بسم الله الرحمن الرحيم

Contents

COMPANY INFORMATION

Board of Directors

Syed Kaukab Mohyuddin (Chairman)
Mr. Shafqat-ur-Rehman Ranjha (Chief Executive)
Mr. Arif Ibrahim
Mr. Muhammad Arif Habib
Mr. Rashid Ali Khan
Mr. Liaqat Mohammad
Mr. Muhammad Iqbal
Mirza Mahmood Ahmad
Mr. Ansar Javed

Board Audit & Risk Management Committee

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

Board Finance Committee

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

Board HR & Remuneration Committee

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

CFO & Company Secretary

Mian Anwar Aziz

Auditors

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

Bankers

National Bank of Pakistan
United Bank Limited
Summit Bank

Legal Advisor

Sardar Zulfiqar Umar Khan Thahim

Registered Office

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

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

Share Registrar:

M/s. Scarlet IT System (Pvt) Ltd.
24-Ferozpur Road, Near Mozang
Chungi, 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 & Distribution Line Towers.
  (11, 132, 220 & 500 Kv)
  -Telecommunication Towers (Green Field & Roof Top)

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

- Electric Motors
  PECO manufactures following range of electric motors:
  -Horizontal Foot Mounted Motors in Drip Proof & T.E.F.C. Enclosures.
  -Flange Mounted Squirrel Cage Induction Motors.
  -Vertical Hollow Shaft Motors in Drip Proof & Totally Enclosed Fan Cooled Enclosures.

- Safes, Strong Room Doors & Steel Lockers.
  -Steel Safes – 30”, 60” , 72”
  -Strong Room Doors & Steel Lockers for Banks

- Foundry Products.
  - Grey & S.G. Iron Castings.
  - Bronze Castings.
  - Aluminum Alloy Castings.

- Rolled Products
  - Angles
  - Plain Bars
  - Deformed Bars (Grade 60 & 40)

Vision Statement

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

Mission Statement

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

Corporate Strategy

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

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

Quality Policy

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

Our Values

1. The Company's Policy is to conduct business with honesty and integrity and to be Ethical in all its dealings showing respect for the interest of those with whom it has relationship.

2. The Company complies with all laws and regulations. All employees are expected to familiarize themselves with laws and regulations governing their individual areas of responsibility, and not to transgress them. In case of any doubt the employees are expected to seek necessary advice. The Company believes in fair competition and supports appropriate competition laws.

3. The Company does not support any political party nor contribute to the funds of groups whose activities promote party interests.

4. The Company is committed to provide services, which consistently offer, value in terms of price and quality and satisfy customer needs and expectations.

5. The Company is committed to run its business in an environment that is sound and sustainable. As a good corporate entity, the Company recognizes its social responsibilities and will endeavor to contribute to community activities as a whole.

6. The Company believes in and fully adheres to the principles of reliability and credibility in its financial reporting and in transparency of business transactions.

7. The Company is an equal opportunity employer. Its employee recruitment and promotional policies are free of any gender bias and are merit and excellence oriented. It believes in providing its employees safe and healthy working conditions and in maintaining good channels of communications.

8. The Company expects its employees to abide by certain personal ethics whereby Company information and assets are not used for any personal advantage or gain. Any conflict of interest should be avoided, where it exists it should be disclosed and guidance sought.

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

FINANCIAL HIGHLIGHTS

Rs. in Million

	2015	2014	2013	2012	2011	2010
Trading Results						
Sales – Net	923.261	222.317	385.771	522.873	712.177	1,677.379
Cost of Sales	781.391	280.442	464.930	593.414	680.309	1,371.129
Gross Profit/(Loss)	141.870	(58.125)	(79.159)	(70.541)	31.868	306.250
Admn, Gen. & Selling Exp.	67.317	53.631	53.705	57.131	71.595	87.464
Other Operating Charges	2.097	0.870	0.809	12.471	8.960	0.757
Other Operating Income	11.878	5.205	6.669	13.685	8.312	5.474
Operating Profit/(Loss)	81.104	(107.421)	(127.004)	(126.458)	(40.375)	223.503
Financial Charges	17.520	16.945	26.479	25.748	17.540	30.684
Workers Profit Participation fund	3.230	-	-	-	-	9.596
Profit/(Loss) before Tax	63.584	(124.366)	(153.483)	(152.206)	(57.915)	183.223
Net Profit/(Loss) after Tax	45.272	(66.611)	(83.107)	(99.913)	(30.594)	114.538
Dividend						
Cash Dividend	-	-	-	-	-	56.902
Dividend Per Share (Rs.)	-	-	-	-	-	10.00
Financial Position						
Property, Plant & Equipment	8,570.860	8,627.764	8,661.023	4,865.129	4,884.234	4,879.205
Paid up Capital	56.902	56.902	56.902	56.902	56.902	56.902
Reserves	10.000	10.000	10.000	10.000	10.000	10.000
Fixed Capital Expenditure	8,902.760	8,944.828	8,978.087	5,199.180	5,211.929	5,199.613
Key Indicators						
Gross Profit Ratio	15.37	(26.15)	(20.52)	(13.49)	4.47	18.26
Operating Profit Ratio	8.78	(48.32)	(32.92)	(24.19)	(5.67)	13.32
Operation Expenses Ratio	7.29	24.12	13.92	10.93	10.05	5.21
Profit/(Loss) Before Tax Ratio	6.89	(55.94)	(39.79)	(29.11)	(8.13)	10.92
Net Profit/(Loss) Ratio	4.90	(29.96)	(21.54)	(19.11)	(4.30)	6.83
Earning Per Share	7.96	(11.71)	(14.61)	(17.56)	(5.38)	20.13
Working Capital Turnover	471.168	306.477	380.318	467.295	610.342	716.449
Current ratio	1.81	1.80	2.69	2.31	2.32	4.28
Quick ratio	0.88	0.60	1.26	0.82	1.10	2.24

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 66th Annual General Meeting of Pakistan Engineering Company Limited will be held at Hotel Ambassador, 7-Davis Road, Lahore, on Wednesday, September 30, 2015 at 11.00 A.M. to transact the following business: -

1. To confirm Minutes of 27th Extra Ordinary General Meeting held on Monday, April 06, 2015.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2015 together with the Auditors' and Directors' report thereon.
3. To appoint auditors for the year ending on June 30, 2016 and to fix their remuneration. The present Auditors M/s. Tariq Abdul Ghani Maqbool & Company, Chartered Accountants, being eligible for reappointment have offered themselves for reappointment. The Board of Directors, on recommendations of the Audit Committee, has proposed appointment of M/s. Tariq Abdul Ghani Maqbool & Company, Chartered Accountants as Auditors of the Company, for the year 2015-16.
4. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

(Mian Anwar Aziz)
Company Secretary

Lahore: August 20, 2015

NOTES:

1. The Share Transfer Books of the Company shall remain closed from September 21, 2015 to September 30, 2015 (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. Scarlet IT System (Pvt.) Limited, 24 Ferozpur Road, Near Mozang Chungi, Lahore at the close of business on September 20, 2015 will be treated in time.
2. A member entitled to attend and vote at this meeting is entitled to appoint any person as a proxy and vote on his / her behalf. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time of the meeting.
3. Any individual Beneficial Owner of the Central Depository Company (CDC), entitled to vote at this meeting must bring his/her Computrized National Identity Card (CNIC) or passport (in case of foreigner) along-with CDC account number to prove his/her identity and in case of proxy must enclose an attested copy of his/her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.
4. Members are requested to notify us immediately of any change in their Registered address currently available with us.
5. The Registrar of the Company is, M/s. SCARLET IT Systems (Pvt.) Ltd. 24 – Ferozpur Road, Near Mozang Chungi, 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.

DIRECTORS' REPORT

To The Shareholders

The Directors of the Company have the pleasure in presenting the 66th Annual Report along with the Audited Financial Statements of the Company for the year ended June 30, 2015.

PERFORMANCE OUTLOOK

Your Company has performed very well during the current year. The Board of directors and management has made efforts to improve the sales orders, efficiency, productivity, expedite production and reduce expenses. The outcome of such efforts are encouraging and the Company showed reasonable profits, after the period of four years, for the year ended June 30, 2015.

It is pertinent to mention that developing economies like Pakistan are still facing the challenge of economic recovery and growth. Prices within the global steel industry remain volatile. Steel prices are, by and large, dictated by iron ore, coking coal and various ferrous metal prices. The economic situation in Pakistan including PECO's manufacturing facility remains tenuous and unpredictable. Your Company is, however, geared to meet the challenges in terms of technical capability, manufacturing capacity and market acceptance of its products.

During the year 2014-15, the management directed all its efforts to improve the financial and operational position of the Company to create a fair value for our shareholders. During the year, performance was relatively much better due to effective procurement of raw material, getting orders at good margins, better energy management and installation of various strategic assets. These factors have a turnaround effect for the Company and the management is looking forward for profitable years in the time to come. It is anticipated that next year's results will be much better both in volume of turnover and profitability.

FINANCIAL PERFORMANCE

Operating results of the Company for the year 2014-15 are very encouraging. As against last years' sale of Rs. 222 million, the Company achieved sales of Rs. 923 million which was 316% higher. Gross profit of the Company during the year under review was Rs. 141.87 million as compared to gross loss of Rs. 58.13 million during the year 2014 resulting in an increase of Rs. 200.00 million. The operating expenses of the Company remained within the limits.

The operations generated earnings before interest and tax (EBIT) of Rs. 81.10 million during 2015 against loss before interest and tax (LBIT) of Rs. 107.42 million in year 2014 resulting in an increase of Rs. 188.52 million. The improvement in earnings is mainly due to revenue growth, prudent management of raw material costs, cost rationalization in operations and production efficiencies. The profit before tax during the period under review was Rs. 63.58 million against previous year loss of Rs. 124.37 million.

Earnings per share of the Company during the year under review was Rs. 7.96 as compared to loss per share of Rs. 11.71 during last year, depicting an increase of Rs. 19.67 per share.

FINANCIAL RESULTS AND APPROPRIATIONS

	Year ended 30.06.2015	Year ended 30.06.2014
	Rupees in Thousands	
Profit/(Loss) before Taxation	63,584	(124,366)
Taxation	(18,312)	57,755
Profit/(Loss) after Tax	45,272	(66,611)
Appropriations:		
Profit/(Loss) for the year	45,272	(66,611)
Transfer from “Surplus on Revaluation of Fixed Assets”	18,337	19,105
Transfer from “Surplus realized on account of disposal of revalued machinery”	9,915	-
Profit/(Loss) Carried Forward to Accumulated Loss	73,524	(47,506)

OPERATING & FINANCIAL DATA

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

BOARD OF DIRECTORS

The Board comprises of one Executive, three non executive and five independent directors. During the year under review, directors were re-elected as per directives of Companies Ordinance, 1984. The present Government nominated directors are Mr. Shafqat-ur-Rehman Ranjha, Mr. M. Arif Ibrahim and Mr. M. Naveed Nazir.

BOARD OF DIRECTORS MEETINGS

During the year 2014-15, Five (05) meetings of the Board were held. The attendance of the Board members was as follows:

Mr. M. Arif Ibrahim	5
Mr. Arif Azim	3
Mr. Shafqat-ur-Rehman Ranjha	5
Mr. Arif Habib	Nil
Mr. Liaqat Mohammad	5
Mr. Rashid Ali Khan	5
Mr. M. Iqbal Awan	3
Mr. M. Iqbal	5
Mr. Ansar Javed	2
Mirza Mahmood Ahmad	5

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

PATTERN OF SHAREHOLDING AND SHARES TRADED

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

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.

EARNING / LOSS PER SHARE

Earning per share for the year ended June 30, 2015 was Rs. 7.96 as compared to loss per Share of Rs. 11.71 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, 2016 at a fee to be mutually agreed.

CHANGES IN THE COMPOSITION OF BOARD AND ITS AUDIT COMMITTEE

During the year 2014-15, fresh election of the Directors of the Company was held on April 06, 2015 and the entire Board has been re-elected for the next term of three years effective April 06, 2015.

Mr. Arif Ibrahim has been appointed as the Chairman of the Board of Directors and Mr. Shafqat ur Rehman Ranjha reassigned to the office of Chief Executive Officer of the Company on June 18, 2015, in accordance with Company’s policies and rules of service.

The Board wishes to place on record its appreciation of the services rendered by its members during their last term and expect them to continue providing valuable guidance and making positive contribution in the future.

During the year 2014-15, changes made in the Board of Directors of the Company were as follows:

Mr. Muhammad Iqbal Awan, did not offer himself to elect as director of the Company and Mr. Ansar Javed was elected on the Board of Directors of the Company in his place.

The Board wishes to place on record its appreciation of the valuable services rendered by outgoing Director during the tenure of his office and welcomes the new Director who will hold office for the term of three years.

COMMENTS ON AUDITOR’S REPORT

i. GoP/PC LOANS

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

Privatization Commission at its own) has been reconciled.

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

ii. GOING CONCERN ASSUMPTION

The BoD and the management of the Company took various effective strategic decisions and made efforts to get orders mix, improve efficiency, production and reduce overheads, so that business volume as well as profitability can be improved and maintained. The results of the efforts are encouraging as is evident from the fact that PECO has managed to improve its position during the year 2015. Current ratio of the Company for the year 2015 is 1.81:1 which is better than the acceptable industry norms. The company has orders in hand of Rs. 1,048.60 million and orders in pipeline of Rs. 941.66 million at good margins. Due to hard work and continuous efforts of management, the Company earned pre-tax profit of Rs. 63.584 million. Furthermore, all the orders are at very good margins which will yield substantial profits during next year.

The Board of directors and the management is of the firm view that the Company has neither intention nor any plan to close down its existing operations and shall continue its operations in the foreseeable future. Therefore, these financial statements have been prepared on the assumption that the company will continue as a "going concern".

SUBSEQUENT EVENTS

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

STATEMENT ON CORPORATE FINANCIAL REPORTING FRAME WORK

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

Accordingly the Directors are pleased to confirm the following:

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

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

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

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

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

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

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

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

AUDIT AND RISK MANAGEMENT COMMITTEE

Audit and Risk Management Committee were 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. Three members including Chairman of the Committee are Independent and one is non executive director.

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

DIRECTOR'S TRAINING PROGRAMME

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

Company. During the year under review one director has acquired the certification under Director's Training Programme that meets the criteria specified by the SECP.

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 behaviours. The same has been placed on the Company's Website.

NUMBER OF EMPOLYES

The number of empolyes as on June 30, 2015 were 416 compared to 432 of last year.

HUMAN RESOURCE AND REMUNERATION COMMITTEE

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

RELATED PARTY TRANSACTIONS

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

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Stock Exchanges in their Listing Regulations, relevant for the year ended June 30, 2015 have been duly complied with. A statement to this effect is annexed with the report.

WEB PRESENCE

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

SAFETY AND ENVIRONMENTS

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

OUTSTANDING STATUTORY DUES

Detail of outstanding statutory dues is given in note No. 9 to the Accounts.

QUALITY CONTROL

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

BUSINESS PLANS & ACHIEVEMENT OF TARGETS

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

COMMUNICATION

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

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

ACKNOWLEDGEMENT

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

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

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

For and on Behalf of the Board

Dated: August 20, 2015
Lahore

(Syed Kaukab Mohyuddin)
Chairman

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges 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 constitutes the following Directors:

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

   Executive Directors
   Mr. Shafqat-ur-Rehman Ranjha

   Non-Executive Directors
   Syed Kaukab Mohyuddin
   Mr. Arif Ibrahim
   Mr. Muhammad Arif Habib

   The independent directors' meets the criteria of independence under Claus i (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 tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The Company has a policy to fill up any casual vacancy occurring in the Board within 90 days.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non executive directors, have been taken by the board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

9. The Board arranges orientation courses for its directors as and when needed to apprise them of their duties and responsibilities. The incoming directors are also provided with appropriate briefing and orientation material to enable them first hand knowledge on the working of the Company. Some of the present directors meet the criteria of exemption under clause (xi) of the Code and are accordingly exempted from director' training programme. The Company will arrange training programme for rest of the directors as provided under CCG.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for 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 independent directors.
16. The meetings of the Audit and Risk Management Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are independent directors. Chairman of the Committee is non executive director.
18. The Board has set up an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles contained in the CCG have been complied with.

By Orders of the Board

Dated: August 20, 2015
Lahore

Shafqt-ur-Rehman Ranjha
(Managing Director)

REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Corporate Governance ("the Code") prepared by the Board of Directors of PAKISTAN ENGINEERING COMPANY LIMITED ("the Company") for the year ended June 30, 2015 to comply with the requirements of Regulations of the Karachi, Islamabad and Lahore Stock Exchanges, where the company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance 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 personnel and review of various documents prepared by the company to comply with the code.

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

The Code requires that Company toplace before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms 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 alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. 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, 2015.

Tariq Abdul Ghani Maqbool & Co.
Chartered Accountants
Engagement partner: Malik Haroon Ahmad

Lahore
Dated: August 20, 2015

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of PAKISTAN ENGINEERING COMPANY LIMITED ("the Company") as at June 30, 2015 and related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

1) Loan from Government of Pakistan received through Privatization Commission and Government Escrow account aggregating to Rs. 594.41 million (ref. note. 6.1 & 6.2) have been outstanding for many years. Carrying amount of this loan remained unconfirmed due to non availability of confirmation from the Privatization Commission of Pakistan despite of repeated reminders.

2) Loan from Government of Pakistan aggregating to Rs. 1,196.44 million (ref. note. 6.3, 6.4 & 6.5) which have been outstanding for many years. Mark up on this loan is reflected in the confirmations given by the the related authorities of Government of Pakistan, however, the same is not recognized as an expense due to non acceptance of said liability by the company, legal opinion of the lawyer and minutes of meetings of parties. Had this mark up been provided for, profit would have been decreased by Rs. 40.65 million (2014: 56.10 million) accumulated loss would have been increased by Rs. 1,294. 41 million (2014: Rs. 1,253. 76 million) and liabilities would have been increased by 1,294.41 million (2014: Rs. 1,253. 76 million).

3) The interest free loan from Government of Pakistan as referred to in Note 6, amounting Rs. 1,790.848 million (2014: Rs. 1,790.848 million) is being shown at historical cost in contravention with the requirements of IAS - 39 which require the same to be recorded at amortized cost as appropriate with an impact on income through profit and loss account. The financial impact of which could not be determined in absence of relevant information.

Except for the effect, if any, of the matters referred to in paragraph 1, 2 & 3 above and to the extent to which it may affect the annexed financial statements, we report that;

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

b) In our opinion:

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

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

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

c) in our opinion, except for the effect, if any, of the matter referred to in paragraph 1, 2 and 3 above and the extent to which it may affect the annexed financial statements and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity 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, 2015 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 following uncertainties:

i. Note. 2.1 to the financial statements, which states that at reporting date, the Company’s equity is negative by Rs. 1098.46 million (2014: Rs.1,171.98 million), its accumulated loss of Rs. 1,165.36 million (2014: Rs. 1,238.88 million). The negative equity of the Company indicates the existence of a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern. However, due to matters referred in note 2.1, our opinion is not qualified in respect of this matter.

ii) Note. 16 to the financial statements which states that the Badami Bagh land has been classified as held for sale. The documents for sale are with Privatization Commission since 1994 and part of the land has been sold in 2001. However no progress has been made to date and the land is still being classified as held for sale for the reasons stated in the relevant note. Our opinion is not qualified in respect this matter.

The financial statements of Pakistan Engineering Company Limited for the year ended 30 June 2014 were audited by another auditor who expressed a qualified opinion on those financial statements on 29 September 2014.

Dated: August 20, 2015

Lahore

Tariq Abdul Ghani Maqbool & Co.
Chartered Accountants
Engagement partner: Malik Haroon Ahmad (FCA)

EQUITY AND LIABILITIES

	Note	June 30, 2015	Restated June 30, 2014	Restated July 01, 2013
		--------(Rupees in '000)--------		
SHARE CAPITAL AND RESERVES				
Share capital	4.	56,902	56,902	56,902
Revenue reserve - general		10,000	10,000	10,000
Accumulated loss		(1,165,358)	(1,238,882)	(1,191,376)
		(1,098,456)	(1,171,980)	(1,124,474)
SURPLUS ON REVALUATION OF FIXED ASSETS	5.	8,559,413	8,582,247	8,595,650
NON - CURRENT LIABILITIES				
Government of Pakistan - secured	6.	1,790,848	1,790,848	1,790,848
Long term borrowings - secured	7.	68,256	-	-
Deferred income tax liability - net	8.	55,834	52,493	115,950
		1,914,938	1,843,341	1,906,798
CURRENT LIABILITIES				
Trade and other payables	9.	527,237	262,015	93,050
Short term borrowing - secured	10.	20,000	108,351	108,351
Current portion of long term borrowings	7.	19,503	-	3,030
Accrued mark-up		3,099	12,936	3,115
Provision for taxation		9,553	-	-
		579,392	383,302	207,546
CONTINGENCIES AND COMMITMENTS	11.			
TOTAL EQUITY AND LIABILITIES		9,955,287	9,636,910	9,585,520

The annexed notes form an integral part of these financial statements.

Shafqat-ur-Rehman Ranjha
(Managing Director)

	Note	June 30, 2015	Restated June 30, 2014	Restated July 01, 2013
		--------(Rupees in '000)--------		
ASSETS				
NON - CURRENT ASSETS				
Property, plant and equipment	12.	8,588,036	8,630,104	8,662,651
Investment property	13.	642	676	712
Long term investment	14.	704	663	624
Long term deposits	15.	620	964	964
		8,590,002	8,632,407	8,664,951
Free hold land - held for sale	16.	314,724	314,724	314,724
CURRENT ASSETS				
Stores, spares and loose tools	17.	131,772	137,717	129,279
Stock in trade	18.	411,431	322,338	191,326
Trade debts - unsecured	19.	381,153	152,677	136,869
Advances	20.	9,196	5,430	4,781
Trade deposits, prepayments and other receivables	21.	27,377	29,366	40,898
Advance income tax		67,132	35,100	31,359
Cash and bank balances	22.	22,500	7,151	71,333
		1,050,561	689,779	605,845
TOTAL ASSETS		9,955,287	9,636,910	9,585,520

The annexed notes form an integral part of these financial statements.

Muhammad Iqbal
(Director)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	Restated 2014
		-------(Rupees in '000)-------	
Sales - net	23.	923,261	222,317
Cost of sales	24.	(781,391)	(280,442)
Gross Profit/(Loss)		141,870	(58,125)
Selling and distribution expenses	25.	(5,474)	(7,307)
Freight and forwarding expenses	26.	(10,504)	(2,004)
Administrative expenses	27.	(51,339)	(44,320)
Other operating charges	28.	(5,327)	(870)
		72,644	54,501
Other operating income	30.	11,878	5,205
Operating Profit/(Loss)		81,104	(107,421)
Finance cost	29.	(17,520)	(16,945)
Profit/(Loss) before taxation		63,584	(124,366)
Taxation	31.	(18,312)	57,755
Profit/(Loss) after taxation for the year		45,272	(66,611)
BASIC AND DILUTED (LOSS) PER SHARE	32.	-------- (Rupees) -------	
Basic and diluted earnings / (loss) per share		7.96	(11.71)

The annexed notes form an integral part of these financial statements.

Shafqat-ur-Rehman Ranjha
(Managing Director)

Muhammad Iqbal
(Director)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2015

	2015	Restated 2014
	--------(Rupees in '000)-------	
Profit/(Loss) after taxation for the year	45,272	(66,611)
Other comprehensive income / (loss) for the year	-	-
Total comprehensive income / (loss) for the year	45,272	(66,611)

The annexed notes form an integral part of these financial statements.

Shafqat-ur-Rehman Ranjha
(Managing Director)

Muhammad Iqbal
(Director)

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	Restated 2014
		-------(Rupees in '000)-------	
CASH GENERATED FROM / (USED IN) OPERATIONS			
Cash generated from / (used in) operations	33.	63,555	(45,005)
Finance cost paid		(25,541)	(5,278)
Gratuity Paid		(54)	(108)
Income tax paid		(32,032)	(3,741)
Net cash generated from / (used in) operating activities		5,928	(54,132)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(7,537)	(6,980)
Capital work in progress		(14,836)	-
Proceeds from disposal of property, plant & equipment		32,042	-
Long term deposits		344	-
Investments		-	(39)
Net cash generated from / (used in) investing activities		10,013	(7,019)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings		20,000	-
Long term borrowings - (repayments)		(20,592)	(3,030)
Dividend paid		-	(1)
Net cash generated used in financing activities		(592)	(3,031)
Net increase / (decrease) in cash and cash equivalents		15,349	(64,182)
Cash and cash equivalents at the beginning of the year	22.	7,151	71,333
Cash and cash equivalents at the end of the year		22,500	7,151

The annexed notes form an integral part of these financial statements.

Shafqat-ur-Rehman Ranjha
(Managing Director)

Muhammad Iqbal
(Director)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2015

	Issued, subscribed and paid-up capital	Revenue reserve - General	Accumulated loss	Total
	-----------------------------(Rupees in '000)			-----------------------------
Balance as at June 30, 2013 - as previously reported	56,902	10,000	(1,203,064)	(1,136,162)
Effect of restatement as referred to note. 3A.	-	-	11,688	11,688
Balance as at July 01, 2013 - as restated	56,902	10,000	(1,191,376)	(1,124,474)
- (Loss) after tax for the year ended June 30, 2014	-	-	(66,611)	(66,611)
- Other comprehensive income	-	-	-	-
Total comprehensive (loss) for the year	-	-	(66,611)	(66,611)
Surplus on revaluation of fixed assets realized on account of incremental depreciation - net off tax	-	-	19,105	19,105
Balance as at June 30, 2014 - as restated	56,902	10,000	(1,238,882)	(1,171,980)
- Profit after tax for the year ended June 30, 2015	-	-	45,272	45,271
- Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	45,272	45,271
Surplus on revaluation of fixed assets realized on account of incremental depreciation - net off tax	-	-	18,337	18,337
Surplus realized on account of disposal of revalued machinery - net off tax	-	-	9,915	9,915
Balance as at June 30, 2015	56,902	10,000	(1,165,358)	(1,098,457)

The annexed notes form an integral part of these financial statements.

Shafqat-ur-Rehman Ranjha
(Managing Director)

Muhammad Iqbal
(Director)

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 all Stock Exchanges of Pakistan. The registered office of the Company is situated at 6/7 Ganga Ram Trust Building, Shahra-e-Quaid-e-Azam, Lahore. The company is principally engaged in the manufacturing and sale of engineering products. The major products of the company are electricity transmission and communication towers, electric motors, pumps and steel rolled products etc.

Keeping in view the Financial condition of the Company, the Government of Pakistan in past had closed down all the divisions of the Company, however, a rehabilitation plan was approved by the Federal Cabinet and according to the plan, Structure (STR) division was kept operational and Badami Bagh Works was closed down with its land being offered for sale by the Privatization Commission. Furthermore, the company was allowed to hire needed workforce on job-to-job basis on contract/daily wages. In this regard title deed of Badami Bagh Land was also handed over to the Privatization Commission of Pakistan. Expression of interests have been received by Privatization Commission in this regard from many parties and management is confident that the transaction will be completed soon. Taking in to consideration the successful operation of the structure division and demand for pumps and motors, the BoD decided to bring other division into operations as well. At present structure, pumps, electric motor and foundry divisions of the company are in operation.

2. BASIS OF PREPARATION

2.1 Basis of Accounting

The Company has earned gross profit of Rs. 141.87 million and after tax profit of Rs. 45.27 million resulting in accumulated loss of Rs. 1,165.36 million (2014: Rs. 1,238.89 million restated) and negative equity of Rs. 1,098.46 million (2014: Rs. 1,171.98 million restated) as at June 30, 2015. During the year, company has secured and fulfilled orders to manufacture and supply towers to Natracon and various electric supply companies. These orders were at reasonable margins and as a result of increase in turnover, production volumes, availability of energy resources and installation of new strategic assets, the Company is able to improve its performance as compared to previous years.

The BoD and the management of the Company took various effective strategic decisions and made efforts to get orders mix, improve efficiency, production and reduce overheads, so that business volume as well as profitability can be improved and maintained. In this regard, coal gasifier which had started commercial production in last year saved resonable energy cost during the year resulting in valuable cash savings for the company. The new galvanizing kettle has been installed that saved galvanization cost to the company. During the year, orders for procurement of additional kettle has been placed which is expected to be errected in the next financial year and management is hopeful that the commencement of commercial operations of the new galvanizing kettle and coal gasifier will help the Company to minimize its costs of production and therefore will achieve better turnover in the upcoming periods. The existing credit limit of the Company has been renewed and the short term loan of Rupees 108.351 million is converted into long term loan which is to be paid in 05 years in 20 equal quarterly installments effective from March 31, 2015. Such facility will be matured on March 31, 2020. In this regard the Ministry of Finance has also allocated credit ceiling to the Company amounting to Rs. 700 million. On January 23, 2015, a fresh loan of Rupees 20 million and Rupees 100 million as running finance and bank guarantee respectively, is sanctioned by National Bank of Pakistan (NBP).

This fresh sanction will be matured on December 31, 2015 and will be renewed annualy. This support from the GoP and financial institutions and improved working capital management will also help to overcome the liquidity and working capital problems of the company. Further, the company has been able to maintain its current ratio at 1.81:1 which is quite positive and has orders in hand of Rs. 1,048.60 million and orders in pipeline of Rs. 941.66 million. As far as the negative equity and losses are concerned, the company has been operating with negative equity for more than 20 years and has a long history of ups and downs, however these conditions have never adversely affected the going concern status of the company.

As per the recorded order of the Government of Pakistan, the principal liabilities payable towards the GoP will be settled only and only through sale proceeds of Badami Bagh Land, the value of which has been estimated at Rs. 2,894.655 million. This value is significantly greater than the value of principal Government liabilities payable which amount to Rs. 1,790.848 million in aggregate. Further, the markup claimed by the Government departments on these liabilities is disputed as there was no mention of charging interest in any agreement or decision. Further, to resolve the issue of charging of markup on the GoP loans a committee was constituted as per the decision of additional Finance Secretary. The committee included representative from Ministry of Finance, Ministry of Industries and Production, Privatization Commission and Board Members of PECO. The view point of the management was supported from the fact that in the meeting held at Finance Division Islamabad attended by representatives of Privatization Commission, Ministry of Industries and Production and PECO, the Finance Division was instructed by the Chairman of the meeting (representative of Ministry of Industries and Production) to re-examine the issue of charging interest and come up with sound logical reasons. Till date the Finance Division has not been able to present any such documentation or come up with any sound logical reason for charging of interest. The legal advisors of the Company are also of firm opinion that markup is not payable, therefore repayment of Government liabilities or claim of markup by GoP will not have any effect on the liquidity of the company and resultantly on the going concern status of the Company. In this regard Badami Bagh Land has already been offered for sale by the Privatization Commission and expressions of interests have been received by Privatization Commission.

In view of the situation set out above, although material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern, however, the BoD and the management of the company is satisfied on the going concern status of the Company, which is evident from the financial performance in current year and is firmly confident that all these conditions are temporary and would reverse in the near future and that the going concern assumption is appropriate for the reasons explained in the above paragraphs, therefore, these Financial Statements have been prepared on the assumption that the company will continue as a going concern.

2.2 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.

2.3 Basis of Measurement

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain items of property, plant and equipment which are stated at revalued amounts and certain financial liabilities which are carried at amortized cost. 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.

2.4 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.

2.5 Critical Accounting Estimate & Judgments

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

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

2.5.1 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.

2.5.2 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 enactive by the reporting date. Significant judgment is exercised to determine the amount of net deferred tax liabilities to be recognized.

2.5.3 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.

2.5.4 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.

2.6 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

2.6.1 Standards, amendments and interpretations to published accounting standards that are effective but not relevant.

Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on January 01, 2014 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 financials statements.

2.6.2 Standards, amendments and interpretations to published accounting standards that are not yet effective and not relevant.

There are certain standards, amendments to the approved accounting standards and interpretations that will be effective for the periods beginning on or after January 01 2015 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property, Plant and Equipment

Property, plant & equipment is stated at cost or revalued amount less accumulated depreciation and impairment loss, if any, except for freehold land and capital work in progress which is stated at revalued amount/cost less impairment, if any. Cost of these assets consists of historical cost and directly attributable costs of bringing the assets to working condition. Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economics benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Cost 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 or loss account. Surplus arising on revaluation after considering deficit in other categories, is credited to surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. Accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated with the revalued amount of the asset. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to accumulated loss. The cost of self constructed assets includes the cost of materials, direct labor and any other cost directly attributable to bringing the assets to a working condition for their intended use. Borrowing costs pertaining to the construction and erection are capitalized up to the date of completion. Depreciation on property, plant & equipment is charged to income on reducing balance method at the rates specified in note No.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 life's and depreciation rates are reviewed and adjusted, if appropriate, at each balance sheet date.

Impairment test for property, plant and equipment is performed when there is an indication of impairment. At each year end, an assessment is made to determine whether there is any indication of impairment. If any such indications exist, an estimate of the assets recoverable amount is calculated being the higher of the fair value of the asset less cost to sell and the assets value in use. If the carrying amount of the asset exceeds its recoverable amount, the property, plant and equipment is impaired and an impairment loss is charged to the profit and loss account so as the reduce the carrying amount of property, plant and equipment to its recoverable amount. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the property, plant and equipment in its present form and its eventual disposal.

An impairment loss is recovered if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefit are expected from its use or disposal. Any gain and losses on disposal or de-recognition (calculated at the difference between the net disposal proceeds and carrying amount of the asset) is taken to profit and loss account. When the revalued assets are sold, the relevant remaining surplus on revaluation is transferred directly to accumulated loss.

3.2 Capital Work -in -Progress

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

3.3 Investment property

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

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

3.6 Inventories

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

Raw material	At weighted average cost.
Work in Process	At direct material cost, labor and appropriate portion of production overheads.

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

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

3.7 Trade debts and other receivables

Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, less provision for doubtful debts or allowance for any 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 uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

3.8 Associated Undertaking / Related Parties

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

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

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.

Currently retirement benefits are only being paid to Chief Executive and some employees whose provident fund and pension fund contributions are paid to the funds maintained by the Government or their respective departments.

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

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.

Income on bank deposits

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

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 Equivalents

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 Receivabless

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 currently. The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

a) Trade & Other Receivables

Trade and other receivables are recognized and carried at original invoice amount / cost less an allowance for any uncollectable 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 & 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.

3A. RECTIFICATION OF ERRORS

Subsequent to issuance of annual report for the year ended June 30, 2014 it came to the knowledge of management that there are certain errors in periously issued financial statements which require retrospective restatement of financial statements in accordance with International Accounting Standard - 8 (IAS 8) "Accounting Policies, Changes in Accounting estimates and Errors".

a) Previously the company erroneously charged interest on Workers' profit participation fund liability. Accordingly, Workers' profit participation fund and Retained earnings are rectified to correct it.

b) The company has a building situated in Karachi which is held to earn rental income and capital appreciation. Previously this building was included in property, plant and equipment instead of presenting it as Investment property as per requirements of International Financial Reporting Standard (IAS 40) Investment Property.

Both the errors have now been accounted for retrospectively in accordance with International Accounting Standard - 8 " Accounting Policies, Changes in Accounting Estimates and Errors", resulting in adjustment of prior year financial statements.

Effects of retrospective rectification of errors are as follows:

	As at June 30, 2014			As at July 01, 2013		
	As prviously reported	Effect of restatement	As restated	As prviously reported	Effect of restatement	As restated
	-------- (Rupees in '000) --------			-------- (Rupees in '000) --------		
Effects on Balance Sheet						
Accumulated loss	(1,252,912)	14,030	(1,238,882)	(1,203,064)	11,688	(1,191,376)
Worker profit participation fund - Interest	38,440	(21,476)	16,964	33,100	(17,981)	15,119
Property, plant and equipment	8,630,780	(676)	8,630,104	8,663,363	(712)	8,662,651
Investment property	-	676	676	-	712	712
Deferred tax liability	45,046	7,447	52,493	109,657	6,293	115,950
Effect on Profit and Loss Account						
Taxation	58,908	(1,153)	57,755	70,376	2,808	73,184

4. SHARE CAPITAL

	2015	2014	2015	2014
	(Number of Shares)		(Rupees in '000)	
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

	2015	2014	2015	2014
	(Number of Shares)		(Rupees in '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 shares	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 (2014: 1,415,723) ordinary shares of Rs. 10/- each as at 30 June 2015.

		Note	2015	2014
			(Rupees in '000)	
5.	SURPLUS ON REVALUATION OF FIXED ASSETS			
	Free hold land	5.1	8,219,246	8,219,246
	Building structure on free hold land	5.2	192,583	199,738
	Plant and machinery	5.3	147,584	163,263
			8,559,413	8,582,247
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	7,905,247	7,905,247
			8,219,246	8,219,246
5.1.1	Badami Bagh Land			
	Surplus on revaluation		321,358	321,358
	Less: Adjustment on account of sale of part of Badami Bagh Works Land in 2001		(7,359)	(7,359)
			313,999	313,999
5.2	Building Structure on freehold land			
	Gross surplus on revaluation of Building structure	5.2.1	413,028	413,028
	Less:			
	Surplus realized on account of incremental depreciation in respect of:			
	- Prior years		114,910	99,219
	- Current year		10,136	10,513
	- Related deferred tax liability		4,770	5,178
			129,816	114,910
			283,212	298,118
	Less: Related deferred tax liability in respect of:			
	- Balance at the beginning of the year		98,380	106,696
	- Change of rate		(2,981)	(3,138)
	- New surplus during the year		-	-
	- Incremental depreciation for the year		(4,770)	(5,178)
			90,629	98,380
	Net surplus on revaluation of Building structure		192,583	199,738
5.3	Plant and Machinery			
	Gross surplus on revaluation of Plant and machinery	5.3.1	329,947	329,947
	Less: Adjustment on account of sale of machinery		(14,799)	-
			315,148	329,947
	Less:			
	Surplus realized on account of incremental depreciation in respect of:			
	- Prior years		86,270	73,445
	- Current year		8,201	8,593
	- Related deferred tax liability		3,859	4,232
			98,330	86,270
			216,818	243,677

	2015	2014
	(Rupees in '000)	
Less: Related deferred tax liability in respect of:		
- Balance at the beginning of the year	80,414	87,211
- Change of rate	(2,437)	(2,565)
- Realized on disposal of machinery	(4,884)	-
- Incremental depreciation for the year	(3,859)	(4,232)
	69,234	80,414
Net surplus on revaluation of Plant and machinery	147,584	163,263

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.16)

5.1.2 Kot Lakhpat works was revalued on 19 February 2013 by an independent approved valuer M/s Indus Surveyors (Private) Limited on the basis of average market rate keeping in view the market conditions. The land was revalued at 7,906.000 million resulting in revaluation surplus of Rs. 3,557.700 million. Earlier, the land has been revalued in 1991 by M/s NESPAK and in 2001 & 2009 by M/s Indus Surveyors (Pvt.) Ltd.

5.2.1 Building structure of Kot Lakhpat works was revalued on 19 February 2013 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 350.884 million resulting in revaluation surplus of Rs. 185.845 million. Earlier, the building structure has been revalued in 1997 & 2009 by M/s Indus Surveyors (Pvt.) Ltd.

5.3.1 Plant & machinery of Kot Lakhpat works was revalued on 19 February 2013 by an independent approved valuer M/s Indus Surveyors (Private) Limited on the basis of present depreciated market value . The plant & machinery was revalued at 374.062 million resulting in revaluation surplus of Rs. 66.483 million. Earlier, the plant & machinery has been revalued in 1997 & 2009 by M/s Indus Surveyors (Pvt.) Ltd.

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

6. GOVERNMENT OF PAKISTAN - SECURED

	Note	2015	2014
Privatization commission loan	6.1	481,469	481,469
Government Escrow account	6.2	112,937	112,937
Other Government Loan	6.3	100,000	100,000
Federal Government loan for compulsory separation scheme	6.4	309,000	309,000
Federal Government Bonds	6.5	787,442	787,442
		1,309,379	1,309,379
		1,790,848	1,790,848

These represent funds provided by the Government of Pakistan (the Government), bank loans of the company taken over by the Government and amounts payable by the company to different Government departments like Customs, Railways and Karachi Port Trust. According to the Cabinet Committee Division decision dated 30th May 1994 and 2005 these liabilities will be settled against the proceeds from disposal of Land held for sale (Refer Note no. 16) 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.

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 & 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 most recent 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.

	2015	2014
	(Rupees in '000)	
6.1 The break up of loan from Privatization Commission is as follows:		
Loan for VSS/CSS and Salaries	281,082	281,082
Loan for shifting of machinery	75,819	75,819
Loan for Energy bills and Import duties	124,568	124,568
	481,469	481,469

6.1.1 This represents interest free loan provided by Privatization Commission to PECO for payment of salaries, energy bills, shifting of plant & machinery from Badami Bagh to Kot Lakhpat and payment of outstanding essential liabilities. According, to the Cabinet Committee Division decision, Privatization Commission would adjust its loan liability against the sale proceeds of Badami Bagh Land and surplus land of Kot Lakhpat, if needed and in this regard title documents of Badami Bagh Land were handed over to the Privatization Commission in 1994 by PECO. For the year ended June 30, 2015, no confirmation was provided by Privatization Commission, despite of sending reminders. The foregoing loans have been outstanding since 1993. The company also obtained legal opinion from the legal advisers of the company.

The legal adviser is of the firm opinion that since there is no mention of any markup to be charged on this loan in any agreement nor is there any markup agreement in respect of this loan therefore no markup is payable by PECO in respect of this loan. The BoD and the management firmly believes that as the Company had handed over the title documents of the said land to the Privatization commission for disposal in the year 1994 and had Privatization Commission disposed off the land at that time no issue of charging any interest on these loans would have risen and instead believed that a case of causing loss to PECO on account of delay caused in disposing off the land at Badami Bagh should be made out, either by raising monitary 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

	2015	2014
	(Rupees in '000)	

PECO was not a party to these agreements, therefore, it cannot be held responsible for fulfilling any obligation pertaining to them. The claim of GoP is based on illegitimate assumption.

Furthermore, the legal advisors are also of firm opinion that the amount of additional gratuities of Rs. 131.454 (refer note 11.1.3) million should be borne by the Privatization Commission. In this regard, in the meeting held on October 7, 2010 at Finance Division, Privatization Commission was instructed by Ministry of Finance to review the calculation / treatment of the loan amounting to Rs. 131.454 million and come up with firm stance on it. The Privatization Commission was further instructed to sort out the issue of charging interest on VSS loan and come up with sound reason and logic for charging interest thereon. Neither formal agreements were signed or executed between the Privatization Commission, Ministries and PECO nor definitive terms and conditions exist in relation to the issue of markup and that the Privatization Commission only applied markup as instructed by the Finance Division. Further, under the directions of public accounts committee the matter of charging interest is being reviewed by the committee comprising of Ministry of Industries, Ministry of Finance and Privatization Commission of Pakistan.

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

	2015	2014
Customs and other import duties	86,984	86,984
Pakistan Railways freight	12,989	12,989
Karachi Port Trust	12,964	12,964
	112,937	112,937

6.2.1 The company has not provided interest on loan relating to custom and other import duties as BoD and the management believes that there was no clause of charging interest or surcharge in the ECC and Cabinet Decision. Inspite of confirmation requests and several reminders, no confirmation of custom and other import duties of Rs. 86.984 million and Karachi Port Trust of Rs.12.964 million. The legal adviser is also of the firm opinion that no markup is payable by PECO in respect of this loan.

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

	2015	2014
Bank loans taken over	100,000	100,000
	100,000	100,000

6.3.1 This represents amount payable on account of the company's bank loans taken over by the Government in the year 1990. BoD and the management of the Company believes that there was no interest as PECO being a public sector entity was required to take-up only principal amount of the loan in its books. The legal adviser is also of the firm opinion that no markup is payable by PECO in respect of this loan. Furthermore, in the meeting held at Ministry of Finance in October 2010, Finance Division was instructed to re-examine the issue relating to Rs.100.00 million Loan and interest thereof, to confirm the contention of PECO and decision to be conveyed at its earliest.

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

	2015	2014
Loan for CSS	309,000	309,000
	309,000	309,000

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

		2015	2014
		(Rupees in '000)	

with the committee representatives. "

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

		2015	2014
Interest bearing bonds		655,138	655,138
Interest free bonds		132,304	132,304
		787,442	787,442

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

7. LONG TERM BORROWINGS - SECURED

		2015	2014
From National Bank of Pakistan - Cash finance	7.1	87,759	-
Accumulated amortization		-	-
		87,759	-
Less: Current portion of long term borrowings		(19,503)	-
		68,256	-

7.1 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 march 31, 2020. This is secured against first charge of Rs. 180.585 over movable fixed assets [excluding land and building] of the company.

8. 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 33% to 32% as a result of change is rate as approved by Finance Act 2015.

		2015	Restated 2014
		(Rupees in '000)	
The offset amounts are as follows:			
Deferred tax liabilities	8.1	187,195	205,429
Deferred tax assets	8.2	(131,361)	(152,936)
Deferred tax liabilities (net)		55,834	52,493

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

8.1 Deferred tax liabilities in respect of taxable temporary differences:

	2015	2014
Accelerated tax depreciation allowances	27,334	26,637
Surplus on revaluation of fixed assets	159,861	178,792
	187,195	205,429

8.2 Deferred tax assets in respect of deductible temporary differences:

	2015	2014
Provisions for doubtful & other balances	(16,304)	(16,813)
Provision for stores & spares	(3,200)	(3,300)
Minimum tax available for carry forward	(16,847)	(7,294)
Unabsorbed business losses	(95,010)	(125,529)
	(131,361)	(152,936)

9. TRADE AND OTHER PAYABLES

		2015	2014
Trade creditors		388,858	183,318
Accrued liabilities		26,212	15,564
Advances from customers		16,280	5,193
Gratuity payable (related party)		206	250
Payable to preference shareholders	9.1	773	773

	Note	2015	Restated 2014
		(Rupees in '000)	
Payable to State Engineering Corporation (Private) Limited (SEC) (an associated undertaking)		151	192
Sales tax payable		31,339	-
Workers' profit participation fund	9.2	37,160	32,114
Workers' welfare fund		1,227	-
Unclaimed dividend		13,310	13,311
Security deposits	9.3	2,000	2,000
Others		9,721	9,300
		527,237	262,015

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

9.2 Reconciliation of Workers' Profit Participation Fund

	Note	2015	2014
Principal		18,380	15,150
Accumulated interest	9.2.1	18,780	16,964
		37,160	32,114

9.2.1 Movement in Accumulated interest

		2015	2014
Opening balance		16,964	15,119
Add: Interest on funds utilized for the company's business		1,816	1,845
		18,780	16,964

9.3 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 dealereship contract with dealers.

10. SHORT TERM BORROWINGS - SECURED

	Note	2015	2014
From NBP Bank under markup arrangements - Secured:			
Running Finance	10.1	20,000	108,351
		20,000	108,351

10.1 This running finance facility was availed from National Bank of Pakistan to meet working capital requirement of Company. This is secured against first charge of Rs. 26.66 million over current and movable fixed assets (excluding land and building) of the company. The financing forms part of total credit facility available to the extent of Rs. 20.00 million. The loan carries markup @ 3 months KIBOR plus 2.50% . This facility will expire on December 31, 2015.

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 (2014: Rs. 2.517 Million).

11.1.2 Guarantees of Rs. 380.01 million (2014: Rs 256.452 million) issued by the banks and insurance companies to different parties on behalf of the company.

11.1.3 The Privatization Commission has claimed additional loan liability amounting to Rs. 131.454 million and mark up amounting to Rs. 1,230.177 million (Ref: Note 6.1.1). The management of the company in the minutes of the meeting held on October 7, 2010 at Ministry of Finance to reconcile the principal and mark up amounts with respect to Govt. of Pakistan loans does not agree with the stance of Privatization Commission in respect of additional loan and mark up claimed. Privatization Commission has been instructed by the Ministry of Finance to review the calculation / treatment of a loan amounting Rs. 131.454 million and has been asked to come up with firm stance on the foregoing loan amounting to Rs. 131.454 million. Further, Privatization Commission has been instructed to sort out the issue of charging interest on VSS loan and Privatization Commission has been asked to come up with sound reason and logic for charging interest on the above loan. The legal advisor of the company is also of the firm opinion that since there is no mention of any markup to be charged on this loan nor is there any markup agreement, therefore, no markup is payable by the company in respect of this loan. The management is confident that the ultimate outcome of the matter will result in favor of the company and hence no provision has been made in these financial statements in respect of the additional loan and markup claimed.

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 & Other Import duties (Ref: Note. 6.2.1) . 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 23, 2014, for the year ended June 30, 2014 has claimed an amount of Rs. 2,566.565 million in respect of markup payable on remaining Government of Pakistan Loans (Ref: Note 6.3.1, 6.4.1 & 6.5.1). However, the management of the company is of the opinion that no markup is payable in the absence of any agreement for markup. The matter was taken up by the Ministry of Finance, in meeting held on October 7, 2010, to reconcile the principal and Mark up amounts with respect to Govt. of Pakistan loans, which has instructed the Finance Division to re-examine the issue relating to Rs. 100.00 million loan and interest thereof, to confirm the contention of PECO. Decision on this account would be conveyed to company at the earliest. Till the issue of annual accounts no such decision has been received by company. Furthermore, the company has also obtained the opinion from the legal advisor, who is also of opinion that no markup is payable. The management is confident that the ultimate outcome of the matter will result in favor of the company and hence no provision has been made in these financial statements in respect of the markup claimed.

11.1.6 The Company has filed an appeal before CIR (A) against the order of Additional Commissioner Inland Revenue (ACIR). The 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. 108.43 million has been raised. No provision against the demand has been made in these financial statements as the Company is hopeful of a favourable outcome of appeal based on opinion of the legal advisor.

11.1.7 The Sui Gas authorities have claimed an amount of Rs. 19.21 million (2014: Rs. 29.21 million). The case is pending with review committe of SNGPL. The outcome of the matter cannot presently be determined.

11.2 Commitments in respect of:

11.2.1 Letters of credit for machinery, raw material and store items amounting to Rs. Nil (2014: Nil.).

12. PROPERTY, PLANT AND EQUIPMENT

		2015	2014
		(Rupees in '000)	
Operating fixed assets	12.1	8,570,860	8,627,764
Capital work in progress - at cost	12.2	17,176	2,340
		8,588,036	8,630,104

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 '000									
Net carrying value basis										
Year ended June 30, 2014										
Opening net book value (NBV)	7,906,000	348,519	382,429	2,037	2,982	3,757	6,220	7,350	1,017	8,660,311
Additions	-	-	6,724	154	97	-	-	-	5	6,980
Revaluation surplus	-	-	-	-	-	-	-	-	-	-
Disposals										
Cost	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Written down value	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(17,426)	(19,130)	(213)	(301)	(376)	(1,244)	(735)	(102)	(39,527)
Closing net book value (NBV)	7,906,000	331,093	370,023	1,978	2,778	3,381	4,976	6,615	920	8,627,764
Gross carrying value basis										
At June 30, 2014										
Cost / Revalued amount	7,906,000	354,815	395,883	7,943	7,156	9,775	21,445	15,523	6,127	8,724,667
Accumulated depreciation	-	(23,722)	(25,860)	(5,965)	(4,378)	(6,394)	(16,469)	(8,908)	(5,207)	(96,903)
Net book value (NBV)	7,906,000	331,093	370,023	1,978	2,778	3,381	4,976	6,615	920	8,627,764
Net carrying value basis										
Year ended June 30, 2015										
Opening net book value (NBV)	7,906,000	331,093	370,023	1,978	2,778	3,381	4,976	6,615	920	8,627,764
Additions	-	-	5,663	125	229	-	1,095	-	425	7,537
Disposal										
Cost	-	-	(30,099)	-	-	-	-	-	-	(30,099)
Accumulated depreciation	-	-	2,739	-	-	-	-	-	-	2,739
Written down value	-	-	(27,360)	-	-	-	-	-	-	(27,360)
Depreciation charge	-	(16,555)	(17,921)	(203)	(286)	(338)	(1,014)	(661)	(103)	(37,081)
Closing net book value (NBV)	7,906,000	314,538	330,405	1,900	2,721	3,043	5,057	5,954	1,242	8,570,860
Gross carrying value basis										
At June 30, 2015										
Cost / Revalued amount	7,906,000	354,815	371,447	8,068	7,385	9,775	22,540	15,523	6,552	8,702,105
Accumulated depreciation	-	(40,277)	(41,042)	(6,168)	(4,664)	(6,732)	(17,483)	(9,569)	(5,310)	(131,245)
Net book value (NBV)	7,906,000	314,538	330,405	1,900	2,721	3,043	5,057	5,954	1,242	8,570,860
Annual Rate of Depreciation (%)	-	5%	5%	10%	10%	10%	20%	10%	10%	

12.1.1 Detail of operating assets disposed of

The detail of operating assets disposed of, having net book value in excess of Rs. 50,000 are as follows:

Description	Revalued amount / Cost	Accumulated depreciation	Carrying amount	Sales proceeds	Gain	Mode of disposals	Particulars' of buyer
	-- (Rupees in '000) --						
Assets whose carrying amount is more than Rs. 50,000							
Cameless Auto Machine	237,500	15,557	221,943	259,927	37,984	Negotiation	M/s. MM Traders
Pnuematic Lathe	255,000	16,704	238,296	279,080	40,783	Negotiation	M/s. MM Traders
Turret Lathe	255,000	16,704	238,296	279,080	40,783	Negotiation	M/s. MM Traders
Turret Lathe	255,000	16,704	238,296	279,080	40,783	Negotiation	M/s. MM Traders
Turret Lathe	255,000	16,704	238,296	279,080	40,783	Negotiation	M/s. MM Traders
Electric Furnace	275,000	18,014	256,986	300,968	43,982	Negotiation	M/s. MM Traders
Piller Drill	275,000	18,014	256,986	300,968	43,982	Negotiation	M/s. MM Traders
Turret Lathe	237,500	15,557	221,943	259,927	37,984	Negotiation	M/s. MM Traders
Multi-spindle Saw	275,000	18,014	256,986	300,968	43,982	Negotiation	M/s. MM Traders
Copying Lathe-swiss	280,000	18,341	261,659	306,440	44,782	Negotiation	M/s. MM Traders
Induction Furnace 3.5 Ton	150,000	10,290	139,710	163,621	23,911	Negotiation	M/s. MM Traders
Ext. Keyway Machine	182,341	14,352	167,989	196,739	28,750	Negotiation	M/s. MM Traders
Ext. Keyway Machine	364,681	28,704	335,977	393,478	57,501	Negotiation	M/s. MM Traders
Shapper M/C	276,116	21,733	254,383	297,919	43,536	Negotiation	M/s. MM Traders
Ver. Milling M/C	224,018	17,632	206,386	241,708	35,322	Negotiation	M/s. MM Traders
Internal Keyway M/C	234,438	18,453	215,985	252,950	36,965	Negotiation	M/s. MM Traders
Internal Keyway M/C	244,857	19,273	225,585	264,192	38,608	Negotiation	M/s. MM Traders
Planner Machine	234,438	18,453	215,985	252,950	36,965	Negotiation	M/s. MM Traders
Hor. Boring Machine	442,827	34,855	407,972	477,795	69,823	Negotiation	M/s. MM Traders
Hor. Boring Machine	234,438	18,453	215,985	252,950	36,965	Negotiation	M/s. MM Traders
Hor. Boring Machine	234,438	18,453	215,985	252,950	36,965	Negotiation	M/s. MM Traders
Radial Drill M/C	208,389	16,402	191,987	224,845	32,858	Negotiation	M/s. MM Traders
Centring M/C	328,213	25,834	302,379	354,130	51,751	Negotiation	M/s. MM Traders
Piller Drill	208,389	16,402	191,987	224,845	32,858	Negotiation	M/s. MM Traders
Int. Grinding M/C	208,389	16,402	191,987	224,845	32,858	Negotiation	M/s. MM Traders
Hor. Milling M/C	244,857	19,273	225,585	264,192	38,608	Negotiation	M/s. MM Traders
Hor. Boring M/C	177,131	13,942	163,189	191,118	27,929	Negotiation	M/s. MM Traders
Honning M/C	145,872	11,482	134,391	157,391	23,000	Negotiation	M/s. MM Traders
Fine Boring M/C	151,082	11,892	139,191	163,012	23,822	Negotiation	M/s. MM Traders
6 Spindle Automatic Bar M/C	64,944	5,112	59,832	70,072	10,240	Negotiation	M/s. MM Traders
6 Spindle Automatic Bar M/C	61,675	4,854	56,821	66,545	9,725	Negotiation	M/s. MM Traders
6 Spindle Automatic Bar M/C	61,675	4,854	56,821	66,545	9,725	Negotiation	M/s. MM Traders
6 Spindle Automatic Bar M/C	61,675	4,854	56,821	66,545	9,725	Negotiation	M/s. MM Traders
6 Spindle Automatic Bar M/C	61,675	4,854	56,821	66,545	9,725	Negotiation	M/s. MM Traders
6 Spindle Automatic Bar M/C	61,675	4,854	56,821	66,545	9,725	Negotiation	M/s. MM Traders
Sprocket Notching M/C	61,675	4,854	56,821	66,545	9,725	Negotiation	M/s. MM Traders
Hydraulic Press	74,010	5,825	68,185	79,855	11,670	Negotiation	M/s. MM Traders
Edge Rolling Machine	86,345	6,796	79,549	93,164	13,614	Negotiation	M/s. MM Traders
Piller Drill	98,680	7,767	90,913	106,473	15,559	Negotiation	M/s. MM Traders
Piller Drill	55,508	4,369	51,139	59,891	8,752	Negotiation	M/s. MM Traders
Chamferrinh Machine	61,675	4,854	56,821	66,545	9,725	Negotiation	M/s. MM Traders
Power Friction Press 20 Tons	86,345	6,796	79,549	93,164	13,614	Negotiation	M/s. MM Traders
Rolling Hammer	441,595	34,758	406,837	476,465	69,628	Negotiation	M/s. MM Traders
Head Lathe	92,513	7,282	85,231	99,818	14,587	Negotiation	M/s. MM Traders
Grinding Machine - Imp	88,812	6,990	81,822	95,825	14,003	Negotiation	M/s. MM Traders
Universal Grinding Machine	111,015	8,738	102,277	119,782	17,504	Negotiation	M/s. MM Traders
Toolgrinder	92,513	7,282	85,231	99,818	14,587	Negotiation	M/s. MM Traders
Gear Hobbing Machine	104,848	8,253	96,595	113,127	16,532	Negotiation	M/s. MM Traders
Universal Grinder	67,843	5,340	62,503	73,200	10,697	Negotiation	M/s. MM Traders
Lathe Be-165	61,675	4,854	56,821	66,545	9,725	Negotiation	M/s. MM Traders
Spot Welding Machine	58,345	4,592	53,752	62,952	9,199	Negotiation	M/s. MM Traders

12.1.1 Detail of operating assets disposed of
The detail of operating assets disposed of, having net book value in excess of Rs. 50,000 are as follows:

Description	Revalued amount / Cost	Accumulated depreciation	Carrying amount	Sales proceeds	Gain	Mode of disposals	Particulars' of buyer
	---------- Rupees in '000 ----------						
Assets whose carrying amount is more than Rs. 50,000							
Upright Drill	250,000	22,593	227,407	266,327	38,920	Negotiation	Raheel Ahmed
Moulding Machine	200,000	16,078	183,922	215,400	31,478	Negotiation	Raheel Ahmed
Moulding Machine	200,000	16,078	183,922	215,400	31,478	Negotiation	Raheel Ahmed
Cente Lathe	245,000	18,947	226,053	264,741	38,688	Negotiation	Raheel Ahmed
Boring Machine	350,000	27,067	322,933	378,202	55,269	Negotiation	Raheel Ahmed
Boring Machine	350,000	27,067	322,933	378,202	55,269	Negotiation	Raheel Ahmed
Shapper M/C	276,116	24,953	251,163	294,148	42,985	Negotiation	Raheel Ahmed
Shapper M/C	276,116	24,953	251,163	294,148	42,985	Negotiation	Raheel Ahmed
Centre Lathe	520,973	47,081	473,892	554,996	81,104	Negotiation	Raheel Ahmed
Centre Lathe	547,022	49,435	497,586	582,746	85,160	Negotiation	Raheel Ahmed
Radial Drill M/C	468,876	42,373	426,503	499,497	72,994	Negotiation	Raheel Ahmed
Centre Lathe	104,195	9,416	94,778	110,999	16,221	Negotiation	Raheel Ahmed
Power Press 20 Ton	74,010	6,688	67,322	78,844	11,522	Negotiation	Raheel Ahmed
Universal Milling Machine	61,675	5,574	56,102	65,703	9,601	Negotiation	Raheel Ahmed
New Rim Rolling Machine	197,361	18,101	179,260	209,940	30,680	Negotiation	Raheel Ahmed
Rim Triming Machine	1,911,933	175,350	1,736,583	2,033,791	297,208	Negotiation	Raheel Ahmed
Grinder Machine	67,843	6,812	61,031	71,476	10,445	Negotiation	Raheel Ahmed
Two Pinion Gears	3,504,072	324,506	3,179,566	3,723,734	544,168	Negotiation	Raheel Ahmed
Centre Lathe	185,000	18,684	166,316	194,781	28,465	Negotiation	M/s. Shabbir & Co.
Ext. Cicular Grinding M/C	245,000	24,743	220,257	257,953	37,696	Negotiation	M/s. Shabbir & Co.
Band Saw Machine	335,000	33,832	301,168	352,711	51,543	Negotiation	M/s. Shabbir & Co.
G. P. Lathe	405,000	40,902	364,098	426,412	62,314	Negotiation	M/s. Shabbir & Co.
Centre Lathe	468,876	53,309	415,567	486,689	71,122	Negotiation	M/s. Shabbir & Co.
Centre Lathe	328,213	37,316	290,897	340,682	49,785	Negotiation	M/s. Shabbir & Co.
Circular Grinding M/C	135,453	15,400	120,053	140,599	20,546	Negotiation	M/s. Shabbir & Co.
Centre Lathe	208,389	23,693	184,696	216,306	31,610	Negotiation	M/s. Shabbir & Co.
Centre Lathe	359,471	40,870	318,601	373,128	54,527	Negotiation	M/s. Shabbir & Co.
Centre Lathe	547,022	62,194	484,828	567,804	82,976	Negotiation	M/s. Shabbir & Co.
Hobbing Machine	338,633	38,501	300,132	351,498	51,366	Negotiation	M/s. Shabbir & Co.
Hobbing Machine	328,213	37,316	290,897	340,682	49,785	Negotiation	M/s. Shabbir & Co.
Hobbing Machine	276,116	31,393	244,723	286,606	41,883	Negotiation	M/s. Shabbir & Co.
Centre Lathe	234,438	26,655	207,783	243,345	35,562	Negotiation	M/s. Shabbir & Co.
Centre Lathe	208,389	23,693	184,696	216,306	31,610	Negotiation	M/s. Shabbir & Co.
Centre Lathe	156,292	17,770	138,522	162,230	23,708	Negotiation	M/s. Shabbir & Co.
Clathe CL-200	125,034	14,216	110,818	129,784	18,966	Negotiation	M/s. Shabbir & Co.
Centre Lathe CL-250	260,487	29,616	230,870	270,383	39,513	Negotiation	M/s. Shabbir & Co.
Radial Drill M/C	208,389	23,693	184,696	216,306	31,610	Negotiation	M/s. Shabbir & Co.
V. Milling M/C	125,034	14,216	110,818	129,784	18,966	Negotiation	M/s. Shabbir & Co.
Centre Lathe	128,159	14,571	113,588	133,028	19,440	Negotiation	M/s. Shabbir & Co.
Bench Lathe	61,675	7,012	54,663	64,018	9,355	Negotiation	M/s. Shabbir & Co.
Bolt Heading / Threading	86,345	9,817	76,528	89,626	13,098	Negotiation	M/s. Shabbir & Co.
Triming Machine	74,010	8,415	65,596	76,822	11,226	Negotiation	M/s. Shabbir & Co.
Wire Drawing Machine (Bolt)	61,675	7,012	54,663	64,018	9,355	Negotiation	M/s. Shabbir & Co.
Universal Milling Machine	67,843	7,713	60,129	70,420	10,291	Negotiation	M/s. Shabbir & Co.
G. P. Lathe	286,439	32,567	253,872	297,322	43,450	Negotiation	M/s. Shabbir & Co.
Assets whose carrying amount is less than Rs. 50,000	5,137,338	499,483	4,637,855	5,431,603	793,748	Negotiation	Miscellaneous
	30,098,760	2,739,000	27,359,760	32,042,258	4,682,498		

		2015	2014
		(Rupees in '000)	
12.1.2	Depreciation for the year has been allocated as under:		
	Cost of Sales	35,240	37,393
	Administrative Expenses	1,841	2,134
		37,081	39,527

Depreciation charge is inclusive of incremental depreciation due to revaluation.

12.1.3 Land, Building and Plant & Machinery were revalued on 19 February 2013 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. 3,557.700 million, Rs. 185.845 million and Rs. 66.483 million respectively. Detail of previous revaluation is provided in Note. 5.

12.1.4 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.

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

	2015	2014
Free Hold Land	753	753
Factory Building on free hold land	31,326	32,975
Plant and machinery	113,532	126,347
	145,611	160,075

		2015	2014
12.2	Capital Work in Progress - at cost		
	Civil Works	2,239	2,239
	Plant and Machinery	289	-
	Advances to suppliers	14,648	101
		17,176	2,340
12.2.1	Movement in capital work in progress:		
	Opening balance	2,340	2,340
	Addition	14,836	6,286
	Capitalized	-	(6,286)
	Closing balance	17,176	2,340

13. INVESTMENT PROPERTY

		Note	2015	2014 Restated
	Opening net book value	13.1	676	712
	Additions		-	-
	Depreciation charged for the year		(34)	(36)
	Closing net book value		642	676
	Depreciation rate		5%	5%
13.1	Cost		959	959
	Accumulated depreciation		(317)	(283)
	Net book value		642	676

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 Security Investment Bank Limited and UBL Insurers Limited. Each of the lease contains an initial non-cancellable period of three years, with annual rents indexed to consumer prices. Subsequent renewals are negotiated with the lessee and on average renewal periods are three years. No contingent rents are charged.

14. LONG TERM INVESTMENT

Held to maturity:

	2015	2014
Term deposits in Standard Chartered Bank Limited	704	663
	704	663

14.1 These will mature in June 2016 and carry interest @ 6% (2014: 6%) per annum.

			2015	2014
			(Rupees in '000)	
15.	**LONG TERM DEPOSITS**			
	Long term deposits		2,338	2,682
	Less: Provision against doubtful deposits	15.1	(1,718)	(1,718)
			620	964
15.1	Movement in provision is as follows:			
	Opening balance		1,718	1,718
	Provided for the year		-	-
	Closing balance		1,718	1,718
16.	**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 the land is estimated at Rs. 2,894.655 million (2014: Rs. 2,894.655 million). The company has the possession and control of the land and holds valid title. As per the Economic Coordination Committee decision the title documents of the land were handed over to the Privatization Commission for sale and proceeds to be utilized for settlement of outstanding Government liabilities (refer note. 6). 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 most recent and past direct confirmations to the auditors has also clearly stated that GoP loans would be recovered from the sale proceeds of Badami Bagh Land.

Therefore taking into account the fact that the carrying amount of the land would be recovered principally though a sale transaction and not through continuing use and that the management and the GoP are firmly committed to a plan to sell the land and till date there has been no change of plan or revocation of Government order, the land is available for immediate sale, active programs to locate buyers continue to be carried out, the asset is marketed at fair value and it is extremely unlikely that the plan will be significantly be changed or withdrawn. The foregoing facts that events or circumstances which have resluted 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.

			2015	2014
17.	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		23,563	26,112
	Spares parts		93,596	97,110
	Loose Tools		24,613	24,495
			141,772	147,717
	Less: Provision for slow moving stores		(10,000)	(10,000)
			131,772	137,717

17.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

			2015	2014
18.	**STOCK IN TRADE**			
	Raw material		96,997	153,453
	Work in process		160,886	87,494
	Finished goods		153,548	81,391
			411,431	322,338

18.1 Stock in trade amounting to Rs. 4.95 million related to finished goods and Rs. 2.89 million related to work in process are valued at net realizable value.

			2015	2014
19.	**TRADE DEBTS - UN SECURED**			
	Associated undertaking	19.2	1,571	1,571
	WAPDA, AJK & Telecommunication Companies		379,014	160,508
	Others	19.3	43,780	33,810
			424,365	195,889

	Note	2015	2014
		(Rupees in '000)	
Less: Provision for bad and doubtful debts	19.4		
WAPDA		12,677	12,677
Others		30,535	30,535
		43,212	43,212
		381,153	152,677

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

19.2 Maximum amount due from associated undertakings at the end of any month was of Rs. 1.571 million (2014: Rs.1.571 million). Further, balance outstanding from associated undertaking is more than 360 days over due.

19.3 Trade debtors include an amount of Rs. 7.617 million (2014: 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.

19.4 Movement in provision is as follows:

	2015	2014
Opening balance	43,212	43,212
Add: Provision for doubtful debts	-	-
Closing Balance	43,212	43,212

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

	30 June 2015		30 June 2014	
	Gross	Impairment	Gross	Impairment
The aging of trade debts at the reporting date was:				
Not yet due	303,596	-	5,156	-
Past due 1-30 days	7,078	-	75,810	-
Past due 31-60 days	6	-	11,711	-
Past due 61-90 days	16,637	-	1,778	-
Over 90 days	97,048	43,212	101,434	43,212
	424,365	43,212	195,889	43,212

20. ADVANCES - Considered good

	Note	2015	2014
Advances to:			
- Employees - secured		1,529	434
- Suppliers	20.2	7,667	4,996
		9,196	5,430

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

20.2 Suppliers

	2015	2014
Suppliers as at closing date	10,491	7,820
Less: Provision for doubtful balances	(2,824)	(2,824)
	7,667	4,996

21. TRADE DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2015	2014
Trade deposits - considered good	21.1	565	770
Margin against bank guarantee - considered good	21.2	22,124	21,637
Short term prepayments & other receivables		4,688	4,770
Sales tax refundable		-	2,189
		27,377	29,366

21.1

	Note	2015	2014
Balance as on Closing date		3,697	3,902
Less: Provision against doubtful balances	21.1.1	(3,132)	(3,132)
		565	770

21.1.1 Movement in provision is as follows:

	2015	2014
Opening balance	3,132	3,132
Add: Provision for doubtful balances	-	-
Closing Balance	3,132	3,132

		Note	2015	2014
			(Rupees in '000)	
21.2	Balance as on Closing date		22,185	21,698
	Less: Provision against doubtful balances		(61)	(61)
			22,124	21,637

22. CASH AND BANK BALANCES

	Note	2015	2014
Cash in hand		327	497
Cash with banks:			
- Current accounts		21,909	2,804
- Deposit accounts	22.1	232	3,818
- Escrow account		32	32
		22,173	6,654
		22,500	7,151

22.1 The company is maintaining saving account with different banks with interest on the daily product basis which was carrying interest @ 6% to 7%. (2014 : 6% to 7.5%)

23. SALES - NET

	2015	2014
Sales - Local	1,085,635	254,571
Less: Sales tax	(162,374)	(32,254)
	923,261	222,317

24. COST OF SALES

	Note	2015	2014
Raw material consumed	24.1	654,540	188,091
Stores and spares consumed		120,359	20,074
Salaries and wages (including all benefits)	24.2	68,772	48,788
Fuel and power		25,606	14,946
Traveling & conveyance		704	681
Postage, telegram & telephone		480	286
Printing, stationery and office supplies		677	653
Inspection fee		2,858	182
Processing charges		3,616	6,668
Service charges		4,803	3,081
Rent, rates and taxes		1,843	933
Repair and maintenance		1,035	1,417
Insurance		985	976
Vehicle running expenses		2,877	2,013
Other expenses		2,545	1,508
Depreciation	12.1.2	35,240	37,393
		272,400	139,599
		926,940	327,690
Opening stock of work-in-process		87,494	60,903
Closing stock of work-in-process		(160,886)	(87,494)
		(73,392)	(26,591)
Cost of goods manufactured		853,548	301,099
Opening stock of finished goods		81,391	60,734
Closing stock of finished goods		(153,548)	(81,391)
		(72,157)	(20,657)
		781,391	280,442

		2015	2014
24.1	Raw material consumed		
	Opening stock	153,453	69,689
	Add: purchases	598,084	271,855
		751,537	341,544
	Less: closing stock	96,997	153,453
		654,540	188,091

24.2 This includes amount paid to contractor for wages of workers on contract. This also includes retirement benefits amounting to Rs. 0.01 million (2014: Rs. 0.072 million) (related party).

		Note	2015	2014
			(Rupees in '000)	
25.	SELLING AND DISTRIBUTION EXPENSES			
	Salaries and wages (including all benefits)		2,895	2,694
	Traveling and conveyance		522	393
	Entertainment		221	178
	Repair and maintenance		32	7
	Postage, telegrams and telephone		154	115
	Vehicle running expenses		275	-
	Printing, stationery and office supplies		61	85
	Rent, rates and taxes		346	223
	Publishing of tender and sales promotion		740	688
	Commission to dealers		-	2,646
	Miscellaneous		228	278
			5,474	7,307
26.	FREIGHT AND FORWARDING EXPENSES			
	Freight and forwarding expenses		10,504	2,004
27.	ADMINISTRATIVE EXPENSES			
	Salaries, wages and benefits		24,808	18,952
	Traveling and conveyance		2,305	2,410
	Entertainment		1,217	797
	Legal and professional		2,475	1,949
	Rent, rates and taxes		1,230	1,104
	Fuel, gas and electricity		1,986	1,824
	Repair and maintenance		723	539
	Postage, telegram and telephone		971	839
	Printing, stationery and office supplies		2,078	1,384
	Advertisement		467	703
	Training		115	-
	Insurance		443	435
	Vehicle running expenses		3,309	3,757
	Miscellaneous		7,371	7,493
	Depreciation	12.1.2	1,841	2,134
			51,339	44,320
28.	OTHER OPERATING CHARGES			Restated
	Auditors' remuneration	28.1	836	834
	Workers' profit participation fund		3,230	-
	Workers' welfare fund		1,227	-
	Depreciation on investment property	13	34	36
			5,327	870
28.1	Auditors' remuneration			
	Audit fee		500	500
	Half yearly review fee		75	65
	Review of compliance with code of corporate governance		25	25
	Tax consultancy charges		236	244
			836	834
29.	FINANCE COST			
	Banks and financial institutions			
	Mark - up on short term borrowings		12,917	12,936
	Bank charges and commission	29.1	2,787	2,164
			15,704	15,100
	interest on workers' profit participation fund	9.2.1	1,816	1,845
			17,520	16,945

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

		2015	2014
30.	OTHER OPERATING INCOME		
	Income from Financial Assets		
	Interest / profit		
	-On deposits with banks	659	1,127
	-On investments	41	12

	2015	Restated 2014
	(Rupees in '000)	
Income from Non - Financial Assets		
Miscellaneous income	4,142	1,393
Rental income	2,354	2,673
Gain on sale of property, plant and equipment	4,682	-
	11,178	4,066
	11,878	5,205

31. TAXATION

Current		
for the year	9,553	-
Deferred		
Origination and reversal of temporary differences	14,177	(57,755)
Impact of change in tax rate	(5,418)	-
	18,312	(57,755)

31.1 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.

31.2 Company's income tax assessment has been finalized up to 2014.

32. BASIC AND DILUTED EARNING / (LOSS) PER SHARE

Profit / (Loss) after taxation (Rupees in '000)	45,271	(66,611)
Weighted average number of Ordinary shares ("000") outstanding during the year	5,690	5,690
Earnings / (Loss) per share (Rupees)	7.96	(11.71)

There is no dilutive effect on the basic earnings / (loss) per share of the company.

33. CASH GENERATED FROM / (USED IN) OPERATIONS

Profit / (Loss) before taxation	63,584	(124,366)
Adjustments for:		
Depreciation	37,115	39,563
Financial charges	15,704	15,100
Interest on workers' profit participation fund	1,816	5,340
Interest income on bank deposit	(41)	-
Provision for gratuity	10	72
Provision for WPPF	3,230	-
Provision for WWF	1,227	-
Gain on sale of property, plant and equipment	(4,682)	-
	54,379	60,075
Profit / (Loss) before working capital changes	117,963	(64,291)
Movements in working capital		
Decrease / (Increase) in current assets:		
Stores, spares and loose tools	5,945	(8,438)
Stock in trade	(89,093)	(131,012)
Trade debts	(228,476)	(15,808)
Advances	(3,766)	(649)
Trade deposits, prepayments and other receivables	1,989	11,532
Increase / (Decrease) in current liabilities:		
Trade and other payables	258,993	163,661
	(54,408)	19,286
Cash generated from / (used in) operations	63,555	(45,005)

34. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise GoP, associated companies/undertakings, directors of the Company, key management staff and staff retirement and welfare funds. 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 (Pvt) Limited (SEC)		
- Outstanding SEC service charges paid	1,500	3,000
- Reimbursement expenses payable	151	192
- Reimbursement of expenses	192	297

		2015	2014
		(Rupees in ‘000)	
Pakistan Machine Tool Factory			
- Receivable at the end of the year	34.1	1,571	1,571

34.1 Maximum amount due from the associated undertakings at the end of any month was of Rs. 1.571 million (2014: Rs. 1.571 million).

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

35. OPERATING SEGMENT

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

35.1 Information about products and services

Revenue from slaes of electricity transmission and communication towers represents 90.08% (2014: 70.33%) of total sales.

35.2 Information about geographical areas

- All non-current assets of the Company as at June 30, 2015 are located in Pakistan.
- 100% (2014: 100%) of the gross sales of the Company are made to customers located in Pakistan.

35.3 Information about major customers

The Company’s most significant customers are electric supply companies.

Electric supply companies (HESCO, PESCO, QESCO and LESCO), electricity transmission company (NTDCL) and tower errection and installation company (NATRACON) accounts for more than 90% of the gross sales of the Company for the year.

36. FINANCIAL RISK MANAGEMENT

36.1 Risk management framework

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 adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

36.2 Financial assets and liabilities by category and their respective maturities

	June 30, 2015		June 30, 2014	
	Maturity up to one year	Maturity After one year	Maturity up to one year	Maturity After one year
	(Rupees in ‘000)			
FINANCIAL ASSETS				
Long term investments	-	704	-	663
Long term deposits - net	-	620	-	964
Trade debts - net	381,153	-	152,677	-
Advances	1,529	-	434	-
Trade deposits	22,689	-	22,407	-
Cash and bank balances	22,500	-	7,151	-
Total	427,871	1,324	182,669	1,627
FINANCIAL LIABILITIES				
Government of Pakistan Loans	-	1,790,848	-	1,790,848
Long term borrowings	19,503	68,256	-	-
Short term borrowings	20,000	-	108,351	-
Trade and other payables	527,237	-	262,015	-

Mark-up accrued	3,099	-	12,936	-
Total	569,839	1,859,104	383,302	1,790,848
On balance sheet date gap	(141,968)	(1,857,780)	(200,633)	(1,789,221)
OFF - BALANCE SHEET ITEMS				
Letter of guarantees	380,010		256,452	

36.3 Fair Values

The carrying values of the financial assets and financial liabilities approximate their fair values except for Government of Pakistan loans as disclosed in note. 6 to the financial statements. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If the transaction is not based on market terms, or if a market price cannot be readily determined, then an estimate of future cash payments or receipts, discounted using the current market interest rate for a similar financial instrument, is used to approximate the fair value.

36.4 Financial Risk Factors

The Company has exposures to the following risks from its use of financial instruments:
- Credit Risk
- Liquidity Risk
- Market Risk

36.4.1 Credit risk

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

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

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:

	2015	2014
	(Rupees in ‘000)	
Long term investments	704	663
Long term deposits - net	620	964
Trade debts - net	381,153	152,677
Advances	1,529	434
Trade deposits	22,689	22,408
Bank balances	22,173	6,654
	428,868	183,800

The Company’s most significant amount receivable is from HESCO and NTDCL which is included in total carrying amount of trade debts as at reporting date.

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Aging of trade debts is regularly reviewed by the Board's Receivables Committee and necessary actions are taken in respect of overdue balances.

The company assesses the credit quality of the counter parties as satisfactory. Bank balances are held only with reputable banks with high quality credit ratings. Loans and advances to employees are not exposed to any material credit risk since these are secured against their salaries. Geographically there is no concentration of credit risk. The maximum exposure to credit risk for trade debts at the reporting date are with customers within the country.

The aging of trade debts at the reporting date was:

	June 30, 2015 Gross	June 30, 2015 Impairment	June 30, 2014 Gross	June 30, 2014 Impairment
	------------ (Rupees in '000)			------------
Not yet due	303,596	-	5,156	-
Past due 1-30 days	7,078	-	75,810	-
Past due 31-60 days	6	-	11,711	-
Past due 61-90 days	16,637	-	1,778	-
Over 90 days	97,048	43,212	101,434	43,212
	424,365	43,212	195,889	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.

36.4.2 Liquidity risk

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

Following is the maturity analysis of financial liabilities:

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

Non - derivative financial liabilities	Up to 1 year	1 to 5 years	Total
Government of Pakistan	-	1,790,848	1,790,848
Long term borrowings	-	-	-
Short term borrowings	108,351	-	108,351
Trade and other payables	262,015	-	262,015
Accrued mark-up	12,936	-	12,936
June 30, 2014	383,302	1,790,848	2,174,150

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effectively as at June 30, 2015. The rates of mark-up have been disclosed in the respective notes to the financial statements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

36.4.3 Market risk

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

a) Currency Risk

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

b) Interest Risk

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

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

As at June 30, 2015, if interest rates on company's bank borrowings had been 1% higher / lower the markup expenses would have been higher / lower by Rs. 0.55 million (2014: Rs. 1.149 million).

37. CAPITAL RISK MANAGEMENT

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

The Company's objectives when managing capital are:

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

(ii) to provide an adequate return to shareholders.

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

	2015	Restated 2014
	(Rupees in '000)	
The gearing ratio as at June 30, is as follows:		
Debt	1,898,607	1,899,199
Equity	(1,098,457)	(1,171,980)
Total equity and debt	800,150	727,219
Gearing Ratio	237.28%	261.16%

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2015		2014	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in '000)			
Remuneration	4,134	12,635	3,263	8,202
Reimbursable expenses	679	-	549	-
Perquisites	-	1,048	-	684
	4,813	13,683	3,812	8,886
Number of persons	1	14	1	8

38.1 In addition to above remunerations 8 directors (2014: 8 directors) were paid aggregate fee of Rs. Nil (2014: Rs. Nil).

38.2 Aggregate amount charged in the accounts for 08 directors for Meeting fees were Rs.0.073 million (2014: Rs. 0.108 million) and reimbursable expenses were Rs. 3.308 million (2014 : Rs. 2.616 million) for meetings of Board of Directors and sub committees of Board of Directors.

38.3 The Chief Executive is entitled for company maintained car.

39. AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements have been authorized for issue on August 20, 2015 by the Board of Directors of the Company.

40. PLANT CAPACITY AND ACTUAL PRODUCTION

	U/M	Capacity Installed	Capacity Assessed	Actual Production 2015	Actual Production 2014
Pumps / turbines	No.	3,400	3,400	54	59
Electric motors	No.	16,500	6,500	9	14
Rolled material	Tons	80,000	30,000	-	-
Foundry	Tons	4,000	4,000	-	5
Steel fabrications (STR)	Tons	20,000	20,000	6,472	1,637
Concrete Mixture	No.	350	350	-	-

40.1 The main reasons for production below capacity were the financial constaints, increased cost of production and electricity crisis.

	2015	2014
	-------- (Numbers) --------	
41. NUMBER OF EMPLOYEES		
Total number of employees as at June 30, were;		
Contractual employees	62	55
Through Labour Contractor	354	377
	416	432
Average number of employees during the year	424	384

42. GENERAL

42.1 Figures have been rounded off to the nearest thousand rupees.

Shafqat-ur-Rehman Ranjha
(Managing Director)

Muhammad Iqbal
(Director)

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2015

Incorporation No. 0000348

Shareholders	From	To	Total Shares
1,478	1	100	40,421
563	101	500	133,361
138	501	1,000	96,919
109	1,001	5,000	210,968
20	5,001	10,000	139,379
4	10,001	15,000	46,119
6	15,001	20,000	109,900
1	20,001	25,000	21,070
2	25,001	30,000	57,300
3	30,001	45,000	98,845
2	35,001	40,000	80,000
1	40,001	50,000	43,776
1	65,001	70,000	65,345
1	75,001	80,000	78,000
1	80,000	85,000	80,200
1	85,001	90,000	85,931
1	90,001	95,000	93,904
1	105,001	140,000	135,240
1	125,001	130,000	128,790
1	165,001	170,000	165,254
1	450,001	455,000	452,700
1	505,001	510,000	510,000
1	1,400,001	1,405,000	1,401,100
1	1,415,001	1,420,000	1,415,723
2,339			5,690,245

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, their spouse and minor childern	8,727	0.15%
Executives	20	0.00%
Associated Companies, Undertakings & Related Parties	1,415,723	24.88%
ICP (including IDBP)	131,330	2.31%
Banks, Development Finance Institutions & Non Banking Financial Institutions	140,606	2.47%
Insurance Companies	229,030	4.02%
Public Sector Companies & Corporations	-	-
Joint Stock Companies	680,478	11.96%
Share holders holding 5% or more of total capital	3,779,523	66.42%
General Public		
a. Local	1,636,810	28.77%
b. Foreign	2,580	0.05%
Others:		
Investment Companies	6,550	0.12%
Private Limited Companies	1,401,100	24.62%
Cooperative Societies	6,145	0.11%
Trusts	30,414	0.53%
Associations	132	0.00%
The Custodian of Enemy Property	390	0.01%
Misc.	210	0.00%

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2015

ADDITIONAL INFORMATIONS

	% Age	Shares Held
ASSOCIATED COMPANIES, UNDERTAKINGS & RELATED PARTIES		
State Engineering Corporation Ltd.	24.88	1,415,723
ICP (including units held with IDBP)	2.31	131,330
DIRECTORS, CEO THEIR SPOUSES & MINOR CHILDREN		
Mr. Shafqat-ur-Rehman Ranjha		Govt. Nominee
Mr. Arif Ibrahim		Govt. Nominee
Mr. Naveed Nazir		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
Mirza 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 & MUTUAL FUNDS		
National Bank of Pakistan - Trustees Department	2.38	135,292
M/s Habib Bank Limited	0.00	25
M/s United Bank Limited	0.09	5,259
M/s Bank of Bahawalpur Ltd	0.00	30
IDBP (ICP Units)	2.26	128,790
M/s Pakistan Insurance Corporation	0.77	43,776
State Life Insurance Corporation Ltd	2.90	165,254
M/s Gulf Insurance Co. Ltd	0.35	20,000
SHARES HELD BY THE GENERAL PUBLIC	28.81	1,639,390
SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL		
State Engineering Corporation Ltd	24.88	1,415,723
Rotocast Engineering Company (Pvt) Limited	24.62	1,401,100
Mr. Ahmad Masood Khan	8.96	510, 000
Maha Securities Pvt. Ltd.	7.96	452,700
Holding of CDC	61.86	3,520,232

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.

FORM OF PROXY

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

I/We ______________________________ of ______________________________

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

holder of ____________________ ordinary shares as per Share Register Folio No. ____________

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

hereby appoint Mr./ Ms. ________________________ of ________________________

(or failing him / her) Mr./Ms. ________________________ of ________________________

as a proxy of vote on my / our behalf at the Annual General Meeting of the Company to be held

on Wednesday, September 30, 2015 at 11:00 a.m. at Hotel Ambassador, 7-Davis Road, Lahore.

Signed this ________________ day of ________________ 2015.

WITNESS

Signature ______________________

Name ______________________

Address ____

Signature

Please affix Rupees five Revenue Stamp

Note:

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

PAKISTAN ENGINEERING COMPANY LIMITED

MINUTES OF THE 27TH EXTRA ORDINARY GENERAL MEETING OF
PAKISTAN ENGINEERING COMPANY LIMITED HELD ON
MONDAY, APRIL 06, 2015 AT 10:30 A.M.
AT HOTEL AMBASSADOR, LAHORE.

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

The Company Secretary, Mian Anwar Aziz welcomed the shareholders and introduced Mr. Muhammad Iqbal and Mr. Liaqat Mohammad, Directors of the Company, present in the meeting.

Agenda items were taken up as under:

AGENDA ITEMS	MINUTES
1. To confirm the minutes of 65th Annual General Meeting held on October 31, 2014.	The Minutes of Annual General Meeting held on October 31, 2014 were circulated with the Notice of 27th Extra Ordinary General Meeting to all the Shareholders. The minutes were unanimously confirmed and signed by the Chairman.
2. To elect six (6) Directors as fixed by the Board of Directors of the company, representing Share holders in accordance with Section 178 of the Companies Ordinance 1984, for a period of three years in place of the following retiring Directors:- 1. Mr. Muhammad Arif Habib 2. Mr. Liaqat Mohammad 3. Mr. Rashid Ali Khan 4. Mr. Mohammad Iqbal Awan 5. Mr. Muhammad Iqbal 6. Mirza Mahmood Ahmad	The Company Secretary informed the shareholders that the Company has received nominations from the following six persons of their intentions to offer themselves for election as Directors of the Company at this Extra Ordinary General Meeting of the Shareholders:- 1. Mr. Muhammad Arif Habib 2. Mr. Liaqat Mohammad 3. Mr. Rashid Ali Khan 4. Mr. Ansar Javed 5. Mr. Muhammad Iqbal 6. Mirza Mahmood Ahmad Since the number of persons who offered themselves to be elected as Directors of the Company were not more than the number of Directors fixed for election, the above named six candidates were considered to be elected as unopposed directors of the Company. The shareholders unanimously approved the election of above named six persons as Directors of the Company for next term of three years.

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

MINUTES CONFIRMED

CHAIRMAN