

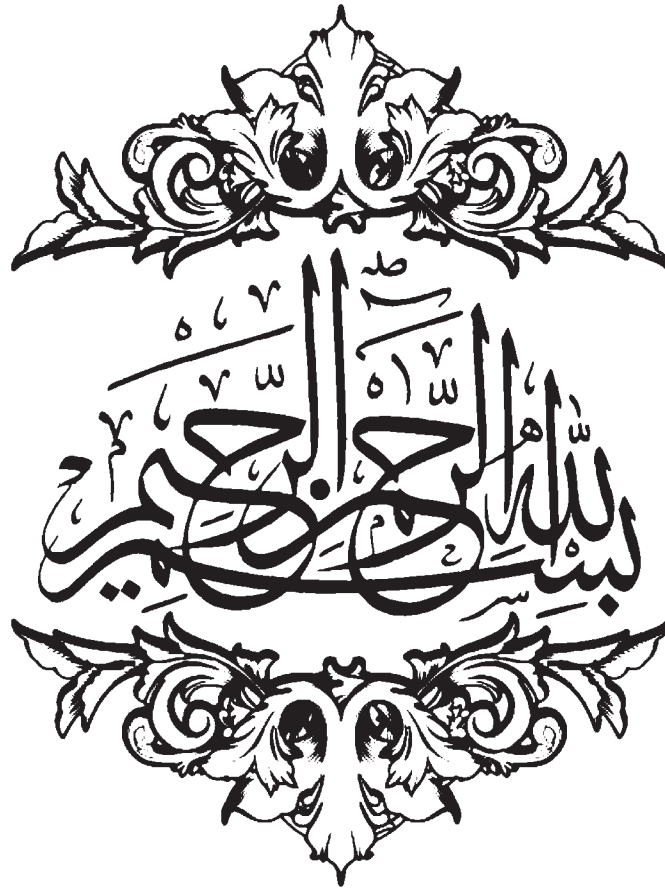


ESTABLISHED 1940

THE CLIMAX

ENGINEERING COMPANY LIMITED

ANNUAL REPORT 2018



THE CLIMAX

ENGINEERING COMPANY LIMITED





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COMPANY INFORMATION

BOARD OF DIRECTORS :	1. CH. IMTIAZ A. HAMEED	Chairman
	2. CH. M. A. QAYYUM	Chief Executive
	3. CH. ABDUL SALAM	
	4. CH. MAHMOOD GHANI FAIZI	
	5. CH. USMAN GHANI FAIZI	
	6. CH. IQBAL NAZIR	
	7. CH. SOHAIB HAMEED	
COMPANY SECRETARY :	SH. MUHAMMAD ASLAM	
AUDIT COMMITTEE :		
1. CH. USMAN GHANI FAIZI	Chairman	
2. CH. IQBAL NAZIR	Member	
3. CH. ABDUL SALAM	Member	
HUMAN RESOURCE AND REMUNERATION COMMITTEE :		
1. CH. SOHAIB HAMEED	Chairman	
2. CH. ABDUL SALAM	Member	
3. CH. MAHMOOD GHANI FAIZI	Member	
CHIEF FINANCIAL OFFICER :	SH. JAMIL AHMAD	
AUDITORS:	M/s. QADEER & Co. Chartered Accountants	
LEGAL ADVISORS:	KHURRAM SAEED	
REGISTERED OFFICE & WORKS :	CLIMAXABAD, G.T. ROAD, GUJRANWALA,	
BANKERS :	THE BANK OF KHYBER LIMITED HABIB BANK LIMITED NATIONAL BANK OF PAKISTAN LIMITED HABIB METRO POLITAN BANK LIMITED	
SHARE REGISTRAR :	M/s Corplink (Pvt.) Ltd. Wings Arcade, 1-K, Commercial, Model Town, Lahore.	



Vision Statement

To be the Best in Engineering
Business in the Region

Mission Statement

To grown Engineering business consistently and aggressively by maintaining market leadership through positive relationship with customers to attain full customer satisfaction level and to bring continuous improvement by adopting only those business practices which add value for its customers, employees and shareholders.

Our Core Values

Define and direct every decision we make and every action we take at
The Climax Engineering Company Limited

Integrity

We adhere to a code of conduct, which produces consistently ethical
behaviour

Excellence

We do the right things in a superior manner while striving for
continuous improvements.

Respect

We deal with and treat others the way we want to be dealt with and
treated.

Financial Success

We consistently focus on our business to create economic value today
and into the future



STATEMENT OF ETHICS AND BUSINESS PRACTICES

It is strong belief of the management of the Company that a clear vision, a positive mission and fully spelled out code of ethics and business practices is a pre-requisite to good corporate governance. Therefore, the Company in addition to the adherence of its mission statement shall observe the compliance of the following codes of ethics and best business practices.

ETHICS

Discipline

It shall be the joint and several responsibility of management and every employee of the company to maintain the Discipline in the Company.

Coordination among staff

The management shall provide a conducive environment for the effective coordination among the members of the staff and management.

Conflict of interest

Management and employees of the Company are hereby committed not to engage in any activity which is against the interest of the Company. Staff members shall not conduct any personal business in the Company premises and with the use of facilities provided by the Company for official use. If any employee has a direct or indirect relationship with any organization dealing with the Company he should disclose it immediately to the Company.

Confidentiality

Management and employees of the Company are hereby committed to the confidentiality of the business information to the outside of the Company unless it is required by a competent authority having jurisdiction to the affairs of the Company. Even if they leave the Company shall not loose the confidentiality of Company secrets.

Commitment

A bi-lateral commitment with the employees, management, shareholders, suppliers and customers shall be of prime importance in every instance. All the management and employee of the Company shall not make any commitment, the compliance of which is beyond their control and if they commit, every effort shall be made to fulfill the commitment

Relationship with Govt. Officials, Suppliers, Customers and Agents

Only the concerned and knowledgeable members of the relevant field of the Company shall conduct dealing with Govt. officials, suppliers, customers and agents. The dealing members shall always maintain the integrity and reputation of the Company.

Training

Training of the employees shall be an important part of business practices. The management shall take steps that training of every employee is ensured from his joining to the retirement.

GENERAL

The Company shall neither support any political party nor contribute funds to groups or Associations whose activities promote political interest.

IMPLEMENTATION

Company Board ensures implementation of these codes, regular monitoring, review for modification / amendment where necessary.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 60th Annual General Meeting of the shareholders of M/s The Climax Engineering Company Limited will be held on Saturday Oct 27, 2018 at 8.30 AM at the Registered Office of the Company located at Climaxabad, G.T. Road, Gujranwala to transact the following business:-

ORDINARY BUSINESS

1. To confirm the minutes of the last Annual General Meeting held on 31st October 2017.
2. To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2018 together with the Directors' and Auditors' Reports there on.
3. To appoint Auditors for the next financial year ending on June 30, 2019, and to fix their remuneration. M/S Qadeer & Company, Chartered Accountants, retire and being eligible have offered themselves for re-appointment.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass the following resolution, with or without modification, as a special resolution: **“Resolved that Mr. Muhammad Abdul Qayyum, Mr. Imtiaz Hameed & Mr. Usman Ghani Faizi Directors of the Company are hereby authorized to purchase shares of the company from the minority shareholders at price of Rs. 100 per share as finalized by the Pakistan Stock Exchange Limited (PSX) in accordance with Regulation No. 5.13. Further Resolved that the Company be delisted from PSX under the Voluntary Delisting Regulations of the Exchange Further Resolved that the Company Secretary be and is hereby authorized to take all steps to give effect to this resolution.**

OTHER BUSINESS

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

Statement of material Facts under Section 134 (3) of the Companies Act, 2017

The very uncertain political and economic conditions prevailing in the country are badly effecting the over all business conditions. Therefore less business is available for transformers, motors and fans which is directly related with the development of the company. Moreover, smuggling and under invoicing of different items related to industry are also effecting the manufacturing sector and are making the local items uncompetitive. The present compliance of statutory requirements and administrative cost is too high for the company to remain listed on stock exchange to get benefits as listed company.

Therefore, the Directors of The Climax Engineering Company Limited in the Board Meeting held on Oct 05, 2018 approved the voluntary delisting of the ordinary shares from Pakistan Stock Exchange as the majority of the shares are held by the Sponsors / Family members and only 12.32% ordinary shares are held by the General Public.

Now, the company proposed to buy-back of 12.32% shares from general public by the sponsors at Rs.100/- per share approved in accordance with Regulation No. 5.13. of PSX . In view of these factors



it is proposed to approve the Special Resolution given under the Agenda item in special Business.

Gujranwala

By Order of the Board

Dated: Oct 06, 2018

**SH. MUHAMMAD ASLAM
Company Secretary**

NOTES:

1. The share transfer books of the Company will remain closed from Oct 21, 2018 to Oct 27, 2018 (both days inclusive.) Transfer receive in order by the company's Share Registrar M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore up to the close of business on 20 Oct 2018 will be treated in time for entitlement to attend the Annual General Meeting.
2. A member entitled to attend and vote at the meeting may appoint another person as his/her proxy to attend and vote on his/her behalf. In case of corporate entity, the Board of Directors Resolution/power of Attorney with specimen signature of the representative shall be submitted along with proxy form to the company. Proxy, in order to be effective, must be received at the Registered Office of the company 48 hours before the time of the meeting.
3. In case of individuals, the account holder and / or sub-account holder shall authenticate his identity by showing his original CNIC or original Passport at the time of attending the Meeting.
4. In case of corporate entity, the Board of Directors Resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
5. CDC Account Holder will further have to follow the guidelines as laid down in the Securities and Exchange Commission of Pakistan's Circular No. 1 date 26th January 2000.

The members are requested to notify the changes, if any, in their registered addresses.



STATEMENT OF COMPLIANCE WITH LISTED COMPANIES
(Code of Corporate Governance) Regulations, 2017

THE CLIMAX ENGINEERING COMPANY LIMITED
YEAR ENDING: 30TH JUNE 2018

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

1. The total number of directors are 7 as per the following:
 - a. MALE : 07
 - b. FEMALE : 00
2. The composition of board is as follow:

Category	Names
Executive Directors	o Ch. M.A. Qayyum
Non-Executive Directors	o Ch. Mehmood Ghani Faizi o Ch. Abdul Salam o Ch. Usman Ghani Faizi o Ch. M. Iqbal Nazir o Ch. Imtiaz.A.Hameed o Ch. Shoaib Hameed

The Company is in the process of appointing independent director.

3. The directors have confirmed that none of them is serving as a director on more than five listed companies including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. In terms of regulation 20 of the 2017 code, the companies are required to ensure that all the directors on their board have acquired the prescribed certification under Director Training Program by June 30, 2021. Majority of the directors are exempted under exemption criteria of 14 years of education and 15 year of experience on the board of listed Company.
10. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with the relevant requirements of the Regulations.



11. Chief Financial Officer (CFO) and Chief Executive Officer(CEO) duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
 - a) **Audit Committee**
 1. Mr. Ch. Usman Ghani faizi – Chairman/ member
 2. Mr. IqbalNazir-
 3. Mr. Abdul Salam – memberAfter appointment of independent director in the Board of directors, such independent director will be the Chairman of the Audit Committee.
 - b) **HR and Remuneration Committee**
 1. Mr. Ch. Shoaib Hameed – Chairman/ member
 2. Mr. Ch. Abdul Salam – member
 3. Mr.Ch. Mehmood Ghani Faizi – memberAfter appointment of independent director in the Board of directors, such independent director will be the Chairman of the HR and Remuneration Committee.
13. The terms of references of the aforesaid committee have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:
 - a) Audit Committee (3)
 - b) HR and Remuneration Committee (3)
15. The Board has setup an effective internal audit function. The Head of Internal Audit is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the QualityControl Review Program of the ICAP and will be registered on time with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirements the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with except for the exemptions provided in the Regulations or otherwise stated above.

(Ch. M.A. Qayyum)
(Chief Executive)
Gujranwala
Dated: October02, 2018

(Mr. Imtiaz A Hameed)
(Chairman)
Gujranwala
Dated: October 02, 2018



CHAIRMAN REVIEW

Dear Shareholders,

I feel pleasure to welcome you on the 59th Annual General Meeting of your company and to place before you the Annual Accounts for the year ended June 30, 2018 along with Director's Report thereon

Financial Review

The year under review has shown sales of Rs. 27..939 Million as compared to Sale of 35.457 Million in the previous year.

Company's After tax Loss is amounting to Rs. 8.646Million as compared to last year's After tax Profit of Rs. 62..688 Miillion.

The very uncertain political and economic conditions prevailing in the country are badly effecting the over all business conditions. Therefore less business is available for Transformers, Motors and Fans which is directly related with the development of the Country Moreover, smuggling and under invoicing of different items related to industry are also effecting the manufacturing sector and are making the local items uncompetitive.

The above mentioned reasons are responsible for lesser Sales in our Transformers, Motors and Fans departments. The Board of Directors of The Climax Engineering Company Limited in the Board Meeting held on October5, 2018 approved the voluntary delisting of the ordinary shares from Pakistan Stock Exchange as the majority of the shares are held by the Sponsors/Family members.

Now, the company proposed to buy-back of 12.32% shares from general public by the sponsors at Rs.100/- per share approved in accordance with Regulation No. 5.13. of PSX . In view of these factors it is proposed to approve the Special Resolution given under the Agenda item in special Business.

The management is trying its best to improve the working of the Company as far as possible in the present circumstances and also to complete construction of new factory as quickly as possible.

The management has very cordial relation with the Collective Bargaining Agents and we would like to thank all the employees of the Company for their commendable contributions.

Dated :October2, 2018.

CH. IMTIAZA. HAMEED

Chairman

**DIRECTORS REPORT TO THE SHARE HOLDERS.****Dear Shareholders,**

On behalf of the Board of Directors, the under signed takes pleasure to present before you the 60th Annual report for the financial year ended June30,2018 along with auditors 'report there on.

OPERATING RESULTS

During the year under review, your company has achieved sales at Rs. 27.939 Million as compared to last year sale of Rs 35.457 Million. Summary of key financial results are given below: of these factors it is proposed to approve the Special Resolution given under the Agenda item in special Business.

	June30, 2018	June30, 2017
	Rupees	Rupees
Sale	27,939,934	35,457,972
Gross (Loss) /	(1,714,381)	(63,806,052)
Profit/ Loss For the year	(8,646,244)	62,688,024
(Loss) Earning per share Basic and Diluted (In Rupees)	(2.61)	18.93

The main reason of loss during the year is due to decrease in sales, increase in the input costs and sever competition in the market. The electricity and Gas load shedding, political and economic condition of the country are also effecting the working of the Company.

FUTURE PROSPECTUS

The management of the company is continuously making efforts to improve the working of the company. We are planning to shift the old factory to new place at Sialkot Road. Total bank liabilities have already been paid off and we hope the working of the Company will improve in the near future.

The very uncertain political and economic conditions prevailing in the country are badly effecting the overall business conditions. Therefore less business is available for transformers, motors and fans which is directly related with the development of the company. Moreover, smuggling and under invoicing of different items related to industry are also effecting the manufacturing sector and are making the local items uncompetitive. The present compliance of statutory requirements and administrative cost is too high for the company to remain listed on stock exchange to get benefits as listed company.

Therefore, the Board of Directors of The Climax Engineering Company Limited in the Board Meeting held on June28, 2018 approved the voluntary delisting of the ordinary shares from Pakistan Stock Exchange as the majority of the shares are held by the Sponsors/Family members.

Now, the company proposed to buy-back of 12.32% shares from general public by the sponsors at Rs.100/- per share approved in accordance with Regulation No. 5.13. of PSX . In view of these factors it is proposed to approve the Special Resolution given under the Agenda item in special Business.

AUDIT COMMITTEE

- a) The board of directors in compliance to the code of corporate governance has established an audit committee and the following three non-executive directors are its member.
1. Mr. Ch. Usman Ghani Faizi – Chairman/ member
 2. Mr. Iqbal Nazir-
 3. Mr. Abdul Salam – member

The Company is in the process of locating an independent director. After appointment of an independent director in the Board, Chairman of the Audit Committee will be the independent director.

The Audit Committee held 3 meetings during the year under review, each before the board of directors meeting to review the



financial statements, internal audit reports and compliance with the corporate governance requirements. These meetings included meeting with external auditors before and after completion of audit and other statutory meeting as required by the code of corporate governance.

Human Resource and Remuneration (HR&R) Committee

During the year, the Board of Directors, in compliance with the Code of Corporate Governance has established HR & R Committee consisting of the following non-executives directors are its members:

b) HR and Remuneration Committee

1. Mr. Ch. Shoaib Hameed – Chairman/ member
2. Mr. Ch. Abdul Salam – member
3. Mr.Ch. Mehmood Ghani Faizi – member

After appointment of independent director in the Board of directors, such independent director will be the Chairman of the HR and Remuneration Committee

The HR&R Committee is mainly responsible for:

1. Recommending human resource management policies to the Board,
2. Recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO;
3. Recommending to the Board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit; and
4. Consideration and approval on recommendations of CEO on such matters for key management position who report directly to CEO or COO.

AUDITOR OBSERVATION

- a. Our auditors in their report shown their concern over disclosure of installation of new plant which will meets the requirements of WAPDA.. Below is the reproduction of text of observation of auditors

Note # 3.4 to the annexed financial statements elaborates the factors due to which the Company is in enormous operating and financial difficulties. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern, however, the Company does not disclose the cost of acquisition and implementation of new plant and machinery to fulfill the new design requirement of current market of transformers which may cost the Company for much more than the expected cash inflows from the sale of land. The non-availability of such plant and machinery is one of the most important factors in deriving the Company to its current result and conditions.”

In view of the above operating and financial difficulties, although material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business, however, management is strongly committed to maintaining the going concern status of the Company. Management is confident that these financial and operating crisis are temporary and would reverse in the near future. However, these financial statements have been prepared on the assumption that the Company will continue as a going concern.

- b. Auditors also emphasized on more issues which are as follows

Note # 2 and Note # 40 of the financial statement which describes that Board of Directors have approved the decision for delisting of the Company and subsequently of September 17, 2018 the Voluntary Delisting Committee of the Pakistan Stock Exchange Limited has approved the Board of directors decision to purchase the ordinary shares at a minimum buy back price of Rs. 100/- per share, subject to purchase of at least 101,940 shares other than the sponsors. Our opinion is not modified in respect of this matter.

Note # 10 (b) to the financial statements which elaborates the outstanding investigation order initiated by SECP. Our opinion is not modified in respect of this matter.



Directors' Training Programs:

In terms of regulation 20 of the 2017 code, the companies are required to ensure that all the directors on their board have acquired the prescribed certification under Director Training Program by June 30, 2021. Majority of the directors are exempted under exemption criteria of 14 years of education and 15 year of experience on the board of listed Company

Statements of Compliance with the Code of Corporate Governance:

During the year, SECP issued Listed Companies (Code of Corporate Governance) Regulations, 2017 for listed companies, revising the previous regulations. The Board of Directors is fully aware of the requirements of the revised Code which is applicable since 1st January 2018 and is making necessary arrangements to ensure compliance. As part of compliance of the code, we confirm the following;

- (i) The financial statements prepared by Company Management present fairly its state of affairs, results of its operations, cash flows and changes in equity.
- (ii) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgements.
- (iii) IFRS as applicable in Pakistan, have been followed in preparation of financial statements and any departures, there from, has been adequately disclosed and explained.
- (iv) The system of internal control is sound in design and is effectively implemented and monitored.
- (v) There is no significant doubts upon the Company's ability to continue as a going concern.
- (vi) There is no material departure from the best practices of corporate governance as detailed in the listing regulations except as stated.
- (vii) As required by the Code, we have included in this report, the Chairman's review, Statement of Pattern of Shareholding, shares held by associated companies, undertakings and related parties; BOD meetings held and attendance by each director; and key operating and financial statistics for last six year.

Health, Safety and Environment:

Health and Safety of employees, contractors and visitors along with protection of Environment associated with Company's activities remains the top priority at Climax Engg co Ltd. We actively strive for eliminating all possible causes of accidents, preventing environmental pollution, minimizing waste, energy conservation, safety awareness, training, emergency preparedness and managing environmental impact that can affect the surrounding communities and the environment at large. The Company has been certified for ISO 9001:2000 – Quality Management System.

Corporate Social Responsibility:

Climax is a socially responsible corporate entity and is working diligently for the welfare of communities where we operate and the society in general. Your Company is actively involved in the various social responsibility initiatives in the field of education and health care. Climax continued to provide financial support to various organization operating in the fields of Education, Health and Social uplift.

AUDITORS

The present Auditor, M/s. Qadeer & Company, Chartered Accountants, retire and being eligible have offered themselves for re-appointment for the next year ending June 30, 2019.

DIVIDEND

Due to losses incurred by the company, directors do not recommend any Dividend for the year ended June 30,2018.

RELATED PARTIES

The Board of Directors has approved the policy for transaction / contract between Company and its related parties on an arm's length basis and relevant rates are to be determined as per the “comparable un-controlled price method”

MATERIAL CHANGES

There have no material changes Since June 30, 2018 and the Company has not entered into any commitment which would effect its financial position at the date.

**EARNING PER SHARE.**

During the year ended June 30, 2018 earning per share of the Company concluded at Rs: (2.61) as compared to Rs:18.93 per share during the year ended June 30, 2017.

PATTERN OF SHARE HOLDING

The pattern of share holding is attached here with.

DIRECTORS MEETING:

During the year 5 meetings of Board of Directors were held

<u>Name of Directors</u>	<u>Numbers of meeting attended</u>
Ch. M.A. Qayyum	5
Ch. Abdul Salam	5
Ch. Imtiaz A. Hameed	5
Ch. Mehmood Ghani Faizi	5
Ch. Usman Ghani Faizi	5
Ch. Iqbal Nazir	5
Ch. Shoaib Hameed	5

KEY OPERATING & FINANCIAL DATA

Rupees in Thousand

Particulars	2018	2017	2016	2015	2014	2013
Sales	27,939	35,457	40,589	54,434	54,434	67,162
Cost of Goods Sold	(29,654)	(99,264)	(56,281)	(70,099)	(70,099)	79,038
Gross (LOSS)	(1,714)	(63,806)	(15,691)	(15,664)	(15,664)	(11,876)
Operating Profit / (Loss)	(8,802)	(71,861)	(24,800)	(68,247)	(68,247)	(27,423)
Financial Charges	(20)	(20)	(35)	(43)	(43)	(3,41)
Profit/(Loss) before Tax	(8,646)	62,688	(24,823)	49,763	49,763	59,723
Paidup Capital	33,120	33,120	33,120	33,120	33,120	33,120

ACKNOWLEDGMENT

We would like to take this opportunity to express our appreciation to the management and employees of the Company for their hard work and dedication. We also express our gratitude to our valued customers

For and on behalf of the board
The Climax Engineering Company Limited

Chariman
October 02, 2018

Chief Executive Officer
October 02, 2018

16. بورڈ کے اجلاس

مالی سال 2017-18 کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس ہوئے۔ ان اجلاس میں ڈائریکٹرز کی شرکت حسب ذیل ہے۔

ڈائریکٹرز	اجلاسوں میں شرکت
چوہدری امتیاز۔ اے۔ حمید	5
چوہدری ایم۔ اے۔ قیوم	5
چوہدری عبدالسلام	5
چوہدری محمود غنی فیضی	5
چوہدری عثمان غنی فیضی	5
چوہدری اقبال نذیر	5
چوہدری صہیب حمید	5

مالیاتی صورتحال ایک نظر میں

مختصر مالیاتی جائزہ درج ذیل ملاحظہ کیجیے: روپے بلین میں

2016	2017	2018	کاروباری کارکردگی کے نتائج
40,589	35,457	27,93	سیل
(56,281)	(99,264)	(29,654)	کاسٹ آف سیل
(15,691)	(63,806)	(1,714)	خالص آمدنی
(24,800)	(71,861)	(8,098)	آپریٹنگ منافع
(35)	(20)	(20)	فنانشل خرچے
(24,823)	62,688	(8,646)	خالص منافع ٹیکس سے پہلے
33,120	33,120	33,120	ادا شدہ سرمایہ

اظہار تشکر:

کمپنی کی انتظامیہ ملازمین کی محنت اور لگن سے کام کرنے کے لئے تعریف کے مستحق ہیں ہم اپنے کسٹمر، مینجمنٹ، ملازمین کا شکریہ ادا کرتے ہیں۔ جنہوں نے اپنی محنت سے کمپنی میں کام کیا۔

بورڈ آف ڈائریکٹرز کی جانب سے

چیف ایگزیکٹو

چیئر مین

02 اکتوبر 2018ء

8. صحت حفاظت اور ماحول:
 کلائمیکس انجینئرنگ کمپنی کی اولین ترجیح اپنے ملازمین اور آنے والوں کو صحت، حفاظت کا ماحول مہیا کرنا ہم فعال طور پر کوشش کرتے ہیں حادثہ۔ مالیاتی آلودگی کو کم سے کم کریں۔ کمپنی نے ISO-900 کاسٹریٹیکٹ حاصل کیا ہوا ہے۔
9. کارپوریٹ سماجی ذمہ داری:
 کلائمیکس ایک سماجی ذمہ دار کمپنی ہے۔ اور بہت اچھے طریقے سے کمیونٹی کی فلاح و بہبود کے لئے کام کرتی ہے۔ آپ کی کمپنی تعلیم اور صحت میں اپنی ذمہ داریاں پوری کر رہی ہے۔ کلائمیکس مختلف اداروں کو، صحت میں مالی امداد دیتی ہے۔
 آڈیٹر کے مشاہدات
- (A) ہمارے آڈیٹر اپنی رپورٹ میں نئے ٹرانسفا رمر پلانٹ کی تنصیب جو کہ واپڈا کی ضرورت کے مطابق ہو کہ بیان کرتے ہیں۔ جیسا کہ ہمارے پاس پہلے ہی پرانے ڈائزین کے ٹرانسفا رمر کے سٹاک موجود ہیں اسکو ہم واپڈا کے علاوہ دوسرے کسٹمرز کو فروخت کرنے کی کوشش کرتے ہیں کمپنی کے پاس وسائل کم ہونے کی وجہ سے اس پلانٹ کا حصول ممکن نہیں۔ آڈیٹر کے مشاہدات درج ذیل ہیں۔
 نوٹ: فنانشل سٹیٹمنٹ کے نوٹ نمبر 3.4 میں ان عوامل کو بیان کیا گیا ہے جس کی وجہ سے کمپنی بہت بڑی مالی اور پیداواری مشکلات سے دوچار ہے۔
 یہ عوامل غیر یقینی صورتحال کی نشاندہی کرتے ہیں۔
 آڈیٹر نے مزید مسائل جو درج ذیل ہیں پر زور دیا ہے۔
- I نوٹ نمبر 10(b) (SECP) کی تحقیقات کے بیان کرتا ہے کہا ہے کہ اس سلسلہ میں ہماری رائے Qualified نہیں ہے۔
- II نوٹ نمبر 2 اور نوٹ 40 میں درج ہے۔ کہ 17 ستمبر 2018ء کی بورڈ میٹنگ میں پاکستان سٹاک ایکچینج سے Voluntry Delisting کی منظوری کی ہے۔
 بورڈ نے 100 روپے کے حساب سے 101940 شیئرز کو واپس لینے کا فیصلہ کیا ہے۔ اس سلسلہ میں ہماری رائے کو ایفائیڈ نہیں ہے۔
10. آڈیٹرز
 کمپنی کے سبکدوش ہونے والے آڈیٹرز میسرز قدیر اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے اہلیت کی بنیاد پر خود کو 30 جون 2019 کو ختم ہونے والے سال کے لیے دوبارہ تقرری کے لیے پیش کیا ہے۔ اور آڈیٹ کمیٹی نے بھی اس کی سفارش کی ہے۔
11. ڈیوڈنڈ:
 نقصان ہونے کی وجہ سے ڈائریکٹرز نے اس سال 30 جون 2019 کو کوئی ڈیوڈنڈ منظور نہیں کیا۔
12. ریلیڈ ڈپارٹی:
 بورڈ آف ڈائریکٹرز نے کمپنی اور اس سے متعلقہ پارٹیوں کے بارے میں پالیسی بنائی ہوئی ہیں کہ ان کے درمیان لین دین Arm's length اور مناسب ریٹ Comparable uncontrolled price method کے مطابق ہوگا۔
13. میٹرل تبدیلیاں:
 جون 2018 سے کسی قسم کی کوئی میٹرل تبدیلیاں نہیں ہوئیں اور کمپنی نے کسی قسم کی مالی وابستگی نہیں کی جس کی وجہ سے مالی پوزیشن متاثر ہوتی ہو۔
14. فی حصص آمدنی:
 30 جون 2018 (ای پی ایس) (2.61) فی شیئر تھی جبکہ پچھلے سال 18.93 تھی۔
15. شیئر ہولڈنگ کا پیٹرن
 30 جون 2018 کو ختم شدہ سال کے لیے شیئر ہولڈنگ کا پیٹرن اور اس کی تفصیل جو کہ کوڈ آف کارپوریٹ گورننس کی جانب سے درکار ہے۔
 اس رپورٹ کے ساتھ منسلک ہے۔

5. HR اور معاوضے کی کمیٹی

مالی سال 2017-18 کے دوران آڈٹ کمیٹی کے تین اجلاس منعقد ہوئے۔ کمپنی کے بورڈ آف ڈائریکٹرز نے کارپوریٹ گورننس کے ضابطے پر عمل کرتے ہوئے ایک آڈٹ کمیٹی تشکیل دی ہے۔ جو مندرجہ ذیل ڈائریکٹرز پر مشتمل ہے۔

ڈائریکٹرز

چوہدری صہیب حمید	چیرمین
چوہدری عبدالسلام	ممبر
چوہدری محمود غنی فیضی	ممبر

کمپنی آزاد ڈائریکٹر کو تلاش کر رہی ہے جیسے ہی یہ ڈائریکٹر مل گیا۔ آڈٹ کمیٹی کا چیئرمین آزاد ڈائریکٹر ہوگا۔ ایچ آر اینڈ آر کمیٹی کی مندرجہ ذیل ذمہ داری ہے۔

1. بورڈ آف ڈائریکٹرز کو ایچ آر کی پالیسیوں کی سفارش کرنا
2. بورڈ آف ڈائریکٹرز کو CEO کے انتخاب۔ معاوضہ۔ ریٹائرمنٹ۔ اور جانشینی کے بارے میں اطلاع کرنا۔
3. بورڈ آف ڈائریکٹرز کو Head of Internal Audit, COO, CFO, Company Secretary کے انتخاب۔ معاوضہ۔ اور ریٹائرمنٹ کے بارے میں اطلاع کرنا۔
4. CEO کی اپنے سٹاف کے بارے میں سفارش اور منظوری پر غور کرنا۔

6. ڈائریکٹرز کی تربیت کا پروگرام:

2017ء کے کوڈ آف ریگولیشن کے مطابق کمپنی کے تمام ڈائریکٹرز 30 جون 2021ء تک ٹیٹولیکٹ لینے کا پابند ہونگے۔ تاہم کمپنی کے تمام ڈائریکٹرز پاکستان سٹاک ایکسچینج کے ریگولیشنز کے مطابق 14 سالہ تعلیم 15 سالہ تجربے کی وجہ سے مستثنیٰ ہیں۔

7. فنانشل اور کارپوریٹ رپورٹنگ فریم ورک:

ڈائریکٹرز بڑی مسرت کے ساتھ مطلع کرتے ہیں کہ کمپنی، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے تقاضوں کے مطابق کوڈ آف رپورٹنگ گورننس کے ضوابط کی تعمیل کرتی ہے۔

فنانشل اور کارپوریٹ رپورٹنگ فریم ورک کی تفصیلات درج ذیل ہیں۔

- کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے، اس کے معاملات، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلی کی منصفانہ عکاسی کرنے ہیں۔
- کمپنی نے باضابطہ طور پر اکاؤنٹس کے کھاتوں کو برقرار رکھا ہے۔
- ان مالیاتی گوشواروں کی تیاری میں مخصوص اکاؤنٹنگ پالیسیوں کی پیروی کی گئی ہے اور اکاؤنٹنگ کے تخمینے معقول اور دانش مندانہ رائے پر مبنی ہیں۔
- ان مالیاتی گوشواروں کی تیاری میں فنانشل رپورٹنگ کے بین الاقوامی معیاروں کی، جہاں تک وہ پاکستان میں قابل اطلاق ہیں، پیروی کی گئی ہے۔
- انٹرنل کنٹرول کا نظام اپنے ڈیزائن کے اعتبار سے مستحکم ہے اور اس کا موثر اطلاق اور نگرانی کی جاتی ہے۔
- بطور ادارہ کمپنی کے کام جاری رکھنے کی اہلیت پر کوئی شک نہیں ہے۔
- متعین اصول و ضوابط میں تفصیلاً درج کارپوریٹ گورننس کے رہنما اصولوں سے انحراف نہیں کیا گیا ہے۔
- گزشتہ سالوں کا اہم کاروباری اور مالیاتی ڈیٹا اس سالانہ رپورٹ سے منسلک ہے۔

ڈائریکٹرز رپورٹ:

1. آپ کی کمپنی کلائمیکس انجینئرنگ کمپنی کے ڈائریکٹر کمپنی کے 60 ویں سالانہ عام اجلاس کے سامنے 30 جون 2018 کو ختم ہونے والے سال کے لیے سالانہ آڈٹ شدہ اکاؤنٹس کے ساتھ اپنی رپورٹ پیش کرتے ہیں۔ اس سال کے مالیاتی نتائج درج ذیل ہیں
2. مالیاتی جائزہ

روپے بلین میں		
سال کا اختتام	سال کا اختتام	
30 جون 2017	30 جون 2018	
35,457,972	27,939,934	سیلز
(63,806,052)	(1,714,381)	خالص / نقصان
62,688,024	(8,646,244)	بعد از ٹیکس منافع / نقصان
(18.93)	(2.61)	فی حصص نقصان

نقصان کی بنیادی وجہ کمپنی کی سیل کم ہونا ہے، مٹریل کی قیمتوں کا بڑھ جانا اور مارکیٹ میں زیادہ مقابلے بازی کا ہونا ہے۔ بجلی، سوئی گیس کی کمی نے بھی کمپنی کی کارکردگی کو متاثر کیا ہے۔

3. نمایاں خصوصیات:

کمپنی کی انتظامیہ مسلسل اس کوشش میں ہے۔ کہ کمپنی کی کارکردگی کو بہتر بنایا جائے ہمارا یہ پروگرام ہے کہ پرانی فیکٹری کو نئی جگہ سیالکوٹ ڈوڈ پرنٹ نقل کر دیا جائے۔ بنک کے تمام واجبات ادا کر دے گئے ہیں ہمیں اُمید ہے کہ آنے والے دنوں میں کمپنی کے حالات بہتر ہو جائیں گے۔ ملکی حالات اور معاشی پوزیشن نے کاروبار کو بہت متاثر کیا ہے ٹرانسپورٹ، موٹر اور فین کے کاروبار میں کمی واقع ہو چکی ہے۔ اس کے علاوہ اسمگلنگ انڈر انوائسز کی وجہ سے قیمتوں میں اضافہ ہوا ہے اس لئے سٹاک ایکسچینج کے ساتھ کاروبار کرنے والی کمپنیوں کو بہت متاثر کیا ہے۔ موجودہ حالات کو مد نظر رکھتے ہوئے آپ کی کمپنی کے بورڈ آف ڈائریکٹرز نے اپنی 28 جون 2018ء کی میٹینگ میں رضا کارانہ طور پر سٹاک ایکسچینج سے نکلنے کا فیصلہ کیا ہے پاکستان سٹاک ایکسچینج کے Regulation 5.13 کے مطابق کمپنی نے 12.32% شیئر جنرل پبلک سے 100 روپے فی شیئر کے حساب سے خریدنے کا فیصلہ کیا ہے۔ اور اسپیشل بزنس کے ایجنڈا آئٹم میں Special Resoulation کے ذریعے اس کو منظور کیا جائے۔

4. آڈٹ کمیٹی

تشکیل و ترتیب

کمپنی کے بورڈ آف ڈائریکٹرز نے کارپوریٹ گورننس کے ضابطے پر عمل کرتے ہوئے ایک آڈٹ کمیٹی تشکیل دی ہے۔ جو مندرجہ ذیل ڈائریکٹرز پر مشتمل ہے۔

ڈائریکٹرز	عہدہ
چوہدری عثمان غنی فیضی	چیئرمین
چوہدری اقبال نذیر	ممبر
چوہدری عبدالسلام	ممبر

کمپنی آزاد ڈائریکٹر کو تلاش کر رہی ہے جیسے ہی یہ ڈائریکٹر مل گیا۔ آڈٹ کمیٹی کا چیئرمین آزاد ڈائریکٹر ہوگا۔ آڈٹ کمیٹی کے تین اجلاس جو کہ بورڈ آف ڈائریکٹرز کی میٹینگ سے پہلے منعقد ہوئے تھے۔ جس میں ان آئٹم پر غور کیا گیا۔ آڈٹ شدہ مالیاتی گوشوارے۔ انٹرنل آڈٹ رپورٹ کو ڈ آف کارپوریٹ گورننس کی تعمیل۔



PATTERN OF SHAREHOLDING

FORM 34

2. Name of the Company

THE CLIMAX ENGINEERING CO. LTD.

3. Pattern of holding of the shares held by the shareholders as at

30-06-2018

4. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
268	1	100	11,048
308	101	500	79,125
60	501	1,000	43,862
70	1,001	5,000	170,845
10	5,001	10,000	73,430
14	10,001	15,000	160,410
1	15,001	20,000	16,700
1	20,001	25,000	22,500
6	25,001	30,000	164,940
1	30,001	35,000	34,000
4	35,001	40,000	147,190
3	40,001	45,000	128,690
2	50,001	55,000	104,150
1	55,001	60,000	58,860
2	60,001	65,000	125,490
3	65,001	70,000	206,940
2	85,001	90,000	172,840
4	95,001	100,000	392,510
2	100,001	105,000	221,960
1	125,001	130,000	125,100
2	135,001	140,000	277,800
1	140,001	145,000	140,100
1	185,001	190,000	185,700
1	245,001	250,000	247,810
768			3,312,000

2.3 Categories of shareholders

Share held

Percentage



2.3.1 Directors, Chief Executive Officers, and their spouse and minor children	1,255,700	37.9136%
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	201,960	6.0978%
2.3.3 NIT and ICP	4,960	0.1498%
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	9,000	0.2717%
2.3.5 Insurance Companies	105,600	3.1884%
2.3.6 Modarabas and Mutual Funds	0	0.0000%
2.3.7 Share holders holding 10% or more	0	0.0000%
2.3.8 General Public		
Local:	1,727,735	52.1659%
Foreign:	0	0.0000%
2.3.9 Others (to be specified)		
1- Joint Stock Companies	5,965	0.1801%
2- Others	1,080	0.0326%



THE CLIMAX ENGINEERING COMPANY LIMITED
Catagories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2018

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):			
1	CLIMAX AGENCIES LTD.	112,320	3.3913%
2	HAMID IMTIAZ (PVT.) LIMITED	86,840	2.6220%
3	NATIONAL PRODUCTS (PVT.) LTD.	2,800	0.0845%
Mutual Funds (Name Wise Detail)			
		-	-
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	MR. MEHMOOD G. FAIZI	247,810	7.4822%
2	CH. M. IQBAL NAZIR	109,640	3.3104%
3	MR. IMTIAZ A. HAMID	99,550	3.0057%
4	CH. SOHAIB HAMID	-	0.0000%
5	CH. M. A. QAYYUM	58,860	1.7772%
6	CH. ABDUL SALAM	53,580	1.6178%
7	MR. USMAN GHANI FAIZI	185,700	5.6069%
8	MRS. NAGHMA BEGUM W/O CH. IMTIAZ A. HAMID	63,460	1.9161%
9	MRS. SUGHRA KHANUM W/O CH. M. A. HAMID	125,100	3.7772%
10	MRS. NUSRAT BEGUM W/O M. A. QAYYUM	97,940	2.9571%
11	MRS. RAFAQAT BEGUM W/O CH. ABDUL SALAM	86,000	2.5966%
12	MRS. FARYAL MEHMOOD FAIZI W/O MEHMOOD G. FAIZI	16,700	0.5042%
13	MRS. BUSHRA USMAN W/O USMAN GHANI FAIZI	97,820	2.9535%
14	MR. HARIS MEHMOOD FAIZI (MINOR)	13,540	0.4088%
Executives:		109,640	3.3104%
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		114,600	3.4601%
Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)			
S. No.	Name	Holding	Percentage
1	MR. MEHMOOD G. FAIZI	247,810	7.4822%
2	MR. USMAN GHANI FAIZI	185,700	5.6069%

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S. No.	Name	Sale	Purchase
NIL			



**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS
OF THE CLIMAX ENGINEERING COMPANY LIMITED**

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of The Climax Engineering Company Limited (the Company) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, except mentioned below nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

- a. The Company does not have any independent director in its Board of Directors.
- b. The Chairman of the Audit Committee and HR and Remuneration Committee is not an

Lahore
Dated: October 02, 2018

QADEER AND COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN, FCA



INDEPENDENT AUDITOR'S REPORT

To the members of The Climax Engineering Company Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the annexed financial statements of The Climax Engineering Company Limited (the Company), which comprise the Statement of financial position as at June 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion, the statement of financial position, statement of profit or loss and statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

Note # 3.4 to the annexed financial statements elaborates the factors due to which the Company is in enormous operating and financial difficulties. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern, however, the Company does not disclose the cost of acquisition and implementation of new plant and machinery to fulfill the new design requirement of current market of transformers which may cost the Company for much more than the expected cash inflows from the sale of land. The non-availability of such plant and machinery is one of the most important factors in deriving the Company to its current result and conditions.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note # 2 and Note # 40 of the financial statement which describes that Board of Directors have approved the decision for delisting of the Company and subsequently of September 17, 2018 the Voluntary Delisting Committee of the Pakistan Stock Exchange Limited has approved the Board of directors decision to purchase the ordinary shares at a minimum buy back price of Rs. 100/- per share, subject to purchase of at least 101,940 shares other than the sponsors. Our opinion is not modified in respect of this matter.

Further, we draw attention to Note # 10 (b) to the financial statements which elaborates the outstanding investigation order initiated by SECP. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Following are the Key Audit Matters;

Sr. No.	Key Audit Matters	How the matters were addressed in our audit
(i)	<p>New requirements under the Companies Act, 2017</p> <p>As referred to in note 3.1.2.1 to the annexed financial statements, the third and fourth schedules to the Companies Act, 2017 became applicable for the first time for the preparation of the Company's annual financial statements for the year ended June 30, 2018.</p> <p>The companies Act, 2017 (including third and fourth schedules) forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>As part of this transition to the requirements of the said third and fourth schedules, the management performed a gap analysis to identify differences between the previous reporting framework and the current reporting framework and as a result assessed the in the Company's financial statements.</p> <p>We consider it as a key audit matter in view of the extensive impacts in the financial statements due to the Companies Act, 2017.</p>	<p>Our audit procedures included the followings:</p> <ul style="list-style-type: none"> · Considering the management's process to identify the necessary amendments required in the Company's financial statements. · Evaluating the results of management's analysis and key decisions in respect of the transaction, using our knowledge of the relevant requirements of the third and fourth schedules to the Companies Act, 2017 and our understanding of the Company's operations and business. · Assessing the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures made in the annexed financial statements based on the new requirements. · Completion of disclosure checklists issued by regulatory / professional bodies
(ii)	<p>Valuation of Stock in trade</p> <p>Inventories amount to Rs. 79,696,742 as at the reporting date, being 32% of the Total Assets of the Company. The valuation of finished goods at cost has different components, which includes judgment in relation to the allocation of material, labour and overheads which are incurred in bringing the inventory to its present location and condition. Judgment has also been applied by management in determining the NRV of Work in process and Finished Goods based on percentage of completion of stock items.</p> <p>The estimates and judgements applied by management are influenced by the amount of direct costs incurred historically, and historically realized sales prices.</p> <p>The significance of the balance coupled with the judgment involved has resulted in the Valuation of Inventories being identified as a Key Audit Matter.</p>	<p>To validate the valuation of inventories, we assessed historical costs recorded in the inventory valuation; testing on a sample basis with purchase invoices. We tested the reasonability of assumptions applied by the management in allocating direct material, direct labour and overhead costs to inventories. We have reviewed the basis applied by the management for inventory provisions, the consistency of provisioning in line with policy and the rationale for the recording of specific provisions. We also assessed management's determination of percentage of completion of inventories and the net realizable value of inventories thereon performing tests on the subsequent sales prices by the Company for similar or comparable items of inventories.</p>



Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we concluded that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material



uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) Except for the matter disclosed in the Basis for Qualified Opinion, the statement of financial position, the statement of profit or loss and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Nawaz Khan, FCA**.

**Lahore,
Dated: October 02, 2018**

**Qadeer and Company,
Chartered Accountants
NAWAZ KHAN, FCA**



THE CLIMAX ENGINEERING COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

EQUITY AND LIABILITIES	NOTE	2018 RUPEES	2017 RUPEES
SHARE CAPITAL AND RESERVES			
Authorized capital 5,000,000 (2017: 5,000,000) ordinary shares of Rs.10/- each		<u>50,000,000</u>	<u>50,000,000</u>
Issued, subscribed and paid up capital	4	33,120,000	33,120,000
ACCUMULATED PROFIT		<u>61,864,097</u>	<u>71,102,516</u>
SHAREHOLDERS' EQUITY		94,984,097	104,222,516
NON-CURRENT LIABILITIES			
Due to related parties	5	56,897,418	56,944,350
Deferred liabilities	6	4,443,409	17,122,049
		61,340,827	74,066,399
CURRENT LIABILITIES			
Trade and other payables	7	92,170,772	159,362,862
Provision for taxation	8	349,249	-
Unclaimed Dividend	9	13,535	13,535
		92,533,556	159,376,397
CONTINGENCIES AND COMMITMENTS	10	-	-
		<u>248,858,480</u>	<u>337,665,313</u>

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



**THE CLIMAX ENGINEERING COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018**

ASSETS	NOTE	2018 RUPEES	2017 RUPEES
NON-CURRENT ASSETS			
Property, plant and equipment	11	43,670,580	43,858,772
Capital work In progress	12	30,474,515	7,432,415
Long term security deposits	13	1,123,500	1,123,500
		75,268,595	52,414,687
CURRENT ASSETS			
Stores, spare parts and loose tools	14	253,758	258,216
Stock in trade	15	79,696,742	80,787,687
Trade debts	16	33,307,574	58,555,305
Due from related parties	17	-	649,154
Loans and advances - unsecured	18	6,653,515	18,445,029
Trade deposits and short term prepayments	19	-	74,444
Other receivables	20	53,213,534	111,198,843
Cash and bank balances	21	464,762	15,281,948
		173,589,885	285,250,626
		248,858,480	337,665,313

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



THE CLIMAX ENGINEERING COMPANY LIMITED
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	NOTE	2018 RUPEES	2017 RUPEES
SALES - net	22	27,939,934	35,457,972
COST OF SALES	23	<u>(29,654,315)</u>	<u>(99,264,024)</u>
GROSS (LOSS)		(1,714,381)	(63,806,052)
OPERATING EXPENSES			
Selling and Distribution cost	24	<u>(63,000)</u>	<u>(97,250)</u>
Administrative and general expenses	25	<u>(6,321,318)</u>	<u>(7,957,992)</u>
		<u>(6,384,318)</u>	<u>(8,055,242)</u>
OPERATING LOSS		(8,098,699)	(71,861,294)
Finance cost	26	(20,184)	(20,084)
OTHER OPERATING INCOME	27	<u>176,468</u>	<u>134,569,402</u>
PROFIT / (LOSS) BEFORE TAXATION		(7,942,415)	62,688,024
TAXATION	28	(703,829)	-
PROFIT / (LOSS) FOR THE YEAR		<u>(8,646,244)</u>	<u>62,688,024</u>
(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED	29	<u>(2.61)</u>	<u>18.93</u>

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



**THE CLIMAX ENGINEERING COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018**

	2018 RUPEES	2017 RUPEES
PROFIT / (LOSS) FOR THE YEAR	(8,646,244)	62,688,024
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR:		
Items that may be subsequently reclassified to profit or loss:	-	-
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement of staff retirement benefit	(592,175)	(2,431,936)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	<u>(9,238,419)</u>	<u>60,256,088</u>

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



**THE CLIMAX ENGINEERING COMPANY LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2018**

	NOTE	2018 RUPEES	2017 RUPEES
Cash Flow from operating activities:			
Cash generated from / (used in) operations	33	23,144,330	(126,095,106)
Finance cost paid		(20,184)	(20,084)
Tax paid		(665,448)	(1,321,648)
Gratuity paid during the year		<u>(14,350,852)</u>	<u>(3,629,128)</u>
Net cash inflow/(outflow) from operating activities		8,107,846	(131,065,966)
Cash flow from investing activities:			
Fixed capital expenditure		(36,000)	(15,000)
Fixed capital Disposal		-	135,397,631
Capital work in progress		(23,042,100)	(2,575,300)
Long term security deposit		-	-
Proceeds from sale of property, plant and equipment		200,000	-
Net cash inflow/(outflow) from investing activities		(22,878,100)	132,807,331
Cash flow from financing activities:			
Increase/(decrease) in due to related parties		(46,932)	(5,662,364)
Net cash inflow/(outflow) from financing activities		(46,932)	(5,662,364)
Net increase/(decrease) in cash and cash equivalents		(14,817,186)	(3,920,999)
Cash and cash equivalents at the beginning of the year		15,281,948	19,202,947
Cash and cash equivalents at the end of the year		<u>464,762</u>	<u>15,281,948</u>

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



THE CLIMAX ENGINEERING COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	AMOUNT IN RUPEES		
	Share capital	Accumulated (loss) / Profit	Total
As at June 30, 2016	33,120,000	10,846,428	43,966,428
Comprehensive income / (loss) for the year			
Profit / (loss) for the year	-	62,688,024	62,688,024
Other comprehensive income / (loss) for the year	-	(2,431,936)	(2,431,936)
Total comprehensive (Loss) / Income for the year	-	60,256,088	60,256,088
As at June 30, 2017	33,120,000	71,102,516	104,222,516
Comprehensive income / (loss) for the year			
Profit / (loss) for the year	-	(8,646,244)	(8,646,244)
Other comprehensive income / (loss) for the year	-	(592,175)	(592,175)
Total Comprehensive (loss) / income for the year	-	(9,238,419)	(9,238,419)
As at June 30, 2018	33,120,000	61,864,097	94,984,097

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

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



THE CLIMAX ENGINEERING COMPANY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2018

1 LEGAL STATUS AND OPERATIONS

The Climax Engineering Company Limited ('the company'), which was established in 1940 as a partnership concern, was incorporated on May 02, 1958 under the Companies Act, 1913, (then the Companies Ordinance, 1984 and now the Companies Act, 2017) as a Private Limited Company. It was converted into Public Limited Company in June 1970. The Company is listed on the Karachi and Lahore Stock Exchanges, with effect from January 11, 2016 both stock exchanges merged into Pakistan Stock Exchange. The registered office and factory of the Company is situated at Climaxabad, G.T. Road, Gujranwala, Pakistan.

The company is principally engaged in manufacturing and sale of electric capital goods.

2 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

The Board of Directors in their meeting held on 28th June 2018 approved the decision to apply for Voluntary Delisting of the Company from the Pakistan Stock Exchange Limited and authorized Mr. Abdul Qayyum, Mr. Imtiaz Hamid and Mr. Usman Ghani Faizi directors of the Company to purchase shares from all the minority shareholders. Please refer to note # 40 regarding approval by the Pakistan Stock Exchange.

Recovery from Qasim and Company of Rs. 58.2 million against the outstanding balance.

Capital expenditure on construction of new factory building of Rs. 23 million.

3 SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

3.1 BASIS OF PREPARATION

3.1.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan.

The accounting and reporting standards applicable in Pakistan comprise of:

International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.1.2 New standards, amendments to approved accounting standards and new interpretations

3.1.2.1 Amendments to approved accounting standards and interpretations which are effective during the year ended June 30, 2018

The third and fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to, (a) particulars of immovable assets of the Company (b) disclosure of last three years comparison of tax provision in the financial statements etc.

However, there was no change in the reported amounts of profits and other comprehensive income and the amounts presented in the statement of financial position due to reclassification.

The other amendments to published standards and interpretations that were mandatory for the Company's financial year ended June 30, 2018 are: (a) Amendments to IAS 7: Disclosure initiative, (b) Amendments to IAS 12: Recognition of Deferred tax assets for Unrealized losses, and (c) Amendment to IFRS 12: Annual Improvements to IFRS Standards 201-2016 Cycle. These are considered not to be relevant or to have any significant effect on the Company's financial reporting and therefore not disclosed in these financial statements.

3.1.2.2 NEW STANDARDS, AMENDMENTS TO APPROVED ACCOUNTING STANDARDS AND INTERPRETATIONS THAT ARE EFFECTIVE FOR THE COMPANY'S ACCOUNTING PERIODS BEGINNING ON OR AFTER JULY 1, 2018

		Effective date (annual reporting periods beginning on or after)
IAS 19	Employee benefits (Amendments)	1-Jan-19
IAS 28	Investment in Associates and Joint Ventures (Amendments)	1-Jan-19
IAS 40	Investment property (Amendments)	1-Jan-19
IFRS 2	Share-based Payment (Amendments)	1-Jan-19
IFRS 4	Insurance contracts (Amendments)	1-Jan-19
IFRS 9	Financial Instruments	1-Jan-19
IFRS 15	Revenue from Contracts with Customers	1-Jan-19
IFRS 16	Leases	1-Jan-19
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1-Jan-19
IFRIC 23	Uncertainty Over Income Tax	1-Jan-19

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation/disclosures. The management is in the process of assessing the impact of changes laid down by the IFRS 9, 15 and 16 on its financial statements.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:



Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 14 Regulatory Deferral Accounts
- IFRS 17 Insurance Contracts

The following interpretations issued by the IASB have been waived of by SECP:

- IFRIC 4 Determining whether an arrangement contains lease
- IFRIC 12 Service concession arrangements

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments at fair value. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

3.3 Functional and Presentation Currency

These financial statements are presented in Pak Rupees, which is Company's functional and presentation currency.

3.4 Basis of going concern

Company's sales during the year decreased to Rs. 27,939,934/- which is 21.20% below as compared to prior year ended June 30, 2017. At this sales level, company incurred a gross loss of Rs. 1.714 million and a loss for the year of Rs. 8.646 million. The decrease in sales is due to lesser sales orders because the Company faces severe competition in transformer market.

Adverse operating results creates financial crisis for the Company. However, this situation is further aggravated by the following other circumstances;

Company also faces difficulty in recovering outstanding balances from some of its local market customers. Through effective follow up procedures, Company has recovered a significant portion from its customers and hopeful to recover the remaining balances.

Company's stocks stand at Rs. 79.696 million which were manufactured and maintained at this level in prior years due to expectation of future favorable market, remain in high ranking in the market and avoid downsizing of its experienced labor. During the last many years, Company could not materialize these stocks into cash and continuously incurring its handling costs. However, Company is actively locating reliable prospective buyers and hopeful to materialize these stocks into cash.

In February 2012, Company through extra ordinary general meeting approved a restructuring plan by disposing off its extra land and set up a new factory. The realizations from these disposal were also delayed from Qasim and Company and on June 30, 2018 Rs. 25 million is still outstanding. However, during the year progress is made in recovery. Delay in receipts from Qasim and company creates an obstacle in setting up new factory on time.

In view of the above operating and financial difficulties, although material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business, however, management is strongly committed to maintaining the going concern status of the Company. Management is confident that these financial and operating crisis are temporary and would reverse in the near future. However, these financial statements have been prepared on the assumption that the Company will continue as a going concern.

3.5 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at the Statement of Financial Position date. Exchange gains and losses are charged to income for the year (if any).

3.6 Staff retirement benefits

The company operates an unfunded gratuity scheme covering all permanent employees eligible for the benefit. Provision is made annually to cover obligation under the scheme. The most recent actuarial valuation of the scheme was carried out as at June 30, 2018. The actuary used the Projected Unit Credit (PUC) Actuarial Cost Method relying on the following significant assumptions:

	2018	2017
Discount rate	7.50%	7.75%
Annual incremental rate	5.25%	6.75%
Average remaining working life time of employee	3 Years	3 Years
Actuarial valuation method	Projected unit credit method	

3.7 Tangible fixed assets and depreciation

a) Owned

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and accumulated impairment losses (if any); however, land is stated at cost only. Cost in relation to certain property, plant and equipment signifies historical cost, applicable exchange differences on foreign currency loans and directly attributable cost of bringing the asset to working condition. Borrowing cost pertaining to the construction / erection period is also capitalized as part of historical cost.

Residual value and the useful life of assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

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



b) Capital Work In Progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the expenditures on material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of property, plant and equipment. These costs are transferred to property, plant and equipment as and when related items become available for intended use.

c) Assets Subject to Finance Lease

These are stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of assets acquired on lease. Aggregate amount of obligation relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are depreciated over their respective useful life of the assets on reducing balance method using the same rate as of owned assets. Depreciation of leased assets is charged to current year's income.

d) Depreciation

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the cost/depreciable amount of the assets over their estimated useful lives at the rates specified in note 11. The company charges the depreciation on additions from the date when the asset is available for use and on deletion up to the date when the asset is derecognized. The residual values, depreciation methods and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

e) De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized, except that the related surplus on revaluation of fixed assets (net of differed tax) is transferred directly to un-appropriated Profit.

3.8 Taxation

a) Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, under the provision of Income Tax Ordinance, 2001.

b) Deferred

The company accounts for deferred taxation, using the balance Sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. Accordingly deferred tax liability is recognized and is reduced by the deferred tax asset expected to be realized in due course of time.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.9 Stores and Spares

Usable stores and spares are valued principally at moving average basis, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising of invoice value and other incidental charges paid there on. Provision for obsolete and slow moving stores and spares is based on management's estimate.

3.10 Stock-in-trade

The stock is valued at lower of cost and estimated net realizable value. The cost of finished goods includes materials at average cost, direct labor and proportionate production overheads.

The cost of work-in-process includes material at average cost, direct labor and appropriate manufacturing overheads depending upon the stage of completion.

Cost of materials and components is determined on the basis of first-in-first out while items considered obsolete are carried at Nil value.

Net realizable value signifies the estimated selling price in the ordinary course of business less net of estimated cost of completion and selling expenses.

3.11 Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the company and the amount of revenue can be measured reliably. Consequently, sales are recorded on dispatch of goods. Price adjustments, if any, on supplies to WAPDA are recognized and included in the sales for the year in which such adjustments are sanctioned by the WAPDA.

3.12 Long term security deposits

These are stated at cost which represents the fair value of consideration given.

3.13 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.



3.14 Trade and other payables

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

3.15 Provisions

A provisions is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

3.16 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, and bank balances.

3.17 Related party transactions and transfer pricing

Transactions and contracts with related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method.

3.18 Financial instruments

All the financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit or loss account currently.

3.19 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.20 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses . If any such indication exists, the recoverable amount of such assets are estimated and impairment losses or reversal of impairment losses are recognized in the profit and loss account. Reversal of impairment loss is restricted to the original cost of asset.

3.21 Borrowing cost

All the borrowing cost 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 qualifying asset.

3.22 Significant and accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards required the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually(at least at each financial year end) evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to the accounting estimates are recognized in the period in the estimate is recognized and in any future periods effected.

In the process of applying the accounting policies, management has made the following estimates and judgments, which are significant to the financial statements:

- Recognition of taxation and deferred taxation.
- Determination of the residual values and useful lives of property, plant and equipment.
- Adjustment of inventories to their Net Realizable Value.
- Provision for doubtful debts and bills payable.
- Estimation of liability in respect of staff retirement benefits.

3.23 Contingencies and commitments

Capital commitments and contingencies, unless those are actual liabilities are not incorporated in the financial statements.



	NOTE	2018 RUPEES	2017 RUPEES
4 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
34,420 (2017: 34,420) ordinary shares of Rs. 10/- each fully paid in cash		344,200	344,200
72,260 (2017: 72,260) ordinary shares of Rs. 10/- each issued for consideration other than cash		722,600	722,600
3,205,320 (2017: 3,205,320) ordinary shares of Rs. 10/- each issued as fully paid bonus shares		32,053,200	32,053,200
		33,120,000	33,120,000

All ordinary shareholders have same rights regarding voting, board selection, right of first refusal and block voting.

5 DUE TO RELATED PARTIES

Due to related parties	5.01	56,897,418	56,944,350
5.01	This loan has been obtained from spouses and close family members of directors. It is unsecured, interest free and not payable within next twelve months. The directors and family members hold 37.9 % shareholding in the Company.		

6 DEFERRED LIABILITIES

Staff retirement benefits	6.1	4,443,409	17,122,049
Deferred taxation	6.2	-	-
		4,443,409	17,122,049

6.1 Staff retirement benefits

6.01 Movement during the year in the net liability recognized in the financial statements is as under:

Opening liability	17,122,049	16,775,158
Current service cost	351,234	459,440
Mark up cost for the year	728,803	1,084,643
Remeasurement	592,175	2,431,936
Charge for the year	1,672,212	3,976,019
	18,794,261	20,751,177
Less: Paid during the year	14,350,852	3,629,128
	4,443,409	17,122,049

6.02 The amount recognized in balance sheet is as follows:

Present value of defined benefit obligation	4,443,409	17,122,049
Total balance sheet liability	4,443,409	17,122,049

6.03 Expense recognized in the profit and loss account is:

Current service cost	728,803	459,440
Interest cost	351,234	1,084,643
	1,080,037	1,544,083

6.04 Historical information for gratuity:

	2018	2017	2016	2015	2014	2013
	AMOUNT IN RUPEES					
Present value of defined benefit obligation	4,443,409	17,122,049	16,775,158	20,562,229	29,689,041	
Experience adjustment arising on plan liabilities	(592,175)	(2,431,936)	(649,449)	767,240	6,029,794	

6.2 Deferred Taxation

Deferred tax Credit / (Debit) arising in respect of temporary taxable / (deductible) differences due to:

Accelerated tax depreciation	156,189	170,300
Staff retirement benefits	(156,189)	(170,300)
	-	-

Deferred tax asset of Rs. 21 million (2017: Rs. 67 million) has not been accounted for due to uncertainty of future taxable profits.



7 TRADE AND OTHER PAYABLES	NOTE	2018 RUPEES	2017 RUPEES
Trade creditors		336,063	1,373,054
Accrued liabilities		3,702,709	8,799,314
Bills payable-Local		18,620,911	63,527,623
Due to Directors	7.01	56,121,447	55,164,991
Due to Associated undertakings	7.02	5,834,941	5,834,941
Advances from customers		6,373,283	23,320,765
Sales tax Payable		1,011,471	1,011,471
Others payables	7.03	169,947	330,703
		<u>92,170,772</u>	<u>159,362,862</u>

7.01 Due to Directors

This loan has been obtained from Directors of the Company, and is interest free. There is neither fixed nor defined schedule for repayment of this loan. According to the loan agreement, the lenders shall not demand repayment and the same is entirely at the Company's option. The Company may repay the loan in cash or may issue shares in lieu of the outstanding amount in form of right shares or otherwise subject to approval as required under the Companies Act, 2017. These directors hold 19.195 % ordinary shares in the Company.

7.02 Due to associated undertakings	Relationship with the Company	2018 RUPEES	2017 RUPEES
Hamid Imtiaz (Private) Limited.	2.622 % shareholding	1,933,098	1,933,098
National Products (Private) Limited.	0.0845 % shareholding	3,863,843	3,863,843
Faizi Industries (Private) Limited.	Common director	35,369	35,369
Faizi Industries Gujranwala	Common director	2,631	2,631
		<u>5,834,941</u>	<u>5,834,941</u>
These relates to normal business transactions of the Company.			
7.03 Other payables			
Employees group insurance claim		16,000	116,000
Income tax - deducted at source		61,769	97,313
Canteen expense payable		4,807	4,807
Unpaid salaries and wages		87,371	87,371
15% Flood Surcharges		-	25,212
		<u>169,947</u>	<u>330,703</u>

8 PROVISION FOR TAXATION

Current taxation	<u>349,249</u>	<u>-</u>
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9 UNCLAIMED DIVIDEND

Unclaimed	<u>13,535</u>	<u>13,535</u>
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10 CONTINGENCIES AND COMMITMENTS

- a) Custom Duty amounting to Rs. 29.362 million for the year 1999 is disputed and case is pending in the honorable Lahore High Court. The management of the Company is hopeful to get the decision made in favor of the Company.
- b) Company received an order of investigation under section 263 of the Companies Ordinance 1984 from Enforcement Department of SECP regarding sale of its lands from 2004 to 2012 dated January 31, 2013. In order, the inspectors were authorized to conduct complete and effective investigation on all aspects of the Company including sale processes of land measuring 354 kanals. However, till date company had not received any further order from SECP; and management is hopeful to receive the order in favour of the Company.
- c) There are no other significant contingencies and commitments as at balance sheet date.

11 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST		RATE	DEPRECIATION		WRITTEN DOWN VALUE 6/30/2018
	AS AT 1/7/2017	ADDITION/ (DELETION)		AS AT 6/30/2018	(DELETION)	
	RUPEES		%	RUPEES		
Owned:						
Land - freehold	42,230,400	-	-	-	-	42,230,400
Residential quarters	521,967	-	10	464,854	5,711	51,402
Warehouse building	214,000	-	5	177,478	1,826	34,696
Plant and machinery	13,103,330	-	10	12,164,830	93,850	844,650
Furniture and fixture	1,146,500	-	10	1,102,783	4,372	39,345
Office equipment	4,690,580	36,000	15	4,364,654	54,289	307,637
Air conditioners	821,000	-	20	802,332	3,734	14,934
Vehicles	4,502,162	(1,045,000)	20	3,457,162	(1,021,468)	147,516
TOTAL 2018	67,229,939	(1,009,000)		23,371,167	200,660	43,670,580

PARTICULARS	COST		RATE	DEPRECIATION		WRITTEN DOWN VALUE 6/30/2017
	AS AT 1/7/2016	ADDITION/ (DELETION)		AS AT 6/30/2017	(DELETION)	
	RUPEES		%	RUPEES		
Owned:						
Land - freehold	42,556,611	(326,211)	-	-	-	42,230,400
Factory building	12,366,352	(12,366,352)	-	11,894,551	(11,894,551)	-
Residential quarters	521,967	-	10	458,508	6,346	57,113
Warehouse building	214,000	-	5	175,556	1,922	36,522
Plant and machinery	13,103,330	-	10	12,060,552	104,278	938,500
Furniture and fixture	1,146,500	-	10	1,097,926	4,857	43,717
Office equipment	4,690,580	-	15	4,307,138	57,516	325,926
Air conditioners	806,000	15,000	20	797,664	4,668	18,668
Vehicles	5,735,767	(1,233,605)	20	5,445,643	(1,203,388)	207,926
TOTAL 2017	81,141,107	(13,911,168)		36,237,538	(13,097,939)	43,858,772

11.1 Land - freehold having area of 50 kanals is situated at Sialkot Road, Gujranwala, Pakistan. Warehouse building and Residential quarter having covered area of 650 sq.ft. and 615 sq.ft. respectively are located at 205 C Breeze Plaza, 2nd Floor Shahra e Faisal, Karachi and Climax Labour Colony, Street #1, G.T. Road, Gujranwala respectively.

11.2 No asset of the Company having net book value exceeding Rs. 500,000/- is disposed off during the year.

11.3 Depreciation for the year has been allocated as under:

	NOTE	2018	2017
		Rupees	Rupees
Cost of sales	23	93,850	104,278
Administrative expenses	25	106,810	127,291
		<u>200,660</u>	<u>231,569</u>



12 CAPITAL WORK IN PROGRESS	NOTE	2018 RUPEES	2017 RUPEES
The following is a statement of capital work in progress			
Factory Building			
As at 1st July		7,432,415	4,857,115
Add: Capital expenditure incurred during the year		<u>23,042,100</u>	<u>2,575,300</u>
As at 30 June		<u><u>30,474,515</u></u>	<u><u>7,432,415</u></u>
As per the resolution passed in extra ordinary general meeting on Wednesday February 22, 2012. The company is in the process of constructing factory building at Sialkot Road Gujranwala and after construction of building the company will be shifted at new place accordingly.			
13 LONG TERM SECURITY DEPOSITS	NOTE	2018 RUPEES	2017 RUPEES
Non interest bearing:			
Statutory authorities		963,020	963,020
Office building		84,000	84,000
Telephone and others		<u>76,480</u>	<u>76,480</u>
		<u><u>1,123,500</u></u>	<u><u>1,123,500</u></u>
14 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores, spare parts and loose tools		<u><u>253,758</u></u>	<u><u>258,216</u></u>
14.01 No identifiable stores and spares are held for specific capitalization.			
15 STOCK-IN-TRADE			
Raw material and components		16,152,543	16,268,759
Work in process		58,591,047	55,416,343
Finished goods		<u>4,953,152</u>	<u>9,102,585</u>
		<u><u>79,696,742</u></u>	<u><u>80,787,687</u></u>
15.01 No stock in trade has been pledged with any institution / party.			
16 TRADE DEBTS			
Unsecured but considered good			
Local		33,307,574	58,555,305
Less: Provision for doubtful debts	16.01	<u>-</u>	<u>-</u>
		<u><u>33,307,574</u></u>	<u><u>58,555,305</u></u>
16.01 Provision for doubtful debt			
Opening		-	41,399,081
Write off during the year		<u>-</u>	<u>(41,399,081)</u>
Closing		<u><u>-</u></u>	<u><u>-</u></u>
17 DUE FROM RELATED PARTIES			
Due from related parties		<u><u>-</u></u>	<u><u>649,154</u></u>

The balances were due from related parties and is unsecured. Related parties comprise of "Majid Munir (Pvt.) Limited, Faizi Brothers and Climax Foundation" the associated concerns of the company.



	NOTE	2018 RUPEES	2017 RUPEES
18 LOANS AND ADVANCES-UNSECURED			
Considered good:			
Advances to suppliers - non interest bearing		6,346,496	17,908,010
Amount due from employees - non interest bearing		307,019	537,019
		<u>6,653,515</u>	<u>18,445,029</u>
19 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS- CONSIDERED GOOD			
Letters of guarantee-margin deposits		-	74,444
20 OTHER RECEIVABLES			
Balances with statutory authorities			
- Sales tax refundable - net		7,766,541	7,686,129
- Custom duty		7,059,171	7,138,469
Advance income tax		11,233,951	10,923,083
Receivable against sale of land	20.01	27,126,678	85,381,970
Others		27,193	69,192
		<u>53,213,534</u>	<u>111,198,843</u>
20.01	This represents balance amount receivable from Qasim and Company against sale of land and is considered good and non interest bearing.		
21 CASH AND BANK BALANCES			
Cash in hand		367,679	526,358
Cash at bank			
- In current accounts		97,083	14,755,590
		<u>464,762</u>	<u>15,281,948</u>
22 SALES - NET			
Sales		33,662,571	42,720,448
Less: Sales tax		(5,722,637)	(7,262,476)
		<u>27,939,934</u>	<u>35,457,972</u>
23 COST OF SALES			
Raw material consumed	23.01	14,903,361	28,723,922
Salaries, wages and other benefits	23.02	11,842,266	11,829,934
Fuel and power		1,831,309	2,196,732
Repair and maintenance		8,800	8,200
Depreciation	11.3	93,850	104,278
		<u>28,679,586</u>	<u>42,863,066</u>
Work-in-process			
Opening work in process		55,416,343	110,696,544
Closing work in process before write-down		(58,591,047)	(105,613,043)
Write-down of slow moving stock	23.03	-	50,196,700
Closing work in process		(58,591,047)	(55,416,343)
		<u>25,504,882</u>	<u>98,143,267</u>
Cost of goods manufactured			
Finished goods			
Opening		9,102,585	10,223,342
Closing		(4,953,152)	(9,102,585)
		<u>4,149,433</u>	<u>1,120,757</u>
		<u>29,654,315</u>	<u>99,264,024</u>
23.01 Raw material consumed			
Opening stock		16,526,975	13,189,649
Material purchased		14,782,687	32,061,249
		<u>31,309,662</u>	<u>45,250,898</u>
Closing stock		(16,406,301)	(16,526,975)
		<u>14,903,361</u>	<u>28,723,923</u>
23.02	Salaries wages and other benefits include provision for gratuity for the year Rs. 792,027 (2017: Rs. 1,132,328).		
23.03	This includes write down of work in process of transformers .the write down of stock to estimated NRV is due to change in design and technology and resultantly the Company could not sold such stock after being held for many years.		



	NOTE	2018 RUPEES	2017 RUPEES
24 SELLING AND DISTRIBUTION COST			
Packing and forwarding		-	15,000
Advertisement		63,000	82,250
		<u>63,000</u>	<u>97,250</u>
25 ADMINISTRATIVE AND GENERAL EXPENSES			
Directors' remuneration and fee		1,456,920	1,427,169
Salaries, wages and other benefits	25.01	2,966,064	4,447,085
Vehicle running and maintenance		42,498	15,970
Traveling and entertainment		175,440	187,948
Rent, rates and taxes		613,510	581,545
Postage, telegram and telephone		158,398	193,327
Printing and stationery		193,584	188,288
Legal and professional charges		100,211	336,200
Auditors remuneration	25.02	375,000	375,000
Depreciation	11.3	106,810	127,291
Miscellaneous expenses		132,883	78,169
		<u>6,321,318</u>	<u>7,957,992</u>
25.01	Salaries wages and other benefits include provision for gratuity for the year Rs. 288,010 (2017: Rs. 411,755).		
25.02 Auditors' remuneration			
Audit fee		250,000	250,000
Half yearly review		50,000	50,000
Certification charges		50,000	50,000
Reimbursable expenses		25,000	25,000
		<u>375,000</u>	<u>375,000</u>
26 FINANCE COST			
Bank charges		20,184	20,084
		<u>20,184</u>	<u>20,084</u>
27 OTHER OPERATING INCOME			
Income from non-financial assets			
Gain on sale of fixed assets		176,468	134,569,402
		<u>176,468</u>	<u>134,569,402</u>
28 TAXATION			
Current tax expense:			
for the year		349,249	-
Prior year		354,580	-
Deferred	6.2	-	-
		<u>703,829</u>	<u>-</u>
28.01	No numeric tax reconciliation has been given as the company is not liable to pay tax on taxable income due to assessed losses under the provisions of Income Tax Ordinance, 2001.		
28.02	Last three years provisions for current tax and assessments are as follows:		
		Tax provision	Assessed tax
		Rupees	Rupees
Year ended June 30, 2017		Nil	354,580
Year ended June 30, 2016		Nil	Nil
Year ended June 30, 2015		Nil	Nil
28.03	Income tax return has been filed to the income tax authorities up to tax year 2017 under the provisions of the Income Tax Ordinance, 2001.		
29 EARNINGS / (LOSS) PER SHARE			
29.01 Basic Earnings/(Loss) per share			
Net Profit / (Loss) after tax			
Profit / (Loss) attributable to ordinary shareholders	Rupees	<u>(8,646,244)</u>	<u>62,688,024</u>
Average ordinary shares outstanding	Numbers	<u>3,312,000</u>	<u>3,312,000</u>
Earnings/(Loss) per share - basic	Rupees	<u>(2.61)</u>	<u>18.93</u>
29.02 Diluted Earnings/(Loss) per share			

There is no dilution effect on the basic earnings/(loss) per share of the company because the company has no such commitments.



30 FINANCIAL INSTRUMENTS BY CATEGORY	2018	2017
	Rupees	Rupees
Financial assets as per balance sheet - Loans and receivables		
Long term security deposits	1,123,500	1,123,500
Trade debts	33,307,574	58,555,305
Due from related parties	-	649,154
Loans and advances - unsecured	6,653,515	18,445,029
Trade deposits and short term prepayments	-	74,444
Other receivables	27,153,871	85,451,162
Cash and bank balances	464,762	15,281,948
Financial liabilities as per balance sheet		
Due to related parties	56,897,418	56,944,350
Trade and other payables	92,170,772	159,362,862
Unclaimed Dividend	13,535	13,535

30.01 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. 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.

31 FINANCIAL ASSETS AND LIABILITIES

31.01 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors.

(a) Market risk

(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.

The Company manages its currency risk by close monitoring of currency markets. However, the Company does not hedge its currency risk exposure.

During the year under report, the company did not enter into foreign currency transactions.

(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. As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity securities price risk as it has no investment.

(b) Credit risk

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge an obligation.

Credit risk arises from deposits with banks, trade debts, loans and advances, deposits and other receivables. The company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. Where considered necessary, advance payments are obtained from certain parties. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

Geographically, there is no concentration of credit risk.

The maximum exposure to credit risk for loans and receivables at the reporting date by type of goods are:



	2018	2017
	Rupees	Rupees
Transformers	30,081,441	50,865,323
Fans	2,665,757	6,193,664
Motors	560,376	1,496,318
	<u>33,307,574</u>	<u>58,555,305</u>

The aging of loans and receivables at the reporting date was:

Past due 6-12 months	12,547,841	26,155,671
More than one year	10,684,910	22,419,874
More than two years	10,074,823	10,191,569
	<u>33,307,574</u>	<u>58,767,114</u>

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as under:

	2018	2017
	Rupees	Rupees
Long term deposits	1,123,500	1,123,500
Trade debts	33,307,574	58,555,305
Due from related parties	-	649,154
Loans and advances	307,019	537,020
Trade deposits	-	74,444
Other receivables	27,153,871	85,451,162
Bank balances	97,083	14,755,590
	<u>61,989,047</u>	<u>161,146,174</u>

The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history, however, no losses. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Bank Name	Rating agency	Rating	
		Short term	Long term
Askari Bank Limited	PACRA	A-1+	AA+
Bank Al-Falah Limited	PACRA	A-1+	AA+
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+
United Bank Limited	JCR-VIS	A-1+	AAA
Habib Bank Limited	JCR-VIS	A-1+	AAA
The Bank of Punjab	PACRA	A-1+	AA
MCB Bank Limited	PACRA	A-1+	AAA
Allied Bank Limited	PACRA	A-1+	AAA
Bank of Khyber	PACRA	A-1	A

(c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities.

The table below analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.



AMOUNT IN RUPEES							
2018	Interest / mark up bearing			Non interest bearing			Total
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
FINANCIAL ASSETS							
Long-term security deposit	-	-	-	-	1,123,500	1,123,500	1,123,500
Trade debts	-	-	-	33,307,574	-	33,307,574	33,307,574
Due from related parties	-	-	-	-	-	-	-
Loans and advances	-	-	-	6,653,515	-	6,653,515	6,653,515
Trade deposits and short term prepayments	-	-	-	-	-	-	-
Other receivables	-	-	-	27,193	-	27,193	27,193
Cash and bank balances	-	-	-	464,762	-	464,762	464,762
	-	-	-	<u>40,453,044</u>	<u>1,123,500</u>	<u>41,576,544</u>	<u>41,576,544</u>
FINANCIAL LIABILITIES							
Due to related parties	-	-	-	-	56,897,418	56,897,418	56,897,418
Trade and other payables	-	-	-	92,170,772	-	92,170,772	92,170,772
Unclaimed dividend	-	-	-	13,535	-	13,535	13,535
	-	-	-	<u>92,184,307</u>	<u>56,897,418</u>	<u>149,081,725</u>	<u>149,081,725</u>
Net Liquidity	-	-	-	<u>(51,731,263)</u>	<u>(55,773,918)</u>	<u>(107,505,181)</u>	<u>(107,505,181)</u>
2017							
	Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	Total
FINANCIAL ASSETS							
Long-term security deposit	-	-	-	-	1,123,500	1,123,500	1,123,500
Trade debts	-	-	-	60,530,580	-	60,530,580	60,530,580
Due from related parties	-	-	-	649,154	-	649,154	649,154
Loans and advances	-	-	-	15,541,257	-	15,541,257	15,541,257
Trade deposits and short term prepayments	-	-	-	74,444	-	74,444	74,444
Other receivables	-	-	-	69,192	-	69,192	69,192
Cash and bank balances	-	-	-	19,202,947	-	19,202,947	19,202,947
	-	-	-	<u>96,067,574</u>	<u>1,123,500</u>	<u>97,191,074</u>	<u>97,191,074</u>
FINANCIAL LIABILITIES							
Due to related parties	-	-	-	-	62,606,714	62,606,714	62,606,714
Trade and other payables	-	-	-	159,362,862	-	159,362,862	159,362,862
Unclaimed dividend	-	-	-	13,535	-	13,535	13,535
	-	-	-	<u>159,376,397</u>	<u>62,606,714</u>	<u>221,983,111</u>	<u>221,983,111</u>
Net Liquidity	-	-	-	<u>(63,308,823)</u>	<u>(61,483,214)</u>	<u>(124,792,037)</u>	<u>(124,792,037)</u>

31.02 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any externally imposed Capital requirements.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

During the year, the Company was totally financed by equity and sponsors loans.



32 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	CHIEF EXECUTIVE		DIRECTORS	
	2018	2017	2018	2017
	RUPEES	RUPEES	RUPEES	RUPEES
Remuneration	210,000	210,000	718,871	718,871
House rent and utilities	94,500	94,500	323,492	323,492
Medical Expenses	10,500	10,500	35,403	35,403
Utilities	9,600	9,600	24,803	24,803
	324,600	324,600	1,102,569	1,102,569
Number of persons	1	1	6	6

32.01 The Chief Executive is also provided with free use of company's maintained car and reimbursement of residential telephone expenses.

33 CASH GENERATED FROM / (USED IN) OPERATIONS

	2018	2017
	RUPEES	RUPEES
Cash flow from operating activities:		
Profit / (Loss) before taxation	(7,942,415)	62,688,024
Adjustment for non cash charges and other items:		
Depreciation	200,660	231,568
Gain on sale of fixed assets	(176,468)	(134,569,402)
Finance cost	20,184	20,084
Provision for staff retirement benefits	1,080,037	1,544,083
	1,124,413	(132,773,667)
Cash flow before working capital changes	(6,818,002)	(70,085,643)
(Increase)/decrease in current assets:		
Stores, spares and loose tools	4,458	1,226,679
Stocks in trade	1,090,945	51,836,953
Trade debts	25,247,731	1,975,275
Loans and advances	11,791,514	(2,903,772)
Due from related parties	649,154	-
Trade deposits and short term prepayments	74,444	-
Other receivables	58,296,177	(85,386,229)
	97,154,423	(33,251,094)
Increase/(decrease) in current liabilities:		
Trade and other payables	(67,192,091)	(22,758,369)
Cash generated from/(used in) operations	23,144,330	(126,095,106)

34 RELATED PARTY TRANSACTIONS

Related parties comprise of associated companies, directors of the company, key management personnel and close members of the families of the directors and key management personnel. Amounts due to related parties are shown in the relevant notes to the financial statements and are carried out at mutual agreed terms. Transactions with related parties and associated undertakings are as follows:

Nature of Transactions	2018	2017
	RUPEES	RUPEES
Loan received from Directors		
CH. USMAN GHANI FAIZI	230,100	230,100
CH.ABDUL SALAM	230,100	230,100
CH.IMTIAZ HAMEED.	27,692	(65,055)
CH.MEHMOOD GHANI FAIZI.	230,100	230,100
CH.ZIA UL HAMEED (late)	(124,016)	(20,522)
CH. M.A. QAYYUM	114,560	94,188
CH. M. IQBAL NAZIR	247,920	247,920
	956,456	946,831
Loan received from related parties		
CH. M.A. HAMEED (late)	(46,932)	(238,777)
	909,524	708,054

35 NUMBER OF EMPLOYEES

Average number of employees during the year:

Total employees average	80	85
Factory employees average	67	67

Number of employees as at 30th June:

Total employees	80	81
Factory employees	67	67



36 ACCOUNTING ESTIMATES AND JUDGMENT

Income taxes:

The company takes into account the current income tax law and decisions taken by the appellate authorities. Instances where the company's view differs from the view taken by the income tax departments at the assessment stage and where the company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities. Furthermore, the company may be able to avail the benefit of the payment of turnover tax and / or taxable losses, provided sufficient taxable profits are available in next years when these credits can be utilized.

Property, plant and equipment:

The company reviews the value of assets for possible impairment on an annual basis. Any changes in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

Staff retirement benefit - gratuity:

Certain actuarial assumptions have been adopted as disclosed in the financial statements for valuation of present value of defined benefit obligation. Any changes in these assumptions in future year might affect unrecognized gains and losses in those years.

Stock in trade and stores, spare parts and loose tools:

The Company reviews the net realizable value of stock in trade and stores and spares to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make sales.

37 CAPACITY AND PRODUCTION

MAIN ITEMS	Plant Capacity		Actual Production	
	2018	2017	2018	2017
	NUMBERS		NUMBERS	
Transformers	15,000	15,000	68	88
Electric Fans	100,000	100,000	102	1,382
Electric Motors	20,000	20,000	2	58
Electric Meters	200,000	200,000	-	-
Pumps and Turbines	3,500	3,500	-	-
Air conditioners	5,250	5,250	-	-

The capacity is expressed in numbers regardless of the wide range of ratings and various types of the products particularly; power transformers (13 KVA to 4500 KVA), welding transformers, current / voltage transformers, electric motors (1/2 HP to 80 HP), electric fans and pumps (various sizes and descriptions). However, the under utilization of capacity is due to:

- i) Change in the pattern of orders from higher to lower Kilo Volt ampere transformers.
- ii) Severe competition in the market of electric fans, motors and electric meters.

38 OPERATING SEGMENT

These financial statements have been prepared on the basis of a single reportable segment.

- 38.01** Revenue from sale of transformers represents 91% (2017: 90 %) of the total revenue of the company. However, costs can not be allocated to segments on consistent basis due to the nature of operation of the Company.
- 38.02** 100 % (2017: 100%) of the gross sales of the Company are made to customers located in Pakistan.
- 38.03** All non current assets of the Company as at 30 June, 2018 are located in Pakistan.
- 38.04** None of the customers of the Company accounts for more than 10% of the gross sales of the Company for the year.

39 GENERAL

- Figures have been rounded off to the nearest of Pakistani rupees.
- Corresponding figures have been re-arranged wherever necessary for the purpose of comparison.

40 POST STATEMENT OF FINANCIAL POSITION DATE EVENTS

The Company on September 17, 2018, got approval from Voluntary Delisting Committee of the Pakistan Stock Exchange to purchase the ordinary shares at a minimum buy back price of Rs. 100/- per share, subject to purchase of at least 101,940 ordinary shares out of the total 407,760 ordinary shares outstanding with shareholders other than the sponsors, to qualify for delisting. For this proposal to be accepted by the directors and sponsors, board of directors meeting is scheduled on October 05, 2018; and shareholders' meeting is expected to be held on October 27, 2018 subject to approval of Pakistan Stock Exchange.

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41 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 02, 2018 by the Board of Directors of the Company in their meeting.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR



FORM OF PROXY

The Secretary,
THE CLIMAX ENGINEERING CO. LTD.,
Climaxabad, G.T. Road, Gujranwala

I,.....
of.....the district of.....
being a member of THE CLIMAX ENGINEERING COMPANY and holder of
.....Ordinary Shares as per
Registered Folio No.hereby appoint
Mr.....
of.....
Mr.....
of.....who is also a
member of **THE CLIMAX ENGINEERING COMPANY LIMITED** vide registered Folio No.
.....as my/our proxy to vote for and on my/our behalf at the 60th
Annual General Meeting of the Company to be held at the Registered Office
Climaxabad, G. T. Road, Gujranwala on 27th October, 2018 at 8:30 A.M and at any
adjournment thereof.

Witness_____

Affix
Re. 5
Revenue Stamp

(Signature should agree
with specimen signature
registered with the Company

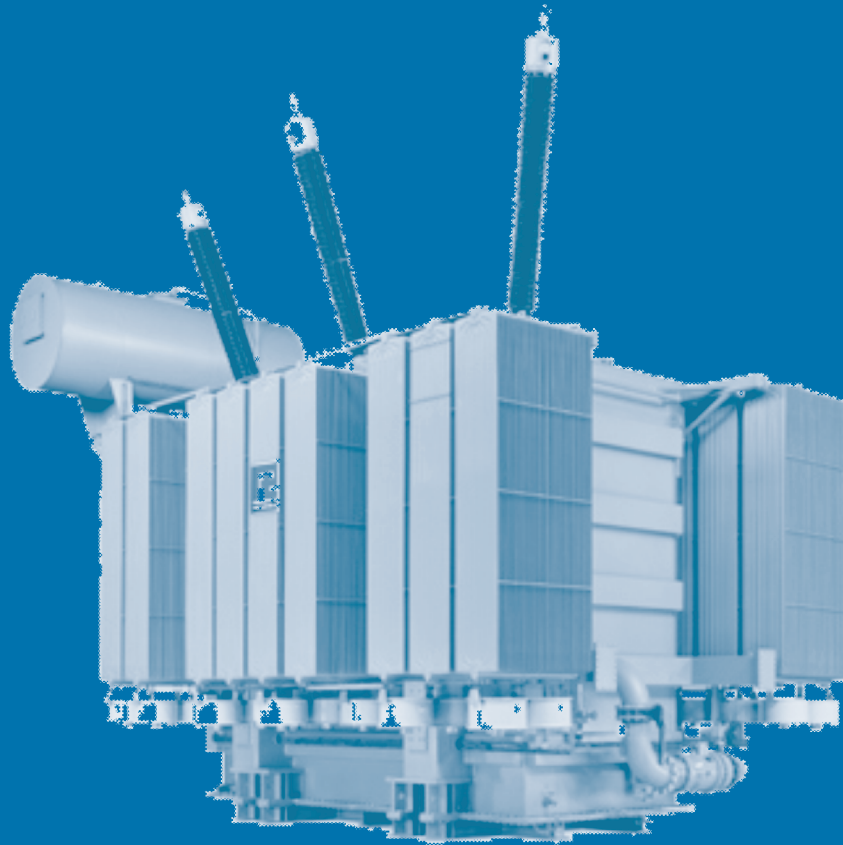
Date :

Note: A member entitled to attend and vote at the meeting may appoint another member as his / her proxy to attend and vote instead of him / her at the meeting. Proxies, on this form or on plain paper duly stamped, must be deposited at the Company’s Registered Office not less than forty eight hours before the time of holding the meeting.



CLIMAX

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CLIMAX

ENGINEERING CO. LTD.

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