



PAKISTAN ENGINEERING COMPANY LIMITED

Quarterly
Report
September 30, 2011



COMPANY INFORMATION



Board of Directors

Mr. Ghulam Rasool Ahpan (Chairman)
Brig. Balal Ahmed Khan (Retd)
Sitara-e-Imtiaz(Mil) (Chief Executive)
Ms. Nuzhat Fatima
Mr. Muhammad Arif Habib
Mr. Rashid Ali Khan
Mr. Liaqat Mohammad
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
Ms. Nuzhat Fatima

Board HR Committee

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

Receivable Committee

Mr. Liaqat Mohammad (Chairman)
Brig. Balal Ahmed Khan (Retd)
Mr. Muhammad Iqbal
Mr. Mohammad Shabir Malik

H.O. & Registered Office

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

Plant

Kot Lakhpat, Lahore.

CFO & Company Secretary

Mian Anwar Aziz

Bankers

National Bank of Pakistan
United Bank Limited
Summit Bank

External Auditors

M/s Fazal Mahmood & Co.
Chartered Accountants

Shares Registrar

M/s Scarlet IT System (Pvt) Ltd
24 - Ferozpur Road,
Near Mozang Chungi, Lahore

Legal Advisor

Mian Farzand Ali

Web Site

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

Email

info@peco.com.pk

DIRECTOR'S REPORT



Dear Shareholders,
Assalamo-o-Alakum

I am honoured to present the Un-Audited Accounts and Report for the first quarter of the year 2011-12, ended on September 30, 2011. The current financial year started with orders in hand of Rs. 347 million.

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 during the quarter under review was comparatively lower due to lesser demand.

The sales during the period under review were Rs. 258.5 million as against Rs. 198.0 million during the corresponding period of last year, showing an improvement of Rs. 61 million (31 %). The cost of goods sold however, increased by Rs. 104.2 million during the period under review due to lesser production.

Resultantly the gross profit decreased from Rs. 15.9 million to a gross loss of Rs. 27.8 million. The net loss before tax was Rs. 50.0 million against profit of Rs. 0.511 million of same period of last year. This also showed decrease of Rs. 50.5 million.

The current pricing trend against WAPDA tenders is highly unfavorable and sometimes there is an intensive competition in the market. 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, to 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 29, 2011
Lahore

Ghulam Rasool Ahpan
(Chairman)

BALANCE SHEET (UN-AUDITED)

AS AT SEPTEMBER 30, 2011

	Sep 30, 2011	Jun 30, 2011
	(Rupees in Thousand)	
ASSETS		
NON - CURRENT ASSETS		
PROPERTY, PLANT AND EQUIPMENT	4,897,499	4,897,205
ASSETS SUBJECT TO FINANCE LEASE	-	-
LONG TERM SECURITY DEPOSITS	2,038	1,938
	4,899,537	4,899,143
LAND HELD-FOR-SALE	314,724	314,724
CURRENT ASSETS		
Stores, Spares and Loose Tools	128,715	140,221
Stock-in-trade	303,706	421,776
Assets held-for-sale	-	-
Trade Debts	431,993	379,679
Loans & advances	18,037	13,366
Trade Deposits, Prepayments & Other Receivables	34,424	60,757
Cash and Bank balances	86,327	58,335
	1,003,202	1,074,134
TOTAL ASSETS	6,217,463	6,288,001
EQUITY & LIABILITIES		
SHARE CAPITAL & RESERVES		
SHARE CAPITAL	56,902	56,902
REVENUE RESERVE - GENERAL	10,000	10,000
ACCUMULATED LOSS	(1,095,570)	(1,045,849)
	(1,028,668)	(978,947)
SURPLUS ON REVALUATION OF FIXED ASSETS	4,890,920	4,893,823
NON - CURRENT LIABILITIES		
GOVERNMENT OF PAKISTAN LOANS	1,790,848	1,790,848
LONG TERM BORROWINGS	4,986	4,777
DEFERRED TAX LIABILITY - Net	113,708	113,708
	1,909,542	1,909,333
CURRENT LIABILITIES		
Trade & Other Payables	317,272	331,285
Mark-up Accrued - on Short term borrowing	4,253	3,101
Short Term Borrowing	108,638	108,638
Provision for Taxation - Net	15,506	20,768
	445,669	463,792
CONTINGENCIES AND COMMITMENTS	-	-
TOTAL EQUITY AND LIABILITIES	6,217,463	6,288,001

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

DIRECTOR

DIRECTOR

PROFIT AND LOSS ACCOUNT (UN-AUDITED)



FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	2011 Jul-Sep	2010 Jul-Sep
(Rupees in '000)		
Sales - net	258,560	198,040
Cost of Sales	(286,366)	(182,084)
Gross (Loss) / Profit	(27,806)	15,956
Selling and Distribution expenses	(1,706)	(2,993)
Freight and Forwarding expenses	(2,372)	(3,798)
General and Administrative expenses	(11,936)	(11,967)
	(16,014)	(18,758)
Operating (Loss) / Profit	(43,820)	(2,802)
Other Charges	(116)	(245)
Financial Charges	(7,807)	(934)
	(7,923)	(1,179)
	(51,743)	(3,981)
Other Income	1,704	4,492
	(50,039)	511
Workers' Profit Participation Fund	-	-
(Loss) / Profit before taxation	(50,039)	511
Taxation	(2,586)	-
(Loss) / Profit after taxation	(52,625)	511
	(9.25)	0.09

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

STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	2011 Jul-Sep	2010 Jul-Sep
(Rupees in '000)		
(Loss) / profit after taxation for the year	(52,625)	511
Other comprehensive income for the year - net of tax:	-	-
Total comprehensive (loss) / income for the year- net of tax	(52,625)	511

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

STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	Share Capital		Revenue Reserve General	Accumulated Loss	TOTAL
	Paid up Ordinary Share Capital	Paid up Bonus Share			
(Rupees in Thousand)					
Balance as at June 30, 2010	31,621	25,281	10,000	(1,006,015)	(939,113)
Total comprehensive (loss) for the year:					
- (Loss) after tax for the year ended June 30, 2011	-	-	-	(30,594)	(30,594)
Surplus on revaluation of property, plant & equipment realized during the year on account of:					
- Incremental depreciation charged thereon - net of tax	-	-	-	12,226	12,226
- Disposal of assets held for sale - net of tax	-	-	-	6,985	6,985
	-	-	-	19,211	19,211
Transactions with owners					
Distributions:					
Final Dividend for the year ended June 30, 2010 @ Rs. 5.00 per share	-	-	-	(28,451)	(28,451)
	-	-	-	(28,451)	(28,451)
Balance as at June 30, 2011	31,621	25,281	10,000	(1,045,849)	(978,947)
Total comprehensive (loss) for the year:					
- (Loss) after tax for the year ended September 30, 2011	-	-	-	(52,625)	(52,625)
Surplus on revaluation of property, plant & equipment realized during the year on account of:					
- Incremental depreciation charged thereon - net of tax	-	-	-	2,903	2,903
- Disposal of assets held for sale - net of tax	-	-	-	-	-
	-	-	-	2,903	2,903
Balance as at September 30, 2011	31,621	25,281	10,000	(1,095,570)	(1,028,668)

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

DIRECTOR

DIRECTOR

CASH FLOW STATEMENT (UN-AUDITED)



FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	Sep 30, 2011	Sep 30, 2010
	(Rupees in Thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(50,039)	511
Adjustments for:		
Depreciation	7,358	7,518
Financial Charges	7,807	934
Provision for gratuity and pension	11	4
Provision of interest for NBP loan	209	-
(Profit) on sale of Assets held for sale	-	(2,827)
(Loss) / Profit before working capital changes	(34,654)	6,140
Adjustments for working capital changes		
(Increase) / Decrease in Current Assets	98,824	(169,281)
Increase / (Decrease) in Current Liabilities	(14,922)	92,828
Cash (used in) / generated from operations	49,248	(70,313)
Financial Charges Paid	(5,059)	(6,788)
Gratuity Paid	(7)	-
Income Tax Paid	(7,848)	(511)
Workers' Profit Participation Fund Paid	(687)	(7,225)
Net cash (used in) / generated from operating activities	35,647	(84,837)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed Capital Expenditure	(2,407)	(1,915)
Capital work in progress	(5,247)	-
Proceeds from disposal of Assets held-for-sale	-	23,383
Net cash (used in) generated from investing activities	(7,654)	21,468
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings - disbursements	-	(11,250)
Long term borrowings - (repayments)	-	(650)
Dividends paid	(1)	(38)
Net cash generated / (used in) financing activities	(1)	(11,938)
Net (decrease) / increase in cash and cash equivalents	27,992	(75,307)
Cash and cash equivalents at the beginning of the year	58,335	83,676
Cash and cash equivalents at the end of the year	86,327	8,369

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

NOTES TO THE ACCOUNTS (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 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 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, 2011 Rs. 2.517 million).
- Guarantees of Rs. 365.868 million (June 30, 2011 : Rs. 357.956 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.Nil (June 30, 2011 Rs. Nil)

DIRECTOR

DIRECTOR

NOTES TO THE FINANCIAL STATEMENT (UN-AUDITED)



FOR THE QUARTER ENDED SEPTEMBER 30, 2011

5. COST OF GOODS SOLD

	2011 <u>Jul - SEP</u>	2010 <u>Jul - SEP</u>
	(Rupees in Thousand)	
Raw material consumed	115,925	118,404
Stores & spares consumed	30,348	19,677
Salaries & Wages (including all benefits)	15,454	17,702
Fuel & power	10,064	7,889
Travelling and Conveyance	71	121
Postage, telegrams and Telephone	89	82
Printing stationery and office supplies	118	103
Inspection Fee	205	3
Service charges	26	72
Rent, Rate & Taxes	267	206
Repair & Maintenance	259	1,036
Insurance	110	157
Vehicle Running Expenses	340	345
Other expenses	132	89
Depreciation	6,475	6,422
	179,883	172,307
(Increase) / decrease in work in process inventory	103,649	5,730
Cost of goods manufactured	283,532	178,036
(Increase) / decrease in finished goods inventory	2,834	4,048
Cost of Goods Sold	286,366	182,084

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

	September 30, 2011		June 30, 2010	
	Rupees in '000			
<u>DESCRIPTION</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>
OWNED ASSETS:				
Factory Building	-	-	1,293	-
Office Building	224	-	-	-
Plant & Machinery	-	-	33,119	-
Furniture & Fixture	218	-	645	93
Vehicles	1,966	-	-	524
Electric Equipments	-	-	503	-
Tools	-	-	67	-
	2,408	-	35,627	617
	2,408	-	35,627	617

	2011 <u>Jul To Sep</u> (Rs. 000)	2010 <u>Jul To Sep</u> (Rs. 000)
7. DISPOSAL OF MACHINERY HELD FOR SALE	-	20,556
8. TRANSACTION WITH RELATED PARTIES		
	2011 <u>Jul To Sep</u> (Rs. 000)	2010 <u>Jul To Sep</u> (Rs. 000)
Sale to Pakistan Machine Tool Factory	3,923	-

9. DATE OF AUTHORIZATION

This financial information have been authorised for issue by Board of Directors on 29 October, 2011.

10. GENERAL

Figures have been rounded off to the nearest thousand rupee.

DIRECTOR

DIRECTOR

BOOK POST



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.