



**PAKISTAN ENGINEERING COMPANY LIMITED**

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



# Annual Report 2020



**PAKISTAN ENGINEERING COMPANY LIMITED**

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

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## COMPANY INFORMATION

### Board of Directors

Mr. Mairaj Anees Ariff (Chief Executive)  
Mr. Naeem Jan Khan  
Mr. Muhammad Arif Habib  
Mr. Rashid Ali Khan  
Mr. Syed Kaukab Mohyuddin  
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)  
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,  
Shahrah-e-Quaid-e-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 Shahrah-  
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**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Trading Results</b>						
Sales – Net	259.60	249.64	1,424.45	1,353.17	2,329.08	923.26
Cost of Sales	279.50	487.64	1,399.41	1,187.00	1,856.63	781.39
Gross Profit/(Loss)	(219.90)	(238)	25.04	166.17	472.44	141.87
Admin, Gen. & Selling Exp.	56.72	87.16	108.87	105.46	83.89	67.32
Other Operating Charges	0.84	8.84	1.03	6.44	46.76	2.10
Other Operating Income	68.65	13.67	3.45	23.33	4.65	11.88
Operating Profit/(Loss)	(208.81)	(320.34)	(81.41)	77.60	346.44	81.10
Financial Charges	9.36	8.245	17.56	17.07	15.36	17.52
Workers Profit Participation fund	-	-	-	3.30	17.78	3.23
Profit/(Loss) before Tax	(218.16)	(328.59)	(98.97)	60.53	331.08	63.58
Net Profit/(Loss) after Tax	(215.48)	(466.96)	(69.96)	66.74	219.49	45.27
<b>Dividend</b>						
Cash Dividend	-	-	-	-	-	-
Dividend Per Share (Rs.)	-	-	-	-	-	-
<b>Financial Position</b>						
Property, Plant and Equipment	14,514.21	14,552.11	14,558.75	14,555.17	14,564.50	8,588.62
Paid up Capital	56.90	56.90	56.90	56.90	56.90	56.90
Reserves	10.00	10.00	10.00	10.00	10.00	10.00
Fixed Capital Expenditure	0.70	41.67	41.61	37.50	23.74	22.37
<b>Key Indicators</b>						
Gross Profit Ratio	(84.70)	(95.34)	1.76	12.28	20.28	15.37
Operating Profit/(Loss) Ratio	(80.00)	(128)	(5.72)	5.73	14.87	8.78
Operation Expenses Ratio	21.85	34.91	7.64	7.79	3.60	7.29
Profit/(Loss) Before Tax Ratio	(84.04)	(131.63)	(6.95)	4.47	14.22	6.89
Net Profit/(Loss) Ratio	(83.01)	(187.05)	(4.91)	4.93	9.42	4.90
Earning Per Share	(37.87)	(82.07)	(12.29)	11.73	38.57	7.96
Working Capital Turnover	120.87	304.56	665.74	794.54	748.66	471.81
Current ratio	1.20	1.55	2.56	2.01	1.80	1.81
Quick ratio	0.48	0.61	1.35	1.23	1.39	0.88

**NOTICE OF 71<sup>ST</sup> ANNUAL GENERAL MEETING**

Notice is hereby given that the 71<sup>st</sup> Annual General Meeting (AGM) of **Pakistan Engineering Company Limited** (the “Company”) will be held on **Monday, February 17, 2025 at 11:10AM.** 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 receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2020, 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-30-2020/>

2. 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, 2020. Therefore, agenda for approval for appointment of auditors and their remuneration will not be part of business of this Annual General Meeting.

**ANY OTHER BUSINESS:**

3. 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 corporate.affairs@peco.com.pk with subject of ‘Registration for AGM 2020 - 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 10:45AM 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 2020**

In compliance with section 223(6) of the Act, the Company has electronically transmitted the Annual Report 2020 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 weblink 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, 2020 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-30-2020/>

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](http://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 office of our registrar 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.

**5. Revision of timings of Annual General Meeting**

Earlier the timing of 71<sup>st</sup> Annual General Meeting was notified to be held at 12:00PM which on same day was changed to be held at 11:10AM. The notification of revision of timing of AGM may please be downloaded from Company's website [www.peco.com.pk](http://www.peco.com.pk)

**6. Consent for video conference facility**

Pursuant to Section 132(2) & Section 134(b) of the Companies Act, 2017, if the Company receives a consent form from the Shareholders holding aggregate 10% or more shareholding residing at geographical location to participate in the meeting through video conference at least seven (7) days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide following information and submit to registered office of the Company:

*I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of Pakistan Engineering Company Limited, holder of \_\_\_\_\_ ordinary share(s) as per Registered Folio/CDC Account No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_.*

*Signature of Member*

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

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## نوٹس برائے 71 واں سالانہ اجلاس عام

نوٹس دیا جاتا ہے کہ پاکستان انجینئرنگ کمپنی لمیٹڈ (کمپنی) کا 71 واں سالانہ اجلاس عام (اے جی ایم) 17 فروری 2025 بروز پیر صبح 11:10 بجے ہوٹل فور پوائنٹس پریشرٹن، 25- ایگریٹن 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:

1-30 جون 2020ء 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 2023/1(389) 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-30-2020>

2- 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 2020 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۔

### کوئی اور کاروبار:

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

بحکم بورڈ

جگہ: لاہور  
کمپنی سیکرٹری

(میاں انور عزیز)

تاریخ: 27 جنوری، 2025

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 درجہ اولیٰ میں درجہ اولیٰ 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 2020-2021' پیکو کے لئے رجسٹریشن کے موضوع کے ساتھ [cdcsr@cdcsrsl.com](mailto: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 میلز، جن میں تمام مطلوبہ تفصیلات شامل ہیں، جمعہ، 14 فروری، 2025 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 2025 کو اجلاس کے اختتام تک کھلی رہے گی۔ شیئرز ہولڈرز ای میل ایڈریس، [corporate.affairs@peco.com.pk](mailto: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 2020 کی الیکٹرانک ٹرانسمیشن:

ایکٹ کی دفعہ 223(6) کی تعمیل میں کمپنی نے سالانہ رپورٹ 2020 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 او 389 (آئی) / 2023 کے تحت بھیجے گئے ہیں، جس کی تاریخ 21 مارچ 2023 ہے۔ 30 جون 2020ء 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-30-2020](https://www.peco.com.pk/financial-results-for-the-year-ended-june-30-2020)

تاہم کمپنی کسی بھی رکن کو ان کے مطالبے پر ان کے رجسٹریڈ 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](http://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/انویسٹر 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 اینفشری 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۔

5۔ سالانہ جنرل میٹنگ کے اوقات میں ترمیم

قبل ازیں 71 ویں سالانہ جنرل اجلاس کا وقت دوپہر 12 بجے منعقد کرنے کا نوٹیفکیشن جاری کیا گیا تھا جسے اسی دن صبح 11 بج کر 10 منٹ پر منعقد کرنے کا اعلان کیا گیا تھا۔ اے جی

ایم کے اوقات میں ترمیم کا نوٹیفکیشن براہ کرم کمپنی کی ویب سائٹ سے ڈاؤن لوڈ کیا جاسکتا [www.peco.com.pk](http://www.peco.com.pk)



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

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 سات دن کے اندر اسے 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 2020 highlighting the Company’s performance and the role of the Board of Directors in guiding the management to carry out its responsibility for the benefit of all its stakeholders.

The financial year under report faced severe pressure due to the external business environment along with internal management disputes created by Government Nominated ex-MD PECO, Mairaj Anees Ariff. This fiscal year was negatively impacted by management disputes and austerity measures due to fiscal reforms, higher interest rates, lower demands and bad affect by the COVID-19 pandemic on world economy.

The financial results for the year reflect a negative trend as follows:

	<b>Rs. in million</b>
Net Sales	259.60
Gross Loss	(219.90)
Loss after tax	(215.48)
Earnings per share	(37.87)

During the year under review, 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. Despite all obstacles, the Board also tried its level best for 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. During the year under review, 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 neither enable them to hold mandatory Board meetings nor any meetings of sub-committees of the Board.

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. The Board is ware of the current and future challenges, but our belief in Pakistan remains unshakeable as we focus our effort towards resolving the on-going issues of the Company created by Government Nominated ex-MD PECO, Mairaj Anees Ariff.

The company’s business is built on ethics, hard work, and concern for others. Our Company firmly believes that contribution to our community has, and always will be, a matrix of our success. We remain dedicated to our core values and strive to maintain long-term relationships with all stakeholders. With an experienced Board of Directors and committed Management Team that were not allowed to enter into the company premises for performing their professional duties, we remain equipped to meet the continuing challenges.



The Board would like to thank all stakeholders for their support and loyalty. Your faith in these challenging times has allowed us to meet challenges and resolve the on-going management issues of the Company. 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.

We continue to pray to Allah for an early resolution of the issues prevailing in the Company for the benefit of all stakeholders, as well as for Pakistan in general.

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

میں 30 جون 2020 کو ختم ہونے والے سال کے لیے کمپنی کی کارکردگی اور بورڈ آف ڈائریکٹرز کے کردار پر مشتمل جائزہ پیش کر رہا ہوں، جس میں انتظامیہ کی رہنمائی اور تمام اسٹیک ہولڈرز کے فائدے کے لیے ان کی ذمہ داری پر روشنی ڈالی گئی ہے۔

زیر جائزہ مالی سال بیرونی کاروباری ماحول کے دباؤ کے ساتھ ساتھ حکومت کی نامزد کردہ سابق ایم ڈی پی ای سی او، معراج انیس عارف کے پیدا کردہ اندرونی انتظامی تنازعات کے باعث شدید باؤ کا شکار رہا۔ اس مالی سال میں انتظامی تنازعات اور مالیاتی اصلاحات، بلند شرح سود، کم طلب اور کووڈ-19 وبا کے عالمی معیشت پر منفی اثرات کی وجہ سے کفایت شعاری کے اقدامات کے باعث منفی اثرات مرتب ہوئے۔

مالی سال کے نتائج مندرجہ ذیل منفی رجحانات کی عکاسی کرتے ہیں:

رقم	(ملین روپے میں)
خالص فروخت	259.60
مجموعی نقصان	219.90
ٹیکس کے بعد نقصان	215.48
فی شیئر نقصان	37.87

زیر جائزہ سال کے دوران، بورڈ نے اپنی ذمہ داریوں کو دیا ننداری سے انجام دینے کی پوری کوشش کی اور کمپنی کے تمام اسٹریٹجک امور میں موثر رہنمائی فراہم کی۔ تمام رکاوٹوں کے باوجود، بورڈ نے انتظامیہ کی کارکردگی کی نگرانی اور بڑے خطرات والے شعبوں پر توجہ مرکوز کرنے میں کلیدی کردار ادا کرنے کی کوشش کی۔ تاہم، بورڈ اسٹریٹجک منصوبہ بندی کے عمل اور کمپنی کے وژن کو بڑھانے میں مکمل طور پر شامل نہیں ہو سکا۔ زیر جائزہ سال کے دوران، معراج انیس عارف، جو دسمبر 2018 میں ہٹا دیے گئے تھے، نے غیر قانونی طور پر کسی بھی بورڈ ممبر کو کمپنی کے احاطے میں داخل ہونے کی اجازت نہیں دی، نہ ہی لازمی بورڈ میٹنگز اور نہ ہی بورڈ کی ذیلی کمیٹیوں کے اجلاس منعقد کرنے دیے۔

بورڈ تسلیم کرتا ہے کہ اچھی طرح سے وضع شدہ کارپوریٹ گورننس کے عمل کارپوریٹ احتساب کو بڑھانے کے لیے بہت اہم ہیں اور وہ اسٹیک ہولڈرز کی قدر کو برقرار رکھنے کے لیے اعلیٰ معیارات کو یقینی بنانے کے لیے پر عزم ہے۔ بورڈ موجودہ اور مستقبل کے چیلنجز سے آگاہ ہے، لیکن پاکستان پر ہمارا یقین ناقابل تسخیر ہے، اور ہم اپنی کوششوں کو حکومت کی نامزد کردہ سابق ایم ڈی پی ای سی او، معراج انیس عارف کے پیدا کردہ کمپنی کے جاری مسائل کے حل پر مرکوز کر رہے ہیں۔

کمپنی کا کاروبار اخلاقیات، محنت اور دوسروں کی فکر پر مبنی ہے۔ ہماری کمپنی اس بات پر یقین رکھتی ہے کہ اپنی کیونٹی میں شراکت ہماری کامیابی کی پیمائش کے لیے ہمیشہ ایک پیمانہ رہے گی۔ ہم اپنی بنیادی اقدار کے لیے پر عزم ہیں اور تمام اسٹیک ہولڈرز کے ساتھ طویل مدتی تعلقات برقرار رکھنے کی کوشش کرتے ہیں۔ ایک تجربہ کار بورڈ آف ڈائریکٹرز اور پر عزم مینجمنٹ ٹیم کے ساتھ، جنہیں اپنے پیشہ ورانہ فرائض انجام دینے کے لیے کمپنی کے احاطے میں داخل ہونے کی اجازت نہیں دی گئی، ہم جاری چیلنجز کا مقابلہ کرنے کے لیے تیار ہیں۔

بورڈ تمام اسٹیک ہولڈرز کا ان کے تعاون اور وفاداری کے لیے شکریہ ادا کرنا چاہتا ہے۔ ان مشکل وقتوں میں آپ کے اعتماد نے ہمیں چیلنجز کا مقابلہ کرنے اور کمپنی کے جاری انتظامی مسائل کو حل کرنے کی اجازت دی۔ کمپنی کے بورڈ آف ڈائریکٹرز اور سینئر مینجمنٹ نے کمپنی کی صورتحال کے بارے میں اسٹیک ہولڈرز کو وقتاً فوقتاً آگاہ رکھنے کے لیے تمام ضروری اقدامات کیے۔

ہم اللہ تعالیٰ سے دعا کرتے ہیں کہ وہ کمپنی میں موجود مسائل کو جلد حل کرے تاکہ تمام اسٹیک ہولڈرز اور پاکستان کے مفاد میں بہتری ہو۔

مرزا محمود احمد

چیمبر مین بورڈ

لاہور: 20 جنوری 2025

## **DIRECTORS' REPORT To The Shareholders**

The Directors of Pakistan Engineering Company Limited are presenting the 71<sup>st</sup> Annual Report accompanied by the audited financial statements for the year ended June 30, 2020; after an unfortunate lapse of six years.

### **GLOBAL STEEL SCENARIO AND PAKISTAN'S ECONOMY**

The outbreak of COVID-19, novel coronavirus, in the last quarter of the FY 2020 impacted almost all industries and sectors worldwide; two of the most impacted ones were manufacturing and travel & transportation. The major steel producing countries were already persisting with their protectionist measures. Foremost being the United States continuing with 25% duty on steel imports from around the world. Despite the decline in the global steel production, Chinese steel production grew by 3.4% crossing the 1 billion metric tons mark for the first time. China's surging production is largely due to its capacity replacement program though its pace slowed down in the FY 2020 as compared to the last year. Growth in real estate sector and infrastructure stimulated the overall increase in consumption of steel products. However, the outbreak of novel coronavirus affected the steel demand in China since December 2019.

The developing economies are less equipped to tackle COVID-19 making their recovery and return to normalization more difficult. Limited fiscal space to support the economy, a fall in commodity prices, capital flight and currency depreciation render the decline of steel demand in some developing countries as severe as that in developed economies.

The business environment in the FY 2020 was generally unfavorable. The first half of the fiscal year was marred by inflationary pressure, depressed spending power due to higher policy rates and austerity measures on account of fiscal reforms, leading to suppressed economic activity. The large-scale manufacturing was down by 10.2% as compared to last year leading to significantly reduced business activity across all segments of the economy. The situation was further exacerbated by the COVID-19 pandemic. The complete lockdown brought the whole economy to a standstill and with the same lockdown across the globe, international trade, travel and business activity declined significantly.

Pakistan managed to contain the devastating effects of the COVID-19 through its lockdown strategy. The State Bank of Pakistan (SBP) responded to the crisis by cutting the policy rate by a cumulative 625 basis points to 7.0 percent since March 2020. However, the rate remained as high as 13.25% for later part of the year.

The GDP growth rate went into negative by 0.4%. Exchange rate further depreciated by 2.6% during FY2020 on the back of a cumulative depreciation of 34% during FY2019. Headline inflation recorded at 11.22% during Jul-Apr FY2020 as against 6.51% during the same period last year. Rose to as high as 14.6% in January 2020 but fell to 8.5% in April 2020.

At the same time, cuts in development spending and a general slowdown in economic activities coupled with COVID-19 outbreak reduced the demand for iron and steel urging the local steel industry to curtail their production. All these factors contributed to the negative growth of 8% in iron and steel industry. Nevertheless, the COVID-19 pandemic is presenting a fair few short-term challenges to the steel industry. The quickening recovery in the country indicates that the industry should be able to weather this storm.

## PERFORMANCE OUTLOOK

Management disputes created by Government appointed ex-MD PECO, Mr. Mairaj Anees Ariff despite of his removal in December 2018, continued to surge during this financial year. Government appointed ex-MD PECO, Mr. Mairaj Anees Ariff prevented the Board of Directors, principal officer and other employees from entering the company premises. During this period, he continued to run the company's affairs by illegally taking under siege control of PECO.

No company accounts could possibly have been prepared or audited, and no Annual General Meeting (AGM) of shareholders could be called. Timely intimations were sent by the Board members to relevant authorities including Ministry of Industries (MoIP) and SECP apprising them of the obstacles faced by the board members and the management, including the statutory positions of Chief Financial Officer, Company Secretary and Head of Internal Audit from entering the company premises, in discharging their statutory and operational responsibilities, along with the efforts made by them in their available capacities for resolution of the issues.

Government appointed ex-MD PECO, Mr. Mairaj Ariff as MD, continued to cause significant damage to PECO which has brought the situation to where it is today where 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 and 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.

## FINANCIAL PERFORMANCE

Owing to deteriorated situation of the operations, the Company was able to achieve sales and gross loss during the year under review at Rs. 259.60 million and Rs. 219.90 million as compared to sales and gross loss of Rs. 249.64 million and Rs. 238.01 million respectively during the year 2019.

Overall, PECO incurred a loss after taxation of Rs. 215.48 million compared to last year loss after taxation of Rs. 466.97 million last year. Resultantly, there is a loss per share of Rs. 37.87 as compared to last year's loss per share of Rs. 82.07.

## CONTRIBUTION TO NATIONAL EXCHEQUER AND THE ECONOMY

Your Company made a contribution of Rs. 9.03 million (June 30, 2019: Rs. 16.93 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 <u>30.06.2020</u>	YEAR ENDED <u>30.06.2019</u>
(Loss) before Taxation	(218,165)	(328,599)
Taxation	2,681	(139,368)
(Loss)/Profit after Taxation	(215,484)	(466,967)

### Appropriations:

(Loss) for the year	(215,484)	(466,967)
Remeasurement of retirement benefit plan	-	-
Transfer from "Surplus on Revaluation of Fixed Assets"	15,991	16,833
Adjustment for change in tax rate	-	-

(Loss) carried forward to accumulated loss (199,493) (450,134)  
**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. 22.77 million (June 30, 2019: Rs. 22.97 million), valued by the firm of Consulting Actuaries.

#### **BOARD'S COMPOSITION, ELECTIONS, REMUNERATION AND MEETINGS**

The Board comprises of one Executive (removed by the Board of Directors in its 199<sup>th</sup> meeting held on 14.12.2018), three non-executive and four 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 (removed by the Board of Directors in its 199<sup>th</sup> meeting held on 14.12.2018 but Government of Pakistan delayed the formalities confirming the removal) and Mr. Naeem Jan Khan.

During the current year, Syed Kaukab Mohyuddin, Government Nominee Director on the Board, retired on July 07, 2019. Casual Vacancy was not fulfilled by Government of Pakistan, in contravention of statutory limit of ninety days from the occurrence of the vacancy i.e., October 05, 2019. However, Securities and Exchange Commission of Pakistan (SECP) and Government of Pakistan were informed with this fact.

No meeting of the Board could be held during the year; 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. 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 2019.

#### **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. 37.87 as compared to last year's loss per share of Rs. 82.07.

#### **AUDITORS**

In 69<sup>th</sup> 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. No Annual General Meeting could be held after October 2018; due to disputes created by Government appointed ex-MD PECO, Mairaj Anees Ariff and therefore, no auditors were appointed as per section 246 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, 2020.

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.

## **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. 434.61 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, 2020 of Rs. 26.42 million and Rs. 304.46 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, 2020 have been duly complied with. A statement to this effect is annexed to the report, please refer page No. 34.

#### **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 three 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. Muhammad Iqbal	Member
Mr. Ansar Javed	Member

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.

#### **DIRECTORS TRAINING PROGRAM**

The Board of Directors of the Company consist of 08 eminent directors, where directors are certified under the Directors Training Program as per Regulation 19 of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

## **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, 2020 were 304 compared to 396 of last year. Due to management disputes created by Government Nominated ex-MD PECO, Mairaj Anees Ariff, employee turnover started to rise day-by-day.

## **HUMAN RESOURCE AND REMUNERATION COMMITTEE**

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

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.

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.

## **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](http://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**

No business plan could be made as neither the Board of Directors nor the principal officers/employees were allowed to enter into Company premises to perform their professional duties. The principal officers of the Company established a site office on another location to liaison with Government of Pakistan, Securities and Exchange Commission of Pakistan (SECP) and regulatory bodies in Pakistan. The Board of Directors and management believes that they are trying best of their efforts to turnover around the devastation created by Government Nominated ex-MD PECO, Mairaj Anees Ariff, and 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

شیر ہولڈرز کے لیے

پاکستان انجینئرنگ کمپنی لمیٹڈ کے ڈائریکٹرز 71 ویں سالانہ رپورٹ پیش کر رہے ہیں جو 30 جون 2020 کو ختم ہونے والے مالی سال کے لیے آڈٹ شدہ مالی بیانات کے ساتھ ہے؛ یہ چھ سال کی بدقسمت تاخیر کے بعد پیش کی جا رہی ہے۔

عالمی اسٹیل کا منظر نامہ اور پاکستان کی معیشت

مالی سال 2020 کے آخری سہ ماہی میں COVID-19، نوول کورونا وائرس، کے پھیلاؤ نے دنیا بھر کی تقریباً تمام صنعتوں اور شعبوں کو متاثر کیا؛ ان میں سب سے زیادہ متاثر ہونے والے شعبے مینوفیکچرنگ اور ٹریڈ اور ٹرانسپورٹیشن تھے۔ بڑے اسٹیل پیدا کرنے والے ممالک پہلے ہی اپنے تحفظاتی اقدامات جاری رکھے ہوئے تھے، جن میں سب سے نمایاں ریاستہائے متحدہ تھی، جس نے دنیا بھر سے اسٹیل کی درآمد پر 25% ڈیوٹی عائد کر رکھی تھی۔

عالمی اسٹیل کی پیداوار میں کمی کے باوجود، چینی اسٹیل کی پیداوار میں 3.4% اضافہ ہوا اور پہلی بار 1 بلین میٹرک ٹن کی حد عبور کی۔ چین کی بڑھتی ہوئی پیداوار کا زیادہ تر حصہ اس کی استعداد کار میں اضافے کے منصوبے کی بدولت ہے، حالانکہ اس کی رفتار مالی سال 2020 میں گزشتہ سال کے مقابلے میں سست رہی۔ ریئل اسٹیٹ سیکٹر اور انفراسٹرکچر میں ترقی نے اسٹیل مصنوعات کی کھپت میں مجموعی اضافے کو تحریک دی۔ تاہم، نوول کورونا وائرس کے پھیلاؤ نے دسمبر 2019 سے چین میں اسٹیل کی طلب کو متاثر کیا۔

ترقی پذیر معیشتیں COVID-19 سے نمٹنے کے لیے کم تیار ہیں، جس کی وجہ سے ان کی بحالی اور معمول پر واپس آنے میں مشکلات زیادہ ہیں۔ معیشت کو سہارا دینے کے لیے محدود مالیاتی گنجائش، اجناس کی قیمتوں میں کمی، سرمایہ کی منتقلی، اور کرنسی کی قدر میں کمی نے ترقی پذیر ممالک میں اسٹیل کی طلب میں کمی کو ترقی یافتہ معیشتوں کی طرح شدید بنا دیا ہے۔

مالی سال 2020 میں کاروباری ماحول عمومی طور پر غیر موافق رہا۔ مالی سال کے پہلے نصف میں مہنگائی کے دباؤ، اعلیٰ پالیسی ریٹس کے باعث خریداری کی قوت میں کمی، اور مالیاتی اصلاحات کی وجہ سے کفایت شعاری کے اقدامات کی وجہ سے معاشی سرگرمی دباؤ کا شکار رہی۔ بڑی بیانیے کی مینوفیکچرنگ میں گزشتہ سال کے مقابلے میں 10.2% کمی واقع ہوئی، جس کی وجہ سے معیشت کے تمام شعبوں میں کاروباری سرگرمیاں نمایاں طور پر کم ہو گئیں۔

COVID-19 دبانے صورتحال کو مزید خراب کر دیا۔ مکمل لاک ڈاؤن نے پوری معیشت کو جامد کر دیا، اور دنیا بھر میں لاک ڈاؤن کی وجہ سے بین الاقوامی تجارت، سفر، اور کاروباری سرگرمیاں نمایاں طور پر کم ہو گئیں۔

پاکستان نے اپنی لاک ڈاؤن حکمت عملی کے ذریعے COVID-19 کے تباہ کن اثرات کو قابو میں رکھا۔ اسٹیٹ بینک آف پاکستان (SBP) نے اس بحران کے جواب میں مارچ 2020 سے پالیسی ریٹ کو مجموعی طور پر 625 پیسے پوائنٹس کم کر کے 7.0 فیصد کر دیا۔ تاہم، سال کے زیادہ تر حصے میں یہ ریٹ 13.25% کی بلند سطح پر رہا۔

جی ڈی پی کی شرح نمو 0.4% منفی ہو گئی۔ ایکسیچینج ریٹ مالی سال 2020 کے دوران 2.6% مزید گر گیا، جبکہ مالی سال 2019 کے دوران 34% مجموعی کمی پہلے ہی ہو چکی تھی۔ مالی سال 2020 کے جولائی تا اپریل کے دوران اوسط مہنگائی 11.22% ریکارڈ کی گئی، جبکہ پچھلے سال اسی عرصے میں یہ 6.51% تھی۔ جنوری 2020 میں یہ 14.6% تک پہنچ گئی، لیکن اپریل 2020 میں 8.5% تک گر گئی۔ اسی وقت، ترقیاتی اخراجات میں کمی اور معاشی سرگرمیوں میں عمومی سست روی کے ساتھ COVID-19 کے پھیلاؤ نے آئرن اور اسٹیل کی طلب کو کم کر دیا، جس کی وجہ سے مقامی اسٹیل انڈسٹری کو اپنی پیداوار محدود کرنی پڑی۔ یہ تمام عوامل آئرن اور اسٹیل انڈسٹری میں 8% منفی نمو کا باعث بنے۔ تاہم، COVID-19 اور اسٹیل انڈسٹری کے لیے مختصر مدتی چیلنجز پیش کر رہی ہے۔

## کارکردگی کی جھلکیاں

حکومت کے مقرر کردہ سابق ایم ڈی PECO، مسٹر میراج انیس عارف کی جانب سے پیدا کیے گئے انتظامی تنازعات نے مالی سال کے دوران شدت اختیار کی، حالانکہ انہیں دسمبر 2018 میں عہدے سے ہٹا دیا گیا تھا۔ مسٹر میراج انیس عارف نے بورڈ آف ڈائریکٹرز، پرنسپل آفیسر، اور دیگر ملازمین کو کمپنی کے احاطے میں داخل ہونے سے روک رکھا۔ اس دوران، انہوں نے PECO کے معاملات کو غیر قانونی طور پر قابض ہو کر چلایا۔

کمپنی کے اکاؤنٹس تیار یا آڈٹ نہیں کیے جاسکے اور نہ ہی شیر ہولڈرز کی کوئی سالانہ جنرل میٹنگ (AGM) بلائی جاسکی۔ بورڈ کے اراکین نے وزارت صنعت و پیداوار (MoIP) اور SECP سمیت متعلقہ حکام کو بروقت اطلاعات بھیج کر بورڈ کے اراکین اور انتظامیہ کو درپیش مشکلات سے آگاہ کیا، جن میں چیف فنانشل آفیسر، کمپنی سیکریٹری، اور ہیڈ آف انٹرنل آڈٹ جیسے قانونی عہدے داروں کو ان کی ذمہ داریاں انجام دینے سے روکنا شامل تھا۔

مارچ 2023 میں بورڈ آف ڈائریکٹرز اور کلیدی انتظامی عملے کے PECO کے دفتر سنبھالنے اور 16 ستمبر 2022 کو مسٹر میراج انیس عارف کی منتقلی کے بعد، فوراً اقدامات کیے گئے تاکہ پاکستان کے کارپوریٹ قوانین اور ضوابط کی تعمیل کو یقینی بنایا جاسکے۔

## مالی کارکردگی

خراب آپریشنل حالات کی وجہ سے کمپنی مالی سال کے دوران 259.60 ملین روپے کی فروخت اور 219.90 ملین روپے کا مجموعی خسارہ حاصل کر سکی، جبکہ گزشتہ سال کے دوران فروخت 249.64 ملین روپے اور مجموعی خسارہ 238.01 ملین روپے تھا۔  
مجموعی طور پر، پی ای سی او نے مالی سال کے دوران 215.48 ملین روپے کے بعد از ٹیکس نقصان کا سامنا کیا، جبکہ گزشتہ سال یہ نقصان 466.97 ملین روپے تھا۔ اس کے نتیجے میں، فی شیئر نقصان 37.87 روپے رہا، جو گزشتہ سال کے فی شیئر نقصان 82.07 روپے کے مقابلے میں کم تھا۔

## قومی خزانے اور معیشت میں حصہ

آپ کی کمپنی نے مالی سال کے دوران انکم ٹیکس، سیلز ٹیکس، اور دیگر محصولات کی مد میں قومی خزانے کو 9.03 ملین روپے (30 جون 2019: 16.93 ملین روپے) کا حصہ دیا۔

## مالی نتائج اور تجاویز

سال	2020	2019
ٹیکس سے پہلے نقصان	(218,165)	(328,599)
ٹیکس	(2,681)	(139,368)
ٹیکس کے بعد نقصان	(215,484)	(466,967)

## مختصات

سال کا نقصان	2020	2019
ریٹائرمنٹ بینیفٹ پلان کی دوبارہ تشخیص	-	-
اضافی مالیت کی منتقلی	15,191	16,833
ٹیکس کی شرح میں تبدیلی کی مطابقت	-	-
نقصان	(199,493)	(450,134)

## عملی اور مالیاتی ڈیٹا

کمپنی کے گزشتہ چھ سالوں کے عملی اور مالیاتی ڈیٹا اور کلیدی تناسبات ضمیمے میں شامل ہیں۔

## گرچیٹی اسکیم

کمپنی اپنے ملازمین کو ریٹائرمنٹ کے فوائد فراہم کرتی ہے۔ اس میں تمام ملازمین کے لیے ایک غیر شراکتی تعریف شدہ فائدہ گرچیٹی اسکیم شامل ہے۔ سال کے اختتام پر گرچیٹی اسکیم کی قدر 22.77 ملین روپے تھی (30 جون 2019: 22.97 ملین روپے)، جو سلسلہ نگ ایگزیکیوٹو ریٹائرمنٹ اسکیم کے تحت مقرر کی تھی۔

## بورڈ کی تشکیل، انتخابات، معاوضہ اور اجلاس

بورڈ ایک ایگزیکٹو (جسے بورڈ آف ڈائریکٹرز نے اپنے 199 ویں اجلاس میں 14.12.2018 کو ہٹا دیا)، تین غیر ایگزیکٹو اور چار آزاد ڈائریکٹرز پر مشتمل ہے۔ بورڈ کی تشکیل اور بورڈ سب کمیٹیوں کے اراکین کے نام (کمپنی کی معلومات) کے صفحہ پر دیے گئے ہیں۔  
حکومت کی جانب سے نامزد ڈائریکٹرز میں جناب معراج انیس عارف (جنہیں بورڈ آف ڈائریکٹرز نے اپنے 199 ویں اجلاس میں 14.12.2018 کو ہٹا دیا لیکن حکومت پاکستان نے ہٹائے جانے کی رسمی کارروائیاں مؤخر کر دیں) اور جناب نعیم جان خان شامل ہیں۔  
موجودہ سال کے دوران، سید کوکب محی الدین، حکومت کے نامزد ڈائریکٹر بورڈ میں سے 07 جولائی 2019 کو ریٹائر ہو گئے۔ حکومت پاکستان نے غیر رسمی جگہ کو نہیں کیا، جو کہ خلا پیدا ہونے کے نوے دن کے قانونی حد (یعنی 105 اکتوبر 2019) کی خلاف ورزی ہے۔ تاہم، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) اور حکومت پاکستان کو اس حقیقت سے آگاہ کر دیا گیا۔  
سال کے دوران، بورڈ کو کوئی اجلاس منعقد نہیں ہوسکا؛ کیونکہ سابق ایم ڈی پی ای سی او، معراج انیس عارف، جو کہ حکومت کی جانب سے تعینات کیے گئے تھے، نے انتظامی تنازعات پیدا کیے، باوجود اس کے کہ انہیں دسمبر 2018 میں ہٹا دیا گیا تھا۔ تاہم، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) اور حکومت پاکستان کو اس حقیقت سے آگاہ کر دیا گیا۔ مزید برآں، بورڈ آف ڈائریکٹرز نے اپنے ڈائریکٹرز کے معاوضے کے لیے کمپنیز ایکٹ 2017 اور سیکورٹیز اینڈ ایکسچینج کمیشن (کارپوریٹ گورننس کوڈ) ریگولیشنز 2019 کے مطابق ایک رسمی پالیسی اور شفاف طریقہ کار مرتب کیا ہے۔

## شیر ہولڈنگ کا نمونہ اور شیرز کی تجارت

شیر ہولڈنگ کے نمونے اور شیر ہولڈنگ کے نمونے سے متعلق اضافی معلومات علیحدہ طور پر منسلک ہیں۔ بورڈ آف ڈائریکٹرز، چیف ایگزیکٹو آفیسر، کمپنی سیکرٹری، اور ان کے شریک حیات اور نابالغ بچوں نے سال کے دوران کمپنی کے شیرز کی کوئی تجارت نہیں کی۔

## ایگزیکٹو پر شیر

فی شیر خسارہ 37.87 روپے ہے، جبکہ گزشتہ سال کا فی شیر خسارہ 82.07 روپے تھا۔

## آڈیٹرز

کمپنی کی 69 ویں سالانہ جنرل میٹنگ میں، شیر ہولڈرز نے 30 جون 2019 کو ختم ہونے والے سال کے لیے میسرز EY فورڈ روڈ زاینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو آڈیٹر کے طور پر مقرر کیا۔ اکتوبر 2018 کے بعد کوئی سالانہ جنرل میٹنگ نہیں ہو سکی؛ کیونکہ حکومت کی جانب سے مقرر کردہ سابق ایم ڈی پی ای سی او، معراج انیس عارف کی وجہ سے تنازعات پیدا ہوئے، اور اس لیے کمپنی ایکٹ 2017 کے سیکشن 246 کے تحت کوئی آڈیٹر مقرر نہیں ہو سکے۔

مئی 2024 میں، بیکورٹیز اینڈ ایگزیکٹو کمیشن (ایس ای سی پی) نے کمپنی ایکٹ 2017 کے سیکشن 246 (7) کے تحت، کمپنی کے آڈیٹر میسرز ملک ہارون احمد اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو 30 جون 2020 کو ختم ہونے والے سال کے لیے مقرر کرنے کی منظوری دی۔

میسرز ملک ہارون احمد اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (آئی کیپ) کے کوالٹی کنٹرول ریویو پروگرام کے تحت ایک اطمینان بخش درجہ بندی حاصل کی ہے اور فرم انٹرنیشنل فیڈریشن آف اکاؤنٹنٹس (آئی ایف اے سی) کے گائیڈ لائنز پر مکمل عمل پیرا ہے۔

## i. کمپنی کے تسلسل کی صورتحال

اکتوبر 2018 سے مارچ 2023 کے درمیان انتظامی تنازعات کی وجہ سے کمپنی کی کارکردگی دن بدن خراب ہو رہی تھی۔ یہ حقیقت پی ای سی او کی انتظامیہ نے بروقت محسوس کی اور اسے ستمبر 2018 میں وزارت صنعت و پیداوار کے ساتھ ساتھ سیکورٹیز اینڈ ایگزیکٹو کمیشن آف پاکستان کو بھی مطلع کیا۔ حکومت کی طرف سے نامزد سابق ایم ڈی پی ای سی او، معراج انیس عارف کی جانب سے پیدا کیے گئے تنازعات نے مذکورہ مدت کے دوران کمپنی کو اس کے نچلے ترین سطح پر پہنچا دیا۔ تاہم، انتظامیہ اور بورڈ آف ڈائریکٹرز کمپنی کی کارکردگی کی بحالی کے لیے قلیل اور درمیانی مدتی کاروباری منصوبے تشکیل دینے کی پوری کوشش کر رہے ہیں۔

## ii. فزیکل انویسٹری کا شمار

اکتوبر 2018 سے مارچ 2023 کے دوران انتظامی تنازعات کی وجہ سے حکومت کے مقرر کردہ سابق ایم ڈی پی ای سی او، معراج انیس عارف اور ان کی ٹیم نے اسٹاک کی کوئی فزیکل گنتی نہیں کی۔ بورڈ آف ڈائریکٹرز اور انتظامی ٹیم ہر سال بیرونی آڈیٹرز کے ساتھ یہ مشق انجام دیتے تھے، لیکن جون 2018 کے بعد یہ ممکن نہ ہو سکا۔ اسٹاک کی فزیکل گنتی کا ریکارڈ نہ ہونے کی وجہ سے، آڈیٹرز 30 جون 2019 کو پی ای سی او میں موجود اسٹاک کی مالیت 434.61 ملین روپے کے بارے میں مناسب اور کافی آڈٹ شواہد حاصل کرنے میں ناکام رہے۔ موجودہ تاریخ میں، ماضی کی کسی تاریخ میں اسٹاک کی جسمانی موجودگی کی تصدیق ممکن نہیں۔

## iii. تجارتی قرضے/تجارتی اور دیگر واجبات

اکتوبر 2018 سے پی ای سی او کے مالیاتی نظام کو غیر محفوظ بنا دیا گیا، جس میں ناکافی دستاویزات اور کوئی اکروئل اکاؤنٹنگ شامل نہیں تھی۔ وینڈر لیجرز میں غلط بیلنس دکھائے گئے، معیاری آپریٹنگ طریقہ کار کو نظر انداز کیا گیا، اور مواد کی مناسب دستاویزات موجود نہیں تھیں۔ تمام ادائیگیاں ایک غیر مجاز فیصل بینک اکاؤنٹ سے بغیر سپورٹنگ واؤچرز کی گئیں، جبکہ صارفین سے وصول ہونے والی ادائیگیوں کا کوئی ریکارڈ برقرار نہیں رکھا جا سکا۔

اس صورتحال نے لین دین کی ٹریکنگ اور قانونی تقاضوں اور بین الاقوامی مالیاتی رپورٹنگ معیارات (IFRS) کی تعمیل کو یقینی بنانے میں نمایاں مشکلات پیدا کیں۔ اس سے 30 جون 2020 کے اختتام پر تجارتی قرضوں کی مالیت 26.42 ملین روپے اور تجارتی اور دیگر واجبات کی مالیت 304.46 ملین روپے کی تصدیق میں رکاوٹ پیدا ہوئی۔

یہ دریافت ہوا کہ پی ای سی او کے مین ڈیٹا سرور اور نیٹ ورک کے تمام بیرونی ہارڈ ڈرائیوز غائب تھیں۔ اس سے 30 جون 2018 کے اختتام پر تجارتی قرضوں/تجارتی اور دیگر واجبات کے بیلنس کی تصدیق میں رکاوٹ پیدا ہوئی۔ تمام ترقیاتی کوششوں کے باوجود، صرف یکم جولائی 2018 کا ابتدائی بیلنس ہی قائم کیا جا سکا۔

حکومت کے مقرر کردہ سابق ایم ڈی پی ای سی او، معراج انیس عارف کی قیادت میں انتظامیہ، اکتوبر 2018 سے اکتوبر 2022 کے دوران ہونے والے مالیاتی اور عملی لین دین کا مناسب ریکارڈ یقینی بنانے میں ناکام رہی۔

#### iv. غیر دعوی شدہ ڈیویڈنڈز وفاقی حکومت میں جمع نہ کروانا

اکتوبر 2018 تک، انتظامیہ اور بورڈ آف ڈائریکٹرز کی کمپنیز ایکٹ 2017 کے سیکشن 242 کی تعمیل کے لیے کارروائی شروع کر دی تھی۔ اس مقصد کے لیے کمپنیز ایکٹ 2017 کے مطابق روزنامہ اخبارات میں اشتہارات دیے گئے تھے لیکن حکومت کے مقرر کردہ سابق ایم ڈی پی ای سی او، معراج انیس عارف اور ان کی ٹیم کی عملی اور کارپوریٹ معلومات کی کمی کی وجہ سے یہ معاملہ التوا کا شکار ہو گیا اور غیر دعوی شدہ ڈیویڈنڈز کی رقم کمپنیز ایکٹ 2017 کے تقاضوں کے مطابق ادا نہ کی جاسکی۔ تاہم، موجودہ انتظامیہ اور بورڈ کمپنیز ایکٹ 2017 کے سیکشن 242 کی تعمیل کو کمپنی کی نقدی کی صورتحال بہتر ہوتے ہی یقینی بنانے کے لیے پرعزم ہے۔

#### حکومت پاکستان / پرائیویٹائزیشن کمیشن کے قرضے

حکومت پاکستان، پرائیویٹائزیشن کمیشن، اور وزارت خزانہ کے نمائندوں کے ساتھ حکومت پاکستان اور پرائیویٹائزیشن کمیشن کے قرضوں کے مسئلے پر بات چیت کی گئی۔ مختلف اجلاسوں کے نتیجے میں بنیادی قرض کو 131.454 ملین روپے کے علاوہ (جو کہ پرائیویٹائزیشن کمیشن نے اپنی جانب سے اضافی گریجویٹ کے طور پر ادا کیا) حل کر دیا گیا ہے۔ بورڈ آف ڈائریکٹرز نے اپنے مختلف اجلاسوں میں یہ فیصلہ کیا کہ حکومت پاکستان کو قانون کے تحت واجب الادا رقم کسی بھی ایسے قرض کے لیے ادا کی جائے گی جو پی ای سی او کو دیا گیا ہو۔ بورڈ نے حکومت پاکستان کے ساتھ یہ معاہدہ کیا کہ اپنے واجبات کو ای سی سی کے 2 مارچ 1993 کے فیصلے کے مطابق با دمی باغ کی زمین کی فروخت کے ذریعے ایڈجسٹ کیا جائے گا، جس کی حالیہ تخمینہ شدہ مالیت 4,605.13 ملین روپے ہے اور یہ حکومت پاکستان کی پی ای سی او سے طلب کردہ رقم سے زائد ہے۔ بورڈ آف ڈائریکٹرز اور کمپنی کی انتظامیہ کا ماننا ہے کہ وہ ان قرضوں پر کسی بھی سود کی ادائیگی کے پابندی نہیں ہیں کیونکہ اس کے لیے کوئی معاہدہ موجود نہیں ہے۔

#### کارپوریٹ مالیاتی رپورٹنگ کے فریم ورک پر بیان

اشاک ایشیچنجر کے لسننگ ریگولیشنز میں بیان کردہ کوڈ آف کارپوریٹ گورننس کی وہ ضروریات، جو 30 جون 2020 کو ختم ہونے والے سال کے لیے متعلقہ تھیں، ان پر مکمل عمل درآمد کیا گیا ہے۔ اس حوالے سے ایک بیان رپورٹ کے ساتھ منسلک ہے۔ براہ کرم صفحہ نمبر 34 دیکھیں۔

#### آڈٹ اور رسک مینجمنٹ کمیٹی

بورڈ نے آڈٹ اور رسک مینجمنٹ کمیٹی قائم کی تاکہ ڈائریکٹرز کو ان کی ذمہ داریوں، کارپوریٹ گورننس، مالیاتی رپورٹنگ اور کارپوریٹ کنٹرول کی انجام دہی میں مدد فراہم کی جاسکے۔ کمیٹی تین ارکان پر مشتمل ہے، اور کمیٹی کے چیئرمین سمیت تمام ارکان آزاد ڈائریکٹرز ہیں۔ بورڈ آڈٹ اور رسک مینجمنٹ کمیٹی کمپنی کے مالیاتی نتائج، آڈٹ اور مینجمنٹ کنٹرول سسٹمز کے معیارات پر عمل درآمد کے حوالے سے رپورٹوں کا جائزہ لینے کی ذمہ دار ہے۔ کمیٹی طریقہ کار کا جائزہ لیتی ہے، خدمات کے حوالے سے ان کی آزادی کو یقینی بناتی ہے، اور بورڈ آف ڈائریکٹرز کو سفارشات پیش کرتی ہے۔ آڈٹ اور رسک مینجمنٹ کمیٹی نے سال کے دوران دو سال کے دوران کسی بھی بورڈ کمیٹی کا اجلاس منعقد نہیں ہوسکا کیونکہ حکومت کے نامزد سابق ایم ڈی پی ای سی او، معراج انیس عارف کے پیدا کردہ انتظامی تنازعات، باوجود ان کے دسمبر 2018 میں برطرف کیے جانے کے، برقرار ہے۔ تاہم، اس حقیقت سے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) اور حکومت پاکستان کو آگاہ کیا گیا۔

#### ڈائریکٹرز ڈیویڈنڈ پروگرام

کمپنی کے بورڈ آف ڈائریکٹرز میں آٹھ نمایاں ڈائریکٹرز شامل ہیں، جن میں سے ڈائریکٹرز لیکچر (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے ریگولیشن 19 کے تحت ڈائریکٹرز ڈیویڈنڈ پروگرام کے تحت تصدیق یافتہ ہیں۔

#### ضابطہ اخلاق

بورڈ نے پیشہ ورانہ معیار اور کارپوریٹ اقدار کے فروغ کے لیے ایک ضابطہ اخلاق منظور اور تقسیم کیا ہے، جس میں قابل قبول اور ناقابل قبول طرز عمل کی وضاحت کی گئی ہے۔ یہ ضابطہ کمپنی کی ویب سائٹ پر بھی دستیاب ہے۔

کمپنی نے اپنے کام کو بہتر کارکردگی کے لیے عملے کی موزوں تعداد کے ساتھ جاری رکھا۔ 30 جون 2020 تک ملازمین کی تعداد 304 تھی، جبکہ گزشتہ سال یہ تعداد 396 تھی۔ حکومت کے نامزد سابق ایم ڈی پی ای سی او، معراج انیس عارف کے پیدا کردہ انتظامی تنازعات کی وجہ سے ملازمین کے چھوڑنے کی شرح روز بروز بڑھتی گئی۔

### انسانی وسائل اور معاوضہ کمیٹی

بورڈ نے انسانی وسائل اور معاوضہ کمیٹی قائم کی تاکہ ڈائریکٹرز کو کلیدی انتظامی عملے کے انتخاب، تخصیص، معاوضے اور کیریئر پلاننگ کے حوالے سے ان کی ذمہ داریوں کی انجام دہی میں مدد فراہم کی جاسکے۔ یہ کمیٹی کمپنی کی انسانی وسائل کی پالیسیوں اور طریقہ کار میں بہتری کی سفارش کرنے اور ان کا وقتاً فوقتاً جائزہ لینے میں بھی شامل ہے۔ سال کے دوران کسی بھی بورڈ کمیٹی کا اجلاس منعقد نہیں ہوسکا کیونکہ حکومت کے نامزد سابق ایم ڈی پی ای سی او، معراج انیس عارف کے پیدا کردہ انتظامی تنازعات، باوجود ان کے دسمبر 2018 میں برطرف کیے جانے کے، برقرار رہے۔ تاہم، اس حقیقت سے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) اور حکومت پاکستان کو آگاہ کیا گیا۔

### فنانس کمیٹی

فنانس کمیٹی کا مقصد بورڈ کے قائم کردہ پالیسی فریم ورک کے تحت خزانے سے متعلق پالیسی مرتب کرنا ہے۔ کمیٹی ہر سہ ماہی میں اجلاس منعقد کرنے کا ہدف رکھتی ہے، لیکن یہ ضروری ہے کہ کمیٹی کے اراکین کی اکثریت مالی سال کے دوران کم از کم دو اجلاس منعقد کرے۔ سال کے دوران کسی بھی بورڈ کمیٹی کا اجلاس منعقد نہیں ہوسکا کیونکہ حکومت کے نامزد سابق ایم ڈی پی ای سی او، معراج انیس عارف کے پیدا کردہ انتظامی تنازعات، باوجود ان کے دسمبر 2018 میں برطرف کیے جانے کے، برقرار رہے۔ تاہم، اس حقیقت سے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) اور حکومت پاکستان کو آگاہ کیا گیا۔

### متعلقہ فریقین کے لین دین

کمپنی نے متعلقہ فریقین کے تمام لین دین کی تفصیلات آڈٹ کمیٹی کے سامنے پیش کیں، اور ان کی سفارش پر بورڈ کے سامنے جائزہ اور منظوری کے لیے پیش کیں۔

### ویب سائٹ پر موجودگی

کمپنی کے موجودہ مالی سال کے مالیاتی بیانات، بشمول گزشتہ تین سالوں کے سالانہ رپورٹس، سرمایہ کاروں کی معلومات کے لیے کمپنی کی ویب سائٹ [www.peco.com.pk](http://www.peco.com.pk) پر دستیاب ہیں۔

### صحت، حفاظت اور ماحولیات

کمپنی صحت، حفاظت اور ماحولیات کے معیارات کو بہتر بنانے اور پائیدار کارکردگی حاصل کرنے کے لیے پرعزم ہے۔ تنظیم میں پراسیس سیفٹی اور ہیٹیوٹری بیسیڈ سیفٹی کو کمپنی کے تنظیمی منصوبے کے ساتھ مربوط کیا گیا ہے۔ کمپنی مسلسل بہتری کے راستے پر گامزن ہے تاکہ اعلیٰ سطحی معیار کو حاصل اور برقرار رکھا جاسکے۔ کمپنی نے ایک مضبوط منصوبہ بنایا ہے جس میں ممکنہ مستقبل کے رہنماؤں کی ترقی کے لیے کارکردگی کی جانچ اور مناسب تربیت کی ضروریات شامل ہیں۔

### بقایا جات: قانونی واجبات

قانونی واجبات کے بقایا جات کی تفصیلات اکاؤنٹس کے نوٹ نمبر 23 میں دی گئی ہیں۔

### کاروباری منصوبے اور اہداف کی تکمیل

کوئی کاروباری منصوبہ نہیں بنایا جاسکا کیونکہ نہ تو بورڈ آف ڈائریکٹرز اور نہ ہی اہم افسران/ملازمین کو کمپنی کے احاطے میں داخل ہو کر اپنی پیشہ ورانہ ذمہ داریاں انجام دینے کی اجازت دی گئی۔ کمپنی کے اہم افسران نے ایک اور مقام پر سائٹ آفس قائم کیا تاکہ حکومت پاکستان، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP)، اور پاکستان کے ریگولیٹری اداروں سے رابطہ کیا جاسکے۔ بورڈ آف ڈائریکٹرز اور انتظامیہ کا ماننا ہے کہ وہ حکومت کے نامزد سابق ایم ڈی پی ای سی او، معراج انیس عارف، کی پیدا کردہ جابہی کو بہتر کرنے کے لیے اپنی پوری کوششیں کر رہے ہیں، اور کمپنی "ایک جاری ادارے" کے طور پر غیر معینہ مدت تک کام کرے گی، ان شاء اللہ۔



شکریہ

بورڈ اپنے تمام اسٹیک ہولڈرز، اہم افسران، ملازمین، شیئر ہولڈرز، اور دیگر تمام افراد کا ان کے تعاون پر شکریہ ادا کرتا ہے۔ پاکستان انجینئرنگ کمپنی لمیٹڈ میں موجود مسائل کے حل کے لیے بورڈ آف ڈائریکٹرز نے ہمیشہ وزارت صنعت و پیداوار کے ذریعے حکومت پاکستان کو مکمل حمایت فراہم کرنے کو یقینی بنایا ہے۔

بورڈ کی جانب سے

مرزا محمود احمد

چیئر مین بورڈ

20 جنوری، 2025

لاہور

## STATEMENT OF COMPLIANCE, WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

### PAKISTAN ENGINEERING COMPANY LIMITED FOR THE YEAR ENDED JUNE 30, 2020

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

1. The total number of Directors are 08 as per the following:

- a. Male 08
- b. Female -

The Company could not comply with the Regulation regarding the appointment of at least on female director till 18 April 2024 due the reason as explained in para 6;

2. The composition of board is as follows:

<b>a. Independent Directors</b>	04	Mr. Rashid Ali Khan Mr. Muhammad Iqbal Mr. Ansar Javed Mirza Mahmood Ahmad
<b>b. Other Non-executive Director</b>	03	Syed Kaukab Mohyuddin Mr. Naeem Jan Khan Mr. Muhammad Arif Habib
<b>c. Executive Directors</b>	01	Mr. Mairaj Anees Ariff
<b>d. Female Directors</b>	00	N/A

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, Syed Kaukab Mohyuddin, Government Nominee Director on the Board, retired on July 07, 2019. Casual Vacancy was not fulfilled by Government of Pakistan, in contravention of statutory limit of ninety days from the occurrence of the vacancy. However, Securities and Exchange Commission of Pakistan (SECP) and Government of Pakistan were informed with this fact;

During the current year, completion of official formalities were delayed by Government of Pakistan to ensure compliance of Board's decision related to removal of Managing Director, Mr. Mairaj Anees Ariff as MD from PECO. However, Securities and Exchange Commission of Pakistan and Government of Pakistan were informed with this fact;

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;

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. None of the powers of the Board have been duly exercised and decisions on relevant matters have not been taken by Board/Shareholders as empowered by the relevant provisions of the Act and these Regulations in this 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;
7. No meeting of the Board could be held in this year; due to facts mention in the paragraph 6. The Board has not complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board;
8. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations;
9. The directors either have already attended the Directors' training as required in previous years or meet the exemption criteria as contained in these Regulation. Therefore, the Board has not arranged any Directors Training Program;
10. The board has approved appointment of Chief Financial Officer, 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. Chief financial officer and chief executive officer duly endorsed the annual financial statements before approval of the Board; (Refer Para 19(4))
12. The Board has formed Committees comprising of members given below:
  - a. Audit Committee
    - i. Mirza Mahmood Ahmad – Chairman
    - ii. Mr. Muhammad Iqbal - Member
    - iii. Mr. Ansar Javed – Member
  - b. Risk Management Committee
    - i. Mirza Mahmood Ahmad – Chairman
    - ii. Mr. Muhammad Iqbal - Member
    - iii. Mr. Ansar Javed – Member

- c. Finance Committee
  - i. Mr. Rashid Ali Khan (Chairman)
  - ii. Mr. Naeem Jan Khan - Member
  - iii. Mr. Muhammad Iqbal - Member
  
- d. HR & Remuneration Committee
  - i. Mr. Ansar Javed (Chairman)
  - ii. Mr. Naeem Jan Khan - Member
  - iii. 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 (quarterly/half yearly/ yearly) of the Committees were as per following:
 

a. Audit Committee;	None
b. Finance Committee;	None
c. Human Resource and Remuneration Committee;	None
d. Risk Management Committee;	None

No meeting of any Board' Committee could be held; due to fact mention in paragraph 6;
  
- 15. The Board has set up an effective internal audit function, which is supervised by the Head of Internal Audit, who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company; (Refer Para 19(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 the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
  
- 17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
  
- 18. We confirm that all requirements of regulations 3, 8 and 27 of the regulations have been complied with. However, requirement of regulations 6, 7, 32, 33 and 36 cannot be complied due to fact mention in paragraph 6;

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

S. No.	Requirement	Reg. No.	Explanation
1	Subject to the requirements of section 183 and 204 of the Act, the Board is responsible for adoption of corporate governance practices by the company and monitoring effectiveness of such practices and the members of the Board shall ensure high ethical standards in performing their responsibilities.	10(1)	Due to the facts described in para 6 of Statement of Compliance, the Board was unable to perform its duties properly.
2	As per section 176(3) of Companies Act, 2017, the Board of the public company shall meet at least once in each quarter of a year.	11(1)	Due to the facts described in para 6 of Statement of Compliance, the Board was unable to conduct meetings as per requirement of the Companies Act, 2017.
3	The same person shall not simultaneously hold office of chief financial officer and the company secretary of a listed company.	24	Presently, both the aforesaid positions are held by the same person, Mr. Anwar Aziz. Considering the requirements of these regulations, Board was trying to on-board a person with requisite qualification but due to the facts described in para 6 of Statement of Compliance, Board was unable to meet this requirement.
4	The chief executive officer and the chief financial officer shall duly endorse the quarterly, half-yearly and annual financial statements under their respective signatures prior to placing and circulating the same for consideration and approval of the Board.	25	Due to the facts described in para 6 of Statement of Compliance, the chief executive officer and the chief financial officer were not able to duly endorse the quarterly and half-yearly statements under their respective signatures.

5	Human Resource and Remuneration Committee shall meet at least once in a financial year.	28(3)	Due to the facts described in para 6 of Statement of Compliance, Human Resource and Remuneration Committee was unable to conduct meeting.
6	There shall be an internal audit function in every company.	31	The Board made an internal audit function in as per the requirements of the regulations, but it was unable to perform its duties as Ex-MD PECO, Mr. Mairaj Anees Ariff did not allowed relevant personals to enter the premises.
7	The quarterly financial statements of companies shall be published and circulated along with directors' review on the affairs of the company.	34	Due to the facts described in para 6 of Statement of Compliance, the quarterly financial statements were not prepared and also the directors were not able to publish and circulate director's review report.

Lahore  
January 06, 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, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Pakistan Engineering Company Limited** for the year ended June 30, 2020 in accordance with the requirements of regulation 36 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 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, except for the above instance of non-compliance, 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, 2020.

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

S. No.	Requirement Nature	Reference	Description of non-compliance
1	Mandatory	Para 1	Company has not appointed any female director in contravention to regulation 7 to the code.



2	Mandatory	Para 2	As per section 166(2) of the Companies Act, 2017, independent directors must be selected from the data bank. However, their selection was not made from the databank.
3	Explanation of non-compliance is required	Para 19(1)	As per regulation 10(1), subject to the requirements of section 183 and 204 of the Act, the Board is responsible for adoption of corporate governance practices by the company and monitoring effectiveness of such practices and the members of the Board shall ensure high ethical standards in performing their responsibilities. However, due to the fact as described in para 6 of Statement of Compliance, the Board was unable to exercise its powers fully.
3	Explanation of non-compliance is required	Para 19(2)	As per section 176(3) of Companies Act, 2017, the Board of the public company shall meet at least once in each quarter of a year. However, due to the fact as described in para 6 of Statement of Compliance, the Board was unable to meet this requirement.
4	Explanation of non-compliance is required	Para 19(3)	As per regulation 24, the same person shall not simultaneously hold office of chief financial officer and the company secretary of a listed company.
5	Explanation of non-compliance is required	Para 19(4)	As per regulation 25, the chief executive officer and the chief financial officer shall duly endorse the quarterly, half-yearly and annual financial statements under their respective signatures prior to placing and circulating the same for consideration and approval of the Board. However, due to the fact as described in para 6 of Statement of Compliance, no quarterly and half-yearly financial statements were prepared and duly endorsed by the chief executive officer and the chief financial officer.
6	Mandatory	Para 12	As per regulation 27, It is mandatory that the audit committee shall be constituted by the Board keeping in view the following requirements; (i) chairman of the committee shall be an independent director, who shall not be the chairman of the Board.



7	Mandatory	Para 14	As per regulation 27(2)(i), the audit committee of a company shall meet at least once every quarter of the financial year. These meetings shall be held prior to the approval of interim results of the company by its Board and after completion of external audit.
8	Explanation of non-compliance is required	Para 19(5)	The human resource and remuneration committee 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 and the head of human resource or any other person appointed by the Board may act as the secretary of the committee.
9	Explanation of non-compliance is required	Para 19(6)	As per regulation 31, there shall be an internal audit function in every company. However, it was unable not met due to the fact as described in para 6 of Statement of Compliance.
10	Explanation of non-compliance is required	Para 19(7)	As per regulation 34, the quarterly financial statements of companies shall be published and circulated along with directors' review on the affairs of the company. However, it was unable not met due to the fact as described in para 6 of Statement of Compliance.

Lahore  
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, 2020**, 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 218.165 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 December 31, 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, 2020, which are recorded in the statement of financial position at Rs. 434.605 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. 89.234 million, and trade deposits, prepayments, and other receivables of Rs. 23.133 million.
5. We were unable to verify trade debtors amounting to Rs. 26.418 million. Additionally, we were unable to verify trade and other payables amounting to Rs. 304.455 million out of a total balance of Rs. 494.993 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. 4.996 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. 125.632 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).



**MALIK HAROON AHMAD & CO.**  
(Formerly Malik Haroon Shahid Safder & Co.)  
**Chartered Accountants**

An Independent Member of



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**

Head Office: 25-G, Gulberg II, Lahore - 54660 Pakistan.

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Accounting Legal and Business Advisors  
A Strategic Alliance  
New York Mexico

**PAKISTAN ENGINEERING COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2020**

	Note	2020	2019
----- Rupees in "000" -----			
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Property, plant and equipment	5	14,514,213	14,552,109
Investment property	6	497	524
Long term investment	7	819	819
Long term deposits	8	2,053	2,053
		14,517,582	14,555,505
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	9	71,674	87,766
Stock-in-trade	10	362,931	432,141
Short term investments	11	-	21,424
Trade debts - unsecured	12	26,418	183,575
Advances	13	89,234	5,908
Trade deposits, prepayments and other receivables	14	23,133	21,472
Tax refunds due from Government	15	117,749	64,472
Cash and bank balances	16	31,372	44,777
		722,511	861,535
Free hold land - held for sale	17	314,724	314,724
<b>TOTAL ASSETS</b>		<b>15,554,817</b>	<b>15,731,764</b>

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, 2020**

	Note	2020	2019
----- Rupees in "000" -----			
<b>EQUITY AND LIABILITIES</b>			
Share capital	18	56,902	56,902
Revenue reserve - general		10,000	10,000
Accumulated loss		(1,533,925)	(1,334,432)
Surplus on revaluation of fixed assets	19	14,452,579	14,468,570
		<b>12,985,556</b>	<b>13,201,040</b>
<b>NON - CURRENT LIABILITIES</b>			
Long term financing	20	24,374	24,374
Long term deposits	21	4,000	4,000
Deferred liabilities - net	22	148,398	154,523
		<b>176,772</b>	<b>182,897</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	23	494,993	462,932
Unclaimed Dividend	24	13,070	13,070
Short term borrowing - secured	25	71,556	71,556
Current portion of long term financing	20	-	-
Accrued mark-up		15,657	6,301
Provision for taxation		6,365	3,120
		<b>601,641</b>	<b>556,979</b>
Liabilities directly associated with free hold land - held for sale	26	1,790,848	1,790,848
<b>CONTINGENCIES AND COMMITMENTS</b>			
	27		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>15,554,817</b>	<b>15,731,764</b>

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, 2020

	Note	2020	2019
----- Rupees in '000 -----			
Sales	28	259,599	249,636
Cost of sales	29	(479,503)	(487,638)
<b>Gross loss</b>		<b>(219,904)</b>	<b>(238,002)</b>
Selling and distribution expenses	30	(5,554)	(3,484)
Freight and forwarding expenses	31	(3,980)	(4,192)
Administrative expenses	32	(47,184)	(79,489)
Other operating charges	33	(836)	(8,845)
		(57,554)	(96,010)
Other operating income	34	68,651	13,668
<b>Operating loss</b>		<b>(208,807)</b>	<b>(320,344)</b>
Finance cost	35	(9,358)	(8,245)
<b>Loss before taxation</b>		<b>(218,165)</b>	<b>(328,589)</b>
Taxation	36	2,681	(138,368)
<b>Loss after taxation for the year</b>		<b>(215,484)</b>	<b>(466,957)</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>			
Basic and diluted earnings per share	37	(37.87)	(82.07)

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, 2020**

	2020	2019
	----- Rupees in '000 -----	
<b>Loss after taxation for the year</b>	<b>(215,484)</b>	<b>(466,957)</b>
<b>Items that will not be reclassified to profit and loss account:</b>		
Remeasurement of retirement benefit plan	-	-
Related deferred tax impact	-	-
Effect of change in tax rates on balance of revaluation on property, plant and equipment	-	-
<b>Total comprehensive loss for the year</b>	<b>(215,484)</b>	<b>(466,957)</b>

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, 2020

	Issued, subscribed and paid-up capital	Revenue Reserve - General	Accumulated Loss	Surplus on revaluation of fixed assets	Total
	-----Rupees in '000-----				
<b>Balance as at July 01, 2018</b>	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)
<b>Other comprehensive income for the year</b>					
-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)	-
<b>Balance as at June 30, 2019</b>	<b>56,902</b>	<b>10,000</b>	<b>(1,334,432)</b>	<b>14,468,570</b>	<b>13,201,040</b>

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, 2020**

	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, 2019	56,902	10,000	(1,334,432)	14,468,570	13,201,040
- Loss after tax for the year ended 30 June 2020	-	-	(215,484)	-	(215,484)
<b>Other comprehensive income for the year</b>					
-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	-	-	15,991	(15,991)	-
Revaluation of property, plant and equipment adjustment due to change in tax rate - OCI	-	-	-	-	-
<b>Balance as at June 30, 2020</b>	<b>56,902</b>	<b>10,000</b>	<b>(1,533,925)</b>	<b>14,452,579</b>	<b>12,985,556</b>

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, 2020

	Note	2020	2019
Cash generated from operations	38	(23,783)	86,051
Finance cost paid		(2)	(3,240)
Gratuity paid		(1,318)	(2,235)
Income tax paid		(9,028)	(16,932)
Workers' welfare fund paid		(0)	807
<b>Net cash generated from operating activities</b>		<b>(34,131)</b>	<b>64,451</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure incurred		(699)	(41,668)
Addition in capital work in progress		-	(390)
Advances given against the capital asset		-	(429)
Short term investment		21,425	(21,424)
Long term deposits		-	-
<b>Net cash (used in) investing activities</b>		<b>20,726</b>	<b>(63,911)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short term borrowings		-	10,062
Security deposit received		-	1,000
Long term borrowings		-	(4,876)
Dividend paid		(0)	(57)
<b>Net cash (used in) / generated from financing activities</b>		<b>(0)</b>	<b>6,129</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(13,405)</b>	<b>6,669</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>44,777</b>	<b>38,108</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	25	<b>31,372</b>	<b>44,777</b>

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, 2020**

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

**2 GOING CONCERN ASSUMPTION**

During the FY 2018-19, a management crisis unfolded as the managing director appointed by the Government of Pakistan debarred the Board of Directors and key management personnel of the Company to continue their official duties and assumed control of the Company's operations, and made futile efforts to run the business independently. This crisis continued until March 21st, 2023, when the Board and the key management personnel was reinstated. The Board of Directors and key management personnel of the Company made all efforts to apprise all the stakeholders, i.e., Government of Pakistan, Securities and Exchange Commission of Pakistan (SECP) and Pakistan Stock Exchange (PSX), about the crises from time-to-time. Since then, the Board and the key management personnel have been working to compile accurate financial information to prepare financial statements that reflect the true position of the Company's affairs. Due to this crisis during the year the Company incurred loss of Rupees 218.165 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

### **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 valuation of certain financial instruments at fair value.

#### **3.3 Critical accounting estimates and judgments**

- The Company's significant accounting policies are stated in note 3 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 in future years 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

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2019 but are considered not to be relevant or to have any significant effect on the company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except the following:

###### Leases - IFRS 16

IFRS 16 primarily affects the accounting by lessees and results in the recognition of almost all leases on statement of financial position. The standard removes distinction between operating and finance leases and requires recognition of an asset (the right of use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessors has not significantly changed. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16 the Company recognizes right of use assets and lease liabilities for leases - i.e. these leases are now disclosed in the Statement of Financial Position.

The Company has adopted IFRS 16 retrospectively from April 1, 2019, but has not restated comparatives for the 2019, as allowed under the specific transitional provisions in the standard. On initial application, the Company has also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). Currently there is no lease agreement entered into by the company to which recognition exemptions are applicable.

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

The following new standards and amendments to approved accounting standards are not yet effective for the financial year beginning on July 1, 2019 and have not been early adopted by the Company:

###### IAS 1 & 8 - Definition of material

**Effective date:**  
**January 1, 2020**

Amendments to IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards. Refined definition of materiality - Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

###### IAS 1 - Presentation of Financial Statements

**Effective date:**  
**January 1, 2022**

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of this amendment, the requirement for a right to be unconditional has been removed and instead, the amendment requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

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

Deferred tax is calculated at the rates that are expected to apply 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 prices 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 2020, 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 commissioning.

#### **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, 2020

		Note	2020
5	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
	Operating fixed assets-owned	5.1	<b>14,514,213</b>

Particulars	Cost / Revalued Amount					Rate	Depreciation					Net book value as at June 30 2020
	As at July 01 2019	Additions	Transfer	Disposal	As at June 30 2020		As at July 01 2019	For the year	Transfer	Disposal	As at June 30 2020	
-----Rupees in "000"-----												
Freehold Land	13,835,500	-	-	-	13,835,500	-	-	-	-	-	-	13,835,500
Factory Building	330,389	-	-	-	330,389	5%	51,152	13,962	-	-	65,111	265,278
Plant and machinery	473,624	668	-	-	474,292	5%	63,289	20,550	-	-	83,839	390,453
Office equipment	9,590	20	-	-	9,610	10%	7,054	255	-	-	7,309	2,301
Computers	8,808	12	-	-	8,820	10%	5,914	290	-	-	6,204	2,616
Furniture and Fixtures	10,055	-	-	-	10,055	10%	7,819	229	-	-	8,048	2,007
Vehicles	38,137	-	-	-	38,137	20%	24,386	2,750	-	-	27,136	11,001
Electric Equipment	16,387	-	-	-	16,387	10%	11,750	464	-	-	12,214	4,173
Tools	6,742	-	-	-	6,742	10%	5,759	99	-	-	5,858	884
	<b>14,729,232</b>	<b>699</b>	<b>-</b>	<b>-</b>	<b>14,729,932</b>		<b>177,123</b>	<b>38,598</b>	<b>-</b>	<b>-</b>	<b>215,719</b>	<b>14,514,213</b>

5.2 Depreciation for the year has been allocated as under:

	2020	2019
Cost of sales	35,074	36,918
Administrative expenses	3,520	4,290
	<b>38,594</b>	<b>41,208</b>

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, 2020.

- 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

	2020	2019
	Rupees in "000"	
	753	753
	35,992	37,886
	<b>191,802</b>	<b>201,229</b>
	<b>228,547</b>	<b>239,869</b>

PAKISTAN ENGINEERING COMPANY LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Note	2019
<b>5 PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets-owned	5.1	14,552,109
Capital work in progress	5.2	-
Advances against capital assets	5.3	-
		<u>14,552,109</u>

Particulars	Cost / Revalued Amount					Rate	Depreciation					Net book value as at June 30 2019
	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	279,237
Plant and machinery	382,193	41,439	49,992	-	473,624	5%	41,692	21,597	-	-	63,289	410,335
Office equipment	9,435	155	-	-	9,590	10%	6,772	282	-	-	7,054	2,536
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	-	-	7,819	2,236
Vehicles	38,137	-	-	-	38,137	20%	20,948	3,438	-	-	24,386	13,751
Electric Equipment	16,387	-	-	-	16,387	10%	11,235	515	-	-	11,750	4,637
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>177,123</u>	<u>14,552,109</u>

**5.2 Capital Work in Progress:**

Opening balance  
 Addition  
 Transferred to fixed asset  
 Closing balance

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

**5.3 Advances against purchase of Capital Assets**

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

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	5.5	(7,704)	(221)	(7,925)
Closing balance		-	-	-

5.4 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, 2020

	Note	2020	2019
----- Rupees in "000" -----			
<b>5.5 The reconciliation of the impairment is as follows</b>			
Opening balance		-	-
Impairment charged during the year		-	7,925
Closing balance		-	7,925
<b>6 INVESTMENT PROPERTY</b>			
Opening net book value		524	550
Additions		-	-
Depreciation charged for the year		27	26
Closing net book value	6.1	497	524
Depreciation rate		5%	5%
<b>6.1 Cost</b>		959	959
Accumulated depreciation		462	435
Net book value		497	524
<b>6.2</b>	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.		
<b>6.3</b>	One of the properties having carrying value of Rs. 275 thousands remained vacant during last three years and no rental income was earned during those years.		
<b>6.4</b>	Froced sale value of investment properties is amounting Rs. 15.963 million.		
<b>7 LONG TERM INVESTMENT</b>			
Held to maturity:			
Term deposit in Standard Chartered Bank Limited	7.1	819	819
<b>7.1</b>	The TDR carries an original markup rate of 5.3% per annum (2019: 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.		
<b>8 LONG TERM DEPOSITS</b>			
Long term deposits	8.1	3,771	3,771
Less: Expected credit loss	8.2	(1,718)	(1,718)
		2,053	2,053
<b>8.1</b>	These include Rs 1.059 million (2019: Rs 1.059 million) representing amount deposited with Water and Sanitation Agency (LDA), LAHORE as a security deposit.		
<b>8.2 Movement in expected credit loss is as follows:</b>			
Opening balance		1,718	1,718
Provided for the year		-	-
Closing balance		1,718	1,718



**9 STORES, SPARES AND LOOSE TOOLS**

Stores		17,270	20,318
Spares parts		48,914	61,143
Loose Tools		15,490	16,305
		<u>81,674</u>	<u>97,766</u>
Less: Provision for slow moving stores		(10,000)	(10,000)
		<u>71,674</u>	<u>87,766</u>

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

**10 STOCK-IN-TRADE**

Raw material		255,218	290,695
Work in process		73,990	97,958
Finished goods		33,723	43,488
		<u>362,931</u>	<u>432,141</u>

**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**

WAPDA, AJK and Telecommunication Companies		39,095	191,714
Others	12.2	30,535	35,072
		<u>69,630</u>	<u>226,787</u>

Less: Expected credit loss

12.3

WAPDA		12,677	12,677
Others		30,535	30,535
		<u>43,212</u>	<u>43,212</u>
		<u>26,418</u>	<u>183,575</u>

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

12.2 This include an amount of Rs. 7.617 million (2019: 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.

**12.3 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>

12.4 As at June 30, 2020, trade receivables of Rs 43.212 million (2019: 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:

	2020		2019	
	Gross	Impairment	Gross	Impairment
Not yet due	-	-	-	-
Past due 1-30 days	13,006	-	-	-
Past due 31-60 days	10,432	-	-	-
Past due 61-90 days	27,863	-	42,876	-
Over 90 days	18,329	43,212	183,911	43,212
	<u>69,630</u>	<u>43,212</u>	<u>226,787</u>	<u>43,212</u>

<b>13</b>	<b>ADVANCES</b>			
	Advances to:			
	- Employees - Secured			
	' - against salary		83	128
	' - against expenses		2,105	1,642
	- Suppliers	13.3	87,047	4,138
			<u>89,234</u>	<u>5,908</u>
<b>13.1</b>	Advances other than those against which provision has been made are considered good by the management.			
<b>13.2</b>	Advances to employees are provided to meet business expenses and are settled as and when the expenses are incurred.			
<b>13.3</b>	Suppliers as at closing date		89,513	6,604
	Less: Expected credit loss	13.3.1	(2,466)	(2,466)
			<u>87,047</u>	<u>4,138</u>
<b>13.3.1</b>	<b>Movement in expected credit loss is as follows:</b>			
	Opening balance		2,466	2,466
	Add: Provision for expected credit loss		-	-
	Less: Provision for expected credit loss written off		-	-
	Closing Balance		<u>2,466</u>	<u>2,466</u>
<b>14</b>	<b>TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
	Trade deposits - Considered good	14.1	2,531	2,531
	Margin against bank guarantee - Considered good	14.2	18,367	18,210
	Short term prepayments and other receivables		2,235	731
			<u>23,133</u>	<u>21,472</u>
<b>14.1</b>	Balance as on closing date		5,663	5,663
	Less: Expected credit loss	14.1.1	(3,132)	(3,132)
			<u>2,531</u>	<u>2,531</u>
<b>14.1.1</b>	<b>Movement in expected credit loss is as follows:</b>			
	Opening balance		3,132	3,132
	Add: Provision for expected credit loss		-	-
	Less: Provision for expected credit loss written off		-	-
	Closing Balance		<u>3,132</u>	<u>3,132</u>
<b>14.2</b>	Balance as on closing date		18,428	18,271
	Less: Expected credit loss		(61)	(61)
			<u>18,367</u>	<u>18,210</u>
<b>15</b>	<b>TAX REFUNDS DUE FROM GOVERNMENT</b>			
	Advance income tax - net		42,189	33,160
	Sales tax refundable		75,560	31,312
			<u>117,749</u>	<u>64,472</u>
<b>16</b>	<b>CASH AND BANK BALANCES</b>			
	Cash in hand		-	-
	Cash at Bank			
	- Current accounts		27,803	44,510
	- Deposit accounts	16.1	3,569	268
	- Escrow account		-	-
			<u>31,372</u>	<u>44,777</u>
			<u>31,372</u>	<u>44,777</u>

- 16.1 The company is maintaining saving account with different banks with interest on the daily product basis carrying interest @ 6% to 12%. (2019 : @ 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
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 expression of interests have been received for the remaining portion by Privatization Commission from many parties. The Mutation of land is complete as per The Board of Revenue Punjab letter which states that the Government of Punjab has, however, no objection to the disposal of properties of PECO which had vested in the Federal Government. However a letter was issued by the Joint Secretary Ministry of Industries and Production Islamabad directing District Officer Revenue Lahore and copy endorsed to Member Revenue Punjab to stop the above mutation till further instructions, for undisclosed reasons. The BOD and the Management of the Company are till date strongly committed to the plan of selling the Badami Bagh Land and there has been no revocation of the GOP order or any change in the management's stance or plan. Further the Privatization Commission in its direct confirmations to the auditors has also clearly stated that GOP loans would 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 (2019: 9,000,000) of Rs.10/- each	90,000	90,000
7.5% Cumulative redeemable preference shares 100,000 (2019: 100,000 of Rs. 100/- each	10,000	10,000
	<u>100,000</u>	<u>100,000</u>

##### 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 fully paid up bonus shares	25,281	25,281
	<u>56,902</u>	<u>56,902</u>

- 18.1 State Engineering Corporation, an associated company, holds 1,415,723 (2019: 1,415,723) ordinary shares of Rs. 10/- as at 30 June 2020.

#### 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	162,791	171,359
Plant and machinery	19.4	141,042	148,465
		<u>14,452,579</u>	<u>14,468,570</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, 2020. (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
		<b>14,148,746</b>	<b>14,148,746</b>

**19.2.1 Badami Bagh Land**

Surplus on revaluation		313,999	313,999
Less: Adjustment on account of sale of part of Badami Bagh Works Land in 2001		-	-
		<b>313,999</b>	<b>313,999</b>

**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 13,835.500 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		184,360	171,657
- Current year		8,568	9,019
- Related deferred tax liability		3,500	3,684
		<b>196,427</b>	<b>184,360</b>
		<b>229,285</b>	<b>241,352</b>

Less: Related deferred tax liability in respect of:

- Balance at the beginning of the year		69,993	73,677
- Change of rate		-	-
- New surplus during the year		-	-
- Incremental depreciation for the year		(3,500)	(3,684)
		<b>66,494</b>	<b>69,993</b>
		<b>162,791</b>	<b>171,359</b>

**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		-	-
		<b>353,561</b>	<b>353,561</b>

Less: Surplus realized on account of incremental depreciation in respect of:

- Prior years		144,797	133,791
- Current year		7,423	7,814
- Related deferred tax liability		3,032	3,192
		<b>155,252</b>	<b>144,797</b>
		<b>198,309</b>	<b>208,764</b>

Less: Related deferred tax liability in respect of:

- Balance at the beginning of the year
- Change of rate
- New surplus during the year
- Realized on disposal of machinery
- Incremental depreciation for the year

60,299	63,491
-	-
-	-
-	-
(3,032)	(3,192)
<u>57,267</u>	<u>60,299</u>
<u>141,042</u>	<u>148,465</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 24,374

### 20.1 Loan from National Bank of Pakistan - Secured

Opening balance

24,374 29,250

Finance availed during the year

- -

24,374 29,250

Less: repayment during the year

- (4,876)

24,374 24,374

Less: Current maturity shown under current liabilities

- -

24,374 24,374

- 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 4,000

- 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 22,767 22,967

Deferred income tax liability-net

22.2 125,632 131,557

148,398 154,523

- 22.1 For the financial year 2020, 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, 2019. 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 income tax liability-net

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the taxable entity and when there is an intention to settle the balances on net basis. The applicable tax rate for the purpose of computation of deferred taxation is 29%.

The offset amounts are as follows:

Deferred tax liabilities

22.2.1 164,602 170,412

Deferred tax assets

22.2.2 (36,526) (38,854)

128,076 131,558

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	164,602	170,412
Remeasurement of defined benefit plan	-	-
	164,602	170,412

**22.2.2 Deferred tax assets in respect of deductible temporary differences:**

Provisions for doubtful and other balances	(12,226)	(14,496)
Provision for gratuity	(6,602)	(6,660)
Provision for stores and spares	(2,900)	(2,900)
Minimum and alternate corporate tax available for carry forward	-	-
Unused tax losses	-	-
Provision for workers profit participation fund and workers welfare fund	(14,798)	(14,798)
	(36,526)	(38,854)

21.3 Deferred tax asset amounting to Rs 63.42 Million (2019: Rs. 63.42 Million) related to tax credit u/s 113 and 113C of the Income Tax Ordinance, 2001, is not recognised in these financial statements as its future utilization as at the reporting date is not probable.

**23 TRADE AND OTHER PAYABLES**

Trade creditors	23.3	367,995	326,752
Accrued liabilities	23.1	55,410	65,755
Advances		212	212
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	19,424	18,261
Workers' Profit Participation Fund	23.4	47,721	47,721
Workers' Welfare Fund		3,308	3,308
		<u>494,993</u>	<u>462,932</u>

23.1 Includes Rs. 40 million (2019: 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 (2019: Rs 0.3 Million) 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 (2019: Rs. 3.00 million)

23.1.3 It includes meeting fee payable to the Directors of Company, of Rs. 0.42 million (2019: Rs. 0.42 million).

23.1.4 It includes salaries payable to the employees of the Company, of Rs. 14.03 million (2019: Rs. 18.08 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	35,269
Accumulated interest	23.4.2	12,452	12,452
		<u>47,721</u>	<u>47,721</u>

**23.4.1 Movement in principal**

Opening balance		35,269	35,294
Add: Charge for the year		-	-
Less: Paid during the period		-	(25)
		<u>35,269</u>	<u>35,269</u>

**23.4.2 Movement in accumulated interest**

Opening balance		12,452	11,620
Add: Interest on funds utilized for the company's business		-	832
Less: Paid during the period		-	-
		<u>12,452</u>	<u>12,452</u>

23.5 Includes Rs. 13.947 million (2019: 12.947 million) in respect of provision against litigations mentioned in Note 27.1.7 to 26.1.9.

**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>71,556</u>
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25.1 The financing forms part of total credit facility available to the extent of Rs. 75.0 million (2019: 75 million). The loan carries markup @ 3 months KIBOR plus 2.50%. The credit facility of the Company have to be expired on December 31, 2018. This is secured against first charge of Rs. 100 million over current and movable fixed assets excluding land and building of the company.

**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 4,605.13 million and it is in excess of the amount being claimed by GoP from PECO. The BoD and the management of the Company believes that they are not liable to pay any interest on these loans in the absence of any agreement. The legal advisor of the company is also of the firm opinion that since there is no mention of any markup to be charged on this loan nor is there any markup agreement, therefore, no markup is payable by the company in respect of this loan. Therefore, a disclosure of a contingent liability is made in notes (refer note 27.1.4 & 27.1.5) to these financial statements.

For the year ended June 30, 2020 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

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 Privatization Commission of Pakistan.



**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	<b>281,082</b>	281,082
Loan for shifting of machinery	<b>75,819</b>	75,819
Loan for Energy bills and Import duties	<b>124,568</b>	124,568
	<b>481,469</b>	<b>481,469</b>

**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	<b>86,984</b>	86,984
Pakistan Railways freight	<b>12,989</b>	12,989
Karachi Port Trust	<b>12,964</b>	12,964
	<b>112,937</b>	<b>112,937</b>

**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 (2019: 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 (2019: 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	<u>100,000</u>	<u>100,000</u>
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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.100.00 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	<u>309,000</u>	<u>309,000</u>
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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	<u>132,304</u>	<u>132,304</u>
	<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 27.1.1)

## **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 (2019: 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. 1,620.81 Million (2019: 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 Mark up amounts with respect to Govt. of Pakistan loans, which has instructed the Finance Division to re-examine the issue relating to Rs. 100.00 million loan and interest thereof, to confirm the contention of PECO. Decision on this account would be conveyed to company at the earliest. Till the issue of annual accounts no such decision has been received by company. Furthermore, the company has also obtained the opinion from the legal advisor, who is also of opinion that no markup is payable. The management is confident that the ultimate outcome of the matter will result in favor of the company and hence no provision has been made in these financial statements in respect of the markup claimed.

- 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.
- 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.

<b>28 SALES</b>			
Sales - Local		259,599	249,636
Less: Sales tax		-	-
		<u>259,599</u>	<u>249,636</u>
<b>29 COST OF SALES</b>			
Raw material consumed	29.1	301,650	181,625
Stores and spares consumed		16,092	87,205
Salaries,wages and other benefits	29.2	81,929	73,600
Fuel and power		322	9,803
Processing charges		-	2,365
Inspection fee		1,109	1,111
Service charges		96	4,849
Repair and maintenance		1,776	3,009
Vehicle running expenses		881	1,492
Rent, rates and taxes		128	7,514
Publication of tender documents		241	508
Insurance		-	5,982
Traveling and conveyance		4,307	3,830
Printing, stationery and office supplies		300	323
Postage, telegram and telephone		1,146	568
Entertainment		362	587
Legal and professional		-	10,000
Other expenses		359	195
Depreciation		35,074	36,918
		<u>445,770</u>	<u>431,487</u>
Opening stock of work-in-process		97,958	143,688
Closing stock of work-in-process		(73,990)	(97,958)
		<u>23,968</u>	<u>45,730</u>
Cost of goods manufactured		469,738	477,217
Opening stock of finished goods		43,488	53,909
Closing stock of finished goods		(33,723)	(43,488)
		<u>9,765</u>	<u>10,421</u>
		<u>479,503</u>	<u>487,638</u>
<b>29.1 Raw material consumed</b>			
Opening stock		290,695	150,024
Add: purchases		266,174	322,305
		<u>556,868</u>	<u>472,329</u>
Less: closing stock		255,218	290,695
		<u>301,650</u>	<u>181,625</u>
<b>29.2</b>	This includes retirement benefits amounting to Rs. 0.310 million (2019: Rs. 1.7 million).		

<b>30</b>	<b>SELLING AND DISTRIBUTION EXPENSES</b>			
	Salaries,wages and other benefits	30.1	747	2,472
	Insurance		3,161	-
	Traveling and conveyance		105	479
	Entertainment		43	84
	Repair and maintenance		455	60
	Postage, telegrams and telephone		-	15
	Vehicle running expenses		695	49
	Printing, stationery and office supplies		-	7
	Rent, rates and taxes		286	74
	Publishing of tender and sales promotion		-	34
	Fee and subscription charges		-	30
	Miscellaneous		62	181
			<u>5,554</u>	<u>3,484</u>
<b>30.1</b>	This includes retirement benefits amounting to Rs. 0.059 million (2019: Rs. 0.207 million).			
<b>31</b>	<b>FREIGHT AND FORWARDING EXPENSES</b>			
	Freight and forwarding expenses		3,980	4,192
<b>32</b>	<b>ADMINISTRATIVE EXPENSES</b>			
	Salaries,wages and other benefits	32.1	17,016	27,213
	Vehicle running expenses		2,203	2,211
	Traveling and conveyance		647	1,479
	Printing, stationery and office supplies		166	447
	Legal and professional		2,572	8,351
	Utilities		12,691	7,894
	Entertainment		40	608
	Rent, rates, and taxes		125	2,032
	Repair and maintenance		2,749	2,003
	Postage, telegrams and telephone		361	533
	Security charges		12	1,719
	Insurance		1,866	890
	Fee and subscription charges		1,574	1,328
	Advertisement		-	1,125
	Training		-	24
	Miscellaneous		1,642	16,769
	Bad debts		-	273
	Fine and penanlties		-	300
	Depreciation		3,520	4,290
			<u>47,184</u>	<u>79,489</u>
<b>32.1</b>	This includes retirement benefits amounting to Rs. 0.748 million (2019: Rs. 2.1 million).			
<b>33</b>	<b>OTHER OPERATING CHARGES</b>			
	Auditors' remuneration	33.1	810	810
	Tax consultancy fee		-	83
	Impairment allowance		-	7,925
	Depreciation on investment property		26	28
			<u>836</u>	<u>8,845</u>

<b>33.1 Auditors' remuneration</b>			
Audit fee		810	810
Half yearly review fee		-	-
Review of compliance with code of corporate governance		-	-
		810	810
		810	810
<b>34 OTHER OPERATING INCOME</b>			
<b>Income from Financial Assets</b>			
Profit on bank deposits		1,878	221
Profit on investment		-	1,204
		1,878	1,426
<b>Income from Non - Financial Assets</b>			
Miscellaneous income		29,447	30
Liability written off		35,822	9,960
Rental income		1,504	2,253
Gain on sale of property, plant and equipment		-	-
		66,773	12,242
		68,651	13,668
<b>35 FINANCE COST</b>			
Mark - up on short term borrowings		6,979	4,583
Mark - up on long term borrowings		2,377	1,725
Bank charges and commission	35.1	1	1,105
Interest on workers' profit participation fund		-	832
		9,358	8,245
		9,358	8,245
<b>35.1</b>	Bank guarantee commission paid by the company is charged over the period of contract.		
<b>36 TAXATION</b>			
<b>Current</b>			
for the year		3,245	3,120
for prior years	36.1	-	53,540
		3,245	56,660
<b>Deferred</b>			
Origination and reversal of temporary differences		(5,926)	81,708
Impact of change in tax rate		-	-
		(5,926)	81,708
		(2,681)	138,368
<b>36.1</b>	This amount represents the tax expense recovered by the Federal Board of Revenue through the attachment of the company's accounts.		
<b>36.2</b>	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.		
<b>36.3</b>	Company's income tax assessment has been finalized up to 2018.		
<b>37 BASIC AND DILUTED EARNINGS PER SHARE</b>			
<b>Basic earnings per share:</b>			
(Loss) / profit after taxation (Rupees in '000)		(215,484)	(466,957)
Weighted average number of ordinary shares (No. in '000) outstanding during the year		5,690	5,690
		(37.87)	(82.07)
		(37.87)	(82.07)
<b>37.1</b>	There are no dilutive potential ordinary shares outstanding as at June 30, 2020 and 2019.		

**38 CASH GENERATED FROM OPERATIONS**

Profit before taxation	(218,165)	(328,589)
<b>Adjustments for:</b>		
Depreciation	38,620	41,233
Financial charges	9,358	7,413
Impairment allowance	-	7,925
Interest on workers' profit participation fund	-	832
Profit on investment	-	(1,204)
Provision for gratuity	1,118	4,007
Liability written off	35,822	9,960
	<b>84,919</b>	<b>70,165</b>
<b>(Loss) / profit before working capital changes</b>	<b>(133,246)</b>	<b>(258,424)</b>

Movements in working capital

**Decrease/(Increase) in current assets:**

Stores, spares and loose tools	16,092	81,132
Stock in trade	69,210	(84,520)
Trade debts	157,157	199,288
Advances	(83,326)	591
Trade deposits, prepayments and other receivables	(1,661)	5,535
Sales tax refundable	(44,248)	3,852
<b>Increase/(Decrease) in current liabilities:</b>		
Trade and other payables	(3,761)	138,597
	<b>109,463</b>	<b>344,475</b>
<b>Net Cash generated/ (used) from operations</b>	<b>(23,783)</b>	<b>86,051</b>

**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	<b>151</b>	<b>151</b>
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**Muhammad Arif Habib (Director)**

- Payable at the end of the year	23.1.2	<b>3,000</b>	<b>3,000</b>
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39.1 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 89.74% (2019: 93.55%) of total sales.

**40.2 Information about geographical areas**

- All non-current assets of the Company as at 30 June 2020 are located in Pakistan.
- 100% (2019: 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 89.55% 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, 2020

	Note	2020	2019
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----- 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**

2020		2019	
Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year

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

**FINANCIAL ASSETS**

Long term investments	-	819	-	819
Long term security deposits - net of impairment	-	2,053	-	2,053
Trade debts - net of impairment	26,418	-	183,575	-
Advances	83	-	128	-
Trade deposits and guarantee margins	20,898	-	20,741	-
Cash and bank balances	31,372	-	44,777	-
Short term investments	-	-	21,424	-
	<b>78,771</b>	<b>2,872</b>	<b>270,644</b>	<b>2,872</b>

**FINANCIAL LIABILITIES**

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	494,781	-	462,720	-
Mark-up accrued	15,657	-	6,301	-
Unclaimed Dividend	13,070	-	13,070	-
	<b>619,437</b>	<b>1,790,848</b>	<b>578,021</b>	<b>1,790,848</b>
On balance sheet date gap	(540,666)	(1,787,976)	(307,377)	(1,787,976)

**OFF - BALANCE SHEET ITEMS**

Letter of guarantees	<b>225,811</b>	<b>225,811</b>
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- 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:

	2020	2019
	----- Rupees in "000" -----	
Long term investments	819	819
Long term security deposits - net of impairment	2,053	2,053
Trade debts - net of impairment	26,418	183,575
Advances	83	128
Trade deposits and guarantee margins	20,898	20,741
Bank balances	31,372	44,777
Short term investments	-	21,424
	<u>81,643</u>	<u>273,516</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			2020	2019
	Short term	Long term	Agency	----- Rupees in "000" -----	
MCB Bank	A-1+	AAA	PACRA	-	-
United Bank Limited	A-1+	AAA	VIS	293	268
National Bank of Pakistan	A-1+	AAA	VIS	-	-
AL Barka Bank Pakistan Limited	A-1	A	VIS	542	-
Faysal Bank Limited	A-1+	AA	PACRA	7,803	44,510
Allied Bank Limited	A-1+	AAA	PACRA	2,733	-
				<b>11,371</b>	<b>44,777</b>

2020		2019	
Gross	Impairment	Gross	Impairment
----- Rupees in "000" -----			

The aging of trade debts at the reporting date was:

Not yet due	-	-	-	-
Past due 1-30 days	13,006	-	-	-
Past due 31-60 days	10,432	-	-	-
Past due 61-90 days	27,863	-	42,876	-
Over 90 days	18,329	43,212	183,911	43,212
	<b>69,630</b>	<b>43,212</b>	<b>226,787</b>	<b>43,212</b>

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

Up to 1 year	1 to 5 years	Total
-	1,790,848	1,790,848
24,374	-	24,374
71,556	-	71,556
494,781	-	494,781
15,657	-	15,657

**30-Jun-21**

**606,367 1,790,848 2,397,215**

##### Non - derivative financial liabilities

Government of Pakistan Loans

Long term borrowings

Short term borrowings

Trade and other payables

Accrued mark-up

30-Jun-20

-	1,790,848	1,790,848
24,374	-	24,374
71,556	-	71,556
473,938	-	473,938
25,905	-	25,905
<b>595,773</b>	<b>1,790,848</b>	<b>2,386,621</b>

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 2020. 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 2020, if interest rates on company's bank borrowings had been 1% higher / lower, the markup expenses would have been higher / lower by Rs. 706 million (2019: Rs. 664 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:

The gearing ratio as at June 30, is as follows:

	2020	2019
	----- Rupees in "000" -----	
Debt	1,902,434	1,893,079
Equity	12,985,556	13,201,040
Total capital employed	14,887,990	15,094,119
Gearing Ratio	12.78%	12.54%

#### 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.

	2020		2019	
	Chief Executive	Director	Chief Executive	Director
	----- Rupees in "000" -----			
Remuneration	5,245	-	6,606	1,113
Bonus	-	-	-	-
Reimbursement of expenses	1,617	-	1,078	-
Pension contribution	61	-	55	-
Perquisites	1,962	-	1,389	154
	<b>8,885</b>	<b>-</b>	<b>9,128</b>	<b>1,267</b>
<b>Number of persons</b>	<b>1</b>	<b>6</b>	<b>1</b>	<b>7</b>

- 43.1 In addition to above remunerations 8 directors (2019: 8 directors) were paid aggregate remuneration of Rs. Nil (2019: Rs. Nil).
- 43.2 Aggregate amount charged in the accounts for 07 directors for Meeting fees were Rs. Nil (2019: Rs. Nil) and reimbursable expenses Rs. Nil (2019: 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	2020	2019
Pumps / turbines	No.	3,400	3,400	33	58
Electric motors	No.	16,500	6,500	10	38
Rolled material	Tons	80,000	30,000	-	-
Foundry	Tons	4,000	4,000	-	23
Steel fabrications (STR)	Tons	20,000	20,000	2,874	2,763
Concrete Mixture	No.	350	350	-	-

#### 45 NUMBER OF EMPLOYEES

	2020	2019
	----- Numbers -----	
<b>Total number of employees as at June 30;</b>		
Contractual employees - Head Office	6	35
Temporary staff - Head Office	2	30
Contractual employees - Factory	6	41
Temporary staff - Factory	43	43
Workers - Factory	247	247
	<b>304</b>	<b>396</b>
<b>Average number of employees during the year</b>		
Contractual employees - Head Office	21	34
Temporary staff - Head Office	16	30
Contractual employees - Factory	24	40
Temporary staff - Factory	43	43
Workers - Factory	247	249
	<b>351</b>	<b>396</b>

#### 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, 2020**

# of Shareholders	From	To	Total Shares held
1,494	1	100	40,747
548	101	500	128,190
126	501	1,000	88,746
95	1,001	5,000	174,188
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	320,000	317,400
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
<b>2,311</b>			<b>5,690,245</b>

**Categories of Shareholders  
As At June 30, 2020**

	# 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. 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, 2020**

	<b># of Shareholders</b>	<b>Shares Held</b>	<b>Percentage</b>
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	2,236	1,452,972	25.52
b. Foreign	-	-	-
Others	43	882,448	15.51
<b>Total</b>	<b>2,311</b>	<b>5,690,245</b>	<b>100</b>

**Shareholders Holding 5% or More Voting Interest**

<b>Name of shareholder</b>	<b>No of shares held</b>	<b>%age held</b>
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	317,400	5.58

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 71<sup>th</sup>  
 Annual General Meeting of the Company to be held on February 17, 2025 (Monday) at 11:10 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 71 ویں سالانہ جنرل میٹنگ میں، جو 17 فروری 2025 (پیر) کو صبح 11:10 بجے ہوٹل فور پوائنٹس ہائی شیرٹین، 25- ایجنٹ 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:

- 1 یہ فارم، جس پر اسٹامپ لگا ہوا ہو، دستخط شدہ اور گواہ شدہ ہو، کمپنی کے رجسٹرڈ دفتر، پاکستان انجینئرنگ کمپنی لمیٹڈ، 6/7، سرگرم ٹرسٹ بلڈنگ، شاہراہ قائد اعظم، لاہور، میں میٹنگ کے وقت سے کم از کم 48 گھنٹے قبل موصول ہونا ضروری ہے۔
- 2 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۔
- 3 فارم پر دو افراد کے دستخط ہونے چاہئیں، جن کے نام، پتے اور CNIC/ SNIC (کمپیوٹرائزڈ قومی شناختی کارڈ/ اسمارٹ قومی شناختی کارڈ) نمبر درج ہوں۔
- 4 مالک اور وکیل کے CNIC یا پاسپورٹ کی مصدقہ کاپیاں فارم کے ساتھ فراہم کی جائیں۔
- 5 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۔