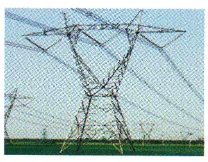
PAKISTAN ENGINEERING
COMPANY LIMITED

HALF YEARLY REPORT
2014



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PECO

Board of Directors
Mr. Muhammad Arif Azim (Chairman)
Mr. Shafqat-ur-Rehman Ranjha
(Chief Executive)
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 & Risk Management Committee
Mirza Mahmood Ahmad (Chairman)
Mr. Liaqat Mohammad
Mr. Muhammad Iqbal
Mr. Muhammad Iqbal Awan

Board Finance Committee
Mr. Rashid Ali Khan (Chairman)
Mr. Arif Ibrahim
Mr. Liaqat Mohammad

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. Tariq Abdul Ghani
Maqbool & Co.
Chartered Accountants

Bankers
National Bank of Pakistan
United Bank Limited
Summit Bank

Legal Advisor
Sardar Zulfiqar Umar KhanThahim

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,

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 statements for six months ended 31 December 2014 and the Auditors' review report.

Performance Outlook

During the period under review, the performance of the Company was relatively better and your Company has taken turn around after four years of continuous losses. Orders from WAPDA/DISCOS at good margin were obtained and are being executed. National Bank of Pakistan has also renewed the credit facilities in favour of PECO which shall help out in reducing the financial constraints faced by the Company. 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 31 December 2014 was Rs. 341 million against Rs. 28 million of the corresponding period last year. There was a gross profit of Rs. 48 million, against gross loss of Rs. 37 million of the corresponding period of last year. Increase in Sales / Gross Profit was mainly due to comparatively higher production, lower cost of production, better sale prices of 132 Kv towers and efficient procurement of raw material.

Operating expenses during the period were Rs. 33 million against Rs. 26 million of the same period last year, an increase of Rs. 7 million due to higher Freight and Forwarding expenses as most of the orders were on FCS (Free on Consignee' Site) basis.

There was a profit after tax of Rs. 8 million, against loss of Rs. 31 million of the same period last year, meaning a net increase in profit of Rs. 39 million.

Future Outlook

At present the Company has orders in hand and in pipe line of

Rs.1,474 million alongwith orders under evaluation of Rs. 469 million of transmission line towers. Most of the orders are at good prices with reasonable margin. As NBP has renewed our credit facilities, it is therefore, anticipated that performance of the company during rest of year would be better than the first half.

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 and ECC therefore, management believe no mark up is payable.

Acknowledgement

I, on behalf of the Board of Directors, thank the company management, all our valued customers, banks, financial institutions, other market intermediaries and shareholders for their continued support, assistance and trust and hope that this cooperation and support continues to grow in the future. I would also like to express 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 23, 2015

(Muhammad Arif Azim)
(Chairman)

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

PECO

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Pakistan Engineering Company Limited** as at December 31, 2014 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 quarters ended December 31, 2014 and December 31, 2013 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, 2014.

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

Interest amounting to Rs. 41.989 million (accumulated Rs. 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 this provision for interest 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 of the matter referred to in the preceding paragraph, 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, 2014 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 company has accumulated loss of Rs. 1,222.019 million and negative equity of Rs. 1,155.117 million. These conditions along with other matters as set forth in note. 3 to the financial statements indicate the existence of material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. These financial statements, however, have been prepared on the going concern basis as detailed in aforesaid note. Our report is not qualified in respect of this matter.

ii. Note. 7.1.1, 7.2.1, 7.3.1, 7.4.1, 7.5.1, 9.3, 9.4 and 9.5 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 Privatization Commission and Finance Division as per their confirmation to predecessor auditors in respect of which reconciliation exercise is currently in progress through Ministry of Finance. The confirmation in respect of Government Escrow Loan Account (Ref: note 7.2) was received to predecessor auditors for the period ended December 31, 2010 in which only the amount relating to custom and other import duties were 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 to predecessor auditors for the period ended June 30, 2013. As per annual report issued by another auditor on September 29, 2014, no confirmation had 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 matters cannot presently be determined. Our report in not qualified in respect of this matter.

Other Matter

The condensed interim financial information of **Pakistan Engineering Company Limited** for the six months period ended December 31, 2013 was reviewed by another auditor who expressed a qualified conclusion on those statements on February 26, 2014.

TARIQ ABDUL GHANI MAQBOOL
& COMPANY
Chartered Accountants
Engagement Partner:
Malik Haroon Ahmad

Lahore: February 23, 2015

CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

PECO

AS AT DECEMBER 31, 2014

	Note	Dec 31, 2014	Jun 30, 2014
		-------- (Rupees in '000) --------	
ASSETS		**(Un-Audited)**	**(Audited)**
NON - CURRENT ASSETS			
Property, plant and equipment	10	**8,595,854**	8,630,104
Investment property	11	**659**	676
Long term investment		**683**	663
Long term deposits		**964**	964
		8,598,160	8,632,407
Free hold land - held for sale	12	**314,724**	314,724
CURRENT ASSETS			
Stores, spares and loose tools		**133,210**	137,717
Stock-in-trade		**327,486**	322,338
Trade debts		**199,058**	152,677
Advances		**7,000**	5,430
Trade deposits, prepayments & other receivables		**29,594**	29,366
Advance income tax		**39, 676**	35,100
Cash and bank balances	13	**10,960**	7,151
		746,984	689,779
TOTAL ASSETS		**9,659,868**	9,636,910
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Share capital	6	**56,902**	56,902
Revenue reserve - general		**10,000**	10,000
Accumulated loss		**(1,222,018)**	(1,252,912)
		(1,155,116)	(1,186,010)
Surplus on revaluation of fixed assets		**8,559,396**	8,582,247
NON - CURRENT LIABILITIES			
Government of Pakistan loans - secured	7	**1,790,848**	1,790,848
Deferred tax liability - net		**48,017**	45,046
		1,838,865	1,835,894
CURRENT LIABILITIES			
Trade & other payables		**301,636**	283,492
Mark-up accrued - on short term borrowing		**3,326**	12,936
Short term borrowing - secured	8	**108,351**	108,351
Provision for taxation - net		**3,410**	-
		416,723	404,779
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITES		**9,659,868**	9,636,910

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

(Shafqat-ur-Rehman Ranjha)
(CHIEF EXECUTIVE)

(Muhammad Iqbal)
(DIRECTOR)

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

PECO

FOR THE QUARTER & SIX MONTHS PERIOD ENDED DECEMBER 31, 2014

	Note	Quarter ended December 31, 2014	Quarter ended December 31, 2013	Six months ended December 31, 2014	Six months ended December 31, 2013
		-------- (Rupees in '000) --------			Restated
Sales - net		160,991	21,223	340,982	28,039
Less: cost of sales	14	144,108	40,378	292,745	64,890
GROSS PROFIT/(LOSS)		16,883	(19,155)	48,237	(36,851)
Selling and distribution expenses		1,321	1,038	2,795	2,093
Freight and forwarding expenses		2,253	37	5,285	69
Administrative expenses		12,146	11,524	25,031	23,918
		15,720	12,599	33,111	26,080
PROFIT/(LOSS) FROM OPERATIONS		1,163	(31,754)	15,126	(62,931)
Other operating charges		2,119	146	2,280	286
Finance costs		5,003	3,565	10,580	9,647
		(5,959)	(35,465)	2,266	(72,864)
Other operating income		6,038	1,067	12,158	2,878
PROFIT/(LOSS) BEFORE TAXATION FOR THE PERIOD		79	(34,398)	14,424	(69,986)
TAXATION					
- Current		3,410	-	3,410	-
- Deferred		2,971	(39,293)	2,971	(39,293)
		6,381	(39,293)	6,381	(39,293)
PROFIT/(LOSS) AFTER TAXATION FOR THE PERIOD		(6,302)	4,895	8,043	(30,693)
PROFIT/(LOSS) PER SHARE - BASIC & DILUTED - Rupees		(1.11)	0.86	1.41	(5.39)

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

HALF YEARLY REPORT 2014

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER & SIX MONTHS PERIOD ENDED DECEMBER 31, 2014

	Quarter ended December 31, 2014	Quarter ended December 31, 2013	Six months ended December 31, 2014	Six months ended December 31, 2013
	-------- (Rupees in '000) --------			Restated
PROFIT/(LOSS) AFTER TAXATION FOR THE PERIOD	(6,302)	4,895	8,043	(30,693)
Other Comprehensive Income	-	-	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS)	(6,302)	4,895	8,043	(30,693)

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

(Shafqat-ur-Rehman Ranjha)
(CHIEF EXECUTIVE)

(Muhammad Iqbal)
(DIRECTOR)

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

PECO

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2014

	Note	December 31, 2014	December 31, 2013
		------ (Rupees in '000) ------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (Loss) before taxation		14,424	(69,986)
Adjustments:			
Depreciation		18,830	19,628
Finance costs		7,798	7,073
Interest on WPPF		2,782	2,573
Interest on bank deposit		(20)	-
Provision for gratuity		10	62
(Profit) on sale of assets		(4,407)	-
Profit/(Loss) before working capital changes		39,417	(40,650)
Adjustments for working capital changes			
Increase in current assets		(48,822)	(5,046)
Increase / (Decrease) in current liabilities		15,352	(4,850)
Cash generated from / (utilized in) operating activities		5,947	(50,546)
Finance costs paid		(17,407)	(4,041)
Income tax paid		(4,576)	(279)
Net Cash (utilized in) operating activities		(16,036)	(54,866)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure in property, plant & equipment		(155)	(152)
Capital work in progress		-	(315)
Sale proceeds from disposal of property, plant & equipment		20,000	-
Net cash generated from / (utilized in) investing activities		19,845	(467)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term borrowings - (repayments)		-	(3,030)
Net cash (utilized in) financing activities		-	(3,030)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		3,809	(58,363)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		7,151	71,333
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	13	10,960	12,970

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

(Shafqat-ur-Rehman Ranjha)
(CHIEF EXECUTIVE)

(Muhammad Iqbal)
(DIRECTOR)

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

PECO

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2014

	Share Capital	Revenue reserve-General	Accumulated Loss	Total
	(Rupees in '000)			
BALANCE AS AT JULY 01, 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 revaluation of fixed assets 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)**
Total comprehensive loss for the period				
Loss for the period ended June 30, 2014	-	-	(38,260)	(38,260)
Other comprehensive income	-	-	-	-
	-	-	(38,260)	(38,260)
Surplus on revaluation of fixed assets realized during the period on account of:				
- incremental depreciation charged thereon-net of tax	-	-	9,695	9,695
BALANCE AS AT JUNE 30, 2014	**56,902**	**10,000**	**(1,252,912)**	**(1,186,010)**
Total comprehensive loss for the period				
Loss for the period ended December 31, 2014	-	-	8,043	8,043
Other comprehensive income	-	-	-	-
	-	-	8,043	8,043
Surplus on revaluation of fixed assets realized during the period on account of:				
- incremental depreciation charged thereon-net of tax	-	-	8,940	8,940
- disposal of revalued machinery-net of tax	-	-	13,911	13,911
BALANCE AS AT DECEMBER 31, 2014	**56,902**	**10,000**	**(1,222,018)**	**(1,155,116)**

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

(Shafqat-ur-Rehman Ranjha)
(CHIEF EXECUTIVE)

(Muhammad Iqbal)
(DIRECTOR)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2014

1. THE COMPANY AND ITS OPERATIONS

Pakistan Engineering Company Limited 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 in 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 and foundry divisions 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, 2014 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, 2014 and 2013 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, 2014.

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

3. BASIS OF ACCOUNTING

The Company has incurred gross profit of Rs. 48.237 million and profit after tax of Rs. 8.043 million resulting in accumulated loss of Rs. 1,222.018 million (June 30, 2014: Rs.1,252.912 million) and negative equity of Rs. 1,155.116 million (June 30, 2014: Rs.1,186.010 million) as at December 31, 2014. During the period stress on business stability continued mainly from gas shortages and general inflation resulting in slow down of overall economic activity. Despite of such problems, managament of the Company took proactive steps to stablize the overall position of the Company. Management of the Company tried hard to improve the performance and productivity of various business verticals. Due to various strategic decisions, the Company has managed to earn net profits in first six month of financial year 2014-15.

Keeping in view position of the Company, the BoD and the management of the Company has critically analyzed the 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, coal gasifier which was under installation started commercial production and a new galvanizing kettle has been procured and installed which will save galvanization cost to the company in the next quarter of operations. The BoD and the management is hopeful that the commencement of commercial operations of the new furnace and coal gasifier will help the Company to minimize its costs of production and hence will start to compete in the tender business, and therefore will achieve better turnover in the upcoming period. The existing credit limit of the Company has been renewed and the short term loan of Rupees 108.351 million is converted into long term loan which is to be paid in 05 years in 20 equal quarterly installments effective from March 31, 2015. Such facility will be expired on December 31, 2019. In this regard the Ministry of Finance has also allocated credit ceiling to the Company amounting to Rs. 700 million.

On January 23, 2015, a fresh sanction of Rs. 20 million and Rs. 100 million as running finance and bank guarantee respectively, is allocated by National Bank of Pakistan (NBP). This fresh sanction will be expired on December 31, 2015 and will be renewed annualy.

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 1.79:1 which is still quite positive and has orders in hand of Rs. 952.789 million and orders in pipeline of Rs. 521.338 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 principal 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 representatives 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 predecessor 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 is 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 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 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 is 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, 2014, 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, 2014.

6. SHARE CAPITAL

	Dec 31, 2014	Jun 30, 2014
	------ (Rupees in '000) ------	
Authorized share capital:	(Un-Audited)	(Audited)
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

		Dec 31, 2014	Jun 30, 2014
		------ (Rupees in '000) ------	
		(Un-Audited)	(Audited)

6.1 State Engineering Corporation (Pvt.) Limited, an associated company, holds 1,415,723 (June 30, 2014: 1,415,723) ordinary shares of Rs.10/- each as at December 31, 2014.

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 9.3, 9.4 & 9.5) 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 most recent meeting held on 27 May 2014 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.

		Dec 31, 2014	Jun 30, 2014
		------ (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 predecessor auditors total liability of Rupees 1,843.100 million (June 30, 2014: Rupees 1,843.100 million) which includes principal loan liability of Rs. 612.923 million and markup of Rs. 1,230.177 million (refer note 9.3). 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 predecessor 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 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 Rupees 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 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 9.3) 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 predecessor 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, 2014	Jun 30, 2014
		------ (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 (June 30, 2104: Rupees 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 predecessor auditors, only the principal loan liability in respect of custom and other import duties of Rs. 86.984 million and Karachi Port Trust of Rs. 12.964 million along with markup / surcharge on custom duty of Rs. 202.624 million (refer note 9.4) vide letter dated January 28, 2011, whereas, in past Finance Division has never provided any such confirmation. However, since than the Finance Division has sent direct confirmations but did not confirm the liability in respect of any of the above loans nor did it claim any markup. However the Finance Division requested the auditors to confirm the said liabilities from FBR and Pakistan Railways and despite of confirmation requests and several reminders no confirmation in this respect was received by the auditors from FBR or Pakistan Railways.

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2014

		Dec 31, 2014	Jun 30, 2014
		------ (Rupees in '000) ------	
		(Un-Audited)	(Audited)
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 predecessor auditors principal loan liability of Rs.100.00 million and markup of Rs. 216.000 million (refer note 9.5) vide its letter dated July 23, 2014 for the year ended June 30, 2014. 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 and interest thereof, to confirm the contention of PECO and decision to be conveyed at its earliest.

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 predecessor auditors principal loan liability of Rs.309.00 million and markup of Rs. 381.200 million (refer note 9.5) vide its letter dated July 23, 2014 for the year ended June 30, 2014. 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 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 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.

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2014

		Dec 31, 2014	Jun 30, 2014
		------ (Rupees in '000) ------	
		(Un-Audited)	(Audited)
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 July 23, 2014 directly confirmed to the predecessor auditors total principal loan liability of Rs.787.442 million and interest of Rs. 1,969.365 million (refer note 9.5) for the year ended June 30, 2014. 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 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. SHORT TERM BORROWING - SECURED

From NBP Bank under markup arrangements - Secured:		
- Cash Finance	**108,351**	108,351

8.1 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 was renewed for adjustment till April 30, 2014. After the balance sheet date but before the authorization of condensed interim fiancial information, National Bank of Paksitan has renewed this bank facility.

9. CONTINGENCIES AND COMMITMENTS

Contingencies

9.1 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 (June 30, 2014: Rs. 2.517 million).

9.2 Guarantees of Rupees 265.087 million (June 30, 2014: Rupees 256.452 million) issued by the banks and insurance companies to different parties on behalf of the company.

9.3 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.

9.4 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.

9.5 The Finance Division vide its letter dated July 23, 2014, for the year ended June 30, 2014 has claimed an amount of Rs. 2,566.565 million in respect of markup payable on remaining Government of Pakistan Loans (Ref: Note 7.3.1, 7.4.1 & 7.5.1). 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.

9.6 The Company has filed an appeal before CIR (A) against the order of Additional Commissioner Inland Revenue (ACIR). The ACIR has passed an order under section 122 (5A) of the Income Tax Ordinance, 2001 for tax years 2008, 2009 and 2010 whereby a demand of Rs 180.649 million has been raised. No provision against the demand has been made in these financial statements as the Company is hopeful of a favourable outcome of appeal based on opinion of the legal advisor. Further, the company had also impugned selection of its tax affairs for amended assessment under section 122 (5A) of the Income Tax Ordinance, 2001 for tax year 2008 in Honourable Lahore High Court, Lahore through writ petition which in the opinion of the legal advisor will be decided in the company's favour.

9.7 The Sui Gas authorities have claimed an amount of Rupees 29.21 million (June 30, 2014: Rupees 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

9.8 Letters of credit for machinery, raw material and store items amounting to Rs.Nil (June 30, 2014: Nil).

	Dec 31, 2014	Jun 30, 2014
	------ (Rupees in '000) ------	
	(Un-Audited)	(Audited)
10. PROPERTY, PLANT AND EQUIPMENT		
Operating assets - at net book value	**8,593,514**	8,627,764
Capital work in progress - at cost	**2,340**	2,340
	8,595,854	8,630,104

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

		Dec 31, 2014	Jun 30, 2014
		------ (Rupees in '000) ------	
		(Un-Audited)	(Audited)
	DESCRIPTION		
	Opening net book value	**8,627,764**	8,660,311
	Additions / surplus during the period / year		
	Plant and machinery	-	6,724
	Office equipment	**50**	154
	Computers	**105**	97
	Tools	-	5
		155	6,980
	Disposals during the period / year		
	Plant and Machinery	**15,592**	-
		15,592	-
	Depreciation charged thereon	**18,813**	39,527
	Closing net book value	**8,593,514**	8,627,764
10.2	**Capital Work in Progress - at cost**		
	Civil Works	**2,239**	2,239
	Advances to suppliers	**101**	101
		2,340	2,340

10.3 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.

11. INVESTMENT PROPERTY

Opening net book value	**676**	712
Additions	-	-
Depreciation charged thereon	**17**	36
Closing net book value	**659**	676
	5%	5%

12. FREE HOLD 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 Rupees 2,894.655 million (June 30, 2014: Rupees 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 predecessor 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. The foregoing facts 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, 2014	Jun 30, 2014
	------ (Rupees in '000) ------	
	(Un-Audited)	(Audited)
Cash in hand	**1,440**	497
Cash with banks:		
Current accounts	**3,516**	2,804
Saving accounts	**5,972**	3,818
Escrow account	**32**	32
	9,520	6,654
	10,960	7,151

14. COST OF SALES

	Quarter ended 31 December		Six months ended 31 December	
	2014	2013	**2014**	2013
	------------- (Rupees in '000) -------------			
Raw material consumed	**96,294**	6,590	**216,839**	18,178
Stores and spares consumed	**23,834**	2,081	**39,597**	3,114
Salaries and wages (including all benefits)	**15,240**	11,478	**31,305**	21,600
Fuel and Power	**6,808**	4,528	**13,452**	6,609
Inspection Fee	**298**	-	**1,924**	15
Processing Charges	**-**	1,769	**-**	1,090
Service Charges	**1,565**	1,914	**2,503**	2,150
Repair & Maintenance	**131**	235	**425**	413
Insurance	**255**	246	**501**	492
Research and Development	**4**	-	**4**	-
Rent, Rates & Taxes	**603**	243	**863**	437
Traveling & conveyance	**72**	165	**209**	363
Printing & stationery	**220**	196	**265**	340
Postage & Telephone	**122**	69	**224**	130
Vehicle running Expenses	**548**	438	**1,206**	742
Other Expenses	**569**	151	**1,103**	249
Depreciation	**9,904**	9,990	**17,905**	18,384
	156,467	40,093	**328,325**	74,306
(Increase) in Work in Process Inventory	**(18,908)**	(3,437)	**(43,269)**	(15,553)
Cost of Goods Manufactured	**137,559**	36,656	**285,056**	58,753
Decrease in Finished Goods Inventory	**6,549**	3,722	**7,689**	6,137
	144,108	40,378	**292,745**	64,890

	Dec 31, 2014	Jun 30, 2014
	------ (Rupees in '000) ------	
	(Un-Audited)	(Audited)
15. TRANSACTIONS WITH RELATED PARTIES		
Transactions with related parties / associated undertakings are as under:		
State Engineering Corporation (Private) Limited (SEC)		
- Outstanding SEC Service Charges Paid	**1,500**	2,000
- Expenses payable	**343**	192
- Reimbursement of Expenses	**62**	297
Pakistan Machine Tool Factory		
- Receivable at the end of the period / year	**1,571**	1,571

15.1 Maximum amount due from the associated undertakings at the end of any month was of Rs. 1.571 million (30 June 2014: Rupees 1.571 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. RESTATEMENT OF ACCOUNTS

Recognition of investment property as disclosed in note 11 has been accounted for retrospectively in accordance with International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors", resulting in adjustment of prior year financial statement.

	As at 30 June 2014		
	As previously reported	Effect of restatement	As Restated
	-------- (Rupees in '000) --------		
Effect on Balance Sheet			
Decrease in property, plant and equipment	8,630,780	**(676)**	8,630,104
Increase investment property	-	**676**	676
Effect on Profit and Loss Account			
Decrease in administrative expenses	23,936	**(18)**	23,918
Increase other operating charges	268	**18**	286

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, 2014.

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 23, 2015.

19. 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, 2014 and the corresponding figures in the condensed interim 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 month period ended December 31, 2013.

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

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2014

Reclassification from component	Reclassification to component	Rupees in'000
Cost of Sales	Cost of Sales	
- Raw material consumed	- Processing charges	736
- Salaries and wages (including all benefits)	- Service charges	1,033

20. GENERAL

Figures have been rounded off to the nearest thousand rupee.

(Shafqat-ur-Rehman Ranjha)
(CHIEF EXECUTIVE)

(Muhammad Iqbal)
(DIRECTOR)