Contents

COMPANY INFORMATION

Board of Directors

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

Board Audit & Risk Management Committee

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

Board Finance Committee

Mr. Rashid Ali Khan (Chairman)
Mr. Arif Ibrahim
Mr. Liaqat Mohammad

Board HR & Remuneration Committee

Mr. Arif Ibrahim (Chairman)
Mr. Muhammad Iqbal
Mr. Rashid Ali Khan

CFO & Company Secretary

Mian Anwar Aziz

Auditors

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

Bankers

National Bank of Pakistan
United Bank Limited
Summit Bank

Legal Advisor

Sardar Zulfiqar Umar Khan Thahim

Registered Office

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

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

Share Registrar:

M/s. Central Depository Company
of Pakistan Limited
2nd Floor, 307 Upper Mall, Opposite
Lahore Gymkhana,
Near Mian Meer Bridge Lahore.

PAKISTAN ENGINEERING COMPANY LIMITED

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.

PAKISTAN ENGINEERING COMPANY LIMITED

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.

PAKISTAN ENGINEERING COMPANY LIMITED

FINANCIAL HIGHLIGHTS

Rupees. in million

	2016	2015	2014	2013	2012	2011
Trading Results						
Sales – Net	2,329.08	923.26	222.32	385.77	522.87	712.18
Cost of Sales	1,856.63	781.39	280.44	464.93	593.41	680.31
Gross Profit/(Loss)	472.44	141.87	(58.13)	(79.16)	(70.54)	31.87
Admn, Gen. & Selling Exp.	83.89	67.32	53.63	53.71	57.13	71.60
Other Operating Charges	46.76	2.10	0.87	0.81	12.47	8.96
Other Operating Income	4.65	11.88	5.21	6.67	13.69	8.31
Operating Profit/(Loss)	346.44	81.10	(107.42)	(127.00)	(126.46)	(40.38)
Financial Charges	15.36	17.52	16.95	26.48	25.75	17.54
Workers Profit Participation fund	17.78	3.23	-	-	-	-
Profit/(Loss) before Tax	331.08	63.58	(124.37)	(153.48)	(152.21)	(57.92)
Net Profit/(Loss) after Tax	219.49	45.27	(66.61)	(83.11)	(99.91)	(30.59)
Dividend						
Cash Dividend	-	-	-	-	-	-
Dividend Per Share (Rs.)	-	-	-	-	-	-
Financial Position						
Property, Plant and Equipment	14,564.50	8,588.62	8,630.10	8,663.36	4,884.46	4,897.21
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	23.74	22.37	6.98	23.19	17.17	42.91
Key Indicators						
Gross Profit Ratio	20.28	15.37	(26.15)	(20.52)	(13.49)	4.47
Operating Profit Ratio	14.87	8.78	(48.32)	(32.92)	(24.19)	(5.67)
Operation Expenses Ratio	3.60	7.29	24.12	13.92	10.93	10.05
Profit/(Loss) Before Tax Ratio	14.22	6.89	(55.94)	(39.79)	(29.11)	(8.13)
Net Profit/(Loss) Ratio	9.42	4.90	(29.96)	(21.54)	(19.11)	(4.30)
Earning Per Share	38.57	7.96	(11.71)	(14.61)	(17.56)	(5.38)
Working Capital Turnover	748.66	471.81	306.48	380.32	467.30	610.34
Current ratio	1.80	1.81	1.80	2.69	2.31	2.32
Quick ratio	1.39	0.88	0.60	1.26	0.82	1.10

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 67th Annual General Meeting of Pakistan Engineering Company Limited will be held at Hotel Ambassador, 7-Davis Road, Lahore, on Monday, October 31, 2016 at 11.00 A.M. to transact the following business: -

1. To confirm Minutes of 66th Annual General Meeting held on Wednesday, September 30, 2015.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2016 together with the Auditors' and Directors' report thereon.
3. To appoint auditors for the year ending on June 30, 2017 and to fix their remuneration. The present Auditors M/s. Tariq Abdul Ghani Maqbool & Company, Chartered Accountants, being eligible for reappointment have offered themselves for reappointment. The Board of Directors, on recommendations of the Audit Committee, has proposed appointment of M/s. Tariq Abdul Ghani Maqbool & Company, Chartered Accountants as Auditors of the Company, for the year 2016-17.
4. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

Lahore: September 29, 2016

(Mian Anwar Aziz)
Company Secretary

NOTES:

1. The Share Transfer Books of the Company shall remain closed from October 21, 2016 to Qctober 31, 2016 (Both days inclusive) and no transfer will be registered during that time. Transfers received in order at the office of the Registrar of the Company, M/s. Central Depository Company of Pakistan Limited (CDC), 2nd Floor, 307 Upper Mall, Opposite Lahore Gymkhana, Near Mian Meer Bridge Lahore, at the close of business on October 20, 2016, will be treated in time.
2. A member entitled to attend and vote at this meeting is entitled to appoint any person as a proxy and vote on his / her behalf. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time of the meeting.
3. Any individual Beneficial Owner of the Central Depository Company (CDC), entitled to vote at this meeting must bring his/her Computrized National Identity Card (CNIC) or passport (in case of foreigner) along-with CDC account number to prove his/her identity and in case of proxy must enclose an attested copy of his/her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.
4. Members are requested to notify us immediately of any change in their Registered address currently available with us.
5. The Registrar of the Company is, M/s. Central Depository Company of Pakistan Limited, Lahore.
6. Members who have not yet submitted photocopy of their Computerized National Identity Cards (CNIC) to the Company are requested to send the same by mail or fax at the earliest.

PAKISTAN ENGINEERING COMPANY LIMITED

سٹرساٹھ(67)واں سالانہ اجلاسِ عام

بذریعہ نوٹس ہذا مطلع کیا جاتا ہے کہ پاکستان انجینئرنگ کمپنی لمیٹڈ سٹرساٹھ (67) واں سالانہ اجلاسِ عام 31 اکتوبر 2016ء کو 11:00 بجے دن، امبسڈر ہوٹل 7 ڈیوس روڈ، لاہور پر منعقد ہوگا۔ جس میں مندرجہ ذیل امور طے کئے جائیں گے:

عمومی امور:

۱) 66 ویں سالانہ اجلاسِ عام کی کاروائی کی منظوری

۲) 30 جون 2016ء کو ختم ہونے والے سال کے آڈٹ شدہ اکاؤنٹس، ڈائریکٹران اور آڈیٹرز کی رپورٹ کی وصولی، بحث اور منظوری۔

۳) آئندہ سالانہ اجلاسِ عام تک آڈیٹرز کا تقرر اور ان کے معاوضے کا تعین کرنا۔ ریٹائیر ہونے والے آڈیٹر میسرز طارق عبدالغنی مقبول اینڈ کمپنی چارٹرڈ اکاؤنٹس نے اہل ہونے کی بناء پر پھر سے تقرری کی درخواست دی ہے۔ بورڈ آف ڈائیریکٹرز نے میسرز طارق عبدالغنی مقبول اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو آڈٹ کمیٹی کی تجویز پر اہلیت کی بنیاد پر دوبارہ، سال 17-2016 کیلئے، کمپنی کے آڈیٹر تعینات کرنے کی سفارش کی ہے۔

دیگر امور

۴) چیئرمین کی اجازت سے دوسرے امور پر گفت وشنید۔

لاہور: 29 ستمبر 2016

حسب الحکم بورڈ آف ڈائریکٹران
میاں انور عزیز
کمپنی سیکریٹری

نوٹس:

۱) کمپنی کی شیئرز منتقلی کی کتابیں 21 اکتوبر 2016ء سے 31 اکتوبر 2016ء تک بند رہیں گی (بشمول دونوں دن) اور اس دوران شیئرز کی کوئی منتقلی نہیں کی جائے گی۔ شیئر ٹرانسفر ڈیڈز 20 اکتوبر 2016ء تک کمپنی کے شیئرز رجسٹرار سینٹرل ڈپازیٹری کمپنی آف پاکستان لمیٹڈ، دوسری منزل، 307 اپر مال، بالمقابل لاہور جمخانہ، نزد میاں میر پل، لاہور پر کاروباری اوقات کار میں وصول ہو جانی چاہئیں۔

۲) ایسے ممبران جو اجلاس میں شرکت اور ووٹ ڈالنے کے اہل ہیں اپنی بجائے کسی اور شخص کا تقرر کر سکتے ہیں کہ وہ ان کی جگہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔

۳) اپنی جگہ کسی اور شخص کی اجلاس میں نامزدگی کے لئے فارم ہمارے رجسٹرڈ آفس مال روڈ لاہور میں اجلاس کے آغاز سے 48 گھنٹے قبل تک پہنچ جانے چاہئیں۔

۴) ایسے شئیر ہولڈرز جن کے شئیرز سینٹرل ڈپازیٹری سسٹم کے تحت ان کے اکاؤنٹ یا ذیلی اکاؤنٹ میں رجسٹرڈ ہیں ان سے درخواست کی جاتی ہے کہ اپنے اکاؤنٹ نمبر اور اصلی شناختی کارڈ تصدیق کیلئے ساتھ لائیں۔ پراکسی کی صورت میں شرکت کرنے والا اپنا شناختی کارڈ نمبر، اکاؤنٹ/ذیلی اکاؤنٹ نمبر اور اصل مالک کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی ہمراہ لائے گا۔ کارپوریٹ ممبر کا نمائندہ ہونے کی صورت میں وہ عمومی دستاویزات لانا ہوں گی جو ان مقاصد کیلئے ضروری ہوتی ہیں۔

۵) ممبران اپنے رجسٹرڈ پتے میں تبدیلی کی اطلاع فوراً کمپنی کو دیں۔

۶) کمپنی کے حصص رجسٹرار کا نام سینٹرل ڈپازیٹری کمپنی آف پاکستان لمیٹڈ ہے

۷) وہ ممبران جنہوں نے اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی کاپی کمپنی کو جمع نہیں کروائی، اُن سے درخواست ہے کہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی کاپی کمپنی کو جمع کروا دیں۔

DIRECTORS' REPORT
To The Shareholders

The Directors of the Company feel immense pleasure in presenting the 67th Annual Report along with the audited financial statements of the Company for the year ended June 30, 2016.

PERFORMANCE OUTLOOK

Your Company has performed exceptionally well during the current year. The Board of directors and management has made efforts to improve the sales orders, credit recovery, efficiency, and productivity, expedite production, reduce expenses and updating technological base. The outcome of such efforts led the Company to achieve the highest turnover in the history of PECO since 1952.

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

During the year 2015-16, the management directed all its efforts to improve the financial and operational position of the Company to create a fair value for our shareholders. During the year, performance was exceptional due to effective procurement of raw material, getting orders at good margins, better energy management and installation of various strategic assets. These factors have a turnaround effect for the Company and the management is looking forward to continue this trend in the years to come.

FINANCIAL PERFORMANCE

Operating results of the Company for the year 2015-16 are very encouraging. As against last years' sales of Rs. 923 million, the Company achieved sales of Rs. 2,329 million which is 152.27% higher than the previous year.

Despite continued pressure on profit margins owing to volatile global alloys prices and competition from foreign competitors, gross profit of the Company during the year under review is Rs. 472.44 million as compared to gross profit of Rs. 141.87 million during the year 2015, resulting in an increase of Rs. 330.57 million.

The gross profit margin improved to 20.28% of net sales compared to 15.37% last year due to comparatively lower raw material prices, better absorption of fixed costs and significant increase in production/sales volumes during the financial year. The operating expenses of the Company remained within the limits.

Financial charges decreased by 12.32% to Rs. 15.36 million on account of mainly lower mark-up rate on borrowings and better cash management.

Overall, PECO posted a record profit before and after taxation of Rs. 331.08 million and Rs. 219.48 million compared with Rs. 63.58 million and Rs. 45.27 million of last year respectively.

Earnings per share increased to Rs. 38.57 per share from Rs. 7.96 per share, as compared to last financial year.

Your Company is focused on improving working capital and cash flow. During the year, your company generated cash flows from operations of Rs. 106.38 million, an increase of Rs. 37.38 million compared to last year.

CONTRIBUTION TO NATIONAL EXCHEQUER AND THE ECONOMY

Your Company made a contribution of Rs. 477.954 million (June 30, 2015: Rs. 194.406 million) to the national exchequer during the year on account of income tax, sales tax, and other levies

FINANCIAL RESULTS AND APPROPRIATIONS

	Rs. in Thousands	
	YEAR ENDED 30.06.2016	**YEAR ENDED 30.06.2015**
Profit before taxation	**331,081**	63,584
Taxation	**(111,595)**	(18,312)
Profit after taxation	**219,486**	45,272
Appropriations:		
Profit after taxation	**219,486**	45,272
Transfer from "Surplus on Revaluation of Fixed Assets"	**18,019**	18,337
Transfer from "Surplus realized on account of disposal of revalued machinery"	**2,243**	9,915
Profit carried forward to accumulated loss	**239,748**	73,523

OPERATING & FINANCIAL DATA

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

BOARD OF DIRECTORS

The Board comprises of one Executive, three non executive and five independent directors. The present Government nominated directors are Mr. Mairaj Anees Ariff, Mr. M. Arif Ibrahim and Syed Kuakab Mohyuddin.

BOARD OF DIRECTORS MEETINGS

During the year 2015-16, four (04) meetings of the Board were held. The attendance of the Board members was as follows:

Syed Kuakab Mohyuddin	4
Mr. M. Arif Ibrahim	3
Mr. Mairaj Anees Ariff	1
Mr. Shafqat ur Rehman Ranjha	3
Mr. Arif Habib	3
Mr. Liaqat Mohammad	4
Mr. Rashid Ali Khan	4
Mirza Mahmood Ahmad	4
Mr. M. Iqbal	4
Mr. Ansar Javed	4

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

PATTERN OF SHAREHOLDING AND SHARES TRADED

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

PAKISTAN ENGINEERING COMPANY LIMITED

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

Earnings per share for the year ended June 30, 2016 was Rs. 38.57 as compared to earnings per share of Rs. 7.96 of the last year.

AUDITORS

The present auditors Messrs Tariq Abdul Ghani Maqbool and Company, 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 ending June 30, 2017 at a fee to be mutually agreed.

CHANGE IN BOARD OF DIRECTORS

During the year 2015-16, Government of Pakistan had posted Mr. Mairaj Anees Ariff and Syed Kaukab Mohyuddin, as Directors, in place of Mr. Shafqat ur Rehman Ranjha and Mr Naveed Nazir.

The Board wishes to place on record its appreciation of the valuable services rendered by outgoing Directors, during the tenure of their office and welcomes the new Directors.

COMMENTS ON AUDITOR'S REPORT

I 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.

However, there is a dispute on markup on the said loans and PECO management is of the firm view that markup is not payable on these loans in the absence of any agreements. Furthermore, Privatization Commission vide its letters has confirmed that there is no formal agreement between Ministry of Finance, Privatization Commission and PECO management on the issue of markup. The Board and management of PECO agreed to pay outstanding loans as mutually agreed through disposal of Badami Bagh Land.

SUBSEQUENT EVENTS

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

STATEMENT ON CORPORATE FINANCIAL REPORTING FRAME WORK

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

Accordingly the Directors are pleased to confirm the following:

i. The financial statements together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. These statements present fairly the Company's state of affairs, the results of its operations, cash flow and changes in equity.

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

iii. Appropriate accounting policies have been consistently applied in the preparation of financial statements which conform to the International Accounting Standards as applicable in Pakistan. The accounting estimates, wherever required are based on reasonable and prudent judgment.

iv. International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.

v. The system of internal control is sound in design and has been effectively implemented and monitored and is being continuously reviewed by the internal audit function.

vi. There are no significant doubts upon the Company's ability to continue as a going concern.

vii. There has been no material departure from the best practices of Corporate Governance, as required by the listing regulations.

viii. The key operating and financial data for the last six years is annexed.

AUDIT AND RISK MANAGEMENT COMMITTEE

Audit and Risk Management Committee was established by the Board to assist the directors in discharging their responsibilities, Corporate Governance, Financial Reporting and Corporate Control. The Committee consists of four members. 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 four meetings during the year under review, each before the Board of Directors meeting to review the financial statements, internal audit reports and compliance of the Corporate Governance requirements. These meetings included meeting with external auditors before and after completion of audit and other statutory meetings as required by the Code of Corporate Governance.

The present constitution of the Committee is as under:

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

DIRECTORS TRAINING PROGRAMME

The Board arranges orientation courses for its directors as and when needed to apprise them of their duties and responsibilities. The incoming directors are also provided with appropriate briefing and orientation material to enable them first-hand knowledge on the working of the Company.

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 number of employees as on June 30, 2016 were 455 compared to 416 of last year.

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Human Resource and Remuneration Committee was established by the Board to assist the Directors in discharging their responsibilities with regard to selection, evaluation, compensation and carrier planning of key management personnel. It is also involved in recommending improvements in Company's human resource policies and procedures and their periodic review. The Committee consists of three members. Two members of the Committee are Independent and one is non executive director

RELATED PARTY TRANSACTIONS

All transactions with related parties are reviewed and approved by the Board. The Board approved pricing policy for related party transactions as disclosed in the notes to the accounts.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Stock Exchanges in their Listing Regulations, relevant for the year ended June 30, 2016 have been duly complied with. A statement to this effect is annexed with the report.

WEB PRESENCE

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

SAFETY AND ENVIRONMENTS

The company strictly complies with the standards of the safety rules & regulations. It also follows environmental friendly policies.

OUTSTANDING STATUTORY DUES

Detail of outstanding statutory dues is given in note No. 8 to the Accounts.

QUALITY CONTROL

To ensure implementation of the Management System, Internal Quality Audits, Surveillance Audits, Management Review Meetings are conducted regularly. The Company is also certified for ISO 14000: 2004 (Environmental Management System).

BUSINESS PLANS & 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 and expansion in production and marketing facilities, the Company will operate as a "Going Concern" till indefinite period

COMMUNICATION

Communication with the shareholders is given high priority. Annual, Half Yearly and Quarterly Accounts are circulated to them within the time specified in the Companies Ordinance, 1984. The Company also has a web site, which contains up to date information on Company's activities and financial reports.

Every opportunity is given to the individual shareholders to attend and ask freely the questions about the Company' affairs at the Annual General Meeting.

ACKNOWLEDGEMENT

The management is thankful to the Company's stakeholders especially its customers for their continuing confidence in its products and services.

The Board would also like to thank suppliers/banks of the Company for their valuable support and sheer confidence. Such confidence has allowed the Company to perform well in a difficult business environment.

The management also wishes to express its gratitude to all the Company's employees who have worked tirelessly and delivered outstanding performance in the backdrop of challenging economic and business environment. We appreciate their hard work, loyalty and dedication.

For and on Behalf of the Board

September 29, 2016
Lahore

Syed Kaukab Mohyuddin
Chairman

آڈیٹرز

موجودہ آڈیٹر میسرز طارق عبدالغنی مقبول اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ ریٹائر ہو گئے ہیں اور سال 17-2016 کیلئے خود کو دوبارہ تقرری کیلئے پیش کرتے ہیں۔

اظہار تشکر

بورڈ، تعاون اور خلوص پر اپنے تمام اسٹیک ہولڈرز، ملازمین، کسٹمرز، سپلائرز، حصص یافتگان اور بینکرز کا شکرگزار ہے۔ اس قسم کی مدد نہ صرف معمول کے کمرشل چیلنجز بلکہ ان چیلنجز کو پورا کرنے کے لیے بھی درکار ہوتی ہے جو سیکیورٹی کے مسائل اور کٹھن معاشی حالات کی وجہ سے لاحق ہوتے ہیں۔ اسٹیک ہولڈرز کے بھروسے اور نیک نیتی نے کمپنی کو سال 2016 دوران پائیدار ترقی حاصل کرنے کے قابل بنایا ہے۔

ہم اپنے تمام اسٹیک ہولڈرز اور عام طور سے ملک کے مفاد میں آپ کی کمپنی کی کامیابی کے لیے رب العزت کے حضور مسلسل دعا گو ہیں۔

29 ستمبر 2016
لاہور

بورڈ آف ڈائریکٹرز کی جانب سے
سید کوکب محی الدین
چیئرمین

Annual Report 2016

PAKISTAN ENGINEERING COMPANY LIMITED

مجموعی طور پر پیکو نے ٹیکسیشن سے پہلے اور بعد بالترتیب 331.08 اور 219.48 ملین روپے (38.57 روپے فی حصص) کا ریکارڈ منافع کمایا۔ اس سے پچھلے سال یہ بالترتیب 63.58 ملین روپے اور 45.27 ملین روپے (7.96 روپے فی حصص) تھا آپ کی کمپنی کی توجہ ورکنگ کیپٹل اور کیش فلو کو بہتر بنانے پر مرکوز ہے۔ سال کے دوران آپ کی کمپنی نے عملیات سے 106.38 ملین روپے کی نقد روائی کی جو پچھلے سال کے مقابلے میں 37.38 ملین روپے زیادہ ہے۔

قومی خزانے اور معیشت میں حصہ

آپ کی کمپنی نے (پچھلے سال 119.406 ملین روپے کے مقابلے میں) اس سال کے دوران انکم ٹیکس سیلز ٹیکس اور دوسری لیویز کی شکل میں قومی خزانے میں 477.954 ملین روپے کا حصہ ڈالا۔

بورڈ آف ڈائریکٹرز میں تبدیلیاں

سال 16-2015 کے دوران حکومت پاکستان، نے جناب شفقت الرحمان رانجھا اور جناب نوید نذیر کی جگہ، جناب معراج انس عارف اور جناب سید کوکب محی الدین کو کمپنی کا ڈائریکٹر مقرر کیا ہے۔

ڈائریکٹرز نے اپنی مدت کے دوران جو گراں قدر خدمات انجام دیں، بورڈ ان کی تعریف ریکارڈ پر لانا چاہتا ہے۔ ہم نئے ڈائریکٹرز کو خوش آمدید کہتے ہیں

صحت، سیفٹی اور ماحول

سماجی اور ماحولیاتی طور پر ایک ذمہ دار ادارے کے اپنے مقصد پر کاربند رہتے ہوئے پیکو نے سیفٹی کے سخت ترین معیارات نافذ کیے اور ان پر عمل کیا۔

ہیومن ریسورس

کمپنی نے افراد کی ضروری تعداد کے ساتھ اپنے آپریشن جاری رکھے۔ 2016 کے اختتام پر کام کرنے والے افراد کی تعداد پچھلے سال کے اختتام پر 416 افراد کے مقابلے میں بڑھ کر 455 ہو گئی۔

کمپنی نے اپنے تمام ملازمین کے لیے صنعتی امن اور کام کرنے کا مثبت ماحول برقرار رکھا۔ پیکو، ہر سطح پر افراد کی ترقی، فعال طریقے سے صلاحیتوں کی تعمیر اور کاروباری تسلسل کے لیے باصلاحیت افراد کو اپنے ساتھ رکھنے کی کوشش جاری رکھتی ہے۔

خطرات کا تدارک

خطرات سے نمٹنے کے لیے کمپنی کی پالیسیوں کا جائزہ لینے اور انھیں بہتر بنانے کی غرض سے وقفے وقفے سے بورڈ کے اجلاس ہوتے ہیں خطرے کے سدباب کی یہ پالیسیاں، کمپنی کو لاحق خطرات کی نشاندہی، خطرات کی مناسب حدود اور کنٹرولز کو طے کرنے اور ان حدود کی پابندی کی نگرانی کرنے کے لیے وضع کی جاتی ہیں۔ مارکیٹ کے حالات میں تبدیلیوں اور آئی ایس ایل کی سرگرمیوں کی عکاسی کے لیے رسک مینجمنٹ پالیسیوں اور سسٹمز پر باقاعدگی سے غور کیا جاتا ہے۔ کمپنی کا مقصد اپنے معیارات اور طریقہ کار کے ذریعے ایک ایسا منظّم اور تعمیری کنٹرول کا ماحول تیار کرنا ہے جس میں تمام ملازمین اپنے کام اور ذمہ داریوں کو سمجھ سکیں۔

ڈائریکٹرز کی رپورٹ

پاکستان انجینئرنگ کمپنی لمٹیڈ کے ڈائریکٹرز 30 جون 2016ء کو ختم ہونے والے سال کیلیئے سڑسا ٹھ (67) ویں سالانہ رپورٹ اور آڈٹ شدہ مالی حسابات پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

کاروباری جائزہ

رواں مالی سال دوران پیکو کمپنی نے غیر معمولی کارگردگی کا مظاہرہ کیا ہے۔ ڈائریکٹرز اور انتظامیہ نے آمدنی کے ٹھیکے، واجبات کی وصولی، پیداواری کارگردگی اخراجات کی کمی اور تکنیکی بنیاد کو بہتر کرنے کیلیئے انتھک کوششیں کی ہے۔ اس طرح کوششیں کے نیتجے میں پیکو نے اپنی تاریخ کا بہترین کاروبار کیا ہے

تاہم اس پرامید نوٹ کے ساتھ انتظامیہ ایک اور بات باور کروانا چاہتی ہے۔ پاکستان میں بجلی کے ترسیلی کھمبوں کے کاروبار میں نمایا طور پر مسابقت بڑھتی جارہی ہے۔ اس کی بنیادی وجہ غیر ملکی کمپنیوں کی اس کاروبار میں آمد ہے، جس کی وجہ سے پیکو کو ٹھیکے حاصل کرنے میں مشکلات کا سامنا ہے۔ تاہم کمپنی ان چیلنجز کا سامنا اپنی تکنیکی اور پیداواری صلاحیت کو بہتر بنا کر کرنے کی بھرپور کوشش کررہی ہے۔

سال 16-2015 کے دوران انتظامیہ نے مالیاتی اور عملیاتی کارگردگی کو بہتر بنانے کیلیئے اپنی تمام کوششیں وقف کی ہیں تاکہ حصص یافتگان کو ایک مناسب قدر مل سکے۔ رواں مالی سال کے دوران، خام مال کی مؤثر وصولی، اچھے مارجن کے ٹھیکے، بہتر توانائی کے انتظام اور مختلف اہم اثاثوں کی تنصیب نے غیر معمولی کارگردگی میں اہم کردار ادا کیا۔ ان عوامل نے بہتر تبدیلی میں اثر ڈالا اور آنے والے سالوں میں اس رجحان کو جاری رکھا جائے گا۔

سال 2016 کے عملیاتی نتائج بہت حوصلہ افزاء ہیں۔ پچھلے سال کی آمدن 923 ملین کی مقابلے میں اس سال کی آمدن 2,329 ملین روپے ہے جو کہ 152.27 فیصد ہے۔ رواں مالی سال کُل منافع 472.44 ملین روپے ہے، جو کہ پچھلے مالی سال کے دوران 141.87 ملین روپے تھا۔

مجموعی منافع مارجن خالص آمدن کا 20.28 فیصد ہے جو کے پچھلے مالی سال میں 15.37 فیصد تھا۔ انتظامی اور عملیاتی خرچے مقررہ حدود کے اندر رہے۔

فائنانشل چارجز 12.32 فیصد کم ہو کر 15.36 ملین روپے ہو گئے، اس کی بڑی وجہ قرض کی کم شرح سود، بہتر کیش مینجمنٹ تھا۔

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Listing Regulations of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Company has applied the principles contained in the Code of Corporate Governance in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board constitutes the following Directors:

Independent Directors

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

Executive Directors

Mr. Mairaj Anees Ariff

Non-Executive Directors

Mr. Kaukab Mohuyuddin
Mr. Arif Ibrahim
Mr. Muhammad Arif Habib

The independent directors' meets the criteria of independence under Claus i (b) of the Code of Corporate Governance.

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

3. All the resident directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. The Company has a policy to fill up any casual vacancy occurring in the Board within 90 days.

5. 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.

6. 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.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non executive directors, have been taken by the board/shareholders.

8. 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 and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

9. The Board arranges orientation courses for its directors as and when needed to apprise them of their duties and responsibilities. The incoming directors are also provided with appropriate briefing and orientation material to enable them firsthand knowledge on the working of the Company. Some of the present directors meet the criteria of exemption under clause (xi) of the Code and are accordingly exempted from director' training programme. The Company will arrange training programme for rest of the directors as provided under CCG.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' report for the year 2015-16 has been prepared in compliance with the requirements of the CCG and fully describes the stated matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit and Risk Management Committee. It comprises of four members and all the four directors including Chairman of the committee are independent directors.

16. The meetings of the Audit and Risk Management Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are independent directors and the Chairman of the committee is a non executive director.

18. The Board has set up an effective internal audit function.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of ICAP, 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.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles contained in the CCG have been complied with.

September 29, 2016
Lahore

Mairaj Anees Ariff
Chief Exectuive Officer

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Corporate Governance ('' the Code '') for the Board of Directors of **PAKISTAN ENGINEERING COMPANY LIMITED** (''the Company'') for the year ended June 30, 2016 to comply with requirements of Regulations of the Pakistan Stock Exchange where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of Compliance reflects the status of the Company's compliance with the provision of the Code report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personal and review of various documents prepared by the Company to comply with the code.

As part of audit of financial statement, we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We are not required to controls, or to from an opinion on the effectiveness of on internal control cover 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 Code requires that Company to place before the Audit Committee, and upon recommendation of Audit Committee, place before the Board of Directors for their review and approval its related party transaction distinguishing between transactions carried out on term equivalent to those that prevail in arm's length transaction and transactions which are not executed at arm's length price and recoding proper justification for using such alternative pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the Audit Committee. We have not carried out any procedures to determine whether the related party transaction were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which cause us to believe that the statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2016.

September 29, 2016
Lahore

Tariq Abdul Ghani Maqbool & Company
Chartered Accountants
Engagement Partner: Malik Haroon Ahmad

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Pakistan Engineering Company Limited** ("the Company") as at **June 30, 2016** and related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

1. Loan from Privatization Commission of Pakistan aggregating to Rs. 481.469 million (ref. note. 6.2.1) and an amount aggregating to Rs. 112.937 million in respect of Government Escrow Account (ref. note. 6.2.3) have been outstanding since many years. Carrying amount of these liabilities remained unconfirmed due to non-availability of confirmation from the related authorities of Government of Pakistan despite of repeated reminders.
2. The interest free loan from Government of Pakistan as referred to in note 6.2, amounting Rs. 1,790.848 million is being shown in financial statements at historical cost in contravention of requirements of IAS - 39 which require the same to recorded at amortized cost as appropriate with an impact on income through profit and loss account. The financial impact of this contravention cannot be determined in absence of relevant information.

Except for the effect, if any, of the matters referred to in paragraph (1) and (2) above and to the extent to which it may affect the annexed financial statements, we report that;

a) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) In our opinion:

i) the balance sheet and profit and loss account together with the notes thereon has been drawn up in conformity with the Companies Ordinance, 1984, and is in agreement with the books of account and is further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion, except for the effect, if any, of the matter referred to in paragraph (1) and (2) above and the extent to which it may affect the annexed financial statements and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity balance together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII 1980).

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

i. Note. 6.2 to the financial statements which states that in previous years Privatization commission and Finance division have claimed additional principal and markup on the above loan liabilities, however, the Board of Directors and the management do not agree with the additional liabilities claimed and the claim of Government of Pakistan regarding the payment of interest is disputed.

ii. Note. 15 to the financial statements which states that the Badami Bagh land has been classified as held for sale. The documents for sale are with Privatization Commission since 1994 and part of the land has been sold in 2001. However, no progress has been made to date and the land is still being classified as held for sale for the reasons stated in the relevant note.

Our opinion is not qualitied in respect of these matters.

September 29, 2016
Lahore

Tariq Abdul Ghani Maqbool & Company
Chartered Accountants
Engagement Partner: Malik Haroon Ahmad

BALANCE SHEET
AS AT JUNE 30, 2016

	Note	June 30, 2016	June 30, 2015
		----- (Rupees in '000) -----	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	4	**56,902**	56,902
Revenue reserve - general		**10,000**	10,000
Accumulated loss		**(925,610)**	(1,165,358)
		(858,708)	(1,098,456)
Surplus on revaluation of fixed assets	5	**14,516,504**	8,559,413
NON - CURRENT LIABILITIES			
Long term financing	6	**1,839,601**	1,859,104
Deferred liability - net	7	**133,662**	57,059
		1,973,263	1,916,163
CURRENT LIABILITIES			
Trade and other payables	8	**812,842**	526,012
Short term borrowing - secured	9	**49,984**	20,000
Current portion of long term borrowings	6	**19,503**	19,503
Accrued mark-up		**2,541**	3,099
Provision for taxation		**56,123**	9,553
		940,993	578,167
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		**16,572,052**	9,955,287

The annexed notes, from 01 to 43, form an integral part of these financial statements.

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

	Note	June 30, 2016	June 30, 2015
		----- (Rupees in '000) -----	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	11	**14,564,505**	8,588,619
Investment property	12	**610**	642
Long term investment	13	**725**	704
Long term deposits	14	**1,832**	620
		14,567,672	8,590,585
Free hold land - held for sale	15	**314,724**	314,724
CURRENT ASSETS			
Stores, spares and loose tools	16	**121,271**	131,772
Stock-in-trade	17	**256,813**	411,431
Trade debts - unsecured	18	**1,119,940**	381,153
Advances	19	**6,687**	8,613
Trade deposits, prepayments and other receivables	20	**25,881**	27,377
Advance income tax	21	**137,128**	67,132
Cash and bank balances	22	**21,936**	22,500
		1,689,656	1,049,978
TOTAL ASSETS		**16,572,052**	9,955,287

The annexed notes, from 01 to 43, form an integral part of these financial statements.

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		----- Rupees in '000 -----	
Sales - net	23	**2,329,076**	923,261
Cost of sales	24	**(1,856,634)**	(781,391)
Gross Profit		**472,442**	141,870
Selling and distribution expenses	25	**(8,140)**	(5,474)
Freight and forwarding expenses	26	**(18,092)**	(10,504)
Administrative expenses	27	**(57,662)**	(51,339)
Other operating charges	28	**(46,757)**	(5,327)
		(130,651)	(72,644)
Other operating income	30	**4,652**	11,878
Operating Profit		**346,443**	81,104
Finance cost	29	**(15,362)**	(17,520)
Profit before taxation		**331,081**	63,584
Taxation	31	**(111,595)**	(18,312)
Profit after taxation for the year		**219,486**	45,272
BASIC AND DILUTED EARNINGS PER SHARE		----- Rupees -----	
Basic and diluted earnings per share	32.	**38.57**	7.96

The annexed notes, from 01 to 43, form an integral part of these financial statements.

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	----- Rupees in '000 -----	
Profit after taxation for the year	**219,486**	45,272
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**219,486**	45,272

The annexed notes, from 01 to 43, form an integral part of these financial statements.

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		----- Rupees in '000 -----	
Cash generated from operations	33	**106,382**	69,001
Finance cost paid		**(14,244)**	(25,541)
Gratuity paid		**(318)**	(5,500)
Income tax paid		**(79,549)**	(32,032)
Workers' profit participation fund		**(4,162)**	-
Net cash generated from operating activities		**8,109**	5,928
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		**(23,740)**	(22,373)
Proceeds from disposal of Property, plant and equipment		**5,798**	32,042
Long term deposits		**(1,212)**	344
Net cash (used in)/generated from investing activities		**(19,154)**	10,013
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings		**29,984**	20,000
Long term borrowings - (repayments)		**(19,503)**	(20,592)
Net cash generated from / (used in) financing activities		**10,481**	(592)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(564)**	15,349
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**22,500**	7,151
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**21,936**	22,500

The annexed notes, from 01 to 43, form an integral part of these financial statements.

Mairaj Anees Ariff
Chief Executive Officer

Muhammad Iqbal
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

	Issued, subscribed and paid-up capital	Revenue Reserve - General	Accumulated Loss	TOTAL
	---------------- (Rupees in '000) ----------------			
Balance as at June 30, 2014 - as restated	**56,902**	**10,000**	**(1,238,882)**	**(1,171,980)**
- Profit after tax for the year ended June 30, 2015	-	-	45,272	45,272
- Other comprehensive income	-	-		-
Total comprehensive income for the year			45,272	45,272
Surplus on revaluation of property, plant and equipment realized during the year on account of:				
Surplus on revaluation of fixed assets realized on account of incremental depreciation - net off tax	-	-	18,337	18,337
Surplus realized on account of disposal of revalued machinery - net off tax			9,915	9,915
Balance as at June 30, 2015	**56,902**	**10,000**	**(1,165,358)**	**(1,098,456)**
- Profit after tax for the period ended June 30, 2016	-	-	219,486	219,486
- Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	219,486	219,486
Surplus on revaluation of fixed assets realized on account of incremental depreciation - net off tax	-	-	18,019	18,019
Surplus realized on account of disposal of revalued machinery - net off tax	-	-	2,243	2,243
Balance as at June 30, 2016	**56,902**	**10,000**	**(925,610)**	**(858,708)**

The annexed notes, from 01 to 43, form an integral part of these financial statements.

Mairaj Anees Ariff
Chief Executive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

1. LEGAL STATUS AND OPERATIONS

Pakistan Engineering Company Limited was incorporated in Pakistan on February 15, 1950 under the Companies Act, 1913 (Now Companies Ordinance, 1984) as a public limited company. Its shares are quoted on Pakistan Stock Exchange. The registered office of the Company is situated at 6/7 Ganga Ram Trust Building, 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.

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. 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 interests have been received by Privatization Commission in this regard from many parties and management is confident that the transaction will be completed soon. Taking in to consideration the successful operation of the structure division and demand for pumps and motors, the BoD decided to bring other division into operations as well. At present structure, pumps, electric motor and foundry divisions of the company are in operation.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the 'Ordinance') and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such 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 as are notified under the Ordinance, provisions of and directives issued under the Ordinance. Wherever the requirements of the Ordinance or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Ordinance or the requirements of the said directives prevail.

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention except for the revaluation of certain items of property, plant and equipment which are stated at revalued amounts, certain financial liabilities which are carried at amortized cost and recognition of certain employee retirement benefits at present value. Historical costs is generally based on fair value of the consideration given in exchange for goods and services. The methods used to measure fair values are discussed further in the respective policy notes.

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

Following amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on April 1, 2015 and are considered to be relevant to the Company's operations:

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 01,2015 are considered not to be relevant to Company's financial statements and hence have not been detailed here.

2.5 Standards that are not yet effective

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

Standard, Amendments or Interpretation		**Effective Date** (Annual periods beginning on or after)
IFRS 5	Non Current Assets Held for Sale and Discountinued Operations	01 January 2016
IFRS 7	Financial Instruments - Disclosures	01 January 2016
IAS 16 and 38	Clarification of Acceptable Method of Depreciation and Amortization	01 January 2016
IAS 19	Employee Benefits	01 January 2016
IAS 16 and 41	Agriculture: Bearer Plants	01 January 2016
IAS 12	Income Taxes	01 January 2017
IAS 7	Statement of Cash Flows	01 January 2017
IFRS 2	Share Based Payment	01 January 2018

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

2.6 Functional and presentation currency

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

2.7 Critical Accounting Estimate & Judgments

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

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

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

2.7.1 Property, Plant and Equipment

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

2.7.2 Taxation

In making the estimate for income tax payable, the company takes into account the applicable tax laws. Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary difference when they are expected to reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Significant judgment is exercised to determine the amount of net deferred tax liabilities to be recognized.

During the year the estimate of amount owing to the taxation authorities in the future changed as a result of change in rate of Corporation tax from 35 % to 34 %. Resultantly the balance of deferred taxation has been adjusted accordingly. The effect of change in estimate has been accounted for prospectively in accordance with IAS-8. The change effects both current and future periods, however, as it is practically impossible to determine the effect in the future period, therefore only effect of the change in the current period is given below:

2.7.3 Stores and spares

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

2.7.4 Provisions Against Doubtful Balances

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, Plant and Equipment

Property, plant & equipment is stated at cost or revalued amount less accumulated depreciation and impairment loss, if any, except for freehold land and capital work in progress which is stated at revalued amount/cost less impairment, if any. Cost of these assets consists of historical cost and directly attributable costs of bringing the assets to working condition. Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economics benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Cost

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

incurred to replace a component of an item of property, plant and equipment is capitalized and the asset so replaced is derecognized. The cost of the day to day servicing of property, plant and equipment are recognized in profit and loss account. Surplus arising on revaluation after considering deficit in other categories, is credited to surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated with the revalued amount of the asset. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to accumulated loss. The cost of self constructed assets includes the cost of materials, direct labor and any other cost directly attributable to bringing the assets to a working condition for their intended use. Borrowing costs pertaining to the construction and erection are capitalized up to the date of completion. Depreciation on property, plant & equipment is charged to income on reducing balance method at the rates specified in note no.11 to the accounts to write off the cost over their estimated useful lives. Depreciation on addition and deletion is charged on the basis of number of days the asset remains in use of the company. Assets' residual values, useful lives and depreciation rates are reviewed and adjusted, if appropriate, at each balance sheet date.

Impairment test for property, plant and equipment is performed when there is an indication of impairment. At each year end, an assessment is made to determine whether there is any indication of impairment. If any such indications exist, an estimate of the assets recoverable amount is calculated being the higher of the fair value of the asset less cost to sell and the assets value in use. If the carrying amount of the asset exceeds its recoverable amount, the property, plant and equipment is impaired and an impairment loss is charged to the profit and loss account so as the reduce the carrying amount of property, plant and equipment to its recoverable amount. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the property, plant and equipment in its present form and its eventual disposal. An impairment loss is recovered if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefit are expected from its use or disposal. Any gain and losses on disposal or de-recognition (calculated at the difference between the net disposal proceeds and carrying amount of the asset) is taken to profit and loss account. When the revalued assets are sold, the relevant remaining surplus on revaluation is transferred directly to accumulated loss.

3.2 Capital Work -in -Progress

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

3.3 Investment property

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

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

3.5 Non-current assets held for sale

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

3.6 Inventories

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

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

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

3.7 Trade debts and other receivables

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

3.8 Associated Undertakings / Related Parties

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

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

3.9 Foreign Currency Translation.

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

3.10 Employees' Retirement Benefits

a) Defined benefits plan

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

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

b) Defined contribution plan

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

3.11 Trade and other Payables

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

3.12 Taxation

a)Current

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

b) Deferred Tax

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

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

PAKISTAN ENGINEERING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

3.13 Revenue Recognition

a) Sale of goods

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

b) Income on bank deposits

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

c) Others

Scrap sales and miscellaneous receipts are recognized on realized amounts.

3.14 Borrowing Costs

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

3.15 Provisions

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

3.16 Cash and Cash Equivalent

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

3.17 Investments

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

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.

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

b) Held to maturity

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

c) Loans and Receivables

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

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

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

3.18 Impairment

a) Financial Assets

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

b) Non- Financial Assets

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

3.19 Financial Instruments

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost as the case me be.

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.

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

b) Off Setting Of Financial Assets and Financial Liabilities

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

c) Interest-up bearing borrowings

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

d) Interest-free borrowings at amortized cost

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

3.20 Dividend and Appropriation to reserves

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

3.21 Earnings per share

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

3.22 Contingent Assets

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

3.23 Contingent Liabilities

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

3.24 Share Capital

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

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

4. SHARE CAPITAL	**2016**	2015	**2016**	2015
Authorized Capital:	*(Number of Shares)*		**(Rupees in '000)**	
Ordinary shares of Rs.10/- each	**9,000,000**	9,000,000	**90,000**	90,000
7.5% Cumulative redeemable preference shares of Rs. 100/- each	**100,000**	100,000	**10,000**	10,000
	9,100,000	9,100,000	**100,000**	100,000
Issued, Subscribed and Paid up Capital:				
Ordinary shares of Rs.10/- each fully paid in cash	**3,162,144**	3,162,144	**31,621**	31,621
Ordinary shares of Rs. 10/- each issued as fully paid up bonus share	**2,528,101**	2,528,101	**25,281**	25,281
	5,690,245	5,690,245	**56,902**	56,902

4.1 State Engineering Corporation, an associated company, holds 1,415,723 (2015: 1,415,723) ordinary shares of Rs. 10/- each as at June 30, 2016.

5. SURPLUS ON REVALUATION OF FIXED ASSETS		**2016**	2015
		----- (Rupees in '000) -----	
Free hold land.	5.1	**14,148,746**	8,219,246
Building structure on free hold land	5.2	**194,234**	192,583
Plant and machinery	5.3	**173,524**	147,584
		14,516,504	8,559,413
5.1 Free Hold Land			
Surplus on revaluation of Badami Bagh land	5.1.1	**313,999**	313,999
Surplus on revaluation of Kot Lakhpat land	5.1.2	**13,834,747**	7,905,247
		14,148,746	8,219,246
5.1.1 Badami Bagh Land			
Surplus on revaluation		**321,358**	321,358
Less: Adjustment on account of sale of part of Badami Bagh Works Land in 2001		**7,359**	7,359
		313,999	313,999

5.1.1.1 This represents revaluation surplus arising on revaluation of land of Badami Bagh works, which was revalued on 1991, prior to being classified as 'Held for Sale' resulting in surplus of Rs. 321.358 million. (Ref: Note.15)

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

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		----- Rupees in '000 -----	
5.2 Building Structure on freehold land			
Gross surplus on revaluation of Building structure	5.2.1	**425,712**	413,028
Less: Surplus realized on account of incremental depreciation in respect of:			
- Prior years		**129,816**	114,910
- Current year		**9,933**	10,136
- Related deferred tax liability		**4,463**	4,770
		144,212	129,816
		281,500	283,212
Less: Related deferred tax liability in respect of:			
- Balance at the beginning of the year		**90,629**	98,380
- Change of rate		**(2,832)**	(2,981)
- New surplus during the year		**3,932**	-
- Incremental depreciation for the year		**(4,463)**	(4,770)
		87,266	90,629
Net surplus on revaluation of Building structure		**194,234**	192,583

5.2.1 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 Rs. 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.

	Note	2016	2015
5.3 Plant and Machinery			
Gross surplus on revaluation of Plant and machinery	5.3.1	**379,373**	329,947
Less: Adjustment on account of sale of machinery		**18,098**	14,799
		361,275	315,148
Less: Surplus realized on account of incremental depreciation in respect of:			
- Prior years		**98,330**	86,270
- Current year		**8,085**	8,201
- Related deferred tax liability		**3,633**	3,859
		110,048	98,330
		251,227	216,818
Less: Related deferred tax liability in respect of:			
- Balance at the beginning of the year		**69,234**	80,414
- Change of rate		**(2,164)**	(2,437)
- New surplus during the year		**15,322**	-
- Realized on disposal of machinery		**(1,056)**	(4,884)
- Incremental depreciation for the year		**(3,633)**	(3,859)
		77,703	69,234
Net surplus on revaluation of Plant and machinery		**173,524**	147,584

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

PAKISTAN ENGINEERING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

5.3.1 Plant & 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 Rs. 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.

5.4 As required by the Companies Ordinance, 1984, revaluation surplus has been shown in a separate account below equity and the related incremental depreciation charged during the current year on "Plant and Machinery, Building and Steel Structure" has been transferred from the surplus on revaluation of fixed assets to accumulated losses.

	Note	2016	2015
		----- Rupees in '000 -----	
6. LONG TERM FINANCES			
Loan from National Bank of Pakistan-secured	6.1	**48,753**	68,256
Government of Pakistan - unsecured	6.2	**1,790,848**	1,790,848
		1,839,601	1,859,104
6.1 Loan from National Bank of Pakistan-secured			
Movement of long term finances - from banking company			
Opening balance		**87,759**	87,759
Finance availed during the period		**-**	-
		87,759	87,759
Less: Repayment during the period		**(19,503)**	-
		68,256	87,759
Less: Current maturity shown under current liabilities		**(19,503)**	(19,503)
		48,753	68,256

6.1.1 The financing forms part of total credit facility available to the extent of Rs. 108.351 million. The loan carries markup @ 3 months KIBOR plus 2.50%. The credit facility of the Company will be expired on December 31, 2019. The quarterly installment of principal liability is amounting to Rs. 4.876 million. This is secured against first charge of Rs. 180.585 over movable fixed assets [excluding land and building] of the company.

	Note	2016	2015
6.2 Government of Pakistan-unsecured			
Privatization commission loan	6.2.1	**481,469**	481,469
Government Escrow account	6.2.3	**112,937**	112,937
Other Government Loan	6.2.5	**100,000**	100,000
Federal Government loan for compulsory separation scheme	6.2.7	**309,000**	309,000
Federal Government Bonds	6.2.9	**787,442**	787,442
		1,309,379	1,309,379
		1,790,848	1,790,848

These represent funds provided by the Government of Pakistan (the Government), bank loans of the company taken over by the Government and amounts payable by the company to different Government departments like Customs, Railways and Karachi Port Trust. According to the Cabinet Committee Division decision dated May 30^{th},1994 and 2005 these liabilities will be settled against the proceeds from disposal of Land held for sale (Refer Note no. 15) and surplus land of Kot Lakhpat, if needed. There is no fix repayment schedule or tenure for

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

During the year and in past as well Privatization commission and Finance division have claimed additional principal and markup on the above loan liabilities, however, the BoD and the management do not agree with the additional liabilities claimed and the claim of GoP regarding the payment of interest is disputed (refer note 10.1.3,10.1.4 & 10.1.5) by the BoD and the management as there had never been any agreement in this regard. Further, the above loan liabilities were picked up by the GoP in order to provide public sector enterprises including PECO to give them clean slate on their liabilities so that they could be privatized and were provided without any specific request from these public sector enterprises, including PECO. In addition to the above, similar public sector entities which were provided similar reliefs by the GoP have never been asked to make any payments in respect of such reliefs. However, despite of this the BoD and the management of the Company is willing to repay the principal and in order to reconcile the principal and markup amounts with respect to GoP Loans, a committee was constituted as per the decision of Additional Finance Secretary in the meeting held in Government of Pakistan Finance Division (CF Wing), Islamabad. The committee includes representatives from Ministry of Finance, Ministry of Production, Privatization Commission and Board members from PECO. Several meetings have been taken place till date and in this regard a meeting of the committee was held on October 7, 2010 at Ministry of Finance (Finance Division) which was attended by representatives of Privatization Commission, Ministry of Production and PECO. The BoD and management of PECO agreed to repay all the outstanding principal, which the company is legally liable through disposal proceeds of Badami Bagh Land and surplus Land of Kot Lakhpat, if needed. However, the BoD and the management of the Company believes that they are not liable to pay any interest on these loans in the absence of any agreement. In the meeting held on 13 July 2015 in Privatization Commission, it was mutually agreed by all stakeholders to resolve the above issues at the earliest.

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

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

PAKISTAN ENGINEERING COMPANY LIMITED

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.

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

	2016	2015
	----- Rupees in '000 -----	
Loan for voluntary separation scheme (VSS) / Complusory 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

6.2.2 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. For the year ended June 30, 2016, no confirmation was provided by Privatization Commission, despite of sending reminders. 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 in fact 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 (refer note 10.1.3) million 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

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

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

	2016	2015
	----- Rupees in '000 -----	
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

6.2.4 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 (2015: 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. Inspite 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. 202.624 million (refer note 10.1.4) was received by the auditors from customs or Pakistan Railways or port Trust.

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

Bank loans taken over	**100,000**	100,000
	100,000	100,000

6.2.6 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 being a public sector entity was required to take-up only principal amount of the loan in its books. The legal adviser 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.

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

Loan for CSS	**309,000**	309,000
	309,000	309,000

6.2.8 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.

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

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

	2016	2015
	----- Rupees in '000 -----	
Interest bearing bonds	**655,138**	655,138
Interest free bonds	**132,304**	132,304
	787,442	787,442

6.2.10 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 there on, 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.

7. DEFERRED LIABILITIES - Net

Retirement benefit obligation	7.1	**8,097**	1,225
Deferred income tax liability-net	7.2	**125,565**	55,834
		133,662	57,059

7.1 Retirement benefit obligation

The Company operates unfunded gratuity for its employees. The schemes define the amounts of benefit that an employee will receive on or after retirement subject to a minimum qualifying period of service under the schemes. Actuarial valuation of these plans is carried out every year and the latest actuarial valuation was carried out as at June 30, 2016.

The latest actuarial valuation of the Fund as at June 30, 2016 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

7.1.1 Movement in (assets) / liablity

Opening balance	**1,225**	1,225
Charge for the year	**7,190**	5,500
Remeasurement recognised in other comprehensive income	**-**	-
Payment during the year	**(318)**	(5,500)
Closing balance	**8,097**	1,225

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

PAKISTAN ENGINEERING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

7.2 Deferred income tax liability-net

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the taxable entity and when there is an intention to settle the balances on net basis. The applicable tax rate for the purpose of computation of deferred taxation has been changed from 32% to 31% as a result of change is rate as approved by Finance Act 2016.

		2016	2015
		----- Rupees in '000 -----	
The offset amounts are as follows:			
Deferred tax liabilities	7.2.1	**188,974**	187,195
Deferred tax assets	7.2.2	**(63,409)**	(131,361)
Deferred tax liabilities (net)		**125,565**	55,834

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

7.2.1 Deferred tax liabilities in respect of taxable temporary differences:

	2016	2015
Accelerated Tax Depreciation Allowances	**28,467**	27,334
Surplus on revaluation of fixed assets	**160,507**	159,861
	188,974	187,195

7.2.2 Deferred tax assets in respect of deductible temporary differences:

	2016	2015
Provisions for doubtful and other balances	**(18,304)**	(16,304)
Provision for stores and spares	**(3,100)**	(3,200)
Minimum tax available for carry forward	**(42,005)**	(16,847)
Unabsorbed business losses	-	(95,010)
	(63,409)	(131,361)

8. TRADE AND OTHER PAYABLES

		2016	2015
Trade creditors		**629,243**	387,113
Accrued Liabilities		**42,337**	27,957
Advances		**6,658**	16,280
Payable to preference shareholders	8.1	**773**	773
Payable to State Engineering Corporation (Private) Limited (SEC) (an associated undertaking)		**151**	151
Sales Tax Payable		**47,814**	31,339
Workers' Profit Participation Fund	8.2	**52,454**	37,160
Workers' Welfare Fund		**7,984**	1,227
Unclaimed Dividend		**13,309**	13,310
Security deposits	8.3	**2,000**	2,000
Others		**10,119**	8,702
		812,842	526,012

8.1 The amount is payable to prefrence shareholders on account of principal amount due.

8.2 Reconciliation of Workers' Profit Participation Fund

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

		2016	2015
		----- Rupees in '000 -----	
Principal	8.2.1	**31,999**	18,380
Accumullated interest	8.2.2	**20,455**	18,780
		52,454	37,160
8.2.1 Movement in principal			
Opening balance		**18,380**	15,150
Add: Charge for the year	28	**17,781**	3,230
Less: Paid during the period		**(4,162)**	-
		31,999	18,380
8.2.2 Movement in accumulated interest			
Opening balance		**18,780**	16,964
Add: Interest on funds utilized for the company's business		**1,675**	1,816
		20,455	18,780

8.3 These represent security deposits from dealers which, by virtue of agreement are interest free and used in the company's business. These are repayable on cancellation of dealership contract with dealers.

9. SHORT TERM BORROWINGS - SECURED

		2016	2015
From NBP Bank under markup arrangements - Secured:			
Running Finance	9.1	**49,984**	20,000

9.1 The financing forms part of total credit facility available to the extent of Rs. 50.0 million (2015:Rs. 20.0 million). The loan carries markup @ 3 months KIBOR plus 2.50%. The credit facility of the Company will be expired on December 31, 2016. This is secured against first charge of Rs. 66.67 million over current and movable fixed assets [excluding land and building] of the company.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 Claims not acknowledged as debts in respect of various sub judice cases filed against the company for which the maximum possible liabilities could be approximately Rs. 2.912 million (2015: Rs. 2.912 Million).

10.1.2 Guarantees of Rs. 581.446 million (2015: Rs 380.01 million) issued by the banks and insurance companies to different parties on behalf of the company.

10.1.3 The Privatization Commission through its confirmation dated September 03, 2015 for the year ended June 30, 2015 has claimed additional loan liability amounting to Rs. 131.454 million and mark up amounting to Rs. 1,295.453 million (Ref: Note 6.2.2). The management of the company in the minutes of the meeting held on October 7, 2010 at Ministry of Finance to reconcile the principal and mark up amounts with respect to Govt. of Pakistan loans does 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.

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

10.1.4 The Finance Division vide its letter dated January 28, 2011 for the period ended December 2010 has claimed an amount of Rs. 202.624 million in respect of surcharge payable on Custom and Other Import duties (Ref: Note. 6.2.4) . 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.

10.1.5 The Finance Division vide its letter dated September 06, 2016, for the year ended June 30, 2016 has claimed an amount of Rs. 671.860 million in respect of additional principal liability and Rs. 2,342.781 million in respect of markup payable on remaining Government of Pakistan Loans (Ref: Note 6.2.5, 6.2.7 & 6.2.9). 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.

10.1.6 The Additional Commissioner Inland Revenue (ACIR) has passed an order under section 122 (5A) of the Income Tax Ordinance, 2001 for tax years 2009 and 2010 whereby a demand of Rs. 53.43 million (2015: Rs. 108.43 million) has been raised. No provision against the demand has been made in these financial statements as the Company is able to get refund of Rupees 55.00 million from Federal Board of Revenue in current financial year. The Appellate Tribunal Income Tax (ATIR) has passed an order under section 122 (5A) of Income Tax Ordinance, 2001, whereby brought forward losses of Rupees 170.644 million is allowed by ATIR. As on reporting date, appeal effect decision was pending before ACIR which will result in further refund of Rupees 53.43 million.

10.2 Commitments in respect of:

10.2.1 Letters of credit for machinery, raw material and store items amounting to Rs. Nil (2015: Nil.).

11. PROPERTY, PLANT AND EQUIPMENT

		2016	2015
		----- Rupees in '000 -----	
Operating fixed assets	11.1	**14,533,107**	8,570,860
Capital work in progress - at cost	11.2	**2,239**	2,528
Advances against capital assets	11.3	**29,159**	15,231
		14,564,505	8,588,619

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

PAKISTAN ENGINEERING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

11.1 Operating fixed assets

	Free hold land	Factory building- on free hold land	Plant and machinery	Office equipment	Computers	Furniture and Fixtures	Vehicles	Electric Equipment	Tools	Total
	----- (Rupees in '000) -----									
Net carrying value basis Year ended 30 June 2015										
Opening net book value (NBV)	7,906,000	331,093	370,023	1,978	2,778	3,381	4,976	6,615	920	8,627,764
Additions	-	-	5,663	125	229	-	1,095	-	425	7,537
Revaluation surplus	-	-	-	-	-	-	-	-	-	-
Disposal										
Cost	-	-	(30,099)	-	-	-	-	-	-	(30,099)
Accumulated depreciation	-	-	2,739	-	-	-	-	-	-	2,739
Written down value	-	-	(27,360)	-	-	-	-	-	-	(27,360)
Depreciation charge	-	(16,555)	(17,921)	(203)	(286)	(338)	(1,014)	(661)	(103)	(37,081)
Net book value (NBV)	7,906,000	314,538	330,405	1,900	2,721	3,043	5,057	5,954	1,242	8,570,860
Gross carrying value basis At 30 June 2015										
Cost / Revalued amount	7,906,000	354,815	371,447	8,068	7,385	9,775	22,540	15,523	6,552	8,702,105
Accumulated depreciation	-	(40,277)	(41,042)	(6,168)	(4,664)	(6,732)	(17,483)	(9,569)	(5,310)	(131,245)
Net book value (NBV)	7,906,000	314,538	330,405	1,900	2,721	3,043	5,057	5,954	1,242	8,570,860
Net carrying value basis Year ended 30 June 2016										
Opening net book value (NBV)	7,906,000	314,538	330,405	1,900	2,721	3,043	5,057	5,954	1,242	8,570,860
Additions	-	571	2,312	35	265	-	6,852	66	-	10,101
Revaluation surplus	5,929,500	12,684	49,426	-	-	-	-		-	5,991,610
Disposal										
Cost	-	-	(3,031)	-	-	-	(1,867)	-	-	(4,898)
Accumulated depreciation	-	-	448	-	-	-	1,580	-	-	2,028
Written down value	-	-	(2,583)	-	-	-	(287)	-	-	(2,870)
Depreciation charge	-	(15,804)	(17,309)	(193)	(285)	(304)	(1,978)	(597)	(124)	(36,594)
Closing net book value (NBV)	13,835,500	311,989	362,251	1,742	2,701	2,739	9,644	5,423	1,118	14,533,107
Gross carrying value basis At 30 June 2016										
Cost / Revalued amount	13,835,500	317,910	368,730	8,103	7,650	9,775	27,525	15,589	6,552	14,597,334
Accumulated depreciation	-	(5,921)	(6,479)	(6,361)	(4,949)	(7,036)	(17,881)	(10,166)	(5,434)	(64,227)
Net book value (NBV)	13,835,500	311,989	362,251	1,742	2,701	2,739	9,644	5,423	1,118	14,533,107
Annual Rate of Depreciation	-	5%	5%	10%	10%	10%	20%	10%	10%	

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

		2016	2015
		----- Rupees in '000 -----	
11.1.1 Depreciation for the year has been allocated as under:			
Cost of sales	24	**33,834**	35,240
Administrative expenses	27	**2,760**	1,841
		36,594	37,081

Depreciation charge is inclusive of incremental depreciation due to revaluation.

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

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

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

	2016	2015
Free hold land	**753**	753
Factory building on free hold land	**30,488**	31,326
Plant and machinery	**111,025**	113,532
	142,266	145,611

11.1.5 Details of assets disposed off during the year are as follows;

Description	Cost	Accumulated depreciation	Net book value	Sale Proceeds	Gain	Mode of sale	Particular of buyers
	---------------- (Rupees in '000) ----------------						
Assets whose carrying amount is Rs. 50,000 or above.							
VEHICLES							
Honda - Civic	950	750	200	780	580	Negotiation	Khurram Butt
Suzuki - Cultus	590	530	60	410	350	Negotiation	Raheel Ahmed
Suzuki - Mehran	327	300	27	310	283	Negotiation	Muhammad Aqib Zahoor
PLANT AND MACHINERY							
Piller Drill	68	10	58	96	38	Negotiation	Raheel Ahmed
Spot Welding Machine	62	9	53	87	34	Negotiation	Raheel Ahmed
Tube Bending Machine	401	56	344	568	224	Negotiation	Raheel Ahmed
Bench Lathe	234	33	201	332	131	Negotiation	Raheel Ahmed
G.P.Lathe	234	33	201	332	131	Negotiation	Raheel Ahmed

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Description	Cost	Accumulated depreciation	Net book value	Sale Proceeds	Gain	Mode of sale	Particular of buyers
	-------------- (Rupees in '000) --------------						
Radial Drill	62	9	54	89	35	Negotiation	Raheel Ahmed
Lathe	156	22	134	222	87	Negotiation	Raheel Ahmed
Hudraulic Press 15 Ton	505	71	434	716	282	Negotiation	Raheel Ahmed
Band Saw Mechine	208	29	179	295	116	Negotiation	Raheel Ahmed
Wood Planner Machine	83	12	72	118	47	Negotiation	Raheel Ahmed
Head Lathe	156	22	134	222	87	Negotiation	Raheel Ahmed
Assets whose carrying amount is less than Rs. 50,000	860	142	718	1,219	502	Negotiation	Raheel Ahmed
	4,898	2,028	2,870	5,798	2,928		

		2016	2015
		----- Rupees in '000 -----	
11.2 Capital Work in Progress - at cost:			
Civil works		**2,239**	2,404
Plant and machinery		**-**	124
		2,239	2,528
11.2.1 Movement in capital work in progress:			
Opening balance		**2,528**	2,239
Addition		**406**	289
Capitalized		**(695)**	-
Expensed out		**-**	-
Closing balance		**2,239**	2,528
11.3 Advances against capital assets			
Against vehicles		**4,745**	6,147
Against plant and machinery		**24,313**	8,983
Against ERP software		**101**	101
		29,159	15,231

11.3 This represents the advances given to Indus Motors for purchase vehicles, SME Engineering and Mintin Corporation for purchase of Galvanizing Kettle and CNC parts and Scarlet IT Systems (Pvt.) Limited for the installation of ERP software respectively.

12. INVESTMENT PROPERTY			
Opening net book value	12.1	**642**	676
Additions		**-**	-
Depreciation charged for the year		**32**	34
Closing net book value		**610**	642
Depreciation rate		**5%**	5%

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

		2016	2015
		----- (Rupees in '000) -----	
12.1 Cost		**959**	959
Accumulated depreciation		**349**	317
Net book value		**610**	642

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

12.3 Fair value of investment property, based on valuation carried out by an independent valuer as at March 17, 2016 is Rupees 18.780 million.

13. LONG TERM INVESTMENT

		2016	2015
Held to maturity:			
Term deposit in Standard Chartered Bank Limited		**725**	704

13.1 These will mature in June 2019 and carry interest @ 5.3% (2015: 6%) per annum.

14. LONG TERM DEPOSITS

		2016	2015
Long term deposits		**3,550**	2,338
Less: Provision against doubtful deposits	14.1	**1,718**	1,718
		1,832	620

		2016	2015
14.1 Movement in provision is as follows:			
Opening balance		**1,718**	1,718
Adjusted		**-**	-
Provided for the year		**-**	-
Closing balance		**1,718**	1,718

14.2 The long term deposits other than those agaisnt which provision has been made are considered good by the management.

	2016	2015
15. FREE HOLD LAND - HELD FOR SALE	**314,724**	314,724

This represents land of 263 kanals and 3 marlas of Badami Bagh Works which has been closed down. The fair value of land, based on valuation carried out by an independent valuer is estimated at Rs. 4,605.133 million (2015: Rs. 2,894.655 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. 6.2). 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

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 most recent and past 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 though 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.

		2016	2015
		----- Rupees in '000 -----	
16. STORES, SPARES AND LOOSE TOOLS			
Stores		**23,289**	23,563
Spares parts		**83,412**	93,596
Loose Tools		**24,570**	24,613
		131,271	141,772
Less: Provision for slow moving stores		**(10,000)**	(10,000)
		121,271	131,772

16.1 Stores and spares include items which are of capital nature but are not distinguished.

17. STOCK IN TRADE

		2016	2015
Raw material		**152,989**	96,997
Work in process		**83,578**	160,886
Finished goods		**20,246**	153,548
		256,813	411,431

17.1 Stock in trade amounting to Rs. 1.59 million related to finished goods and Rs. 4.89 million related to work in process are valued at net realizable value.

18. TRADE DEBTS - UN SECURED

		2016	2015
Associated undertaking	18.2	**273**	1,571
WAPDA, AJK and Telecommunication Companies		**1,121,139**	379,014
Others	18.3	**41,740**	43,780
		1,163,152	424,365

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

		2016	2015
		----- (Rupees in '000) -----	
Less: Provision for bad and doubtful debts	18.4		
WAPDA		**12,677**	12,677
Others		**30,535**	30,535
		43,212	43,212
		1,119,940	381,153

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

18.2 Maximum amount due from associated undertakings at the end of any month was of Rs. 1.571 million (2015: Rs. 1.571 million). Further, balance outstanding from associated undertaking is more than 360 days over due.

18.3 Trade debtors include an amount of Rs. 7.617 million (2015: 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.

18.4 Movement in provision is s follows:

	2016	2015
Opening balance	**43,212**	43,212
Add: Provision for doubtful debts	**-**	-
Closing Balance	**43,212**	43,212

18.5 The ageing analysis of these trade debts is as follows:

	30 June 2016		30 June 2015	
	Gross	**Impairment**	Gross	Impairment
	(Rupees in '000)			
The aging of trade debts at the reporting date was:				
Not yet due	**587,354**	-	303,596	-
Past due 1-30 days	**435,164**	-	7,078	-
Past due 31-60 days	**47,165**	-	6	-
Past due 61-90 days	**2,112**	-	16,637	-
Over 90 days	**91,357**	**43,212**	97,048	43,212
	1,163,152	**43,212**	424,365	43,212

		2016	2015
		----- (Rupees in '000) -----	
19. ADVANCES			
Considered good			
- Employees - Secured		**622**	1,529
- Suppliers	19.2	**6,065**	7,084
		6,687	8,613

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

Mairaj Anees Ariff
Chief Exective Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

		2016	2015
		----- (Rupees in '000) -----	
19.2 Suppliers			
Suppliers as at closing date		**8,889**	9,908
Less: Provision for doubtful balances		**2,824**	2,824
		6,065	7,084
20. TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Trade deposits - Considered good	20.1	**565**	565
Margin against bank guarantee - Considered good	20.2	**21,159**	22,124
Short term prepayments & other receivables		**4,157**	4,688
		25,881	27,377
20.1 Balance as on Closing date		**3,697**	3,697
Less: Provision against doubtful balances	20.1.1	**3,132**	3,132
		565	**565**
20.1.1 *Movement in provision is as follows:*			
Opening balance		**3,132**	3,132
Less: Adjustment		**-**	-
Add: Provision for doubtful balances		**-**	-
Closing Balance		**3,132**	3,132
20.2 Balance as on Closing date		**21,220**	22,185
Less: Provision against doubtful balances		**61**	61
		21,159	22,124

21. ADVANCE INCOME TAX

Against the refund of tax year 2015 a sum of Rs. 5.760 million has been got adjusted against the tax year 2017. Net refundable amount of advance tax for the tax year 2016 is now amounting to Rs. 131.190 million.

22. CASH AND BANK BALANCES

		2016	2015
Cash in hand		**3,593**	327
Cash with banks:			
- Current accounts	22.1	**17,856**	21,909
- Deposit accounts		**455**	232
- Escrow account		**32**	32
		18,343	22,173
		21,936	22,500

22.1 The company is maintaining saving account with different banks with interest on the daily product basis which was carrying interest @ 5% to 6%. (2015 : 6% to 7%).

22.2 All bank accounts are maintained under conventional banking system.

Mairaj Anees Ariff
Chief Exective Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

		2016	2015
		----- (Rupees in '000) -----	
23. SALES - Net			
Sales - Local		**2,726,256**	1,085,635
Less: Sales tax		**397,180**	162,374
		2,329,076	923,261
24. COST OF SALES			
Raw material consumed	24.1	**1,232,487**	654,540
Stores and spares consumed		**185,623**	120,359
Salaries and wages (including all benefits)	24.2	**86,187**	68,772
Fuel and power		**37,363**	25,606
Traveling and conveyance		**917**	704
Postage, telegram and telephone		**662**	480
Printing, stationery and office Supplies		**567**	677
Inspection fee		**8,691**	2,858
Processing charges		**44,923**	3,616
Service charges		**4,491**	4,803
Rent, rates and taxes		**1,965**	1,843
Repair and maintenance		**1,561**	1,035
Insurance		**1,029**	985
Vehicle running expenses		**2,644**	2,877
Other expenses		**3,080**	2,545
Depreciation	11.1.1	**33,834**	35,240
		413,537	272,400
		1,646,024	926,940
Opening stock of work-in-process		**160,886**	87,494
Closing stock of work-in-process		**(83,578)**	(160,886)
		77,308	(73,392)
Cost of goods manufactured		**1,723,332**	853,548
Opening stock of finished goods		**153,548**	81,391
Closing stock of finished goods		**(20,246)**	(153,548)
		133,302	(72,157)
		1,856,634	781,391
24.1 Raw material consumed			
Opening stock		**96,997**	153,453
Add: purchases		**1,288,479**	598,084
		1,385,476	751,537
Less: closing stock		**152,989**	96,997
		1,232,487	654,540

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

PAKISTAN ENGINEERING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

24.2 This includes amount paid to contractor for wages of workers on contract. This also includes retirement benefits amounting to Rs. 5.083 million (2015: Rs. 3.959 million).

		2016	2015
		----- (Rupees in '000) -----	
25. SELLING AND DISTRIBUTION EXPENSES			
Salaries and wages (including all benefits)	25.1	**3,409**	2,895
Insurance		**2,113**	-
Traveling and conveyance		**947**	522
Entertainment		**289**	221
Repair and maintenance		**19**	32
Postage, telegrams and telephone		**114**	154
Vehicle running expenses		**267**	275
Printing, stationery and office supplies		**70**	61
Rent, rates and taxes		**270**	346
Publishing of tender and sales promotion		**415**	740
Miscellaneous		**227**	228
		8,140	5,474

25.1 Includes Rs. 0.204 million (2015: Rs. 0.113 million) in respect of staff retirement benefits.

		2016	2015
26. FREIGHT AND FORWARDING EXPENSES			
Freight and forwarding expenses		**18,092**	10,504
27. ADMINISTRATIVE EXPENSES			
Salaries and wages (including all benefits)	27.1	**29,450**	24,808
Traveling and conveyance		**1,675**	2,305
Entertainment		**1,104**	1,217
Legal and professional		**1,854**	2,475
Rent, rates, and taxes		**1,514**	1,230
Fuel, gas and electricity		**1,980**	1,986
Repair and maintenance		**1,679**	723
Postage, telegrams and telephone		**965**	971
Printing, stationery and office supplies		**2,254**	2,078
Advertisement		**248**	467
Training		**-**	115
Insurance		**495**	443
Vehicle running expenses		**3,416**	3,309
Miscellaneous		**8,268**	7,371
Depreciation	11.1.1	**2,760**	1,841
		57,662	51,339

27.1 Includes Rs. 1.836 million (2015: Rs. 1.437 million) in respect of staff retirement benefits.

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		----- (Rupees in '000) -----	
28. OTHER OPERATING CHARGES			
Auditors' remuneration	28.1	**625**	600
Tax consultancy fee		**240**	236
Workers' profit participation fund	8.2.1	**17,781**	3,230
Workers' welfare fund		**6,757**	1,227
Balances written off		**789**	-
Trade debts written off		**20,508**	-
Depreciation on investment property	12.	**32**	34
Other		**25**	-
		46,757	5,327
28.1 Auditors' remuneration			
Audit fee		**525**	500
Half yearly review fee		**75**	75
Review of compliance with code of corporate governance		**25**	25
		625	600
29. FINANCE COSTS			
Banks and financial institutions			
Mark - up on short term borrowings		**2,209**	3,060
Mark - up on long term borrowings		**7,116**	9,857
Bank charges and commission	29.1	**4,362**	2,787
		13,687	15,704
Interest on workers' profit participation fund		**1,675**	1,816
		15,362	17,520

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

	2016	2015
30. OTHER OPERATING INCOME		
Income from Financial Assets		
Interest / profit		
-on deposits with banks	**115**	659
-on investments	**21**	41
Income from Non - Financial Assets		
Miscellaneous income	**386**	4,142
Rental income	**1,202**	2,354
Gain on sale of property, plant and equipment	**2,928**	4,682
	4,516	11,178
	4,652	11,878

Mairaj Anees Ariff
Chief Exceutive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	----- (Rupees in '000) -----	
31. TAXATION		
Current		
for the year	**54,867**	9,553
for prior years	**1,256**	-
Deferred		
Origination and reversal of temporary differences	**57,217**	14,177
Impact of change in tax rate	**(1,745)**	(5,418)
	111,595	18,312

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

31.2 Company's income tax assessment has been finalized up to 2015.

	2016	2015
32. BASIC AND DILUTED EARNING PER SHARE		
Basic		
Profit after taxation (rupees in '000)	**219,486**	45,272
Weighted average number of Ordinary shares (No. in '000) out standing during the year	**5,690**	5,690
Earning per share (rupees)	**38.57**	7.96

There is no dillutive effect on the basic earnings per share of the company.

	2016	2015
33. CASH GENERATED FROM OPERATIONS		
Profit before taxation	**331,081**	63,584
Adjustments for:		
Depreciation	**36,626**	37,115
Financial charges	**13,687**	15,704
Interest on workers' profit participation fund	**1,675**	1,816
Interest income on bank deposit	**(21)**	(41)
Provision for gratuity	**7,190**	5,500
Provision for WPPF	**17,781**	3,230
Provision for WWF	**6,757**	1,227
Gain on sale of property, plant & equipment	**(2,928)**	(4,682)
	80,767	59,869
Profit before working capital changes	**411,848**	123,453

Mairaj Anees Ariff
Chief Exceutive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	----- Rupees in '000 -----	
Movements in working capital		
Decrease / (Increase) in current assets:		
Stores, spares and loose tools	**10,501**	5,945
Stock in trade	**154,618**	(89,093)
Trade debts	**(738,787)**	(228,476)
Advances	**1,926**	(3,766)
Trade deposits, prepayments and other receivables	**1,496**	1,989
Increase / (Decrease) in current liabilities:		
Trade and other payables	**264,780**	258,949
	(305,466)	(54,452)
Cash generated from operations	**106,382**	69,001

34. 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:

	Note	2016	2015
State Engineering Corporation			
- Outstanding SEC service charges paid		**1,500**	1,500
- Reimbursement expenses payable		**151**	151
- Reimbursement of expenses		**-**	192
Pakistan Machine Tool Factory			
- Receivable at the end of the year	34.1	**273**	1,571

34.1 Maximum amount due from the associated undertakings at the end of any month was of Rs. 1.571 million (2015: Rs. 1.571 million).

34.2 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.

35. OPERATING SEGMENT

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

35.1 Information about products and services

-Revenue from sales of electricity transmission and communication towers represents 98.97% (2015: 90.08%) of total sales.

35.2 Information about geographical areas

-Company as at June 30, 2016 are located in Pakistan.
-100% (2015: 100%) of the gross sales of the Company are made to customers located in Pakistan.

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

35.3 Information about major customers

-The company's most significant customers are electric supply companies.

-Electric supply companies (HESCO, SEPCO, QESCO and IESCO), electricity transmission company (NTDCL) and tower erection and installation company (NATRACON) accounts for more than 98.97% of the gross sales of the company for the year.

36. FINANCIAL RISK MANAGEMENT

36.1 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.

36.2 Financial assets and liabilities by category and their respective maturities

	June 30, 2016		June 30, 2015	
	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	-	725	-	704
Long term security deposits - net of impairment	-	1,832		620
Trade debts - net of impairment	1,119,940	-	381,153	-
Advances	622	-	1,529	-
Trade deposits	21,724	-	22,689	-
Cash and bank balances	21,936	-	22,500	-
Total	1,164,222	2,557	427,871	1,324

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016		June 30, 2015	
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year
	---------- (Rupees in '000) ----------			
FINANCIAL LIABILITIES				
Government of Pakistan Loans	-	1,790,848	-	1,790,848
Long term borrowing	19,503	48,753	19,503	68,256
Short term borrowing	49,984	-	20,000	-
Trade and other payables	806,184	-	527,237	-
Accrued mark-up	2,541	-	3,099	-
Total	878,212	1,839,601	569,839	1,859,104
On balance sheet date gap	286,010	(1,837,044)	(141,968)	(1,857,780)
OFF - BALANCE SHEET ITEMS				
Letter of guarantees	**581,446**		380,010	

36.2.1 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.

36.3 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. 6 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.

36.4 Financial Risk Factors

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

-Credit Risk-

-Liquidity Risk

-Market Risk

36.4.1 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.

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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:

	2016	2015
	----- (Rupees in '000) -----	
Long term investments	**725**	704
Long term security deposits - net of impairment	**1,832**	620
Trade debts - net of impairment	**1,119,940**	381,153
Advances	**622**	1,529
Trade deposits	**21,724**	22,689
Bank balances	**18,343**	22,173
	1,163,186	428,868

The company's most significant amount receivable is from SEPCO, IESCO and NTDCL 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.

	June 30, 2016		June 30, 2015	
	Gross	**Impairment**	Gross	Impairment
	---------- (Rupees in '000) ----------			
The aging of trade debts at the reporting date was:				
Not yet due	**587,354**	-	303,596	-
Past due 1-30 days	**435,164**	-	7,078	-
Past due 31-60 days	**47,165**	-	6	-
Past due 61-90 days	**2,112**	-	16,637	-
Over 90 days	**91,357**	**43,212**	97,048	43,212
	1,163,152	**43,212**	424,365	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.

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

36.4.2 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:

	-------------- (Rupees in '000) --------------		
Non - derivative financial liabilities	**Up to 1 year**	**1 to 5 years**	**Total**
Government of Pakistan	-	**1,790,848**	**1,790,848**
Long term borrowing	**19,503**	**48,753**	**68,256**
Short term borrowing	**49,984**	-	**49,984**
Trade and other payables	**806,184**	-	**806,184**
Accrued mark-up	**2,541**	-	**2,540**
June 30, 2016	**878,212**	**1,839,601**	**2,717,812**

Non - derivative financial liabilities	**Up to 1 year**	**1 to 5 years**	**Total**
Government of Pakistan	-	1,790,848	1,790,848
Long term borrowing	19,503	68,256	87,759
Short term borrowing	20,000	-	20,000
Trade and other payables	527,237	-	527,237
Accrued mark-up	3,099	-	3,099
June 30, 2015	569,839	1,859,104	2,428,943

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at June 30, 2016. 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.

36.4.3 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 expose to currency risk as the company does not maintain bank accounts in foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

b) Interest Risk

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

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

As at June 30, 2016, if interest rates on company's bank borrowings had been 1% higher / lower the markup expenses would have been higher / lower by Rs. 1.317 million (2015: Rs. 0.55 million).

37. CAPITAL RISK MANAGEMENT

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

The company's objectives when managing capital are:

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

(ii) to provide an adequate return to shareholders.

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

	2016	2015
	----- (Rupees in '000) -----	
The gearing ratio as at June 30, is as follows:		
Debt	**1,909,088**	1,898,607
Equity	**(858,708)**	(1,098,457)
Total equity and debt	**1,050,380**	800,150
Gearing Ratio	**181.75%**	237.28%

38. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	2016		2015	
	Chief Executive	**Executives**	Chief Executive	Executives
	---------- (Rupees in '000) ----------			
Remuneration	**3,888**	**16,823**	4,134	12,635
Reimbursment of expenses	**722**	**-**	679	-
Perquisites	**-**	**1,249**	-	1,048
	4,610	**18,072**	4,813	13,683
Number of persons	**1**	**17**	1	14

38.1 Chief executive's remuneration includes remuneration of a chief executive who left during the year.

38.2 In addition to above remunerations 8 directors (2015: 8 directors) were paid aggregate remuneration of Rs. Nil (2015: Rs. Nil).

38.3 Aggregate amount charged in the accounts for 08 directors for Meeting fees were Rs. 0.048 million (2015: Rs. 0.073 million) and reimbursable expenses were Rs. 3.560 million (2015: Rs. 3.308 million) for meetings of Board of Directors and sub committees of Board of Directors.

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

39. AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been authorized for issue on September 29, 2016 by the Board of Directors of the company.

40. PLANT CAPACITY AND ACTUAL PRODUCTION

		Capacity		Actual Production	
	U/M	**Installed**	**Assessed**	**2016**	2015
Pumps / turbines	**No.**	3,400	3,400	49	54
Electric motors	**No.**	16,500	6,500	22	9
Rolled material	**Tons**	80,000	30,000	-	-
Foundry	**Tons**	4,000	4,000	59	-
Steel fabrications (STR)	**Tons**	20,000	20,000	14,504	6,472
Concrete Mixture	**No.**	350	350	-	-

40.1 The main reason for production below capacity is due to energy crisis.

41. NUMBER OF EMPLOYEES

	2016	2015
	------ Numbers ------	
Total number of employees as at June 30, 2016 were;		
Contractual employees	**66**	62
Contractor	**389**	354
	455	416
Average number of employees during the year	**436**	424

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

42. CORRESPONDING FIGURES

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

Reclassification from component	**Reclassification to component**	**----- (Rupees in '000) -----**
Trade creditors	Accrued liablilities	1,745
Advances to suppliers	Advances against capital assets	583
Capital work in progress - Software	Advances against capital assets	101
Capital work in progress - Plant and machinery	Capital work in progress - Civil works	165
Trade and other payables	Deferred liabilities	
- Gratuity payables	- Gratuity payables	206
- Others	- Gratuity payables	1,019

43. GENERAL

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

Mairaj Anees Ariff
Chief Exectuive Officer

Muhammad Iqbal
Director

PATTERN OF SHAREHOLDING

Incorporation No. 0000348

Shareholders	From	To	Total Shares
1,490	1	100	40, 476
555	101	500	131,504
136	501	1,000	95,425
106	1,001	5,000	208,844
21	5,001	10,000	144,774
4	10,001	15,000	42,389
5	15,001	20,000	94,400
2	20,001	25,000	45,415
3	25,001	30,000	85,800
2	30,001	45,000	80,000
3	35,001	40,000	143,100
1	40,001	50,000	43,776
4	65,001	70,000	325,535
2	105,001	140,000	264,030
1	125,001	130,000	165,254
1	450,001	460,000	452,700
1	505,001	510,000	510,000
1	1,400,001	1,405,000	1,401,100
1	1,415,001	1,420,000	1,415,723
2,339			**5,690,245**

Categories of Shareholders

As at June 30, 2016

Category	Number of shares held	Holding %
Director Chief Executive Officer their spouse and minor children	8,727	0.15
Executives	0	0.00
Associated Companies, Undertaking and Related Parties	1,415,723	24.88
ICP (including IDBP)	131,330	2.31
Bank, Development Financial Institutions and Non Banking Financial Institutions	140,606	2.47
Insurance Companies	229,030	4.02
Public Sector Companies and Corporations	0	0.00
Joint Stock Companies	601, 118	10.56
Share holders holding 5% or more of total capital	3,779, 523	66.42
General Public		
a. Local	1,716,230	30.16
b. Foregin	2,580	0.05
Others:		
Investment Companies (excluding ICP)	6,510	0.11
Private Limited Companies	1,401,100	24.62
Cooperative Societies	6,145	0.11
Trusts	30,414	0.53
Associations	132	0.00
The Custodian of Enemy Property	390	0.01
Miscs.	210	0.00

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2016

ADDITIONAL INFORMATION	% Age	Shares Held
ASSOCIATED COMPANIES, UNDERTAKINGS & RELATED PARTIES		
State Engineering Corporation Ltd.	24.88	1,415,723
ICP (including units held with IDBP)	2.31	131,330
DIRECTORS, CEO, THEIR SPOUSES AND MINOR CHILDREN		
Syed Kaukab Mohyuddin	-	Govt. Nominee
Mr. Mairaj Anees Ariff	-	Govt. Nominee
Mr. Arif Ibrahim	-	Govt. Nominee
Mr. Muhammad Arif Habib	0.02	1,000
Mr. Liaqat Mohammad	0.07	3,700
Mr. Rashid Ali Khan	0.02	1,000
Mr. Muhammad Iqbal	0.02	1,027
Miraz Mahmood Ahmad	0.02	1,000
Mr. Ansar Javed	0.02	1,000
PUBLIC SECTOR COMPANIES AND CORPORATIONS		Nil
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARBAS AND MUTUAL FUNDS		
National Bank of Pakistan Trustees Department	2.38	135,292
Habib Bank Limited	0.00	25
United Bank Limited	0.09	5,259
Bank of Bahawalpur Limited	0.00	30
IDBP (ICP Units)	2.26	128,790
Pakistan Insurance Corporation	0.77	43,776
State Life Insurance Corporation Limited	2.90	165,254
Gulf Insurance Company Limited	0.35	20,000
SHARES HELD BY THE GENERAL PUBLIC	30.21	1,718,810
SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL		
State Engineering Corporation Limited	24.88	1,415,723
Rotocast Engineering Company (Private) Limited	24.62	1,401,100
Mr. Ahmad Masood Khan	8.96	510,000
Maha Securities (Private) Limited	7.96	452,700
HOLDING OF CDC	62.01	3,528,576

During the financial year, the trading in shares of the Company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children was NIL.

PAKISTAN ENGINEERING COMPANY LIMITED


www.jamapunji.pk
Jama Punji
سرمایہ کاری سمجھداری کے ساتھ
Be aware, Be alert, Be safe
Learn about investing at www.jamapunji.pk
Key features:
Licensed Entities Verification
Scam meter*
Jamapunji games*
Tax credit calculator*
Company Verification
Insurance & Investment Checklist
FAQs Answered
Stock trading simulator (based on live feed from KSE)
Knowledge center
Risk profiler*
Financial calculator
Subscription to Alerts (event notifications, corporate and regulatory actions)
Jamapunji application for mobile device
Online Quizzes
jamapunji.pk
@jamapunji_pk
*Mobile apps are also available for download for android and ios devices
Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan
SECP

FORM OF PROXY

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

I/We____________________ of ____________________

____________________ being member (s) of Pakistan Engineering Company Ltd. and

holder of________________ ordinary shares as per Share Register Folio No. __________

(in case of Central Depository System Account No. ____________________)

hereby appoint Mr./ Ms.____________________ of ____________________

(or failing him / her) Mr./Ms.____________________of ____________________

as a proxy of vote on my / our behalf at the Annual General Meeting of the Company to be held on Monday, October 31, 2016 at 11:00 a.m. at Hotel Ambassador, 7-Davis Road, Lahore.

Signed this________________ day of________________ 2016.

WITNESS

Signature____________________

Name ____________________

Address ____________________________________

Signature

Please affix Rupees five Revenue Stamp

Note:

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

تشکیلِ نیابت داری

میں/ہم ____

ساکن ____________________ بحیثیت پاکستان انجینئرنگ کمپنی لمیٹڈ ____________________ کے

رکن وحامل ____________________ عام حصص بمطابق شیئر رجسٹرڈ فولیو نمبر ____________________

اور/یا سی ڈی سی کے شراکتی آئی ڈی نمبر ____________________ اور ذیلی کھاتہ نمبر ____________________

محترم / محترمہ ____________________ ساکن ____________________

یا بصورتِ دیگر محترم / محترمہ ____________________ ساکن ____________________

کو اپنی جگہ بروز پیر مورخہ 31 اکتوبر، 2016 بوقت 11:00 بجے صبح بمقام امبسڈر ہوٹل 7 ڈیوس روڈ، لاہور میں منعقد ہونے والے سالانہ اجلاس عام میں رائے دہندگی کے لیے اپنا نمائندہ مقرر کرتا / کرتی ہوں۔

گواہ:

1 دستخط ____________________

نام ____________________

پتہ ____________________

سی این آئی سی یا پاسپورٹ نمبر ____________________

2 دستخط ____________________

نام ____________________

پتہ ____________________

سی این آئی سی یا پاسپورٹ نمبر ____________________

پانچ روپے والی ریونیو ٹکٹ چسپاں کریں۔

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

____
دستخط

نوٹ: ا وہ ممبر جو اجلاس میں شرکت اور ووٹ ڈالنے کا حق رکھتے ہیں، وہ کسی بھی دوسرے شخص کو اجلاس میں شرکت اور ووٹ ڈالنے کیلئے نیابت دار مقرر کر سکتے ہیں کارپوریٹ ادراہ جو کمپنی کا ممبر ہے کسی بھی شخص کو بورڈ آف ڈائریکٹرز کی اجازت سے نیابت دار مقرر کر سکتا ہے۔

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

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

PAKISTAN ENGINEERING COMPANY LIMITED

MINUTES OF THE 66th ANNUAL GENERAL MEETING
HELD ON WEDNESDAY, SEPTEMBER 30, 2015 AT 11:00 A.M.
AT HOTEL AMBASSADOR, LAHORE

Mr. Liaqat Mohammad, Director of the Company was elected by the shareholders to act as Chairman for the meeting. The meeting commenced with recitation from the Holy Quran by Qari Muhammad Abdullah.

The Company Secretary, Mian Anwar Aziz welcomed the shareholders and introduced the representatives of M/s Tariq Abdul Ghani Maqbool & Company, Chartered Accountants, General Manager Works, Colonel Amir Raza (R) and Mr. Naeem Anwar Qureshi, General Manager Internal Audit, present in the meeting.

Items of the agenda were then taken up

AGENDA ITEMS	MINUTES
1. To confirm the minutes of 27th Extra Ordinary General Meeting of the Company Held on Monday, April 06, 2015.	The minutes of 27th Extra Ordinary General Meeting held on Monday, April 06, 2015 were circulated with the Notice of 66th Annual General meeting to all the shareholders. The minutes were unanimously confirmed and signed by the Chairman.
2. To receive consider and adopt the Audited Accounts of the Company for the year ended June 30, 2015 together with the Auditors' and Directors' reports thereon.	The chairman presented the audited accounts of the Company for the year ended June 30, 2015 together with the Auditors' Report and Directors' Report to the members. The Directors' Report was taken as read. The Chairman of the meeting, Mr. Liaqat Mohammad, briefly explained that the Company has performed very well during the year ended on 30.06.2015. The Board and Management has made efforts to improve production, sales, orders in hand position and reduce expenses. The outcome of these efforts was encouraging and the Company showed reasonable profit, after a period of four years. It was explained that during the year 2014-15, the management directed all its efforts to improve the financial and operational position of the Company. During the year, performance was relatively much better due to effective procurement of raw material, getting orders at good margin, better energy management and procurement of some important machines/equipment. It was further explained that the Board and the management is looking forward for profitable years in the time to come. The chairman hoped that the next year's results will be better in terms of production, sales and profitability. The Chairman further explained that as against last years' sale of Rs. 222 million, the Company achieved sales of Rs. 923 million which was 316% higher. Gross Profit of the Company during the year under review was Rs. 142 million as compared to gross loss of Rs. 58 million during the year 2014. The profit before tax during the period under review was Rs. 64 million against previous year loss of Rs. 124 million.The chairman explained that earning per share of the Company during the year under review was Rs. 7.96 as compared to loss per share of Rs. 11.71 during last year, depicting an increase of Rs. 19.67 per share. After this brief question answer session the accounts together with the Auditors' and Directors' Report thereon for the year ended on June 30, 2015 were approved by the shareholders.
3. To appoint auditors for the year ending June 30, 2016 and to fix their remuneration. The present Auditors M/s Tariq Abdul Ghani Maqbool & Company, Chartered Accountants, being eligible for reappointment have offered themselves for reappointment. The Board of Directors, on recommendations of the Audit Committee, has proposed appointment of M/s. Tariq Abdul Ghani Maqbool & Company, Chartered Accountants as auditors of the company, for the year 2015-16.	The shareholders unanimously approved the appoinement of M/s. Tariq Abdul Ghani Maqbool & Company, Chartered Accountants, as auditors for the year ending on June 30, 2016 at a remuneration of Rs. 500,000/- plus out of pocket expenses of Rs. 25,000/- and fee for Review Report on Compliance of Code of Corporate Governance Rs. 25,000/-. Half year review fee of Rs. 75,000/- was also approved by the shareholders.

There being no other items on the Agenda, the meeting was concluded with thanks to the Chair.

Minutes Confirmed

(CHAIRMAN)