the principal amount of these loans has been agreed except for additional gratuities and in respect of the amounts disputed, the BoD and the management is of the opinion that an arbitrator should be appointed who should be acceptable to both the parties. Further, under the directions of public accounts committee the matter of charging interest is being reviewed by the committee comprising of Ministry of Industries, Ministry of Finance and Privatization Commission of Pakistan.

	(Un-audited)	(Audited)
	Sep 30, 2023	Jun 30, 2023
	(Rupees in thousand)	
9.2.1 <i>The break up of loan from Privatization Commission is as follows:</i>		
Loan for voluntary separation scheme (VSS)/compulsory separation scheme (CSS) and	281,082	281,082
Loan for shifting of machinery	75,819	75,819
Loan for energy bills and import duties	124,568	124,568
	481,469	481,469

PAKISTAN ENGINEERING COMPANY LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER PERIOD ENDED SEPTEMBER 30, 2023

9.2.2 This represents interest free loan provided by Privatization Commission to PECO for payment of salaries, energy bills, shifting of plant & machinery from Badami Bagh to Kot Lakhpat and payment of outstanding essential liabilities. According to the Cabinet Committee Division decision, Privatization Commission would adjust its loan liability against the sale proceeds of Badami Bagh Land and surplus land of Kot Lakhpat, if needed, and in this regard title documents of Badami Bagh Land were handed over to the Privatization Commission in 1994 by PECO. The forgoing loans have been outstanding since 1993. The company also obtained legal opinion from the legal advisors of the company. The legal advisors are of the firm opinion that since there is no mention of any markup to be charged on this loan in any agreement nor is there any markup agreement in respect of this loan therefore no markup is payable by PECO in respect of this loan. The BoD and the management firmly believes that as the Company had handed over the title documents of the said land to the Privatization commission for disposal in the year 1994 and had Privatization Commission disposed off the land at that time no issue of charging any interest on these loans would have risen and instead believed that a case of causing loss to PECO on account of delay caused in disposing off the land at Badami Bagh should be made out, either by raising monetary claim or claiming set-off against the alleged principal loan liability. The difference of Rs. 131.454 million claimed by the Privatization Commission on account of additional gratuities is because of misapprehension on part of GoP, whereby, PECO is considered responsible to pay Rupees 131.454 million, that infact was the liability of the Privatization Commission under the APSEWEC agreement. As per the APSEWEC agreement Privatization Commission took the liability to make additional gratuity payments, for which purpose it had advanced Rs. 131.454 million to PECO. On receiving the said amounts PECO had made the payments as was directed. It is important to note that PECO was not a party to these agreements, therefore, it cannot be held responsible for fulfilling any obligation pertaining to them. The claim of GoP is based on illegitimate assumption. Furthermore, the legal advisors are also of firm opinion that the amount of additional gratuities of Rs. 131.454 million (refer note 9.3) should be borne by the Privatization Commission. In this regard, in the meeting held on October 7, 2010 at Finance Division, Privatization Commission was instructed by Ministry of Finance to review the calculation/treatment of the loan amounting to Rs. 131.454 million and come up with firm stance on it. The Privatization Commission was further instructed to sort out the issue of charging interest on VSS loan and come up with sound reason and logic for charging interest thereon. Neither formal agreements were signed or executed between the Privatization Commission, Ministries and PECO nor definitive terms and conditions exist in relation to the issue of markup and that the Privatization Commission only applied markup as instructed by the Finance Division. Further, under the directions of public account committee the matter of charging interest is being reviewed by the committee comprising of Ministry of Industries, Ministry of Finance and Privatization Commission of Pakistan.

	(Un-audited)	(Audited)
	Sep 30, 2023	Jun 30, 2023
	(Rupees in thousand)	
9.2.3 <i>The break up of Government Escrow account is as follows:</i>		
Customs and other import duties	86,984	86,984
Pakistan Railways freight	12,989	12,989
Karachi Port Trust	12,964	12,964
	112,937	112,937

9.2.4 The company has not provided interest amounting to Rs. 41.989 million (accumulated Rs. 41.989 million) @ 14% for three years relating to custom and other import duties (2023: Rs 41.989 million) as the BoD and the management believes that there was no clause of charging interest or surcharge in the ECC and Cabinet Decision. In spite of confirmation requests and several reminders, no confirmation of custom and other import duties of Rs. 86.984 million and Karachi Port Trust of Rs.12.964 million along with markup / surcharge on custom duty of Rs. 2,703.822 million (refer note 10.4) was received by the auditors from customs or Pakistan Railways or port Trust.

PAKISTAN ENGINEERING COMPANY LIMITED
 SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
 FOR THE QUARTER PERIOD ENDED SEPTEMBER 30, 2023

9.2.5 *The break up of Other Government loans as follows:*

Bank loans taken over	<u>100,000</u>	100,000
	<u>100,000</u>	<u>100,000</u>

9.2.6 This represents amount payable on account of the company's bank loans taken over by the Government in the year 1990. BoD and the management of the Company believes that there is no interest as PECO being a public sector entity was required to take-up only principal amount of the loan in its books. The legal advisor is also of the firm opinion that no markup is payable by PECO in respect of this loan. Furthermore, in the meeting held at Ministry of Finance in October 2010, Finance Division was instructed to re-examine the issue relating to Rs.100.00 million Loan and interest thereof, to confirm the contention of PECO and decision to be conveyed at its earliest.

9.2.7 *The break up of Federal Government loan for compulsory separation schemes as follows:*

Loan for CSS	<u>309,000</u>	309,000
	<u>309,000</u>	<u>309,000</u>

9.2.8 This represents loan provided by the Federal Government of Pakistan to PECO to pay off the staff through Compulsory Separation Scheme vide letter No. 1(26) CF 111/93 dated 4th March 2002. The BoD and the management of the company do not agree with the markup claimed by GoP and is of the opinion that markup is not payable on this loan liability in the absence of any agreement for markup. The BoD and the management have taken legal opinion and the legal advisor vide his letter dated August 10, 2015 is also of the opinion that no interest is payable as the letter dated March 04, 2002, referred by the GoP to substantiate claim of payment of interest @ 10% per annum against loan of Rs. 309.00 million was in the absence of perusal of relevant decisions/formative documents was misconceived and did not place any payment obligation on PECO. The letter was contrary to the decisions / documents and did not establish any liability to pay interest @ 10% per annum and that any alleged premium in the absence of agreement is void and unfair. In the absence of a contractual arrangement/agreement no interest can be claimed and in the absence of any agreement the alleged claim of interest tantamount to a penalty, which is construed as penal interest in nature and could not be granted unless loss/damage proved through substantial evidence, which in the instant case will be all more difficult on account of handing over of land of Badami Bagh of PECO for sale/disposal. In view of the above, BoD and the management along with the legal advisor firmly believe that the alleged claim of GoP appears to be misconceived and without any basis and recommend that the aforesaid dispute should be referred to some impartial body for resolution under some Alternate Dispute Resolution (ADR) mechanism, where claims/encounter claims of the respective parties be examined, considered and decided. Furthermore, in order to reconcile the principal and markup amounts with respect to Government of Pakistan Loans, a committee has been constituted as per the decision of Additional Finance Secretary. The management of PECO intends to pay back the Government of Pakistan Loans after the reconciliation of differences as per the records and facts available with the committee representatives.

(Un-audited)	(Audited)
Sep 30, 2023	Jun 30, 2023
(Rupees in thousand)	

9.2.9 *The break up of Federal Government Bonds is as follows:*

Interest bearing bonds	655,138	655,138
Interest free bonds	<u>132,304</u>	132,304
	<u>787,442</u>	<u>787,442</u>

PAKISTAN ENGINEERING COMPANY LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER PERIOD ENDED SEPTEMBER 30, 2023

9.2.10 These bonds were issued by the Federal Government against the liability of the company towards banks / financial institutions taken up by the Federal Government in the light of Federal Cabinet decision and S.R.O No. 823(1)/94 dated August 28, 1994. Against the principal amount interest bearing bonds and against accrued mark up interest free bonds were issued by the Government. The Government is liable to pay interest @ 12.43% per annum to the Banks / DFI regarding the interest bearing bonds. However, the BoD and the management of the Company as detailed above do not agree with the markup claimed by the Finance Division and is of firm opinion that the Government is liable to pay any interest there on, and that there was no agreement for charging any interest thereon. Furthermore, the legal advisor is also of the firm opinion that no markup is payable by the Company in respect of this loan in the absence of any specific markup agreement.(Ref: Note 10.1)

10 CONTINGENCIES AND COMMITMENTS

Contingencies

- 10.1 These bonds were issued by the Federal Government against the liability of the company towards banks / financial institutions taken up by the Federal Government in the light of Federal Cabinet decision and S.R.O No. 823(1)/94 dated August 28, 1994. Against the principal amount interest bearing bonds and against accrued mark up interest free bonds were issued by the Government. The Government is liable to pay interest @ 12.43% per annum to the Banks / DFI regarding the interest bearing bonds. However, the BoD and the management of the Company do not agree with the markup claimed by the Finance Division and is of firm opinion that the Government is liable to pay any interest thereon, and that there was no agreement for charging any interest thereon. Furthermore, the legal advisor is also of the firm opinion that no markup is payable by the Company in respect of this loan in the absence of any specific markup agreement.(Ref: Note 9.2.10)
- 10.2 Guarantees of Rs. 225.811 million (June 30, 2023: Rs. 225.811 million) issued by the banks and insurance companies to different parties on behalf of the company.
- 10.3 The Privatization Commission through its confirmation dated May 19, 2025 for the year ended June 30, 2024 has claimed additional loan liability amounting to Rs. 131.454 million (Ref: Note 8.2.2) and mark up amounting to Rs. 1,957 million (2023: Rs. 1,848.081). The said confirmation from privatization Commission also states that initially there was no mention of specific interest rate on the loan amount, therefore, the mark up on the outstanding amount of loan to PECO was charged on the basis of annual rate of markup chargeable on cash development loans to Provincial Governments, corporations, local bodies etc. and capital outlays of Federal Government in commercial departments. The management of the company already in a meeting held on October 7, 2010 at Ministry of Finance's office to reconcile the principal and mark up amounts with respect to Govt. of Pakistan loans did 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 Rs. 131.454 million and has been asked to come up with firm stance on the foregoing loan amounting to Rs. 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 favor of the company and hence no provision has been made in these financial statements in respect of the additional loan and markup claimed.

PAKISTAN ENGINEERING COMPANY LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER PERIOD ENDED SEPTEMBER 30, 2023

The Privatization Commission through its confirmation dated August 06, 2024 for the year ended June 30, 2015 has claimed additional loan liability amounting to Rs. 131.454 million (Ref: Note 9.2.2) and mark up amounting to Rs. 1,355.044 million. The said confirmation from privatization Commission also states that initially there was no mention of specific interest rate on the loan amount, therefore, the mark up on the outstanding amount of loan to PECO was charged on the basis of annual rate of markup chargeable on cash development loans to Provincial Governments, corporations, local bodies etc. and capital outlays of Federal Government in commercial departments. The management of the company already in a meeting held on October 7, 2010 at Ministry of Finance's office to reconcile the principal and mark up amounts with respect to Govt. of Pakistan loans did 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 Rs. 131.454 million and has been asked to come up with firm stance on the foregoing loan amounting to Rs. 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 favor of the company and hence no provision has been made in these financial statements in respect of the additional loan and markup claimed.

- 10.4 The Finance Division vide its letter dated June 2, 2018 for the fiscal year 2018-19 has claimed an amount of Rs. 2,703.822 million in respect of surcharge payable on Custom & Other Import duties (Ref: Note. 9.2.4) . However, the management of the company is of the opinion that no markup is payable in the absence of any agreement for markup. 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.
- 10.5 The Finance Division vide its letter dated November 21, 2024, for the year ended June 30, 2024 has claimed an amount of Rs. 671.860 million in respect of additional principal liability and Rs. 3860.9 million in respect of markup payable on remaining Government of Pakistan Loans (Ref: Note 9.2.5, 9.2.7 & 9.2.9). 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 Rs. 100.00 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 condensed interim financial information 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.
- 10.6 The Company has filed various suits against Sui Northern Gas Pipeline (SNGPL) and Federation of Pakistan (FOP) through Ministry of Water and Power. Further, SNGPL has also filed a suit against the Company. These suits are presently pending adjudication before the Civil Court, Lahore. The management is vigilantly pursuing these cases. According to the opinion of legal advisor, the settlement of which is expected to result in an outflow from the entity of resources is amounting to Rs. 30 million has been provided for.

PAKISTAN ENGINEERING COMPANY LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER PERIOD ENDED SEPTEMBER 30, 2023

- 10.7 M.M Traders has also filed a suit (36037/16) against the Company. This suit is presently pending adjudication before the Civil Court, Lahore. According to the opinion of legal advisor, there is no likelihood of any unfavorable results or any financial losses in this case. The management is vigilantly pursuing this cases. Therefore, No contingent liability is needed to be recognized on this account.
- 10.8 Punjab employees social security institution (PESSI) has also filed various suits against the Company. These suits are presently pending adjudication before the Commissioner PESSI. The management is vigilantly pursuing these cases. According to the opinion of legal advisor, the settlement of which is expected to result in an outflow from the entity of resources is amounting to Rs. 7.69 million has been provided for.
- 10.9 FBR has filed a suit against the Company for recovery. This suit is presently pending adjudication before the Civil Court, Lahore respectively. The management is vigilantly pursuing the case. According to the opinion of legal advisor, the settlement of which is expected to result in an outflow from the entity of resources is amounting to Rs. 0.674 million has been provided for.
- 10.10 The Company initiated legal proceedings against Ishtiaq Steel Industry in 2021, seeking recovery of damages amounting to Rs 1.017 billion and compensation of Rs 500 million. The case remains pending as of the reporting date. Based on the opinion of the Company's legal counsel, management expects a favorable outcome. However, in accordance with prudence and applicable accounting standards, no receivable has been recognized in the financial statements, as the outcome of the case is contingent upon the final judgment of the court.
- 10.11 The Company initiated legal proceedings against Al-Majeed Ibrahim Steel Industries (Private) Limited in 2021, seeking recovery of damages amounting to Rs 100 million and compensation of Rs 50 million. The case remains pending as of the reporting date. Based on the opinion of the Company's legal counsel, management expects a favorable outcome. However, in accordance with prudence and applicable accounting standards, no receivable has been recognized in the financial statements, as the outcome of the case is contingent upon the final judgment of the court.
- 10.12 The Company initiated legal proceedings against Inam Steel Re rolling Mills in 2021, seeking recovery of damages amounting to Rs 50 million. The case remains pending as of the reporting date. Based on the opinion of the Company's legal counsel, management expects a favorable outcome. However, in accordance with prudence and applicable accounting standards, no receivable has been recognized in the financial statements, as the outcome of the case is contingent upon the final judgment of the court.
- 10.13 The Company initiated legal proceedings against Anwar Traders in 2021, seeking recovery of damages amounting to Rs 30 million and compensation of Rs 20 million. The case remains pending as of the reporting date. Based on the opinion of the Company's legal counsel, management expects a favorable outcome. However, in accordance with prudence and applicable accounting standards, no receivable has been recognized in the financial statements, as the outcome of the case is contingent upon the final judgment of the court.
- 10.14 The Company initiated legal proceedings against Aarsal Enterprises in 2019 for the rendition of accounts. The case remains pending as of the reporting date. Based on the opinion of the Company's legal counsel, management expects a favorable outcome. However, in accordance with prudence and applicable accounting standards, no receivable has been recognized in the financial statements, as the outcome of the case is contingent upon the final judgment of the court.

Commitments

There are no commitments as at reporting date (2023:Nil).

PAKISTAN ENGINEERING COMPANY LIMITED
 SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
 FOR THE QUARTER PERIOD ENDED SEPTEMBER 30, 2023

		(Un-audited) Sep 30, 2023	(Audited) Jun 30, 2023
(Rupees in thousand)			
11	PROPERTY, PLANT AND EQUIPMENT		
	Operating assets - at net book value	11.1	<u>14,404,543</u>
	11.1 Detail of additions and disposals at net book value along with depreciation charged during the period		<u>14,412,071</u>
	DESCRIPTION		
	Opening net book value	14,412,071	14,444,040
	Additions during the period/year		
	Factory building on free hold land	-	-
	Plant and machinery	-	-
	Office equipment	-	-
	Computers	-	-
	Furniture & Fixture	-	-
	Vehicles	-	-
	Electric Equipments	-	-
	Tools	-	-
		-	-
	Disposals during the period/year		
	Plant and machinery	-	-
	Computers	-	-
	Electric Equipment	-	-
	Factory building on free hold land	-	-
	Vehicles	-	-
		-	-
	Depreciation charged thereon	7,528	31,969
	Closing net book value	<u>14,404,543</u>	<u>14,412,071</u>
12	CASH AND BANK BALANCES		
	Cash in hand	470	100
	Cash with banks:		
	-Current accounts	13,748	14,174
	-Deposit accounts	767	767
	-Escrow account	0	-
		14,515	14,940
		<u>14,985</u>	<u>15,040</u>

PAKISTAN ENGINEERING COMPANY LIMITED
 SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
 FOR THE QUARTER PERIOD ENDED SEPTEMBER 30, 2023

13	FREE HOLD LAND - HELD FOR SALE	<u>314,724</u>	<u>314,724</u>
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This represents land of 263 kanals and 3 marlas of Badami Bagh Works which has been closed down. The fair value of land, based on valuation carried out by an independent valuer on February 15, 2016 was estimated at Rs. 4,605.133 million. The company has the possession and control of the land and holds valid title. As per the Economic Coordination Committee decision the title documents of the land were handed over to the Privatization Commission for sale and proceeds to be utilized for settlement of outstanding Government liabilities (refer note. 9.2). In this regard the title documents of the land have been handed over to the Privatization Commission for sale in 1994 by National Bank of Pakistan. Since then till date the land has been offered for sale various times by the Privatization Commission of Pakistan. A part of the land was sold in February 2001 by the Privatization Commission of Pakistan and several expressions of interests have been received for the remaining portion by Privatization Commission from many parties. The Mutation of land is complete as per The Board of Revenue Punjab letter which states that the Government of Punjab has, however, no objection to the disposal of properties of PECO which had vested in the Federal Government. However a letter was issued by the Joint Secretary Ministry of Industries and Production Islamabad directing District Officer Revenue Lahore and copy endorsed to Member Revenue Punjab to stop the above mutation till further instructions, for undisclosed reasons. The BOD and the Management of the Company are till date strongly committed to the plan of selling the Badami Bagh Land and there has been no revocation of the GOP order or any change in the management's stance or plan. Further the Privatization Commission in its direct confirmations to the auditors has also clearly stated that GOP loans would be recovered from the sale proceeds of Badami Bagh Land.

Therefore taking into account the fact that the carrying amount of the land would be recovered principally through a sale transaction and not through continuing use and that the management and the GOP are firmly committed to a plan to sell the land and till date there has been no change of plan or revocation of Government order, the land is available for immediate sale, active programs to locate buyers continue to be carried out, the asset is marketed at fair value and it is extremely unlikely that the plan will be significantly be changed or withdrawn. The foregoing facts that events or circumstances which have resulted in the extension of the period to complete the sale beyond one-year, are beyond the entity's control, therefore, Badami Bagh Land is classified as "Held for Sale" at lower of its carrying amount or fair value less cost to sell.

PAKISTAN ENGINEERING COMPANY LIMITED
 SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
 FOR THE QUARTER PERIOD ENDED SEPTEMBER 30, 2023

		Three months ended	
		September 30, 2023	September 30, 2022
		-----Rupees in thousand-----	
14	COST OF SALES		
	Raw material consumed	-	4,860
	Stores and spares consumed	-	413
	Salaries, wages and other benefits	-	1,497
	Fuel and power	2,423	83
	Traveling and conveyance	-	270
	Postage, telegram and telephone	-	126
	Printing, stationery and office supplies	-	19
	Processing and fabrication charges	-	-
	Services and security charges	851	-
	Rent, rates and taxes	1,378	7
	Repair and maintenance	17	77
	Publication of tender documents	10	-
	Entertainment	-	35
	Vehicle running expenses	-	14
	Other expenses	147	7
	Depreciation	6,925	7,353
	Manufacturing cost	11,751	14,760
	Increase in work in process	-	(113)
	Cost of goods manufactured	11,751	14,647
	Increase in finished goods	-	(27)
		11,751	14,620

15 EARNINGS LOSS PER SHARE - BASIC AND DILUTED

		Three months ended	
		September 30, 2023	September 30, 2022
	There is no dilutive effect on the basic earnings per share which is based on:		
	-Profit/(loss) attributable to ordinary shareholders (Rs.)	(40,444,004)	12,767,965
	-Weighted average number of ordinary shares	5,690,200	5,690,200
	Earnings Loss per share (Rupees)	(7.11)	2.24

PAKISTAN ENGINEERING COMPANY LIMITED
 SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
 FOR THE QUARTER PERIOD ENDED SEPTEMBER 30, 2023

	September 30, 2023	September 30, 2022
-----Rupees in thousand-----		
16 CASH GENERATED FROM OPERATIONS		
Profit/(loss) before taxation	(35,104)	21,837
Adjustments for:		
- Depreciation	7,533	7,998
- Finance cost	3,339	2,099
- Provision for gratuity	-	-
- Interest on workers' profit participation fund	-	-
- Provision for worker's profit participation fund principle	-	-
Profit before working capital changes	(24,232)	31,934
- Working capital changes	15.1 24,207	(31,683)
	(25)	251
15.1 Working capital changes		
Decrease/(increase) in current assets:		
- stores, spares and loose tools	(10)	414
- stock in trade	(0)	4,720
- Trade debts	-	(6,486)
- Advances	338	(114)
- Trade deposits, prepayments and other receivables	(289)	(441)
- Sales tax refundable	(2)	-
	37	(1,908)
Increase/(decrease) in trade and other payables	24,171	(29,776)
	24,207	(31,684)
	(Un-audited) Sep 30, 2023	(Audited) Jun 30, 2023
17 TRANSACTIONS AND BALANCES WITH RELATED PARTIES	-----Rupees in thousand-----	
Transactions with related parties / associated undertakings are as under:		
<i>State Engineering Corporation (SEC)</i>		
- Reimbursement of expenses payable	151	151
<i>Muhammad Arif Habib (Director)</i>		
- Payable at the end of the period	12,970	12,970
<i>Rotocast Engineering (Private) Limited</i>		
- Payable at the end of the year	8,970	8,970

All related party transactions are in accordance with accounting policy and are approved and recommended by the audit committee and subsequently approved by the board of directors. None of the directors had any interest in any transaction.

18 FINANCIAL INSTRUMENTS

The carrying values of the financial assets and financial liabilities as at September 30, 2023 and as at June 30, 2023 approximates their fair values except for Government of Pakistan loans as disclosed in note. 9.1 to the financial statements.

PAKISTAN ENGINEERING COMPANY LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER PERIOD ENDED SEPTEMBER 30, 2023

19 DATE OF AUTHORIZATION

This condensed interim financial information has been approved by the Board of Directors of the Company and authorized for issue on _____.

20 CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', corresponding figures in the condensed interim balance sheet comprise of balance sheet as per the annual audited financial statements of the Company for the year ended June 30, 2023 and the corresponding figures in the condensed interim statement profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement comprise of balances of comparable period as per the unaudited condensed interim financial information of the Company for the three months period ended September 30, 2022.

21 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting date, on May 30, 2024, the Company engaged an independent valuer, Eastern Consultants (Private) Limited, to revalue its land, buildings, and plant and machinery. The revaluation provided the following fair market values and corresponding forced sale values:

Land:

- Situated at Kot Lakhpat, Lahore: Fair market value of Rs. 38,544 million and forced sale value of Rs. 32,762.400 million.
- Situated at Bela Ram, Badami Bagh, Lahore: Fair market value of Rs. 10,386.800 million and forced sale value of Rs. 8,309.440 million.

Buildings:

- Fair market value of 316.454 million and forced sale value of Rs. 268.986 million.

Plant and Machinery:

- Fair market value of Rs. 211.756 million and forced sale value of Rs. 179.992 million.

As this revaluation reflects conditions that arose after the reporting period, it has been classified as a non-adjusting event, and no adjustments have been made to the financial statements for the year ended September. Except for the events as mentioned above, there are no significant non adjusting events after the reporting date requiring or disclosure in financial statements.

22 GENERAL

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

Abdul Shabir Khan Khattak
Managing Director

Mian Anwar Aziz
Chief Financial Officer

Arslan Nayyar sheikh
Director