

A Company of 



QUARTERLY REPORT
September 30, 2008

Pakistan Engineering Company Limited

BOARD OF DIRECTORS

Maj Gen (R) Zaheed Ahmad Khan (Chairman)
Mr. 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 – Member

CHIEF FINANCIAL OFFICER & CO. 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

6/7 - Ganga Ram Trust Building,
Shahrah-e-Quaid-e-Azam, Lahore

BRANCHES

Karachi
Islamabad

PLANT

Kot Lakhpat, Lahore.

WEB SITE

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

Dear Shareholders,

Asalam-o-Alakum

I take pleasure to present the Un-Audited Accounts and Report for the first quarter of the year 2008-09 ended on 30 September, 2008.

The first quarter usually is lean period as our major customer WAPDA, normally start publishing tender in the second quarter after allocation of budgetary funds. The telecom sector also becomes active in second quarter, because during first quarter they are busy in winding previous year's projects. The sales during the period were of last year carried over orders of 11KV Towers, and small quantity of telecom towers.

Extensive load shedding of electricity resulted in production loss. The Company could, therefore, achieve sale of Rs. 150.893 Million compared with Rs. 176.431 Million during pervious period showing decline of Rs. 25.538 Million (14.0%).

The gross profit was resultantly reduced to Rs. 22.386 Million against Rs. 35.403 Million of the same period of last year, showing a reduction of Rs. 13.017 Million (37%). The net profit before tax was Rs. 17.139 Million compared with Rs. 23.352 Million of the previous period, a decline of Rs. 6.213 Million (27%).

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 the matter of improvement of Company's business and good will.

On behalf of the Board.

Dated: October 20, 2008
Lahore

Major General (R) Zaheer Ahmad Khan
(CHAIRMAN)

BALANCE SHEET



AS AT SEPTEMBER 30, 2008

	Un-Audited September 30, 2008	Audited June 30, 2008
	(Rupees in 000)	
NON CURRENT ASSETS		
Property, Plant & Equipment-Tangible	1,493,956	1,501,608
Assets subject to Finance Lease	844	888
Capital Work in Progress- Building etc.	3,723	1,905
Land held for sale	314,724	314,724
	1,813,247	1,819,125
LONG TERM SECURITY DEPOSITS	2,756	2,416
DEFERRED TAXATION	12,755	12,755
	1,828,758	1,834,296
CURRENT ASSETS		
Store, Spares and loose tools	121,448	114,944
Stock-in-trade	346,835	268,784
Assets held for Sale	29,737	29,737
Trade debtors	261,742	366,921
Loans & advances to Employees	1,937	964
Advances to Others	24,847	25,895
Trade deposits, prepayments & others receivables	21,256	24,584
Short Term Deposits	30,000	31,500
Cash and bank balances	54,475	24,482
	892,277	887,811
CURRENT LIABILITIES		
Trade Creditors	97,041	87,053
Accrued Liabilities	9,942	11,450
Deposits & Advance payments	25,937	25,080
Other Liabilities	52,759	74,734
Unclaimed Dividend	6,192	6,195
Accrued Mark-up - On Secured Loans	781	534
Short Term Borrowings	27,307	26,906
Liabilities Against Assets Subject to Finance Lease	1,158	555
Provision for Taxation	5,939	5,185
	227,056	237,692
Net Current Assets	665,221	650,119
Total Assets Less Current Liabilities	2,493,979	2,484,415
NON CURRENT LIABILITIES		
GOVERNMENT OF PAKISTAN LOAN	1,790,848	1,790,848
LONG TERM LOANS	142,886	149,026
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	-	681
	1,933,734	1,940,555
CONTINGENCIES AND COMMITMENTS	-	-
NET TOTAL ASSETS	560,245	543,860
REPRESENTED BY:		
Share Capital	56,902	56,902
Revenue Reserve-General	10,000	10,000
Accumulated (Loss)	(1,151,236)	(1,168,990)
	(1,084,334)	(1,102,088)
Revaluation Surplus	1,644,579	1,645,948
	560,245	543,860

M. Imtiaz-ur-Raheem
(Chief Executive)

Mohammad Shabir Malik
(Director)

PROFIT AND LOSS ACCOUNT



FOR THE QUARTER ENDED SEPTEMBER 30, 2008

	Jul-Sep 2008	Jul-Sep 2007
	(Rupees in 000)	
SALES	150,893	176,431
Cost of Goods Sold	128,507	141,028
Gross Profit	22,386	35,403
OPERATING EXPENSES		
General and Administrative expenses	10,813	10,198
Selling and Distribution expenses	1,204	2,340
Freight and Forwarding expenses	1,025	1,191
	13,042	13,729
OPERATING PROFIT	9,344	21,674
Financial charges	2,091	1,480
	7,253	20,194
Other Income / (charges)	9,886	3,158
PROFIT BEFORE TAXATION	17,139	23,352
TAXATION	754	882
Profit after Taxation	16,385	22,470
Earning per Share - Basic (Rupees)	2.88	3.95

STATEMENT OF CHANGES IN EQUITY

FOR THE QUARTER ENDED SEPTEMBER 30, 2008

	Share Capital	Revenue reserve	Accumulated Loss	Total
	(Rs. in 000)			
Balance as on June 30, 2007	56,902	10,000	(1,245,196)	(1,178,294)
Dividend for the year ended June 30, 2007@ Rs.6.5 per share	-	-	(36,987)	(36,987)
Profit for the year June 30,2008	-	-	109,447	109,447
Transfer from "Surplus on Revaluation of Fixed Assets". Incremental Depreciation - Current Year	-	-	3,746	3,746
Balance as on June 30, 2008	56,902	10,000	(1,168,990)	(1,102,088)
Transferred from Profit and loss account	0	0	16,385	16,385
Transfer from "Surplus on Revaluation of Fixed Assets"	0	0	1,369	1,369
Balance as on September 30, 2008	56902	10000	(1,151,236)	(1,084,334)

M. Imtiaz-ur-Raheem
(Chief Executive)

Mohammad Shabir Malik
(Director)

CASH FLOW STATEMENT



AS ON SEPTEMBER 30, 2008

	Un-Audited September 2008	Un-Audited September 2007
	(Rupees in 000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit/ (Loss) before Taxation	17,139	23,352
Adjustment for:		
Depreciation	3,632	2,907
Amortization of leased assets	44	56
Financial Charges	2,091	1,480
Provision for doubtful debts	-	-
provision for gratuity and pension	8	12
Profit on sale of Fixed Assets	(8,633)	(482)
Profit/ (Loss) before working capital changes	14,281	27,325
Adjustments for working capital changes		
(Increase)/ Decrease in current Assets	26,382	3,613
Increase/ (Decrease) in current Liabilities	(11,385)	(31,956)
Cash (Used in)/Generated from operations	29,278	(1,018)
Financial Charges paid	(1,844)	(2,520)
Gratuity Paid	(6)	(8)
Income Tax Paid	(855)	(2,501)
Worker's profit participation Fund	(1,256)	(338)
Net Cash (outflow)/ inflow from operating Activities	25,317	(6,385)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(584)	(1,531)
(Increase)/ Decrease in long term security deposit	(340)	-
(Increase)/ Decrease in capital work in progress	(1,818)	(10)
Sale proceeds on disposal of fixed assets	13,238	600
Net Cash (outflow)/ inflow from investing Activities	10,496	(941)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/ (Decrease) in short term & long term loans	(5,739)	(14,043)
Payment of lease liability	(78)	(73)
Payment of Dividend	(3)	(44)
Net cash in flow/(out flow) from financing activities	(5,820)	(14,160)
Net increase/ (decrease) in cash and cash equivalents	29,993	(21,486)
Cash and cash equivalent at bigining of the period	24,482	104,921
Cash and cash equivalent at end of the period	54,475	83,435

M. Imtiaz-ur-Raheem
(Chief Executive)

Mohammad Shabir Malik
(Director)

NOTES TO THE FINANCIAL STATEMENTS



FOR THE QUARTER ENDED SEPTEMBER 30, 2008

1. THE COMPANY AND ITS OPERATIONS

Pakistan Engineering Company Limited was 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-Quid-e-Azam, Lahore. The company is principally engaged in the manufacturing and sale of engineering products.

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.

4. CONTINGENCIES AND COMMITMENTS

Contingencies

- Claim not acknowledged as debts in respect of various subjudice cases filed against the company for which the maximum possible liabilities could be approximately Rs.2.517 Million (June, 2008: 2.517million).
- Guarantee of Rs.402.772 million (June 2008:Rs 413.134 million) issued by the banking and insurance companies to different parties on behalf of the company.

Commitments

Letters of credit for raw material and store items amounting to Rs. Nil Million (June, 2008:Rs.24.016 million).

	<u>Jul-Sep 2008</u>	<u>Jul-Sep 2007</u>
	(Rupees in 000)	
5. COST OF GOODS SOLD		
Raw material consumed	143,179	137,262
Stores and spares consumed	9,110	12,655
Salaries and wages (including all benefits)	10,501	9,451
Fuel and Power	7,484	7,421
Inspection Fee	311	171
Service Charges	344	253
Processing charges	20	2,728
Repair & Maintenance	233	650
Insurance	137	120
Reserch & Development	-	843
Vehicle Running expenses	265	187
Other Expenses	199	238
Depreciation	2,912	2,269
	<u>174,695</u>	<u>174,248</u>
(Increase) decrease in Work in Process Inventory	(42,761)	1,978
Cost of Goods Manufactured	131,934	176,226
(Increase) decrease in Finished Goods Inventory	(3,427)	(35,198)
	<u>128,507</u>	<u>141,028</u>

6. TRANSACTION WITH ASSOCIATED UNDERTAKINGS

Purchases of material and goods	-	-
Sales of material and goods	-	-
Service charges of S.E.C	-	-
Payment to PMTF	1,000	-

7. DATE OF AUTHORIZATION

These financial statements have been authorised for issue by board of Directors on October 20, 2008.

8. GENERAL

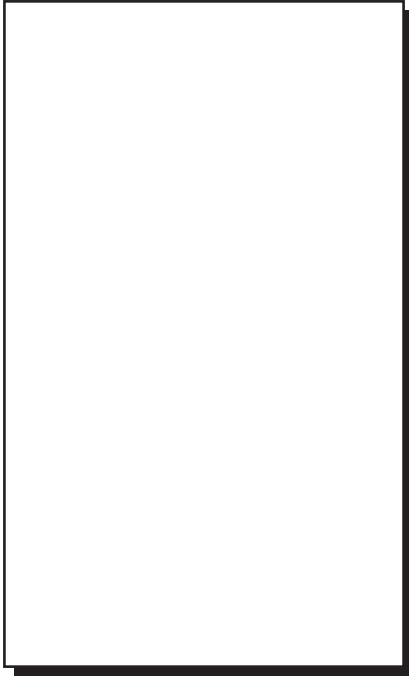
Figures have been rounded off to the nearest thousand rupee.

M. Imtiaz-ur-Raheem
(Chief Executive)

Mohammad Shabir Malik
(Director)



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