



PAKISTAN ENGINEERING COMPANY LIMITED

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



Annual Report 2019



PAKISTAN ENGINEERING COMPANY LIMITED

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. Muhammad Iqbal
Mr. Ansar Javed

Board Finance Committee

Mr. Rashid Ali Khan (Chairman)
Mr. Naeem Jan Khan

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. Malik Haroon Ahmad &
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, Shahr:
Azam, Lahore.
Phones : 042 35 12 0755-6

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. CDC Share Registrar Services Limite
99 –B, Block B, S.M.C.H.S.Main Shahr:
Karachi-74400.

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
Rs in million

	2019	2018	2017	2016	2015	2014
Trading Results						
Sales – Net	249.64	1,424.45	1,353.17	2,329.08	923.26	222.32
Cost of Sales	487.64	1,399.41	1,187.00	1,856.63	781.39	280.44
Gross Profit/(Loss)	(238)	25.04	166.17	472.44	141.87	(58.13)
Admin, Gen. & Selling Exp.	87.16	108.87	105.46	83.89	67.32	53.63
Other Operating Charges	8.84	1.03	6.44	46.76	2.10	0.87
Other Operating Income	13.67	3.45	23.33	4.65	11.88	5.21
Operating Profit/(Loss)	(320.34)	(81.41)	77.60	346.44	81.10	(107.42)
Financial Charges	8.245	17.56	17.07	15.36	17.52	16.95
Workers Profit Participation fund	-	-	3.30	17.78	3.23	-
Profit/(Loss) before Tax	(328.59)	(98.97)	60.53	331.08	63.58	(124.37)
Net Profit/(Loss) after Tax	(466.96)	(69.96)	66.74	219.49	45.27	(66.61)
Dividend						
Cash Dividend	-	-	-	-	-	-
Dividend Per Share (Rs.)	-	-	-	-	-	-
Financial Position						
Property, Plant and Equipment	14,552.11	14,558.75	14,555.17	14,564.50	8,588.62	8,630.10
Paid up Capital	56.90	56.90	56.90	56.90	56.90	56.90
Reserves	10	10.00	10.00	10.00	10.00	10.00
Fixed Capital Expenditure	41.67	41.61	37.50	23.74	22.37	6.98
Key Indicators						
Gross Profit Ratio	(95.34)	1.76	12.28	20.28	15.37	(26.15)
Operating Profit/(Loss) Ratio	(128)	(5.72)	5.73	14.87	8.78	(48.32)
Operation Expenses Ratio	34.91	7.64	7.79	3.60	7.29	24.12
Profit/(Loss) Before Tax Ratio	(131.63)	(6.95)	4.47	14.22	6.89	(55.94)
Net Profit/(Loss) Ratio	(187.05)	(4.91)	4.93	9.42	4.90	(29.96)
Earning Per Share	(82.07)	(12.29)	11.73	38.57	7.96	(11.71)
Working Capital Turnover	304.56	665.74	794.54	748.66	471.81	306.48
Current ratio	1.55	2.56	2.01	1.80	1.81	1.80
Quick ratio	0.61	1.35	1.23	1.39	0.88	0.60

NOTICE OF 70TH ANNUAL GENERAL MEETING

Notice is hereby given that the 70th Annual General Meeting (AGM) of **Pakistan Engineering Company Limited** (the “Company”) will be held on **Monday, February 17, 2025 at 11:00AM** at Hotel Four Points by Sheraton, 25 - Egerton Road, Lahore and through video conferencing, to transact the following businesses:

Members are encouraged to attend the AGM through the electronic link facility managed by the Company (Please see the notes section for details).

ORDINARY BUSINESS:

1. To confirm minutes of 30th Extra Ordinary General Meeting held on April 18, 2024.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2019, together with the Auditors’ and Directors’ Report thereon along with Chairman’s Review Report.

In accordance with Section 223 of the Companies Act, 2017 and pursuant to the S.R.O. 389(I)/2023 dated March 21, 2023, the Annual Audited Financial Statements along with Reports of the Company can be accessed through the following weblink and QR enabled code.



<https://www.peco.com.pk/financial-results-for-the-year-ended-june-30-2019/>

3. In May 2024, the Securities and Exchange Commission (SECP), under section 246(7) of the Companies Act, 2017, approved the appointment of the Company's auditors and their remuneration for the year ended June 30, 2019. Therefore, agenda for approval for appointment of auditors and their remuneration will not be part of business of this Annual General Meeting.

SPECIAL BUSINESS:

4. To approve circulation of the Annual Audited Financial Statements (including Balance Sheet, Profit and Loss Account, Auditor's Report, Director’s Report and other reports contained therein) to Members of the Company through QR enabled code and web link, by passing the following ordinary resolution with or without modification:

Resolved that, as allowed by the Securities and Exchange Commission of Pakistan vide S.R.O. 389(I)/2023 dated 21st March 2023, circulation of Annual Audited Financial Statements of the Company to Members through QR enabled code and web link instead of CD/DVD/USB be and is hereby approved.

ANY OTHER BUSINESS:

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

By Order of the Board

Place: Lahore
Dated: January 27, 2025

(Mian Anwar Aziz)
Company Secretary

Notes:

1. Closure of Share Transfer Books

The Share Transfer Books of the Company will remain closed from February 10, 2025 to February 17, 2025 (both days inclusive). Transfer requests on prescribed format, received at the office of the Share Registrar of the Company, M/s. CDC Share Registrar Services Limited, CDC House, 99 –B, Block B, S.M.C.H.S., Main Shahrah-e- Faisal, Karachi-74400 on or before the close of business on February 07, 2025 will be treated ‘in time’ for the purpose of attending the AGM.

2. Virtual Participation in the AGM Proceedings

Shareholders interested in attending the AGM virtually are hereby advised to register themselves by sending an email along with following particulars and valid copy of both sides of their CNIC at cdcsr@cdcsrsl.com or WhatsApp 0321-8200864 with subject of ‘Registration for AGM 2019 - PECO’ not less than 48 hours before the time of the meeting:

Name of Shareholder	CNIC No.	Folio No./CDC Account No.	No. of Shares	Contact No.	Email Address

Electronic meeting link and login credentials will be shared with only those Members whose emails, containing all the required particulars, are received at the given email address by the end of business on Friday, February 14, 2025. The login facility shall remain open from 10:45 AM till the conclusion of the Meeting on February 17, 2025. The Shareholders can also provide their comments and questions for the agenda items of the AGM on the email address, corporate.affairs@peco.com.pk and WhatsApp Number +92 336 418 7010.

3. Electronic transmission of Annual Report 2019:

In compliance with section 223(6) of the Act, the Company has electronically transmitted the Annual Report 2019 through email to Shareholders whose email addresses are available with the Company’s Share Registrar, M/s. CDC Share Registrar Services Limited. The printed notices of AGM, after insertion of the web link and QR enabled code for downloading the Annual Report, have been dispatched under S.R.O. 389 (I)/2023, dated March 21, 2023. The Financial Statements of the Company for the year ended June 30, 2019 along with reports have also been placed on the website of the Company.



<https://www.peco.com.pk/financial-results-for-the-year-ended-june-30-2019/>

However, the Company will provide hard copies of the Annual Report to any member on their demand, at their registered address, free of cost, within one week of receiving such request on specified consent letter/form which is available on the Company’s website www.peco.com.pk

Further, Shareholders are requested to kindly provide their valid email address (along with a copy of valid CNIC) to the Company’s Share Registrar, M/s. CDC Share Registrar Services Limited CDC House, 99 –B, Block B, S.M.C.H.S., Main Shahrah-e- Faisal, Karachi-74400, if the Member hold shares in physical form or, to the Member’s respective Participant/Investor Account Services, if shares are held in book entry form.

4. Participation in the AGM

A member entitled to attend and vote at the meeting may appoint another person as his/her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member. A proxy need not be a member of the Company.

Procedure including the guidelines as laid down in Circular No. I - Reference No. 3 (5-A) Misc / ARO / LES / 96 dated January 26, 2000 issued by Securities & Exchange Commission of Pakistan:

- (i) Members, proxies or nominees shall authenticate their identity by producing their original national identity card or original passport and folio numbers at the time of the meeting.
- (ii) In case of corporate entities, a resolution of the Board of Directors / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity and an attested copy of CNIC shall be submitted to the Company at the meeting or along with a completed proxy form. The proxy holders are required to produce their original valid CNICs or original passports at the time of the meeting.
- (iii) In order to be effective, the proxy forms must be received at the registered office of the company not later than 48 hours before the meeting, duly signed and stamped and witnessed by two persons with their names, address, CNIC numbers and signatures.
- (iv) In the case of individuals, attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.

Guidelines for CDC Account Holders issued by SECP

CDC account holders will further have to follow the below mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan in this regard:

a) For Attending the Meeting

- i. In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations shall authenticate his/her original valid CNIC or the original passport at the time of attending the meeting.
- ii. Members registered on CDC are also requested to bring their particulars, I.D. numbers and account numbers in CDS.
- iii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting along with the proxy form to the Company.

b) For Appointing Proxies

- i. In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the Regulations shall submit the proxy form as per above requirements.
- ii. Attested copies of valid CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii. The proxy shall produce original valid CNIC or original passport at the time of the meeting.
- iv. In case of a corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
- v. Proxy form will be witnessed by two persons whose names, addresses and valid CNIC numbers shall be mentioned on the form.

Members are requested to update their details together with Name, Folio/CDC Account No., E-mail address, contact number to the Share Registrar of the Company, M/s. CDC Share Registrar Services Limited, CDC House, 99 -B, Block B, S.M.C.H.S., Main Shahrah-e- Faisal, Karachi – 74400.

Polling on Special Business

The members are hereby notified that pursuant to Companies (Postal Ballot) Regulations, 2018 Securities & Exchange Commission of Pakistan has directed all the listed companies to provide the right to vote through electronic voting facility and voting by post to the members on all businesses classified as special business.

Accordingly, the shareholders of the Company will be allowed to exercise their right to vote through electronic voting facility or voting by post for the special business in the AGM to be held on Monday, February 27, 2025 at 11.00 a.m., in accordance with the requirements and subject to the conditions contained in the aforesaid Regulations.

For the convenience of the shareholders, ballot paper is annexed to this notice and the same is also available on the Company’s website at <https://www.peco.com.pk> for the purpose of being downloaded.

Procedure for E – Voting:

Details of the e-voting facility will be shared through an e-mail with those shareholders of the Company who have their valid CNIC numbers, cell numbers, and e-mail addresses available in the register of members of the Company by the close of business of February 07, 2025.

The web address, login details, will be communicated to members via email. The security codes will be communicated to members through SMS from web portal of CDC Share Registrar Services Limited (being the e-voting service provider).

Identity of the shareholders intending to cast vote through e-Voting shall be authenticated through electronic signature or authentication for login.

E-Voting lines will start from February 12, 2025 and shall close on February 16, 2025 at 5:00 p.m. Shareholders can cast their votes any time during this period. Once the vote on a resolution is casted, he / she shall not be allowed to change it, subsequently.

Procedure for Voting Through Postal Ballot:

The shareholders shall ensure that duly filled and signed ballot paper, along with copy of Computerized National Identity Card (CNIC), should reach the Chairman through post on the Company’s address, 6/7- Sir Ganga Ram Trust Building, Shahrah-e-Quaid-e-Azam, Lahore by or email at corporate.affairs@peco.com.pk one day before the AGM on February 16, 2025, till 5:00 pm. The signature on the ballot paper shall match the signature on the CNIC.


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STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

AGENDA # 4

Circulation of Annual Audited Financial Statements through QR enabled code and web link

Through its Notification bearing No. S.R.O 389(I)/2023 dated March 21, 2023, subject to conditions mentioned therein, SECP has allowed circulation of Annual Audited Financial Statements by the companies to its members through QR enabled code and web link instead of CD/DVD/USB. In view of technological advancements and old technology becoming obsolete, Members are requested to authorize the same by approving the agenda.

However, if a shareholder, in addition, requests for complete financial statements with relevant documents in hard copy, the same shall be provided free of cost within seven days of receipt of such request. For convenience of shareholders, a “Standard Request Form for provision of Annual Audited Accounts” has also been made available on the Company’s website (<http://www.peco.com.pk>).

 PAKISTAN ENGINEERING COMPANY LIMITED		
POSTAL BALLOT PAPER		
<p>for voting through post for the Special Business at the 70th Annual General Meeting to be held on Monday, February 17 , 2025, at 11:00 a.m. at the Hotel Four Points by Sheraton, 25 - Egerton Road, Lahore</p> <p>UAN: +92 42 35120755-56 Website: https://www.peco.com.pk</p>		
Folio / CDS Account Number		
Name of Shareholder / Proxy Holder		
Registered Address		
Number of shares Held		
CNIC/Passport No. (in case of foreigner) (copy to be attached)		
Additional information and enclosures (in case of representative of body corporate, corporation, and federal Government)		
Name of Authorized Signatory		
CNIC/Passport No. (in case of foreigner) of Authorized Signatory (copy to be attached)		
<p>Resolution for Agenda Item No. 4</p> <p>To approve circulation of the Annual Audited Financial Statements (including Balance Sheet, Profit and Loss Account, Auditor's Report, Director's Report and other reports contained therein) to Members of the Company through QR enabled code and web link, by passing the following ordinary resolution with or without modification:</p> <p>Resolved that, as allowed by the Securities and Exchange Commission of Pakistan vide S.R.O. 389(I)/2023 dated 21st March 2023, circulation of Annual Audited Financial Statements of the Company to Members through QR enabled code and web link instead of CD/DVD/USB be and is hereby approved.</p>		
INSTRUCTION FOR POLL		
1. Please indicate your vote by ticking (√) the relevant box.		
2. In case if both the boxes are marked as (√), your poll shall be treated as “Rejected” .		
I/we hereby exercise my/our vote in respect of the above resolution through ballot by conveying my/our assent or dissent to the resolution by placing tick (√) mark in the appropriate box below;		
Resolution	I/We assent to the Resolution (FOR)	I/We dissent to the Resolution (AGAINST)
Resolution For Agenda Item No. 4		
1.	Dully filled ballot paper should be sent to the Chairman at 6/7-Sir Ganga Ram Trust Building, Shahrah-e-Quaid-e-Azam, Lahore by or email at corporate.affairs@peco.com.pk by or before February 16, 2025, till 5:00 pm.	
2.	Copy of CNIC/ Passport (in case of foreigner) should be enclosed with the postal ballot form.	
3.	Ballot paper should reach the Chairman within business hours by or before Sunday, February 16, 2025. Any postal ballot received after this date, will not be considered for voting.	
4.	Signature on ballot paper should match with signature on CNIC/ Passport (In case of foreigner).	
5.	Incomplete, unsigned, incorrect, defaced, torn, mutilated, over written poll paper will be rejected.	



6.	In case of a representative of a body corporate, corporation or Federal Government, the Ballot Paper Form must be accompanied by a copy of the CNIC of an authorized person, an attested copy of Board Resolution, / Power of Attorney, / Authorization Letter etc., in accordance with Section(s) 138 or 139 of the Companies Act, 2017 as applicable.
7.	Ballot Paper form has also been placed on the website of the Company at: https://www.peco.com.pk . Members may download the Ballot Paper from the website or use an original/photocopy published in newspapers.
<p style="text-align: center;">_____</p> <p style="text-align: center;">Shareholder / Proxy holder Signature/Authorized Signatory (In case of corporate entity, please affix company stamp)</p> <p style="text-align: right;">Date: _____</p>	

نوٹس برائے 70 واں سالانہ اجلاس عام

نوٹس دیا جاتا ہے کہ پاکستان انجینئرنگ کمپنی لمیٹڈ (کمپنی) کا 70 واں سالانہ اجلاس عام (اے جی ایم) 17 فروری 2025 بروز پیر صبح 11 بجے ہوٹل فور پوائنٹس پر شیرٹن، 25- ایبجکٹن روڈ، لاہور میں منعقد ہوگا اور ویڈیو کانفرنسنگ کے ذریعے مندرجہ ذیل کاروباروں کو انجام دیا جائے گا:

ممبران کی حوصلہ افزائی کی جاتی ہے کہ وہ کمپنی کے زیر انتظام الیکٹرانک لنک سہولت کے ذریعے اے جی ایم میں شرکت کریں (براہ کرم تفصیلات کے لئے نوٹ سیکشن دیکھیں)۔

عمومی کاروبار:

1- 18 اپریل، 2024 کو منعقد ہونے والے 30 ویں غیر معمولی اجلاس عام کے منٹس کی تصدیق کرنا۔

2- 30 جون 2019 کو ختم ہونے والے سال کے لئے کمپنی کے سالانہ آڈٹ شدہ مالیاتی بیانات کو حاصل کرنے، غور کرنے اور اپنانے کے لئے آڈیٹرز اور ڈائریکٹرز کی رپورٹ کے ساتھ ساتھ چیئرمین کی جائزہ رپورٹ بھی شامل ہے۔

کمپنیز ایکٹ، 2017 کے سیکشن 223 کے مطابق اور ایس آر او (I)/2023 مورخہ 21 مارچ 2023ء، کمپنی کی رپورٹس کے ساتھ سالانہ آڈٹ شدہ مالیاتی بیانات درج ذیل ویب لنک اور کیو آر فعال کوڈ کے ذریعے حاصل کیے جاسکتے ہیں۔



<https://www.peco.com.pk/financial-results-for-the-year-ended-june-30-2019/>

3- مئی 2024 میں سیکورٹیز اینڈ ایکسچینج کمیشن (ایس ای سی پی) نے کمپنیز ایکٹ 2017 کی دفعہ 246 (7) کے تحت کمپنی کے آڈیٹرز کی تقرری اور 30 جون 2019 کو ختم ہونے والے سال کے لیے ان کے معاوضے کی منظوری دی۔ لہذا آڈیٹرز کی تقرری کی منظوری کا ایجنڈا اور ان کا معاوضہ اس سالانہ عمومی اجلاس کا حصہ نہیں ہوگا۔

خصوصی کاروبار:

4- سالانہ آڈٹ شدہ مالیاتی بیانات (بشمول بیلنس شیٹ، منافع اور نقصان اکاؤنٹ، آڈیٹرز کی رپورٹ، ڈائریکٹرز کی رپورٹ اور اس میں شامل دیگر رپورٹس) کو کیو آر فعال کوڈ اور ویب لنک کے ذریعے، مندرجہ ذیل عام قرارداد کو ترمیم کے ساتھ یا اس کے بغیر منظور کر کے تقسیم کرنے کی منظوری دینا:

قرارداد یا کہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے 21 مارچ 2023 کو ایس آر او (آئی)/2023 کے تحت اجازت دی گئی تھی کہ کمپنی کے سالانہ آڈٹ شدہ مالیاتی گوشواروں کو سی ڈی / ڈی وی ڈی / یو ایس بی کے بجائے کیو آر فعال کوڈ اور ویب لنک کے ذریعے ممبران تک پہنچانے کی منظوری دی جائے گی۔

کوئی اور کاروبار:

5- صاحب صدر کی اجازت سے کسی دوسرے کاروبار پر غور کرنا۔

بجلم بورڈ

جگہ: لاہور

تاریخ: 27 جنوری، 2025

(میاں انور عزیز)

کمپنی سیکرٹری

نوٹس:

1- حصص منتقلی کی کتابوں کی بندش

کمپنی کی حصص منتقلی کی کتابیں 10 فروری، 2025 سے 17 فروری، 2025 (بشمول دونوں ایام) تک بند رہیں گی۔ 07 فروری 2025ء کو کاروبار بند ہونے پر یا اس سے قبل کمپنی کے شیئرز رجسٹرار کے دفتر، سی ڈی سی شیئرز رجسٹرار سروسز لمیٹڈ، سی ڈی سی ہاؤس، 99 بی، بلاک بی، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی-74400 سے موصول ہونے والی ٹرانسفر درخواستوں کو اے جی ایم میں شرکت کے مقصد سے 'بروقت' سمجھا جائے گا۔

2- اے جی ایم کی کارروائی میں ورچوئل شرکت

اے جی ایم میں شرکت کے خواہشمند شیئرز ہولڈرز کو مشورہ دیا جاتا ہے کہ وہ اجلاس کے وقت سے کم از کم 48 گھنٹے قبل 'اے جی ایم 2019-2021' پیکو کے لئے رجسٹریشن کے موضوع کے ساتھ cdcsr@cdcsrsl.com یا واٹس ایپ نمبر +92 321 820 0864 پر مندرجہ ذیل تفصیلات اور شناختی کارڈ کے دونوں اطراف کی درست کاپی کے ساتھ ای میل بھیج کر اپنا اندراج کرائیں:

شیئرز ہولڈر کا نام	شناختی کارڈ نمبر	فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر	حصص کی تعداد	رابطہ نمبر	ای میل ایڈریس

الیکٹرانک میٹنگ لنک اور لاگ ان اسناد صرف ان ممبروں کے ساتھ شیئرز کی جائیں گی جن کی ای میل، جن میں تمام مطلوبہ تفصیلات شامل ہیں، جمعہ، 14 فروری، 2025ء کو کاروبار کے اختتام تک دیئے گئے ای میل ایڈریس پر موصول ہوتی ہیں۔ لاگ ان کی سہولت صبح 10:45 بجے سے 17 فروری 2025ء کو اجلاس کے اختتام تک کھلی رہے گی۔ شیئرز ہولڈرز ای میل ایڈریس، corporate.affairs@peco.com.pk اور واٹس ایپ نمبر +92 336 418 7010 پر اے جی ایم کے ایجنڈا آئٹمز کے لئے اپنے تبصرے اور سوالات بھی فراہم کر سکتے ہیں۔

3- سالانہ رپورٹ 2019 کی الیکٹرانک ٹرانسمیشن:

ایکٹ کی دفعہ 223(6) کی تعمیل میں کمپنی نے سالانہ رپورٹ 2019 کو ای میل کے ذریعے شیئرز ہولڈرز کو الیکٹرانک طور پر منتقل کیا ہے جن کے ای میل پتے کمپنی کے شیئرز رجسٹرار، میسرز سی ڈی سی شیئرز رجسٹرار سروسز لمیٹڈ کے پاس دستیاب ہیں۔ سالانہ رپورٹ ڈاؤن لوڈ کرنے کے لئے ویب لنک اور کیو آر فعال کوڈ شامل کرنے کے بعد اے جی ایم کے پرنٹ شدہ نوٹس ایس آر آو 389 (آئی/2023) کے تحت بھیجے گئے ہیں، جس کی تاریخ 21 مارچ 2023ء ہے۔ 30 جون 2019ء کو ختم ہونے والے سال کے لیے کمپنی کے مالیاتی گوشوارے اور رپورٹس بھی کمپنی کی ویب سائٹ پر ڈال دی گئی ہیں۔



<https://www.peco.com.pk/financial-results-for-the-year-ended-june-30-2019/>

تاہم کمپنی کسی بھی رکن کو ان کے مطالبے پر ان کے رجسٹرڈ ایڈریس پر سالانہ رپورٹ کی ہارڈ کاپیاں مفت فراہم کرے گی، ایسی درخواست موصول ہونے کے ایک ہفتے کے اندر مخصوص رضامندی نامے/فارم پر جو کمپنی کی ویب سائٹ پر دستیاب ہے www.peco.com.pk مزید برآں شیئرز ہولڈرز سے درخواست ہے کہ وہ اپنا درست ای میل ایڈریس (درست شناختی کارڈ کی کاپی کے ساتھ) کمپنی کے شیئرز رجسٹرار، سی ڈی سی شیئرز رجسٹرار سروسز لمیٹڈ سی ڈی سی ہاؤس، 99 بی، بلاک بی، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی-74400 کو فراہم کریں، اگر ممبر کے پاس فزیکل شکل میں حصص ہیں یا ممبر کے متعلقہ پارٹنر/انویسٹرز کا وٹنٹ سروسز کو، اگر حصص بک انٹری فارم میں رکھے جاتے ہیں۔

4۔ اے جی ایم میں شرکت

اجلاس میں شرکت اور ووٹ دینے کا حق رکھنے والا رکن کسی دوسرے شخص کو اپنا پراکسی مقرر کر سکتا ہے جسے اجلاس میں شرکت، تفریر اور ووٹ دینے کے ایسے حقوق حاصل ہوں گے جو کسی رکن کو حاصل ہیں۔ ایک پراکسی کو کمپنی کا رکن ہونے کی ضرورت نہیں ہے۔

طریقہ کار بشمول سرکلر نمبر 2 میں بیان کردہ رہنما خطوط۔ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے 26 جنوری 2000ء کو جاری کردہ ریفرنس نمبر 3 (5-اے) ایم آئی ایس سی/اے آر او/اے ای ایس/96:

(i) اراکین، پراکسیز یا نامزد افراد اجلاس کے وقت اپنا اصل قومی شناختی کارڈ یا اصل پاسپورٹ اور فوٹو نمبر پیش کر کے اپنی شناخت کی تصدیق کریں گے۔

(ii) کارپوریٹ اداروں کے معاملے میں، بورڈ آف ڈائریکٹرز/پاور آف اٹارنی کی ایک قرارداد جس میں کارپوریٹ ادارے کی نمائندگی اور ووٹ دینے کے لئے نامزد شخص کے نمونے کے دستخط اور شناختی کارڈ کی تصدیق شدہ کاپی میٹنگ میں یا مکمل پراکسی فارم کے ساتھ کمپنی کو پیش کی جائے گی۔ پراکسی ہولڈرز کو میٹنگ کے وقت اپنے اصل درست شناختی کارڈ یا اصل پاسپورٹ پیش کرنے کی ضرورت ہوتی ہے۔

(iii) موثر ہونے کے لئے، پراکسی فارم ہمارے رجسٹرار کے دفتر میں میٹنگ سے 48 گھنٹے قبل موصول ہونا ضروری ہے، جس پر دو افراد کے نام، پتہ، شناختی کارڈ نمبر اور دستخط کے ساتھ باقاعدہ دستخط اور مہر لگانا ضروری ہے۔

(iv) افراد کے معاملے میں فائدہ اٹھانے والے مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپیاں اور پراکسی فارم کے ساتھ پیش کی جائیں گی۔

ایس ای سی پی کی جانب سے سی ڈی سی اکاؤنٹ ہولڈرز کے لیے جاری ہدایات

سی ڈی سی اکاؤنٹ ہولڈرز کو اس سلسلے میں سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے طے کردہ مندرجہ ذیل ہدایات پر مزید عمل کرنا ہوگا:

الف) اجلاس میں شرکت کے لئے

(i) افراد کے معاملے میں، اکاؤنٹ ہولڈرز یا ذیلی اکاؤنٹ ہولڈرز جن کی رجسٹریشن کی تفصیلات قواعد و ضوابط کے مطابق اپ لوڈ کی گئی ہیں، اجلاس میں شرکت کے وقت اپنے اصل درست شناختی کارڈ یا اصل پاسپورٹ کی تصدیق کریں گے۔

(ii) سی ڈی سی پر رجسٹرڈ ممبران سے بھی درخواست کی جاتی ہے کہ وہ اپنی تفصیلات، شناختی نمبر اور اکاؤنٹ نمبر سی ڈی ایس میں لائیں۔

(iii) کارپوریٹ ادارے کے معاملے میں، بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی نامزد کے نمونے کے دستخط کے ساتھ اجلاس کے وقت (جب تک کہ یہ پہلے فراہم نہ کیا گیا ہو) کمپنی کو پراکسی فارم کے ساتھ پیش کیا جائے گا۔

ب) پراکسیوں کی تقرری کے لئے

(i) افراد کے معاملے میں، اکاؤنٹ ہولڈرز یا ذیلی اکاؤنٹ ہولڈرز جن کی رجسٹریشن کی تفصیلات قواعد کے مطابق اپ لوڈ کی گئی ہیں، مندرجہ بالا ضروریات کے مطابق پراکسی فارم جمع کرائیں گے۔

(ii) درست شناختی کارڈ یا اینفٹری مالکان کے پاسپورٹ کی تصدیق شدہ کاپیاں اور پراکسی فارم کے ساتھ پراکسی فراہم کی جائیں گی۔

(iii) پراکسی میٹنگ کے وقت اصل درست شناختی کارڈ یا اصل پاسپورٹ پیش کرے گا۔

(iv) کسی کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی نمونے کے دستخط کے ساتھ کمپنی کو پراکسی فارم کے ساتھ پیش کیا جائے گا (بشرطیکہ یہ پہلے فراہم نہ کیا گیا ہو)۔

(v) پراکسی فارم دو افراد کے ذریعہ دیکھا جائے گا جن کے نام، پتے اور درست شناختی کارڈ نمبر فارم پر درج ہوں گے۔

ممبران سے درخواست کی جاتی ہے کہ وہ اپنی تفصیلات کو اپ ڈیٹ کریں جس میں نام، فوٹو/سی ڈی سی اکاؤنٹ نمبر، ای میل ایڈریس، کمپنی کے شیئر رجسٹرار، میسرز سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ، سی ڈی سی ہاؤس، 99 بی، بلاک بی، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی-74400 شامل ہیں۔

خصوصی کاروبار پر پوائنٹ

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے کمپنیز (پوسٹل بیلٹ) ریگولیشنز 2018 کے مطابق تمام لسٹڈ کمپنیوں کو ہدایت کی ہے کہ وہ خصوصی کاروبار کے طور پر درجہ بند تمام کاروباروں پر ممبران کو الیکٹرانک ووٹنگ کی سہولت اور ڈاک کے ذریعے ووٹنگ کا حق فراہم کریں۔

اس کے مطابق کمپنی کے شیئر ہولڈرز کو 17 فروری 2025 کو صبح 11 بجے منعقد ہونے والی اے جی ایم میں الیکٹرانک ووٹنگ کی سہولت یا ڈاک کے ذریعے ووٹنگ کا حق استعمال کرنے کی اجازت ہوگی جو ضروریات کے مطابق اور مذکورہ ریگولیشنز میں شامل شرائط کے تابع ہوگی۔

شیئر ہولڈرز کی سہولت کے لیے بیلٹ پیپر کو اس نوٹس کے ساتھ منسلک کیا گیا ہے اور اسے ڈاؤن لوڈ کرنے کے لیے <https://www.peco.com.pk> پر کمپنی کی ویب سائٹ پر بھی دستیاب ہے۔

ای۔ووٹنگ کا طریقہ کار:

ای ووٹنگ کی سہولت کی تفصیلات کمپنی کے ان شیئر ہولڈرز کے ساتھ ای میل کے ذریعے شیئر کی جائیں گی جن کے پاس 07 فروری 2025 کو کاروبار کے اختتام تک کمپنی کے ممبروں کے رجسٹر میں ان کے درست شناختی کارڈ نمبر، سیل نمبر اور ای میل پتے دستیاب ہوں گے۔

ویب ایڈریس، لاگ ان کی تفصیلات، ممبروں کو ای میل کے ذریعے مطلع کیا جائے گا۔ سی ڈی سی شیئر رجسٹر اسروسز لمیٹڈ (ای ووٹنگ سروس فراہم کرنے والا ہونے کے ناطے) کے ویب پورٹل سے ایس ایم ایس کے ذریعے ممبروں کو سیکورٹی کوڈ سے آگاہ کیا جائے گا۔

ای ووٹنگ کے ذریعے ووٹ ڈالنے کا ارادہ رکھنے والے شیئر ہولڈرز کی شناخت الیکٹرانک دستخط یا لاگ ان کی تصدیق کے ذریعے تصدیق کی جائے گی۔

ای ووٹنگ لائنیں 12 فروری 2025 سے شروع ہوں گی اور 16 فروری 2025 کو شام 5:00 بجے بند ہوں گی۔ شیئر ہولڈرز اس مدت کے دوران کسی بھی وقت اپنا ووٹ ڈال سکتے ہیں۔ ایک بار جب کسی قرارداد پر ووٹ ڈال دیا جاتا ہے تو، اسے بعد میں اسے تبدیل کرنے کی اجازت نہیں دی جائے گی۔

پوسٹل بیلٹ کے ذریعے ووٹنگ کا طریقہ کار:

شیئر ہولڈرز اس بات کو یقینی بنائیں گے کہ کمپیوٹرائزڈ قومی شناختی کارڈ (سی این آئی سی) کی کاپی کے ساتھ باقاعدہ طور پر بھرے ہوئے اور دستخط شدہ بیلٹ پیپر 16 فروری 2025 کو ہونے والی سالانہ اجلاس سے ایک دن قبل corporate.affairs@peco.com.pk شام 5 بجے تک کمپنی کے پتے 6/7 سرگنگرام ٹرسٹ بلڈنگ، شاہراہ قائد اعظم، لاہور پر بذریعہ ڈاک یا ای میل کے ذریعے چیئر مین تک پہنچ جائیں۔ بیلٹ پیپر پر دستخط شناختی کارڈ پر دستخط سے میل کھائیں گے۔

کمپنیز ایکٹ 2017 کی دفعہ 134(3) کے تحت بیان

ایجنڈا #4

کیو آر فعال کوڈ اور ویب لنک کے ذریعے سالانہ آڈٹ شدہ مالیاتی بیانات کی سرکولیشن

ایس ای سی پی نے 21 مارچ 2023 کو اپنے نوٹیفیکیشن نمبر ایس آر او 389 (آئی) / 2023 کے ذریعے کمپنیوں کی جانب سے سالانہ آڈٹ شدہ مالیاتی گوشواروں کو سی ڈی / ڈی وی ڈی / یو ایس بی کے بجائے کیو آر فعال کوڈ اور ویب لنک کے ذریعے اپنے ممبران تک پہنچانے کی اجازت دی ہے۔ تکنیکی ترقی اور پرانی ٹکنالوجی کے متروک ہونے کے پیش نظر، ممبران سے درخواست کی جاتی ہے کہ وہ ایجنڈے کی منظوری دے کر اس کی اجازت دیں۔

تاہم، اگر کوئی شیئر ہولڈر، اس کے علاوہ، ہارڈ کاپی میں متعلقہ دستاویزات کے ساتھ مکمل مالی بیانات کی درخواست کرتا ہے تو، ایسی درخواست موصول ہونے کے ساتھ دن کے اندر سے مفت فراہم کیا جائے گا۔ شیئر ہولڈرز کی سہولت کے لئے کمپنی کی ویب سائٹ (<http://www.peco.com.pk>) پر "سالانہ آڈٹ شدہ اکاؤنٹس کی فراہمی کے لئے معیاری درخواست فارم" بھی دستیاب کرایا گیا ہے۔

CHAIRMAN'S REVIEW

I am presenting the review for the year ended 30 June 2019 highlighting the Company's performance after an unfortunate lapse of seven years and the role of the Board of Directors in guiding the management to carry out its responsibility for the benefit of all its stakeholders.

In 2018-2019, the business faced numerous external headwinds including slowdown in economic activity resulting in lower demand, exchange rate depreciation, gas price hike and increase in SBP borrowing rates.

During the year, the Board of Directors in its 199th meeting held on 14.12.2018, unanimously resolved to remove the then Managing Director, Mr. Mairaj Anees Ariff as MD from PECO Board under section 190(1) of Companies Act, 2017, with immediate effect, due to non-observance of directions of PECO Board and his illegal/unlawful acts. However, completion of official formalities were delayed by Government of Pakistan, to ensure compliance of Board's decision related to removal of Mr. Mairaj Anees Ariff as MD from PECO. Due to management disputes created by Government Nominated ex-MD PECO, Mairaj Anees Ariff, despite of his removal in December 2018; the Company gradually slipping to its lowest ab. The Board of Directors tried its level best to normalize the situation but the Government Nominated ex-MD PECO, Mairaj Anees Ariff didn't allow any Board member or senior management to enter into the company premises neither enable them to hold mandatory Board meetings nor senior management could able to work as per prevalent business practices. However, Securities and Exchange Commission of Pakistan (SECP), Pakistan Stock Exchange (PSX) and Government of Pakistan were duly informed with this fact.

In this difficult business and working environment, illegal and unlawful acts by Government Nominated ex-MD PECO, Mairaj Anees Ariff, has caused your company an irreversible loss. The salient financial achievements during the year are:

- Net Sales increased to Rs. 249.64 million
- Gross Profit decreased to loss of Rs 238.01 million
- Profit after tax decreased to loss of Rs. 466.97 million
- Earnings per share decreased to Rs. 82.07 per share

Furthermore, due to tightening of fiscal and monetary policy the economy shrunk across the country. The revival of the market remains uncertain in the near future.

The Board has tried its level best to perform its duties and responsibilities diligently and has contributed effectively in guiding the Company in all its strategic affairs. The Board also played a key role in monitoring of management performance and focus on major risk areas. The Board was not fully involved in strategic planning process and enhancing the vision of the Company. Since October 2018, and despite of his removal in December 2018, Government Nominated ex-MD PECO, Mairaj Anees Ariff, unlawfully, didn't allow any Board member to enter into the company premises nor enable them to hold mandatory Board meetings.

The Board recognizes that well defined corporate governance processes is vital in enhancing corporate accountability and is committed to ensure high standards of corporate governance to preserve and maintain stakeholder value.

As Chairman of your Company, I will continue to be responsible for leading the Board, fostering a culture of openness and constructive debate during which all views are heard and ensuring that the board hears from appropriate range of senior management. I will remain firmly committed to ensuring that your Company complies with all relevant codes and regulations; ensuring that our management team continues to take decision that will create value for you in the short, medium and long term. Keeping in view the disaster situation from the period from October 2018 to March 2023; the Board of Directors is trying its best to resolve issues prevailing in the Company; which were created due to management disputes created by Government Nominated ex-MD PECO, Mairaj Anees Ariff, despite of his removal in December 2018. The Board of Directors and Senior Management of the Company took all necessary steps to keep the stakeholders on-board regarding situation of Company from time to time.

On behalf of the Board, I would like to extend my heartfelt appreciation to employees, suppliers, business partners and Board for their commitment and passion to resolve the on-going issues of the Company.

Mirza Mahmood Ahmad
Chairman of the Board
Lahore: January 20, 2025

چیئر مین کا جائزہ

میں سال 30 جون 2019 کے اختتام پر کمپنی کی کارکردگی کا جائزہ پیش کر رہا ہوں، جس میں بدقسمتی سے سات سال کے وقفے کے بعد کمپنی کی حالت اور بورڈ آف ڈائریکٹرز کا کردار واضح کیا گیا ہے، جو انتظامیہ کی رہنمائی کر رہا ہے تاکہ تمام اسٹیک ہولڈرز کے مفاد میں اپنی ذمہ داری نبھاسکیں۔

سال 2018-2019 میں، کاروبار کوئی بیرونی چیلنجز کا سامنا کرنا پڑا، جن میں معاشی سرگرمیوں کی کمی کے باعث طلب میں کمی، زرمبادلہ کی شرح میں کمی، گیس کی قیمتوں میں اضافہ اور اسٹیٹ بینک آف پاکستان کے قرض لینے کی شرح میں اضافہ شامل ہے۔

اس سال کے دوران، بورڈ آف ڈائریکٹرز نے اپنی 199 ویں میٹنگ میں، 14 دسمبر 2018 کو منعقد ہوئی، متفقہ طور پر فیصلہ کیا کہ کمپنی ایکٹ 2017 کی دفعہ 190 (1) کے تحت، اس وقت کے میٹنگ ڈائریکٹر، جناب معراج انیس عارف کوفوری طور پر پی ای سی او بورڈ سے ہٹا دیا جائے۔ یہ فیصلہ PECO بورڈ کی ہدایات کی خلاف ورزی اور غیر قانونی و غیر اخلاقی اقدامات کی بنیاد پر کیا گیا۔ تاہم، حکومت پاکستان کی جانب سے باضابطہ کارروائی میں تاخیر ہوئی تاکہ بورڈ کے فیصلے پر عمل درآمد کو یقینی بنایا جاسکے۔

حکومتی نامزد سابق ایم ڈی پی ای سی او، معراج انیس عارف، کی جانب سے پیدا کردہ انتظامی تنازعات کے باعث، دسمبر 2018 میں ان کی برطرفی کے باوجود، کمپنی بندرتج اپنی کم ترین سطح پر آگئی۔ بورڈ آف ڈائریکٹرز نے صورتحال کو معمول پر لانے کی ہر ممکن کوشش کی، لیکن حکومتی نامزد سابق ایم ڈی PECO، معراج انیس عارف، نے کسی بھی بورڈ ممبر یا سینئر انتظامیہ کو کمپنی کے احاطے میں داخل ہونے کی اجازت نہیں دی اور نہ ہی انہیں لازمی بورڈ میٹنگ منعقد کرنے دی۔

سال کے دوران نمایاں مالی معاملات:

خالص فروخت میں اضافہ ہوا اور یہ 249.64 ملین روپے تک پہنچ گئی۔

مجموعی منافع کم ہو کر 238.01 ملین روپے کے نقصان میں تبدیل ہو گیا۔

ٹیکس کے بعد منافع کم ہو کر 466.97 ملین روپے کے نقصان میں تبدیل ہو گیا۔

نی حصص آمدنی کم ہو کر 82.07 روپے فی حصص ہو گئی۔

مالیاتی اور مانیٹری پالیسی کی سختی کے باعث ملک بھر میں معیشت سست گئی۔ مارکیٹ کی بحالی کا مستقبل قریب میں کوئی واضح امکان نظر نہیں آ رہا۔

بورڈ نے اپنی ذمہ داریاں نہایت ایمانداری سے ادا کرنے کی ہر ممکن کوشش کی اور کمپنی کے تمام اسٹریٹجک معاملات میں رہنمائی کے لئے مؤثر کردار ادا کیا۔

چیئر مین کے طور پر، میں بورڈ کی قیادت جاری رکھوں گا، ایک شفاف اور تعمیری مباحثے کے کلچر کو فروغ دوں گا، اور یہ یقینی بناؤں گا کہ بورڈ تمام اہم سینئر انتظامیہ سے مناسب مشاورت کرے۔

آخر میں، میں بورڈ کی جانب سے کمپنی کے ملازمین، سپلائرز، کاروباری شراکت داروں اور بورڈ ممبران کا تہ دل سے شکریہ ادا کرنا چاہتا ہوں، جنہوں نے کمپنی کے موجودہ مسائل کو حل کرنے کے لئے اپنی عمل لگن اور محنت کا مظاہرہ کیا۔

مرزا محمود احمد

چیئر مین بورڈ

لاہور: 20 جنوری 2025

DIRECTORS' REPORT To The Shareholders

The Directors of Pakistan Engineering Company Limited are presenting the 70th Annual Report accompanied by the audited financial statements for the year ended June 30, 2019; after a lapse of seven years.

PERFORMANCE OUTLOOK

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 year started with new challenges both for the management and the board whereby increase in prices of raw material, intensive competition, increase in dollar prices were anticipated. The management was geared up to accept these limitations but the Government appointed ex-MD PECO, Mr. Mairaj Anees Ariff did not allow any member of the Board, senior management and other employees to perform their statutory duties.

Since October 2018, till October 2022, the Government appointed ex-MD PECO, Mr. Mairaj Anees Ariff, prevented the Board of Directors and board-appointed employees, **including the statutory positions of Chief Financial Officer, Company Secretary and Head of Internal Audit from entering the company premises. Resultantly there were non-compliances of statutory regulations.** During this period, he continued to run the company's affairs by illegally taking under siege control of PECO. As a result, no company accounts could possibly have been prepared or audited, and no Annual General Meeting (AGM) of shareholders could be called for. Timely intimations were sent by the Board members to relevant authorities including Ministry of Industries (MoIP), Pakistan Stock Exchange (PSX) and SECP apprising them of the obstacles faced by the board members and the management in discharging their responsibilities, along with the efforts made by them in their available capacities for resolution of the issues.

Government appointed ex-MD PECO, Mr. Mairaj Anees Ariff, falsely claimed authority under the Economic Reforms Order (ERO) 1972 to perform all Board functions. The Ministry of Industries and Production (MoIP) requested clarification from the Securities and Exchange Commission of Pakistan (SECP) along with Ministry of Law and Justice (MoL) regarding the applicability of ERO 1972 versus the Companies Act, 2017. Both the SECP and MoL confirmed that PECO must adhere to the Companies Act, 2017.

Despite numerous requests from Board members for intervention, the Ministry of Industries and Production (MoIP) took considerable time to remove Government appointed ex-MD PECO, Mr. Mairaj Ariff as MD, during which he caused significant damage to PECO which has brought the situation to where it is today and we are still analyzing and applying corrective measures to the aftermath of his destruction.

Since the assumption of PECO office by the Board of Directors and key management personnel in March 2023 after the transfer of Government appointed ex-MD PECO, Mr. Mairaj Anees Ariff, on 16.09.2022, efforts were immediately started to ensure compliance with the corporate laws and regulations of Pakistan.

The financial statements have been prepared based on the most accurate records, financial data, and professional judgment available, as assessed by the Company's qualified management team. Given the circumstances, these statements represent the utmost effort and diligence of the management to provide a fair and best possible depiction of the Company's financial position, following the challenges resulting from the actions of the Government appointed ex-MD PECO, Mr. Mairaj Anees Ariff.

FINANCIAL PERFORMANCE

The Company was able to achieve sales and gross loss during the year under review at Rs. 249.64 million and Rs. 238.01 million as compared to sales and gross profit of Rs. 1,424 million and Rs. 25.04 million respectively during the year 2018.

Overall, PECO incurred a loss after taxation of Rs. 466.97 million compared to last year loss after taxation of Rs. 69.96 million. Resultantly, there is a loss per share of Rs. 82.07 as compared to last year's loss per share of Rs. 12.29.

CONTRIBUTION TO NATIONAL EXCHEQUER AND THE ECONOMY

Your Company made a contribution of Rs. 16.93 million (June 30, 2018: Rs. 228.05 million) to the national exchequer during the year on account of income tax, sales tax, and other levies.

FINANCIAL RESULTS AND APPROPRIATIONS

	<u>Rs. in Thousands</u>	
	YEAR ENDED	YEAR ENDED
	<u>30.06.2019</u>	<u>30.06.2018</u>
(Loss) before Taxation	(328,599)	(98,973)
Taxation	(139,368)	29,017
(Loss)/Profit after Taxation	(466,967)	(69,956)

Appropriations:

(Loss) for the year	(466,967)	(69,956)
Remeasurement of retirement benefit plan	-	877
Transfer from "Surplus on Revaluation of Fixed Assets"	16,833	17,706
Adjustment for change in tax rate	-	4,981
(Loss)/Profit carried forward to accumulated loss	(450,134)	(46,392)

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. 22.97 million (June 30, 2018: Rs. 21.20 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 (Company Information)**. The Government nominated directors were 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. No meeting of the Board could be held after December 2018; due to management disputes created by Government appointed ex-MD PECO, Mairaj Anees Ariff, despite of his removal in December 2018. However, Securities and Exchange Commission of Pakistan (SECP) and Government of Pakistan were informed with

this fact .During the year 2018-19, only two (02) meetings of the Board could be held. The attendance of the Board members was as follows:

Syed Kaukab Mohyuddin	1
Mr. Mairaj Anees Ariff	-
Mr. Naeem Jan Khan	-
Mr. Arif Habib	2
Mr. Liaqat Mohammad	2
Mr. Rashid Ali Khan	2
Mirza Mahmood Ahmad	2
Mr. M. Iqbal	2
Mr. Ansar Javed	2

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 current year, the Board of Directors in its 199th meeting held on 14.12.2018, unanimously resolved to remove the then Managing Director, Mr. Mairaj Anees Ariff as MD from PECO Board under section 190(1) of Companies Act, 2017, with immediate effect, due to non-observance of directions of PECO Board and his illegal/unlawful acts. However, completion of official formalities were delayed by Government of Pakistan.

The then Chief Executive, Mairaj Anees Ariff and Chairman, Syed Kaukab Mohyuddin, has neither attended nor applied for leave of absence from 198th meeting of Board of Directors held on September 27, 2018 onwards. The Company Secretary fulfilled all statutory requirements for convening 198th Board's meeting called for approval of these financial statements.

During the current year, Mr. Liaqat Mohammad, independent Director on the Board, passed away on February 08, 2019. Casual Vacancy fulfilled in April 2021.

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. 82.07 as compared to last year's loss per share of Rs. 12.29.

AUDITORS

In 69th Annual General Meeting of the Company, shareholders appointed Messrs. EY Ford Rhodes & Co. Chartered Accountants as Auditor for the year ending on 30 June 2019. Messrs. EY Ford Rhodes & Co. Chartered Accountants resigned during the year 2018-19; due to disputes created by Government appointed ex-MD PECO, Mairaj Anees Ariff. No auditor was appointed after resignation of Messrs. EY Ford Rhodes & Co. Chartered Accountants; as per provisions of Companies Act, 2017.

In May 2024, the Securities and Exchange Commission (SECP), under section 246(7) of the Companies Act, 2017, approved the appointment of the Company's auditors Messrs. Malik Haroon Ahmad & Co. Chartered Accountants for the year ended June 30, 2019.

Messrs. Malik Haroon Ahmad & Co. Chartered Accountants has been given a satisfactory rating 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 indicated their willingness to act as auditors of the Company.

COMMENTS ON DISCLAIMER OF OPINION IN AUDITOR'S REPORT

i. Going Concern Status

Due to management disputes from October 2018 till March 2023, the operations of Company were getting deteriorated day-by-day. This fact was anticipated by management of PECO well before time and duly communicated to Ministry of Industry and Production in September 2018 along with Securities and Exchange Commission of Pakistan. The management disputes created by Government Nominated ex MD PECO, Mairaj Anees Ariff, took the Company to its lowest ebb during the period mentioned above. However, the management and Board of Directors is trying hard to formulate short and medium term business plans for revival of operations.

ii. Counting of Physical Inventories

Due to management disputes from October 2018 till March 2023, no physical count of the stock could be performed by Government appointed ex MD PECO, Mairaj Anees Ariff and his team. The Board of Directors and the management team used to perform this exercise along with external auditors every year upto June 2018. In absence of record of stock count, the auditors were not able to get sufficient and appropriate audit evidence of stock lying in PECO as on June 30, 2019 of Rs. 519.91 million; because at current date, physical existence of any stock in back dates cannot be possible.

iii. Trade Debtors/Trade and other payables

Since October 2018, PECO's financial system was compromised, with inadequate documentation and no accrual accounting. Vendor ledgers showed incorrect balances, Standard Operating Procedures were ignored, and materials lacked proper documentation. Payments were only made from an unauthorized Faysal Bank account without supporting vouchers whereas no record of payments received from customers could be maintained. This has created significant difficulties in tracking transactions and ensuring compliance with statutory laws and International Financial Reporting Standards (IFRS). This hindered the verification of closing balances, of trade debtors and trade & other payables, for the year ended June 30, 2019 of Rs. 183.56 million and Rs. 272.39 million respectively.

It was discovered that hard drives from PECO's main data server and from all peers of network were missing. This hindered the verification of closing balances, of trade debtors/trade and other payables, for the year ended June 30, 2018. Despite extensive efforts, only the opening balance as of July 01, 2018, was established.

The management led by Government appointed ex MD PECO, Mairaj Anees Ariff, failed to ensure proper record of financial and operational transactions which took place during the period from October 2018 till October 2022.

iv. Unclaimed Dividends not deposited with Federal Government

Till October 2018, the management and the Board of Directors had started proceedings to comply with section 242 of Companies Act, 2017. For the said purpose, advertisements had been made in daily newspapers as required by Companies Act, 2017 but due to lack of corporate and operation knowledge of Government appointed ex MD PECO, Mairaj Anees Ariff and his team, delayed this matter and did not proceed to pay the amount of un-claimed dividend as per provisions of Companies Act, 2017. However, the current management and the Board is committed to ensure compliance with section 242 of Companies Act, 2017, as soon as the cash flow situation of the Company improves.

v. GoP/PC Loans

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.

STATEMENT ON CORPORATE FINANCIAL REPORTING FRAME WORK

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, 2019 have been duly complied with. A statement to this effect is annexed to the report, please refer page No. 35.

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 two 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 constitution of the Committee was as under:

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

No meeting of any Board' Committee could be held after November 2018; due to management disputes created by Government Nominated ex-MD PECO, Mairaj Anees Ariff, despite of his removal in December 2018. However, Securities and Exchange Commission of Pakistan (SECP) and Government of Pakistan were informed with this fact.

DIRECTORS TRAINING PROGRAM

The Board of Directors of the Company consist of 09 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, 2019 were 396 compared to 394 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 carrier planning of key management personnel. It is also involved in recommending improvements in Company's human resource policies and procedures and their periodic review.

No meeting of any Board' Committee could be held during the year; due to management disputes created by Government Nominated ex-MD PECO, Mairaj Anees Ariff, despite of his removal in December 2018. However, Securities and Exchange Commission of Pakistan (SECP) and Government of Pakistan were informed with this fact.

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 Finance Committee held one meetings during the year under review. No meeting of Finance Committee could be held after July 2018; due to management disputes created by Government Nominated ex-MD PECO, Mairaj Anees Ariff.

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.

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.

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. 23 to the Accounts.

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.

ACKNOWLEDGEMENT

The Board would like to thank all of their stakeholders, principal officer, employees, shareholders, and any others for their support. The Board of Directors of PECO has always ensured full support to Government of Pakistan through Ministry of Industries and Production to resolve the issues prevailing at Pakistan Engineering Company Limited.

For and on behalf of the Board

Mirza Mahmood Ahmad
Chairman of the Board

January 20, 2025
Lahore

ڈائریکٹرز کی رپورٹ

حصہ داران کے نام

پاکستان انجینئرنگ کمپنی لمیٹڈ کے ڈائریکٹرز 70 ویں سالانہ رپورٹ، جو 30 جون 2019 کو اختتام پذیر مالی سال کے حسابات پر مبنی ہے، سات سال کے وقفے کے بعد پیش کر رہے ہیں۔

کارکردگی کی صورتحال

پاکستان میں بجلی کی ترسیلی ٹاورز کے کاروبار میں غیر ملکی کمپنیوں کے داخل ہونے کی وجہ سے سخت مقابلہ بڑھ گیا ہے، جس کی وجہ سے PECO کے لیے ٹینڈرز جیتنے میں مشکلات اور غیر یقینی کی کیفیت پیدا ہو گئی ہے۔

یہ سال انتظامیہ اور بورڈ دونوں کے لیے نئے چیلنجز کے ساتھ شروع ہوا، جن میں خام مال کی قیمتوں میں اضافہ، سخت مقابلہ، اور ڈالر کی قیمتوں میں اضافہ شامل تھے۔ انتظامیہ ان مشکلات کو قبول کرنے کے لیے تیار تھی، لیکن حکومت کی جانب سے مقرر کردہ سابقہ ایم ڈی پی ای سی او، جناب معراج انیس عارف، نے بورڈ کے کسی بھی رکن، سینئر انتظامیہ اور دیگر ملازمین کو اپنے قانونی فرائض انجام دینے کی اجازت نہیں دی۔

اکتوبر 2018 سے اکتوبر 2022 تک، حکومت کی طرف سے مقرر کردہ سابقہ ایم ڈی PECO، جناب معراج انیس عارف، نے بورڈ آف ڈائریکٹرز اور بورڈ کی جانب سے مقرر کردہ ملازمین، جن میں چیف فنانس آفیسر، کمپنی سیکریٹری، اور انٹرنل آڈٹ کے سربراہ کے قانونی عہدے شامل ہیں، کو کمپنی کے دفاتر میں داخل ہونے سے روک رکھا۔ نتیجتاً، قانونی ضوابط کی خلاف ورزیاں ہوئیں۔ اس دوران، انہوں نے PECO کے امور غیر قانونی طور پر سنبھالے رکھے۔ اس کے نتیجے میں، نہ تو کمپنی کے حسابات تیار کیے جاسکے، نہ آڈٹ ہو سکا، اور نہ ہی حصہ داران کی سالانہ جنرل میٹنگ (اے جی ایم) بلائی جاسکی۔

بورڈ کے ارکان نے متعلقہ حکام، بشمول وزارت صنعت، پاکستان اسٹاک ایکسچینج، اور ایس ای سی پی، کو بروقت مطلع کیا اور اپنی محدود صلاحیتوں کے مطابق مسائل کے حل کے لیے کوششیں کیں۔ حکومت کی جانب سے مقرر کردہ سابقہ ایم ڈی پی ای سی او، جناب معراج انیس عارف، نے جھوٹے طور پر اقتصادی اصلاحات حکم نامہ 1972 کے تحت تمام بورڈ افعال انجام دینے کا دعویٰ کیا۔ وزارت صنعت و پیداوار نے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) اور وزارت قانون و انصاف سے وضاحت طلب کی کہ اقتصادی اصلاحات حکم نامہ 1972 پاکستان ایکٹ 2017 کا اطلاق کیا جائے۔ دونوں اداروں نے تصدیق کی کہ پی ای سی او ایکٹیز ایکٹ 2017 کی پابندی کرنی ہوگی۔

بورڈ کے ارکان کی بار بار درخواستوں کے باوجود، وزارت صنعت و پیداوار نے جناب معراج انیس عارف کو ایم ڈی کے عہدے سے ہٹانے میں کافی وقت لیا، جس کے دوران انہوں نے پی ای سی او کو کافی نقصان پہنچایا۔ بورڈ اور کلیدی انتظامی عملہ نے مارچ 2023 میں پی ای سی او کا انتظام سنبھالتے ہی کارپوریٹ قوانین کی پابندی کو یقینی بنانے کے لیے فوری اقدامات شروع کیے۔

یہ مالی گوشوارے سب سے درست ریکارڈز، مالیاتی ڈیٹا، اور کمپنی کی قابل انتظامیہ کی پیشہ ورانہ رائے کی بنیاد پر تیار کیے گئے ہیں۔ یہ گوشوارے موجودہ حالات میں کمپنی کی مالی حالت کی منصفانہ اور مکمل حد تک درست عکاسی فراہم کرتے ہیں۔

مالی کارکردگی

کمپنی نے مالی سال کے دوران 249.64 ملین روپے کی فروخت اور 238.01 ملین روپے کا مجموعی نقصان حاصل کیا، جبکہ سال 2018 میں 1,424 ملین روپے کی فروخت اور 25.04 ملین روپے کا مجموعی منافع حاصل ہوا تھا۔

PECO نے ٹیکس کے بعد 466.97 ملین روپے کا نقصان اٹھایا، جبکہ پچھلے سال یہ نقصان 69.96 ملین روپے تھا۔ نتیجتاً، فی حصص نقصان 82.07 روپے رہا، جبکہ پچھلے سال فی حصص نقصان 12.29 روپے تھا۔

قومی خزانے اور معیشت میں حصہ

آپ کی کمپنی نے مالی سال کے دوران 16.93 ملین روپے (30 جون 2018: 228.05 ملین روپے) قومی خزانے میں انکم ٹیکس، سلز ٹیکس، اور دیگر لیویز کی مد میں جمع کرائے۔

مالی نتائج اور تقسیم

سال	2018	2019
ٹیکس سے پہلے نقصان	(98,973)	(328,599)
ٹیکس	29,017	(139,368)
ٹیکس کے بعد نقصان	(69,956)	(466,967)

مخصات

سال کا نقصان	(69,956)	(466,967)
ریٹائرمنٹ بینیفٹ پلان کی دوبارہ تخصیص	877	-
اضافی مالیت کی منتقلی	17,706	16,833
ٹیکس کی شرح میں تبدیلی کی مطابقت	4,981	-
نقصان	(46,392)	(450,134)

گرپچوٹی اسکیم

کمپنی اپنے ملازمین کو ریٹائرمنٹ کے فوائد فراہم کرتی ہے، جس میں غیر شراکتی گرپچوٹی اسکیم شامل ہے۔ سال کے اختتام پر گرپچوٹی اسکیم کی مالیت 22.97 بلین روپے تھی (30 جون 2018: 21.20 بلین روپے)۔

بورڈ کی تشکیل، انتخابات، معاوضہ اور اجلاس

بورڈ میں ایک ایگزیکٹو، تین غیر ایگزیکٹو، اور پانچ آزاد ڈائریکٹرز شامل ہیں۔ بورڈ کے ممبران کی تفصیلات کمپنی انفارمیشن کے صفحے پر دی گئی ہیں۔ مزید برآں، بورڈ آف ڈائریکٹرز نے نیپینیز ایکٹ 2017 اور لسڈیکٹیز (کارپوریٹ گورننس کوڈ) ریگولیشنز 2017 کے مطابق ڈائریکٹرز کے معاوضے کے لیے شفاف پالیسی اور طریقہ کار اپنایا ہے۔

سال 2018-19 کے دوران بورڈ کے اجلاس

سال 2018-19 کے دوران بورڈ کے صرف دو (02) اجلاس منعقد ہو سکے۔ بورڈ ممبران کی حاضری درج ذیل ہے:

نام	حاضری
سید کوکب محی الدین	1
مسٹر معراج انیس عارف	-
مسٹر نعیم جان خان	-
مسٹر عارف حبیب	2
مسٹر لیاقت محمد	2
مسٹر رشید علی خان	2
مرزا محمود احمد	2
مسٹر ایم اقبال	2
مسٹر انصر جاوید	2

جن ڈائریکٹرز نے مطلوبہ تعداد کے اجلاس میں شرکت نہیں کی، انہوں نے غیر حاضری کی درخواست دی تھی، جسے بورڈ نے منظور کر لیا۔

نیپینگ ڈائریکٹری برطرفی

موجودہ سال کے دوران، بورڈ آف ڈائریکٹرز نے اپنے 199 ویں اجلاس میں، جو کہ 14 دسمبر 2018 کو منعقد ہوا، متفقہ طور پر مسٹر معراج انیس عارف کو نیپینگ ڈائریکٹر کے عہدے سے فوری طور پر ہٹانے کی قرارداد منظور کی۔ یہ اقدام کمپنیز ایکٹ 2017 کے سیکشن 190(1) کے تحت کیا گیا۔ برطرفی کی وجہ بورڈ کی ہدایات کی خلاف ورزی اور غیر قانونی اعمال تھے۔ تاہم، سرکاری ضوابط کی تکمیل میں حکومت پاکستان کی جانب سے تاخیر ہوئی۔

بورڈ اجلاسوں میں غیر حاضری

اس وقت کے چیف ایگزیکٹو، مسٹر معراج انیس عارف، اور چیئرمین، سید کوکب محی الدین، نے بورڈ کے 198 ویں اجلاس (جو کہ 27 ستمبر 2018 کو ہوا) کے بعد کسی اجلاس میں شرکت نہیں کی اور نہ ہی غیر حاضری کی درخواست دی۔ کمپنی سیکریٹری نے مالیاتی بیانات کی منظوری کے لیے 198 ویں اجلاس کے تمام قانونی تقاضے پورے کیے۔

بورڈ کے آزاد ڈائریکٹر کی وفات

موجودہ سال کے دوران بورڈ کے آزاد ڈائریکٹر، مسٹر لیاقت محمد، کا انتقال 8 فروری 2019 کو ہوا۔ یہ خالی جگہ اپریل 2021 میں پرکی گئی۔

شیر ہولڈنگ کا پیٹرن اور شیئرز کی تجارت

شیر ہولڈنگ کا پیٹرن اور متعلقہ معلومات الگ سے فراہم کی گئی ہیں۔ بورڈ کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، کمپنی سیکریٹری، اور ان کے شریک حیات یا نابالغ بچوں نے سال کے دوران کمپنی کے شیئرز میں کوئی تجارت نہیں کی۔

نی شیئر نقصان

سال 2018-19 کے دوران نی شیئر نقصان 82.07 روپے رہا، جبکہ گزشتہ سال یہ نقصان 12.29 روپے تھا۔

آڈیٹرز

کمپنی کے 69 ویں سالانہ جنرل اجلاس میں، شیر ہولڈرز نے مسز زای وائی فورڈ رھوڈز اینڈ کوچارڈز اکاؤنٹنٹس کو مالی سال 30 جون 2019 کے لیے آڈیٹ مقرر کیا۔ مسز زای وائی فورڈ رھوڈز اینڈ کوچارڈز اکاؤنٹنٹس نے 2018-19 کے دوران حکومتی نامزد سابق بیچنگ ڈائریکٹر مسٹر معراج انیس عارف کے پیدا کردہ تنازعات کی وجہ سے استعفیٰ دے دیا۔ کمپنی ایکٹ 2017 کے تحت استعفیٰ کے بعد کوئی آڈیٹر مقرر نہیں کیا گیا۔

مئی 2024 میں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) نے کمپنی ایکٹ 2017 کے سیکشن 246(7) کے تحت کمپنی کے آڈیٹرز مسز ملک ہارون احمد اینڈ کوچارڈز اکاؤنٹنٹس کی تقرری کی منظوری دی۔

مسز ملک ہارون احمد اینڈ کوچارڈز اکاؤنٹنٹس کو انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کے کوالٹی کنٹرول ریویو پروگرام کے تحت اطمینان بخش ریٹنگ دی گئی ہے، اور فرم مکمل طور پر بین الاقوامی فیڈریشن آف اکاؤنٹنٹس (IFAC) کے کوڈ آف آئٹھس کے مطابق ہے۔

آڈیٹرز کی رپورٹ میں درج رائے پر تبصرے

i. کمپنی کی جاری حیثیت

اکتوبر 2018 سے مارچ 2023 تک انتظامی تنازعات کی وجہ سے کمپنی کی کارکردگی میں روز بروز کمی واقع ہوئی۔ اس صورتحال سے کمپنی نے وزارت صنعت و پیداوار اور SECP کو ستمبر 2018 میں مطلع کیا۔ موجودہ انتظامیہ اور بورڈ کمپنی کی بحالی کے لیے مختصر اور درمیانی مدتی کاروباری منصوبے تیار کرنے کی کوشش کر رہے ہیں۔

ii. اسٹاک کی جسمانی گنتی

اکتوبر 2018 سے مارچ 2023 تک انتظامی تنازعات کے باعث سابق بیچنگ ڈائریکٹر مسٹر معراج انیس عارف اور ان کی ٹیم اسٹاک کی جسمانی گنتی کرنے میں ناکام رہی۔

iii. تجارتی واجبات/قابل وصول رقم

اکتوبر 2018 سے PECO کا مالیاتی نظام عدم تحفظ کا شکار رہا۔

iv. غیر دعویٰ شدہ ڈیویڈنڈز

اکتوبر 2018 تک کمپنی نے کمپنی ایکٹ 2017 کے سیکشن 242 کی تعمیل کی کوشش کی، لیکن انتظامی نااہلی کے باعث یہ عمل مکمل نہ ہو سکا۔

مالیاتی بیان جائزہ رپورٹ

حکومت پاکستان / پرائیویٹائزیشن کمیشن قرضہ جات

حکومت پاکستان اور پرائیویٹائزیشن کمیشن کے قرضہ جات کا مسئلہ حکومت پاکستان، پرائیویٹائزیشن کمیشن، اور وزارت خزانہ کے نمائندوں کے ساتھ زیر بحث لایا گیا۔ مختلف اجلاسوں کے نتیجے میں قرضہ جات کا اصل حصہ، ماسوائے 131.454 ملین روپے (جو کہ اضافی گریجویٹس ہے جو پرائیویٹائزیشن کمیشن نے خود ادا کی) تصدیق شدہ ہے۔

بورڈ آف ڈائریکٹرز نے مختلف اجلاسوں میں یہ قرارداد منظور کی کہ پاکستان انجینئرنگ کمپنی (PECO) کو حکومت پاکستان کے کسی بھی قرضے کی قانونی طور پر واجب الادا رقم ادا کرنی ہوگی۔ بورڈ نے حکومت پاکستان کے ساتھ یہ معاہدہ کیا کہ واجبات کو بادوامی باغ کی زمین کی فروخت کے ذریعے ایڈجسٹ کیا جائے گا، جیسا کہ ای سی سی کے 2 مارچ 1993 کے فیصلے میں ذکر کیا گیا ہے۔ حالیہ تخمینے کے مطابق اس زمین کی مالیت 4,605.13 ملین روپے ہے، جو کہ حکومت پاکستان کی جانب سے پی ای سی او سے طلب کردہ رقم سے زیادہ ہے۔ بورڈ آف ڈائریکٹرز اور کمپنی کی انتظامیہ کا ماننا ہے کہ ان قرضوں پر کسی سود کی ادائیگی کی ذمہ داری ان پر عائد نہیں ہوتی کیونکہ اس حوالے سے کوئی معاہدہ موجود نہیں ہے۔

کارپوریٹ مالیاتی رپورٹنگ فریم ورک پر بیان

اشاک آکسچینج کی لسٹنگ ریگولیشنز کے تحت مقرر کردہ کارپوریٹ گورننس کے ضابطہ کی وہ تمام شرائط، جو مالی سال 30 جون 2019 کے اختتام پر متعلقہ تھیں، پوری کی گئی ہیں۔ اس حوالے سے ایک بیان رپورٹ کے ساتھ منسلک ہے، براہ کرم صفحہ نمبر 35 ملاحظہ کریں۔

آڈٹ اور رسک مینجمنٹ کمیٹی

آڈٹ اور رسک مینجمنٹ کمیٹی کو بورڈ نے ڈائریکٹرز کی ذمہ داریوں، کارپوریٹ گورننس، مالیاتی رپورٹنگ، اور کارپوریٹ کنٹرول میں مدد کے لیے قائم کیا۔ کمیٹی چار ارکان پر مشتمل ہے، جہاں تمام ارکان، بشمول چیئرمین، آزاد ڈائریکٹرز ہیں۔

بورڈ آڈٹ اور رسک مینجمنٹ کمیٹی کمپنی کے مالیاتی نتائج، آڈٹ، اور مینجمنٹ کنٹرولز کے معیار کی تعمیل کی رپورٹس کا جائزہ لینے کی ذمہ دار ہے۔ کمیٹی طریقہ کار کا جائزہ لیتی ہے، ان کی خود مختاری کو یقینی بناتی ہے، اور بورڈ آف ڈائریکٹرز کو سفارشات پیش کرتی ہے۔

سال کے دوران آڈٹ اور رسک مینجمنٹ کمیٹی نے دو اجلاس منعقد کیے، جو ہر بار بورڈ آف ڈائریکٹرز کے اجلاس سے پہلے مالیاتی بیانات، اندرونی آڈٹ رپورٹس، اور کارپوریٹ گورننس کی شرائط کی تعمیل کے جائزے کے لیے منعقد کیے گئے۔ ان اجلاسوں میں بیرونی آڈیٹرز کے ساتھ آڈٹ کی تکمیل سے پہلے اور بعد کے اجلاس شامل تھے۔

کمیٹی کی تشکیل درج ذیل تھی:

نام	عہدہ
مرزا محمود احمد	چیئرمین
مسٹر لیاقت محمد	رکن
مسٹر محمد اقبال	رکن
مسٹر انصر جاوید	رکن

نومبر 2018 کے بعد کسی بھی بورڈ کمیٹی کا اجلاس نہیں ہوسکا، جس کی وجہ حکومتی نامزد سابق ایم ڈی پی ای سی او، معراج انیس عارف کی پیدا کردہ انتظامی تنازعات تھے، حالانکہ انہیں دسمبر 2018 میں عہدے سے ہٹا دیا گیا تھا۔ تاہم، اس حقیقت سے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور حکومت پاکستان کو مطلع کیا گیا۔

ڈائریکٹرز ٹینگ پروگرام

کمپنی کے بورڈ آف ڈائریکٹرز نو (09) ڈائریکٹرز پر مشتمل ہیں، جن میں سے تمام ڈائریکٹرز لسٹنگ کمپنیز (کارپوریٹ گورننس کے ضابطہ) ریگولیشنز 2017 کے ضابطہ 20 کے تحت ڈائریکٹرز ٹینگ پروگرام کے سرٹیفائڈ ہیں۔

ضابطہ اخلاق

بورڈ نے ڈائریکٹرز، سینئر مینجمنٹ، اور دیگر ملازمین کے لیے پیشہ ورانہ معیارات اور کارپوریٹ اقدار کو فروغ دینے کے لیے ایک ضابطہ اخلاق منظور کیا ہے۔ یہ ضابطہ اخلاق کمپنی کی ویب سائٹ پر دستیاب ہے۔

کمپنی نے اپنی کارروائیاں کم سے کم تعداد میں ملازمین کے ساتھ جاری رکھیں۔ 30 جون 2019 کو ملازمین کی تعداد 396 تھی، جو پچھلے سال کے 394 ملازمین سے زیادہ تھی۔

ہیومن ریسورس اینڈ ریویژن کمیٹی

ہیومن ریسورس اینڈ ریویژن کمیٹی کو بورڈ نے کلیدی انتظامی عملے کے انتخاب، جائزے، معاوضے، اور کیریئر پلاننگ کے حوالے سے مدد کے لیے قائم کیا۔

کاروباری منصوبے اور اہداف کا حصول

بورڈ کی جانب سے قلیل، درمیانے اور طویل مدتی اہداف مقرر کیے جاتے ہیں۔ انتظامیہ ان اہداف کو بہتر منصوبہ بندی، بھرپور کوششوں، اور محنت کے ذریعے حاصل کرنے کی کوشش کرتی ہے۔ ہر سال ایک جامع کاروباری منصوبہ تیار کیا جاتا ہے اور بورڈ کی جانب سے باضابطہ طور پر منظور کیا جاتا ہے۔ انتظامیہ کا یقین ہے کہ دستیاب آرڈرز، پیداوار اور مارکیٹنگ کی سہولیات میں توسیع کی بنیاد پر، کمپنی "جاری رہنے والے ادارے" کے طور پر غیر معینہ مدت تک کام کرے گی، انشاء اللہ۔

اظہار تشکر

بورڈ اپنے تمام اسٹیک ہولڈرز، پرنسپل افسر، ملازمین، شیئر ہولڈرز، اور دیگر تمام معاونین کا شکریہ ادا کرنا چاہتا ہے۔ پاکستان انجینئرنگ کمپنی لمیٹڈ میں موجود مسائل کے حل کے لیے بورڈ آف ڈائریکٹرز ہمیشہ حکومت پاکستان کو وزارت صنعت و پیداوار کے ذریعے مکمل تعاون فراہم کرتا رہا ہے۔

برائے اور بحکم بورڈ

مرزا محمود احمد

چیئر مین بورڈ

20 جنوری، 2025

لاہور

PAKISTAN ENGINEERING COMPANY LIMITED
STATEMENT OF COMPLIANCE, WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017, FOR THE YEAR ENDED JUNE 30, 2019

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

1. The total number of Directors are 09 as per the following:

- a. Male 09
- b. Female -

2. The composition of board is as follows:

a. Independent Directors	05	Mr. Rashid Ali Khan Mr. Muhammad Iqbal Mr. Liaqat Mohammad Mr. Ansar Javed Mirza Mahmood Ahmad
b. Other Non-executive Director	03	Syed Kaukab Mohyuddin Mr. Naeem Jan Khan Mr. Muhammad Arif Habib
c. Executive Directors	01	Mr. Mairaj Anees Ariff

Although the independent directors meet the criteria of independence as defined under Section 166(2) of the Companies Act, 2017, however, their selection was not made from the databank, contrary to the requirement of Section 166(1) of the Act, due to management disputes.

During the current year, Mr. Liaqat Mohammad, independent Director on the Board, passed away on February 08, 2019. Casual Vacancy was not fulfilled till April 2021, which was beyond the statutory limit of ninety days from the occurrence of the vacancy i.e., May 08, 2019. However, Securities and Exchange Commission of Pakistan was informed with this fact.

During the current year, the Board of Directors in its 199th meeting held on 14.12.2018, unanimously resolved to remove the then Managing Director, Mr. Mairaj Anees Ariff as MD from PECO Board under section 190(1) of Companies Act, 2017, with immediate effect, due to non-observance of directions of PECO Board and his illegal/unlawful acts. However, completion of official formalities was delayed by Government of Pakistan, to ensure compliance of Board's decision related to removal of Mr. Mairaj Anees Ariff as MD from PECO. However, Securities and Exchange Commission of Pakistan and Government of Pakistan was informed with this fact.

3. The directors have confirmed that none of them is serving as a director in 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 till December 2018. Despite of his removal in December 2018, Government Nominated ex-MD PECO, Mairaj Anees Ariff, unlawfully, didn't allow any Board member to enter into the company premises nor enable them to hold mandatory Board meetings. However, Securities and Exchange Commission of Pakistan (SECP) and Government of Pakistan were informed with this fact.
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 the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board up till December 2018. No meeting of the Board could be held after December 2018 due to the reason mentioned in paragraph 6.
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. All Directors have either obtained certification under the Directors Training Program or have minimum of 14 years of education and 15 years or more experience on the Board of listed companies. Therefore, the Board has not arranged any Directors' Training program.
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. CFO and CEO duly endorsed the annual financial statements before approval of the Board. No quarterly or half-yearly financial statements were prepared during the reporting period. This was due to the facts mentioned in paragraph 6.
12. The Board has formed Committees comprising of members given below:
 - a) Audit Committee
 - i. Mirza Mahmood Ahmad – Chairman
 - ii. Mr. Liaqat Mohammad – Member
 - iii. Mr. Muhammad Iqbal – Member
 - iv. Mr. Ansar Javed – Member
 - b) Risk Management Committee
 - i. Mirza Mahmood Ahmad – Chairman
 - ii. Mr. Liaqat Mohammad – Member

- iii. Mr. Muhammad Iqbal – Member
 - iv. Mr. Ansar Javed – Member
- c) Finance Committee
- i. Mr. Rashid Ali Khan (Chairman)
 - ii. Mr. Naeem Jan Khan – Member
 - iii. Mr. Liaqat Mohammad – Member
 - iv. Mr. Muhammad Iqbal – Member
- d) HR & Remuneration Committee
- i. Mr. Ansar Javed (Chairman)
 - ii. Syed Kaukab Mohyuddin – Member
 - iii. Mr. Naeem Jan Khan – Member
 - iv. Mr. Rashid Ali Khan - Member
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 of the Committees were as per following:
- | | |
|--|------------------|
| a. Audit Committee | First Quarter |
| b. Finance Committee | First six months |
| c. Human Resource and Remuneration Committee | None |
| d. Risk Management Committee | None |
- No meeting of any Board’ Committee could be held after November 2018 due to the fact mentioned in paragraph 6.
15. The Board has set up an effective internal audit function. During the year since November 2018; the internal audit function could not work properly due to the fact mentioned in paragraph 6.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of 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 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 various other non-mandatory regulations contained in the CCG have not been complied with properly; due to the fact mentioned in paragraph 6.

Lahore
January 20, 2025

Mirza Mehmood Ahmed
(Chairman of the Board)

**Independent Auditor's Modified Review Report
To the Members of "Pakistan Engineering Company Limited"**

Review Report on the Statement of Compliance Contained in the 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** for the year ended June 30, 2019 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 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.

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, 2019.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph 14 where it is stated in the Statement of Compliance:

S. No.	Reference	Description of the Non-Compliance
1	2	As per Section 166(2) of the Companies Act, 2017, independent directors must select from the databank. However, their selection was not made from the databank.

2	7	As per Section 176(3) of the Companies Act, 2017, the board of a public company shall meet at least once in each quarter of a year. However, the board of directors of the company has failed to hold meetings in the third and fourth quarters.
3	14	As per Regulation 28(2)(a), the audit committee of the company shall meet at least once every quarter of the financial year. Audit committee meeting only held in the first quarter. No meetings were held in subsequent quarter due to management disputes.
4	14	As per Regulation 29(2), the Human Resource and Remuneration committee of the company shall meet at least once in a financial year and may meet more often if requested by a member of the board, or committee itself or the chief executive officer. No meeting of Human Resource and Remuneration Committee was held during the year due to management disputes.
5	18	Various non-mandatory regulations contained in the CCG have not been complied with properly by the Company.

Lahore
Date: January 20, 2025

Malik Haroon Ahmad & Co.
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of Pakistan Engineering Company Limited Report on the Audit of the Financial Statements

Disclaimer of Opinion

We have audited the annexed financial statements of **Pakistan Engineering Company Limited** (the Company), which comprise the statement of financial position as at **June 30, 2019**, and the statement of profit or loss, statement of 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.

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the *Basis of Disclaimer of Opinion* section of the report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Following the management crisis from October 2018 till March 2023 and despite keeping all stakeholders on board during this period, the Company does not have any active business operations to maintain its going concern status. Additionally, as disclosed in Note 2 to the financial statements, the Company has incurred the loss of Rs 328.589 Million. Nevertheless, the financial statements have been prepared on a going concern basis.
2. The fair valuation of investment property amounting to Rs. 18.78 million, as disclosed in Note 6.4 of the financial statements, is based on a valuation carried out as of March 17, 2016. However, we were unable to obtain audit evidence to assess whether any material adjustments in disclosure were required.
3. We were not appointed as the Company's auditors until after May, 2024, and thus did not observe the counting of physical inventories at the beginning or end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at June 30, 2019, which are recorded in the statement of financial position at Rs. 519.907 million.
4. We were unable to obtain audit evidence to verify long-term investments of Rs. 819,000, long-term deposits of Rs. 1.000 million, advances of Rs. 5.908 million, and trade deposits, prepayments, and other receivables of Rs. 21.472 million.
5. We were unable to verify trade debtors amounting to Rs. 183.575 million. Additionally, we were unable to verify trade and other payables amounting to Rs. 272.393 million out of a total balance of Rs. 462.932 million.
6. The employee benefit liability has been calculated using the simplified approach, which contravenes IAS 19 guidelines that require the use of the projected unit credit method.
7. Unclaimed dividends amounting to Rs. 13.070 million have not been deposited with the Federal Government as required by Section 242 of the Companies Act 2017. We were unable to determine the potential penalty, which should have been recorded in the financial statements.
8. Notes 26 and 27.1.3 to 27.1.5 of the financial statements state that the management believes the Company is not liable to pay Rs. 131.454 million in principal loan liabilities and Rs. 4.963 billion in accrued interest as claimed by Government Authorities. We were unable to obtain sufficient audit evidence to verify these assertions.

9. Due to the matters noted above, we were unable to determine whether the deferred tax liability of Rs. 131.557 million has been appropriately accounted for in the financial statements.

As a result of above matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories and other balances, and the elements making up the statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows.

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 the Companies Act, 2017 (XIX of 2017) and 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. The Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with international standards on auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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 (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code.

Report on Other Legal and Regulatory Requirements

Due to the matters as described in our basis for disclaimer of opinion paragraph, we do not express an opinion as to whether:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 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 (XIX of 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).

Other Matter

The financial statements of the Company for the year ended June 30, 2018, were audited by another auditor, who expressed an unmodified opinion on those financial statements on September 27, 2018.

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

Lahore
January 20, 2025

Malik Haroon Ahmad & Co.
Chartered Accountants

PAKISTAN ENGINEERING COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019	2018
----- Rupees in "000" -----			
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	5	14,552,109	14,558,750
Investment property	6	524	550
Long term investment	7	819	819
Long term deposits	8	2,053	2,053
		14,555,505	14,562,172
CURRENT ASSETS			
Stores, spares and loose tools	9	87,766	168,898
Stock-in-trade	10	432,141	347,621
Short term investments	11	21,424	-
Trade debts - unsecured	12	183,575	382,497
Advances	13	5,908	6,499
Trade deposits, prepayments and other receivables	14	21,472	27,007
Tax refunds due from Government	15	64,472	120,924
Cash and bank balances	16	44,777	38,108
		861,535	1,091,554
Free hold land - held for sale	17	314,724	314,724
TOTAL ASSETS		15,731,764	15,968,450

The annexed notes from 1 to 49 form an integral part of these financial statements.

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Director

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

PAKISTAN ENGINEERING COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019	2018
----- Rupees in "000" -----			
EQUITY AND LIABILITIES			
Share capital	18	56,902	56,902
Revenue reserve - general		10,000	10,000
Accumulated loss		(1,334,432)	(884,307)
Surplus on revaluation of fixed assets	19	14,468,570	14,485,403
		13,201,040	13,667,998
NON - CURRENT LIABILITIES			
Long term financing	20	24,374	9,747
Long term deposits	21	4,000	3,000
Deferred liabilities - net	22	154,523	71,045
		182,897	83,792
CURRENT LIABILITIES			
Trade and other payables	23	462,932	313,569
Unclaimed Dividend	24	13,070	13,126
Short term borrowing - secured	25	71,556	61,494
Current portion of long term financing	20	-	19,503
Accrued mark-up		6,301	2,128
Provision for taxation		3,120	15,992
		556,979	425,812
Liabilities directly associated with free hold land - held for sale	26	1,790,848	1,790,848
CONTINGENCIES AND COMMITMENTS			
	27		
TOTAL EQUITY AND LIABILITIES		15,731,764	15,968,450

The annexed notes from 1 to 49 form an integral part of these financial statements.

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Director

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

PAKISTAN ENGINEERING COMPANY LIMITED
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
----- Rupees in '000 -----			
Sales	28	249,636	1,424,449
Cost of sales	29	(487,638)	(1,399,407)
Gross profit / (loss)		(238,002)	25,042
Selling and distribution expenses	30	(3,484)	(12,024)
Freight and forwarding expenses	31	(4,192)	(22,714)
Administrative expenses	32	(79,489)	(74,132)
Other operating charges	33	(8,845)	(1,034)
		(96,010)	(109,904)
Other operating income	34	13,668	3,449
Operating loss		(320,344)	(81,413)
Finance cost	35	(8,245)	(17,559)
Loss before taxation		(328,589)	(98,972)
Taxation	36	(138,368)	29,016
Loss after taxation for the year		(466,957)	(69,956)
BASIC AND DILUTED EARNINGS PER SHARE			
Basic and diluted earnings per share	37	(82.07)	(12.29)

The annexed notes from 1 to 49 form an integral part of these financial statements.

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Director

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

PAKISTAN ENGINEERING COMPANY LIMITED
 STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
	----- Rupees in '000 -----	
Loss after taxation for the year	(466,957)	(69,956)
Items that will not be reclassified to profit and loss account:		
Remeasurement of retirement benefit plan	-	1,235
Related deferred tax impact	-	(358)
	-	877
Effect of change in tax rates on balance of revaluation on property, plant and equipment	-	4,981
Total comprehensive loss for the year	(466,957)	(64,098)

The annexed notes from 1 to 49 form an integral part of these financial statements.

Arsalan Nayyar Sheikh
 Director

Mirza Mehmood Ahmad
 Director

Mian Anwar Aziz
 Chief Financial Officer

Ansar Javed
 Director

PAKISTAN ENGINEERING COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	Issued, subscribed and paid-up capital	Revenue Reserve - General	Accumulated Loss	Surplus on revaluation of fixed assets	Total
-----Rupees in '000 -----					
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 30 June 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	56,902	10,000	(884,307)	14,485,403	13,667,998

The annexed notes from 1 to 49 form an integral part of these financial statements.

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Director

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

PAKISTAN ENGINEERING COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	Issued, subscribed and paid-up capital	Revenue Reserve - General	Accumulated Loss	Surplus on revaluation of fixed assets	Total
-----Rupees in '000 -----					
Balance as at July 01, 2018	56,902	10,000	(884,307)	14,485,403	13,667,998
- Loss after tax for the year ended 30 June 2019	-	-	(466,958)	-	(466,958)
Other comprehensive income for the year					
-Remeasurement of retirement benefit plan	-	-	-	-	-
-Related deferred tax impact	-	-	-	-	-
	-	-	-	-	-
Surplus on revaluation of property, plant and equipment realized during the year on account of:					
- incremental depreciation - net off tax	-	-	16,833	(16,833)	-
Balance as at June 30, 2019	56,902	10,000	(1,334,432)	14,468,570	13,201,040

The annexed notes from 1 to 49 form an integral part of these financial statements.

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Director

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

PAKISTAN ENGINEERING COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		---- Rupees in "000" ----	
Cash generated from operations	38	86,051	111,721
Finance cost paid		(3,240)	(14,873)
Gratuity paid		(2,235)	(800)
Income tax paid		(16,932)	(14,110)
Workers' profit participation fund paid		807	(7,066)
Net cash generated from operating activities		64,451	74,872
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(41,668)	(41,609)
Addition in capital work in progress		(390)	-
Advances given against the capital asset		(429)	-
Short term investment		(21,424)	-
Long term deposits		-	1
Net cash (used in) investing activities		(63,911)	(41,608)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings		10,062	(13,425)
Security deposit received		1,000	1,000
Long term borrowings		(4,876)	(19,503)
Dividend paid		(57)	(131)
Net cash (used in) / generated from financing activities		6,129	(32,059)
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,669	1,205
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		38,108	36,903
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25	44,777	38,108

The annexed notes from 1 to 49 form an integral part of these financial statements.

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Director

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

PAKISTAN ENGINEERING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1 LEGAL STATUS AND OPERATIONS

- 1.1** 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, Shahr-e-Quaid-e-Azam, Lahore. The company is principally engaged in the manufacturing and sale of engineering products. The major products of the company are electricity transmission and communication towers, electric motors, pumps and steel rolled products etc.

2 GOING CONCERN ASSUMPTION

During the FY 2018-19, a management crisis unfolded as the managing director appointed by the Government of Pakistan debarred the Board of Directors and key management personnel of the Company to continue their official duties and assumed control of the Company's operations, and made futile efforts to run the business independently. This crisis continued until March 21st, 2023, when the Board and the key management personnel was reinstated. The Board of Directors and key management personnel of the Company made all efforts to apprise all the stakeholders, i.e., Government of Pakistan, Securities and Exchange Commission of Pakistan (SECP) and Pakistan Stock Exchange (PSX), about the crises from time-to-time. Since then, the Board and the key management personnel have been working to compile accurate financial information to prepare financial statements that reflect the true position of the Company's affairs. Due to this crisis during the year the Company incurred loss of Rupees 328.589 million. The Board of directors of the Company is hopeful to successfully resume the operations of structure, pump/electric motor and foundry divisions in coming days. Accordingly, these financial statements are prepared on going concern basis.

Prior to this period, keeping in view the financial condition of the Company, the Government of Pakistan in past had closed down all the divisions of the Company, however, a rehabilitation plan was approved by the Federal Cabinet and according to the plan, Structure (STR) division was kept operational and Badami Bagh Works was closed down with its land being offered for sale by the Privatization Commission of Pakistan. Furthermore, the company was allowed to hire needed workforce on job-to-job basis on contract/daily wages. In this regard title deed of Badami Bagh Land was also handed over to the Privatization Commission of Pakistan. Expression of interest has been received by Privatization Commission of Pakistan in this regard from many parties and management is confident that the transaction will be completed soon.

As per the recorded order of the Government of Pakistan, the principal liabilities payable towards the GoP will be settled only through sale proceeds of Badami Bagh Land, the value of which has been estimated at Rs. 4,605.133 million. This value is significantly greater than the value of principle Government liabilities payable which amount to Rs. 1,790.848 million in aggregate. Further, the markup claimed by the Government departments on these liabilities is strongly disputed as there was no mention of charging interest in any agreement or decision. Further, to resolve the issue of charging of markup on the GoP loans a committee is recommended to be constituted which should comprise of representative from Ministry of Finance, Ministry of Industries and Production, Privatization Commission and Board Members of PECO.

The Government of Pakistan (through SEC) is one of the major stakeholders has provided in past continued support to the company and expressed its commitment in order to maintain the going concern status of the company. Further the Government's commitment to maintaining the going concern status of the Company is also supported by the fact that the Government in past has provided financial support to the Company in the form of interest free loans and financial support and continues to do so in the shape of credit ceilings vide Ministry of Finance to Rs. 700 million.

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

3 BASIS OF PREPARATION

3.1 Statement of Compliance

- 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 :
 - (i) 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
 - (ii) 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.

3.2 Basis of measurement

- These financial statements have been prepared under the historical cost convention except for property, plant and equipment carried at revalued amount and liabilities at amortized cost.

3.3 Critical accounting estimates and judgments

- The Company's significant accounting policies are stated in note 4 to these financial statements. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of 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 expectation 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. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

3.3.1 Provision for taxation

- The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature are in accordance with law and the outcome is expected in favour of the Company, are shown as contingent liabilities.

3.3.2 Estimated useful lives, residual values and method of depreciation of property, plant and equipment

- The Company reviews the useful lives, residual value and method of depreciation of property, plant and equipment on a regular basis. Any change in estimates might affect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

3.3.3 Provision for inventories and stores

- The Company regularly reviews the inventories for impairment. Provision for obsolete and slow-moving inventories is based on management's estimate of the condition and usability of inventories and stores.

3.3.4 Impairment of trade receivables

- The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3.3.5 Functional and presentation currency

- The financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- The significant accounting policies which have been adopted in the preparation of financial statements of the Company are consistent with previous year except as discussed in note 4.1 to these financial statements and are as follows:

4.1 New standards, amendments and improvements effective during the year

The Company has adopted the following standards, amendments and improvements of International Financial Reporting Standards (IFRSs) which became effective for the current year:

- IFRS 2: Share-based Payments: Classification and Measurement of Share Based Payments Transactions (Amendments)
- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers
- IAS 40: Investment Property: Transfers of Investment Property (Amendments)
- IFRIC 22: Foreign Currency Transactions and Advance Consideration
- Improvements to IFRSs Issued by IASB in December 2016

IAS 28 – Investment in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss in an investment-by-investment choice.

The adoption of the above standards, amendments and improvements to IFRSs did not have any effect on these unconsolidated financial statements, except for IFRS 9 and IFRS 15 as explained below:

4.1.1 IFRS 9 Financial Instruments

The Company has applied IFRS 9 using modified retrospective approach with initial application date of 1 July 2018 as notified by the SECP. IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

The management of the Company has assessed and concluded that the Company is in compliance with the requirements of IFRS 9. The new accounting policy in respect of financial instruments is stated in note 5.8 to these financial statements.

4.1.2 IFRS 15 Revenue from Contracts with Customers

The Company has applied IFRS 15 using modified retrospective approach with initial application date of 1 July 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP). The first-time application of IFRS 15 has not had any significant effects with regard to the amount of revenue recognised and when it is recognised. Hence, no cumulative adjustment amounts have been recognised to adjust the opening retained earnings as at 1 July 2018. Accordingly, the information presented for prior years has not been restated, as previously reported, under IAS 18 and related interpretations.

The management of the Company has assessed and concluded that the Company is in compliance with the requirements of IFRS 15.

4.2 Standards, amendments and improvements to approved accounting standards that are not yet effective

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

Standard or Interpretation	"Effective date (annual period beginning on or after)"
IFRS 3 -- Definition of a Business (Amendments)	01 January 2020
IFRS 3 -- Business Combinations: Previously held interests in a joint operation	01 January 2019
IFRS 9 -- Prepayment Features with Negative Compensation (Amendments)	01 January 2019
IFRS 11 -- Joint Arrangements: Previously held interests in a joint operation	01 January 2019
IFRS 16 -- Leases	01 January 2019
IAS 1 / IAS 8 -- Definition of Material (Amendments)	01 January 2019
IAS 12 -- Income Taxes: Income tax consequences of payments on financial instruments classified as equity	01 January 2019

IAS 19 -- Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 23 -- Borrowing Costs - Borrowing costs eligible for capitalization	01 January 2019
IAS 28 -- Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRIC 23 -- Uncertainty over Income Tax Treatments	01 January 2019

The above standards and amendments are not expected to have any material impact on the Company's unconsolidated financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various IFRSs have also been issued by the IASB in December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019. The Company expects that such improvements to the standards will not have any material impact on the Company's unconsolidated financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan. The management of the Company expects that below new standards will not have any material impact on the Company's unconsolidated financial statements in the period of initial application.

Standard or Interpretation	"Effective date (annual periods beginning on or after)"
IFRS 1 - First time adoption of IFRSs	01 January 2004
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 17 - Insurance Contracts	01 January 2021

4.3 **Taxation**

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.

Deferred

Deferred tax is accounted for using the balance sheet 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 to the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited in the profit or loss, except in the case of items credited or charged to other comprehensive income.

4.4 **Property, plant and equipment**

- Property, plant and equipment except for freehold and leasehold land are stated at cost less accumulated depreciation and any identified impairment loss, if any. Freehold and factory building is stated at revalued amount less any identified impairment loss, if any

Subsequent costs are included in the asset's 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. All other repair and maintenance costs are charged to profit or loss during the period in which they are incurred.

Depreciation on all items of property, plant and equipment is charged to profit or loss applying the diminishing balance method so as to write-off the depreciable amount of an asset over its useful life. Depreciation is being charged at the rates given in note 5. Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off.

The Company continually assesses at each reporting date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amount and the resulting impairment loss is recognized in profit or loss for the year. Any previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount, and the increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets' revised carrying amount over its estimated useful life.

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 or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the profit or loss in the year the asset is derecognized.

4.5 Capital work in progress

- All expenditure connected with specific assets incurred during installation and construction period including advances to suppliers and contractors are carried under this head. These are transferred to specific assets as and when these assets are available for use.

Capital work-in-progress is stated at cost less any identified impairment loss, if any.

4.6 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".

4.7 Associated Undertakings / Related Parties

- The units controlled by the Ministry of Industries and 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 price determined using "cost plus method" and properly recommended by the audit committee and subsequently approved by the board of directors of the Company.

4.8 Foreign Currency Translation

- All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction. Foreign exchange gains and losses on translation of monetary items are recognized in the profit or loss. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

4.9 Investment property

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the Company comprises land and is valued using the cost method i.e. at cost less any identified impairment loss.

The Company assesses at each reporting date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amount of such assets is reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds the respective recoverable amount,

assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the profit or loss for the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The gain or loss on disposal or retirement of an investment property represented by the difference between the sale proceeds and the carrying amount of the asset is recognized in profit or loss.

4.10 Trade debts and other receivables

Trade debts are carried at original invoice amount less any expected credit losses based on review of outstanding amounts at the year end in accordance with the simplified approach. Bad debts are written off when identified.

4.11 Employees' Retirement Benefits

(a) Defined benefits plan

- The Company operates an unfunded gratuity scheme for its employees, defining the benefit amount an employee will receive upon retirement, resignation, or termination, subject to a minimum qualifying period of service. The Company's net obligation under this defined benefit plan is typically calculated by estimating the future benefits employees have earned in current and prior periods, discounting that amount, and deducting the fair value of any plan assets, with this calculation normally performed annually by a qualified actuary using the projected unit credit method.

For the financial year 2019, no actuarial valuation was performed. Instead, a simplified provision was made by adding one month's salary for each of the 65 employees to the opening liability, as previously valued by the actuary on June 30, 2018. Due to this simplified calculation method, no remeasurement changes or interest expenses were recognized. The increase in provision is charged to statement of profit or 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.

4.12 Trade and other payables

- Liabilities for trade and other amounts payable are measured at amortized cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

4.13 Revenue recognition

- 4.13.1** Revenue from sale of goods, implements and multi-application products, along with the provision of after market services. Revenue is recognized when performance obligations are satisfied by transferring control of a good or service to a customer, either at a point in time or over time of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised in accordance with the aforementioned principle by applying the following steps:

- i) Identify the contract with a customer.
- ii) Identify the performance obligation in the contract.
- iii) Determine the transaction price of the contract.
- iv) Allocate the transaction price to each of the separate performance obligations in the contract.
- v) Recognise the revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers. Any bundled goods or services that are distinct are separately recognized, and any discounts or rebates on the contract price are generally allocated to the separate element.

(a) Income on bank deposits

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

(b) Others

Scrap sales and miscellaneous receipts are recognized on realized amounts.

4.14 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 substantially completed.

4.15 Provisions

- Provisions for legal claims, service warranties and make good obligations are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses as there is no past event.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the entity. The increase in the provision due to the passage of time is recognised as interest expense.

4.16 Cash and Cash Equivalent

- For the purposes of the cash flow statement, cash and cash equivalents are stated at cost and comprise of cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash which are subject to insignificant risk of changes in values. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose.

4.17 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.

a) Investments available for sale

These are initially recognized at fair value plus transaction cost and at subsequent reporting dates measured at fair values. Gains or losses from changes in fair values are taken to profit and loss.

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 fair value and transaction 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.

4.18 Impairment

a) Financial assets

A financial asset is considered to be impaired if subjective evidence indicate that one or more events will have 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.

4.19 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) Markup bearing borrowings

Markup bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, markup 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.

4.20 Dividend and appropriation to reserves

- Dividend distribution to the Company's shareholders is recognized as a liability in the period in which these are approved. Appropriations of profit are reflected in the statement of changes in equity in the period in which such appropriations are approved.

4.21 Earnings per share

- The company presents basic and diluted Earning Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year. 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.

4.22 Contingent assets

- Contingent assets are disclosed when the Company has a probable 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.

4.23 Contingent liabilities

- There is a possible obligation 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; or
- There is present 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 the obligation cannot be measured with sufficient reliability.

4.24 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.

PAKISTAN ENGINEERING COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019
5 PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets-owned	5.1	14,552,109
Capital work in progress	5.3	-
Advances against capital assets	5.4	-
		<u>14,552,109</u>

5.1	Particulars	2019											Net book value as at June 30 2019
		Cost / Revalued Amount					Rate	Depreciation					
		As at July 01 2018	Additions	Transfer	Disposal	As at June 30 2019		As at July 01 2018	For the year	Transfer	Disposal	As at June 30 2019	
-----Rupees in "000"-----													
	Freehold Land	13,835,500	-	-	-	13,835,500	-	-	-	-	-	-	13,835,500
	Factory Building	329,999	-	390	-	330,389	5%	36,455	14,697	-	-	51,152	279,236
	Plant and machinery	382,193	41,439	49,992	-	473,624	5%	41,692	21,597	-	-	63,289	410,338
	Office equipment	9,435	155	-	-	9,590	10%	6,772	282	-	-	7,054	2,537
	Computers	8,753	55	-	-	8,808	10%	5,592	322	-	-	5,914	2,894
	Furniture and Fixtures	10,036	19	-	-	10,055	10%	7,576	248	-	-	7,824	2,232
	Vehicles	38,137	-	-	-	38,137	20%	20,948	3,438	-	-	24,386	13,753
	Electric Equipment	16,387	-	-	-	16,387	10%	11,235	515	-	-	11,750	4,636
	Tools	6,742	-	-	-	6,742	10%	5,650	109	-	-	5,759	983
		<u>14,637,182</u>	<u>41,668</u>	<u>50,382</u>	<u>-</u>	<u>14,729,232</u>		<u>135,920</u>	<u>41,207</u>	<u>-</u>	<u>-</u>	<u>177,128</u>	<u>14,552,109</u>

5.2 Depreciation for the year has been allocated as under:

Cost of sales
 Administrative expenses

2019	2018
Rupees in "000"	
36,918	33,176
4,290	4,851
<u>41,208</u>	<u>38,027</u>

5.2.1 Depreciation charge is inclusive of incremental depreciation due to revaluation.

5.2.2 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. 19.

5.2.3 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.

5.2.4 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.

5.2.5 Subsequent to the reporting date, on May 30, 2024, the Company engaged an independent valuer, Eastern Consultants (Private) Limited, to revalue its land, buildings, and plant and machinery. The revaluation provided the following fair market values and corresponding forced sale values:

Land:

- Situated at Kot Lakhpat, Lahore: Fair market value of Rs. 38,544 million and forced sale value of Rs. 32,762.400 million.
- Situated at Bela Ram, Badami Bagh, Lahore: Fair market value of Rs. 10,386.800 million and forced sale value of Rs. 8,309.440 million.

Buildings:

- Fair market value of 316.454 million and forced sale value of Rs. 268.986 million.

Plant and Machinery:

- Fair market value of Rs. 211.756 million and forced sale value of Rs. 179.992 million.

As this revaluation reflects conditions that arose after the reporting period, it has been classified as a non-adjusting event, and no adjustments have been made to the financial statements for the year ended June 30, 2019.

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

Free hold land
Factory building on free hold land
Plant and machinery

	2019	2018
	Rupees in "'000"	
	753	753
	37,886	39,490
	201,229	120,389
	239,869	160,632

5.3 **Capital Work in Progress:**

Opening balance
Addition
Transferred to fixed asset
Closing balance

	2019		
	Civil Works	Plant and Machinery	Total
	Rupees in "'000"		
	-	49,992	49,992
	390	-	390
	(390)	(49,992)	(50,382)
	-	-	-

Opening balance
Addition
Transferred to fixed asset
Closing balance

	2018		
	2,982	-	2,982
	24	49,992	50,016
	(3,006)	-	(3,006)
	-	49,992	49,992

5.4 **Advances against purchase of Capital Assets**

Opening balance
Advance paid for operating fixed assets
Transfer to operating fixed assets

	2019			
	Vehicles	Plant and Machinery	ERP Software	Total
	Rupees in "'000"			
	-	7,275	221	7,496
	-	429	-	429
	-	-	-	-

Transfer to capital work in process		-	-	-	-
Impairment charged during the year	5.6	-	(7,704)	(221)	(7,925)
Closing balance	5.5	-	-	-	-

		2018			
Opening balance		5,435	46,880	101	52,416
Advance paid for operating fixed assets		-	6,263	120	6,383
Transfer to operating fixed assets		(5,435)	(30,811)	-	(36,246)
Transfer to capital work in process		-	(15,057)	-	(15,057)
Closing balance		-	7,275	221	7,496

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

PAKISTAN ENGINEERING COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

	Note	2018
5 PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets-owned	5.1	14,501,262
Capital work in progress	5.3	49,992
Advances against capital assets	5.4	7,496
		<u>14,558,750</u>

5.1 Particulars	2018												Net book value as at June 30 2018
	Cost / Revalued Amount					Rate	Depreciation						
	As at July 01 2017	Additions	Transfer	Disposal	As at June 30 2018		As at July 01 2017	For the year	Transfer	Disposal	As at June 30 2018		
-----Rupees in "000"-----													
Freehold Land	13,835,500	-	-	-	13,835,500	-	-	-	-	-	-	-	13,835,500
Factory Building	317,910	9,083	3,006	-	329,999	5%	21,520	14,935	-	-	-	36,455	293,544
Plant and machinery	364,057	18,136	-	-	382,193	5%	24,071	17,621	-	-	-	41,692	340,501
Office equipment	8,251	1,184	-	-	9,435	10%	6,542	230	-	-	-	6,772	2,663
Computers	8,408	345	-	-	8,753	10%	5,255	337	-	-	-	5,592	3,161
Furniture and Fixtures	9,853	183	-	-	10,036	10%	7,316	260	-	-	-	7,576	2,460
Vehicles	31,378	1,324	5,435	-	38,137	20%	16,924	4,024	-	-	-	20,948	17,189
Electric Equipment	15,754	633	-	-	16,387	10%	10,719	516	-	-	-	11,235	5,152
Tools	6,552	190	-	-	6,742	10%	5,546	104	-	-	-	5,650	1,092
	<u>14,597,663</u>	<u>31,078</u>	<u>8,441</u>	<u>-</u>	<u>14,637,182</u>		<u>97,893</u>	<u>38,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,920</u>	<u>14,501,262</u>

PAKISTAN ENGINEERING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
----- Rupees in "000" -----			
5.6 The reconciliation of the impairment is as follows			
Opening balance		-	-
Impairment charged during the year		7,925	-
Closing balance		<u>7,925</u>	<u>-</u>
6 INVESTMENT PROPERTY			
Opening net book value		550	579
Additions		-	-
Depreciation charged for the year		26	29
Closing net book value	6.1	<u>524</u>	<u>550</u>
Depreciation rate		5%	5%
6.1 Cost		959	959
Accumulated depreciation		(435)	(409)
Net book value		<u>524</u>	<u>550</u>
6.2	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.		
6.3	One of the properties having carrying value of Rs. 275 thousands remained vacant during last four years and no rental income was earned during those years.		
6.4	Fair value of investment property, based on valuation carried out by an independent valuer as at March 17, 2016 was rupees 18.780 million.		
6.5	Froced sale value of investment properties is amounting Rs. 15.963 million based on the valuation carried out on March 17, 2016.		
7 LONG TERM INVESTMENT			
Held to maturity:			
Term deposit in Standard Chartered Bank Limited	7.1	<u>819</u>	<u>819</u>
7.1	The TDR carries an original markup rate of 5.3% per annum (2018: 5.3%) and was due to mature in June 2019. However, no interest income has been accrued during the year due to the non availability of the information. The principal amount deposited with the bank is Rs. 0.741 million.		
8 LONG TERM DEPOSITS			
Long term deposits	8.1	3,771	3,771
Less: Expected credit loss	8.2	(1,718)	(1,718)
		<u>2,053</u>	<u>2,053</u>
8.1	These include Rs 1.059 million (2018: Rs 1.059 million) representing amount deposited with Water and Sanitation Agency (LDA), LAHORE as a security deposit.		
8.2 Movement in expected credit loss is as follows:			
Opening balance		1,718	1,718
Provided for the year		-	-
Closing balance		<u>1,718</u>	<u>1,718</u>

9 STORES, SPARES AND LOOSE TOOLS

Stores	20,318	31,528
Spares parts	61,143	122,285
Loose Tools	16,305	25,085
	<u>97,766</u>	<u>178,898</u>
Less: Provision for slow moving stores	(10,000)	(10,000)
	<u>87,766</u>	<u>168,898</u>

9.1 Stores and spares include items which are of capital nature but can not be distinguished.

10 STOCK-IN-TRADE

Raw material	290,695	150,024
Work in process	97,958	143,688
Finished goods	43,488	53,909
	<u>432,141</u>	<u>347,621</u>

10.1 Stock in trade amounting to Rs nill (2018: Rs. 0.68 million) related to finished goods and Rs nill (2018: Rs. 18.93 million) related to work in process are valued at net realizable value.

11 SHORT TERM INVESTMENTS

ABL cash fund	21,424	-
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11.1 This represents investment in growth fund of Allied Bank Asset Management Limited. The return on this investment is reinvested as and when earned.

12 TRADE DEBTS - UNSECURED

Associated undertaking	12.2	-	273
WAPDA, AJK and Telecommunication Companies		191,714	387,519
Others	12.3	35,072	37,917
		<u>226,787</u>	<u>425,709</u>

Less: Expected credit loss	12.4		
WAPDA		12,677	12,677
Others		30,535	30,535
		<u>(43,212)</u>	<u>(43,212)</u>
		<u>183,575</u>	<u>382,497</u>

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

12.2 Maximum amount due from associated undertakings (Ref: Note 39) at the end of any month was of Rs. 0.273 million (2018: Rs. 0.273 million).

12.3 This include an amount of Rs. 7.617 million (2018: 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.

12.4 Movement in expected credit loss is as follows:

Opening balance	43,212	43,212
Add: Provision for expected credit loss	-	-
Less: Provision for expected credit loss written off	-	-
Closing Balance	<u>43,212</u>	<u>43,212</u>

12.5 As at June 30, 2019, trade receivables of Rs 43.212 million (2018: 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:

	2019		2018	
	Gross	Impairment	Gross	Impairment
Not yet due	-	-	1,857	-
Past due 1-30 days	-	-	129,687	-
Past due 31-60 days	-	-	49,646	-
Past due 61-90 days	42,876	-	53,384	-
Over 90 days	183,911	43,212	191,135	43,212
	226,787	43,212	425,709	43,212

13 ADVANCES

Advances to:

- Employees - Secured				
- against salary			128	1,043
- against expenses			1,642	704
- Suppliers	13.3		4,138	4,752
			5,908	6,499

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

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

13.3 Advance to suppliers as at closing date			6,604	7,218
Less: Expected credit loss	13.3.1		(2,466)	(2,466)
			4,138	4,752

13.3.1 Movement in expected credit loss is as follows:

Opening balance			2,466	2,466
Add: Provision for expected credit loss			-	-
Less: Provision for expected credit loss written off			-	-
Closing Balance			2,466	2,466

14 TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Trade deposits - Considered good	14.1		2,531	565
Margin against bank guarantee - Considered good	14.2		18,210	21,381
Short term prepayments and other receivables			731	5,061
			21,472	27,007

14.1 Balance as on closing date			5,663	3,697
Less: Expected credit loss	14.1.1		(3,132)	(3,132)
			2,531	565

14.1.1 Movement in expected credit loss is as follows:

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

14.2 Balance as on closing date			18,271	21,442
Less: Expected credit loss			(61)	(61)
			18,210	21,381

15 TAX REFUNDS DUE FROM GOVERNMENT

Advance income tax - net			33,160	85,760
Sales tax refundable			31,312	35,164
			64,472	120,924

16 CASH AND BANK BALANCES

Cash in hand		-	2,082
Cash at Bank			
- Current accounts		44,510	28,803
- Deposit accounts	16.1	268	7,191
- Escrow account		-	32
		44,777	36,026
		44,777	38,108

16.1 The company is maintaining saving account with different banks with interest on the daily product basis carrying interest @ 5% to 11%. (2018 : @ 5% to 6%).

16.2 All bank accounts are maintained under conventional banking system.

17 FREE HOLD LAND - HELD FOR SALE

Free hold land - held for sale		314,724	314,724
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17.1 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. 26.2). In this regard the title documents of the land have been handed over to the Privatization Commission for sale in 1994 by National Bank of Pakistan. Since then till date the land has been offered for sale various times by the Privatization Commission of Pakistan. A part of the land was sold in February 2001 by the Privatization Commission of Pakistan and several expressions of interests have been received for the remaining portion by Privatization Commission from many parties. The Mutation of land is complete as per The Board of Revenue Punjab letter which states that the Government of Punjab has, however, no objection to the disposal of properties of PECO which had vested in the Federal Government. However a letter was issued by the Joint Secretary Ministry of Industries and Production Islamabad directing District Officer Revenue Lahore and copy endorsed to Member Revenue Punjab to stop the above mutation till further instructions, for undisclosed reasons. The BOD and the Management of the Company are till date strongly committed to the plan of selling the Badami Bagh Land and there has been no revocation of the GOP order or any change in the management's stance or plan. Further the Privatization Commission in its direct confirmations to the auditors has also clearly stated that GOP loans would 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.

18 SHARE CAPITAL**Authorized Capital:**

Ordinary shares 9,000,000 (2018: 9,000,000) of Rs.10/- each	90,000	90,000
7.5% Cumulative redeemable preference shares 100,000 (2018: 100,000 of Rs. 100/- each	10,000	10,000
	100,000	100,000

Issued, Subscribed and Paid up Capital:

Ordinary shares 3,162,144 of Rs.10/- each fully paid in cash	31,621	31,621
Ordinary shares 2,528,101 of Rs. 10/- each issued as bonus shares	25,281	25,281
	56,902	56,902

18.1 State Engineering Corporation, an associated company, holds 1,415,723 (2018: 1,415,723) ordinary shares of Rs. 10/- as at 30 June 2019.

19 SURPLUS ON REVALUATION OF FIXED ASSETS

Free hold land	19.2	14,148,746	14,148,746
Building structure on free hold land	19.3	171,359	180,378
Plant and machinery	19.4	148,465	156,279
		<u>14,468,570</u>	<u>14,485,403</u>

19.1 Subsequent to the reporting date, on May 30, 2024, a new revaluation has been carried out by an independent valuer, Eastern Consultants (Private) Limited, to revalue its land, buildings, and plant and machinery. As this revaluation reflects conditions that arose after the reporting period, it has been classified as a non-adjusting event, and no adjustments have been made to the financial statements for the year ended June 30, 2019. (Ref note 5.2.5)

19.2 Free Hold Land

Surplus on revaluation of Badami Bagh land	19.2.1	313,999	313,999
Surplus on revaluation of Kot Lakhpat land	19.2.2	13,834,747	13,834,747
		<u>14,148,746</u>	<u>14,148,746</u>

19.2.1 Badami Bagh Land

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

19.2.1.1 This represents revaluation surplus arising on revaluation of land of Badami Bagh works, which was revalued in 1991, prior to being classified as 'Held for Sale' resulting in surplus of Rs. 321.358 million. (Ref: Note 17)

19.2.2 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 million resulting in revaluation surplus of Rs. 5,929 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.

19.3 Building Structure on freehold land

Gross surplus on revaluation of Building structure	19.3.1	425,712	425,712
Less: Surplus realized on account of incremental depreciation in respect of:			
- Prior years		171,657	158,286
- Current year		9,019	9,494
- Related deferred tax liability		3,684	3,877
		<u>184,360</u>	<u>171,657</u>
		<u>241,352</u>	<u>254,055</u>

Less: Related deferred tax liability in respect of:

- Balance at the beginning of the year		73,677	80,229
- Change of rate		-	(2,675)
- New surplus during the year		-	-
- Incremental depreciation for the year		(3,684)	(3,877)
		<u>69,993</u>	<u>73,677</u>
		<u>171,359</u>	<u>180,378</u>

19.3.1 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.

19.4 Plant and Machinery

Gross surplus on revaluation of Plant and machinery	19.4.1	353,561	353,561
Less: Adjustment on account of sale of machinery		-	-
		<u>353,561</u>	<u>353,561</u>
Less: Surplus realized on account of incremental depreciation in respect of:			
- Prior years		133,791	122,224
- Current year		7,814	8,212
- Related deferred tax liability		3,192	3,355
		<u>144,797</u>	<u>133,791</u>
		<u>208,764</u>	<u>219,770</u>
Less: Related deferred tax liability in respect of:			
- Balance at the beginning of the year		63,491	69,152
- Change of rate		-	(2,306)
- New surplus during the year		-	-
- Realized on disposal of machinery		-	-
- Incremental depreciation for the year		(3,192)	(3,355)
		<u>60,299</u>	<u>63,491</u>
		<u>148,465</u>	<u>156,279</u>

19.4.1 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.

20 LONG TERM FINANCING

Loan from National Bank of Pakistan - Secured	20.1	24,374	9,747
20.1 Loan from National Bank of Pakistan - Secured			
Opening balance		29,250	48,753
Finance availed during the year		-	-
		<u>29,250</u>	<u>48,753</u>
Less: repayment during the year		(4,876)	(19,503)
		<u>24,374</u>	<u>29,250</u>
Less: Current maturity shown under current liabilities		-	(19,503)
		<u>24,374</u>	<u>9,747</u>

20.1.1 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 have 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.

21 LONG TERM DEPOSITS

Security deposits	21.1	4,000	3,000
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21.1 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.

22 DEFERRED LIABILITIES - NET

Retirement benefit obligation	22.1	22,967	21,195
Deferred tax liability-net	22.2	131,557	49,850
		<u>154,523</u>	<u>71,045</u>

22.1 For the financial year 2019, no actuarial valuation was performed. Instead, a simplified provision was made by adding one month's salary for each of the 65 employees to the opening liability, as previously valued by the actuary on June 30, 2018. Due to this simplified calculation method, no remeasurement changes or interest expenses were recognized. The increase in provision is charged to statement of profit or loss.

22.2 Deferred 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 is 29%.

The offset amounts are as follows:

Deferred tax liabilities	22.2.1	170,412	170,675
Deferred tax assets	22.2.2	(12,760)	(120,825)
		<u>157,652</u>	<u>49,850</u>

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

22.2.1 Deferred tax liabilities in respect of taxable temporary differences:

Accelerated tax depreciation allowances	170,412	169,357
Remeasurement of defined benefit plan	-	1,318
	<u>170,412</u>	<u>170,675</u>

22.2.2 Deferred tax assets in respect of deductible temporary differences:

Provisions for doubtful and other balances	11,598	(14,670)
Provision for gratuity	(6,660)	(7,465)
Provision for stores and spares	(2,900)	(2,900)
Minimum and alternate corporate tax available for carry forward	-	(60,737)
Unused tax losses	-	(20,489)
Provision for workers profit participation fund and workers welfare fund	(14,798)	(14,564)
	<u>(12,760)</u>	<u>(120,825)</u>

22.3 Deferred tax asset amounting to Rs. 63.42 Million related to tax credit u/s 113 and 113 C of income tax ordinance, 2001, is not recognised in these financial statements as its future utilization as at reporting date is not probable.

23 TRADE AND OTHER PAYABLES

Trade creditors	23.3	326,752	214,755
Accrued liabilities	23.1	65,755	40,462
Advances		212	913
Payable to preference shareholders	23.2	773	773
Payable to State Engineering Corporation (Private) Limited (SEC) (an associated undertaking)	39	151	151
Others	23.5	18,261	6,293
Workers' Profit Participation Fund	23.4	47,721	46,914
Workers' Welfare Fund		3,308	3,308
		<u>462,932</u>	<u>313,569</u>

23.1 Includes Rs. 40 million (2018: 30 million) in respect of provision against litigations mentioned in Note 27.1.6.

23.1.1 It also includes the amount of Rs 0.3 Million (2018: Nil) in respect of provision against the penalties imposed by the SECP for the non-compliance of various provisions of the Companies Act, 2017.

23.1.2 It includes payable to Muhammad Arif Habib, Director, of Rs. 3.00 million (2018: Rs. Nil).

23.1.3 It includes meeting fee payable to the Directors of Company, of Rs. 0.42 million (2018: Rs. Nil).

23.1.4 It includes salaries payable to the employees of the Company, of Rs. 18.08 million (2018: Rs. 3.69 million).

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

23.3 On December 2, 2024, the court directed the resolution of an ongoing matter through arbitration or mediation concerning the winding-up applications filed by five creditors: Ishtiaq Steel Industry, Inam Steel Re-Rolling Mills, Al Majeed-Ibrahim Steel Industries (Private) Limited, AKK Enterprises (SMC-Private) Limited and Anwar Traders.

These applications were initially filed during the tenure of the previous management but were not actively pursued at that time. Upon the reinstatement of the former Board of Directors, the case was taken forward. The current management remains optimistic that the issues with these creditors will be amicably resolved through the court-recommended processes of mediation or arbitration.

23.4 Reconciliation of Workers' Profit Participation Fund			
Principal	23.4.1	35,269	35,294
Accumulated interest	23.4.2	12,452	11,620
		<u>47,721</u>	<u>46,914</u>
23.4.1 Movement in principal			
Opening balance		35,294	35,294
Add: Charge for the year		-	-
Less: Paid during the period		(25)	-
		<u>35,269</u>	<u>35,294</u>
23.4.2 Movement in accumulated interest			
Opening balance		11,620	15,637
Add: Interest on funds utilized for the company's business		832	3,049
Less: Paid during the period		-	(7,066)
		<u>12,452</u>	<u>11,620</u>
23.5 It includes Rs. 12.947 million (2018: 5.251 million) in respect of provision against litigations mentioned in Note 27.1.7 to 27.1.9.			

24 UNCLAIMED DIVIDEND

In accordance with the Companies Act, 2017, the Company has issued notices to shareholders at their registered addresses and published these notices in two daily newspapers (one in Urdu and one in English) to invite claims for unclaimed dividends. After 90 days from the newspaper notice, the Company intends to deposit any unclaimed dividend amounts with the Federal Government, as required by Sub-Section "2" of Section 244 of the Companies Act, 2017.

Due to a management change in September 2018, the current management was unable to complete the subsequent procedures required under the Companies Act, 2017. As a result, there is a potential Level III penalty of Rs. 100 million related to the unclaimed dividend. No provision has been recorded for this amount, as management expects to resolve the matter without an outflow of resources.

25 SHORT TERM BORROWING - SECURED

Running finance from NBP Bank under markup arrangements	25.1	<u>71,556</u>	<u>61,494</u>
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25.1 The financing forms part of total credit facility available to the extent of Rs. 75.0 million (2018: 75 million). The loan carries markup @ 3 months KIBOR plus 2.50%. The credit facility of the Company was 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.

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

Loan from Government of Pakistan - unsecured	26.1	<u>1,790,848</u>	<u>1,790,848</u>
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26.1 Loan From Government Of Pakistan - unsecured

Privatization commission loan	26.2.1	481,469	481,469
Government Escrow account	26.2.3	112,937	112,937
Other Government Loan	26.2.5	100,000	100,000
Federal Government loan for compulsory separation scheme	26.2.7	309,000	309,000
Federal Government Bonds	26.2.9	787,442	787,442
		<u>1,309,379</u>	<u>1,309,379</u>
		<u>1,790,848</u>	<u>1,790,848</u>

26.2 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 17.1) 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 4,605.133 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 27.1.4 & 27.1.5) to these financial statements.

For the year ended June 30, 2019 and in past as well the Privatization Commission and Finance Division sent a letter to the auditors in November 2024, claiming the additional principal and markup on the above loan liabilities, however, the BoD and the management do not agree with the additional liabilities claimed and the claim of GoP regarding the payment of interest is disputed by the BoD and the management as there had never been any agreement in this regard. Further, the above loan liabilities were picked up by the GoP in order to provide public sector enterprises including PECO to give them clean slate on their liabilities so that they could be privatized and were provided without any specific request from these public sector enterprises, including PECO. In addition to the above, similar public sector entities which were provided similar reliefs by the GoP have never been asked to make any payments in respect of such reliefs. However, despite of this the BoD and the management of the Company is willing to repay the principal and in order to reconcile the principal and markup amounts with respect to GoP Loans, a committee was constituted as per the decision of Additional Finance Secretary in the meeting held in Government of Pakistan Finance Division (CF Wing), Islamabad. The committee includes representatives from Ministry of Finance, Ministry of Production, Privatization Commission and Board members from PECO. Several meetings have been taken place till date and in this regard a meeting of the committee was held on October 7, 2010 at Ministry of Finance (Finance Division) which was attended by representatives of Privatization Commission, Ministry of Production and PECO. The BoD and management of PECO agreed to repay all the outstanding principal, which the company is legally liable through disposal proceeds of Badami Bagh Land and surplus Land of Kot Lakhpat, if needed. However, the BoD and the management of the Company believes that they are not liable to pay any interest on these loans in the absence of any agreement. In the meeting held on 13 July 2015 in Privatization Commission, it was mutually agreed by all stakeholders to resolve the above issues at

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 for additional gratuities and in respect of the amounts disputed, the BoD and the management is of the opinion that an arbitrator should be appointed who should be acceptable to both the parties. Further, under the directions of public accounts committee the matter of charging interest is being reviewed by the committee comprising of Ministry of Industries, Ministry of Finance and

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

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

26.2.2 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 27.1.3) 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.

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

Customs and other import duties	86,984	86,984
Pakistan Railways freight	12,989	12,989
Karachi Port Trust	12,964	12,964
	112,937	112,937

26.2.4 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 (2018: Rs 41.989 million) as the BoD and the management believes that there was no clause of charging interest or surcharge in the ECC and Cabinet Decision. In spite of confirmation requests and several reminders, no confirmation of custom and other import duties of Rs. 86.984 million and Karachi Port Trust of Rs.12.964 million along with markup / surcharge on custom duty of Rs. 2,703.822 million (refer note 27.1.4) was received by the auditors from customs or Pakistan Railways or port Trust.

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

Bank loans taken over	100,000	100,000
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26.2.6 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 million loan and interest thereof, to confirm the contention of PECO and decision to be conveyed at its earliest.

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

Loan for CSS	309,000	309,000
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26.2.8 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.

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

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

26.2.10 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.(Ref: Note 25.2.1)

27 CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

27.1.1 These bonds were issued by the Federal Government against the liability of the company towards banks / financial institutions taken up by the Federal Government in the light of Federal Cabinet decision and S.R.O No. 823(1)/94 dated August 28, 1994. Against the principal amount interest bearing bonds and against accrued mark up interest free bonds were issued by the Government. The Government is liable to pay interest @ 12.43% per annum to the Banks / DFI regarding the interest bearing bonds. However, the BoD and the management of the Company do not agree with the markup claimed by the Finance Division and is of firm opinion that the Government is liable to pay any interest thereon, and that there was no agreement for charging any interest thereon. Furthermore, the legal 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(Ref: Note 26.2.10).

27.1.2 Guarantees of Rs. 225.811 million (2018: Rs 225.811 million) issued by the banks and insurance companies to different parties on behalf of the company.

27.1.3 The Privatization Commission through its confirmation dated November 08, 2024 for the year ended June 30, 2015 has claimed additional loan liability amounting to Rs. 131.454 million (Ref: Note 26.2.2) and mark up amounting to Rs. 1,546.034 million. 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.

27.1.4 The Finance Division vide its letter dated June 2, 2018 for the fiscal year 2018-19 has claimed an amount of Rs. 2,703.822 million in respect of surcharge payable on Custom & Other Import duties (Ref: Note. 26.2.4) . However, the management of the company is of the opinion that no markup is payable in the absence of any agreement for markup. Furthermore, the company has also obtained the opinion from the legal advisor, who is also of opinion that no markup is payable. 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.

- 27.1.5** The Finance Division vide its letter dated July 28, 2017, for the year ended June 30, 2016 has claimed an amount of Rs. 671.860 million in respect of additional principal liability and Rs. 2,517.766 million in respect of markup payable on remaining Government of Pakistan Loans (Ref: Note 26.2.5, 26.2.7 & 26.2.9). 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 Markup 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.
- 27.1.6** 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. 40 million has been provided for (Ref Note: 23.1).
- 27.1.7** 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(Ref Note: 23.4).
- 27.1.8** Punjab employees social security institution (PESSI) has also filed various suits against the Company. These suits are presently pending adjudication before the Commissioner PESSI. The management is vigilantly pursuing these cases. According to the opinion of legal advisor, the settlement of which is expected to result in an outflow from the entity of resources is amounting to Rs. 7.69 million has been provided for (Ref Note: 23.4).
- 27.1.9** FBR has filed a suit against the Company for recovery. This suit is presently pending adjudication before the Civil Court, Lahore respectively. The management is vigilantly pursuing the case. According to the opinion of legal advisor, the settlement of which is expected to result in an outflow from the entity of resources is amounting to Rs. 0.674 million has been provided for (Ref Note: 23.4).
- 27.1.10** The Company initiated legal proceedings against Ishtiaq Steel Industry in 2021, seeking recovery of damages amounting to Rs 1.017 billion and compensation of Rs 500 million. The case remains pending as of the reporting date. Based on the opinion of the Company's legal counsel, management expects a favorable outcome. However, in accordance with prudence and applicable accounting standards, no receivable has been recognized in the financial statements, as the outcome of the case is contingent upon the final judgment of the court.
- 27.1.11** The Company initiated legal proceedings against Al-Majeed Ibrahim Steel Industries (Private) Limited in 2021, seeking recovery of damages amounting to Rs 100 million and compensation of Rs 50 million. The case remains pending as of the reporting date. Based on the opinion of the Company's legal counsel, management expects a favorable outcome. However, in accordance with prudence and applicable accounting standards, no receivable has been recognized in the financial statements, as the outcome of the case is contingent upon the final judgment of the court.
- 27.1.12** The Company initiated legal proceedings against Inam Steel Re rolling Mills in 2021, seeking recovery of damages amounting to Rs 50 million. The case remains pending as of the reporting date. Based on the opinion of the Company's legal counsel, management expects a favorable outcome. However, in accordance with prudence and applicable accounting standards, no receivable has been recognized in the financial statements, as the outcome of the case is contingent upon the final judgment of the court.
- 27.1.13** The Company initiated legal proceedings against Anwar Traders in 2021, seeking recovery of damages amounting to Rs 30 million and compensation of Rs 20 million. The case remains pending as of the reporting date. Based on the opinion of the Company's legal counsel, management expects a favorable outcome. However, in accordance with prudence and applicable accounting standards, no receivable has been recognized in the financial statements, as the outcome of the case is contingent upon the final judgment of the court.

27.1.14 The Company initiated legal proceedings against Aarsal Enterprises in 2019 for the rendition of accounts. The case remains pending as of the reporting date. Based on the opinion of the Company's legal counsel, management expects a favorable outcome. However, in accordance with prudence and applicable accounting standards, no receivable has been recognized in the financial statements, as the outcome of the case is contingent upon the final judgment of the court.

28 SALES

Sales - Local		249,636	1,666,605
Less: Sales tax		-	242,156
		<u>249,636</u>	<u>1,424,449</u>

29 COST OF SALES

Raw material consumed	29.1	181,625	945,805
Stores and spares consumed		87,205	110,131
Salaries, wages and other benefits	29.2	73,600	98,542
Fuel and power		9,803	51,044
Processing charges		2,365	58,674
Inspection fee		1,111	6,045
Service charges		4,849	5,780
Repair and maintenance		3,009	4,652
Vehicle running expenses		1,492	4,601
Rent, rates and taxes		7,514	1,384
Publication of tender documents		508	1,594
Insurance		5,982	1,349
Traveling and conveyance		3,830	1,196
Printing, stationery and office Supplies		323	1,463
Postage, telegram and telephone		568	741
Entertainment		587	942
Legal and professional		10,000	460
Other expenses		195	733
Depreciation		36,918	33,176
		<u>431,487</u>	<u>1,328,312</u>

Opening stock of work-in-process		143,688	154,168
Closing stock of work-in-process		(97,958)	(143,688)
		<u>45,730</u>	<u>10,480</u>
Cost of goods manufactured		477,217	1,338,792
Opening stock of finished goods		53,909	114,524
Closing stock of finished goods		(43,488)	(53,909)
		<u>10,421</u>	<u>60,615</u>
		<u>487,638</u>	<u>1,399,407</u>

29.1 Raw material consumed

Opening stock		150,024	178,218
Add: purchases		322,296	917,611
		<u>472,320</u>	<u>1,095,829</u>
Less: closing stock		290,695	150,024
		<u>181,625</u>	<u>945,805</u>

29.2 This includes amount paid to contractor for wages of workers on contract. This also includes retirement benefits amounting to Rs. 1.7 million (2018: Rs. 5.842 million).

30 SELLING AND DISTRIBUTION EXPENSES			
Salaries,wages and other benefits	30.1	2,472	4,562
Insurance		-	1,932
Traveling and conveyance		479	1,900
Entertainment		84	502
Repair and maintenance		60	101
Research and development		-	235
Postage, telegrams and telephone		15	69
Vehicle running expenses		49	464
Printing, stationery and office supplies		7	76
Rent, rates and taxes		74	296
Publishing of tender and sales promotion		34	1,315
Fee and subscription charges		30	125
Miscellaneous		181	447
		<u>3,484</u>	<u>12,024</u>
30.1	This includes retirement benefits amounting to Rs. 0.207 million (2018: Rs. 0.225 million).		
31 FREIGHT AND FORWARDING EXPENSES			
Freight and forwarding expenses		<u>4,192</u>	<u>22,714</u>
32 ADMINISTRATIVE EXPENSES			
Salaries,wages and other benefits	32.1	27,213	34,351
Vehicle running expenses		2,211	4,879
Traveling and conveyance		1,479	3,406
Printing, stationery and office supplies		447	3,124
Legal and professional		8,351	2,705
Utilities		7,894	2,388
Entertainment		608	1,644
Rent, rates, and taxes		2,032	1,625
Repair and maintenance		2,003	1,742
Postage, telegrams and telephone		533	1,551
Security charges		1,719	1,375
Insurance		890	712
Fee and subscription charges		1,328	903
Advertisement		1,125	357
Training		24	16
Miscellaneous		16,769	8,502
Bad debts		273	-
Fine and penanlties		300	-
Depreciation		4,290	4,851
		<u>79,489</u>	<u>74,132</u>
32.1	This includes retirement benefits amounting to Rs. 2.1 million (2018: Rs. 1.836 million).		
33 OTHER OPERATING CHARGES			
Auditors' remuneration	33.1	810	675
Tax consultancy fee		83	330
Impairment allowance		7,925	-
Depreciation on investment property		28	29
		<u>8,845</u>	<u>1,034</u>

33.1 Auditors' remuneration			
Audit fee		810	550
Half yearly review fee		-	90
Review of compliance with code of corporate governance		-	35
		<u>810</u>	<u>675</u>
34 OTHER OPERATING INCOME			
Income from Financial Assets			
Profit on bank deposits		221	108
Profit on investment		1,204	79
		<u>1,426</u>	<u>187</u>
Income from Non - Financial Assets			
Miscellaneous income		30	272
Liability written off		9,960	4
Rental income		2,253	2,986
		<u>12,242</u>	<u>3,262</u>
		<u>13,668</u>	<u>3,449</u>
35 FINANCE COST			
Mark - up on short term borrowings		4,583	6,041
Mark - up on long term borrowings		1,725	3,455
Bank charges and commission	35.1	1,105	5,014
Interest on workers' profit participation fund		832	3,049
		<u>8,245</u>	<u>17,559</u>
35.1	Bank guarantee commission paid by the company is charged over the period of contract.		
36 TAXATION			
Current			
for the year		3,120	15,992
for prior years	36.1	53,540	883
		<u>56,660</u>	<u>16,875</u>
Deferred			
Origination and reversal of temporary differences		81,708	(41,470)
Impact of change in tax rate		-	(4,421)
		<u>81,708</u>	<u>(45,891)</u>
		<u>138,368</u>	<u>(29,016)</u>
36.1	This amount represents the tax expense recovered by the Federal Board of Revenue through the attachment of the company's accounts.		
36.2	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.		
36.3	Company's income tax assessment has been finalized up to 2018.		
37 BASIC AND DILUTED EARNINGS PER SHARE			
Basic earnings per share:			
(Loss) / profit after taxation (Rupees in '000)		(466,957)	(69,956)
Weighted average number of ordinary shares (No. in '000) outstanding during the year		5,690	5,690
		<u>(82.07)</u>	<u>(12.29)</u>
37.1	There are no dilutive potential ordinary shares outstanding as at June 30, 2019 and 2018.		

38 CASH GENERATED FROM OPERATIONS

Profit before taxation		(328,589)	(98,972)
Adjustments for:			
Depreciation		41,233	38,056
Financial charges		7,413	14,510
Impairment allowance		7,925	-
Interest on workers' profit participation fund		832	3,049
Profit on investment		(1,204)	(79)
Provision for gratuity		4,007	7,985
Liability written off		9,960	(4)
		<u>70,165</u>	<u>63,517</u>
(Loss) / profit before working capital changes		(258,424)	(35,455)
Movements in working capital			
Decrease/(Increase) in current assets:			
Stores, spares and loose tools		81,132	1,565
Stock in trade		(84,520)	99,289
Trade debts		199,288	399,194
Advances		591	(308)
Trade deposits, prepayments and other receivables		5,535	3,898
Sales tax refundable		3,852	(16,533)
Increase/(Decrease) in current liabilities:			
Trade and other payables		138,597	(339,929)
		<u>344,475</u>	<u>147,176</u>
Cash generated from operations		86,051	111,721

39 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	23	<u>151</u>	<u>151</u>
----------------------------------	----	------------	------------

Muhammad Arif Habib (Director)

- Payable at the end of the year	23.1.2	<u>3,000</u>	<u>-</u>
----------------------------------	--------	--------------	----------

Pakistan Machine Tool Factory (PMTF)

- Receivable at the end of the year	39.1	<u>-</u>	<u>273</u>
-------------------------------------	------	----------	------------

39.1 Maximum amount due from associated undertakings (Ref: Note 12) at the end of any month was of Rs. 0.273 million (2018: Rs. 0.273 million). Further, balance outstanding from associated undertaking is more than zero (2018: 360) days over due.

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

40 OPERATING SEGMENT

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

40.1 Information about products and services

Revenue from sales of electricity transmission and communication towers represents 93.55% (2018: 91.53%) of total sales.

40.2 Information about geographical areas

- All non-current assets of the Company as at 30 June 2019 are located in Pakistan.
- 100% (2018: 100%) of the gross sales of the Company are made to customers located in Pakistan.

40.3 Information about major customers

- The Company's most significant customers are electric supply companies.
- Electric supply companies (PESCO, HESCO, LESCO and IESCO) accounts for more than 91.53% of the gross sales of the Company for the year.

PAKISTAN ENGINEERING COMPANY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
--	------	------	------

----- Rupees in "000" -----

41 FINANCIAL RISK MANAGEMENT

41.1 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.

41.2 Financial assets and liabilities by category and their respective maturities

	2019		2018	
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year
FINANCIAL ASSETS				
Long term investments	-	819	-	819
Long term security deposits - net of impairment	-	2,053	-	2,053
Trade debts - net of impairment	183,575	-	382,497	-
Advances	128	-	1,043	-
Trade deposits and guarantee margins	20,741	-	21,946	-
Cash and bank balances	44,777	-	38,108	-
Short term investments	21,424	-	-	-
	270,644	2,872	443,594	2,872
FINANCIAL LIABILITIES				
Government of Pakistan Loans		1,790,848	-	1,790,848
Long term borrowings	24,374	-	29,250	19,503
Short term borrowings	71,556	-	61,494	-
Trade and other payables	462,720	-	312,656	-
Mark-up accrued	6,301	-	2,128	-
Unclaimed Dividend	13,070	-	13,126	-
	578,021	1,790,848	418,654	1,810,351
On balance sheet date gap	(307,377)	(1,787,976)	24,940	(1,807,479)
OFF - BALANCE SHEET ITEMS				
Letter of guarantees	225,811		225,811	

41.2.1 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.

41.3 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. 26 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.

41.4 Financial Risk Factors

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

- Credit Risk
- Liquidity Risk
- Market Risk

41.4.1 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:

	2019	2018
	----- Rupees in "000" -----	
Long term investments	819	819
Long term security deposits - net of impairment	2,053	2,053
Trade debts - net of impairment	183,575	382,497
Advances	128	1,043
Trade deposits and guarantee margins	20,741	21,946
Bank balances	44,777	36,026
Short term investments	21,424	-
	<u>273,517</u>	<u>444,384</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 counterparty default rate:

	Rating			2019	2018
	Short term	Long term	Agency	----- Rupees in "000" -----	
MCB Bank	A-1+	AAA	PCRAL	-	32
United Bank Limited	A-1+	AA+	JCR-VIS	268	33,595
National Bank of Pakistan	A-1+	AAA	JCR-VIS	-	2,348
Faysal Bank Limited	A-1+	AA	PACRA	44,510	-
Habib Bank Limited	A-1+	AAA	VIS	-	51
				<u>44,777</u>	<u>36,026</u>

	2019		2018	
	Gross	Impairment	Gross	Impairment
----- Rupees in "000" -----				
The aging of trade debts at the reporting date was:				
Not yet due	-	-	1,857	-
Past due 1-30 days	-	-	129,687	-
Past due 31-60 days	-	-	49,646	-
Past due 61-90 days	42,876	-	53,384	-
Over 90 days	183,911	43,212	191,135	43,212
	<u>226,787</u>	<u>43,212</u>	<u>425,709</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.

41.4.2 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

Government of Pakistan Loans

Long term borrowings

Short term borrowings

Trade and other payables

Mark-up accrued

30-Jun-19

	Up to 1 year	1 to 5 years	Total
Government of Pakistan Loans	-	1,790,848	1,790,848
Long term borrowings	24,374	-	24,374
Short term borrowings	71,556	-	71,556
Trade and other payables	462,720	-	462,720
Mark-up accrued	6,301	-	6,301
	<u>564,951</u>	<u>1,790,848</u>	<u>2,355,799</u>

Non - derivative financial liabilities

Government of Pakistan Loans

Long term borrowings

Short term borrowings

Trade and other payables

Accrued mark-up

30-Jun-18

	Up to 1 year	1 to 5 years	Total
Government of Pakistan Loans	-	1,790,848	1,790,848
Long term borrowings	29,250	19,503	48,753
Short term borrowings	61,494	-	61,494
Trade and other payables	312,656	-	312,656
Accrued mark-up	2,128	-	2,128
	<u>405,528</u>	<u>1,810,351</u>	<u>2,215,879</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June 2019. 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.

41.4.3 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. 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.

As at 30 June 2019, if interest rates on company's bank borrowings had been 1% higher / lower, the markup expenses would have been higher / lower by Rs. 683 million (2018: Rs. 676 million).

42 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 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 and markup thereon. Total capital employed is calculated as equity as shown in the statement of financial position plus net debt. As at the balance sheet date, the gearing ratio of the Company was worked out as under:

	2019	2018
	----- Rupees in "000" -----	
The gearing ratio as at June 30, is as follows:		
Debt	1,893,078	1,883,720
Equity	13,201,040	13,667,998
Total capital employed	15,094,118	15,551,718
Gearing Ratio	12.54%	12.11%

43 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.

	2019		2018	
	Chief Executive	Director	Chief Executive	Director
	----- Rupees in "000" -----			
Remuneration	6,606	1,113	5,281	8,391
Bonus	-	-	50	-
Reimbursement of expenses	1,078	-	744	-
Pension contribution	55	-	-	-
Perquisites	1,389	154	486	699
	9,128	1,267	6,560	9,090
Number of persons	1	7	1	8

- 43.1 In addition to above remunerations 8 directors (2018: 8 directors) were paid aggregate remuneration of Rs. Nil (2018: Rs. Nil).

43.2 Aggregate amount charged in the accounts for 08 directors for Meeting fees were Rs. Nil (2018: Rs. 7.275 million) and reimbursable expenses Rs. Nil (2018: Rs. Nil) for meetings of Board of Directors and sub-committees of Board of Directors.

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

44 PLANT CAPACITY AND ACTUAL PRODUCTION

	U/M	Capacity		Actual Production	
		Installed	Assessed	2019	2018
Pumps / turbines	No.	3,400	3,400	58	174
Electric motors	No.	16,500	6,500	38	133
Rolled material	Tons	80,000	30,000	-	-
Foundry	Tons	4,000	4,000	23	99
Steel fabrications (STR)	Tons	20,000	20,000	2,763	9,351
Concrete Mixture	No.	350	350	-	-

45 NUMBER OF EMPLOYEES

	2019	2018
Total number of employees as at June 30;	----- Numbers -----	
Contractual employees - Head Office	35	32
Temporary staff - Head Office	30	30
Contractual employees - Factory	41	39
Temporary staff - Factory	43	43
Workers - Factory	247	250
	396	394
Average number of employees during the year		
Contractual employees - Head Office	34	33
Temporary staff - Head Office	30	30
Contractual employees - Factory	40	34
Temporary staff - Factory	43	39
Workers - Factory	249	246
	396	380

46 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with fair presentation.

47 AUTHORIZATION OF FINANCIAL STATEMENTS

47.1 These financial statements have been authorized for issue on _____ by the Board of Directors of the Company.

47.2 As of the date of authorization of the financial statements, there was no Managing Director or Chief Executive Officer notified by the Ministry of Industries and Production (MOIP). Consequently, the Board of Directors resolved that the financial statements be authorized jointly by three directors along with the Chief Financial Officer.

48 EVENTS AFTER THE REPORTING PERIOD

Except for the events as mentioned in note 5.2.5 of these financial statements, there are no significant non adjusting events after the reporting date requiring or disclosure in financial statements.

49 GENERAL

Figures have been rounded off to the nearest thousand rupee.

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Director

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

**Pattern of Shareholding
As At June 30, 2019**

# 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
2,313			5,690,245

**Categories of Shareholders
As At June 30, 2019**

	# 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 Shareholder
As At June 30, 2019

	# of Shareholders	Shares Held	Percentage
NIT and ICP	2	131,330	2.31
Bank, Development finance institution, Non-Banking Finance companies	12	145,115	2.55
Insurance Companies	3	229,030	4.02
Modarabas, and Mutual, Pension Funds			
CDC-Trustee and Opportunity Fund	1	6,900	0.12
Public Sector companies and corporations	7	27,600	0.49
General Public			
a. Local	2,237	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

Name of shareholder	No of shares held	%age held
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 share of the Company.









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PAKISTAN ENGINEERING COMPANY LIMITED

FORM OF PROXY

ANNUAL GENERAL MEETING

I/We _____ of _____ CDC A/C NO./
 FOLIO NO. _____ being shareholder(s) of Pakistan Engineering Company Limited hold
 _____ Ordinary Shares do hereby
 appoint _____ Mr./Ms./Miss _____ of _____
 _____, as my /our proxy in my /our absence to attend and vote for me /us at the 70th
 Annual General Meeting of the Company to be held on February 17, 2025 (Monday) at 11:00 A.M. at Hotel
 Four Points by Sheraton, 25 - Egerton Road, Lahore and/or any adjournment thereof in the same manner as
 I/we myself /ourselves would vote if personally present at that meeting.

At witness my/our hand this _____ day of _____ 2025.

WITNESS 01

WITNESS 02

Signature _____

Signature _____

Name _____

Name _____

Address _____

Address _____

Signature

Please affix Rs. 05 Revenue stamp
--

- Note:
1. This Proxy Form, duly stamped, signed and witnessed, must be received at the Registered Office of the Company, Pakistan Engineering Company Limited, 6/7, Sir Ganga Ram Trust Building, Shahrah-e-Quaid-e- Azam, Lahore, not less than 48 hours before time of holding the meeting.
 2. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
 3. The proxy form shall be witnessed by two persons whose names, addresses and CNIC/SNIC (Computer National Identity Card/Smart National Identity Card) numbers shall be mentioned on the form.
 4. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with proxy form.
 5. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

پاکستان انجینئرنگ کمپنی لمیٹڈ

تشکیل نیابت داری

سالانہ جنرل میٹنگ

میں/ہم _____ (ICDC کا ونٹ نمبر/فولیو نمبر) کے حامل پاکستان انجینئرنگ کمپنی لمیٹڈ کے شیئر ہولڈر (s) ہوں/ہیں، جو کہ _____ عام شیئرزر رکھتے ہیں، یہ فارم استعمال کرتے ہوئے، _____ جناب/محترمہ/محترمہ کو، جو کہ _____ میں رہتے ہیں، اپنی/اسپنے وکیل کے طور پر نامزد کرتے ہیں کہ وہ میری/ہماری غیر موجودگی میں میری/ہماری طرف سے 70 ویں سالانہ جنرل میٹنگ میں، جو 17 فروری 2025 (پیر) کو صبح 00:11 بجے ہوٹل فور پوائنٹس ہائی شیریٹن، 25- ایبجکٹن روڈ، لاہور میں منعقد ہوگی، اور/یا اس کے التواء کی صورت میں بھی ویسے ہی ووٹ دیں جیسا میں/ہم بذات خود موجود ہونے کی صورت میں دیتے۔

میرے/ہمارے دستخط اس _____ دن _____ 2025 کو گواہ ہیں۔

گواہ نمبر 01

دستخط بمعہ شناختی کارڈ نمبر: _____

نام: _____

پتہ: _____

پانچ روپے والی سٹیپ چسپاں کریں

گواہ نمبر 02

دستخط بمعہ شناختی کارڈ نمبر: _____

نام: _____

پتہ: _____

دستخط بمعہ شناختی کارڈ نمبر

نوٹ:

- یہ فارم، جس پر اسٹامپ لگا ہوا ہو، دستخط شدہ اور گواہ شدہ ہو، کمپنی کے رجسٹرڈ دفتر، پاکستان انجینئرنگ کمپنی لمیٹڈ، 6/7، سرگڑرام ٹرسٹ بلڈنگ، شاہراہ قائد اعظم، لاہور، میں میٹنگ کے وقت سے کم از کم 48 گھنٹے قبل موصول ہونا ضروری ہے۔
- اگر کوئی رکن ایک سے زیادہ وکیل مقرر کرتا ہے اور کمپنی کے پاس ایک سے زیادہ وکیل کے فارم جمع کرواتا ہے، تو تمام وکیل کے فارم کا عدم تصور کیے جائیں گے۔
- فارم پر دو افراد کے دستخط ہونے چاہئیں، جن کے نام، پتے اور SNIC/CNIC (کمپیوٹرائزڈ قومی شناختی کارڈ/اسمارٹ قومی شناختی کارڈ) نمبر درج ہوں۔
- مالک اور وکیل کے CNIC یا پاسپورٹ کی مصدقہ کاپیاں فارم کے ساتھ فراہم کی جائیں۔
- کارپوریٹ ڈائریکٹرز کی قرارداد/اختیاراتی خط کے ساتھ نمونہ دستخط فراہم کیے جائیں (اگر پہلے سے فراہم نہیں کیے گئے) اور اس فارم کے ساتھ کمپنی کو جمع کروائیں۔