CONTENTS

COMPANY INFORMATION

Board of Directors
Mr. Muhammad Arif Azim (Chairman)
Mr. Shafqat-ur-Rehman Ranjha
(Managing Director)
Mr. Arif Ibrahim
Mr. Muhammad Arif Habib
Mr. Rashid Ali Khan
Mr. Liaqat Mohammad
Mr. Muhammad Iqbal
Mirza Mahmood Ahmad
Mr. Muhammad Iqbal Awan

Board Audit Committee
Mirza Mahmood Ahmad (Chairman)
Mr. Liaqat Mohammad
Mr. Muhammad Iqbal
Mr. Muhammad Iqbal Awan

Board Finance Committee
Mr. Rashid Ali Khan (Chairman)
Mr. Muhammad Arif Habib
Mr. Arif Ibrahim

Board HR & Remuneration Committee
Mr. Muhammad Arif Azim (Chairman)
Mr. Arif Ibrahim
Mr. Muhammad Iqbal
Mr. Muhammad Iqbal Awan

CFO & Company Secretary
Mian Anwar Aziz

Auditors
M/s. Fazal Mahmood & Co.
Chartered Accountants

Bankers
National Bank of Pakistan
United Bank Limited
Summit Bank

Legal Advisor
Sardar Zulfiqar Umar KhanTahim

Registered Office
6/7-Sir Ganga Ram Trust Building,
Shahrah-e-Quaid-e-Azam, Lahore.

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Plants : Kot Lakhpat
Lahore.

Shares Registrar
M/s. Scarlet IT System (Pvt) Ltd.
24 – Ferozpur Road,
Near Mozang Chungi, Lahore.

Dear Shareholders,

Assalamo-o-Alakum

On behalf of Board of Directors of PECO, I am pleased to present, half yearly condensed interim financial statements for six months ended 31 December 2013, along with the Auditors' review report.

Performance Outlook

During the period under review the performance of the Company was not up to the mark due to low orders in hand at the beginning of the year, non renewal of our credit facilities from the banks, intensive competition and low production. The turnover of the company could not reach the desired level. There was no remarkable demand of telecommunication towers during the year. Sales of Pumps and Motors also remained on the lower side. During the next quarter of year 2013-14, management of PECO is working hard to improve the performance and productivity of various business verticals.

Financial Performance

The sale revenue for six months ended on 31 December 2013 was Rupees 28 million against Rupees 333 million of the same period last year, a decrease of Rupees 305 million (92%). There was a gross loss of Rupees 36.851 million against gross loss of Rupees 31.174 million of the corresponding period last year. This was due to the higher input costs viz raw material, electricity and furnace oil, lesser production and intensive competition.

Operating expenses during the period were Rupees 26 million against Rupees 24 million of the same period last year, an increase of Rupees 2 million (8%).

Loss after taxation was Rupees 30.69 million against loss of Rupees 42.62 million of the same period last year, a decrease of Rupees 11.93 million.

Future Outlook

The current orders in hand and in pipeline worth of Rupees 1,205 million with WAPDA, NATRACON and NTDC are at good prices with reasonable margins. The Management of Company is working hard to increase production and minimize production cost. Keeping in view the aforesaid orders position and prospective business of transmission line and telecommunication towers, it is anticipated that performance of the company during rest of year would be relatively better.

Comments on Auditors Review

A) The mark up on custom and other import duties has not been provided as the matter is under active reconciliation by the Board Loan Committee with Government of Pakistan.

B) The management believes, on the basis of orders in hand and those in the pipeline, the Company will operate as a "going concern" till indefinite period. The Board of Directors have no intention to curtail the business activity of the Company and are fully committed to maintain the going concern of the Company in the foreseeable future.

C) The matter of reconciliation of GoP/PC loan is in progress. Principal amount of Rs. 1,790.845 million has been reconciled and mark up is under active reconciliation. Since there was no mention of mark up in any of the decision of CCOP of ECC therefore, management believe no mark up is payable.

Acknowledgement

The Directors of your Company would like to show their appreciation of the support of respected customers, banks, financial institutions, regulators and shareholders for continuous support and assistance and hope that this cooperation and support continues to grow in the future.

The Directors of your Company would also like to express their appreciation for the services, loyalty and efforts being continuously rendered by the employees of the Company and hope that they will continue to do so in future.

On behalf of the Board

Lahore: February 26, 2014

(Muhammad Arif Azim)
(Chairman)

Introduction

We have reviewed the accompanying condensed interim balance sheet of **PAKISTAN ENGINEERING COMPANY LIMITED** as at December 31, 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six-months period then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for the interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures for the quarters ended December 31, 2013 and December 31, 2012 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed, as we are required to review only the cumulative figures for the six-months period ended December 31, 2013.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" . A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with international standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

a) Interest amounting to Rs. 41.989 million (accumulated rupees 41.989 million) at the rate of 14 % for three years relating to custom and other import duties has not been provided, which is not in accordance with order of Government of Pakistan. (Ref note 7.2.1).

Had the provision for interest in respect of paragraph (a) been made in the condensed interim financial information, the accumulated loss would have been increased by Rs. 41.989 million.

Qualified Conclusion

Based on our review, except for the effect, if any, of the matter referred to in the preceding paragraph, nothing has come to our attention that causes us to believe that accompanying condensed interim financial information as of and for the six-months period ended December 31, 2013 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Without qualifying our review report, we draw attention to the following uncertainties:

i. Note.3 to the condensed interim financial information, which states that the company has incurred gross loss of Rs. 36.851 million and after tax loss of Rs. 30.693 million, resulting in accumulated losses of Rs. 1,224.347 million. These conditions along with the other matters as set forth in note.3 indicate the existence of material uncertainty which may cast significant doubt on the company's ability to continue going concern. Our report is not qualified in this matter.

ii. Note.7.1.1, 7.2.1, 7.3.1, 7.4.1, 7.5.1, 10.3 and 10.4 to the condensed interim financial information, which describes the uncertainty related to the difference between the amount due as per company's records and amounts claimed by the Privatization Commission and Finance Division as per their confirmation in respect of which reconciliation exercise is currently in progress through Ministry of Finance. The confirmations in respect of Government Escrow Account Loan (Ref: note.7.2) was received for the period ended December 31, 2010 in which only the amount relating to custom and other import duties was confirmed and the confirmation in respect of Other government loan (Ref: note 7.3), Federal Government loan for compulsory separation scheme (Ref: note 7.4) and Federal Government Bonds (Ref: note 7.5) was received for the period Ended June 30, 2013. However, despite of our confirmation request and several reminders no confirmation has been received from the ministry of Production, Finance Division or from the Federal Board of Revenue in respect of the above stated loan liabilities for the period ended December 31, 2013. The ultimate outcome of the matter cannot presently be determined. Our report is not qualified in this matter.

Lahore: February 26, 2014

FAZAL MAHMOOD & COMPANY
Chartered Accountants
(A member firm of JHI)
Engagement Partner:Fazal Mahmood

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

AS AT DECEMBER 31, 2013

	Note	Dec 31, 2013	Jun 30, 2013
		........(Rupees	in '000)........
ASSETS		(Un-Audited)	(Audited)
NON - CURRENT ASSETS			
Property, plant & equipment	11	8,644,202	8,663,363
Long term security investment		624	624
Long term security deposits		964	964
		8,645,790	8,664,951
Land held for sale	12	314,724	314,724
CURRENT ASSETS			
Stores, spares and loose tools		132,276	129,279
Stock-in-trade		214,233	191,326
Trade debts		89,697	136,869
Loans & advances		8,230	4,781
Trade deposits, prepayments & other receivables		63,763	40,898
Advance income tax		31,638	31,359
Cash and bank balances	13	12,970	71,333
		552,807	605,845
TOTAL ASSETS		9,513,321	9,585,520
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Share capital	6	56,902	56,902
Revenue reserve - general		10,000	10,000
Accumulated loss		(1,224,347)	(1,203,064)
		(1,157,445)	(1,136,162)
Surplus on revaluation of fixed assets		8,586,240	8,595,650
NON - CURRENT LIABILITIES			
Government of Pakistan loans - secured	7	1,790,848	1,790,848
Long term borrowings - secured	8	-	-
Deferred tax liability - net		70,364	109,657
		1,861,212	1,900,505
CURRENT LIABILITIES			
Trade & other payables		108,815	111,031
Mark-up accrued - on short term borrowing		6,148	3,115
Short term borrowing - secured	9	108,351	108,351
Current maturity of long term borrowings		-	3,030
Provision for taxation - net		-	-
		223,314	225,527
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY & LIABILITES		9,513,321	9,585,520

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

(Shafqat-ur-Rehman Ranjha)
(MANAGING DIRECTOR)

(Muhammad Iqbal)
(DIRECTOR)

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE QUARTER & SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

	Note	Quarter ended 31, December		Six Mounths ended 31, December	
		2013	2012	2013	2012
		...............Rupees in '000...............			
Sales - net		**21,223**	150,804	**28,039**	333,030
Less: cost of sales	14.	**40,378**	170,462	**64,890**	364,204
GROSS (LOSS)		**(19,155)**	(19,658)	**(36,851)**	(31,174)
Selling and distribution Expenses		**1,038**	1,440	**2,093**	2,690
Freight and forwarding Expenses		**37**	128	**69**	525
Administrative expenses		**11,542**	8,184	**23,936**	20,701
		12,617	9,752	**26,098**	23,916
(LOSS) FROM OPERATIONS		**(31,772)**	(29,410)	**(62,949)**	(55,090)
Other operating charges		**128**	190	**268**	390
Finance costs		**3,565**	5,662	**9,647**	11,849
		(35,465)	(35,262)	**(72,864)**	(67,329)
Other operating income		**(1,067)**	(1,093)	**(2,878)**	(2,626)
(LOSS) BEFORE TAXATION FOR THE PERIOD		**(34,398)**	(34,169)	**(69,986)**	(64,703)
TAXATION					
- Current		**-**	(174)	**-**	174
- Deferred		**(39,293)**	(22,259)	**(39,293)**	(22,259)
		(39,293)	(22,085)	**(39,293)**	(22,085)
PROFIT/(LOSS) AFTER TAXATION FOR THE PERIOD		**4,895**	(12,084)	**(30,693)**	(42,618)
PROFIT/(LOSS) PER SHARE - BASIC & DILUTED - Rupees		**0.86**	(2.12)	**(5.39)**	(7.49)

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

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER & SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

	Quarter ended 31, December		Six Mounths ended 31, December	
	2013	2012	2013	2012
	...............Rupees in '000...............			
PROFIT/(LOSS) AFTER TAXATION FOR THE PERIOD	**4,895**	(12,084)	**(30,693)**	(42,618)
Other Comprehensive Income	**-**	-	**-**	-
TOTAL COMPREHENSIVE INCOME / (LOSS)	**4,895**	(12,084)	**(30,693)**	(42,618)

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

(Shafqat-ur-Rehman Ranjha)
(MANAGING DIRECTOR)

(Muhammad Iqbal)
(DIRECTOR)

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

PECO

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

	Note	December 31, 2013	December 31, 2012
		........(Rupees in '000)........	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) before taxation		**(69,986)**	(64,703)
Adjustments:			
Depreciation		**19,628**	14,314
Finance costs		**7,073**	7,390
Interest on WPPF		**2,573**	3,000
Provision for gratuity		**62**	10
Amortization expense		**-**	596
(Profit) on sale of assets held for Sale		**-**	(16)
(Loss) before working capital changes		**(40,650)**	(39,409)
Adjustments for working capital changes			
Decrease in current assets		**(5,046)**	29,743
(Decrease) in current liabilities		**(4,850)**	(20,580)
Cash (utilized in) / generated from operating activities		**(50,546)**	(30,246)
Finance costs paid		**(4,041)**	(7,816)
Income tax paid		**(279)**	(2,521)
Net Cash (utilized in) / generated from operating activities		**(54,866)**	(40,583)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure in property, plant & equipment		**(152)**	(593)
Capital work in progress		**(315)**	(423)
Sale proceeds from disposal of fixed assets		**-**	1,530
Net cash (utilized in) generated from investing activities		**(467)**	514
CASH FLOW FROM FINANCING ACTIVITIES			
Long term borrowings - (repayments)		**(3,030)**	-
Movement in short-term borrowings		**-**	(288)
Net cash (outflow) from financing activities		**(3,030)**	(288)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(58,363)**	(40,357)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**71,333**	58,491
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	13	**12,970**	18,134

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

(Shafqat-ur-Rehman Ranjha)
(MANAGING DIRECTOR)

(Muhammad Iqbal)
(DIRECTOR)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

	Share Capital	Revenue reserve. General	Accumulated Loss	Total
	..............Rupees in '000..............			
BALANCE AS AT JULY 1, 2012	**56,902**	**10,000**	**(1,134,148)**	**(1,067,246)**
Total comprehensive loss for the period				
Loss for the period ended December 31, 2012	-	-	(42,618)	(42,618)
Other comprehensive income	-	-	-	-
	-	-	(42,618)	(42,618)
Surplus on realization of fixed assetts realized during the period on account of:				
- incremental depreciation charged thereon-net of tax	-	-	5,517	5,517
BALANCE AS AT DECEMBER 31, 2012	**56,902**	**10,000**	**(1,171,249)**	**(1,104,347)**
Total comprehensive loss for the period				
Loss for the period ended June 30, 2013	-	-	(40,489)	(40,489)
Other comprehensive income	-	-	-	-
	-	-	(40,489)	(40,489)
Surplus on realization of fixed assetts realized during the period on account of:				
- incremental depreciation charged thereon-net of tax	-	-	8,674	8,674
BALANCE AS AT JUNE 30, 2013	**56,902**	**10,000**	**(1,203,064)**	**(1,136,162)**
Total comprehensive loss for the period				
Loss for the period ended December 31, 2013	-	-	(30,693)	(30,693)
Other comprehensive income	-	-	-	-
	-	-	(30,693)	(30,693)
Surplus on realization of fixed assetts realized during the period on account of:				
- incremental depreciation charged thereon-net of tax	-	-	9,410	9,410
BALANCE AS AT DECEMBER 31, 2013	**56,902**	**10,000**	**(1,224,347)**	**(1,157,445)**

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

(Shafqat-ur-Rehman Ranjha)
(MANAGING DIRECTOR)

(Muhammad Iqbal)
(DIRECTOR)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

1. THE COMPANY AND ITS OPERATIONS

Pakistan Engineering Company Limited (a State Public Sector Enterprise) was incorporated in Pakistan on February 15, 1950 under the Companies Act, 1913 (Now Companies Ordinance, 1984) as a public limited company. Its shares are quoted on all Stock Exchanges of Pakistan. 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 registered office of the Company is situated at 6/7 Ganga Ram Trust Building, Shahra-e-Quaid-e-Azam, Lahore.

Keeping in view the Financial condition of the Company, the Government of Pakistan in past had closed down all the divisions of the Company, however, a rehabilitation plan was approved by the Federal Cabinet and according to the plan Structure (STR) division was kept operational and Badami Bagh Works was closed down with its land being offered for sale by the Privatization Commission. Furthermore, the company was allowed to hire needed workforce on job-to-job basis on contract/daily wages. In this regard title deed of Badami Bagh Land was also handed over to the Privatization Commission of Pakistan. Expression of interests have been received by Privatization Commission in this regard from many parties and management is confident that the transaction will be completed very soon. Taking to consideration the successful operation of the structure division and demand for pumps and motors, the BoD decided to bring other division into operations as well. At present structure, pumps, electric motor, foundry and rolling mills division of the company are in operation.

2. BASIS OF PREPARATION

This condensed interim financial information of the Company for the six months period ended December 31, 2013 is unaudited and has been prepared in accordance with the requirements of the International Accounting Standard - 34: "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where the requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information has, however, been subjected to limited scope review by the statutory auditors of the Company, as required by the Code of Corporate Governance and is being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984.

The comparative condensed interim profit and loss account and condensed interim statement of comprehensive income and notes, thereto, for the quarters ended December 31, 2013 and 2012 are also included in this condensed interim financial information, which were not subject to review.

This condensed interim financial information does not include all the information and disclosures required for full financial statements, and should be read in conjuction with the company's audited annual financial Statements for the year ended June 30, 2013.

3. BASIS OF ACCOUNTING

The Company has incurred gross loss of Rs. 36.851 million and after tax loss of Rs. 30.693 million resulting in accumulated loss of Rs. 1,224.347 million (June 30, 2013: Rs.1,203.064 million) and negative equity of Rs. 1,157.445 million (June 30, 2013: Rs.1,136.162 million) as at December 31, 2013. During the period stress on business stability continued mainly from power and gas shortages, increase in petroleum prices and general inflation resulting in slow down of overall economic activity. The increase in material and other input costs could not be passed on to the customers due to very tough competition in the local market. Further, as a result of decrease in turnover, excessive load shedding of electricity, increase in petroleum and electricity rates, increase in the prices of raw materials and due to severe competition, the company encountered profitability and liquidity problems which have resulted in extremely low performance as compared to the previous years.

"Keeping in view the above position, the BoD and the management of the Company has critically analyzed the present situation and efforts have been made to get orders mix, improve efficiency and production and reduce overheads, so that business volume as well as profitability can be maintained and improved. In this regard, the rolling mill has been made operational and has given satisfactory results on test run, which will help the company manufacture its own angle, new galvanizing kettle has been procured and installed, upgradation of foundry division is under

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

is under process and order has been placed for procurement of coal gasifier. The BoD and the management of the company has also signed a Memorandum of Understanding with a foreign company which also reflects management's plans for diversification. The BoD and the management is hopeful that after the commencement of commercial operations of the Rolling Mills Division at full capacity, procurement of the new furnace and coal gasifier, the Company will be able to minimize its costs of production and hence will be able to compete in the tender business, and therefore achieve better turnover in the upcoming period. The existing credit limit of the Company has been renewed for adjustment purposes till April 30, 2014. The company is also in the process of availing new financing facility from banks, final approval of which is in the final stages and in this regard the Ministry of Finance has also allocated credit ceiling to the Company (being a PSE) amounting to Rs. 700 million. This support from the GoP and financial institutions and improved working capital management will also help to overcome the liquidity and working capital problems of the company. The Company has also repaid majority of its creditors and has also subsequently cleared its long term liabilities towards financial institutions. Further, despite of the severe crisis faced, the company has been able to maintain its current ratio at 2.48: 1 which is still quite positive and has orders in hand of Rs. 179.198 million and orders in pipeline of Rs. 1,025.763 million. As far as the losses are concerned, the company has been operating with a negative equity and accumulated losses for more than 20 years and has a long history of ups and downs, however these conditions have never adversely affected the going concern status of the company."

As per the recorded order of the Government of Pakistan, the principal liabilities payable towards the GoP will be settled only and only through sale proceeds of Badami Bagh Land, the value of which has been estimated at Rs. 2,894.655 million. This value is significantly greater than the value of principle Government liabilities payable which amount to Rs. 1,790.848 million in aggregate. Further, the markup claimed by the Government departments on these liabilities is strongly disputed as there was no mention of charging interest in any agreement or decision. Further, to resolve the issue of charging of markup on the GoP loans a committee was constituted as per the decision of additional Finance Secretary. The committee included representative from Ministry of Finance, Ministry of Industries and Production, Privatization Commission and Board Members of PECO. The view point of the management was supported from the fact that in the meeting held at Finance Division Islamabad attended by representatives of Privatization Commission, Ministry of Industries and Production and PECO, the Finance Division was instructed by the Chairman of the meeting (representative of Ministry of Industries and Production) to re-examine the issue of charging interest and come up with sound logical reasons. Till date the Finance Division has not been able to present any such documentation or come up with any sound logical reason for charging of interest. Further, the Privatization Commission in its confirmations to the auditors clearly stated that no formal agreements were signed by and between the Privatization Commission, the said line Ministry and PECO. It also confirmed that the loan amount and any related markup will be recovered from the sale proceeds of Badami Bagh Land. It further stated that no formal agreements were executed and no definitive terms and conditions exist in relation to the issue of markup and that under the directions of public account committee the matter of charging interest is being reviewed by the committee comprising of Ministry of Industries, Ministry of Finance and Privatization Commission of Pakistan. The legal advisors of the Company are also of firm opinion that markup is not payable, therefore repayment of Government liabilities or claim of markup by GoP will not have any effect on the liquidity of the company and resultantly on the going concern status of the Company. In this regard Badami Bagh Land has already been offered for sale by the Privatization Commission and expressions of interests have been received by Privatization Commission.

" The Government of Pakistan (through SEC) is one of the major shareholders with strong presence on the Board of Directors of the Company and has provided in past continued support to the company and expressed its commitment in order to maintain the going concern status of the company. In this regard Ministry of Production and special initiative in its letters dated February 02, 2005 and August 19, 2005 bearing reference no. 5(50)/97-SEC(Vol-V) and F.No.5(50)97-SEC confirmed that the Government of Pakistan upon recommendation of the Privatization Commission has decided to allow Pakistan Engineering Company Limited to continue as a going concern and clearly stated that “there has been no change in the government policy regarding operation of PECO. It is therefore clarified that PECO would not be wound up. The decision to relieve the employees would not affect the operations of the company as

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

it has been decided that PECO may be allowed to hire on job-to-job basis, the needed work force on contract/daily wages". There has been no change in the Government orders and the decision till date thus shall remain effective and PECO being a Public Sector Enterprise enjoys complete support of the Government of Pakistan. Further the Government's commitment to maintaining the going concern status of the Company is also supported by the fact that the Government in past has provided financial support to the Company in the form of interest free loans and financial support and continues to do so in the shape of credit ceilings vide Ministry of Finance, which in the current year aggregated to Rs. 700 million."

"In view of the situation set out above, although material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of the business, however, the BoD and the management of the company is strongly committed to maintaining the going concern status of the Company, which is evident from the above paras and is firmly confident that all these conditions are temporary and not permanent and would reverse in the near future and that the going concern assumption is appropriate for the reasons explained in the above paragraphs, therefore, these Financial Statements have been prepared on the assumption that the company will continue as a going concern."

4. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding audited annual financial statements of the Company for the year ended June 30, 2013, except for changes resulting from initial application of standards, amendments or interpretations to existing standards.

However, amendments / improvements and new interpretations of approved accounting standards effective during the period, wether or not relevant to the Company's operations did not have any material impact on the accounting policies of the Company.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the company's accounting policies and key sources of estimation of uncertainty are the same as those were applied to the annual audited financial statements for the year ended June 30, 2013.

6. SHARE CAPITAL

	Dec 31, 2013	Jun 30, 2013
	........(Rupees in '000)........	
	(Un-Audited)	(Audited)
Authorized share capital:		
9,000,000 Ordinary shares of Rs.10/- each	**90,000**	90,000
100,000 7.5% Cumulative redeemable preference shares of Rs. 100/- each	**10,000**	10,000
	100,000	100,000
Issued, subscribed and paid up capital:		
3,162,144 Ordinary shares of Rs. 10/- each fully paid in cash	**31,621**	31,621
2,528,101 Ordinary shares of Rs. 10/- each issued as fully paid up bonus shares	**25,281**	25,281
	56,902	56,902

6.1 State Engineering Corporation (Pvt.) Limited, an associated company, holds 1,415,723 (June 30, 2013: 1,415,723) ordinary shares of Rs.10/- each as at December 31, 2013.

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

		Dec 31, 2013	Jun 30, 2013
		........(Rupees in '000)........	
		(Un-Audited)	(Audited)
7. GOVERNMENT OF PAKISTAN LOANS - SECURED			
Privatization commission loan	7.1	**481,469**	481,469
Government Escrow account	7.2	**112,937**	112,937
Other Government Loan	7.3	**100,000**	100,000
Federal Government loan for compulsory separation scheme	7.4	**309,000**	309,000
Federal Government Bonds	7.5	**787,442**	787,442
		1,309,379	1,309,379
		1,790,848	1,790,848

These represent funds provided by the Government, bank loans of the company taken over by the Government and amounts payable by the company to different Government departments like Customs, Railways and Karachi Port Trust. According to the Cabinet Committee Division decision dated 30th May 1994 and 2005 these liabilities will be settled against the proceeds from disposal of Land held for sale (Refer Note no. 12) and surplus land of Kot Lakhpat, if needed. There is no fix repayment schedule or tenure for repayment of these liabilities. An exercise to reconcile the liabilities is in process and several meetings have been conducted in this regard, however, all these meetings concluded without any decision or agreement with respect to the reconciliation of the loan liabilities and calculation, payment or mode of payment of interest on Government of Pakistan loans due to which there is currently no fixed tenure for repayment of these liabilities nor the total amount of the liability is determinable. In the absence of the availability of a defined repayment schedule due to reasons explained above, the fair value of these loans is not determinable and hence they have been stated at cost.

During the period and in past as well Privatization commission and Finance division have claimed additional principal and markup on the above loan liabilities, however, the BoD and the management do not agree with the additional liabilities claimed and the claim of GoP regarding the payment of interest is strongly disputed (refer note 10.3 & 10.4) by the BoD and the management as there had never been any agreement in this regard. Further, the above loan liabilities were picked up by the GoP in order to provide public sector enterprises including PECO to give them clean slate on their liabilities so that they could be privatized and were provided without any specific request from these public sector enterprises, including PECO. In addition to the above, similar public sector entities which were provided similar reliefs by the GoP have never been asked to make any payments in respect of such reliefs. However, despite of this the BoD and the management of the Company is willing to repay the principal and in order to reconcile the principal and markup amounts with respect to GoP Loans, a committee was constituted as per the decision of Additional Finance Secretary in the meeting held in Government of Pakistan Finance Division (CF Wing), Islamabad. The committee includes representatives from Ministry of Finance, Ministry of Production, Privatization Commission and Board members from PECO. Several meetings have been taken place till date and in this regard a meeting of the committee was held on October 7, 2010 at Ministry of Finance (Finance Division) which was attended by representatives of Privatization Commission, Ministry of Production and PECO. The BoD and management of PECO agreed to repay all the outstanding principal, which the company is legally liable through disposal proceeds of Badami Bagh Land and surplus Land of Kot Lakhpat, if needed. However, the BoD and the management of the Company believes that they are not liable to pay any interest on these loans in the absence of any agreement.

Further, the Finance Division was instructed in the meeting to re-examine the issue and confirm the contention of PECO. Following, the meeting held at Finance Division, the management of the company obtained fresh legal opinion from legal consultants regarding the matter of charging interest on GoP loans. The legal advisor was of the opinion that no markup / interest was payable by PECO to Ministry of Finance and Privatization Commission and instead believed that a case of causing loss to PECO on account of delay caused in disposing off the land at Badami Bagh should be made out, either by raising monitary claim or claiming set-off against

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

the alleged principal loan liability. The management of the company had handed over the title documents of the said land to the Privatization Commission for disposal in the year 1994 and had Privatization Commission disposed off the land at that time no issue of interest would have risen. Further, meetings were held between the representatives of Ministry of Finance, Privatization Commission and Ministry of Production and the PECO Loan Committee to reconcile the loan liabilities. However, these meetings concluded without any decision or agreement with respect to the reconciliation of loan liabilities and calculation, payment or mode of payment of interest on Government of Pakistan loans. Further, as agreed no SRO, notification, documentation was provided by the Ministry of Finance to substantiate their view point on the issue of levy of markup on Government loans and it was agreed to refer PECO's view points to Ministry of Finance who may refer the matter to Ministry of Law to form their verdict. Further, the principal amount of these loans has been agreed except for additional gratuities and in respect of the amounts disputed, the BoD and the management is of the opinion that an arbitrator should be appointed who should be acceptable to both the parties. Further, under the directions of public accounts committee the matter of charging interest is being reviewed by the committee comprising of Ministry of Industries, Ministry of Finance and Privatization Commission of Pakistan.

	Dec 31, 2013	Jun 30, 2013
	........(Rupees	in '000)........
	(Un-Audited)	(Audited)
7.1 The break up of loan from Privatization Commission is as follows:		
Loan for VSS/CSS and Salaries	**281,082**	281,082
Loan for shifting of machinery	**75,819**	75,819
Loan for Energy bills and Import duties	**124,568**	124,568
	481,469	481,469

7.1.1 This represents interest free loan provided by Privatization Commission to PECO for payment of salaries, energy bills, shifting of plant & machinery from Badami Bagh to Kot Lakhpat and payment of outstanding essential liabilities. According, to the Cabinet Committee Division decision, Privatization Commission would adjust its loan liability against the sale proceeds of Badami Bagh Land and surplus land of Kot Lakhpat, if needed and in this regard title documents of Badami Bagh Land were handed over to the Privatization Commission in 1994 by PECO. During the year, the Privatization Commission has directly confirmed to the auditors total liability of Rs. 1,843.100 million (2013: Rs. 1,843.100 million) which includes principal loan liability of Rs. 612.923 million and markup of Rs. 1,230.177 million (refer note 10.3) . The BoD and the management of the Company do not agree with the balance confirmed by the Privatization Commission, since all the advances made were without markup, and there was no mention of charging markup in the recorded decisions. The foregoing loans have been outstanding since 1993. Further, during the years ended June 30, 2004 and June 30, 2005 Privatization Commission confirmed to the auditors the loan liability without charging any markup. The company also obtained legal opinion from the legal advisers of the company. The legal advisers are of the firm opinion that since there is no mention of any markup to be charged on this loan in any agreement nor is there any markup agreement in respect of this loan therefore no markup is payable by PECO in respect of this loan. The BoD and the management firmly believes that as the Company had handed over the title documents of the said land to the Privatization commission for disposal in the year 1994 and had Privatization Commission disposed off the land at that time no issue of charging any interest on these loans would have risen and instead believed that a case of causing loss to PECO on account of delay caused in disposing off the land at Badami Bagh should be made out, either by raising monitary claim or claiming set-off against the alleged principal loan liability. The difference of Rs. 131.454 million claimed by the Privatization Commission on account of additional gratuities is because of misapprehension on part of GoP, whereby, PECO is considered responsible to pay Rs. 131.454 million, that infact was the liability of the Privatization Commission under the APSEWEC agreement. As per the APSEWEC agreement Privatization Commission took the liability to make additional gratuity payments, for which purpose it advanced Rs. 131.454 million to PECO. On receiving

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

the said amounts PECO had made the payments as was directed. It is important to note that PECO was not a party to these agreements, therefore, it cannot be held responsible for fulfilling any obligation pertaining to them. The claim of GoP is based on illegitimate assumption.

Furthermore, the legal advisors are also of firm opinion that the amount of additional gratuities of Rs. 131.454 (refer note 10.3) million should be borne by the Privatization Commission. In this regard, in the meeting held on October 7, 2010 at Finance Division, Privatization Commission was instructed by Ministry of Finance to review the calculation / treatment of the loan amounting to Rs. 131.454 million and come up with firm stance on it. The Privatization Commission was further instructed to sort out the issue of charging interest on VSS loan and come up with sound reason and logic for charging interest thereon. The Privatization Commission in its confirmation to the auditors has also confirmed that no formal agreements were signed or executed between the Privatization Commission, Ministries and PECO nor definitive terms and conditions exist in relation to the issue of markup and that the Privatization Commission only applied markup as instructed by the Finance Division. Further, under the directions of public account committee the matter of charging interest is being reviewed by the committee comprising of Ministry of Industries, Ministry of Finance and Privatization Commission of Pakistan.

		Dec 31, 2013	Jun 30, 2013
		........(Rupees in '000)........	
		(Un-Audited)	(Audited)
7.2	**The break up of Government Escrow account is as follows:**		
	Customs and other import duties	**86,984**	86,984
	Pakistan Railways freight	**12,989**	12,989
	Karachi Port Trust	**12,964**	12,964
		112,937	112,937

7.2.1 The company has not provided interest amounting to Rs. 41.989 million (accumulated 41.989 million) @ 14% for three years relating to custom and other import duties (2013: 41.989 million) as the BoD and the management believes that there was no mention of charging interest or surcharge in the ECC and Cabinet Decision. The Finance Division for the first time directly confirmed to the auditors principal loan liability in respect of custom and other import duties of Rs. 86.984 million and markup / surcharge on custom duty of Rs. 202.624 million vide letter dated January 28, 2011, whereas, in past Finance Division has never provided any such confirmation. The Finance Division vide its letter dated February 06, 2012 sent direct confirmation for the period ended December 31, 2011 to the auditors in respect of the other government loans, but did not confirm the liability in respect of customs and other import duties nor did it claim any markup. However, the Finance Division requested the auditors to confirm the said liabilities from FBR and despite of confirmation request and several reminders no confirmation has been received till date.

7.3	**The break up of Other Government loans as follows:**		
	Bank loans taken over	**100,000**	100,000
		100,000	100,000

7.3.1 This represents amount payable on account of the company's bank loans taken over by the Government in the year 1990. During the year, the Finance Division has directly confirmed to the auditors principal loan liability of Rs.100.00 million and markup of Rs. 207.000 million (refer note 10.5) vide its letter dated August 20, 2013 for the year ended June 30, 2013. However, the BoD and the management of the Company as detailed above do not agree with the markup confirmed by the Finance Division and believes that this loan is free of interest as PECO being a public sector entity was required to take-up only principal amount of the loan in its books. The legal advisers are also of the firm opinion that no markup is payable by PECO in respect of this loan. Furthermore, in the meeting held at Ministry of Finance in October 2010, Finance Division was instructed to re-examine the issue relating to Rs.100.00 million Loan

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

and interest thereof, to confirm the contention of PECO and decision to be conveyed at its earliest.

		Dec 31, 2013	Jun 30, 2013
		........(Rupees in '000)........	
		(Un-Audited)	(Audited)
7.4	**The break up of Federal Government loan for compulsory separation schemes as follows:**		
	Loan for CSS	**309,000**	309,000
		309,000	309,000

7.4.1 "This represents loan provided by the Federal Government of Pakistan to PECO to pay off the staff through Compulsory Separation Scheme vide letter No. 1(26) CF 111/93 dated 4th March 2002. The Finance Division has directly confirmed to the auditors principal loan liability of Rs.309.00 million and markup of Rs. 350.200 million (refer note 10.5) vide its letter dated August 20, 2013 for the year ended June 30, 2013. The BoD and the management of the company as detailed above do not agree with the markup confirmed and is of the opinion that markup is not payable on this loan liability in the absence of any agreement for markup. The BoD and the management have taken legal opinion and the legal advisor vide his letter dated September 29, 2012 is also of the opinion that no interest is payable as the letter dated 4th March 2002, referred by the GoP to substantiate claim of payment of interest @ 10% per annum against loan of Rs. 309.00 million was in the absence of perusal of relevant decisions / formative documents was misconceived and did not place any payment obligation on PECO. The letter was contrary to the decisions / documents and did not establish any liability to pay interest @ 10% per annum and that any alleged premium in the absence of agreement is void and unfair. In the absence of a contractual arrangement / agreement no interest can be claimed and in the absence of any agreement the alleged claim of interest tantamount to a penalty, which is construed as penal interest in nature and could not be granted unless loss/ damage proved through substantial evidence, which in the instant case will be all more difficult on account of handing over of land of Badami Bagh of PECO for sale/disposal. In view of the above, BoD and the management along with the legal advisor firmly believe that the alleged claim of GoP appears to be misconceived and without any basis and recommend that the aforesaid dispute should be referred to some impartial body for resolution under some ADR mechanism, where claims / encounter claims of the respective parties be examined, considered and decided. Furthermore, in order to reconcile the principal and markup amounts with respect to Government of Pakistan Loans, a committee has been constituted as per the decision of Additional Finance Secretary. The management of PECO intends to pay back the Government of Pakistan Loans after the reconciliation of differences as per the records and facts available with the committee representatives. "

7.5	**The break up of Federal Government Bonds is as follows:**		
	Interest bearing bonds	**655,138**	655,138
	Interest free bonds	**132,304**	132,304
		787,442	787,442

7.5.1 These bonds were issued by the Federal Government against the liability of the company towards banks / financial institutions taken up by the Federal Government in the light of Federal Cabinet decision and S.R.O No. 823(1)/94 dated August 28, 1994. Against the principal amount interest bearing bonds and against accrued mark up interest free bonds were issued by the Government. The Government is liable to pay interest @ 12.43% per annum to the Banks / DFI regarding the interest bearing bonds. During the year the Finance Division vide its letter dated August 20, 2013 directly confirmed to the auditors total principal loan liability of Rs.787.442 million and interest of Rs.1,854.154 million (refer note 11.1.5) for the period ended December 31, 2011. However, the BoD and the management of the Company as detailed above do not agree with the markup confirmed by the Finance Division and is of firm opinion that the Government is liable to pay any interest there on, and that there was no

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

	Dec 31, 2013	Jun 30, 2013
	........(Rupees in '000)........	
	(Un-Audited)	(Audited)

agreement for charging any interest thereon. Furthermore, the legal advisers are also of the firm opinion that no markup is payable by the Company in respect of this loan in the absence of any specific markup agreement.

8. LONG TERM BORROWINGS - SECURED

	Dec 31, 2013	Jun 30, 2013
National Bank of Pakistan - DF II	-	1,211
Accumulated amortization / fair value adjustment	-	1,819
	-	3,030
Less: current maturity	-	(3,030)
	-	-

8.1 The above represents old markup up converted in to long term interest free demand finance loan. It is repayable in four equal quarterly installments commencing from September 2012 and repayable by June 2013. These loans are secured by First charge over present and future, current and fixed assets of the company. This loan has been completely paid during the period.

8.2 As the above loan was interest free, the fair value of this financial liability was determined using prevailing market interest rates for equivalent loan of 17.506%. The loan was being amortized using effective interest of 17.506%. Fair value was determined using discounting techniques.

9. SHORT TERM BORROWING - SECURED

From NBP Bank under markup arrangements - Secured:

	Dec 31, 2013	Jun 30, 2013
- Cash Finance	**108,351**	108,351

9.1 This is secured against first charge over current and fixed assets of the company. The financing forms part of total credit facility available to the extent of Rs. 108.351 million. The loan carries markup @ 3 months kibor plus 2.50% without floor and cap. The credit limit of the Company has been renewed for adjustment till April 30, 2014.

10. CONTINGENCIES AND COMMITMENTS

Contingencies

10.1 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 (2013: Rs. 2.517 Million).

10.2 Guarantees of 337.352 million (2013: Rs. 340.095 million) issued by the banks and insurance companies to different parties on behalf of the company.

10.3 The Privatization Commission has claimed additional loan liability amounting to Rs. 131.454 million and mark up amounting to Rs. 1,230.177 million (Ref: Note 7.1.1). The management of the company in the minutes of the meeting held on October 7, 2010 at Ministry of Finance to reconcile the principal and mark up amounts with respect to Govt. of Pakistan loans does not agree with the stance of Privatization Commission in respect of additional loan and mark up claimed. Privatization Commission has been instructed by the Ministry of Finance to review the calculation / treatment of a loan amounting Rs. 131.454 million and has been asked to come up with firm stance on the foregoing loan amounting to Rs. 131.454 million. Further, Privatization Commission has been instructed to sort out the issue of charging interest on VSS loan and Privatization Commission has been asked to come up with sound reason and logic for charging interest on the above loan. The legal advisor of the company is also of the firm opinion that since there is no mention of any markup to be charged on this loan nor is there any markup agreement, therefore, no markup is payable by the company in respect of this loan. The management is confident that the ultimate outcome of the matter will result in favor of the company and hence no provision has been made in these financial statements in respect of the additional loan and markup claimed.

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

10.4 The Finance Division vide its letter dated January 28, 2011 for the period ended December 2010 has claimed an amount of Rs. 202.624 million in respect of surcharge payable on Custom & Other Import duties (Ref: Note. 7.2.1). However, the management of the company is of the opinion that no markup is payable in the absence of any agreement for markup. Furthermore, the company has also obtained the opinion from the legal advisor, who is also of opinion that no markup is payable. The management is confident that the ultimate outcome of the matter will result in favor of the company and hence no provision has been made in these financial statements in respect of the markup claimed.

The Finance Division vide its letter dated August 20, 2013, for the year ended June 30, 2013 has claimed an amount of Rs. 2,411.354 million in respect of markup payable on remaining Government of Pakistan Loans (Ref: Note 7.2, 7.3, 7.4 & 7.5). However, the management of the company is of the opinion that no markup is payable in the absence of any agreement for markup. The matter was taken up by the Ministry of Finance, in meeting held on October 7, 2010, to reconcile the principal and Mark up amounts with respect to Govt. of Pakistan loans, which has instructed the Finance Division to re-examine the issue relating to Rs. 100.00 million loan and interest thereof, to confirm the contention of PECO. Decision on this account would be conveyed to company at the earliest. Till the issue of annual accounts no such decision has been received by company. Furthermore, the company has also obtained the opinion from the legal advisor, who is also of opinion that no markup is payable. The management is confident that the ultimate outcome of the matter will result in favor of the company and hence no provision has been made in these financial statements in respect of the markup claimed.

10.5 The Sui Gas authorities have claimed an amount of Rs. 29.21 million. The Company has filed an appeal against the claim and the case is pending in the court of law. The outcome of the matter cannot presently be determined.

Commitments

10.6 Capital expenditure commitments outstanding as at 31 December 2013 of Rs. Nil (June 30, 2013:Rs.Nil).

		Dec 31, 2013	Jun 30, 2013
		........(Rupees in '000)........	
		(Un-Audited)	(Audited)
11. PROPERTY, PLANT AND EQUIPMENT			
Operating assets - at net book value	11.1	**8,641,547**	8,661,023
Capital work in progress - at cost	11.2	**2,655**	2,340
		8,644,202	8,663,363

11.1 Detail of additions / surplus and disposals at net book value along with depreciation charged during the period / year are as follows:

DESCRIPTION	Dec 31, 2013	Jun 30, 2013
Opening net book value	**8,661,023**	4,865,129
Additions / surplus during the period / year		
Factory building on freehold land	-	3,747,476
Plant & machinery	-	81,580
Office equipment	**141**	150
Computers	**11**	151
Vehicles	-	2,715
Electric Equipments	-	906
Tools	-	240
	152	3,833,218
Disposals during the period / year		
Vehicles	-	1,957
	-	1,957

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

		Dec 31, 2013	Jun 30, 2013
		........(Rupees in '000)........	
		(Un-Audited)	(Audited)
	Depreciation charged thereon	**19,628**	35,367
	Closing net book value	**8,641,547**	8,661,023
11.2	**Capital Work in Progress - at cost**		
	Civil Works	**2,335**	2,239
	Plant & Machinery	**219**	-
	Advances to suppliers	**101**	101
		2,655	2,340

11.3 The company has the possession and control of the land and holds valid title. The mutation of the freehold land in the land revenue records is in process.

12.	**LAND HELD FOR SALE**	**314,724**	314,724

12.1 This represents land of 263 kanals and 3 marlas of Badami Bagh Works which has been closed down. The fair value of the land is estimated at Rs. 2,894.655 million (2013: Rs. 2,894.655 million). The company has the possession and control of the land and holds valid title. As per the Economic Coordination Committee decision the land was handed over to the Privatization Commission for sale and proceeds to be utilized for settlement of outstanding Government liabilities (refer note. 7). In this regard the title documents of the land have been handed over to the Privatization Commission for sale in 1994 by National Bank of Pakistan. Since then till date the land has been offered for sale various times by the Privatization Commission of Pakistan. A part of the land was sold in February 2001 by the Privatization Commission of Pakistan and several expression of interests have been received for the remaning portion by Privatization Commission from many parties. The Mutation of land is complete as per The Board of Revenue Punjab letter which states that the Government of Punjab has, however, no objection to the disposal of properties of PECO which had vested in the Federal Government. However a letter was issued by the Joint Secretary Ministry of Industries and Production Islamabad directing District Officer Revenue Lahore and copy endorsed to Member Revenue Punjab to stop the above mutation till further instructions, for undisclosed reasons. The BoD and the Management of the Company are till date strongly committed to the plan of selling the Badami Bagh Land and there has been no revocation of the GoP order or any change in the management's stance or plan. Further the Privatization Commission in its most recent and past direct confirmations to the auditors has also clearly stated that GoP loans would be recovered from the sale proceeds of Badami Bagh Land.

"Therefore taking to account the fact that the carrying amount of the land would be recovered principally though a sale transaction and not through continuing use and that the management and the GoP are firmly committed to a plan to sell the land and till date there has been no change of plan or revocation of Government order, the land is available for immediate sale, active programs to locate buyers continue to be carried out, the asset is marketed as fair value and it is extremely unlikely that the plan will be significantly be changed or withdrawn and the fact that events or circumstances which have resluted in the extension of the period to complete the sale beyond one-year are beyond the entity's control, therefore, Badami Bagh Land is classified as "Held for Sale" at lower of its carrying amount or fair value."

13. CASH AND BANK BALANCES

	Dec 31, 2013	Jun 30, 2013
Cash in hand	**2,057**	1,508
Cash with banks:		
Current accounts	**10,875**	66,028
Saving accounts	**6**	3,765
Escrow account	**32**	32
	10,913	69,825
	12,970	71,333

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

	Quarter ended 31, December		Six Months ended 31, December	
	2013	2012	2013	2012
	...............Rupees in '000...............			
14. COST OF SALES				
Raw material consumed	7,326	24,549	18,178	100,711
Stores and spares consumed	2,081	7,066	3,114	30,991
Salaries and wages (including all benefits)	12,511	19,573	22,633	33,754
Fuel and Power	4,528	2,459	6,609	5,360
Inspection Fee	-	-	15	20
Service Charges	1,914	38	2,207	43
Repair & Maintenance	235	148	413	469
Insurance	246	111	492	221
Rent, Rates & Taxes	243	191	437	375
Traveling & conveyance	165	102	363	202
Printing & stationery	196	89	340	274
Postage &Telephone	69	39	130	84
Vehicle running Expenses	438	582	742	1,124
Other Expenses	151	264	249	470
Depreciation	9,990	6,519	18,384	12,462
	40,093	61,730	74,306	186,560
Decrease / (Increase) in Work in Process Inventory	(3,437)	31,863	(15,553)	113,348
Cost of Goods Manufactured	36,656	93,593	58,753	299,908
Decrease / (Increase) in Finished Goods Inventory	3,722	76,869	6,137	64,296
	40,378	170,462	64,890	364,204

	Dec 31, 2013	Jun 30, 2013
	........(Rupees in '000)........	
	(Un-Audited)	(Audited)
15. TRANSACTIONS WITH RELATED PARTIES		
Transactions with related parties / associated undertakings are as under:		
State Engineering Corporation (Pvt) Limited (SEC)		
- Outstanding SEC Service Charges Paid	**3,000**	1,000
- Reimbursement of Expenses payable	**93**	75
- Reimbursement of Expenses	**297**	320
Pakistan Machine Tool Factory		
- Receivable at the end of the period / year	**1,570**	1,570

15.1 Maximum amount due from the associated undertakings at the end of any month was of Rs. 1.571 Million (June 30, 2013: Rs.4.056 Million).

15.2 All related party transactions are in accordance with accounting policy and are approved and recommended by the audit committee and subsequently approved by the Board of Directors. None of the Directors had any interest in any transaction.

16. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', corresponding figures in the condensed interim balance sheet comprise of balance sheet as per the annual audited financial statements of the Company for the year ended June 30, 2013 and the corresponding figures in the condensed interim statement profit and loss account, condensed interim statement of comprehensive income, condensed interim

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013

statement of changes in equity and condensed interim cash flow statement comprise of balances of comparable period as per the unaudited condensed interim financial information of the Company for the six month period ended December 31, 2012.

17. FINANCIAL RISK MANAGMENT

The companies financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements of the company as at and for the year ended June 30, 2013.

18. DATE OF AUTHORIZATION

This condensed interim financial information has been approved by the Board of Directors of the Company and authorized for issue on February 26, 2014.

19. GENERAL

Figures have been rounded off to the nearest thousand rupee.

(Shafqat-ur-Rehman Ranjha)
(MANAGING DIRECTOR)

(Muhammad Iqbal)
(DIRECTOR)