Metropolitan Steel Corporation Limited
Annual Report 1999

BOARD OF DIRECTORS

CHAIRMAN **CHIEF EXECUTIVE &** **MANAGING DIRECTOR**	Mr. Haq Nawaz Akhtar
DIRECTORS	Mr. Mohammad Ali Shaikh Mr. M. Manzur-ul-Haq Mr. Nasim Beg Miss. Aaliya K. Dossa Mr. Zahid Zaheer Mr. Ali Sher Jatoi Mr. Munir Ahmed Mr. Muhammad Aslam Gadit
COMPANY SECRETARY	Mr. Shariful Muzaffer
AUDITORS	Ford, Rhodes, Robson, Morrow Chartered Accountants
REGISTERED/ **HEAD OFFICE**	Plot No. HE-1, Landhi Industrial Area, KARACHI.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 44th Annual General Meeting of the Company will be held on December 30. 1999 at 2:00 p.m. at Raffia Choudri Memorial Centre, Ground Floor, Sidco Avenue Centre, 264, R. A. Lines, Karachi to transact the following business.

1. To confirm the minutes of 43rd Annual General Meeting held on 27th March, 1999.

2. To receive and adopt the audited accounts of the Company for the year ended June 30 !999 together with the Auditors' and Directors' Report thereon.

3. To appoint auditors for the year ending 30th June, 2000 and fix their remuneration. The present auditors M/s Ford, Rhodes, Robson, Morrow, Chartered Accountants retire and are eligible for re-appointment.

4. To elect 10 (Ten) Directors of the Company as fixed by the Board for a period of 3 years in accordance with the provisions of Section 178 of the Companies Ordinance, 1984.

The following Directors retiring on 30th December, 1999, are eligible for re-election.

1. Mr. Haq Nawaz Akhtar	6. Mr. Zahid Zaheer
2. Mr. Mohammad Ali Shaikh	7. Mr. Ali Sher Jatoi
3. Mr. M. Manzur-ul-Haq	8. Mr. Munir Ahmed
4. Mr. Nasim Beg	9. Mr. Muhammad Aslam Gadit
5. Miss Aaliya K. Dossa	

5. To transact any other business with the permission of the chair,

By Order of the Board

SHARIFUL MUZAFFER
Company Secretary

KARACHI: NOVEMBER 26, 1999

1. Any person who seeks to contest an election to the office of director shall, whether he is a retiring director or otherwise, file with the Company at its Registered Office not later than fourteen days before the day of meeting at which elections are to be held, a notice of his intention to offer himself for election as a director along with written consent to act as a director on the prescribed Form - 28.

2. The Share transfer books of the Company will remain closed from 23-12-1999 to 30-12-1999 (both days inclusive)

3. A member entitled to attend and vote may appoint any other member as his/her proxy.

4. The instrument appointing proxy must be. received at the Registered Office of the Company duly stamped and signed not later than 48 hours. before the meeting.

5. Any individual Beneficial Owner of the Central Depository Company, entitled to vote at this Meeting must bring his/her National Identity Card with him/her to prove his/her identity, and in case of proxy must enclose an attested copy of his/her National Identity Card. Representatives of corporate members should bring the usual documents required for such purpose.

6. Members are requested to notify any change in their addresses.

CHAIRMAN'S REVIEW AND DIRECTORS' REPORT TO THE SHAREHOLDERS

1.0 Your directors place before you the 44th Annual Report together with the Annual Accounts and Auditors' Report for the year ended 30th June, 1999.

2.0 CHANGE IN MANAGEMENT AND OPERATIONAL RESULTS

Since the last Report, the following Director has joined the Board of Directors.

1. Mr. Aslam Gadit — Representing HBL

3.0 OPERATING RESULTS

3.1 In presenting the Audited Accounts of the Company for the year ended June 30, 1999, I wish to bring to the notice of the shareholders that your Company has made settlement with all the creditors other than the Consortium namely; Citi Bank, Deutsche Bank and Chase Manhattan at very favourable terms. As far as the National Bank of Pakistan is concerned, a Memorandum of Understanding is about to be signed. This means that the Company will be able to secure a clean CIB Report, opening avenues for normal financing.

3.2 Due to not having a clean CIB Status and heavy liabilities accumulated in the past, the Company's operation has been inhibited during the year under review by its very limited and restricted access to working capital finance. Whatever finances were made available were also on stringent terms e.g, even when other clients of the banking sector did not have to pay any margin for Letters of Credit, we were, asked for margins. These and other onerous conditions made virtually impossible to attain any significant increase in capacity utilisation factor and higher production, which would have led to Economies of Scale.

Inspire of these constraints, the Company has been able to keep its operations going continuously ever since 17th August, 1998 and has been fulfilling the orders of both Public Sector and Private Sector.

The salient improvement in the Balance Sheet can be gauged from one single index of performance. The loss per share which was Rs. 78.28 has now been reduced to Rs. 1.11 which shows that the Company has entered the threshold of viability.

3.3 Now that the settlement with Financial Institutions has been secured, the Company is expected to attain normal profitable operations generating enough cash flow to service the long term restructured debt. Given adequacy of working capital, a higher capacity utilisation factor is possible both from the view point of production (Technological Ability) as well as marketing (Demand Factor).

Your Directors are confident that after the expiry of moratorium period, the Company would have acquired enough strength to stand on its two feet.

4.0 AUDITORS' REPORT

4.1 Regarding Auditors qualifications in Para a, b and c of their report, it may be stated that :o

4.2 Out of three major points of implementation, we have been able to comply with Debt Equity Swap of Rs. 228.00 million.

4.3 We have not been able to issue Right shares of Rs. 100 million because the Company has not been able to secure Under-writing arrangements.

Since the full implementation of the MoU is yet to be completed because of the above, the waiver of Rs. 221.410 million has not been recorded in our books during the year under report.

Your Directors are continuing to strive for seeking Under-writing arrangements at the earliest.

4.4 Provisions suggested in Sub-Clause (c) in the Auditors' Report have not been made as the Management is vigorously pursuing its trade debts. A portion of last year balances outstanding and the current balances would show that some recovery has been made.

4.5 The sale of a portion of a lease hold land has been recorded by the Company in the current year as payment had been received against the sale and was only awaiting the KDA partitioning formalities which were expected to be completed within the current year. (The entire process has since been completed).

5.0 CONCLUSION

5.1 During the year under review, the industrial relations have been good and the Management places on record its appreciation of the hard work and dedication put in by all the Officers and Staff, who have seen us through difficult days.

5.2 Your Company has completed Y2K requirements.

On behalf of the Board

(H.N. AKHTAR)
Chairman, Chief Executive &
Managing Director

Karachi. November 26, 1999

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

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I.I. Chundrigar Road,
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of METROPOLITAN STEEL CORPORATION LIMITED as at June 30, 1999 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that ·

(a) we have not received confirmations from the members of the Consortium in respect of long term loans restructured by them during the current year nor any other evidence in this regard suggested that implementation of the Memorandum of Understanding (MOU) signed on July 21, 1998 between the company and the members of the Consortium has been deferred by one year as stated by the company in note 15 and that as a result thereof, certain requirements of the MOU have not been completed upto the end of the current year.

Had the company completed these requirements by the end of the current year, as envisaged in the above referred MOU, net loss for the year, long term loans due to the members of the Consortium, accumulated losses, trade debts, claims recoverable and leasehold land at the end of the current year would have reduced by Rs. 221.410 million, Rs. 646.411 million, Rs. 221.410 million and Rs. 340.768 million respectively whereas issued and paid up capital of the company and cash at bank at the end of the current year would have increased by Rs. 100.000 million and Rs. 70.000 million respectively.

(b) as explained in note 24, the company has, during the current year, recognized the sale of a portion of leasehold land on the basis of the part payment received from the purchaser although necessary legal formalities in this regard, as discussed in the above referred note, had not been completed upto the end of the current year. Accordingly, pending the completion of these formalities, sale of leasehold land should have been recorded in the accounts of the following year upon the culmination of the transaction, as opposed to recording the same in the current year.

Had the company not recorded the sale of a portion of leasehold land in the accounts of the current year, advance from the buyer of the leasehold land and surplus on revaluation of fixed assets would have increased by Rs. 31.000 million and Rs. 6.361 million respectively whereas net loss for the year, accumulated losses at the end of the year and net book value of leasehold land at the end of the year would have increased by Rs. 49.036 million, Rs. 49.036 million and Rs. 5.976 million respectively.

(c) provision in respect of (i) stock-in-trade amounting to Rs. 2.531 (1998: Rs. 2.531) million (ii) trade debts amounting to Rs. 15.427 (1998: Rs. 28.384) million and (iii) claims recoverable amounting to Rs. 3.832 (1998: Rs. 275.467) million, aggregating to Rs. 21.610 (1998: Rs. 306.382)million, have not been made by the company in these accounts for the reasons disclosed in notes 6.1 and 7.1. This has resulted in the understatement of net loss for the year and accumulated losses at the end of the year.

Had the company recorded these provision in the accounts of the current year, net loss for the year and accumulated losses at the end of the year would have increased by Rs. 21.610 million whereas stock-in-trade, trade debts and claims recoverable would have reduced by Rs. 2.531 million, Rs. 15.427 million and Rs. 3.832 million respectively in the accounts of the current year.

(d) we have not received confirmations in respect of stock-in-trade of Rs. 3.752 million (note 6), trade debts of Rs. 54.235 million (note 7), claims recoverable of Rs. 3.832 million (note 8), advances to suppliers of Rs. 7.433 million (note 9) margin against letters of credit and guarantee of Rs. 39.822 million (note. 10), cash at bank amounting to Rs. 15.815 million (note 11), short term running finance of Rs. 15.383 million (note 17), short term borrowings of Rs. 140.430 million (note 18) and Rs. 6.147 million in respect of Commutation SEC Management Pension Fund, shown under other receivables in note 10.

(e) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(f) in our opinion:

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

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(g) in our opinion, and to the best of our information and according to the explanations given to us, except for the effects on the financial statements of the matters discussed in (a) to (d) above, the balance sheet and the profit and loss account and statement of changes in financial position together with the notes forming part thereof give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1999 and of the loss and the changes in financial position for the year then ended; and

(h) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980; and

(i) without qualifying our opinion, we draw attention to the following matters:

(i) as shown in the accounts, the company incurred a net loss of Rs. 23.777 million during the year, ended June 30, 1999 and, as of that date, its total liabilities exceeded its total assets by Rs. 654.702 million. Accordingly, the ability of the company to continue as a going concern depends upon its success in improving liquidity and achieving other plans as disclosed by the management of the company in note 36 to the accounts.

(ii) consortium loans, shown under long term loans in note 15, certain balances included under short term running finances as disclosed in note 17, short term borrowings as stated in note 18, markup and interest due on the borrowings of the company and other charges, consisting of project examination fee and excise duty on long term loans as shown in note 20 have been restructured by the lenders, pursuant to a Memorandum of Understanding signed with the company, as discussed in detail in note 15 to the accounts.

(iii) as stated in note 8.1, provisions against claims recoverable of Rs. 271.485 million have not been made by the company in the accounts of the current year, pending the outcome of the law suits referred to in the above referred note.

(iv) as disclosed in note 20.2 to the accounts, provision in respect of markup on secured short term running finances amounting to Rs. 112.369 million has not been made by the management of the company in the accounts of the current year, pending the signing of formal agreement with the bank. Therefore, the ultimate outcome of the matter cannot presently be determined and, hence, provision as referred to above has not been made in These accounts.

(v) we draw attention to note 21 concerning contingencies. The ultimate outcome of actions taken by the company cannot presently be determined and no provision for any contingency that may result has been made in the accounts of the current year.

(vi) the company entered into a lease agreement on April 21, 1996 whereby the factory was given on lease. We were informed that the company received and advance of Rs. 58.187 million (note 20.5) towards the above arrangement. However, the agreement did not materialize and, hence, the same was terminated on August 12, 1997 with effect from July 1, 1996.

Ford, Rhodes, Robson, Morrow
Chartered Accountants

Karachi - November 26, 1999

BALANCE SHEET AS AT JUNE 30, 1999

	Note	*1999*	*1998*
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets - Tangible			
Operating assets at cost less accumulated depreciation	3	297,942	306,488
Long-term investment	4	60	60
Long-term deposit		1,738	1,738
CURRENT ASSETS			
Stores, spares and loose tools	5	57,848	59,828
Stock-in-trade	6	142,952	101,301
Trade debts	7	175,246	66,966
Claims recoverable	8	275,317	282,805
Loans and advance	9	16,092	12,996
Deposits, prepayments and other receivable	10	106,365	55,074
Cash and bank balance	11	21,195	25,348
		------------------	------------------
		795,015	604,318
		------------------	------------------
TOTAL ASSETS		1,094,755	912,604
		==========	==========
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised			
50,000,000 (1998: 20,000,000)			
Ordinary shares of Rs. 10 each		500,000	200,000
		==========	==========
Issued, subscribed and paid-up	12	309,776	81,776
Accumulated losses	13	(1,197,298)	(1,173,521)
		------------------	------------------
		(887,522)	(1,091,745)

SURPLUS ON REVALUATION OF FIXED ASSETS	14	232,820	239,282
NON-CURRENT LIABILITIES			
Consortium Loans	15	1,062,300	1,290,300
Long-term liability	16	116,449	49,907
Deferred liability - staff gratuity		5,687	5,100
CURRENT LIABILITIES			
Short term running finances	17	141,766	145,754
Short term borrowings	18	199,461	86,611
Due to an ex-associated undertaking	19	930	930
Creditors, accrued and other liabilities	20	219,854	184,416
Provision for taxation		3,010	2,049
		------------------	------------------
		565,021	419,760
CONTINGENCIES	21		
		------------------	------------------
		1,094,755	912,604
		=========	=========

The annexed notes form an integral part of these accounts.

Chief Executive **Director**

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

	Note	*1999*	*1998*
		(Rupees in thousand)	
NET SALES	22	237,966	44,011
Cost of sales	23	256,122	84,801
		------------------	------------------
GROSS LOSS		(18,156)	(40,790)
Gain on sale of a portion of leasehold land	24	42,675	--
Other operating income	25	41,218	99,305
		------------------	------------------
		83,893	99,305
		------------------	------------------
		65,737	58,515
OPERATING EXPENSES			
Administrative expenses	26	8,249	9,904
Selling expenses	27	8,163	1,782
Provision against doubtful debts		--	76,108
Provision against claims recoverable		--	51,670
		------------------	------------------
		(16,412)	(139,464)

OPERATING PROFIT / (LOSS)		49,325	(80,949)
Financial charges	28	(85,440)	(559,002)
		(36,115)	639,951)
Loan balances written back	29	14,350	--
LOSS BEFORE TAXATION		(21,765)	(639,951)
TAXATION			
Current	30	(1,190)	(220)
Prior		(822)	--
		(2,012)	(220)
NET LOSS FOR THE YEAR		(23,777)	(640,171)
ACCUMULATED LOSSES BROUGHT FORWARD		(1,254,021)	(613,850)
ACCUMULATED LOSSES CARRIED FORWARD		(1,277,798)	(1,254,021)
LOSS PER SHARE (RUPEES)	31	(1.11)	(78.28)

The annexed notes form an integral part of these accounts.

Chief Executive **Director**

STATEMENT OF CHANGE IN FINANCIAL POSITION (CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 1999

	Note	***1999***	***1998***
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(21,765)	(639,951)
Adjustment for:			
Depreciation		19,937	21,238
Gain on disposal of fixed assets including a portion of leasehold land		(42,846)	--
Realisation of surplus revaluation		(6,462)	--
Gratuity		878	657
Principal and Interest written back		(34,638)	--
Financial charges		85,440	559,002
Working capital changes	32	(147,724)	62,197

	(147,180)	3,143
Gratuity paid	(293)	(155)
Financial charges paid	(7,048)	(7,465)
Taxes paid	(2,561)	(1,172)
NET CASH FROM OPERATING ACTIVITIES (A)	(157,082)	(5,649)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(1,476)	--
Long term deposits	--	29
Proceeds from sale of fixed assets	31,193	--
NET CASH FROM INVESTING ACTIVITIES (B)	29,717	29
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term running finances	4,105	(346)
Short term borrowings	119,107	30,218
NET CASH FROM FINANCING ACTIVITIES (C)	123,212	29,872
NET (DECREASE)/INCREASE IN CASH AND BANK BALANCE (A+B+C)	(4.153)	24,252
CASH AND BANK BALANCE AT THE BEGINNING OF THE YEAR	25,348	1,096
CASH AND BANK BALANCE AT THE END OF THE YEAR	21,195	25,348

Chief Executive **Director**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1999

1. THE COMPANY AND ITS OPERATION

Metropolitan Steel Corporation was incorporated on August 24, 1955 as a public limited company. It is quoted on the Karachi and Lahore stock exchanges in Pakistan. The company is a manufacturer of steel products such as torsteel, ribbed bars, wire rods, baling hoops, mild steel and special wires, transmission towers and cold profiles.

The company was privatised in May, 1992 through the Privatisation Commission.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention
These accounts have been prepared under the historical cost convention modified by revaluation of fixed assets of the company.

2.2 Retirement benefits

Gratuity
The company operates an unfunded gratuity scheme for all employees of the company. Provision is made annually to cover obligations under the scheme.

Provident fund
The company also operates an approved provident fund scheme for all employees of the company and contributions are made in accordance with the terms of the scheme.

2.3 Taxation
The charge for current taxation in the accounts is based on taxable income or one-half percent of turnover u/s 80 D of the Income Tax Ordinance, 1979 whichever is higher. The company accounts for deferred taxation on all significant timing differences using the liability method. The company, however, does not account for deferred tax debits.

2.4 Fixed assets
These are state at cost or value assigned thereto less accumulated depreciation. Leasehold land is amortized over the period of the lease. Depreciation is charged to income applying the reducing balance method and the rates used are stated in note 3 to the accounts. In respect of additions during the year, depreciation is charged for full year, however, no depreciation is charged in the year of disposal.

Maintenance and normal repairs are charged to income as and when incurred.

Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposal of assets are taken to profit and loss account.

2.5 Stores and spares
These are valued at cost, determined principally on weighted average cost method except for those in transit which are valued at actual cost, and steel rolls, the cost of which is amortized over its estimated useful life using the reducing balance method.

2.6 Stock-in-trade
These are valued at the lower of cost, determined on weighted average cost method and net realisable value, except for those in transit which are valued at cost.

Scrap and sub-standard materials are valued at their estimated realisable value.

2.7 Trade debts
Debts considered irrecoverable are written off and provision is made for balances considered doubtful.

2.8 Foreign currency translation
Transactions in foreign currencies are translated at the exchange rates prevailing on the date of transaction. Assets and liabilities in foreign currencies are translated into rupees at the exchange rates approximating those prevailing at the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities in which case the rates contracted for are used. Exchange gains and losses are taken to income currently.

2.9 Investments
These are valued at cost. Provision for diminution in value is made if considered permanent.

2.10 Revenue recognition
Sale of products and income from rerolling, redrawing and galvanising services are recorded on despatch of goods to customers.

Price escalation claims are accounted for only in cases where management is confident as to the recoverability of such claims and have received amendment letters from customers acknowledging the finally determined claims.

Return on bank deposits are accounted for on accrual basis.

3. TANGIBLE FIXED ASSETS

		COST/REVALUATION					***DEPRECIATION***		***Written down value***
	As at July 1, 1998 (Rs. '000)	***Additions (Disposals) (Rs. '000)***	***As at June 30, 1999 (Rs. '000)***	***Rate %***	***As at July 1, 1998 (Rs. '000)***	***For the year (Rs. '000)***	***(Disposals) (Rs. '000)***	***As at June 30, 1999 (Rs. '000)***	***as on June 30, 1999 (Rs. '000)***
Leasehold land	44,302	21,494	53,694	1	3,552	537	(545)	3,544	50,150
(Notes 3.1 and 24)		(12,102)							
Leasehold improvements	60	--	60	10	34	3	--	37	23
Building on leasehold land	95,843	--	95,843	5 to 10	44,680	3,724	--	48,404	47,439
Plant and machinery	383,119	--	383,119	5 to 10	172,011	14,937	--	186,948	196,171
Equipment	1,399	71	1,470	10	1,000	70	--	1,070	400
Furnitures, fixtures and fittings	2,469	130	2,599	15	1,507	164	--	1,671	928
Crane gantries	3,311	--	3,311	10	1,885	143	--	2,028	1,283
Railway siding	507	--	507	10	289	22	--	311	196
Tools and implements	243	--	243	15	144	15	--	159	84
Motor cars and vehicles	1,917	1,107	2,874	20 and 25	1,644	276	(128)	1,792	1,082
		(150)							
Computers	241	168	409	20	177	46	--	223	186

	533,411	22,970	544,129	226,923	19,937	--	246,187	297,942
		(12,252)				(673)		
1998	533,411	--	533,411	205,685	21,238	--	226,923	306,488

3.1 The addition to leasehold land represents cost incurred during the year in respect of the sub-division of leasehold land, including the portion disposed off during the year.

3.2 The above represents value of fixed assets subsequent to revaluation carried out on February 1, 1991 which resulted in a surplus of Rs. 240.037 million (note 14). However, a sum of Rs. 7.217 million has been realised out of the surplus on revaluation on account of disposals of fixed assets, including Rs. 6.361 million realised during the year on disposal of leasehold land.

The additional depreciation arising due to revaluation of assets amounts to Rs. 9.807 (1998: Rs. 10.938) million.

3.3 The depreciation charge for the year is allocated as follows:

	Note	***1999***	***1998***
		(Rupees in thousand)	
Cost of goods sold	23	19,638	21,138
Administrative expenses	26	180	65
Selling expenses	27	119	35
		19,937	21,238

(Rupees in '000)

3.4 The following fixed assets were disposed off during the year:

Description	***Cost***	***Accumulated depreciation***	***Net book Value***	***Sale proceeds***	***Mode of disposal***	***Particulars of buyers***
Vehicle	75	62	13	66	Tender	Mr. Sohail Ahmed Karachi.
Vehicle	75	66	9	127	Tender	Mr. Fazal Qadir Karachi.
Leasehold land	12,102	545	11,557	54,232	Negotiation	International Industrial Limited Karachi.
	12,252	673	11,579	54,425		

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4. LONG TERM INVESTMENT (unquoted) - at cost

	Note	1999	1998
		(Rupees in thousand)	
9,657 Ordinary shares of Rs. 10 each of United Bank Limited		60	60
		==========	==========

Share certificates of the bank have not been received todate as the original shares in the former Commerce Bank Limited have been pledge by a former associated company with their bankers as security against loan.

5. STORES, SPARES AND LOOSE TOOLS

Stores		8,405	8,550
Spares		49,136	50,970
Loose tools		307	308
		------------------	------------------
		57,848	59,828
		==========	==========

6. STOCK-IN-TRADE

Raw material			
In-hand	6.1	33,155	26,968
In-transit		7,908	--
		------------------	------------------
		41,063	26,968
Work-in-process		13,833	15,201
Finished goods		88,056	59,132
		------------------	------------------
		142,952	101,301
		==========	==========

6.1 Raw material in hand include a sum of Rs. 2.531 (1998: Rs. 2.531) million representing cost of raw materials which has been with certain third parties for a period exceeding three years. The management of the company is confident about their recovery and, hence, pending the outcome of the efforts currently being made, no provision has been there against.

7. TRADE DEBTS - unsecured

Considered good		175,246	66,966
Considered doubtful		81,309	81,309
		------------------	------------------
	7.1	256,555	148,275

Less: Provision for doubtful debts	81,309	81,309
	------------------	------------------
	175,246	66,966
	==========	==========

7.1 This include balances amounting to Rs. 96.736 (1998: Rs. 100.810) million which are over three years old against which a provision of Rs. 81.309 (1998: Rs. 72.426) million has been made by the company. The company is confident that its efforts will result in the recovery of the above referred old outstanding balances and, hence, pending negotiations and resolution of the matter, provision has not been made in these accounts against the remaining balances amounting to Rs. 15.427 (1998: Rs. 28.384) million.

8. CLAIMS RECOVERABLE

	Note	*1999*	*1998*
		(Rupees in thousand)	
Considered good			
Claims in respect of rebates from a supplier		41,606	48,156
Less: Provision against claims considered doubtful		41,606	41,606
		------------------	------------------
		--	6,550
Refundable duties and taxes		7,981	7,981
Less: Provision against refunds considered doubtful		4,000	4,149
		------------------	------------------
		3,832	3,981
Excise duty and sales-tax	8.1	271,485	271,485
Claims against stock from Customs authorities		5,914	6,852
Less: Provision. against claims considered doubtful		5,914	6,063
		------------------	------------------
		--	789
		------------------	------------------
		275,317	282,805
		==========	==========

8.1 This represents amount recoverable in respect of excise duty amounting to Rs. 81.184 million and sales tax of Rs. 100.6'35 million paid by the company on billets supplied by Pakistan Steel during the period commencing 1989-90 to 1991-92 pursuant to SRO 734 (1)/89 which was challenged by the company in the High Court of Sindh in two separate law suits filed during 1992. In a judgement passed by the High Court of Sindh, the law suit in respect of sales tax of Rs. 100.635 million was decided against the Federal Government whereas decision in respect of the other law suit involving Rs. 81.184.million has not been rendered todate.

As a result of an execution application filed by the company with the High Court of Sindh for the execution of. decree passed in the law suit for the recovery of Rs. 100.635 million, the Nazir of the

High Court recovered the said amount together with interest of Rs. 89.666 million as per the execution order of the High Court of Sindh. Accordingly, a sum of Rs. 190.301 million, comprising of Rs. 100.635 million. the decreed amount, and Rs. 89.666 million representing interest thereon is currently held by the Nazir of the High Court of Sindh. The Federal Government has, however, succeeded in obtaining a stay order from the court in respect of which hearings are currently being held. Hence, pending the ultimate outcome of these cases, no provision has been made there against in these accounts.

9. LOANS AND ADVANCES - considered good

Loans			
Executives	9.1	82	93
Advances			
Employees		144	79
Executives	9.2	604	373
Suppliers		10,051	8,153
Less: Provision against advances			
considered doubtful		2,618	2,618
		------------------	------------------
		7,433	5,535
An associated undertaking	9.3	778	778
Advance income-tax		6,295	4,785
Others		756	1,353
		------------------	------------------
		16,092	12,996
		==========	==========

9.1 Loans to executives have been given in accordance with the terms of-employment for the purchase of scooters. These loans are interest free.

9.2 The maximum aggregate amount due from the executives of the company at the end of any month during the year was Rs. 0.604 (1998: Rs. 1.131) million.

9.3 The maximum aggregate amount due from an associated undertaking at the end of any month was Rs. 0.778 (1998: Rs. 0.778) million.

10. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	*1999*	*1998*
		(Rupees in thousand)	
Deposits			
Margin against letters of credit and guarantee		63,138	42,516
Earnest money		4,049	3,890
Other security deposits		602	392
Prepayments			
Excise Duty		168	150

Others		99	9
Other receivables - considered good			
Due from an ex-associated undertaking		228	228
Less: Provision there against		228	228
		-----------------	-----------------
		--	--
Sales-tax refundable		7,247	--
Commutation SEC Management Pension Fund		6,147	6,147
Insurance		25	--
Balance of proceed of sale of a portion of leasehold land	24	23,232	--
Miscellaneous		1,658	1,970
		------------------	------------------
		106,365	55,074
		==========	==========

11. CASH AND BANK BALANCES

In hand		
Cash and Cheques	307	156
At banks in		
current accounts	327	165
deposit accounts	20,561	25,127
	------------------	------------------
	20,888	25,192
	------------------	------------------
	21,195	25,348
	==========	==========

12. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 10/- each

1998	***1999***		***Note***	***1999***	***1998***
No. of Shares				***(Rupees in thousand)***	
6,134,773	6,134,773	shares fully paid in cash		61,348	61,348
240,700	23,040,700	shares issued as fully paid for consideration other than cash	12.1	230,407	2,407
1,802,081	1,802,081	shares issued as fully paid bonus shares		18,021	18,021
------------------	------------------			------------------	------------------
8,177,554	30,977,554			309,776	81,776
==========	==========			==========	==========

12.1 During the year, the company signed a Memorandum of Understanding (MOU) dated July 21, 1998 with the members of a Consortium, which had provided various loans and financial facilities to the company in the past, in respect of the restructuring of the same. The said MOU, in addition to providing waivers, etc. as discussed in detail in note 15, also required conversion of the company's indebtedness to the Consortium into equity as a result of which the company during the year issued 22,800,000 Ordinary shares of Rs 10 each, amounting to Rs 228,000,000 to the members of the above referred Consortium. Accordingly, the issue of additional shares during the year resulted in an increase of Rs. 228,000,000 in the issued capital of the company, with the corresponding reduction in the consortium loans by the same amount.

13. ACCUMULATED LOSSES

General reserve	80,500	80,500
Accumulated losses at the end of the year	(1,277,798)	(1,254,021)
	------------------	------------------
	(1,197,298)	1,173,521)
	==========	==========

14. SURPLUS ON REVALUATION OF FIXED ASSETS	232,820	239,282
	==========	==========

Fixed assets of the company were revalued by Zahid Zaheer & Associates on February 1, 1991 on the basis of their book values as at June 30, 1990, resulting in net increase over book values of Rs. 240.037 million. Subsequent to the above referred revaluation, Rs. 7.217 million has been realised upon the disposal of certain fixed assets, including a portion of leasehold land disposed off during the current year, as discussed in detail in note 24.

15. CONSORTIUM LOANS

Secured		
National Development Finance Corporation (NDFC)	676,600	816,600
United Bank Limited (UBL)	128,300	147,300
Habib Bank Limited (HBL)	257,400	3261400
	------------------	------------------
	1,062,300	1,290,300
	==========	==========

During the year, the company signed a Memorandum of Understanding (MOU) with the members of a Consortium, comprising of the NDFC, UBL and HBL in respect of outstanding balances due thereto as at September 30, 1997 whereby total overdue long term loans of Rs. 116.063 million, short term borrowings of Rs. 297.656 million, accrued markup and interest of Rs. 253.753 million on long term loans, short term running finance and short term borrowings, short term running finance of Rs 99.250 million, excise duty of Rs. 19.006 million on long term loans and other charges of Rs. 0.822 million, aggregating to Rs. 786.530 million, due at the above referred date have been restructured at Rs. 1,290.300 million. Although the MOU in this regard was signed on July 21, 1998, that is, during the current year, the company had recorded its effects amounting to Rs. 503.770 million in the accounts for the year ended June 30, 1998 as a charge against income.

Necessary details in respect of the above referred restructuring are as follows:

Lender	*Balance outstanding prior to restructuring*	*Effects of restructuring charged against income during 1998*	*Balance at the beginning of the current year* *(Rupees in thousand)*	*Conversion into equity during the current year*	*Restructured amount due at the end of the current year*
NDFC	533,666	282,934	816,600	140,000	676,600
UBL	76,459	70,841	147,300	19,000	128,300
H B L	176,405	149,995	326,400	69,000	257,400
	------------------	------------------	------------------	------------------	------------------
	786,530	503,770	1,290,300	228,000	1,062,300
	=========	=========	=========	=========	=========

The MOU signed between the company and the above referred Consortium stipulates the following:

(a) The company will arrange a further cash equity of Rs. 100.0 million to be raised through the issue of right shares in the manner prescribed in the MOU. Out of the total equity injection of Rs. 100.0 million, Rs. 30.0 million will be considered as down payment and will be utilized for debt retirement in the ratio shown in the table below.

(b) The lenders namely NDFC, UBL and HBL have agreed that subject to the successful implementation of the package and debt servicing on time in future. an amount of Rs. 221.40 million will be frozen and waived periodically in direct proportion to debt servicing by the company. The amount of waiver allocated to each lender is also shown in the table below.

c) Out of the amount payable by the company to lenders, an amount to the extent of Rs. 228,0 million which was to be converted into equity, has already been converted into equity, during the current year, according to the terms of the MOU as shown in the table above.

d) Furthermore, the lenders have agreed that out of the total amount owed and payable by the company, an amount of Rs. 395.0 million will be adjusted by way of collection of receivables/ claims and sale of excess land. According to the terms of the agreement, no mark-up has been charged on the said Rs. 395.0 million till June 30, 1998. The shares of each lender in the said Rs. 395.0 million on prorata sharing basis is shown in the table below.

After the implementation of the above, the restructured balance of Rs. 1,062.300 million at the end of the current year will be further reduced by Rs. 646.41 million to Rs. 415.89 million as follows:

Outstanding balance at the end of the current year	*Down*		*Assignment of receivable and sale of*	*Balance of serviceable*

	as above	payment	Waivers	excess land	loan
			(Rupees in thousand)		
NDFC	676,600	18,990	142,530	250,000	265,080
UBL	128,300	3,420	18,220	45,110	61,550
HBL	257,400	7,590	60,660	99,890	89,260
	------------------	------------------	------------------	------------------	------------------
	1,062,300	30,000	221,410	395,000	415,890
	==========	==========	==========	==========	==========

The outstanding balance of Rs. 415.890 million as shown above will be repaid in 20 bi-annual install-ments. A grace period of 2 years (from December 30, 1997 to December 30, 1999) had been allowed for repayment of this amount i.e. the first installment will fall due on December 31, 1999.

The above loan (s) are secured against registered mortgage of immoveable properties, a floating charge on the company's assets, hypothecation of book debts, .plant, equipment, motor vehicles and moveable properties of the company, promissory note. The mortgage floating charge and hypothecation shall rank pari passu in all respects with the charges already created.

Although the effects of the restructuring of outstanding balances due to the members of the Consor-tium have been recorded by the company to the extent of (a) charging Rs. 503.770 million against income in the accounts for the year ended June 30, 1998 and (b) issuing shares thereto amounting to Rs. 228.000 million during the year, the implementation of the MOU with regard to the injection of cash equity of Rs. 100 million, utilisation of a portion thereof to the extent of Rs. 30 million to adjust consortium loans, waivers of Rs. 221 million, collection of receivables / claims and sale of excess land estimated at Rs. 395 million and accrual of markup on Rs. 395 million for the period subsequent to June 30, 1998 have been deferred by one year. Accordingly, their effects have not been incorporated by the company in the accounts of the current year. For the same reason, current maturity of the outstanding balance of serviceable loan of Rs. 415.890 million has not been shown in these accounts.

Refer note 12 in respect of conversion of Consortium loans amounting to Rs. 228,000,000 into equity during the current year.

	Note	1999	1998
		(Rupees in thousand)	
16. LONG TERM LIABILITY		116,449	49,907
		==========	==========

This represents markup accrued on the outstanding balance of serviceable loan, as shown under Consortium loans, for the period October 1, 1997 to the end of the current year and is due for pay-ment after the repayment of twenty bi-annual installments, as referred to in note 15, commencing from December 31, 1999.

17. SHORT TERM RUNNING FINANCES

Secured

Under mark-up arrangement		
From banks	141,766	145,754
	==========	==========

As a result of the MOU signed during the year between the company and the Consortium, a sum of' Rs. 99.250 million has been restructured as a part of long term loans (note 15). The effect of the restructuring was recorded by the company in the accounts for the year ended June 30, 1998.

Accordingly, the outstanding balance at the beginning of the current year included balances of Rs. 127,661 million due to the National Bank of Pakistan (NBP) and Rs. 18.093 million due to the Citibank. Out of these, the company was able to successfully negotiate a settlement with the Citibank whereby Rs. 10.0 million was agreed therewith to be the total amount due in respect of short term running finance. As a result, Rs. 8.093 million has been written back during the year, together with markup previously accrued thereon of Rs 4.336 million (note 25). As for the outstanding balance due to the NBP of Rs. 127.661 million at the beginning of the year, the company has made payments there against amounting to Rs. 15.100 million with the balance of Rs 112.561 million still due thereto at the end of the current year. Negotiations with the NBP although resulted in a tentative settlement during the current year, whereby. Rs. 117.840 million was determined to be the balance due to the bank in respect of short term running finances and a payment of Rs. 5 million, included in Rs. 15.100 million, as referred to above, was paid thereto, a formal agreement in this regard has not been signed todate and, hence, for that reason, markup thereon has not been accrued by the company.

In addition to the above, the company during the year arranged two new facilities from banks amounting to Rs. 30 million, with the rates of markup ranging between Rs. 0.48 to Rs. 0.50 per thousand rupees per day, payable quarterly, whereas the rate of markup on the existing NBP facilities is Rs. 0.49 per thousand rupees per day, payable quarterly.

The short term running finances are secured against pledge/hypothecation of stocks in trade and hypothecation of stores, trade debts and other receivables and by way of equitable mortgage on fixed assets of the company.

18. SHORT TERM BORROWINGS

	Note	***1999***	***1998***
		(Rupees in thousand)	
Unsecured			
From banks	18.1	17,500	32,941
Secured			
From a financial institution	18.2	40,000	40,000
	18.3	141,961	13,670
		------------------	------------------
		199,461	86,611
		==========	==========

18.1 As a result of the MOU signed between the company and the Consortium, as discussed in note 15, a sum of Rs. 120.656 million has been restructured during the year as a part of long term loans (note 15), the effect of which was also recorded by the company in the accounts for the year ending June 30, 1998.

Accordingly, the balance outstanding at the beginning of the current year represents overdue amounts payable to other banks on account of loans obtained from them. However, during the year, the company has reached the following arrangements therewith :

(a) Against Rs. 23.257 million due to the Deutsche Bank, the bank had agreed on a total payment of Rs. 17.0-million in two equal installments of Rs. 8.5 million each, payable on March 31, 1999 and June 30, 1999. However, the installment due on June 30, 1999 has now been extended to November 30, 1999 by the Deutsche Bank at the request of the company.

As a result of the above, the company during the year has written back RS. 6.257 million due previously to the Deutsche Bank together with markup thereon of Rs. 10.299 million (note 25).

(b) Against Rs. 8.495 million due to the Chase Manhattan Bank, the bank had agreed on a total amount of Rs. 9.0 million in two installments of Rs. 2.0 million, payable on March 31, 1999 and Rs. 7.0 million, originally payable on June 30, 1999, however, at the request of the company, the installments as referred to above have been extended by the bank to December 31, 1999.

As a result of the above, the company has recorded the increase in the outstanding balance of borrowings from the bank by Rs. 0.505 million as a charge against income whereas accrued interest thereon amounting to Rs. 5.723 million has been written back during the Year (notes 28 and 25 respectively).

The rates of interest on the above loans range between 16% to 20% per annum.

18.2 During the year ended June 30, 1998, the company obtained a short term loan of Rs. 40.0 million from a financial institution to finance its working capital requirements. The loan was due for repayment on June 22, 1999.

The loan is secured against pledge on stock-in-trade amounting to Rs. 60.0 million and a charge on book debts of the company.

Markup on the loan is 21.90% per annum, payable quarterly.

18.3 During the year, the company arranged the following facilities:

Nature of facility	***Tenor Days***	***Bank***	***Facility***	***Outstanding balance***	***Rate of Mark-up***
			(Rupees in thousand)		
Export re-finance	180	UBL	112,000	112,000	8% per annum

					so long as SBP refinance is available. Other-wise 22% per annum.
Finance against imported merchandise	60	HBL	7,500	6,985	Rs. 0.55 per thousand per day
Local letter of credit facility	90	UBL	25,000	10,930	24% per annum.
			------------------	------------------	
			144,500	129,915	
			==========	==========	

The above facilities are secured against pledge of stock-in-trade.

Also included in short term borrowings from banks is a sum of Rs. 12.046 million obtained by the company from Prime Commercial Bank against rupee deposits of a relative of a former director.

	Note	*1999*	*1998*
		(Rupees in thousand)	
19. DUE TO AN EX-ASSOCIATED UNDERTAKING		930	930
		==========	==========

This represents amount outstanding against money received from an ex-associated undertaking to enable the company to make payments to its workers on their leaving the company under the Golden Handshake Scheme.

	Note	*1999*	*1998*
		(Rupees in thousand)	
20. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		18,278	7,499
Accrued liabilities			
Accrued expenses		31,471	12,757
Mark-up accrued on secured			
Short term running finances	20.1 & 20.2	31,822	35,328
Short term borrowings	20.3	10,685	192
Interest accrued on unsecured			
Short term borrowings	20.4	2,437	17,864
		------------------	------------------
		76,415	66,141
Other liabilities			
Advances from lessee	20.5	58,187	58,187

Service charges payable to a former associated undertaking		--	2,000
Retention money		235	34
Deposits		797	793
Advances from customers		35,550	41,959
Employees provident fund		4,655	3,617
Tax deducted at source		2,100	1,407
Due to the Karachi Development Authority	20.6	21,494	--
Unclaimed dividends		1,295	1,295
Sales-tax		--	671
Others	20.7	848	813
		125,161	110,776
		219,854	184,416

20.1 A sum of Rs. 3.765 million has been restructured during the year as a part of long term loans as discussed in note 15. The effect of this was also recorded in the accounts for the year ended June 30, 1998.

20.2 Mark-up amounting to Rs 112.369 (1998: Rs. 104.139) million in respect of the current year on short term running finance due to the NBP have not been accrued in the accounts, pending the signing of a formal agreement therewith as discussed in note 17.

20.3 The balance outstanding at the end of the year represents markup accrued on (a) short term borrowing of Rs. 40.0 million arranged by the company during the year-ended June 30, 1998 as shown in note 18.2 and (b) on new facilities arranged by the company as shown in note 18.3. A sum of Rs. 132.944 million has been restructured during the year although effect of the same was incorporated in the accounts for the year ended June 30, 1998.

20.4 A sum of Rs. 29.193 million has been restructured during the year as a part of long term loans as discussed in detail in note 15, the effects of which were recorded by the company in the accounts for the year ended June 30, 1998.

20.5 This amount was received by the company pursuant to a lease agreement entered into on April 21, 1996. However, the agreement did not materialize and, hence, the same was terminated on August 12, 1997 with effect from July 1, 1996.

20.6 This represents amount payable to the Karachi Development Authority on a account of sub-division of the leasehold land, including the portion disposed off during the year, as stated in note 24.

20.7 A sum of Rs. 0.822 million, representing project examination fee due to the NDFC, has also been restructured during the current year as a part of long term loans as discussed in note 15. The effects of this was also recorded in the accounts for the year ended June 30, 1998.

In addition to the effects of restructuring discussed above, a sum of Rs. 56.312 million representing markup on secured long term loans has been restructured during the year although the effect of the same was recorded in the accounts for the year ended June 30, 1998. Similarly, a sum of Rs. 33.955 million representing interest accrued on secured long term loan was also restructured during the year together with excise duty on long term borrowings amounting to Rs. 19.006 million the effects of which were recorded during the year ended June 30, 1998.

21. CONTINGENCIES

(a) The company has filed various appeals in respect of demands made by the Central Excise and Sales Tax Department amounting to Rs. 33.269 (1998: Rs. 33.269) million with regards to sales tax and central excise duty for the period commencing 1990 to 1997. These appeals are currently being heard by the relevant authority and, hence, pending a final decision in this regard, no provision has been made there against in these accounts.

(b) Outstanding letters of guarantee as at June 30, 1998 amounts to Rs. 67.341 (1998: Rs. 17.143) million.

(c) Claims not acknowledged as debts amount to Rs. 131.078 (1998: Rs. 131.078) million at the end of the current year. The company rejects these claims categorically as it considers the same to be untenable.

(d) The company received a demand note of Rs. 6.480 (1998: Rs. 6.480) million from the Employees Old Age Benefit Institution, claiming contributions for contract labour and executives which were not covered under the scheme. The company is currently contesting the same and, hence, pending the outcome of the matter, no provision has been made there against in these accounts.

(e) Claims of Rs. 1.8 (1998: Rs. 1.8) million together with interest have been filed against the company and a former associated undertaking for the recovery of a bank loan advanced to that undertaking. The company does not accept this claim.

(f) The company has not accrued for conservancy charges bills amounting to Rs. 4.466 (1998: Rs. 4.436) million as it considers these to be untenable.

(g) Liquidated damages on account of delay in the supply of transmission towers to WAPDA amounted to Rs. 20.801 million at the end of the current year.

	Note	*1999*	*1998*
		(Rupees in thousand)	
22. NET SALES			
Gross sales			
Export		143,338	--
Local [including substandard materials of Rs. 16.399 (1998: Rs. 3.459) million]		128,286	50,014
Income from rerolling, redrawing and galvanising services		4,361	986
		------------------	------------------
		275,985	51,000

			1999	1998
Less:	Commission, brokerage and discounts		7	420
	Freight and other forwarding expenses		6,922	608
	Sales tax	22.1	29,417	5,394
	Excise duty		1,673	567
			------------------	------------------
			38,019	6,989
			------------------	------------------
			237,966	44,011
			=========	=========

22.1 This includes a sum of Rs. 11.904 million paid by the company on account of sales tax pertaining to the period commencing 1996 to 1998.

	1999	***1998***
	(Rupees in thousand)	
23. COST OF SALES		
Raw materials consumed		
Opening stock	26,968	40,079
Purchases	177,635	16,159
	------------------	------------------
	204,603	56,238
Closing stock	(41,063)	(26,968)
	------------------	------------------
	163,540	29,270
Nuts and bolts consumed for transmission towers	10,807	1,286
Manufacturing expenses		
Salaries, wages and other benefits (including Staff retirement benefits of Rs. 0.984 (1998: Rs. 0.846) million	20,368	10,563
Contract charges for processing and other services - in factory	13,780	784
Rent, rates and taxes	362	415
Fuel and power	29,167	14,867
Stores and spare written off	--	3,678
Stores and spare consumed	2,341	650
Repairs and maintenance	5,865	2,615
Insurance	185	126
Depreciation	19,638	21,138
Travelling, conveyance and vehicle running expenses	945	244
Entertainment	67	49
Postage, telegrams and telephone	189	43
Printing and stationery	117	22
Legal and professional charges	239	52
Melting and rolling of scrap and processing charges		

on outside manufacturing	9,188	--
Packing Material	116	64
Miscellaneous	1,271	410
	------------------	------------------
	103,838	55,720
	------------------	------------------
Opening work-in-process	15,201	13,157
Closing work-in-process	(13,834)	(15,201)
	------------------	------------------
	1,367	(2,044)
	------------------	------------------
Cost of goods manufactured	105,205	53,676
	------------------	------------------
Opening stock of finished goods	59,132	52,255
Purchases of finished goods	5,494	7,446
Closing stock of finished goods	(88,056)	(59,132)
	------------------	------------------
	(23,430)	569
	------------------	------------------
	256,122	84,801
	==========	==========

	Note	*1999*	*1998*
		(Rupees in thousand)	
24. GAIN ON SALE OF A PORTION OF LEASEHOLD LAND		42,675	--
		==========	==========

In accordance with the requirements of the Memorandum of Understanding dated July 21, 1998 signed by the company with the members of the Consortium, as discussed in detail in note 15, with regard to the sale of excess land, the company during the year entered into an agreement with a company to sell a portion of leasehold land, revalued during 1991 at Rs. 6.804 million with a net book value of Rs 11.557 million, for Rs. 54.232 million. Against the sale price of Rs. 54.232 million, the company received a sum of Rs 31.00 million as part payment upto the end of the current year with the balance outstanding from the purchaser of Rs. 23.232 million at the end of the year .(note 10). Although the possession of the land was transferred to the buyer subsequent to the end of the current year and related sale and conveyance deeds were executed at that time, the company opted to recognise the sale in question during the current year, instead of recording the same in the following year upon the transfer of possession, ownership and execution of the sale and conveyance deeds. Hence, the gain resulting from the sale of land has been recorded by the company in the accounts of the current year.

25. OTHER OPERATING INCOME

Return on deposits	4,295	-4,414
Gain on disposal of fixed assets	171	--
Surplus on revaluation of fixed assets realised on sale of fixed assets, including Rs. 6.361 million		

in respect of a portion of leasehold land		6,462	--
Interest income on excise duty and sales tax	8.1	--	89,667
Accrued interest on loans written back	17, 18.1 (1) & (b)	20,288	--
Exchange Gain		7,872	--
Service charges payable to a former associated company and other liabilities written back		2,000	5,204
Miscellaneous		130	20
		------------------	------------------
		41,218	99,305
		==========	==========

26. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits including Staff retirement benefits of Rs. 0.311 (1998: Rs. 0.177) million		4,288	2,343
Insurance		271	48
Repairs and maintenance		23	15
Depreciation		180	65
Travelling, conveyance and vehicle running expenses		470	384
Entertainment		15	17
Donations	26.1	10	--
Postage, telegram and telephone		260	135
Printing and stationery		283	63
Advertising, sales promotion and sampling		32	--
Subscriptions		66	87
Legal and professional charges		1,531	369
Bad debts written off		--	3,005
Provision against advances to supplier		--	2,618
Provision against amount due from ex-associated undertaking		--	228
Auditors' remuneration	26.2	132	131
Miscellaneous		688	396
		------------------	------------------
		8,249	9,904
		==========	==========

26.1 No directors or their spouses have any interest in any donee fund to which donations were made.

	Note	*1999*	*1998*
		(Rupees in thousand)	
26.2 Auditor's remuneration			
Audit fee		125	125
Out-of-pocket expenses		7	6
		------------------	------------------
		132	131

		==========	==========

27. SELLING EXPENSES

Salaries, wages and other benefits (including staff retire-ment benefit of Rs 0.148 (1998: Rs. 0.088) million		1,494	846
Insurance		104	4
Depreciation		119	35
Travelling, conveyance and vehicle running expenses		839	471
Legal & Professional		130	--
Advertising expenses		13	4
Entertainment		55	20
Postage, telegram and telephone		155	112
Printing and stationery		83	24
Subscriptions		6	18
Liquidated damages on delay in supply of goods		2,909	--
Miscellaneous		2,256	248
		------------------	------------------
		8,163	1,782
		==========	==========

28. FINANCIAL CHARGES

Mark-up and interest on consortium loans, short term running finance and other charges	28.1	--	503,770
Mark-up on -			
Consortium loans	15 & 16	66,542	49,907
Short term borrowing	18.1 (b)	11,612	192
Short term running finance		1,358	--
Interest on -			
Short term borrowing		2,748	3,967
Bank charges, central excise duty and commission		3,180	1,166
		------------------	------------------
		85,440	559,002
		==========	==========

28.1 In view of the restructuring carried out by the lenders, pursuant to a Memorandum of under-standing dated July 21, 1998 signed between the company and the Consortium (note 15), the company recorded markup and interest on consortium loans, short term running finance and other charges during the year ended June 30, 1998 as the same had not been accrued in the prior periods.

28.2 Refer note 20.2 in respect of mark-up on short term running finances.

	Note	1999	1998
		(Rupees in thousand)	

29. LOAN BALANCES WRITTEN BACK

This consists of the following:			
Short term running finance	17	8,093	--
Short term borrowings	18.1(a)	6,257	--
		------------------	------------------
		14,350	--
		==========	==========

30. TAXATION

The assessments of the company have been finalised upto and including assessment year 1996-97. In respect of assessment year 1994-95 to 1996-97, the company has filed appeals against certain addbacks / disallowances made by the income-tax department, which are currently pending therewith.

Deferred taxation arising due to timing differences computed under liability method is estimated at Rs. 12.858 debit (1998: Rs. 9.956) million. Keeping in view the concept of prudence, the company does note account for deferred tax debit balance.

31. LOSS PER SHARE

Net loss for the year	(23,777)	(640,171)
	==========	==========
Weighted average of shares in issue during the year	(21,477,553)	(8,177,554)
	==========	==========
Loss per share	(1.11)	(78.28)
	==========	==========

32. WORKING CAPITAL CHANGES

(Increase) / Decrease in current assets		
Stores and spares	1,980	(620)
Stock-in-trade	(41,651)	4,190
Trade debts	(108,280)	113,687
Claims recoverable	7,488	(37,997)
Loans and advance	(1,586)	10,753
Deposits, prepayments and other receivable	(28,059)	6,388
	(170,108)	96,401
(Decrease) / Increase in current liabilities		
Creditors, accrued and other liabilities	22,384	(34,204)
	------------------	------------------
	(147,724)	62,197
	==========	==========

33. REMUNERATION OF THE CHIEF EXECUTIVE, EXECUTIVES AND' DIRECTORS

The aggregate amount charged in these accounts for the year for remuneration, including certain benefit provided to the chief Executive and Executives of the Company were as follows:

	Chief Executive		***Executive***	
	1999	***1998***	***1999***	***1998***
	(Rs. '000)	***(Rs. '000)***	***(Rs. '000)***	***(Rs. '000)***

Managerial remuneration	1,040	330	1,516	483
Other allowances	104	74	174	47
Conveyance allowance	--	--	56	28
Retirement benefits	--	--	224	96
Housing utilities	468	149	553	191
	------------------	------------------	------------------	------------------
	1,612	553	2,523	845
	==========	==========	==========	==========
Number of persons	1	2	14	5

The Chief Executive and certain executives are provided with company maintained cars.
The total number of employees at the end of the year were 130 (1998: i35)

34. FINANCIAL INSTRUMENTS

These comprise of trade receivables, advances and deposits, cash and bank balances, loans and borrowings and certain other assets and liabilities.

(a) Financial assets

The financial assets of the company amounts to Rs. 306.887 (1998: Rs. 157.238) million.

Credit risk

The company's trade receivable are subject to credit risk. The company's credit is concentrated in the government sector.

Interest rate risk

Interest bearing financial assets of the company amounts to Rs. 37.961 (1998: Ps. 28.922) million. These include balances held with financial institutions.

Foreign exchange risk

The company's trade receivable include certain balances due in foreign currency and are, therefore, subject to foreign exchange risk.

(b) Financial liabilities

The financial liabilities of the company amount to Rs. 1,738.660 (1998: Rs. 1,755.840) million and are to be settled in local currency.

Interest rate risk

Interest bearing financial liabilities of the company amount to Rs. 1,403,527 (1998: Rs. 1,522.665) million and are subject to fixed interest rates.

Liquidity risk

The company, due to its financial position, may face difficulties in raising funds to meet its commitments under the memorandum of understanding, repayment of short term borrowings and settlement of running finance and advance to lessee.

35. CAPACITY AND PRODUCTION

	Capacity in tons on double shifts basis	*1999 Actual production in tons*	*1998 Actual production in tons*
Hoop Mill	25,000	102	170
4th Mill	20,000	3,011	188
Mild Steel Wires	7,000	375	98
Special Steel Wires	9,000	588	484
Cold Profile Plant	600	--	--
Transmission Tower Plant and Fabrication Shop	10,000	4,661	101
Wire Rod and Bar Mill (New)	75,000	3,980	117

These capacities are relative to product mix. Larger the size and quantity for continuous run, larger the production and vice versa. The capacities are, however, retained on historical basis and are not necessarily attainable. Changes in product mix and production runs warranted by market demand results in lesser or higher production. Lower production has resulted on account of paucity of funds.

36. GOING CONCERN

In an effort to improve the liquidity position, the management of the company. signed a Memorandum of Understanding dated July 21, 1998 with the NDFC led Consortium in respect of the restructuring of certain borrowings, as discussed in note 15, and has also commenced negotiation with other lenders in respect of finances obtained from them, as discussed in note 17 and 18 to the accounts. At the same time, the management is making necessary efforts to streamline the operations of the company in a bid to enhance its operating efficiency and has taken important steps in this direction. As a result, the management is confident that it will be successful in its overall efforts and will be able to continue as a going concern.

37. GENERAL

37.1 Previous year's figures have been rearranged wherever necessary for the purposes of comparison.

37.2 Figures have been rounded off to the nearest thousand of rupees unless stated otherwise.

Chief Executive **Director**

SHAREHOLDERS ANALYSIS AS AT 30TH JUNE, 1999

No. of Shareholders	*Holding Shares From*	*To*	*Total Shares Held*
3314	1	100	48,980
456	101	500	110,036
118	501	1000	84,355
110	1001	5000	233,208

17	5001	10000	114,740
4	10001	15000	46,365
1	20001	25000	21,399
1	40001	45000	43,650
1	80001	85000	81,412
1	225001	230000	225,502
1	260001	265000	262,602
1	295001	300000	300,000
1	520001	525000	520,600
1	1145001	1150000	1,148,050
1	1505001	1510000	1,505,038
1	1545001	1550000	1,548,181
1	1880001	1885000	1,883,436
1	1885001	1900000	1,900,000
1	6885001	6900000	6,900,000
1	13500001	14000000	14,000,000
------------------			------------------
4033			30,977,554
==========			==========

Shareholder's Category Share Holders	***Number of Rs. 10/- Shares held***	***Number of Issued capital***	***Percentage of***
Individuals	4009	585383	1.89%
Investment Companies	8	3337233	10.77%
Insurance Companies	6	1917999	6.19%
Joint Stock Companies	4	286174	0.92%
Financial Institutions	4	23345232	75.37%
Modaraba Companies	--	--	--
Others (see below)	2	1505533	4.86%
	------------------	------------------	------------------
	4033	30977554	100%
	==========	==========	==========

OTHERS:

1. State Engineering Corpn. (Pvt) Ltd.	1,505,038
2. The Administrator, Abandoned Property, Government of Pakistan	495

NOTE: The shares of the Company, as detailed below, are in the custody of Privatisation Commission, pending transfer to the Buyers viz: M/s. Metro Management (Pvt) Limited.

(a) State Engineering Corpn., (Pvt) Ltd.	1,505,038
(b) Investment Corporation of Pakistan	1,110,497
(c) State Life Insurance Corporation of Pakistan	1,549,409

	4,164,944

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