



PAKISTAN ENGINEERING COMPANY LIMITED

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



Annual Report 2019



PAKISTAN ENGINEERING COMPANY LIMITED

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Contents

Company Information	05
Our Products	06
Vision / Mission Statement and Corporate Strategy	07
Our Values	08
Financial Highlights of Six Years	09
Notice of Annual General Meeting	10
Notice of Annual General Meeting اُردو ترجمہ	16
Chairman's Review	20
Chairman's Review اُردو ترجمہ	22
Directors' Report	23
Directors' Report اُردو ترجمہ	30
Statement of Compliance with Listed Companies	35
Independent Auditor's Review Report to the members of Peco	39
Independent Auditor's Report	41
Statement of Financial Position	44
Statement of Profit and Loss Account	46
Statement of Comprehensive Income	47
Statement of Changes in Equity	48
Statement of Cash Flow	50
Notes to the Financial Statements	51
Pattern of Shareholding	86
Jama Punji جمع پونجی	88
Form of Proxy	89
Form of Proxy اُردو ترجمہ	90



COMPANY INFORMATION

Board of Directors

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

Board Audit & Risk Management Committee

Mirza Mahmood Ahmad (Chairman)

Mr. Muhammad Iqbal
Mr. Ansar Javed

Board Finance Committee

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

Mr. Muhammad Iqbal

Board HR & Remuneration Committee

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

CFO & Company Secretary

Mian Anwar Aziz

Auditors

M/s. Malik Haroon Ahmad &
Company Chartered Accountants

Bankers

National Bank of Pakistan

United Bank Limited
Summit Bank

Legal Advisor

Sardar Zulfiqar Umar Khan
Thahim

Registered Office

6/7-Sir Ganga Ram Trust, Building, Shahr:
Azam, Lahore.
Phones : 042 35 12 0755-6

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

Share Registrar:

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

OUR PRODUCTS

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

- **Steel Structure**

Electricity Transmission & Distribution Line Towers.

(11, 132, 220 & 500 Kv)

Telecommunication Towers (Green Field & Roof Top)

- **Pumps & Turbines**

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

- **Electric Motors**

PECO manufactures following range of electric motors:

-Horizontal Foot Mounted Motors in Drip Proof & T.E.F.C. Enclosures.

-Flange Mounted Squirrel Cage Induction Motors.

-Vertical Hollow Shaft Motors in Drip Proof & Totally Enclosed Fan Cooled Enclosures.

- **Safes, Strong Room Doors & Steel Lockers.**

-Steel Safes – 30", 60" , 72"

-Strong Room Doors & Steel Lockers for Banks

- **Foundry Products.**

- Grey & S.G. Iron Castings.

- Bronze Castings.

- Aluminum Alloy Castings.

- **Rolled Products**

- Angles

- Plain Bars

- Deformed Bars (Grade 60 & 40)

Vision Statement

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

Mission Statement

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

Corporate Strategy

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

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

Quality Policy

We are committed to maintain our Customer's satisfaction by delivering the qualitative products and services in accordance with their needs and requirements.

Customer's feed-back is continuously reviewed for quality improvement to have continued customer's confidence and trust in our products. Quality policy and objectives are reviewed on yearly basis.

OUR VALUES

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

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

FINANCIAL HIGHLIGHTS

Rs in million

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

NOTICE OF 70TH ANNUAL GENERAL MEETING

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

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

ORDINARY BUSINESS:

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

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



<https://www.peco.com.pk/wp-content/uploads/2025/01/Annual-Report-2019.pdf>

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

SPECIAL BUSINESS:

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

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

ANY OTHER BUSINESS:

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

By Order of the Board

Place: Lahore
Dated: January 27, 2025

(Mian Anwar Aziz)
Company Secretary

Notes:

1. Closure of Share Transfer Books

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

2. Virtual Participation in the AGM Proceedings

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

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

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

3. Electronic transmission of Annual Report 2019:

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



<https://www.peco.com.pk/wp-content/uploads/2025/01/Annual-Report-2019.pdf>

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

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

4. Participation in the AGM

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

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

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

Guidelines for CDC Account Holders issued by SECP

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

a) For Attending the Meeting

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

b) For Appointing Proxies

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

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

Polling on Special Business

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

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

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

Procedure for E – Voting:

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

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

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

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

Procedure for Voting Through Postal Ballot:

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

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STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017**AGENDA # 4****Circulation of Annual Audited Financial Statements through QR enabled code and web link**

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

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


PAKISTAN ENGINEERING COMPANY LIMITED
POSTAL BALLOT PAPER

for voting through post for the Special Business at the 70th Annual General Meeting to be held on Monday, February 17 , 2025, at 11:00 a.m. at the Hotel Four Points by Sheraton, 25 - Egerton Road, Lahore

UAN: +92 42 35120755-56 Website: <https://www.peco.com.pk>

Folio / CDS Account Number	
Name of Shareholder / Proxy Holder	
Registered Address	
Number of shares Held	
CNIC/Passport No. (in case of foreigner) (copy to be attached)	
Additional information and enclosures (in case of representative of body corporate, corporation, and federal Government)	
Name of Authorized Signatory	
CNIC/Passport No. (in case of foreigner) of Authorized Signatory (copy to be attached)	

Resolution for Agenda Item No. 4

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

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

INSTRUCTION FOR POLL

1. Please indicate your vote by ticking (✓) the relevant box.

2. In case if both the boxes are marked as (✓), your poll shall be treated as **"Rejected"**.

I/we hereby exercise my/our vote in respect of the above resolution through ballot by conveying my/our assent or dissent to the resolution by placing tick (✓) mark in the appropriate box below;

Resolution	I/We assent to the Resolution (FOR)	I/We dissent to the Resolution (AGAINST)
Resolution For Agenda Item No. 4		
1.	Dully filled ballot paper should be sent to the Chairman at 6/7-Sir Ganga Ram Trust Building, Shahrah-e-Quaid-e-Azam, Lahore by or email at corporate.affairs@peco.com.pk by or before February 16, 2025, till 5:00 pm.	
2.	Copy of CNIC/ Passport (in case of foreigner) should be enclosed with the postal ballot form.	
3.	Ballot paper should reach the Chairman within business hours by or before Sunday, February 16, 2025. Any postal ballot received after this date, will not be considered for voting.	
4.	Signature on ballot paper should match with signature on CNIC/ Passport (In case of foreigner).	
5.	Incomplete, unsigned, incorrect, defaced, torn, mutilated, over written poll paper will be rejected.	



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

نوٹس برائے 70 واں سالانہ اجلاس عام

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

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

عمومی کاروبار:

- 1- 18 اپریل، 2024 کو منعقد ہونے والے 30 ویں غیر معمولی اجلاس عام کے منٹس کی تصدیق کرنا۔
- 2- 30 جون 2019 کو ختم ہونے والے سال کے لئے کمپنی کے سالانہ آڈٹ شدہ مالیاتی بیانات کو حاصل کرنے، غور کرنے اور اپنانے کے لئے آڈیٹرز اور ڈائریکٹرز کی رپورٹ کے ساتھ ساتھ چیئرمین کی جائزہ رپورٹ بھی شامل ہے۔
- کمپنیز ایکٹ، 2017 کے سیکشن 223 کے مطابق اور ایس آر او 389(I)/2023 مورخہ 21 مارچ 2023ء، کمپنی کی رپورٹس کے ساتھ سالانہ آڈٹ شدہ مالیاتی بیانات درج ذیل ویب لنک اور کیو آر فعال کوڈ کے ذریعے حاصل کیے جاسکتے ہیں۔



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

خصوصی کاروبار:

- 4- سالانہ آڈٹ شدہ مالیاتی بیانات (بشمول بیلنس شیٹ، منافع اور نقصان اکاؤنٹ، آڈیٹرز کی رپورٹ، ڈائریکٹرز کی رپورٹ اور اس میں شامل دیگر رپورٹس) کو کیو آر فعال کوڈ اور ویب لنک کے ذریعے، مندرجہ ذیل عام قرارداد کو ترمیم کے ساتھ یا اس کے بغیر منظور کر کے تقسیم کرنے کی منظوری دینا:
- قرارداد یا کہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے 21 مارچ 2023 کو ایس آر او 389(آئی)/2023 کے تحت اجازت دی گئی تھی کہ کمپنی کے سالانہ آڈٹ شدہ مالیاتی گوشواروں کو سی ڈی/ ڈی وی ڈی/ یو ایس بی کے بجائے کیو آر فعال کوڈ اور ویب لنک کے ذریعے ممبران تک پہنچانے کی منظوری دی جائے گی۔

کوئی اور کاروبار:

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

بحکم بورڈ

جگہ: لاہور

تاریخ: 27 جنوری، 2025

(میاں انور عزیز)

کمپنی سیکرٹری

نوٹس:

1۔ حصص منتقلی کی کتابوں کی بندش

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

2۔ اے جی ایم کی کارروائی میں 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 2019- پیکو کے لئے رجسٹریشن' کے موضوع کے ساتھ cdcsr@cdcsrsl.com یا واٹس ایپ نمبر 92 321 820 0864 پر مندرجہ ذیل تفصیلات اور شناختی کارڈ کے دونوں اطراف کی درست کاپی کے ساتھ ای میل بھیج کر اپنا اندراج کرائیں:

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

الیکٹرانک میٹنگ لنک اور لاگ ان اسناد صرف ان ممبروں کے ساتھ شیئر 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 اور واٹس ایپ نمبر 92 336 418 7010 پر اے جی ایم کے ایجنڈا آئٹمز کے لئے اپنے تبصرے اور سوالات بھی فراہم کر سکتے ہیں۔

3۔ سالانہ رپورٹ 2019 کی الیکٹرانک ٹرانسمیشن:

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



<https://www.peco.com.pk/wp-content/uploads/2025/01/Annual-R eport-2019.pdf>

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

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

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

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

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

خصوصی کاروبار پر پوائنٹ

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

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

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

ای۔ووٹنگ کا طریقہ کار:

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

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

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

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

پوسٹل بیلٹ کے ذریعے ووٹنگ کا طریقہ کار:

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

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

ایجنڈا #4

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

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

تاہم، اگر کوئی شیئر ہولڈر، اس کے علاوہ، ہارڈ کاپی میں متعلقہ دستاویزات کے ساتھ مکمل مالی بیانات کی درخواست کرتا ہے تو، ایسی درخواست موصول ہونے کے ساتھ دن کے اندر 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 2019 highlighting the Company's performance after an unfortunate lapse of seven years and the role of the Board of Directors in guiding the management to carry out its responsibility for the benefit of all its stakeholders.

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

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

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

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

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

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

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

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

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

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

چیئر مین کا جائزہ

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

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

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

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

سال کے دوران نمایاں مالی معاملات:

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

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

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

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

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

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

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

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

مرزا محمود احمد

چیئر مین بورڈ

لاہور: 20 جنوری 2025

DIRECTORS' REPORT To The Shareholders

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

PERFORMANCE OUTLOOK

The business of electricity transmission towers, in Pakistan, is getting significantly competitive due to entry of foreign companies in this business and due to this fact, PECO's relative comfort in winning tenders has become tenuous and unpredictable.

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

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

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

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

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

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

FINANCIAL PERFORMANCE

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

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

CONTRIBUTION TO NATIONAL EXCHEQUER AND THE ECONOMY

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

FINANCIAL RESULTS AND APPROPRIATIONS

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

Appropriations:

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

OPERATING & FINANCIAL DATA

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

GRATUITY SCHEME

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

The value of the Gratuity Scheme at the year-end was Rs. 22.97 million (June 30, 2018: Rs. 21.20 million), valued by the firm of Consulting Actuaries.

BOARD'S COMPOSITION, ELECTIONS, REMUNERATION AND MEETINGS

The Board comprises of one Executive, three non-executive and five independent directors. Composition of the Board and the names of Members of Board Sub-Committees may be referred at **Page (Company Information)**. The Government nominated directors were Mr. Mairaj Anees Ariff, Syed Kaukab Mohyuddin and Mr. Naeem Jan Khan.

Furthermore, the Board of Directors have a formal policy and transparent procedures for remuneration of its Directors in accordance with the Companies Act 2017 and the Listed Companies (Code of Corporate Governance) Regulations 2017. No meeting of the Board could be held after December 2018; due to management disputes created by Government appointed ex-MD PECO, Mairaj Anees Ariff, despite of his removal in December 2018. However, Securities and Exchange Commission of Pakistan (SECP) and Government of Pakistan were informed with

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

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

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

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

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

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

PATTERN OF SHAREHOLDING AND SHARES TRADED

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

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

EARNINGS PER SHARE

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

AUDITORS

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

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

Messrs. Malik Haroon Ahmad & Co. Chartered Accountants has been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of

Accountants (IFAC) Guidelines on Code of Ethics, as adopted by ICAP. The auditors indicated their willingness to act as auditors of the Company.

COMMENTS ON DISCLAIMER OF OPINION IN AUDITOR'S REPORT

i. Going Concern Status

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

ii. Counting of Physical Inventories

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

iii. Trade Debtors/Trade and other payables

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

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

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

iv. Unclaimed Dividends not deposited with Federal Government

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

v. GoP/PC Loans

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

The Board of Directors in its various meetings has resolved that amount due under the law to the Government of Pakistan (GoP) for any loan given to PECO shall be paid. The Board has agreed with GoP to adjust its liabilities by disposal of Badami Bagh Land as decided in E.C.C decision dated 02.03.1993, which according to the recent valuation amounts to Rupees 4,605.13 million and it is in excess of the amount being claimed by GoP from PECO. The Board of Directors (BoD) and the management of the Company believes that they are not liable to pay any interest on these loans in the absence of any agreement.

STATEMENT ON CORPORATE FINANCIAL REPORTING FRAME WORK

The requirements of the Code of Corporate Governance set out by the Stock Exchanges in their Listing Regulations, relevant for the year ended June 30, 2019 have been duly complied with. A statement to this effect is annexed to the report, please refer page No. 35.

AUDIT AND RISK MANAGEMENT COMMITTEE

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

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

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

The constitution of the Committee was as under:

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

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

DIRECTORS TRAINING PROGRAM

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

CODE OF CONDUCT

In order to put in place professional standards and corporate values for promotion of integrity of the Board, senior management and other employees, the Board has approved and

disseminated a Code of Conduct, defining therein acceptable and unacceptable behaviors. The same has been placed on the Company's Website.

NUMBER OF EMPLOYEES

The Company continued its operations with an optimal headcount. The headcount as on June 30, 2019 were 396 compared to 394 of last year.

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Human Resource and Remuneration Committee was established by the Board to assist the Directors in discharging their responsibilities with regard to selection, evaluation, compensation and 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.

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

RELATED PARTY TRANSACTIONS

The Company has continued to present the details of all related party transactions before the Audit Committee and upon their recommendation to the Board for review and approval.

WEB PRESENCE

Company's periodic financial statements for the current financial year including annual reports for the last three years are available on the Company's website www.peco.com.pk for information of the investors.

HEALTH, SAFETY AND ENVIRONMENT

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

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

OUTSTANDING STATUTORY DUES

Detail of outstanding statutory dues is given in Note no. 23 to the Accounts.

BUSINESS PLANS AND ACHIEVEMENT OF TARGETS

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

ACKNOWLEDGEMENT

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

For and on behalf of the Board

Mirza Mahmood Ahmad
Chairman of the Board

January 20, 2025
Lahore

ڈائریکٹر کی رپورٹ

حصہ داران کے نام

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

کارکردگی کی صورتحال

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

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

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

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

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

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

مالی کارکردگی

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

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

قومی خزانے اور معیشت میں حصہ

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

مالی نتائج اور تقسیم

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

مخصصات

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

گرپچوٹی اسکیم

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

بورڈ کی تشکیل، انتخابات، معاوضہ اور اجلاس

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

سال 2018-19 کے دوران بورڈ کے اجلاس

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

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

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

ٹیکنیز ڈائریکٹری برطانی

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

بورڈ اجلاسوں میں غیر حاضری

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

بورڈ کے آزاد ڈائریکٹر کی وفات

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

شیر ہولڈنگ کا پیٹرن اور شیئرز کی تجارت

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

نی شیئر نقصان

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

آڈیٹرز

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

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

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

آڈیٹرز کی رپورٹ میں درج رائے پر تبصرے

i. کمپنی کی جاری حیثیت

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

ii. اسٹاک کی جسمانی گنتی

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

iii. تجارتی واجبات/قابل وصول رقم

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

iv. غیر دعویٰ شدہ ڈیویڈنڈز

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

مالیاتی بیان جائزہ رپورٹ

حکومت پاکستان/پرائیویٹائزیشن کمیشن قرضہ جات

حکومت پاکستان اور پرائیویٹائزیشن کمیشن کے قرضہ جات کا مسئلہ حکومت پاکستان، پرائیویٹائزیشن کمیشن، اور وزارت خزانہ کے نمائندوں کے ساتھ زیر بحث لایا گیا۔ مختلف اجلاسوں کے نتیجے میں قرض کا اصل حصہ، ماسوائے 131.454 ملین روپے (جو کہ اضافی گریجویٹ ہے جو پرائیویٹائزیشن کمیشن نے خود ادا کی) تصدیق شدہ ہے۔ بورڈ آف ڈائریکٹرز نے مختلف اجلاسوں میں یہ قرارداد منظور کی کہ پاکستان انجینئرنگ کمپنی (PECO) کو حکومت پاکستان کے کسی بھی قرضے کی قانونی طور پر واجب الادا رقم ادا کرنی ہوگی۔ بورڈ نے حکومت پاکستان کے ساتھ یہ معاہدہ کیا کہ واجبات کو با دمی باغ کی زمین کی فروخت کے ذریعے ایڈجسٹ کیا جائے گا، جیسا کہ ای سی سی کے 2 مارچ 1993 کے فیصلے میں ذکر کیا گیا ہے۔ حالیہ تخمینے کے مطابق اس زمین کی مالیت 4,605.13 ملین روپے ہے، جو کہ حکومت پاکستان کی جانب سے پی ای سی او سے طلب کردہ رقم سے زیادہ ہے۔ بورڈ آف ڈائریکٹرز اور کمپنی کی انتظامیہ کا ماننا ہے کہ ان قرضوں پر کسی سود کی ادائیگی کی ذمہ داری ان پر عائد نہیں ہوتی کیونکہ اس حوالے سے کوئی معاہدہ موجود نہیں ہے۔

کارپوریٹ مالیاتی رپورٹنگ فریم ورک پر بیان

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

آڈٹ اور رسک مینجمنٹ کمیٹی

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

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

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

کمیٹی کی تشکیل درج ذیل تھی:

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

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

ڈائریکٹرز ٹینگ پروگرام

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

ضابطہ اخلاق

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

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

ہیومن ریسورس اینڈ ریونیویشن کمیٹی

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

کاروباری منصوبے اور اہداف کا حصول

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

اظہار تشکر

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

برائے اور بحکم بورڈ

مرزا محمود احمد

چیئر مین بورڈ

20 جنوری، 2025

لاہور

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

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

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

a.	Male	09
b.	Female	-

2. The composition of board is as follows:

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

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

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

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

3. The directors have confirmed that none of them is serving as a director in more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy, and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/Shareholders as empowered by the relevant provisions of the Act and these Regulations till December 2018. Despite of his removal in December 2018, Government Nominated ex-MD PECO, Mairaj Anees Ariff, unlawfully, didn't allow any Board member to enter into the company premises nor enable them to hold mandatory Board meetings. However, Securities and Exchange Commission of Pakistan (SECP) and Government of Pakistan were informed with this fact.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board up till December 2018. No meeting of the Board could be held after December 2018 due to the reason mentioned in paragraph 6.
8. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.
9. All Directors have either obtained certification under the Directors Training Program or have minimum of 14 years of education and 15 years or more experience on the Board of listed companies. Therefore, the Board has not arranged any Directors' Training program.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the annual financial statements before approval of the Board. No quarterly or half-yearly financial statements were prepared during the reporting period. This was due to the facts mentioned in paragraph 6.
12. The Board has formed Committees comprising of members given below:
 - a) Audit Committee
 - i. Mirza Mahmood Ahmad – Chairman
 - ii. Mr. Liaqat Mohammad – Member
 - iii. Mr. Muhammad Iqbal – Member
 - iv. Mr. Ansar Javed – Member
 - b) Risk Management Committee
 - i. Mirza Mahmood Ahmad – Chairman
 - ii. Mr. Liaqat Mohammad – Member

- iii. Mr. Muhammad Iqbal – Member
 - iv. Mr. Ansar Javed – Member
- c) Finance Committee
- i. Mr. Rashid Ali Khan (Chairman)
 - ii. Mr. Naeem Jan Khan – Member
 - iii. Mr. Liaqat Mohammad – Member
 - iv. Mr. Muhammad Iqbal – Member
- d) HR & Remuneration Committee
- i. Mr. Ansar Javed (Chairman)
 - ii. Syed Kaukab Mohyuddin – Member
 - iii. Mr. Naeem Jan Khan – Member
 - iv. Mr. Rashid Ali Khan – Member
13. The terms of reference of the aforesaid Committees have been formed, documented and advised to the Committee for compliance.
14. The frequency of meetings of the Committees were as per following:
- | | |
|--|------------------|
| a. Audit Committee | First Quarter |
| b. Finance Committee | First six months |
| c. Human Resource and Remuneration Committee | None |
| d. Risk Management Committee | None |
- No meeting of any Board' Committee could be held after November 2018 due to the fact mentioned in paragraph 6.
15. The Board has set up an effective internal audit function. During the year since November 2018; the internal audit function could not work properly due to the fact mentioned in paragraph 6.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that various other non-mandatory regulations contained in the CCG have not been complied with properly; due to the fact mentioned in paragraph 6.

Lahore
January 20, 2025

Mirza Mehmood Ahmed
(Chairman of the Board)

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

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Pakistan Engineering Company Limited** for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

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

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

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

Lahore
Date: January 20, 2025

Malik Haroon Ahmad & Co.
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

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

Disclaimer of Opinion

We have audited the annexed financial statements of **Pakistan Engineering Company Limited** (the Company), which comprise the statement of financial position as at **June 30, 2019**, and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for Disclaimer of Opinion

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017 (XIX of 2017) and such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code.

Report on Other Legal and Regulatory Requirements

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

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- no Zakat was deductible at source under the Zakat and Usher ordinance, 1980 (XVIII 1980).

Other Matter

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

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

Lahore
January 20, 2025

Malik Haroon Ahmad & Co.
Chartered Accountants

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

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

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

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Director

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

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

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

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

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Director

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

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

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

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

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Director

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

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

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

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

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Director

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

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

	Issued, subscribed and paid-up capital	Revenue Reserve - General	Accumulated Loss	Surplus on revaluation of fixed assets	Total
-----Rupees in '000 -----					
Balance as at July 01, 2017	56,902	10,000	(832,934)	14,498,128	13,732,096
- Loss after tax for the year ended 30 June 2018	-	-	(69,956)	-	(69,956)
Other comprehensive income for the year					
-Remeasurement of retirement benefit plan	-	-	1,235	-	1,235
-Related deferred tax impact	-	-	(358)	-	(358)
	-	-	877	-	877
Surplus on revaluation of property, plant and equipment realized during the year on account of:					
- incremental depreciation - net off tax	-	-	17,706	(17,706)	-
- revaluation of property, plant and equipment adjustment due to change in tax rate - OCI	-	-	-	4,981	4,981
Balance as at June 30, 2018	56,902	10,000	(884,307)	14,485,403	13,667,998

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

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Director

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

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

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

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

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Director

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

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

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

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

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Director

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

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

1 LEGAL STATUS AND OPERATIONS

- 1.1** Pakistan Engineering Company Limited ("the Company") was incorporated in Pakistan on February 15, 1950 under the Companies Act, 1913 (Now Companies Act, 2017) as a public limited company. Its shares are quoted on Pakistan Stock Exchange. The factory of the Company is situated at Near Kot Lakhpat Railway Station, Quaid-e-Azam Industrial Estate, PECO Road, Lahore. The registered office of the Company is situated at 6/7 Ganga Ram Trust Building, Shahra-e-Quaid-e-Azam, Lahore. The company is principally engaged in the manufacturing and sale of engineering products. The major products of the company are electricity transmission and communication towers, electric motors, pumps and steel rolled products etc.

2 GOING CONCERN ASSUMPTION

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

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

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

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

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

3 BASIS OF PREPARATION

3.1 Statement of Compliance

- These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of :
 - (i) International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan
 - (ii) Provisions of and directives issued under the Companies Act, 2017 (the Act).

Wherever the requirements of the Act or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Act or the requirements of the said directives prevail.

3.2 Basis of measurement

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

3.3 Critical accounting estimates and judgments

- The Company's significant accounting policies are stated in note 4 to these financial statements. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

3.3.1 Provision for taxation

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

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

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

3.3.3 Provision for inventories and stores

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

3.3.4 Impairment of trade receivables

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

3.3.5 Functional and presentation currency

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 New standards, amendments and improvements effective during the year

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

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

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

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

4.1.1 IFRS 9 Financial Instruments

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

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

4.1.2 IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

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

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

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

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

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

4.3 Taxation

Current

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

Deferred

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

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited in the profit or loss, except in the case of items credited or charged to other comprehensive income.

4.4 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit or loss during the period in which they are incurred.

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

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the profit or loss in the year the asset is derecognized.

4.5 Capital work in progress

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

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

4.6 Segment Reporting

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

4.7 Associated Undertakings / Related Parties

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

4.8 Foreign Currency Translation

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

4.9 Investment property

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

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

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

4.10 Trade debts and other receivables

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

4.11 Employees' Retirement Benefits

(a) Defined benefits plan

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

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

(b) Defined contribution plan

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

4.12 Trade and other payables

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

4.13 Revenue recognition

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

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

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

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

(a) Income on bank deposits

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

(b) Others

Scrap sales and miscellaneous receipts are recognized on realized amounts.

4.14 Borrowing Costs

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

4.15 Provisions

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

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

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

4.16 Cash and Cash Equivalent

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

4.17 Investments

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

a) Investments available for sale

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

b) Held to maturity

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

c) Loans and receivables

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

d) Investments at fair value through profit or loss - held for trading

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

4.18 Impairment

a) Financial assets

A financial asset is considered to be impaired if subjective evidence indicate that one or more events will have a negative effect on the estimated future cash flow of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non- Financial Assets

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

4.19 Financial Instruments

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

a) Trade and other receivables

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

b) Off setting of financial assets and financial liabilities

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

c) Markup bearing borrowings

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

d) Interest-free borrowings at amortized cost

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

4.20 Dividend and appropriation to reserves

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

4.21 Earnings per share

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

4.22 Contingent assets

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

4.23 Contingent liabilities

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

4.24 Share Capital

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

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

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

5.1

2019												
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	279,236
Plant and machinery	382,193	41,439	49,992	-	473,624	5%	41,692	21,597	-	-	63,289	410,338
Office equipment	9,435	155	-	-	9,590	10%	6,772	282	-	-	7,054	2,537
Computers	8,753	55	-	-	8,808	10%	5,592	322	-	-	5,914	2,894
Furniture and Fixtures	10,036	19	-	-	10,055	10%	7,576	248	-	-	7,824	2,232
Vehicles	38,137	-	-	-	38,137	20%	20,948	3,438	-	-	24,386	13,753
Electric Equipment	16,387	-	-	-	16,387	10%	11,235	515	-	-	11,750	4,636
Tools	6,742	-	-	-	6,742	10%	5,650	109	-	-	5,759	983
	14,637,182	41,668	50,382	-	14,729,232		135,920	41,207	-	-	177,128	14,552,109

5.2 Depreciation for the year has been allocated as under:

	2019	2018
	Rupees in "000"	
Cost of sales	36,918	33,176
Administrative expenses	4,290	4,851
	41,208	38,027

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

5.2.2 Land, Building and Plant and Machinery were revalued on February 15, 2016 by an independent valuer M/s Indus Surveyor Co. (Pvt) Ltd , on the basis of fair value / depreciated market value for the period of use resulting in surplus of Rs. 5,929.500 million, Rs. 12.684 million and Rs. 49.426 million respectively. Details of previous revaluations is provided in Note. 19.

5.2.3 Freehold land represents land of kot lakhpat works. The company has possession and control of the land and holds valid title. The Mutation of land is complete as per The Board of Revenue Punjab letter which states that the Government of Punjab has, however, no objection to the disposal of properties of PECO which had vested in the Federal Government. However a letter was issued by the Joint Secretary Ministry of Industries and Production Islamabad directing District Officer Revenue Lahore and copy endorsed to Member Revenue Punjab to stop the above mutation till further instructions, for undisclosed reasons.

- 5.2.4 Froced sale value of free hold land, building and plant and machinery is Rs. 6,720 million, Rs. 298 million and Rs. 318 million respectively.
- 5.2.5 Subsequent to the reporting date, on May 30, 2024, the Company engaged an independent valuer, Eastern Consultants (Private) Limited, to revalue its land, buildings, and plant and machinery. The revaluation provided the following fair market values and corresponding forced sale values:

Land:

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

Buildings:

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

Plant and Machinery:

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

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

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

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

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

5.3 **Capital Work in Progress:**

Opening balance
Addition
Transferred to fixed asset
Closing balance

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

Opening balance
Addition
Transferred to fixed asset
Closing balance

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

5.4 **Advances against purchase of Capital Assets**

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

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

[illegible]

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

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

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

5.1

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

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

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

9 STORES, SPARES AND LOOSE TOOLS

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

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

10 STOCK-IN-TRADE

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

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

11 SHORT TERM INVESTMENTS

ABL cash fund	21,424	-

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

12 TRADE DEBTS - UNSECURED

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

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

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

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

12.3 This include an amount of Rs. 7.617 million (2018: Rs. 7.617 million) receivable from M/s Metropolitan Steel Corporation Limited against which the company has filed suit for execution of Court decision in favor of the Company.

12.4 Movement in expected credit loss is as follows:

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

12.5 As at June 30, 2019, trade receivables of Rs 43.212 million (2018: Rs 43.212 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

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

13 ADVANCES

Advances to:

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

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

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

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

13.3.1 Movement in expected credit loss is as follows:

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

14 TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

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

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

14.1.1 Movement in expected credit loss is as follows:

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

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

15 TAX REFUNDS DUE FROM GOVERNMENT

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

16 CASH AND BANK BALANCES

Cash in hand - 2,082

Cash at Bank

- Current accounts

- Deposit accounts

- Escrow account

16.1

44,510	28,803
268	7,191
-	32
44,777	36,026
44,777	38,108

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

16.2 All bank accounts are maintained under conventional banking system.

17 FREE HOLD LAND - HELD FOR SALE

Free hold land - held for sale

314,724 314,724

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 (2018: 9,000,000) of Rs.10/- each

90,000 90,000

7.5% Cumulative redeemable preference shares 100,000 (2018: 100,000 of Rs. 100/- each

10,000 10,000

100,000 100,000

Issued, Subscribed and Paid up Capital:

Ordinary shares 3,162,144 of Rs.10/- each fully paid in cash

31,621 31,621

Ordinary shares 2,528,101 of Rs. 10/- each issued as bonus shares

25,281 25,281

56,902 56,902

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

19 SURPLUS ON REVALUATION OF FIXED ASSETS

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

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

19.2 Free Hold Land

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

19.2.1 Badami Bagh Land

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

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

- 19.2.2 Kot Lakhpat works was revalued on February 15, 2016 by an independent approved valuer M/s Indus Surveyors (Private) Limited on the basis of average market rate keeping in view of prevailing real estate market conditions. The land was revalued at 13,835 million resulting in revaluation surplus of Rs. 5,929 million. Earlier, the land has been revalued in 1991 by M/s NESPAK and in 2001, 2009 and 2013 by M/s Indus Surveyors (Pvt.) Limited.

19.3 Building Structure on freehold land

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

Less: Related deferred tax liability in respect of:

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

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

19.4 Plant and Machinery

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

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

20 LONG TERM FINANCING

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

20.1.1 The financing forms part of total credit facility available to the extent of Rs. 108.351 million. The loan carries markup @ 3 months KIBOR plus 2.50%. The credit facility of the Company have be expired on December 31, 2019. The quarterly installment of principal liability is amounting to 4.876 million. This is secured against first charge of Rs. 73.128 million over movable fixed assets excluding land and building of the company.

21 LONG TERM DEPOSITS

Security deposits	21.1	4,000	3,000

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

22 DEFERRED LIABILITIES - NET

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

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

22.2 Deferred tax liability-net

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

The offset amounts are as follows:

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

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

22.2.1 Deferred tax liabilities in respect of taxable temporary differences:

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

22.2.2 Deferred tax assets in respect of deductible temporary differences:

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

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

23 TRADE AND OTHER PAYABLES

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

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

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

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

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

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

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

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

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

23.4 Reconciliation of Workers' Profit Participation Fund

Principal	23.4.1	35,269	35,294
Accumulated interest	23.4.2	12,452	11,620
		<u>47,721</u>	<u>46,914</u>

23.4.1 Movement in principal

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

23.4.2 Movement in accumulated interest

Opening balance		11,620	15,637
Add: Interest on funds utilized for the company's business		832	3,049
Less: Paid during the period		-	(7,066)
		<u>12,452</u>	<u>11,620</u>

23.5 It includes Rs. 12.947 million (2018: 5.251 million) in respect of provision against litigations mentioned in Note 27.1.7 to 27.1.9.

24 UNCLAIMED DIVIDEND

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

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

25 SHORT TERM BORROWING - SECURED

Running finance from NBP Bank under markup arrangements	25.1	<u>71,556</u>	<u>61,494</u>

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

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

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

26.1 Loan From Government Of Pakistan - unsecured

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

26.2 These represent funds provided by the Government of Pakistan (the Government), bank loans of the company taken over by the Government and amounts payable by the company to different Government departments like Customs, Railways and Karachi Port Trust. According to the Cabinet Committee Division decision dated 30th May 1994 and 2005 these liabilities will be settled against the proceeds from disposal of Land held for sale (Ref: Note 17.1) and surplus land of Kot Lakhpat, if needed. There is no fix repayment schedule or tenure for repayment of these liabilities. An exercise to reconcile the liabilities is in process and several meetings have been conducted in this regard, however, all these meetings concluded without any decision or agreement with respect to the reconciliation of the loan liabilities and calculation, payment or mode of payment of interest on Government of Pakistan loans due to which there is currently no fixed tenure for repayment of these liabilities nor the total amount of the liability is determinable. In the absence of the availability of a defined repayment schedule due to reasons explained above, the fair value of these loans is not determinable and hence they have been stated at cost. The Technical Advisory Committee (TAC) of Institute of Chartered Accountants of Pakistan (ICAP), on the request of Management of PECO, on March 28, 2017, also gave an opinion, on the issue of recording accrual of mark-up on GoP loans. After review of all details, workings and complete documents, The Committee is of the view that "the management of company needs to determine whether a present obligation exists at the end of the reporting period taking into account all the available evidences, including, the opinion of legal experts. Where there is a probability that a present obligation exists at the end of the reporting period, the provision should be recognized. Contrary to this will require an entity to disclose a contingent liability".

The Board of Directors in its various meetings has resolved that amount due under the law to the Government of Pakistan (GoP) for any loan given to PECO shall be paid. The Board has agreed with GoP to adjust its liabilities by disposal of Badami Bagh Land as decided in E.C.C decision dated 02.03.1993, which according to the recent valuation amounts to Rupees 4,605.133 million and it is in excess of the amount being claimed by GoP from PECO. The BoD and the management of the Company believes that they are not liable to pay any interest on these loans in the absence of any agreement. The legal advisor of the company is also of the firm opinion that since there is no mention of any markup to be charged on this loan nor is there any markup agreement, therefore, no markup is payable by the company in respect of this loan. Therefore, a disclosure of a contingent liability is made in notes (refer note 27.1.4 & 27.1.5) to these financial statements.

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

Further, the Finance Division was instructed in the meeting to re-examine the issue and confirm the contention of PECO. Following, the meeting held at Finance Division, the management of the company obtained fresh legal opinion from legal consultant regarding the matter of charging interest on GoP loans. The legal advisor was of the opinion that no markup / interest was payable by PECO to Ministry of Finance and Privatization Commission and instead believed that a case of causing loss to PECO on account of delay caused in disposing off the land at Badami Bagh should be made out, either by raising monetary claim or claiming set-off against the alleged principal loan liability. The management of the company had handed over the title documents of the said land to the Privatization Commission for disposal in the year 1994 and had Privatization Commission disposed off the land at that time, no issue of interest would have risen. Further, meetings were held between the representatives of Ministry of Finance, Privatization Commission and Ministry of Production and the PECO Loan Committee to reconcile the loan liabilities. However, these meetings concluded without any decision or agreement with respect to the reconciliation of loan liabilities and calculation, payment or mode of payment of interest on Government of Pakistan loans. Further, as agreed no SRO, notification, documentation was provided by the Ministry of Finance to substantiate their view point on the issue of levy of markup on Government loans and it was agreed to refer PECO's view points to Ministry of Finance who may refer the matter to Ministry of Law to form their verdict. Further, the principal amount of these loans has been agreed except for additional gratuities and in respect of the amounts disputed, the BoD and the management is of the opinion that an arbitrator should be appointed who should be acceptable to both the parties. Further, under the directions of public accounts committee the matter of charging interest is being reviewed by the committee comprising of Ministry of Industries, Ministry of Finance and

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

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

26.2.2 This represents interest free loan provided by Privatization Commission to PECO for payment of salaries, energy bills, shifting of plant & machinery from Badami Bagh to Kot Lakhpat and payment of outstanding essential liabilities. According, to the Cabinet Committee Division decision, Privatization Commission would adjust its loan liability against the sale proceeds of Badami Bagh Land and surplus land of Kot Lakhpat, if needed and in this regard title documents of Badami Bagh Land were handed over to the Privatization Commission in 1994 by PECO. The foregoing loans have been outstanding since 1993. The company also obtained legal opinion from the legal advisers of the company. The legal adviser is of the firm opinion that since there is no mention of any markup to be charged on this loan in any agreement nor is there any markup agreement in respect of this loan therefore no markup is payable by PECO in respect of this loan. The BoD and the management firmly believes that as the Company had handed over the title documents of the said land to the Privatization commission for disposal in the year 1994 and had Privatization Commission disposed off the land at that time no issue of charging any interest on these loans would have risen and instead believed that a case of causing loss to PECO on account of delay caused in disposing off the land at Badami Bagh should be made out, either by raising monetary claim or claiming set-off against the alleged principal loan liability. The difference of Rs. 131.454 million claimed by the Privatization Commission on account of additional gratuities is because of misapprehension on part of GoP, whereby, PECO is considered responsible to pay Rs. 131.454 million, that infact was the liability of the Privatization Commission under the APSEWEC agreement. As per the APSEWEC agreement Privatization Commission took the liability to make additional gratuity payments, for which purpose it had advanced Rs. 131.454 million to PECO. On receiving the said amounts PECO had made the payments as was directed. It is important to note that PECO was not a party to these agreements, therefore, it cannot be held responsible for fulfilling any obligation pertaining to them. The claim of GoP is based on illegitimate assumption.

Furthermore, the legal advisors are also of firm opinion that the amount of additional gratuities of Rs. 131.454 million (refer note 27.1.3) should be borne by the Privatization Commission. In this regard, in the meeting held on October 7, 2010 at Finance Division, Privatization Commission was instructed by Ministry of Finance to review the calculation / treatment of the loan amounting to Rs. 131.454 million and come up with firm stance on it. The Privatization Commission was further instructed to sort out the issue of charging interest on VSS loan and come up with sound reason and logic for charging interest thereon. Neither formal agreements were signed or executed between the Privatization Commission, Ministries and PECO nor definitive terms and conditions exist in relation to the issue of markup and that the Privatization Commission only applied markup as instructed by the Finance Division. Further, under the directions of public accounts committee the matter of charging interest is being reviewed by the committee comprising of Ministry of Industries, Ministry of Finance and Privatization Commission of Pakistan.

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

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

26.2.4 The company has not provided interest amounting to Rs. 41.989 million (accumulated Rs. 41.989 million) @ 14% for three years relating to custom and other import duties (2018: Rs 41.989 million) as the BoD and the management believes that there was no clause of charging interest or surcharge in the ECC and Cabinet Decision. In spite of confirmation requests and several reminders, no confirmation of custom and other import duties of Rs. 86.984 million and Karachi Port Trust of Rs.12.964 million along with markup / surcharge on custom duty of Rs. 2,703.822 million (refer note 27.1.4) was received by the auditors from customs or Pakistan Railways or port Trust.

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

Bank loans taken over	100,000	100,000

26.2.6 This represents amount payable on account of the company's bank loans taken over by the Government in the year 1990. BoD and the management of the Company believes that there was no interest as PECO was required to take-up only principal amount of the loan in its books. The legal advisor is also of the firm opinion that no markup is payable by PECO in respect of this loan. Furthermore, in the meeting held at Ministry of Finance in October 2010, Finance Division was instructed to re-examine the issue relating to Rs.100 million loan and interest thereof, to confirm the contention of PECO and decision to be conveyed at its earliest.

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

Loan for CSS	309,000	309,000

26.2.8 This represents loan provided by the Federal Government of Pakistan to PECO to pay off the staff through Compulsory Separation Scheme vide letter No. 1(26) CF 111/93 dated 4th March 2002. The BoD and the management of the company do not agree with the markup claimed by GOP and is of the opinion that markup is not payable on this loan liability in the absence of any agreement for markup. The BoD and the management have taken legal opinion and the legal advisor vide his letter dated August 10, 2015 is also of the opinion that no interest is payable and the letter dated 4th March 2002 referred by the GoP, to substantiate claim of payment of interest @ 10% per annum against loan of Rs. 309.00 million was in the absence of perusal of relevant decisions / formative documents was misconceived and did not place any payment obligation on PECO. The letter was contrary to the decisions / documents and did not establish any liability to pay interest @ 10% per annum and that any alleged premium in the absence of agreement is void and unfair. In the absence of a contractual arrangement / agreement no interest can be claimed and in the absence of any agreement the alleged claim of interest tantamount to a penalty, which is construed as penal interest in nature and could not be granted unless loss/ damage proved through substantial evidence, which in the instant case will be all more difficult on account of handing over of land of Badami Bagh of PECO for sale/disposal. In view of the above, BoD and the management along with the legal advisor firmly believe that the alleged claim of GoP appears to be misconceived and without any basis and recommend that the aforesaid dispute should be referred to some impartial body for resolution under some Alternate Dispute Resolution (ADR) mechanism, where claims / counter claims of the respective parties be examined, considered and decided. Furthermore, in order to reconcile the principal and markup amounts with respect to Government of Pakistan Loans, a committee has been constituted as per the decision of Additional Finance Secretary. The management of PECO intends to pay back the Government of Pakistan Loans after the reconciliation of differences as per the records and facts available with the committee representatives.

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

Interest bearing bonds	655,138	655,138
Interest free bonds	132,304	132,304
	787,442	787,442

26.2.10 These bonds were issued by the Federal Government against the liability of the company towards banks / financial institutions taken up by the Federal Government in the light of Federal Cabinet decision and S.R.O No. 823(1)/94 dated August 28, 1994. Against the principal amount interest bearing bonds and against accrued mark up interest free bonds were issued by the Government. The Government is liable to pay interest @ 12.43% per annum to the Banks / DFI regarding the interest bearing bonds. However, the BoD and the management of the Company do not agree with the markup claimed by the Finance Division and is of firm opinion that the Government is liable to pay any interest thereon, and that there was no agreement for charging any interest thereon. Furthermore, the legal adviser is also of the firm opinion that no markup is payable by the Company in respect of this loan in the absence of any specific markup agreement.(Ref: Note 25.2.1)

27 CONTINGENCIES AND COMMITMENTS**27.1 Contingencies**

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

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

27.1.3 The Privatization Commission through its confirmation dated November 08, 2024 for the year ended June 30, 2015 has claimed additional loan liability amounting to Rs. 131.454 million (Ref: Note 26.2.2) and mark up amounting to Rs. 1,546.034 million. The said confirmation from privatization Commission also states that initially there was no mention of specific interest rate on the loan amount, therefore, the mark up on the outstanding amount of loan to PECO was charged on the basis of annual rate of markup chargeable on cash development loans to Provincial Governments, corporations, local bodies etc. and capital outlays of Federal Government in commercial departments. The management of the company already in a meeting held on October 7, 2010 at Ministry of Finance's office to reconcile the principal and mark up amounts with respect to Govt. of Pakistan loans did not agree with the stance of Privatization Commission in respect of additional loan and mark up claimed. Privatization Commission has been instructed by the Ministry of Finance to review the calculation/treatment of a loan amounting Rs. 131.454 million and has been asked to come up with firm stance on the foregoing loan amounting to Rs. 131.454 million. Further, Privatization Commission has been instructed to sort out the issue of charging interest on VSS loan and Privatization Commission has been asked to come up with sound reason and logic for charging interest on the above loan. The legal advisor of the company is also of the firm opinion that since there is no mention of any markup to be charged on this loan nor is there any markup agreement, therefore, no markup is payable by the company in respect of this loan. The management is confident that the ultimate outcome of the matter will result in favor of the company and hence no provision has been made in these financial statements in respect of the additional loan and markup claimed.

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

- 27.1.5** The Finance Division vide its letter dated July 28, 2017, for the year ended June 30, 2016 has claimed an amount of Rs. 671.860 million in respect of additional principal liability and Rs. 2,517.766 million in respect of markup payable on remaining Government of Pakistan Loans (Ref: Note 26.2.5, 26.2.7 & 26.2.9). However, the management of the company is of the opinion that no markup is payable in the absence of any agreement for markup. The matter was taken up by the Ministry of Finance, in meeting held on October 7, 2010, to reconcile the principal and 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(Ref Note: 23.4).
- 27.1.8** Punjab employees social security institution (PESSI) has also filed various suits against the Company. These suits are presently pending adjudication before the Commissioner PESSI. The management is vigilantly pursuing these cases. According to the opinion of legal advisor, the settlement of which is expected to result in an outflow from the entity of resources is amounting to Rs. 7.69 million has been provided for (Ref Note: 23.4).
- 27.1.9** FBR has filed a suit against the Company for recovery. This suit is presently pending adjudication before the Civil Court, Lahore respectively. The management is vigilantly pursuing the case. According to the opinion of legal advisor, the settlement of which is expected to result in an outflow from the entity of resources is amounting to Rs. 0.674 million has been provided for (Ref Note: 23.4).
- 27.1.10** The Company initiated legal proceedings against Ishtiaq Steel Industry in 2021, seeking recovery of damages amounting to Rs 1.017 billion and compensation of Rs 500 million. The case remains pending as of the reporting date. Based on the opinion of the Company's legal counsel, management expects a favorable outcome. However, in accordance with prudence and applicable accounting standards, no receivable has been recognized in the financial statements, as the outcome of the case is contingent upon the final judgment of the court.
- 27.1.11** The Company initiated legal proceedings against Al-Majeed Ibrahim Steel Industries (Private) Limited in 2021, seeking recovery of damages amounting to Rs 100 million and compensation of Rs 50 million. The case remains pending as of the reporting date. Based on the opinion of the Company's legal counsel, management expects a favorable outcome. However, in accordance with prudence and applicable accounting standards, no receivable has been recognized in the financial statements, as the outcome of the case is contingent upon the final judgment of the court.
- 27.1.12** The Company initiated legal proceedings against Inam Steel Re rolling Mills in 2021, seeking recovery of damages amounting to Rs 50 million. The case remains pending as of the reporting date. Based on the opinion of the Company's legal counsel, management expects a favorable outcome. However, in accordance with prudence and applicable accounting standards, no receivable has been recognized in the financial statements, as the outcome of the case is contingent upon the final judgment of the court.
- 27.1.13** The Company initiated legal proceedings against Anwar Traders in 2021, seeking recovery of damages amounting to Rs 30 million and compensation of Rs 20 million. The case remains pending as of the reporting date. Based on the opinion of the Company's legal counsel, management expects a favorable outcome. However, in accordance with prudence and applicable accounting standards, no receivable has been recognized in the financial statements, as the outcome of the case is contingent upon the final judgment of the court.

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

28 SALES

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

29 COST OF SALES

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

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

29.1 Raw material consumed

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

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

30 SELLING AND DISTRIBUTION EXPENSES

Salaries,wages and other benefits	30.1	2,472	4,562
Insurance		-	1,932
Traveling and conveyance		479	1,900
Entertainment		84	502
Repair and maintenance		60	101
Research and development		-	235
Postage, telegrams and telephone		15	69
Vehicle running expenses		49	464
Printing, stationery and office supplies		7	76
Rent, rates and taxes		74	296
Publishing of tender and sales promotion		34	1,315
Fee and subscription charges		30	125
Miscellaneous		181	447
		<u>3,484</u>	<u>12,024</u>

30.1 This includes retirement benefits amounting to Rs. 0.207 million (2018: Rs. 0.225 million).

31 FREIGHT AND FORWARDING EXPENSES

Freight and forwarding expenses		<u>4,192</u>	<u>22,714</u>

32 ADMINISTRATIVE EXPENSES

Salaries,wages and other benefits	32.1	27,213	34,351
Vehicle running expenses		2,211	4,879
Traveling and conveyance		1,479	3,406
Printing, stationery and office supplies		447	3,124
Legal and professional		8,351	2,705
Utilities		7,894	2,388
Entertainment		608	1,644
Rent, rates, and taxes		2,032	1,625
Repair and maintenance		2,003	1,742
Postage, telegrams and telephone		533	1,551
Security charges		1,719	1,375
Insurance		890	712
Fee and subscription charges		1,328	903
Advertisement		1,125	357
Training		24	16
Miscellaneous		16,769	8,502
Bad debts		273	-
Fine and penanlties		300	-
Depreciation		4,290	4,851
		<u>79,489</u>	<u>74,132</u>

32.1 This includes retirement benefits amounting to Rs. 2.1 million (2018: Rs. 1.836 million).

33 OTHER OPERATING CHARGES

Auditors' remuneration	33.1	810	675
Tax consultancy fee		83	330
Impairment allowance		7,925	-
Depreciation on investment property		28	29
		<u>8,845</u>	<u>1,034</u>

33.1 Auditors' remuneration

Audit fee	810	550
Half yearly review fee	-	90
Review of compliance with code of corporate governance	-	35
	810	675

34 OTHER OPERATING INCOME**Income from Financial Assets**

Profit on bank deposits	221	108
Profit on investment	1,204	79
	1,426	187

Income from Non - Financial Assets

Miscellaneous income	30	272
Liability written off	9,960	4
Rental income	2,253	2,986
	12,242	3,262
	13,668	3,449

35 FINANCE COST

Mark - up on short term borrowings	4,583	6,041
Mark - up on long term borrowings	1,725	3,455
Bank charges and commission	1,105	5,014
Interest on workers' profit participation fund	832	3,049
	8,245	17,559

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

36 TAXATION**Current**

for the year	3,120	15,992
for prior years	53,540	883
	56,660	16,875

Deferred

Origination and reversal of temporary differences	81,708	(41,470)
Impact of change in tax rate	-	(4,421)
	81,708	(45,891)
	138,368	(29,016)

36.1 This amount represents the tax expense recovered by the Federal Board of Revenue through the attachment of the company's accounts.

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

36.3 Company's income tax assessment has been finalized up to 2018.

37 BASIC AND DILUTED EARNINGS PER SHARE**Basic earnings per share:**

(Loss) / profit after taxation (Rupees in '000)	(466,957)	(69,956)
Weighted average number of ordinary shares (No. in '000) outstanding during the year	5,690	5,690
	(82.07)	(12.29)

37.1 There are no dilutive potential ordinary shares outstanding as at June 30, 2019 and 2018.

38 CASH GENERATED FROM OPERATIONS

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

39 TRANSACTIONS WITH RELATED PARTIES

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

State Engineering Corporation (SEC)

- Reimbursement expenses payable	23	151	151

Muhammad Arif Habib (Director)

- Payable at the end of the year	23.1.2	3,000	-

Pakistan Machine Tool Factory (PMTF)

- Receivable at the end of the year	39.1	-	273

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

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

40 OPERATING SEGMENT

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

40.1 Information about products and services

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

40.2 Information about geographical areas

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

40.3 Information about major customers

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

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

	Note	2019	2018

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

41 FINANCIAL RISK MANAGEMENT

41.1 Risk management framework

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

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

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

41.2 Financial assets and liabilities by category and their respective maturities

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

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

41.3 Fair Values

The carrying values of the financial assets and financial liabilities approximate their fair values except for Government of Pakistan loans as disclosed in note. 26 to the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If the transaction is not based on market terms, or if a market price cannot be readily determined, then an estimate of future cash payments or receipts, discounted using the current market interest rate for a similar financial instrument, is used to approximate the fair value.

41.4 Financial Risk Factors

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

- Credit Risk
- Liquidity Risk
- Market Risk

41.4.1 Credit Risk

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

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

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

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

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

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

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

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

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

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

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

41.4.2 Liquidity risk

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

Following is the maturity analysis of financial liabilities:

Non - derivative financial liabilities

Government of Pakistan Loans

Long term borrowings

Short term borrowings

Trade and other payables

Mark-up accrued

30-Jun-19

Up to 1 year	1 to 5 years	Total
-	1,790,848	1,790,848
24,374	-	24,374
71,556	-	71,556
462,720	-	462,720
6,301	-	6,301
564,951	1,790,848	2,355,799

Non - derivative financial liabilities

Government of Pakistan Loans

Long term borrowings

Short term borrowings

Trade and other payables

Accrued mark-up

30-Jun-18

-	1,790,848	1,790,848
29,250	19,503	48,753
61,494	-	61,494
312,656	-	312,656
2,128	-	2,128
405,528	1,810,351	2,215,879

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June 2019. The rates of mark-up have been disclosed in the respective notes to the financial statements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

41.4.3 Market Risk

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

(a) Currency Risk

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

(b) Interest Risk

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

The company's interest rate risk arises from short term cash finance facility. The company analyzes its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into accounts various other financing options available. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and entering into interest rate swap contracts.

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

42 CAPITAL RISK MANAGEMENT

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

The Company's objectives when managing capital are:

- (i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, the Company's ability to continue as going concern is disclosed in note 2 to the financial statements, and
- (ii) to provide an adequate return to shareholders.

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

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

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

43 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

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

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

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

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

44 PLANT CAPACITY AND ACTUAL PRODUCTION

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

45 NUMBER OF EMPLOYEES

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

46 CORRESPONDING FIGURES

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

47 AUTHORIZATION OF FINANCIAL STATEMENTS

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

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

48 EVENTS AFTER THE REPORTING PERIOD

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

49 GENERAL

Figures have been rounded off to the nearest thousand rupee.

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Director

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

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

# of Shareholders	From	To	Total Shares held
1,494	1	100	40,747
548	101	500	128,190
126	501	1,000	88,746
97	1,001	5,000	188,388
23	5,001	10,000	164,671
2	10,001	15,000	21,919
5	15,001	20,000	94,400
1	20,001	25,000	21,070
3	25,001	30,000	83,900
1	35,001	40,000	40,000
1	40,001	45,000	43,776
1	45,001	50,000	45,800
1	55,001	60,000	57,500
1	80,001	85,000	80,200
1	85,001	90,000	85,931
1	125,001	130,000	128,790
1	135,001	140,000	135,240
1	165,001	170,000	165,254
1	300,001	305,000	303,200
1	450,001	455,000	452,700
1	505,001	510,000	510,000
1	1,390,001	1,395,000	1,394,100
1	1,415,001	1,420,000	1,415,723
2,313			5,690,245

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

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

ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES

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

Categories of Shareholder
As At June 30, 2019

	# of Shareholders	Shares Held	Percentage
NIT and ICP	2	131,330	2.31
Bank, Development finance institution, Non-Banking Finance companies	12	145,115	2.55
Insurance Companies	3	229,030	4.02
Modarabas, and Mutual, Pension Funds	1	6,900	0.12
CDC-Trustee and Opportunity Fund	1	6,900	0.12
Public Sector companies and corporations	7	27,600	0.49
General Public			
a. Local	2,237	1,463,272	25.72
b. Foreign	-	-	-
Others	43	868,448	15.26
Total	2,313	5,690,245	100

Shareholders Holding 5% or More Voting Interest

Name of shareholder	No of shares held	%age held
State Engineering Corporation Limited	1,415,723	24.88
Rotocast Engineering Company (Private) Limited	1,394,100	24.50
Mr. Ahmad Masood Khan	510,000	8.96
Maha Securities (Private) Limited	452,700	7.96
Djm Securities (Private) Limited	303,200	5.33

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

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**PAKISTAN ENGINEERING COMPANY LIMITED****FORM OF PROXY****ANNUAL GENERAL MEETING**

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

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

WITNESS 01

Signature _____

Name _____

Address _____

WITNESS 02

Signature _____

Name _____

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 _____ (CDC 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/اپنے وکیل کے طور پر نامزد کرتے ہیں کہ وہ میری/ہماری غیر موجودگی میں میری/ہماری طرف سے 70 ویں سالانہ جنرل میٹنگ میں، جو 17 فروری 2025 (پیر) کو صبح 00:11 بجے ہوٹل فور پوائنٹس ہائی شیرٹن، 25- ایبجیٹن 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 سٹیمپ چسپاں کریں

گواہ نمبر 02

دستخط بمعہ شناختی کارڈ نمبر: _____

نام: _____

پتہ: _____

دستخط بمعہ شناختی کارڈ نمبر

نوٹ:

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



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 اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Contents

Company Information	05
Our Products	06
Vision / Mission Statement and Corporate Strategy	07
Our Values	08
Financial Highlights of Six Years	09
Notice of Annual General Meeting	10
Notice of Annual General Meeting اُردو ترجمہ	14
Chairman's Review	18
Chairman's Review اُردو ترجمہ	20
Directors' Report	21
Directors' Report اُردو ترجمہ	28
Statement of Compliance with Listed Companies	34
Independent Auditor's Review Report to the members of Peco	39
Independent Auditor's Report	42
Statement of Financial Position	45
Statement of Profit and Loss Account	47
Statement of Comprehensive Income	48
Statement of Changes in Equity	49
Statement of Cash Flow	50
Notes to the Financial Statements	51
Pattern of Shareholding	87
Jama Punji جمع پونجی	89
Form of Proxy	90
Form of Proxy اُردو ترجمہ	91

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

	2020	2019	2018	2017	2016	2015
Trading Results						
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
Dividend						
Cash Dividend	-	-	-	-	-	-
Dividend Per Share (Rs.)	-	-	-	-	-	-
Financial Position						
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
Key Indicators						
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 71ST ANNUAL GENERAL MEETING

Notice is hereby given that the 71st 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/wp-content/uploads/2025/01/Annual-Report-2020.pdf>

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/wp-content/uploads/2025/01/Annual-Report-2020.pdf>

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

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

4. Participation in the AGM

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

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

- (i) Members, proxies or nominees shall authenticate their identity by producing their original national identity card or original passport and folio numbers at the time of the meeting.
- (ii) In case of corporate entities, a resolution of the Board of Directors / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity and an attested copy of CNIC shall be submitted to the Company at the meeting or along with a completed proxy form. The proxy holders are required to produce their original valid CNICs or original passports at the time of the meeting.
- (iii) In order to be effective, the proxy forms must be received at the 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 71st 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

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

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>).

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- ایئرٹن 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 2020 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/wp-content/uploads/2025/01/Annual-Report-2020.pdf>

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 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 شیئر 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 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/wp-content/uploads/2025/01/Annual-R eport-2020.pdf>

تاہم کمپنی کسی بھی رکن کو ان کے مطالبے پر ان کے رجسٹرڈ ایڈریس پر سالانہ رپورٹ کی ہارڈ کاپیاں مفت فراہم کرے گی، ایسی درخواست موصول ہونے کے ایک ہفتے کے اندر مخصوص رضامندی نامے/فارم پر جو کمپنی کی ویب سائٹ پر دستیاب ہے www.peco.com.pk

مزید برآں شیئرز ہولڈرز سے درخواست ہے کہ وہ اپنا درست ای میل ایڈریس (درست شناختی کارڈ کی کاپی کے ساتھ) کمپنی کے شیئرز رجسٹرار، سی ڈی سی شیئرز رجسٹرار سروسز لمیٹڈ سی ڈی سی ہاؤس، 99 بی، بلاک بی، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی-74400 کو فراہم کریں، اگر ممبر کے پاس فزیکل شکل میں حصص ہیں یا ممبر کے متعلقہ پارٹنر/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 ہینڈشری 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

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 ساتھ 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:

	Rs. in million
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 پرعزم 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 پرعزم ہیں اور تمام اسٹیک ہولڈرز کے ساتھ طویل مدتی تعلقات برقرار رکھنے کی کوشش کرتے ہیں۔ ایک تجربہ کار بورڈ آف ڈائریکٹرز اور پرعزم 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

چیئر مین بورڈ

لاہور: 20 جنوری 2025

DIRECTORS' REPORT**To The Shareholders**

The Directors of Pakistan Engineering Company Limited are presenting the 71st 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 199th 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 199th 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 69th Annual General Meeting of the Company, shareholders appointed Messrs. EY Ford Rhodes & Co. Chartered Accountants as Auditor for the year ending on 30 June 2019. 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 DICLAIMER 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 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

شیئر 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۔ ریل اسٹیل 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 بنادیا ہے۔

مالی سال 2020 میں کاروباری ماحول عمومی طور پر غیر موافق رہا۔ مالی سال کے پہلے نصف میں مہنگائی کے دباؤ، اعلیٰ پالیسی ریش 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 بیانیہ 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۔ ایکسچینج 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 و با 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 شیئر 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 انٹرل 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 مدد 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	(215,484)	(466,967)
ریٹائرمنٹ بینیفٹ پلان کی دوبارہ تشخیص	-	-
اضافی مالیت کی منتقلی	15,191	16,833
ٹیکس کی شرع 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۔

گرچی ٹی اسکیم

کمپنی اپنے ملازمین کو ریٹائرمنٹ کے فوائد فراہم کرتی ہے۔ اس میں تمام ملازمین کے لیے ایک غیر شراکتی تعریف شدہ فائدہ گرچی ٹی اسکیم شامل ہے۔ سال کے اختتام پر گرچی ٹی اسکیم کی قدر 22.77 ملین روپے تھی (30 جون 2019: 22.97 ملین روپے)، جو سلسلہ نگار کے ایک فرم نے 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 پر نہیں کیا، جو کہ خلا پیدا ہونے کے نئے 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 ہوا؛ 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 کمینیز ایکٹ 2017 اور سلیڈ کمینیز (کارپوریٹ گورننس کوڈ) ریگولیشنز 2019 کے مطابق ایک رسمی پالیسی اور شفاف طریقہ کار مرتب کیا ہے۔

شیئر ہولڈنگ کا نمونہ اور شیئرز کی تجارت

شیئر ہولڈنگ کے نمونے اور شیئر 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 شیئرز کی کوئی تجارت نہیں کی۔

ایگزیکٹوز پر شیئر

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

آڈیٹرز

کمپنی کی 69 ویں سالانہ جنرل میٹنگ میں، شیئر ہولڈرز نے 30 جون 2019 کو ختم ہونے والے سال کے لیے میسرز EY فورڈروڈز اینڈ 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 کمپنیز ایکٹ 2017 کے سیکشن 246 کے تحت کوئی آڈیٹر مقرر نہیں ہو سکے۔

مئی 2024 میں، بیکورٹیز اینڈ ایڈجسٹمنٹ کمیشن (ایس ای سی پی) نے کمپنیز 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 ایڈجسٹمنٹ 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 بنادیا گیا، جس میں ناکافی دستاویزات اور کوئی اکروئل اکاؤنٹنگ شامل نہیں تھی۔ وینڈر لیجرز میں غلط بیلنسز 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 پیرز کی 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 ترمیموں 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 ڈیویڈنڈ وفاقی حکومت میں جمع نہ کروانا

اکتوبر 2018 تک، انتظامیہ اور بورڈ آف ڈائریکٹرز 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 ڈیویڈنڈ 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

اسٹاک ایکسچینجز کے لسٹنگ 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 رہے۔ تاہم، اس حقیقت سے سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) اور حکومت پاکستان کو آگاہ کیا گیا۔

ڈائریکٹرز ٹریننگ پروگرام

کمپنی کے بورڈ آف ڈائریکٹرز میں آٹھ نمایاں ڈائریکٹرز شامل ہیں، جن میں سے ڈائریکٹرز لےڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے ریگولیشن 19 کے تحت ڈائریکٹرز ٹریننگ 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 کیئر 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 سکیورٹیز 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 پالیسیز 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 سکیورٹیز 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 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 ہیڈ ہیز سیکورٹی 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، سکیورٹیز 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:

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

- Male 08
- Female -

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

- The composition of board is as follows:

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

- 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:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- no Zakat was deductible at source under the Zakat and Usher ordinance, 1980 (XVIII 1980).



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

Lahore
January 20, 2025

Malik Haroon Ahmad & Co.
Chartered Accountants

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

	Note	2020	2019
----- Rupees in "000" -----			
ASSETS			
NON - CURRENT ASSETS			
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
CURRENT ASSETS			
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
TOTAL ASSETS		15,554,817	15,731,764

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" -----			
EQUITY AND LIABILITIES			
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
		12,985,556	13,201,040
NON - CURRENT LIABILITIES			
Long term financing	20	24,374	24,374
Long term deposits	21	4,000	4,000
Deferred liabilities - net	22	148,398	154,523
		176,772	182,897
CURRENT LIABILITIES			
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
		601,641	556,979
Liabilities directly associated with free hold land - held for sale	26	1,790,848	1,790,848
CONTINGENCIES AND COMMITMENTS			
	27		
TOTAL EQUITY AND LIABILITIES		15,554,817	15,731,764

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)
Gross loss		(219,904)	(238,002)
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
Operating loss		(208,807)	(320,344)
Finance cost	35	(9,358)	(8,245)
Loss before taxation		(218,165)	(328,589)
Taxation	36	2,681	(138,368)
Loss after taxation for the year		(215,484)	(466,957)
BASIC AND DILUTED EARNINGS PER SHARE			
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 -----		
Loss after taxation for the year	(215,484)	(466,957)
Items that will not be reclassified to profit and loss account:		
Remeasurement of retirement benefit plan	-	-
Related deferred tax impact	-	-
	-	-
Effect of change in tax rates on balance of revaluation on property, plant and equipment	-	-
Total comprehensive loss for the year	(215,484)	(466,957)

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, 2018	56,902	10,000	(884,307)	14,485,403	13,667,998
- Loss after tax for the year ended 30 June 2019	-	-	(466,958)	-	(466,958)
Other comprehensive income for the year					
-Remeasurement of retirement benefit plan	-	-	-	-	-
-Related deferred tax impact	-	-	-	-	-
Surplus on revaluation of property, plant and equipment realized during the year on account of:					
- incremental depreciation - net off tax	-	-	16,833	(16,833)	-
Balance as at June 30, 2019	56,902	10,000	(1,334,432)	14,468,570	13,201,040

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

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Director

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

PAKISTAN ENGINEERING COMPANY LIMITED
STATEMENT OF 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)
Other comprehensive income for the year					
-Remeasurement of retirement benefit plan	-	-	-	-	-
-Related deferred tax impact	-	-	-	-	-
	-	-	-	-	-
Surplus on revaluation of property, plant and equipment realized during the year on account of:					
- incremental depreciation - net off tax	-	-	15,991	(15,991)	-
Revaluation of property, plant and equipment adjustment due to change in tax rate - OCI	-	-	-	-	-
Balance as at June 30, 2020	56,902	10,000	(1,533,925)	14,452,579	12,985,556

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
Net cash generated from operating activities		(34,131)	64,451
CASH FLOWS FROM INVESTING ACTIVITIES			
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		-	-
Net cash (used in) investing activities		20,726	(63,911)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings		-	10,062
Security deposit received		-	1,000
Long term borrowings		-	(4,876)
Dividend paid		(0)	(57)
Net cash (used in) / generated from financing activities		(0)	6,129
NET INCREASE IN CASH AND CASH EQUIVALENTS		(13,405)	6,669
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		44,777	38,108
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	25	31,372	44,777

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, Shahra-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 the 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	PROPERTY, PLANT AND EQUIPMENT												
	Operating fixed assets-owned											5.1	14,514,213
5.1													
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	
	14,729,232	699	-	-	14,729,932		177,123	38,598	-	-	215,719	14,514,213	
5.2	Depreciation for the year has been allocated as under:											2020	2019
	Cost of sales											Rupees in "000"	
	Administrative expenses											35,074	36,918
												3,520	4,290
												38,594	41,208
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
191,802	201,229
228,547	239,869

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

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

5.1

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
	14,637,182	41,668	50,382	-	14,729,232		135,920	41,207	-	-	177,123	14,552,109

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" -----			
5.5 The reconciliation of the impairment is as follows			
Opening balance		-	-
Impairment charged during the year		-	7,925
Closing balance		-	7,925
6 INVESTMENT PROPERTY			
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%
6.1 Cost		959	959
Accumulated depreciation		462	435
Net book value		497	524
6.2 Investment property comprises of number of commercial properties that are situated at Uni Tower, I.I. Chundrigar Road, Karachi and leased to M/S UBL Insurers Limited. The lease contains an initial non-cancellable period of three years, with annual rent indexed to consumer prices. Subsequent renewals are negotiated with the lessee and on average renewal periods are three years. No contingent rent are charged.			
6.3 One of the properties having carrying value of Rs. 275 thousands remained vacant during last three years and no rental income was earned during those years.			
6.4 Froced sale value of investment properties is amounting Rs. 15.963 million.			
7 LONG TERM INVESTMENT			
Held to maturity:			
Term deposit in Standard Chartered Bank Limited	7.1	819	819
7.1 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.			
8 LONG TERM DEPOSITS			
Long term deposits	8.1	3,771	3,771
Less: Expected credit loss	8.2	(1,718)	(1,718)
		2,053	2,053
8.1 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.			
8.2 Movement in expected credit loss is as follows:			
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	<u>(10,000)</u>	<u>(10,000)</u>
	<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

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	<u>30,535</u>	<u>35,072</u>
		69,630	226,787
Less: Expected credit loss	12.3		
WAPDA		<u>12,677</u>	<u>12,677</u>
Others		<u>30,535</u>	<u>30,535</u>
		<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>

13 ADVANCES

Advances to:

- Employees - Secured

' - against salary

' - against expenses

- Suppliers

13.3

83

128

2,105

1,642

87,047

4,138

89,234

5,908

13.1 Advances other than those against which provision has been made are considered good by the management.**13.2** Advances to employees are provided to meet business expenses and are settled as and when the expenses are incurred.**13.3** Suppliers as at closing date

89,513

6,604

Less: Expected credit loss

13.3.1

(2,466)

(2,466)

87,047

4,138

13.3.1 Movement in expected credit loss is as follows:

Opening balance

2,466

2,466

Add: Provision for expected credit loss

-

-

Less: Provision for expected credit loss written off

-

-

Closing Balance

2,466

2,466

14 TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Trade deposits - Considered good

14.1

2,531

2,531

Margin against bank guarantee - Considered good

14.2

18,367

18,210

Short term prepayments and other receivables

2,235

731

23,133

21,472

14.1 Balance as on closing date

5,663

5,663

Less: Expected credit loss

14.1.1

(3,132)

(3,132)

2,531

2,531

14.1.1 Movement in expected credit loss is as follows:

Opening balance

3,132

3,132

Add: Provision for expected credit loss

-

-

Less: Provision for expected credit loss written off

-

-

Closing Balance

3,132

3,132

14.2 Balance as on closing date

18,428

18,271

Less: Expected credit loss

(61)

(61)

18,367

18,210

15 TAX REFUNDS DUE FROM GOVERNMENT

Advance income tax - net

42,189

33,160

Sales tax refundable

75,560

31,312

117,749

64,472

16 CASH AND BANK BALANCES

Cash in hand

-

-

Cash at Bank

- Current accounts

- Deposit accounts

- Escrow account

16.1

27,803

44,510

3,569

268

-

-

31,372

44,777

31,372

44,777

- 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
	100,000	100,000

Issued, Subscribed and Paid up Capital:

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

- 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
		14,452,579	14,468,570

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
		14,148,746	14,148,746

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		-	-
		313,999	313,999

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
		196,427	184,360
		229,285	241,352

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)
	66,494	69,993
	162,791	171,359

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		-	-
		353,561	353,561

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
	155,252	144,797
	198,309	208,764

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)
57,267	60,299
141,042	148,465

- 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
Remeasurement of defined benefit plan

164,602	170,412
-	-
164,602	170,412

22.2.2 Deferred tax assets in respect of deductible temporary differences:

Provisions for doubtful and other balances
Provision for gratuity
Provision for stores and spares
Minimum and alternate corporate tax available for carry forward
Unused tax losses
Provision for workers profit participation fund and workers welfare fund

(12,226)	(14,496)
(6,602)	(6,660)
(2,900)	(2,900)
-	-
-	-
(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
		494,993	462,932

- 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
		47,721	47,721

23.4.1 Movement in principal

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

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	-	-
	12,452	12,452

- 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	71,556	71,556

- 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	1,790,848	1,790,848

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
		1,309,379	1,309,379
		1,790,848	1,790,848

- 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	281,082	281,082
Loan for shifting of machinery	75,819	75,819
Loan for Energy bills and Import duties	124,568	124,568
	481,469	481,469

- 26.2.2** This represents interest free loan provided by Privatization Commission to PECO for payment of salaries, energy bills, shifting of plant & machinery from Badami Bagh to Kot Lakhpat and payment of outstanding essential liabilities. According, to the Cabinet Committee Division decision, Privatization Commission would adjust its loan liability against the sale proceeds of Badami Bagh Land and surplus land of Kot Lakhpat, if needed and in this regard title documents of Badami Bagh Land were handed over to the Privatization Commission in 1994 by PECO. The foregoing loans have been outstanding since 1993. The company also obtained legal opinion from the legal advisers of the company. The legal adviser is of the firm opinion that since there is no mention of any markup to be charged on this loan in any agreement nor is there any markup agreement in respect of this loan therefore no markup is payable by PECO in respect of this loan. The BoD and the management firmly believes that as the Company had handed over the title documents of the said land to the Privatization commission for disposal in the year 1994 and had Privatization Commission disposed off the land at that time no issue of charging any interest on these loans would have risen and instead believed that a case of causing loss to PECO on account of delay caused in disposing off the land at Badami Bagh should be made out, either by raising monetary claim or claiming set-off against the alleged principal loan liability. The difference of Rs. 131.454 million claimed by the Privatization Commission on account of additional gratuities is because of misapprehension on part of GoP, whereby, PECO is considered responsible to pay Rs. 131.454 million, that infact was the liability of the Privatization Commission under the APSEWEC agreement. As per the APSEWEC agreement Privatization Commission took the liability to make additional gratuity payments, for which purpose it had advanced Rs. 131.454 million to PECO. On receiving the said amounts PECO had made the payments as was directed. It is important to note that PECO was not a party to these agreements, therefore, it cannot be held responsible for fulfilling any obligation pertaining to them. The claim of GoP is based on illegitimate assumption.

Furthermore, the legal advisors are also of firm opinion that the amount of additional gratuities of Rs. 131.454 million (refer note 27.1.3) should be borne by the Privatization Commission. In this regard, in the meeting held on October 7, 2010 at Finance Division, Privatization Commission was instructed by Ministry of Finance to review the calculation / treatment of the loan amounting to Rs. 131.454 million and come up with firm stance on it. The Privatization Commission was further instructed to sort out the issue of charging interest on VSS loan and come up with sound reason and logic for charging interest thereon. Neither formal agreements were signed or executed between the Privatization Commission, Ministries and PECO nor definitive terms and conditions exist in relation to the issue of markup and that the Privatization Commission only applied markup as instructed by the Finance Division. Further, under the directions of public accounts committee the matter of charging interest is being reviewed by the committee comprising of Ministry of Industries, Ministry of Finance and Privatization Commission of Pakistan.

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

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

- 26.2.4** The company has not provided interest amounting to Rs. 41.989 million (accumulated Rs. 41.989 million) @ 14% for three years relating to custom and other import duties (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	100,000	100,000

- 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	309,000	309,000

- 26.2.8** This represents loan provided by the Federal Government of Pakistan to PECO to pay off the staff through Compulsory Separation Scheme vide letter No. 1(26) CF 111/93 dated 4th March 2002. The BoD and the management of the company do not agree with the markup claimed by GOP and is of the opinion that markup is not payable on this loan liability in the absence of any agreement for markup. The BoD and the management have taken legal opinion and the legal advisor vide his letter dated August 10, 2015 is also of the opinion that no interest is payable and the letter dated 4th March 2002 referred by the GoP, to substantiate claim of payment of interest @ 10% per annum against loan of Rs. 309.00 million was in the absence of perusal of relevant decisions / formative documents was misconceived and did not place any payment obligation on PECO. The letter was contrary to the decisions / documents and did not establish any liability to pay interest @ 10% per annum and that any alleged premium in the absence of agreement is void and unfair. In the absence of a contractual arrangement / agreement no interest can be claimed and in the absence of any agreement the alleged claim of interest tantamount to a penalty, which is construed as penal interest in nature and could not be granted unless loss/ damage proved through substantial evidence, which in the instant case will be all more difficult on account of handing over of land of Badami Bagh of PECO for sale/disposal. In view of the above, BoD and the management along with the legal advisor firmly believe that the alleged claim of GoP appears to be misconceived and without any basis and recommend that the aforesaid dispute should be referred to some impartial body for resolution under some Alternate Dispute Resolution (ADR) mechanism, where claims / counter claims of the respective parties be examined, considered and decided. Furthermore, in order to reconcile the principal and markup amounts with respect to Government of Pakistan Loans, a committee has been constituted as per the decision of Additional Finance Secretary. The management of PECO intends to pay back the Government of Pakistan Loans after the reconciliation of differences as per the records and facts available with the committee representatives.

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

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

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

28 SALES

Sales - Local	259,599	249,636
Less: Sales tax	-	-
	<u>259,599</u>	<u>249,636</u>

29 COST OF SALES

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>

29.1 Raw material consumed

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>

29.2 This includes retirement benefits amounting to Rs. 0.310 million (2019: Rs. 1.7 million).

30 SELLING AND DISTRIBUTION EXPENSES

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>

30.1 This includes retirement benefits amounting to Rs. 0.059 million (2019: Rs. 0.207 million).

31 FREIGHT AND FORWARDING EXPENSES

Freight and forwarding expenses		<u>3,980</u>	<u>4,192</u>

32 ADMINISTRATIVE EXPENSES

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>

32.1 This includes retirement benefits amounting to Rs. 0.748 million (2019: Rs. 2.1 million).

33 OTHER OPERATING CHARGES

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>

33.1 Auditors' remuneration

Audit fee	810	810
Half yearly review fee	-	-
Review of compliance with code of corporate governance	-	-
	810	810

34 OTHER OPERATING INCOME**Income from Financial Assets**

Profit on bank deposits	1,878	221
Profit on investment	-	1,204
	1,878	1,426

Income from Non - Financial Assets

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

35 FINANCE COST

Mark - up on short term borrowings	6,979	4,583
Mark - up on long term borrowings	2,377	1,725
Bank charges and commission	1	1,105
Interest on workers' profit participation fund	-	832
	9,358	8,245

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

36 TAXATION**Current**

for the year	3,245	3,120
for prior years	-	53,540
	3,245	56,660

Deferred

Origination and reversal of temporary differences	(5,926)	81,708
Impact of change in tax rate	-	-
	(5,926)	81,708
	(2,681)	138,368

36.1 This amount represents the tax expense recovered by the Federal Board of Revenue through the attachment of the company's accounts.

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

36.3 Company's income tax assessment has been finalized up to 2018.

37 BASIC AND DILUTED EARNINGS PER SHARE**Basic earnings per share:**

(Loss) / profit after taxation (Rupees in '000)	(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)

37.1 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)
Adjustments for:		
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
	84,919	70,165
(Loss) / profit before working capital changes	(133,246)	(258,424)

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
Increase/(Decrease) in current liabilities:		
Trade and other payables	(3,761)	138,597
	109,463	344,475
Net Cash generated/ (used) from operations	(23,783)	86,051

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	151	151

Muhammad Arif Habib (Director)

- Payable at the end of the year	23.1.2	3,000	3,000

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

----- 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	-
	78,771	2,872	270,644	2,872

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	-
	619,437	1,790,848	578,021	1,790,848
On balance sheet date gap	(540,666)	(1,787,976)	(307,377)	(1,787,976)

OFF - BALANCE SHEET ITEMS

Letter of guarantees	225,811	225,811

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

41.3 Fair Values

The carrying values of the financial assets and financial liabilities approximate their fair values except for Government of Pakistan loans as disclosed in note. 26 to the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If the transaction is not based on market terms, or if a market price cannot be readily determined, then an estimate of future cash payments or receipts, discounted using the current market interest rate for a similar financial instrument, is used to approximate the fair value.

41.4 Financial Risk Factors

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

- Credit Risk
- Liquidity Risk
- Market Risk

41.4.1 Credit Risk

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

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

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

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements.

The maximum exposure to credit risk at the reporting date was:

	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
	81,643	273,516

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	-
				11,371	44,777

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
	69,630	43,212	226,787	43,212

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
595,773	1,790,848	2,386,621

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
	8,885	-	9,128	1,267
Number of persons	1	6	1	7

- 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
Total number of employees as at June 30;	----- Numbers -----	
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
	304	396
Average number of employees during the year		
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
	351	396

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
2,311			5,690,245

**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

	# of Shareholders	Shares Held	Percentage
NIT and ICP	2	131,330	2.31
Bank, Development finance institution, Non-Banking Finance companies	12	145,115	2.55
Insurance Companies	3	229,030	4.02
Modarabas, and Mutual, Pension Funds CDC-Trustee and Opportunity Fund	1	6,900	0.12
Public Sector companies and corporations	7	27,600	0.49
General Public			
a. Local	2,236	1,452,972	25.52
b. Foreign	-	-	-
Others	43	882,448	15.51
Total	2,311	5,690,245	100

Shareholders Holding 5% or More Voting Interest

Name of shareholder	No of shares held	%age held
State Engineering Corporation Limited	1,415,723	24.88
Rotocast Engineering Company (Private) Limited	1,394,100	24.50
Mr. Ahmad Masood Khan	510,000	8.96
Maha Securities (Private) Limited	452,700	7.96
Djm Securities (Private) Limited	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 71th
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

Signature _____

Name _____

Address _____

WITNESS 02

Signature _____

Name _____

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 _____ (CDC 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/اپنے 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 شیرٹن، 25- ایجرٹن 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 سٹیمپ چسپاں کریں

گواہ نمبر 02

دستخط بمعہ شناختی کارڈ نمبر: _____

نام: _____

پتہ: _____

دستخط بمعہ شناختی کارڈ نمبر

نوٹ:

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



PAKISTAN ENGINEERING COMPANY LIMITED

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



Annual Report 2021



PAKISTAN ENGINEERING COMPANY LIMITED

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Contents

Company Information	5
Our Products	6
Vision / Mission Statement and Corporate Strategy	7
Our Values	8
Financial Highlights of Six Years	9
Notice of Annual General Meeting	10
Notice of Annual General Meeting اُردو ترجمہ	14
Chairman's Review	18
Chairman's Review اُردو ترجمہ	20
Directors' Report	21
Directors' Report اُردو ترجمہ	28
Statement of Compliance with Listed Companies	34
Independent Auditor's Review Report to the members of Peco	39
Independent Auditor's Report	42
Statement of Financial Position	45
Statement of Profit and Loss Account	47
Statement of Comprehensive Income	48
Statement of Changes in Equity	49
Statement of Cash Flow	50
Notes to the Financial Statements	51
Pattern of Shareholding	86
Jama Punji جمع پونجی	88
Form of Proxy	89
Form of Proxy اُردو ترجمہ	90



COMPANY INFORMATION

Board of Directors

Mr. Mairaj Anees Ariff (Chief Executive)
Mr. Naeem Jan Khan
Mr. Muhammad Arif Habib
Mr. Rashid Ali Khan
Mr. Iftikhar Hussain
Mr. Muhammad Iqbal
Mirza Mahmood Ahmad
Mr. Ansar Javed

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

	2021	2020	2019	2018	2017	2016
Trading Results						
Sales – Net	183.30	259.60	249.64	1,424.45	1,353.17	2,329.08
Cost of Sales	366.64	279.50	487.64	1,399.41	1,187.00	1,856.63
Gross Profit/(Loss)	(183.34)	(219.90)	(238)	25.04	166.17	472.44
Admin, Gen. & Selling Exp.	122.89	56.72	87.16	108.87	105.46	83.89
Other Operating Charges	0.84	0.84	8.84	1.03	6.44	46.76
Other Operating Income	3.16	68.65	13.67	3.45	23.33	4.65
Operating Profit/(Loss)	(303.91)	(208.81)	(320.34)	(81.41)	77.60	346.44
Financial Charges	10.25	9.36	8.245	17.56	17.07	15.36
Workers Profit Participation fund	-	-	-	-	3.30	17.78
Profit/(Loss) before Tax	(314.15)	(218.16)	(328.59)	(98.97)	60.53	331.08
Net Profit/(Loss) after Tax	(310.52)	(215.48)	(466.96)	(69.96)	66.74	219.49
Dividend						
Cash Dividend	-	-	-	-	-	-
Dividend Per Share (Rs.)	-	-	-	-	-	-
Financial Position						
Property, Plant and Equipment	14,478.03	14,514.21	14,552.11	14,558.75	14,555.17	14,564.50
Paid up Capital	56.90	56.90	56.90	56.90	56.90	56.90
Reserves	10.00	10.00	10	10.00	10.00	10.00
Fixed Capital Expenditure	-	0.70	41.67	41.61	37.50	23.74
Key Indicators						
Gross Profit Ratio	(100.02)	(84.70)	(95.34)	1.76	12.28	20.28
Operating Profit/(Loss) Ratio	(165.80)	(80.43)	(128)	(5.72)	5.73	14.87
Operation Expenses Ratio	67.04	21.85	34.91	7.64	7.79	3.60
Profit/(Loss) Before Tax Ratio	(171.39)	(84.04)	(131.63)	(6.95)	4.47	14.22
Net Profit/(Loss) Ratio	(169.40)	(83.01)	(187.05)	(4.91)	4.93	9.42
Earning Per Share	(54.57)	(37.87)	(82.07)	(12.29)	11.73	38.57
Working Capital Turnover	(159.37)	120.87	304.56	665.74	794.54	748.66
Current ratio	0.80	1.20	1.55	2.56	2.01	1.80
Quick ratio	0.38	0.48	0.61	1.35	1.23	1.39

NOTICE OF 72ND ANNUAL GENERAL MEETING

Notice is hereby given that the 72nd Annual General Meeting (AGM) of **Pakistan Engineering Company Limited** (the “Company”) will be held on **Monday, February 17, 2025 at 11:20AM.** 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, 2021, 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/wp-content/uploads/2025/01/Annual-Report-2021.pdf>

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, 2021. 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 2021 - 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 2021:

In compliance with section 223(6) of the Act, the Company has electronically transmitted the Annual Report 2021 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, 2021 along with reports have also been placed on the website of the Company.



<https://www.peco.com.pk/wp-content/uploads/2025/01/Annual-Report-2021.pdf>

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

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

4. Participation in the AGM:

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

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

- (i) Members, proxies or nominees shall authenticate their identity by producing their original national identity card or original passport and folio numbers at the time of the meeting.
- (ii) In case of corporate entities, a resolution of the Board of Directors / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity and an attested copy of CNIC shall be submitted to the Company at the meeting or along with a completed proxy form. The proxy holders are required to produce their original valid CNICs or original passports at the time of the meeting.
- (iii) In order to be effective, the proxy forms must be received at the 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 72nd Annual General Meeting was notified to be held at 01:00PM which on same day was changed to be held at 11:20AM. The notification of revision of timing of AGM may please be downloaded from Company's website www.peco.com.pk

6. Consent for video conference facility:

Pursuant to Section 132(2) & Section 134(1)(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

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>).

نوٹس برائے 72 واں سالانہ اجلاس عام

نوٹس دیا جاتا ہے کہ پاکستان انجینئرنگ کمپنی لمیٹڈ (کمپنی) 72 واں سالانہ اجلاس عام (اے جی ایم) 17 فروری 2025 بروز پیر صبح 11:20 بجے ہوٹل فور پوائنٹس پریشرٹن، 25- ایئرٹن 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 2021 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/wp-content/uploads/2025/01/Annual-Report-2021.pdf>

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 2021 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 درج ذیل شرکت

اے جی ایم میں شرکت کے خواہشمند شیئرز ہولڈرز کو مشورہ دیا جاتا ہے کہ وہ اجلاس کے وقت سے کم از کم 48 گھنٹے قبل 'اے جی ایم 2019-2020' پیکو کے لئے رجسٹریشن کے موضوع کے ساتھ cdcsr@cdcsrsl.com یا واٹس ایپ نمبر +92 321 820 0864 پر مندرجہ ذیل تفصیلات اور شناختی کارڈ کے دونوں اطراف کی درست کاپی کے ساتھ ای میل بھیج کر اپنا اندراج کرائیں:

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

الیکٹرانک میٹنگ لنک اور لاگ ان اسناد صرف ان ممبروں کے ساتھ شیئر 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 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 2021 کی الیکٹرانک ٹرانسمیشن:

ایکٹ کی دفعہ 223(6) کی تعمیل میں کمپنی نے سالانہ رپورٹ 2021 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 2021ء 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/wp-content/uploads/2025/01/Annual-Report-2021.pdf>

تاہم کمپنی کسی بھی رکن کو ان کے مطالبے پر ان کے رجسٹرڈ ایڈریس پر سالانہ رپورٹ کی ہارڈ کاپیاں مفت فراہم کرے گی، ایسی درخواست موصول ہونے کے ایک ہفتے کے اندر مخصوص رضامندی نامے/فارم پر جو کمپنی کی ویب سائٹ پر دستیاب ہے www.peco.com.pk

مزید برآں شیئرز ہولڈرز سے درخواست ہے کہ وہ اپنا درست ای میل ایڈریس (درست شناختی کارڈ کی کاپی کے ساتھ) کمپنی کے شیئرز رجسٹرار، سی ڈی سی شیئرز رجسٹرار سروسز لمیٹڈ سی ڈی سی ہاؤس، 99 بی، بلاک بی، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی-74400 کو فراہم کریں، اگر ممبر کے پاس فزیکل شکل میں حصص ہیں یا ممبر کے متعلقہ پارٹنر/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 ہینڈشری 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 72 ویں سالانہ جنرل اجلاس کا وقت دوپہر 01 بجے منعقد کرنے کا نوٹیفکیشن جاری کیا گیا تھا جسے اسی دن صبح 11 بج کر 20 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

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 ساتھ 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 my review as the Chairman of the Company for the year ended 30 June 2021, highlighting the Company's performance, issues 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 economy which was impacted last year due to the external business environment and COVID continued to suffer during the year; as internal management disputes created by Government Nominated ex-MD PECO, Mairaj Anees Ariff were getting stronger and stronger. This fiscal year was also badly 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. Due to unprofessional approach and illegal/unlawful actions of Government Nominated ex-MD PECO, Mairaj Anees Ariff, the operations of the Company came to complete halt since April 2021 which was duly reported to Government of Pakistan and relevant regulatory authorities of Pakistan.

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

- Net Sales decreased to Rs. 183.30 million
- Gross Loss of loss of Rs 183.33 million
- Loss after tax increased to Rs. 310.52 million
- Earnings per share decreased to Rs. 54.57 per share

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. During the last two quarters of this financial year; the Board took various initiatives which include not only holding of elections of directors but also started convening quarterly Board meetings; despite of illegal/unlawful actions of Government Nominated ex-MD PECO, Mairaj Anees Ariff.

In April 2021, the previous Board completed its tenure and a new Board was elected for three years. I would like to thank the retiring Board members for their contribution. The deceased director, Mr. Liaqat Mohammad has been replaced by Mr. Iftikhar Hussain. 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 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 aware of the current and future challenges, as we focus our effort towards resolving the on-going issues of the Company created by Government Nominated ex-MD PECO, Mairaj Anees Ariff.

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

چیمبر مین کا جائزہ

میں 30 جون 2021 کو ختم ہونے والے سال کے لیے کمپنی کے چیمبر مین کی حیثیت سے اپنا جائزہ پیش کر رہا ہوں، جس میں کمپنی کی کارکردگی، مسائل اور بورڈ آف ڈائریکٹرز کے کردار کو اجاگر کیا گیا ہے کہ وہ انتظامیہ کی رہنمائی کریں تاکہ تمام اسٹیک ہولڈرز کے فائدے کے لیے اپنی ذمہ داری نبھائی جاسکے۔

گزشتہ سال بیرونی کاروباری ماحول اور کووڈ-19 کے اثرات سے متاثر ہونے والی معیشت رواں سال بھی متاثر رہی؛ کیونکہ حکومت کی نامزد کردہ سابق ایم ڈی PECO، معراج انیس عارف کی طرف سے پیدا کیے گئے اندرونی انتظامی تنازعات بڑھتے چلے گئے۔ اس مالی سال میں انتظامی تنازعات اور کفایت شعاری کے اقدامات، مالیاتی اصلاحات، بلند شرح سود، کم طلب اور کووڈ-19 کی وبا کے عالمی معیشت پر منفی اثرات کی وجہ سے بھی شدید اثرات مرتب ہوئے۔ حکومت کی نامزد کردہ سابق ایم ڈی PECO، معراج انیس عارف کے غیر پیشہ ورانہ رویے اور غیر قانونی اقدامات کے باعث اپریل 2021 سے کمپنی کی کارروائیاں مکمل طور پر معطل ہو گئیں، جس کی باقاعدہ اطلاع حکومت پاکستان اور پاکستان کے متعلقہ ریگولیٹری اداروں کو دی گئی۔

سال کے مالی نتائج منفی رجحان کی عکاسی کرتے ہیں:

خالص فروخت کم ہو کر 183.30 ملین روپے رہ گئی۔

مجموعی نقصان 183.33 ملین روپے۔

ٹیکس کے بعد نقصان بڑھ کر 310.52 ملین روپے ہو گیا۔

فی شیئر آمدنی کم ہو کر 54.57 روپے فی شیئر رہ گئی۔

جائزہ شدہ سال کے دوران، بورڈ نے اپنی ذمہ داریاں دیانتداری 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 بھی کلیدی کردار ادا کرنے کی کوشش کی۔ مالی سال کے آخری دوسرے ماہیوں کے دوران، بورڈ نے متعدد اقدامات کیے جن میں نہ صرف ڈائریکٹرز کے انتخابات کا انعقاد شامل ہے بلکہ غیر قانونی اقدامات کے باوجود، حکومت کی نامزد کردہ سابق ایم ڈی PECO، معراج انیس عارف کی جانب سے، بورڈ کے سہ ماہی اجلاس بھی بلائے۔

اپریل 2021 میں، پچھلے بورڈ نے اپنی مدت پوری کی اور ایک نیا بورڈ تین سال کے لیے منتخب ہوا۔ میں سبکدوش ہونے والے بورڈ ممبران کا ان کی خدمات کے لیے شکریہ ادا کرنا چاہوں گا۔ مرحوم ڈائریکٹر، لیاقت محمد کی جگہ افتخار حسین نے لے لی۔ 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 اور نہ ہی انہیں بورڈ کی ذیلی کمیٹیوں کے اجلاس منعقد کرنے کا موقع دیا۔

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 پرعزم ہے۔ ہم موجودہ اور مستقبل کے چیلنجوں سے آگاہ ہیں اور ان مسائل کے حل کے لیے اپنی کوششوں پر توجہ مرکوز کیے ہوئے ہیں جو معراج انیس عارف کی وجہ سے پیدا ہوئے۔

ہم اپنے بنیادی اقدار کے لیے پرعزم ہیں اور تمام اسٹیک ہولڈرز کے ساتھ طویل مدتی تعلقات برقرار رکھنے کی کوشش کرتے ہیں۔ ایک تجربہ کار بورڈ آف ڈائریکٹرز اور پرعزم مینجمنٹ ٹیم کے ساتھ، جو 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 72nd Annual Report accompanied by the audited financial statements for the year ended June 30, 2021; after a lapse of almost four years.

GLOBAL STEEL SCENARIO AND PAKISTAN'S ECONOMY

The global steel prices hit a record high this year. Hot rolled coil prices reached \$1,100 per ton in June 2021 compared with \$430 per ton in July 2020. Iron ore prices, mainly due to supply constraints, peaked \$225 per ton an increase of 3.5 times at the beginning of the year and higher freight costs. Prices witnessed an increase following the withdrawal of 13.5% export rebate provided by Chinese government to its steel industry. Steel industry may see production cuts in China as a result of the government policy to shut down plants with environmental concerns. China continued to lead the global steel market by further increasing its share in the global output to 57% in 2021.

The global steel industry saw a rise in demand and production after ease in shutdowns across the world. Pandemic has also accelerated some key trends bringing about positive shifts in steel demand. The steel sectors experienced a stronger than expected post lockdown rebound in manufacturing activities, attributable in part to substantial government measures that supported consumption and helped durable goods manufacturing.

The developing economies are still struggling to recover from COVID-19, reason being inadequate medical capacity, a collapse in tourism and commodity prices, and insufficient fiscal support.

Pakistan's economic recovery continues. The macro-economic reforms agenda of the current government rendering positive results, despite the COVID-19 crisis. The smart lock down strategy helped to contain the effects of COVID-19.

A broad-based recovery was witnessed in almost all sectors of the economy helping to post impressive growth numbers for the financial year. Though the inflationary pressure remained a matter of concern along with a continuously piling up circular debt, the economy witnessed a V-shaped recovery with 3.94% growth in FY 2021 against the negative growth of 0.47% last year. The economic growth surpassed its target after 15 years.

The large-scale manufacturing gained traction and was up by an impressive 14.90% as compared to the decline of 10.20% last year giving a boost to the business activity across all segments of the economy. Exchange rate appreciated by 6.50% on back of strong remittances, recovering exports and accumulation of dollar in Roshan Digital Account. Record remittances of \$29.4 Billion supported the foreign exchange reserves to surpass \$22.00 Billion at the end of the year. The policy rate remained unchanged at 7% throughout the year. Furthermore, the extension of the payroll financing and introduction of new refinance schemes such as Temporary Economic Refinance Facility (TERF) indicated the central bank's continued emphasis on supporting the recovery through accommodative monetary policy.

Average inflation recorded as high as 8.90% against 10.74% of last year. Political stability supported by the IMF program helped in continuation of the macro-economic reform agenda in the country. Improved FBR collections, globally applauded handling of the COVID-19 pandemic, effective management of the current account balance indicated that the medium-term economic future of the country looks bright and the GDP growth projection of 5% next year looks achievable.

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, including the statutory positions of Chief Financial Officer, Company Secretary and Head of Internal Audit, from entering the company premises. During this period also, he continued to run the company's affairs by illegally taking under siege control of PECO whereby operations of the Company were put to halt in April 2021.

In this year also, 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, in discharging their statutory and operational responsibilities, along with the efforts made by them in their available capacities for resolution of the issues. 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.

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 worsened situation of the operations, the Company was able to achieve sales and gross loss during the year under review at Rs. 183.30 million and Rs. 183.34 million as compared to sales and gross loss of Rs. 259.60 million and Rs. 219.90 million respectively during the year 2021.

Overall, PECO incurred a loss after taxation of Rs. 310.52 million compared to last year loss after taxation of Rs. 215.48 million last year. Resultantly, there is a loss per share of Rs. 54.57 as compared to last year's loss per share of Rs. 37.87.

CONTRIBUTION TO NATIONAL EXCHEQUER AND THE ECONOMY

Your Company made a contribution of Rs. 11.24 million (June 30, 2020: Rs. 9.03 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>30.06.2021</u>	YEAR ENDED <u>30.06.2020</u>
(Loss) before Taxation	(314,154)	(218,165)
Taxation	3,635	2,681
(Loss)/Profit after Taxation	(310,519)	(215,484)

Appropriations:

(Loss) for the year	(310,519)	(215,484)
Remeasurement of retirement benefit plan	-	-

Transfer from "Surplus on Revaluation of Fixed Assets"	15,193	15,991
Adjustment for change in tax rate	-	-
(Loss) carried forward to accumulated loss	(295,326)	(199,493)

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, 2020: Rs. 22.77 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 199th 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 2 (Company Information)**. The Government nominated directors were Mr. Mairaj Anees Ariff (removed by the Board of Directors in its 199th meeting held on 14.12.2018 but Government of Pakistan delayed the formalities confirming the removal) and Mr. Naeem Jan Khan.

During the year 2020-21, fresh election of the Directors of the Company was held on April 09, 2021 and the entire Board has been re-elected for the next term of three years effective April 09, 2018. Mr. Iftikhar Hussain was elected in place of deceased director, Mr. Liaqat Mohammad. Furthermore, no change was made in other members of the Board of Directors of the Company as all other previous directors were re-elected unopposed.

The Board wishes to place on record its appreciation of the services rendered by its members during their last term and expect them to continue providing valuable guidance and making positive contribution in the future. The Board also wishes to place on record its appreciation of the services rendered by Mr. Liaqat Mohammad in taking this Company to new heights.

In accordance with Company's policies and rules of service, despite of many requests, no chairman of the Board was appointed by Government of Pakistan through Ministry of Production during the year.

During the year 2020-21, Government of Pakistan through Ministry of Industries & Production, had also not nominated any nominee director PECO Board despite of several requests. 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.

During the year 2020-21, only two (02) meetings of the Board could be held due to management disputes created by Government appointed ex-MD PECO, Mr. Mairaj Anees Ariff. The attendance of the Board members was as follows:

Mr. Mairaj Anees Ariff	-
Mr. Naeem Jan Khan	-
Mr. Arif Habib	2
Mr. Iftikhar Hussain	1
Mr. Rashid Ali Khan	2
Mirza Mahmood Ahmad	2
Mr. Muhammad Iqbal	2
Mr. Ansar Javed	2

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. 54.57 as compared to last year's loss per share of Rs. 37.87.

AUDITORS

In 69th Annual General Meeting of the Company, shareholders appointed Messrs. EY Ford Rhodes & Co. Chartered Accountants as Auditor for the year ending on 30 June 2019. 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, 2021.

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, 2021 of Rs. 306.05 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, 2021 of Rs. 20.20 million and Rs. 436.93 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, 2021 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 Board has not formed any Board's Committees 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 the Federal Government were duly informed with this fact.

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 07 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, 2021 were 302 compared to 304 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 not established by the Board 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.

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. was not established by the Board 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.

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 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

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 confidence and goodwill of the stakeholders had allowed the Company to overcome its issues. 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

شیئر ہولڈرز کے لیے

پاکستان انجینئرنگ کمپنی لمیٹڈ کے ڈائریکٹرز 72 ویں سالانہ رپورٹ بمعہ آڈٹ شدہ مالیاتی بیانات برائے مالی سال جو 30 جون 2021 کو ختم ہوا، تقریباً چار سال کے وقفے کے بعد پیش کر رہے ہیں۔

عالمی اسٹیل منظر نامہ اور پاکستان کی معیشت

عالمی سطح پر اسٹیل کی قیمتوں نے اس سال ایک نیا ریکارڈ قائم کیا۔ جون 2021 میں گرم رولڈ کواٹل کی قیمت \$1,100 فی ٹن تک پہنچ گئی جبکہ جولائی 2020 میں یہ \$430 فی ٹن تھی۔ لوہے کی قیمتوں میں سہلانے کی کمی کی وجہ سے \$225 فی ٹن تک اضافہ ہوا۔ چینی حکومت کی جانب سے اسٹیل انڈسٹری کو دی جانے والی 13.5 فیصد برآمدی چھوٹ کے خاتمے سے قیمتوں میں مزید اضافہ ہوا۔ چین ماحولیاتی خدشات کی بنیاد پر کچھ پلانٹس کو بند کرنے کی حکمت عملی کے نتیجے میں پیداواری کمی کا سامنا کر سکتا ہے۔ 2021 میں چین نے عالمی پیداوار میں اپنا حصہ 57 فیصد تک بڑھالیا۔ عالمی اسٹیل انڈسٹری میں طلب اور پیداوار میں اضافے کے بعد لاک ڈاؤ؟ ن میں نرمی دیکھنے کو ملی۔ اسٹیل سیکٹرز نے لاک ڈاؤ؟ ن کے بعد مضبوط بحالی کا مظاہرہ کیا، جس کا کریڈٹ حکومتی اقدامات کو دیا جاسکتا ہے۔

پاکستان کی معیشت

پاکستان کی معیشت میں بحالی کا سلسلہ جاری رہا۔ موجودہ حکومت کے معاشی اصلاحاتی ایجنڈے کے مثبت نتائج سامنے آئے، حالانکہ COVID-19 کے اثرات کو محدود کرنے کے لیے اسمارٹ لاک ڈاؤن حکمت عملی اپنائی گئی۔ معیشت کے تمام شعبوں میں بحالی دیکھنے کو ملی، اور مالی سال کے لیے متاثر کن نمو کے اعداد و شمار سامنے آئے۔ افراط زر کے دباؤ کے باوجود، معیشت نے 3.94 فیصد نمو دکھائی جبکہ پچھلے سال 0.47 فیصد منفی نمو تھی۔

کارکردگی کا جائزہ

حکومتی نامزد سابق ایم ڈی، جناب میراج انیس عارف کی جانب سے پیدا کیے گئے انتظامی تنازعات مالی سال کے دوران بھی جاری رہے۔ کمپنی کے بورڈ آف ڈائریکٹرز، اہم افسران اور دیگر ملازمین کو کمپنی کے احاطے میں داخل ہونے سے روکا گیا۔

مالیاتی کارکردگی

آپریٹنگ خراب صورتحال کے پیش نظر، کمپنی مالی سال کے دوران 183.30 ملین روپے کی فروخت اور 183.34 ملین روپے کا مجموعی نقصان حاصل کرنے میں کامیاب ہوئی، جبکہ مالی سال 2021 میں فروخت اور مجموعی نقصان بالترتیب 259.60 ملین روپے اور 219.90 ملین روپے تھے۔ مجموعی طور پر، PECO نے مالی سال کے دوران ٹیکس کے بعد 310.52 ملین روپے کا نقصان اٹھایا، جو گزشتہ سال کے 215.48 ملین روپے کے بعد کے نقصان کے مقابلے میں زیادہ ہے۔ اس کے نتیجے میں، فی شیئر نقصان 54.57 روپے رہا، جو پچھلے سال کے 37.87 روپے فی شیئر نقصان سے زیادہ ہے۔

قومی خزانے اور معیشت میں شراکت

آپ کی کمپنی نے مالی سال کے دوران 11.24 ملین روپے (30 جون 2020: 9.03 ملین روپے) قومی خزانے میں ادا کیے۔

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	(466,967)	(215,484)
ریٹائرمنٹ بینیفٹ پلان کی دوبارہ تشخیص	-	-
اضافی مالیت کی منتقلی	16,833	15,191
ٹیکس کی شرح میں تبدیلی کی مطابقت	-	-
نقصان	(450,134)	(199,493)

آپریٹنگ اور مالیاتی ڈیٹا

کمپنی کے گزشتہ چھ سالوں کے آپریٹنگ اور مالیاتی ڈیٹا اور اہم تناسبات ضمیمہ میں شامل کیے گئے ہیں۔

گرپچوٹی اسکیم

کمپنی اپنے ملازمین کو ریٹائرمنٹ فوائد فراہم کرتی ہے۔ یہ فوائد ایک غیر شرکاتی معیاری فائدہ گرپچوٹی اسکیم کے تحت دیے جاتے ہیں، جو تمام ملازمین کے لیے لاگو ہے۔ سال کے اختتام پر گرپچوٹی اسکیم کی مالیت 22.77 ملین روپے تھی (30 جون 2020 کو بھی یہی مالیت تھی)، جو اچھوری کنسلٹنگ فرم نے متعین کی۔

بورڈ کی تشکیل، انتخابات، معاوضہ اور اجلاس

بورڈ میں ایک ایگزیکٹو، تین غیر ایگزیکٹو، اور چار آزاد ڈائریکٹرز شامل ہیں۔ بورڈ کی مکمل تشکیل اور اس کے ذیلی کمیٹیوں کے اراکین کے نام کمپنی کی معلومات والے صفحہ پر دیکھے جاسکتے ہیں۔ حکومت کی جانب سے نامزد ڈائریکٹرز میں مسٹر میراج انیس عارف (جنہیں بورڈ کے 199 ویں اجلاس، مورخہ 14 دسمبر 2018 کو ہٹا دیا گیا) اور مسٹر نعیم جان خان شامل تھے۔

سال 2020-21 کے دوران، 9 اپریل 2021 کو ڈائریکٹرز کے انتخابات منعقد ہوئے، اور پورے بورڈ کو تین سال کی نئی مدت کے لیے دوبارہ منتخب کیا گیا، جو 9 اپریل 2018 سے مؤثر ہے۔ مسٹر افتخار حسین کو مرحوم ڈائریکٹر مسٹر لیاقت محمد کی جگہ منتخب کیا گیا، اور دیگر تمام پچھلے ڈائریکٹرز بغیر مقابلے کے دوبارہ منتخب ہوئے۔ بورڈ اپنے اراکین کی گزشتہ مدت کی خدمات کو سراہتا ہے اور ان سے امید رکھتا ہے کہ وہ مستقبل میں بھی رہنمائی اور مثبت شراکت فراہم کریں گے۔ مرحوم مسٹر لیاقت محمد کی خدمات کو بھی سراہا گیا، جنہوں نے کمپنی کی ترقی میں اہم کردار ادا کیا۔

کمپنی کی پالیسیوں اور سروس قوانین کے مطابق، حکومت پاکستان نے وزارت پیداوار کے ذریعے سال کے دوران بورڈ کے کسی چیئر مین کو مقرر نہیں کیا، حالانکہ متعدد درخواستیں دی گئیں۔ سال 2020-21 کے دوران، حکومت پاکستان نے وزارت صنعت و پیداوار کے ذریعے PECO بورڈ میں کسی نامزد ڈائریکٹر کو مقرر نہیں کیا، حالانکہ اس کے لیے کئی درخواستیں دی گئیں۔ بورڈ آف ڈائریکٹرز نے ٹیکنیز ایکٹ 2017 اور لیکچرینرز (کارپوریٹ گورننس کا کوڈ) ریگولیشنز 2019 کے مطابق اپنے ڈائریکٹرز کے معاوضے کے لیے شفاف طریقہ کار اپنایا۔

سال 2020-21 میں، حکومت کے مقرر کردہ سابق ایم ڈی PECO، مسٹر میراج انیس عارف کی طرف سے تنازعات پیدا ہونے کی وجہ سے بورڈ کے صرف دو اجلاس منعقد ہو سکے۔ بورڈ ممبران کی حاضری درج ذیل رہی:

نام	حاضری
مسٹر میراج انیس عارف	-
مسٹر نعیم جان خان	-
مسٹر عارف حبیب	2
مسٹر افتخار حسین	1
مسٹر رشید علی خان	2
مرزا محمود احمد	2
مسٹر محمد اقبال	2
مسٹر انصر جاوید	2

حصص کی ملکیت اور خرید و فروخت کا پیٹرن

حصص کی ملکیت کا پیٹرن اور اس سے متعلق اضافی معلومات الگ شامل کی گئی ہیں۔ سال کے دوران، کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، کمپنی سیکرٹری، ان کے شریک حیات، اور نابالغ بچوں نے کمپنی کے حصص کی کوئی خرید و فروخت نہیں کی۔

حصص پر آمدنی

رپورٹ کے مطابق فی حصص نقصان 54.57 روپے رہا، جبکہ گزشتہ سال فی حصص نقصان 37.87 روپے تھا۔

آڈیٹرز

کمپنی کے 69 ویں سالانہ جنرل اجلاس میں Co. Chartered Accountants Ford Rhodes & Messrs. EY کو مالی سال 30 جون 2019 کے لیے آڈیٹر مقرر کیا گیا۔ اکتوبر 2018 کے بعد کوئی سالانہ جنرل اجلاس منعقد نہیں ہوا، کیونکہ حکومت کے مقرر کردہ سابق ایم ڈی PECO، مسٹر میراج انیس عارف کی وجہ سے تنازعات پیدا ہوئے، اور اس لیے لکیمینز ایکٹ 2017 کی دفعہ 246 کے مطابق کوئی آڈیٹر مقرر نہیں کیا گیا۔

مئی 2024 میں، سیکریٹریز اینڈ ایگزیکٹو کمیشن آف پاکستان (SECP) نے کمپنی کے آڈیٹرز Messrs. Malik Haroon Ahmad & Co. Chartered Accountants Messrs. Malik Haroon Ahmad & Co. کی تقرری کی منظوری دی، جو مالی سال 30 جون 2021 کے لیے ہوگی۔ Messrs. Malik Haroon Ahmad & Co. کونسلٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کے کوالٹی کنٹرول ریویو پروگرام کے تحت اطمینان بخش ریٹنگ دی گئی ہے اور یہ فرم بین الاقوامی فیڈریشن آف اکاؤنٹنٹس (IFAC) کے اخلاقیات کے کوڈ کے ساتھ مکمل ہم آہنگ ہے۔

آڈیٹرز کی رائے پر تبصرہ

i. جاری کاروباری حیثیت

اکتوبر 2018 سے مارچ 2023 تک انتظامی تنازعات کے باعث کمپنی کی کارروائیوں میں مسلسل تیزی آتی رہی۔ PECO کی انتظامیہ نے اس صورتحال کو ستمبر 2018 میں وزارت صنعت و پیداوار اور SECP کے ساتھ پیشگی رپورٹ کیا تھا۔

iii. اسٹاک کی جسمانی گنتی

اکتوبر 2018 سے مارچ 2023 تک، سابق ایم ڈی PECO، مسٹر میراج انیس عارف کی انتظامیہ نے اسٹاک کی جسمانی گنتی نہیں کی۔ اس کے باعث، آڈیٹرز 30 جون 2021 تک اسٹاک کی موجودگی کے لیے مناسب شواہد حاصل کرنے سے قاصر رہے۔

iii. تجارتی قرضے اور دیگر واجبات

اکتوبر 2018 کے بعد، PECO کا مالیاتی نظام ناکارہ ہو گیا تھا، اور دستاویزات ناکافی تھیں۔ وینڈرز کے کھاتے غلط توازن ظاہر کرتے تھے، اور ادائیگیوں کے لیے مناسب طریقہ کار نہیں اپنایا گیا تھا۔ انہم ڈیٹا سرورز کا غائب ہونا۔ یہ دریافت کیا گیا کہ PECO کے مرکزی ڈیٹا سرور اور نیٹ ورک کے تمام ہینرز کی ہارڈ ڈرائیوز غائب تھیں۔ اس کی وجہ سے 30 جون 2018 کو اختتام پذیر سال کے تجارتی قرضوں اور دیگر قابل ادائیگیوں کے اختتامی بیلنس کی تصدیق میں رکاوٹ پیدا ہوئی۔ کئی کوششوں کے باوجود، صرف یکم جولائی 2018 کو افتتاحی بیلنس ہی قائم کیا جاسکا۔

حکومت کے مقرر کردہ سابق ایم ڈی PECO، میراج انیس عارف کی قیادت میں انتظامیہ اکتوبر 2018 سے اکتوبر 2022 کے درمیان ہونے والے مالیاتی اور آپریشنل لین دین کا مناسب ریکارڈ یقینی بنانے میں ناکام رہی۔

غیر دعویٰ شدہ ڈیویڈنڈز وفاقی حکومت کے ساتھ جمع نہ کرانا

اکتوبر 2018 تک، انتظامیہ اور بورڈ آف ڈائریکٹرز نے لکیمینز ایکٹ 2017 کی دفعہ 242 کے تحت عمل درآمد شروع کیا تھا۔ اس مقصد کے لیے لکیمینز ایکٹ 2017 کے مطابق روزنامہ اخبارات میں اشتہارات دیے گئے۔ تاہم، حکومت کے مقرر کردہ سابق ایم ڈی PECO، میراج انیس عارف، اور ان کی ٹیم کے کارپوریٹ اور آپریشنل علم کی کمی کی وجہ سے، اس معاملے میں تاخیر ہوئی اور غیر دعویٰ شدہ ڈیویڈنڈز لکیمینز ایکٹ 2017 کے تحت ادائیگی کرنے کے لیے کارروائی نہ ہو سکی۔

تاہم، موجودہ انتظامیہ اور بورڈ اس بات کا عزم رکھتے ہیں کہ کمپنی کے نقدی کے بہاؤ کی صورتحال بہتر ہونے کے فوراً بعد، دفعہ 242 پر عمل درآمد یقینی بنایا جائے گا۔

حکومت پاکستان/پرائیویٹائزیشن کمیشن کے قرضے

حکومت پاکستان، پرائیویٹائزیشن کمیشن، اور وزارت خزانہ کے نمائندوں کے ساتھ حکومت پاکستان اور پرائیویٹائزیشن کمیشن کے قرضوں کا مسئلہ زیر بحث آیا۔ مختلف ملاقاتوں کے نتیجے میں، اصل قرض (سوائے 131.454 ملین روپے، جو پرائیویٹائزیشن کمیشن نے اپنی طرف سے اضافی گریجویٹ کے طور پر ادا کیے تھے) کا حساب کتاب مکمل ہو گیا۔

بورڈ آف ڈائریکٹرز نے اپنی مختلف میٹنگز میں یہ فیصلہ کیا کہ PECO کو حکومت پاکستان کے تحت قانون کے مطابق ادا ہونے والی رقم کو ادا کیا جائے گا۔ بورڈ نے حکومت پاکستان کے ساتھ اس کی ذمہ داریوں کو ای سی سی کے فیصلے مورخہ 02.03.1993 کے تحت باہمی باغ کی زمین کے ذریعے پورا کرنے پر اتفاق کیا، جس کی حالیہ قیمت 4,605.13 ملین روپے ہے، جو کہ حکومت پاکستان کی PECO سے مطلوبہ رقم سے زیادہ ہے۔ کمپنی کے بورڈ آف ڈائریکٹرز اور انتظامیہ کا ماننا ہے کہ ان قرضوں پر کسی سود کی ادائیگی کا معاہدہ نہ ہونے کی وجہ سے وہ سود ادا کرنے کے پابند نہیں ہیں۔

کارپوریٹ مالیاتی رپورٹنگ کے فریم ورک پر بیان

کارپوریٹ گورننس کے ضابطے کے تقاضے، جو اسٹاک ایکسچینجر نے اپنی لسٹنگ ریگولیشنز میں بیان کیے ہیں، 30 جون 2021 کو ختم ہونے والے سال کے لیے مکمل طور پر پورے کیے گئے۔ اس اثر کا ایک بیان رپورٹ کے ساتھ منسلک ہے۔ براہ کرم صفحہ نمبر 34 کا حوالہ دیں۔

آڈٹ اور رسک مینجمنٹ کمیٹی

آڈٹ اور رسک مینجمنٹ کمیٹی کو بورڈ نے ڈائریکٹرز کی ذمہ داریوں کو نبھانے، کارپوریٹ گورننس، مالیاتی رپورٹنگ، اور کارپوریٹ کنٹرول میں معاونت کے لیے قائم کیا۔

کمیٹی تین ارکان پر مشتمل ہے، جہاں کمیٹی کے تمام ارکان بشمول چیئرمین آزاد ڈائریکٹرز ہیں۔ بورڈ آڈٹ اور رسک مینجمنٹ کمیٹی کمپنی کے مالیاتی نتائج، آڈٹ رپورٹس، اور مینجمنٹ کنٹرول کے نظام کے معیار پر عمل درآمد کا جائزہ لینے کی ذمہ دار ہے۔ کمیٹی ان طریقہ کار کا جائزہ لیتی ہے، ان کی خدمات کے لیے ان کی خود مختاری کو یقینی بناتی ہے، اور بورڈ آف ڈائریکٹرز کو سفارشات پیش کرتی ہے۔

حکومت کے مقرر کردہ سابق ایم ڈی PECO، میراج انیس عارف، کی جانب سے پیدا کردہ انتظامی تنازعات کے باعث بورڈ نے دسمبر 2018 میں ان کی برطرفی کے باوجود کسی بورڈ کمیٹی کا قیام عمل میں نہیں لایا۔ اس کے باوجود، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور وفاقی حکومت کو اس حقیقت سے آگاہ کر دیا گیا۔

ڈائریکٹرز ٹریننگ پروگرام

کمپنی کے بورڈ آف ڈائریکٹرز میں 7 ڈائریکٹرز شامل ہیں، جن میں سے تمام ڈائریکٹرز نے لےڈ کمپنیز (کارپوریٹ گورننس کا کوڈ) ریگولیشنز، 2019 کے مطابق ڈائریکٹرز ٹریننگ پروگرام کی تصدیق حاصل کر رکھی ہے۔

ضابطہ اخلاق

بورڈ نے پیشہ ورانہ معیار اور کارپوریٹ اقدار کے قیام کے لیے ایک ضابطہ اخلاق کی منظوری دی ہے، جو بورڈ، سینئر مینجمنٹ، اور دیگر ملازمین کی دیانتداری کے فروغ کے لیے ہے۔ اس میں قابل قبول اور ناقابل قبول رویوں کی وضاحت کی گئی ہے، اور اسے کمپنی کی ویب سائٹ پر شائع کیا گیا ہے۔

ملازمین کی تعداد

کمپنی نے اپنی کارروائیوں کو کم سے کم افرادی قوت کے ساتھ جاری رکھا۔ 30 جون 2021 تک ملازمین کی تعداد 302 تھی، جو پچھلے سال 304 تھی۔ حکومت کے مقرر کردہ سابق ایم ڈی PECO، میراج انیس عارف، کی وجہ سے انتظامی تنازعات کی وجہ سے ملازمین کے چھوٹنے کی شرح میں روز بروز اضافہ ہوتا رہا۔

ہیومن ریسورس اینڈ ریوژنیشن کمیٹی

حکومت کے مقرر کردہ سابق ایم ڈی PECO، میراج انیس عارف، کی جانب سے پیدا کردہ انتظامی تنازعات کے باعث ہیومن ریسورس اینڈ ریوژنیشن کمیٹی کا قیام عمل میں نہیں لایا گیا۔ حکومت کے مقرر کردہ سابق ایم ڈی PECO، میراج انیس عارف، کی جانب سے پیدا کردہ انتظامی تنازعات کے باعث دسمبر 2018 میں ان کی برطرفی کے باوجود سال کے دوران کسی بورڈ کمیٹی کا اجلاس منعقد نہ ہوا۔ تاہم، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور حکومت پاکستان کو اس حقیقت سے آگاہ کر دیا گیا۔

فنانس کمیٹی

کمیٹی کا مقصد بورڈ کے قائم کردہ عمومی پالیسی فریم ورک کے اندر خزانہ سے متعلق پالیسی ترتیب دینا ہے۔ اس کمیٹی کی تشکیل کا مقصد روزمرہ کے خزانہ آپریشنز اور معمول کی سرگرمیوں کے انتظام کو محدود یا متاثر کرنا نہیں ہے۔ کسی بھی غیر معمولی حالات یا مالیاتی منڈی کے رویے کے نتیجے میں ہونے والے انحراف کو بعد ازاں بورڈ کی میٹنگ میں پیش کر کے منظوری لی جائے گی۔ حکومت کے مقرر کردہ سابق ایم ڈی

PECO، میراج انیس عارف، کی جانب سے پیدا کردہ انتظامی تنازعات کے باعث فنانس کمیٹی کا قیام عمل میں نہیں لایا گیا۔ کمیٹی کا مقصد ہر سہ ماہی میں میٹنگ کرنا ہے، تاہم یہ ضروری ہے کہ کمیٹی کے اراکین کی اکثریت ہر مالی سال میں کم از کم دو بار میٹنگ کرے اور دیگر مواقع پر بھی جب کمیٹی کے چیئرمین ضرورت محسوس کریں۔

بورڈ کی کسی کمیٹی کی کوئی میٹنگ رواں سال کے دوران نہیں ہو سکی؛ یہ صورتحال گورنمنٹ نامزد سابق ایم ڈی پی ای سی او، میراج انیس عارف، کے پیدا کردہ تنازعات کے باعث پیدا ہوئی، حالانکہ انہیں دسمبر 2018 میں برطرف کر دیا گیا تھا۔

متعلقہ پارٹی کے لین دین

کمپنی نے تمام متعلقہ پارٹی کے لین دین کی تفصیلات آڈٹ کمیٹی کے سامنے پیش کرنے کا عمل جاری رکھا اور ان کی سفارش پر بورڈ کے سامنے جائزہ لینے اور منظوری کے لیے پیش کیا گیا۔

ویب موجودگی

کمپنی کے رواں مالی سال کے وقفے وقفے سے مالیاتی بیانات، بشمول پچھلے تین سالوں کی سالانہ رپورٹس، سرمایہ کاروں کی معلومات کے لیے کمپنی کی ویب سائٹ www.peco.com.pk پر دستیاب ہیں۔

صحت، حفاظت اور ماحول

کمپنی صحت، حفاظت اور ماحول کے معیار کو بہتر بنانے کے لیے مکمل طور پر عزم ہے تاکہ پائیدار کارکردگی حاصل کی جاسکے۔ عملی حفاظت اور رویے پڑنی حفاظتی نظام کو کمپنی کی تنظیمی اسکیم کے ساتھ مربوط کیا گیا ہے، اور کمپنی مسلسل بہتری کی راہ پر گامزن ہے تاکہ اعلیٰ معیار کو حاصل اور برقرار رکھا جاسکے۔ کمپنی نے ایک مضبوط جائشی منصوبہ تشکیل دیا ہے، جس میں ممکنہ مستقبل کے قائدین کی کارکردگی کا جائزہ اور مناسب تربیت کی ضروریات شامل ہیں۔

واجبات کی تفصیلات

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

کاروباری منصوبے

کوئی کاروباری منصوبہ تشکیل نہیں دیا جاسکا کیونکہ نہ تو بورڈ آف ڈائریکٹرز اور نہ ہی اہم افسران یا ملازمین کو کمپنی کے احاطے میں داخل ہو کر اپنے پیشہ ورانہ فرائض انجام دینے کی اجازت دی گئی۔

کمپنی کے اہم افسران نے ایک علیحدہ جگہ پرسنل آفس قائم کیا تاکہ حکومت پاکستان، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور دیگر ریگولیٹری اداروں سے رابطہ رکھا جاسکے۔

بورڈ آف ڈائریکٹرز اور انتظامیہ کو یقین ہے کہ وہ اپنے بہترین ممکنہ اقدامات سے سابق گورنمنٹ نامزد ایم ڈی پی ای سی او، میراج انیس عارف، کے پیدا کردہ نقصانات کا ازالہ کرنے کی کوشش کر رہے ہیں، اور کمپنی، ان شاء اللہ، غیر معینہ مدت تک ایک "چلتی ہوئی تنظیم" کے طور پر کام کرے گی۔

اظہار تشکر

بورڈ اپنے تمام اسٹیک ہولڈرز، اہم افسران، ملازمین، شیئرز ہولڈرز، اور دیگر افراد کا ان کے تعاون کے لیے شکریہ ادا کرنا چاہتا ہے۔ اسٹیک ہولڈرز کے اعتماد اور حسن نیت نے کمپنی کو اپنے مسائل پر قابو پانے میں مدد فراہم کی۔ پاکستان انجینئرنگ کمپنی لمیٹڈ میں موجودہ مسائل کے حل کے لیے بورڈ آف ڈائریکٹرز نے وزارت صنعت و پیداوار کے ذریعے حکومت پاکستان کو مکمل تعاون کی یقین دہانی کرائی ہے۔

برائے بورڈ کے

سربراہ اور ڈائریکٹر

مرزا محمود احمد

بورڈ کے چیئرمین

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, 2021

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

- The total number of directors are 08 as per the following:

- Male 08
- Female -

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

- The composition of board is as follows:

a. Independent Directors	03	Mr. Ansar Javed Mr. Iftikhar Hussain Mr. Muhammad Iqbal
b. Other Non-executive Directors	04	Mr. Rashid Ali Khan Mr. Naeem Jan Khan Mr. Muhammad Arif Habib Mirza Mahmood Ahmad
c. Executive Directors	01	Mr. Mairaj Anees Ariff
d. Female Directors	0	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 year end 2020, casual vacancy of Syed Kaukab Mohyuddin, Government Nominee Director (retired in July 2019) 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.

- 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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. Not all 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. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board for all meetings held after March 2021, as no meeting of the Board could be held till this date due to the fact as described in para 6 of the Statement of Compliance; (Refer Para 19 (2))
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 not formed any board committee;

13. The terms of reference of the Committees have not been formed, documented and advised to the Committee for compliance; (Also refer Para 19(5))
14. There were no meetings (quarterly/half yearly/yearly) of the audit committee held; (Refer para 18)
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 and 8 of the regulations have been complied with. However, requirement of regulations 6, 7, 27, 32, 33 and 36 cannot be complied with due to the facts mentioned 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	10(1)	Due to the facts described in para 6 of Statement of Compliance, the Board was unable to perform its duties properly.

	performing their responsibilities.		
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	There shall be a human resource and remuneration committee of at least three members comprising a majority of non-executive directors of whom at least one member shall be an independent director.	28	Due to the facts described in para 6 of Statement of Compliance, the Board was not able to make any committee during the year.
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 20, 2025

Mirza Mehmood Ahmed
(Chairman of the Board)

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

Review Report on the Statement of Compliance Contained in the Listed Companies (Code of Corporate Governance) Regulations, 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, 2021 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, 2021.

Further, we highlight below instance of non-compliance made by company with certain requirements of the Regulations as stated in paragraph 18 and 19 of the Statement of Compliance:

S. No.	Requirement Nature	Reference	Description of non-compliance
1	Mandatory	Para 18	Company has not appointed any female director in contravention to regulation 7 to the code.
2	Mandatory	Para 18	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.
4	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 and none of the proceedings were done before March 2021.
5	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.
6	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.

7	Mandatory	Para 18	As per regulation 27, It is mandatory that the audit committee shall be constituted by the Board keeping in view the following requirements; (i) the Board shall establish an audit committee of at least three members comprising of non-executive directors and at least one independent director; (ii) chairman of the committee shall be an independent director, who shall not be the chairman of the Board; (iii) the Board shall satisfy itself that at least one member of the audit committee shall be "financially literate"; However, due to the fact as described in para 6 of Statement of Compliance, Board was unable to constitute the audit committee and any proceedings of the said committee thereon.
8	Explanation of non-compliance is required	Para 19(5)	As per regulation 28, there shall be a human resource and remuneration committee of at least three members comprising a majority of non-executive directors of whom at least one member shall be an independent director. However, due to the fact as described in para 6 of Statement of Compliance, Board was unable to constitute the human resource and remuneration committee and any proceedings the said committee thereon.
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. (Pending)



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



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

Karachi Office: M 7/3, Khayaban-e-Saadi, DHA Phase VII, Karachi

Islamabad Office: Office No. 9 & 10, 3rd Floor, Pakland Square, G8 Markaz, Islamabad

Gujrat Office: Upper Floor Shehroze Plaza, Near S.A Fans Area Estate, Main GT Road, Gujrat

+92 42 357 72394-7



info@mhaglobal.org



www.mhaglobal.org



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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, 2021**, 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 314.154 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, 2021, which are recorded in the statement of financial position at Rs. 306.049 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. 38.946 million, and trade deposits, prepayments, and other receivables of Rs. 24.178 million.
5. We were unable to verify trade debtors amounting to Rs. 20.199 million. Additionally, we were unable to verify trade and other payables amounting to Rs. 436.929 million out of a total balance of Rs. 627.467 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. 5.059 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. 119.706 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:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- 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.
Karachi Office: M 7/3, Khayaban-e-Saadi, DHA Phase VII, Karachi
Islamabad Office: Office No. 9 & 10 , 3rd Floor, Pakland Square, G8 Markaz, Islamabad
Gujrat Office: Upper Floor Shehroze Plaza, Near S.A Fans Area Estate, Main GT Road, Gujrat
+92 42 357 72394-7 info@mhaglobal.org www.mhaglobal.org



PAKISTAN ENGINEERING COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

	Note	2021	2020
----- Rupees in "000" -----			
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	5	14,478,027	14,514,213
Investment property	6	473	497
Long term investment	7	819	819
Long term deposits	8	2,053	2,053
		14,481,372	14,517,582
CURRENT ASSETS			
Stores, spares and loose tools	9	57,808	71,674
Stock-in-trade	10	248,241	362,931
Short term investments	11	7	-
Trade debts - unsecured	12	20,199	26,418
Advances	13	38,946	89,234
Trade deposits, prepayments and other receivables	14	24,718	23,133
Tax refunds due from Government	15	152,788	117,749
Cash and bank balances	16	44,582	31,372
		587,289	722,511
Free hold land - held for sale	17	314,724	314,724
TOTAL ASSETS		15,383,385	15,554,817

The annexed notes from 1 to 49 form an integral part of this 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, 2021

	Note	2021	2020
----- Rupees in "000" -----			
EQUITY AND LIABILITIES			
Share capital	18	56,902	56,902
Revenue reserve - general		10,000	10,000
Accumulated loss		(1,829,253)	(1,533,925)
Surplus on revaluation of fixed assets	19	14,437,386	14,452,579
		12,675,035	12,985,556
NON - CURRENT LIABILITIES			
Long term financing	20	24,374	24,374
Long term deposits	21	4,000	4,000
Deferred liabilities - net	22	142,472	148,398
		170,846	176,772
CURRENT LIABILITIES			
Trade and other payables	23	627,467	494,993
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		25,905	15,657
Provision for taxation		8,658	6,365
		746,656	601,641
Liabilities directly associated with free hold land - held for sale	26	1,790,848	1,790,848
CONTINGENCIES AND COMMITMENTS	27		
TOTAL EQUITY AND LIABILITIES		15,383,385	15,554,817

The annexed notes from 1 to 49 form an integral part of this 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, 2021

	Note	2021	2020
----- Rupees in '000 -----			
Sales	28	183,301	259,599
Cost of sales	29	(366,638)	(479,503)
Gross loss		(183,337)	(219,904)
Selling and distribution expenses	30	(4,870)	(5,554)
Freight and forwarding expenses	31	(7,179)	(3,980)
Administrative expenses	32	(110,841)	(47,184)
Other operating charges	33	(835)	(836)
		(123,725)	(57,554)
Other operating income	34	3,157	68,651
Operating loss		(303,905)	(208,807)
Finance cost	35	(10,249)	(9,358)
Loss before taxation		(314,154)	(218,165)
Taxation	36	3,635	2,681
Loss after taxation for the year		(310,519)	(215,484)
BASIC AND DILUTED EARNINGS PER SHARE			
Basic and diluted earnings per share	37	(54.57)	(37.87)

The annexed notes from 1 to 49 form an integral part of this 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, 2021

	2021	2020
----- Rupees in '000 -----		
Loss after taxation for the year	(310,519)	(215,484)
Items that will not be reclassified to profit and loss account:		
Remeasurement of retirement benefit plan	-	-
Related deferred tax impact	-	-
Effect of change in tax rates on balance of revaluation on property, plant and equipment	-	-
Total comprehensive loss for the year	(310,519)	(215,484)

The annexed notes from 1 to 49 form an integral part of this 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, 2021

	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 2019	-	-	(215,484)	-	(215,484)
Other comprehensive income for the year					
-Remeasurement of retirement benefit plan	-	-	-	-	-
-Related deferred tax impact	-	-	-	-	-
Surplus on revaluation of property, plant and equipment realized during the year on account of:					
- incremental depreciation - net off tax	-	-	15,991	(15,991)	-
Revaluation of property, plant and equipment adjustment due to change in tax rate - OCI	-	-	-	-	-
Balance as at June 30, 2020	<u>56,902</u>	<u>10,000</u>	<u>(1,533,925)</u>	<u>14,452,579</u>	<u>12,985,556</u>

The annexed notes from 1 to 49 form an integral part of this 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, 2021

	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, 2020	56,902	10,000	(1,533,925)	14,452,579	12,985,556
- Loss after tax for the year ended 30 June 2021	-	-	(310,519)	-	(310,519)
Other comprehensive income for the year					
-Remeasurement of retirement benefit plan	-	-	-	-	-
-Related deferred tax impact	-	-	-	-	-
	-	-	-	-	-
Surplus on revaluation of property, plant and equipment realized during the year on account of:					
- incremental depreciation - net off tax	-	-	15,191	(15,191)	-
Revaluation of property, plant and equipment adjustment due to change in tax rate - OCI	-	-	-	-	-
Balance as at June 30, 2021	56,902	10,000	(1,829,253)	14,437,386	12,675,035

The annexed notes from 1 to 49 form an integral part of this 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, 2021

	Note	2021	2020
Cash generated from operations	38	25,162	(23,783)
Finance cost paid		(1)	(2)
Gratuity paid		(694)	(1,318)
Income tax paid		(11,241)	(9,028)
Workers' welfare fund paid		(10)	-
Net cash generated from operating activities		13,217	(34,131)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		-	(699)
Short term investment		(7)	21,425
Net cash (used in) investing activities		(7)	20,726
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings		-	-
Security deposit received		-	-
Long term borrowings		-	-
Dividend paid		0	-
Net cash (used in) / generated from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		13,210	(13,405)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		31,372	44,777
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25	44,582	31,372

The annexed notes from 1 to 49 form an integral part of this 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, 2021

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, Shahra-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 314.154 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 through sale proceeds of Badami Bagh Land, the value of which has been estimated at Rs. 4,605.133 million. This value is significantly greater than the value of principle Government liabilities payable which amount to Rs. 1,790.848 million in aggregate. Further, the markup claimed by the Government departments on these liabilities is strongly disputed as there was no mention of charging interest in any agreement or decision. Further, to resolve the issue of charging of markup on the GoP loans a committee is recommended to be constituted which should comprise of representative from Ministry of Finance, Ministry of Industries and Production, Privatization Commission and Board Members of PECO.

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

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

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:

3.4 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.

3.5 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.

3.6 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.

3.7 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 and contract assets. 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.

3.8 Fair value of unquoted investments

Fair value of unquoted investments is determined by using valuation techniques. The Company uses its judgment to select an appropriate method and makes assumptions that are mainly based on market conditions existing at the end of each reporting period.

3.9 Functional and presentation currency

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

3.10 Provisions Against Doubtful Balances

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 New standards, amendments and improvements effective during the year

The Company has adopted the following amendments to International Financial Reporting Standards (IFRSs) and the framework for financial reporting which became effective for the current year:

Amendment in frame work

IFRS 3	Business Combinations - Definition of a Business (Amendments)
IFRS 9 / IAS 39 / IFRS 7	Interest Rate Benchmark Reform (Amendments)
IAS 1 / IAS 8	Definition of Material (Amendments)

The adoption of above amendments to the approved accounting standards and the framework for financial reporting did not have any material impact on the Company's unconsolidated financial statements.

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

The following amendments and improvements to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective amendment or improvements:

Amendments or Improvements		Effective date (Annual periods
IFRS 9, IAS 39, IFRS Interest Rate Benchmark Reform - Phase 2		
7, IFRS 4 and IFRS (Amendment)		January 1, 2021
16		
IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments)	April 1, 2021
IFRS 3	Reference to the Conceptual Framework (Amendments)	January 1, 2022
IFRS 10	Sale or contribution of Assets between an investor and its Associate or Joint Venture (Amendment)	Not yet finalized
/IAS 28		
IAS 1	Classification of Liabilities as Current or Non-current (Amendments)	January 1, 2023
IAS 1	Disclosure of Accounting Policies (Amendments)	January 1, 2023
IAS 16	Proceeds before Intended Use (Amendments)	January 1, 2022
IAS 8	Definition of Accounting Estimates (Amendments)	January 1, 2023
IAS 12	Deferred tax related to Assets and Liabilities arising from a single transaction (Amendments)	January 1, 2023
IAS 37	Onerous contracts - Costs of fulfilling a contract (Amendments)	January 1, 2022
Improvements to Accounting Standards Issued by the IASB (2018-2020 cycle)		
IFRS 9	Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities	January 1, 2022
IAS 41	Agriculture – Taxation in fair value measurements	January 1, 2022
IFRS 16	Leases: Lease incentives	January 1, 2022

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

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 price determined using "cost plus method" and properly recommended by the audit committee and subsequently approved by the board of directors of the Company.

4.8 Foreign Currency Translation

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

4.9 Investment property

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

The Company assesses at each reporting date whether there is any indication that investment property may be impaired. If such indication exists, the carrying amount of such assets is reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceeds the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the profit or loss for the year. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The gain or loss on disposal or retirement of an investment property represented by the difference between the sale proceeds and the carrying amount of the asset is recognized in profit or loss.

4.10 Trade debts and other receivables

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

4.11 Employees' Retirement Benefits

(a) Defined benefits plan

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

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

(b) Defined contribution plan

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

4.12 Trade and other payables

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

4.13 Revenue recognition

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

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

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

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

(a) Income on bank deposits

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

(b) Others

Scrap sales and miscellaneous receipts are recognized on realized amounts.

4.14 Borrowing Costs

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

4.15 Provisions

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

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

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

4.16 Cash and Cash Equivalent

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

4.17 Investments

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

a) Investments available for sale

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

b) Held to maturity

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

c) Loans and receivables

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

d) Investments at fair value through profit or loss - held for trading

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

4.18 Impairment

a) Financial assets

A financial asset is considered to be impaired if subjective evidence indicate that one or more events will have a negative effect on the estimated future cash flow of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non- Financial Assets

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

4.19 Financial Instruments

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

a) Trade and other receivables

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

b) Off setting of financial assets and financial liabilities

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

c) Markup bearing borrowings

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

d) Interest-free borrowings at amortized cost

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

4.20 Dividend and appropriation to reserves

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

4.21 Earnings per share

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

4.22 Contingent assets

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

4.23 Contingent liabilities

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

4.24 Share Capital

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

PAKISTAN ENGINEERING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021
5 PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets-owned	5.1	14,478,027

5.1

2021												
Particulars	Cost / Revalued Amount					Rate	Depreciation					Net book value as at June 30 2021
	As at July 01 2020	Additions	Transfer	Disposal	As at June 30 2021		As at July 01 2020	For the year	Transfer	Disposal	As at June 30 2021	
	Rupees in "000"											
Freehold Land	13,835,500	-	-	-	13,835,500	-	-	-	-	-	13,835,500	
Factory Building	330,389	-	-	-	330,389	5%	65,111	13,266	-	-	78,377	252,012
Plant and machinery	474,292	-	-	-	474,292	5%	83,839	19,522	-	-	103,361	370,931
Office equipment	9,610	-	-	-	9,610	10%	7,309	231	-	-	7,540	2,070
Computers	8,820	-	-	-	8,820	10%	6,204	262	-	-	6,466	2,354
Furniture and Fixtures	10,055	-	-	-	10,055	10%	8,048	200	-	-	8,248	1,807
Vehicles	38,137	-	-	-	38,137	20%	27,136	2,200	-	-	29,336	8,801
Electric Equipment	16,387	-	-	-	16,387	10%	12,214	417	-	-	12,631	3,756
Tools	6,742	-	-	-	6,742	10%	5,858	88	-	-	5,946	796
	14,729,932	-	-	-	14,729,932		215,719	36,186	-	-	251,905	14,478,027

5.2 **Depreciation for the year has been allocated as under:**

	2021	2020
Cost of sales	33,292	35,074
Administrative expenses	2,893	3,520
	36,185	38,594

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, 2021.

- 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

2021	2020
Rupees in "000"	
753	753
34,192	35,992
182,212	191,802
217,157	228,547

PAKISTAN ENGINEERING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

											Note	2020		
5	PROPERTY,PLANT AND EQUIPMENT													
	Operating fixed assets-owned											5.1	<u>14,514,213</u>	
5.1	2020													
	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	
		<u>14,729,232</u>	<u>699</u>	<u>-</u>	<u>-</u>	<u>14,729,932</u>		<u>177,123</u>	<u>38,598</u>	<u>-</u>	<u>-</u>	<u>215,719</u>	<u>14,514,213</u>	

PAKISTAN ENGINEERING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021	2020
----- Rupees in "000" -----			
6 INVESTMENT PROPERTY			
Opening net book value		497	524
Additions		-	-
Depreciation charged for the year		24	27
Closing net book value	6.1	473	497
Depreciation rate		5%	5%
6.1 Cost		959	959
Accumulated depreciation		486	462
Net book value		473	497
6.2	Investment property comprises of number of commercial properties that are situated at Uni Tower, I.I. Chundrigar Road, Karachi and leased to M/S UBL Insurers Limited. The lease contains an initial non-cancellable period of three years, with annual rent indexed to consumer prices. Subsequent renewals are negotiated with the lessee and on average renewal periods are three years. No contingent rent are charged.		
6.3	One of the properties having carrying value of Rs. 275 thousands remained vacant during last three years and no rental income was earned during those years.		
6.4	Fair value of investment property, based on valuation carried out by an independent valuer as at March 17, 2016 was rupees 18.780 million. No material change in fair value of property from previous valuation, is expected.		
6.5	Froced sale value of investment properties is amounting Rs. 15.963 million.		
7 LONG TERM INVESTMENT			
Held to maturity:			
Term deposit in Standard Chartered Bank Limited	7.1	819	819
7.1	The TDR matured in June 2019, carrying an original markup rate of 5.3% per annum (2020: 5.3%). However, no interest income has been accrued and received during the year due to the non availability of the information. The principal amount deposited with the bank is Rs. 0.741 million.		
8 LONG TERM DEPOSITS			
Long term deposits	8.1	3,772	3,771
Less: Expected credit loss	8.2	1,719	1,718
		2,053	2,053
8.1	These include Rs 1.059 million (2020: Rs 1.059 million) representing amount deposited with Water and Sanitation Agency (LDA), LAHORE as a security deposit.		
8.2 Movement in expected credit loss is as follows:			
Opening balance		1,718	1,718
Provided for the year		-	-
Closing balance		1,718	1,718

9 STORES, SPARES AND LOOSE TOOLS

Stores	16,407	17,270
Spares parts	36,686	48,914
Loose Tools	14,715	15,490
	67,808	81,674
Less: Provision for slow moving stores	(10,000)	(10,000)
	57,808	71,674

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

10 STOCK-IN-TRADE

Raw material	162,397	255,218
Work in process	55,493	73,990
Finished goods	30,351	33,723
	248,241	362,931

11 SHORT TERM INVESTMENTS

ABL cash fund	7	-

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		32,876	39,095
Others	12.2	30,535	30,535
		63,411	69,630
Less: Expected credit loss	12.3		
WAPDA		12,677	12,677
Others		30,535	30,535
		43,212	43,212
		20,199	26,418

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

12.2 Trade debtors include an amount of Rs. 7.617 million (2020: 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	43,212	43,212

12.4 As at June 30, 2021, trade receivables of Rs 43.212 million (2020: 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:

	2021		2020	
	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	42,876	-	27,863	-
Over 90 days	20,535	43,212	18,329	43,212
	63,411	43,212	69,630	43,212

13 ADVANCES

Advances to:

- Employees - Secured

' - against salary

' - against expenses

- Suppliers

13.3

83

83

2,105

2,105

36,759

87,047

38,946

89,234

13.1 Advances other than those against which provision has been made are considered good by the management.**13.2** Advances to employees are provided to meet business expenses and are settled as and when the expenses are incurred.**13.3** Suppliers as at closing date

39,225

89,513

Less: Expected credit loss

13.3.1

(2,466)

(2,466)

36,759

87,047

13.3.1 Movement in expected credit loss is as follows:

Opening balance

2,466

2,466

Add: Provision for expected credit loss

-

-

Less: Provision for expected credit loss written off

-

-

Closing Balance

2,466

2,466

14 TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Trade deposits - Considered good

14.1

2,531

2,531

Margin against bank guarantee - Considered good

14.2

18,367

18,367

Short term prepayments and other receivables

3,820

2,235

24,718

23,133

14.1 Balance as on closing date

5,663

5,663

Less: Expected credit loss

14.1.1

(3,132)

(3,132)

2,531

2,531

14.1.1 Movement in expected credit loss is as follows:

Opening balance

3,132

3,132

Add: Provision for expected credit loss

-

-

Less: Provision for expected credit loss written off

-

-

Closing Balance

3,132

3,132

14.2 Balance as on closing date

18,428

18,428

Less: Expected credit loss

(61)

(61)

18,367

18,367

15 TAX REFUNDS DUE FROM GOVERNMENT

Advance income tax - net

53,431

42,189

Sales tax refundable

99,357

75,560

152,788

117,749

16 CASH AND BANK BALANCES

Cash in hand

-

-

Cash at Bank

- Current accounts

- Deposit accounts

16.1

21,174

27,803

23,408

3,569

44,582

31,372

44,582

31,372

16.1 The company is maintaining saving account with different banks with interest on the daily product basis which was carrying interest @ 9% to 14%. (2020 : @ 6% to 12%).**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 expressions of interests have been received for the remaining portion by Privatization Commission from many parties. The Mutation of land is complete as per The Board of Revenue Punjab letter which states that the Government of Punjab has, however, no objection to the disposal of properties of PECO which had vested in the Federal Government. However a letter was issued by the Joint Secretary Ministry of Industries and Production Islamabad directing District Officer Revenue Lahore and copy endorsed to Member Revenue Punjab to stop the above mutation till further instructions, for undisclosed reasons. The BOD and the Management of the Company are till date strongly committed to the plan of selling the Badami Bagh Land and there has been no revocation of the GOP order or any change in the management's stance or plan. Further the Privatization Commission in its direct confirmations to the auditors has also clearly stated that GOP loans would be recovered from the sale proceeds of Badami Bagh Land.

Therefore taking into account the fact that the carrying amount of the land would be recovered principally through a sale transaction and not through continuing use and that the management and the GOP are firmly committed to a plan to sell the land and till date there has been no change of plan or revocation of Government order, the land is available for immediate sale, active programs to locate buyers continue to be carried out, the asset is marketed at fair value and it is extremely unlikely that the plan will be significantly be changed or withdrawn. The foregoing facts that events or circumstances which have resulted in the extension of the period to complete the sale beyond one-year, are beyond the entity's control, therefore, Badami Bagh Land is classified as "Held for Sale" at lower of its carrying amount or fair value less cost to sell.

18 SHARE CAPITAL**Authorized Capital:**

Ordinary shares 9,000,000 (2020: 9,000,000) of Rs.10/- each	90,000	90,000
7.5% Cumulative redeemable preference shares 100,000 (2020: 100,000 of Rs. 100/- each	10,000	10,000
	100,000	100,000

Issued, Subscribed and Paid up Capital:

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

- 18.1** State Engineering Corporation, an associated company, holds 1,415,723 (2020: 1,415,723) ordinary shares of Rs. 10/- as at 30 June 2021.

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	154,650	162,791
Plant and machinery	19.4	133,990	141,042
		14,437,386	14,452,579

- 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
		14,148,746	14,148,746

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		-	-
		313,999	313,999

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		196,427	184,360
- Current year		8,141	8,568
- Related deferred tax liability		3,325	3,500
		207,893	196,427
		217,819	229,285

Less: Related deferred tax liability in respect of:

- Balance at the beginning of the year	66,494	69,993
- Change of rate	-	-
- New surplus during the year	-	-
- Incremental depreciation for the year	(3,325)	(3,500)
	63,169	66,494
	154,650	162,791

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		-	-
		353,561	353,561

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

- Prior years	155,252	144,797
- Current year	7,052	7,423
- Related deferred tax liability	2,880	3,032
	165,184	155,252
	188,377	198,309

Less: Related deferred tax liability in respect of:

- Balance at the beginning of the year	57,267	60,299
- Change of rate	-	-
- New surplus during the year	-	-
- Realized on disposal of machinery	-	-
- Incremental depreciation for the year	(2,880)	(3,032)
	54,387	57,267
	133,990	141,042

- 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	24,374
Finance availed during the year		-	-
		24,374	24,374
Less: repayment during the year		-	-
		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	22,767
Deferred income tax liability-net	22.2	119,706	125,632
		142,472	148,398
22.1 For the financial year 2021, 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, 2020. 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	158,674	164,602
Deferred tax assets	22.2.2	(38,931)	(38,970)
		119,743	125,632

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	158,674	164,602
Remeasurement of defined benefit plan	-	-
	158,674	164,602

22.2.2 Deferred tax assets in respect of deductible temporary differences:

Provisions for doubtful and other balances	(14,634)	(14,670)
Provision for gratuity	(6,602)	(6,602)
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	(14,795)	(14,798)
	(38,931)	(38,970)

- 22.3** Deferred tax asset amounting to Rs 63.24 Million (2020: 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	329,107	367,995
Accrued liabilities	23.1	80,252	55,410
Advances		140,151	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	26,015	19,424
Workers' Profit Participation Fund	23.4	47,721	47,721
Workers' Welfare Fund		3,298	3,308
		627,467	494,993

- 23.1** Includes Rs. 40 million (2020: 40 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 (2020: 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 Rotocast Engineering (Private) Limited, related party, of Rs. 0.53 million (2020: Rs. Nil)

- 23.1.3** It includes payable to Muhammad Arif Habib, Director, of Rs. 6.71 million (2020: Rs. 3.00 million)

- 23.1.4** It includes meeting fee payable to the Directors of Company, of Rs. 0.83 million (2020: Rs. 0.42 million)

- 23.1.5** It includes salaries payable to the employees of the Company, of Rs. 24.94 million (2020: Rs. 14.03 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
		47,721	47,721

23.4.1 Movement in principal

Opening balance		35,269	35,269
Add: Charge for the year		-	-
Less: Paid during the period		-	-
		35,269	35,269

23.4.2 Movement in accumulated interest

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

- 23.5 Includes Rs. 14.947 million (2020: 13.947 million) in respect of provision against litigations mentioned in Note 27.1.7 to 27.1.9.

24 UNCLAIMED DIVIDEND

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

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

25 SHORT TERM BORROWING - SECURED

Running finance from NBP Bank under markup arrangements	25.1	<u>71,556</u>	<u>71,556</u>

- 25.1 The financing forms part of total credit facility available to the extent of Rs. 75.0 million (2020: 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>

26.1 Loan From Government Of Pakistan - unsecured

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

- 26.2 These represent funds provided by the Government of Pakistan (the Government), bank loans of the company taken over by the Government and amounts payable by the company to different Government departments like Customs, Railways and Karachi Port Trust. According to the Cabinet Committee Division decision dated 30th May 1994 and 2005 these liabilities will be settled against the proceeds from disposal of Land held for sale (Ref: Note 17.1) and surplus land of Kot Lakhpat, if needed. There is no fix repayment schedule or tenure for repayment of these liabilities. An exercise to reconcile the liabilities is in process and several meetings have been conducted in this regard, however, all these meetings concluded without any decision or agreement with respect to the reconciliation of the loan liabilities and calculation, payment or mode of payment of interest on Government of Pakistan loans due to which there is currently no fixed tenure for repayment of these liabilities nor the total amount of the liability is determinable. In the absence of the availability of a defined repayment schedule due to reasons explained above, the fair value of these loans is not determinable and hence they have been stated at cost.

The Technical Advisory Committee (TAC) of Institute of Chartered Accountants of Pakistan (ICAP), on the request of Management of PECO, on March 28, 2017, also gave an opinion, on the issue of recording accrual of mark-up on GoP loans. After review of all details, workings and complete documents, The Committee is of the view that "the management of company needs to determine whether a present obligation exists at the end of the reporting period taking into account all the available evidences, including, the opinion of legal experts. Where there is a probability that a present obligation exists at the end of the reporting period, the provision should be recognized. Contrary to this will require an entity to disclose a contingent liability".

The Board of Directors in its various meetings has resolved that amount due under the law to the Government of Pakistan (GoP) for any loan given to PECO shall be paid. The Board has agreed with GoP to adjust its liabilities by disposal of Badami Bagh Land as decided in E.C.C decision dated 02.03.1993, which according to the recent valuation amounts to Rupees 4,605.133 million and it is in excess of the amount being claimed by GoP from PECO. The BoD and the management of the Company believes that they are not liable to pay any interest on these loans in the absence of any agreement. The legal advisor of the company is also of the firm opinion that since there is no mention of any markup to be charged on this loan nor is there any markup agreement, therefore, no markup is payable by the company in respect of this loan. Therefore, a disclosure of a contingent liability is made in notes (refer note 27.1.4 & 27.1.5) to these financial statements.

For the year ended June 30, 2021 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

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	281,082	281,082
Loan for shifting of machinery	75,819	75,819
Loan for Energy bills and Import duties	124,568	124,568
	481,469	481,469

26.2.2 This represents interest free loan provided by Privatization Commission to PECO for payment of salaries, energy bills, shifting of plant & machinery from Badami Bagh to Kot Lakhpat and payment of outstanding essential liabilities. According, to the Cabinet Committee Division decision, Privatization Commission would adjust its loan liability against the sale proceeds of Badami Bagh Land and surplus land of Kot Lakhpat, if needed and in this regard title documents of Badami Bagh Land were handed over to the Privatization Commission in 1994 by PECO. The foregoing loans have been outstanding since 1993. The company also obtained legal opinion from the legal advisers of the company. The legal adviser is of the firm opinion that since there is no mention of any markup to be charged on this loan in any agreement nor is there any markup agreement in respect of this loan therefore no markup is payable by PECO in respect of this loan. The BoD and the management firmly believes that as the Company had handed over the title documents of the said land to the Privatization commission for disposal in the year 1994 and had Privatization Commission disposed off the land at that time no issue of charging any interest on these loans would have risen and instead believed that a case of causing loss to PECO on account of delay caused in disposing off the land at Badami Bagh should be made out, either by raising monetary claim or claiming set-off against the alleged principal loan liability. The difference of Rs. 131.454 million claimed by the Privatization Commission on account of additional gratuities is because of misapprehension on part of GoP, whereby, PECO is considered responsible to pay Rs. 131.454 million, that infact was the liability of the Privatization Commission under the APSEWEC agreement. As per the APSEWEC agreement Privatization Commission took the liability to make additional gratuity payments, for which purpose it had advanced Rs. 131.454 million to PECO. On receiving the said amounts PECO had made the payments as was directed. It is important to note that PECO was not a party to these agreements, therefore, it cannot be held responsible for fulfilling any obligation pertaining to them. The claim of GoP is based on illegitimate assumption.

Furthermore, the legal advisors are also of firm opinion that the amount of additional gratuities of Rs. 131.454 million (refer note 27.1.3) should be borne by the Privatization Commission. In this regard, in the meeting held on October 7, 2010 at Finance Division, Privatization Commission was instructed by Ministry of Finance to review the calculation / treatment of the loan amounting to Rs. 131.454 million and come up with firm stance on it. The Privatization Commission was further instructed to sort out the issue of charging interest on VSS loan and come up with sound reason and logic for charging interest thereon. Neither formal agreements were signed or executed between the Privatization Commission, Ministries and PECO nor definitive terms and conditions exist in relation to the issue of markup and that the Privatization Commission only applied markup as instructed by the Finance Division. Further, under the directions of public accounts committee the matter of charging interest is being reviewed by the committee comprising of Ministry of Industries, Ministry of Finance and Privatization Commission of Pakistan.

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

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

26.2.4 The company has not provided interest amounting to Rs. 41.989 million (accumulated Rs. 41.989 million) @ 14% for three years relating to custom and other import duties (2020: Rs 41.989 million) as the BoD and the management believes that there was no clause of charging interest or surcharge in the ECC and Cabinet Decision. In spite of confirmation requests and several reminders, no confirmation of custom and other import duties of Rs. 86.984 million and Karachi Port Trust of Rs.12.964 million along with markup / surcharge on custom duty of Rs. 2,703.822 million (refer note 27.1.4) was received by the auditors from customs or Pakistan Railways or port Trust.

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

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

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>

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

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 (2020: 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. 1,683.941 Million (2020: Rs 1,620.81 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.

28 SALES

Sales - Local	183,301	259,599
Less: Sales tax	-	-
	<u>183,301</u>	<u>259,599</u>

29 COST OF SALES

Raw material consumed	29.1	181,106	301,650
Stores and spares consumed		13,903	16,092
Salaries,wages and other benefits	29.2	96,757	81,929
Fuel and power		680	322
Processing charges		4	-
Inspection fee		3,150	1,109
Service charges		79	96
Repair and maintenance		1,968	1,776
Vehicle running expenses		2,085	881
Rent, rates and taxes		1,549	128
Publication of tender documents		72	241
Insurance		1,545	-
Traveling and conveyance		657	4,307
Printing, stationery and office supplies		132	300
Postage, telegram and telephone		1,634	1,146
Entertainment		367	362
Legal and professional		5,634	-
Other expenses		154	359
Depreciation		33,292	35,074
		344,769	445,770

Opening stock of work-in-process	73,990	97,958
Closing stock of work-in-process	(55,493)	(73,990)
	18,497	23,968
Cost of goods manufactured	363,266	469,738
Opening stock of finished goods	33,723	43,488
Closing stock of finished goods	(30,351)	(33,723)
	3,372	9,765
	366,638	479,503

29.1 Raw material consumed

Opening stock	255,218	290,695
Add: purchases	88,286	266,174
	343,504	556,868
Less: closing stock	162,397	255,218
	181,106	301,650

29.2 This includes retirement benefits amounting to Rs. Nil (2020: Rs. 0.310 million).

30 SELLING AND DISTRIBUTION EXPENSES

Salaries,wages and other benefits	30.1	689	747
Insurance		4,064	3,161
Traveling and conveyance		-	105
Entertainment		49	43
Repair and maintenance		-	455
Vehicle running expenses		68	695
Rent, rates and taxes		-	286
Miscellaneous		-	62
		4,870	5,554

30.1 This includes retirement benefits amounting to Rs. 0.059 million (2020: Rs. 0.059 million).

31 FREIGHT AND FORWARDING EXPENSES

Freight and forwarding expenses	7,179	3,980

32 ADMINISTRATIVE EXPENSES

Salaries,wages and other benefits	32.1	16,233	17,016
Vehicle running expenses		1,653	2,203
Traveling and conveyance		0	647
Printing, stationery and office supplies		150	166
Legal and professional		4,703	2,572
Utilities		16,953	12,691
Entertainment		17	40
Rent, rates, and taxes		-	125
Repair and maintenance		-	2,749
Postage, telegrams and telephone		360	361
Security charges		-	12
Insurance		372	1,866
Fee and subscription charges		740	1,574
Performance guarantee	32.2	64,728	-
Miscellaneous		2,038	1,642
Depreciation		2,893	3,520
		110,841	47,184

32.1 This includes retirement benefits amounting to Rs. 0.634 million (2020: Rs. 0.748 million).

32.2 This represents the forfeiture of the bid security deposit for a bidding process with PESCO due to non-compliance with the bid conditions.

33 OTHER OPERATING CHARGES

Auditors' remuneration	33.1	810	810
Tax consultancy fee		-	-
Workers' profit participation fund		-	-
Workers' welfare fund		-	-
Impairment allowance		-	-
Depreciation on investment property		25	26
		835	836

33.1 Auditors' remuneration

Audit fee	810	810
Half yearly review fee	-	-
Review of compliance with code of corporate governance	-	-
	810	810

34 OTHER OPERATING INCOME**Income from Financial Assets**

Profit on bank deposits	75	1,878
Profit on investment	-	-
	75	1,878

Income from Non - Financial Assets

Miscellaneous income	-	29,447
Liability written off	1,497	35,822
Rental income	1,585	1,504
Gain on sale of property, plant and equipment	-	-
	3,082	66,773
	3,157	68,651

35 FINANCE COST		
Mark - up on short term borrowings	7,645	6,979
Mark - up on long term borrowings	2,604	2,377
Bank charges and commission	35.1 1	1
Interest on workers' profit participation fund	-	-
	10,249	9,358
35.1 Bank guarantee commission paid by the company is charged over the period of contract.		
36 TAXATION		
Current		
for the year	2,291	3,245
for prior years	-	-
	2,291	3,245
Deferred		
Origination and reversal of temporary differences	(5,926)	(5,926)
Impact of change in tax rate	-	-
	(5,926)	(5,926)
	(3,635)	(2,681)
36.1 The current tax provision represents the Minimum Tax under section 113 of Income Tax Ordinance, 2001. As a result reconciliation of tax charge for the year is not required.		
36.2 Company's income tax assessment has been finalized up to 2018.		
37 BASIC AND DILUTED EARNINGS PER SHARE		
Basic earnings per share:		
(Loss) / profit after taxation (Rupees in '000)	(310,519)	(215,484)
Weighted average number of ordinary shares (No. in '000) outstanding during the year	5,690	5,690
	(54.57)	(37.87)
37.1 There are no dilutive potential ordinary shares outstanding as at June 30, 2021 and 2020.		
38 CASH GENERATED FROM OPERATIONS		
Profit before taxation	(314,154)	(218,165)
Adjustments for:		
Depreciation	36,210	38,620
Financial charges	10,249	9,358
Provision for gratuity	694	1,118
Liability written off	1,497	35,822
	48,649	84,919
(Loss) / profit before working capital changes	(265,505)	(133,246)
Movements in working capital		
Decrease/(Increase) in current assets:		
Stores, spares and loose tools	13,866	16,092
Stock in trade	114,690	69,210
Trade debts	6,219	157,157
Advances	50,288	(83,326)
Trade deposits, prepayments and other receivables	(1,585)	(1,661)
Sales tax refundable	(23,797)	(44,248)
Increase/(Decrease) in current liabilities:		
Trade and other payables	130,987	(3,761)
	290,667	109,463
Net Cash generated/ (used) from operations	25,162	(23,783)

39 TRANSACTIONS WITH RELATED PARTIES

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

State Engineering Corporation (SEC)

- Reimbursement expenses payable	23	<u>151</u>	<u>151</u>

Muhammad Arif Habib (Director)

- Payable at the end of the year	23.1.3	<u>6,710</u>	<u>3,000</u>

Rotocast Engineering (Private) Limited

- Payable at the end of the year	23.1.2	<u>530</u>	<u>-</u>

- 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 94.27% (2020: 89.74%) of total sales.

40.2 Information about geographical areas

- All non-current assets of the Company as at 30 June 2021 are located in Pakistan.
- 100% (2020: 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 94.27% 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, 2021

	Note	2021	2020

----- 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

2021		2020	
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	20,199	-	50,215	-
Advances	83	-	83	-
Trade deposits and guarantee margins	20,898	-	20,898	-
Cash and bank balances	44,582	-	11,372	-
	<u>85,762</u>	<u>2,872</u>	<u>82,568</u>	<u>2,872</u>

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	487,316	-	449,491	-
Mark-up accrued	25,905	-	15,657	-
	<u>584,777</u>	<u>1,815,221</u>	<u>561,077</u>	<u>1,790,848</u>

On balance sheet date gap	<u>(499,016)</u>	<u>(1,812,349)</u>	<u>(478,510)</u>	<u>(1,787,975)</u>

OFF - BALANCE SHEET ITEMS

Letter of guarantees	<u>225,811</u>	<u>225,811</u>

- 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:

	2021	2020
	----- Rupees in "000" -----	
Long term investments	819	819
Long term security deposits - net of impairment	2,053	2,053
Trade debts - net of impairment	20,199	50,215
Advances	83	83
Trade deposits and guarantee margins	20,898	20,898
Bank balances	44,582	11,372
	<u>88,634</u>	<u>85,440</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			2021	2020
	Short term	Long term	Agency	----- Rupees in "000" -----	
MCB Bank	A-1+	AAA	PACRA	-	-
United Bank Limited	A-1+	AAA	VIS	357	293
National Bank of Pakistan	A-1+	AAA	VIS	-	-
AL Barka Bank Pakistan Limited	A-1	A+	VIS	22,648	542
Faysal Bank Limited	A-1+	AA	PACRA	1,173	7,803
Allied Bank Limited	A-1+	AAA	PACRA	401	2,733
				24,579	11,371

2021		2020	
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	42,876	-	27,863	-
Over 90 days	20,535	43,212	18,329	43,212
	63,411	43,212	69,630	43,212

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

41.4.2 Liquidity risk

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

Following is the maturity analysis of financial liabilities:

Non - derivative financial liabilities

Government of Pakistan Loans
Long term borrowings
Short term borrowings
Trade and other payables
Mark-up accrued

30-Jun-19

Up to 1 year	1 to 5 years	Total
-	1,790,848	1,790,848
-	24,374	24,374
71,556	-	71,556
487,316	-	487,316
25,905	-	25,905
584,777	1,815,221	2,399,999

Non - derivative financial liabilities

Government of Pakistan Loans
Long term borrowings
Short term borrowings
Trade and other payables
Accrued mark-up

30-Jun-18

-	1,790,848	1,790,848
24,374	-	24,374
71,556	-	71,556
449,491	-	449,491
15,657	-	15,657
561,077	1,790,848	2,351,925

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 2021. 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 2021, if interest rates on company's bank borrowings had been 1% higher / lower, the markup expenses would have been higher / lower by Rs. 998 million (2020: Rs. 878 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:

	2021	2020
	----- Rupees in "000" -----	
Debt	1,912,682	1,902,435
Equity	12,675,035	12,985,556
Total capital employed	14,587,717	14,887,991
Gearing Ratio	13.11%	12.78%

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.

	2021		2020	
	Chief Executive	Director	Chief Executive	Director
	----- Rupees in "000" -----			
Remuneration	6,125	413	5,245	-
Bonus	-	-	-	-
Reimbursement of expenses	2,022	-	1,617	-
Pension contribution	76	-	61	-
Perquisites	2,141	-	1,962	-
	10,364	413	8,885	-
Number of persons	1	6	1	6

- 43.1 In addition to above remunerations 6 directors (2020: 6 directors) were paid aggregate remuneration of Rs. Nil (2020: Rs. Nil).
- 43.2 Aggregate amount charged in the accounts for 06 directors for Meeting fees were Rs. Nil (2020: Rs. Nil) and reimbursable expenses Rs. Nil (2020: 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	2021	2020
Pumps / turbines	No.	3,400	3,400	10	33
Electric motors	No.	16,500	6,500	-	10
Rolled material	Tons	80,000	30,000	-	-
Foundry	Tons	4,000	4,000	-	-
Steel fabrications (STR)	Tons	20,000	20,000	2,029	2,874
Concrete Mixture	No.	350	350	-	-

45 NUMBER OF EMPLOYEES

	2021	2020
Total number of employees as at June 30;	----- Numbers -----	
Contractual employees - Head Office	4	6
Temporary staff - Head Office	2	2
Contractual employees - Factory	6	6
Temporary staff - Factory	43	43
Workers - Factory	247	247
	302	304
Average number of employees during the year		
Contractual employees - Head Office	5	21
Temporary staff - Head Office	2	16
Contractual employees - Factory	6	24
Temporary staff - Factory	43	43
Workers - Factory	247	247
	303	351

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, 2021**

# of Shareholders	From	To	Total Shares held
1,494	1	100	40,747
548	101	500	128,190
126	501	1,000	88,746
96	1,001	5,000	176,688
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
2	35,001	40,000	76,600
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	450,001	455,000	452,700
1	505,001	510,000	510,000
1	1,415,001	1,420,000	1,415,723
1	1,660,000	1,675,000	1,672,400
2,312			5,690,245

**Categories of Shareholders
As At June 30, 2021**

	# 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	1,672,400	29.39
State Engineering Corporation	1	1,415,723	24.88

Categories of Shareholder
As At June 30, 2021

	# of Shareholders	Shares Held	Percentage
NIT and ICP	2	131,330	2.31
Bank, Development finance institution, Non-Banking Finance companies	12	145,115	2.55
Insurance Companies	3	229,030	4.02
Modarabas, and Mutual, Pension Funds CDC-Trustee and Opportunity Fund	1	6,900	0.12
Public Sector companies and corporations	7	27,600	0.49
General Public			
a. Local	2,237	1,489,572	26.17
b. Foreign	-	-	-
Others	43	567,548	9.97
Total	2,312	5,690,245	100

Shareholders Holding 5% or More Voting Interest

Name of shareholder	No of shares held	%age held
State Engineering Corporation Limited	1,415,723	24.88
Rotocast Engineering Company (Private) Limited	1,672,400	29.39
Mr. Ahmad Masood Khan	510,000	8.96
Maha Securities (Private) Limited	452,700	7.96

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 72th
Annual General Meeting of the Company to be held on February 17, 2025 (Monday) at 11:20 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

Signature _____

Name _____

Address _____

WITNESS 02

Signature _____

Name _____

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 _____ (CDC کا وٹ 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/اپنے وکیل کے طور پر نامزد کرتے ہیں کہ وہ میری/ہماری غیر موجودگی میں میری/ہماری طرف سے 72 ویں سالانہ جنرل میٹنگ میں، جو 17 فروری 2025 (پیر) کو صبح 11:20 بجے ہوٹل فور پوائنٹس بائی شیرٹن، 25- ایجرٹن 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 سٹیمپ چسپاں کریں

گواہ نمبر 02

دستخط بمعہ شناختی کارڈ نمبر: _____

نام: _____

پتہ: _____

دستخط بمعہ شناختی کارڈ نمبر

نوٹ:

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



PAKISTAN ENGINEERING COMPANY LIMITED

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



Annual Report 2022



PAKISTAN ENGINEERING COMPANY LIMITED

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Contents

Company Information	05
Our Products	06
Vision / Mission Statement and Corporate Strategy	07
Our Values	08
Financial Highlights of Six Years	09
Notice of Annual General Meeting	10
Notice of Annual General Meeting اُردو ترجمہ	14
Chairman's Review	18
Chairman's Review اُردو ترجمہ	20
Directors' Report	21
Directors' Report اُردو ترجمہ	28
Statement of Compliance with Listed Companies	33
Independent Auditor's Review Report to the members of Peco	37
Independent Auditor's Report	40
Statement of Financial Position	43
Statement of Profit and Loss Account	45
Statement of Comprehensive Income	46
Statement of Changes in Equity	47
Statement of Cash Flow	49
Notes to the Financial Statements	50
Pattern of Shareholding	84
Jama Punji جمع پونجی	86
Form of Proxy	87
Form of Proxy اُردو ترجمہ	88



COMPANY INFORMATION

Board of Directors

Mr. Mairaj Anees Ariff (Chief Executive)
Mr. Naeem Jan Khan
Mr. Muhammad Arif Habib
Mr. Rashid Ali Khan
Mr. Iftikhar Hussain
Mr. Muhammad Iqbal
Mirza Mahmood Ahmad
Mr. Ansar Javed
Mr. Waseem Ajmal Chaudhary

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

	2022	2021	2020	2019	2018	2017
Trading Results						
Sales – Net	137.93	183.30	259.60	249.64	1,424.45	1,353.17
Cost of Sales	321.31	366.64	279.50	487.64	1,399.41	1,187.00
Gross Profit/(Loss)	(183.38)	(183.34)	(219.90)	(238)	25.04	166.17
Admin, Gen. & Selling Exp.	58.45	122.89	56.72	87.16	108.87	105.46
Other Operating Charges	0.83	0.84	0.84	8.84	1.03	6.44
Other Operating Income	5.53	3.16	68.65	13.67	3.45	23.33
Operating Profit/(Loss)	(237.14)	(303.91)	(208.81)	(320.34)	(81.41)	77.60
Financial Charges	9.12	10.25	9.36	8.245	17.56	17.07
Workers Profit Participation fund	-	-	-	-	-	3.30
Profit/(Loss) before Tax	(246.26)	(314.15)	(218.16)	(328.59)	(98.97)	60.53
Net Profit/(Loss) after Tax	(242.03)	(310.52)	(215.48)	(466.96)	(69.96)	66.74
Dividend						
Cash Dividend	-	-	-	-	-	-
Dividend Per Share (Rs.)	-	-	-	-	-	-
Financial Position						
Property, Plant and Equipment	14,444.04	14,478.03	14,514.21	14,552.11	14,558.75	14,555.17
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
Key Indicators						
Gross Profit Ratio	(132.95)	(100.02)	(84.70)	(95.34)	1.76	12.28
Operating Profit/(Loss) Ratio	(171.93)	(165.80)	(80.43)	(128)	(5.72)	5.73
Operation Expenses Ratio	42.38	67.04	21.85	34.91	7.64	7.79
Profit/(Loss) Before Tax Ratio	(178.54)	(171.39)	(84.04)	(131.63)	(6.95)	4.47
Net Profit/(Loss) Ratio	(175.47)	(169.40)	(83.01)	(187.05)	(4.91)	4.93
Earning Per Share	(42.54)	(54.57)	(37.87)	(82.07)	(12.29)	11.73
Working Capital Turnover	(373.34)	(159.37)	120.87	304.56	665.74	794.54
Current ratio	0.48	0.80	1.20	1.55	2.56	2.01
Quick ratio	0.38	0.38	0.48	0.61	1.35	1.23

NOTICE OF 73RD ANNUAL GENERAL MEETING

Notice is hereby given that the 73rd Annual General Meeting (AGM) of **Pakistan Engineering Company Limited** (the “Company”) will be held on **Monday, February 17, 2025 at 11:30AM.** 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, 2022, 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/wp-content/uploads/2025/01/Annual-Report-2022.pdf>

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, 2022. 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 2022 - 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 2022:

In compliance with section 223(6) of the Act, the Company has electronically transmitted the Annual Report 2022 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, 2022 along with reports have also been placed on the website of the Company.



<https://www.peco.com.pk/wp-content/uploads/2025/01/Annual-Report-2022.pdf>

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

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

4. Participation in the AGM:

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

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

- (i) Members, proxies or nominees shall authenticate their identity by producing their original national identity card or original passport and folio numbers at the time of the meeting.
- (ii) In case of corporate entities, a resolution of the Board of Directors / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity and an attested copy of CNIC shall be submitted to the Company at the meeting or along with a completed proxy form. The proxy holders are required to produce their original valid CNICs or original passports at the time of the meeting.
- (iii) In order to be effective, the proxy forms must be received at the 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 73rd Annual General Meeting was notified to be held at 02:00PM which on same day was changed to be held at 11:30AM. The notification of revision of timing of AGM may please be downloaded from Company's website www.peco.com.pk

6. Consent for video conference facility:

Pursuant to Section 132(2) & Section 134(1)(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

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>).

نوٹس برائے 73 واں سالانہ اجلاس عام

نوٹس دیا جاتا ہے کہ پاکستان انجینئرنگ کمپنی لمیٹڈ (کمپنی) کا 73 واں سالانہ اجلاس عام (اے جی ایم) 17 فروری 2025 بروز پیر صبح 11:30 بجے ہوٹل فور پوائنٹس پریشرٹن، 25- ایئرٹن 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 2022 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/wp-content/uploads/2025/01/Annual-Report-2022.pdf>

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 2022 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

تاریخ: 27 جنوری، 2025

(میاں انور عزیز)

کمپنی سیکرٹری

نوٹس:

1۔ حصص منتقلی کی کتابوں کی بندش

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

2۔ اے جی ایم کی کارروائی میں 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 2022- پیکو کے لئے رجسٹریشن' کے موضوع کے ساتھ cdcsr@cdcsrsl.com یا واٹس ایپ نمبر 92 321 820 0864 پر مندرجہ ذیل تفصیلات اور شناختی کارڈ کے دونوں اطراف کی درست کاپی کے ساتھ ای میل بھیج کر اپنا اندراج کرائیں:

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

الیکٹرانک میٹنگ لنک اور لاگ ان اسناد صرف ان ممبروں کے ساتھ شیئر 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 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 2022 کی الیکٹرانک ٹرانسمیشن:

ایکٹ کی دفعہ 223(6) کی تعمیل میں کمپنی نے سالانہ رپورٹ 2022 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 2022ء 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/wp-content/uploads/2025/01/Annual-R eport-2022.pdf>

تاہم کمپنی کسی بھی رکن کو ان کے مطالبے پر ان کے رجسٹرڈ ایڈریس پر سالانہ رپورٹ کی ہارڈ کاپیاں مفت فراہم کرے گی، ایسی درخواست موصول ہونے کے ایک ہفتے کے اندر مخصوص رضامندی نامے/فارم پر جو کمپنی کی ویب سائٹ پر دستیاب ہے www.peco.com.pk مزید برآں شیئرز ہولڈرز سے درخواست ہے کہ وہ اپنا درست ای میل ایڈریس (درست شناختی کارڈ کی کاپی کے ساتھ) کمپنی کے شیئرز رجسٹرار، سی ڈی سی شیئرز رجسٹرار سروسز لمیٹڈ سی ڈی سی ہاؤس، 99 بی، بلاک بی، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی-74400 کو فراہم کریں، اگر ممبر کے پاس فزیکل شکل میں حصص ہیں یا ممبر کے متعلقہ پارٹنر/انویسٹر اکاؤنٹ 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، پراکسین 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 بینشٹری 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 73 ویں سالانہ جنرل اجلاس کا وقت دوپہر 2 بجے منعقد کرنے کا نوٹیفکیشن جاری کیا گیا تھا جسے اسی دن صبح 11 بج کر 30 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

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

تاہم، اگر کوئی شیئر ہولڈر، اس کے علاوہ، ہارڈ کاپی میں متعلقہ دستاویزات کے ساتھ مکمل مالی بیانات کی درخواست کرتا ہے تو، ایسی درخواست موصول ہونے کے ساتھ دن کے اندر 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 my review as the Chairman of the Company for the year ended 30 June 2022, highlighting the Company's performance, issues 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 year 2021-2022 was another uninspiring year for the Company in terms of financial performance inspite number of challenges emanating from the economic and business front along with continued management disputes created by Government Nominated ex-MD PECO, Mairaj Anees Ariff. Macroeconomic vulnerabilities exacerbated by political uncertainty, high global commodity prices driving inflation to record levels, and increased current account deficit resulting in pressure on the Pakistani currency, leading to its depreciation by 31% during the year. Measures taken by the government included increase in policy rate to 15% and 100% LC margin imposed on raw material imports have resulted in increased borrowing and higher financial cost. Due to unprofessional approach and illegal/unlawful actions of Government Nominated ex-MD PECO, Mairaj Anees Ariff, the operations of the Company were on complete halt during the year under review; which was duly reported to Government of Pakistan and relevant regulatory authorities of Pakistan.

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

- Net Sales decreased to Rs. 137.93 million
- Gross Loss of loss of Rs 183.38 million
- Loss after tax of Rs. 246.26 million
- Loss per share of Rs. 42.54 per share

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. During the year under review, despite of his removal in December 2018, Government Nominated ex-MD PECO, Mairaj Anees Ariff, didn't allow any Board member to enter into the company premises, unlawfully, neither enable them to hold any meetings of sub-committees of the Board.

Apart from the Board Audit Committee and Board Human Resources & Remuneration Committee meetings every quarter, the Board met four (4) times during the year. No accounts could be presented and approved in Board meetings as Government Nominated ex-MD PECO, Mairaj Anees Ariff, did not allow any member of management team to enter into the company premises for performing their professional duties.

During the year under review, Securities and Exchange Commission of Pakistan (SECP), conducted an investigation into affairs of the Company under section 256 of Companies Act, 2017; which clearly depicted the illegal/unlawful acts of Government Nominated ex-MD PECO, Mairaj Anees Ariff.

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 aware of the current and future challenges, as we focus our

effort towards resolving the on-going issues of the Company created by Government Nominated ex-MD PECO, Mairaj Anees Ariff.

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.

The Board looks forward towards the next year with greater confidence in meeting the challenges ahead.

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

چیمبر مین کا جائزہ

میں 30 جون 2022 کو ختم ہونے والے سال کے لیے کمپنی کے چیمبر مین کی حیثیت سے اپنا جائزہ پیش کر رہا ہوں، جس میں کمپنی کی کارکردگی، مسائل اور بورڈ آف ڈائریکٹرز کے کردار کو اجاگر کیا گیا ہے کہ وہ انتظامیہ کی رہنمائی کریں تاکہ تمام اسٹیک ہولڈرز کے فائدے کے لیے اپنی ذمہ داری نبھائی جاسکے۔

سال 2021-2022 کمپنی کے لیے مالی کارکردگی کے لحاظ سے ایک اور مایوس کن سال رہا، حالانکہ معاشی اور کاروباری چیلنجز کے ساتھ ساتھ حکومت کی نامزد کردہ سابق ایم ڈی PECO، معراج انیس عارف کی جانب سے پیدا کیے گئے انتظامی تنازعات بھی برقرار رہے۔ سیاسی غیر یقینی صورتحال، عالمی اجناس کی قیمتوں میں اضافے، مہنگائی کی ریکارڈ سطح پر پہنچنے اور کرنٹ اکاؤنٹ خسارے میں اضافے نے پاکستانی کرنسی پر دباؤ ڈالا، جس کی وجہ سے سال کے دوران اس کی قدر میں 31 فیصد کمی واقع ہوئی۔ حکومت کے اقدامات میں پالیسی ریٹ کو 15 فیصد تک بڑھانا اور خام مال کی درآمد پر 100 فیصد ایلی سی مارجن لگانا شامل تھے، جس کے نتیجے میں قرضوں میں اضافہ اور مالیاتی لاگت میں اضافہ ہوا۔ حکومت کی نامزد کردہ سابق ایم ڈی PECO، معراج انیس عارف کی غیر پیشہ ورانہ رویے اور غیر قانونی اقدامات کے باعث جائزہ شدہ سال کے دوران کمپنی کی کارروائیاں مکمل طور پر معطل رہیں، جس کی باقاعدہ اطلاع حکومت پاکستان اور پاکستان کے متعلقہ ریگولیٹری اداروں کو دی گئی۔

سال کے مالی نتائج منفی رجحان کی عکاسی کرتے ہیں:

خالص فروخت کم ہو کر 137.93 ملین روپے رہ گئی۔

مجموعی نقصان 183.38 ملین روپے۔

ٹیکس کے بعد نقصان 246.26 ملین روپے۔

فی شیئر نقصان 42.54 روپے فی شیئر۔

جائزہ شدہ سال کے دوران، بورڈ نے اپنی ذمہ داریاں دینداری سے انجام دینے کی پوری کوشش کی اور کمپنی کے تمام اسٹریٹجک امور میں موثر رہنمائی فراہم کی۔ تاہم سابق ایم ڈی PECO، معراج انیس عارف کی غیر قانونی سرگرمیوں کی وجہ سے، بورڈ کے کسی رکن کو کمپنی کے احاطے میں داخل ہونے یا ذیلی کمیٹیوں کے اجلاس منعقد کرنے کی اجازت نہیں دی گئی۔

بورڈ آڈٹ کمیٹی اور بورڈ ہیومن ریسورسز اینڈ ریسورسز کمیشن کے ہر سہ ماہی اجلاس کے علاوہ، بورڈ نے سال کے دوران چار بار اجلاس منعقد کیے۔ تاہم، معراج انیس عارف کی طرف سے کسی بھی انتظامی رکن کو کمپنی کے احاطے میں داخل ہو کر پیشہ ورانہ فرائض انجام دینے کی اجازت نہ دینے کی وجہ سے بورڈ اجلاسوں میں کوئی اکاؤنٹس پیش یا منظور نہیں کیے جاسکے۔

سال کے دوران، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) نے کمپنی کے معاملات کی تحقیقات کیں، جس نے معراج انیس عارف کے غیر قانونی اقدامات کو واضح طور پر ظاہر کیا۔

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 پرعزم ہے۔ ہم موجودہ اور مستقبل کے چیلنجوں سے آگاہ ہیں اور ان مسائل کے حل کے لیے اپنی کوششوں پر توجہ مرکوز کیے ہوئے ہیں جو معراج انیس عارف کی وجہ سے پیدا ہوئے۔

بورڈ آف ڈائریکٹرز اور سینئر مینجمنٹ نے کمپنی کی صورتحال کے بارے میں اسٹیک ہولڈرز کو وقتاً فوقتاً آگاہ کرنے کے لیے تمام ضروری اقدامات کیے۔

بورڈ آئندہ سال کے چیلنجوں کا سامنا زیادہ اعتماد کے ساتھ کرنے کی امید رکھتا ہے۔

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 73rd Annual Report accompanied by the audited financial statements for the year ended June 30, 2022; after a lapse of almost three years.

GLOBAL STEEL SCENARIO AND PAKISTAN'S ECONOMY

The global steel prices collapsed by almost 40% after hitting a record high to USD 1,100 this year. A significant downward adjustment commenced in prices of major raw materials mainly iron ore. Iron ore after peaking to USD 176 corrected to USD 110.

The global market has weakened since March 2022 as spiraling inflation, COVID lockdowns in China particularly in Shanghai as part of its zero-tolerance policy to COVID and Russian Ukraine conflict have all heightened demand outlook uncertainty.

World crude steel production remained at 1.9 billion metric tons during the year, with a decrease of 3% as compared to the last year's production of 1.96 billion metric tons. China continued to lead the global steel market however, its total production decreased by 11% as compared to last year decreasing its overall share in the global output to 52.5% from 57% of last year mainly due to Covid lockdowns and state mandated measures to reduce carbon emissions.

Despite COVID and supply chain constraints, the steel demand recovered strongly in western and US markets. However, the recovery has been short lived due to ongoing conflict in Ukraine and potential supply chain disruptions.

Pakistan's Economy struggled due to its macroeconomic vulnerabilities and impact of higher commodity prices. Although the growth numbers for the year 2021-22 were impressive.

However, such high growth for an import led economy was at the cost of depleting exchange reserves and widening current account deficit. With the rising global commodity prices, the current account deficit widened to USD 17 billion against USD 1.9 billion of last year. Rupee depreciated significantly by 31% to Rs. 205 to USD from Rs. 157 last year. Average inflation recorded as high as 12.15% against 8.9% of last year.

Government along with the central bank took following tightening measures to slow down economy:

- Policy rate increased by a cumulative 8% to 15%
- 100% cash margin on LCs of various sectors
- Withdrawal of fuel subsidy
- Increasing Energy Prices
- Imposition of super tax on profits of selected industries including steel

These measures have tightened financial conditions and increased borrowing costs especially for the Large Scale Manufacturing sector and resulted into demand suppression.

PERFORMANCE OUTLOOK

Management disputes created by Government appointed ex-MD PECO, Mr. Mairaj Anees Ariff despite of his removal in December 2018, surged to maximum during this financial year. Government appointed ex-MD PECO, Mr. Mairaj Anees Ariff kept on prevented the Board of Directors, principal officer and other employees, including the statutory positions of Chief Financial Officer, Company Secretary and Head of Internal Audit, from entering the company premises. During this period also, he continued to run the company's affairs by illegally taking under siege control of PECO whereby operations of the Company were put to halt in April 2021.

In this year also, 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, in discharging their statutory and operational responsibilities, along with the efforts made by them in their available capacities for resolution of the issues. 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.

During the year under review, Securities and Exchange Commission of Pakistan (SECP), conducted an investigation into affairs of the Company under section 256 of Companies Act, 2017; which clearly depicted the illegal/unlawful acts of Government Nominated ex-MD PECO, Mairaj Anees Ariff. This report was shared with Government of Pakistan through Ministry of Industries & Production in December 2021.

Government appointed ex-MD PECO, Mr. Mairaj Ariff as MD, caused 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 worsened situation of the operations, the Company was able to achieve sales and gross loss during the year under review at Rs. 137.93 million and Rs. 183.38 million as compared to sales and gross loss of 183.30 million and Rs. 183.34 million respectively during the year 2022. The sale of the year under review comprises 48.01% of sales of scrap.

Overall, PECO incurred a loss after taxation of Rs. 242.03 million compared to last year loss after taxation of Rs. 310.52 million last year. Resultantly, there is a loss per share of Rs. 42.54 as compared to last year's loss per share of Rs. 54.57.

CONTRIBUTION TO NATIONAL EXCHEQUER AND THE ECONOMY

Your Company made a contribution of Rs. 0.78 million (June 30, 2021: Rs. 11.24 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>30.06.2022</u>	YEAR ENDED <u>30.06.2021</u>
(Loss) before Taxation	(246,261)	(314,164)
Taxation	4,230	3,635
(Loss)/Profit after Taxation	(242,031)	(310,519)
Appropriations:		
(Loss) for the year	(242,031)	(310,519)
Remeasurement of retirement benefit plan	-	-
Transfer from "Surplus on Revaluation of Fixed Assets"	14,432	15,193
Adjustment for change in tax rate	-	-
(Loss) carried forward to accumulated loss	(227,599)	(295,326)

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, 2021: Rs. 22.77 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 199th meeting held on 14.12.2018), five non-executive and three 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 199th meeting held on 14.12.2018 but Government of Pakistan delayed the formalities confirming the removal), Mr. Naeem Jan Khan and Mr. Waseem Ajmal Chaudhry.

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. The Board made every effort to ensure compliance of corporate laws and regulations despite of hindrances created by Government appointed ex-MD PECO, Mr. Mairaj Anees Ariff. During the year 2021-22, four (04) meetings of the Board were held in each quarter. The attendance of the Board members was as follows:

Mr. Mairaj Anees Ariff	-
Mr. Waseem Ajmal Chaudhry	1
Mr. Naeem Jan Khan	-
Mr. Arif Habib	4
Mr. Iftikhar Hussain	4
Mr. Rashid Ali Khan	4
Mirza Mahmood Ahmad	3
Mr. Muhammad Iqbal	4
Mr. Ansar Javed	3

In accordance with Company's policies and rules of service, despite of many requests, no chairman of the Board was appointed by Government of Pakistan through Ministry of Production during the year. The Board used to select Chairman of the meeting of the Board amongst the directors.

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. 42.54 as compared to last year's loss per share of Rs. 54.57.

AUDITORS

In 69th Annual General Meeting of the Company, shareholders appointed Messrs. EY Ford Rhodes & Co. Chartered Accountants as Auditor for the year ending on 30 June 2019. 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, 2022.

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, 2022 of Rs. 71.80 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, 2022 of Rs. 14.12 million and Rs. 393.78 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, 2022 have been duly complied with. A statement to this effect is annexed to the report, please refer page No. 33.

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 Board has not formed any Board's Committees 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 the Federal Government were duly informed with this fact.

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 09 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, 2022 were 173 compared to 302 of last year. Due to management disputes created by Government Nominated ex-MD PECO, Mairaj Anees Ariff, trained work force and employees continued to leave the Company during the year under review.

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Human Resource and Remuneration Committee was not established by the Board 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.

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. was not established by the Board 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.

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 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

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 confidence and goodwill of the stakeholders had allowed the Company to overcome its issues. 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.

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

For and on behalf of the Board

Mirza Mahmood Ahmad
Chairman of the Board

January 20, 2025
Lahore

ڈائریکٹرز کی رپورٹ

حصص داران کے لیے

پاکستان انجینئرنگ کمپنی لمیٹڈ کے ڈائریکٹرز، مالی سال کے اختتام 30 جون 2022 پر، 73 ویں سالانہ رپورٹ اور آڈٹ شدہ مالی بیانات پیش کر رہے ہیں؛ یہ رپورٹ تقریباً تین سال کے وقفے کے بعد پیش کی جا رہی ہے۔

عالمی اسٹیل منظر نامہ اور پاکستان کی معیشت

عالمی اسٹیل کی قیمتیں اس سال 1100 امریکی ڈالر کی ریکارڈ بلند سطح تک پہنچنے کے بعد تقریباً 40 فیصد گر گئیں۔ اہم خام مال، خاص طور پر آئرن اور کی قیمتوں میں نمایاں کمی واقع ہوئی۔ آئرن اور، جو 176 امریکی ڈالر کی بلند ترین سطح پر پہنچا تھا، کم ہو کر 110 امریکی ڈالر پر آ گیا۔

عالمی منڈی مارچ 2022 کے بعد سے کمزور ہو گئی ہے کیونکہ بڑھتی ہوئی مہنگائی، چین میں کووڈ لاک ڈاؤن، خاص طور پر شنگھائی میں، روس اور یوکرین کے تنازعے نے طلب کی غیر یقینی صورتحال کو بڑھا دیا ہے۔

دنیا بھر میں خام اسٹیل کی پیداوار 1.9 ارب میٹرک ٹن رہی، جو پچھلے سال کے 1.96 ارب میٹرک ٹن کی پیداوار سے 3 فیصد کم ہے۔ چین نے عالمی اسٹیل مارکیٹ کی قیادت جاری رکھی، لیکن اس کی کل پیداوار گزشتہ سال کے مقابلے میں 11 فیصد کم ہوئی، جس کی وجہ سے اس کی عالمی پیداوار میں مجموعی حصہ 57 فیصد سے کم ہو کر 52.5 فیصد رہ گیا۔

پاکستان کی معیشت

پاکستان کی معیشت نے اپنی میکرو اکنامک کمزوریوں اور اعلیٰ کموڈٹی قیمتوں کے اثرات کی وجہ سے مشکلات کا سامنا کیا۔ حالانکہ 2021-22 کے سال کی ترقی کی شرح متاثر کن تھی، لیکن یہ ترقی زیادہ درآمدات پر مبنی معیشت کے لیے زرمبادلہ کے ذخائر اور کرنٹ اکاؤنٹ خسارے کی قیمت پر حاصل کی گئی تھی۔

کارکردگی کا جائزہ

حکومت کی طرف سے نامزد کردہ سابق ایم ڈی، جناب میراج انیس عارف کی وجہ سے پیدا ہونے والے انتظامی تنازعات، جو دسمبر 2018 میں برطرف ہونے کے باوجود برقرار رہے، اس مالی سال میں زیادہ سے زیادہ بڑھ گئے۔

انہوں نے بورڈ آف ڈائریکٹرز، اہم افسران اور دیگر ملازمین کو کمپنی کے احاطے میں داخل ہونے سے روک دیا، جس کی وجہ سے کمپنی کے آپریشنز اپریل 2021 میں بند ہو گئے۔

مالی کارکردگی

کمپنی کی کل فروخت اس سال 137.93 ملین روپے رہی، جبکہ مجموعی نقصان 183.38 ملین روپے تک پہنچا۔ ٹیکس کے بعد نقصان 242.03 ملین روپے رہا، جس کے نتیجے میں فی شیئر نقصان 42.54 روپے تھا۔

قومی خزانے میں شراکت

کمپنی نے 30 جون 2022 کے سال کے دوران قومی خزانے میں 0.78 ملین روپے کا حصہ ڈالا۔

مالی نتائج اور تقسیم

مالی سال	2022	2021
ٹیکس سے پہلے نقصان	(246,261)	(314,164)
ٹیکس	4,230	3,635
ٹیکس کے بعد نقصان	(242,031)	(310,519)
سال کا نقصان	(242,031)	(310,519)
ریٹائرمنٹ بینیفٹ پلان کی دوبارہ تخصیص	-	-

عملی اور مالی ڈیٹا

کمپنی کے گزشتہ چھ سالوں کے عملی اور مالیاتی ڈیٹا اور کلیدی تناسبات منسلک ہیں۔

گرپچوٹی اسکیم

کمپنی اپنے ملازمین کو ریٹائرمنٹ فوائد فراہم کرتی ہے، جن میں تمام ملازمین کے لیے ایک غیر شرکتی معیہ فوائد کی گرپچوٹی اسکیم شامل ہے۔ سال کے اختتام پر گرپچوٹی اسکیم کی قدر 22.77 ملین روپے تھی (30 جون 2021: 22.77 ملین روپے) جس کا تخمینہ ایک مشاورتی ایکچوری فرم نے لگایا تھا۔

بورڈ کی تشکیل، انتخابات، معاوضہ اور اجلاس

بورڈ ایک ایگزیکٹو (بورڈ آف ڈائریکٹرز کے 199 ویں اجلاس میں 14.12.2018 کو ہٹایا گیا)، پانچ غیر ایگزیکٹو، اور تین آزاد ڈائریکٹرز پر مشتمل ہے۔ بورڈ کی تشکیل اور بورڈ ڈیلی کیٹیو کے اراکین کے نام (کمپنی کی معلومات کے صفحے) پر دیے گئے ہیں۔ حکومت کی طرف سے نامزد ڈائریکٹرز میں جناب میراج انیس عارف (جنہیں 199 ویں اجلاس میں بورڈ آف ڈائریکٹرز نے ہٹایا، لیکن حکومت پاکستان نے ہٹانے کی رسمی کارروائی میں تاخیر کی)، جناب نعیم جان خان، اور جناب وسیم اجمل چوہدری شامل تھے۔

مزید برآں، بورڈ آف ڈائریکٹرز نے ٹیکنیز ایکٹ 2017 اور سلیپینیز (کارپوریٹ گورننس کوڈ) ریگولیشنز 2019 کے مطابق ڈائریکٹرز کے معاوضے کے لیے ایک باقاعدہ پالیسی اور شفاف طریقہ کار بنایا۔ حکومت کی طرف سے نامزد سابق ایم ڈی پی ای سی او، جناب میراج انیس عارف، کی جانب سے پیدا کی گئی رکاوٹوں کے باوجود، بورڈ نے کارپوریٹ قوانین اور ضوابط کی تعمیل کو یقینی بنانے کی پوری کوشش کی۔

سال 2021-22 کے دوران بورڈ کے چار (04) اجلاس ہر سہ ماہی میں منعقد ہوئے۔ بورڈ کے اراکین کی حاضری مندرجہ ذیل تھی:

نام	حاضری
جناب میراج انیس عارف	-
جناب وسیم اجمل چوہدری	1
جناب نعیم جان خان	-
جناب عارف حبیب	4
جناب افتخار حسین	4
جناب راشد علی خان	4
مرزا محمود احمد	3
جناب محمد اقبال	4
جناب انصار جاوید	3

کمپنی کی پالیسیوں اور خدمات کے قواعد کے مطابق، کئی درخواستوں کے باوجود، سال کے دوران حکومت پاکستان کی وزارت پیداوار کے ذریعے بورڈ کے چیئرمین کو مقرر نہیں کیا گیا۔ بورڈ اجلاس کے چیئرمین کو ڈائریکٹرز میں سے منتخب کرتا رہا۔

حصص کی ملکیت کا نمونہ اور تجارت شدہ حصص

حصص کی ملکیت کے نمونے اور اس کے متعلق اضافی معلومات الگ سے منسلک ہیں۔

سال کے دوران ڈائریکٹرز، چیف ایگزیکٹو آفیسر، کمپنی بکریٹری، ان کے شریک حیات اور نابالغ بچوں کے ذریعے کمپنی کے حصص میں کوئی خرید و فروخت نہیں کی گئی۔

فی حصص آمدنی

فی حصص نقصان 42.54 روپے رہا، جو کہ پچھلے سال کے فی حصص نقصان 54.57 روپے کے مقابلے میں ہے۔

آڈیٹرز

کمپنی کے 69 ویں سالانہ اجلاس میں شیئر ہولڈرز نے مالی سال ختم ہونے والے 30 جون 2019 کے لیے Co. Chartered Accountants Ford Rhodes & Messrs. EY کو آڈیٹر مقرر کیا؛ جنہوں نے کمپنی تنازعہ کی وجہ سے کام کرنے سے معذوری ظاہر کی۔

اکتوبر 2018 کے بعد کوئی سالانہ اجلاس منعقد نہیں ہوا، کیونکہ حکومت کی طرف سے نامزد سابق ایم ڈی، جناب میراج انیس عارف، کی جانب سے پیدا کردہ تنازعات کی وجہ سے آڈیٹرز کمپنیز ایکٹ 2017 کی سیکشن 246 کے تحت مقرر نہیں کیا جا سکا۔

مئی 2024 میں، سیکورٹیز اینڈ ایکسچینج کمیشن (SECP) نے کمپنیز ایکٹ 2017 کی سیکشن 246 (7) کے تحت مالی سال 30 جون 2022 کے لیے کمپنی کے آڈیٹرز Messrs. Malik Haroon Ahmad & Co. Chartered Accountants Ahmad & Co. کی تقرری کی منظوری دی۔

Messrs. Malik Haroon Ahmad & Co. Chartered Accountants نے انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کے کوالٹی کنٹرول ریویو پروگرام کے تحت تسلی بخش درجہ بندی حاصل کی ہے اور یہ فرم بین الاقوامی فیڈریشن آف اکاؤنٹنٹس (IFAC) کے اخلاقیات کے کوڈ کے رہنما اصولوں کے ساتھ مکمل طور پر ہم آہنگ ہے۔

آڈیٹرز کی رپورٹ میں رائے کے اختلاف پر تبصرہ

(i) جاری خدشات کی حالت

اکتوبر 2018 سے مارچ 2023 کے دوران انتظامی تنازعات کے باعث کمپنی کی کارکردگی دن بدن خراب ہو رہی تھی۔

(ii) اسٹاک کی جسمانی گنتی

تنازعات کے دوران 30 جون 2022 کو موجود اسٹاک کی جسمانی گنتی ممکن نہ ہو سکی۔

(iii) ٹریڈ ڈیفیز/قرض دہندگان

اکتوبر 2018 سے، مالیاتی نظام ناقص ریکارڈ رکھنے کے سبب متاثر رہا۔

غیر دعوی شدہ ڈیویڈنڈز جو وفاقی حکومت کو جمع نہیں کیے گئے

اکتوبر 2018 تک، انتظامیہ اور بورڈ آف ڈائریکٹرز نے کمپنیز ایکٹ 2017 کی دفعہ 242 پر عمل درآمد کے لیے کارروائی شروع کی تھی۔ اس مقصد کے لیے کمپنیز ایکٹ 2017 کی ضروریات کے مطابق روزنامہ اخبارات میں اشتہارات شائع کیے گئے تھے، لیکن حکومت کے مقرر کردہ سابق ایم ڈی PECO، میراج انیس عارف، اور ان کی ٹیم کے عدم علم اور آپریشنل علم کی کمی کی وجہ سے اس معاملے میں تاخیر ہوئی اور غیر دعوی شدہ ڈیویڈنڈ کی رقم کمپنیز ایکٹ 2017 کی دفعات کے مطابق ادا نہیں کیا گیا۔ تاہم، موجودہ انتظامیہ اور بورڈ اس امر کو یقینی بنانے کے لیے پرعزم ہیں کہ جیسے ہی کمپنی کی نقدی صورتحال بہتر ہوگی، دفعہ 242 پر عمل درآمد کیا جائے گا۔

حکومت پاکستان/نجکاری کمیشن قرضے

حکومت پاکستان، نجکاری کمیشن اور وزارت خزانہ کے نمائندگان کے ساتھ حکومت پاکستان اور نجکاری کمیشن کے قرضوں کے مسئلے پر تبادلہ خیال کیا گیا۔ مختلف ملاقاتوں کے نتیجے میں، اصل قرض (بجز 131.454 ملین روپے جو نجکاری کمیشن نے اپنی طرف سے ادا کیے تھے) کو تسلیم کیا گیا۔

بورڈ آف ڈائریکٹرز نے مختلف اجلاسوں میں فیصلہ کیا کہ حکومت پاکستان کو قانون کے مطابق کوئی بھی واجب الادا رقم ادا کی جائے گی۔ بورڈ نے حکومت پاکستان کے ساتھ اس کی ذمہ داریوں کو ای سی سی کے 02.03.1993 کے فیصلے کے مطابق بادامی باغ کی زمین کے تصرف کے ذریعے ایڈجسٹ کرنے پر اتفاق کیا، جو حالیہ تخمینہ کے مطابق 4,605.13 ملین روپے ہے اور یہ حکومت پاکستان کی طرف سے پی ای سی او پر واجب الادا رقم سے زیادہ ہے۔ بورڈ آف ڈائریکٹرز اور کمپنی کی انتظامیہ کا ماننا ہے کہ کسی بھی معاہدے کی غیر موجودگی میں ان قرضوں پر کوئی سود ادا کرنے کی ضرورت نہیں ہے۔

کارپوریٹ مالیاتی رپورٹنگ فریم ورک پر بیان

مالی سال 30 جون 2022 کو ختم ہونے کے لیے اسٹاک ایکسچینجر کے لسٹنگ ریگولیشنز کے تحت طے کردہ کوڈ آف کارپوریٹ گورننس کی ضروریات پر مکمل عمل کیا گیا۔ اس حوالے سے ایک بیان رپورٹ کے ساتھ منسلک ہے، براہ کرم صفحہ نمبر 33 کا حوالہ دیں۔

آڈٹ اور رسک مینجمنٹ کمیٹی

آڈٹ اور رسک مینجمنٹ کمیٹی کو بورڈ نے ڈائریکٹرز کی مدد کے لیے قائم کیا تاکہ وہ اپنے ذمہ داریوں، کارپوریٹ گورننس، مالیاتی رپورٹنگ، اور کارپوریٹ کنٹرول کو پورا کر سکیں۔ کمیٹی میں تین اراکین شامل ہیں، جن میں کمیٹی کے چیئرمین سمیت تمام اراکین آزاد ڈائریکٹرز ہیں۔

کمیٹی کمیٹی کے مالیاتی نتائج، آڈٹ، اور انتظامی کنٹرول کے نظام کے معیارات کے مطابق جائزہ لینے کے لیے ذمہ دار ہے۔ کمیٹی طریقہ کار کا جائزہ لیتی ہے، ان کی آزادی کو یقینی بناتی ہے اور بورڈ آف ڈائریکٹرز کو سفارشات پیش کرتی ہے۔

تاہم، حکومت کے مقرر کردہ سابق ایم ڈی PECO، میراج انیس عارف، کی جانب سے پیدا کی گئی انتظامی تنازعات کی وجہ سے بورڈ کی کسی بھی کمیٹی کا اجلاس سال کے دوران منعقد نہیں ہو سکا، باوجود اس کے کہ انہیں دسمبر 2018 میں ہٹا دیا گیا تھا۔ اس حقیقت کے بارے میں سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) اور وفاقی حکومت کو مطلع کیا گیا۔

ڈائریکٹرز ٹریننگ پروگرام

کمپنی کے بورڈ آف ڈائریکٹرز میں 9 ڈائریکٹرز شامل ہیں، جن میں سے تمام ڈائریکٹرز لنڈیکمیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کی دفعہ 19 کے مطابق ڈائریکٹرز ٹریننگ پروگرام کے تحت سرٹیفائیڈ ہیں۔

ضابطہ اخلاق

بورڈ نے پیشہ ورانہ معیار اور کارپوریٹ اقدار کو فروغ دینے کے لیے بورڈ، سینئر مینجمنٹ، اور دیگر ملازمین کے لیے ضابطہ اخلاق کی منظوری دی ہے۔ ضابطہ اخلاق میں قابل قبول اور ناقابل قبول رویوں کی وضاحت کی گئی ہے۔ یہ کمپنی کی ویب سائٹ پر دستیاب ہے۔

ملازمین کی تعداد

کمپنی نے اپنی کاروائیوں کو کم سے کم عملے کے ساتھ جاری رکھا۔ 30 جون 2022 کو عملے کی تعداد 173 تھی، جبکہ پچھلے سال کے مقابلے میں یہ تعداد 302 تھی۔ حکومت کے مقرر کردہ سابق ایم ڈی پی ای سی او، میراج انیس عارف، کی جانب سے پیدا کی گئی انتظامی تنازعات کی وجہ سے تربیت یافتہ عملہ اور ملازمین سال کے دوران کمپنی چھوڑتے رہے۔

مالیاتی کمیٹی

کمیٹی کا مقصد بورڈ کی جانب سے مقرر کردہ مجموعی پالیسی فریم ورک کے اندر خزانے سے متعلق پالیسیوں کا تعین کرنا ہے۔ اس کمیٹی کی تشکیل روزمرہ کی خزانے کے آپریشنز اور معمولی سرگرمیوں کے انتظام کو محدود یا متاثر نہیں کرتی۔

متعلقہ پارٹی کے لین دین

کمپنی نے متعلقہ پارٹی کے تمام لین دین کی تفصیلات آڈٹ کمیٹی کے سامنے پیش کرنا جاری رکھا ہے اور ان کی سفارشات پر بورڈ کے جائزے اور منظوری کے لیے پیش کیا ہے۔

ویب موجودگی

کمپنی کی موجودہ مالی سال کے لیے متواتر مالیاتی بیانات، بشمول پچھلے تین سالوں کی سالانہ رپورٹس، سرمایہ کاروں کی معلومات کے لیے کمپنی کی ویب سائٹ www.peco.com.pk پر دستیاب ہیں۔

صحت، حفاظت اور ماحول

کمپنی صحت، حفاظت اور ماحولیاتی معیاروں کو بہتر بنانے اور پائیدار HSE کارکردگی حاصل کرنے کے لیے مکمل طور پر پرعزم ہے۔ کمپنی نے عمل کی حفاظت اور رویہ پر مبنی حفاظت کو تنظیم کے پورے ڈھانچے میں مربوط نظام کے ذریعے بہتر بنایا ہے، اور کمپنی مسلسل بہتری کے راستے پر گامزن ہے، اس پر توجہ مرکوز کرتے ہوئے کہ وہ اعلیٰ سطح کے معیار کو حاصل اور برقرار رکھے۔ کمپنی نے ایک جامع جانیشنی منصوبہ بنایا ہے، جس میں ممکنہ مستقبل کے قائدین کی ترقی کے لیے کارکردگی کا جائزہ اور مناسب تربیتی ضروریات شامل ہیں۔

کاروباری منصوبے

کوئی کاروباری منصوبہ تشکیل نہیں دیا 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 ادا کرنے کی اجازت دی گئی۔ کمپنی کے اہم افسران نے حکومت پاکستان، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP)، اور پاکستان کے ریگولیٹری اداروں کے ساتھ رابطہ قائم کرنے کے لیے ایک دوسری جگہ پر ایک دفتر قائم کیا۔ بورڈ آف ڈائریکٹرز اور انتظامیہ کا ماننا ہے کہ وہ اپنی بہترین کوششیں کر رہے ہیں تاکہ حکومت کے مقرر کردہ سابق ایم ڈی پی ای سی او، میراج انیس عارف، کے پیدا کردہ نقصانات کو ختم کیا جاسکے۔ بورڈ پر امید ہے کہ کمپنی، ان شاء اللہ، غیر معینہ مدت تک "جاری ادارہ" کے طور پر کام کرتی رہے گی۔

تفکر

بورڈ تمام اسٹیک ہولڈرز، اہم افسران، ملازمین، شیئرز ہولڈرز، اور دیگر افراد کا ان کی حمایت پر شکریہ ادا کرنا چاہتا ہے۔ اسٹیک ہولڈرز کے اعتماد اور نیک خواہشات نے کمپنی کو اس کے مسائل پر قابو پانے میں مدد دی۔ پاکستان انجینئرنگ کمپنی لمیٹڈ کے بورڈ آف ڈائریکٹرز نے ہمیشہ حکومت پاکستان کو وزارت صنعت و پیداوار کے ذریعے مکمل حمایت فراہم کی ہے تاکہ کمپنی میں موجودہ مسائل کو حل کیا جاسکے۔

ہم اللہ سے دعا کرتے ہیں کہ وہ کمپنی کو کامیابی عطا کرے اور تمام اسٹیک ہولڈرز اور ملک کے لیے فائدہ مند بنائے۔

بورڈ کی جانب سے

مرزا محمود احمد

بورڈ کے چیئرمین

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, 2022

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

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

- Male 09
- Female -

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

- The composition of board is as follows:

a. Independent Directors	03	Mr. Ansar Javed Mr. Iftikhar Hussain Mr. Muhammad Iqbal
b. Other Non-executive Director	05	Mr. Rashid Ali Khan Mr. Naeem Jan Khan Mr. Waseem Ajmal Chaudhry Mr. Muhammad Arif Habib Mirza Mahmood Ahmad
c. Executive Directors	01	Mr. Mairaj Anees Ariff
d. Female Directors	0	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, 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 effect.

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;
- 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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. Not all 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 was informed with this fact.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the 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 CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief financial officer and chief executive officer duly endorsed the annual financial statements before approval of the Board; (Refer Para 19 (3))
12. The Board has not formed any board committee;
13. The terms of reference of the aforesaid Committees have not been formed, documented and advised to the Committee for compliance; (Refer Para 19(4))
14. There were no meetings (quarterly/half yearly/yearly) of the audit committee held; (Refer para 18)
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(5))
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 and 8 of the regulations have been complied with. However, requirement of regulations 6, 7, 27, 32, 33 and 36 cannot be complied due to the fact as described in para 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	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.

3	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.
4	There shall be a human resource and remuneration committee of at least three members comprising a majority of non-executive directors of whom at least one member shall be an independent director.	28	Due to the facts described in para 6 of Statement of Compliance, the Board was not able to make any committee during the year.
5	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.
6	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 the directors were not able to publish and circulate director's review report.

Lahore
January 20, 2025

Mirza Mehmood Ahmed
(Chairman of the Board)

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

Review Report on the Statement of Compliance Contained in the Listed Companies (Code of Corporate Governance) Regulations, 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, 2022 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, 2022.

Further, we highlight below instance of non-compliance with certain requirements of the Regulations as stated in paragraph reference 18 and 19 in the Statement of Compliance:

S. No.	Requirement Nature	Reference	Description of non-compliance
1	Mandatory	Para 18	Company has not appointed any female director in contravention to regulation 7 to the code.
2	Mandatory	Para 18	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.
4	Explanation of non-compliance is required	Para 19(2)	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(3)	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	Explanation of non-compliance is required	Para 19(4)	As per regulation 28, there shall be a human resource and remuneration committee of at least three members comprising a majority of non-executive directors of whom at least one member shall be an independent director. However, due to the fact as described in para 6 of Statement of Compliance, Board was unable to constitute the human resource and remuneration committee and any proceedings the said committee thereon.

7	Mandatory	Para 18	As per regulation 27, It is mandatory that the audit committee shall be constituted by the Board keeping in view the following requirements; (i) the Board shall establish an audit committee of at least three members comprising of non-executive directors and at least one independent director; (ii) chairman of the committee shall be an independent director, who shall not be the chairman of the Board; (iii) the Board shall satisfy itself that at least one member of the audit committee shall be "financially literate"; However, due to the fact as described in para 6 of Statement of Compliance, Board was unable to constitute the audit committee and any proceedings of the said committee thereon.
8	Explanation of non-compliance is required	Para 19(5)	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.
9	Explanation of non-compliance is required	Para 19(6)	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
UDIN:

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, 2022**, 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 246.261 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, 2022, which are recorded in the statement of financial position at Rs. 71.799 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. 37.254 million, and trade deposits, prepayments, and other receivables of Rs. 26.390 million.
5. We were unable to verify trade debtors amounting to Rs. 14.122 million. Additionally, we were unable to verify trade and other payables amounting to Rs. 393.775 million out of a total balance of Rs. 584.314 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. 5.128 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. 113.753 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:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- no Zakat was deductible at source under the Zakat and Usher ordinance, 1980 (XVIII 1980).



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

Lahore
January 20, 2025
UDIN:

Malik Haroon Ahmad & Co.
Chartered Accountants



PAKISTAN ENGINEERING COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	Note	2022	2021
----- Rupees in "000" -----			
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	5	14,444,040	14,478,027
Investment property	6	449	473
Long term investment	7	819	819
Long term deposits	8	2,053	2,053
		14,447,361	14,481,372
CURRENT ASSETS			
Stores, spares and loose tools	9	13,426	57,808
Stock-in-trade	10	58,373	248,241
Short term investments	11	8	7
Trade debts - unsecured	12	14,112	20,199
Advances	13	37,254	38,946
Trade deposits, prepayments and other receivables	14	26,390	24,718
Tax refunds due from Government	15	144,410	152,788
Cash and bank balances	16	47,034	44,582
		341,007	587,289
Free hold land - held for sale	17	314,724	314,724
TOTAL ASSETS		15,103,092	15,383,385

The annexed notes from 1 to 49 form an integral part of this 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, 2022

	Note	2022	2021
----- Rupees in "000" -----			
EQUITY AND LIABILITIES			
Share capital	18	56,902	56,902
Revenue reserve - general		10,000	10,000
Accumulated loss		(2,056,852)	(1,829,253)
Surplus on revaluation of fixed assets	19	14,422,954	14,437,386
		12,433,004	12,675,035
NON - CURRENT LIABILITIES			
Long term financing	20	24,374	24,374
Long term deposits	21	4,000	4,000
Deferred liabilities - net	22	136,519	142,472
		164,893	170,846
CURRENT LIABILITIES			
Trade and other payables	23	584,314	627,467
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		35,026	25,905
Provision for taxation		10,381	8,658
		714,347	746,656
Liabilities directly associated with free hold land - held for sale	26	1,790,848	1,790,848
CONTINGENCIES AND COMMITMENTS			
	27		
TOTAL EQUITY AND LIABILITIES		15,103,092	15,383,385

The annexed notes from 1 to 49 form an integral part of this 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, 2022

	Note	2022	2021
----- Rupees in '000 -----			
Sales	28	137,932	183,301
Cost of sales	29	(321,313)	(366,638)
Gross loss		(183,381)	(183,337)
Selling and distribution expenses	30	(2,936)	(4,870)
Freight and forwarding expenses	31	(7,132)	(7,179)
Administrative expenses	32	(48,382)	(110,841)
Other operating charges	33	(834)	(835)
		(59,284)	(123,725)
Other operating income	34	5,525	3,157
Operating loss		(237,140)	(303,905)
Finance cost	35	(9,121)	(10,249)
Loss before taxation		(246,261)	(314,154)
Taxation	36	4,230	3,635
Loss after taxation for the year		(242,031)	(310,519)
BASIC AND DILUTED EARNINGS PER SHARE			
Basic and diluted earnings per share	37	(42.54)	(54.57)

The annexed notes from 1 to 49 form an integral part of this 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, 2022

	2022	2021
	----- Rupees in '000 -----	
Loss after taxation for the year	(242,031)	(310,519)
Items that will not be reclassified to profit and loss account:		
Remeasurement of retirement benefit plan	-	-
Related deferred tax impact	-	-
	-	-
Effect of change in tax rates on balance of revaluation on property, plant and equipment	-	-
Total comprehensive loss for the year	(242,031)	(310,519)

The annexed notes from 1 to 49 form an integral part of this 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, 2022

	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, 2020	56,902	10,000	(1,533,925)	14,452,579	12,985,556
- Loss after tax for the year ended 30 June 2021	-	-	(310,519)	-	(310,519)
Other comprehensive income for the year					
-Remeasurement of retirement benefit plan	-	-	-	-	-
-Related deferred tax impact	-	-	-	-	-
Surplus on revaluation of property, plant and equipment realized during the year on account of:					
- incremental depreciation - net off tax	-	-	15,191	(15,191)	-
Revaluation of property, plant and equipment adjustment due to change in tax rate - OCI	-	-	-	-	-
Balance as at June 30, 2021	56,902	10,000	(1,829,253)	14,437,386	12,675,035

The annexed notes from 1 to 49 form an integral part of this 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, 2022

	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, 2021	56,902	10,000	(1,829,253)	14,437,386	12,675,035
- Loss after tax for the year ended 30 June 2022	-	-	(242,031)	-	(242,031)
Other comprehensive income for the year					
-Remeasurement of retirement benefit plan	-	-	-	-	-
-Related deferred tax impact	-	-	-	-	-
	-	-	-	-	-
Surplus on revaluation of property, plant and equipment realized during the year on account of:					
- incremental depreciation - net off tax	-	-	14,432	(14,432)	-
Revaluation of property, plant and equipment adjustment due to change in tax rate - OCI	-	-	-	-	-
Balance as at June 30, 2022	56,902	10,000	(2,056,852)	14,422,954	12,433,004

The annexed notes from 1 to 49 form an integral part of this 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, 2022

	Note	2022	2021
Cash generated from operations	38	3,930	25,162
Finance cost paid		(1)	(1)
Gratuity paid		(694)	(694)
Income tax paid		(782)	(11,241)
Workers' welfare fund paid		(0)	(10)
Net cash generated from operating activities		2,453	13,217
CASH FLOWS FROM INVESTING ACTIVITIES			
Short term investment		(1)	(7)
Net cash (used in) investing activities		(1)	(7)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings		-	-
Security deposit received		-	-
Long term borrowings		-	-
Dividend paid		(0)	-
Net cash (used in) / generated from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,452	13,210
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		44,582	31,372
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	25	47,034	44,582

The annexed notes from 1 to 49 form an integral part of this 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, 2022

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, Shahra-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 246.261 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 and 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.

3.1 Basis of measurement

- These financial statements have been prepared under the historical cost convention except for valuation of certain financial instruments at fair value.

3.2 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:

3.2.1 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.

3.2.2 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.

3.2.3 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.

3.2.4 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 and contract assets. 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.

3.2.5 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

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2021:

- a) Amendments to IFRS 16 'Leases' – Covid-19 related rent concessions extended beyond 30 June 2021.
- b) Interest Rate Benchmark Reform– Phase 2 which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 4 'Insurance Contracts', IFRS 7 'Financial Instruments: Disclosures' and IFRS 16 'Leases'.

The above-mentioned amendments to approved accounting standards did not have any impact on the amounts recognized in prior period and are not expected to significantly affect the current or future periods.

4.2 Amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2021 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

4.3 Amendments to published approved accounting standards that are not yet effective but relevant to the

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2022 or later periods:

- Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets') effective for the annual period beginning on or after 01 January 2022 amends IAS 1 'Presentation of Financial Statements' by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 'Property, Plant and Equipment') effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
- Improvements to Accounting Standards Issued by the IASB (2018-2020 cycle)

IFRS 9	Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities	January 1, 2022
IFRS 16	Leases: Lease incentives	January 1, 2022

- Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement') effective for annual periods beginning on or after 01 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Earlier, IAS 1 states that an entity shall disclose its 'significant accounting policies' in their financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their financial statements.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 'Income taxes') effective for annual periods beginning on or after 01 January 2023. These amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.
- Change in definition of Accounting Estimate (Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors') effective for annual periods beginning on or after 1 January 2023. This change replaced the definition of Accounting Estimate with a new definition, intended to help entities to distinguish between accounting policies and accounting estimates.

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

4.4 **Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Company**

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2022 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

4.5 **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.

4.6 **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 leasehold land is stated at cost 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.

4.7 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.

4.8 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".

4.9 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.

4.10 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 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.

4.11 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.

4.12 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.

4.13 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 2022, 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.

4.14 Trade and other Payables

- Liabilities for trade and other amounts payable are measured at 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.

4.15 Revenue Recognition

- 4.15.1** 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.

4.16 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.

4.17 Provisions

- Provisions for legal claims, service warranties and make good obligations are recognised when the group 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.

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 pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

4.18 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.

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

b) Held to maturity

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

c) Loans and Receivables

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

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

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

4.20 Impairment

a) Financial Assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non- Financial Assets

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

4.21 Financial Instruments

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

a) Trade and Other Receivables

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

b) Off Setting Of Financial Assets and Financial Liabilities

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

c) Interest-up bearing borrowings

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

d) Interest-free borrowings at amortized cost

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

4.22 Dividend and Appropriation to reserves

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

4.23 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.

4.24 Contingent Assets

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

4.25 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.

4.26 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, 2022

											Note	2022	
5	PROPERTY, PLANT AND EQUIPMENT												
	Operating fixed assets-owned											5.1	14,444,040
5.1	2022												
	Particulars	Cost / Revalued Amount					Rate	Depreciation					Net book value as at June 30 2022
		As at July 01 2021	Additions	Transfer	Disposal	As at June 30 2022		As at July 01 2021	For the year	Transfer	Disposal	As at June 30 2022	
	-----Rupees in "000"-----												
	Freehold Land	13,835,500	-	-	-	13,835,500	-	-	-	-	-	13,835,500	
	Factory Building	330,389	-	-	-	330,389	5%	78,377	12,601	-	-	90,978	239,411
	Plant and machinery	474,292	-	-	-	474,292	5%	103,361	18,547	-	-	121,908	352,384
	Office equipment	9,610	-	-	-	9,610	10%	7,540	207	-	-	7,747	1,863
	Computers	8,820	-	-	-	8,820	10%	6,466	235	-	-	6,701	2,119
	Furniture and Fixtures	10,055	-	-	-	10,055	10%	8,248	181	-	-	8,429	1,626
	Vehicles	38,137	-	-	-	38,137	20%	29,336	1,760	-	-	31,096	7,041
	Electric Equipment	16,387	-	-	-	16,387	10%	12,631	376	-	-	13,007	3,380
	Tools	6,742	-	-	-	6,742	10%	5,946	80	-	-	6,026	716
		14,729,932	-	-	-	14,729,932		251,905	33,987	-	-	285,892	14,444,040
5.2	Depreciation for the year has been allocated as under:											2022	2021
	Cost of sales											Rupees in ""000"	
	Administrative expenses											31,602	33,292
												2,407	2,917
												34,009	36,210
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, 2022.

- 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

2022	2021
Rupees in "000"	
753	753
32,483	34,192
173,101	182,212
206,337	217,157

PAKISTAN ENGINEERING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

											Note	2021	
5	PROPERTY, PLANT AND EQUIPMENT												
	Operating fixed assets-owned											5.1	<u>14,478,027</u>
5.1	2021												
	Particulars	Cost / Revalued Amount					Rate	Depreciation					Net book value as at June 30 2021
		As at July 01 2020	Additions	Transfer	Disposal	As at June 30 2021		As at July 01 2020	For the year	Transfer	Disposal	As at June 30 2021	
		-----Rupees in "000"-----											
	Freehold Land	13,835,500	-	-	-	13,835,500	-	-	-	-	-	13,835,500	
Factory Building	330,389	-	-	-	330,389	5%	65,111	13,266	-	-	78,377	252,012	
Plant and machinery	474,292	-	-	-	474,292	5%	83,839	19,522	-	-	103,361	370,931	
Office equipment	9,610	-	-	-	9,610	10%	7,309	231	-	-	7,540	2,070	
Computers	8,820	-	-	-	8,820	10%	6,204	262	-	-	6,466	2,354	
Furniture and Fixtures	10,055	-	-	-	10,055	10%	8,048	200	-	-	8,248	1,807	
Vehicles	38,137	-	-	-	38,137	20%	27,136	2,200	-	-	29,336	8,801	
Electric Equipment	16,387	-	-	-	16,387	10%	12,214	417	-	-	12,631	3,756	
Tools	6,742	-	-	-	6,742	10%	5,858	88	-	-	5,946	796	
	<u>14,729,932</u>	-	-	-	<u>14,729,932</u>		<u>215,719</u>	<u>36,186</u>	-	-	<u>251,905</u>	<u>14,478,027</u>	

PAKISTAN ENGINEERING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022	2021
----- Rupees in "000" -----			
6 INVESTMENT PROPERTY			
Opening net book value		473	497
Additions		-	-
Depreciation charged for the year		24	24
Closing net book value	6.1	449	473
Depreciation rate		5%	5%
6.1 Cost		959	959
Accumulated depreciation		510	486
Net book value		449	473
6.2	Investment property comprises of number of commercial properties that are situated at Uni Tower, I.I. Chundrigar Road, Karachi and leased to M/S UBL Insurers Limited. The lease contains an initial non-cancellable period of three years, with annual rent indexed to consumer prices. Subsequent renewals are negotiated with the lessee and on average renewal periods are three years. No contingent rent are charged.		
6.3	One of the properties having carrying value of Rs. 275 thousands remained vacant during last three years and no rental income was earned during those years.		
6.4	Fair value of investment property, based on valuation carried out by an independent valuer as at March 17, 2016 was rupees 18.780 million. No material change in fair value of property from previous valuation, is expected.		
6.5	Froced sale value of investment properties is amounting Rs. 15.963 million.		
7 LONG TERM INVESTMENT			
Held to maturity:			
Term deposit in Standard Chartered Bank Limited	7.1	819	819
7.1	The TDR matured in June 2019, carrying an original markup rate of 5.3% per annum (2021: 5.3%). However, no interest income has been accrued and received during the year due to the non availability of the information. The principal amount deposited with the bank is Rs. 0.741 million.		
8 LONG TERM DEPOSITS			
Long term deposits	8.1	3,771	3,771
Less: Expected credit loss	8.2	1,718	1,718
		2,053	2,053
8.1	These include Rs 1.059 million (2021: Rs 1.059 million) representing amount deposited with Water and Sanitation Agency (LDA), LAHORE as a security deposit.		
8.2 Movement in expected credit loss is as follows:			
Opening balance		1,718	1,718
Provided for the year		-	-
Closing balance		1,718	1,718

9 STORES, SPARES AND LOOSE TOOLS

Stores	13,125	16,407
Spares parts	-	36,686
Loose Tools	10,301	14,715
	23,426	67,808
Less: Provision for slow moving stores	(10,000)	(10,000)
	13,426	57,808

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

10 STOCK-IN-TRADE

Raw material	23,165	162,397
Work in process	12,900	55,493
Finished goods	22,308	30,351
	58,373	248,241

11 SHORT TERM INVESTMENTS

ABL cash fund	8	7

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	26,789	32,876
Others	30,535	30,535
	57,324	63,411
Less: Expected credit loss	12.3	
WAPDA	12,677	12,677
Others	30,535	30,535
	43,212	43,212
	14,112	20,199

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

12.2 Trade debtors include an amount of Rs. 7.617 million (2021: 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	43,212	43,212

12.4 As at June 30, 2022, trade receivables of Rs 43.212 million (2021: 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:

	2022		2021	
	Gross	Impairment	Gross	Impairment
Not yet due	-	-	-	-
Past due 1-30 days	-	-	-	-
Past due 31-60 days	-	-	-	-
Past due 61-90 days	30,234	-	42,876	-
Over 90 days	27,090	43,212	20,535	43,212
	57,324	43,212	63,411	43,212

13 ADVANCES

Advances to:

- Employees - Secured

' - against salary

' - against expenses

- Suppliers

	83	83
	2,105	2,105
13.3	35,067	36,759
	37,254	38,946

13.1 Advances other than those against which provision has been made are considered good by the management.**13.2** Advances to employees are provided to meet business expenses and are settled as and when the expenses are incurred.**13.3** Suppliers as at closing date

Less: Expected credit loss

	37,533	39,225
13.3.1	2,466	2,466
	35,067	36,759

13.3.1 Movement in expected credit loss is as follows:

Opening balance

Add: Provision for expected credit loss

Less: Provision for expected credit loss written off

Closing Balance

	2,466	2,466
	-	-
	-	-
	2,466	2,466

14 TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Trade deposits - Considered good

Margin against bank guarantee - Considered good

Short term prepayments and other receivables

14.1	2,531	2,531
14.2	18,367	18,367
	5,492	3,820
	26,390	24,718

14.1 Balance as on closing date

Less: Expected credit loss

	5,663	5,663
14.1.1	3,132	3,132
	2,531	2,531

14.1.1 Movement in expected credit loss is as follows:

Opening balance

Add: Provision for expected credit loss

Less: Provision for expected credit loss written off

Closing Balance

	3,132	3,132
	-	-
	-	-
	3,132	3,132

14.2 Balance as on closing date

Less: Expected credit loss

	18,428	18,428
	61	61
	18,367	18,367

15 TAX REFUNDS DUE FROM GOVERNMENT

Advance income tax - net

Sales tax refundable

	54,211	53,431
	90,199	99,357
	144,410	152,788

16 CASH AND BANK BALANCES

Cash in hand

Cash at Bank

- Current accounts

- Deposit accounts

	-	-
	23,657	21,174
16.1	23,377	23,408
	47,034	44,582
	47,034	44,582

- 16.1 The company is maintaining saving account with different banks with interest on the daily product basis which was carrying interest @ 10% to 15%. (2021 : @ 9% to 14%).
- 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 be recovered from the sale proceeds of Badami Bagh Land.

Therefore taking into account the fact that the carrying amount of the land would be recovered principally through a sale transaction and not through continuing use and that the management and the GOP are firmly committed to a plan to sell the land and till date there has been no change of plan or revocation of Government order, the land is available for immediate sale, active programs to locate buyers continue to be carried out, the asset is marketed at fair value and it is extremely unlikely that the plan will be significantly be changed or withdrawn. The foregoing facts that events or circumstances which have resulted in the extension of the period to complete the sale beyond one-year, are beyond the entity's control, therefore, Badami Bagh Land is classified as "Held for Sale" at lower of its carrying amount or fair value less cost to sell.

18 SHARE CAPITAL

Authorized Capital:

Ordinary shares 9,000,000 (2021: 9,000,000) of Rs.10/- each	90,000	90,000
7.5% Cumulative redeemable preference shares 100,000 (2021: 100,000 of Rs. 100/- each	10,000	10,000
	100,000	100,000

Issued, Subscribed and Paid up Capital:

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

- 18.1 State Engineering Corporation, an associated company, holds 1,415,723 (2021: 1,415,723) ordinary shares of Rs. 10/- as at 30 June 2022.

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	146,917	154,650
Plant and machinery	19.4	127,291	133,990
		14,422,954	14,437,386

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
		14,148,746	14,148,746

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		-	-
		313,999	313,999

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

19.2.2 Kot Lakhpat works was revalued on February 15, 2016 by an independent approved valuer M/s Indus Surveyors (Private) Limited on the basis of average market rate keeping in view of prevailing real estate market conditions. The land was revalued at 13,835 million resulting in revaluation surplus of Rs. 5,929.500 million. Earlier, the land has been revalued in 1991 by M/s NESPAK and in 2001, 2009 and 2013 by M/s Indus Surveyors (Pvt.) Limited.

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		207,893	196,427
- Current year		7,733	8,141
- Related deferred tax liability		3,158	3,325
		218,784	207,893
		206,928	217,819

Less: Related deferred tax liability in respect of:

- Balance at the beginning of the year	63,168	66,494
- Change of rate	-	-
- New surplus during the year	-	-
- Incremental depreciation for the year	(3,158)	(3,325)
	60,010	63,168
	146,918	154,650

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		-	-
		353,561	353,561

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

- Prior years	165,184	155,252
- Current year	6,700	7,052
- Related deferred tax liability	2,736	2,880
	174,620	165,184
	178,941	188,377

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

54,387	57,267
-	-
-	-
-	-
(2,736)	(2,880)
51,651	54,387
127,291	133,990

- 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 24,374

Finance availed during the year

- -

24,374 24,374

Less: repayment during the year

- -

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 22,767

Deferred income tax liability-net

22.2 113,753 119,706

136,519 142,472

- 22.1** For the financial year 2022, 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, 2021. 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

22.2.1 152,720 152,720

Deferred tax assets

22.2.2 (38,967) (38,967)

113,753 113,753

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	152,720	152,720
Remeasurement of defined benefit plan	-	-
	152,720	152,720

22.2.2 Deferred tax assets in respect of deductible temporary differences:

Provisions for doubtful and other balances	(14,670)	(14,670)
Provision for gratuity	(6,602)	(6,602)
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	(14,795)	(14,795)
	(38,967)	(38,967)

- 22.3** Deferred tax asset amounting to Rs 63.24 Million (2021: 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	251,902	329,107
Accrued liabilities	23.1	92,291	80,252
Advances		147,693	140,151
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	40,486	26,015
Workers' Profit Participation Fund	23.4	47,721	47,721
Workers' Welfare Fund		3,298	3,298
		584,314	627,467

- 23.1** Includes Rs. 40 million (2021: 40 million) in respect of provision against litigations mentioned in Note 27.1.6.

- 23.1.1** It also includes the amount of Rs 0.4 Million (2021: 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 Rotocast Engineering (Private) Limited, related party, of Rs. 6.92 million (2021: Rs. 0.53 million)

- 23.1.3** It includes payable to Muhammad Arif Habib, Director, of Rs. 12.97 million (2021: Rs. 6.71 million)

- 23.1.4** It includes meeting fee payable to the Directors of Company, of Rs. 1.68 million (2021: Rs. 0.83 million)

- 23.1.5** It includes salaries payable to the employees of the Company, of Rs. 35.97 million (2021: Rs. 24.94 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
		47,721	47,721

23.4.1 Movement in principal

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

23.4.2 Movement in accumulated interest

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

23.5 Includes Rs. 15.947 million (2021: 14.947 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>

25.1 The financing forms part of total credit facility available to the extent of Rs. 75 million (2021: 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>

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, 2022 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	281,082	281,082
Loan for shifting of machinery	75,819	75,819
Loan for Energy bills and Import duties	124,568	124,568
	481,469	481,469

26.2.2 This represents interest free loan provided by Privatization Commission to PECO for payment of salaries, energy bills, shifting of plant & machinery from Badami Bagh to Kot Lakhpat and payment of outstanding essential liabilities. According, to the Cabinet Committee Division decision, Privatization Commission would adjust its loan liability against the sale proceeds of Badami Bagh Land and surplus land of Kot Lakhpat, if needed and in this regard title documents of Badami Bagh Land were handed over to the Privatization Commission in 1994 by PECO. The foregoing loans have been outstanding since 1993. The company also obtained legal opinion from the legal advisers of the company. The legal adviser is of the firm opinion that since there is no mention of any markup to be charged on this loan in any agreement nor is there any markup agreement in respect of this loan therefore no markup is payable by PECO in respect of this loan. The BoD and the management firmly believes that as the Company had handed over the title documents of the said land to the Privatization commission for disposal in the year 1994 and had Privatization Commission disposed off the land at that time no issue of charging any interest on these loans would have risen and instead believed that a case of causing loss to PECO on account of delay caused in disposing off the land at Badami Bagh should be made out, either by raising monetary claim or claiming set-off against the alleged principal loan liability. The difference of Rs. 131.454 million claimed by the Privatization Commission on account of additional gratuities is because of misapprehension on part of GoP, whereby, PECO is considered responsible to pay Rs. 131.454 million, that infact was the liability of the Privatization Commission under the APSEWEC agreement. As per the APSEWEC agreement Privatization Commission took the liability to make additional gratuity payments, for which purpose it had advanced Rs. 131.454 million to PECO. On receiving the said amounts PECO had made the payments as was directed. It is important to note that PECO was not a party to these agreements, therefore, it cannot be held responsible for fulfilling any obligation pertaining to them. The claim of GoP is based on illegitimate assumption.

Furthermore, the legal advisors are also of firm opinion that the amount of additional gratuities of Rs. 131.454 million (refer note 27.1.3) should be borne by the Privatization Commission. In this regard, in the meeting held on October 7, 2010 at Finance Division, Privatization Commission was instructed by Ministry of Finance to review the calculation / treatment of the loan amounting to Rs. 131.454 million and come up with firm stance on it. The Privatization Commission was further instructed to sort out the issue of charging interest on VSS loan and come up with sound reason and logic for charging interest thereon. Neither formal agreements were signed or executed between the Privatization Commission, Ministries and PECO nor definitive terms and conditions exist in relation to the issue of markup and that the Privatization Commission only applied markup as instructed by the Finance Division. Further, under the directions of public accounts committee the matter of charging interest is being reviewed by the committee comprising of Ministry of Industries, Ministry of Finance and Privatization Commission of Pakistan.

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

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

26.2.4 The company has not provided interest amounting to Rs. 41.989 million (accumulated Rs. 41.989 million) @ 14% for three years relating to custom and other import duties (2020: Rs 41.989 million) as the BoD and the management believes that there was no clause of charging interest or surcharge in the ECC and Cabinet Decision. In spite of confirmation requests and several reminders, no confirmation of custom and other import duties of Rs. 86.984 million and Karachi Port Trust of Rs.12.964 million along with markup / surcharge on custom duty of Rs. 2,703.822 million (refer note 27.1.4) was received by the auditors from customs or Pakistan Railways or port Trust.

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

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

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>

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

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 (2021: 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. 1,752.588 Million (2021: Rs 1,683.941 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.

28 SALES

Sales - Local	137,932	183,301
Less: Sales tax	-	-
	<u>137,932</u>	<u>183,301</u>

29 COST OF SALES

Raw material consumed	29.1	122,609	181,106
Stores and spares consumed		44,382	13,902
Salaries,wages and other benefits	29.2	68,239	96,757
Fuel and power		58	680
Processing charges		-	4
Inspection fee		-	3,150
Service charges		-	79
Repair and maintenance		179	1,968
Vehicle running expenses		304	2,085
Rent, rates and taxes		1,574	1,549
Publication of tender documents		39	72
Insurance		-	1,545
Traveling and conveyance		750	657
Printing, stationery and office Supplies		86	132
Postage, telegram and telephone		342	1,635
Entertainment		245	367
Legal and professional		-	5,634
Other expenses		267	154
Depreciation		31,602	33,292
		270,677	344,769

Opening stock of work-in-process

Closing stock of work-in-process

55,493	73,990
(12,900)	(55,493)
42,593	18,497

Cost of goods manufactured

Opening stock of finished goods

Closing stock of finished goods

313,270	363,266
30,351	33,723
(22,308)	(30,351)
8,043	3,372
321,313	366,638

29.1 Raw material consumed

Opening stock

Add: purchases

Less: closing stock

162,397	255,218
(16,623)	88,286
145,774	343,504
23,165	162,397
122,609	181,107

29.2 This includes retirement benefits amounting to Rs. Nil (2021: Rs. Nil).**30 SELLING AND DISTRIBUTION EXPENSES**

Salaries,wages and other benefits

Insurance

Entertainment

Vehicle running expenses

30.1	726	689
	2,202	4,064
	-	49
	8	68
	2,936	4,870

30.1 This includes retirement benefits amounting to Rs. 0.059 million (2021: Rs. 0.059 million).**31 FREIGHT AND FORWARDING EXPENSES**

Freight and forwarding expenses

7,132	7,179

32 ADMINISTRATIVE EXPENSES

Salaries,wages and other benefits	32.1	15,708	16,233
Vehicle running expenses		1,676	1,653
Traveling and conveyance		71	0
Printing, stationery and office supplies		-	150
Legal and professional		11,296	4,703
Utilities		7,904	16,953
Entertainment		-	17
Rent, rates, and taxes		6,031	-
Postage, telegrams and telephone		-	360
Insurance		372	372
Fee and subscription charges		354	740
Performance guarantee	32.2	-	64,728
Miscellaneous		2,488	2,038
Fine and penalties		100	-
Depreciation		2,383	2,893
		48,382	110,841

32.1 This includes retirement benefits amounting to Rs. 0.634 million (2021: Rs. 0.634 million).

32.2 This represents the forfeiture of the bid security deposit for a bidding process with PESCO due to non-compliance with the bid conditions.

33 OTHER OPERATING CHARGES

Auditors' remuneration	33.1	810	810
Depreciation on investment property		24	25
		834	835

33.1 Auditors' remuneration

Audit fee		810	810
Half yearly review fee		-	-
Review of compliance with code of corporate governance		-	-
		810	810

34 OTHER OPERATING INCOME**Income from Financial Assets**

Profit on bank deposits		1	75
Profit on investment		-	-
		1	75

Income from Non - Financial Assets

Miscellaneous income		-	-
Liability written off		3,852	1,497
Rental income		1,671	1,585
Gain on sale of property, plant and equipment		-	-
		5,524	3,082
		5,525	3,157

35 FINANCE COST

Mark - up on short term borrowings		6,803	7,645
Mark - up on long term borrowings		2,317	2,604
Bank charges and commission	35.1	-	1
Interest on workers' profit participation fund		-	-
		9,121	10,249

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

36 TAXATION**Current**

for the year		1,724	2,291
for prior years		-	-
		1,724	2,291

Deferred

Origination and reversal of temporary differences
Impact of change in tax rate

(5,954)	(5,926)
-	-
(5,954)	(5,926)
(4,230)	(3,635)

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

36.2 Company's income tax assessment has been finalized up to 2018.

37 BASIC AND DILUTED EARNINGS PER SHARE**Basic earnings per share:**

(Loss) / profit after taxation (Rupees in '000)

(242,031) (310,519)

Weighted average number of ordinary shares (No. in '000) outstanding during the year

5,690 5,690

(42.54) (54.57)

37.1 There are no dilutive potential ordinary shares outstanding as at June 30, 2022 and 2021.

38 CASH GENERATED FROM OPERATIONS

Profit before taxation

(246,261) (314,154)

Adjustments for:

Depreciation

34,009 36,235

Financial charges

9,121 10,249

Provision for gratuity

694 694

Liability written off

3,852 1,497

47,676 48,674

(Loss) / profit before working capital changes

(198,585) (265,480)

Movements in working capital

Decrease/(Increase) in current assets:

Stores, spares and loose tools

44,382 13,866

Stock in trade

189,868 114,690

Trade debts

6,092 6,194

Advances

1,692 50,288

Trade deposits, prepayments and other receivables

(1,671) (1,585)

Sales tax refundable

9,158 (23,797)

Increase/(Decrease) in current liabilities:

Trade and other payables

(47,006) 130,987

202,515 290,642

Cash generated from operations

3,930 25,162

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

23 151 151

Muhammad Arif Habib (Director)

- Payable at the end of the year

23.1.3 12,970 6,710

Rotocast Engineering (Private) Limited

- Payable at the end of the year

23.1.2 6,920 530

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 49.33% (2021: 94.27%) of total sales.

40.2 Information about geographical areas

- All non-current assets of the Company as at 30 June 2022 are located in Pakistan.
- 100% (2021: 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 49.33% 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, 2022

	Note	2022	2021

----- 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

2022		2021	
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	14,112	-	25,008	-
Advances	83	-	83	-
Trade deposits and guarantee margins	20,898	-	20,898	-
Cash and bank balances	47,034	-	24,582	-
	82,127	2,872	70,571	2,872

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	436,621	-	475,077	-
Mark-up accrued	35,026	-	25,905	-
	543,203	1,815,221	572,538	1,815,221

On balance sheet date gap	(461,076)	(1,812,349)	(501,967)	(1,812,349)

OFF - BALANCE SHEET ITEMS

Letter of guarantees	225,811	225,811

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

41.3 Fair Values

The carrying values of the financial assets and financial liabilities approximate their fair values except for Government of Pakistan loans as disclosed in note. 26 to the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If the transaction is not based on market terms, or if a market price cannot be readily determined, then an estimate of future cash payments or receipts, discounted using the current market interest rate for a similar financial instrument, is used to approximate the fair value.

41.4 Financial Risk Factors

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

- Credit Risk
- Liquidity Risk
- Market Risk

41.4.1 Credit Risk

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

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

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

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

	2022	2021
	----- Rupees in "000" -----	
Long term investments	819	819
Long term security deposits - net of impairment	2,053	2,053
Trade debts - net of impairment	14,112	25,008
Advances	83	83
Trade deposits and guarantee margins	20,898	20,898
Bank balances	47,034	24,582
	84,999	73,443

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			2022	2021
	Short term	Long term	Agency	----- Rupees in "000" -----	
MCB Bank	A-1+	AAA	PACRA	-	-
United Bank Limited	A-1+	AAA	VIS	327	357
National Bank of Pakistan	A-1+	AAA	VIS	-	-
AL Barka Bank Pakistan Limited	A-1	A+	VIS	22,648	22,648
Faysal Bank Limited	A-1+	AA	PACRA	3,657	1,173
Allied Bank Limited	A-1+	AAA	PACRA	401	401
				27,033	24,579

2022		2021	
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	-	-	-	-
Past due 31-60 days	-	-	-	-
Past due 61-90 days	30,234	-	42,876	-
Over 90 days	27,090	43,212	20,535	43,212
	57,324	43,212	63,411	43,212

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
436,621	-	436,621
35,026	-	35,026

30-Jun-22

Non - derivative financial liabilities

Government of Pakistan Loans
Long term borrowings
Short term borrowings
Trade and other payables
Accrued mark-up
30-Jun-21

	543,203	1,815,221	2,358,424
-	1,790,848	1,790,848	
-	24,374	24,374	
71,556	-	71,556	
475,077	-	475,077	
25,905	-	25,905	
	572,538	1,815,221	2,387,759

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 2022. 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 2022, if interest rates on company's bank borrowings had been 1% higher / lower, the markup expenses would have been higher / lower by Rs. 1015 million (2021: Rs. 998 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:

	2022	2021
	----- Rupees in "000" -----	
Debt	1,921,803	1,912,683
Equity	12,433,004	12,675,035
Total capital employed	14,354,807	14,587,718
Gearing Ratio	13.39%	13.11%

43 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2022		2021	
	Chief Executive	Director	Chief Executive	Director
	----- Rupees in "000" -----			
Remuneration	8,825	863	6,125	413
Bonus	-	-	-	-
Reimbursement of expenses	1,820	-	2,022	-
Pension contribution	83	-	76	-
Perquisites	2,248	-	2,141	-
	12,976	863	10,364	413
Number of persons	1	8	1	6

- 43.1 In addition to above remunerations 8 directors (2021: 6 directors) were paid aggregate remuneration of Rs. Nil (2021: Rs. Nil).
- 43.2 Aggregate amount charged in the accounts for 08 directors for Meeting fees were Rs. Nil (2021: Rs. Nil) and reimbursable expenses Rs. Nil (2021: 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	2022	2021
Pumps / turbines	No.	3,400	3,400	-	10
Electric motors	No.	16,500	6,500	-	-
Rolled material	Tons	80,000	30,000	-	-
Foundry	Tons	4,000	4,000	-	-
Steel fabrications (STR)	Tons	20,000	20,000	-	2,029
Concrete Mixture	No.	350	350	-	-

45 NUMBER OF EMPLOYEES

	2022	2021
Total number of employees as at June 30;	----- Numbers -----	
Contractual employees - Head Office	4	4
Temporary staff - Head Office	-	2
Contractual employees - Factory	4	6
Temporary staff - Factory	18	43
Workers - Factory	147	247
	173	302
Average number of employees during the year		
Contractual employees - Head Office	4	5
Temporary staff - Head Office	1	2
Contractual employees - Factory	5	6
Temporary staff - Factory	31	43
Workers - Factory	197	247
	238	303

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, 2022**

# of Shareholders	From	To	Total Shares held
1,494	1	100	40,747
548	101	500	128,190
126	501	1,000	88,746
96	1,001	5,000	176,688
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
2	35,001	40,000	76,600
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	450,001	455,000	452,700
1	505,001	510,000	510,000
1	1,415,001	1,420,000	1,415,723
1	1,660,000	1,675,000	1,672,400
2,312			5,690,245

**Categories of Shareholders
As At June 30, 2022**

	# 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	1,672,400	29.39
State Engineering Corporation	1	1,415,723	24.88

Categories of Shareholder
As At June 30, 2022

	# of Shareholders	Shares Held	Percentage
NIT and ICP	2	131,330	2.31
Bank, Development finance institution, Non-Banking Finance companies	12	145,115	2.55
Insurance Companies	3	229,030	4.02
Modarabas, and Mutual, Pension Funds CDC-Trustee and Opportunity Fund	1	6,900	0.12
Public Sector companies and corporations	7	27,600	0.49
General Public			
a. Local	2,237	1,489,572	26.17
b. Foreign	-	-	-
Others	43	567,548	9.97
Total	2,312	5,690,245	100

Shareholders Holding 5% or More Voting Interest

Name of shareholder	No of shares held	%age held
State Engineering Corporation Limited	1,415,723	24.88
Rotocast Engineering Company (Private) Limited	1,672,400	29.39
Mr. Ahmad Masood Khan	510,000	8.96
Maha Securities (Private) Limited	452,700	7.96

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 73th
Annual General Meeting of the Company to be held on February 17, 2025 (Monday) at 11:30 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

Signature _____

Name _____

Address _____

WITNESS 02

Signature _____

Name _____

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 _____ (CDC کا ونٹ نمبر/فولیو نمبر) _____ کے حامل پاکستان انجینئرنگ کمپنی لمیٹڈ کے شیئر ہولڈر (s) ہوں/ہیں، جو کہ _____ عام شیئرز رکھتے ہیں، یہ فارم استعمال کرتے ہوئے، _____ جناب/محترمہ/محترمہ _____ کو، جو کہ _____ میں رہتے ہیں، اپنی/اپنے وکیل کے طور پر نامزد کرتے ہیں کہ وہ میری/ہماری غیر موجودگی میں میری/ہماری طرف سے 73 ویں سالانہ جنرل میٹنگ میں، جو 17 فروری 2025 (پیر) کو صبح 11:30 بجے ہوٹل فور پوائنٹس ہائی شیرٹن، 25- ایجرٹن 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 سٹیمپ چسپاں کریں

گواہ نمبر 02

دستخط بمعہ شناختی کارڈ نمبر: _____

نام: _____

پتہ: _____

دستخط بمعہ شناختی کارڈ نمبر

نوٹ:

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



PAKISTAN ENGINEERING COMPANY LIMITED

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



Annual Report

2023



PAKISTAN ENGINEERING COMPANY LIMITED

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Contents

Company Information	05
Our Products	06
Vision / Mission Statement and Corporate Strategy	07
Our Values	08
Financial Highlights of Six Years	09
Notice of Annual General Meeting	10
Notice of Annual General Meeting اُردو ترجمہ	14
Chairman's Review	18
Chairman's Review اُردو ترجمہ	20
Directors' Report	22
Directors' Report اُردو ترجمہ	30
Statement of Compliance with Listed Companies	37
Independent Auditor's Review Report to the members of Peco	42
Independent Auditor's Report	46
Statement of Financial Position	49
Statement of Profit and Loss Account	51
Statement of Comprehensive Income	52
Statement of Changes in Equity	53
Statement of Cash Flow	55
Notes to the Financial Statements	56
Pattern of Shareholding	91
Jama Punji جمع پونجی	93
Form of Proxy	94
Form of Proxy اُردو ترجمہ	95

COMPANY INFORMATION

Board of Directors

Mr. Naeem Jan Khan
Mr. Muhammad Arif Habib
Mr. Rashid Ali Khan
Mr. Liaqat Mohammad
Mr. Muhammad Iqbal
Mirza Mahmood Ahmad
Mr. Ansar Javed

Board Audit & Risk Management Committee

Mr. Ansar Javed (Chairman)
Mr. Muhammad Syed Manzoor Raza
Mr. Muhammad Iqbal

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

	2023	2022	2021	2020	2019	2018
Trading Results						
Sales – Net	30.09	137.93	183.30	259.60	249.64	1,424.45
Cost of Sales	65.86	321.31	366.64	279.50	487.64	1,399.41
Gross Profit/(Loss)	(35.77)	(183.38)	(183.34)	(219.90)	(238)	25.04
Admin, Gen. & Selling Exp.	54.26	58.45	122.89	56.72	87.16	108.87
Other Operating Charges	1.18	0.83	0.84	0.84	8.84	1.03
Other Operating Income	45.71	5.53	3.16	68.65	13.67	3.45
Operating Profit/(Loss)	(45.50)	(237.14)	(303.91)	(208.81)	(320.34)	(81.41)
Financial Charges	10.87	9.12	10.25	9.36	8.245	17.56
Workers Profit Participation fund	-	-	-	-	-	-
Profit/(Loss) before Tax	(56.37)	(246.26)	(314.15)	(218.16)	(328.59)	(98.97)
Net Profit/(Loss) after Tax	(47.47)	(242.03)	(310.52)	(215.48)	(466.96)	(69.96)
Dividend						
Cash Dividend	-	-	-	-	-	-
Dividend Per Share (Rs.)	-	-	-	-	-	-
Financial Position						
Property, Plant and Equipment	14,412.07	14,444.04	14,478.03	14,514.21	14,552.11	14,558.75
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
Key Indicators						
Gross Profit Ratio	(118.91)	(132.95)	(100.02)	(84.70)	(95.34)	1.76
Operating Profit/(Loss) Ratio	(151.23)	(171.93)	(165.80)	(80.43)	(128)	(5.72)
Operation Expenses Ratio	180.34	42.38	67.04	21.85	34.91	7.64
Profit/(Loss) Before Tax Ratio	(187.36)	(178.54)	(171.39)	(84.04)	(131.63)	(6.95)
Net Profit/(Loss) Ratio	(157.79)	(175.47)	(169.40)	(83.01)	(187.05)	(4.91)
Earning Per Share	(8.34)	(42.54)	(54.57)	(37.87)	(82.07)	(12.29)
Working Capital Turnover	(398.09)	(373.34)	(159.37)	120.87	304.56	665.74
Current ratio	0.43	0.48	0.80	1.20	1.55	2.56
Quick ratio	0.35	0.38	0.38	0.48	0.61	1.35

NOTICE OF 74TH ANNUAL GENERAL MEETING

Notice is hereby given that the 74th Annual General Meeting (AGM) of **Pakistan Engineering Company Limited** (the “Company”) will be held on **Monday, February 17, 2025 at 11:40AM.** 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, 2023, 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/wp-content/uploads/2025/01/Annual-Report-2023.pdf>

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, 2023. The present Auditors Messrs. Malik Haroon Ahmad & Company, Chartered Accountants, being eligible for reappointment have offered themselves for reappointment. The Board of Directors, on recommendations of the Board Audit Committee, has proposed appointment of Messrs. Malik Haroon Ahmad & Company, Chartered Accountants as Auditors of the Company, for the year 2023-24.

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 2023 - 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 2023:

In compliance with section 223(6) of the Act, the Company has electronically transmitted the Annual Report 2022 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, 2023 along with reports have also been placed on the website of the Company.



<https://www.peco.com.pk/wp-content/uploads/2025/01/Annual-Report-2023.pdf>

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

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

4. Participation in the AGM:

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

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

- (i) Members, proxies or nominees shall authenticate their identity by producing their original national identity card or original passport and folio numbers at the time of the meeting.
- (ii) In case of corporate entities, a resolution of the Board of Directors / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity and an attested copy of CNIC shall be submitted to the Company at the meeting or along with a completed proxy form. The proxy holders are required to produce their original valid CNICs or original passports at the time of the meeting.
- (iii) In order to be effective, the proxy forms must be received at the 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 74th Annual General Meeting was notified to be held at 03:00PM which on same day was changed to be held at 11:40AM. The notification of revision of timing of AGM may please be downloaded from Company's website www.peco.com.pk

6. Consent for video conference facility:

Pursuant to Section 132(2) & Section 134(1)(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

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>).

نوٹس برائے 74 واں سالانہ اجلاس عام

نوٹس دیا جاتا ہے کہ پاکستان انجینئرنگ کمپنی لمیٹڈ (کمپنی) کا 74 واں سالانہ اجلاس عام (اے جی ایم) 17 فروری 2025 بروز پیر صبح 11:40 بجے ہوٹل فور پوائنٹس پریشرٹن، 25- ایبجکٹن روڈ، لاہور میں منعقد ہوگا اور ویڈیو کانفرنسنگ کے ذریعے مندرجہ ذیل کاروباروں کو انجام دیا جائے گا:

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

عمومی کاروبار:

1- 30 جون 2023 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۔



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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 2023 کو ختم ہونے والے سال کے لیے ان کے معاوضے کی منظوری دی۔ سبکدوش ہونے والے آڈیٹرز میسرز ملک ہارون احمد اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کی بناء پر پھر سے تقرری کی درخواست دی ہے۔ پیکو بورڈ نے میسرز ملک ہارون احمد اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو آڈٹ کمیٹی کی تجویز پر اہلیت کی بنیاد پر، سال 2023-24 کیلئے، میسرز ملک ہارون احمد اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو آڈیٹر تعینات کرنے کی سفارش کی ہے۔

کوئی اور کاروبار:

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

بحکم بورڈ

جگہ: لاہور

تاریخ: 27 جنوری، 2025

(میاں انور عزیز)

کمپنی سیکرٹری

نوٹس:

1۔ حصص منتقلی کی کتابوں کی بندش

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

2۔ اے جی ایم کی کارروائی میں 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 2023- پیکو کے لئے رجسٹریشن' کے موضوع کے ساتھ cdcsr@cdcsrsl.com یا واٹس ایپ نمبر 92 321 820 0864 پر مندرجہ ذیل تفصیلات اور شناختی کارڈ کے دونوں اطراف کی درست کاپی کے ساتھ ای میل بھیج کر اپنا اندراج کرائیں:

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

الیکٹرانک میٹنگ لنک اور لاگ ان اسناد صرف ان ممبروں کے ساتھ شیئر 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 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 2023 کی الیکٹرانک ٹرانسمیشن:

ایکٹ کی دفعہ 223(6) کی تعمیل میں کمپنی نے سالانہ رپورٹ 2023 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 2023ء 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/wp-content/uploads/2025/01/Annual-Report-2023.pdf>

تاہم کمپنی کسی بھی رکن کو ان کے مطالبے پر ان کے رجسٹرڈ ایڈریس پر سالانہ رپورٹ کی ہارڈ کاپیاں مفت فراہم کرے گی، ایسی درخواست موصول ہونے کے ایک ہفتے کے اندر مخصوص رضامندی نامے/فارم پر جو کمپنی کی ویب سائٹ پر دستیاب ہے www.peco.com.pk

مزید برآں شیئرز ہولڈرز سے درخواست ہے کہ وہ اپنا درست ای میل ایڈریس (درست شناختی کارڈ کی کاپی کے ساتھ) کمپنی کے شیئرز رجسٹرار، سی ڈی سی شیئرز رجسٹرار سروسز لمیٹڈ سی ڈی سی ہاؤس، 99 بی، بلاک بی، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی-74400 کو فراہم کریں، اگر ممبر کے پاس فزیکل شکل میں حصص ہیں یا ممبر کے متعلقہ پارٹنر/انویسٹر اکاؤنٹ 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، تقریر اور ووٹ دینے کے ایسے حقوق حاصل ہوں گے جو کسی

رکن کو حاصل ہیں۔ ایک پراکسی کو کمپنی کارکن ہونے کی ضرورت نہیں ہے۔

طریقہ کار بشمول سرکر 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/ایل ای ایس/96:

(i) اراکین، پراکسیز یا نامزد افراد اجلاس کے وقت اپنا اصل قومی شناختی کارڈ یا اصل پاسپورٹ اور فلیو 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 ہینڈشری 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 74 ویں سالانہ جنرل اجلاس کا وقت دوپہر 3 بجے منعقد کرنے کا نوٹیفکیشن جاری کیا گیا تھا جسے اسی دن صبح 11 بج کر 40 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

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

تاہم، اگر کوئی شیئر ہولڈر، اس کے علاوہ، ہارڈ کاپی میں متعلقہ دستاویزات کے ساتھ مکمل مالی بیانات کی درخواست کرتا ہے تو، ایسی درخواست موصول ہونے کے ساتھ دن کے اندر 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 my review as the Chairman of the Company for the year ended 30 June 2023, highlighting the Company's performance, issues and the role of the Board of Directors in guiding the management to carry out its responsibility for the benefit of all its stakeholders.

During this fiscal year Pakistan's economy faced complex and multifaceted challenges, most notably the commodity shock from the Ukraine war, spillover from the severe impacts of last year's floods, an uncertain political environment, and a sharp increase in headline inflation. There was significant depreciation of the currency and depletion of forex reserves by 40%. The State Bank responded by raising interest rates by 8.25%, and the Government imposed administrative restrictions on imports, increased energy prices, and elevated corporate taxes.

Despite repeated requests for intervention, the Government of Pakistan through Ministry of Industries and Production (MoIP) took considerable time to remove Mr. Mairaj Ariff as MD in September 2022, during which he caused substantial damage to PECO. The company is still analyzing and implementing corrective measures to address the aftermath of his actions.

The year 2022-2023 was another disappointing year for the Company in terms of financial performance due to continued management disputes created by Government Nominated ex- MD PECO, Mairaj Anees Ariff. No commercial activity could be performed during the year as company has experienced considerable staff/workers turnover due to policies and acts of Government Nominated ex-MD PECO, Mairaj Anees Ariff.

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

- Net Sales decreased to Rs. 30.09 million
- Gross Loss of loss of Rs 35.77 million
- Loss after tax of Rs. 47.47 million
- Loss per share of Rs. 8.34 per share

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.

Apart from the Board Audit Committee and Board Human Resources & Remuneration Committee meetings every quarter, the Board met seven (7) times during the year. No accounts could be presented and approved in Board meetings as Government Nominated ex-MD PECO, Mairaj Anees Ariff, failed to maintain the company's books of accounts and other required records, which was necessary to ensure compliance with Companies Act, 2017.

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 aware of the current and future challenges, as we focus our effort towards resolving the on-going issues of the Company created by Government Nominated ex-MD PECO, Mairaj Anees Ariff.

With an experienced Board of Directors and committed Management Team, we remain equipped to meet the continuing challenges.

The scale of the damage inflicted under the previous regime of Government Nominated ex- MD PECO, Mairaj Anees Ariff, is staggering. Once a thriving enterprise, the company suffered mammoth financial losses and a near-total collapse of operations. Irreplaceable assets were squandered or allowed to deteriorate, while trade receivables worth hundreds of millions, stock-in-trade, and creditors' balances were consumed to fund the losses, bringing the company's core business operations to a complete halt. Defaults to financial institutions and suppliers further tarnished the company's creditworthiness. As a result, approximately 450 workers were retrenched, leaving the current workforce reduced to just 34 employees.

To address the severe liquidity crisis and stabilize operations, the Board has announced a rights issue aimed at restoring the company's financial health and providing shareholders with an opportunity to support its turnaround. The funds raised will also be utilized to settle overdue liabilities, as the company faces recovery suits from suppliers and financial institutions.

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.

The Board looks forward to next year with greater confidence in meeting the challenges ahead.

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

چیسر مین کا جائزہ

میں آپ کے سامنے کمپنی کے چیسر مین کی حیثیت سے 30 جون 2023 کو ختم ہونے والے سال کا جائزہ پیش کر رہا ہوں، جس میں کمپنی کی کارکردگی، مسائل اور بورڈ آف ڈائریکٹرز کے کردار کو اجاگر کیا گیا ہے، جنہوں نے تمام اسٹیک ہولڈرز کے مفاد کے لیے مینجمنٹ کو اپنی ذمہ داریاں انجام دینے کے لیے رہنمائی فراہم کی۔

اس مالی سال کے دوران پاکستان کی معیشت کو پیچیدہ اور متنوع چیلنجز کا سامنا کرنا پڑا، جن میں سب سے زیادہ نمایاں یوکرین کی جنگ سے پیدا ہونے والا کووڈ بیکٹریا، گزشتہ سال کے شدید سیلاب کے اثرات، غیر یقینی سیاسی ماحول، اور سرخی مائل افراط زر میں تیزی سے اضافہ شامل ہیں۔

کرنسی کی نمایاں کمی اور زر مبادلہ کے ذخائر میں 40% کی کمی دیکھنے میں آئی۔ اسٹیٹ بینک نے شرح سود میں 8.25% اضافہ کیا، اور حکومت نے درآمدات پر انتظامی پابندیاں عائد کیں، توانائی کی قیمتوں میں اضافہ کیا اور کارپوریٹ ٹیکس میں اضافہ کیا۔

حکومت پاکستان نے وزارت صنعت و پیداوار (MoIP) کے ذریعے بار بار مداخلت کی درخواستوں کے باوجود، ستمبر 2022 میں جناب میراج عارف کو ایم ڈی کے عہدے سے ہٹانے میں کافی وقت لیا، جس دوران انہوں نے PECO کو کافی نقصان پہنچایا۔ کمپنی اب بھی ان کے اقدامات کے اثرات کو دور کرنے کے لیے اصلاحی اقدامات کا تجزیہ اور نفاذ کر رہی ہے۔

سال 2022-2023 کمپنی کے لیے مالی کارکردگی کے لحاظ سے ایک اور مایوس کن سال رہا کیونکہ حکومتی نامزد سابق ایم ڈی PECO، میراج انیس عارف کے پیدا کردہ انتظامی تنازعات جاری رہے۔ اس سال کے دوران کوئی تجارتی سرگرمی انجام نہیں دی جاسکی کیونکہ حکومتی نامزد سابق ایم ڈی PECO، میراج انیس عارف کی پالیسیوں اور اقدامات کے نتیجے میں عملے/کارکنان کی نمایاں حد تک کمی ہوئی۔

سال کے مالی نتائج ایک منفی رجحان کی عکاسی کرتے ہیں جیسا کہ درج ذیل ہے:

خالص فروخت کم ہو کر 30.09 ملین روپے رہ گئی۔

مجموعی نقصان 35.77 ملین روپے۔

ٹیکس کے بعد نقصان 47.47 ملین روپے۔

فی شیئر نقصان 8.34 روپے فی شیئر۔

سال کے دوران، بورڈ نے اپنی ذمہ داریاں اور فرائض مستعدی سے انجام دینے کی بھرپور کوشش کی اور کمپنی کے تمام اسٹریٹجک امور میں رہنمائی فراہم کرنے میں مؤثر کردار ادا کیا۔

بورڈ آڈٹ کمیٹی اور بورڈ انسانی وسائل و معاوضہ کمیٹی کی ہر سہ ماہی اجلاس کے علاوہ، بورڈ نے سال کے دوران سات (7) اجلاس کیے۔ بورڈ کے اجلاسوں میں کوئی اکاؤنٹس پیش اور منظور نہیں کیے جاسکے کیونکہ حکومتی نامزد سابق ایم ڈی PECO، میراج انیس عارف، کمپنی کے اکاؤنٹس اور دیگر مطلوبہ ریکارڈ کو برقرار رکھنے میں ناکام رہے، جبکہ نیٹریکٹ 2017 کی تعمیل کو یقینی بنانے کے لیے ضروری تھا۔

بورڈ تسلیم کرتا ہے کہ واضح طور پر متعین کارپوریٹ گورننس کے عمل کارپوریٹ احتساب کو بڑھانے میں اہم کردار ادا کرتے ہیں اور اسٹیک ہولڈرز کی قدر کو برقرار رکھنے کے لیے اعلیٰ معیار کی کارپوریٹ گورننس کو یقینی بنانے کے لیے پُر عزم ہے۔ بورڈ موجودہ اور مستقبل کے چیلنجز سے آگاہ ہے اور کمپنی کے جاری مسائل کے حل پر توجہ مرکوز کر رہا ہے جو حکومتی نامزد سابق ایم ڈی PECO، میراج انیس عارف کے پیدا کردہ ہیں۔

ایک تجربہ کار بورڈ آف ڈائریکٹرز اور ایک پرعزم مینجمنٹ ٹیم کے ساتھ، ہم مسلسل چیلنجز سے نمٹنے کے لیے تیار ہیں۔

حکومتی نامزد سابق ایم ڈی PECO، میراج انیس عارف کے سابقہ دور حکومت میں پہنچائے گئے نقصان کی وسعت حیران کن ہے۔ ایک بار ترقی پذیر ادارہ، کمپنی کو زبردست مالی نقصانات اور؟ پریشنز کے تقریباً مکمل خاتمے کا سامنا کرنا پڑا۔ ناقابل تبدیل اثاثے ضائع کیے گئے یا خراب ہونے دیے گئے، جبکہ تجارتی واجبات جن کی مالیت کروڑوں میں تھی، اسٹاک ان ٹریڈ اور قرض دہندگان کے بیلنس نقصان کو پورا کرنے کے لیے استعمال کیے گئے، جس سے کمپنی کے بنیادی کاروباری آپریشنز مکمل طور پر رک گئے۔ مالی اداروں اور سپلائرز کے ساتھ ڈیفالٹ نے کمپنی کی سادھ کو مزید خراب کیا۔ اس کے نتیجے میں تقریباً 450 کارکنان کو برطرف کیا گیا، جس سے موجودہ ورک فورس صرف 34 ملازمین تک محدود رہ گئی۔

شدید لیکویڈیٹی بحران سے نمٹنے اور آپریشنز کو مستحکم کرنے کے لیے، بورڈ نے ایک رائٹس ایٹو کا اعلان کیا ہے جس کا مقصد کمپنی کی مالی صحت کو بحال کرنا اور شیئرز ہولڈرز کو اس کی بحالی میں مدد فراہم کرنا ہے۔ جمع کی گئی رقم واجب الادا واجبات کو طے کرنے کے لیے بھی استعمال کی جائے گی کیونکہ کمپنی کو سپلائرز اور مالی اداروں کی طرف سے ریکوری سوئس کا سامنا ہے۔

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

بورڈ اگلے سال کو زیادہ اعتماد کے ساتھ درپیش چیلنجز کا سامنا کرنے کے لیے دیکھ رہا ہے۔

مرزا محمود احمد

چیئر مین بورڈ

لاہور: 20 جنوری 2025

DIRECTORS' REPORT To The Shareholders

The Directors of Pakistan Engineering Company Limited are presenting the 74th Annual Report accompanied by the audited financial statements for the year ended June 30, 2023; after a lapse of almost two years.

GLOBAL STEEL SCENARIO AND PAKISTAN'S ECONOMY

Global steel prices declined by almost 49% after hitting a record high of US\$1,100/MT this year. The prices of raw materials, mainly iron ore witnessed significant downward adjustments. The global market weakened in the first half of the 2022-23 but recovered in the later part of the year to US\$650/MT.

World crude steel production remained at 1.8 billion metric tons during the year, with a decrease of 5% as compared to last year's production of 1.9 billion metric tons. China continued to lead the global steel market however, its total production has increased to 1,035 from 1,018 million metric tons with its overall share in the global output to 56% from 54% last year.

Pakistan's economy faced severe shocks over the past year, with notable impacts stemming from the consequences of floods, highly fluctuating commodity prices, and tighter external and domestic financing circumstances.

These factors disrupted the post-pandemic recovery and resulted in a substantial rise in inflation and a notable depletion of forex reserves. Conditions were further exacerbated by frequent announcements of temporary plant closures due to challenges in importing machinery and intermediate inputs, leading to raw material scarcities and an economic deceleration.

These actions have reduced the current account deficit to US\$2.5 billion from last year's US\$ 17 billion. However, they had also led to stricter financial conditions, higher borrowing expenses, particularly for the Large-Scale Manufacturing sector, and suppressed demand.

Ukraine's war exerts supply chain disruptions, leading to a spike in global commodity prices. This inflationary pressure exacerbated the deteriorating foreign exchange reserves of the country resulting in a sharp decline in foreign exchange reserves. The State Bank had raised the policy rates several times during the year to curb inflation and imposed import-related administrative measures to conserve precarious exchange reserves.

The import curbs provided an opportunity for the State Bank to curtail the current account balance but restricted the industry's access to procure raw materials which lead to a massive contraction in overall GDP. Similarly, the policy rates hike significantly increased the government financing requirements to curb the budget deficit, which was tackled through the increase of taxes.

PERFORMANCE OUTLOOK

Management disputes created by Government appointed ex-MD PECO, Mr. Mairaj Anees Ariff despite of his removal in December 2018, continued to maximum during this financial year. Government appointed ex-MD PECO, Mr. Mairaj Anees Ariff kept on prevented the Board of Directors, principal officer and other employees, including the statutory positions of Chief Financial Officer, Company Secretary and Head of Internal Audit, from entering the company premises. During this period also, he continued to run the company's affairs by illegally taking under siege control of PECO whereby the Company had come to its lowest ebb.

In this year also, 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, in discharging their statutory and operational responsibilities, along with the efforts made by them in their available capacities for resolution of the issues. 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.

Despite numerous requests from Board members for intervention, the Ministry of Industries and Production (MoIP) took considerable time to remove Mr. Mairaj Ariff as MD in September 2022, during which he caused 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. Even the report of Investigation conducted by SECP on the request of Board members included the statement that Mr. Mairaj (MD) being at the helm of the affairs of the Company and by his act failed to maintain books of accounts and other relevant books and papers as provided in section 220 of the Companies Act, 2017.

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.

Since the assumption of PECO office by Chief Financial Officer, Company Secretary, Head of Internal Audit and other key management personnel on 01.04.2023; after the transfer of Government appointed ex-MD PECO, Mr. Mairaj Anees Ariff, on 16.09.2022, efforts were immediately started to ensure compliance with the corporate laws and regulations of Pakistan including the following:

- Regular board meetings were held each quarter
- Extensive efforts were made, by the management to trace the records, clear the backlog and update books and accounts
- Arrange temporary funding for the Company to make necessary compliances
- Conduct of EOGM and Election of Directors
- Follow-up with Ministry of Industries and Production for nominating Government directors on Board and assist in smooth operations
- Appointment of auditors for completion of outstanding audits

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

FINANCIAL PERFORMANCE

Owing to worsened situation of the operations, the Company was able to achieve sales and gross loss during the year under review at Rs. 30.09 million and Rs. 35.77 million as compared to sales and gross loss of 137.93 million and Rs. 183.38 million respectively during the year 2022. The sale of the year under review comprises 100% of sales of scrap; as the management had to generate enough cash flows to continue the basic operations of the Company with the minimum staff.

Overall, PECO incurred a loss after taxation of Rs. 47.47 million compared to last year loss after taxation of Rs. 242.03 million last year. Resultantly, there is a loss per share of Rs. 8.34 as compared to last year's loss per share of Rs. 42.54.

CONTRIBUTION TO NATIONAL EXCHEQUER AND THE ECONOMY

Your Company made a contribution of Rs. 0.01 million (June 30, 2022: Rs. 0.78 million) to the national exchequer during the year.

FINANCIAL RESULTS AND APPROPRIATIONS

	<u>Rs. in Thousands</u>	
	YEAR ENDED <u>30.06.2023</u>	YEAR ENDED <u>30.06.2022</u>
(Loss) before Taxation	(56,366)	(246,261)
Taxation	8,895	4,230
(Loss)/Profit after Taxation	(47,471)	(242,031)
Appropriations:		
(Loss) for the year	(47,471)	(242,031)
Remeasurement of retirement benefit plan	-	-
Transfer from "Surplus on Revaluation of Fixed Assets"	13,711	14,432
Adjustment for change in tax rate	-	-
(Loss) carried forward to accumulated loss	(33,761)	(227,599)

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, 2022: Rs. 22.77 million), valued by the firm of Consulting Actuaries.

BOARD'S COMPOSITION, ELECTIONS, REMUNERATION AND MEETINGS

The Board comprises of four non-executive and three 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. Nadeem Ahsan.

The Government of Pakistan through Ministry of Industries and Production (MoIP) took considerable time to remove Mr. Mairaj Ariff as MD in September 2022 and appoint Mr. Mohammad Hassan Iqbal as Managing Director in place of Mr. Mairaj Anees Ariff. Subsequently, Mr. Muhammad Hassan Iqbal was also transferred in January 2023 and no Managing Director was appointed until June 30, 2023.

In accordance with Company's policies and rules of service, despite of many requests, no chairman of the Board was appointed by Government of Pakistan through Ministry of Production during the year. The Board resolved in its 206 meeting held on 17.09.2022, to elect Mirza Mahmood Ahmad, Director, as Chairman of the Board till nomination of Chairman of the Board by Government of Pakistan.

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. The Board made every effort to ensure compliance of corporate laws and regulations despite of hindrances created by

Government appointed ex-MD PECO, Mr. Mairaj Anees Ariff. During the year 2022-23, seven (07) meetings of the Board were held. The attendance of the Board members was as follows:

Mr. Mairaj Anees Ariff	-
Mr. Muhammad Hassan Iqbal	3
Mr. Nadeem Ahsan	7
Mr. Arif Habib	7
Mr. Iftikhar Hussain	4
Mr. Rashid Ali Khan	6
Mirza Mahmood Ahmad	7
Mr. Muhammad Iqbal	6
Mr. Ansar Javed	7
Syed Muhammad Manzoor Raza	1

During the current year, Mr. Iftikhar Hussain, independent Director on the Board, resigned on February 13, 2023. Mr. Syed Muhammad Manzoor Raza, was appointed in his place by the Board on June 27, 2023, as independent director.

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. 8.34 as compared to last year's loss per share of Rs. 42.57.

AUDITORS

In 69th Annual General Meeting of the Company, shareholders appointed Messrs. EY Ford Rhodes & Co. Chartered Accountants as Auditor for the year ending on 30 June 2019. 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, 2023.

The present auditors Messrs. Malik Haroon Ahmad & Co. Chartered Accountants, retire and offer themselves for reappointment. They have confirmed achieving satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) and compliance with the Guidelines on the Code of Ethics of the International Federation of Accountants (IFAC) as adopted by ICAP. As suggested by the Audit Committee, the Board of Directors has recommended their reappointment as Auditors of the Company for the year ended June 30, 2024 at a fee to be mutually agreed.

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 DICLAIMER 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 uptil 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, 2023 of Rs. 51.98 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, 2023 of Rs. 8.75 million and Rs. 365.37 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, 2023 have been duly complied with. A statement to this effect is annexed to the report, please refer page No. 37.

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 constitution of the Committee was as under:

Mr. Ansar Javed	Chairman
Mr. Muhammad Iqbal	Member
Mr. Muhammad Syed Manzoor Raza	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 07 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, 2023 were 34 compared to 173 of last year. Due to management disputes created by Government Nominated ex-MD PECO, Mairaj Anees Ariff, trained work force and employees left the Company during the year under review.

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 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

The Board of Directors of Pakistan Engineering Company Limited (PECO), a public-listed company, has taken a decisive step toward revival by approving five years of delayed financial accounts to be approved by the general body meeting of its shareholders scheduled to take place on February 17, 2025. These accounts will now be presented for approval at the general body meeting of shareholders scheduled for February 17, 2025. This milestone follows years of catastrophic mismanagement under its former Managing Director (MD), Mr. Mairaj Anis Ariff, a

nominee of the Ministry of Industries and Production (MoIP), whose tenure brought the company to the brink of ruin, with financial losses exceeding PKR 1.2 billion..

The scale of the damage inflicted under the previous regime is staggering. Once a thriving enterprise, the company suffered mammoth financial losses and a near-total collapse of operations. Irreplaceable assets were squandered or allowed to deteriorate, while trade receivables worth hundreds of millions, stock-in-trade, and creditors' balances were consumed to fund the losses, bringing the company's core business operations to a complete halt. Defaults to financial institutions and suppliers further tarnished the company's creditworthiness. As a result, approximately 450 workers were retrenched, leaving the current workforce reduced to just 34 employees.

To address the severe liquidity crisis and stabilize operations, the Board has announced a rights issue aimed at restoring the company's financial health and providing shareholders with an opportunity to support its turnaround. The funds raised will also be utilized to settle overdue liabilities, as the company faces recovery suits from suppliers and financial institutions.

These steps are critical for ensuring that PECO's revival efforts are sustained and that such abuses of power are prevented in the future and PECO achieves its past glory while generating significant employment.

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, and shareholders for their support in difficult times. The confidence and goodwill of the stakeholders had allowed the Company to overcome its issues. 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.

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

For and on behalf of the Board

Mirza Mahmood Ahmad
Chairman of the Board

January 20, 2025
Lahore

ڈائریکٹرز کی رپورٹ

حصص یافتگان کے نام

پاکستان انجینئرنگ کمپنی لمیٹڈ کے ڈائریکٹرز 74 ویں سالانہ رپورٹ پیش کر رہے ہیں، جو 30 جون 2023 کو ختم ہونے والے مالی سال کے آڈٹ شدہ مالی بیانات پر مشتمل ہے۔

عالمی اسٹیل کا منظر نامہ اور پاکستان کی معیشت

عالمی اسٹیل کی قیمتیں اس سال ریکارڈ 1,100 امریکی ڈالر فی میٹرک ٹن کی بلند ترین سطح تک پہنچنے کے بعد تقریباً 49 فیصد گر گئیں۔ خام مال، خاص طور پر لوہے کی قیمتوں میں نمایاں کمی دیکھنے میں آئی۔ عالمی مارکیٹ 2022-23 کی پہلی ششماہی میں کمزور رہی لیکن سال کے دوسرے نصف میں 650 امریکی ڈالر فی میٹرک ٹن تک بحال ہو گئی۔

دنیا میں خام اسٹیل کی پیداوار 1.8 بلین میٹرک ٹن رہی، جو پچھلے سال کے 1.9 بلین میٹرک ٹن کے مقابلے میں 5 فیصد کم تھی۔ چین نے عالمی اسٹیل مارکیٹ میں برتری برقرار رکھی، اور اس کی کل پیداوار 1,018 بلین میٹرک ٹن سے بڑھ کر 1,035 بلین میٹرک ٹن ہو گئی، جس سے عالمی پیداوار میں اس کا حصہ 54 فیصد سے بڑھ کر 56 فیصد ہو گیا۔

پاکستان کی معیشت نے گزشتہ سال شدید جھٹکے سہے، جن میں سیلاب کے اثرات، اشیاء کی قیمتوں میں شدید اتار چڑھاؤ، اور سخت بیرونی ملکی مالی حالات شامل ہیں۔

یہ عوامل کورونا کے بعد کی بحالی کو متاثر کرتے ہوئے افراط زر میں نمایاں اضافے اور زرمبادلہ کے ذخائر میں تیزی سے کمی کا باعث بنے۔ ان حالات کو مزید خراب کرنے میں درآمدات کے لیے مشینری اور دیگر درمیانی اشیاء کی دستیابی کے مسائل شامل تھے، جنہوں نے خام مال کی قلت اور معاشی سست روی کو جنم دیا۔

کارکردگی کا جائزہ

حکومت کے مقرر کردہ سابق ایم ڈی پی ای سی او، جناب معراج انیس عارف نے، اپنے اختیارات کا ناجائز استعمال کرتے ہوئے کمپنی کو غیر قانونی طور پر کنٹرول میں لے لیا، جس کی وجہ سے مالی بیانات تیار نہ ہو سکے اور سالانہ جنرل میٹنگ (AGM) منعقد نہیں کی جاسکی۔

مارچ 2023 میں بورڈ آف ڈائریکٹرز اور کلیدی انتظامیہ نے دوبارہ ذمہ داریاں سنبھالنے کے بعد فوری طور پر قانونی تقاضے پورے کرنے کی کوشش کی۔ ان اقدامات میں شامل ہیں:

1. ہر سہ ماہی میں بورڈ میٹنگز کا انعقاد
2. مالی ریکارڈ کو بازیاب اور اپ ڈیٹ کرنا
3. عارضی فنڈز کا بندوبست کرنا
4. ای جی ایم اور ڈائریکٹرز کے انتخابات کا انعقاد
5. زیر التوا آڈٹس مکمل کرنے کے لیے آڈیٹرز کی تقرری

مالی کارکردگی

کمپنی کی فروخت کا تمام حصہ سکریپ کی فروخت پر مشتمل تھا تا کہ بنیادی کارروائیوں کے لیے ضروری نقدی فراہم کی جاسکے۔

2023 میں کمپنی نے درج ذیل نتائج دکھائے

فروخت: 30.09 ملین روپے

مجموعی خسارہ: 35.77 ملین روپے

ٹیکس کے بعد خسارہ: 47.47 ملین روپے

فی شیئر خسارہ: 8.34 روپے

2022 میں کمپنی نے درج ذیل نتائج دکھائے:

فروخت: 137.93 ملین روپے
مجموعی خسارہ: 183.38 ملین روپے
ٹیکس کے بعد خسارہ: 242.03 ملین روپے
فی شیئر خسارہ: 42.54 روپے
قومی خزانے اور معیشت میں شراکت
آپ کی کمپنی نے سال کے دوران قومی خزانے میں 0.01 ملین روپے (30 جون 2022: 0.78 ملین روپے) کا حصہ ڈالا۔

مالی نتائج اور تخمینہ جات
(ہزار روپے میں)

تفصیلات	سال ختم ہوا 30.06.2023	سال ختم ہوا 30.06.2022
ٹیکس سے پہلے نقصان	(56,366)	(246,261)
ٹیکس	8,895	4,230
ٹیکس کے بعد نقصان	(47,471)	(242,031)
تخمینے:		
سال کا نقصان:	(47,471)	(242,031)
ریٹائرمنٹ بینیفٹ پلان کی دوبارہ پیمائش:	-	-
اضافی قیمت شدہ اثاثوں کے دوبارہ تخمینہ سے منتقلی:	13,711	14,432
ٹیکس کی شرح میں تبدیلی کی ایڈجسٹمنٹ:	-	-
مجموعی نقصان میں منتقل شدہ نقصان:	(33,761)	(227,599)

آپریٹنگ اور مالیاتی ڈیٹا
کمپنی کے گزشتہ چھ سالوں کے آپریٹنگ اور مالیاتی ڈیٹا اور اہم تناسب منسلک ہیں۔

گریجویٹ اسکیم
کمپنی اپنے ملازمین کو ریٹائرمنٹ بینیفٹ فراہم کرتی ہے، جس میں تمام ملازمین کے لیے ایک غیر شراکتی طے شدہ بینیفٹ گریجویٹ اسکیم شامل ہے۔
سال کے اختتام پر گریجویٹ اسکیم کی مالیت 22.77 ملین روپے (30 جون 2022: 22.77 ملین روپے) تھی، جسے کنسلٹنگ ایگجوریز کی فرم نے قیمت دی۔

بورڈ کی تشکیل، انتخابات، معاوضے، اور اجلاس
بورڈ چارٹران ایگزیکٹو اور تین آزاد ڈائریکٹرز پر مشتمل ہے۔ بورڈ کی تشکیل اور بورڈ ذیلی کمیٹیوں کے ممبران کے نام (کمپنی کی معلومات) کے صفحے پر دیے گئے ہیں۔

حکومتی نامزد کردہ ڈائریکٹر:

ندیم احسن

حکومت پاکستان نے وزارت صنعت و پیداوار کے ذریعے ستمبر 2022 میں میراج انیس عارف کو مینجنگ ڈائریکٹر کے عہدے سے ہٹا کر ان کی جگہ محمد حسن اقبال کو مقرر کیا۔

بورڈ کے اجلاس:

سال 2022-23 کے دوران بورڈ کے سات (07) اجلاس منعقد ہوئے۔

ڈائریکٹرز کی شرکت کی تفصیل درج ذیل ہے:

ڈائریکٹر کا نام	شرکت کی تعداد
میراج انیس عارف	-
محمد حسن اقبال	3
ندیم احسن	7
عارف حبیب	7
افتخار حسین	4
راشد علی خان	6
مرزا محمود احمد	7
محمد اقبال	6
انصار جاوید	7
سید محمد منظور رضا	1

سال کے دوران، افتخار حسین، جو بورڈ کے آزاد ڈائریکٹر تھے، نے 13 فروری 2023 کو استعفیٰ دیا۔ ان کی جگہ سید محمد منظور رضا کو 27 جون 2023 کو آزاد ڈائریکٹر کے طور پر بورڈ میں شامل کیا گیا۔

حصص کی ملکیت کا پیٹرن اور تجارتی سرگرمیاں

حصص کی ملکیت کا پیٹرن اور دیگر معلومات علیحدہ طور پر منسلک ہیں۔

سال کے دوران کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، کمپنی سیکرٹری اور ان کے اہل خانہ نے کمپنی کے حصص کی کوئی تجارتی سرگرمی انجام نہیں دی۔

فی حصص آمدنی

فی حصص نقصان 8.34 روپے ہے، جبکہ گزشتہ سال فی حصص نقصان 42.57 روپے تھا۔

آڈیٹرز

69 ویں سالانہ جنرل میٹنگ میں، کمپنی کے شیئرز ہولڈرز نے میسرز EY فورڈ روڈ زاینڈ کمپنی کو 30 جون 2019 کے مالی سال کے لیے آڈیٹر مقرر کیا۔ اکتوبر 2018 کے بعد کوئی سالانہ جنرل میٹنگ منعقد نہیں ہوئی، جس کی وجہ سے سیکشن 246 کے مطابق آڈیٹر مقرر نہیں کیے جاسکے۔

موجودہ صورتحال:

مئی 2024 میں سیکورٹیز اینڈ ایکسچینج کمیشن (SECP) نے سیکشن 246(7) کے تحت میسرز ملک ہارون احمد اینڈ کمپنی کو 30 جون 2023 کے لیے آڈیٹر مقرر کیا۔

موجودہ آڈیٹرز نے ICAP سے معیار کی جانچ میں تسلی بخش درجہ حاصل کیا ہے۔

بورڈ آف ڈائریکٹرز نے 30 جون 2024 کے مالی سال کے لیے ان کی دوبارہ تقرری کی سفارش کی ہے۔

آڈیٹرز کی رپورٹ میں دی گئی وضاحتی رائے پر تبصرے

i. گونگ کنسرن کی صورتحال

اکتوبر 2018 سے مارچ 2023 تک جاری رہنے والے انتظامی تنازعات کی وجہ سے کمپنی کی کارکردگی روز بروز خراب ہوتی رہی۔ اس حقیقت کو پی ای سی او کی انتظامیہ نے وقت سے پہلے محسوس کیا اور ستمبر

2018 میں وزارت صنعت و پیداوار اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو مناسب طور پر آگاہ کیا۔

حکومت کے نامزد کردہ سابق ایم ڈی پی ای سی او، میراج انیس عارف کی وجہ سے پیدا ہونے والے ان تنازعات نے کمپنی کو مذکورہ مدت کے دوران اس کی سب سے نچلی سطح پر پہنچا دیا۔ تاہم، موجودہ انتظامیہ اور بورڈ آف ڈائریکٹرز کمپنی کی بحالی کے لیے قلیل مدتی اور درمیانی مدتی کاروباری منصوبے بنانے کی پوری کوشش کر رہے ہیں۔

ii. فزیکل انویسٹریز کی گنتی

اکتوبر 2018 سے مارچ 2023 تک جاری رہنے والے انتظامی تنازعات کی وجہ سے حکومت کے مقرر کردہ سابق ایم ڈی پی ای سی او، میراج انیس عارف اور ان کی ٹیم نے اسٹاک کی کوئی فزیکل گنتی نہیں کی۔ بورڈ آف ڈائریکٹرز اور انتظامی ٹیم یہ عمل جون 2018 تک ہر سال بیرونی آڈیٹرز کے ساتھ مل کر انجام دیتی تھی۔ اسٹاک گنتی کے ریکارڈ کی غیر موجودگی میں، آڈیٹرز 30 جون 2023 کو پی ای سی او میں موجود 51.98 ملین روپے کے اسٹاک کے مناسب آڈٹ شواہد حاصل نہیں کر سکے، کیونکہ موجودہ تاریخ پر پچھلی تاریخوں میں کسی اسٹاک کی جسمانی موجودگی ممکن نہیں ہے۔

iii. تجارتی قرض دار/تجارتی اور دیگر واجبات

اکتوبر 2018 سے پی ای سی او کے مالیاتی نظام کو نقصان پہنچا، دستاویزات کی کمی اور اکاؤنٹ کی عدم موجودگی کے ساتھ۔

وینڈر لیجز میں غلط بیلنس دکھائے گئے۔

معیاری آپریٹنگ طریقہ کار (SOPs) کو نظر انداز کیا گیا۔

مواد کے لیے مناسب دستاویزات موجود نہیں تھیں۔

غیر مجاز فیصل بینک اکاؤنٹ سے بغیر معاون واؤچرز کے ادائیگیاں کی گئیں۔

گاہکوں سے موصول ہونے والی ادائیگیوں کا کوئی ریکارڈ برقرار نہیں رکھا جاسکا۔

اس کی وجہ سے لین دین کو ٹریک کرنے اور قانونی تقاضوں اور بین الاقوامی مالیاتی رپورٹنگ معیارات (IFRS) کی تعمیل کو یقینی بنانے میں نمایاں مشکلات پیدا ہوئیں۔

30 جون 2023 کو ختم ہونے والے سال کے لیے تجارتی قرض داروں کے اختتامی بیلنس (8.75 ملین روپے) اور تجارتی و دیگر واجبات (365.37 ملین روپے) کی تصدیق میں مشکلات پیش آئیں۔

یہ بھی دریافت کیا گیا کہ پی ای سی او کے مرکزی ڈیٹا سروس اور نیٹ ورک کے تمام پیجز سے ہارڈ ڈرائیوز غائب تھیں۔

کئی کوششوں کے باوجود، صرف یکم جولائی 2018 کے اوپننگ بیلنس کا تعین کیا جاسکا۔

حکومت کے مقرر کردہ سابق ایم ڈی پی ای سی او، میراج انیس عارف کی قیادت میں انتظامیہ مالیاتی اور آپریشنل لین دین کے مناسب ریکارڈ کو یقینی بنانے میں ناکام رہی، جو اکتوبر 2018 سے اکتوبر 2022 تک ہوئے۔

iv. غیر دعوی شدہ ڈیویڈنڈ وفاقی حکومت کے پاس جمع نہ ہونا

اکتوبر 2018 تک، انتظامیہ اور بورڈ آف ڈائریکٹرز لیکینیٹری ایکٹ 2017 کے سیکشن 242 کی تعمیل کے لیے کارروائی شروع کی تھی۔

اس مقصد کے لیے لیکینیٹری ایکٹ 2017 کی ضروریات کے مطابق روزنامہ اخبارات میں اشتہارات دیے گئے تھے۔

تاہم، حکومت کے مقرر کردہ سابق ایم ڈی پی ای سی او، میراج انیس عارف اور ان کی ٹیم کے کارپوریٹ اور آپریشنل معلومات کی کمی کی وجہ سے اس معاملے میں تاخیر ہوئی، اور غیر دعوی شدہ ڈیویڈنڈ کی رقم کی ادائیگی کے لیے مزید کارروائی نہیں کی گئی۔

موجودہ انتظامیہ اور بورڈ کمپنی کے نقد بہاؤ کی صورتحال بہتر ہوتے ہی لیکینیٹری ایکٹ 2017 کے سیکشن 242 کی تعمیل کو یقینی بنانے کے لیے پرعزم ہیں۔

v. حکومت پاکستان/جنگاری کمیشن کے قرضے

حکومت پاکستان، جنگاری کمیشن، اور وزارت خزانہ کے نمائندوں کے ساتھ مختلف اجلاسوں کے نتیجے میں بنیادی قرض کو، 131.454 ملین روپے کے علاوہ، جو جنگاری کمیشن نے اضافی گریجویٹ کے طور پر اپنی طرف سے ادا کیے، کے ساتھ مفاہمت کی گئی ہے۔

بورڈ آف ڈائریکٹرز نے مختلف اجلاسوں میں یہ قرارداد منظور کی کہ حکومت پاکستان کو دیے گئے کسی بھی قرض کے لیے واجب الادا رقم قانون کے تحت ادا کی جائے گی۔

بورڈ نے حکومت پاکستان کے ساتھ یہ بھی اتفاق کیا ہے کہ ای سی سی کے فیصلے مورخہ 02.03.1993 کے مطابق بادامی باغ کی زمین کو فروخت کر کے واجبات کو ایڈجسٹ کیا جائے گا، جس کی حالیہ تخمینہ قیمت 4,605.13 ملین روپے ہے، جو حکومت پاکستان کی طرف سے پی ای سی او سے طلب کردہ رقم سے زیادہ ہے۔

بورڈ آف ڈائریکٹرز اور کمپنی کی انتظامیہ کا ماننا ہے کہ ان قرضوں پر کسی سود کی ادائیگی کے وہ ذمہ دار نہیں ہیں، کیونکہ کسی معاہدے کی غیر موجودگی میں یہ سود لاگو نہیں ہوتا۔

کارپوریٹ مالیاتی رپورٹنگ فریم ورک پر بیان
اسٹاک ایکسچینج کے لسٹنگ ریگولیشنز کے ذریعے مقرر کردہ کارپوریٹ گورننس کے ضابطے کی متعلقہ شرائط کو 30 جون 2023 کو ختم ہونے والے سال کے لیے مکمل طور پر پورا کیا گیا۔
اس اثر کا بیان رپورٹ کے ساتھ منسلک ہے، براہ کرم صفحہ نمبر 37 کا حوالہ دیں۔

آڈٹ اور رسک مینجمنٹ کمیٹی
بورڈ نے آڈٹ اور رسک مینجمنٹ کمیٹی قائم کی ہے تاکہ ڈائریکٹرز کو کارپوریٹ گورننس، مالیاتی رپورٹنگ، اور کارپوریٹ کنٹرول کی ذمہ داریاں نبھانے میں مدد دی جاسکے۔
کمیٹی تین اراکین پر مشتمل ہے، جن میں تمام اراکین، بشمول کمیٹی کے چیئرمین، آزاد ڈائریکٹرز ہیں۔

کمیٹی کمپنی کے مالیاتی نتائج، آڈٹ رپورٹس، اور انتظامی کنٹرول کے معیارات کی تعمیل کا جائزہ لیتی ہے اور بورڈ آف ڈائریکٹرز کو سفارشات پیش کرتی ہے۔

ڈائریکٹرز ٹریننگ پروگرام
کمپنی کے بورڈ آف ڈائریکٹرز سات ڈائریکٹرز پر مشتمل ہیں، جہاں تمام ڈائریکٹرز لیسٹنگ (کارپوریٹ گورننس کا ضابطہ) 2019 کے ضابطہ 19 کے تحت ڈائریکٹرز ٹریننگ پروگرام کے سرٹیفائیڈ ہیں۔

ضابطہ اخلاق
بورڈ نے پیشہ ورانہ معیار اور کارپوریٹ اقدار کو فروغ دینے کے لیے ضابطہ اخلاق کی منظوری دی ہے، جس میں بورڈ، سینئر انتظامیہ، اور دیگر ملازمین کے لیے قابل قبول اور ناقابل قبول رویے متعین کیے گئے ہیں۔
یہ ضابطہ کمپنی کی ویب سائٹ پر شائع کیا گیا ہے۔

ملازمین کی تعداد
کمپنی نے اپنی کارروائیاں کم از کم عملے کے ساتھ جاری رکھیں۔ 30 جون 2023 کو عملے کی تعداد 34 تھی، جو پچھلے سال کے 173 کے مقابلے میں کم تھی۔
حکومت کے مقرر کردہ سابق ایم ڈی پی ای سی او، میراج انیس عارف کی وجہ سے پیدا ہونے والے انتظامی تنازعات کی وجہ سے تربیت یافتہ افرادی قوت اور ملازمین نے کمپنی چھوڑ دی۔
انسانی وسائل اور معاوضے کی کمیٹی

انسانی وسائل اور معاوضے کی کمیٹی بورڈ کی طرف سے اس مقصد کے لیے قائم کی گئی کہ وہ ڈائریکٹرز کو کلیدی انتظامی عملے کے انتخاب، تنصیب، معاوضے اور پیشہ ورانہ ترقی کے حوالے سے اپنی ذمہ داریوں کو پورا کرنے میں مدد فراہم کرے۔ یہ کمیٹی کمپنی کی انسانی وسائل کی پالیسیوں اور طریقہ کار میں بہتری کی تجاویز دینے اور ان کا وقتاً فوقتاً جائزہ لینے میں بھی شامل ہے۔

سال کے دوران کسی بھی بورڈ کی کمیٹی کا اجلاس نہیں ہوسکا، کیونکہ حکومت کے نامزد سابق ایم ڈی پی ای سی او، میراج انیس عارف، کے تخلیق کردہ انتظامی تنازعات، حالانکہ انہیں دسمبر 2018 میں عہدے سے ہٹا دیا گیا تھا۔ تاہم، سیکرٹریٹر اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) اور حکومت پاکستان کو اس حقیقت سے آگاہ کیا گیا۔

فنانس کمیٹی

اس کمیٹی کا مقصد بورڈ کی طرف سے مقرر کردہ عمومی پالیسی فریم ورک کے تحت خزانچی سے متعلقہ پالیسیوں کا تعین کرنا ہے۔ اس کمیٹی کی تشکیل روزمرہ کے خزانچی آپریشنز اور معمول کی سرگرمیوں کے انتظام کو متاثر یا محدود نہیں کرتی۔ کسی بھی غیر متوقع حالات یا مالیاتی مارکیٹ کے رویے کی وجہ سے پیدا ہونے والی خلاف ورزیوں کو بعد میں بورڈ کے اجلاس میں توثیق کے لیے پیش کیا جائے گا۔ کمیٹی کا مقصد ہر سہ ماہی میں اجلاس منعقد کرنا ہے، لیکن یہ ضروری ہے کہ کمیٹی کے اکثریتی ارکان کم از کم دو بار ہر مالی سال میں اور دیگر اوقات میں کمیٹی کے چیئرمین کی درخواست پر اجلاس کریں۔

سال کے دوران کسی بھی بورڈ کی کمیٹی کا اجلاس نہیں ہوسکا، کیونکہ حکومت کے نامزد سابق ایم ڈی پی ای سی او، میراج انیس عارف، کے تخلیق کردہ انتظامی تنازعات، حالانکہ انہیں دسمبر 2018 میں عہدے سے

ہٹا دیا گیا تھا۔

متعلقہ پارٹی کے لین دین

کمپنی نے تمام متعلقہ پارٹی کے لین دین کی تفصیلات آڈٹ کمیٹی کے سامنے پیش کرنے کا عمل جاری رکھا اور ان کی سفارشات پر بورڈ کے سامنے جائزے اور منظوری کے لیے پیش کیا۔

ویب موجودگی

کمپنی کے موجودہ مالی سال کے عبوری مالیاتی بیانات بشمول پچھلے تین سالوں کے سالانہ رپورٹس کمپنی کی ویب سائٹ www.peco.com.pk پر سرکاری کاروں کی معلومات کے لیے دستیاب ہیں۔

صحت، حفاظت، اور ماحول

کمپنی صحت، حفاظت، اور ماحول کے معیار کو بہتر بنانے کے لیے پُر عزم ہے تاکہ پائیدار ایچ ایس ای کارکردگی حاصل کی جاسکے۔ تنظیم کے تمام شعبوں میں عمل کی حفاظت اور رویہ پر مبنی حفاظت کو کمپنی کی تنظیمی اسکیم کے ساتھ مربوط نظام کے ذریعے بہتر بنایا گیا ہے، اور کمپنی مسلسل بہتری کے عمل پر گامزن ہے تاکہ اعلیٰ معیار کو حاصل اور برقرار رکھا جاسکے۔

کمپنی نے ایک مضبوط جانشینی منصوبہ تیار کیا ہے، جس میں کارکردگی کی تشخیص اور ممکنہ مستقبل کے قائدین کی ترقی کے لیے مناسب تربیتی ضروریات شامل ہیں۔

واجب الادا قانونی واجبات

واجب الادا قانونی واجبات کی تفصیلات اکاؤنٹس کے نوٹ نمبر 23 میں دی گئی ہیں۔

کاروباری منصوبے

پاکستان انجینئرنگ کمپنی لمیٹڈ (پی ای سی او)، ایک عوامی لہڈ کمپنی، کے بورڈ آف ڈائریکٹرز نے بحالی کی طرف ایک فیصلہ کن قدم اٹھاتے ہوئے پانچ سال کی التواء شدہ مالیاتی اکاؤنٹس کی منظوری دی ہے، جنہیں 17 فروری 2025 کو ہونے والے شیئر ہولڈرز کی جنرل ہاؤس میٹنگ میں منظوری کے لیے پیش کیے جائیں گے، جو 17 فروری 2025 کو منعقد ہوگی۔ یہ سنگ میل سابق ایم ڈی میراج انیس عارف، جو وزارت صنعت و پیداوار (MoIP) کے نامزد کردہ تھے، کی ناقص انتظامیہ کے تحت کئی سالوں کی تباہ کن بدانتظامی کے بعد حاصل ہوا ہے، جس کی مدت کے دوران کمپنی کو 1.2 ارب روپے سے زائد کے مالی نقصانات کا سامنا کرنا پڑا۔

پچھلے دور حکومت کے تحت ہونے والے نقصان کا حجم حیران کن ہے۔ ایک خوشحال ادارہ ہونے کے بعد، کمپنی نے بڑے مالی نقصانات اور آپریشنز کے تقریباً مکمل خاتمے کا سامنا کیا۔ ناقابل بدل اثاثے ضائع یا خراب ہونے دیے گئے، جبکہ لاکھوں کے تجارتی واجبات، اسٹاک ان ٹریڈ، اور قرض دہندگان کے بیلنس نقصانات کو پورا کرنے کے لیے استعمال کیے گئے، جس سے کمپنی کے بنیادی کاروباری آپریشنز مکمل طور پر رک گئے۔ مالیاتی اداروں اور سپلائرز کو عدم ادائیگی نے کمپنی کی ساکھ کو مزید نقصان پہنچایا۔ نتیجتاً تقریباً 450 ملازمین کو فارغ کر دیا گیا، اور موجودہ افرادی قوت 34 ملازمین تک محدود ہو گئی۔

سخت لیکویڈیٹی بحران سے نمٹنے اور آپریشنز کو مستحکم کرنے کے لیے، بورڈ نے حقوق کے اجراء کا اعلان کیا ہے، جس کا مقصد کمپنی کی مالی صحت کو بحال کرنا اور شیئر ہولڈرز کو اس کی بحالی میں تعاون فراہم کرنا ہے۔ جمع ہونے والی رقوم کا استعمال واجب الادا واجبات کو نمٹانے کے لیے بھی کیا جائے گا، کیونکہ کمپنی کو سپلائرز اور مالیاتی اداروں کی طرف سے وصولی کے مقدمات کا سامنا ہے۔

یہ اقدامات ضروری ہیں تاکہ پی ای سی او کی بحالی کی کوششیں جاری رہ سکیں اور ایسی طاقت کے غلط استعمال کو مستقبل میں روکا جاسکے، اور پی ای سی او اپنی ماضی کی شان کو حاصل کرتے ہوئے نمایاں روزگار پیدا کر سکے۔

بورڈ آف ڈائریکٹرز اور انتظامیہ کو یقین ہے کہ وہ اپنی بھرپور کوششیں کر رہے ہیں تاکہ حکومت کے نامزد سابق ایم ڈی پی ای سی او، میراج انیس عارف، کی تخلیق کردہ جہازی کو ختم کر سکیں، اور کمپنی غیر معیہ مدت تک ”گوئنگ کنسرن“ کے طور پر کام کرے گی، ان شاء اللہ۔

شکریہ

بورڈ تمام اسٹیک ہولڈرز، پرنسپل آفیسر، ملازمین، اور شیئر ہولڈرز کا مشکل وقت میں تعاون کے لیے شکریہ ادا کرتا ہے۔ اسٹیک ہولڈرز کے اعتماد اور خیر سگالی نے کمپنی کو اس کے مسائل پر قابو پانے کی اجازت دی۔

پاکستان انجینئرنگ کمپنی لمیٹڈ کے بورڈ آف ڈائریکٹرز نے ہمیشہ حکومت پاکستان کے ساتھ وزارت صنعت و پیداوار کے ذریعے تعاون یقینی بنایا ہے تاکہ پاکستان انجینئرنگ کمپنی لمیٹڈ میں موجود مسائل کو حل کیا جاسکے۔

ہم اللہ سے دعا کرتے ہیں کہ کمپنی کو کامیابی عطا کرے اور تمام اسٹیک ہولڈرز اور ملک کے لیے فائدہ مند بنائے۔

بورڈ کی طرف 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, 2023

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

- The total number of Directors are 07 as per the following:

- Male 07
- Female -

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

- The composition of board is as follows:

a. Independent Directors	03	Mr. Ansar Javed Mr. Muhammad Syed Manzoor Raza Mr. Muhammad Iqbal
b. Other Non-executive Director	04	Mr. Rashid Ali Khan Mr. Nadeem Ahsan Mr. Muhammad Arif Habib Mirza Mahmood Ahmad
c. Executive Directors	0	N/A
d. Female Directors	0	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, Mr. Iftikhar Hussain, independent Director on the Board, resigned on February 13, 2023. Another independent Director, Mr. Muhammad Manzoor Raza, was appointed in his place by the Board on June 27, 2023, which was beyond the statutory limit of ninety days from the occurrence of the vacancy. However, Securities and Exchange Commission of Pakistan was informed with this fact.

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
- 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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Companies Act 2017 ("Act") and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the 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 CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;
12. The Board has not formed any Board's Committees due to management disputes created by Government Nominated ex-MD PECO, Mairaj Anees Ariff. However, Securities and Exchange Commission of Pakistan (SECP) and the Federal Government were duly informed with this fact.
13. The terms of reference of the Committees have not 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. Risk Management Committee	None
d. Human Resource and Remuneration Committee	None

No meeting of any Board' Committee could be held. This was due to the facts mentioned in paragraph 12.
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;

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 and 8 of the regulations have been complied with. However, requirement of regulation 6, 7, 27, 32, 33 and 36 cannot be complied. This was due to the facts mentioned in paragraph 12.
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below (if applicable):

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 12 of Statement of Compliance, the Board was unable to perform its duties properly.
2	Role of the Board and its members to address Sustainability Risks and Opportunities	10A	Due to the facts described in para 12 of Statement of Compliance, the Board was unable to perform its duties properly.
3	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 12 of Statement of Compliance, the Board was unable to conduct meetings as per requirement of the Companies Act, 2017.

4	All written notices and relevant material, including the agenda of the meeting shall be circulated at least seven days prior to the meeting, except in the case of emergency meeting, where the notice period may be reduced or waived.	11(2)	Due to the facts described in para 12 of Statement of Compliance, the Board was unable to conduct meetings as per requirement of the Companies Act, 2017.
5	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 12 of Statement of Compliance, Board was unable to meet this requirement.
6	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 12 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.
7	There shall be a human resource and remuneration committee of at least three members comprising a majority of non-executive directors of whom at least one member shall be an independent director.	28	Due to the facts described in para 12 of Statement of Compliance, the Board was not able to make any committee during the year.

8	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 allow relevant personals to enter the premises.
9	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 12 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 20, 2025

Mirza Mehmood Ahmed
(Chairman of the Board)

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

Review Report on the Statement of Compliance Contained in the Listed Companies (Code of Corporate Governance) Regulations, 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, 2023 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, 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, 2023.

Further, we highlight below instance of non-compliance made by the company with certain requirements of the Code as stated in paragraphs 18 and 19 of Statement of Compliance:

S. No.	Requirement Nature	Reference	Description of the Non-Compliance
1	Mandatory	Para 18	Company has not appointed any female director in contravention to regulation 7 to the code.
2	Mandatory	Para 18	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 12 of Statement of Compliance, the Board was unable to exercise its powers fully.
4	Explanation of non-compliance is required	Para 19(2)	As per regulation 10A, Role of the Board and its members to address Sustainability Risks and Opportunities. However, due to the fact as described in para 12 of Statement of Compliance, the Board was unable to exercise its powers fully.
5	Explanation of non-compliance is required	Para 19(3)	As per regulation 11(1), subject to the requirements of 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 12 of Statement of Compliance, the Board was unable to exercise its powers fully.
6	Explanation of non-compliance is required	Para 19(4)	As per regulation 11(2), All written notices and relevant material, including the agenda of the meeting shall be circulated at least seven days prior to the meeting, except in the case of emergency meeting, where the notice period may be reduced or waived. However, due to the fact as described in para 12 of Statement of Compliance, the Board was unable to exercise its powers fully.
7	Explanation of non-compliance is required	Para 19(5)	As per regulation 24, Same person shall not simultaneously hold office of chief financial officer and the company secretary of a listed company. However, due to the fact as described in para 12 of Statement of Compliance, the Board was unable to exercise its powers fully.

8	Explanation of non-compliance is required	Para 19(6)	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 12 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.
9	Mandatory	Para 18	As per regulation 27, It is mandatory that the audit committee shall be constituted by the Board keeping in view the following requirements; (i) the Board shall establish an audit committee of at least three members comprising of non-executive directors and at least one independent director; (ii) chairman of the committee shall be an independent director, who shall not be the chairman of the Board; (iii) the Board shall satisfy itself that at least one member of the audit committee shall be "financially literate"; However, due to the fact as described in para 12 of Statement of Compliance, Board was unable to constitute the audit committee and any proceedings of the said committee thereon.
10	Explanation of non-compliance is required	Para 19(7)	As per regulation 28, There shall be a human resource and remuneration committee of at least three members comprising a majority of non-executive directors of whom at least one member shall be an independent director. However, due to the fact as described in para 12 of Statement of Compliance, Board was unable to constitute the human resource and remuneration committee and any proceedings the said committee thereon.

11	Explanation of non-compliance is required	Para 19(8)	As per regulation 31, There shall be an internal audit function in every company. However, due to the fact as described in para 12 of Statement of Compliance.
12	Explanation of non-compliance is required	Para 19(9)	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, due to the fact as described in para 12 of Statement of Compliance.

Lahore
January 20, 2025
UDIN: CR202310206kJdZH7PDX

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, 2023**, 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 56.366 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, 2023, which are recorded in the statement of financial position at Rs. 51.977 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. 37.254 million, and trade deposits, prepayments, and other receivables of Rs. 28.140 million.
5. We were unable to verify trade debtors amounting to Rs. 8.754 million. Additionally, we were unable to verify trade and other payables amounting to Rs. 365.368 million out of a total balance of Rs. 555.907 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. 5.224 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. 104.482 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:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- 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
UDIN: AR202310206uXWrgxFB

Malik Haroon Ahmad & Co.
Chartered Accountants

PAKISTAN ENGINEERING COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	2023	2022
----- Rupees in "000" -----			
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	5	14,412,071	14,444,040
Investment property	6	426	449
Long term investment	7	819	819
Long term deposits	8	2,053	2,053
		14,415,369	14,447,361
CURRENT ASSETS			
Stores, spares and loose tools	9	11,084	13,426
Stock-in-trade	10	40,893	58,373
Short term investments	11	9	8
Trade debts - unsecured	12	8,754	14,112
Advances	13	37,254	37,254
Trade deposits, prepayments and other receivables	14	28,140	26,390
Tax refunds due from Government	15	145,230	144,410
Cash and bank balances	16	27,729	47,034
		299,093	341,007
Free hold land - held for sale	17	314,724	314,724
TOTAL ASSETS		15,029,186	15,103,092

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

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Chief Executive Officer

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

PAKISTAN ENGINEERING COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	2023	2022
----- Rupees in "000" -----			
EQUITY AND LIABILITIES			
Share capital	18	56,902	56,902
Revenue reserve - general		10,000	10,000
Accumulated loss		(2,090,602)	(2,056,852)
Surplus on revaluation of fixed assets	19	14,409,234	14,422,954
		12,385,534	12,433,004
NON - CURRENT LIABILITIES			
Long term financing	20	24,374	24,374
Long term deposits	21	4,000	4,000
Deferred liabilities - net	22	127,248	136,519
		155,622	164,893
CURRENT LIABILITIES			
Trade and other payables	23	555,907	584,314
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		45,892	35,026
Provision for taxation		10,757	10,381
		697,182	714,347
Liabilities directly associated with free hold land - held for sale	26	1,790,848	1,790,848
CONTINGENCIES AND COMMITMENTS			
	27		
TOTAL EQUITY AND LIABILITIES		15,029,186	15,103,092

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

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Chief Executive Officer

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

PAKISTAN ENGINEERING COMPANY LIMITED
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023	2022
----- Rupees in '000 -----			
Sales	28	30,085	137,932
Cost of sales	29	(65,859)	(321,313)
Gross loss		(35,774)	(183,381)
Selling and distribution expenses	30	(769)	(2,936)
Freight and forwarding expenses	31	(1,125)	(7,132)
Administrative expenses	32	(52,361)	(48,382)
Other operating charges	33	(1,182)	(834)
		(55,437)	(59,284)
Other operating income	34	45,713	5,525
Operating loss		(45,498)	(237,140)
Finance cost	35	(10,867)	(9,121)
Loss before taxation		(56,365)	(246,261)
Taxation	36	8,895	4,230
Loss after taxation for the year		(47,470)	(242,031)
BASIC AND DILUTED EARNINGS PER SHARE			
Basic and diluted earnings per share	37	(8.34)	(42.54)

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

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Chief Executive Officer

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

PAKISTAN ENGINEERING COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022
	----- Rupees in '000 -----	
Loss after taxation for the year	(47,470)	(242,031)
Items that will not be reclassified to profit and loss account:		
Remeasurement of retirement benefit plan	-	-
Related deferred tax impact	-	-
	-	-
Effect of change in tax rates on balance of revaluation on property, plant and equipment	-	-
Total comprehensive loss for the year	(47,470)	(242,031)

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

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Chief Executive Officer

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

PAKISTAN ENGINEERING COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2023

	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, 2021	56,902	10,000	(1,829,253)	14,437,386	12,675,035
- Loss after tax for the year ended 30 June 2022	-	-	(242,031)	-	(242,031)
Other comprehensive income for the year					
-Remeasurement of retirement benefit plan	-	-	-	-	-
-Related deferred tax impact	-	-	-	-	-
Surplus on revaluation of property, plant and equipment realized during the year on account of:					
- incremental depreciation - net off tax	-	-	14,432	(14,432)	-
Revaluation of property, plant and equipment adjustment due to change in tax rate - OCI	-	-	-	-	-
Balance as at June 30, 2022	<u>56,902</u>	<u>10,000</u>	<u>(2,056,852)</u>	<u>14,422,954</u>	<u>12,433,004</u>

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

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Chief Executive Officer

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

PAKISTAN ENGINEERING COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2023

	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, 2022	56,902	10,000	(2,056,852)	14,422,954	12,433,004
- Loss after tax for the year ended 30 June 2023	-	-	(47,470)	-	(47,470)
Other comprehensive income for the year					
-Remeasurement of retirement benefit plan	-	-	-	-	-
-Related deferred tax impact	-	-	-	-	-
	-	-	-	-	-
Surplus on revaluation of property, plant and equipment realized during the year on account of:					
- incremental depreciation - net off tax	-	-	13,720	(13,720)	-
Revaluation of property, plant and equipment adjustment due to change in tax rate - OCI	-	-	-	-	-
Balance as at June 30, 2023	56,902	10,000	(2,090,602)	14,409,234	12,385,534

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

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Chief Executive Officer

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

PAKISTAN ENGINEERING COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023	2022
Cash generated from operations	38	(18,602)	3,930
Finance cost paid		(1)	(1)
Gratuity paid		(694)	(694)
Income tax paid		(7)	(782)
Workers' profit participation fund paid		-	-
Net cash generated from operating activities		(19,304)	2,453
CASH FLOWS FROM INVESTING ACTIVITIES			
Short term investment		(1)	(1)
Proceeds from disposal of Property, plant and equipment		-	-
Long term deposits		-	-
Net cash (used in) investing activities		(1)	(1)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings		-	-
Security deposit received		-	-
Long term borrowings		-	-
Dividend paid		(0)	-
Net cash (used in) / generated from financing activities		(0)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		(19,305)	2,452
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		47,034	44,582
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	25	27,729	47,034

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

Arsalan Nayyar Sheikh
Director

Mirza Mehmood Ahmad
Chief Executive Officer

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

PAKISTAN ENGINEERING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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, Shahra-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 56.365 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 through sale proceeds of Badami Bagh Land, the value of which has been estimated at Rs. 4,605.133 million. This value is significantly greater than the value of principle Government liabilities payable which amount to Rs. 1,790.848 million in aggregate. Further, the markup claimed by the Government departments on these liabilities is strongly disputed as there was no mention of charging interest in any agreement or decision. Further, to resolve the issue of charging of markup on the GoP loans a committee is recommended to be constituted which should comprise of representative from Ministry of Finance, Ministry of Industries and Production, Privatization Commission and Board Members of PECO.

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

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

3 BASIS OF PREPARATION

3.1 Statement of Compliance

- These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of :
 - (i) International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan
 - (ii) Provisions of and directives issued under the Companies Act, 2017 (the Act).

Wherever the requirements of the Act or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Act or the requirements of the said directives prevail.

3.2 Basis of measurement

- These financial statements have been prepared under the historical cost convention except for 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 and contract assets. 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 Fair value of unquoted investments

Fair value of unquoted investments is determined by using valuation techniques. The Company uses its judgment to select an appropriate method and makes assumptions that are mainly based on market conditions existing at the end of each reporting period.

3.3.6 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

There were certain amendments to accounting and reporting standards which became effective during the year. The Company has adopted the following accounting standards and the amendments and interpretation of IFRSs which became effective for the current year:

4.1.1 *Amendment to IAS 16 'Property, Plant and Equipment' - Proceeds before Intended Use (effective for annual period beginning on or after January 01, 2022):*

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The adoption of amendment did not have any impact on the Company's financial

4.1.2 *Amendment to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of Fulfilling a Contract (effective for annual period beginning on or after January 01, 2022):*

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The adoption of amendment did not have any impact on the Company's financial statements.

4.1.3 *Amendments to IFRS 3, 'Business Combinations' - Reference to the Conceptual Framework (effective for the Company's annual period beginning on January 01, 2022):*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989 with a reference to the Conceptual Framework for Financial Reporting, that was issued in March 2018, without significantly changing its requirements. In addition, the Board added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities and it clarified existing guidance in IFRS 3 for contingent assets. The adoption of amendment did not have any impact on the Company's financial statements.

4.1.4 *Annual Improvements to IFRS Standards 2018-2020 Cycle. The new cycle of improvements addresses improvements to following approved accounting standards (effective for annual period beginning on or after*

- IFRS 1 First-time Adoption of International Financial Reporting Standards. This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards. The adoption of the improvement did not have any impact on the Company's financial statements.
- IFRS 9 Financial Instruments. The amendment clarifies which fees an entity includes when it applies the '10 percent' test in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The adoption of the improvement did not have any impact on the Company's financial statements.
- IAS 41 Agriculture. The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13 - Fair Value Measurement. The adoption of the improvement did not have any impact on the Company's financial statements.

4.2 Standards, interpretations and amendments to approved accounting standards that are issued but not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below and have not been adopted early by the Company.

4.2.1 Amendments to IAS 1, 'Presentation of financial statements' and IFRS Practice Statement 2- Disclosure of Accounting Policies (effective for the Company's annual period beginning on January 01, 2023):

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice

4.2.2 Amendments to IAS 1, 'Presentation of financial statements' - Classification of Liabilities as Current or Non-current (effective for the Company's annual period beginning on January 01, 2023):

The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. Management expectations about events after the reporting date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. The amendments clarify the situations that are considered settlement of a liability.

4.2.3 Amendments to IAS 8, 'Accounting policies, changes in accounting estimates and errors' - Definition of Accounting Estimates (effective for the Company's annual period beginning on January 01, 2023):

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an

4.2.4 IAS 12 Income Taxes - Amendments regarding deferred tax on leases and decommissioning obligations (Effective for annual periods beginning on or after 1 January 2023):

The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

4.2.5 Amendments to IFRS 16, 'Leases' - Sale and leaseback transactions (Effective for annual periods beginning on or after 1 January 2024):

Amendments impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered.

The Company expects that the adoption of the above amendments to the standards will have no material effect on the Company's financial statements, in the period of their initial application.

Further, the following new standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purposes of their applicability in Pakistan:

IFRS - 1 'First time adoption of International Financial Reporting Standards'.

IFRS - 17 'Insurance Contracts'.

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 leasehold land is stated at cost 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 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 2023, 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 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 group 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.

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 pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. 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 cost and at subsequent reporting dates measured at fair values. Gains or losses from changes in fair values are taken to other comprehensive income until disposal at which time these are recycled to profit and loss account.

b) Held to maturity

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

c) Loans and Receivables

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

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

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

4.18 Impairment

a) Financial Assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non- Financial Assets

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

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) Interest-up bearing borrowings

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

d) Interest-free borrowings at amortized cost

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

4.20 Dividend and Appropriation to reserves

- Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the 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 possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes virtually certain.

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, 2023

	Note	2023
5 PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets-owned	5.1	14,412,071

5.1

2023												
Particulars	Cost / Revalued Amount					Rate	Depreciation					Net book value as at June 30 2023
	As at July 01 2022	Additions	Transfer	Disposal	As at June 30 2023		As at July 01 2022	For the year	Transfer	Disposal	As at June 30 2023	
	-----Rupees in "000"-----											
Freehold Land	13,835,500	-	-	-	13,835,500	-	-			-	-	13,835,500
Factory Building	330,389	-	-	-	330,389	5%	90,978	11,971	-	-	102,949	227,440
Plant and machinery	474,292	-	-	-	474,292	5%	121,908	17,619	-	-	139,527	334,765
Office equipment	9,610	-	-	-	9,610	10%	7,747	186	-	-	7,933	1,677
Computers	8,820	-	-	-	8,820	10%	6,701	212	-	-	6,913	1,907
Furniture and Fixtures	10,055	-	-	-	10,055	10%	8,429	163	-	-	8,592	1,463
Vehicles	38,137	-	-	-	38,137	20%	31,096	1,409	-	-	32,505	5,632
Electric Equipment	16,387	-	-	-	16,387	10%	13,007	338	-	-	13,345	3,042
Tools	6,742	-	-	-	6,742	10%	6,026	71	-	-	6,097	645
	14,729,932	-	-	-	14,729,932		285,892	31,969	-	-	317,861	14,412,071

5.2 **Depreciation for the year has been allocated as under:**

	2023	2022
	Rupees in "000"	Rupees in "000"
Cost of sales	29,999	31,602
Administrative expenses	1,991	2,407
	31,991	34,009

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, 2023.

5.2.5 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

2023	2022
Rupees in "'000"	
753	753
30,858	32,483
164,446	173,101
196,058	206,337

PAKISTAN ENGINEERING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

											Note	2022	
5	PROPERTY,PLANT AND EQUIPMENT												
	Operating fixed assets-owned											5.1	<u>14,444,040</u>
5.1	2022												
	Particulars	Cost / Revalued Amount					Rate	Depreciation					Net book value as at June 30 2022
		As at July 01 2021	Additions	Transfer	Disposal	As at June 30 2022		As at July 01 2021	For the year	Transfer	Disposal	As at June 30 2022	
		-----Rupees in "000"-----											
	Freehold Land	13,835,500	-	-	-	13,835,500	-	-	-	-	-	13,835,500	
Factory Building	330,389	-	-	-	330,389	5%	78,377	12,601	-	-	90,978	239,411	
Plant and machinery	474,292	-	-	-	474,292	5%	103,361	18,547	-	-	121,908	352,384	
Office equipment	9,610	-	-	-	9,610	10%	7,540	207	-	-	7,747	1,863	
Computers	8,820	-	-	-	8,820	10%	6,466	235	-	-	6,701	2,119	
Furniture and Fixtures	10,055	-	-	-	10,055	10%	8,248	181	-	-	8,429	1,626	
Vehicles	38,137	-	-	-	38,137	20%	29,336	1,760	-	-	31,096	7,041	
Electric Equipment	16,387	-	-	-	16,387	10%	12,631	376	-	-	13,007	3,380	
Tools	6,742	-	-	-	6,742	10%	5,946	80	-	-	6,026	716	
	<u>14,729,932</u>	-	-	-	<u>14,729,932</u>		<u>251,905</u>	<u>33,987</u>	-	-	<u>285,892</u>	<u>14,444,040</u>	

PAKISTAN ENGINEERING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023	2022
----- Rupees in "000" -----			
6 INVESTMENT PROPERTY			
Opening net book value		449	473
Additions		-	-
Depreciation charged for the year		23	24
Closing net book value	6.1	426	449
Depreciation rate		5%	5%
6.1 Cost		959	959
Accumulated depreciation		533	510
Net book value		426	449
6.2	Investment property comprises of number of commercial properties that are situated at Uni Tower, I.I. Chundrigar Road, Karachi and leased to M/S UBL Insurers Limited. The lease contains an initial non-cancellable period of three years, with annual rent indexed to consumer prices. Subsequent renewals are negotiated with the lessee and on average renewal periods are three years. No contingent rent are charged.		
6.3	One of the properties having carrying value of Rs. 275 thousands remained vacant during last three years and no rental income was earned during those years.		
6.4	Fair value of investment property, based on valuation carried out by an independent valuer as at March 17, 2016 was rupees 18.780 million. No material change in fair value of property from previous valuation, is expected.		
6.5	Froced sale value of investment properties is amounting Rs. 15.963 million.		
7 LONG TERM INVESTMENT			
Held to maturity:			
Term deposit in Standard Chartered Bank Limited	7.1	819	819
7.1	The TDR matured in June 2019, carrying an original markup rate of 5.3% per annum (2022: 5.3%). However, no interest income has been accrued and received during the year due to the non availability of the information. The principal amount deposited with the bank is Rs. 0.741 million.		
8 LONG TERM DEPOSITS			
Long term deposits	8.1	3,771	3,771
Less: Expected credit loss	8.2	1,718	1,718
		2,053	2,053
8.1	These include Rs 1.059 million (2022: Rs 1.059 million) representing amount deposited with Water and Sanitation Agency (LDA), LAHORE as a security deposit.		
8.2 Movement in expected credit loss is as follows:			
Opening balance		1,718	1,718
Provided for the year		-	-
Closing balance		1,718	1,718

9 STORES, SPARES AND LOOSE TOOLS

Stores	11,813	13,125
Spares parts	-	-
Loose Tools	9,271	10,301
	<u>21,084</u>	<u>23,426</u>
Less: Provision for slow moving stores	(10,000)	(10,000)
	<u>11,084</u>	<u>13,426</u>

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

10 STOCK-IN-TRADE

Raw material	5,165	23,165
Work in process	13,320	12,900
Finished goods	22,408	22,308
	<u>40,893</u>	<u>58,373</u>

11 SHORT TERM INVESTMENTS

ABL cash fund	9	8

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		21,431	26,789
Others	12.2	30,535	30,535
		<u>51,966</u>	<u>57,324</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>8,754</u>	<u>14,112</u>

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

12.2 Trade debtors include an amount of Rs. 7.617 million (2022: 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, 2023, trade receivables of Rs 43.212 million (2022: 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:

	2023		2022	
	Gross	Impairment	Gross	Impairment
Not yet due	-	-	-	-
Past due 1-30 days	-	-	-	-
Past due 31-60 days	-	-	-	-
Past due 61-90 days	15,342	-	30,234	-
Over 90 days	36,624	43,212	27,090	43,212
	<u>51,966</u>	<u>43,212</u>	<u>57,324</u>	<u>43,212</u>

13 ADVANCES

Advances to:

- Employees - Secured

' - against salary

' - against expenses

- Suppliers

	83	83
13.2	2,105	2,105
13.3	35,067	35,067
	<u>37,254</u>	<u>37,254</u>

13.1 Advances other than those against which provision has been made are considered good by the management.**13.2** Advances to employees are provided to meet business expenses and are settled as and when the expenses are incurred.**13.3** Suppliers as at closing date

Less: Expected credit loss

	37,533	37,533
13.3.1	2,466	2,466
	<u>35,067</u>	<u>35,067</u>

13.3.1 Movement in expected credit loss is as follows:

Opening balance

Add: Provision for expected credit loss

Less: Provision for expected credit loss written off

Closing Balance

	2,466	2,466
	-	-
	-	-
	<u>2,466</u>	<u>2,466</u>

14 TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Trade deposits - Considered good

Margin against bank guarantee - Considered good

Short term prepayments and other receivables

14.1	2,531	2,531
14.2	18,367	18,367
	7,242	5,492
	<u>28,140</u>	<u>26,390</u>

14.1 Balance as on Closing date

Less: Expected credit loss

	5,663	5,663
14.1.1	3,132	3,132
	<u>2,531</u>	<u>2,531</u>

14.1.1 Movement in expected credit loss is as follows:

Opening balance

Add: Provision for expected credit loss

Less: Provision for expected credit loss written off

Closing Balance

	3,132	3,132
	-	-
	-	-
	<u>3,132</u>	<u>3,132</u>

14.2 Balance as on Closing date

Less: Expected credit loss

	18,428	18,428
	61	61
	<u>18,367</u>	<u>18,367</u>

15 TAX REFUNDS DUE FROM GOVERNMENT

Advance income tax - net

Sales tax refundable

	54,220	54,211
	91,010	90,199
	<u>145,230</u>	<u>144,410</u>

16 CASH AND BANK BALANCES

Cash in hand

Cash at Bank

- Current accounts

- Deposit accounts

	100	-
16.1	26,862	23,657
	767	23,377
	<u>27,629</u>	<u>47,034</u>
	<u>27,729</u>	<u>47,034</u>

16.1 The company is maintaining saving account with different banks with interest on the daily product basis which was carrying interest @ 11% to 14%. (2022 : @ 10% to 15%).**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 expressions of interests have been received for the remaining portion by Privatization Commission from many parties. The Mutation of land is complete as per The Board of Revenue Punjab letter which states that the Government of Punjab has, however, no objection to the disposal of properties of PECO which had vested in the Federal Government. However a letter was issued by the Joint Secretary Ministry of Industries and Production Islamabad directing District Officer Revenue Lahore and copy endorsed to Member Revenue Punjab to stop the above mutation till further instructions, for undisclosed reasons. The BOD and the Management of the Company are till date strongly committed to the plan of selling the Badami Bagh Land and there has been no revocation of the GOP order or any change in the management's stance or plan. Further the Privatization Commission in its direct confirmations to the auditors has also clearly stated that GOP loans would be recovered from the sale proceeds of Badami Bagh Land.

Therefore taking into account the fact that the carrying amount of the land would be recovered principally through a sale transaction and not through continuing use and that the management and the GOP are firmly committed to a plan to sell the land and till date there has been no change of plan or revocation of Government order, the land is available for immediate sale, active programs to locate buyers continue to be carried out, the asset is marketed at fair value and it is extremely unlikely that the plan will be significantly be changed or withdrawn. The foregoing facts that events or circumstances which have resulted in the extension of the period to complete the sale beyond one-year, are beyond the entity's control, therefore, Badami Bagh Land is classified as "Held for Sale" at lower of its carrying amount or fair value less cost to sell.

18 SHARE CAPITAL**Authorized Capital:**

Ordinary shares 9,000,000 (2022: 9,000,000) of Rs.10/- each	90,000	90,000
7.5% Cumulative redeemable preference shares 100,000 (2022: 100,000 of Rs. 100/- each	10,000	10,000
	100,000	100,000

Issued, Subscribed and Paid up Capital:

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

- 18.1** State Engineering Corporation, an associated company, holds 1,415,723 (2022: 1,415,723) ordinary shares of Rs. 10/- as at 30 June 2023.

19 SURPLUS ON REVALUATION OF FIXED ASSETS

Free hold land	19.2	14,148,737	14,148,746
Building structure on free hold land	19.2	139,571	146,917
Plant and machinery	19.3	120,926	127,291
		14,409,234	14,422,954

- 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
		<u>14,148,746</u>	<u>14,148,746</u>

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		-	-
		<u>313,999</u>	<u>313,999</u>

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

19.2.2 Kot Lakhpat works was revalued on February 15, 2016 by an independent approved valuer M/s Indus Surveyors (Private) Limited on the basis of average market rate keeping in view of prevailing real estate market conditions. The land was revalued at 13,835 million resulting in revaluation surplus of Rs. 5,929 million. Earlier, the land has been revalued in 1991 by M/s NESPAK and in 2001, 2009 and 2013 by M/s Indus Surveyors (Pvt.) Limited.

19.2 Building Structure on freehold land

Gross surplus on revaluation of Building structure	19.2.1	425,712	425,712
Less: Surplus realized on account of incremental depreciation in respect of:			
- Prior years		218,784	207,893
- Current year		7,346	7,733
- Related deferred tax liability		3,001	3,158
		<u>229,131</u>	<u>218,784</u>
		196,581	206,928

Less: Related deferred tax liability in respect of:

- Balance at the beginning of the year	60,010	63,168
- Change of rate	-	-
- New surplus during the year	-	-
- Incremental depreciation for the year	(3,001)	(3,158)
	<u>57,009</u>	<u>60,010</u>
	<u>139,571</u>	<u>146,918</u>

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

19.3 Plant and Machinery

Gross surplus on revaluation of Plant and machinery	19.3.1	353,561	353,561
Less: Adjustment on account of sale of machinery		-	-
		<u>353,561</u>	<u>353,561</u>

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

- Prior years	174,620	165,184
- Current year	6,364	6,700
- Related deferred tax liability	2,600	2,736
	<u>183,584</u>	<u>174,620</u>
	169,977	178,941

Less: Related deferred tax liability in respect of:

- Balance at the beginning of the year	51,651	54,387
- Change of rate	-	-
- New surplus during the year	-	-
- Realized on disposal of machinery	-	-
- Incremental depreciation for the year	(2,600)	(2,736)
	<u>49,051</u>	<u>51,651</u>
	<u>120,926</u>	<u>127,291</u>

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

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	24,374
Finance availed during the year		-	-
		24,374	24,374
Less: repayment during the year		-	-
		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	22,767
Deferred income tax liability-net	22.2	104,482	113,753
		127,248	136,519
22.1 For the financial year 2023, 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, 2022. 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	143,449	152,720
Deferred tax assets	22.2.2	(38,967)	(38,967)
		104,482	113,753

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
Remeasurement of defined benefit plan

143,449	152,720
-	-
143,449	152,720

22.2.2 Deferred tax assets in respect of deductible temporary differences:

Provisions for doubtful and other balances
Provision for gratuity
Provision for stores and spares
Minimum and alternate corporate tax available for carry forward
Unused tax losses
Provision for workers profit participation fund and workers welfare fund

(14,670)	(14,670)
(6,602)	(6,602)
(2,900)	(2,900)
-	-
-	-
(14,795)	(14,795)
(38,967)	(38,967)

- 22.3** Deferred tax asset amounting to Rs 63.24 Million (2022: 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		208,333	251,902
Accrued liabilities	23.1	104,998	92,291
Advances		143,321	147,693
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	47,314	40,486
Workers' Profit Participation Fund	23.4	47,721	47,721
Workers' Welfare Fund		3,298	3,298
		<u>555,907</u>	<u>584,314</u>

- 23.1** Includes Rs. 40 million (2022: 40 million) in respect of provision against litigations mentioned in Note 27.1.6.

- 23.1.1** It also includes the amount of Rs 1.650 Million (2022: Rs 0.4 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 Rotocast Engineering (Private) Limited, related party, of Rs. 8.97 million (2022: Rs. 6.92 million).

- 23.1.3** It includes payable to Muhammad Arif Habib, Director, of Rs. 12.97 million (2022: Rs. 12.97 million)

- 23.1.4** It includes meeting fee payable to the Directors of Company, of Rs. 3.53 million (2022: Rs. 1.68 million)

- 23.1.5** It includes salaries payable to the employees of the Company, of Rs. 44.49 million (2022: Rs. 35.97 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	35,269
Add: Charge for the year		-	-
Less: Paid during the period		-	-
		<u>35,269</u>	<u>35,269</u>

23.4.2 Movement in accumulated interest

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

- 23.5 Includes Rs. 16.947 million (2022: 15.947 million) in respect of provision against litigations mentioned in Note 27.1.7 to 27.1.9.

24 UNCLAIMED DIVIDEND

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

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

25 SHORT TERM BORROWING - SECURED

Running finance from NBP Bank under markup arrangements	25.1	<u>71,556</u>	<u>71,556</u>

- 25.1 The financing forms part of total credit facility available to the extent of Rs. 75 million (2022: 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>

26.1 Loan From Government Of Pakistan - unsecured

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

- 26.2 These represent funds provided by the Government of Pakistan (the Government), bank loans of the company taken over by the Government and amounts payable by the company to different Government departments like Customs, Railways and Karachi Port Trust. According to the Cabinet Committee Division decision dated 30th May 1994 and 2005 these liabilities will be settled against the proceeds from disposal of Land held for sale (Ref: Note 17.1) and surplus land of Kot Lakhpat, if needed. There is no fix repayment schedule or tenure for repayment of these liabilities. An exercise to reconcile the liabilities is in process and several meetings have been conducted in this regard, however, all these meetings concluded without any decision or agreement with respect to the reconciliation of the loan liabilities and calculation, payment or mode of payment of interest on Government of Pakistan loans due to which there is currently no fixed tenure for repayment of these liabilities nor the total amount of the liability is determinable. In the absence of the availability of a defined repayment schedule due to reasons explained above, the fair value of these loans is not determinable and hence they have been stated at cost.

The Technical Advisory Committee (TAC) of Institute of Chartered Accountants of Pakistan (ICAP), on the request of Management of PECO, on March 28, 2017, also gave an opinion, on the issue of recording accrual of mark-up on GoP loans. After review of all details, workings and complete documents, The Committee is of the view that "the management of company needs to determine whether a present obligation exists at the end of the reporting period taking into account all the available evidences, including, the opinion of legal experts. Where there is a probability that a present obligation exists at the end of the reporting period, the provision should be recognized. Contrary to this will require an entity to disclose a contingent liability".

The Board of Directors in its various meetings has resolved that amount due under the law to the Government of Pakistan (GoP) for any loan given to PECO shall be paid. The Board has agreed with GoP to adjust its liabilities by disposal of Badami Bagh Land as decided in E.C.C decision dated 02.03.1993, which according to the recent valuation amounts to Rupees 4,605.133 million and it is in excess of the amount being claimed by GoP from PECO. The BoD and the management of the Company believes that they are not liable to pay any interest on these loans in the absence of any agreement. The legal advisor of the company is also of the firm opinion that since there is no mention of any markup to be charged on this loan nor is there any markup agreement, therefore, no markup is payable by the company in respect of this loan. Therefore, a disclosure of a contingent liability is made in notes (refer note 27.1.4 & 27.1.5) to these financial statements.

For the year ended June 30, 2023 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

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	281,082	281,082
Loan for shifting of machinery	75,819	75,819
Loan for Energy bills and Import duties	124,568	124,568
	481,469	481,469

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 26.1.3) should be borne by the Privatization Commission. In this regard, in the meeting held on October 7, 2010 at Finance Division, Privatization Commission was instructed by Ministry of Finance to review the calculation / treatment of the loan amounting to Rs. 131.454 million and come up with firm stance on it. The Privatization Commission was further instructed to sort out the issue of charging interest on VSS loan and come up with sound reason and logic for charging interest thereon. Neither formal agreements were signed or executed between the Privatization Commission, Ministries and PECO nor definitive terms and conditions exist in relation to the issue of markup and that the Privatization Commission only applied markup as instructed by the Finance Division. Further, under the directions of public accounts committee the matter of charging interest is being reviewed by the committee comprising of Ministry of Industries, Ministry of Finance and Privatization Commission of Pakistan.

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

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

26.2.4 The company has not provided interest amounting to Rs. 41.989 million (accumulated Rs. 41.989 million) @ 14% for three years relating to custom and other import duties (2020: Rs 41.989 million) as the BoD and the management believes that there was no clause of charging interest or surcharge in the ECC and Cabinet Decision. In spite of confirmation requests and several reminders, no confirmation of custom and other import duties of Rs. 86.984 million and Karachi Port Trust of Rs.12.964 million along with markup / surcharge on custom duty of Rs. 2,703.822 million (refer note 26.1.4) was received by the auditors from customs or Pakistan Railways or port Trust.

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

Bank loans taken over	100,000	100,000

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	309,000	309,000

26.2.8 This represents loan provided by the Federal Government of Pakistan to PECO to pay off the staff through Compulsory Separation Scheme vide letter No. 1(26) CF 111/93 dated 4th March 2002. The BoD and the management of the company do not agree with the markup claimed by GOP and is of the opinion that markup is not payable on this loan liability in the absence of any agreement for markup. The BoD and the management have taken legal opinion and the legal advisor vide his letter dated August 10, 2015 is also of the opinion that no interest is payable and the letter dated 4th March 2002 referred by the GoP, to substantiate claim of payment of interest @ 10% per annum against loan of Rs. 309.00 million was in the absence of perusal of relevant decisions / formative documents was misconceived and did not place any payment obligation on PECO. The letter was contrary to the decisions / documents and did not establish any liability to pay interest @ 10% per annum and that any alleged premium in the absence of agreement is void and unfair. In the absence of a contractual arrangement / agreement no interest can be claimed and in the absence of any agreement the alleged claim of interest tantamount to a penalty, which is construed as penal interest in nature and could not be granted unless loss/ damage proved through substantial evidence, which in the instant case will be all more difficult on account of handing over of land of Badami Bagh of PECO for sale/disposal. In view of the above, BoD and the management along with the legal advisor firmly believe that the alleged claim of GoP appears to be misconceived and without any basis and recommend that the aforesaid dispute should be referred to some impartial body for resolution under some Alternate Dispute Resolution (ADR) mechanism, where claims / counter claims of the respective parties be examined, considered and decided. Furthermore, in order to reconcile the principal and markup amounts with respect to Government of Pakistan Loans, a committee has been constituted as per the decision of Additional Finance Secretary. The management of PECO intends to pay back the Government of Pakistan Loans after the reconciliation of differences as per the records and facts available with the committee representatives.

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

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

26.2.10 These bonds were issued by the Federal Government against the liability of the company towards banks / financial institutions taken up by the Federal Government in the light of Federal Cabinet decision and S.R.O No. 823(1)/94 dated August 28, 1994. Against the principal amount interest bearing bonds and against accrued mark up interest free bonds were issued by the Government. The Government is liable to pay interest @ 12.43% per annum to the Banks / DFI regarding the interest bearing bonds. However, the BoD and the management of the Company do not agree with the markup claimed by the Finance Division and is of firm opinion that the Government is liable to pay any interest thereon, and that there was no agreement for charging any interest thereon. Furthermore, the legal adviser is also of the firm opinion that no markup is payable by the Company in respect of this loan in the absence of any specific markup agreement.(Ref: Note 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 (2022: 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 25.2.1) and mark up amounting to Rs. 1,848.081 Million (2022: Rs 1,752.588 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. The Privatization Commission through its confirmation dated August 06, 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. 1,355.044 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. 30 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.

28 SALES

Sales - Local	30,085	137,932
Less: Sales tax	-	-
	<u>30,085</u>	<u>137,932</u>

29 COST OF SALES

Raw material consumed	29.1	18,000	122,609
Stores and spares consumed		1,531	44,382
Salaries, wages and other benefits	29.2	10,792	68,239
Fuel and power		98	58
Repair and maintenance		88	179
Vehicle running expenses		71	304
Rent, rates and taxes		4,111	1,574
Publication of tender documents		46	39
Traveling and conveyance		940	750
Printing, stationery and office Supplies		31	86
Postage, telegram and telephone		258	342
Entertainment		40	245
Legal and professional		-	-
Other expenses		373	267
Depreciation		29,999	31,602
		<u>66,379</u>	<u>270,677</u>

Opening stock of work-in-process	12,900	55,493
Closing stock of work-in-process	(13,320)	(12,900)
	<u>(420)</u>	<u>42,593</u>
Cost of goods manufactured	65,959	313,270
Opening stock of finished goods	22,308	30,351
Closing stock of finished goods	(22,408)	(22,308)
	<u>(100)</u>	<u>8,043</u>
	<u>65,859</u>	<u>321,313</u>

29.1 Raw material consumed

Opening stock	23,165	162,397
Add: purchases	-	(16,623)
	<u>23,165</u>	<u>145,774</u>
Less: closing stock	5,165	23,165
	<u>18,000</u>	<u>122,609</u>

29.2 This includes retirement benefits amounting to Rs. Nil (2022: Rs. Nil).

30 SELLING AND DISTRIBUTION EXPENSES

Salaries,wages and other benefits	30.1	764	726
Insurance		-	2,202
Vehicle running expenses		5	8
		<u>769</u>	<u>2,936</u>

30.1 This includes retirement benefits amounting to Rs. 0.059 million (2022: Rs. 0.059 million).

31 FREIGHT AND FORWARDING EXPENSES

Freight and forwarding expenses		<u>1,125</u>	<u>7,132</u>

32 ADMINISTRATIVE EXPENSES

Salaries,wages and other benefits	32.1	24,958	15,708
Vehicle running expenses		1,349	1,676
Traveling and conveyance		54	71
Legal and professional		4,411	11,296
Utilities		14,336	7,904
Rent, rates, and taxes		-	6,031
Postage, telegrams and telephone		79	-
Insurance		372	372
Fee and subscription charges		118	354
Miscellaneous		3,465	2,488
Fine and penalties		1,250	100
Depreciation		<u>1,969</u>	<u>2,383</u>
		<u>52,361</u>	<u>48,382</u>

32.1 This includes retirement benefits amounting to Rs. 0.634 million (2022: Rs. 0.634 million).

32.2 This pertains to the amount of Rs 1.250 Million (2022: Rs 0.1 Million) in respect of provision against the penalties imposed by the SECP for the non-compliance of various provisions of the Companies Act, 2017.

33 OTHER OPERATING CHARGES

Auditors' remuneration	33.1	1,160	810
Workers' profit participation fund		-	-
Workers' welfare fund		-	-
Depreciation on investment property		22	24
		<u>1,182</u>	<u>834</u>

33.1 Auditors' remuneration

Audit fee	810	810
Out of pocket	350	-
Half yearly review fee	-	-
Review of compliance with code of corporate governance	-	-
	<u>1,160</u>	<u>810</u>

34 OTHER OPERATING INCOME**Income from Financial Assets**

Profit on bank deposits	39	1
Profit on investment	-	-
	<u>39</u>	<u>1</u>

Income from Non - Financial Assets

Miscellaneous income	-	-
Liability written off	43,912	3,852
Rental income	1,762	1,671
Gain on sale of property, plant and equipment	-	-
	<u>45,674</u>	<u>5,524</u>
	<u>45,713</u>	<u>5,525</u>

35 FINANCE COST

Mark - up on short term borrowings	8,106	6,803
Mark - up on long term borrowings	2,761	2,317
Bank charges and commission	35.1 -	-
Interest on workers' profit participation fund	-	-
	<u>10,867</u>	<u>9,121</u>

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

36 TAXATION

Current

for the year	376	1,724
for prior years	-	-
	<u>376</u>	<u>1,724</u>

Deferred

Origination and reversal of temporary differences	(9,271)	(5,954)
Impact of change in tax rate	-	-
	<u>(9,271)</u>	<u>(5,954)</u>
	<u>(8,895)</u>	<u>(4,230)</u>

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

36.2 Company's income tax assessment has been finalized up to 2018.

37 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share:

(Loss) / profit after taxation (Rupees in '000)	(47,470)	(242,031)
Weighted average number of ordinary shares (No. in '000) outstanding during the year	5,690	5,690
	<u>(8.34)</u>	<u>(42.54)</u>

37.1 There are no dilutive potential ordinary shares outstanding as at June 30, 2023 and 2022.

38 CASH GENERATED FROM OPERATIONS

Profit before taxation	(56,365)	(246,261)

Adjustments for:

Depreciation	32,013	34,009
Financial charges	10,867	9,121
Provision for gratuity	694	694
Liability written off	43,912	3,852
	<u>87,486</u>	<u>47,676</u>
(Loss) / profit before working capital changes	<u>31,121</u>	<u>(198,585)</u>

Movements in working capital

Decrease/(Increase) in current assets:

Stores, spares and loose tools	2,342	44,382
Stock in trade	17,480	189,868
Trade debts	5,357	6,092
Advances	(0)	1,692
Trade deposits, prepayments and other receivables	(1,750)	(1,671)
Sales tax refundable	(811)	9,158

Increase/(Decrease) in current liabilities:

Trade and other payables	(72,341)	(47,006)
	<u>(49,723)</u>	<u>202,515</u>
Cash generated from operations	<u>(18,602)</u>	<u>3,930</u>

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		151	151

Muhammad Arif Habib (Director)

- Payable at the end of the year	23.1.3	12,970	12,970

Rotocast Engineering (Private) Limited

- Payable at the end of the year	23.1.2	8,970	6,920

- 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 0% (2022: 49.33%) of total sales.

40.2 Information about geographical areas

- All non-current assets of the Company as at 30 June 2023 are located in Pakistan.
- 100% (2022: 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 0% 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, 2023

	Note	2023	2022

----- 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

2023		2022	
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	8,754	-	14,112	-
Advances	83	-	83	-
Trade deposits and guarantee margins	20,898	-	20,898	-
Cash and bank balances	27,729	-	47,034	-
	<u>57,464</u>	<u>2,872</u>	<u>82,127</u>	<u>2,872</u>

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	412,586	-	436,621	-
Mark-up accrued	45,892	-	35,026	-
	<u>530,034</u>	<u>1,815,221</u>	<u>543,203</u>	<u>1,815,222</u>

On balance sheet date gap	(472,571)	(1,812,349)	(461,076)	(1,812,350)

OFF - BALANCE SHEET ITEMS

Letter of guarantees	<u>225,811</u>	<u>225,811</u>

- 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:

	2023	2022
	----- Rupees in "000" -----	
Long term investments	819	819
Long term security deposits - net of impairment	2,053	2,053
Trade debts - net of impairment	8,754	14,112
Advances	83	83
Trade deposits and guarantee margins	20,898	20,898
Bank balances	27,729	47,034
	<u>60,336</u>	<u>84,999</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			2023	2022
	Short term	Long term	Agency	----- Rupees in "000" -----	
MCB Bank	A1+	AAA	PACRA	-	-
United Bank Limited	A-1+	AAA	VIS	364	327
National Bank of Pakistan	A-1+	AAA	VIS	-	-
AL Barka Bank Pakistan Limited	A-1	AA-	VIS	-	22,648
Faysal Bank Limited	A-1+	AA	PACRA	6,862	3,657
Allied Bank Limited	A-1+	AAA	PACRA	401	401
				7,627	27,033

2023		2022	
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	-	-	-	-
Past due 31-60 days	-	-	-	-
Past due 61-90 days	15,342	-	30,234	-
Over 90 days	36,624	43,212	27,090	43,212
	51,966	43,212	57,324	43,212

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

41.4.2 Liquidity risk

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

Following is the maturity analysis of financial liabilities:

Non - derivative financial liabilities

Government of Pakistan Loans

Long term borrowings

Short term borrowings

Trade and other payables

Mark-up accrued

30-Jun-23

Up to 1 year	1 to 5 years	Total
-	1,790,848	1,790,848
-	24,374	24,374
71,556	-	71,556
412,586	-	412,586
45,892	-	45,892
530,034	1,815,221	2,345,256

Non - derivative financial liabilities

Government of Pakistan Loans

Long term borrowings

Short term borrowings

Trade and other payables

Accrued mark-up

30-Jun-22

-	1,790,848	1,790,848
-	24,374	24,374
71,556	-	71,556
436,621	-	436,621
35,026	-	35,026
543,203	1,815,222	2,358,424

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June 2019. The rates of mark-up have been disclosed in the respective notes to the financial statements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

41.4.3 Market Risk

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

(a) Currency Risk

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

(b) Interest Risk

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

The company's interest rate risk arises from short term cash finance facility. The company analyzes its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into accounts various other financing options available. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates and entering into interest rate swap contracts.

As at 30 June 2023, if interest rates on company's bank borrowings had been 1% higher / lower, the markup expenses would have been higher / lower by Rs. 878 million (2022: Rs. 1015 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:

Debt

Equity

Total capital employed

Gearing Ratio

2023	2022
----- Rupees in "000" -----	
1,932,669	1,921,804
12,385,534	12,433,004
14,318,203	14,354,808
13.50%	13.39%

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.

	2023		2022	
	Chief Executive	Director	Chief Executive	Director
	----- Rupees in "000" -----			
Remuneration	5,839	1,838	8,825	863
Bonus	-	-	-	-
Reimbursement of expenses	432	-	1,820	-
Pension contribution	82	-	83	-
Perquisites	1,185	-	2,248	-
	-	-	12,976	863
Number of persons	1	8	1	8

- 43.1 In addition to above remunerations 8 directors (2022: 8 directors) were paid aggregate remuneration of Rs. Nil (2022: Rs. Nil).
- 43.2 Aggregate amount charged in the accounts for 08 directors for Meeting fees were Rs. Nil (2022: Rs. Nil) and reimbursable expenses Rs. Nil (2022: 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	2023	2022
Pumps / turbines	No.	3,400	3,400	-	-
Electric motors	No.	16,500	6,500	-	-
Rolled material	Tons	80,000	30,000	-	-
Foundry	Tons	4,000	4,000	-	-
Steel fabrications (STR)	Tons	20,000	20,000	-	-
Concrete Mixture	No.	350	350	-	-

45 NUMBER OF EMPLOYEES

	2023	2022
	----- Numbers -----	
Total number of employees as at June 30;		
Contractual employees - Head Office	4	4
Temporary staff - Head Office	-	-
Contractual employees - Factory	4	4
Temporary staff - Factory	15	18
Workers - Factory	11	147
	34	173
Average number of employees during the year		
Contractual employees - Head Office	4	4
Temporary staff - Head Office	-	1
Contractual employees - Factory	4	5
Temporary staff - Factory	17	31
Workers - Factory	79	197
	104	238

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

- 48.1** Subsequent to the reporting date on January 20, 2024, the Board of Directors approved the issuance of right shares equivalent to 50% of the existing issued share capital. Each right share has a face value of PKR 10 and will be offered at a price of PKR 100 per share, inclusive of a premium of PKR 90 per share.
- 48.2** Except for the events as mentioned in note 5.2.5 and 48.1 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
Chief Executive Officer

Mian Anwar Aziz
Chief Financial Officer

Ansar Javed
Director

**Pattern of Shareholding
As At June 30, 2023**

# 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	152,688
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
2	35,001	40,000	76,600
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	315,000	330,000	324,000
1	450,001	455,000	452,700
1	505,001	510,000	510,000
1	1,415,001	1,420,000	1,415,723
1	1,660,000	1,675,000	1,372,400
2,312			5,690,245

Categories of Shareholders
As At June 30, 2023

	# 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	1,372,400	24.12
State Engineering Corporation	1	1,415,723	24.88

Categories of Shareholder
As At June 30, 2023

	# of Shareholders	Shares Held	Percentage
NIT and ICP	2	131,330	2.31
Bank, Development finance institution, Non-Banking Finance companies	12	145,115	2.55
Insurance Companies	3	229,030	4.02
Modarabas, and Mutual, Pension Funds CDC-Trustee and Opportunity Fund	1	6,900	0.12
Public Sector companies and corporations	7	27,600	0.49
General Public			
a. Local	2,237	1,789,572	31.44
b. Foreign	-	-	-
Others	43	567,548	9.97
Total	2,312	5,690,245	100

Shareholders Holding 5% or More Voting Interest

Name of shareholder	No of shares held	%age held
State Engineering Corporation Limited	1,415,723	24.88
Rotocast Engineering Company (Private) Limited	1,372,400	29.39
Mr. Ahmad Masood Khan	510,000	8.96
Maha Securities (Private) Limited	452,700	7.96
Mr. Tahir Bashir Khan	324,000	5.69

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 74th
Annual General Meeting of the Company to be held on February 17, 2025 (Monday) at 11:40 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

Signature _____

Name _____

Address _____

WITNESS 02

Signature _____

Name _____

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 _____ (CDC کا ونٹ نمبر/فولیو نمبر) _____ کے حامل پاکستان انجینئرنگ کمپنی لمیٹڈ کے شیئر ہولڈر (s) ہوں/ہیں، جو کہ _____ عام شیئرز رکھتے ہیں، یہ فارم استعمال کرتے ہوئے، _____ جناب/محترمہ/محترمہ _____ کو، جو کہ _____ میں رہتے ہیں، اپنی/اپنے وکیل کے طور پر نامزد کرتے ہیں کہ وہ میری/ہماری غیر موجودگی میں میری/ہماری طرف سے 74 ویں سالانہ جنرل میٹنگ میں، جو 17 فروری 2025 (پیر) کو صبح 11:40 بجے ہوٹل فور پوائنٹس ہائی شیرٹن، 25- ایجرٹن 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 سٹیمپ چسپاں کریں

گواہ نمبر 02

دستخط بمعہ شناختی کارڈ نمبر: _____

نام: _____

پتہ: _____

دستخط بمعہ شناختی کارڈ نمبر

نوٹ:

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