



Half Yearly Report
December 2024



PAKISTAN ENGINEERING COMPANY LIMITED



PAKISTAN ENGINEERING COMPANY LIMITED

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

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COMPANY INFORMATION

Board of Directors

Mr. Muhammad Asad Islam Mahni (Chairman)
Mr. Abdul Shabbir Khan Khattak
Mr. Malik Aman
Miss. Iffat Malik
Mr. Muhammad Arif Habib
Mirza Mahmood Ahmad
Mr. Rashid Ali Khan
Mr. Tahir Bashir Khan
Mr. Ansar Javed
Mr. Muhammad Abbas Mirza
Mr. Arslan Nayyer Sheikh
Miss. Saher Mangi

Board Audit & Risk Management Committee

Mr. Arslan Nayyer Sheikh (Chairman)
Mr. Ansar Javed
Mirza Mahmood Ahmad
Mr. Tahir Bashir Khan

CFO & Company Secretary

Mian Anwar Aziz

Head of Internal Audit

Naeem Anwar Qureshi

Auditors

M/s. Malik Haroon Ahmad & Company
Chartered Accountants

Bankers

National Bank of Pakistan
United Bank Limited
Summit Bank

Legal Advisor

Sardar Zulfiqar Umar Khan
Thaheem

Registered Office

6/7-Sir Ganga Ram Trust, Building,
Shahrah-e-Quaid-e-Azam, Lahore.
Phone: 042 37 32 0225
Phone: 042 35 12 0755
Fax No.: 042 37 32 3108
E-Mail: info@peco.com.pk
Website: <http://www.peco.com.pk>
Plant: Kot Lakhpat, Lahore

Share Registrar:

CDC Share Registrar Services Limited
CDC House, 99 -B, Block B, S.M.C.H.S,
Main Shahrah-e- Faisal,
Karachi. 74400.

DIRECTORS' REPORT To The Shareholders

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, 2024 and the Auditors' review report; after a lapse of two years.

GLOBAL STEEL SCENARIO AND PAKISTAN'S ECONOMY

Global steel prices remained volatile during the period due to fluctuations in raw material costs, aggressive Chinese exports, and geopolitical uncertainties, resulting in increased trade protectionism and pricing pressures across global markets. In response, steel producers focused on operational efficiencies, market diversification, and decarbonization initiatives to maintain competitiveness. Despite relatively stable industry fundamentals, risks associated with global overcapacity and trade barriers are expected to continue affecting the flat steel sector, while sustainable growth will depend upon effective capacity management, technological advancement, and demand expansion.

Pakistan's economy demonstrated gradual stabilization during FY 2025, supported by improving macroeconomic indicators and reform efforts. Real GDP grew by 2.68%, inflation declined significantly to 4.5%, and fiscal and external sector indicators improved, including a current account surplus of USD 2.1 billion driven by strong remittances and stable exports. Sectoral performance remained mixed, with moderate agricultural growth, industrial expansion, and growth in services led by IT and financial sectors. However, sustaining long-term economic growth will require continued structural reforms in human capital development, agriculture, exports, and institutional governance.

PERFORMANCE OUTLOOK

The Board of Directors of Pakistan Engineering Company (PECO) noted that governance disruptions and administrative challenges during 2018–2023 continued to adversely impact the Company's operational and financial performance during 2025. The Company continued to face operational disruptions, liquidity constraints, financial data gaps, reputational damage, and human resource challenges arising from prior mismanagement. Production activities could not be resumed due to damaged systems, deteriorated plant and machinery, disrupted supply chains, weakened vendor confidence, and shortage of working capital.

The Board remained focused on strengthening corporate governance, restoring statutory compliance, improving internal controls, and enhancing financial discipline while addressing legacy issues and rebuilding stakeholder confidence. Commercial operations remained suspended due to obsolete machinery, absence of capital support, shortage of skilled manpower, and defaults on obligations to financial institutions and suppliers, which further weakened operational capacity and market standing. The financial statements have been prepared using the most reliable records, financial data, and professional judgment available to management.

FINANCIAL PERFORMANCE

Due to continued operational stagnation, the Company achieved sales of Rs. 26.70 million during the period under review compared to Rs. 12.83 million in same period last year. Gross loss increased to Rs. 12.47 million from Rs. 7.50 million in same period last year. The entire sales during the period comprised scrap sales undertaken to generate cash flows for continuation of minimum operational activities.

PECO incurred a loss after taxation of Rs. 37.03 million compared to Rs. 56.70 million in same period last year. Consequently, loss per share improved to Rs. 6.51 as compared to Rs. 9.96 in same period last year.

COMMENTS ON DISCLAIMER OF OPINION IN AUDITOR'S REPORT

The comments on the basis of disclaimer of opinion by auditors are comprehensively discussed in Annual Report 2025 which will be issued in June 2026; along with this Directors' Review Report.

ACKNOWLEDGEMENT

The Board extends its sincere appreciation to the management and employees for their continued dedication and support during the challenging circumstances faced by the Company over the past eight years. The Board of Directors of PECO remains committed to extending full support to the Government of Pakistan through the Ministry of Industries and Production in resolving the issues confronting the Company. The Board also prays to Allah Almighty for the continued success and revival of the Company for the benefit of all stakeholders and the country at large.

For and on behalf of the Board

Abdul Shabbir Khan Khattak
Managing Director

Arslan Nayyer Sheikh
Director

June 06, 2026
Lahore

ڈائریکٹرز کی جائزہ رپورٹ

حصص داران کے نام

میں پاکستان انجینئرنگ کمپنی لمیٹڈ کے ڈائریکٹرز کی جانب سے، 31 دسمبر 2024 کو ختم ہونے والے ششماہی مدت کے لیے ڈائریکٹرز کی جائزہ رپورٹ، ششماہی مختصر عبوری مالی معلومات اور آڈیٹرز کی جائزہ رپورٹ دو سال کے وقفے کے بعد پیش کرتے ہوئے خوشی مسوں کر رہا ہوں۔

عالمی سٹیبل کا منظر نامہ اور پاکستان کی معیشت

اس مدت کے دوران عالمی سٹیبل کی قیمتوں میں اتار چڑھاؤ رہا، جو خام مال کی لاگت میں تغیرات، چینی برآمدات کی جارحانہ پالیسی اور جغرافیائی سیاسی غیر یقینی صورتحال کی وجہ سے تھا۔ اس سے عالمی منڈیوں میں تجارت کی حفاظتی اقدامات میں اضافہ اور قیمتوں پر دباؤ ڈھایا۔ اس کے جواب میں سٹیبل بنانے والوں نے عملی کارکردگی، منڈی کی تنوع اور کاربن سے نجات کے اقدامات پر توجہ مرکوز کی تاکہ مقابلہ کرنے کی صلاحیت برقرار رکھی جاسکے۔ اگرچہ صنعت کے بنیادی اصول نسبتاً مستحکم رہے، تاہم عالمی زیادہ صلاحیت اور تجارت کی رکاوٹوں سے وابستہ خطرات فلیٹ سٹیبل شعبے کو متاثر کرتے رہیں گے۔ پائیدار ترقی صلاحیت کے انتظام، تکنیکی ترقی اور طلب میں توسیع پر منحصر ہوگی۔

پاکستان کی معیشت نے مالی سال 2025 کے دوران تدریجی استحکام کا مظاہرہ کیا، جو بہتر معاشی اشاریوں اور اصلاحاتی کوششوں کی بدولت ممکن ہوا۔ حقیقی مجموعی گھریلو پیداوار میں 2.68 فیصد اضافہ ہوا، مہنگائی نمایاں طور پر کم ہو کر 4.5 فیصد رہ گئی، اور مالیاتی اور بیرونی شعبے کے اشاریوں میں بہتری آئی، بشمول 2.1 ارب امریکی ڈالر کا موجودہ اکاؤنٹ سرپلس جو تریسیات زرا اور مستحکم برآمدات کی وجہ سے حاصل ہوا۔ شعبہ جاتی کارکردگی مخلوط رہی، زراعت میں اعتدال پسند نمو، صنعت میں توسیع اور خدمات کے شعبے میں انفارمیشن ٹیکنالوجی اور مالیاتی شعبوں کی قیادت میں اضافہ ہوا۔ تاہم، طویل مدتی معاشی نمو کو برقرار رکھنے کے لیے انسانی سرمائے کی ترقی، زراعت، برآمدات اور ادارہ جاتی حکمرانی میں مسلسل ساختاری اصلاحات ضروری ہیں۔

کارکردگی کا جائزہ

پاکستان انجینئرنگ کمپنی کے بورڈ آف ڈائریکٹرز نے نوٹ کیا کہ 2018 سے 2023 کے دوران حکمرانی میں رکاوٹیں اور انتظامی چیلنجز نے کمپنی کی عملی اور مالی کارکردگی پر 2025 کے دوران بھی منفی اثر ڈالا۔ کمپنی کو عملی رکاوٹوں، لیکویڈیٹی کی پابندیوں، مالی ڈیٹا کی خامیوں، ساکھ کے نقصان اور انسانی وسائل کے چیلنجز کا سامنا کرنا پڑا جو پچھلی انتظامیہ کے غلط فیصلوں کی وجہ سے پیدا ہوئے۔ پیداواری سرگرمیاں دوبارہ شروع نہیں کی جاسکیں کیونکہ نظاموں کو نقصان پہنچا، پلانٹ اور مشینری خراب ہو چکی تھی، سپلائی چین متاثر ہوئے، فروشنده کا اعتماد کم ہوا اور گردش سرمایہ کی کمی رہی۔ بورڈ نے کارپوریٹ حکمرانی کو مضبوط بنانے، قانونی تعمیل بحال کرنے، اندرونی کنٹرول بہتر کرنے اور مالی نظم و ضبط کو بڑھانے پر توجہ مرکوز رکھی جبکہ پرانی مسائل حل کرنے اور حصص داران کے اعتماد کی بحالی کی کوشش کی۔ تجارتی کارروائیاں معطل رہیں کیونکہ مشینری فرسودہ ہو چکی تھی، سرمایہ کی معاونت کی عدم موجودگی، ہنرمند افرادی قوت کی کمی اور مالی اداروں اور سپلائرز کے ساتھ ذمہ داریوں کی خلاف ورزی کی وجہ سے عملی صلاحیت اور منڈی کی حیثیت مزید کمزور ہوئی۔ یہ مالیاتی گوشوارے کمپنی کے اہل پیشہ ورانہ افراد نے دستیاب ریکارڈز، مالی ڈیٹا اور پیشہ ورانہ فیصلوں کی بنیاد پر انتہائی درستی کے ساتھ تیار کئے ہیں۔

مالی کارکردگی

مستقل عملی تعطل کی وجہ سے کمپنی نے زیر جائزہ مدت کے دوران 26.70 ملین روپے کی فروخت حاصل کی جبکہ پچھلے سال کی اسی مدت میں 12.83 ملین روپے تھی۔ مجموعی نقصان بڑھ کر 12.47 ملین روپے ہو گیا جبکہ پچھلے سال اسی مدت میں 7.50 ملین روپے تھا۔ اس مدت کی تمام فروخت سکریپ کی فروخت پر مشتمل تھی جو کم سے کم عملی سرگرمیوں کے لیے نقد بہاؤ پیدا کرنے کے لیے کی گئی۔ کمپنی نے محصول کے بعد 37.03 ملین روپے کا نقصان اٹھایا جبکہ پچھلے سال کی اسی مدت میں 56.70 ملین روپے کا نقصان تھا۔ نتیجتاً، فی حصص نقصان بہتر ہو کر 6.51 روپے رہ گیا جبکہ پچھلے سال 9.96 روپے تھا۔

آڈیٹرز کی رپورٹ میں رائے سے دستبرداری پر تبصرہ

آڈیٹرز کی رپورٹ میں رائے سے دستبرداری کی وجوہات پر تبصرے سالانہ رپورٹ 2025 میں تفصیل سے بیان کئے گئے ہیں جو جون 2026 میں جاری کیا گیا ہے۔

اظہار تشکر

بورڈ تمام اسٹیک ہولڈرز، پرنسپل آفیسر، ملازمین اور حصص داران کا مشکل حالات میں ان کے تعاون کا شکریہ ادا کرتا ہے۔ اسٹیک ہولڈرز کے اعتماد اور اچھی ساکھ نے کمپنی کو اپنے مسائل پر قابو پانے میں مدد دی۔ پیکو کے بورڈ آف ڈائریکٹرز نے پاکستان انجینئرنگ کمپنی لمیٹڈ میں موجود مسائل کے حل کے لئے وزارت صنعت و پیداوار کے ذریعے حکومت پاکستان کو ہمیشہ مکمل تعاون فراہم کیا ہے۔

ہم کمپنی کی کامیابی، تمام اسٹیک ہولڈرز اور عام طور پر ملک کی فلاح و بہبود کے لئے اللہ تعالیٰ سے دعا کرتے رہتے ہیں۔

پیکو بورڈ کی طرف سے اور اس کی جانب سے

ارسلان نیر شیخ
ڈائریکٹر

عبدالشہیر خان خٹک
منجنگ ڈائریکٹر

06 جون 2026

لاہور

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Pakistan Engineering Company Limited

Report on Review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Pakistan Engineering Company Limited (the Company) as at 31 December, 2024 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows and notes to the condensed interim financial statements for the six-month period then ended 31 December 2024. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

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 Disclaimer of Conclusion

1. Following the management crisis from October 2018 till March 2023 and despite keeping all stakeholders on board during this period, the Company does not have any active business operations to maintain its going concern status. Additionally, as disclosed in Note 2 to the interim financial statements, the Company has incurred the loss before levy and taxation of Rs 33.127 million. Nevertheless, the interim financial statements have been prepared on a going concern basis.
2. We were unable to verify the valuation and existence of stores, spares and loose tools and stock in trade amounting to Rs. 11.094 million and Rs. 18.485 million respectively, as these items were purchased and manufactured several years ago. Consequently, we were unable to satisfy ourselves by alternative procedures regarding the cost and existence of inventory as at 31 December 2024.
3. We were unable to obtain audit evidence to verify long-term investments of Rs.0.819 million, advances of Rs. 36.791 million, and trade deposits, prepayments, and other receivables of Rs. 27.423 million.

4. We were unable to verify trade debtors amounting to Rs. 8.754 million. Additionally, we were unable to verify trade and other payables amounting to Rs. 278.791 million out of a total balance of Rs. 574.669 million.
5. The employee benefit liability has been calculated using the simplified approach, which contravenes IAS 19 guidelines that require the use of the projected unit credit method.
6. Unclaimed dividends amounting to Rs. 13.070 million have not been deposited with the Federal Government as required by Section 242 of the Companies Act 2017. We were unable to determine the potential penalty, which should have been recorded in the financial statements.
7. Notes 7 and 8.3 to 8.5 of the financial statements state that the management believes the Company is not liable to pay Rs. 131.454 million in principal loan liabilities and Rs. 8.413 billion in accrued interest as claimed by Government Authorities. We were unable to obtain sufficient audit evidence to verify these assertions.
8. Due to the matters noted above, we were unable to determine whether the deferred tax liability of Rs. 97.964 million has been appropriately accounted for in the financial statements.
9. As a result of above matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories, and other balances, and the elements making up the statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows.

We conducted our review in accordance with International Standards on Review Engagement (ISREs). We are independent of the Company in accordance with the ethical requirements that are relevant to our review of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Disclaimer of Conclusion

Because of the significance of the matter(s) described in the Basis for Disclaimer of Conclusion paragraph, we were unable to obtain sufficient appropriate evidence to form a conclusion on the accompanying interim financial information. Accordingly, we do not express a conclusion on the interim financial information of the entity as at December 31, 2024, and for the six-month period then ended, prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as applicable in Pakistan.



Other Matter

The figures of the unconsolidated interim statement of profit and loss and other comprehensive income for the three-month periods ended December 31, 2024 and December 31, 2023 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2024.

The engagement partner on the review resulting in this independent auditor's review report is Muhammad Nawaz, ACA.

Lahore
Date: June 8, 2026

Malik Haroon Ahmad & Co.
Chartered Accountant

UDIN: RR202410916Qa4Kt9bsi

PAKISTAN ENGINEERING COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024

Note	December 31, 2024	June 30, 2024
----- Rupees in "000" -----		
ASSETS		
NON - CURRENT ASSETS		
Property, plant and equipment	39,069,479	39,083,508
Investment property	395	405
Long term investment	819	819
Long term deposits	2,053	2,053
	39,072,746	39,086,784
CURRENT ASSETS		
Stores, spares and loose tools	11,094	11,094
Stock-in-trade	18,485	40,893
Short term investments	11	11
Trade debts - unsecured	8,754	8,754
Advances	36,791	37,227
Trade deposits, prepayments and other receivables	27,423	28,140
Tax refunds due from Government	131,797	134,672
Cash and bank balances	18,317	9,502
	252,672	270,293
Free hold land - held for sale	314,724	314,724
TOTAL ASSETS	39,640,142	39,671,801

The annexed notes from 1 to 19 form an integral part of this financial statements.

Abdul Shabir Khan Khattak
Managing Director

Mian Anwar Aziz
Chief Financial Officer

Arsalan Nayyar Sheikh
Director

PAKISTAN ENGINEERING COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024

Note	December 31, 2024	June 30, 2024
----- Rupees in "000" -----		
EQUITY AND LIABILITIES		
Share capital	56,902	56,902
Revenue reserve - general	10,000	10,000
Accumulated loss	(2,182,804)	(2,152,980)
Surplus on revaluation of fixed assets	39,091,767	39,098,970
	36,975,866	37,012,892
NON - CURRENT LIABILITIES		
Long term deposits	4,000	4,000
Deferred liabilities - net	121,815	118,252
	125,815	122,252
CURRENT LIABILITIES		
Trade and other payables	574,669	573,201
Unclaimed Dividend	13,070	13,070
Short term borrowing - secured	95,930	95,930
Accrued mark-up	52,561	52,561
Provision for taxation	11,382	11,048
	747,612	745,809
Liabilities directly associated with free hold land - held for sale	1,790,848	1,790,848
CONTINGENCIES AND COMMITMENTS		
	39,640,142	39,671,801

The annexed notes from 1 to 19 form an integral part of this financial statements.

Abdul Shabir Khan Khattak
Managing Director

Mian Anwar Aziz
Chief Financial Officer

Arsalan Nayyar Sheikh
Director

PAKISTAN ENGINEERING COMPANY LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2024

	Note	Six months ended		Quarter ended	
		December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
----- Rupees in thousand -----					
Sales - net		26,695	12,833	19,487	6,533
Cost of sales	12	(39,167)	(20,336)	(24,365)	(8,585)
Gross loss		(12,472)	(7,503)	(4,878)	(2,052)
Selling and distribution expenses		(2)	(2)	-	-
Freight and forwarding expenses		-	-	-	-
Administrative expenses		(21,020)	(23,059)	(9,319)	(12,324)
Other operating charges		(610)	(15,875)	(305)	(11)
		(21,632)	(38,936)	(9,624)	(12,335)
Other operating income		1,013	587	506	299
Operating loss		(33,091)	(45,852)	(13,996)	(14,088)
Finance cost		(36)	(6,678)	(21)	(3,339)
Loss before levies & taxation for the period		(33,127)	(52,530)	(14,017)	(17,427)
Levy		(334)	(160)	(244)	(82)
Loss before taxation		(33,461)	(52,690)	(14,261)	(17,508)
Taxation		(3,565)	(4,001)	1,203	1,260
Loss after taxation for the period		(37,026)	(56,691)	(13,058)	(16,249)
Earning Loss per share - basic and diluted - rupees	13	(6.51)	(9.96)	(2.29)	(2.86)

The annexed notes from 1 to 19 form an integral part of this financial statements.

Abdul Shabir Khan Khattak
Managing Director

Mian Anwar Aziz
Chief Financial Officer

Arslan Nayyar Sheikh
Director

PAKISTAN ENGINEERING COMPANY LIMITED
 CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2024

	Six months ended		Quarter ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
	----- Rupees in thousand -----			
Loss after taxation for the period	(37,026)	(56,691)	(13,058)	(16,249)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	(37,026)	(56,691)	(13,058)	(16,249)

The annexed notes from 1 to 19 form an integral part of this financial statements.

Abdul Shabir Khan Khattak
 Managing Director

Mian Anwar Aziz
 Chief Financial Officer

Arslan Nayyar Sheikh
 Director

PAKISTAN ENGINEERING COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2024

Issued, subscribed and paid-up capital	Revenue Reserve - General	Accumulated Loss	Surplus on revaluation of fixed asset	TOTAL	
----- Rupees in thousand -----					
Balance as at July 01, 2023 - (Audited)	56,902	10,000	(2,090,602)	14,409,234	12,385,534
- Loss for the period ended December 31, 2023	-	-	(56,691)	-	(56,691)
- Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	(56,691)	-	(56,691)
Surplus on revaluation of property, plant and equipment assets realized during the period on account of:					
- incremental depreciation - net off tax	-	-	7,203	(7,203)	-
Balance as at December 31, 2023 - (Un-audited)	56,902	10,000	(2,140,090)	14,402,031	12,328,843
Balance as at July 1, 2024	56,902	10,000	(2,152,980)	39,098,970	37,012,892
- Loss for the period ended December 31, 2024	-	-	(37,026)	-	(37,026)
- Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	(37,026)	-	(37,026)
Surplus on revaluation of property, plant and equipment assets realized during the period on account of:					
- incremental depreciation - net off tax	-	-	7,203	(7,203)	-
Balance as at December 31, 2024 (Un-audited)	56,902	10,000	(2,182,804)	39,091,767	36,975,866

The annexed notes from 1 to 19 form an integral part of this financial statements.

Abdul Shabir Khan Khattak
Managing Director

Mian Anwar Aziz
Chief Financial Officer

Arslan Nayyar Sheikh
Director

PAKISTAN ENGINEERING COMPANY LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2024

Note	December 31, 2024	December 31, 2023	
----- Rupees in thousand -----			
Cash generated from operations	14	9,566	160
Finance cost paid		(36)	(9)
Gratuity paid		-	-
Income tax paid		(692)	(10)
Workers' profit participation fund paid		-	-
Workers' welfare fund paid		-	(45)
Net cash generated from operating activities		8,838	97
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(23)	(283)
Net cash (used in)/generated from investing activities		(23)	(283)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowing		-	-
Net cash generated used in financing activities		-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		8,815	(186)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		9,502	15,040
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	18,317	14,854

The annexed notes from 1 to 19 form an integral part of this financial statements.

Abdul Shabir Khan Khattak
Managing Director

Mian Anwar Aziz
Chief Financial Officer

Arslan Nayyar Sheikh
Director

PAKISTAN ENGINEERING COMPANY LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2024

1 LEGAL STATUS AND OPERATIONS

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, Shakra-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.

2 GOING CONCERN ASSUMPTION

During the FY 2018-19, a management crisis unfolded as the managing director appointed by the Government of Pakistan debarred the Board of Directors and key management personnel of the Company to continue their official duties and assumed control of the Company's operations, and made futile efforts to run the business independently. This crisis continued until March 21st, 2023, when the Board and the key management personnel was reinstated. The Board of Directors and key management personnel of the Company made all efforts to apprise all the stakeholders, i.e., Government of Pakistan, Securities and Exchange Commission of Pakistan (SECP) and Pakistan Stock Exchange (PSX), about the crises from time-to-time. Since then, the Board and the key management personnel have been working to compile accurate financial information to prepare financial statements that reflect the true position of the Company's affairs. Due to this crisis during the year the Company incurred loss before levy and taxation of Rupees 33.127 million. The Board of directors of the Company is hopeful to successfully resume the operations of structure, pump/electric motor and foundry divisions in coming days. Accordingly, these financial statements are prepared on going concern basis.

Prior to this period, 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 of Pakistan. 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 interest has been received by Privatization Commission of Pakistan in this regard from many parties and management is confident that the transaction will be completed soon.

As per the recorded order of the Government of Pakistan, the principal liabilities payable towards the GoP will be settled only through sale proceeds of Badami Bagh Land, the value of which has been estimated at Rs. 10,386 million. This value is significantly greater than the value of principle Government liabilities payable which amount to Rs. 1,790.848 million in aggregate. Further, the markup claimed by the Government departments on these liabilities is strongly disputed as there was no mention of charging interest in any agreement or decision. Further, to resolve the issue of charging of markup on the GoP loans a committee is recommended to be constituted which should comprise of representative from Ministry of Finance, Ministry of Industries and Production, Privatization Commission and Board Members of PECO.

The Government of Pakistan (through SEC) is one of the major stakeholders has provided in past continued support to the company and expressed its commitment in order to maintain the going concern status of the company. 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 to Rs. 700 million.

PAKISTAN ENGINEERING COMPANY LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2024

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.

3 BASIS OF PREPARATION

3.1 Statement of compliance

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 237 of the Companies Act, 2017. It 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 Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the audited annual financial statements of the Company for the year ended June 30, 2024.

3.2 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.

3.3 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.

4 SUMMARY OF MATERIAL 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, 2024.

		(Un-audited) Dec 31, 2024	(Audited) Jun 30, 2024
(Rupees in thousand)			
5 LONG TERM DEPOSITS			
Security Deposits	5.1.1	4,000	4,000

5.1.1 These represents security deposits from dealers(Pump well Company, National Company and Cognitive Solutions) which , by virtue of agreement are interest free and used in company's business. These are repayable on cancellation of dealership contracts with dealers.

		(Un-audited) Dec 31, 2024	(Audited) Jun 30, 2024
(Rupees in thousand)			
6 SHORT TERM BORROWING - SECURED			
Loan from National Bank of Pakistan	6.1	24,374	24,374
Running Finance from National Bank of Pakistan	6.2	71,556	71,556
		95,930	95,930

PAKISTAN ENGINEERING COMPANY LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2024

- 6.1 The financing forms part of total credit facility available to the extent of Rs. 108.351 million. The loan carried markup @ 3 months KIBOR plus 2.50%. . This is secured against first charge of Rs. 73.128 million over movable fixed assets excluding land and building of the company. This long-term credit facility of the Company expired on December 31, 2019 and is overdue; accordingly, the outstanding balance has been classified as a current liability.
- 6.2 The financing forms part of total credit facility available to the extent of Rs. 75.0 million (2024: 75 million). The loan carries markup @ 3 months KIBOR plus 2.50%. The credit facility of the Company expired on December 31, 2018. This is secured against first charge of Rs. 100 million over current and movable fixed assets excluding land and building of the company.

7 LIABILITIES DIRECTLY ASSOCIATED WITH FREE HOLD LAND - HELD FOR SALE

Loan from Government of Pakistan - unsecured	7.1	<u>1,790,848</u>	1,790,848
7.1 Loan From Government Of Pakistan - Unsecured			
Privatization commission loan	7.2.1	481,469	481,469
Government escrow account	7.2.3	112,937	112,937
Other Government loan	7.2.5	100,000	100,000
Federal Government loan for compulsory	7.2.7	309,000	309,000
Federal Government bonds	7.2.9	787,442	787,442
		<u>1,309,379</u>	1,309,379
		<u>1,790,848</u>	1,790,848

- 7.2 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. 11) 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.

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 Rupees 10,386 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 8.3, 8.4 & 8.5) to condensed interim financial information.

PAKISTAN ENGINEERING COMPANY LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2024

During the period and in past as well the Privatization Commission and Finance Division sent a letter to the auditors in May 2025, claiming the 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 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 13 July 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.

PAKISTAN ENGINEERING COMPANY LIMITED
 SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
 FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2024

	(Un-audited) Dec 31, 2024	(Audited) Jun 30, 2024
(Rupees in thousand)		
7.2.1 <i>The break up of loan from Privatization Commission is as follows:</i>		
Loan for voluntary separation scheme	281,082	281,082
(VSS)/compulsory separation scheme (CSS) and		
Loan for shifting of machinery	75,819	75,819
Loan for energy bills and import duties	124,568	124,568
	481,469	481,469

7.2.2 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 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 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 8.3) 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.

	(Un-audited) Dec 31, 2024	(Audited) Jun 30, 2024
(Rupees in thousand)		
7.2.3 <i>The break up of Government Escrow account is as follows:</i>		
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

PAKISTAN ENGINEERING COMPANY LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2024

7.2.4 The company has not provided interest amounting to Rs. 41.989 million (accumulated Rs. 41.989 million) @ 14% for three years relating to custom and other import duties (2024: 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 and Karachi Port Trust of Rs.12.964 million along with markup / surcharge on custom duty of Rs. 2,703.822 million (refer note 8.4) was received by the auditors from customs or Pakistan Railways or port Trust.

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

Bank loans taken over	<u>100,000</u>	<u>100,000</u>
	<u>100,000</u>	<u>100,000</u>

7.2.6 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.

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

Loan for CSS	<u>309,000</u>	<u>309,000</u>
	<u>309,000</u>	<u>309,000</u>

7.2.8 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 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/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.

(Un-audited)	(Audited)
Dec 31, 2024	Jun 30, 2024
(Rupees in thousand)	

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

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

PAKISTAN ENGINEERING COMPANY LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2024

7.2.10 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 there on, 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.(Ref: Note 8.1)

8 CONTINGENCIES AND COMMITMENTS

Contingencies

- 8.1 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 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.(Ref: Note 7.2.10)
- 8.2 Guarantees of Rs. 225.811 million (June 30, 2024: Rs. 225.811 million) issued by the banks and insurance companies to different parties on behalf of the company.
- 8.3 The Privatization Commission through its confirmation dated May 12, 2026 for the year ended June 30, 2025 has claimed additional loan liability amounting to Rs. 131.454 million (Ref: Note 7.2.2) and mark up amounting to Rs. 2,066 million (2024: Rs. 1957). 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 did 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, however, remain 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.

PAKISTAN ENGINEERING COMPANY LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2024

- 8.4 The Finance Division vide its letter dated June 2, 2018 for the fiscal year 2018-19 has claimed an amount of Rs. 2,703.822 million in respect of surcharge payable on Custom & Other Import duties (Ref: Note. 7.2.4) . 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. During the period no, updated confirmation / correspondence has been received from privatization commission; the above figure could not been updated in financial statements. The management, however, remain 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.
- 8.5 The Finance Division vide its letter dated May 12, 2026, for the period ended June 30, 2025 has claimed an amount of Rs. 671.860 million in respect of addiional principal liability and Rs. 3,644 million in respect of markup payable on remaining Government of Pakistan Loans (Ref: Note 7.2.5, 7.2.7 & 7.2.9). 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.
- 8.6 The Company has filed various suits against Sui Northern Gas Pipeline (SNGPL) and Federation of Pakistan (FOP) through Ministry of Water and Power. Further, SNGPL has also filed a suit against the Company. These suits are presently pending adjudication before the Civil Court, Lahore. The management is vigilantly pursuing these cases. According to the opinion of legal advisor, the settlement of which is expected to result in an outflow from the entity of resources is amounting to Rs. 40 million has been provided for.
- 8.7 M.M Traders has also filed a suit (36037/16) against the Company. This suit is presently pending adjudication before the Civil Court, Lahore. According to the opinion of legal advisor, there is no likelihood of any unfavorable results or any financial losses in this case. The management is vigilantly pursuing this cases. Therefore, No contingent liability is needed to be recognized on this account.
- 8.8 Punjab employees social security institution (PESSI) has also filed various suits against the Company. These suits are presently pending adjudication before the Commissioner PESSI. The management is vigilantly pursuing these cases. According to the opinion of legal advisor, the settlement of which is expected to result in an outflow from the entity of resources is amounting to Rs. 7.69 million has been provided for.
- 8.9 FBR has filed a suit against the Company for recovery. This suit is presently pending adjudication before the Civil Court, Lahore respectively. The management is vigilantly pursuing the case. According to the opinion of legal advisor, the settlement of which is expected to result in an outflow from the entity of resources is amounting to Rs. 0.674 million has been provided for.
- 8.10 The Company initiated legal proceedings against Ishtiaq Steel Industry in 2021, seeking recovery of damages amounting to Rs 1.017 billion and compensation of Rs 500 million. The case remains pending as of the reporting date. Based on the opinion of the Company's legal counsel, management expects a favorable outcome. However, in accordance with prudence and applicable accounting standards, no receivable has been recognized in the financial statements, as the outcome of the case is contingent upon the final judgment of the court.

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- 8.11 The Company initiated legal proceedings against Al-Majeed Ibrahim Steel Industries (Private) Limited in 2021, seeking recovery of damages amounting to Rs 100 million and compensation of Rs 50 million. The case remains pending as of the reporting date. Based on the opinion of the Company's legal counsel, management expects a favorable outcome. However, in accordance with prudence and applicable accounting standards, no receivable has been recognized in the financial statements, as the outcome of the case is contingent upon the final judgment of the court.
- 8.12 The Company initiated legal proceedings against Inam Steel Re rolling Mills in 2021, seeking recovery of damages amounting to Rs 50 million. The case remains pending as of the reporting date. Based on the opinion of the Company's legal counsel, management expects a favorable outcome. However, in accordance with prudence and applicable accounting standards, no receivable has been recognized in the financial statements, as the outcome of the case is contingent upon the final judgment of the court.
- 8.13 The Company initiated legal proceedings against Anwar Traders in 2021, seeking recovery of damages amounting to Rs 30 million and compensation of Rs 20 million. The case remains pending as of the reporting date. Based on the opinion of the Company's legal counsel, management expects a favorable outcome. However, in accordance with prudence and applicable accounting standards, no receivable has been recognized in the financial statements, as the outcome of the case is contingent upon the final judgment of the court.
- 8.14 The Company initiated legal proceedings against Aarsal Enterprises in 2019 for the rendition of accounts. The case remains pending as of the reporting date. Based on the opinion of the Company's legal counsel, management expects a favorable outcome. However, in accordance with prudence and applicable accounting standards, no receivable has been recognized in the financial statements, as the outcome of the case is contingent upon the final judgment of the court.

Commitments

There are no commitments as at reporting date (2024:Nil).

		(Un-audited)	(Audited)
		Dec 31, 2024	Jun 30, 2024
(Rupees in thousand)			
9 PROPERTY, PLANT AND EQUIPMENT			
Operating assets - at net book value	9.1	<u>39,069,479</u>	<u>39,083,508</u>
9.1 Detail of additions and disposals at net book value along with depreciation charged during the period are as			
DESCRIPTION			
Opening net book value		39,083,508	14,412,071
Additions during the period/year			
Office equipment		23	283
Electric Equipments		-	974
		23	1,257
Adjustment for revaluation surplus/(loss)			
Freehold Land		-	24,708,500
Factory Building		-	99,439
Plant and machinery		-	(107,665)
		-	24,700,274
Disposals during the period/year			
Plant and machinery		-	-
Vehicles		-	-
		-	-
Depreciation charged thereon		14,052	30,094
Closing net book value		<u>39,069,479</u>	<u>39,083,508</u>

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	(Un-audited) Dec 31, 2024	(Audited) Jun 30, 2024
(Rupees in thousand)		
10 CASH AND BANK BALANCES		
Cash in hand	427	50
Cash with banks:		
-Current accounts	17,086	8,728
-Saving accounts	804	724
-Escrow account	-	-
	17,890	9,452
	18,317	9,502
(Rupees in thousand)		
11 FREE HOLD LAND - HELD FOR SALE	314,724	314,724

This represents land of 263 kanals and 3 marlas of Badami Bagh Works which has been closed down. The fair value of land, based on valuation carried out by an independent valuer on February 15, 2016 was estimated at 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 title documents of the land were handed over to the Privatization Commission for sale and proceeds to be utilized for settlement of outstanding Government liabilities (refer note. 7.2). 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 expressions 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 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 at 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 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 less cost to sell.

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 SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
 FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2024

	Six months ended		Quarter ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
-----Rupees in thousand-----				
12 COST OF SALES				
Raw material consumed	-	-	-	-
Stores and spares consumed	-	-	-	-
Salaries, wages and other benefits	-	-	-	-
Fuel and power	9	3,835	-	1,412
Traveling and conveyance	-	-	-	-
Postage, telegram and telephone	-	-	-	-
Printing, stationery and office supplies	-	-	-	-
Inspection fee	-	-	-	-
Processing and fabrication charges	-	-	-	-
Services and security charges	660	922	242	72
Rent, rates and taxes	3,047	1,450	1,246	72
Repair and maintenance	16	48	4	31
Insurance	-	-	(49)	-
Publication of tender documents	49	10	-	-
Entertainment	-	-	-	-
Vehicle running expenses	-	-	-	-
Other expenses	51	220	51	73
Depreciation	12,927	13,851	6,464	6,925
Manufacturing cost	16,759	20,336	7,958	8,584
Increase in work in process	-	-	-	-
Cost of goods manufactured	16,759	20,336	7,958	8,584
Decrease in finished goods	22,408	-	16,358	-
	39,167	20,336	24,316	8,584

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

	Six months ended		Quarter ended	
	December 2024	December 31, 2023	December 31, 2024	December 31, 2023
There is no dilutive effect on the basic earnings per share which is				
-Profit attributable to ordinary shareholders (Rs.)	(37,026,481)	(56,691,251)	(13,057,873)	(16,249,247)
-Weighted average number of ordinary shares	5,690,200	5,690,200	5,690,200	5,690,200
Earnings Loss per share (Rupees)	(6.51)	(9.96)	(2.29)	(2.86)

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 SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
 FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2024

	December 31, 2023	December 31, 2022
-----Rupees in thousand-----		
14 CASH GENERATED FROM OPERATIONS		
Loss before taxation	(33,127)	(52,530)
Adjustments for:		
- Depreciation	14,062	15,066
- Finance cost	36	6,678
- Provision for gratuity	-	-
- Interest on workers' profit participation fund	-	-
- Provision for worker's profit participation fund principle	-	-
Profit before working capital changes	(19,029)	(30,786)
- Working capital changes	14.1 28,595	30,946
	9,566	160
14.1 Working capital changes		
Decrease/(increase) in current assets:		
- stores, spares and loose tools	-	(10)
- stock in trade	22,408	(0)
- Trade debts	0	2,498
- Advances	436	267
- Trade deposits, prepayments and other receivables	717	(549)
- Sales tax refundable	3,566	(267)
	27,127	1,939
Increase in trade and other payables	1,468	29,007
	28,595	30,946
	(Un-audited)	(Audited)
	Dec 31, 2024	Jun 30, 2024
-----Rupees in thousand-----		
15 TRANSACTIONS AND BALANCES WITH RELATED PARTIES		
Transactions with related parties / associated undertakings are as under:		
<i>State Engineering Corporation (SEC)</i>		
- Reimbursement of expenses payable	151	151
<i>Muhammad Arif Habib (Director)</i>		
- Payable at the end of the period	12,970	12,970
<i>Rotocast Engineering (Private) Limited</i>		
- Payable at the end of the period	8,967	8,970
<i>Tahir Bashir Khan (Director)</i>		
- Opening balance	3,638	-
- Received during the year	-	3,938
- Paid during the year	(3,300)	(300)
- Payable at the end of the year	338	3,638

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 FINANCIAL INSTRUMENTS

The carrying values of the financial assets and financial liabilities as at December 31, 2024 and as at June 30, 2024 approximates their fair values except for Government of Pakistan loans as disclosed in note 7.1 to the financial

PAKISTAN ENGINEERING COMPANY LIMITED
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2024

17 DATE OF AUTHORIZATION

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

18 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, 2024 and the corresponding figures in the condensed interim statement of profit or 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

19 GENERAL

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

Abdul Shabir Khan Khattak
Managing Director

Mian Anwar Aziz
Chief Financial Officer

Arslan Nayyar Sheikh
Director