

PAKISTAN ENGINEERING COMPANY LIMITED

Company Information

BOARD OF DIRECTORS

Major General (R) Zaheer Ahmad Khan (Chairman)
Mr. M. Imtiaz-ur-Raheem (Chief Executive)
Mr. Muhammad Niaz Butt
Mr. Muhammad Arif Habib
Mr. Rashid Ali Khan
Mr. Liaqat Mohammad
Mr. Mohammad Shabir Malik
Mr. Muhammad Iqbal
Mirza Mahmood Ahmad

BOARD AUDIT COMMITTEE

Mr. Liaqat Mohammad - Chairman
Mr. Mohammad Shabir Malik - Member
Mr. Muhammad Iqbal - Member
Mr. M. Imtiaz ur Raheem

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mian Anwar Aziz

BANKERS

National Bank of Pakistan
United Bank Limited
Arif Habib Bank Limited

AUDITORS

Fazal Mahmood & Company
Chartered Accountants

REGISTERED AND HEAD OFFICE

6-Ganga Ram Trust Building,
Shahrah-e-Quaid-e-Azam, Lahore

BRANCHES

Karachi
Islamabad

PLANT

Kot Lakhpat, Lahore.

REGISTRAR

M/s SCARLET IT Systems (Pvt) Ltd.
301-A, Nizam Chambers, Shahrah-e-Fatima Jinnah, Lahore

WEB SITE

[Http://www.peco.com.pk](http://www.peco.com.pk)

PAKISTAN ENGINEERING COMPANY LIMITED

Directors' Review

Dear Shareholders,

Assalamo-o-Alakum

On behalf of the PECO Board of Directors, I feel honoured to present the accounts for third quarter ended on March 31, 2009.

It was indicated in the half yearly report that management of your Company was trying to overcome the adverse impacts of global financial crises on our economy. During the third quarter also, the adversities continued. However due to the power shortage crises, which affected the industry and public life, Government has now focused to gradually reduce power shortage in the minimum possible time, and also electrify more villages. Resultantly the business from WAPDA is expected to increase.

Your Company's successful participation in the tenders, is visible from the results of the period under review and orders in hand.

The sale of your Company for the period under review was Rs. 776 Million as compared with Rs. 551 Million during the same period last year, an increase of Rs. 225 Million (41%). The major components in sales were 11 Kv towers, which were in big demand followed by sale of 132 Kv towers. The sale volume was also higher by 12% compared with corresponding period of last year.

The gross profit resultantly was Rs. 155 Million against Rs. 103 Million of the same period last year, an increase of Rs. 52 Million (50%). Operating expenses remained under control and profit before tax increased to Rs. 122 Million against Rs. 60 Million during same period last year.

Earning per share during the period was Rs. 18.47 per share against Rs. 8.02 per share of corresponding period of last year.

Despite the large interruption of electric and gas supplies, production of towers increased to 8,510 tons against 6,700 tons of the same period last year.

Your Company has orders in hand of Rs. 1552 million as on March 31st, 2009 and it is anticipated that the year end results shall be appreciable.

I take this opportunity to thank all our valued Customers for their continued support and confidence in our products, Staff members for their dedication and hard work, Bankers and the Creditors for their support and Board of Directors for their guidance and support in connection with improvement of Company's business and good will.

For and on behalf of the Board

Lahore: April 18, 2009

Major General (R) Zaheer Ahmad Khan
(Chairman)

PAKISTAN ENGINEERING COMPANY LIMITED

Balance Sheet (Un-Audited)

As at 31 March 2009

	(Un-audited) 31 March 2009	(Audited) 30 June 2008
Rs. in 000's		
NON CURRENT ASSETS		
Property, Plant and Equipment-Tangible	1,496,549	1,501,608
Assets subject to Finance Lease	756	888
Capital Work in Progress	5,624	1,905
Land Held for Sale	314,724	314,724
	1,817,653	1,819,125
LONG TERM SECURITY DEPOSITS	2,925	2,416
DEFERRED TAXATION	-	12,755
	1,820,578	1,834,296
CURRENT ASSETS		
Stores, Spares and Loose Tools	137,854	114,944
Stock-in-trade	454,723	268,784
Assets held for sale	29,737	29,737
Trade Debtors	414,047	366,921
Loans & advances to Employees	2,471	964
Advances to Others	26,083	25,895
Trade Deposits, Prepayments & other Receivables	33,717	24,584
Short Term Investments	-	31,500
Cash and bank balances	10,133	24,482
	1,108,765	887,811
CURRENT LIABILITIES		
Trade Creditors	216,978	87,053
Accrued Liabilities	15,407	11,450
Deposits & Advance payments	56,700	25,080
Other Liabilities	67,571	74,734
Unclaimed Dividend	6,162	6,195
Dividend Payable	28,451	-
Accrued Mark-up - On Secured Loans	-	534
Short Term borrowings	-	26,906
Current portion of Liabilities Against Assets Subject to Finance Lease	998	555
Provision for Taxation	-	5,185
	392,267	237,692
Net Current Assets	716,498	650,119
<i>Total Assets Less Current Liabilities</i>	2,537,076	2,484,415
CONTINGENCIES AND COMMITMENTS		
NON CURRENT LIABILITIES		
GOVERNMENT OF PAKISTAN LOAN	1,790,848	1,790,848
LONG TERM LOAN	122,001	149,026
DEFERRED LIABILITIES	3,740	-
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	-	681
	1,916,589	1,940,555
NET TOTAL ASSETS	620,487	543,860
REPRESENTED BY:		
Share Capital	56,902	56,902
Revenue Reserves - General	10,000	10,000
Accumulated (Loss)	(1,088,696)	(1,168,990)
	(1,021,794)	(1,102,088)
Surplus on Revaluation of Fixed Assets	1,642,281	1,645,948
	620,487	543,860

The annexed notes form an integral part of these Financial Statements.

M. Imtiaz-ur-Raheem
(Chief Executive)

Mohammad Shabir Malik
(Director)

PAKISTAN ENGINEERING COMPANY LIMITED

Profit and Loss Account (Un-audited)

For the Nine months ended 31 March 2009

	3 Months Jan-Mar 09	9 Months Jul 08-Mar 09	3 Months Jan-Mar 08	9 Months Jul 07-Mar 08
	Rs. in 000's			
Sales	350,135	776,037	181,890	550,959
Cost of Goods Sold	(266,304)	(621,086)	(148,158)	(448,178)
GROSS PROFIT	83,831	154,951	33,732	102,781
OPERATING EXPENSES				
General and Administrative expenses	(9,109)	(25,952)	(9,806)	(29,478)
Selling and Distribution expenses	(4,462)	(8,253)	(2,864)	(6,950)
Freight and Forwarding expenses	(8,357)	(13,241)	(2,471)	(8,731)
	(21,928)	(47,446)	(15,141)	(45,159)
OPERATING PROFIT	61,903	107,505	18,591	57,622
Other charges	(154)	(503)	(483)	(1,032)
Financial charges	(1,003)	(4,653)	(2,293)	(5,555)
	60,746	102,349	15,815	51,035
Other Income	11,671	24,442	2,609	11,108
	72,417	126,791	18,424	62,143
Workers profit participation fund	(3,037)	(5,117)	-	(1,761)
PROFIT BEFORE TAXATION	69,380	121,674	18,424	60,382
TAXATION				
Current	-	-	(910)	(2,755)
Prior	-	(101)	-	(38)
DEFERRED	-	(16,495)	-	(11,954)
PROFIT AFTER TAXATION	69,380	105,078	17,514	45,635
Basic Earnings per Share	12.19	18.47	3.08	8.02

The annexed notes form an integral part of these Financial Statements.

M. Imtiaz-ur-Raheem
(Chief Executive)

Mohammad Shabir Malik
(Director)

PAKISTAN ENGINEERING COMPANY LIMITED

Statement of Changes in Equity (Un-audited)

For the Nine months ended 31 March 2009

	Paid up Ordinary Share Capital	Revenue Reserve	Accumulated Loss	Total
	Rs. in 000's			
Balance as at June 30, 2007	56,902	10,000	(1,245,196)	(1,178,294)
Profit for the year June 30, 2008	-	-	109,447	109,447
Final dividend for the year ended June 30, 2007 at Rs.6.5 per share	-	-	(36,987)	(36,987)
Transfer from "surplus on revaluation of fixed Assets"			3,746	3,746
Transfer from "Surplus on revaluation of fixed Assets" on sale of Assets held for sale			-	-
Balance as at June 30, 2008	56,902	10,000	(1,168,990)	(1,102,088)
Profit after taxation for nine months ended March 31, 2009	-	-	105,078	105,078
Dividend for the half year ended December 31, 2008 at Rs.5.0 per share	-	-	(28,451)	(28,451)
Depreciation- current period net off tax	-	-	2,669	2,669
Transfer from "Surplus on revaluation of fixed Assets"			998	998
Balance as at March 31, 2009	56,902	10,000	(1,088,696)	(1,021,794)

M. Imtiaz-ur-Raheem
(Chief Executive)

Mohammad Shabir Malik
(Director)

PAKISTAN ENGINEERING COMPANY LIMITED

Cash Flow Statement (Un-audited)

For the Nine months ended 31 March 2009

	31 March 2009	31 March 2008
	Rs. in 000's	
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Taxation	121,674	60,382
<i>Adjustments for:</i>		
Depreciation	11,154	8,891
Amortization of leased assets	133	167
Financial Charges	4,653	5,555
Provision for worker's Profit Participation Fund	5,117	1,761
Provision for gratuity and pension	-	254
(Profit) on sale of tangible fixed assets	(8,700)	(482)
(Profit) on sale of assets held for sale	-	(2,825)
Profit before working capital changes	134,031	73,703
Adjustment for working capital changes	-	-
(Increase)/Decrease in current Assets	(231,786)	3,125
Increase/(Decrease) in current Liabilities	156,335	22,199
Cash Generated from operations	58,580	99,027
Financial Charges Paid	(5,187)	(6,122)
Gratuity Paid	-	(251)
Workers' Profit Participation Fund Paid	(3,113)	(1,524)
Income Tax Paid	(8,805)	(7,077)
Net Cash inflow / (outflow) from Operating Activities	41,475	84,053
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) in Work in Progress	(3,719)	(8,188)
(Increase) in Purchase of tangible fixed assets	(10,704)	(53,676)
Long Term Security Deposits	(509)	-
Sale proceeds on disposal of fixed assets	13,310	600
Sale proceeds on disposal of fixed assets held for sale	-	3,898
Net Cash (Out flow) / inflow from investing activities	(1,622)	(57,366)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(Decrease) in Short term & long term loans	(53,931)	(40,806)
Payment of lease liability	(238)	(221)
Dividend Paid	(33)	(34,561)
Net cash (out flow) / in flow from financing activities	(54,202)	(75,588)
Net increase in cash and cash equivalents	(14,349)	(48,901)
CASH AND CASH EQUIVALENT AT BEGINNING OF THE PERIOD	24,482	104,921
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	10,133	56,020

The annexed notes form an integral part of these Financial Statements.

M. Imtiaz-ur-Raheem
(Chief Executive)

Mohammad Shabir Malik
(Director)

PAKISTAN ENGINEERING COMPANY LIMITED

Notes to the Financial Statements (Un-audited)

For the Nine months ended 31 March 2009

1. THE COMPANY AND ITS OPERATIONS

Pakistan Engineering Company Limited is incorporated in Pakistan and is listed on all Stock Exchanges of Pakistan. The address of its registered office is 6 -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, bicycles, electric motors, pumps and steel rolled products etc. The company has closed down its all divisions, except structure (STR) division, and is principally engaged in the manufacturing and sale of electricity transmission and communication towers. With the approval of the Board of Directors of the Company, Pumps, Electric Motors and Foundry have been re-started and are in operation.

2. ACCOUNTING POLICIES

These financial statements have been prepared using the same accounting policies as are applied in the preparation of annual accounts.

3. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the requirements of International Accounting Standard-34: and the Code of Corporate Governance.

4 CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

- Claims not acknowledged as debts in respect of various sub judice cases filed against the company for which the maximum possible liabilities could be approximately Rs. 2.517 million (June 30, 2008: Rs. 2.517 million).
- Guarantees of Rs. 497.500 million (June 2008 : Rs. 413.134 million) issued by the banking and insurance companies to different parties on behalf of the company.

COMMITMENTS

- Letter of credit for raw material and store items amounting to Rs. 24.633 (June 30, 2008 : Rs. 24.016 million)

PAKISTAN ENGINEERING COMPANY LIMITED

Notes to the Financial Statements (Un-audited)

For the Nine months ended 31 March 2009

	2009 Jan-Mar	2008-09 Jul-Mar	2008 Jan-Mar	2007-08 Jul-Mar
	Rs. in 000's			
5. COST OF GOODS SOLD				
Raw material consumed	264,481	663,480	162,269	431,216
Stores and spares	20,180	39,545	14,765	38,580
Salaries and wages (including all benefits)	17,973	45,928	10,035	27,328
Fuel and power	7,982	25,628	10,493	25,267
Inspection Fee	937	2,358	192	539
Service charges	483	1,144	244	1,083
Processing Charges	17,870	17,890	(98)	2,586
Repair and maintenance	408	1,170	153	1,027
Insurance	134	407	119	360
Research & Development	881	881	169	1,168
Rent Rate & Taxes	180	561		335
Travelling & Conveyance	229	580	103	156
Printing & Stationery	182	403	170	366
Postage & Telephone	72	187	2	85
Vehicle Running Expenses	186	513	214	708
Other expenses	250	449	-	186
Depreciation	2,887	8,600	2,282	6,830
	<u>335,315</u>	<u>809,724</u>	201,112	537,820
(Increase)/Decrease in W.I.P. Inventory	82,434	(14,007)	(18,210)	(20,658)
COST OF GOODS MANUFACTURED	<u>417,749</u>	<u>795,717</u>	182,902	517,162
(Increase)/Decrease in Finished Goods Inventory	(151,445)	(174,631)	(34,573)	(68,984)
	<u>266,304</u>	<u>621,086</u>	<u>148,329</u>	<u>448,178</u>

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

Description	31 March 2009 (Rs. in 000's)		30 June 2008 (Rs. in 000's)	
	Acquisition	Disposal	Acquisition	Disposal
OWNED ASSETS:				
Factory Building	-	-	3,999	-
Plant & Machinery	3,806	17,324	57,300	-
Furniture & Fixtures	3,119	-	3,791	500
Vehicles	3,560	-	2,813	710
Tools	219	-	156	-
Total	<u>10,704</u>	<u>17,324</u>	<u>68,059</u>	<u>1,210</u>

PAKISTAN ENGINEERING COMPANY LIMITED

Notes to the Financial Statements (Un-audited)

For the Nine months ended 31 March 2009

7. CAPITAL WORK IN PROGRESS

	31 March 2009	30 June 2008
	Rs. in 000's	
Plant & Machinery - Under Installation	790	-
Building - Civil Works	4,834	1,905
	<u>5,624</u>	<u>1,905</u>

8. TRANSACTIONS WITH RELATED PARTIES

Transaction with related parties other than remuneration and benefits to key management personnel under the term of their employment are as under:

	July 2008 to March 2009	July 2007 to March 2008
	Rs. in 000's	
Dividend paid to SEC	-	9,202
Reimbursement of expenses of SEC	321	321
Payment to Pakistan Machine Tools	1,200	782
Payment to Heavy Electrical Complex	-	277

9. Date of Authorization

This condensed interim financial information have been authorised for issue by the Board of Directors on April 18, 2009.

10. GENERAL

- (A) Figures have been rounded off to the nearest thousand rupees.
- (b) For the purpose of better presentation comparative figures of rent, rates & taxes (Rs.335,000), travelling & conveyance (Rs. 53,000), printing & stationery (Rs. 196,000), postage and telephone (Rs. 83,000) relating to factory have been transferred from General & Admin Expenses to Cost Of Sales.

M. Imtiaz-ur-Raheem
(Chief Executive)

Mohammad Shabir Malik
(Director)