

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

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COMPANY INFORMATION**Board of Directors**

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

Board Audit & Risk Management Committee

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

Board Finance Committee

Mr. Rashid Ali Khan (Chairman)
Mr. Naeem Jan Khan
Mr. Liaqat Mohammad
Mr. Muhammad Iqbal

Board HR & Remuneration Committee

Mr. Ansar Javed (Chairman)
Syed Kaukab Mohyuddin
Mr. Naeem Jan Khan
Mr. Rashid Ali Khan

CFO & Company Secretary

Mian Anwar Aziz

Auditors

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

Bankers

National Bank of Pakistan
United Bank Limited
Summit Bank

Legal Advisor

Sardar Zulfiqar Umar Khan Thahim

Registered Office

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

Phones : 042 37 32 0225-7
Fax No. : 042 37 32 3108
E-Mail : info@peco.com.pk
Website : http://www.peco.com.pk
Plant : Kot Lakhpat
Lahore.

Share Registrar:

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



OUR PRODUCTS

PECO is playing a vital role in the manufacturing of qualitative engineering goods of international standard. Its products have earned reputation due to quality and reliability. PECO present products range includes the following:

- **Steel Structure**
 - Electricity Transmission & Distribution Line Towers. (11, 132, 220 & 500 Kv)
 - Telecommunication Towers (Green Field & Roof Top)
- **Pumps & Turbines**

PECO produces Mono Block & Non Clogging Pumps, Multi Stage Centrifugal Pumps, Deep Well & Agro Turbines of various capacities & heads as per requirements of the customers. PECO pumps range also includes Sludge Pumps and the Pumps utilized in Sugar & Chemical industries.
- **Electric Motors**

PECO manufactures following range of electric motors:

 - Horizontal Foot Mounted Motors in Drip Proof & T.E.F.C. Enclosures.
 - Flange Mounted Squirrel Cage Induction Motors.
 - Vertical Hollow Shaft Motors in Drip Proof & Totally Enclosed Fan Cooled Enclosures.
- **Safes, Strong Room Doors & Steel Lockers.**
 - Steel Safes – 30", 60", 72"
 - Strong Room Doors & Steel Lockers for Banks
- **Foundry Products.**
 - Grey & S.G. Iron Castings.
 - Bronze Castings.
 - Aluminum Alloy Castings.
- **Rolled Products**
 - Angles
 - Plain Bars
 - Deformed Bars (Grade 60 & 40)



Vision Statement

A sustainable growth oriented company and market leader in Steel Towers for Electricity Transmission and Telecommunication, Pumps & Electric Motors

Mission Statement

To replace the old machines & equipment with most modern, efficient machines leading towards automation. To produce quality products at higher efficiency and consistent quality with lower cost.

Corporate Strategy

To accomplish excellent results through increased earnings in the best interest of all stake holders. To be a responsible employer to take care of the employees in their career planning and reward.

Being a good corporate citizen, contributing to the development of society through harmony in all respects.

Quality Policy

We are committed to maintain our Customer's satisfaction by delivering the qualitative products and services in accordance with their needs and requirements. Customer's feed-back is continuously reviewed for quality improvement to have continued customer's confidence and trust in our products. Quality policy and objectives are reviewed on yearly basis.

OUR VALUES

1. The Company's Policy is to conduct business with honesty and integrity and to be Ethical in all its dealings showing respect for the interest of those with whom it has relationship.
2. The Company complies with all laws and regulations. All employees are expected to familiarize themselves with laws and regulations governing their individual areas of responsibility, and not to transgress them. In case of any doubt the employees are expected to seek necessary advice. The Company believes in fair competition and supports appropriate competition laws.
3. The Company does not support any political party nor contribute to the funds of groups whose activities promote party interests.
4. The Company is committed to provide services, which consistently offer, value in terms of price and quality and satisfy customer needs and expectations.
5. The Company is committed to run its business in an environment that is sound and sustainable. As a good corporate entity, the Company recognizes its social responsibilities and will endeavor to contribute to community activities as a whole.
6. The Company believes in and fully adheres to the principles of reliability and credibility in its financial reporting and in transparency of business transactions.
7. The Company is an equal opportunity employer. Its employee recruitment and promotional policies are free of any gender bias and are merit and excellence oriented. It believes in providing its employees safe and healthy working conditions and in maintaining good channels of communications.
8. The Company expects its employees to abide by certain personal ethics whereby Company information and assets are not used for any personal advantage or gain. Any conflict of interest should be avoided, where it exists it should be disclosed and guidance sought.

The Board of Directors has constituted the 'Board Audit & Risk Management Committee' to ensure compliance of above principles.

FINANCIAL HIGHLIGHTS

Rupees in million

	2018	2017	2016	2015	2014	2013
Trading Results						
Sales – Net	1,424.45	1,353.17	2,329.08	923.26	222.32	385.77
Cost of Sales	1,399.41	1,187.00	1,856.63	781.39	280.44	464.93
Gross Profit/(Loss)	25.04	166.17	472.44	141.87	(58.13)	(79.16)
Admn, Gen. & Selling Exp.	108.87	105.46	83.89	67.32	53.63	53.71
Other Operating Charges	1.03	6.44	46.76	2.10	0.87	0.81
Other Operating Income	3.45	23.33	4.65	11.88	5.21	6.67
Operating Profit/(Loss)	(81.41)	77.60	346.44	81.10	(107.42)	(127.00)
Financial Charges	17.56	17.07	15.36	17.52	16.95	26.48
Workers Profit Participation fund	-	3.30	17.78	3.23	-	-
Profit/(Loss) before Tax	(98.97)	60.53	331.08	63.58	(124.37)	(153.48)
Net Profit/(Loss) after Tax	(69.96)	66.74	219.49	45.27	(66.61)	(83.11)
Dividend						
Cash Dividend	-	-	-	-	-	-
Dividend Per Share (Rs.)	-	-	-	-	-	-
Financial Position						
Property, Plant and Equipment	14,558.75	14,555.17	14,564.50	8,588.62	8,630.10	8,663.36
Paid up Capital	56.90	56.90	56.90	56.90	56.90	56.90
Reserves	10.00	10.00	10.00	10.00	10.00	10.00
Fixed Capital Expenditure	41.61	37.50	23.74	22.37	6.98	23.19
Key Indicators						
Gross Profit Ratio	1.76	12.28	20.28	15.37	(26.15)	(20.52)
Operating Profit/(Loss) Ratio	(5.72)	5.73	14.87	8.78	(48.32)	(32.92)
Operation Expenses Ratio	7.64	7.79	3.60	7.29	24.12	13.92
Profit/(Loss) Before Tax Ratio	(6.95)	4.47	14.22	6.89	(55.94)	(39.79)
Net Profit/(Loss) Ratio	(4.91)	4.93	9.42	4.90	(29.96)	(21.54)
Earning Per Share	(12.29)	11.73	38.57	7.96	(11.71)	(14.61)
Working Capital Turnover	665.74	794.54	748.66	471.81	306.48	380.32
Current ratio	2.56	2.01	1.80	1.81	1.80	2.69
Quick ratio	1.35	1.23	1.39	0.88	0.60	1.26

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 69th Annual General Meeting of Pakistan Engineering Company Limited will be held at Hotel Ambassador, 7-Davis Road, Lahore, on Saturday, October 27, 2018 at 11.30 AM. to transact the following business:-

A) Ordinary Business

1. To confirm Minutes of 28th Extra Ordinary General Meeting held on April 9, 2018.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2018 together with the Auditors' and Directors' report thereon.
3. To appoint Company's auditors and to fix their remuneration. The board and the audit committee have recommended the appointment of M/s. EY Fordes Rhodes, Chartered Accountants as auditors of the Company in place of retiring auditors M/s Tariq Abdul Ghani Maqbool Chartered Accountants. Accordingly, the members are hereby given the notice as required under Section 246 (2) of the Companies Act, 2017 regarding appointment of an auditor other than the retiring auditors.

B) Special Business

4. To obtain consent of the shareholders in terms of S.R.O. 470(I)/2016 dated May 31, 2016 issued by Securities and Exchange Commission of Pakistan, for the transmission of the annual reports including annual audited accounts, notices of annual general meetings and other information contained therein of the Company either through CD or DVD or USB and to pass the following resolution as an Ordinary Resolution, with or without modification:

"Resolved that consent & approval of the members of Pakistan Engineering Company Limited (the "Company") be and is hereby accorded for transmission of annual reports including annual audited accounts, notices of annual general meetings and other information contained therein of the Company to the members for future years commencing from the year ending on June 30, 2019 through CD or DVD or USB instead of transmitting the same in hard copies.

Resolved Further that Chief Executive Officer or Company Secretary of the Company be and is hereby authorized to do all acts, deeds and things, take or cause to be taken all necessary actions to comply with all legal formalities and requirements and file necessary documents as may be necessary or incidental for the purposes of implementing this resolution"

C) Other Business

5. To transact any other business with the permission of the Chair.

September 27, 2018

BY ORDER OF THE BOARD
Mian Anwar Aziz
Company Secretary

NOTES:

1. The Share Transfer Books of the Company shall remain closed from October 19, 2018 to October 27, 2018 (Both days inclusive) and no transfer will be registered during that time. Transfers received in order at the office of the Registrar of the Company, M/s. Central Depository Company of Pakistan Limited (CDC), Mezzanine Floor, South Tower, LSE Plaza, 19- Khayban-e-Aiwan-e-Iqbal, Lahore at the close of business on October 18, 2018, will be treated in time.



2. A member entitled to attend and vote at this meeting is entitled to appoint any person as a proxy and vote on his/her behalf. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time of the meeting.

3. Any individual Beneficial Owner of the Central Depository Company (CDC), entitled to vote at this meeting must bring his/her Computerized National Identity Card (CNIC) or passport (in case of foreigner) along-with CDC account number to prove his/her identity and in case of proxy must enclose an attested copy of his/her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.

4. Members are requested to notify us immediately of any change in their registered address currently available with us.

5. The Registrar of the Company is, M/s. Central Depository Company of Pakistan Limited, Lahore.

6. Members who have not yet submitted photocopy of their Computerized National Identity Cards (CNIC) to the Company are requested to send the same by mail or fax at the earliest.

Unclaimed / Unpaid Shares and Dividends

In accordance with the provisions of Section 244 of the Act, any shares issued or dividend declared by the Company, which remain unclaimed or unpaid for a period of three years from the date it is due and payable, the Company shall give ninety days notices to the shareholders to file claim, if no claim is made before the Company by the shareholders, the Company shall proceed to deposit the unclaimed or unpaid Shares/Dividends with the Federal Government in compliance with the Section 244 of the Act.

In this regard, a Notice was sent by Registered AD due on the last known addresses of the shareholders to submit their claims within 90 days to the Company. In compliance of Section 244(1)(b) of the Act a Final Notice had also been published on September 19, 2018 in two daily newspapers i.e. (i) Business Recorder and (ii) Daily Dunya in English and Urdu respectively.

In case no claim is received within the given period from the aforesaid Notice, the Company shall proceed to deposit the unclaimed/unpaid amount with the Federal Government Pursuant to the provision of sub-section (2) of section 244 of the Act.

Transmission of Annual Financial Statements through E-Mail:

SECP vide SRO 787(1)/2014 dated September 8, 2014 has provided an option to receive audited financial statements electronically through email. Hence, members who hold shares in physical form and are interested in receiving the annual reports electronically in future are required to submit their e-mail addresses and consent for electronic transmission to the Shares Registrar of the Company. CDC shareholders are requested to submit their email address and consent directly to their broker (Participant)/CDC Investor Account Services.

In compliance with SECP notification No. 634(1)/2014 dated July 10, 2014, the audited financial statements and reports of the Company for year ended June 30, 2018 are being placed on the Company's website: www.peco.com.pk for the information and review of shareholders.

Statement under Section 134 (3) of the Companies Act 2017

Circulations of Annual Reports through CD/DVD/USB

Securities and Exchange Commission of Pakistan has vide S.R.O 470(I)/2016 dated 31 May 2016 allowed the companies to circulate the annual reports including annual audited accounts, notices of annual general meetings and other information contained therein of the Company to its members through CD/DVD/USB subject to consent of the shareholders in the general meeting. This will save time and expenses incurred on printing of the annual report.

The Directors of the Company in their meeting held on September 27, 2018 has recommended the transmission of Annual Audited Accounts to the members at their registered addresses instead of Hard copies, however, the Company shall supply the hard copies of the aforesaid document to the shareholders on demand, free of cost, within one week of such demand. After approval of the shareholders, the Company will place a Standard Request Form on its website to communicate their need of hard copies of the documents along with postal and email address of the Company Secretary/Share Registrar to whom such requests shall be made. The directors are not interested, directly or indirectly, in the above business except to the extent of their investment as has been detailed in the pattern of shareholding annexed to the Directors Report.

لا دعوٰی اور واجب الادا حصص اور تقسیم شدہ منافع

کمپنیز ایکٹ ۲۰۱۷ء کی شق ۲۳۳ کے تحت مقرر طریقہ کی تکمیل کے بعد تمام قابل ادائیگی تقسیم شدہ منافع جو اپنے اجراء کی مدت سے تین سال تک لا دعوٰی ہوں، وفاقی حکومت کے پاس جمع کرادیئے جائیں گے اور حصص کی صورت میں سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو پہنچادیئے جائیں۔
اس سلسلے میں ایک نوٹس منظور شدہ ڈاک کے ذریعے حصص یافتگان کو ان کے پتہ پر بھیجا دیا گیا تھا تا کہ وہ اپنا دعوٰی ۹۰ روز کے اندر داخل کریں۔ شق (ب) (۱) ۲۳۳ کے مطابق ایک حتمی نوٹس ۲۰۱۸ ستمبر ۱۹ کو بالترتیب دو روز ناموں میں چھپا تھا۔ مندرجہ بالا نوٹس میں دی گئی مدت میں اگر کوئی دعوٰی موصول نہ ہو تو کمپنی لا دعوٰی اور واجب الادا تقسیم شدہ منافع کو، وفاقی حکومت کے پاس، ایکٹ کی شق (۲) ۲۳۳ کے تحت، جمع کروانے کے اقدامات کرے گی۔

سالانہ مالیاتی گوشواروں کی بذریعہ ای میل ترسیل

ایس ای سی پی نے، اپنے اطلاع نامے ایس آر او نمبر (۱) ۸۷۷ء کے تحت ۲۳ ستمبر ۲۰۱۸ء کو کمپنیز ایکٹ ۲۰۱۷ء کی شق (۶) ۲۳۳ کے تحت، اراکین کو، سالانہ محاسب شدہ مالیاتی گوشوارے سمیت اطلاع برائے سالانہ اجلاس عام، ای میل کے ذریعے بھیجنے کی اجازت دی ہے۔ وہ اراکین جو سالانہ محاسب شدہ مالیاتی محاسب شدہ گوشوارے سمیت اطلاع برائے سالانہ اجلاس عام، ای میل کے ذریعے وصول کرنا چاہتے ہیں، ان سے گزارش ہے کہ وہ اپنے ای میل کا پتہ اور رضامندی اپنے بروکر یا سی ڈی سی کو جمع کروائیں۔
ایس ای سی بیک کے اطلاع نامے ایس آر او نمبر (۱) ۲۳۳ کے تحت ۲۳ جولائی ۲۰۱۸ء کے مطابق سالانہ مالیاتی گوشوارے اور کمپنی کی اطلاعات برائے سال ختمہ ۲۰۱۸ جون ۳۰ حصص یافتگان کے جائزے کیلئے کمپنی کی ویب سائٹ www.wpeco.com.pk پر دستیاب ہیں۔

کمپنیز ایکٹ ۲۰۱۷ء کی شق ۱۳۳ کے تحت بیان

ایس ای سی پی نے، اپنے اطلاع نامے ایس آر او نمبر (۱) ۷۰۷ء کے تحت ۲۳ ستمبر ۲۰۱۸ء کو کمپنیز ایکٹ ۲۰۱۷ء کی شق ۱۳۳ کے تحت، سالانہ محاسب شدہ حسابات، نوٹس برائے سالانہ اجلاس عام اور کمپنی کی دوسری معلومات حصص یافتگان کو ان کی منشاء کے مطابق بذریعہ سی ڈی یا ڈی وی ڈی یا ایو ایس پی بھیجی جائیں۔
کمپنی کے نظام، نے اپنے اجلاس، بتاریخ ستمبر ۲۰۱۸ء، میں سالانہ محاسب شدہ حسابات حصص یافتگان کو خواندنی نقول کی بجائے ان کے رجسٹرڈ پتے پر بھیجنے کی سفارش کی ہے، تاہم کمپنی حصص یافتگان کو سالانہ محاسب شدہ حسابات کی خواندنی نقول، مطالبے کے ساتھ دن کے اندر بلا معاوضہ فراہم کرے گی۔ کمپنی اپنی ویب سائٹ پر، حصص یافتگان کی منظوری کے بعد، معیاری درخواست فارم پیش کرے گی تا کہ کمپنی معتمد حصص یافتگان کو ان کی ضرورت کے مطابق دستاویزات کی خواندنی نقول فراہم کریں۔
ناظم بالواسطہ یا بلاواسطہ مندرجہ بالا کاروبار سے منسلک نہیں ماسوائے اس کے کہ ان کی سرماریہ کاری کی تفصیلات اطلاع نظام سے ملحقہ نمونے حصص یافتگی میں درج ہیں۔

اُنہتر (69) واں سالانہ اجلاس عام

بذریعہ نوٹس ہذا مطلع کیا جاتا ہے کہ پاکستان انجینئرنگ کمپنی لمیٹڈ کا اُنہتر (69) واں سالانہ اجلاس عام ۲۷ اکتوبر ۲۰۱۸ بروز ہفتہ کودن ۱۱:۳۰ بجے، ایمسڈر ہوٹل ڈیڑھ روڈ، لاہور پر منعقد ہوگا۔ جس میں مندرجہ ذیل امور طے کئے جائیں گے:

عام کاروبار

- (۱) ۱۹ اپریل ۲۰۱۸ کو منعقد ہونے والے ۲۷ ویں غیر معمولی اجلاس عام کی کارروائی کی منظوری
- (۲) ۳۰ جون ۲۰۱۸ کو ختم ہونے والے سال کے حساب شدہ حسابات، نظام اور محاسب کی اطلاعات کی وصولی، بحث اور منظوری۔
- (۳) موجودہ محاسب میسر طارق عبدالغنی مقبول اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ سکدوش ہو گئے ہیں اور سال ۲۰۱۸-۱۹ کے لئے، کمپنی ایکٹ ۲۰۱۷ کی شق ۲۳۶ کے تحت حصص یافتگان کی جانب سے میسرز ای واے نوڈرز اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ کی بطور محاسب تقرری کے لئے نوٹس موصول ہوئے ہیں۔ مجلس نظام اور آڈٹ کمیٹی نے بھی میسرز ای واے نوڈرز اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ کو سال ۲۰۱۸-۱۹ کیلئے، کمپنی کے محاسب تعینات کرنے کی سفارش کی ہے۔

خصوصی کاروبار

- (۴) ایس ای سی پی نے، اپنے اطلاع نامے ایس آر او نمبر (۱) ۲۷۰۰ بتاریخ ۳۱ مئی، ۲۰۱۶ کے مطابق سالانہ اطلاعات بشمول سالانہ محاسب شدہ حسابات، نوٹس برائے سالانہ اجلاس عام اور کمپنی کی دوسری معلومات حصص یافتگان کو بذریعہ ڈی ڈی یا ڈی ڈی یا یو ایس بی بھیجی جائیں اور اس زمرے میں درج ذیل قرارداد، ترمیم یا بغیر ترمیم کے عام قرارداد کے طور پر منظور کریں:
- "طی پایا ہے کہ سالانہ اطلاعات بشمول سالانہ محاسب شدہ حسابات، نوٹس برائے سالانہ اجلاس عام اور کمپنی کی دوسری معلومات حصص یافتگان کو خواندنی نقول کی بجائے بذریعہ ڈی ڈی یا ڈی ڈی یا یو ایس بی بھیجی جائیں۔"
- "یہ بھی طے پایا ہے کہ اس قرارداد پر عملدرآمد کیلئے تمام قانونی تقاضے پورے کرنے اور تمام کام انجام دینے کیلئے سربراہ اعلیٰ اور کمپنی ممبران کو مکمل اختیار ہے۔"
- (۵) میر مجلس کی اجازت سے دوسرے امور پر گفت و شنید۔

حساب اکرم مجلس نظام
میاں انور عزیز
کمپنی معتمد

۲۷ ستمبر ۲۰۱۸

لاہور

نوٹس:

- (۱) کمپنی کی حصص منتقلی کی کتابیں ۱۹ اکتوبر ۲۰۱۸ سے ۲۷ اکتوبر ۲۰۱۸ تک بند رہیں گی (بشمول دونوں دن) اور اس دوران حصص کی منتقلی نہیں کی جائے گی۔ وثیقہ حصص منتقلی ۱۸ اکتوبر ۲۰۱۸ تک کمپنی کے حصص رجسٹر اریٹرنل ڈیپازیری کمپنی آف پاکستان لمیٹڈ، میڈیاٹن فلور، ساؤتھ ٹاور، ایل ایس ای پلازہ، ۱۹ خیابان ایوان اقبال، لاہور پر کاروباری اوقات کار میں وصول ہو جانی چاہئیں۔
- (۲) ایسے ممبران جو اجلاس میں شرکت اور ووٹ ڈالنے کے اہل ہیں اپنی بجائے کسی اور شخص کا تقرر کر سکتے ہیں کہ وہ ان کی جگہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔
- (۳) اپنی جگہ کسی اور شخص کی اجلاس میں شرکت کے لئے فارم ہمارے رجسٹرڈ آفس مال روڈ لاہور میں اجلاس کے آغاز سے 48 گھنٹے قبل تک پہنچ جانے چاہئیں۔
- (۴) ایسے شہر ہولڈرز جن کے شہر رجسٹرڈ ڈپازیری سسٹم کے تحت ان کے کھاتے یا ڈی بی کھاتے میں رجسٹرڈ ہیں ان سے درخواست کی جاتی ہے کہ اپنے کھاتا نمبر اور اصلی شناختی کارڈ تصدیق کیلئے ساتھ لائیں۔ پراسی کی صورت میں شرکت کرنے والا اپنا شناختی کارڈ نمبر، کھاتا نمبر یا ڈی بی کھاتا نمبر اور اصل مالک کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ شکل ہمراہ لائے گا۔ کاروباری ممبر کا نمبر اندہ ہونے کی صورت میں وہ عمومی دستاویزات لانا ہوں گی جو ان مقاصد کیلئے ضروری ہوتی ہیں۔
- (۵) ممبران اپنے رجسٹرڈ پتے میں تبدیلی کی اطلاع فوراً کمپنی کو دیں۔
- (۶) کمپنی کے حصص رجسٹر اریٹرنل ڈپازیری کمپنی آف پاکستان لمیٹڈ ہے
- (۷) وہ اراکین جنہوں نے اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی کاپی کمپنی کو جمع نہیں کروائی، ان سے درخواست ہے کہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی کاپی کمپنی کو جمع کروادیں۔

CHAIRMAN'S REVIEW

It is my pleasure to present this report to the shareholders of the Company pertaining to the overall performance of the Board of Directors, its Committees and their effectiveness in guiding the Company towards accomplishing its aims, objectives and implementing a strong governance framework that supports an effective and prudent management of business matters, which is regarded as instrumental in achieving the long term success of the Company. The Board is constituted of the following competent and proficient leaders having immense experience in various domains of business world and public sector:

Government nominee

1. Syed Kaukab Mohuyuddin (Chairman)
2. Mr. Mairaj Anees Ariff (Chief Executive Officer)
3. Mr. Naeem Jan Khan

Elected director

4. Mr. Rashid Ali Khan
5. Muhammad Iqbal
6. Mr. Ansar Javed
7. Mr. Liaqat Muhammad
8. Mirza Mahmood Ahmad
9. Mr. Muhammad Arif Habib

During the course of the financial year 2017-2018, the Board of Director; and its Committees worked with a marked level of diligence and proficiency in guiding the Company towards achieving its best potential. The Board of Directors confirms that in their view Annual Report and the Financial Statements, taken as a whole, are fair, balanced and comprehensive.

During financial year 2017-2018, the Board met six times and during these meetings the Board strictly monitored the performance of its sub-committees. Comprehensive and effective meetings of the Board resulted in conducive decisions for the Company. Whereas, integration of all policies assimilating to company's mission and vision was ensured by the Board. In addition to it, the Board also ensures compliance with all applicable rules and best practices of the company. The Board also monitored the followings:

- Strategic Planning.
- Quality standard of its products.
- Effective steps towards maintenance of stable working capital for Company's operations.
- Compliance with best Corporate Practices and Good Governance.
- Stable and continual growth and areas of possible diversity.
- Upholding ethical behavior for a comprehensive corporate social responsibility.
- Development of skillful resources to attain advancement and excellence.

During the year, the Board recommended and approved among other things:

- Quarterly and annual financial statements;
- Committees reports, findings and recommendations;
- Appointment of external auditors;
- Restructuring of Committee to bring in line with the regulations

I would like to acknowledge the Board's members continued support and cooperation in maintaining high standards of excellence. I take this opportunity to thank our valued customers for the trust they continue to place in us, the management team for its sincere efforts, and all stakeholders - Bankers, Vendors, Associates and Shareholders for helping building PECO a unique public asset.

Ansar Javed
Elected Chairman
September 27, 2018
Lahore

میر مجلس کا جائزہ

مجھے کمپنی کے حصص یافتگان کو مجلسِ نظامہ اور اس کی ذیلی مجالس کی مجموعی کارکردگی اور کمپنی کے مقاصد کو حاصل کرنے میں ان کی موثریت سے متعلق یہ رپورٹ پیش کرنے کی خوشی ہے۔ ان کا کام ایک مضبوط نظم و ضبط نافذ کرنا ہے جو کاروباری معاملات کے موثر اور منطقی انتظام کی حمایت کرنا ہے، جو کمپنی کی طویل مدتی کامیابی حاصل کرنے میں کردار ادا کرتا ہے۔ مجلسِ نظامہ کاروباری دنیا اور عوامی شعبے کے مختلف دائرہ کار میں وسیع تجربے کے حامل مندرجہ ذیل قابل اور پیشہ ور رہنماؤں پر مشتمل ہے۔

حکومتی نامزد ناظم

سیو کو کبھی الدین صاحب

جناب معراج انیس عارف صاحب

جناب نعیم جان خان صاحب

منتخب ناظم

جناب راشد علی خان صاحب

جناب محمد اقبال صاحب

جناب آنصر جاوید صاحب

جناب لیاقت محمد صاحب

مرزا محمود احمد صاحب

جناب عارف حمید صاحب

سال ۲۰۱۸-۲۰۱۷ کے دوران مجلسِ نظامہ اور اس کی ذیلی مجالس نے کمپنی کی بہترین صلاحیت کو حاصل کرنے کے لیے نصاب اور مہارت کے ساتھ کام کیا۔ مجلسِ نظامہ اس بات کی تصدیق کرتی ہے کہ ان کی نظر میں سالانہ اطلاع اور مالی گوشوارے مجموعی طور پر منصفانہ، متوازن اور جامع ہیں۔

سال ۲۰۱۸-۲۰۱۷ کے دوران مجلسِ نظامہ چھ دفعہ منعقد ہوئی اور ان ملاقاتوں میں مجلسِ نظامہ نے اپنی ذیلی مجالس کی کارکردگی کا جائزہ لیا۔ مجلسِ نظامہ کے جامع اور موثر اجلاس میں کمپنی کے لیے سازگار فیصلے ہوئے۔ تاہم کمپنی کے مشن اور نقطہ نظر کو پورا کرنے کی تمام پالیسیوں کے انضمام کو مجلسِ نظامہ کے ذریعے یقینی بنایا گیا۔ مجلسِ نظامہ کمپنی کے تمام قابل اطلاق قوانین اور بہترین طور پر یقین کی تکمیل کو یقینی بناتا ہے۔ مجلسِ نظامہ نے ذیل بالا نگرانی کی:

- اسٹریٹجک منصوبہ بندی
- مصنوعات کا بہترین معیار
- کمپنی کے عملیات کے لئے کام کرنے کے مناسب سرمائے کا انتظام کیلئے موثر اقدام
- بہترین کاروباری نظم اور پیچھے نسی کی تعمیل
- گمناہ تنوع کے شعبوں میں مستحکم اور مسلسل ترقی
- جامع کاروباری سماجی ذمہ داری کیلئے اخلاقی رویے کو بڑھانا
- برتری و ترقی کیلئے مہارتی وسائل کی ترقی
- سال کے دوران مجلسِ نظامہ نے، دوسرے کاروبار کے علاوہ، ان کاروبار کے سفارش اور منظوری دی۔
- سماجی اور سالانہ مالیاتی گوشوارے
- ذیلی مجالس کی اطلاعات، نتائج اور سفارشات
- محاسب کی تقرری
- قوانین و ضوابط کے مطابق ذیلی مجالس کی تنظیم نو

میں برتری کے اعلیٰ معیار کو برقرار رکھنے پر مجلسِ نظامہ کے ممبران کی مسلسل حمایت اور تعاون کا اعتراف کرنا چاہتا ہوں۔ بیک وقت ایک منفرد دانش بنانے پر میں اپنے قابل قدر صارفین کا ان کے اعتماد، اختلاف میکانوں کی تخلص کاوشوں اور تمام شراکت داروں بشمول بنگلز، ہنسلک کمپنیوں اور حصص یافتگان کا شکر ادا کرتا ہوں۔

آنصر جاوید

منتخب کردہ میر مجلس

لاہور: ستمبر ۲۰۱۸ء



DIRECTORS' REPORT To The Shareholders

The Directors of Pakistan Engineering Company Limited are pleased to present the 69th Annual Report accompanied by the audited financial statements for the year ended June 30, 2018.

GLOBAL STEEL SCENERIO AND PAKISTAN ECONOMY

World crude steel production touched 1.69 billion metric tons during the year, whereas the demand grew by 1.8% compared to last year.

Despite the political situation, the country's economy maintained the growth momentum and achieved GDP growth of 5.8%. The reasons beneath the persistent growth remained the same including improved energy supply, investment related to the China-Pakistan Economic Corridor and strong credit growth. However, the projection for 2019 will moderate to 4.7% due to macroeconomic vulnerabilities and domestic policy slippages.

Industrial sector recorded a growth of 5.80% as compared to 5.02% last year. Large Scale Manufacturing (LSM) recorded a growth of 6.13% against 5.10% last year. This is the highest growth percentage in last ten years. The construction sector continued to raise its share in GDP to 2.74% from last year's 2.65% supporting other allied industries including the steel industry.

PERFORMANCE OUTLOOK

Current year was very challenging in which acute increase in raw material prices, dollar rupee parity and intense competition from foreign competitors eroded the profits of Company during this year. The Company took new challenges and the development of new prototype of 500kV will prove to be an important milestone in lifting sales volumes of the Company. The Company will continue to consolidate and leverage its market by pursuing the product/market development/penetration strategies.

The Board of directors and management has made efforts to improve the sales orders/credit recovery, expedite production, reduction in expenses and updating technological base. The outcome of such efforts led the Company to have uniformity in its profitable operations.

The business of electricity transmission towers, in Pakistan, is getting significantly competitive due to entry of foreign companies in this business and due to this fact, PECO's relative comfort in winning tenders has become tenuous and unpredictable. The Company is, however, gearing up to meet the challenges in terms of technical capability, manufacturing capacity, stringent competition and market acceptance of its products.

In view of increased business, the Company enhanced its credit ceiling from Ministry of Finance (MoF) to Rs. 1,000 million.

FINANCIAL PERFORMANCE

Despite the volatile global alloys prices, uncertainty in dollar rate parity, low margin in new orders and competition from foreign competitors, the Company was able to achieve sales and gross profit during the year under review at Rs. 1,424 million and Rs. 25.04 million as compared to sales and gross profit of Rs. 1,353 million and Rs. 166.17 million respectively during the year 2017.

In order to manage competition, the Management revised its strategy and decided to increase its volume by lowering its profit margin. The gross profit accordingly dwindled to 1.76% of net sales compared to 12.28% of last year. The operating expenses of the Company remained within the limits.



Overall, PECO incurred a loss after taxation of Rs. 69.96 million compared to last year profit after taxation of Rs. 66.74 million. The major reasons of loss are increase in raw material costs especially Zinc and Steel rolled products by 28.61% and 30.56% respectively. Resultantly, there is a loss per share of Rs. 12.29 as compared to last year's earnings per share of Rs. 11.73.

CONTRIBUTION TO NATIONAL EXCHEQUER AND THE ECONOMY

Your Company made a contribution of Rs. 228.05 million (June 30, 2017: Rs. 256.28 million) to the national exchequer during the year on account of income tax, sales tax, and other levies.

FINANCIAL RESULTS AND APPROPRIATIONS

	YEAR ENDED 30.06.2018	YEAR ENDED 30.06.2017
	---Rupees in thousand---	
(Loss)/Profit before Taxation	(98,973)	60,527
Taxation	29,017	6,212
(Loss)/Profit after Taxation	(69,956)	66,739
Appropriations:		
(Loss)/Profit for the year	(69,956)	66,739
Remeasurement of retirement benefit plan	877	2,239
Transfer from "Surplus on Revaluation of Fixed Assets"	17,706	18,375
Adjustment for change in tax rate	4,981	5,323
(Loss)/Profit carried forward to accumulated loss	(46,392)	92,676

OPERATING & FINANCIAL DATA

Operating and Financial data and key ratios of the Company for the last six years are annexed.

GRATUITY SCHEME

The Company provides retirement benefit to its employees. This includes a non-contributory defined benefit Gratuity Scheme for all employees.

The value of the Gratuity Scheme at the year-end was Rs. 21.20 million (June 30, 2017: Rs. 15.25 million), valued by the firm of Consulting Actuaries.

BOARD'S COMPOSITION, ELECTIONS, REMUNERATION AND MEETINGS

The Board comprises of one Executive, three non-executive and five independent directors. Composition of the Board and the names of Members of Board Sub-Committees may be referred at Page 02.

The present Government nominated directors are Mr. Mairaj Anees Ariff, Syed Kaukab Mohyuddin and Mr. Naeem Jan Khan.

Furthermore, the Board of Directors have a formal policy and transparent procedures for remuneration of its Directors in accordance with the Companies Act 2017 and the Listed Companies (Code of Corporate Governance) Regulations 2017. During the year 2017-18, six (06) meetings of the Board were held. The attendance of the Board members was as follows:

Syed Kuakab Mohyuddin	6
Mr. Arif Ibrahim	3
Mr. Mairaj Anees Ariff	6
Mr. Ghulam Dastgir Khan Baloch	1
Mr. Naeem Jan Khan	-
Mr. Arif Habib	5
Mr. Liaqat Mohammad	6
Mr. Rashid Ali Khan	5
Mirza Mahmood Ahmad	5
Mr. M. Iqbal	6
Mr. Ansar Javed	6

Those Directors, who have not attended the required number of meetings, have applied for leave of absence which was duly granted by the Board.

During the year 2017-18, fresh election of the Directors of the Company was held on April 09, 2018 and the entire Board has been re-elected for the next term of three years effective April 09, 2018. No change is made in the Board of Directors of the Company as all previous directors are re-elected unopposed.

The Board wishes to place on record its appreciation of the services rendered by its members during their last term and expect them to continue providing valuable guidance and making positive contribution in the future.

Syed Kaukab Mohyuddin has been appointed as the Chairman of the Board of Directors and Mr. Mairaj Anees Ariff reassigned to the office of Chief Executive Officer of the Company on April 28, 2018, in accordance with Company's policies and rules of service.

During the year 2017-18, Government of Pakistan had nominated Mr. Ghulam Dastgir Khan Baloch as non-executive director in place of Mr. Arif Ibrahim but thereafter, Mr. Naeem Jan Khan, had nominated as non-executive director in place of Mr. Ghulam Dastgir Khan Baloch. The Board wishes to place on record its appreciation of the valuable services rendered by Mr. Arif Ibrahim.

PATTERN OF SHAREHOLDING AND SHARES TRADED

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately.

No trading in the shares of the Company was carried out by the Directors, the Chief Executive Officer and the Company Secretary and their spouses and minor children during the year under review.

EARNINGS PER SHARE

There is a loss per share of Rs. 12.29 as compared to last year's earnings per share of Rs. 11.73.

AUDITORS

Messrs. Tariq Abdul Ghani Maqbool & Co. Chartered Accountants retire and in their place the company received notices under section 246 of the Companies Act, 2017 from shareholders for appointing Messrs. EY Ford Rhodes & Co. Chartered Accountants as Auditor for the year ending on 30 June 2019. The Audit

Committee and the Board of Directors have also recommended to appoint Messrs. EY Ford Rhodes & Co. Chartered Accountants as the Auditor for the year 2018-2019.

EY Ford Rhodes has been given a satisfactory under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by ICAP. The auditors have indicated their willingness to continue as auditors.

COMMENTS ON EMPHASIS OF MATTER PARAGRAPH IN AUDITOR'S REPORT

i. Mutation of land

This represents land of 263 kanals and 3 marlas of Badami Bagh Works which has been valued by an independent consultant 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. Since then till date the land has been offered for sale various times by the Privatization Commission of Pakistan. 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. 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.

ii. Settlement of GoP/PC Loans against proceeds of Badami Bagh Land

The issue of Government of Pakistan and Privatization Commission Loans has been discussed with representatives of GoP, PC and MoF. As a result of various meetings, the principal loan except Rs. 131.454 million (being the additional gratuity paid by Privatization Commission at its own) has been reconciled.

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 4,605.13 million and it is in excess of the amount being claimed by GoP from PECO. The Board of Directors (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.

SUBSEQUENT EVENTS

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this Balance Sheet relates and the date of the Directors' report.

STATEMENT ON CORPORATE FINANCIAL REPORTING FRAME WORK

The Company has complied with all the requirements of the code of Corporate Governance by the listing regulations.

Accordingly the Directors are pleased to confirm the following:

i. The financial statements together with the notes thereon have been drawn up in conformity with Companies Act, 2017. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.

ii. Proper books of accounts of the Company have been maintained.

- iii. Appropriate accounting policies have been consistently applied in the preparation of financial statements which conform to the International Accounting Standards as applicable in Pakistan. The accounting estimates, wherever required are based on reasonable and prudent judgment.
- iv. International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- v. The system of internal control is sound in design and has been effectively implemented and monitored and is being continuously reviewed by the internal audit function.
- vi. There are no significant doubts upon the Company's ability to continue as a going concern.
- vii. There has been no material departure from the best practices of Corporate Governance, as required by the listing regulations.
- viii. The key operating and financial data for the last six years is annexed.

AUDIT AND RISK MANAGEMENT COMMITTEE

Audit and Risk Management Committee was established by the Board to assist the directors in discharging their responsibilities, Corporate Governance, Financial Reporting and Corporate Control. The Committee consists of four members where all members including Chairman of the Committee are Independent directors.

The Board Audit and Risk Management Committee is responsible for reviewing reports of the company's financial results, audit and adherence to standards of the system of management controls. The Committee reviews the procedures, ensures their independence with respect to the services performed for the Company and makes recommendations to the Board of Directors.

The Audit and Risk Management Committee held five meetings during the year under review, each before the Board of Directors meeting to review the financial statements, internal audit reports and compliance of the Corporate Governance requirements. These meetings included meeting with external auditors before and after completion of audit and other statutory meetings as required by the Code of Corporate Governance.

The present constitution of the Committee is as under:

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

DIRECTORS TRAINING PROGRAM

The Board of Directors of the Company consist of 09 eminent directors, where directors are certified under the Directors Training Program as per Regulation 20 of the Listed Companies (Code of Corporate Governance) Regulations, 2017.

CODE OF CONDUCT

In order to put in place professional standards and corporate values for promotion of integrity of the Board, senior management and other employees, the Board has approved and disseminated a Code of Conduct, defining therein acceptable and unacceptable behaviors. The same has been placed on the Company's Website.

NUMBER OF EMPLOYEES

The Company continued its operations with an optimal headcount. The headcount as on June 30, 2018 were 395 compared to 366 of last year.

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Human Resource and Remuneration Committee was established by the Board to assist the Directors in discharging their responsibilities with regard to selection, evaluation, compensation and career planning of key management personnel. It is also involved in recommending improvements in Company's human resource policies and procedures and their periodic review.

The Board of Directors in its 196th meeting held on February 21, 2018 resolved to reform Board HR and Remuneration Committee and also resolved to include Mr. Ansar Javed and Mr. Naeem Jan Khan in place of Mr. Muhammad Iqbal and Mr. Arif Ibrahim, as a member in HR & Remuneration Committee. Mr. Ansar Javed also assumed the charge of Chairman Board's HR & Remuneration Committee.

FINANCE COMMITTEE

The objective of the Committee is to set treasury related policies within the overall policy framework established by the Board. The formation of this committee does not impair or limit the management of day to day treasury operations and routine activities. Any deviation arising due to special circumstances or financial market behavior shall be placed in subsequent Board's meeting for ratification. The Committee shall aim to meet each quarter but it is required that a majority of the Committee members shall meet at least two times each financial year and also at other times as the Chairman of the Committee shall require.

The Board of Directors in its 196th meeting held on February 21, 2018 resolved to reform Board Finance Committee and also resolved to include Mr. Muhammad Iqbal, Independent director as a member in Finance Committee. After this inclusion, the Committee consists of four members. Three members of the Committee are Independent directors and the other member is a non-executive director.

RELATED PARTY TRANSACTIONS

The Company has continued to present the details of all related party transactions before the Audit Committee and upon their recommendation to the Board for review and approval. The definition of related party used is in accordance with repealed Companies Ordinance, 1984 and applicable financial reporting frame work as the regulations under Section 208 of the Companies Act, 2017 have not yet been announced.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Stock Exchanges in their Listing Regulations, relevant for the year ended June 30, 2018 have been duly complied with. A statement to this effect is annexed with the report.

WEB PRESENCE

Company's periodic financial statements for the current financial year including annual reports for the last three years are available on the Company's website www.peco.com.pk for information of the investors. Communication with the shareholders is given high priority. Complete information about the Management, Products, Policies, Annual, Half Yearly and Quarterly Accounts are placed on the website as per directives of SECP.

HEALTH, SAFETY AND ENVIRONMENT

Company believes in and is fully committed to improve Health, Safety and Environment standards to achieve sustainable HSE performance. Process Safety & Behavior Based Safety across the organization is enhanced through System integrated with the company's organization scheme and the Company is on track of continuous improvement with focus to achieve & sustain leading levels.

The Company has formulated a firm succession plan which includes performance evaluation and appropriate training requirements for development of potential future leaders.

OUTSTANDING STATUTORY DUES

Detail of outstanding statutory dues is given in Note no. 10 to the Accounts.

QUALITY CONTROL

To ensure implementation of the Management System, Internal Quality Audits, Surveillance Audits, Management Review Meetings are conducted regularly. The Company is also certified for ISO 9001: 2008 (Environmental Management System).

BUSINESS PLANS AND ACHIEVEMENT OF TARGETS

Short medium and long term targets are set by the Board. Management endeavors to achieve those through better planning, concerted efforts and hard work. Each year a comprehensive business plan is chalked out and duly approved by the Board. The management believes that based on orders in hand, expansion in production and marketing facilities, the Company will operate as a "Going Concern" till indefinite period, Insha'Allah.

SIGNING OF DIRECTORS' REPORT

This directors' report has been approved by the Board of Directors and signed by two directors instead of chief executive and one director, as the chief executive has neither attended nor applied for leave of absence from 198th meeting of Board of Directors held on September 27, 2018. The Company Secretary fulfilled all statutory requirements for convening 198th Board's meeting called for approval of these financial statements.

ACKNOWLEDGEMENT

The Board would like to thank all of their stakeholders, employees, customers, suppliers, shareholders, bankers and any others for their support and loyalty. Such support is required to not only meet normal commercial challenges but also those posed by security Issues and tough economic conditions. The confidence and goodwill of the stakeholders has allowed the Company to sustain and grow over the years.

We continue to pray to Allah for the success of the Company and for the benefit of all stakeholders, and the country in general.

For and on Behalf of the Board

Ansar Javed
Director

September 27, 2018
Lahore

Muhammad Iqbal
Director

میں تین آزاد اور ایک غیر قابل کنندہ ناظم شامل ہیں۔

متعلقہ جماعت کے ساتھ لیٹن دین

کئی متعلقہ جماعت کے ساتھ لیٹن دین کو مجلس برائے محاسب و خطرہ انتظام کے سامنے پیش کرتی ہے جو مجلس نظام، مجلس برائے محاسب و خطرہ انتظام کی سفارشات پر جائزے کے بعد منظور کرتی ہے۔ اس کے ساتھ قیوتوں کے تعین کے طریقہ کار کا جائزہ بھی لیا جاتا ہے۔

تعمیلی بیان برائے ضابطے کاروباری نظم و نسق

سال ختم ۳۰ جون ۲۰۱۸ کیلئے، بازار حصص کی فہرست ضوابط میں شامل ضابطہ برائے کاروباری نظم و نسق کی تعمیل کی گئی ہے۔ متعلقہ بیان اس اطلاع میں شامل کیا گیا ہے۔

ویب پر موجودگی

سرماہ داروں کی معلومات کیلئے رواں مالی سال کے مالیاتی گوشوارے، گزشتہ تین سالوں کی سالانہ رپورٹ کے ساتھ، کمپنی کی ویب سائٹ www.peco.com.pk پر دستیاب ہیں۔ حصص یافتگان کے ساتھ رابطہ کو اہمیت دی جاتی ہے۔ ایس ای سی پی کی ہدایات کے مطابق منتظمین، مصنوعات، طریقہ کار، سالانہ نصف سالانہ اور ماہی حسابات کی مکمل معلومات کمپنی کی ویب سائٹ پر موجود ہیں۔

صحت، حفاظت اور ماحول

کمپنی پائیدار ترقی اور ایس ای سی پی کی کارکردگی کو حاصل کرنے کیلئے صحت، حفاظت اور ماحول کے معیار کو بہتر بنانے کے عزم پر یقین رکھتی ہے۔ حفاظتی قواعد و ضوابط کے معیار پر سختی سے کاربند ہے اور ماحول دوست طریقہ کار پر بھی عمل کرتی ہے۔

واجب اور قانونی بقایا جات

واجب اور قانونی بقایا جات کی تفصیل حسابات کے حصہ نمبر ۸ میں موجود ہیں۔

انضباط معیار

انتظامی نظام، داخلی معیار، حساب اور گرامی حسابات کو یقینی بنانے کیلئے، انتظامیہ کے جائزہ اجلاس باقاعدگی سے منعقد کیے جاتے ہیں۔ آئی ایس او ۲۰۰۸:۲۰۰۸ (ماحولیات کے انتظامی نظام) سے تصدیق شدہ ہے۔

کاروباری منصوبے اور اہداف کا حصول

مجلس نظام نے مختصر، درمیانے اور طویل مدتی اہداف مقرر کئے ہیں۔ انتظامیہ بہتر منصوبہ بندی، اجتماعی کوششوں اور سخت محنت کے ذریعے ان اہداف کو حاصل کرنے کی کوشش کرتی ہے۔ ہر سال مجلس نظام ایک جامع کاروباری منصوبے پر غور کر کے منظور کرتی ہے۔ انتظامیہ موجودہ ٹھیکوں، پیداوار اور کاروباری منڈی کی سہولیات میں توسیع کی بنیاد پر کمپنی کو، انشاء اللہ، غیر معینہ مدت تک "چلتا ہوا کاروباری ادارہ" ہونے پر یقین رکھتی ہے۔

اطلاعات نظام پر دستخط

مجلس نظام نے اس اطلاع کی منظوری اپنے ۱۹۸ ویں اجلاس میں دی اور یہ اطلاع سربراہ اعلیٰ اور ایک ناظم کی بجائے دو آزاد اہلکاروں کی دستخط شدہ ہے کیونکہ سربراہ اعلیٰ نے اجلاس میں شرکت کی اور نہ ہی ۲۷ ستمبر ۲۰۱۸ کو ہونے والے اجلاس سے غیر حاضری کی درخواست دی۔ کمپنی معتمد نے ۱۹۸ ویں اجلاس نظام کے اجلاس کو بلائے کیلئے تمام قانونی ضروریات کو پورا کیا اور یہ اجلاس مالیاتی گوشواروں کی منظوری کیلئے بلا یا گیا تھا۔

اظہار تشکر

مجلس نظام، تمام کاروباری شراکت داروں، ملازمین، حصص یافتگان، بینکار اور رجمن افراد یا اداروں نے ہم سے تعاون کیا اور سرپرستی کی، سب کا شکریہ ادا کرتا ہے۔ یہ تعاون نہ صرف عام تجارتی لکار کے مقابلے کیلئے ضروری ہوتا ہے بلکہ سیکورٹی کے مسائل اور سخت معاشی حالات میں بھی اہم کردار ادا کرتا ہے۔ کاروباری شراکت داروں کے اعتماد اور نیک خواہشات نے ہی کمپنی کو، برسوں میں، ترقی دینے اور برقرار رکھنے میں مدد دی ہے۔ ہم اللہ تعالیٰ سے ہمیشہ آپ کی کمپنی، تمام کاروباری شراکت داروں اور اس ملک کی کامیابی و خوشحالی کیلئے دعا گو ہیں۔

مجلس نظام کی جانب سے

انصر جاوید
ناظم

۲۷ ستمبر ۲۰۱۸
لاہور

محمد اقبال
ناظم

مجلس اُن کی تعریف ریکارڈ پر لانا چاہتی ہے اور امید کرتی ہے کہ مستقبل میں اپنی گراں قدر خدمات کو جاری رکھیں گے۔

۲۸ اپریل ۲۰۱۸ کو کمپنی کی حکمت عملی اور خدمات کے قوانین کے مطابق سید کوکب شعی الدین صاحب کو مجلسِ عظمیٰ کا ممبر مجلس مقرر کیا گیا اور جناب معراج انیس عارف صاحب کو دو بارہ کمپنی کا سربراہ اعلیٰ تعینات کیا گیا۔

سال ۱۸-۲۰۱۷ کے دوران حکومت پاکستان نے جناب عارف ابراہیم صاحب کی جگہ جناب غلام دستگیر خان بلوچ صاحب کو غیر تعمیل کنندہ ناظم تعینات کیا لیکن بعد ازاں جناب غلام دستگیر خان بلوچ صاحب کی جگہ جناب نعیم جان خان صاحب کو غیر تعمیل کنندہ ناظم نامزد کیا۔ جناب عارف ابراہیم صاحب نے اپنی مدت کے دوران جو گراں قدر خدمات انجام دیں، مجلس اُن کی تعریف ریکارڈ پر لانا چاہتی ہے۔

حصصہ آری کا نمونہ اور حصص کی خرید و فروخت

حصصہ آری کا نمونہ اور اضافی معلومات علیحدہ منسلک کردی گئی ہیں۔ عظمیٰ، سربراہ اعلیٰ، کمپنی ممبر اور ان کے بیوی، بچوں میں سے کسی نے بھی، زیرِ جائزہ سال کے دوران، کمپنی کے حصص کی خرید و فروخت نہیں کی۔

نی حصص آمدنی

سال ختمہ ۳۰ جون ۲۰۱۸ میں نی حصص خسارہ ۲۹.۲۹ روپے ہا جبکہ گزشتہ سال نی حصص آمدنی ۷.۹۱ روپے تھی۔

کمپنی کے محاسب

موجودہ محاسب میسر طارق عبدالغنی مقبول اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ سبڈ وٹس ہو گئے ہیں اور سال ۱۹-۲۰۱۸ کے لئے کمپنی ایکٹ ۲۰۱۷ کی شق ۲۳۶ کے تحت حصص یافتگان کی جانب سے میسرز ای وائے نوڈ روز اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ کی بطور محاسب تقرری کے لئے نوٹس موصول ہوا ہے۔ مجلس عظمیٰ نے بھی میسرز ای وائے نوڈ روز اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ کو سال ۱۹-۲۰۱۸ کیلئے کمپنی کے محاسب تعینات کرنے کی سفارش کی ہے۔

ای وائے نوڈ روز کو، پاکستان کے ادارہ چارٹرڈ اکاؤنٹنٹ (آئی کیپ) نے اپنے انضبات معیار کے جائزہ میں اطمینان بخش درجہ بندی دی ہے اور یہ فرم، آئی کیپ کے اپنائے ہوئے، اکاؤنٹنٹس کی بین الاقوامی فیڈریشن کے ضابطہ اخلاق کی ہدایات کی پاسداری کرتی ہے۔ انہوں نے کمپنی کے محاسب کے طور کام کرنے کی رضامندی ظاہر کی ہے،

محاسب کے جائزے پر تبصرہ

(۱) انتقال زمین

یہ بادامی باغ کی زمین ۲۳ کنال ۳ مرلے پر مشتمل ہے جس کی مالیت آزاد شیر کے مطابق ۲۰۵،۶۰۵ ملین روپے ہے۔ زمین کا قبضہ اور اختیار کمپنی کے پاس ہے۔ ای سی سی کے قبضے کے مطابق، زمین کے کاغذات رجسٹری کمیشن کے حوالے کر دیے گئے ہیں تاکہ حکومت پاکستان اپنے واجبات یہ زمین بیچ کر نمٹالے۔ اس وقت سے اب تک رجسٹری کمیشن پاکستان نے زمین کو بی بی باغ فروخت کرنے کی پیشکش کی ہے۔ بورڈ آف ریونیو پنجاب کے مطابق زمین کا انتقال مکمل ہے اور حکومت پنجاب کو پیکیو املاک کے بکنے پر کوئی اعتراض نہیں ہے۔ تاہم ڈسٹرکٹ آفیسر ریونیو لاہور اور میئر ریونیو پنجاب کو وزارت صنعت و توانائی کی جانب سے تاحکم جانی نامعلوم وجوہات کی بنا پر زمین کا انتقال روکنے کا کہا گیا تھا۔ مجلس عظمیٰ اور پیکیو کی انتظامیہ اب تک، بادامی باغ کی زمین کو بیچنے کے منصوبے پر سختی سے کاربند ہیں۔ جی او پی کے حکم کی تسخیر ہوئی ہے اور ناسی انتظامیہ کے موقف میں کوئی تبدیلی آئی ہے۔

(۲) حکومت پاکستان کے قرضوں کا تصفیہ

حکومت پاکستان اور رجسٹری کمیشن سے قرضے کے معاملے پر جی او پی، پی ای اور ایم او ایف کے نمائندوں سے بات کی گئی ہے۔ ان نمائندوں سے بیشتر ملاقاتوں کے نتیجے میں، ماسوائے ۱۳۱.۴۵ ملین روپے (جو کہ رجسٹری کمیشن کی طرف سے ادا کیا گیا اضافی ادا ہے)، اصل قرضے پر مصالحت کر لی گئی ہے۔ مجلس عظمیٰ نے مختلف اجلاس میں یہ فیصلہ کیا ہے کہ حکومت پاکستان کی جانب سے پیکیو کو دیا جانے والا کوئی بھی قرضہ قانون کے مطابق ادا کیا جائے گا۔ مجلس عظمیٰ نے، ای سی سی کے ۲۰۰۳-۱۹۹۳ کے فیصلے کے مطابق، حکومت پاکستان کی جانب سے واجبات کو، بادامی باغ کی زمین بیچ کر، ادا کرنے پر اتفاق کیا ہے۔ اس زمین کی حالیہ تشخیصی مالیت ۲۰۵،۶۰۵ ملین روپے ہے جو کہ حکومت پاکستان کے دعوے کی زیادہ ہے۔ مجلس عظمیٰ اور پیکیو کی انتظامیہ کے مطابق کسی بھی معاہدے کی عدم موجودگی میں سود و اجمل ادا نہیں ہے۔

متاخر واقعات

متعلقہ سال کی فروزون کی تاریخ سے اجلاس عظمیٰ کی تاریخ تک کوئی بھی بڑی تبدیلی نہیں ہوئی جو کمپنی کی مالی حالت پر اثر انداز ہو سکے۔

کاروباری و مالیاتی اطاعتی ڈھانچے پر بیان

کمپنی نے ہزار حصص کے فہرستی ضوابط میں شامل ضابطہ برائے کاروباری نظم و نسق کو پورا کیا ہے۔

مجلس برائے محاسب و خطرہ انتظام

مجلس نے عظمیٰ کو اُن کی فرائض کی انجام دہی، کاروباری نظم و نسق، مالیاتی اطلاع اور کاروباری اختیار میں مدد کیلئے مجلس برائے محاسب و خطرہ انتظام تشکیل دی ہے۔ یہ کمپنی چار اراکین پر مشتمل ہے، جس کے تمام اراکین بشمول میئر مجلس، آڈیٹ ناظم ہیں۔

مجلس برائے محاسب و خطرہ انتظام، کمپنی کے مالیاتی نتائج، محاسب اور انتظامی اختیار کے نظام کی تعمیلی اطلاعات کے معیار کے جائزے کی ذمہ دار ہے۔ مجلس نے کمپنی کے طریقہ کار کا جائزہ لیکر کمپنی کی کارکردگی میں ان کی خود مختاری کو یقینی بنایا ہے اور مجلس عظمیٰ کو سفارشات پیش کی ہیں۔

زیر جائزہ سال کے دوران مجلس برائے محاسب و خطرہ انتظام نے مالیاتی گوشوارے، داخلی حسباتی اطلاعات اور کاروباری نظم و نسق کی ضروریات کے جائزے کیلئے مجلس عظمیٰ سے پہلے، پانچ (۰۵) اجلاس منعقد کئے۔ ان میں ضابطہ برائے کاروباری نظم و نسق کی مطابق، بیرونی محاسبے کی تشکیل کے بعد محاسب سے ملاقات اور دوسری قانونی مجالس شامل ہیں۔

مجلس کی موجودہ تشکیل درج ذیل ہے:

مرزا محمود احمد	میئر مجلس
جناب لیاقت محمد	رکن
جناب محمد اقبال	رکن
جناب انصر جاوید	رکن

عظمیٰ کا تربیتی لائحہ کار

مجلس عظمیٰ ۹۹ ممتاز ناظم پر مشتمل ہے جہاں عظمیٰ ملینڈ کمپنی ضوابط ۲۰۱۷ کی شق ۲۰ کے مطابق تربیت یافتہ ہیں۔

ضابطہ اخلاق

مجلس عظمیٰ، منظمین اور دیگر ملازمین کی سالمیت کے فروغ، پیشہ وارانہ معیار اور کاروباری اقدار قائم رکھنے کیلئے مجلس عظمیٰ نے ضابطہ اخلاق کی منظوری دی ہے جس میں قابل قبول اور ناقابل قبول طرز عمل کی وضاحت کی گئی ہے۔ یہ ضابطہ اخلاق کمپنی کی ویب سائٹ پر موجود ہے۔

ملازمین کی تعداد

کمپنی نے مناسب تقرری کے ساتھ اپنے عملیات کو جاری رکھا۔ ۳۰ جون ۲۰۱۸ کو ملازمین کی تعداد، پچھلے سال ۲۰۱۷ کے مقابلے میں، ۳۹۵ تھی۔

انسانی وسائل اور معاوضاتی کمیٹی

مجلس عظمیٰ نے انسانی وسائل اور معاوضاتی کمیٹی تشکیل دی تھی تاکہ وہ انتخاب، تنفیص، معاوضہ اور کلیدی منتظمین کی پیشہ وارانہ نمونہ بندی کیلئے اپنی ذمہ داریاں نبھاسکے۔ ان فرائض میں انسانی وسائل کے طریقہ کار اور پالیسی میں بہتری کیلئے سفارشات دینا اور متواتر جائزہ لینا بھی شامل ہے۔

مجلس عظمیٰ نے ۱۲ فروری ۲۰۱۸ کو ۲۰ نیوالی ۱۹۶ ویں مجلس میں انسانی وسائل اور معاوضاتی کمیٹی کی تشکیل نو کی اور جناب انصر جاوید اور جناب نعیم جان خان کو با ترتیب جناب محمد اقبال اور جناب عارف ابراہیم کی جگہ کمیٹی کا رکن بنانے کا فیصلہ کیا۔ جناب انصر جاوید صاحب نے انسانی وسائل اور معاوضاتی کمیٹی کے چتر میں کا عہدہ بھی سنبھالا۔

مالیاتی کمیٹی

اس کمیٹی کا مقصد مجلس عظمیٰ کی طرف سے قائم مجموعی حکمت عملی کے ڈھانچے کے اندر خزانہ سے متعلقہ حکمت عملی کو قائم کرنا ہے۔ اس کمیٹی کا قیام انتظامیہ کے روزمرہ اور معمول کی خزانہ سرگرمیوں کو روکنا یا محدود کرنا نہیں ہے۔ کوئی بھی انحراف جو حالات یا مالیاتی بازار کے رویے کی وجہ سے پیدا ہو، اس کمیٹی کی منظوری کے بعد توثیق کے لیے مجلس عظمیٰ میں پیش کیا جائے گا۔ یہ کمیٹی ہر سہ ماہی کے بعد ملنے کا ارادہ رکھتی ہے لیکن یہ ضروری ہے کہ کمیٹی کے اراکین کی اکثریت ہر مالی سال میں کسی بھی وقت جب میئر مجلس چاہے اور کم از کم دو بار ملیں گے۔

مجلس عظمیٰ نے ۱۲ فروری ۲۰۱۸ کو ۲۰ نیوالی ۱۹۶ ویں مجلس میں مالیاتی کمیٹی کی تشکیل نو کی اور آزاد ناظم جناب محمد اقبال کو کمیٹی کا رکن بنانے کا فیصلہ کیا۔ اس شمولیت کے بعد یہ کمیٹی چار اراکین پر مشتمل ہے جن

اطلاعاتِ نظام

معزز حصص یافتگان

پاکستان انجینئرنگ کمپنی لمیٹڈ کے ناظم، بمسرت ۳۰ جون ۲۰۱۸ کو ختم ہونے والے مالی سال کی انہترویں (۶۹) سالانہ رپورٹ مع محاسب شدہ سالانہ مالیاتی گوشوارے پیش کرتے ہیں۔

اسٹیل کا عالمی منظر نامہ اور پاکستان کی معیشت

سال کے دوران خام اسٹیل کی عالمی پیداوار ۱۱.۶۹ ارب میٹرک ٹن رہی جبکہ گزشتہ سال کے مقابلے میں اس کی طلب میں ۱.۸ فیصد اضافہ ہوا۔ سیاسی صورت حال کے باوجود ملکی معیشت میں ترقی کا سفر جاری رہا۔ اس ترقی کے سفر کی وجوہات میں توانائی کی بہتر فراہمی، پاک چین اقتصادی راہداری میں سرمایہ کاری اور کریڈٹ میں مضبوط اضافہ شامل ہیں۔ تاہم ۲۰۱۹ کیلئے ۳ فیصد کا معتدل بدف رہنے کے آثار نظر آتے ہیں، جس کی وجہ کلاں اقتصادی خدشات اور داخلی پالیسی میں انحطاط کا رجحان ہے۔

گزشتہ سال صنعتی شعبے میں ۵.۲ فیصد کے مقابلے میں رواں سال ۵.۸ فیصد اضافہ ریکارڈ کیا گیا۔ بڑے پیمانے پر پیداوار میں گزشتہ سال کے ۵.۱ فیصد کے مقابلے میں رواں سال ۶.۱ فیصد اضافہ ہوا۔ یہ گزشتہ دس سالوں میں ہونے والا سب سے زیادہ اضافہ ہے۔ تعمیراتی شعبے نے مجموعی قومی پیداوار میں ۴.۷ فیصد کا اضافہ جاری رکھا جو گزشتہ سال ۲.۶۵ فیصد تھا، جس نے متعلقہ صنعتوں بشمول اسٹیل کی صنعت کو سہارا دیا۔

کارکردگی کا جائزہ

موجودہ سال بہت زیادہ مشکل تھا جس میں خام مال کی قیمتوں، ڈالر کی شرح برابری میں شدید اضافے اور خارجی حریفوں کی شدید مسابقت نے اس سال کے منافع کو ختم کر دیا۔ کمپنی نے نئے چیلنجز کئے اور ۵۰۰ کلو واٹ کے نئے نمونوں کی تیاری، کمپنی کی فروخت کاری کو بڑھانے میں اہم سنگ میل ثابت ہوگی۔ کمپنی مصنوعات بازار کی ترقی اور رسائی کی حکمت عملی کی تعقیب کرتے ہوئے اپنی منڈی کو مضبوط بنا کر فائدہ اٹھانا جاری رکھے گی۔

مجلسِ نظام اور منتظمین نے بہتر فروخت کاری اور وصولی، تیز پیداوار، تکنیکی صلاحیت کی بہتری اور اخراجات کو کم کرنے کی کوششیں کی ہیں۔ ان کوششوں نے کمپنی کو منافع بخش کاروباروں میں یکساںیت حاصل کرنے میں مدد دی۔

غیر ملکی کمپنیوں کی ترقیاتی کھینچوں کے کاروبار میں آمدنی وجہ سے مسابقت بڑھتی جا رہی ہے۔ اس کی بنیادی وجہ غیر ملکی کمپنیوں کی اس کاروبار میں آمد ہے، جس کی وجہ سے پیکو کو ٹھیکے حاصل کرنے میں مشکلات کا سامنا ہے۔ تاہم کمپنی ان چیلنجز کا سامنا، اپنی تکنیکی اور پیداواری صلاحیت کو بہتر بنا کر کرنے کی بھرپور کوشش کر رہی ہے۔ بڑھتے ہوئے کاروبار کے پیش نظر، کمپنی نے وزارت خزانہ سے قرضے کی حد ۱۰۰۰ ملین روپے کردالی ہے۔

مالیاتی کارکردگی

دھاتوں کی غیر مستحکم عالمی قیمتوں، ڈالر کی شرح برابری میں عدم یقین، نئے ٹیکسوں میں کم مارجن اور خارجی حریفوں سے مقابلے کے باوجود، کمپنی نے زیر جائزہ سال میں ۴۳۳ ملین روپے کی فروخت کاری کی اور کل منافع ۲۵.۰۳ ملین روپے رہا جو کہ سال ۲۰۱۷ میں ۳۵۳ ملین روپے اور ۱۶۶۱ ملین روپے تھا۔ مسابقت کے انتظام کے لئے انتظامیہ نے اپنی حکمت عملی پر نظر ثانی کی اور کاروباری حجم کو بڑھانے کے لئے منافع کی شرح کو کم کرنے کا فیصلہ کیا۔ جس کے مطابق کل منافع گزشتہ ۲۸.۲۸ فیصد سے کم ہو کر خالص فروخت کاری کا ۱۲.۲۸ فیصد ہو گیا۔ عملیاتی خرچے مقررہ حدود میں رہے۔

مجموعی طور پر پیکو محصولات کے بعد کا خسارہ ۶۹.۹۶ ملین روپے رہا جو کہ گزشتہ سال کے محصولات کے بعد کے منافع کے مقابلے میں ۶۶.۷۷ ملین روپے تھا۔ خام مال خصوصاً زنگ اور اسٹیل کی مصنوعات میں

بالترتیب ۲۸.۶۱ فیصد اور ۳۰.۵۶ فیصد کا اضافہ خسارے کی بڑی وجہ ہیں۔

نینتہائی حصص خسارہ، گزشتہ مالی سال کی فی حصص آمدن ۱۱.۷۷ روپے کے مقابلے میں ۱۲.۲۹ روپے فی حصص ہو گیا۔

قومی خزانے اور معیشت میں حصہ

آپ کی کمپنی نے (سال ۲۰۱۷-۲۰۱۸) ۲۵۶.۲۸ ملین روپے کے مقابلے میں اس سال کے دوران محصولات آمدنی، محصولات فروخت کاری اور دوسری لیویز کی شکل میں قومی خزانے میں ۲۲۸.۰۵ ملین روپے حصہ ڈالا۔

مالیاتی نتائج اور اختصا صات

روپے ہزاروں میں		
سال ختمہ ۲۰۱۸ جون ۳۰	سال ختمہ ۲۰۱۷ جون ۳۰	
محصولات سے پہلے کا (خسارہ)/منافع	(۹۸.۹۷۳)	۶۰.۵۲۷
محصولات	۲۹.۰۱۷	۶.۲۱۲
محصولات سے بعد کا (خسارہ)/منافع	(۶۹.۹۵۶)	۶۶.۷۳۹
اختصا صات:		
سال کا (خسارہ)/منافع	(۶۹.۹۵۶)	۶۶.۷۳۹
خلوئی منصوبے کی پینٹس	۸۷۷	۲.۲۳۹
مقررہ اثاثوں کے تجزیے پر فاضل سے منتقلی	۱۷,۷۰۶	۱۸,۳۷۵
محصول کی شرح میں تبدیلی کی تطبیق	۴,۹۸۱	۵,۳۲۳
(خسارہ)/منافع کی جمع شدہ نقصان میں منتقلی	(۳۶,۳۹۲)	۹۲,۶۷۶

انتظامی و مالیاتی اعداد و شمار

گزشتہ چھ سالوں کے انتظامی و مالیاتی اعداد و شمار اور اہم مالی اشاریے (اس اطلاع میں) شامل کر دیئے گئے ہیں۔

اپدان کا منصوبہ

کمپنی اپنے ملازمین کو ریٹائرمنٹ کا فائدہ فراہم کرتی ہے۔ اس میں تمام ملازمین کے لئے غیر معاوان واضح اپدائی سہولت شامل ہے۔ سال کے اختتام پر، مشاورتی ماہر بیرمہ کے تخمینے کے مطابق، اپدان کے منصوبے کی مالیت (سال ۲۰۱۷-۲۰۱۸) ۱۵.۳۵ ملین روپے (۲۰۱۷-۲۰۱۸) ۲۱.۲۰ ملین روپے تھی۔

مجلسِ نظام کی تشکیل، معاوضہ اور اجلاس

مجلسِ نظام، ایک تعین کنندہ ناظم، تین غیر تعین کنندہ ناظم اور پانچ آڈیٹنگ افسران پر مشتمل ہے۔ جناب معراج انیس عارف، جناب عارف ابراہیم اور جناب سید کوکب جی الدین حکومت کی طرف سے مقرر کردہ ناظم ہیں۔ مجلسِ نظام کی تشکیل اور ذیلی کمیٹیوں کے ممبران کے نام صفحہ ۲ پر ملاحظہ کریں۔ مزید برآں کمپنی ایکٹ ۲۰۱۷ اور لگائی گئی ضوابط ۲۰۱۷ کے مطابق، نظام کے معاوضے کے تعین کیلئے مجلس

نظام کی شفاف پالیسی اور طریقہ کار موجود ہے۔ سال ۱۸-۲۰۱۷ کے دوران، چھ اجلاس نظام منعقد ہوئیں۔ اراکین مجلس کی حاضری درج ذیل ہے:

سید کوکب جی الدین	۶	جناب لیاقت محمد	۶
جناب عارف ابراہیم	۳	مرزا محمود احمد	۵
جناب معراج انیس عارف	۶	جناب انصر جاوید	۶
جناب غلام دستگیر خان بلوچ	۱	جناب راشد علی خان	۵
جناب نسیم جان خان	-	جناب محمد اقبال	۶
جناب عارف حبیب	۵		

وہ ناظم جنہوں نے مجالس میں مطلوبہ شرکت نہیں کی، ان کو مجلس کی جانب سے غیر حاضری کی اجازت دی گئی تھی۔ سال ۱۸-۲۰۱۷ کے دوران، ۱۹ اپریل ۲۰۱۸ کو کمپنی کے نظام کے نئے انتخابات منعقد ہوئے اور سارے نظام، اگلے تین سال کیلئے دوبارہ منتخب ہو گئے۔ مجلسِ نظام میں کوئی تبدیلی نہیں ہوئی اور تمام سابقہ ناظم بلا متبادل دوبارہ منتخب ہوئے۔ نظام نے اپنی مدت کے دوران جو گراں قدر خدمات انجام دیں،

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

Name of the Company: **Pakistan Engineering Company Limited.**

Year ended: **June 30, 2018**

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are nine as per the following:

- a. Male: 9
- b. Female: Nil

2. The composition of board is as follows:

a) Independent Directors

Mr. Rashid Ali Khan
Mr. Muhammad Iqbal
Mr. Ansar Javed
Mr. Liaqat Mohammad
Mirza Mahmood Ahmad

b) Non-executive Directors

Syed Kaukab Mohuyuddin
Mr. Naeem Jan Khan
Mr. Muhammad Arif Habib

c) Executive Director

Mr. Mairaj Anees Ariff

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board arranges orientation courses for its directors as and when needed to apprise them of their duties and responsibilities. The incoming directors are provided with appropriate briefing and orientation material to enable them first hand knowledge on the working of the Company.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. Only CFO has duly endorsed the financial statements before approval of the board because the chief executive has neither attended nor applied for leave of absence from 198th meeting of Board of Directors held, for approval of financial statements, on September 27, 2018.

12. The board has formed committees comprising of members given below:

a) Audit and Risk Management Committee

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

b) HR and Remuneration Committee

Mr. Ansar Javed (Chairman)
Syed Kaukab Mohuyuddin
Mr. Naeem Jan Khan
Mr. Rashid Ali Khan

c) Finance Committee

Mr. Rashid Ali Khan (Chairman)
Mr. Naeem Jan Khan
Mr. Liaqat Mohammad
Mr. Muhammad Iqbal

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

- a) Audit Committee: Four (4)
- b) HR and Remuneration Committee: Three (3)
- c) Finance Committee: Four (4)

15. The board has set up an effective internal audit function.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied.

Ansar Javed
Director

Muhammad Iqbal
Director

Independent Auditor's Review Report to the members of Pakistan Engineering Company Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") prepared by the Board of Directors of Pakistan Engineering Company Limited ("the Company") for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Further, we highlight below an instance of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where this is stated in the Statement of Compliance:

Paragraph Reference	Description
11	Only CFO has duly endorsed the financial statements before approval of the board because the chief executive has neither attended nor applied for leave of absence from 198th meeting of Board of Directors held, for approval of financial statements, on September 27, 2018.

September 27, 2018
Lahore

Tariq Abdul Ghani Maqbool & Co.
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT To the Members of Pakistan Engineering Company Limited Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Engineering Company Limited, which comprise the statement of financial position as at June 30, 2018 and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the loss, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the followings:

- i. Notes 14.1.1 & 14.1.3 to 14.1.14 to the financial statements which describes various disputed matters of the Company with Privatization Commission, Ministry of Finance, FBR and other parties.
- ii. Note. 26. to the financial statements which describes that, through a letter, the Joint Secretary Ministry of Industries and Production Islamabad has directed, the District Officer revenue Lahore and Member Revenue Punjab, to stop the mutation of land held for sale till further instructions, for undisclosed reasons. The management of Company is strongly committed to the plan of sale of this land and there has been no revocation of the Government's order.

Our Opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. Key audit matter No.

How the matter was addressed in our audit

1. Compliance with Laws and Regulations - Changes in 4th Schedule

The Companies Act, 2017 (the Act) promulgated on May 30, 2017. The Act revised and replaced the Fourth Schedule of the Companies Ordinance, 1984 and brought changes in the presentation and disclosures of the financial statements by elimination of duplicative disclosures with IFRS disclosure requirements and incorporation of significant additional disclosures. These changes are applicable first time to the Company's financial statements for the year ended June 30, 2018. The changes are considered as a key audit matter because failure to comply with the requirements of the Act, could have financial and reputational impact on the company. Refer note 4 for changes in disclosures made through the Act.

Our audit procedures in respect of this area included:

Obtained an understanding of the related provisions and schedules of the Act applicable to the Company and prepared document to assess the Company's compliance with the disclosure requirement of the Act.

We discussed the applicable changes with the Company's management and those charged with governance as to whether the Company is in compliance with such changes.

We also maintained a high level of vigilance when carrying out our other audit procedures for indication of non-compliance.

We ensured that the financial statements have been prepared in accordance with the approved accounting standards and the Act.

Information Other than the Financial Statements and Auditor's Report thereon;

Management is responsible for the other information. The Other Information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



· Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017;
- b) the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Usher ordinance, 1980 (XVIII 1980).

The engagement partner on the audit resulting in this independent auditor's report is Malik Haroon Ahmad.

September 27, 2018
Lahore

Tariq Abdul Ghani Maqbool & Co.
Chartered Accountants

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018


STATEMENT OF FINANCIAL POSITION
 AS AT JUNE 30, 2018

	Note	June 30, 2018	Restated June 30, 2017	Restated July 01, 2016
----- Rupees in thousand -----				
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital	5	56,902	56,902	56,902
Revenue reserve - general		10,000	10,000	10,000
Accumulated loss		(884,307)	(832,934)	(925,610)
Surplus on revaluation of fixed assets	6	14,485,403	14,498,128	14,516,504
		13,667,998	13,732,096	13,657,796
NON - CURRENT LIABILITIES				
Long term financing	7	9,747	29,250	48,753
Long term deposits	8	3,000	2,000	2,000
Deferred liabilities - net	9	71,044	115,609	133,662
		83,791	146,859	184,415
CURRENT LIABILITIES				
Trade and other payables	10	313,569	657,519	797,533
Unclaimed Dividend	11	13,126	13,257	13,309
Short term borrowing - secured	12	61,494	74,919	49,984
Current portion of long term financing	7	19,503	19,503	19,503
Accrued mark-up		2,128	2,491	2,541
Provision for taxation		15,992	13,748	56,123
		425,812	781,437	938,993
Liabilities directly associated with free hold land - held for sale	13	1,790,848	1,790,848	1,790,848
CONTINGENCIES AND COMMITMENTS				
	14			
TOTAL EQUITY AND LIABILITIES		15,968,449	16,451,240	16,572,052

The annexed notes from 1 to 47 form an integral part of these financial statements

Ansar Javed
Director

Mian Anwar Aziz
Chief Financial Officer

Muhammad Iqbal
Director


STATEMENT OF FINANCIAL POSITION
 AS AT JUNE 30, 2018

	Note	June 30, 2018	Restated June 30, 2017	Restated July 01, 2016
----- Rupees in thousand -----				
ASSETS				
NON - CURRENT ASSETS				
Property, plant and equipment	15	14,558,750	14,555,168	14,564,505
Investment property	16	550	579	610
Long term investment	17	819	741	725
Long term deposits	18	2,053	2,053	1,832
		14,562,172	14,558,541	14,567,672
CURRENT ASSETS				
Stores, spares and loose tools	19	168,898	170,463	121,271
Stock-in-trade	20	347,621	446,910	256,813
Trade debts - unsecured	21	382,497	781,691	1,119,940
Advances	22	6,499	6,191	6,687
Trade deposits, prepayments and other receivables	23	27,007	30,905	25,881
Tax refunds due from Government	24	120,923	104,912	137,128
Cash and bank balances	25	38,108	36,903	21,936
		1,091,553	1,577,975	1,689,656
Free hold land - held for sale	26	314,724	314,724	314,724
TOTAL ASSETS		15,968,449	16,451,240	16,572,052

The annexed notes from 1 to 47 form an integral part of these financial statements

Ansar Javed
Director

Mian Anwar Aziz
Chief Financial Officer

Muhammad Iqbal
Director



**STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Note</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
---- Rupees in thousand ----			
Sales - net	27	1,424,449	1,353,172
Cost of sales	28	<u>(1,399,407)</u>	<u>(1,187,003)</u>
Gross Profit		25,042	166,169
Selling and distribution expenses	29	<u>(12,024)</u>	<u>(10,542)</u>
Freight and forwarding expenses	30	<u>(22,714)</u>	<u>(21,848)</u>
Administrative expenses	31	<u>(74,133)</u>	<u>(73,073)</u>
Other operating charges	32	<u>(1,034)</u>	<u>(6,439)</u>
		(109,905)	(111,902)
Other operating income	33	<u>3,449</u>	<u>23,332</u>
Operating (Loss)/Profit		(81,414)	77,599
Finance cost	34	<u>(17,559)</u>	<u>(17,072)</u>
(Loss)/Profit before taxation		(98,973)	60,527
Taxation	35	<u>29,017</u>	<u>6,212</u>
(Loss)/Profit after taxation for the year		<u>(69,956)</u>	<u>66,739</u>
----- Rupees-----			
BASIC AND DILUTED (LOSS) PER SHARE			
Basic and diluted (loss) /earnings per share	36	<u>(12.29)</u>	<u>11.73</u>

The annexed notes from 1 to 47 form an integral part of these financial statements

Ansar Javed
Director

Mian Anwar Aziz
Chief Financial Officer

Muhammad Iqbal
Director



**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
---- Rupees in thousand ----		
(Loss)/Profit after taxation for the year	(69,956)	66,739
Items that will not be reclassified to profit and loss account:		
Remeasurement of retirement benefit plan	<u>1,235</u>	<u>3,199</u>
Related deferred tax impact	<u>(358)</u>	<u>(960)</u>
Remeasurement of retirement benefit plan - net	877	2,239
Effect of change in tax rates on balance of revaluation on property, plant and equipment	<u>4,981</u>	<u>5,322</u>
Total comprehensive (loss) /income for the year	<u>(64,098)</u>	<u>74,300</u>

The annexed notes from 1 to 47 form an integral part of these financial statements

Ansar Javed
Director

Mian Anwar Aziz
Chief Financial Officer

Muhammad Iqbal
Director



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2018

	Issued, subscribed and paid-up capital	Revenue Reserve - General	Accumulated Loss	Surplus on revaluation of fixed assets	TOTAL
---- Rupees in thousand ----					
Balance as at July 01, 2016 - as previously reported	56,902	10,000	(925,610)	-	(858,708)
Impact of restatement (note 4)	-	-	-	14,516,504	14,516,504
Balance as at July 01, 2016 - as restated	56,902	10,000	(925,610)	14,516,504	13,657,796
- Profit after tax for the year ended June 30, 2017	-	-	66,739	-	66,739
Other comprehensive income for the year					
- Remeasurement of retirement benefit plan	-	-	3,199	-	3,199
- Related deferred tax impact	-	-	(960)	-	(960)
	-	-	2,239	-	2,239
Surplus on revaluation of property, plant and equipment realized during the year on account of:					
- incremental depreciation - net off tax	-	-	18,375	(18,375)	-
- disposal of revalued machinery - net off tax	-	-	5,323	(5,323)	-
- Revaluation of property, plant and equipment adjustment due to change in tax rate - OCI	-	-	-	5,322	5,322
Balance as at June 30, 2017 - as restated	56,902	10,000	(832,934)	14,498,128	13,732,096
Balance as at July 01, 2017	56,902	10,000	(832,934)	14,498,128	13,732,096
- (Loss) after tax for the year ended June 30, 2018	-	-	(69,956)	-	(69,956)
Other comprehensive income for the year					
- Remeasurement of retirement benefit plan	-	-	1,235	-	1,235
- Related deferred tax impact	-	-	(358)	-	(358)
	-	-	877	-	877
Surplus on revaluation of property, plant and equipment realized during the year on account of:					
- incremental depreciation - net off tax	-	-	17,706	(17,706)	-
- Revaluation of property, plant and equipment adjustment due to change in tax rate - OCI	-	-	-	4,981	4,981
Balance as at June 30, 2018 - as restated	56,902	10,000	(884,307)	14,485,403	13,667,998

The annexed notes from 1 to 47 form an integral part of these financial statements

Ansar Javed
Director

Mian Anwar Aziz
Chief Financial Officer

Muhammad Iqbal
Director



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

Note	June 30, 2018	June 30, 2017
---- Rupees in thousand ----		
	111,720	54,535
Cash generated from operations	37	
Finance cost paid	(14,873)	(14,376)
Gratuity paid	(800)	(600)
Income tax paid	(14,108)	(6,085)
Workers' profit participation fund paid	(7,066)	(7,564)
Net cash generated from operating activities	74,873	25,910
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure incurred	(41,609)	(37,573)
Proceeds from disposal of Property, plant and equipment	-	21,472
Long term deposits	-	(221)
Net cash (used in) investing activities	(41,609)	(16,322)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings	(13,425)	24,935
Security deposit received	1,000	-
Long term borrowings - (repayments)	(19,503)	(19,503)
Dividend paid	(131)	(53)
Net cash (used in) / generated from financing activities	(32,059)	5,379
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,205	14,967
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	36,903	21,936
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	38,108	36,903

The annexed notes from 1 to 47 form an integral part of these financial statements.

Ansar Javed
Director

Mian Anwar Aziz
Chief Financial Officer

Muhammad Iqbal
Director



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL STATUS AND OPERATIONS

Pakistan Engineering Company Limited ("the Company") 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 factory of the Company is situated at Near Kot Lakhpat Railway Station, Quaid e Azam Industrial Estate, PECO Road, Lahore. 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.

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan and provisions of and directives issued under the Companies Act, 2017 (the Act). Wherever the requirements of the Act or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Act or the requirements of the said directives prevail.

2.2 Basis of Measurement

These financial statements have 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 certain employee retirement benefits at present value. Historical costs is generally based on fair value of the consideration given in exchange for goods and services. The methods used to measure fair values are discussed further in the respective policy notes.



2.3 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

The amendments and Interpretations which became effective during the year are considered not to be relevant to the Company's operations and therefore are not detailed in these financial statements except for the amendments as explained below:

Amendments to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are applicable on accounting periods beginning on or after January 01, 2016. IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The application of these amendments has no material impact on the Company's financial statements.

Amendments to IAS 1, 'Presentation of financial statements' on the disclosure initiative is applicable on annual periods beginning on or after January 01, 2016. These amendments are part of the IASB initiative to improve presentation and disclosure in financial reports. The application of these amendments has no material impact on the Company's financial statements.

The third and fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to, management assessment of sufficiency of tax provision in the financial statements (refer note 35.3), change in threshold for identification of executives (Ref. Note: 42), additional disclosure requirements for related parties (Ref Note: 38) etc.

2.4 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2016 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

2.5 Standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard, Amendments or Interpretation		Effective Date (Annual periods beginning on or after)
IAS 7	Statement of Cash Flows	January 01, 2017
IAS 12	Income Taxes	January 01, 2017
IFRS 2	Share Based Payment	January 01, 2018
IFRS 9	Financial Instruments	July 01, 2018
IFRS 15	Revenue from Contracts With Customers'	July 01, 2018
IFRS 16	Leases	January 01, 2019
IFRIC 22	Foreign Currency Transactions and advance consideration	January 01, 2018

The above standards, Amendments or Interpretations are not likely to have material / significant impact on Company's financial statements.

2.6 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2.7 Critical Accounting Estimate & Judgments

The Company's significant accounting policies are stated in note 3. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. Following is intended to provide an understanding of the policies, the management considers critical because of their complexity, judgment and estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision in future periods if the revision affects both current and future periods.

The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

2.7.1 Property, Plant and Equipment

The Company reviews appropriateness of the rates of depreciation / useful lives and residual values used in the calculation of depreciation at each financial year end. Further, the Company estimates revalued amount and useful life of land, building and plant and machinery based on the periodic valuations carried out by independent professional valuers. Any change in estimate in future might effect the carrying amounts of the respective item of property, plant and equipment with corresponding effect on the depreciation charge and impairment, surplus on revaluation and annual transfer of incremental depreciation from surplus on revaluation of fixed assets account to accumulated loss.

2.7.2 Taxation

In making the estimate for income tax payable, the company takes into account the applicable tax laws. Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary difference when they are expected to reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Significant judgment is exercised to determine the amount of net deferred tax liabilities to be recognized. During the year the estimate of amount owing to the taxation authorities in the future changed as a result of change in rate of corporate tax from 31 % to 30 %. Resultantly the balance of deferred taxation has been adjusted accordingly.

2.7.3 Stores and spares

The Company reviews the stores and spares for possible impairment on annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of stores and spares with corresponding affect to the provision.

2.7.4 Provisions Against Doubtful Balances

The Company reviews its doubtful balances at each balance sheet date to assess the adequacy of the provision there against. In particular, judgment is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Property, Plant and Equipment

Property, plant & equipment is stated at cost or revalued amount less accumulated depreciation and impairment loss, if any, except for freehold land and capital work in progress which is stated at revalued amount/cost less impairment, if any. Cost of these assets consists of historical cost and directly attributable costs of bringing the assets to working condition. Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Cost incurred to replace a component of an item of property, plant and equipment is capitalized and the asset so replaced is derecognized. The cost of the day to day servicing of property, plant and equipment are recognized in profit and loss account. The cost of self constructed assets includes the cost of materials, direct labor and any other cost directly attributable to bringing the assets to a working condition for their intended use. Borrowing costs pertaining to the construction and erection are capitalized up to the date of completion. Depreciation on property, plant & equipment is charged to income on reducing balance method at the rates specified in (note 15) to the accounts to write off the cost over their estimated useful lives. Depreciation on addition and deletion is charged on the basis of number of days the asset remains in use of the company. Assets' residual values, useful lives and depreciation rates are reviewed and adjusted, if appropriate, at each balance sheet date.

Revaluation of land and building is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Any revaluation increase in the carrying amount of land and building is recognized, net of tax, in other comprehensive income and presented as a separate component of equity as " Revaluation surplus on property, plant and equipment " except to the extent that it reverses a revaluation decrease / deficit for the same asset previously recognised in profit and loss account, in which case the increase is first recognized in profit and loss account to the extent of the decrease previously charged. Any decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decreases are charged to profit and loss account. The revaluation reserve is not available for distribution to the Company's shareholders. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit and loss account and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus to retained earnings.

During the year the Company changed its accounting policy in respect of the accounting and presentation of revaluation of property, plant and equipment. Previously, the Company's accounting policy was in accordance with the provisions of the repealed Companies Ordinance 1984. Those provisions and resultant previous policy of the Company was not in alignment with the accounting treatment and presentation of revaluation of property, plant and equipment as prescribed in IAS 16 'Property, plant and Equipment'. However, the Companies Act, 2017 has not specified any accounting treatment for revaluation of property, plant and equipment, accordingly the Company has changed the accounting policy to bring it in conformity with the accounting treatment and presentation of revaluation of property, plant and equipment as specified in IAS 16 'Property, Plant and Equipment'. The detailed information and impact of this change in policy is provided in note 4 to these financial statements.

Impairment test for property, plant and equipment is performed when there is an indication of impairment. At each year end, an assessment is made to determine whether there is any indication of impairment. If any such indications exist, an estimate of the assets recoverable amount is calculated being the higher of the fair value of the asset less cost to sell and the assets value in use. If the carrying amount of the asset exceeds its recoverable amount, the property, plant and equipment is impaired and an impairment loss is charged to

the profit and loss account so as to reduce the carrying amount of property, plant and equipment to its recoverable amount. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the property, plant and equipment in its present form and its eventual disposal. An impairment loss is recovered if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain and loss on disposal or de-recognition (calculated at the difference between the net disposal proceeds and carrying amount of the asset) is taken to profit and loss account. When the revalued assets are sold, the relevant remaining surplus on revaluation is transferred directly to accumulated loss.

3.2 Capital Work-in-Progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditures connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

3.3 Investment property

Buildings held for capital appreciation or to earn rental income is classified as investment property. Investment property is stated at cost less accumulated depreciation and any recognized impairment loss. Depreciation on buildings is charged to profit and loss account applying the reducing balance method so as to write off the cost of buildings over their estimated useful lives at a rate of 5% per annum.

3.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The financial information has been prepared on the basis of single reportable segment i.e. "Engineering".

3.5 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sale.

3.6 Inventories

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw material	At weighted average cost.
Work in Process	At direct material cost, labor and appropriate portion of production overheads.
Finished Goods	At direct material cost, labor and appropriate portion of production overheads.
Goods in Transit	At invoice value plus other charges, if any
Stores, Spare Parts & Loose Tools	At weighted average cost

Net realizable value represents selling price in the ordinary course of business less selling expenses incidental to sales. Provisions against store, spare and loose tools are provided if there is objective evidence that the items have become obsolete or have become slow moving.

3.7 Trade debts and other receivables

Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, less provision for doubtful debts or allowance for any uncollectable amounts. An estimated provision for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. The provision is recognized in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

3.8 Associated Undertakings / Related Parties

The units controlled by the Ministry of Production, Government of Pakistan and under common controls are considered as associated undertakings of the company. All transactions between the Company and the associated undertakings are accounted for at an arm's length prices determined using "cost plus method" and properly recommended by the audit committee and subsequently approved by the board of directors of the Company.

3.9 Foreign Currency Translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

3.10 Employees' Retirement Benefits

a) Defined benefits plan

The Company operates unfunded gratuity for its employees. The schemes define the amounts of benefit that an employee will receive on or after retirement, resignation or termination subject to a minimum qualifying period of service under the schemes. The Company's net obligation in respect of defined benefit plan is calculated separately for plan by estimating the amount of future benefits that employees have earned in current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. Previously the company was paying off all its retirement benefit obligations on the expiry of employment contract period (annually).

Remeasurement changes in net defined benefit liability are recognized immediately in other comprehensive income. The Company determines net interest expense on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then-net defined benefit, taking into account any change in the net defined benefit obligation during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss.

b) Defined contribution plan

Up to June 30, 2005, company was operating a funded provident fund scheme covering all regular members and monthly contribution was made to the trust @10% of basic pay both by the company and the employees.

3.11 Trade and other Payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

3.12 Taxation

a) Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

b) Deferred Tax

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply for the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

3.13 Revenue Recognition

a) Sale of goods

Revenue from sale of goods is recognized when significant risks and rewards of ownership are transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of government levies.

b) Income on bank deposits

Interest income on bank deposits is accounted for on the time proportion basis using the applicable rate of return.

c) Others

Scrap sales and miscellaneous receipts are recognized on realized amounts.

3.14 Borrowing Costs

Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset up to the date of its commissioning.

3.15 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.16 Cash and Cash Equivalent

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Short term borrowings are shown in current liabilities on the balance sheet.

3.17 Investments

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current assets.

a) Investments Available for sale

These are initially recognized at cost and at subsequent reporting dates measured at fair values. Gains or losses from changes in fair values are taken to other comprehensive income until disposal at which time these are recycled to profit and loss account.

b) Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost and at subsequent reporting dates measured at amortized cost using the effective yield method.

c) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value plus directly attributable transaction costs. After initial measurement loans and receivables are subsequently measured at amortized cost using effective interest rate method less impairment, if any. These are classified as current and non-current assets in accordance with criteria set out by the IFRS.

d) Investments at Fair value through profit or loss - Held for Trading

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as held for trading and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account. The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

3.18 Impairment

a) Financial Assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non- Financial Assets

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognized as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.19 Financial Instruments

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost as the case may be. A financial asset is de-recognized when the company loses control of its contractual rights that comprise the financial asset. A financial liability is de-recognized when it is extinguished. Any gain or loss on de-recognition of the financial assets or liabilities is taken to profit and loss account. The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

a) Trade and Other Receivables

Trade and other receivables are recognized and carried at original invoice amount / cost less an allowance for any uncollectible amounts. Carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the reliability of these receivables, appropriate amount of provision is made.

b) Off Setting Of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

c) Interest-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments.

d) Interest-free borrowings at amortized cost

These are measured at amortized cost. The amortized cost of these financial liabilities is determined using prevailing market interest rates for equivalent loans.

3.20 Dividend and Appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves is recognized in the financial statements in the period in which these are approved.

3.21 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.22 Contingent Assets

Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes virtually certain.

3.23 Contingent Liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of obligation cannot be measured with sufficient reliability.

3.24 Share Capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

4. CHANGE IN ACCOUNTING POLICY

The specific provision / section in the repealed Companies Ordinance, 1984 relating to the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment, surplus on revaluation of fixed assets would now be presented with in equity.

Following the application of IAS 16, the Company's accounting policy for surplus on revaluation of land and building stands amended as follows:

Increases in the carrying amounts arising on revaluation of land, buildings and plant and machinery are recognized, net of tax, in other comprehensive income and accumulated in revaluation surplus in shareholders' equity to the extent that increase reverses a decrease previously recognized in the statement of profit or loss, the increase is first recognized in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from revaluation surplus on property, plant and equipment to unappropriated profit.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

4.1 Effect on statement of financial position

	As at July 01, 2016			As at June 30, 2017		
	As previously reported	As re-stated	Re- statement	As previously reported	As re-stated	Re- statement
Surplus on revaluation of fixed assets	14,516,504	-	(14,516,504)	14,498,128	-	(14,498,128)
Share capital and reserves	-	14,516,504	14,516,504	-	14,498,128	14,498,128
Effect on statement of changes in equity						
Revaluation surplus on fixed assets	-	14,516,504	14,516,504	-	14,498,128	14,498,128

**5. SHARE CAPITAL****Authorized Capital:**

	2018	2017	2018	2017
	Number of Shares		---Rupees in thousand---	
Ordinary shares of Rs.10/- each	9,000,000	9,000,000	90,000	90,000
7.5% Cumulative redeemable preference shares of Rs. 100/- each	100,000	100,000	10,000	10,000
	<u>9,100,000</u>	<u>9,100,000</u>	<u>100,000</u>	<u>100,000</u>
Issued, Subscribed and Paid up Capital:				
Ordinary shares of Rs.10/- each fully paid in cash	3,162,144	3,162,144	31,621	31,621
Ordinary shares of Rs. 10/- each issued as fully paid up bonus shares	2,528,101	2,528,101	25,281	25,281
	<u>5,690,245</u>	<u>5,690,245</u>	<u>56,902</u>	<u>56,902</u>

5.1 State Engineering Corporation, an associated company, holds 1,415,723 (2017: 1,415,723) ordinary shares of Rs. 10/- as at June 30, 2018.

6. SURPLUS ON REVALUATION OF FIXED ASSETS

		2018	2017
		---Rupees in thousand---	
Free hold land	6.1	14,148,746	14,148,746
Building structure on free hold land	6.2	180,378	187,197
Plant and machinery	6.3	156,279	162,185
		<u>14,485,403</u>	<u>14,498,128</u>
6.1 Free Hold Land			
Surplus on revaluation of Badami Bagh land	6.1.1	313,999	313,999
Surplus on revaluation of Kot Lakhpat land	6.1.2	13,834,747	13,834,747
		<u>14,148,746</u>	<u>14,148,746</u>

6.1.1 Badami Bagh Land

Surplus on revaluation	321,358	321,358
Less: Adjustment on account of sale of part of Badami Bagh Works Land in 2001	7,359	7,359
	<u>313,999</u>	<u>313,999</u>

6.1.1.1 This represents revaluation surplus arising on revaluation of land of Badami Bagh works, which was revalued on 1991, prior to being classified as 'Held for Sale' resulting in surplus of Rs. 321.358 million. (Ref: Note.26)

6.1.2 Kot Lakhpat works was revalued on February 15, 2016 by an independent approved valuer M/s Indus Surveyors (Private) Limited on the basis of average market rate keeping in view of prevailing real estate market conditions. The land was revalued at 13,835.500 million resulting in revaluation surplus of Rs. 5,929.500 million. Earlier, the land has been revalued in 1991 by M/s NESPAK and in 2001, 2009 and 2013 by M/s Indus Surveyors (Pvt.) Limited.

6.2 Building Structure on freehold land

Gross surplus on revaluation of Building structure	6.2.1	425,712	425,712
Less: Surplus realized on account of incremental depreciation in respect of:			
- Prior years		158,286	144,212
- Current year		9,494	9,852
- Related deferred tax liability		3,877	4,222
		<u>171,657</u>	<u>158,286</u>
		<u>254,055</u>	<u>267,426</u>
Less: Related deferred tax liability in respect of:			
- Balance at the beginning of the year		80,229	87,266
- Change of rate		(2,675)	(2,815)
- New surplus during the year		-	-
- Incremental depreciation for the year		(3,877)	(4,222)
		<u>73,677</u>	<u>80,229</u>
Net surplus on revaluation of Building structure		<u>180,378</u>	<u>187,197</u>

6.2.1 Building structure of Kot Lakhpat works was revalued on February 15, 2016 by an independent approved valuer M/s Indus Surveyors (Private) Limited on the basis of present depreciated market value. The building structure was revalued at 317.339 million resulting in revaluation surplus of Rs. 12.684 million. Earlier, the building structure has been revalued in 1997, 2009 and 2013 by M/s Indus Surveyors (Pvt.) Limited.

6.3 Plant and Machinery

	2018	2017
	---(Rupees in thousand)---	
Gross surplus on revaluation of Plant and machinery	353,561	379,373
Less: Adjustment on account of sale of machinery	-	25,812
	<u>353,561</u>	<u>353,561</u>
Less: Surplus realized on account of incremental depreciation in respect of:		
- Prior years	122,224	110,048
- Current year	8,212	8,523
- Related deferred tax liability	3,355	3,653
	<u>133,791</u>	<u>122,224</u>
	<u>219,770</u>	<u>231,337</u>
Less: Related deferred tax liability in respect of:		
- Balance at the beginning of the year	69,152	77,703
- Change of rate	(2,306)	(2,507)
- Realized on disposal of machinery	-	(2,391)
- Incremental depreciation for the year	(3,355)	(3,653)
	<u>63,491</u>	<u>69,152</u>
Net surplus on revaluation of Plant and machinery	<u>156,279</u>	<u>162,185</u>

6.3.1 Plant and machinery of Kot Lakhpat works was revalued on February 15, 2016 by an independent approved valuer M/s Indus Surveyors (Private) Limited on the basis of present depreciated market value. The plant and machinery was revalued at 369.450 million resulting in revaluation surplus of Rs. 49.426 million. Earlier, the plant and machinery has been revalued in 1997, 2009 and 2013 by M/s Indus Surveyors (Pvt.) Limited.

7. LONG TERM FINANCING

Loan from National Bank of Pakistan - Secured	7.1	9,747	29,250
7.1 Loan from National Bank of Pakistan - Secured			
Movement of long term finances - from NBP			
Opening balance		48,753	68,256
Finance availed during the year		48,753	68,256
Less: Repayment during the year		(19,503)	(19,503)
		<u>29,250</u>	<u>48,753</u>
Less: Current maturity shown under current liabilities		(19,503)	(19,503)
		<u>9,747</u>	<u>29,250</u>

7.1.1 The financing forms part of total credit facility available to the extent of Rs. 108.351 million. The loan carries markup @ 3 months KIBOR plus 2.50%. The credit facility of the Company will be expired on December 31, 2019. The quarterly installment of principal liability is amounting to 4.876 million. This is



secured against first charge of Rs. 73.128 million over movable fixed assets [excluding land and building] of the company.

8. LONG TERM DEPOSITS

		2018	2017
---Rupees in thousand---			
Security deposits	8.1	<u>3,000</u>	<u>2,000</u>
		<u>3,000</u>	<u>2,000</u>

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

9. DEFERRED LIABILITIES - Net

Retirement benefit obligation	9.1.1	21,195	15,245
Deferred income tax liability-net	9.2	49,849	100,364
		<u>71,044</u>	<u>115,609</u>

9.1 Retirement benefit obligation

The Company operates unfunded gratuity for its employees. The schemes define the amounts of benefit that an employee will receive on or after retirement subject to a minimum qualifying period of service under the schemes. Actuarial valuation of these plans is carried out every year. The latest actuarial valuation of the Fund as at June 30, 2018 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

9.1.1 Balance sheet reconciliation as at June 30, 2018

Present value of plan liability	9.1.2	21,195	15,245
Fair value of plan assets		-	-
Recognized liability		<u>21,195</u>	<u>15,245</u>

9.1.2 Movement in present value of obligation

Opening balance		15,245	8,097
Charge for the year	9.1.3	7,985	10,947
Remeasurement recognized in other comprehensive income	9.1.4	(1,235)	(3,199)
Payment during the year		(800)	(600)
Closing balance		<u>21,195</u>	<u>15,245</u>

9.1.3 Charge for the year

Current service cost		8,211	7,876
Interest cost		1,024	471
Past service cost		(1,250)	2,600
		<u>7,985</u>	<u>10,947</u>

9.1.4 Remeasurement recognized in other comprehensive income

Actuarial (gains)/losses from change in demographic assumptions		-	-
Actuarial (gains)/losses from change in financial assumptions		68	18
Experience adjustment		(1,303)	(3,217)
		<u>(1,235)</u>	<u>(3,199)</u>

**9.1.5 Actuarial assumptions**

Balance sheet liability and charge for the current year have been determined on the basis of following actuarial estimates provided by the actuary.

	2018	2017
---(Rupees in thousand)---		
Discount rate used for interest cost charged to profit and loss - per annum	7.75%	7.25%
Discount rate used for end obligation - per annum	9.00%	9.00%
Expected rate of increase in salary level - per annum	8.00%	6.75%
Total number of employees	394	366
Retirement assumptions	Age 60	Age 60
Average duration of liability	5 Years	5 Years
Expected mortality rate for active employees	SLIC 2001-2005 Set back 1 Year	
Actuarial valuation method	Projected Unit Credit (PUC)	

9.1.6 Charge for the year has been allocated as under:

Cost of sales	5,842	7,965
Selling and distribution expenses	225	459
Administrative expenses	1,918	2,498
	<u>7,985</u>	<u>10,922</u>

9.1.7 Year end sensitivity analysis on defined benefit obligation

Reasonably possible changes at the balance sheet date to one of the relevant actuarial assumptions, holding other assumptions constant, would have resulted in present value of defined benefit obligation as stated below:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Rupees in thousand			
Discount rate	1%	18,481	20,521
Salary increase	1%	20,563	18,426

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the staff retirement gratuity recognized within the statement of financial position.

9.1.8 The Company does not have any plan assets covering its staff retirement benefits payable. The comparative statement of present value of defined benefit obligations is as under:



	2018	2017	2016	2015
	----- Rupees in thousand -----			
Present value of defined benefit obligation	21,195	15,245	8,097	1,225
Fair value of plan asset	-	-	-	-
	21,195	15,245	8,097	1,225

9.2 Deferred income tax liability-net

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the taxable entity and when there is an intention to settle the balances on net basis. The applicable tax rate for the purpose of computation of deferred taxation has been changed from 30% to 29% as a result of change in rate as approved by Finance Act 2018.

Deferred tax liability and deferred tax asset comprises of taxable / (deductible) temporary differences in respect of the following:

		2018	2017
		---Rupees in thousand---	
The offset amounts are as follows:			
Deferred tax liabilities	9.2.1	170,675	171,646
Deferred tax assets	9.2.2	(120,826)	(71,282)
Deferred income tax liability-net		49,849	100,364

9.2.1 Deferred tax liabilities in respect of taxable temporary differences:

	2018	2017
	--- Rupees in thousand ---	
Accelerated tax depreciation allowances	32,191	26,379
Surplus on revaluation of fixed assets	137,166	144,307
Remeasurement of defined benefit plan	1,318	960
	170,675	171,646

9.2.2 Deferred tax assets in respect of deductible temporary differences:

	2018	2017
	--- Rupees in thousand ---	
Provisions for doubtful and other balances	(14,670)	(14,217)
Provision for gratuity	(7,465)	(5,534)
Provision for stores and spares	(2,900)	(3,000)
Minimum and alternate corporate tax available for carry forward	(60,737)	(32,260)
Unused tax losses	(20,490)	-
Provision for workers profit participation fund and workers welfare fund	(14,564)	(16,271)
	(120,826)	(71,282)

**9.2.3 The movement in temporary differences is as follows:**

As at July 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income/ Revaluation Surplus	Balance as at June 30, 2017	Recognized in profit or loss	Recognized in other comprehensive income/ Revaluation Surplus	Balance as at June 30, 2018
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----- Rupees in thousand -----

Deferred tax liabilities in respect of taxable temporary differences:

Accelerated tax depreciation allowances	28,467	3,233	(5,321)	26,379	10,793	(4,981)	32,191
Surplus on revaluation of fixed assets	160,507	(16,200)	-	144,307	(7,141)	-	137,166
Remeasurement of defined benefit plan	-	-	960	960	-	358	1,318
	188,974	(12,967)	(4,361)	171,646	3,652	(4,623)	170,675

Deferred tax assets in respect of deductible temporary differences:

Provisions for doubtful and other balances	(15,794)	1,577	-	(14,217)	(453)	-	(14,670)
Provision for gratuity	(2,510)	(3,024)	-	(5,534)	(1,931)	-	(7,465)
Provision for stores and spares	(3,100)	100	-	(3,000)	100	-	(2,900)
Minimum and alternate corporate tax available for carry forward	(42,005)	9,745	-	(32,260)	(28,477)	-	(60,737)
Unused tax losses	-	-	-	-	(20,490)	-	(20,490)
Provision for workers profit participation fund and workers welfare fund	-	(16,271)	-	(16,271)	1,707	-	(14,564)
	(63,409)	(7,873)	-	(71,282)	(49,544)	-	(120,826)
TOTAL	125,565	(20,840)	(4,361)	100,364	(45,892)	(4,623)	49,849

10. TRADE AND OTHER PAYABLES

		2018	2017
		--- Rupees in thousand ---	
Trade creditors		214,755	549,575
Accrued liabilities	10.1	40,462	44,057
Advances		913	932
Payable to preference shareholders	10.2	773	773
Payable to State Engineering Corporation (Private) Limited (SEC) (an associated undertaking)		151	151
Workers' Profit Participation Fund	10.3	46,914	50,931
Workers' Welfare Fund		3,308	3,308
Others	10.4	6,293	7,792
		313,569	657,519

10.1 Include Rs. 30 million ((2017:30 million) in respect of provision against litigations mentioned in Note 14.1.6

10.2 The amount is payable to preference shareholders on account of principal amount due.

10.3 Reconciliation of Workers' Profit Participation Fund

Principal	10.3.1	35,294	35,294
Accumulated interest	10.3.2	11,620	15,637
		46,914	50,931
10.3.1 Movement in principal			
Opening balance		35,294	31,999
Add: Charge for the year	32	-	3,295
Less: Paid during the period		-	-
		35,294	35,294



10.3.2 Movement in accumulated interest

	2018	2017
	--- Rupees in thousand ---	
Opening balance	15,637	20,455
Add: Interest on funds utilized for the company's business	3,049	2,746
Less: Paid during the period	(7,066)	(7,564)
	<u>11,620</u>	<u>15,637</u>

10.4 Includes Rs. 5.251 million (2017: 5.251 million) in respect of provision against litigations mentioned in Note 14.1.10, 14.1.11, 14.1.12, 14.1.13

11. UNCLAIMED DIVIDEND

In light of Companies Act 2017, the Company has issued notices to shareholders on registered address and notices has also been published in two daily news papers (one Urdu and one English newspaper) for the claim of dividend. On expiry of 90 days from notice in newspapers. Company shall proceed to deposit the unclaimed dividend with Federal Government pursuant to the provision of Sub-Section "2" of Section 244 of the Companies Act 2017.

12. SHORT TERM BORROWINGS - SECURED

From NBP Bank under markup arrangements - Secured:
Running Finance

12.1	<u>61,494</u>	<u>74,919</u>
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12.1 The financing forms part of total credit facility available to the extent of Rs. 75.0 million (2017: 75.0 million). The loan carries markup @ 3 months KIBOR plus 2.50%. The credit facility of the Company will be 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.

13. LIABILITIES DIRECTLY ASSOCIATED WITH FREE HOLD LAND - HELD FOR SALE

Loan from Government of Pakistan - unsecured 13.1 1,790,848 1,790,848

13.1 Loan From Government Of Pakistan - unsecured

Privatization commission loan	13.2.1	481,469	481,469
Government Escrow account	13.2.3	112,937	112,937
Other Government Loan	13.2.5	100,000	100,000
Federal Government loan for compulsory separation scheme	13.2.7	309,000	309,000
Federal Government Bonds	13.2.9	787,442	787,442
		<u>1,309,379</u>	<u>1,309,379</u>
		<u>1,790,848</u>	<u>1,790,848</u>

13.2 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 30th May 1994 and 2005 these liabilities will be settled against the proceeds from disposal of Land held for sale (Ref: Note 26) 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 4,605.13 million and it is in excess of the amount being claimed by GoP from PECO. The BoD and the management of the Company believes that they are not liable to pay any interest on these loans in the absence of any agreement. The legal advisor of the company is also of the firm opinion that since there is no mention of any markup to be charged on this loan nor is there any markup agreement, therefore, no markup is payable by the company in respect of this loan. Therefore, a disclosure of a contingent liability is made in notes (refer note 14.1.3, 14.1.4 & 14.1.15) to these financial statements.

During the year ended June 30, 2017 and in past as well Privatization commission and Finance division have claimed additional principal and markup on the above loan liabilities, however, the BoD and the management do not agree with the additional liabilities claimed and the claim of GoP regarding the payment of interest is disputed (refer note 14.1.3, 14.1.4 & 14.1.5) by the BoD and the management as there had never been any agreement in this regard. Further, the above loan liabilities were picked up by the GoP in order to provide public sector enterprises including PECO to give them clean slate on their liabilities so that they could be privatized and were provided without any specific request from these public sector enterprises, including PECO. In addition to the above, similar public sector entities which were provided similar reliefs by the GoP have never been asked to make any payments in respect of such reliefs. However, despite of this the BoD and the management of the Company is willing to repay the principal and in order to reconcile the principal and markup amounts with respect to GoP Loans, a committee was constituted as per the decision of Additional Finance Secretary in the meeting held in Government of Pakistan Finance Division (CF Wing), Islamabad. The committee includes representatives from Ministry of Finance, Ministry of Production, Privatization Commission and Board members from PECO. Several meetings have been taken place till date and in this regard a meeting of the committee was held on October 7, 2010 at Ministry of Finance (Finance Division) which was attended by representatives of Privatization Commission, Ministry of Production and PECO. The BoD and management of PECO agreed to repay all the outstanding principal, which the company is legally liable through disposal proceeds of Badami Bagh Land and surplus Land of Kot Lakhpat, if needed. However, the BoD and the management of the Company believes that they are not liable to pay any interest on these loans in the absence of any agreement. In the meeting held on 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 consultant 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

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

	2018	2017
	--- Rupees in thousand ---	
Loan for voluntary separation scheme (VSS) / Compulsory separation scheme (CSS) and Salaries	281,082	281,082
Loan for shifting of machinery	75,819	75,819
Loan for Energy bills and Import duties	124,568	124,568
	<u>481,469</u>	<u>481,469</u>

13.2.2 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 foregoing loans have been outstanding since 1993. The company also obtained legal opinion from the legal advisers of the company. The legal adviser is of the firm opinion that since there is no mention of any markup to be charged on this loan in any agreement nor is there any markup agreement in respect of this loan therefore no markup is payable by PECO in respect of this loan. The BoD and the management firmly believes that as the Company had handed over the title documents of the said land to the Privatization commission for disposal in the year 1994 and had Privatization Commission disposed off the land at that time no issue of charging any interest on these loans would have risen and instead believed that a case of causing loss to PECO on account of delay caused in disposing off the land at Badami Bagh should be made out, either by raising monetary claim or claiming set-off against the alleged principal loan liability. The difference of Rs. 131.454 million claimed by the Privatization Commission on account of additional gratuities is because of misapprehension on part of GoP, whereby, PECO is considered responsible to pay Rs. 131.454 million, that 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 14.1.3) 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 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.

13.2.3 The break up of Government Escrow account is as follows:

	2018	2017
	--- Rupees in thousand ---	
Customs and other import duties	86,984	86,984
Pakistan Railways freight	12,989	12,989
Karachi Port Trust	12,964	12,964
	<u>112,937</u>	<u>112,937</u>

13.2.4 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 (2017: Rs 41.989 million) as the BoD and the management believes that there was no clause of charging interest or surcharge in the ECC and Cabinet Decision.

13.2.5 The break up of Other Government loans is as follows:

	2018	2017
Bank loans taken over	100,000	100,000
	<u>100,000</u>	<u>100,000</u>

13.2.6 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 was no interest as PECO 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.

13.2.7 The break up of Federal Government loan for compulsory separation schemes is as follows:

	2018	2017
Loan for CSS	309,000	309,000

13.2.8 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 and the letter dated 4th March 2002 referred by the GoP, to substantiate claim of payment of interest @ 10% per annum against loan of Rs. 309.00 million was in the absence of perusal of relevant decisions / formative documents was misconceived and did not place any payment obligation on PECO. The letter was contrary to the decisions / documents and did not establish any liability to pay interest @ 10% per annum and that any alleged premium in the absence of agreement is void and unfair. In the absence of a contractual arrangement / agreement no interest can be claimed and in the absence of any agreement the alleged claim of interest tantamount to a penalty, which is construed as penal interest in nature and could not be granted unless loss/ damage proved through substantial evidence, which in the instant case will be all more difficult on account of handing over of land of Badami Bagh of PECO for sale/disposal. In view of the above, BoD and the management along with the legal advisor firmly believe that the alleged claim of GoP appears to be misconceived and without any basis and recommend that the aforesaid dispute should be referred to some impartial body for resolution under some Alternate Dispute Resolution (ADR) mechanism, where claims / counter claims of the respective parties be examined, considered and decided. Furthermore, in order to reconcile the principal and markup amounts with respect to Government of Pakistan Loans, a committee has been constituted as per the decision of Additional Finance Secretary. The management of PECO intends to pay back the Government of Pakistan Loans after the reconciliation of differences as per the records and facts available with the committee representatives.

13.2.9 The break up of Federal Government Bonds is as follows:

	2018	2017
	--- Rupees in thousand ---	
Interest bearing bonds	655,138	655,138
Interest free bonds	132,304	132,304
	787,442	787,442

13.2.10 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 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 adviser 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.

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 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. 2.912 million (2017: Rs. 2.912 million). Provision has not been made in these financial statements for the said amount as the management of the Company, based on the advice of its legal counsel handling the subject cases, is of the opinion that matters shall be decided in the Company's favor.

14.1.2 Guarantees of Rs. 225.81 million (2017: Rs 617.85 million) issued by the banks and insurance companies to different parties on behalf of the company.

14.1.3 The Privatization Commission through its confirmation dated August 06, 2018 for the year has claimed additional loan liability amounting to Rs. 131.454 million and mark up amounting to Rs. 1,290.504 million (Ref: Note 13.2.1). The said confirmation from privatization Commission also states that initially there was no mention of specific interest rate on the loan amount, therefore, the mark up on the outstanding amount of loan to PECO was charged on the basis of annual rate of markup chargeable on cash development loans to Provincial Governments, corporations, local bodies etc. and capital outlays of Federal Government in commercial departments. The management of the company already in a meeting held on October 7, 2010 at Ministry of Finance's office to reconcile the principal and mark up amounts with respect to Govt. of Pakistan loans 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 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.

14.1.4 The Finance Division vide its letter dated June 02, 2018 for the period ended December 2010 has claimed an amount of Rs. 2703.82 million in respect of surcharge payable on Custom & Other Import duties. 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.

14.1.5 The Finance Division vide its letter dated July 28, 2017, has claimed an amount of Rs. 671.860 million in respect of additional principal liability and Rs. 2,517.766 million in respect of markup payable on remaining Government of Pakistan Loans (Ref: Note 13.2.5, 13.2.7 & 13.2.9). 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 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.

14.1.6 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. 30 million has been provided for (Ref Note: 10.1).

14.1.7 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.

14.1.8 The Company has also filed a suit (RFA No. 121/2014) Muhammad Sohail Asghar (Ex-PECO employee). This suit is presently pending adjudication before the Additional District Judge. 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.

14.1.9 The Company has filed a suit (870/2013) against China National Machinery and Muhammad Hanif has also filed a suit against the Company. These suits are presently pending adjudication before the High Court, Lahore and NIRC Lahore respectively. According to the opinion of legal advisor, there is no likelihood of any unfavorable results or any financial losses in these cases.

14.1.10 Punjab employees social security institution (PESSI) has also filed various suits against the Company. These suits are presently pending adjudication before the Special Judicial Magistrate. 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. 0.994 million has been provided for (Ref Note: 10.4).

14.1.11 M/s Terni SPA Italy has filed a suit (92/11) 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. 3.059 million has been provided for (Ref Note: 10.4).

14.1.12 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 (Ref Note: 10.4).

14.1.13 Aftab Ahmed has filed a suit against the Company. 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. 0.524 million has been provided for (Ref Note: 10.4).

14.1.14 Muhammad Rafique, Qaiser Mustafa, Muhammad Ishaq and Fayyaz Mehmood have filed various suits against the Company. According to the opinion of legal advisor, there is no likelihood of any unfavorable results or any financial losses in these cases. The management is vigilantly pursuing these cases. Therefore, No contingent liability is needed to be recognized on this account.

14.2 Commitments in respect of:

14.2.1 Letters of credit for machinery, raw material and store items amounting to Rs. Nil (2017: Nil.).

15. PROPERTY, PLANT AND EQUIPMENT

		2018	2017
--- Rupees in thousand ---			
Operating fixed assets	15.1	14,501,262	14,499,770
Capital work in progress - at cost	15.2	49,992	2,982
Advances against capital assets	15.3	7,496	52,416
		<u>14,558,750</u>	<u>14,555,168</u>

15.1 Operating fixed assets

	Free hold land	Factory building on free hold land	Plant and machinery	Office equipment	Computers	Furniture and Fixtures	Vehicles	Electric Equipment	Tools	Total
--- Rupees in thousand ---										
Net carrying value basis										
Year ended June 30, 2017										
Opening net book value (NBV)	13,835,500	311,989	362,251	1,742	2,701	2,739	9,644	5,423	1,118	14,533,107
Additions	-	-	4,303	148	758	78	8,051	165	-	13,503
Disposal										
Cost	-	-	(8,976)	-	-	-	(4,198)	-	-	(13,174)
Accumulated depreciation	-	-	277	-	-	-	3,734	-	-	4,011
Written down value	-	-	(8,699)	-	-	-	(464)	-	-	(9,163)
Depreciation charge	-	(15,599)	(17,869)	(181)	(306)	(280)	(2,777)	(553)	(112)	(37,677)
Net book value (NBV)	<u>13,835,500</u>	<u>296,390</u>	<u>339,986</u>	<u>1,709</u>	<u>3,153</u>	<u>2,537</u>	<u>14,454</u>	<u>5,035</u>	<u>1,006</u>	<u>14,499,770</u>
Gross carrying value basis										
At June 30, 2017										
Cost / Revalued amount	13,835,500	317,910	364,057	8,251	8,408	9,853	31,378	15,754	6,552	14,597,663
Accumulated depreciation	-	(21,520)	(24,071)	(6,542)	(5,255)	(7,316)	(16,924)	(10,719)	(5,546)	(97,893)
Net book value (NBV)	<u>13,835,500</u>	<u>296,390</u>	<u>339,986</u>	<u>1,709</u>	<u>3,153</u>	<u>2,537</u>	<u>14,454</u>	<u>5,035</u>	<u>1,006</u>	<u>14,499,770</u>
Net carrying value basis										
Year ended June 30, 2018										
Opening net book value (NBV)	13,835,500	296,390	339,986	1,709	3,153	2,537	14,454	5,035	1,006	14,499,770
Additions	-	12,089	18,136	1,184	345	183	6,759	633	190	39,519
Disposal										
Cost	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Written down value	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(14,935)	(17,621)	(230)	(337)	(260)	(4,024)	(516)	(104)	(38,027)
Closing net book value (NBV)	<u>13,835,500</u>	<u>293,544</u>	<u>340,501</u>	<u>2,663</u>	<u>3,161</u>	<u>2,460</u>	<u>17,189</u>	<u>5,152</u>	<u>1,092</u>	<u>14,501,262</u>
Gross carrying value basis										
At June 30, 2018										
Cost / Revalued amount	13,835,500	329,999	382,193	9,435	8,753	10,036	38,137	16,387	6,742	14,637,182
Accumulated depreciation	-	(36,455)	(41,692)	(6,772)	(5,592)	(7,576)	(20,948)	(11,235)	(5,650)	(135,920)
Net book value (NBV)	<u>13,835,500</u>	<u>293,544</u>	<u>340,501</u>	<u>2,663</u>	<u>3,161</u>	<u>2,460</u>	<u>17,189</u>	<u>5,152</u>	<u>1,092</u>	<u>14,501,262</u>
Annual Rate of Depreciation		5%	5%	10%	10%	10%	20%	10%	10%	

15.1.1 Depreciation for the year has been allocated as under:

Cost of Sales	28	33,176	34,134
Administrative Expenses	31	4,851	3,543
		<u>38,027</u>	<u>37,677</u>



Depreciation charge is inclusive of incremental depreciation due to revaluation.

15.1.2 Land, Building and Plant and Machinery were revalued on February 15, 2016 by an independent valuer M/s Indus Surveyor Co. (Pvt) Ltd, on the basis of fair value / depreciated market value for the period of use resulting in surplus of Rs. 5,929.500 million, Rs. 12.684 million and Rs. 49.426 million respectively. Details of previous revaluations is provided in Note. 6.

15.1.3 Freehold land represents land of kot lakhpat works. The company has possession and control of the land and holds valid title. 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.

15.1.4 Froced sale value of free hold land, building and plant and machinery is Rs. 6,720 million, Rs. 298 million and Rs. 318 million respectively.

15.1.5 Had there been no revaluation, the written down value of the revalued assets in the balance sheet would have been:

		2018	2017
		--- Rupees in thousand ---	
Free hold land		753	753
Factory building on free hold land		39,491	28,965
Plant and machinery		120,732	108,650
		<u>160,976</u>	<u>138,368</u>
15.2 Capital Work in Progress - at cost:			
Civil works	15.2.1	-	2,982
Plant and machinery	15.2.2	49,992	-
		<u>49,992</u>	<u>2,982</u>
15.2.1 Movement in Civil Works:			
Opening balance		2,982	2,239
Addition		24	743
Capitalized		(3,006)	-
Closing balance		<u>-</u>	<u>2,982</u>
15.2.2 Movement in Plant and Machinery:			
Opening balance		-	-
Addition		49,992	-
Capitalized		-	-
Closing balance		<u>49,992</u>	<u>-</u>
15.3 Advances against purchase of Capital Assets			
Against vehicles	15.3.1	-	5,435
Against plant and machinery	15.3.2	7,275	46,880
Against ERP software	15.3.3	221	101
		<u>7,496</u>	<u>52,416</u>



	2018	2017
	--- Rupees in thousand ---	
15.3.1 Movement in advance against Vehicles:		
Opening balance	5,435	4,745
Advance paid for operating fixed assets	-	7,294
Transfer to operating fixed assets	(5,435)	(6,604)
Closing balance	<u>-</u>	<u>5,435</u>
15.3.2 Movement in advance against Plant and Machinery:		
Opening balance	46,880	24,313
Advance paid for operating fixed assets	6,263	32,954
Transfer to operating fixed assets	(30,811)	(10,387)
Transfer to capital work in process	(15,057)	-
Closing balance	<u>7,275</u>	<u>46,880</u>
15.3.3 Movement in against ERP software:		
Opening balance	101	101
Advance paid for operating fixed assets	120	-
Transfer to capital work in process	-	-
Closing balance	<u>221</u>	<u>101</u>

15.3.4 This represents the advances given to Pak Oriental Engineers, Mintin Corporation (Private) Limited and Scarlet IT Systems (Pvt.) Limited for purchase of Steam Boiler, CNC machine parts and for the installation of ERP software respectively.

16. INVESTMENT PROPERTY

Opening net book value	16.1	579	610
Additions		-	-
Depreciation charged for the year	32	29	31
Closing net book value		<u>550</u>	<u>579</u>
Depreciation rate		<u>5%</u>	<u>5%</u>
16.1 Cost		959	959
Accumulated depreciation		409	380
Net book value		<u>550</u>	<u>579</u>

16.2 Investment property comprises of number of commercial properties that are situated at Uni Tower, I.I. Chundrigar Road, Karachi and leased to M/S UBL Insurers Limited. The lease contains an initial non-cancellable period of three years, with annual rent indexed to consumer prices. Subsequent renewals are negotiated with the lessee and on average renewal periods are three years. No contingent rent are charged.

16.3 One of the properties having carrying value of Rs. 275 thousands remained vacant during last three years and no rental income was earned during those years.

16.4 Fair value of investment property, based on valuation carried out by an independent valuer as at March 17, 2016 was rupees 18.780 million. No material change in fair value of property from previous valuation, is expected.

16.5 Froced sale value of investment properties is amounting Rs. 15.963 million.

		2018	2017
--- Rupees in thousand ---			
17. LONG TERM INVESTMENT			
Held to maturity:			
Term deposit in Standard Chartered Bank Limited		819	741
17.1 This was matured on June 2019 and carry interest @ 5.3% (2017: 5.3%) per annum. The principal amount deposited with bank is Rs. 0.741 million.			
18. LONG TERM DEPOSITS			
Long term deposits	18.1	3,771	3,771
Less: Provision against doubtful deposits	18.2	1,718	1,718
		<u>2,053</u>	<u>2,053</u>
18.1 These include Rs 1.059 million (2017: Rs 1.059 million) representing amount deposited with Water and Sanitation Agency (LDA), LAHORE as a security deposit.			
18.2 Movement in provision is as follows:			
Opening balance		1,718	1,718
Provided for the year		-	-
Closing balance		<u>1,718</u>	<u>1,718</u>
18.3 The long term deposits other than those against which provision has been made are considered good by the management.			
19. STORES, SPARES AND LOOSE TOOLS			
Stores		31,528	27,109
Spares parts		122,285	128,666
Loose Tools		25,085	24,688
		<u>178,898</u>	<u>180,463</u>
Less: Provision for slow moving stores		<u>(10,000)</u>	<u>(10,000)</u>
		<u>168,898</u>	<u>170,463</u>
19.1 Stores and spares include items which are of capital nature but can not be distinguished.			
20. STOCK IN TRADE			
Raw material		150,024	178,218
Work in process		143,688	154,168
Finished goods		53,909	114,524
		<u>347,621</u>	<u>446,910</u>
20.1 Stock in trade amounting to Rs. 0.68 million related to finished goods and Rs. 18.93 million related to work in process are valued at net realizable value.			
21. TRADE DEBTS - UN SECURED			
Associated undertaking	21.2	273	273
WAPDA, AJK and Telecommunication Companies		387,519	778,704
Others	21.3	37,917	45,926
		<u>425,709</u>	<u>824,903</u>
Less: Provision for bad and doubtful debts	21.4		
WAPDA		12,677	12,677
Others		30,535	30,535
		<u>43,212</u>	<u>43,212</u>
		<u>382,497</u>	<u>781,691</u>

21.1 Trade debtors other than those against which provision has been made are considered good by the management.

21.2 Maximum amount due from associated undertakings (Ref: Note 38) at the end of any month was of Rs. 0.273 million (2017: Rs. 0.273 million). Further, balance outstanding from associated undertaking is more than 360 days over due.

21.3 Trade debtors include an amount of Rs. 7.617 million (2017: Rs. 7.617 million) receivable from M/s Metropolitan Steel Corporation Limited against which the company has filed suit for execution of Court decision in favor of the Company.

21.4 Movement in provision is as follows:

	2018	2017
--- Rupees in thousand ---		
Opening balance	43,212	43,212
Add: Provision for doubtful debts	-	-
Less: Provision for doubtful debts written off	-	-
Closing Balance	<u>43,212</u>	<u>43,212</u>

21.5 As at June 30, 2018, trade receivables of Rs 43.212 million (2017: Rs 43.212 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	June 30, 2018		June 30, 2017	
	Gross	Impairment	Gross	Impairment
----- Rupees in thousand -----				
The aging of trade debts at the reporting date was:				
Not yet due	1,857	-	345,587	-
Past due 1-30 days	129,687	-	58,559	-
Past due 31-60 days	49,646	-	243,468	-
Past due 61-90 days	53,384	-	21,944	-
Over 90 days	191,135	43,212	155,345	43,212
	<u>425,709</u>	<u>43,212</u>	<u>824,903</u>	<u>43,212</u>

22. ADVANCES
Advances, considered good, to:

Employees - Secured			
- against salary		1,043	652
- against expenses	22.2	704	641
Suppliers	22.3	4,752	4,898
		<u>6,499</u>	<u>6,191</u>

22.1 Advances other than those against which provision has been made are considered good by the management.



22.2 Advances to employees are provided to meet business expenses and are settled as and when the expenses are incurred.

	2018	2017
	--- Rupees in thousand ---	
22.3 Suppliers		
Suppliers as at closing date	7,218	7,364
Less: Provision for doubtful balances	21.2.1 2,466	2,466
	<u>4,752</u>	<u>4,898</u>

21.2.1 Movement in provision is as follows:

Opening balance	2,466	2,466
Add: Provision for doubtful balances	-	-
Less: Provision for doubtful balances written off	-	-
Closing Balance	<u>2,466</u>	<u>2,466</u>

23. TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Trade deposits - Considered good	23.1 565	565
Margin against bank guarantee - Considered good	23.2 21,381	25,205
Short term prepayments and other receivables	5,061	5,135
	<u>27,007</u>	<u>30,905</u>

23.1 Balance as on Closing date	3,697	3,697
Less: Provision against doubtful balances	23.1.1 3,132	3,132
	<u>565</u>	<u>565</u>

23.1.1 Movement in provision is as follows:

Opening balance	3,132	3,132
Add: Provision for doubtful balances	-	-
Less: Provision for doubtful balances written off	-	-
Closing Balance	<u>3,132</u>	<u>3,132</u>

23.2 Balance as on Closing date	21,442	25,266
Less: Provision against doubtful balances	61	61
	<u>21,381</u>	<u>25,205</u>

24. TAX REFUND DUE FROM GOVERNMENT

Advance income tax - net	85,759	86,281
Sales tax refundable	35,164	18,631
	<u>120,923</u>	<u>104,912</u>



25. CASH AND BANK BALANCES

	2018	2017
	--- Rupees in thousand ---	
Cash in hand	2,082	2,626
Cash with banks:		
Local Currency		
- Current accounts	28,803	34,118
- Deposit accounts	7,191	127
- Escrow account	32	32
	<u>36,026</u>	<u>34,277</u>
	<u>38,108</u>	<u>36,903</u>

25.1 The company is maintaining saving account with different banks with interest on the daily product basis which was carrying interest @ 5% to 6%. (2017 : @ 5% to 6%).

25.2 All bank accounts are maintained under conventional banking system.

26. FREE HOLD LAND - HELD FOR SALE	<u>314,724</u>	<u>314,724</u>
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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. 13.2). 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 expression of interests have been received for the remaining portion by Privatization Commission from many parties. The Mutation of land is complete as per The Board of Revenue Punjab letter which states that the Government of Punjab has, however, no objection to the disposal of properties of PECO which had vested in the Federal Government. However a letter was issued by the Joint Secretary Ministry of Industries and Production Islamabad directing District Officer Revenue Lahore and copy endorsed to Member Revenue Punjab to stop the above mutation till further instructions, for undisclosed reasons. The BoD and the Management of the Company are till date strongly committed to the plan of selling the Badami Bagh Land and there has been no revocation of the GoP order or any change in the management's stance or plan. Further the Privatization Commission in its 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.

27. SALES - Net

Sales - Local	1,666,605	1,584,733
Less: Sales tax	242,156	231,561
	<u>1,424,449</u>	<u>1,353,172</u>



		2018	2017
--- Rupees in thousand ---			
28. COST OF SALES			
Raw material consumed	28.1	945,805	1,034,692
Stores and spares consumed		110,131	85,216
Salaries and wages (including all benefits)	28.2	98,542	89,388
Fuel and power		51,044	52,154
Processing charges		58,674	28,043
Inspection fee		6,045	7,104
Service charges		5,780	5,119
Repair and maintenance		4,652	5,263
Vehicle running expenses		4,601	2,424
Rent, rates and taxes		1,384	1,435
Publication of tender documents		1,594	1,734
Insurance		1,349	1,029
Traveling and conveyance		1,196	1,038
Printing, stationery and office Supplies		1,463	920
Postage, telegram and telephone		741	680
Entertainment		942	429
Legal and professional		460	-
Other expenses		733	1,069
Depreciation	15.1.1	33,176	34,134
		<u>382,507</u>	<u>317,179</u>
		<u>1,328,312</u>	<u>1,351,871</u>
Opening stock of work-in-process		154,168	83,578
Closing stock of work-in-process		(143,688)	(154,168)
		<u>10,480</u>	<u>(70,590)</u>
Cost of goods manufactured		1,338,792	1,281,281
Opening stock of finished goods		114,524	20,246
Closing stock of finished goods		(53,909)	(114,524)
		<u>60,615</u>	<u>(94,278)</u>
		<u>1,399,407</u>	<u>1,187,003</u>
28.1 Raw material consumed			
Opening stock		178,218	152,989
Add: purchases		917,611	1,059,921
		<u>1,095,829</u>	<u>1,212,910</u>
Less: closing stock		150,024	178,218
		<u>945,805</u>	<u>1,034,692</u>

28.2 This includes amount paid to contractor for wages of workers on contract. This also includes retirement benefits amounting to Rs. 5.842 million (2017: Rs. 7.965 million).

29. SELLING AND DISTRIBUTION EXPENSES

		2018	2017
--- Rupees in thousand ---			
Salaries and wages (including all benefits)	29.1	4,562	6,001
Insurance		1,932	-
Traveling and conveyance		1,900	1,266
Entertainment		502	200
Training		-	46
Repair and maintenance		101	129
Research and development		235	-
Postage, telegrams and telephone		69	106
Vehicle running expenses		464	277
Printing, stationery and office supplies		76	225
Rent, rates and taxes		296	363
Publishing of tender and sales promotion		1,315	858
Fee and subscription charges		125	295
Miscellaneous		447	776
		<u>12,024</u>	<u>10,542</u>

29.1 This includes retirement benefits amounting to Rs. 0.225 million (2017: Rs. 0.459 million).

30. FREIGHT AND FORWARDING EXPENSES

Freight and forwarding expenses		<u>22,714</u>	<u>21,848</u>
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31. ADMINISTRATIVE EXPENSES

Salaries and wages (including all benefits)	31.1	34,351	34,755
Vehicle running expenses		4,880	4,182
Traveling and conveyance		3,406	3,065
Printing, stationery and office supplies		3,124	3,358
Legal and professional		2,705	1,789
Utilities		2,388	2,443
Entertainment		1,644	1,334
Rent, rates, and taxes		1,625	1,527
Repair and maintenance		1,742	3,518
Postage, telegrams and telephone		1,551	1,556
Security charges		1,375	2,011
Insurance		712	682
Fee and subscription charges		903	858
Advertisement		357	792
Training		17	134
Miscellaneous		8,502	7,526
Depreciation	15.1.1	4,851	3,543
		<u>74,133</u>	<u>73,073</u>



31.1 This includes retirement benefits amounting to Rs. 1.918 million (2017: Rs. 1.836 million).
This also includes retirement benefit of Managing Director amounting to Rs. 0.846 million paid during the year to State Engineering Corporation (SEC).

32. OTHER OPERATING CHARGES

		2018	2017
		--- Rupees in thousand ---	
Auditors' remuneration	32.1	675	732
Tax consultancy fee		330	300
Workers' profit participation fund	10.3.1	-	3,295
Workers' welfare fund		-	2,081
Depreciation on investment property	16	29	31
		<u>1,034</u>	<u>6,439</u>
32.1 Auditors' remuneration			
Audit fee		550	616
Half yearly review fee		90	87
Review of compliance with code of corporate governance		35	29
		<u>675</u>	<u>732</u>

33. OTHER OPERATING INCOME**Income from Financial Assets**

Interest / profit			
-on deposits with banks		108	677
-on investments		79	15

Income from Non - Financial Assets

Miscellaneous income		272	2,268
Liability written off		4	6,757
Rental income		2,986	1,306
Gain on sale of property, plant and equipment		-	12,309
		<u>3,262</u>	<u>22,640</u>
		<u>3,449</u>	<u>23,332</u>

34. FINANCE COSTS

Banks and financial institutions			
Mark - up on short term borrowings		6,041	4,293
Mark - up on long term borrowings		3,455	4,879
Bank charges and commission	34.1	5,014	5,154
		<u>14,510</u>	<u>14,326</u>
Interest on workers' profit participation fund		3,049	2,746
		<u>17,559</u>	<u>17,072</u>

34.1 Bank guarantee commission paid by the company is charged over the period of contract.

**35. TAXATION**

	2018	2017
	--- Rupees in thousand ---	
Current		
- for the year	15,992	13,748
- for prior years	883	880
Deferred		
- Origination and reversal of temporary differences	(41,471)	(19,569)
- Impact of change in tax rate	(4,421)	(1,271)
	<u>(29,017)</u>	<u>(6,212)</u>

35.1 The current tax provision represents the Minimum Tax under section 113 of Income Tax Ordinance, 2001. As a result reconciliation of tax charge for the year is not required.

35.2 Company's income tax assessment has been finalized up to 2017.

35.3 As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

	2017	2016	2015
	--- Rupees in thousand ---		
Provision as per financial statements	13,748	54,867	9,553
Tax assessment	13,101	56,052	10,809

36. BASIC AND DILUTED (LOSS) PER SHARE

	2018	2017
	--- Rupees in thousand ---	
Basic		
(Loss)/Profit after taxation (Rupees in '000)	(69,956)	66,739
Weighted average number of ordinary shares (No. in '000) outstanding during the year	5,690	5,690
(Loss)/Earnings per share (Rupees)	<u>(12.29)</u>	<u>11.73</u>

36.1 There are no dilutive potential ordinary shares outstanding as at June 30, 2018 and 2017.

37. CASH GENERATED FROM OPERATIONS

(Loss)/Profit before taxation		(98,973)	60,527
Adjustments for:			
Depreciation	15.1.1	38,056	37,708
Financial charges		14,510	14,326
Interest on workers' profit participation fund		3,049	2,746
Interest income on bank deposit		(79)	(15)
Provision for gratuity		7,985	10,947
Provision for WPPF		-	3,295
Provision for WWF		-	2,081
Liability written off		(4)	(6,757)
Gain on sale of property, plant and equipment		-	(12,309)
		<u>63,517</u>	<u>52,022</u>
Profit before working capital changes		<u>(35,456)</u>	<u>112,549</u>



	2018	2017
	--- Rupees in thousand ---	
Movements in working capital		
Decrease/(Increase) in current assets:		
- Stores, spares and loose tools	1,565	(49,192)
- Stock in trade	99,289	(190,097)
- Trade debts	399,194	338,249
- Advances	(308)	496
- Trade deposits, prepayments and other receivables	3,898	(5,024)
- Sales tax refundable	(16,533)	(18,631)
Increase/(Decrease) in current liabilities:		
- Trade and other payables	(339,929)	(133,815)
	147,176	(58,014)
Cash generated from operations	111,720	54,535

38. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise GoP, associated companies/undertakings, directors of the Company and key management staff. Details of transactions with related parties during the year other than those which have been disclosed elsewhere in these financial statements are stated below:

State Engineering Corporation (SEC)

- Reimbursement expenses payable		151	151
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Pakistan Machine Tool Factory (PMTF)

- Receivable at the end of the year	38.2	273	273
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38.1 During the year no transaction was made with Heavy Electrical Complex, ENAR Petrotech Services and Furniture Pakistan.

38.2 Maximum amount due from associated undertakings (Ref: Note 21.2) at the end of any month was of Rs. 0.273 million (2017: Rs. 0.273 million). Further, balance outstanding from associated undertaking is more than 360 days over due.

38.3 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.

39. OPERATING SEGMENT

The financial information has been prepared on the basis of single reportable segment i.e. "Engineering".

39.1 Information about products and services

Revenue from sales of electricity transmission and communication towers represents 91.53% (2017: 91.73%) of total sales.

39.2 Information about geographical areas

Company as at June 30, 2018 are located in Pakistan. 100% (2017: 100%) of the gross sales of the Company are made to customers located in Pakistan.

**39.3 Information about major customers**

The Company's most significant customers are electric supply companies.

Electric supply companies (PESCO, HESCO, QESCO, LESCO, GEPCO and IESCO), electricity transmission company (NTDCL) and tower erection and installation company (NATRACON) accounts for more than 91.53% of the gross sales of the Company for the year.

40. FINANCIAL RISK MANAGEMENT**40.1 Risk management framework**

The Company's activities expose it to a variety of financial risks. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

40.2 Financial assets and liabilities by category and their respective maturities

	June 30, 2018		June 30, 2017	
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year
	----- Rupees in thousand -----			
FINANCIAL ASSETS				
Long term investments	-	819	-	741
Long term security deposits - net of impairment	-	2,053	-	2,053
Trade debts - net of impairment	382,497	-	781,691	-
Advances	1,043	-	652	-
Trade deposits and guarantee margins	21,946	-	25,770	-
Cash and bank balances	38,108	-	36,903	-
Total	443,594	2,872	845,016	2,794
FINANCIAL LIABILITIES				
Government of Pakistan Loans	-	1,790,848	-	1,790,848
Long term borrowings	19,503	9,747	19,503	29,250
Short term borrowings	61,494	-	74,919	-
Trade and other payables	312,656	-	671,844	-
Mark-up accrued	425,812	-	2,491	-
Total	819,465	1,800,595	768,757	1,820,098
On balance sheet date gap	(375,871)	(1,797,723)	76,259	(1,817,304)



June 30, 2018		June 30, 2017	
Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year
----- Rupees in thousand -----			

OFF - BALANCE SHEET ITEMS

Letter of guarantees	<u>225,811</u>	<u>617,847</u>
----------------------	----------------	----------------

40.2.1 The matter of charging interest on these loans is disputed in respect of which reconciliation exercise is currently in progress through Ministry of Finance. The ultimate outcome of the matter cannot presently be determined. Hence these loans have been stated at cost.

40.3 Fair Values

The carrying values of the financial assets and financial liabilities approximate their fair values except for Government of Pakistan loans as disclosed in note. 13 to the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If the transaction is not based on market terms, or if a market price cannot be readily determined, then an estimate of future cash payments or receipts, discounted using the current market interest rate for a similar financial instrument, is used to approximate the fair value.

40.4 Financial Risk Factors

The Company has exposures to the following risks from its use of financial instruments:

Credit Risk

Liquidity Risk

Market Risk

40.4.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from long term security deposits, loans and advances to employees, deposits, trade debts, other receivables and bank balances.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To manage exposure to credit risk in respect of trade receivables, management reviews credit worthiness, references, establish purchase limits taking into account the customer's financial position, past experience and other factors.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date was:



	2018	2017
	--- Rupees in thousand ---	
Long term investments	819	741
Long term security deposits - net of impairment	2,053	2,053
Trade debts - net of impairment	382,497	781,691
Advances	1,043	652
Trade deposits and guarantee margins	21,946	25,770
Bank balances	36,026	34,277
	<u>444,384</u>	<u>845,184</u>

The Company's most significant amount receivable is from NTDCL, PESCO and Pump Well which is included in total carrying amount of trade debts as at reporting date.

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Aging of trade debts is regularly reviewed by the Board's Receivables Committee and necessary actions are taken in respect of overdue balances. The company assesses the credit quality of the counter parties as satisfactory. Bank balances are held only with reputable banks with high quality credit ratings. Loans and advances to employees are not exposed to any material credit risk since these are secured against their salaries. Geographically there is no concentration of credit risk. The maximum exposure to credit risk for trade debts at the reporting date are with customers within the country.

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counter party default rate:

	Rating				
	Short term	Long term	Agency		
MCB Bank	A1+	AAA	PCRAL	32	48
United Bank Limited	A1+	AA+	JCR-VIS	33,595	32,255
National Bank of Pakistan	A1+	AAA	JCR-VIS	2,348	1,905
Habib Bank Limited	A1+	AAA	JCR-VIS	51	69
				<u>36,026</u>	<u>34,277</u>

	June 30, 2018		June 30, 2017	
	Gross	Impairment	Gross	Impairment
	----- Rupees in thousand -----			
The aging of trade debts at the reporting date was:				
Not yet due	1,857	-	345,587	-
Past due 1-30 days	129,687	-	58,559	-
Past due 31-60 days	49,646	-	243,468	-
Past due 61-90 days	53,384	-	21,944	-
Over 90 days	191,135	43,212	155,345	43,212
	<u>425,709</u>	<u>43,212</u>	<u>824,903</u>	<u>43,212</u>

Based on past experience the management believes that no further impairment allowance is necessary as there are reasonable grounds to believe that the amounts will be recovered in short course of time.

40.4.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Liquidity position of the Company is closely monitored through budgets, cash flow projections and comparison with actual results by the Board.

Following is the maturity analysis of financial liabilities:
Non - derivative financial liabilities

	----- Rupees in thousand -----		
	Up to 1 year	1 to 5 years	Total
Government of Pakistan Loans	-	1,790,848	1,790,848
Long term borrowings	19,503	9,747	29,250
Short term borrowings	61,494	-	61,494
Trade and other payables	312,656	-	312,656
Mark-up accrued	425,812	-	425,812
June 30, 2018	819,465	1,800,595	2,620,060

Non - derivative financial liabilities

	Up to 1 year	1 to 5 years	Total
Government of Pakistan Loans	-	1,790,848	1,790,848
Long term borrowings	19,503	29,250	48,753
Short term borrowings	74,919	-	74,919
Trade and other payables	671,844	-	671,844
Accrued mark-up	2,491	-	2,491
June 30, 2017	768,757	1,820,098	2,588,855

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at June 30, 2018. The rates of mark-up have been disclosed in the respective notes to the financial statements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

40.4.3 Market Risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board. The Company is exposed to interest rate and currency risks.

a) Currency Risk

Currency Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is not significantly exposed to currency risk as the company does not maintain bank accounts in foreign currencies.

b) Interest Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and entering into interest rate swap contracts.

The company's interest rate risk arises from short term cash finance facility. The company analyzes its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into accounts various other financing options available.

As at 30 June 2018, if interest rates on company's bank borrowings had been 1% higher / lower the markup expenses would have been higher / lower by Rs. 0.095 million (2017: Rs. 0.092 million).

41. CAPITAL RISK MANAGEMENT

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, the Company's ability to continue as going concern is disclosed in note 2.1 to the financial statements, and

(ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

In line with others in the industry practices, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings. Total borrowings comprise of long and short term loan Total capital employed is calculated as equity as shown in the balance sheet plus net debt. As at the balance sheet date, the gearing ratio of the Company was worked out as under:

	2018	2017
	----- Rupees in thousand -----	
The gearing ratio as at June 30, is as follows:		
Debt	1,883,720	1,917,011
Equity	13,667,998	13,732,096
Total equity and debt	15,551,718	15,649,107
Gearing Ratio	12.11%	12.25%

42. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements in respect of remuneration including benefits applicable to the chief executive, directors and executives of the Company are given below.



	2018		2017	
	Chief Executive	Executives	Chief Executive	Executives
	----- Rupees in thousand -----			
Remuneration	5,331	8,391	4,084	8,505
Bonus	50	-	500	-
Reimbursement of expenses	744	-	986	-
Pension contribution	-	-	277	-
Perquisites	486	699	-	709
	6,560	9,090	5,847	9,213
Number of persons	1	4	1	4

42.1 Comparative figures have been restated to reflect changes in the definition of executive as per Companies Act, 2017.

42.2 In addition to above remunerations 8 directors (2017: 8 directors) were paid aggregate remuneration of Rs. Nil (2017: Rs. Nil).

42.3 Aggregate amount charged in the accounts for 08 directors for Meeting fees were Rs. 7.275 million (2017: Rs. 5.78 million) and reimbursable expenses were Rs. Nil (2017: Rs. 0.98 million) for meetings of Board of Directors and sub committees of Board of Directors.

42.4 The Chief Executive Officer and one Director is entitled for company maintained car.

43. PLANT CAPACITY AND ACTUAL PRODUCTION

	U/M	Capacity		Actual Production	
		Installed	Assessed	2018	2017
Pumps / turbines	No.	3,400	3,400	174	113
Electric motors	No.	16,500	6,500	133	89
Rolled material	Tons	80,000	30,000	-	-
Foundry	Tons	4,000	4,000	99	88
Steel fabrications (STR)	Tons	20,000	20,000	9,351	10,707
Concrete Mixture	No.	350	350	-	-

44. NUMBER OF EMPLOYEES

Total number of employees as at June 30, are

	2018	2017
	----- Numbers -----	
Contractual employees - Head Office	32	33
Temporary staff - Head Office	30	29
Contractual employees - Factory	39	28
Temporary staff - Factory	43	34
Workers - Factory	250	242
	394	366

Average number of employees during the year

	2018	2017
Contractual employees - Head Office	30	29
Temporary staff - Head Office	34	31
Contractual employees - Factory	39	36
Temporary staff - Factory	246	244
Workers - Factory	382	373

45. CORRESPONDING FIGURES

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

Reclassification from component	Reclassification to component	--- Rupees in thousand ---
Administrative expenses	Administrative expenses	
Miscellaneous	Rent, rates, and taxes	50
Miscellaneous	Utilities	61
Miscellaneous	Security charges	2,011
Miscellaneous	Fee and subscription charges	858
Cost of sales	Cost of sales	
Other expenses	Entertainment	429
Other expenses	Publication of tender documents	1,734
Stores and spares consumed	Fuel and power	32,890
Selling and distribution expenses	Selling and distribution expenses	
Miscellaneous	Fee and subscription charges	295
Advance against suppliers	Advance to employees against expenses	641
Trade and other payables	Long term deposits	
Security deposits	Security deposits	2,000
	Unclaimed Dividend	
Unclaimed Dividend	Unclaimed Dividend	13,257

46. AUTHORIZATION OF FINANCIAL STATEMENTS

46.1 These financial statements have been authorized for issue on September 27, 2018 by the Board of Directors of the Company.

46.2 These financial statements have been signed by two directors instead of chief executive and one director, as the chief executive has neither attended nor applied for leave of absence from 198th meeting of Board of Directors held on September 27, 2018. The Company Secretary fulfilled all statutory requirements for convening 198th Board's meeting called for approval of these financial statements.

47. GENERAL

47.1 Figures have been rounded off to the nearest thousand rupee.

Ansar Javed
DIRECTOR

Mian Anwar Aziz
Chief Financial Officer

Muhammad Iqbal
DIRECTOR

**Pattern of Shareholding
AS AT JUNE 30, 2018**

# Of Shareholders	From	To	Total Shares Held
1,494	1	100	40,747
548	101	500	128,190
126	501	1,000	88,746
97	1,001	5,000	188,388
23	5,001	10,000	164,671
2	10,001	15,000	21,919
5	15,001	20,000	94,400
1	20,001	25,000	21,070
3	25,001	30,000	83,900
1	35,001	40,000	40,000
1	40,001	45,000	43,776
1	45,001	50,000	45,800
1	55,001	60,000	57,500
1	80,001	85,000	80,200
1	85,001	90,000	85,931
1	125,001	130,000	128,790
1	135,001	140,000	135,240
1	165,001	170,000	165,254
1	300,001	305,000	303,200
1	450,001	455,000	452,700
1	505,001	510,000	510,000
1	1,390,001	1,395,000	1,394,100
1	1,415,001	1,420,000	1,415,723
2313			5,690,245

**Categories of Shareholders
AS AT JUNE 30, 2018**

	# of Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
Mirza Mahmood Ahmed	1	1,000	0.02
Mr. Ansar Javed	1	1,000	0.02
Mr. Rashid Ali Khan	1	1,000	0.02
Mr. Muhammad Arif Habib	1	1,000	0.02
Mr. Liaqat Mohammad	1	3,700	0.07
Mr. Muhammad Iqbal	1	1,027	0.02

ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES

Rotocast Engineering Company (Private) Limited	1	1,394,100	24.50
State Engineering Corporation	1	1,415,723	24.88

**Categories of Shareholders
AS AT JUNE 30, 2018**

	<u># of Shareholders</u>	<u>Shares Held</u>	<u>Percentage</u>
NIT and ICP	2	131,330	2.31
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES,	12	145,115	2.55
INSURANCE COMPANIES,	3	229,030	4.02
MODARABAS AND MUTUAL PENSION FUNDS CDC - TRUSTEE AKD OPPORTUNITY FUND	1	6,900	0.12
PUBLIC SECTOR COMPANIES AND CORPORATIONS	7	27,600	0.49
GENERAL PUBLIC			
a. Local	2237	1,463,272	25.72
b. Foreign	-	-	-
Others	43	868,448	15.26
TOTAL	2,313	5,690,245	100

SHAREHOLDERS HOLDING 5 % OR MORE VOTING INTEREST

State Engineering Corporation Limited	1,415,723	24.88
Rotocast Engineering Company (Private) Limited	1,394,100	24.50
Mr. Ahmad Masood Khan	510,000	8.96
Maha Securities (Private) Limited	452,700	7.96
Djm Securities (Private) Limited	303,200	5.33

During the financial year, No director, CEO, CFO, Company Secretary, Head of Internal Audit and their spouses and minor children carried out any transactions in the shares of the Company

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FORM OF PROXY

The Company Secretary,
Pakistan Engineering Company Limited,
6/7-Sir Ganga Ram Trust Building,
Shahra-e-Quaid-e-Azam,
LAHORE

I/We _____ of _____
_____ being member (s) of Pakistan Engineering Company Ltd. and
holder of _____ ordinary shares as per Share Register Folio No. _____
(in case of Central Depository System Account No. _____)

hereby appoint Mr./ Ms. _____ of _____
(or failing him / her) Mr./Ms. _____ of _____

as a proxy of vote on my / our behalf at the Annual General Meeting of the Company to be held
on Saturday, October 27, 2018 at 11:30 a.m. at Hotel Ambassador, 7-Davis Road, Lahore.

Signed this _____ day of _____ 2018.

WITNESS

Signature _____

Name _____

Address _____

C.N.I.C _____

Signature

Please affix
Rupees five
Revenue Stamp

Note:

1. A member entitled to attend and vote at the meeting may appoint any other person as his / her proxy to attend and vote instead of him / her. A Corporation being a member of the Company may appoint as its proxy any person authorized by the Directors of Corporation.
2. Proxies in order to be valid must be received at the Company's Registered Office not less than 48 hours before the meeting duly stamped, signed and witnessed.
3. In case of Central Depository System Account holder, an attested copy of identity card should be attached to this Proxy Form.

تشکیل نیابت داری

کمپنی سیکرٹری

پاکستان انجینئرنگ کمپنی لمیٹڈ

۶/۷ سرگرم رام ٹرسٹ بلڈنگ

شاہرہ قائد اعظم، لاہور

میں / ہم

ساکن _____ بحیثیت پاکستان انجینئرنگ کمپنی لمیٹڈ کے _____
 رکن و حامل _____ عام حصص بمطابق شیئر رجسٹرڈ فولیو نمبر _____
 اور / یا سی ڈی سی کے شراکتی آئی ڈی نمبر _____ اور ذیلی کھاتہ نمبر _____
 محترم / محترمہ _____ ساکن _____
 یا بصورت دیگر محترم / محترمہ _____ ساکن _____

کو اپنی جگہ بروز ہفتہ مورخہ 27 اکتوبر، 2018 بوقت 11:30 بجے صبح بمقام امبسڈر ہٹل 7 ڈیوس روڈ، لاہور میں منعقد ہونے والے سالانہ اجلاس عام میں رائے دہندگی کے لیے اپنا نمائندہ مقرر کرتا / کرتی ہوں۔

دستخط _____ بتاریخ _____ ۲۰۱۸۔

گواہ:

1 دستخط _____

نام _____

پتہ _____

سی این آئی سی یا پاسپورٹ نمبر _____

(دستخط کمپنی میں پہلے سے موجود نمونہ کے مطابق ہونے چاہئے)

نوٹ: ۱۔ وہ ممبر جو اجلاس میں شرکت اور ووٹ ڈالنے کا حق رکھتے ہیں، وہ کسی بھی دوسرے شخص کو اجلاس میں شرکت اور ووٹ ڈالنے کیلئے نیابت دار مقرر کر سکتے ہیں

کارپوریٹ ادارہ جو کمپنی کا ممبر ہے کسی بھی شخص کو بورڈ آف ڈائریکٹرز کی اجازت سے نیابت دار مقرر کر سکتا ہے۔

۲۔ پراکسیز کے موثر ہونے کے لیے ضروری ہے کہ ان کی تفصیل اجلاس شروع ہونے سے 48 گھنٹے قبل کمپنی کو موصول ہو جائے۔

۳۔ سی ڈی سی شیئر ہولڈرز اور ان کے پراکسیز سے گزارش ہے کہ وہ اپنے قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ فوٹو کاپی کمپنی کو پیش کرنے سے قبل

اس پراکسی کے ساتھ منسلک کریں۔