

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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COMPANY INFORMATION

Board of Directors

Syed Kaukab Mohyuddin (Chairman)
 Mr. Mairaj Anees Ariff (Chief Executive)
 Mr. Ghulam Dastgir Khan Baloch
 Mr. Muhammad Arif Habib
 Mr. Rashid Ali Khan
 Mr. Liaqat Mohammad
 Mr. Muhammad Iqbal
 Mirza Mahmood Ahmad
 Mr. Ansar Javed

Board Audit & Risk Management Committee

Mirza Mahmood Ahmad (Chairman)
 Mr. Liaqat Mohammad
 Mr. Muhammad Iqbal
 Mr. Ansar Javed

Board Finance Committee

Mr. Rashid Ali Khan (Chairman)
 Mr. Ghulam Dastgir Khan Baloch
 Mr. Liaqat Mohammad

Board HR & Remuneration Committee

Mr. Ghulam Dastgir Khan Baloch (Chairman)
 Syed Kaukab Mohyuddin
 Mr. Muhammad Iqbal
 Mr. Rashid Ali Khan

CFO & Company Secretary

Mian Anwar Aziz

Auditors

M/s. Tariq Abdul Ghani
 Maqbool and Company
 Chartered Accountants

Bankers

National Bank of Pakistan
 United Bank Limited
 Summit Bank

Legal Advisor

Sardar Zulfiqar Umar Khan Thahim

Registered Office

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

Phones: 042 37 32 0225-7

Fax No : 042 37 32 3108

E-Mail : info@peco.com.pk

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

Plants : Kot Lakhpat
 Lahore.

Shares Registrar

M/s. Central Depository Company
 of Pakistan Limited
 Mezzanine Floor, South Tower,
 LSE Plaza, 19-Khayaban-e-Aiwan-e-Iqbal
 Lahore-54000, Pakistan

Directors' Report

Dear Shareholders

Assalam-o-Alaikum

On behalf of the Board of Directors of PECO, I am pleased to present the Directors' review report together with half yearly condensed interim financial information for six months ended December 31, 2017 and the Auditors' review report.

Performance Outlook

The current financial year started with orders in hand of Rs. 1.36 billion and presently Company has orders in hand worth Rs. 619.21 million besides order in pipeline worth Rs. 121.62 million, the Purchase Orders (PO) of which are expected to be issued soon in favor of PECO and we are expecting good business in next quarter. During the period under review transmission line towers were supplied to IESCO, QESCO, GEPCO, LESCO and NETRACON. Government priorities on electrification and electricity load management depict a big potential of transmission line towers business in Pakistan.

However, along with the potential opportunities, the business of electricity transmission towers in Pakistan has also become significantly competitive due to entry of many foreign companies in this business. After careful study of these challenges, your Company is gearing up to meet such competition through better marketing policies, extensive market research, product development, product diversification, updating technical production capabilities and better working capital management.

During the period under review, the emphasis of management was to grab the reasonable market share due to intense competition from local and foreign competitors. In the environment of such intense competition, the company was able to manage execution of orders of Rs. 745.81 million and gross profit of Rs. 61.75 million. Orders from WAPDA/DISCOS at rational margins were obtained and are being executed. Management of your Company is striving hard to achieve better turn over/profitability during the current financial year.

Financial Performance

The sales revenue for six months ended on December 31, 2017 was Rs. 745.81 million against Rs.546.50 million of the corresponding period last year, an increase of Rs. 199.31 million (36.47%). Market share of your company has increased to 21% as against 13% of the period under review last year. Production during the period under review was 6,753 M. Tons as against 5,338 M. Tons during the same period last year, an increase of 1,415 M. Tons (26.51%).

There was a gross profit of Rs. 61.75 million, against gross profit of Rs.75.18 million of the corresponding period of last year, a decrease of Rs.13.44 million (8.67%). Decrease in Gross Profit was mainly due to low margins in new orders and increase in raw material prices and intensive competition.

Operating expenses during the period were Rs. 64.45 million against Rs. 50.96 million of the same period last year, an increase of Rs. 13.49 million due to high Freight and Forwarding expenses as most of the orders were on FCS (Free on Consignee' Site) basis.

There was a loss after tax of Rs. 3.01 million, against profit of Rs. 29.02 million of the same period last year, meaning a decrease in profit of Rs. 32.03 million.

Future Outlook

At present the company has orders in hand and in pipe line worth Rs. 740.83 million of transmission line towers. Most of the orders are at good prices and it is anticipated that performance of the company during rest of the year would be better than the first half.

Keeping the narrow working capital of the Company in view, potential Joint Venture (JV) arrangements are in process with various multinational companies to enhance operational capacities of PECO on a fast track.

Comments on Auditor's Review

The issue of Government of Pakistan and Privatization Commission Loans has been discussed with representatives of GoP, PC and MoF. As a result of various meetings, the principal loan except Rs. 131.45 million (being the additional gratuity paid by Privatization Commission at its own) has been reconciled.

However, there is a disagreement on markup on the said loans claimed by GoP as PECO management is of the firm view that markup is not payable on these loans in the absence of any agreements. The matter of reconciliation of GoP/PC loan is in progress. Principal amount of Rs. 1,790.85 million has been reconciled and markup is under active reconciliation. Since there was no mention of mark up in any of the decisions of CCOP and ECC, therefore, management believes that the issue of markup need to be resolved at senior levels.

The Board of Directors in its various meetings has always resolved that all amount due under the law to the Government of Pakistan (GoP) for any loan given to PECO shall be paid including any markup due on the same loans. The Board has also offered GoP to adjust its liabilities to GoP by disposal of Badami Bagh Land which according to the recent valuation is Rs. 4,605.13 million and which seems to be in excess of the amount being claimed by GoP as amount due from PECO.

Acknowledgement

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 continued support in improvement of Company's business and good will. I am looking forward to a much better future from the Company, in'sha'Allah.

ON BEHALF OF THE BOARD

Mairaj Anees Ariff
Chief Executive Officer

February 21, 2018
Lahore

مستقبل کا اندازہ

موجودہ وقت میں کمپنی کے پاس ترسیل کھبوں کے ۲۰.۸۳ بلین روپے کے ٹھیکے ہیں۔ بہت سے ٹھیکے اچھی قیمتوں پر ہیں اور توقع ہے کہ باقی مالی سال کے دوران کمپنی کی کارکردگی پہلے ششماہی عرصے کے مقابلے میں بہتر رہے گی۔ کمپنی کے کام چلانے والے سرمائے کی کمی کے پیش نظر، پیکو کی عملیاتی صلاحیتوں کو بڑھانے کے لیے بیشتر کثیر القومی کمپنیوں کے ساتھ ممکنہ مشترکہ مہمات زیر عمل ہیں۔

محاسب کے جائزے پر تبصرہ

حکومت پاکستان اور نجکاری کمیشن سے قرضے کے معاملے پر جی او پی، پی سی اور ایم او ایف کے نمائندوں سے بات کی گئی ہے۔ ان نمائندوں سے بیشتر ملاقاتوں کے نتیجے میں، ماسوائے ۱۳۱.۴۵ بلین روپے (جو کہ نجکاری کمیشن کی طرف سے ادا کیا گیا اضافی ادا ہے)، اصل قرضے پر مصالحت کر لی گئی ہے۔ تاہم، ان قرضوں پر سود کے معاملے پر اختلاف ہے کیونکہ پیکو کی انتظامیہ کے مطابق کسی بھی معاہدے کی عدم موجودگی میں سود واجب الادا نہیں ہے۔ جی او پی اور پی سی کے قرضے کے تصفیے کی کوشش جاری ہے۔ ۷۰.۸۵ بلین روپے کی اصل رقم کے معاملے پر تصفیہ ہو چکا ہے جبکہ اس رقم پر سود کا معاملہ زیر غور ہے۔ پی سی اور پی سی کے فیصلوں میں کسی سود کا کوئی ذکر نہیں تھا، اس لئے انتظامیہ سود کا معاملہ اعلیٰ سطح پر حل کرنے پر یقین رکھتی ہے۔

مجلس نظماء نے اپنی بیشتر مجالس میں فیصلہ کیا ہے کہ پیکو کو حکومت پاکستان کی جانب سے دیا گیا قرضہ قانون کے مطابق سود سمیت واپس کیا جائے گا۔ مجلس نظماء نے حکومت پاکستان کو باوامی باغ کی زمین بیچ کر اپنی واجبلا دارم کی تطبیق کرنے کی پیشکش کی ہے۔ زمین کی مالیت حالیہ اندازے کے مطابق ۲۰۵.۱۳ بلین روپے ہے جو کہ واجبلا دارم سے زیادہ ہے۔

اظہار تشکر

اس موقع پر میں اپنے تمام قابل قدر صارفین، مہیا کار، بیکاروں کا اُنکی مسلسل حمایت و اعتماد اور عملے کے ارکان کا اُنکی گن اور محنت پر شکر یہ ادا کرنا چاہتا ہوں۔ میں کمپنی کے کاروبار اور کاروباری سہا کی بہتری میں مسلسل حمایت پر مجلس نظماء کا بھی شکر یہ ادا کرنا چاہتا ہوں۔ میں، انشاء اللہ، کمپنی کے بہتر مستقبل کا منتظر ہوں۔

مجلس نظماء کی جانب

۲۱ فروری ۲۰۱۸

معراج انیس عارف

سربراہ اعلیٰ

اطلاعاتِ نظام

معزز حصص یافتگان

اسلام علیکم!

مجھے، مجلسِ نظام کی جانب سے، ۳۱ دسمبر ۲۰۱۷ کو ختم ہونے والی غیر محاسب شدہ عبوری مالیاتی ششماہی معلومات اور محاسب کی جائزہ رپورٹ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

کارکردگی کا جائزہ

رواں مالی سال ۲۰۱۷-۱۸ میں روپے کے ٹیکوں سے شروع ہوا جبکہ اس وقت کمپنی کے پاس ۶۱۹.۳۱ ملین روپے کے ٹیکے ہیں جنکے خریداری آڈر جلد ہی بیکو کے حق میں جاری کر دیے جائیں گے اور ہمیں اگلی سہ ماہی میں اچھا کاروبار متوقع ہے۔ زیر جائزہ مدت کے دوران آئیٹیکو، کیسکو، جیپکو، لیسکو اور اینٹر اگون کو ترسیلی کھے فراہم کیے گئے۔ بجلی اور بجلی کی لوڈ منیجمنٹ پر حکومتی ترجیحات کے پیش نظر، پاکستان میں ترسیلی کھبوں کا بہت کاروبار ہے۔

تاہم، ہماری توقع کے ساتھ ساتھ، غیر ملکی کمپنیوں کی ترسیلی کھبوں کے کاروبار میں آمد کی وجہ سے مسابقت بڑھتی جا رہی ہے۔ ان چیلنجوں کا بغور مطالعہ کرنے کے بعد، آپ کی کمپنی فروخت کاری کی بہتر پالیسی، وسیع بازاری تحقیق، مصنوعات کی ترقی، مصنوعات کے تنوع، تکنیکی صلاحیت کی بہتری اور سرمائے کے بہتر انتظام کی بدولت اس مسابقت سے نمٹنے کی بھرپور کوشش کر رہی ہے۔ زیر جائزہ مدت کے دوران، کمپنی کی انتظامیہ نے، مقامی و خارجہ جرنیلوں کے شدید مقابلے کی وجہ سے، معقول بازاری حصے پر قبضہ کرنے پر زور دیا۔ سخت مقابلے کے اس ماحول میں بھی کمپنی ۸۱.۸۱ ملین روپے کے ٹیکوں کو پورا کرنے اور ۶۱.۷۱ ملین روپے کا خام منافع کمانے میں کامیاب رہی۔ واپڈ اور ڈسکوز سے عالمی مارجن پر ٹیکے لے کر پورے کئے۔ آپ کی کمپنی کی انتظامیہ، رواں مالی سال میں بہتر فروخت کاری امنافع کے لیے بھرپور کوشش کر رہی ہے۔

مالیاتی کارکردگی

۳۱ دسمبر ۲۰۱۷ کو ختم ہونے والے ششماہی عرصے میں فروخت کاری ۸۱.۸۱ ملین روپے رہی جو پچھلے مالی سال اسی عرصے میں ۵۳۶.۵۰ ملین روپے تھی، جو کہ ۱۹۹.۳۱ ملین روپے (۳۶.۴٪) زیادہ ہے۔ کمپنی کا خام منافع ۶۱.۷۱ ملین روپے رہا جو پچھلے مالی سال اسی عرصے میں ۵۱.۱۸ ملین روپے تھا، جو کہ ۳۱.۴۳ ملین روپے (۶۱.۷٪) کم ہے۔ فروخت کاری / خام منافع میں کمی کی بنیادی وجہ شدید مسابقت، نئے ٹیکوں میں کم منافع اور خام مال کی قیمتوں میں اضافہ ہے۔ بازاری شراکت داری ۱۳ فیصد سے بڑھ کر ۲۱ فیصد ہو گئی ہے۔ زیر جائزہ مدت میں پیداوار ۵۳.۷۱ ملین روپے رہی جو پچھلے مالی سال اسی عرصے میں ۵۰.۳۳۸ ملین روپے تھی، جو کہ ۲۱۵.۸۱ ملین روپے (۲۶.۵٪) زیادہ ہے۔ عملیاتی اخراجات ۶۲.۴۵ ملین روپے رہے جو پچھلے مالی سال اسی عرصے میں ۵۰.۹۶ ملین روپے تھے۔ مالی خسارہ ۳.۰۱ ملین روپے رہا جو پچھلے مالی سال اسی عرصے میں ۲۹.۰۲ ملین روپے خالص منافع تھا، جو کہ ۳۲.۰۳ ملین روپے کم ہے۔

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Pakistan Engineering Company Limited** as at **December 31, 2017** 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-month 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 quarter ended December 31, 2017 and December 31, 2016 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion thereon as we are required to review only the cumulative figures for the six-months period ended December 31, 2017.

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.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the six months' period ended December 31, 2017 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 conclusion, we draw attention to the followings:

i. Note (7.1, 7.3, 7.4, 7.5 & 7.6) to the condensed interim financial information which describe various disputed matters of Company with Privatization Commission, Ministry of finance, Board of revenue and other parties.

ii. Note 10 to the condensed interim financial information which describes that, through a letter, the Joint Secretary Ministry of Industry and Production Islamabad has directed, the District Officer Revenue Lahore and the Member Revenue Punjab, to stop the mutation of land held for sale till further instructions, for undisclosed reasons. The management of Company is strongly committed to the plan of sale of this Land.

Our opinion is not qualified in respect of these matters.

February 21, 2018
Lahore

TARIQ ABDUL GHANI MAQBOOL & CO.
CHARTERED ACCOUNTANTS

ENGAGEMENT PARTNER
MALIK HAROON AHMAD (FCA)

**CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2017**

Note	(Un-audited)	(Audited)	
	December 31, 2017	June 30, 2017	
	----- Rupees in thousand -----		
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	56,902	56,902	
Revenue reserve - general	10,000	10,000	
Accumulated loss	(827,219)	(832,934)	
	(760,317)	(766,032)	
Surplus on revaluation of fixed assets	14,489,400	14,498,128	
NON - CURRENT LIABILITIES			
Long term financing	4	19,498	29,250
Deferred liabilities - net		102,535	115,609
		122,033	144,859
CURRENT LIABILITIES			
Trade and other payables		885,626	672,776
Short term borrowing - secured	5	74,889	74,919
Current portion of long term financing		19,503	19,503
Accrued mark-up		2,595	2,491
Provision for taxation		8,676	13,748
		991,289	783,437
Liabilities directly associated with free hold land - held for sale	6	1,790,848	1,790,848
CONTINGENCIES AND COMMITMENTS			
TOTAL EQUITY AND LIABILITIES	7	<u>16,633,253</u>	<u>16,451,240</u>
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	8	14,542,439	14,555,168
Investment property		564	579
Long term investment		741	741
Long term deposits		2,053	2,053
		14,545,797	14,558,541
CURRENT ASSETS			
Stores, spares and loose tools		158,026	170,463
Stock-in-trade		599,324	446,910
Trade debts-unsecured		839,149	781,691
Advances		10,263	6,191
Trade deposits, prepayments and other receivables		30,781	30,905
Tax refunds due from Government		112,123	104,912
Cash and bank balances	9	23,066	36,903
		1,772,732	1,577,975
Free hold land - held for sale	10	314,724	314,724
TOTAL ASSETS		<u>16,633,253</u>	<u>16,451,240</u>

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

Mairaj Anees Ariff
Chief Executive Officer

Mian Anwar Aziz
Chief Financial Officer

Muhammad Iqbal
Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE SIX MONTHS AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017**

Note	Six months ended		Three months ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	----- Rupees in thousand -----			
Sales - net	745,810	546,497	371,922	250,045
Cost of sales	11	(684,064)	(471,314)	(348,175)
Gross profit		61,746	75,183	23,747
Selling and distribution expenses		(6,090)	(3,980)	(2,170)
Freight and forwarding expenses		(20,738)	(12,954)	(10,951)
Administrative expenses		(37,619)	(34,028)	(18,678)
Other operating charges		(562)	(2,942)	(245)
		(65,009)	(53,904)	(32,568)
Other operating income		1,302	12,740	661
Operating (Loss)/profit		<u>(1,961)</u>	34,019	<u>(8,160)</u>
Finance cost		(8,931)	(8,806)	(4,420)
(Loss)/profit before taxation for the period		<u>(10,892)</u>	25,213	<u>(12,580)</u>
Taxation				
- Current		(9,323)	(4,460)	(4,649)
- Prior		647	(1,186)	647
- Deferred		16,554	9,452	9,816
		7,878	3,806	5,814
(Loss)/profit after taxation for the period		<u>(3,014)</u>	29,019	<u>(6,766)</u>
(Loss)/earnings per share - Basic and diluted - Rupees	12	<u>(0.53)</u>	5.10	<u>(1.19)</u>
				2.50

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

Mairaj Anees Ariff
Chief Executive Officer

Mian Anwar Aziz
Chief Financial Officer

Muhammad Iqbal
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS AND THREE MONTHS PERIOD ENDED DECEMBER 31, 2017

	Six months ended		Three months ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	----- Rupees in thousand -----			
(Loss)/profit after taxation for the period	(3,014)	29,019	(6,766)	14,237
Other comprehensive income for the period	-	-	-	-
Total comprehensive (Loss)/income for the period	(3,014)	29,019	(6,766)	14,237

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017

Note	December 31, 2017	December 31, 2016
	----- Rupees in thousand -----	
Cash generated from operations	24,691	39,001
Finance cost paid	(7,301)	(7,781)
Gratuity paid	(449)	(334)
Income tax paid	(9,313)	(4,582)
Workers' profit participation fund paid	(5,655)	(7,212)
Net cash generated from operating activities	1,973	19,092
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure incurred	(5,987)	(868)
Proceeds from disposal of Property, plant and equipment	-	18,151
Long term deposits	-	(221)
Net cash (used in)/generated from investing activities	(5,987)	17,062
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings - (repayments)	(30)	(751)
Long term financing - (repayments)	(9,752)	(9,752)
Dividend paid	(41)	-
Net cash (used in) financing activities	(9,823)	(10,503)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(13,837)	25,651
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	36,903	21,936
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD 9	23,066	47,587

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017**

	Issued subscribed and paid-up capital	Revenue Reserve- General	Accumulated loss	Total
----- Rupees in thousand -----				
Balance as at July 01, 2016 - (Audited)	56,902	10,000	(925,610)	(858,708)
- Profit for the period ended December 31, 2016	-	-	29,019	29,019
- Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	29,019	29,019
Surplus on revaluation of property, plant and equipment assets realized during the period on account of:				
- incremental depreciation - net off tax	-	-	9,190	9,190
- disposal of revalued machinery - net off tax	-	-	5,245	5,245
Balance as at December 31, 2016 - (Un-audited)	56,902	10,000	(882,156)	(815,254)
Balance as at July 01, 2017 - (Audited)	56,902	10,000	(832,934)	(766,032)
- Loss for the period ended December 31, 2017	-	-	(3,014)	(3,014)
- Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(3,014)	(3,014)
Surplus on revaluation of property, plant and equipment assets realized during the period on account of:				
- incremental depreciation - net off tax	-	-	8,729	8,729
- disposal of revalued machinery - net off tax	-	-	-	-
Balance as at December 31, 2017 (Un-audited)	56,902	10,000	(827,219)	(760,317)

The annexed notes from 1 to 18 form an integral part of this condensed interim financial information.

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017**

1 LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Engineering Company Limited was incorporated in Pakistan on February 15, 1950 under the Companies Act, 1913 (Now Companies Act, 2017) as a public limited company. Its shares are quoted on Pakistan Stock Exchange. The registered office of the Company is situated at 6/7 Ganga Ram Trust Building, Shahra-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.

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 soon. Taking in to consideration the successful operation of the structure division and demand for pumps and motors, the BoD decided to bring other divisions into operations as well. At present structure, pumps, electric motor and foundry divisions of the company are in operation.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information is being submitted to shareholders as required by section 237 of the companies Act, 2017 ("the Act")

On May 30, 2017 the Companies Act, 2017 ("the Act") was enacted which replaced and repealed the Companies Ordinance, 1984 (the "repealed ordinance"). However, the Securities and Exchange Commission of Pakistan (SECP) through its Circular No. 23 of 2017 dated October 04, 2017 and The Institute of Chartered Accountants of Pakistan (ICAP) through its Circular No. 17 of 2017 dated October 06, 2017 have advised the Companies shall prepare their financial statements for financial period ending on or before December 31, 2017 in accordance with the provisions of the repealed Companies Ordinance 1984.

This condensed interim financial information of the Company for the six months period ended December 31, 2017 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, 2017 and 2016 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 conjunction with the company's audited annual financial Statements for the year ended June 30, 2017.

2.2 Basis of Measurement

This condensed interim financial information has been prepared under the historical cost convention except for the revaluation of certain items of property, plant and equipment which are stated at revalued amounts, certain financial liabilities which are carried at amortized cost and recognition of employee retirement benefits at present value. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

2.3 Functional and presentation Currency

This condensed interim financial information has been presented in Pak Rupees, which is the functional and presentation currency of the Company.

3 ACCOUNTING POLICIES AND ESTIMATES

The accounting policies, related judgments, estimates and related assumptions adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the company for the year ended June 30, 2017.

		(Un-audited) December 31, 2017	(Audited) June 30, 2017
-----Rupees in thousand-----			
4 LONG TERM FINANCES			
Loan from banking companies - secured	4.1	19,498	29,250
4.1 LOAN FROM BANKING COMPANIES - SECURED			
Movement of long term finances - from Banking Companies			
Opening balance		48,753	68,256
Finance availed during the period		-	-
		48,753	68,256
Less: repayment during the period		(9,752)	(19,503)
		39,001	48,753
Less: current maturity shown under current liabilities		(19,503)	(19,503)
		19,498	29,250
4.1.1	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%. The credit facility of the Company will be expired on December 31, 2019. This is secured against first charge of Rs. 97.507 million over movable fixed assets [excluding land and building] of the company.		
5 SHORT TERM BORROWING - SECURED			
From NBP Bank under markup arrangements - Secured:			
- Running Finance		74,889	74,919
5.1	The financing forms part of total credit facility available to the extent of Rs. 75.00 million (June 30, 2017: Rs. 75.00 Million). The loan carries markup @ 3 months KIBOR plus 2.50%. This is secured against first charge of Rs. 100 million over current and movable fixed assets (excluding land and building) of the company. This facility was renewed on January 16, 2018.		
6 LIABILITIES DIRECTLY ASSOCIATED WITH FREE HOLD LAND - HELD FOR SALE			
Loan from Government of Pakistan - unsecured	6.1	1,790,848	1,790,848
6.1 Loan From Government of Pakistan - Unsecured			
Privatization commission loan	6.1.1	481,469	481,469
Government escrow account	6.1.2	112,937	112,937
Other Government loan	6.1.3	100,000	100,000
Federal Govt. loan for compulsory separation scheme(CSS)	6.1.4	309,000	309,000
Federal Government bonds	6.1.5	787,442	787,442
		1,309,379	1,309,379
		1,790,848	1,790,848

These represent funds provided by the Government of Pakistan (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 May 30th 1994 and 2005 these liabilities will be settled against the proceeds from disposal of Land held for sale (Refer Note no. 10) and surplus land of Kot Lakhpat, if needed. There is no fixed 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.

The Technical Advisory Committee (TAC) of Institute of Chartered Accountants of Pakistan (ICAP), on the request of Management of PECO, on March 28, 2017, also gave an opinion, on the issue of recording accrual of mark-up on GoP loans. After review of all details, workings and complete documents, The Committee is of the view that "the management of company needs to determine whether a present obligation exists at the end of the reporting period taking into account all the available evidences, including, the opinion of legal experts. Where there is a probability that a present obligation exists at the end of the reporting period, the provision should be recognized. Contrary to this will require an entity to disclose a contingent liability".

The Board of Directors in its various meetings has resolved that amount due under the law to the Government of Pakistan (GoP) for any loan given to PECO shall be paid. The Board has agreed with GoP to adjust its liabilities by disposal of Badami Bagh Land as decided in E.C.C decision dated 02.03.1993, which according to the recent valuation amounts to Rs. 4,605.13 million and it is in excess of the amount being claimed by GoP from PECO. 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. 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. Therefore, a disclosure of a contingent liability is made in notes (refer note 7.3, 7.4 & 7.5) to condensed interim financial information.

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 disputed (refer note 7.3, 7.4 & 7.5) 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. In the meeting held on July 13, 2015 in Privatization Commission, it was mutually agreed by all stakeholders to resolve the above issues at the earliest.

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 monetary claim or claiming set-off against 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.

(Un-audited) December 31, 2017	(Audited) June 30, 2017
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---Rupees in thousand---

6.1.1 **The break up of loan from Privatization Commission is as follows:**

Loan for voluntary separation scheme (VSS)/compulsory separation scheme (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
	<u>481,469</u>	<u>481,469</u>

6.1.1.1 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. The forgoing loans have been outstanding since 1993. The company also obtained legal opinion from the legal advisors of the company. The legal advisors 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 monetary 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 in fact 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 had advanced Rs. 131.454 million to PECO. On receiving 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 million (refer note 7.3) 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. Neither 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.

6.1.2 **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
	<u>112,937</u>	<u>112,937</u>

6.1.2.1 The company has not provided interest amounting to Rs. 41.989 million (accumulated Rs. 41.989 million) @ 14% for three years on loan relating to custom and other import duties (June 30, 2017: Rs. 41.989 million) as the BoD and the management believes that there was no clause of charging interest or surcharge in the ECC and Cabinet decision. In spite of confirmation requests and several reminders, no

confirmation of custom and other import duties of Rs. 86.984 million, Pakistan railways freight of Rs. 12.989 million and Karachi port trust of Rs. 12.964 million along with markup/surcharge on custom duty of Rs. 202.624 million was received by the auditors from customs or Pakistan railway or Port Trust.

(Un-audited) December 31, 2017	(Audited) June 30, 2017
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---Rupees in thousand---

6.1.3 **The break up of Other Government loans as follows:**

Bank loans taken over	<u>100,000</u>	<u>100,000</u>
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6.1.3.1 This represents amount payable on account of the company's bank loans taken over by the Government in the year 1990. BoD and the management of the Company believes that there is no interest as PECO being a public sector entity was required to take-up only principal amount of the loan in its books. The legal advisor is 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 and interest thereof, to confirm the contention of PECO and decision to be conveyed at its earliest.

6.1.4 **The break up of Federal Government loan for compulsory separation schemes as follows:**

Loan for CSS	<u>309,000</u>	<u>309,000</u>
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6.1.4.1 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 March 04, 2002. The BoD and the management of the company do not agree with the markup claimed by GoP 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 August 10, 2015 is also of the opinion that no interest is payable as the letter dated March 04, 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 Alternate Dispute Resolution (ADR) mechanism, where claims/counter 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.

6.1.5 **The break up of Federal Government Bonds is as follows:**

Interest bearing bonds	655,138	655,138
Interest free bonds	<u>132,304</u>	<u>132,304</u>
	<u>787,442</u>	<u>787,442</u>

6.1.5.1 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. However, the BoD and the management of the Company as detailed above do not agree with the markup claimed by the Finance Division and is of firm opinion that the Government is liable to pay any interest thereon, and that there was no agreement for charging any interest thereon. Furthermore, the legal advisor is 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.

7 CONTINGENCIES AND COMMITMENTS**Contingencies**

- 7.1 Claims not acknowledged as debts in respect of various sub judge cases filed against the company for which the maximum possible liabilities could be approximately Rs. 2.912 million (June 30, 2017: Rs. 2.912 million).
- 7.2 Guarantees of Rs. 628.298 million (June 30, 2017: Rs. 617.85 million) issued by the banks and insurance companies to different parties on behalf of the company.
- 7.3 The Privatization Commission through its confirmation dated August 22, 2017 for the year ended June 30, 2017 has claimed additional loan liability amounting to Rs. 131.454 million and mark up amounting to Rs. 1,290.504 million (Ref: Note 6.1.1). The said confirmation from privatization Commission also states that initially there was no mention of specific interest rate on the loan amount, therefore, the mark up on the outstanding amount of loan to PECO was charged on the basis of annual rate of markup chargeable on cash development loans to Provincial Governments, corporations, local bodies etc and capital outlays of Federal Government in commercial departments. The management of the company already in a meeting held on October 7, 2010 at Ministry of Finance's Office 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.
- 7.4 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 and Other Import duties (Ref: Note 6.1.2). 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.
- 7.5 The Finance Division vide its letter dated July 28, 2017, for the year ended June 30, 2016 has claimed an amount of Rs. 671.860 million in respect of additional principal liability and Rs. 2,517.766 million in respect of markup payable on remaining Government of Pakistan Loans (Ref: Note 6.1.3, 6.1.4 & 6.1.5). 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 condensed interim financial information 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.
- 7.6 The Additional Commissioner Inland Revenue (ACIR) has passed an order under section 122 (5A) of the Income Tax Ordinance, 2001 for tax years 2009 and 2010 whereby a demand of Rs. 53.43 million (June 30, 2017: Rs.53.43 million) has been raised. No provision against the demand has been made in condensed financial information as the Company is able to get refund of Rs. 55.00 million out of 108.00 million from Federal Board of Revenue in the year ended June 30,2016. The Appellate Tribunal Income Tax (ATIR) has passed an order under section 122 (5A) of Income Tax Ordinance, 2001, whereby brought forward losses of Rs. 170.644 million is allowed by ATIR. As on reporting date, appeal effect decision was pending before ACIR which will result in further refund of Rs. 53.43 million
- Commitments**
- 7.7 Commitments against letter of credit for capital expenditure as at balance sheet date amounting Rs. 10.022 million (June 30, 2017: Nil).
- 7.8 Commitments against letter of credit other than capital expenditure as at balance sheet date amounting Rs. 9.383 million (June 30, 2017: Nil).

	(Un-audited) December 31, 2017	(Audited) June 30, 2017
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----Rupees in thousand----

8 PROPERTY, PLANT AND EQUIPMENT

Operating assets - at net book value	8.1	14,498,992	14,499,770
Capital work in progress - at cost	8.2	34,904	2,982
Advances against capital assets	8.3	8,543	52,416
		<u>14,542,439</u>	<u>14,555,168</u>
8.1 Detail of additions and disposals at net book value along with depreciation charged during the period are as follows:			
DESCRIPTION			
Opening net book value		14,499,770	14,533,107
Additions / surplus during the period / year		10,747	4,303
Plant and machinery		1,350	148
Office equipment		228	758
Computers		34	78
Furniture & Fixture		5,491	8,051
Vehicles		63	165
Electric Equipments		26	-
Tools		17,939	13,503
Disposals during the period / year		-	8,699
Plant and machinery		-	464
Vehicles		-	9,163
Depreciation charged thereon		18,717	37,677
Closing net book value		<u>14,498,992</u>	<u>14,499,770</u>
8.2 Capital Work in Progress - at cost			
Civil Works		2,982	2,982
Plant and Machinery		31,922	-
		<u>34,904</u>	<u>2,982</u>
8.3 Advances against capital assets			
Against vehicles		1,219	5,435
Against plant and machinery		7,223	46,880
Against ERP software		101	101
		<u>8,543</u>	<u>52,416</u>
9 CASH AND BANK BALANCES			
Cash in hand		1,938	2,626
Cash with banks:			
-Current accounts		20,903	34,118
-Saving accounts		193	127
-Escrow account		32	32
		<u>21,128</u>	<u>34,277</u>
		<u>23,066</u>	<u>36,903</u>
10 FREE HOLD LAND - HELD FOR SALE			
		<u>314,724</u>	<u>314,724</u>

This represents land of 263 kanals and 3 marlas of Badami Bagh Works which has been closed down. The fair value of the land based on valuation carried out by an independent valuer is estimated at Rs. 4,605.133 million (June 30, 2017: Rs. 4,605.133 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. 6.1). 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 remaining 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 into account the fact that the carrying amount of the land would be recovered principally through 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 changed or withdrawn. The foregoing facts that events or circumstances which have resulted 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.

	Six months ended		Three months ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
11 COST OF SALES	----- Rupees in thousand -----			
Raw material consumed	655,743	443,583	384,440	210,161
Stores and spares consumed	92,075	62,454	47,767	31,676
Salaries, wages and other benefits	51,329	41,229	27,087	20,921
Fuel and power	9,005	9,242	4,598	4,080
Traveling and conveyance	725	382	269	116
Postage, telegram and telephone	366	348	187	178
Printing, stationery and office supplies	773	378	576	220
Inspection fee	4,683	2,635	1,285	1,549
Processing and fabrication charges	35,169	9,541	15,701	4,836
Services and security charges	2,803	2,378	1,511	1,248
Rent, rates and taxes	690	747	344	344
Repair and maintenance	1,881	1,374	1,450	813
Insurance	614	519	330	260
Vehicle running expenses	2,433	1,111	1,099	502
Other expenses	1,947	1,908	839	1,052
Depreciation	16,473	17,186	8,240	8,594
Manufacturing cost	876,709	595,015	495,723	286,550
Increase in work in process	(115,869)	(75,158)	(94,106)	(54,694)
Cost of goods manufactured	760,840	519,857	401,617	231,856
Increase in finished goods	(76,776)	(48,543)	(53,442)	(24,169)
	684,064	471,314	348,175	207,687

12 (LOSS)/EARNINGS PER SHARE-BASIC AND DILUTED

	Six months ended		Three months ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
There is no dilutive effect on the basic earnings per share which is based on:				
Profit attributable to ordinary shareholders (Rs. "000")	(3,014)	29,019	(6,766)	14,237
Weighted average number of ordinary shares (Numbers)	5,690,200	5,690,200	5,690,200	5,690,200
Earnings / (loss) per share (Rupees)	(0.53)	5.10	(1.19)	2.50

13 CASH GENERATED FROM OPERATIONS

	December 31, 2017	December 31, 2016
-----Rupees in thousand-----		
Loss/profit before taxation	(10,892)	25,213
Adjustments for:		
Depreciation	18,732	18,754
- Finance cost	8,931	8,806
- Provision for gratuity	3,929	5,220
- Provision for workers' profit participation fund	-	1,392
- Provision for workers' welfare fund	-	973
- Gain on sale of property, plant and equipment	-	(9,452)
Profit before working capital changes	20,700	50,906
- Working capital changes	13.1	(11,905)
	24,691	39,001

13.1 Working capital changes

	December 31, 2017	December 31, 2016
-----Rupees in thousand-----		
Decrease/(increase) in current assets:		
- Stores, spares and loose tools	12,437	(519)
- Stock in trade	(152,414)	(171,907)
- Trade debts	(57,458)	620,850
- Advances	(4,072)	(6,528)
- Trade deposits, prepayments and other receivables	124	(2,643)
- Sales tax refundable	(11,646)	(32,959)
	(213,029)	406,294
Increase/(decrease) in trade and other payables	217,020	(418,199)
	3,991	(11,905)

14 TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties / associated undertakings are as under:

	December 31, 2017	June 30, 2017
-----Rupees in thousand-----		
State Engineering Corporation (SEC)		
- Reimbursement of expenses payable	151	151
Pakistan Machine Tool Factory		
- Receivable at the end of the period / year	273	273

14.1 Maximum amount due from the associated undertakings at the end of any month was of Rs. 0.273 million (30 June 2017: Rs. 0.273 million).

15 FINANCIAL INSTRUMENTS

The carrying values of the financial assets and financial liabilities as at December 31, 2017 and as at June 30, 2017 approximates their fair values except for Government of Pakistan loans as disclosed in note. 6.1 to the financial statements.

16 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 21, 2018.

17 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, 2017 and the corresponding figures in the condensed interim statement profit and loss account, condensed interim statement of

comprehensive income, condensed interim 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 months period ended December 31, 2016.

Corresponding figures have been re-arranged wherever necessary for purposes of better presentation as follows:

Reclassification from component	Reclassification to component	Rupees in thousand
Cash and bank balances	Cash and bank balances	
- Current accounts	- Saving accounts	63.36
Long term loans	Liabilities directly associated with free hold land - held for sale	
- Loans from Government of Pakistan	- Loans from Government of Pakistan	1,790,848

18 GENERAL

Figures have been rounded off to the nearest thousand rupees unless stated otherwise.