

# Quarterly Report

September 2007



PAKISTAN ENGINEERING COMPANY LIMITED



A COMPANY OF STATE ENGINEERING

BOARD OF DIRECTORS

Major General (R) Zaheer Ahmad Khan (Chairman)

Mr. M. Imtiaz-ur-Raheem (Chief Executive)

Mr. Niamat Ullah Khan

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 & Co.

Chartered Accountants

REGISTERED AND HEAD OFFICE

6-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,

Aslam-o-Alakum

I take pleasure to present to you the Un-Audited Accounts and Report for the first quarter ended on 30 September, 2007 of the financial year 2007-08.

The first quarter as usual remained a lean period because the allocation of budgeted funds to Distribution Companies of WAPDA takes 3-4 months. Tender preparation and invitation take further 1-2 months. However, sales during the quarter under review increased to Rs. 176 Million, an increase of 7% over same period last year. The Telecommunication Tower sales of Rs 29 Million contributed this increase during the period against nil of the same period of last year. During the next quarter, it is expected that CNC line for punching and shearing, CNC plate cutting, punching & marking & Hydraulic drilling machines shall be under installation.

Gross profit as percentage to sale was almost the same i.e. 20 % for both the periods. There was a slight increase (0.7%) in operating expenses. However, financial expenses showed substantial reduction (44%) over same period of last year. Net profit after Tax was Rs. 22.470 Million compared with Rs. 24.258 Million of the same period of last year, a reduction of 7.3 %. Earning per share accordingly was Rs. 3.95 per share against Rs. 4.26 per share of same period of last year.

The orders in hand on 30th September, 2007 were Rs.151 Million. Efforts for improving the order book to ensure budgeted targets are in progress.

I am thankful to the members of the Board of Directors of the company, shareholders, bankers, our valued customers for their continued support and assistance. I am also thankful to the executives and employees of the company for their dedication and hard work. I hope to get the same cooperation from all in the future.

Major General ( R ) Zaheer Ahmad Khan  
(Chairman)

Dated: October 20, 2007  
Lahore

*BALANCE SHEET*



AS AT SEPTEMBER 30, 2007

	Un-Audited September 30, 2007	Audited June 30, 2007
Rs. in 000		
<b>NON CURRENT ASSETS</b>		
Property, Plant & Equipment-Tangible	1,445,375	1,446,760
Assets subject to Finance Lease	1,055	1,110
Capital Work in Progress- Building etc.	3,063	3,053
Land held for sale	314,724	314,724
	1,764,217	1,765,647
<b>LONG TERM SECURITY DEPOSITS</b>	2,415	2,415
<b>DEFERRED TAXATION</b>	66,554	66,554
	1,833,186	1,834,616
<b>CURRENT ASSETS</b>		
Store, Spares and loose tools	112,970	111,428
Stock-in-trade	253,814	211,706
Assets held for Sale	30,810	30,810
Trade debtors	220,290	261,185
Loans & advances to Employees	1,535	1,689
Advances to Others	28,091	18,766
Trade deposits, prepayments & others receivables	12,452	5,490
Short Term Deposits	31,500	51,500
Cash and bank balances	83,435	104,921
	774,897	797,495
<b>CURRENT LIABILITIES</b>		
Trade Creditors	63,742	66,702
Accrued Liabilities	14,727	19,456
Deposits & Advance payments	8,396	12,280
Other Liabilities	49,031	69,638
Unclaimed Dividend	4,333	4,377
Accrued Mark-up - On Secured Loans	88	1,128
Short Term Borrowings	26,763	40,806
Liabilities Against Assets Subject to Finance Lease	302	297
Provision for Taxation	5,799	4,917
	173,181	219,601
Net Current Assets	601,716	577,894
Total Assets Less Current Liabilities	2,434,902	2,412,510
<b>CURRENT LIABILITIES</b>		
GOVERNMENT OF PAKISTAN LOAN	1,790,848	1,790,848
LONG TERM LOANS	149,026	149,026
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	1,158	1,236
	1,941,032	1,941,110
<b>CONTINGENCIES AND COMMITMENTS</b>		
	-	-
<b>NET TOTAL ASSETS</b>	493,870	471,400
<b>REPRESENTED BY:</b>		
Share Capital	56,902	56,902
Revenue Reserve-General	10,000	10,000
Accumulated (Loss)	(1,221,285)	(1,245,196)
	(1,154,383)	(1,178,294)
Revaluation Surplus	1,648,253	1,649,694
	493,870	471,400

M. Imtiaz-ur-Raheem  
(Chief Executive)

Mohammad Shabir Malik  
(Director)

*PROFIT AND LOSS ACCOUNT*

## FOR THE QUARTER ENDED SEPTEMBER 30, 2007

	Jul - Sep 2007	Jul - Sep 2006
Rs. in 000		
SALES	176,431	165,038
Cost of Goods Sold	(141,028)	(132,037)
Gross Profit	35,403	33,001
OPERATING EXPENSES		
General and Administrative expenses	(10,198)	(8,124)
Selling and Distribution expenses	(2,340)	(1,361)
Freight and Forwarding expenses	(1,191)	(2,241)
	(13,729)	(11,726)
OPERATING PROFIT	21,674	21,275
Financial charges	(1,480)	(2,638)
	20,194	18,637
Other Income / (charges)	3,158	6,446
PROFIT BEFORE TAXATION	23,352	25,083
TAXATION	(882)	(825)
Profit after Taxation	22,470	24,258
Earning per Share - Basic (Rupees)	3.95	4.26

*STATEMENT OF CHANGES IN EQUITY*

## FOR THE QUARTER ENDED SEPTEMBER 30, 2007

	Share Capital	Revenue Reserve	Accumulated Loss	Total
Rs. in 000				
Balance as at June 30, 2006	56,902	10,000	(1,530,257)	(1,463,355)
Final Dividend for the year ended June 30, 2006 @ Rs. 3 per share			(17,071)	(17,071)
Interim Dividend for the half year ended Dec. 31, 2006 @ 2.5 per share			(14,226)	(14,226)
Profit for the year June 30, 2007	-	-	312,047	312,047
Transfer from "Surplus on Revaluation of Fixed Assets": Incremental Depreciation - Current year			3,945	3,945
Transfer from "Surplus on Revaluation of Fixed Assets": On sale of "Assets held for sale"			366	366
Balance as on June 30, 2007	56,902	10,000	(1,245,196)	(1,178,294)
Transferred from Profit and loss account	0	0	22,470	22,470
Transfer from "Surplus on Revaluation of Fixed Assets"	0	0	1,441	1,441
Balance as on September 30, 2007	56,902	10,000	(1,221,285)	(1,154,383)

M. Imtiaz-ur-Raheem  
(Chief Executive)Mohammad Shabir Malik  
(Director)

## CASH FLOW STATEMENT



AS ON SEPTEMBER 30, 2007

	Un-Audited September 2007	Un-Audited September 2006
	Rs. in 000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit/ (Loss) before Taxation	23,352	25,083
Adjustment for:		
Depreciation	2,907	2,799
Amortization of leased assets	56	69
Financial Charges	1,480	2,638
Provision for doubtful debts	-	-
provision for gratuity and pension	12	12
Profit on sale of Fixed Assets	(482)	(2,136)
Profit/ (Loss) before working capital changes	27,325	28,465
Adjustments for working capital changes		
(Increase)/ Decrease in current Assets	3,613	123,909
Increase/ (Decrease) in current Liabilities	(31,956)	(52,272)
Cash (Used in)/Generated from operations	(1,018)	100,102
Financial Charges paid	(2,520)	(970)
Gratuity Paid	(8)	(8)
Income Tax Paid	(2,501)	(1,966)
Worker's profit participation Fund	(338)	-
Net Cash (outflow)/ inflow from operating Activities	(6,385)	97,158
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible fixed assets	(1,531)	(4,630)
(Increase)/ Decrease in long term security deposit	-	-
(Increase)/ Decrease in capital work in progress	(10)	-
Sale proceeds on disposal of fixed assets	600	2,147
Net Cash (outflow)/ inflow from investing Activities	(941)	(2,483)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase/ (Decrease) in short term & long term loans	(14,043)	(90,751)
Payment of lease liability	(73)	(67)
Payment of Dividend	(44)	-
Net cash in flow/(out flow) from financing activities	(14,160)	(90,818)
Net increase/ (decrease) in cash and cash equivalents	(21,486)	3,857
Cash and cash equivalent at beginning of the period	104,921	32,916
Cash and cash equivalent at end of the period	83,435	36,773

M. Imtiaz-ur-Raheem  
(Chief Executive)

Mohammad Shabir Malik  
(Director)

FOR THE QUARTER ENDED SEPTEMBER 30, 2007

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, 2007: 2.517million).
- Guarantees of Rs.264,877 million (June 2007:Rs 299,712 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. 53.257 million (June, 2007:Rs.50.543 million).

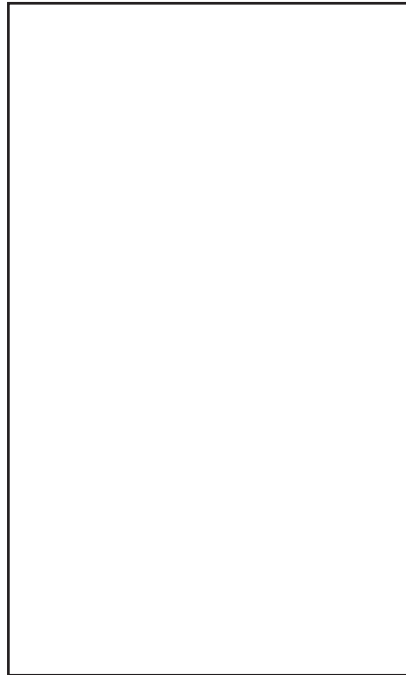
	Jul - Sep 2007	Jul - Sep 2006
	Rs. in 000	
<b>5. COST OF GOODS SOLD</b>		
Raw material consumed	137,262	144,725
Stores and spares consumed	12,655	8,988
Salaries and wages (including all benefits)	9,451	6,870
Fuel and Power	7,421	7,949
Inspection Fee	171	-
Service Charges	253	635
Processing charges	2,728	-
Repair & Maintenance	650	70
Insurance	120	92
Research & Development	843	-
Vehicle Running expenses	187	169
Other Expenses	238	60
Depreciation	2,269	2,364
	174,248	171,922
(Increase) decrease in Work in Process Inventory	1,978	(13,908)
Cost of Goods Manufactured	176,226	158,014
(Increase) decrease in Finished Goods Inventory	(35,198)	(25,977)
	141,028	132,037
<b>6. TRANSACTION WITH ASSOCIATED UNDERTAKINGS</b>		
Purchases of material and goods	-	-
Sales of material and goods	-	-
Service charges of S.E.C.	-	500
Payment of SMC Loans	-	1,000
<b>7. DATE OF AUTHORIZATION</b>		
These financial statements have been authorised for issue by Board of Directors on October 20, 2007.		
<b>8. GENERAL</b>		
Figures have been rounded off to the nearest thousand rupee.		

M. Imtiaz-ur-Raheem  
(Chief Executive)

Mohammad Shabir Malik  
(Director)



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