



Pakistan Engineering Company Limited



Q u a r t e r l y
R e p o r t
March 31, 2011

Board of Directors

Mr. Ghulam Rasool Ahpan
(Chairman)
Khawaja Shaukat Ali
(Chief Executive)
Mr. Ahsan Ali Mangi
Mr. Muhammad Arif Habib
Mr. Liaqat Mohammad
Mr. Rashid Ali Khan
Mr. Mohammad Shabir Malik
Mr. Muhammad Iqbal
Mirza Mahmood Ahmad

Board Audit Committee

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

Board Finance Committee

Mr Rashid Ali Khan
(Chairman)
Mr. Muhammad Arif Habib
Mr. Ahsan Ali Mangi

Board HR Committee

Mr. Muhammad Iqbal
(Chairman)
Mr. Liaqat Mohammad
Mr. Mohammad Shabir Malik

Board Receivable Committee

Mr. Liaqat Mohammad
(Chairman)
Khawaja Shaukat Ali
Mr. Muhammad Iqbal
Mr. Mohammad Shabir Malik

CFO & Company Secretary

Mian Anwar Aziz

External Auditors

M/s Fazal Mahmood & Co.
Chartered Accountants

Legal Advisor

Mian Farzand Ali

Shares Registrar

M/s Scarlet IT System (Pvt) Ltd
24, Ferozpur Road,
Lahore

Bankers

National Bank of Pakistan
United Bank Limited
Summit Bank Limited

Head Office & Registered Office

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

Plant

Kot Lakhpat, Lahore

Web Site

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

Email

info@peco.com.pk

Dear Shareholders,

Assalamo -o- Alakum

On behalf of Board of Directors, I feel pleasure to present the financial statements for the period July –March 2011.

Over view

During the period under review the Management has to face many challenges viz increase in terrorist acts, load shedding of electricity and load management of gas, which adversely affected economic position of the country as a whole. The Government had to increase petroleum prices many times during July-2010 to March 2011, which has also affected the prices of raw material and other inputs. These factors contributed to inflationary trends.

Resultantly, salaries & wages had to increase to compensate employees to the possible extent. The entire increase in costs could not be passed on the customers, because of very tough competition from Local as well as Foreign suppliers. Efforts were therefore made to get orders mix so that business volume could be maintained. The major supplies to WAPDA consisted of 11 KV & 132 KV towers. There was no tele-communication towers demand during the period under review.

Pumps/ Motors and Spares business was slightly picked up compared with same period last year.

Financial Results

The sale revenue during the period ended on 31.03.2011 was Rs. 432.927 million against Rs. 1,195.757 million of the same period of last year, a decrease of Rs. 763 million (64%). The gross profit earned by your Company for the period ending on March 31, 2011 was Rs. 18.77 million against Rs. 219.44 million of same period of last year. This showed a decrease of Rs. 200.7 million (91%). Operating expenses during the period under review decreased from Rs. 59.81 million to Rs.56.41 million (6%).

Your Company has suffered a pre – tax loss of Rs. 35.089 million during the period ending on 31.3.2011 against profit of Rs. 137.303 million of the corresponding period of the last year. Major reasons of this loss was lesser orders in hand at the beginning of the year, lesser production due to constraints of raw material, load shedding of electricity & gas and intensive competition especially on 11 Kv towers.

Future outlook

We foresee that the business environment will continue to remain challenging. However, with a dedicated and hardworking team it shall be the endeavor of the management to convert challenges into opportunities.

The orders in hand position has improved and Company has orders in hand worth of Rs. 578.4 million. Efforts are in progress to maximize the sale volume & encounter the competition.

Acknowledgement

I on behalf of Company management thank the Board of Directors and all our valued customers, stakeholders and other market intermediaries for their continued support and trust, enabling the Company to achieve higher productivity level and showing good performance. It is heartening to note that PECO customers continue to repose their confidence in view of the improvements in the delivery schedules and in obtaining high quality products.

On behalf of the Board.

Date: April 29, 2011
Lahore

Ghulam Rasool Ahpan
(Chairman)

BALANCE SHEET (UN-AUDITED)



AS AT MARCH 31, 2011

	<u>MAR. 31, 2011</u>	<u>JUNE 30, 2010</u>
	(Rupees in Thousand)	
<u>NON CURRENT ASSETS</u>		
Property, Plant and Equipment-Tangible	4,886,172	4,879,205
Capital Work in Progress	5,722	5,684
Land Held for Sale	314,724	314,724
	5,206,618	5,199,613
LONG TERM SECURITY DEPOSITS	2,372	1,938
	5,208,990	5,201,551
<u>CURRENT ASSETS</u>		
Stores, Spares and Loose Tools	140,757	137,494
Stock-in-trade	329,559	307,565
Assets held for sale	-	20,556
Trade debtors	211,004	298,301
Loans & advances to Employees	360	1,175
Advances to Others	75,145	77,934
Trade Deposits, Prepayments & others Receivables	39,108	39,757
Cash and bank balances	150,057	83,676
	945,990	966,458
<u>CURRENT LIABILITIES</u>		
Trade Creditors	107,886	50,546
Accrued Liabilities	9,939	5,779
Deposits & Advance payments	24,475	13,012
Other Liabilities	31,072	59,306
Unclaimed Dividend	16,033	12,226
Accrued Mark-up - On Secured Loans	993	5,910
Short Term borrowings	31,158	-
Current Portion of Long Term Loan	-	22,500
Provision for Taxation	73,107	68,778
	294,663	238,057
NET CURRENT ASSETS	651,327	728,401
Total Assets Less Current Liabilities	5,860,317	5,929,952
<u>NON-CURRENT LIABILITIES</u>		
GOVERNMENT OF PAKISTAN LOANS	1,790,848	1,790,848
LONG TERM LOAN	11,119	12,887
DEFERRED TAXATION	125,779	140,344
	1,927,746	1,944,079
NET TOTAL ASSETS	3,932,571	3,985,873
REPRESENTED BY:		
Share Capital	56,902	56,902
Revenue Reserves-General	10,000	10,000
Accumulated (Loss)	(1,031,213)	(994,063)
	(964,311)	(927,161)
Surplus on Revaluation of Fixed Assets	4,896,882	4,913,034
	3,932,571	3,985,873

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

KHAWAJA SHAUKAT ALI
(Chief Executive)

MOHAMMAD SHABIR MALIK
(Director)

PROFIT AND LOSS ACCOUNT (UN-AUDITED)



FOR NINE MONTHS PERIOD ENDED MARCH 31, 2011

	3 Months <u>Jan-Mar 11</u> (Rs.in 000's)	9 Months <u>Jul 10 - Mar 11</u> (Rs.in 000's)	3 Months <u>Jan-Mar 10</u> (Rs.in 000's)	9 Months <u>Jul 09 - Mar 10</u> (Rs.in 000's)
Sales	54,621	432,927	480,445	1,195,757
Cost of Goods Sold	(51,995)	(414,153)	(402,351)	(976,313)
GROSS PROFIT	2,626	18,774	78,094	219,444
OPERATING EXPENSES				
General and Administrative expenses	(11,706)	(36,920)	(11,761)	(35,279)
Selling and Distribution expenses	(4,514)	(10,236)	(2,127)	(8,305)
Freight and Forwarding expenses	-	(9,263)	(8,431)	(16,230)
	(16,220)	(56,419)	(22,319)	(59,814)
OPERATING PROFIT / (LOSS)	(13,594)	(37,645)	55,775	159,630
Other charges	(86)	(451)	(127)	(499)
Financial charges	(1,867)	(4,799)	(8,385)	(18,748)
	(15,547)	(42,895)	47,263	140,383
Other Income	897	7,806	1,741	3,939
	(14,650)	(35,089)	49,004	144,322
Workers profit participation fund	-	-	(2,363)	(7,019)
PROFIT / (LOSS) BEFORE TAXATION	(14,650)	(35,089)	46,641	137,303
TAXATION				
Current	(546)	(4,329)	(13,866)	(48,056)
Prior	-	-	-	879
DEFERRED	3,385	14,565	-	(148)
	2,839	10,236	(13,866)	(47,325)
PROFIT / (LOSS) AFTER TAXATION	(11,811)	(24,853)	32,775	89,978
Earning / (Loss) per Share - Basic	(2.08)	(4.37)	5.76	15.81

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

STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR NINE MONTHS PERIOD ENDED MARCH 31, 2011

	3 Months <u>Jan-Mar 11</u> (Rs.in 000's)	9 Months <u>Jul 10 - Mar 11</u> (Rs.in 000's)	3 Months <u>Jan-Mar 10</u> (Rs.in 000's)	9 Months <u>Jul 09 - Mar 10</u> (Rs.in 000's)
(LOSS)/PROFIT FOR THE PERIOD	(11,811)	(24,853)	32,775	89,978
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income / (Loss)	(11,811)	(24,853)	32,775	89,978

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

STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR NINE MONTHS PERIOD ENDED MARCH 31, 2011

	(Rupees in Thousand)			
	Paid up ordinary Share Capital	Revenue Reserve	Accumulated Loss	Total
Balance as at June 30, 2009	56,902	10,000	(1,056,203)	(989,301)
Total Comprehensive income for the year			119,104	119,104
Final Dividend for the year ended June 30, 2009 @ 7.50 per share			(42,677)	(42,677)
Dividend for the half year ended December 31, 2009 @ Rs.5.00 per share			(28,451)	(28,451)
Transfer from "Surplus on Revaluation of Fixed Assets" incremental depreciation - current year - Net off Tax			13,327	13,327
Transfer from surplus on Revaluation of Fixed Assets on Disposal of fixed Assets - Net off Tax			837	837
Balance as at June 30, 2010	56,902	10,000	(994,063)	(927,161)
Total Comprehensive Loss for nine months period ended March 31, 2011			(24,853)	(24,853)
Final Dividend for the year ended June 30, 2010 @ Rs.7.50 per share			(28,451)	(28,451)
Surplus on revaluation of Fixed Assets realised during the period on account of incremental depreciation charged thereon-net of tax			9,169	9,169
Surplus on Revaluation of Assets held for sale realised during the period on account of disposal charged thereon-net of tax			6,985	6,985
Balance as at March 31, 2011	56,902	10,000	(1,031,213)	(964,311)

KHAWAJA SHAUKAT ALI
(Chief Executive)

MOHAMMAD SHABIR MALIK
(Director)

CASH FLOW STATEMENT (UN-AUDITED)



FOR NINE MONTHS PERIOD ENDED MARCH 31, 2011

	<u>MAR. 31, 2011</u>	<u>MAR. 31, 2010</u>
	(Rupees in Thousand)	
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Profit / (Loss) before taxation	(35,089)	137,303
Adjustments for:		
Depreciation	22,885	22,164
Amortization of leased assets		71
Financial Charges	4,799	18,748
Balances Written off	-	-
Provision for W.P.P.F.	-	7,019
Provision for gratuity	5	36
Loss on sale of tangible fixed assets	72	
(Profit) on sale of tangible fixed assets	(2,827)	(1,020)
(Profit) on sale of assets held for Sale		(175)
Profit / (Loss) before working capital changes	(10,155)	184,146
<u>Adjustments for working capital changes</u>		
(Increase) / Decrease in Current Assets	80,940	(175,708)
Increase / (Decrease) in Current Liabilities	55,414	(43,342)
<u>Cash Generated from Operations</u>	126,199	(34,904)
Financial Charges Paid	(9,716)	(40,355)
Gratuity Paid	(5)	(36)
Workers' Profit Participation paid	(10,678)	(10,328)
Income Tax Paid	(14,652)	(14,266)
<u>Net Cash Inflow / (Outflow) from Operating Activities</u>	91,148	(99,889)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
(Increase) in Purchases of Tangible Fixed Assets	(29,944)	(9,940)
(Increase) in Capital work in progress	(38)	(1,765)
Long-term security deposits	(434)	986
Sale proceeds from disposal of fixed assets	20	1,790
Sale proceeds from disposal of fixed assets held for Sale	23,383	2,380
<u>Net Cash (Outflow) / Inflow from Investing Activities</u>	(7,013)	(6,549)
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
Increase / (Decrease) in short-term & long-term Loans	6,890	147,197
Dividend paid	(24,644)	(40,367)
Payment of lease liability	-	(955)
<u>Net cash (Outflow) / Inflow from Financing Activities</u>	(17,754)	105,875
<u>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</u>	66,381	(563)
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</u>	83,676	28,250
<u>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</u>	150,057	27,687

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

NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)

FOR NINE MONTHS PERIOD ENDED MARCH 31, 2011

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, electric motors, pumps and steel rolled products etc. The company has closed down it's 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.

KHAWAJA SHAUKAT ALI
(Chief Executive)

MOHAMMAD SHABIR MALIK
(Director)

FOR NINE MONTHS PERIOD ENDED MARCH 31, 2011

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, 2010 Rs. 2.517 million).
- Guarantees of Rs. 399.812 million (June 2010 : Rs. 326.584 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.18.316 million (June 30, 2010 : Rs. 6.421 million)

	2011	2010 - 2011	2010	2009 - 2010
	Jan-Mar	Jul-Mar	Jan-Mar	Jul-Mar
	(Rs. in 000's)	(Rs. in 000's)	(Rs. in 000's)	(Rs. in 000's)
5. COST OF GOODS SOLD				
Raw material consumed	56,924	298,663	245,837	694,969
Stores and spares	5,275	43,231	28,540	88,457
Salaries and wages (including all benefits)	16,006	52,202	20,714	60,589
Fuel and power	8,545	31,083	10,443	31,558
Inspection Fee	7	1,117	410	1,473
Service charges	90	300	102	228
Processing Charges	-	1,754	20,431	33,035
Repair and maintenance	1,188	3,189	1,865	3,274
Insurance	153	466	172	485
Research & Development	-	-	616	1,774
Rent Rate & Taxes	199	599	194	597
Travelling & Conveyance	79	255	354	639
Printing Stationery	189	540	209	485
Postage & Telephone	89	286	77	232
Vehicle Running Expenses	382	1,172	391	1,257
Other expenses	181	354	264	509
Professional Charges for revaluation of Land, Plant & Machinery	-	-	400	400
Depreciation	6,616	19,537	6,482	19,249
	95,925	454,750	337,501	939,210
(Increase)/Decrease in W.I.P. Inventory	(3,625)	6,960	10,776	55,974
COST OF GOODS MANUFACTURED	92,300	461,710	348,277	995,184
(Increase)/Decrease in Finished Goods Inventory	(40,305)	(47,557)	54,074	(18,871)
	51,995	414,153	402,351	976,313

6. ACQUISITION AND DISPOSAL OF PROPERTY PLANT & EQUIPMENT (At Cost)

Description	March 31, 2011		June 30, 2010	
	(Rs. 000)		(Rs. 000)	
	Acquisition	Disposal	Acquisition	Disposal
OWNED ASSETS:				
Plant & Machinery	29,217	-	11,566	650
Furniture & Fixture	492	142	4,452	-
Vehicles	-	-	4,718	3,222
Electric Installation	168	-	2,019	-
Tools	67	-	147	-
Total	29,944	142	22,902	3,872
Leased Assets:				
Transfer From Leased Assets	-	-	666	-
Transfer From Held for Sale	-	-	1,655	-
Total	-	-	2,321	-
Held For Sale:				
	-	20,556	-	2,334
Total	-	20,556	-	2,334
Grand Total	29,944	20,698	25,223	6,206

7. CAPITAL WORK IN PROGRESS

	March 31, 2011	June 30, 2010
	(Rs. 000)	(Rs. 000)
Civil Works	4,624	4,899
Plant & Machinery	1,098	785
	5,722	5,684

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:

Transaction With Related Parties	March 31, 2011	June 30, 2010
	(Rs. 000)	(Rs. 000)
Reimbursement of Expenses of SEC	-	188
Paid to SEC	-	3,675
Payable to SEC	1,429	1,429
Sale to Pakistan Machine Tool Factory	3,392	2,826
Receivable From Pakistan Machine Tool Factory	2,832	2,826

9. Date of Authorization

This condensed interim financial information have been authorised for issue by the Board of Directors on April 29, 2011

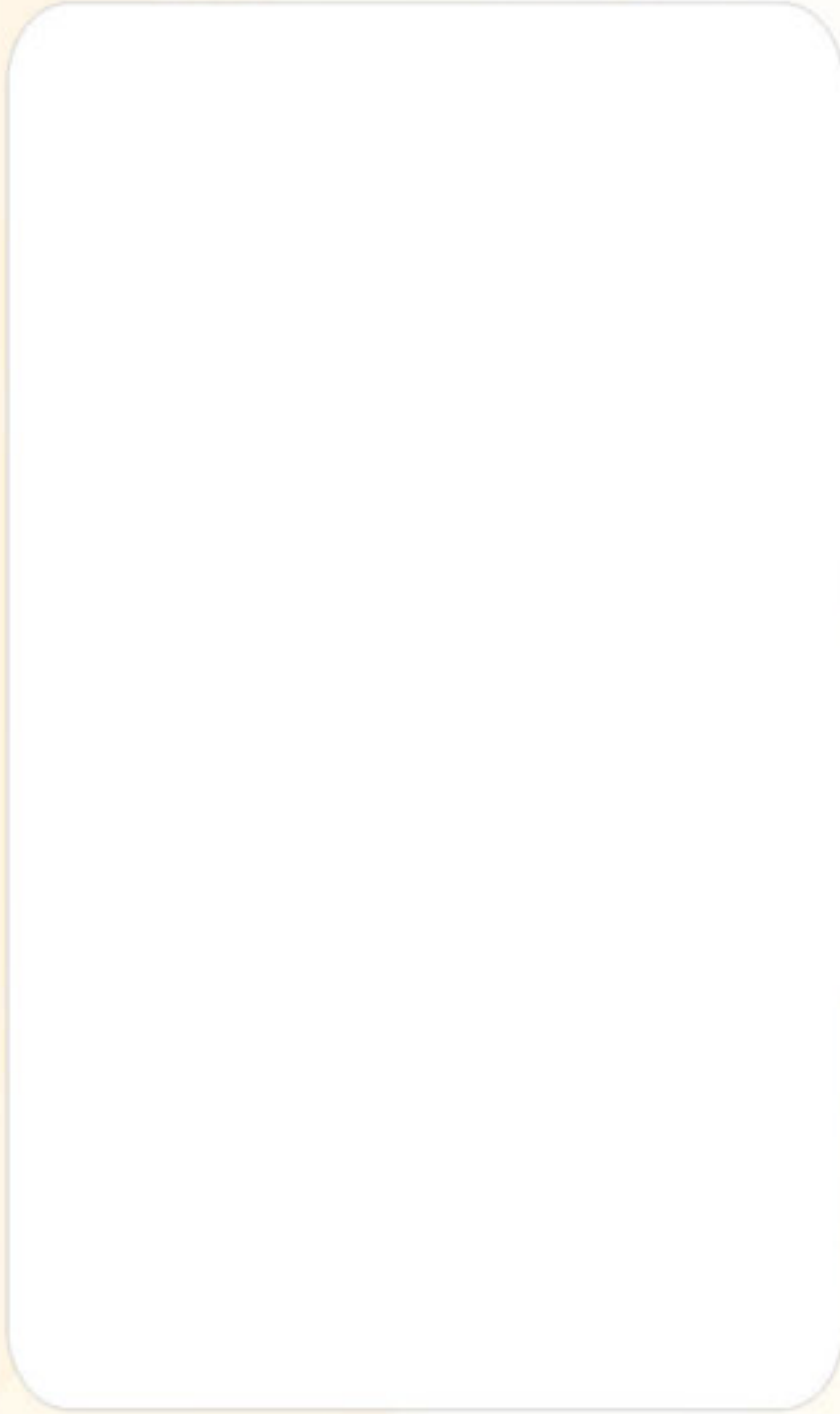
10. GENERAL


Figures have been rounded off to the nearest thousand rupees.

KHAWAJA SHAUKAT ALI
(Chief Executive)

MOHAMMAD SHABIR MALIK
(Director)

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