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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)
Syed Kaukab Mohyuddin
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.

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 and Distribution Line Towers.
(11, 132, 220 and 500 Kv)
- Telecommunication Towers (Green Field and Roof Top)

- **Pumps & Turbines**

PECO produces Mono Block and Non Clogging Pumps, Multi Stage Centrifugal Pumps, Deep Well and 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 and 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 and S.G. Iron Castings.
- Bronze Castings.
- Aluminum Alloy Castings.

- **Rolled Products**

- Angles
- Plain Bars
- Deformed Bars (Grade 60 and 40)

Vision Statement

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

Mission Statement

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

Corporate Strategy

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

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

Quality Policy

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



OUR VALUES

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

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

FINANCIAL HIGHLIGHTS

Rupees. in million

	2017	2016	2015	2014	2013	2012
Trading Results						
Sales – Net	1,353.17	2,329.08	923.26	222.32	385.77	522.87
Cost of Sales	1,187.00	1,856.63	781.39	280.44	464.93	593.41
Gross Profit/(Loss)	166.17	472.45	141.87	(58.12)	(79.16)	(70.54)
Admin, Gen. & Selling Expenses	105.46	83.89	67.32	53.63	53.71	57.13
Other Operating Charges	6.44	46.76	5.33	0.87	0.81	12.47
Other Operating Income	23.33	4.65	11.88	5.21	6.67	13.69
Operating Profit/(Loss)	77.60	346.45	81.10	(107.41)	(127.01)	(126.45)
Financial Charges	17.07	15.36	17.52	16.95	26.48	25.75
Workers Profit Participation fund	3.30	17.78	3.23	-	-	-
Profit/(Loss) before Tax	60.53	331.09	63.58	(124.36)	(153.49)	(152.20)
Net Profit/(Loss) after Tax	66.74	219.49	45.27	(66.61)	(83.11)	(99.91)
Dividend						
Cash Dividend	-	-	-	-	-	-
Dividend Per Share (Rs.)	-	-	-	-	-	-
Financial Position						
Property, Plant and Equipment	14,555.17	14,564.50	8,588.62	8,630.10	8,663.36	4,884.46
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	37.50	23.74	22.37	6.98	23.19	17.17
Key Indicators						
Gross Profit/(Loss) Ratio	12.28	20.28	15.37	(26.14)	(20.52)	(13.49)
Operating Profit/(Loss) Ratio	5.73	14.88	8.78	(48.31)	(32.92)	(24.18)
Operation Expenses Ratio	7.79	3.60	7.29	24.12	13.92	10.93
Profit/(Loss) Before Tax Ratio	4.47	14.22	6.89	(55.94)	(39.79)	(29.11)
Net Profit/(Loss) Ratio	4.93	9.42	4.90	(29.96)	(21.54)	(19.11)
Earning Per Share	11.73	38.57	7.96	(11.71)	(14.61)	(17.56)
Working Capital	794.54	748.66	471.81	306.48	380.32	467.30
Current ratio	2.01	1.80	1.81	1.80	2.69	2.31
Quick ratio	1.23	1.39	0.88	0.60	1.26	0.82



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 68th Annual General Meeting of Pakistan Engineering Company Limited will be held at Hotel Ambassador, 7-Davis Road, Lahore, on Tuesday, October 31, 2017 at 11.00 A.M. to transact the following business: -

1. To confirm Minutes of 67th Annual General Meeting held on Monday, October 31, 2016.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2017 together with the Auditors' and Directors' report thereon.
3. To appoint auditors for the year ending on June 30, 2018 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 Board Audit Committee, has proposed appointment of M/s Tariq Abdul Ghani Maqbool & Company, Chartered Accountants as Auditors of the Company, for the year 2017-18.
4. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD
(Mian Anwar Aziz)
Company Secretary

Lahore: October 03, 2017

NOTES:

1. The Share Transfer Books of the Company shall remain closed from October 23, 2017 to October 31, 2017 (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 22, 2017 will be treated in time.
2. A member entitled to attend and vote at this meeting is entitled to appoint any person as a proxy and vote on his / her behalf. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time of the meeting.
3. Any individual Beneficial Owner of the Central Depository Company (CDC), entitled to vote at this meeting must bring his / her Computerized National Identity Card (CNIC) or passport (in case of foreigner) along-with CDC account number to prove his/her identity and in case of proxy must enclose an attested copy of his/her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.
4. Members are requested to notify us immediately of any change in their Registered address currently available with us.
5. The Registrar of the Company is, M/s. Central Depository Company of Pakistan Limited, Lahore.
6. Members who have not yet submitted photocopy of their Computerized National Identity Cards (CNIC) to the Company are requested to send the same by mail or fax at the earliest.
7. Distribution of Annual Report through Email (Optional)
Securities & Exchange Commission of Pakistan (SECP) through its Notification SRO 787 (1) 2014 dated September 08, 2014 and under Section 223 (6) of the Companies Act, 2017 has allowed the circulation of Annual Audited Financial Statements along-with Notice of Annual General Meeting to the members of the Company through e-mail. The members who desire to opt to receive aforesaid Statements and Notice of Annual General Meeting through e-mail are requested to provide their written consent on the Standard Request Form available on the Company's website. The Company shall, however, provide hard copy of the Annual Audited Financial Statements to its shareholders, on request, free of cost, within seven (7) days of receipt of such request. The standard consent form for electronic transmission is available at the company's website (<http://investor.peco.com.pk>).



DIRECTORS' REPORT

To The Shareholders

The Directors of Pakistan Engineering Company Limited are pleased to present the 68th Annual Report accompanied by the audited financial statements for the year ended June 30, 2017.

GLOBAL STEEL SCENARIO AND PAKISTAN ECONOMY

World crude steel production touched 1.63 billion metric tons during the year, which is almost equal to the last year's production. China produced about 50% of global steel output at 808 million metric tons.

In Pakistan, the flat steel products reflected a growth of 12% during the year 2017. Given the critical role of steel in the development of roads, railway, dams and power infrastructure, as well as the current pace of development projects being pursued in the country, the demand for steel and allied products is expected to increase significantly.

Furthermore, Pakistan needs a clear and consistent policy which should identify segments in the steel chain that need protection to ensure fair competition in the market. This policy should also consider the level of protection/facilitations available to public sector tower manufacturers in Pakistan.

PERFORMANCE OUTLOOK

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

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

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

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

FINANCIAL PERFORMANCE

Despite the volatile global alloys prices, low margin in new orders and competition from foreign competitors, the Company was able to achieve sales and gross profit during the year under review at Rs. 1,353 million and Rs. 166.17 million as compared to sales and gross profit of Rs. 2,329 million and Rs. 472.44 million respectively during the year 2016.

In order to manage competition, the Management revised its strategy and decided to increase its volume by lowering its profit margin. The gross profit accordingly dwindled to 12.28% of net sales compared to 20.28%. The operating expenses of the Company remained within the limits.

With the new business strategies, PECO managed to increase its market share from 13.11% to 19.60% during the year.



Overall, PECO posted profit before and after taxation of Rs. 60.53 million and Rs. 66.74 million compared with Rs. 331.08 million and Rs. 219.48 million of last year respectively.

Earnings per share decreased to Rs. 11.73 per share from Rs. 38.57 per share, as compared to last financial year.

CONTRIBUTION TO NATIONAL EXCHEQUER AND THE ECONOMY

Your Company made a contribution of Rs. 256.28 million (June 30, 2016: Rs. 477.954 million) to the national exchequer during the year on account of income tax, sales tax, and other levies.

FINANCIAL RESULTS AND APPROPRIATIONS

	Rupees in thousands	
	YEAR ENDED 30.06.2017	YEAR ENDED 30.06.2016
Profit before taxation	60,527	331,081
Taxation	6,212	(111,595)
Profit after taxation	66,739	219,486
Appropriations:		
Profit for the year	66,739	219,486
Remeasurement of retirement benefit plan	2,239	-
Transfer from "Surplus on Revaluation of Fixed Assets"	18,375	18,019
Transfer from "Surplus realized on account of disposal of revalued machinery"	5,323	2,243
Profit carried forward to accumulated loss	92,676	239,748

OPERATING & FINANCIAL DATA

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

GRATUITY SCHEME

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

The value of the Gratuity Scheme at the year-end was Rs. 15.25 million, valued by the firm of Consulting Actuaries.

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.

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 where all members including Chairman of the Committee are Independent directors.

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

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

The present constitution of the Committee is as under:

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

DIRECTORS TRAINING PROGRAMME

The incoming Directors are provided with appropriate briefing and orientation material to apprise them of first-hand knowledge on the working of the Company. The Company arranges orientation courses for its Directors as and when needed to apprise them of their duties and responsibilities. Some of the present Directors meet the criteria of exemption under clause 5.19.7 of the Code and are accordingly exempted from Directors' training program whereas some others directors have attended the Training Program.



BOARD OF DIRECTORS MEETINGS

During the year 2016-17, six (06) meetings of the Board were held. The attendance of the Board members was as follows:

Syed Kuakab Mohyuddin	6
Mr. Arif Ibrahim	6
Mr. Mairaj Anees Ariff	5
Mr. Arif Habib	2
Mr. Liaqat Mohammad	6
Mr. Rashid Ali Khan	6
Mirza Mahmood Ahmad	6
Mr. M. Iqbal	6
Mr. Ansar Javed	6

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

PATTERN OF SHAREHOLDING AND SHARES TRADED

The pattern of shareholding and additional information regarding pattern of shareholding is attached. 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, 2017 was Rs. 11.73 as compared to earnings per share of Rs. 38.57 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, 2018 at a fee to be mutually agreed.

CHANGE IN BOARD OF DIRECTORS

There is no change in Board of Directors during the year ended June 30, 2017.

COMMENTS ON EMPHASIS OF MATTER PARAGRAPH IN AUDITORS' REPORT

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

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

The Board of Directors in its various meetings has resolved that amount due under the law to the Government of Pakistan (GoP) for any loan given to PECO shall be paid. The Board has agreed with GoP to adjust its liabilities by disposal of Badami Bagh Land as decided in E.C.C decision dated 02.03.1993, which according to the recent valuation amounts to Rupees 4,605.13 million and it is in excess of the amount being claimed by GoP from PECO.

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.



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, 2017 were 366 compared to 455 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 Board of Directors in its 192nd meeting held on August 22, 2017 resolved to reform Board HR and Remuneration Committee and also resolved to include Syed Kaukab Mohyuddin, non-executive director as a member in HR and Remuneration Committee. After this inclusion, the Committee consists of four members. Two members of the Committee are Independent directors and other two members are non-executive

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, 2017 have been duly complied with. A statement to this effect is annexed with the report.

WEB PRESENCE

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

Communication with the shareholders is given high priority. Complete information about the Management, Products, Policies, Annual, Half Yearly and Quarterly Accounts are placed on the website as per directives of SECP.

SAFETY AND ENVIRONMENTS

The company strictly complies with the standards of the safety rules and 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 9001:2008 (Environmental Management System).

BUSINESS PLANS AND ACHIEVEMENT OF TARGETS

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

ACKNOWLEDGEMENT

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

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

For and on Behalf of the Board

October 03, 2017
Lahore

Syed Kaukab Mohyuddin
Chairman

کاروباری منصوبے اور اہداف کا حصول

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

اظہارِ تشکر

مجلسِ نظام، تمام کاروباری شراکتداروں، زمین، حصص، یونٹگان، بینکار اور جن افراد یا اداروں نے ہم سے تعاون کیا اور سرپرستی کی، سب کا شکریہ ادا کرتے ہیں۔ یہ تعاون نہ صرف عام تجارتی لاکار کے مقابلے کیلئے ضروری ہوتا ہے بلکہ سیکورٹی کے مسائل اور سخت معاشی حالات میں بھی اہم کردار ادا کرتے ہیں۔ کاروباری شراکتداروں کے اعتماد اور نیک خواہشات نے ہی کمپنی کو، بسوں میں، ترقی دینے اور برقرار رکھنے میں مدد دی ہے۔ ہم اللہ تعالیٰ سے ہمیشہ آپ کی کمپنی، تمام کاروباری شراکتداروں اور اس ملک کی کامیابی و خوشحالی کیلئے دعا گو ہیں۔

مجلسِ نظام کی جانب
سید کوکب محی الدین
میر مجلس

۳، اکتوبر ۲۰۱۷ء
لاہور

سکیں۔ کچھ نڈما ء کو ضابطے کی شق ۷.۱۹ کے تحت استئشنا حاصل ہے جبکہ کچھ نڈما ء نے تہہ لائے کار میں شراکت کی ہے۔

ضابطہ اخلاق

نجلس نڈما ء، مقدم منتظمین اور نڈما ء۔ از مین کی سالمیت کے فروغ، پیشہ دارانہ معیار اور کاروبار، بری اقدار قائم رتہ کیلئے، نجلس نڈما ء نے ضابطہ اخلاق کی منظوری دی ہے جس میں قابل قبول اور قابل قبول طر عمل کی وضاحت کی گئی ہے۔ یہ ضابطہ اخلاق کمپنی کی ویب سائے پر موجود ہے۔

از مین کی تعداد

۳۰ جون ۲۰۱۷ کو از مین کی تعداد، پچھلے سال ۲۰۱۵ کے مقابلے میں، ۳۶۶ تھی۔

انسانی وسائل اور معاوضاتی کمیٹی

نجلس نڈما ء نے انسانی وسائل اور معاوضاتی کمیٹی تشکیل دی تھی۔ کہ وہ انتخاب، تخص، معاوضہ اور کلیدی منتظمین کی پیشہ دارانہ منصوبہ بندی کیلئے اپنی ذمہ داریاں نبھاسکے۔ ان فرائض میں انسانی وسائل کے طر تیکار اور پلیسی میں بہتری کیلئے سفارشات دینا اور متواتر جائزہ لینے بھی شامل ہے۔
نجلس نڈما ء نے ۲۲ اگست ۲۰۱۷ کو ہونیوالی ۱۹۲ ویں نجلس میں انسانی وسائل اور معاوضاتی کمیٹی کی تشکیل نو اور غیر تعمیل کنندہ نڈما ء جناب سید کوٹا، محی الدین کو کمیٹی کا رکن بنانے کا فیصلہ کیا۔ اس شمولیت کے بعد یہ کمیٹی چار اراکین پر مشتمل ہے جن میں دو آزاد اور دو غیر تعمیل کنندہ نڈما ء شامل ہیں۔

متعلقہ جماعت کے ساتھ لین دین

نجلس نڈما ء، متعلقہ جماعت کے ساتھ لین دین کو جائزے کے بعد منظور کرتی ہے جس کہ ساتھ ساتھ قیمتوں کے تعین کے طر تیکار کا جائزہ بھی لیا جاتا ہے۔

تعمیلی بیان بنائے ضابطے کاروباری نڈما ء

سال ختمہ ۳۰ جون ۲۰۱۷ کیلئے، زائر حصہ کی فہرستی ضوابط میں شامل ضابطے: اے کاروبار، بری نڈما ء، تعمیل کی تعمیل کی گئی ہے۔ متعلقہ بیان اس اطلاع میں شامل کیا گیا ہے۔

ویب پر موجودگی

سر مایداروں کی معلومات کیلئے رواں مالی سال کے مالیاتی گوشوارے، ششہ تین سالوں کی سالانہ رپورٹ کے ساتھ، کمپنی کی ویب سائے www.peco.com.pk پر دستیاب ہیں۔ حصص یافتگان کے ساتھ رابطے کو اہمیت دی جاتی ہے۔ ایس ای سی پی کی ہدایت کے مطابق منتظمین، مصنوعات، طر تیکار، سالانہ نصف سالانہ اور سہ ماہی حسابات کی مکمل معلومات کمپنی کی ویب سائے پر موجود ہیں۔

حفاظت اور ماحولیاتی شہمت

کمپنی حفاظتی توازن موضوعات کے معیار پختی سے کار بند ہے اور ماحول دو مسطر تیکار پر بھی عمل کرتی ہے۔

واجب الادا قانونی بقایاجات

واجب الادا قانونی بقایاجات کی تفصیل حسابت کے حصہ نمبر ۸ میں موجود ہیں۔

انضبات معیار

انتظامی نظام، داخلی معیاری محاسبہ اور نگرانی محاسبہ کو یقینی بنانے کیلئے، انتظامیہ کے جائزہ اجلاس، قاعدگی سے منعقد کیے جاتے ہیں۔ کمپنی، آئی ایس او ۹۰۰۱:۲۰۰۸ (ماحولیات کے انتظامی نظام) سے تصدیق شدہ ہے۔

وہ نظم جنہوں نے مجالس میں مطلوبہ شرائط نہیں کی، ان کو مجلس کی جاہ سے غیر حاضری کی اجازت دی گئی تھی۔ ۳۰ جون ۲۰۱۷ کو ختم ہونے والے سال میں مجلسِ نطما میں کوئی تبدیلی نہیں ہوئی۔

حصصہ داروں کا نمونہ اور حصص کی خرید و فروخت

حصصہ داروں کا نمونہ اور اضافی معلومات منسلک کردی گئی ہیں۔ زیرِ جانچہ سال کے دوران، نطما، سربراہِ اعلیٰ، کمپنی متعمد اور ان کے بیوی، بچوں میں سے کسی نے بھی کمپنی کے حصص کی خرید و فروخت نہیں کی۔

کمپنی کے محاسب

موجودہ محاسب۔ بیسرس طارق عبدالغنی مقبول اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس سبڈ وٹس ہو گئے ہیں اور سال ۱۸-۲۰۱۷ کے لئے خود کو دوبارہ تقرری کیلئے پیش کرتے ہیں۔ مجلسِ نطما نے کمپنی محاسب کو ڈٹ کمپنی کی تجویز اور اہلیت کی بنیاد پر سال ۱۸-۲۰۱۷ کیلئے، کمپنی کے محاسبین کی سفارش کی ہے۔

محاسب کے جائزے پر تبصرہ

حکومتِ پاکستان اور جنکاری کمیشن سے قرضے کے معاملے پر جمعی او پی، پی سی اور ایم اے کے۔ سندوں سے بت کی گئی ہے۔ ان سندوں سے بیشتر اثاثوں کے نتیجے میں، ماسوائے ۱۳۱.۳۵ ملین روپے (جو کہ جنکاری کمیشن کی طرف سے ادا کیا گیا۔ اضافی اپنا ہے)، اصل قرضے پر مصالحت کر لی گئی ہے۔ ہم، ان قرضوں پر سود کے معاملے پر اختلاف ہے کیونکہ ایک کی انتظامیہ کے مطابق کسی بھی معاہدے کی عدم موجودگی میں سود واجب الادا نہیں ہے۔

مجلسِ نطما نے مختلف اجلاسوں میں یہ فیصلہ کیا ہے کہ حکومتِ پاکستان کی جاہ سے بیکوود پر جانے والا کوئی بھی قرضہ ادا کیا جائے گا۔ مجلسِ نطما نے، ای سی سی کے ۲ مارچ ۱۹۹۳ کے فیصلے کے مطابق، حکومتِ پاکستان کی جاہ سے اپنے واجبات کو، ہوائی برغ کی زمین نیچہ کر، ادا کرنے پر اتفاق کیا ہے۔ اس زمین کی حالیہ تشخیصی مالیت ۶۰۵.۱۳ ملین روپے ہے جو کہ حکومتِ پاکستان کے دعویٰ سے زیادہ ہے۔

متاثرہ واقعات

متعلقہ سال کی فریقہ اوزن کی تاریخ سے اجلاسِ نطما کی تاریخ تک۔ کوئی بھی تبدیلی نہیں ہوئی جو کمپنی کی مالی حالت پر باثباتہ اثر ہو سکے۔

کاروباری و مالیاتی اطاعتی ڈھانچے پر بیان

کمپنی نے ہزار حصص کے فہرستی ضوابط میں شامل ضابطہ ہمائے کاروباری ڈھانچے کو پورا کیا ہے۔

مجلس ہمائے محاسب و خطرہ انتظام

مجلس نے نطما کو ان کی فرائض کی اہم دہی، کاروباری ڈھانچے، مالیاتی اطلاع اور کاروباری اختیار میں مدد کیلئے مجلس ہمائے محاسب۔ بدخطرہ انتظام تشکیل دی ہے۔ یہ کمپنی چار اراکین پر مشتمل ہے، جس کے تمام اراکین بشمول میر مجلس، آزاد نظم ہیں۔

مجلس ہمائے محاسب۔ بدخطرہ انتظام، کمپنی کے مالیاتی ڈھانچے، اور انتظامی اختیار کے تمام کی تعمیل اطلاعات کے معیار کے جانچنے کی ذمہ دار ہے۔ مجلس نے کمپنی کے طریق کار کا جائزہ لیکر کمپنی کی کارکردگی میں ان کی خود مختاری کو یقینی بنایا ہے اور مجلسِ نطما کو سفارشات پیش کی ہیں۔

زیرِ جانچہ سال کے دوران، مجلس ہمائے محاسب۔ بدخطرہ انتظام نے مالیاتی گوشوارے، داخلی محاسبی اطلاعات اور کاروباری ڈھانچے کی ضروریات کے جانچنے کیلئے، مجلسِ نطما سے پہلے، پونج (۰۵) اجلاس منعقد کئے۔ ان میں ضابطہ ہمائے کاروباری ڈھانچے کے مطابق، بیرونی محاسب کی تجویز کے بعد محاسب۔ سے واقعات اور دوسری قانونی مجلس شامل ہیں۔

مجلس کی موجودہ تشکیل درج ذیل ہے:

مرزا محمود احمد	میر مجلس
جناب لیاقت محمد	رکن
جناب محمد اقبال	رکن
جناب آ۔ جاوید	رکن

نطما کے متعلقہ کارکن

نئے آنیوالے نطما کو کمپنی کے کام سے متعلق مناسب ابتدائی ہدایات اور معلومات فراہم کی جاتی ہیں۔ کمپنی اپنے نطما کے لیے تشریحی ماب کا اہتمام کرتی ہے۔ کہ وہ اپنی ذمہ داریوں اور فرائض بہتر طور پر نبھائے۔

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in 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 CCG 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 includes:

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 meet the criteria of independence under clause 5.19.1.(b) of the CCG.

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 taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker 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 on 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, 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 meetings were appropriately recorded and circulated.

اطلاعاتِ نظماًء معزز حصص یافتگان

پاکستان انجینئرنگ کمپنی لمیٹڈ کے نظم، بمسرت ۳۰ جون ۲۰۱۷ کو ختم ہونے والے مالی سال کے اڈسٹویس (۶۸) محاسبہ شدہ سالانہ مالیاتی گوشوارے پیش کرتے ہیں۔

اسٹیل کا عالمی منظر نامہ اور پاکستان کی معیشت

اس سال کے دوران خام تیل کی عالمی پیداوار ۶۳.۱ ارب ٹن جبکہ ٹن رہی جو ۶ شہ سال کی پیداوار کے برابر ہے۔ اس عالمی پیداوار میں چین کا حصہ تقریباً ۵۰ فیصد تھا جو کہ ۱۸۰ ارب ٹن جبکہ ٹن ہے۔ پاکستان میں، سال ۲۰۱۷ کے دوران فائٹ اسٹیل کی مصنوعات کی شرح نمو ۱۲ فیصد رہی۔ سڑکوں، رہائش، آبی پینٹوں اور بجلی کے بنیادی ڈھانچوں کی ترقی میں اسٹیل کے اہم کردار کے علاوہ ملک میں ترقیاتی منصوبوں کی موجودہ لہر کی وجہ سے اسٹیل اور متعلقہ مصنوعات کی طلب میں ترقیوں اضافے کی توقع ہے۔

اس کے علاوہ پاکستان کو ایندھن اور مستقل طریقہ کار کی ضرورت ہے جو اسٹیل چین میں ان حصوں کی ترقی میں بھی کرے جن کو بازار میں منصفانہ مقابلہ یقینی بنانے کے لئے تحفظ کی ضرورت ہے۔ یہ پالیسی پاکستان میں سرکاری شعبہ میں کھجے کے کارخانوں کو دستیاب تحفظ / سہولیات کی سطح پر بھی غور کرے۔

کارکردگی کا جائزہ

موجودہ سال بہت مشکل تھا اور خام مال کی قیمتوں میں اضافے اور خارجی خریدوں کی شدید مسابقت کے وجود میں اس سال کمپنی منافع کے قابل ہوئی۔ کمپنی نے نئے چیلنجز کا باطنی احسن مقابلہ کیا اور ۵۰۰ کلو واٹ کے نئے نمونوں کی تیاری، کمپنی کی فروغ سے کاروبار کو بہانے میں اہم سنگ میل بنے۔ کمپنی مصنوعات / خدمات کی ترقی / رسائی کی حکمت عملی کی تعقیب کرتے ہوئے اپنی منڈی کو مضبوط بنا کر فائدہ اٹھا رہا ہے۔ جاری رکھے گی۔

مجلس نظماًء اور منتظمین نے بہتر فروغ سے کاروبار اور وصولی، تیز پیداوار، تکنیکی صلاحیتوں کی بہتری اور اجازت کو کم کرنے کی کوششیں کی ہیں۔ ان کوششوں نے کمپنی کو منافع بخش کاروباروں میں یکساں حاصل کرنے میں مدد دی۔

غیر ملکی کمپنیوں کی ترقی سبلی کھبوں کے کاروبار میں آمد کی وجہ سے مسابقت بڑھتی جا رہی ہے۔ اس کی بنیادی وجہ غیر ملکی کمپنیوں کی اس کاروبار میں آمد ہے، جس کی وجہ سے پیکو کو منافع حاصل کرنے میں مشکلات کا سامنا ہے۔ ہم کمپنی ان چیلنجز کا سامنا اپنی تکنیکی اور پیداواری صلاحیتوں کو بہتر بنا کر کرنے کی بھرپور کوشش کر رہی ہے۔ جتنے ہوتے ہوئے کاروبار کے پیش نظر کمپنی نے وزارت نے ان سے قرضے کی حد ۱۰۰ ملین روپے کروالی ہے۔

مالیاتی کارکردگی

غیر مستحکم عالمی قیمتوں، نئے ٹیس میں کم مارجن اور خارجی خریدوں سے مقابلے کے وجود، کمپنی نے زیر جائزہ سال میں ۳۵۳،۱ ملین روپے کی فروغ سے کاروبار کی اور کل منافع ۱۶۶.۱۷ ملین روپے رہا جو کہ سال ۲۰۱۶ میں ۲۰۳۲۹،۲ ملین روپے اور ۲۰۱۵ میں ۲۷۲،۴ ملین روپے تھا۔ مسابقت کے انتظام کے لئے انتظامیہ نے اپنی حکمت عملی پر نظر ثانی کی اور کاروبار میں حجم کو بہانے کے لئے منافع کی شرح کو کم کرنے کا فیصلہ کیا۔ جس کے مطابق کل منافع ۶۰.۲۸ فیصد سے کم ہو کر ۱۲.۲۸ فیصد ہو گیا۔ عملیاتی نئے چہ مقررہ حدود میں رہے۔

نئی کاروباری حکمت عملیوں کی بدولت، پیکو نے اپنے کاروبار میں حجم کو ۱۳.۱۱ فیصد سے ۱۹.۶۰ فیصد بنے۔ مجموعی طور پر پیکو کا محصولات سے پہلے اور محصولات کے بعد کا منافع ۶۰.۵۳ ملین روپے اور ۶۶.۷۴ ملین روپے رہا جو کہ ۶۰ شہ سال کے دوران ۳۳۱.۰۸ ملین روپے اور ۲۱۹.۲۸ ملین روپے تھا۔

فیصل آمدنی ۶۰ شہ مالی سال ۲۰۱۷ سے ۳۸.۵۷ روپے فی حصص سے کم ہو کر ۱۱.۷۳ روپے فی حصص ہو گئی۔

قومی بنانے اور معیشت میں حصہ

آپ کی کمپنی نے (سال ۲۰۱۶: ۹۵: ۷۷ ملین روپے کے مقابلے میں) اس سال کے دوران محصولات آمدنی محصولات فروغ سے کاروبار اور دوسری لیویوں کی شکل میں قومی بنانے میں ۲۵۶.۲۸ ملین روپے حصہ ڈالا۔



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 first hand knowledge on the working of the Company. Some of the present Directors meet the criteria of exemption under clause 5.19.7 of the Code and are accordingly exempted from Directors' training program.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient 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 four members including Chairman of the Committee are independent Directors.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. 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 four members, of whom two are Independent Directors and the Chairman and a member of the Committee are non-executive Directors.
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 program of the 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 the 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 exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles contained in the CCG have been complied with.

October 03, 2017
Lahore

Mairaj Anees Ariff
Chief Executive 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 Code of Corporate Governance ("the Code") prepared by the Board of Directors of **PAKISTAN ENGINEERING COMPANY LIMITED** ("the Company") for the year ended June 30, 2017 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 provisions of the Code and 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 personnel and review of various documents prepared by the Company to comply with the Code.

As part of audit of financial statements, 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 consider whether the Board of Directors' statement 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 the 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 transactions distinguishing between transactions carried out on term equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording 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 transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2017.

October 03, 2017
Lahore

Tariq Abdul Ghani Maqbool and CO.
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, 2017 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:

- 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 have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are 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 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, 2017 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. (11.1.1, 11.1.3, 11.1.4, 11.1.5 and 11.1.6) to the financial statements which describe various disputed matters of Company with Privatization Commission, Ministry of finance, Board of revenue and other parties.
- ii. Note. 23. to the financial statements which describes that, through a letter, the Joint Secretary Ministry of Industries and Production Islamabad has directed, the District Officer Revenue Lahore and the Member Revenue Punjab, to stop the mutation of land held for sale till further instructions, for undisclosed reasons. The management of Company is strongly committed to the plan of sale of this land.

Our opinion is not qualified in respect of these matters.

October 03, 2017
Lahore

Tariq Abdul Ghani Maqbool and Co.
Chartered Accountants

Engagement Partner:
Malik Haroon Ahmad (FCA)

**BALANCE
AS AT JUNE**

	<u>Note</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
----- Rupees in thousand -----			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	4	56,902	56,902
Revenue reserve - general		10,000	10,000
Accumulated loss		<u>(832,934)</u>	<u>(925,610)</u>
		(766,032)	(858,708)
Surplus on revaluation of fixed assets	5	14,498,128	14,516,504
NON - CURRENT LIABILITIES			
Long term financing	6	29,250	48,753
Deferred liabilities - net	7	115,609	133,662
		144,859	182,415
CURRENT LIABILITIES			
Trade and other payables	8	672,776	812,842
Short term borrowing - secured	9	74,919	49,984
Current portion of long term borrowings	6	19,503	19,503
Accrued mark-up		2,491	2,541
Provision for taxation		13,748	56,123
		783,437	940,993
Liabilities directly associated with free hold land - held for sale	10	1,790,848	1,790,848
CONTINGENCIES AND COMMITMENTS			
	11		
TOTAL EQUITY AND LIABILITIES		16,451,240	16,572,052

The annexed notes from 1 to 44 form an integral part of these financial statements.

Mairaj Anees Ariff
Chief Executive Officer

Muhammad Iqbal
Director



SHEET
30, 2017

	<u>Note</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
		----- Rupees in thousand -----	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	12	14,555,168	14,564,505
Investment property	13	579	610
Long term investment	14	741	725
Long term deposits	15	2,053	1,832
		14,558,541	14,567,672
CURRENT ASSETS			
Stores, spares and loose tools	16	170,463	121,271
Stock-in-trade	17	446,910	256,813
Trade debts - unsecured	18	781,691	1,119,940
Advances	19	6,191	6,687
Trade deposits, prepayments and other receivables	20	30,905	25,881
Tax refunds due from Government	21	104,912	137,128
Cash and bank balances	22	36,903	21,936
		1,577,975	1,689,656
Free hold land - held for sale	23	314,724	314,724
TOTAL ASSETS		16,451,240	16,572,052

The annexed notes from 1 to 44 form an integral part of these financial statements.

Mairaj Anees Ariff
Chief Executive Officer

Muhammad Iqbal
Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Note</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
		----- Rupees in thousand -----	
Sales - net	24	1,353,172	2,329,076
Cost of sales	25	(1,187,003)	(1,856,634)
Gross Profit		166,169	472,442
Selling and distribution expenses	26	(10,542)	(8,140)
Freight and forwarding expenses	27	(21,848)	(18,092)
Administrative expenses	28	(73,073)	(57,662)
Other operating charges	29	(6,439)	(46,757)
		(111,902)	(130,651)
Other operating income	30	23,332	4,652
Operating Profit		77,599	346,443
Finance cost	31	(17,072)	(15,362)
Profit before taxation		60,527	331,081
Taxation	32	6,212	(111,595)
Profit after taxation for the year		66,739	219,486
BASIC AND DILUTED EARNINGS PER SHARE		----- Rupees -----	
Basic and diluted earnings per share	33	11.73	38.57

The annexed notes from 1 to 44 form an intergal part of these financial statements.



**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
	----- Rupees in thousand -----	
Profit after taxation for the year	66,739	219,486
Items that will not be reclassified to profit and loss account:		
Remeasurement of retirement benefit plan	3,199	-
Related deferred tax impact	(960)	-
Remeasurement of retirement benefit plan - net	2,239	-
Total comprehensive income for the year	68,978	219,486

The annexed notes from 1 to 44 form an intergal part of these financial statements.

Mairaj Anees Ariff
Chief Executive Officer

Muhammad Iqbal
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Note</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
		----- Rupees in thousand -----	
Cash generated from operations	34	73,166	106,382
Finance cost paid		(14,376)	(14,244)
Gratuity paid		(600)	(318)
Income tax paid		(24,716)	(79,549)
Workers' profit participation fund paid		(7,564)	(4,162)
Net cash generated from operating activities		25,910	8,109
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(37,573)	(23,740)
Proceeds from disposal of Property, plant and equipment		21,472	5,798
Long term deposits		(221)	(1,212)
Net cash (used in) investing activities		(16,322)	(19,154)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings		24,935	29,984
Long term borrowings - (repayments)		(19,503)	(19,503)
Dividend paid		(53)	-
Net cash generated from financing activities		5,379	10,481
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		14,967	(564)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		21,936	22,500
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		36,903	21,936

The annexed notes from 1 to 44 form an intergal part of these financial statements.



**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017**

	Issued, subscribed and paid-up capital	Revenue Reserve - General	Accumulated Loss	TOTAL
----- Rupees in thousand -----				
Balance as at June 30, 2015	56,902	10,000	(1,165,358)	(1,098,456)
Profit after tax for the year 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 property, plant and equipment realized during the year on account of:				
Incremental depreciation - net off tax	-	-	18,019	18,019
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)
Profit after tax for the year ended June 30, 2017	-	-	66,739	66,739
Remeasurement of retirement benefit plan - net of tax	-	-	2,239	2,239
Total comprehensive income for the year			68,978	68,978
Surplus on revaluation of property, plant and equipment realized during the year on account of:				
Incremental depreciation - net off tax	-	-	18,375	18,375
Disposal of revalued machinery - net off tax	-	-	5,323	5,323
Balance as at June 30, 2017	56,902	10,000	(832,934)	(766,032)

The annexed notes from 1 to 44 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, 2017

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

Keeping in view the Financial condition of the Company, the Government of Pakistan in past had closed down all the divisions of the Company, however, a rehabilitation plan was approved by the Federal Cabinet and according to the plan, Structure (STR) division was kept operational and Badami Bagh Works was closed down with its land being offered for sale by the Privatization Commission. 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 has 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 pump and motors, the BoD decided to bring other division into operations as well. At present structure, pump, electric motor and foundry divisions of the company are in operation.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the 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

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

Amendments to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are applicable on

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

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

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

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

2.5 Standards that are not yet effective

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

Standard, Amendments or Interpretation

Effective Date
(Annual periods beginning on or after)

IAS 7	Statement of Cash Flows	January 01, 2017
IAS 12	Income Taxes	January 01, 2017
IFRS 2	Share Based Payment	January 01, 2018
IFRS 9	Financial Instruments	January 01, 2018
IFRS 15	Revenue from Contracts With Customers'	January 01, 2018
IFRS 16	Leases	January 01, 2019
IFRIC 22	Foreign Currency Transactions and advance consideration	January 01, 2018

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

2.6 Functional and presentation currency

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

2.7 Critical Accounting Estimate and Judgments

The Company's significant accounting policies are stated in note 3. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. Following is intended to provide an understanding of the policies, the management considers critical because of their complexity, judgment and estimation involved in their application and their impact on these financial statements.

Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision in future periods if the revision affects both current and future periods.

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

2.7.1 Property, Plant and Equipment

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

2.7.2 Taxation

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

2.7.3 Stores and spares

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

2.7.4 Provisions Against Doubtful Balances

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, Plant and Equipment

Property, plant and equipment is stated at cost or revalued amount less accumulated depreciation and impairment loss, if any, except for freehold land and capital work in progress which is stated at revalued amount/cost less impairment, if any. Cost of these assets consists of historical cost and directly attributable costs of bringing the assets to working condition. Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Cost incurred to replace a component of an item of property, plant and equipment is capitalized and the asset so replaced is derecognized. The cost of the day to day servicing of property, plant and equipment are recognized in profit and loss account. 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 labour 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 and equipment is charged to income on reducing balance method at the rates specified in (note 12) 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 to reduce the carrying amount of property, plant and equipment to its recoverable amount. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the property, plant and equipment in its present form and its eventual disposal. An impairment loss is recovered if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain and loss on disposal or de-recognition (calculated at the difference between the net disposal proceeds and carrying amount of the asset) is taken to profit and loss account. When the revalued assets are sold, the relevant remaining surplus on revaluation is transferred directly to accumulated loss.

3.2 Capital Work -in -Progress

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

3.3 Investment property

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

3.4 Segment Reporting

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

3.5 Non-current assets held for sale

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

3.6 Inventories

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

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

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

3.7 Trade debts and other receivables

Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, less provision for doubtful debts or allowance for any uncollectable amounts. An estimated provision for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. The provision is recognized in the profit and loss account. When a trade debt is uncollectable, 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 Industries and Production, Government of Pakistan and under common controls are considered as associated undertakings of the company. All transactions between the Company and the associated undertakings are accounted for at an arm's length prices determined using "cost plus method" and properly recommended by the audit committee and subsequently approved by the board of directors of the Company.

3.9 Foreign Currency Translation

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

3.10 Employees' Retirement Benefits

a) Defined benefits plan

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

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

b) Defined contribution plan

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

3.11 Trade and other Payables

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

3.12 Taxation

a) Current

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

b) Deferred Tax

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

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

3.13 Revenue Recognition

a) Sale of goods

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

b) Income on bank deposits

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

c) Others

Scrap sales and miscellaneous receipts are recognized on realized amounts.

3.14 Borrowing Costs

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

3.15 Provisions

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

3.16 Cash and Cash Equivalent

Cash and cash equivalents 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.

b) Held to maturity

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

c) Loans and Receivables

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

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

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

3.18 Impairment

a) Financial Assets

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

b) Non- Financial Assets

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

3.19 Financial Instruments

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

a) Trade and Other Receivables

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

b) Off Setting Of Financial Assets and Financial Liabilities

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

c) Interest-up bearing borrowings

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

d) Interest-free borrowings at amortized cost

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

3.20 Dividend and Appropriation to reserves

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

3.21 Earnings per share

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

3.22 Contingent Assets

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

3.23 Contingent Liabilities

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

3.24 Share Capital

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



4. SHARE CAPITAL

	2017	2016	2017	2016
	<i>(Number of Shares)</i>		Rupees in thousand	
Authorized Capital:				
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 (2016: 1,415,723) ordinary shares of Rs. 10/- each as at June 30, 2017.

5. SURPLUS ON REVALUATION OF FIXED ASSETS

		2017	2016
		Rupees in thousand	
Free hold land	5.1	14,148,746	14,148,746
Building structure on free hold land	5.2	187,197	194,234
Plant and machinery	5.3	162,185	173,524
		14,498,128	14,516,504
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	13,834,747
		14,148,746	14,148,746
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.23)

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 Private Limited.

	2017	2016
	----- Rupees in thousand -----	
5.2 Building Structure on freehold land		
Gross surplus on revaluation of Building structure 5.2.1	425,712	425,712
Less: Surplus realized on account of incremental depreciation in respect of:		
- Prior years	144,212	129,816
- Current year	9,852	9,933
- Related deferred tax liability	4,222	4,463
	<u>158,286</u>	<u>144,212</u>
	267,426	281,500
Less: Related deferred tax liability in respect of:		
- Balance at the beginning of the year	87,266	90,629
- Change of rate	(2,815)	(2,832)
- New surplus during the year	-	3,932
- Incremental depreciation for the year	(4,222)	(4,463)
	<u>80,229</u>	<u>87,266</u>
Net surplus on revaluation of Building structure	<u>187,197</u>	<u>194,234</u>
<p>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.</p>		
5.3 Plant and Machinery		
Gross surplus on revaluation of Plant and machinery 5.3.1	379,373	379,373
Less: Adjustment on account of sale of machinery	<u>25,812</u>	<u>18,098</u>
	353,561	361,275
Less: Surplus realized on account of incremental depreciation in respect of:		
- Prior years	110,048	98,330
- Current year	8,523	8,085
- Related deferred tax liability	3,653	3,633
	<u>122,224</u>	<u>110,048</u>
	231,337	251,227
Less: Related deferred tax liability in respect of:		
- Balance at the beginning of the year	77,703	69,234
- Change of rate	(2,507)	(2,164)
- New surplus during the year	-	15,322
- Realized on disposal of machinery	(2,391)	(1,056)
- Incremental depreciation for the year	(3,653)	(3,633)
	<u>69,152</u>	<u>77,703</u>
Net surplus on revaluation of Plant and machinery	<u>162,185</u>	<u>173,524</u>

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

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 and surplus realized on disposals 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.

		<u>2017</u>	<u>2016</u>
		----- Rupees in thousand -----	
6. LONG TERM FINANCING			
Loan from National Bank of Pakistan - secured	6.1	<u>29,250</u>	48,753
		<u>29,250</u>	<u>48,753</u>
6.1 Loan from National Bank of Pakistan - secured			
Movement of long term finances - from banking company			
Opening balance		68,256	87,759
Finance availed during the year		-	-
		<u>68,256</u>	87,759
Less: Repayment during the year		<u>(19,503)</u>	(19,503)
		48,753	68,256
Less: Current maturity shown under current liabilities		<u>(19,503)</u>	(19,503)
		<u>29,250</u>	<u>48,753</u>

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 4.876 million. This is secured against first charge of Rs. 97.507 over movable fixed assets [excluding land and building] of the company.

7. DEFERRED LIABILITIES - Net

Retirement benefit obligation	7.1.1	15,245	8,097
Deferred income tax liability-net	7.2	<u>100,364</u>	125,565
		<u>115,609</u>	<u>133,662</u>

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.

The latest actuarial valuation of the Fund as at June 30, 2017 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

7.1.1 Balance sheet reconciliation as at June 30, 2017

Fair value of plan assets		-	-
Present value of plan liability	7.1.2	<u>15,245</u>	1,225
Recongised liability		<u>15,245</u>	<u>1,225</u>

2017 2016
----- Rupees in thousand -----

7.1.2 Movement in present value of obligation

Opening balance		8,097	1,225
Charge for the year	7.1.3	10,947	7,190
Remeasurement recognised in other comprehensive income		(3,199)	-
Payment during the year		(600)	(318)
Closing balance		<u>15,245</u>	<u>8,097</u>

7.1.3 Charge for the year

Current service cost		7,876	7,190
Interest cost		471	-
Past service cost		2,600	-
		<u>10,947</u>	<u>7,190</u>

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 31% to 30% as a result of change in rate as approved by Finance Act 2017.

The offset amounts are as follows:

Deferred tax liabilities	7.2.1	171,646	188,974
Deferred tax assets	7.2.2	(71,282)	(63,409)
Deferred tax liabilities (net)		<u>100,364</u>	<u>125,565</u>

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:

Accelerated Tax Depreciation Allowances		26,379	28,467
Surplus on revaluation of fixed assets		144,307	160,507
Remeasurment of defined benefit plan		960	-
		<u>171,646</u>	<u>188,974</u>

7.2.2 Deferred tax assets in respect of deductible temporary differences:

Provisions for doubtful and other balances		(19,751)	(18,304)
Provision for stores and spares		(3,000)	(3,100)
Minimum and alternate corporate tax available for carry forward		(32,260)	(42,005)
Provision for workers profit participation fund and workers welfare fund		(16,271)	-
		<u>(71,282)</u>	<u>(63,409)</u>



2017 2016
----- Rupees in thousand -----

8. TRADE AND OTHER PAYABLES

Trade creditors		549,575	629,243
Accrued Liabilities		44,057	42,337
Advances		932	6,658
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
Workers' Profit Participation Fund	8.2	50,931	52,454
Workers' Welfare Fund		3,308	7,984
Unclaimed Dividend		13,257	13,309
Security deposits	8.3	2,000	2,000
Others		7,792	10,119
		<u>672,776</u>	<u>812,842</u>

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

8.2 Reconciliation of Workers' Profit Participation Fund

Principal	8.2.1	35,294	31,999
Accumulated interest	8.2.2	15,637	20,455
		<u>50,931</u>	<u>52,454</u>

8.2.1 Movement in principal

Opening balance		31,999	18,380
Add: Charge for the year	29	3,295	17,781
Less: Paid during the period		-	(4,162)
		<u>35,294</u>	<u>31,999</u>

8.2.2 Movement in accumulated interest

Opening balance		20,455	18,780
Add: Interest on funds utilized for the company's business	31	2,746	1,675
Less: Paid during the period		(7,564)	-
		<u>15,637</u>	<u>20,455</u>

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

From NBP Bank under markup arrangements - Secured:

Running Finance	9.1	74,919	49,984
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9.1 The financing forms part of total credit facility available to the extent of Rs. 75.0 million (2016: 50.0 million). The loan carries markup @ 3 months KIBOR plus 2.50%. The credit facility of the Company will be expired on December 31, 2017. This is secured against first charge of Rs. 100 million over current and movable fixed assets [excluding land and building] of the company.

		2017	2016
		----- Rupees in thousand -----	
10. LIABILITIES DIRECTLY ASSOCIATED WITH FREE HOLD LAND - HELD FOR SALE			
Loan from Government of Pakistan - unsecured	10.1	1,790,848	1,790,848
10.1 Loan From Government Of Pakistan - unsecured			
Privatization commission loan	10.2.1	481,469	481,469
Government Escrow account	10.2.3	112,937	112,937
Other Government Loan	10.2.5	100,000	100,000
Federal Govt. loan for compulsory separation scheme	10.2.7	309,000	309,000
Federal Government Bonds	10.2.9	787,442	787,442
		1,309,379	1,309,379
		1,790,848	1,790,848

10.2 These represent funds provided by the Government of Pakistan (the Government), bank loans of the company taken over by the Government and amounts payable by the company to different Government departments like Customs, Railways and Karachi Port Trust. According to the Cabinet Committee Division decision dated 30th May 1994 and 2005 these liabilities will be settled against the proceeds from disposal of Land held for sale (Ref: Note 23) and surplus land of Kot Lakhpat, if needed. There is no fix repayment schedule or tenure for repayment of these liabilities. An exercise to reconcile the liabilities is in process and several meetings have been conducted in this regard, however, all these meetings concluded without any decision or agreement with respect to the reconciliation of the loan liabilities and calculation, payment or mode of payment of interest on Government of Pakistan loans due to which there is currently no fixed tenure for repayment of these liabilities nor the total amount of the liability is determinable. In the absence of the availability of a defined repayment schedule due to reasons explained above, the fair value of these loans is not determinable and hence they have been stated at cost.

The Technical Advisory Committee (TAC) of Institute of Chartered Accountants of Pakistan (ICAP), on the request of Management of PECO, on March 28, 2017, also gave an opinion, on the issue of recording accrual of mark-up on GoP loans. After review of all details, workings and complete documents, The Committee is of the view that "the management of company needs to determine whether a present obligation exists at the end of the reporting period taking into account all the available evidences, including, the opinion of legal experts. Where there is a probability that a present obligation exists at the end of the reporting period, the provision should be recognized. Contrary to this will require an entity to disclose a contingent liability".

The Board of Directors in its various meetings has resolved that amount due under the law to the Government of Pakistan (GoP) for any loan given to PECO shall be paid. The Board has agreed with GoP to adjust its liabilities by disposal of Badami Bagh Land as decided in E.C.C decision dated 02.03.1993, which according to the recent valuation amounts to Rupees 4,605.13 million and it is in excess of the amount being claimed by GoP from PECO. The BoD and the management of the Company believes that they are not liable to pay any interest on these loans in the absence of any agreement. The legal advisor of the company is also of the firm opinion that since there is no mention of any markup to be charged on this loan nor is there any markup agreement, therefore, no markup is payable by the company in respect of this loan. Therefore, a disclosure of a contingent liability is made in notes (refer note 11.1.3, 11.1.4 and 11.1.15) to these financial statements.

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

11.1.3, 11.1.4 and 11.1.5) by the BoD and the management as there had never been any agreement in this regard. Further, the above loan liabilities were picked up by the GoP in order to provide public sector enterprises including PECO to give them clean slate on their liabilities so that they could be privatized and were provided without any specific request from these public sector enterprises, including PECO. In addition to the above, similar public sector entities which were provided similar reliefs by the GoP have never been asked to make any payments in respect of such reliefs. However, despite of this the BoD and the management of the Company is willing to repay the principal and in order to reconcile the principal and markup amounts with respect to GoP Loans, a committee was constituted as per the decision of Additional Finance Secretary in the meeting held in Government of Pakistan Finance Division (CF Wing), Islamabad. The committee includes representatives from Ministry of Finance, Ministry of Production, Privatization Commission and Board members from PECO. Several meetings have been taken place till date and in this regard a meeting of the committee was held on October 7, 2010 at Ministry of Finance (Finance Division) which was attended by representatives of Privatization Commission, Ministry of Production and PECO. The BoD and management of PECO agreed to repay all the outstanding principal, which the company is legally liable through disposal proceeds of Badami Bagh Land and surplus Land of Kot Lakhpat, if needed. However, the BoD and the management of the Company believes that they are not liable to pay any interest on these loans in the absence of any agreement. In the meeting held on 13 July 2015 in Privatization Commission, it was mutually agreed by all stakeholders to resolve the above issues at the earliest.

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

	<u>2017</u>	<u>2016</u>
	----- Rupees in thousand -----	
10.2.1 The break up of loan from Privatization Commission is as follows:		
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

10.2.2 This represents interest free loan provided by Privatization Commission to PECO for payment of salaries, energy bills, shifting of plant and machinery from Badami Bagh to Kot Lakhpat and payment of outstanding essential liabilities. According, to the Cabinet Committee Division decision, Privatization Commission would adjust its loan liability against the sale proceeds of Badami Bagh Land and surplus land of Kot Lakhpat, if needed and in this regard title documents of Badami Bagh Land were handed over to the Privatization Commission in 1994 by PECO. The foregoing loans have been outstanding since 1993. The company also obtained legal opinion from the legal advisors of the company. The legal advisors is of the firm opinion that since there is no mention of any markup to be charged on this loan in any agreement nor is there any markup agreement in respect of this loan therefore no markup is payable by PECO in respect of this loan. The BoD and the management firmly believes that as the Company had handed over the title documents of the said land to the Privatization commission for disposal in the year 1994 and had Privatization Commission disposed off the land at that time no issue of charging any interest on these loans would have risen and instead believed that a case of causing loss to PECO on account of delay caused in disposing off the land at Badami Bagh should be made out, either by raising monetary claim or claiming set-off against the alleged principal loan liability. The difference of Rs. 131.454 million claimed by the Privatization Commission on account of additional gratuities is because of misapprehension on part of GoP, whereby, PECO is considered responsible to pay Rs. 131.454 million, that infact was the liability of the Privatization Commission under the APSEWEC agreement. As per the APSEWEC agreement Privatization Commission took the liability to make additional gratuity payments, for which purpose it had advanced Rs. 131.454 million to PECO. On receiving the said amounts PECO had made the payments as was directed. It is important to note that PECO was not a party to these agreements, therefore, it cannot be held responsible for fulfilling any obligation pertaining to them. The claim of GoP is based on illegitimate assumption. Furthermore, the legal advisors are also of firm opinion that the amount of additional gratuities of Rs. 131.454 million (refer note 11.1.3) should be borne by the Privatization Commission. In this regard, in the meeting held on October 7, 2010 at Finance Division, Privatization Commission was instructed by Ministry of Finance to review the calculation /treatment of the loan amounting to Rs. 131.454 million and come up with firm stance on it. The Privatization Commission was further instructed to sort out the issue of charging interest on VSS loan and come up with sound reason and logic for charging interest thereon. Neither formal agreements were signed or executed between the Privatization Commission, Ministries and PECO nor definitive terms and conditions exist in relation to the issue of markup and that the Privatization Commission only applied markup as instructed by the Finance Division. Further, under the directions of public accounts committee the matter of charging interest is being reviewed by the committee comprising of Ministry of Industries, Ministry of Finance and Privatization Commission of Pakistan.

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

	<u>2017</u>	<u>2016</u>
	----- Rupees in thousand -----	
Customs and other import duties	86,984	86,984
Pakistan Railways freight	12,989	12,989
Karachi Port Trust	12,964	12,964
	<u>112,937</u>	<u>112,937</u>

10.2.4 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 (2016: Rs 41.989 million) as the BoD and the management believes that there was no clause of charging interest or surcharge in the ECC and Cabinet

Decision. In spite of confirmation requests and several reminders, no confirmation of custom and other import duties of Rs. 86.984 million and Karachi Port Trust of Rs.12.964 million along with markup / surcharge on custom duty of Rs. 202.624 million (refer note 11.1.4) was received by the auditors from customs or Pakistan Railways or port Trust.

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

Bank loans taken over

	2017	2016
	----- Rupees in thousand -----	
	100,000	100,000
	100,000	100,000

10.2.6 This represents amount payable on account of the company's bank loans taken over by the Government in the year 1990. BoD and the management of the Company believes that there was no interest as PECO was required to take-up only principal amount of the loan in its books. The legal 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.

10.2.7 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

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

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

Interest bearing bonds

Interest free bonds

	655,138	655,138
	132,304	132,304
	787,442	787,442

10.2.10 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.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 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 (2016: Rs. 2.912 million).

11.1.2 Guarantees of Rs. 617.85 million (2016: Rs 581.45 million) issued by the banks and insurance companies to different parties on behalf of the company.

11.1.3 The Privatization Commission through its confirmation dated August 22, 2017 for the year ended June 30, 2017 has claimed additional loan liability amounting to Rs. 131.454 million and mark up amounting to Rs. 1,290.504 million (Ref: Note 10.2.1). The said confirmation from privatization Commission also states that initially there was no mention of specific interest rate on the loan amount, therefore, the mark up on the outstanding amount of loan to PECO was charged on the basis of annual rate of markup chargeable on cash development loans to Provincial Governments, corporations, local bodies etc and capital outlays of Federal Government in commercial departments. The management of the company already in a meeting held on October 7, 2010 at Ministry of Finance's office to reconcile the principal and mark up amounts with respect to Govt. of Pakistan loans did not agree with the stance of Privatization Commission in respect of additional loan and mark up claimed. Privatization Commission has been instructed by the Ministry of Finance to review the calculation/treatment of a loan amounting Rs. 131.454 million and has been asked to come up with firm stance on the foregoing loan amounting to Rs. 131.454 million. Further, Privatization Commission has been instructed to sort out the issue of charging interest on VSS loan and Privatization Commission has been asked to come up with sound reason and logic for charging interest on the above loan. The legal advisor of the company is also of the firm opinion that since there is no mention of any markup to be charged on this loan nor is there any markup agreement, therefore, no markup is payable by the company in respect of this loan. The management is confident that the ultimate outcome of the matter will result in favor of the company and hence no provision has been made in these financial statements in respect of the additional loan and markup claimed.

11.1.4 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. 10.2.3) . 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.

11.1.5 The Finance Division vide its letter dated July 28, 2017, for the year ended June 30, 2016 has claimed an amount of Rs. 671.860 million in respect of additional principal liability and Rs. 2,517.766 million in respect of markup payable on remaining Government of Pakistan Loans (Ref: Note 10.2.5, 10.2.7 and 10.2.9). However,



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.

11.1.6 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 (2016: Rs. 53.43 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 out of 108.00 million from Federal Board of Revenue in the year ended June 30, 2016. The Appellet 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 which may result in further refund of Rs. 53.43 million.

11.2 Commitments in respect of:

11.2.1 Letters of credit for machinery, raw material and store items amounting to Rs. Nil (2016: Nil).

		<u>2017</u>	<u>2016</u>
		----- Rupees in thousand -----	
12. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	12.1	14,499,770	14,533,107
Capital work in progress - at cost	12.2	2,982	2,239
Advances against capital assets	12.3	52,416	29,159
		<u>14,555,168</u>	<u>14,564,505</u>

12.1 Operating fixed assets

	Free hold land	Factory building- on free hold land	Plant and machinery	Office equipment	Computers	Furniture and Fixtures	Vehicles	Electric Equipment	Tools	Total
----- Rupees in thousand -----										
Net carrying value basis										
Year ended June 30, 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)
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 30, 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
Net carrying value basis										
Year ended June 30, 2017										
Opening net book value (NBV)	13,835,500	311,989	362,251	1,742	2,701	2,739	9,644	5,423	1,118	14,533,107
Additions	-	-	4,303	148	758	78	8,051	165	-	13,503
Revaluation surplus	-	-	-	-	-	-	-	-	-	-
Disposal										
Cost	-	-	(8,976)	-	-	-	(4,198)	-	-	(13,174)
Accumulated depreciation	-	-	277	-	-	-	3,734	-	-	4,011
Written down value	-	-	(8,699)	-	-	-	(464)	-	-	(9,163)
Depreciation charge	-	(15,599)	(17,869)	(181)	(306)	(280)	(2,777)	(553)	(112)	(37,677)
Closing net book value (NBV)	13,835,500	296,390	339,986	1,709	3,153	2,537	14,454	5,035	1,006	14,499,770
Gross carrying value basis										
At June 30, 2017										
Cost / Revalued amount	13,835,500	317,910	364,057	8,251	8,408	9,853	31,378	15,754	6,552	14,597,663
Accumulated depreciation	-	(21,520)	(24,071)	(6,542)	(5,255)	(7,316)	(16,924)	(10,719)	(5,546)	(97,893)
Net book value (NBV)	13,835,500	296,390	339,986	1,709	3,153	2,537	14,454	5,035	1,006	14,499,770
Annual Rate of Depreciation	-	5%	5%	10%	10%	10%	20%	10%	10%	

		2017	2016
----- Rupees in thousand -----			
12.1.1 Depreciation for the year has been allocated as under:			
Cost of Sales	25	34,134	35,240
Administrative Expenses	28	3,543	1,841
		<u>37,677</u>	<u>37,081</u>

Depreciation charge is inclusive of incremental depreciation due to revaluation.

12.1.2 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.

12.1.3 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.

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

Free hold land	753	753
Factory building on free hold land	28,965	31,326
Plant and machinery	108,650	113,532
	<u>138,368</u>	<u>145,611</u>

12.1.5 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 thousand -----							

Assets whose carrying amount is Rs. 50,000 or above.

VEHICLES

Suzuki Pickup - LRT 6553	344	323	21	297	276	Negotiation	Rana Muhammad Amjad
Honda City - LWJ 1723	881	800	81	765	684	Negotiation	Rana Muhammad Amjad
Suzuki Bolan - LRT 6282	404	363	41	417	376	Negotiation	Rana Muhammad Amjad
Suzuki Cultus - LEJ 1002	660	590	70	453	383	Negotiation	Rana Muhammad Amjad
Suzuki Cultus - LEJ 1003	660	587	73	452	378	Negotiation	Rana Muhammad Amjad
Suzuki Cultus - LWR 3098	600	540	60	395	335	Negotiation	Rana Muhammad Amjad
Coure - LEJ 1001	649	531	118	542	424	Negotiation	Rana Muhammad Amjad

PLANT AND MACHINERY

14" Rolling Mill complete	5,053	156	4,897	5,459	562	Negotiation	Raheel Ahmed
Hobbing Machine	235	7	227	682	455	Negotiation	Raheel Ahmed
Bench Grinder	71	2	69	206	137	Negotiation	Raheel Ahmed
Welding Transformer	65	2	63	189	126	Negotiation	Raheel Ahmed
Profile Cutting M/C	332	10	322	965	643	Negotiation	Raheel Ahmed

	2017	2016
	----- Rupees in thousand -----	
13.1 Cost	959	959
Accumulated depreciation	380	349
Net book value	<u>579</u>	<u>610</u>

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

13.3 One of the properties having carrying value of Rs. 290 thousands remained vacant during last two years and no rental income was earned during those years.

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

14. LONG TERM INVESTMENT

Held to maturity:

Term deposit in Standard Chartered Bank Limited	<u>741</u>	<u>725</u>
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14.1 This was matured on April 2016 and carry interest @ 5.3% (2016: 5.3%) per annum. The amount has not yet been cleared due to non provision of necessary documents to the bank.

15. LONG TERM DEPOSITS

Long term deposits		3,771	3,550
Less: Provision against doubtful deposits	15.1	<u>1,718</u>	<u>1,718</u>
		<u>2,053</u>	<u>1,832</u>

15.1 Movement in provision is as follows:

Opening balance		1,718	1,718
Adjusted		-	-
Provided for the year		-	-
Closing balance		<u>1,718</u>	<u>1,718</u>

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

16. STORES, SPARES AND LOOSE TOOLS

Stores		27,109	23,289
Spares parts		128,666	83,412
Loose Tools		<u>24,688</u>	<u>24,570</u>
		<u>180,463</u>	131,271
Less: Provision for slow moving stores		<u>(10,000)</u>	<u>(10,000)</u>
		<u>170,463</u>	<u>121,271</u>

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

17. STOCK IN TRADE

Raw material		178,218	152,989
Work in process		154,168	83,578
Finished goods		<u>114,524</u>	<u>20,246</u>
		<u>446,910</u>	<u>256,813</u>



Description	Cost	Accumulated depreciation	Net book value	Sale Proceeds	Gain	Mode of sale	Particular of buyers
----- Rupees in thousand -----							
Profile Cutting M/C	57	2	55	165	110	Negotiation	Raheel Ahmed
Boring Machine	66	2	64	193	129	Negotiation	Raheel Ahmed
Upright Drill	74	2	72	216	144	Negotiation	Raheel Ahmed
Power Press 80 Ton Cap	63	2	61	215	154	Negotiation	Raheel Ahmed
Power Press 80 Ton Cap	63	2	61	215	154	Negotiation	Raheel Ahmed
Electroplating Plant	1,180	36	1,143	3,983	2,840	Negotiation	Raheel Ahmed
Electroplating Plant	1,399	43	1,356	4,778	3,422	Negotiation	Raheel Ahmed
Assets whose carrying amount is less than Rs. 50,000.	318	10	309	886	577		
	<u>13,174</u>	<u>4,011</u>	<u>9,163</u>	<u>21,472</u>	<u>12,309</u>		

12.1.6 No impairment related to operating fixed assets has been charged during the year.

12.1.7 Charge/ mortgage on fixed assets are disclosed in notes no. 6.1.1 and 9.1.

	2017	2016
----- Rupees in thousand -----		
12.2 Capital Work in Progress - at cost:		
Civil works	2,982	2,239
Plant and machinery	-	-
	<u>2,982</u>	<u>2,239</u>
12.2.1 Movement in capital work in progress:		
Opening balance	2,239	2,528
Addition	743	406
Capitalized	-	(695)
Expensed out	-	-
Closing balance	<u>2,982</u>	<u>2,239</u>
12.3 Advances against purchase of capital assets		
Against vehicles	5,435	4,745
Against plant and machinery	46,880	24,313
Against ERP software	101	101
	<u>52,416</u>	<u>29,159</u>

12.3.1 This represents the advances given to Honda Atlas (Paksitan) Limited for purchase of vehicles, SME Engineering and Mintin Corporation for purchase of Coal Gasifier Plant and CNC machine and Scarlet IT Systems (Pvt.) Limited for the installation of ERP software respectively.

13. INVESTMENT PROPERTY

Opening net book value	13.1	610	642
Additions		-	-
Depreciation charged for the year	29	31	32
Closing net book value		<u>579</u>	<u>610</u>
Depreciation rate		<u>5%</u>	<u>5%</u>



2017

2016

----- Rupees in thousand -----

19. ADVANCES - Considered good

Advances to:

- Employees - Secured		652	622
- Suppliers	19.2	5,539	6,065
		<u>6,191</u>	<u>6,687</u>

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

19.2 Suppliers

Suppliers as at closing date		8,005	8,889
Less: Provision for doubtful balances		2,466	2,824
		<u>5,539</u>	<u>6,065</u>

20. TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Trade deposits - Considered good	20.1	565	565
Margin against bank guarantee - Considered good	20.2	25,205	21,159
Short term prepayments and other receivables		5,135	4,157
		<u>30,905</u>	<u>25,881</u>

20.1 Balance as on Closing date		3,697	3,697
Less: Provision against doubtful balances	20.1.1	3,132	3,132
		<u>565</u>	<u>565</u>

20.1.1 Movement in provision is as follows:

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

20.2 Balance as on Closing date		25,266	21,220
Less: Provision against doubtful balances		61	61
		<u>25,205</u>	<u>21,159</u>

21. TAX REFUNDS DUE FROM GOVERNMENT

Advance income tax - net		86,281	137,128
Sales tax refundable		18,631	-
		<u>104,912</u>	<u>137,128</u>

17.1 Stock in trade amounting to Rs. 0.56 million related to finished goods and Rs. 4.32 million related to work in process are valued at net realizable value.

	2017	2016
	----- Rupees in thousand -----	

18. TRADE DEBTS - UN SECURED

Associated undertaking	18.2	273	273
WAPDA, AJK and Telecommunication Companies		778,704	1,121,139
Others	18.3	45,926	41,740
		824,903	1,163,152
Less: Provision for bad and doubtful debts	18.4		
WAPDA		12,677	12,677
Others		30,535	30,535
		43,212	43,212
		781,691	1,119,940

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. 0.273 million (2016: 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 (2016: 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 as follows:

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:

	June 30, 2017		June 30, 2016	
	Gross	Impairment	Gross	Impairment
	----- Rupees in thousand -----			

The aging of trade debts at the reporting date was:

Not yet due	345,587	-	587,354	-
Past due 1-30 days	58,559	-	435,164	-
Past due 31-60 days	243,468	-	47,165	-
Past due 61-90 days	21,944	-	2,112	-
Over 90 days	155,345	43,212	91,357	43,212
	824,903	43,212	1,163,152	43,212

	2017	2016
	----- Rupees in thousand -----	
22. CASH AND BANK BALANCES		
Cash in hand	2,626	3,593
Cash with banks:		
- Current accounts	34,118	17,856
- Deposit accounts	22.1 127	455
- Escrow account	32	32
	34,277	18,343
	36,903	21,936

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%. (2016 : @ 5% to 6%).

22.2 All bank accounts are maintained under conventional banking system.

23. 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 on February 15, 2016 was estimated at Rs. 4,605.133 million. The company has the possession and control of the land and holds valid title. As per the Economic Coordination Committee decision the title documents of the land were handed over to the Privatization Commission for sale and proceeds to be utilized for settlement of outstanding Government liabilities (refer note. 10.2). In this regard the title documents of the land have been handed over to the Privatization Commission for sale in 1994 by National Bank of Pakistan. Since then till date the land has been offered for sale various times by the Privatization Commission of Pakistan. A part of the land was sold in February 2001 by the Privatization Commission of Pakistan and several expression of interests have been received for the remaining portion by Privatization Commission from many parties. The Mutation of land is complete as per The Board of Revenue Punjab letter which states that the Government of Punjab has, however, no objection to the disposal of properties of PECO which had vested in the Federal Government. However a letter was issued by the Joint Secretary Ministry of Industries and Production Islamabad directing District Officer Revenue Lahore and copy endorsed to Member Revenue Punjab to stop the above mutation till further instructions, for undisclosed reasons. The BoD and the Management of the Company are till date strongly committed to the plan of selling the Badami Bagh Land and there has been no revocation of the GoP order or any change in the management's stance or plan. Further the Privatization Commission in its direct confirmations to the auditors has also clearly stated that GoP loans would be recovered from the sale proceeds of Badami Bagh Land.

Therefore taking into account the fact that the carrying amount of the land would be recovered principally through a sale transaction and not through continuing use and that the management and the GoP are firmly committed to a plan to sell the land and till date there has been no change of plan or revocation of Government order, the land is available for immediate sale, active programs to locate buyers continue to be carried out, the asset is marketed at fair value and it is extremely unlikely that the plan will be significantly be changed or withdrawn. The foregoing facts that events or circumstances which have resulted in the extension of the period to complete the sale beyond one-year, are beyond the entity's control, therefore, Badami Bagh Land is classified as "Held for Sale" at lower of its carrying amount or fair value less cost to sell.

		2017	2016
----- Rupees in thousand -----			
24. SALES - Net			
Sales - Local		1,584,733	2,726,256
Less: Sales tax		231,561	397,180
		<u>1,353,172</u>	<u>2,329,076</u>
25. COST OF SALES			
Raw material consumed	25.1	1,034,692	1,232,487
Stores and spares consumed		118,106	185,623
Salaries and wages (including all benefits)	25.2	89,388	86,187
Fuel and power		19,264	37,363
Traveling and conveyance		1,038	917
Postage, telegram and telephone		680	662
Printing, stationery and office Supplies		920	567
Inspection fee		7,104	8,691
Processing charges		28,043	44,923
Service charges		5,119	4,491
Rent, rates and taxes		1,435	1,965
Repair and maintenance		5,263	1,561
Insurance		1,029	1,029
Vehicle running expenses		2,424	2,644
Other expenses		3,232	3,080
Depreciation	12.1.1	34,134	33,834
		<u>317,179</u>	413,537
		<u>1,351,871</u>	1,646,024
Opening stock of work-in-process		83,578	160,886
Closing stock of work-in-process		(154,168)	(83,578)
		<u>(70,590)</u>	77,308
Cost of goods manufactured		<u>1,281,281</u>	1,723,332
Opening stock of finished goods		20,246	153,548
Closing stock of finished goods		(114,524)	(20,246)
		<u>(94,278)</u>	133,302
		<u>1,187,003</u>	1,856,634
25.1 Raw material consumed			
Opening stock		152,989	96,997
Add: purchases		1,059,921	1,288,479
		<u>1,212,910</u>	1,385,476
Less: closing stock		178,218	152,989
		<u>1,034,692</u>	1,232,487

25.2 This includes amount paid to contractor for wages of workers on contract. This also includes retirement benefits amounting to Rs. 7.965 million (2016: Rs. 5.083 million).

		2017	2016
----- Rupees in thousand -----			
26. SELLING AND DISTRIBUTION EXPENSES			
Salaries and wages (including all benefits)	26.1	6,001	3,409
Insurance		-	2,113
Traveling and conveyance		1,266	947
Entertainment		200	289
Training		46	-
Repair and maintenance		129	19
Postage, telegrams and telephone		106	114
Vehicle running expenses		277	267
Printing, stationery and office supplies		225	70
Rent, rates and taxes		363	270
Publishing of tender and sales promotion		858	415
Miscellaneous		1,071	227
		10,542	8,140

26.1 Includes Rs. 0.459 million (2016: Rs. 0.204 million) in respect of staff retirement benefits.

27. FREIGHT AND FORWARDING EXPENSES

Freight and forwarding expenses		21,848	18,092
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28. ADMINISTRATIVE EXPENSES

Salaries and wages (including all benefits)	28.1	34,755	29,450
Traveling and conveyance		3,065	1,675
Entertainment		1,334	1,104
Legal and professional		1,789	1,854
Rent, rates, and taxes		1,477	1,514
Fuel, gas and electricity		2,382	1,980
Repair and maintenance		3,518	1,679
Postage, telegrams and telephone		1,556	965
Printing, stationery and office supplies		3,358	2,254
Advertisement		792	248
Training		134	-
Insurance		682	495
Vehicle running expenses		4,182	3,416
Miscellaneous		10,506	8,268
Depreciation	12.1.1	3,543	2,760
		73,073	57,662

28.1 Includes Rs. 2.498 million (2016: Rs. 1.836 million) in respect of staff retirement benefits.

2017

2016

----- Rupees in thousand -----

29. OTHER OPERATING CHARGES

Auditors' remuneration	29.1	732	625
Tax consultancy fee		300	240
Workers' profit participation fund	8.2.1	3,295	17,781
Workers' welfare fund		2,081	6,757
Balances written off		-	789
Trade debts written off		-	20,508
Depreciation on investment property	13	31	32
Other		-	25
		<u>6,439</u>	<u>46,757</u>

29.1 Auditors' remuneration

Audit fee		616	525
Half yearly review fee		87	75
Review of compliance with code of corporate governance		29	25
		<u>732</u>	<u>625</u>

30. OTHER OPERATING INCOME

Income from Financial Assets

Interest / profit			
-on deposits with banks		677	115
-on investments		15	21
Balances written back		-	-

Income from Non - Financial Assets

Miscellaneous income		2,268	386
Liability written off		6,757	-
Rental income		1,306	1,202
Gain on sale of property, plant and equipment		12,309	2,928
		<u>22,640</u>	<u>4,516</u>
		<u>23,332</u>	<u>4,652</u>

31. FINANCE COST

Banks and financial institutions			
Mark - up on short term borrowings		4,293	2,209
Mark - up on long term borrowings		4,879	7,116
Bank charges and commission	31.1	5,154	4,362
		<u>14,326</u>	<u>13,687</u>
Interest on workers' profit participation fund	8.2.2	2,746	1,675
		<u>17,072</u>	<u>15,362</u>

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

	2017	2016
	----- Rupees in thousand -----	
32. TAXATION		
Current		
for the year	13,748	54,867
for prior years	880	1,256
Deferred		
Origination and reversal of temporary differences	(19,569)	57,217
Impact of change in tax rate	(1,271)	(1,745)
	(6,212)	111,595

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

32.2 Company's income tax assessment has been finalized up to 2016.

33. BASIC AND DILUTED EARNING PER SHARE

Basic

Profit after taxation (Rupees in '000)	66,739	219,486
Weighted average number of ordinary shares (No. in '000) outstanding during the year	5,690	5,690
Earning per share (Rupees)	11.73	38.57

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

	2017	2016
	----- Rupees in thousand -----	
34. CASH GENERATED FROM OPERATIONS		
Profit before taxation	60,527	331,081
Adjustments for:		
Depreciation	37,708	36,626
Financial charges	14,326	13,687
Interest on workers' profit participation fund	2,746	1,675
Interest income on bank deposit	(15)	(21)
Provision for gratuity	10,947	7,190
Provision for WPPF	3,295	17,781
Provision for WWF	2,081	6,757
Liability written off	(6,757)	-
Gain on sale of property, plant and equipment	(12,309)	(2,928)
	52,022	80,767
Profit before working capital changes	112,549	411,848



2017

2016

----- Rupees in thousand -----

Movements in working capital

Decrease / (Increase) in current assets:

Stores, spares and loose tools

Stock in trade

Trade debts

Advances

Trade deposits, prepayments and other receivables

Increase / (Decrease) in current liabilities:

Trade and other payables

(49,192)	10,501
(190,097)	154,618
338,249	(738,787)
496	1,926
(5,024)	1,496
(133,815)	264,780
(39,383)	(305,466)
73,166	106,382

Cash generated from operations

35. TRANSACTIONS WITH RELATED PARTIES

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

State Engineering Corporation

- SEC service charges paid	-	1,500
- Reimbursement expenses payable	151	151

Pakistan Machine Tool Factory (PMTF)

- Receivable at the end of the year	35.2	273	273
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35.1 During the year no transaction was made with Heavy Electrical Complex, ENAR Petrotech Services and Furniture Pakistan.

35.2 Maximum amount due from the associated undertakings at the end of any month was of Rs. 0.273 million (2016: Rs. 1.571 million).

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

36. OPERATING SEGMENT

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

36.1 Information about products and services

Revenue from sales of electricity transmission and communication towers represents 91.73% (2016: 98.97%) of total sales.

36.2 Information about geographical areas

- Company as at June 30, 2017 are located in Pakistan.
- 100% (2016: 100%) of the gross sales of the Company are made to customers located in Pakistan.

36.3 Information about major customers

- The company's most significant customers are electric supply companies.
- Electric supply companies (HESCO, PESCO, QESCO, LESCO, SEPCO, GEPCO and IESCO), electricity transmission company (NTDCL) and tower erection and installation company (NATRACON) accounts for more than 91.73% of the gross sales of the Company for the year.

37. FINANCIAL RISK MANAGEMENT

37.1 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.

37.2 Financial assets and liabilities by category and their respective maturities

	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year
----- Rupees in thousand -----				
FINANCIAL ASSETS				
Long term investments	-	741	-	725
Long term security deposits - net of impairment	-	2,053	-	1,832
Trade debts - net of impairment	781,691	-	1,119,940	-
Advances	652	-	622	-
Trade deposits	25,770	-	21,724	-
Cash and bank balances	36,903	-	21,936	-
Total	<u>845,016</u>	<u>2,794</u>	<u>1,164,222</u>	<u>2,557</u>

	June 30, 2017		June 30, 2016	
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year
----- Rupees in thousand -----				
FINANCIAL LIABILITIES				
Government of Pakistan Loans	-	1,790,848	-	1,790,848
Long term borrowing	19,503	29,250	19,503	48,753
Short term borrowing	74,919	-	49,984	-
Trade and other payables	671,844	-	806,184	-
Mark-up accrued	2,491	-	2,541	-
Total	<u>768,757</u>	<u>1,820,098</u>	<u>878,212</u>	<u>1,839,601</u>
On balance sheet date gap	76,259	(1,817,304)	286,010	(1,837,044)
OFF - BALANCE SHEET ITEMS				
Letter of guarantees	<u>617,847</u>		<u>581,446</u>	

37.2.1 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.

37.3 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 10 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.

37.4 Financial Risk Factors

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

- Credit Risk
- Liquidity Risk
- Market Risk

37.4.1 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.

37.4.2 Liquidity risk

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

Following is the maturity analysis of financial liabilities:

Non - derivative financial liabilities

----- Rupees in thousand -----

Government of Pakistan
 Long term borrowing
 Short term borrowing
 Trade and other payables
 Accrued mark-up

Up to 1 year	1 to 5 years	Total
-	1,790,848	1,790,848
19,503	29,250	48,753
74,919	-	74,919
671,844	-	671,844
2,491	-	2,491
768,757	1,820,098	2,588,855

June 30, 2017

Non - derivative financial liabilities

Government of Pakistan
 Long term borrowing
 Short term borrowing
 Trade and other payables
 Accrued mark-up

Up to 1 year	1 to 5 years	Total
-	1,790,848	1,790,848
19,503	48,753	68,256
49,984	-	49,984
806,184	-	806,184
2,541	-	2,541
878,212	1,839,601	2,717,813

June 30, 2016

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, 2017. 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.

37.4.3 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.

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:

	2017	2016
	----- Rupees in thousand -----	
Long term investments	741	725
Long term security deposits - net of impairment	2,053	1,832
Trade debts - net of impairment	781,691	1,119,940
Advances	652	622
Trade deposits	25,770	21,724
Bank balances	34,277	18,343
	845,184	1,163,186

The Company's most significant amount receivable is from NTDCL, PESCO, LESCO and Netracon 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, 2017		June 30, 2016	
	Gross	Impairment	Gross	Impairment
	----- Rupees in thousand -----			
The aging of trade debts at the reporting date was:				
Not yet due	345,587	-	587,354	-
Past due 1-30 days	58,559	-	435,164	-
Past due 31-60 days	243,468	-	47,165	-
Past due 61-90 days	21,944	-	2,112	-
Over 90 days	155,345	43,212	91,357	43,212
	824,903	43,212	1,163,152	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.

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 borrowing 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, 2017, if interest rates on company's bank borrowing had been 1% higher / lower the markup expenses would have been higher / lower by Rs. 0.092 million (2016: Rs. 0.093 million).

38. 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) 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.

	2017	2016
	----- Rupees in thousand -----	
The gearing ratio as at June 30, is as follows:		
Debt	1,836,335	1,909,088
Equity	(766,037)	(858,708)
Total equity and debt	1,070,298	1,050,380
Gearing Ratio - %	171.57%	181.75%

39. 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.

	2017		2016	
	Chief Executive	Executives	Chief Executive	Executives
	----- Rupees in thousand -----			
Remuneration	5,570	17,208	3,888	16,823
Reimbursement of expenses	986	-	722	-
Perquisites	-	1,434	-	1,249
	6,556	18,642	4,610	18,072
Number of persons	1	17	1	17

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

39.2 In addition to above remunerations 8 directors (2016: 8 directors) were paid aggregate remuneration of Rs. Nil (2016: Rs. Nil).

39.3 Aggregate amount charged in the accounts for 08 directors for Meeting fees were Rs. 5.78 million (2016: Rs. 0.048 million) and reimbursable expenses were Rs. 0.98 million (2016: Rs. 3.560 million) for meetings of Board of Directors and sub committees of Board of Directors.

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

40. PLANT CAPACITY AND ACTUAL PRODUCTION

	U/M	Capacity		Actual Production	
		Installed	Assessed	2017	2016
Pumps / turbines	No.	3,400	3,400	217	49
Electric motors	No.	16,500	6,500	110	22
Rolled material	Tons	80,000	30,000	-	-
Foundry	Tons	4,000	4,000	29	59
Steel fabrications (STR)	Tons	20,000	20,000	10,706	14,504
Concrete Mixture	No.	350	350	-	-

40.1 The main reason for production below capacity is due to intense competition with foreign competitors.

	2017	2016
	----- Numbers -----	
41. NUMBER OF EMPLOYEES		
Total number of employees as at June 30, 2017 were;		
Contractual employees	61	66
Contractor	305	389
	366	455
Average number of employees during the year	385	424

42. CORRESPONDING FIGURES

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

<u>Reclassification from component</u>	<u>Reclassification to component</u>	
Long term loans	Liabilities directly associated with free hold land - held for sale	Rupees in thousand
- Loans from Government of Pakistan	- Loans from Government of Pakistan	1,790,848

43. AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been authorized for issue on October 03, 2017 by the Board of Directors of the Company.

44. GENERAL

44.1 Figures have been rounded off to the nearest thousand Rupee.

Mairaj Anees Ariff
Chief Executive Officer

Muhammad Iqbal
Director

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2017

ADDITIONAL INFORMATION	<u>% Age</u>	<u>Shares Held</u>
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES		
State Engineering Corporation Limited	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
CDC-Trustee AKD Opportunity Fund	0.12	6,900
SHARES HELD BY THE GENERAL PUBLIC	30.29	1,723,606
SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL		
State Engineering Corporation Limited	24.88	1,415,723
Rotocast Engineering Company (Private) Limited	24.50	1,394,100
Mr. Ahmad Masood Khan	8.96	510,000
Maha Securities (Private) Limited	7.96	452,700
HOLDING OF CDC	62.22	3,540,408

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.



PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2017

Incorporation No. 0000348

Shareholders	From	To	Total Shares
1,494	1	100	41,162
562	101	500	132,587
134	501	1,000	94,588
105	1,001	5,000	202,112
22	5,001	10,000	155,274
4	10,001	15,000	43,089
5	15,001	20,000	94,400
2	20,001	25,000	45,415
3	25,001	30,000	83,900
2	35,001	40,000	80,000
3	40,001	50,000	139,576
1	50,001	60,000	57,500
1	65,001	70,000	67,800
2	80,001	85,000	165,104
1	85,001	90,000	85,931
2	105,001	140,000	264,030
1	165,001	170,000	165,254
1	450,001	455,000	452,700
1	505,001	510,000	510,000
1	1,390,001	1,400,000	1,394,100
1	1,415,001	1,420,000	1,415,723
2,348			5,690,245

Categories of Shareholders

AS AT JUNE 30, 2017

Category	Number of shares held	Holding %
Directors 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
Banks, Development Financial Institutions and Non Banking Finance Institutions	140,606	2.47
Mutual Fund	6,900	0.12
Insurance Companies	229,030	4.02
Public Sector Companies and Corporations	0	0.00
Joint Stock Companies	596,422	10.48
Share holders holding 5% or more of total capital	3,772,523	66.30
General Public		
a. Local	1,721,026	30.25
b. Foreign	2,580	0.05
Others:		
Investment Companies (excluding ICP)	6,510	0.11
Private Limited Companies	1,394,100	24.50
Cooperative Societies	6,145	0.11
Trusts	30,414	0.53
Associations	132	0.00
The Custodian of Enemy Property	390	0.01
Miscellaneous	210	0.00

