

	Note	2017 (Rupees in thousands)	2016
24 OTHER OPERATING INCOME			
Interest on bank deposits		2,402	2,786
Miscellaneous income		11,379	6,175
		<u>13,781</u>	<u>8,961</u>
25 FINANCIAL CHARGES			
Financial charges on short term finance		34,108	35,331
Bank charges and commission		1,981	4,123
Accrued interest written off		22	-
		<u>36,111</u>	<u>39,454</u>
26 TAXATION			
Provision for taxation:			
Current year	26.1	9,095	6,770
Prior year		-	818
		<u>9,095</u>	<u>7,588</u>

26.1 The provision of income tax is based on section 113 of the Income Tax Ordinance, 2001 which specifies minimum tax charge at the rate of 1% of the Company's revenues, as the company has available tax losses. Tax expense reconciliation is not presented as income for the year is only subject to minimum tax on turnover.

26.2 Deferred tax arising due to timing differences calculated at current rate of taxation amounts to Rs. 93.784 million (2016: Rs. 25.632 million) debit. Deferred tax asset has not been recognized in these financial statements as in the opinion of the management there is no certainty regarding realizability of the amount.

27 PROFIT PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2017 (Rupees in thousands)	2016
(Loss)/profit after taxation - Rupees in thousands	<u>17,836</u>	<u>24,329</u>
Weighted average number of ordinary shares	<u>1,459,585</u>	<u>1,459,585</u>
(Loss)/profit per share - Rupees in thousands	<u>0.012</u>	<u>0.017</u>

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CASH (USED IN) / GENERATED FROM OPERATIONS

Note	2017 (Rupees in thousands)	2016
Loss/profit before taxation	26,931	31,917
Adjustment for non-cash charges and other items:		
Depreciation / amortization	28,737	40,751
Provision for gratuity	1,798	3,605
Provision for earned leaves	1,185	1,955
Financial charges	36,111	39,454
Interest from bank deposit	(2,402)	(2,786)
	<u>65,429</u>	<u>82,979</u>
Profit before working capital changes	92,360	114,896
Changes in working capital:		
Increase/(decrease) in current assets		
Stores and spares	1,510	(3,350)
Stock in trade	217,566	(57,565)
Trade debts	(48,703)	(80,628)
Advances	12,935	(35,311)
Short term prepayments	716	(26,403)
Other receivables	7,066	22,140
	<u>191,090</u>	<u>(181,117)</u>
(Decrease)/ increase in current liabilities		
Trade and other payables	(151,347)	128,557
Due to related parties	8,039	2,961
Temporary overdraft	-	-
	<u>(143,308)</u>	<u>131,518</u>
Cash generated from operations	<u><u>140,142</u></u>	<u><u>65,297</u></u>



29 REMUNERATION TO CHIEF EXECUTIVE AND DIRECTORS

29.1 The aggregate amounts charged in the accounts for the remuneration including benefits applicable to the chief executive and directors of the Company are as follows:

Description	2017		2016	
	Chief Executive	Directors	Chief Executive	Directors
	(Rupees in thousands)			
Managerial remuneration	607	-	2,609	-
Utilities	222	-	168	-
Meeting fee	-	170	-	20
	829	170	2,777	20
Number of persons	1	5	1	5

29.2 Meeting fee was paid to 2 (2016: 2) directors out of total 5 directors of the company.

29.3 There are no other transactions with the key management personnel other than under their terms of employment.

30 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings of the Company comprise of holding company and associated companies. Transactions with related parties and associated undertakings involve advance for repayments for the long term finance. These transactions including remuneration to key management personnel under the terms of their employment are as follows:

Transaction with the companies	Nature of transactions	2017	2016
		(Rupees in thousands)	
State Engineering Corporation (Private) Limited	Payment made against service charges	4,000	8,500
	Service charges charged	12,000	12,000

31 DEFINED CONTRIBUTION PLAN

The Company has contributory provident fund scheme for benefit of all its permanent employees under the title of "HEC - Employees Provident Fund". The Fund is maintained by the Trustees and all decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Company.

The Trustees have intimated that the size of the Fund as at June 30, 2017 was Rs. 5,687 million (2016: Rs. 1.404 million).

According to the Trustees, the investment out of pension fund have been made in accordance with the provision of section 227 of Companies Ordinance, 1984 and the rules made thereunder. Detail of investment (category wise break up of investment as per section 227 of the companies ordinance, 1984) is given below:

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>(Percentage to fund size)</u>		<u>(Rupees in thousands)</u>	
Special deposit account	100%	100%	5,687	1,404

32 CAPACITY AND PRODUCTION

	2017 MVA	2016 MVA
Plant capacity on three shifts basis - as per PC-I	2,928	2,928
Practical capacity	1,328	1,328
Actual production	1,096	1,595

Reasons for under utilization of the capacity

The company could not achieve the total plant capacity due to specified customers orders received during the year, being operating in a job order industry.

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33 FINANCIAL ASSETS AND LIABILITIES

The Company's exposure to interest rate risk on its financial assets and liabilities are summarized as follows: -

2017	Total	Interest/mark up bearing			Not interest / mark up bearing
		Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in thousand)					
Financial assets					
Long-term deposits against bank guarantee	6,915	-	-	-	6,915
Trade debts	334,187	-	-	-	334,187
Advances	25,921	-	-	-	25,921
Trade deposits	37,336	-	-	-	36,963
Cash and bank balances	101,930	101,852	-	101,852	78
	506,289	101,852	-	101,852	404,064
Financial liabilities					
Deferred liabilities	9,787	-	-	-	9,787
Trade and other payables	153,367	-	-	-	154,033
Short-term running finance	399,959	399,959	-	399,959	-
Due to related parties	13,008	-	-	-	13,008
	576,121	399,959	-	399,959	176,828
On balance sheet gap	(69,832)	(298,107)	-	(298,107)	227,236
Off Balance sheet Items					
Financial commitments:					
Letter of credits	31,330	-	-	-	31,330
Total Gap	(101,162)	(298,107)	-	(298,107)	195,906

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2016	Total	Interest/mark up bearing			Not interest / mark up bearing
		Maturity up to one year	Maturity after one year	Sub-total	
(Rupees in thousand)					
Financial assets					
Long-term deposits against bank guarantee	12,040	-	-	-	12,040
Trade debts	285,484	-	-	-	285,484
Advances	38,856	-	-	-	3,061
Trade deposits	38,052	-	-	-	37,659
Other receivables	22	-	-	-	22
Cash and bank balances	14,167	12,816	-	12,816	1,351
	388,621	12,816	-	12,816	339,617
Financial liabilities					
Deferred liabilities	9,081	-	-	-	9,081
Trade and other payables	304,850	-	-	-	308,082
Short-term running finance	388,387	388,387	-	388,387	-
Due to related parties	4,969	-	-	-	4,969
	707,287	388,387	-	388,387	322,132
On balance sheet gap	(318,666)	(375,571)	-	(375,571)	17,485
Off Balance sheet Items					
Financial commitments:					
Letter of credits	13,815,937	-	-	-	13,815,937
Total Gap	(14,134,603)	(375,571)	-	(375,571)	(13,798,452)

Effective interest rates are mentioned in the respective notes to the financial statements.

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34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's objective in managing risks is the creation and protection of share holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk and price risk) arising from the financial instruments it holds.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

34.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted and arises principally from trade and other receivables. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulatory requirements.

Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures before any credit enhancements. The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	2017	2016
	(Rupees in thousands)	
Long-term deposits against bank guarantee	6,915	12,040
Trade debts	334,187	285,484
Advances	25,921	38,856
Trade deposits	37,336	38,052
Other receivables	-	22
Bank balances	101,930	14,167
	<u>506,289</u>	<u>388,621</u>

The aging of trade debts at the reporting date is:

Not past due	-	-
Past due 1-90 days	97,997	127,290
Past due 90-180 days	57,600	47,274
Past due 180 days	178,157	110,920
	<u>333,754</u>	<u>285,484</u>

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties.

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis.

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Concentration of credit risk

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 affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

Impaired assets

During the year no assets have been impaired except for stock in trade and trade debts against which provision have been created.

34.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting 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 stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any:

Description	Carrying amount	Contractual cashFlows	(Rupees in thousands)				
			Six months or less	Six to twelve	One to two years	Two to five years	Over five years
2017							
Deferred liabilities	9,787	9,787	-	-	-	-	9,787
Trade and other payables	153,367	153,367	76,684	76,684	-	-	-
Short-term running finance	399,959	399,959	199,980	199,980	-	-	-
Due to related parties	13,008	13,008	6,504	6,504	-	-	-
	576,121	576,121	283,168	283,168	-	-	9,787
2016							
Deferred liabilities	9,081	9,081	-	-	-	-	9,081
Trade and other payables	304,850	304,850	152,425	152,424	-	-	-
Short-term running finance	388,387	388,387	194,194	194,193	-	-	-
Due to related parties	4,969	4,969	2,485	2,485	-	-	-
	707,287	707,287	349,104	349,102	-	-	9,081

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34.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

(i) 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. Currency risk arise in financial instruments that are denominated in foreign currencies i.e. in a currency other then the functional currency in which they are measured.

Presently the Company is not exposed to foreign currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short term borrowings.

Interest rate of the Company's financial assets and financial liabilities as at June 30, 2016 can be evaluated from the schedule given in note 33 to these financial statements.

The Company is not exposed to interest rate risk as the interest payable to associated undertaking is fixed as per terms of agreement, therefore, no sensitivity analysis has been presented.

35 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS 39. The carrying amount of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

June 30, 2017		June 30, 2016	
Carrying amount	Fair value	Carrying amount	Fair value

----- Rupees -----

Assets carried at amortized cost

Long term deposits against bank guarantee	6,915	6,915	12,040	12,040
Trade debts	336,101	336,101	245,810	245,810
Advances	24,188	24,188	35,102	35,102
Trade deposits	37,336	37,336	26,786	26,786
Other receivables	-	-	22	22
Cash and bank balances	101,930	101,930	22,295	22,295
	<u>506,470</u>	<u>506,470</u>	<u>342,055</u>	<u>342,055</u>

Liabilities carried at amortized cost

Deferred liabilities	9,787	9,787	16,648	16,648
Trade and other payables	159,241	159,241	293,468	293,468
Short-term running finance	399,959	399,959	385,151	385,151
Due to related parties	13,008	13,008	4,969	4,969
Fair value hierarchy	<u>581,995</u>	<u>581,995</u>	<u>700,236</u>	<u>700,236</u>

The Company using following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

Level 1: quoted (unadjustable) prices in active market for identical assets or liabilities.

Level 2: input other than quoted prices included with in Level 1 that are observable for assets and liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the change the occurred.

Carrying Amount	Fair value	Level 1	Level 2	Level 3
Rupees	Rupees	Rupees	Rupees	Rupees

June 30, 2017

Assets carried at fair value	506,470	506,470	506,470	-	-
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June 30, 2016

Assets carried at fair value	342,055	342,055	342,055	-	-
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35.1 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined of measurement and / or disclosure purposes based on the following methods.

Investment in fair value through profit and loss

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

Available for sale investments

The fair value of available for sale investment is determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value off future cash flows, discounted current PKRV rates applicable to similar instruments having similar maturities.

Investment in associates and subsidiaries

The fair value of investment in listed associates and subsidiaries is determined by reference to their quoted closing repurchase price at the reporting date.

Non-derivate financial asset

The fair value of non-derivate financial asset is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

Non-derivate financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

36 CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

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37 NUMBER OF EMPLOYEES


The number of employees as at year end was 318 (2016 : 239) and average number of employees during the year was 294 (2016 : 232).

38 DATE OF AUTHORIZATION FOR ISSUE

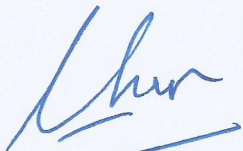
These financial statements are authorized for issue by the Board of Directors on 27 NOV 2017

39 GENERAL

Figures have been rounded off to the thousands.


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Am


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