



Pakistan Engineering Company Limited



Q u a r t e r l y
R e p o r t
September 30, 2010

CASH FLOW STATEMENT (UN-AUDITED)



FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	SEP. 30, 2010	SEP. 30, 2009
	(Rupees in Thousand)	
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Profit before taxation	511	28,194
Adjustments for:		
Depreciation	7,518	3,141
Amortization of leased assets	0	44
Financial Charges	934	3,687
Provision for gratuity and pension	4	3
(Profit) on sale of Assets held for sale	(2,827)	-
Profit before working capital changes	6,140	35,069
Adjustments for working capital changes		
(Increase) in Current Assets	(169,281)	(99,085)
Increase in Current Liabilities	92,828	65,136
Cash (Utilized) / Generated from Operations	(70,313)	1,120
Financial Charges Paid	(6,788)	(1,157)
Gratuity Paid	-	-
Worker's Profit Participation paid	(7,225)	(5,400)
Income Tax Paid	(511)	(2,408)
Net Cash (Outflow) from Operating Activities	(84,837)	(7,845)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Capital Work in Progress	-	(1,159)
Purchase of tangible fixed assets	(1,915)	(2,911)
Decrease / (Increase) in Long term Security deposits	-	95
Sale proceeds on disposal of Assets held for sale	23,383	-
Net Cash Inflow / (Outflow) from Investing Activities	21,468	(3,975)
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
(Decrease) in Short term loans	(11,250)	(229)
(Decrease) Long term loans	(650)	-
Dividends paid	(38)	(289)
Payment of lease liability	-	(8)
Net cash Inflow / (Outflow) from Financing Activities	(11,938)	(526)
Net (decrease) in cash and cash equivalents	(75,307)	(12,346)
Cash and Cash Equivalents at beginning of the period	83,676	28,250
Cash and Cash Equivalents at end of the period	8,369	15,904

NOTES TO THE ACCOUNTS (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2010

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 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

This condensed interim financial information has been prepared using the same accounting policies as are applied in the preparation of annual accounts, for the year ended June 30, 2010 except for the change in the policy of borrowing cost and presentation of financial statements.

3. BASIS OF PREPARATION

This condensed interim financial information has 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 THE QUARTER ENDED SEPTEMBER 30, 2010

4. CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

- Claim not acknowledged as debts in respect of various subjudice cases filed against company for which the maximum possible liabilities could be approximately Rs. 2.517 million (June 30, 2010 2.517 million).
- Guarantees of Rs. 348.110 million (June 30, 2010 Rs. 326.584 million) issued by the banks and insurance companies to different parties on behalf of the company.

COMMITMENTS

- Letters of credit for machinery, raw material and store items amounting to Rs. 10.581 million (June 30, 2010 Rs. 6.421 million).

5. COST OF GOODS SOLD

	(Rupees in Thousand)	
	2010 Jul-Sep	2009 Jul-Sep
Raw material consumed	118,403	250,828
Stores and spares consumed	19,677	14,654
Salaries and wages (including all benefits)	17,701	20,373
Fuel and Power	7,889	10,503
Rent rates & Taxes	206	208
Inspection Fee	2	98
Service Charges	72	122
Processing Charges	-	784
Repair & Maintenance	1,036	930
Insurance	157	157
Research & Development	-	873
Vehicle running Expenses	346	378
Other Expenses	395	429
Depreciation	6,422	2,304
	172,306	302,641
(Increase) decrease in Work in Process Inventory	5,730	(36,536)
Cost of Goods Manufactured	178,036	266,105
Decrease / (Increase) in Finished Goods Inventory	4,048	(133,991)
Cost of Goods Sold	182,084	132,114

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

Description	Sep. 30, 2010 (Rs.in 000's)		Jun. 30, 2010 (Rs.in 000's)	
	Acquisition	Disposal	Acquisition	Disposal
OWNED ASSETS:				
Plant & Machinery	-	-	11,566	650
Furniture & Fixtures	14,204	-	4,452	-
Vehicles	67	-	5,357	3,222
Electric Intallation	-	-	2,019	-
Tools	368	-	147	-
Total	14,639		23,541	3,872

7. DISPOSAL OF MACHINERY HELD FOR SALE

	(Rupees in Thousand)	
	July-Sep 2010	Jul-Sep 2009
	<u>20,556</u>	-

8. TRANSACTIONS WITH RELATED PARTIES

	-	-
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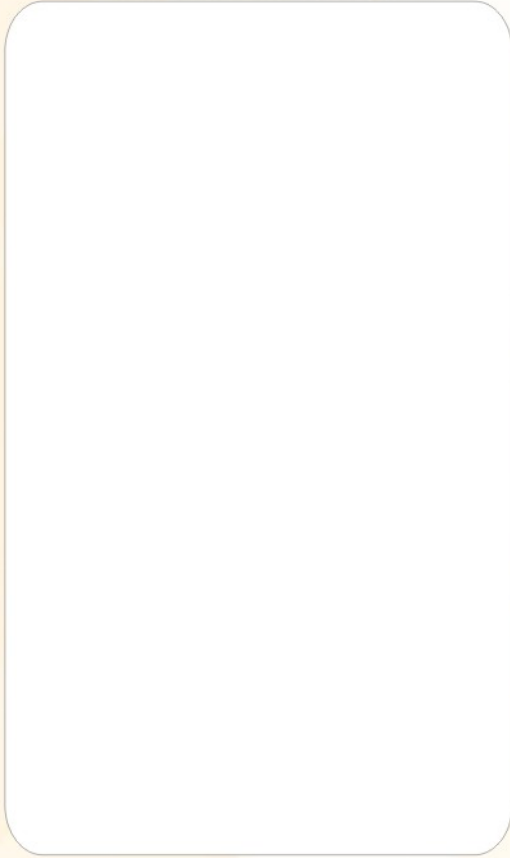
9. DATE OF AUTHORIZATION


This Condensed interim financial information have been authorised for issue by Board of Directors on 28 October, 2010.

10. GENERAL

Figures have been rounded off to the nearest thousand rupee.

BOOK POST



A Company of 

If undelivered please return to
PAKISTAN ENGINEERING CO. LTD.
6/7-Ganga Ram Trust Building
Shahrah-e-Quaid-e-Azam,
Lahore, Pakistan.

Board of Directors

Mr. Ghulam Rasool Ahpan
(*Chairman*)
Khawaja Shaukat Ali
(*Chief Executive*)
Mr. Khizar Hayat Khan
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. Muhammad Iqbal

Board HR Committee

Mr Khizar Hayat Khan
(*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
Hassan Plaza, 6-A, Jail 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

I am honoured to present the Un-Audited Accounts and Report for the first quarter of the year 2010-11, ended on September 30, 2010.

The current financial year beginning was very unsatisfactory because of very low orders in hand, which has badly affected production & sales of the first quarter of the year. During the first quarter Transmission line towers were supplied to WAPDA and there was no order of Tele-communication tower. The business of Pumps & Motors has improved during the quarter under review and is expected to increase further during remaining period of the year.

The sales during the period under review were Rs. 198 million as against Rs. 180 million during the corresponding period of last year, showing an improvement of Rs. 18 million (10 %). The cost of goods sold however, increased by Rs. 49.970 million during the period under review due to lesser production. Resultantly the gross profit decreased from Rs. 48.2 million to Rs. 15.9 million (Rs. 32.3 million).

The net profit before tax was Rs. 0.5 million against Rs. 28.2 million of same period of last year. This also showed decrease of Rs. 27.7 million.

The current pricing trend against WAPDA tenders is highly unfavorable, because some competitors especially Chinese manufacturers are quoting very low prices. The prices offered by them are almost lower than our cost, which is very disturbing. To counter this cut throat pricing competition, different strategies are under planning.

I take this opportunity to thank all our Valued Customers, Suppliers and Bankers for their confidence and continued support, Staff members for their dedication and hard work. I would also like to thank our Board of Directors for their guidance and support for the improvement of Company's business and good will.

I look forward for better future of the Company.

on behalf of the Board.

Date: October 28, 2010
Lahore

Ghulam Rasool Ahpan
(Chairman)

BALANCE SHEET (UN-AUDITED)



AS AT SEPTEMBER 30, 2010

SEP. 30, 2010 JUNE 30, 2010
(Rupees in Thousand)

FIXED CAPITAL EXPENDITURE

NON CURRENT ASSETS

Property, Plant and Equipment-Tangible	4,886,326	4,879,205
Capital Work in Progress	5,684	5,684
Land Held for Sale	314,724	314,724
	5,206,734	5,199,613
LONG TERM SECURITY DEPOSITS	1,938	1,938
	5,208,672	5,201,551

CURRENT ASSETS

Stores, Spares and Loose Tools	140,959	137,494
Stock-in-trade	355,933	307,565
Assets held for sale	-	20,556
Trade debtors	430,494	298,301
Loans & advances to Employees	525	1,175
Advances to Others	46,199	77,934
Trade Deposits, Prepayments & others Receivables	45,184	39,757
Cash and bank balances	8,369	83,676
	1,027,663	966,458

CURRENT LIABILITIES

Trade Creditors	142,615	50,546
Accrued Liabilities	10,639	5,779
Deposits & Advance payments	19,300	13,012
Other Liabilities	41,692	59,306
Unclaimed Dividend	12,188	12,226
Accrued Mark-up - On Secured Loans	56	5,910
Current Portion of Long Term Loan	11,250	22,500
Provision for Taxation	68,778	68,778
	306,518	238,057

NET CURRENT ASSETS

Total Assets Less Current Liabilities	721,145	728,401
	5,929,817	5,929,952

CONTINGENCIES AND COMMITMENTS

NON-CURRENT LIABILITIES

GOVERNMENT OF PAKISTAN LOANS	1,790,848	1,790,848
LONG TERM LOAN	12,241	12,887
DEFERRED TAXATION	140,344	140,344
	1,943,433	1,944,079

NET TOTAL ASSETS

	3,986,384	3,985,873
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REPRESENTED BY:

Share Capital	56,902	56,902
Revenue Reserves-General	10,000	10,000
Accumulated (Loss)	(983,511)	(994,063)
	(916,609)	(927,161)
Surplus on Revaluation of Fixed Assets	4,902,993	4,913,034
	3,986,384	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 THE QUARTER ENDED SEPTEMBER 30, 2010

	2010 July-Sep	2009 Jul-Sep
	(Rupees in Thousand)	
Sales	198,040	180,387
Cost of Goods Sold	(182,084)	(132,114)
GROSS PROFIT	15,956	48,273
OPERATING EXPENSES		
Selling and Distribution expenses	(2,993)	(2,177)
Freight and Forwarding Expenses	(3,798)	(2,875)
General and Administrative expenses	(11,967)	(12,620)
	(18,758)	(17,672)
OPERATING (LOSS)/PROFIT	(2,802)	30,601
Other charges	(245)	(152)
Financial charges	(934)	(3,687)
	(3,981)	26,762
Other income	4,492	1,432
PROFIT BEFORE TAXATION	511	28,194
TAXATION	-	(9,868)
PROFIT AFTER TAXATION	511	18,326
Earning per share-Basic	0.09	3.22

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

STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	(Rupees in Thousand)	
	July-Sep 2010	Jul-Sep 2009
Profit after taxation	511	18,326
Other comprehensive income	-	-
Total comprehensive income	511	18,326

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

STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	Paid up ordinary share capital	Revenue reserve	(Rupees in Thousand) Accumulated Loss	Total
Balance as at June 30, 2009	56,902	10,000	(1,056,203)	(989,301)
Total Comprehensive income for the year ended June 30, 2010	-	-	119,104	119,104
Dividend for the half year ended December 31, 2009 @ Rs. 5.00 Per Share	-	-	(28,451)	(28,451)
Dividend for the year ended June 30, 2009 @ Rs. 7.50 Per Share	-	-	(42,677)	(42,677)
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 income for the quarter ended September 30, 2010	-	-	511	511
Dividend for the year ended June 30, 2010 @ Rs. 5.00 Per Share	-	-	-	-
Transfer from surplus on Revaluation of fixed assets Incremental depreciation- current year - net off tax	-	-	3,056	3,056
Transfer from surplus on Revaluation of fixed assets on disposal of fixed assets - net off tax	-	-	6,985	6,985
Balance as at September 30, 2010	56,902	10,000	(983,511)	(916,609)

KHAWAJA SHAUKAT ALI
(Chief Executive)

MOHAMMAD SHABIR MALIK
(Director)