PAKISTAN ENGINEERING COMPANY LIMITED

COMBINED MINUTES OF THE ADJOURNED 70th, 71st, 72nd, 73rd and 74th ANNUAL GENERAL MEETING(S) (AGMs) HELD ON SATURDAY, MARCH 15, 2025 AT 11:00 AM AT HOTEL FOUR POINTS BY SHERTAON, LAHORE

Mian Anwar Aziz, Company Secretary, Mirza Mahmood Ahmad, Director, Mr. Tahir Bashir Khan, Director, and Mr. Arsalan Nayyar Sheikh, Director, have attended the meeting in person where as Mr. Muhammad Arif Habib, Director, Mohammad Abbas Mirza, Director and Ms. Saher Mangi, Director joined the meeting through Zoom Video Conferencing Facility.

Mr. Muhammad Asad Islam Mahni, AS-I, MOIP, Mr. Socrat Aman Rana, GM SMEDA and Mr. Raja Jamshaid Khan Abbasi, GM SEC, were present in-perosn as representatives of Government of Pakistan through State Engineering Corporation (SEC) / National Bank of Pakistan (NBP).

Mr. Malik Haroon Ahmad, Engagement Partner and external auditor of the Company was also present in the meeting through Zoom Video Conferencing Facility.

The quorum of meeting was complete in accordance with the provisions of Companies Act, 2017, as 48 shareholders with voting power of 82.14% were present.

Mr. Muhammad Asad Islam Mahni, AS-I, MOIP, Representative of Government of Pakistan, chaired the meeting.

The meeting started with a recitation of Holy Quran. With the permission of Chair, Mian Anwar Aziz, Company Secretary took up the agenda in seriatim.

ORDINARY BUSINESS

AGENDA ITEM

TO CONFIRMATION THE MINUTES OF 30TH EXTRA ORDINARY GENERAL MEETING HELD ON APRIL 18, 2024

The minutes of 30th Extra Ordinary General meeting held on Thursday, April 18, 2024 were circulated with the notice of 70th Annual General Meeting to all shareholders. The minutes were unanimously confirmed by the shareholders.

TO RECEIVE, CONSIDER AND ADOPT THE ANNUAL AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED JUNE 30, 2019, JUNE 30, 2020, JUNE 30, 2021, JUNE 30, 2022 and JUNE 30, 2023 TOGETHER WITH THE AUDITORS' AND DIRECTORS' REPORT THEREON ALONG WITH CHAIRMAN'S REVIEW REPORT

The Company Secretary, with the permission of the Chairman, presented the audited accounts of the Company for the year ended June 30, 2019, June 30, 2020, June 30, 2021, June 30, 2022 and June 30, 2023, together with the Chairman' review report along with Auditors', and Directors' reports thereon.

The Directors' Report was taken as read.

Mr. Raja Jamshaid Khan Abbasi, GM SEC, being proxy of a major shareholder i.e., State Engineering Corporation (SEC) and and Mr. Socrat Aman Rana, GM SMEDA, being proxy of a shareholder i.e., National Bank of Pakistan (NBP) raised concerns on the following matters:

1. Liabilities of Government of Pakistan (GoP) and National Bank of Pakistan were not properly recorded in financial statements for the year ended on June 30, 2019, June 30, 2020, June 30, 2021, June 30, 2022 and June 30, 2023.

   The Company Secretary explained that loans/Liabilities payable to Government of Pakistan and National Bank of Pakistan are properly accounted for and disclosed in latest audited statements of Pakistan Engineering Company Limited in accordance with applicable International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) in Pakistan.

   He added that the amounts payable to National Bank of Pakistan (NBP) are disclosed in note 20 and note 25 of financial statements, as principal of Rs. 95.930 million and on the face of balance sheet of Rs. 45.892 million as mark-up on loan from National Bank of Pakistan (NBP). Total liability disclosed in financial statements for the year ended on June 30, 2023, is Rs. 141.822 million.

   He informed the shareholder that the amount payable to Government of Pakistan is disclosed in note 26, of financial statements for the year ended on June 30, 2023, as principal of Rs. 1,790.848 million. However, mark-up on loan from Government of Pakistan will be accounted for and disclosed after getting reconciled and resolved between both parties i.e., PECO and Government of Pakistan.

   He briefed the shareholders that all liabilities payable to Government of Pakistan, National Bank of Pakistan (NBP), Federal Board of Revenue (FBR), suppliers, employees, social security and EOBI are appropriately disclosed in financial statements for the last five years ended on June 30, 2023.

   He further added that the view point of Government of Pakistan including accrued mark-up has been shown in note 27 of financial statements for the last five years ended on June 30, 2023.

2. They are of the view that auditors expressed a disclaimer of opinion on the financial statements then how the shareholders could be satisfied with the assertions of the management.

   The Company Secretary informed the Board that during the period from October 2018 till September 2022, Government appointed ex-MD PECO, continued to run the company's affairs by illegally taking under siege control of PECO. He added that timely intimations were sent by the Board members to relevant authorities including Ministry of Industries (MoIP), Pakistan Stock Exchange (PSX) and SECP apprising them of the obstacles faced by the board members and the management in discharging their responsibilities, along with the efforts made by them in their available capacities for resolution of the issues.

   Mr. Mirza Mahmood Ahmad, Director, informed that the financial statements have been prepared based on the most accurate records, financial data, and professional judgment available, as assessed by the Company's qualified management team. He added that given the circumstances, these statements represent the utmost effort and diligence of the management to provide a fair and best possible depiction of the Company's financial position, following the challenges resulting from the past such as improper recording of financial record, maintainence of operational data of the Company and non-availability of data centers.

Mr. Mirza Mahmood Ahmad, Director, explained that the management is trying hard to minimize the adverse audit findings so that Disclaimer of opinion could be removed during the audit of financial year 2023-24.

3. They are of the view that auditors cannot be engaged in audit assignment of any listed company for more than three year

   The Company Secretary requested Mr. Malik Haroon Ahmad, Engagement Partner and external auditor of the Company, to explain this matter.

   Mr. Malik Haroon Ahmad, Engagement Partner, explained that as per Code of Corporate Governance (Listing Regulations), 2019, it is not necessary to change the external auditors every five years, however, engagement partner may be rotated after every five years. He added that it is requirement for financial sector companies to change auditors every five years and there is no requirement to change the auditors every three years.

   Mr. Muhammad Iqbal, shareholder and ex-Director PECO, seconded the view point of Mr. Malik Haroon Ahmad and elaborate this matter as per prevalent laws and regulations.

4. Reasons for the delay of six years in presenting annual accounts of the Company

   Mr. Mirza Mahmood Ahmad, Director, informed the shareholders that the Board of PECO is not surprise as number of times SEC attention was made through various correspondences with State Engineering Corporation (SEC) and Ministry of Industries and Production (MOIP), during the last six (06) years, regarding the financial, strategic and operational irregularities during the past six years in managing affairs of the Company.

   He further informed that the current management and Board of Directors of PECO were able to prepare the financial statements for the five years from FY 2019 till FY 2023 and get these financial statements audited from the statutory auditors appointed under section 246(7) by Securities and Exchange Commission of Pakistan (SECP).

   He added that since October 2018, till October 2022, the Government appointed ex-MD PECO prohibited the Board of Directors and board-appointed employees, including the statutory positions of Chief Financial Officer, Company Secretary and Head of Internal Audit from entering the company premises, resultantly, no company accounts could possibly have been prepared or audited, and no Annual General Meeting (AGM) of shareholders could be called for.

The representatives from Government of Pakistan requested to adjourn the meeting again, as they were of the view that some matters were needed to be discussed further. Mirza Mahmood Ahmad, Director, briefed the representative of Government of Pakistan that as per provisions of Companies Act, 2017, this meeting cannot be adjourned as the agenda for consideration and review of financial statements have to be approved. Despite of this fact, the representatives from Government of Pakistan insisted to adjourn the meeting.

Many of the major shareholders present in the meeting requested the representatives of Government of Pakistan, not to adjourn this meeting as the agenda of the meeting was confirmation of approval of accounts, which were pending since last six years.

After detailed discussions, the shareholders unanimously resolved to approve the annual audited financial statements for the year ended June 30, 2019, June 30, 2020, June 30, 2021, June 30, 2022 and June 30, 2023.

TO APPOINT COMPANY'S AUDITORS AND TO FIX THEIR REMUNERATION

The Company Secretary informed that present auditors Messrs. Malik Haroon Ahmad & Company, Chartered Accountants, being eligible for reappointment have offered themselves for reappointment. He explained that the Board of Directors, on recommendations of the Audit Committee, has proposed appointment of Messrs. Malik Haroon Ahmad & Company, Chartered Accountants as auditors of the Company, for the year 2023-24.

The shareholders unanimously approved the appointment of Messrs. Malik Haroon Ahmad & Company, Chartered Accountants, as auditors for the year ended on June 30, 2024 at a remuneration of Rs. 950,000/- plus out of pocket expenses of Rs. 25,000/- and fee for Review Report on Compliance of Code of Corporate Governance of Rs. 50,000/- and Half Year Review fee of Rs. 200,000/- (exclusive of sales tax).

SPECIAL BUSINESS

AGENDA ITEM

TO APPROVE CIRCULATION OF THE ANNUAL AUDITED FINANCIAL STATEMENTS THROUGH QR ENABLED CODE AND WEB LINK

With permission of the Chair, the Company Secretary placed before the members the special business agenda regarding the mode of circulation of the Company's Annual Audited Financial Statements.

The members were informed that, in line with regulatory facilitation provided by the Securities and Exchange Commission of Pakistan (SECP) through S.R.O. 389(I)/2023 dated 21 March 2023, companies are permitted to circulate their Annual Audited Financial Statements to members via QR-enabled codes and web links in place of physical media such as CD/DVD/USB.

The resolution was put to vote. The voting results reflected that 77.5936% of the shareholders voted in favor of this special resolution.

Resolution Passed:

"RESOLVED THAT, as permitted by the Securities and Exchange Commission of Pakistan vide S.R.O. 389(I)/2023 dated 21 March 2023, the circulation of Annual Audited Financial Statements of the Company to members through QR-enabled code and web link, in lieu of CD/DVD/USB, be and is hereby approved."

There being no further discussion on the agenda item, the special resolution was declared duly passed by the requisite majority.

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

MINUTES CONFIRMED

CHAIRMAN