METROPOLITAN STEEL CORPORATION LIMITED
ANNUAL REPORT 2004

BOARD OF DIRETORS	
CHAIRMAN	Mr. Mehmood Ali Mehkri
CHIEF EXECUTIVE & MANAGING DIRECTOR	Engr. Syed Asghar Jamil Rizvi
DIRECTORS	Mr. Khawaja Maudood Ahmed
	Mr. Muhammad Shakir
	Col. (R) Muhammad Asif Khan
	Mr. Muhammad Jamal Dehdhi
	Mr. Tariq Adam Ghumra
	Mr. Muhammad Tauseef Ansari
AUDIT COMMITTEE	
CHAIRMAN	Mr. Muhammad Tauseef Ansari
MEMBERS	Col. (R) Muhammad Asif Khan
	Mr. Tariq Adam Ghumra
COMPANY SECRETARY	Mr. Shariful Muzaffer
AUDITORS	A. F. Ferguson & Co.
*	Chartered Accountants
REGISTERED/	Plot No. HE-1, Landhi Industrial Area
HEAD OFFICE	Landhi, Karachi.

DIRECTORS'REPORT

Directors of your company feel pleasure in presenting the 49th annual report together with the audited 'financial statements of the company for the year ended June 30, 2004

Operations:

By the grace of Almighty Allah the operations of the company, which started in the later part of the first quarter of the year under report, increased considerably by the end of year and are marching ahead towards greater capacity utilization capturing the lost market share of MSGL. The sales in terms of volume have recorded a highest figure yielding a gross profit only for the 2nd time in the last decade and above.

Financial results:

The financial results are as under:-	(Rs. In 000)
Profit for the year	42,436
Taxation	2,644
Profit for the year after taxation	39,792
Accumulated loss brought forward	1,723,022
Accumulated loss carried forward	1,519,123
Earning per share (Rupees)	1.28

Future outlook:

The encouragement being received from market and the increasing trend of the production activities of all the plants poses a bright future of the company. Subsequent to year under report company is executing various orders from various customers and expecting a minimum sales revenue over Rupees one billion plus which will Insha Allah change the scenario of the company.

Despite the problems of frequent availability of raw material and higher prices in the international market the company is in process of efficiently utilize its available resources as well as in process of negotiating with international suppliers of raw material for the import for uninterrupted production activities.

Further more the company is planning into the new era of its production activities and to resolve permanently the shortage of billets by having a billet caster with a huge investment. This will bring about a total change in the operations and profitability of the company.

AUDITORS:

The present auditors of the company M/s. A.F. Ferguson & Co., Chartered Accountants, retire.

In pursuance of the powers conferred by section 253(2) of the Companies Ordinance, 1984, a member of the company issued notice for the change in auditors and has recommended the appointment of Messrs. Anjum Asim Shahid Rahman, Chartered Accountants as auditors of the company for the year ending June 30,2005

The Audit Committee of Board of Directors of the company recommended the Board regarding the appointment of Messrs. Anjum Asim Shahid Rahman, Chartered Accountants as auditors of the company for the year ending June 30,2005.

AUDITORS'REPORT:

The auditors report for the current year incorporates an adverse opinion due to various inherent factors. The new management has made strenuous efforts in getting resolved some source of the matters reported in last years audit report. The management shall endeavor make all the possible efforts in future to resolve the matters reported in the auditor's report for the current year.

Audit Committe

The board of directors in compliance of the code of the Corporate Governance has established

and audit committee and the following non-executive directors are its members.

1 -Mr. MuhammadTauseef Ansari (Chairman)

2- Mr. Tariq Adam Ghumra (Member)

3- Col. (R) Muhammad Asif Khan (Member)

Directors' Statement:

The directors state that:

a. The financial statements of the Company prepared by the management present fairly the state of affairs, the results of its operations, cash flow and changes in equity.

b. Proper books of accounts have been maintained

c. Appropriate accounting policies have been consistently applied in preparation of the financial statements except for the changes as stated in notes 2.12.1 and 2.12.2 to the financial statment and accounting estimate are based on resonable and prudent judgments .

d. International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.

e. The system of internal control is in the process of being re - designed and will be effectively implemented and monitored in coming year.

f. There are no significant doubts upon the Company's ability to continue as a going concern as the company is in the process of restructuring its loans.

g. There has been no material departure from me best practices of corporate governance, as detailed in the listing regulations of the stock Exchange.

h. For taxes, and statutory payments, please refer to the notes to the financial statement,
i. Outstanding Statutory payments are Nil except as stated in notes to the financial statement,

j. No trading in the shares of the company was carried out by the directors, CEO, CFO,

Company Secretary and their spouses and minor children,
k. Statement concerning value of investments in Gratuity Fund and provident fund based on

un-audited accounts.

a. Provident Fund: Rs. 7,300,000

b. Gratuity Fund: Rs. Nil

I. During the year under review, four meetings of the Board of Directors were held

Directors Nos. of Meetings attended

1.	Mr. Mehmood Ali Mehkri	4
2.	Syed Asghar Jamil Rizvi	2
3.	Mr. Muhammad Shakir	4
4.	Mr. Khawaja Maudood Ahmed	4
5.	Mr. Muhammad Tauseef Ansari	4
6.	Mr. Tariq Adam Ghumra	2
7.	Col. Rtd. Muhammad Asif Khan	2
8.	Mr. Muhammad Jamal Dehdhi	2

m The pattern of share holding is annexed to the financial statements for the period.

n The company is making efforts to accelerate production activities, which requires working capital. As such directors have not considered declaring any dividend at this moment. Hopefully, your company will be in a position to declare a dividend next year onwards.

Key financial and operating Data is appearing on Page No.6

	Jun -2004	Jun -2003	Jun-2002	Oun-2001	Jun-2000	(Rs. in 000) Jun-1999
Sales Revenue	489,741	23,035	134,988	161,750	383,769	237,966
Cost of Sales	484,817	69,235	194,200	224,552	364,160.00	256,199
Gross Profit/(Loss)	4,924	-46,200	-59,212	-62,802	19,609	-18,233
Other Income	59,994	226,932	15,585	10,475	177,155	49,207a
Total	64,918	180,732	-43,627	-52,327	196,764	30,974
Operating Expenses	-19,975	-12,103	-11,515	-16,270	-19,855	-16,412
Operating Profit/(Loss)	44,943	168,629	-55,142	-68,597	176,909	14,562
Financial Expenses	-932	-92,616	-129,113	-100,034	-106,553	-85,440
Total	44,011	76,013	-184,255	-168,631	70,356	-70,878
Other charges	-1,575	-6,957	-4,624	66,305	-107,980	.
Profit/ Loss before taxation	42,436	69,056	-188,879	-234,936	-37,624	-70.878
Dividend	-	-	-	.	.	.
Taxation	-2644	387	-675	-1,520	-1,920	-2,012
Net profit/Loss for the year after tax	39,792	69,443	-189,554	-236,456	-39,544	-72,890
Accumulated losses brought forward	-1,723,022	-1,792,465	-1,602,911	-1,366,455	-1,326,911	-1,254,021
Adjustments	164,107	-		-	-	-
Accumulated losses carried forward	-1,519,123	-1,723.02	-1,792,465	-1,602,911	-1,366,455	-1,326,911

	Jun -2003	Jun -2003	Jun-2002	Jun-2001	Jun-2000	Jun-1999
Share Capital	309,776	309,776	309,776	309,776	309,776	309,776
Reserves	80,500	80,500	80,500	80,500	80,500	80,500
Unappropriated profit/Loss	-1,519,123	-1,723,022	-1,792,465	-1,602,911	-1,366,455	-1,326,911
Surplus on Revaluation of Fixed As	589,178	499,201	499,201	499,201	499,648	239,181
Shareholders Equity	-539,669	-833,545	-902,988	-713,434	-476,531	-697,454
Long Term Loans	1,253,571	1,299,564	620,047	673,804	685,972	1,062,300
Long term liability	5,830	-	261,503	261,503	189,012	116,449
Deferred Liability	9,385	10,175	9,400	8,893	7,572	5,687
Long term & deferred liability	1,268,786	1,309,739	890,950	944,200	882,556	1,184,436
Total Equity & Liability	729,117	476,194	-12,038	230,766	406,025	486,982
REPRESENTED BY						
Fixed assets	730,330	489,963	507,440	525,964	545,742	287,928
Current Assets	220,814	115,794	150,085	182,867	567,697	768,773
Current liabilities	-223,680	-134,904	-671,299	-479,801	-709,212	-571,517
Other non-current assets	1,653	5,341	1,736	1,736	1,798	1,798
Total Assets	729,117	476,194	-12,038	230,766	406,025	486,982

The year ended June 30, 2004

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulation No. 37 of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the code in the following manner: -

1. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company. At present the board includes five non-executive direction.

2. All the resident Directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non - Banking Financial Institution. None of the resident Directors are a member of any of the stock exchanges.

3. No casual vacancy occurred in this board of directors during the year.

4. The company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and management employees of the company.

5. The board has developed a vision/ mission statement. The company is in the process of developing an overall corporate strategy and a complete record of particulars of significant policies.

6. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the chief executive and other directors have been taken by the board.

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 and the board met at least once in every quarter except for the first quarter of the year. Written notices of the board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings except for the meeting held to approve the final results. The minutes of the meetings were appropriately recorded and circulated.

8. An orientation course will be arranged for directors next year to apprise them of their duties and responsibilities. Study material and other relevant papers will be provided to them for their review and Understanding.

9. The board has approved the appointment of CFO and company secretary including its remuneration and terms, and conditions of employment, as recommended by CEO.

10. The directors' report for this year has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

The financial statements of the company were duly endorsed by the CEO and the CFO, before approval of the board

The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

The company has complied with all the corporate and financial reporting requirements of the Code.

14. The board has formed an audit committee. It comprises of three members, all of whom are non-executive directors including the chairman of the committee. Terms and references of the committee in the process of being formalised.

The meetings of the audit committee were held for the approval of third quarterly and final results of the company.

The board is in the process of appointment of the head of internal audit and also re-vitalizing and re-structuring the internal audit function and taking appropriate measures to make it effective.

The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institue of Chartered Accountants 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 Institue of Chartered Accountants of Pakistan.

The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

We confirm that all other material principles contained in the Code have been complied with except that Secretarial Compliance Certificate was not filed alongwith the annual return of the company.

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Metropolitan Steel Corporation Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company personnel and review of various documents prepared by the company to comply with the Code.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

We report that the directors of the company in their report have stated that the financial statements of the company give a true and fair view of the company's affairs. However, our audit report to the members of the company contain an adverse opinion due to the significance of matters stated in paragraph 1 and also due to matters reported in paragraphs 2 to 11 of that report.

Based on our review and except for the matter noted in the preceding paragraph, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30,2004.

AUDITORS'REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Metropolitan Steel Corporation Limited as at June 30, 2004 and the related profit and loss account, statement of changes in equity and cash flow statement, 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 except for the matters noted in paragraphs 2, 3,4,5, 6,7, 8,10 and 11 below.

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

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

1. As stated in note 1.2 to the accompanying financial statements, the company's accumulated losses as at June 30, 2004 aggregated Rs 1,519.123. million (2003: Rs 1,723.022 million). Further, the liabilities of the company are in excess of its assets by Rs 539.669 million (2003: Rs 833.545 million), whereas the shareholders' equity is a negative Rs 1,128.847 million (2003: Rs 1,332.746 million). Further, the matters stated „ in paragraphs 6, 7 and 9 below would result in increasing the accumulated losses of the 'company by Rs 68.282 million,(2003: Rs 59.117 million) to Rs 1,587.405 million

(2003: Rs 1,782.139 million). In this respect we have also observed the following

conditions:

• As stated in note 12.7 to the accompanying financial statements the company had during the year ended June 30, 2003 received a letter from the legal advisor of a plaintiff, alongwith the Supreme Court's order dated October 1, 2003 which interalia states that, 'assets of the business enterprise shall not be alienated in any manner.'

• The long-term loan aggregating Rs 1,253.571 million is payable to Aqeel Karim Dhedhi Securities (Private) Limited (AKD). The terms and conditions relating to servicing and repayment of the loan have not been formalised and the management continues to classify the loan as a long-term liability.

• AKD had during the year ended June 30, 2003, made payments to a bank on behalf of the company against outstanding short-term running finance and bills payable aggregating Rs 29.797 million. AKD had also provided finance for working capital requirements aggregating Rs 9.964 million. These amounts are payable on demand to AKD and the mark-up thereon had been waived for the

period upto December 31, 2003. Further, during the year AKD has provided an additional finance for working capital requirements aggregating Rs 25 million. During the year the company has made a repayment of Rs 5.050 million, however, no repayment schedule has been formalised as yet. These amounts are payable on demand and rate of mark-up payable thereon to AKD has not been formalised.

• In the absence, of any financial restructuring the company may not be able to settle the aforementioned liabilities in its normal course and the expected servicing cost of the aforementioned loans may further severely impact the company's present accumulated losses.

Although the company has prepared its financial statements on a 'going concern' basis, however, the aforementioned conditions indicate a material uncertainty which cast a significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of its business.

As stated in note 5.2 to the accompanying financial statements, the terms and conditions of the long-term loan payable to AKD have not been formalised, therefore, these have not been classified between long-term and short-term. In the absence of any agreement we are unable to assess whether such loans have been classified correctly.

During the year the company had obtained financings aggregating Rs 15 million from an individual which are included in trade creditors in the enclosed financial statements. We have noted that appropriate details in respect of these amounts are not available. Accordingly, we are unable to ascertain the reasonableness of terms of this liability and its presentation in the financial statements.

As stated in paragraph 1 above the mark-up on long-term loan of Rs 1,253.571 million and short-term borrowings of Rs 59.711 million payable to AKD was waived upto December 31, 2003. We have, however, noted that mark-up on such lo.ans and borrowings from January 1 to June 30, 2004 has not been charged as the agreement between the company and AKD has not been finalised.

-As stated in note 4.1 to the accompanying financial statements, the company had credited an amount of Rs 154.760 million to accumulated losses on account of incremental depreciation relating to prior years. However, the actual incremental depreciation upto June 30, 2003 amounts to Rs 162.683 million. No details were made available to us in respect of the difference of Rs 7.923 million in the amount of incremental .depreciation relating to prior years. In the absence of appropriate details we are unable to assess the accuracy of the transfer of incremental depreciation to accumulated losses.

During the year ended June 30, 2000 the company had written back liabilities in respect of advances from a lessee aggregating Rs 58.187 million. These amounts were received in 1996, however, no details were available in support of this liability, and further no details were provided to substantiate the write back of such amounts in the company's financial statements for the year ended June 30, .2000. Had such a write

back not been made the accumulated losses as at June 30, 2004, 2003, 2002 and 2001 and advances from lessee (current liability) would each have been higher by Rs 58.187 million. As stated in note 12.6 to the accompanying financial statements a recovery suit was filed against the company during the year ended June 30, 2004 in the High Court of Sindh for Rs 78.267 million, which is being contested by the company. The management contends that the aforementioned amount of Rs 58.187 million relates to that suit. In the absence of details we are unable to assess with any degree of accuracy whether such claim relates to the aforementioned write back of Rs 58.187 million.

The company had reversed a liability amounting to Rs 0.930 million due to a former associated undertaking in its financial statements for the year ended June 30, 2000. No details were made available to us to verify this liability or to substantiate its write back. Had such a write back not been made the accumulated losses as at June 30, 2004,2003, 2002 and 2001 and amount payable to a former associated undertaking each would have been higher by Rs 0.930 million.

As stated in notes 12.4 and 12.5 to the accompanying financial statements, the company does not acknowledge as debts the claims amounting to Rs 100 million (2003: Rs 100 million) and also claims filed against the company and a former associated undertaking for recovery of a bank loan of Rs 1:8 million (2003: Rs 1.8 million), together with interest thereon, advanced to that undertaking. During the year ended June 30, 2002 a claim amounting to Rs 100 million was notified in the press against the company. We have noted that the company has disclosed the aforementioned amount of Rs 100 million as a contingency as opposed to Rs 131.078 million uptill year ended June 30, 2001. The company's management contends that this claim of Rs 100 million is the actual amount of the contingency and was included in Rs 131.078 million in prior years. No details in respect thereof were made available to us.

According to the company's policy, as stated in note 2.10 to the accompanying financial statements, sale is recognised on despatch of goods to customers. Included in sales for the year is an amount of Rs 36.526 million which according to the agreement with the customer were required to be delivered at the customer's premises. However, the subject stocks items were received by the customer on July 17, 2004. The cost of sale of the subject stock amount to Rs 27.178 million. Had such a sale not been recognised the sales would have been lower by Rs 36.526 million, gross profit and the net profit after taxation would have been lower by Rs 9.348 million and Rs 9.165 million respectively and the accumulated losses and stock-in-trade would have been higher by Rs 9.165 million and Rs 27.178 million respectively.

As stated in note 2.1 to the accompanying financial statements the requirements of International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement' have not been complied with in the preparation of those financial statements. The impact on the company's financial statements of non-compliance with the requirements of the aforementioned IAS has not been determined.

We had requested the confirmation of balance and other information as at June 30, 2004 from National Bank of Pakistan, Mirpur, Azad Kashmir and todate the bank has not responded to our request. In the absence of satisfactory response it cannot be assessed with any degree of accuracy that the balance and other information stated in the company's records are in agreement with the bank.

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

(b) in our opinion-

(i) the balance sheet and profit and loss account together with the notes thereon have, except for the matter referred to in paragraphs 2, 3,4, 5 and 10 above, 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 except for the changes referred to in notes 2.12.1 and 2.12.2 to the accompanying financial statements with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, except for the matters referred to in paragraphs 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11 the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, except as stated in paragraph 10 and give the information required by the Companies Ordinance, 1984, in the manner so required except as stated in paragraphs 2, 3 and 4. Further, in our opinion, because of the significance of the matter reported in paragraph 1 and, also in view of the matters reported in paragraphs 2 to 11 above, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof do not give a true and fair view of the state of the company's affairs as at June 30, 2004 and of the profit, its changes in equity and cash flows for the year then ended; and '

(d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

BALANCE SHEET AS AT JUNE 30,2004

	Note	2004	2003
		Rupees in ' 000	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
50,000,000 (2003: 50,000,000) ordinary shares of Rs 10 each		500,000	500,000
Issued, subscribed and paid-up share capital	3	309,776	309,776
Reserves		80,500	80,500
Accumulated losses		-1,519,123	-1,723,022
		-1,128,847	-1,332,746
Surplus on revaluation of fixed assets	4	589,178	499,201
Non-current liabilities			
Long-term loans	5	1,253,571	*1,299,564*
Liabilities against assets subject to finance leases	6	1,330	-
Long-term liability	7	4,500	
Deferred taxation	8		-
Deferred liability - staff gratuity	9	9,385	10,175
Current liabilities			
Current maturity of liabilities against assets subject to finance leases	6	688	-
Current maturity of long-term liability	'7	4,821	-
Short-term borrowings	10	59,711	44,240
Creditors, accrued expenses and other liabilities	ii	158,460	90,664
		223,680	134,904
Contingencies and commitments	12		
		952,797	611,098

	Note	2004	2003
		Rupees in ' 000	
ASSETS			
Non-current assets			
Operating fixed assets	13	730,330	489,963
Long-term investment	14	16	16
Long-term deposits	15	1,637	5,325
Current assets			
Stores, spares and loose tools	16	53,383	47,838
Stock-in-trade	17	• 80,441	38,203
Trade debts	18	51,730	4,761
Claims recoverable	19	-	-
Loans and advances	20	4,272	1,691
Taxation		1,834	7,492
Deposits, prepayments and other receivables	21	28,176	15,533
Cash and bank balances	22	978	276
		220,814	115,794
		952,797	611,098

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30,2004

	Note	2004	2003
		Rupees in ' 000	
Net sales	23	489,741	23,035
Cost of sales	24	484,817	69,235

Gross profit / (loss)		4,924	-46,200
Administrative expenses	25	11,490	7,802
Selling expenses	26	8,485	4,301
		19,975	12,103
Operating loss		-15,051	-58,303
Other income	27	59,994	226,932
		44,943	168,629
Financial charges	28	932	92,616
		44,011	76,013
Other charges	29	1,575	6,957
Profit before taxation		42,436	69,056
-Taxation	30	-2,644	387
Net profit after taxation		39,792	69,443
Earnings per share (Rupees)	31	1.28	•2.24

STATEMENT OF CHANGES IN EQUITY
OR THE YEAR ENDED JUNE 30,2004

	Issued, subscribed and paid-up share	Revenue reserves	Accumulated loss	Total
		---------- Rupees in ' 000 ---------------		
alance as at June 30, 2002	309,776	80,500	-1,792,465	-1,402,189
Net profit for the year ended June 30, 2003	-	-	69,443	69,443
alance as at June 30, 2003	309,776	80,500	-1,723,022	-1,332,746
Net profit for the year ended June 30, 2004	-	-	39,792	39,792
Transfer from surplus on revaluation of				
xed assets to unappropriated profit for prior years	_	_	154,760	154,760
for the year - net of deferred tax	-	-	9,347	9,347
Balance as at June 30, 2004	309,776	80,500	-1,519,123	-1,128,847

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30,2004

	Note	2004	2003
		Rupees in ' 000	
Cash flow from operating activities			
Cash utilised in operations	32	-29,891	-11,482
Staff retirement gratuity paid		-1,430	-124
Long-term liability		9,321	
Long-term deposits		3,639	-3,649
Financial charges paid		-932	-4,110
Taxes refunded / (paid)		3,014	-444
Net cash outflow from operating activities		-16,279	-19,809
Cash flow from investing activities			
Fixed capital expenditure		-771	-45
Dividend received		4	-
Net cash outflow from investing activities		-767	-45
Cash flow from financing activities			
Repayment of liabilities against assets subject to finance leases		-702	-
Short-term running finance			-24,971
Short-term borrowings		18,450	39,761
Net cash inflow from financing activities		17,748	14,790
Net increase / (decrease) in cash and cash equivalents		702	-5,064
Cash and cash equivalents at July 1 , 2003 / 2002		276'	5,340
Cash and cash equivalents at June 30	33	978	276

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30,2004

1. LEGAL STATUS AND OPERATIONS

1.1 Metropolitan Steel Corporation Limited was incorporated on August 24, 1955 as a public limited company. It is quoted on the Karachi Stock Exchange. The company is a manufacturer of steel products such as torsteel, ribbed bars, wire rods, bailing hoops, mild and special steel wires, transmission towers and cold profiles.

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

1.2 The accumulated losses of the company as at June 30, 2004 amount to Rs 1,519.123 million (2003: Rs 1,723.022 million). Further, as at June 30, 2004 the liabilities of the company are in excess of its assets by Rs 539.669 million (2003: Rs 833.545 million) resulting in its equity being negative. The company has been successful in earning gross profit during the year ended June 30, 2004. Therefore, the company continues to prepare its financial statements on a going concern basis. In view of the fact that there are more orders in hand and the major production activities are in operation the management is confident to earn more profits and reduce its liabilities further.

The Consortium of banks have sold their holding of 73.61 percent shares in the company through bidding process alongwith control and management to Alloy Steel Company through an agreement dated March 21, 2003. The purchaser has also assumed, took over and acquired all of the sellers' rights, titles and interests in the entire outstanding long-term loans. The new management is confident that stringent efforts on all fronts will help the company maximise its strength and capitilise on opportunities in the years to come.

However, in the event the company is unable to continue as a going concern and is unable to realise its assets and discharge its liabilities in the normal course of business, the adjustments which may be required to incorporate the recoverability and classification of the recorded assets and amounts or to amounts and classification of liabilities in that situation have not been incorporated in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

These financial statements have been prepared in accordance with the requirements of the International Accounting Standards (IASs) and interpretations issued by the Standing Interpretations Committee of International Accounting Standards Committee as applicable in Pakistan and the Companies Ordinance, 1984 with the exception of IAS 39 'Financial Instruments: Recognition and Measurement'. The impact on these financial statements of the non-compliance of the requirements of IAS 39 has not been determined.

Accounting convention

These financial statements have been prepared under the historical cost convention, except for certain fixed assets which, have been included at revalued amounts as referred to in note 2.5 below.

Employee benefits

Employees' compensated absences

The company accounts for the liability in respect of employees' compensated absences in the period in which they are earned.

Post retirement benefits

The company operates an unfunded gratuity scheme for its permanent employees. However, effective March 31, 2003 the company has discontinued the gratuity scheme for executives. The latest actuarial valuation for the unfunded gratuity scheme has been conducted as of June 30, 2004. The net liability of the company for unfunded gratuity scheme is Rs 9.385 million (2003: Rs 10.175 million). The actuarial valuation is based on the'projected unit credit method'.

The 'projected unit credit method' used for the unfunded gratuity scheme was based on the following significant assumptions:

- Expected rate of increase in salaries - 9% per annum.
- Discount rate - 9% per annum.

Consistent with prior years actuarial gains and losses are amortised over the expected average remaining working lives of the eligible employees.

The company also operates a provident fund for its employees. Equal monthly contributions were made, both by the company and the employees, to the fund at the rate of 10% of basic pay. However, effective June 1, 2003 the company's contribution for executives has been discontinued.

Taxation
Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account the tax credits and tax rebates available, if any, or minimum tax at 0.5% of turnover, whichever is higher.

Deferred

The company accounts for deferred tax on all temporary differences arising between the carrying values of assets and liabilities and their tax base. Tax rate enacted or substantially enacted by the balance sheet date are used to determine deferred tax.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Previously, the company accounted for deferred tax on all major timing differences using the liability method. The company, however, did not account for deferred tax debits. The reason and effect of this change in the accounting policy have been stated in note 2.12.2 below.

Operating fixed assets and depreciation

The company's assets as at June 30, 1990 and leasehold land, buildings thereon, plant and machinery and motor vehicles as at June 30, 2000 had been revalued by an independent valuer as of those dates shown at revalued amounts less accumulated depreciation. Additions subsequent to such dates are stated at cost less accumulated depreciation. Leasehold land, buildings thereon, plant and machinery as at June 30, 2604 had been revalued by independent valuer as at that date and are stated at revalued amounts less accumulated depreciation.

As a consequence of an amendment to section 235 of the Companies Ordinance, 1984 the incremental depreciation on revalued amounts of fixed assets can now be adjusted against the amount of surplus on revaluation. Before this amendment, the surplus could only be reversed at the time of disposal of the revalued fixed assets or could be set off against a deficit arising on any subsequent revaluation of the fixed assets.

As a result of the aforementioned amendment and as required by the IAS 16 'Property, Plant and Equipment', effective July 1, 2003, the incremental depreciation charged on the revalued amounts of fixed assets is transferred from the surplus on revaluation of fixed assets to accumulated losses. The reason and effect of this change in an accounting policy has been stated in note 2.12.1 below.

Depreciation is charged to income applying the reducing balance method, except for leasehold land, and the rates used are stated in note 13.1 below. Leasehold land is amortised over the period of the lease. A full year's depreciation is charged on additions, while no depreciation is charged on items disposed off during the year.

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 recognised in income currently.

Fixed assets acquired under finance lease

The company accounts for fixed assets acquired under finance leases by recording the assets and the related liability. These assets are stated at lower of present value of the minimum lease payments and the fair value of assets acquired on lease. Assets so acquired are depreciated over their respective useful lives.

Finance charges are allocated to periods during the lease term so as to provide a constant periodic rate of interest on the remaining balance of the liability.

Depreciation is charged to income applying the reducing balance method at the rates stated in note 13.1 below.

Investments

Long-term investments are stated at cost. Provision for diminution in value is made if considered permanent.

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. The cost of steel rolls is amortised over their estimated useful lives from the date of issue to production, using the straight-line method.

Stock-in-trade

Stocks of raw materials, except those in-transit, and work-in-process and finished goods are valued at lower of moving average cost and net realisable value. Average cost in relation to finished goods represents prime costs and appropriate portion of manufacturing expenses.

Work-in-process is valued at direct material cost only.

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

Items in-transit are stated at cost comprising invoice values plus other charges paid thereon to the balance sheet date.

Net realisable value is determined on the basis of estimated selling price of .the product in the ordinary course of business less costs necessarily to be incurred for its sale.

Trade debts

Debts considered irrecoverable are written off. Provision is made against those debts which are considered doubtful of recovery.

Revenue recognition

Sale of products and income from rerolling, redrawing and galvanizing 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 an accrual basis.

Foreign currencies

Transactions in foreign currencies are recorded in Pakistan rupees at the rates of exchange approximating those prevalent on the date of transaction.

Monetary assets and liabilities in foreign currencies are reported in Pakistan rupees at the rates of exchange approximating those prevalent on the balance sheet date.

Exchange gains or losses on loans utilised for acquisition of plant and machinery are adjusted against the cost of such plant and machinery. All other exchange differences are included in income currently.

Reasons and effects of changes in accounting policies

As referred to in note 2.5 above effective July 1, 2003 an amount equal to incremental depreciation charged on the revalued amount of fixed assets is transferred from the surplus on revaluation of fixed assets to accumulated losses.

In accordance with the amendment to section 235 of the Companies Ordinance, 1984, as referred to in note 2.5 above a sum of Rs 154.760 million equal to the incremental depreciation charged on the revalued fixed assets upto June 30, 2003 has been transferred from the surplus on revaluation of fixed assets to accumulated losses in the current year. Further, a sum of Rs 9.347 million has been transferred to accumulated losses for the year ended June 30,2004.

Had there been no change in the accounting policy as set out above, the balance of accumulated losses and surplus on revaluation of fixed assets each would have been higher by Rs 164.107 million.

The revised International Accounting Standard (IAS) 12 'Income Taxes' became applicable on financial statements covering periods beginning on or after January 1, 2002. As required by IAS 12, the company now recognises deferred tax asset/liability on surplus on revaluation of fixed assets which is adjusted against the related surplus.

There is no effect of the change in this accounting policy on current year's profit. The proforma information relating to the change in policy has not been given as this change would not have any effect on the opening balance of accumulated losses as at July 1, 2003.

	2004	2003
	Rupees in '000	
ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL		
Ordinary shares of Rs 10 each		
6,134,773 Shares fully paid in cash	61,348	61,348
23,040,700 Sl^es issued as fully paid for consideration other than cash	230,407	230,407
1 ,802,08 1 Shares issued as fully paid bonus shares	18,021	18,021
30,977,554 (2003: 30,977,554)	309,776	309,776

SURPLUS ON REVALUATION OF FIXED ASSETS

Balance as at June 30	589,178	499,201

This represents surplus of Rs 254.084 million, Rs 267.345 million and Rs 240.037 million over book values resulting from the revaluation of fixed assets carried out by Messrs Iqbal A. Nanji & Co. and Messrs Akbani & Jawed Associates as at June 30, 2004, Messrs Iqbal A. Nanji & Co. as at June 30, 2000 and Messrs Zahid Zaheer & Associates as at June 30, 1990, adjusted by surplus realised amounting to Rs Nil (2003: Rs 8.181 million) on disposals of revalued assets.

The revaluation conducted by Messrs Iqbal A. Nanji & Co. was based on the market values of leasehold lands as on June 30, 2004. The revaluation conducted by Messrs Akbani & Jawed Associates was based on the assessed market values of buildings on leasehold lands and plant and machinery. The following factors were taken into consideration in order to assess the present value of plant and machinery:

- Year of installation;
- operational capacity;
- existing conditions of the machinery;
- demand and resale prospect; and
- depreciation and obsolescence.

The revaluation conducted by Messrs Iqbal A. Nanji & Co. as at June 30, 2000 was based on the replacement values of plant and machinery and buildings an leasehold land, after taking into account the obsolescence factor and the respective market values for leasehold land and vehicles.

The revaluation conducted by Messrs Zahid Zaheer and Associates as at June 30, 1990 was based on the replacement values of all assets, except for leasehold land and vehicles, after taking into account the obsolescence factor. Leasehold land and vehicles were revalued on the basis of their market values.

	2004	2003
	Rupees in '000	
Surplus on revaluation of fixed assets as at July 1, 2003	499,201	499,201
Surplus relating to incremental depreciation charged in prior years - transferred to accumulated losses	-154,760	-
	344,441	499,201 .
Surplus on revaluation of fixed assets carried out during the year ended June 30, 2004	254,084	-
'.	598,525	499,201
Transfer to accumulated losses in respect of incremental depreciation charged during the year ended June 30, 2004	-9,347	-
Surplus on revaluation of fixed assets as at June 30, 2004	589,178	499,201

	2004	2003
	Rupees in '000	
LONG-TERM LIABILITY		
Installments payable to Karachi Electric Supply		

Corporation (KESC)	4,500	

	2004	2003
	Rupees in '000	
DEFERRED TAXATION		
Debit / (credit) balance arising in respect of:		
- Accelerated tax depreciation	37,997	-
- Staff gratuity	(3,285).	-
- Liability under finance leases	55	-
- Surplus on revaluation of fixed assets	32,105	- .
- Tax losses	-139,767	-
	-72,895	- -

DEFERRED LIABILITY - STAFF GRATUITY	2004	2003
	Rupees in '000	
Movement in liability		
Opening balance as at July 1, 2003 / 2002	10,175	9,400
Expense recognised - note 9.2	640	899
Payments made	-1,430	-124
Closing balance as at June 30	9,385	10,175
Balance sheet reconciliation		
Present value of obligation	9,044	_
Unrecognised actuarial gain	341	-
	9,385	-
Charge for the year		
Current service cost	286	_
Interest cost	417	-
Net actuarial gains recognised	-63	-
Expense for the year	640	-

SHORT-TERM BORROWINGS	2004	2003
	Rupees in '000	
Secured		
Prime Commercial Bank Limited t		4,479
AKD Securities (Private) Limited - note 1 0. 1	59,711	39,761
	59,711	44,240

	2004	2003
	Rupees in '000	
CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES		
Trade creditors	20,456	6,220
Bills payable	56,829	-
Accrued liabilities .		
Accrued expenses	33,325	35,615
Mark-up accrued on secured short-term borrowings	-	1,321
Mark-up accrued on unsecured short-term borrowings	1,618	1,618
	34,943	38,554
Other liabilities		
Retention money	185	189
Deposits	640	640
Advances from customers	36,137	29,145
Employees' provident fund	4,152	4,682
Tax deducted at source	1,689	1,586
Unclaimed dividends	1,295	1,295
Workers' profits participation fund - note 11.1	-	3,634
Others	2,134	4,719
	46,232	45,890
	158,460	90,664

CONTINGENCIES AND COMMITMENTS

The company has filed various appeals in respect of demands made by the Central Excise and Sales Tax Department amounting to Rs 2.799 million (2003: Rs 2.799 million) with regards to sales tax and central excise duty for the year 1990 to 1997. These appeals are currently being heard by the relevant authority and pending a final decision in this regard, no provision has been made thereagainst in these financial statements.

The company received a demand notice of Rs 6.480 millidn (2003: Rs 6.480 million) from the Employees Old Age Benefits Institution, claiming contributions for labours hired by the contractors. The company is currently contesting the same and pending the outcome of the matter, no provision has been made thereagainst in these financial statements.

A demand note of Rs 2.715 million (2003: Rs 2.715 million) which was received from the Sindh Employee Social Security Institution, claiming short contribution paid by the company for the period July 1996 to June 1998 was determined at Rs 1.257 million. The company has admitted the amount of Rs 0.731 million, however, for the remaining balance of Rs 0.526 million the company has filed an appeal and pending the outcome of the matter, no provision has been made in these financial statements.

Claims not acknowledged as debts aggregating Rs 100 million (2003: Rs 100 million) at the end of the current year. The company rejects these claims categorically as it considers the same to be untenable.

Claims of Rs 1.8 million (2003: Rs 1.8 million) together with interest thereon 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.

A recovery suit has been filed against the company in the High Court of Sindh by Syed Shoaib Khursheed an ex-lessee for Rs 78.267 million (2003: Rs 78.267 million), which is being contested by the company.

A case filed by the Metro Management (Private) Limited against the company in the High Court of Sindh (High Court) seeking an interim injunction restraining the defendants and the persons acting through them from handing over the possession of the company to any third party or to create any third party rights, interest in the sued property and shares of the company till its final disposal was decided against the plaintiff in the High Court.

However, a civil petition for leave to appeal against the judgement passed by the High Court alongwith the application for stay of operation of impugned judgement is pending before the Supreme Court of Pakistan (Supreme Court). An interim order has been passed by the Supreme Court stating that the fixed assets of the business enterprise shall not be alienated in any manner.

The facilities for opening letters of credit and guarantee as at June 30, 2004 amounted to Rs 129.812 million of which the amount remaining unutilised at the year end was Rs 1.392 million.

Outstanding letters of guarantee as at June 30, 2004 amounted to Rs 54.649 million (2003: Rs 35.730 million) including expired guarantees amounting to Rs 31.202 million (2003: Rs 32.066 million) not yet returned by beneficiaries.

Liability for local bills discounting as on June 30, 2004 amounted to Rs. 4.391 million (2003: Rs Nil).

	Cost to June 30, 2004	Accumulated depreciation as at June 30, 2004	Net book value as at June 30, 2004
	---------------- Rupees in '000 ----------- -		
Owned:			
Leasehold lands	18,399	2,057	16,342
Building on leasehold lands	54,892.00	33,623	21,269
Plant and machinery	255,048	155,154	99,894
Equipment	2,959	2,607	352
Furniture, fixtures and fittings	1,228	955	273
Vehicles	2,774	2,446	328
Computers	783	573	210
Assets subject to finance leases:			
Vehicles	2,720	544	2,176
	338,803	197,959	140,844

	2004	2003
.	Rupees in '000	
Cost of sales - note 24	16,453	17,277
Administrative expenses - note 25 Selling expenses - note 26	701 54	164 64
	17,208	17,510

	2004	2003
	Rupees in '000	

LONG-TERM DEPOSITS

Considered good	1,637	5,325
Considered doubtful	111	62
	1,748	5,387
Less: Provision thereagainst	111	62
	1,637	5,325

STORES, SPARES AND LOOSE TOOLS

Stores	11,819	8,655
Spares -note 16.1	41,256	38,899
Loose tools	308	284
	53,383	47,838

	2004	2003
	Rupees in '000	
in hand - notes 17. 1	18,014	9,563
In transit	18	'
	18,032	9,563
Less: Provision thereagainst	96	_
	17,936	9,563
Work-in-process	17,368	1,782
Finished goods - note 17.1	45,472	32,450
Less: Provision for slow moving stocks	335	5,592
	45,137	26,858
	80,441	38,203

	2004	2003
	Rupees in '000	
TRADE DEBTS		
Unsecured	51,730	4,761
Considered good	31,362	30,992
Considered doubtful	83,092	35,753
	31,362	30,992
Less: Provision for doubtful debts - note 18. 1	51,730	4,761

	2004	2003
	Rupees in '000	
CLAIMS RECOVERABLE		
Considered doubtful		
Excise duty claim - note 19. 1	81,184	81,184
Less: Provision thereagainst	81,184	81,184
	-	-
	-	-

	2004	2003
	Rupees in '000	
LOANS AND ADVANCES		
Loans - considered good		
Executives - notes 20.1 and 20.2	63	104
Advances		
Employees - considered good	87	30
Executives - considered good	345	567
	495	701
Suppliers		
Considered good	3,765	898
Considered doubtful	512	512
Less: Provision thereagainst	4,277 512	1,410 512
	3,765	898
Others		
Considered good	12	92
Considered doubtful	17	17
Less: Provision thereagainst	29 17	109 17
*	12	92
	4,272	1,691

	2004	2003
	Rupees in '000	
DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Deposits	18,155	8,023
Margin against letters of credit and guarantee	4,519	7,516
Earnest money	1,328	1,328
Less: Provision thereagainst	3,191	6,188

	1,549	1,454
Others	536	536
Less: Provision thereagainst	1,013	918
	22,359	15,129
Prepayments	2	2
Excise duty	120	1
Others	27	-
Lease rentals	149	3
	5,668	401
Sales tax refundable	28,176	15,533
CASH AND BANK BALANCES	79	20
Cash in hand	899	256
Balances with banks in current accounts	978	276
NET SALES		
Gross sates		
Local [including sales of sub-standard material	561,547	26,881
Rs 48.254 million (2003: Rs 7.545 million)		
Revenue from re-rolling, redrawing and	5,677	163
galvanising services	567,224	27,044
	77,483	4,006
Less: Sales tax		3
Excise duty	77,483	4,009
	489,741	23,035

	2004	2003
	Rupees in '000	
COST OF SALES		
Raw materials consumed		
Opening stock	9,563	12,478
Purchases	399,272	2,341
	408,835	14,819
Closing stock	-17,936	-9,563
	390,899	5,256
Nuts and bolts consumed for transmission towers	3,579	90
Manufacturing expenses		
Salaries, wages and other benefits		
- Salaries and wages	26,953	13,932
- Provident fund contributions	375	515
- Staff retirement gratuity - note 24. 1	607	589
	27,935	15,036
Contract charges for processing and other services	8,962	1,113
Rent, rates and taxes	228	1,395
Fuel and power	' 48,689	5,680
Stores and spares consumed	2,344	102
Repairs and maintenance	16,100	2,262
Insurance	195	279
Depreciation - note 13.3	16,453	17,277
Travelling, conveyance and vehicle running expenses	1,760	329
Entertainment	10	34
Postage, telegrams and telephone	207	89
Printing and stationery	111	40
Legal and professional charges	24	310
Melting and rolling of scrap and processing		
charges on outside manufacturing	-	439
Packing materials	546	12
Other expenses	640	507
	96,269	29,868
Opening stock of work-in-process	1,782	6,686
Closing stock of work-in-process	-17,368	-1,782
	-15,586	4,904
Cost of goods manufactured	503,096	55,154
Opening stock of finished goods	26,858	43,305
Cost of goods available for sale	529,954	98,459
Closing stock of finished goods	-45,137	-26,858
Stock shortages - note 29	-	-2,366
	484,817	69,235

2004
Rupees in
'000

Current service cost	271
Interest cost	395
Acturial gain recognised	-59
	607

	2004	2003
	Rupees in '000	
ADMINISTRATIVE EXPENSES		
Salaries, wages and other benefits		
- Salaries and wages	5,482	4,578
- Provident fund contributions	19	96
- Staff retirement gratuity - note 25.1	29	246
	5,530	4,920
Insurance	4	6
Repairs and maintenance	32	24
Depreciation - note 13.3	701	164
Travelling, conveyance and vehicle running expenses	1,734	716
Entertainment	24	8
Postage, telegram and telephone	345	125
Printing and stationery	131	78
Advertisement, sales promotion and sampling	164	14
Donations - note 25.2	180	-
Subscriptions	138	102
Legal and professional charges	1,686	963
Auditors' remuneration - note 25.3	346	408
Other expenses	475	274
	11,490	7,802

	2004
	Rupees in'000
Current service cost	13
Interest cost	19
Acturial gain recognised	-3
	29

	2004	2003
	Rupees in ' 000	
Auditors' remuneration		
Audit fee	150	150
Other advisory services and special certifications	100	183
Out of pocket expenses	96	75
	346	408
SELLING EXPENSES		
Salaries, wages and other benefits		
- Salaries and wages	1,342	920
- Provident fund contributions	-	46
- Staff retirement gratuity - note 26. 1	4	64
,	1,346	1,030
Insurance	2	4
Depreciation - note 13.3	54	69
Travelling, conveyance and vehicle running expenses	1,135.00	358
Legal and professional charges	-	1,100
Entertainment	27	1
Postage, telegram and telephone	209	93
Printing and stationery	83	23
Advertisement	58	
Transportation and forwarding charges	128	54
Other expenses	5,443	1,569
	8,485	4,301

	2004
	Rupees in '000
Current service cost'	2
Interest cost	3
Acturial gain recognised	-1
	4

OTHER INCOME	2004	2003
	Rupees in '000	
Dividend income	4	

Return on deposits	50	2
Liabilities written back	7,159	756
Reversal of provision -claim recoverable	-	12,568
-earnest money	-	393
-trade debts	50	-
Others	2,438	3,199
Waiver of short-term borrowing / loan and markup thereon -note 27.1	4,300	210,014
Waiver of long term loan - note 5,1	45,993	-
	59,994	226,932

	2004	2003
	Rupees in '000	
FINANCIAL CHARGES		
Mark-up on - Long-term loans	.	45,781
- Short-term borrowings		8,126
- Short-term running finance	-	2,264
- Current maturity of long-term loans		35,467
- Bills payable		237
Bank charges, central excise duty and commission	846	741
Mark-up on finance leases	86	-
	932	92,616
OTHER CHARGES		
Workers' profits participation fund - note 11.1	-	3,634
Fixed assets written off		12
Provision for doubtful trade debts	420	129
Provision for doubtful long-term deposits	49	-
Other receivables written off	195	101
Loans and advances written off	71	-
Stock shortages - note 24		2,366
Miscellaneous	840	715
	1,575	6,957

	2004	2003
	Rupees in '000	
TAXATION		
Current		
- for the year	-2,449	-115
- for prior years'	-195	502
	-2,644	387
EARNINGS PER SHARE		
Net profit for the year	39,792	69,443
Weighted average number of shares in issue during the year	30,977,554	30,977,554
Earnings per share (Rupees)	1.28	2.24

	2004	2003
	Rupees in '000	
CASH UTILISED IN OPERATIONS		
Profit before taxation	42,436	69,056
Adjustments for:		
Depreciation	17,208	17,510
Net book value of fixed assets written off		12
Provision for - Staff retirement gratuity	640	899
- Trade debts (net)	370	129
- Doubtful long term deposits	49	-
- Other receivables written off	195	-
- Loans and advances written off	. 71	-
Waiver of loan and mark-up thereon	-4,300	-210,014
Waiver of long-term loan	-45,993	-
Long-term investment written off	-	44
Trade debts written off		-1,672
Liabilities written back	-7,159	-756
Dividend income	-4	-
Financial charges	932	92,616
Cash generated from / (utilised in) operations before working capital changes	4,445	-32,176
Working capital changes - note 32.1	-34,336	20,694
	-29,891	-11,482

	2004	2003
	Rupees in '000	
Working capital changes		
Decrease / (increase) in current assets		
Stores, spares and loose tools	-5,545	274
Stock-in-trade	-42,238	24,266
Trade debts	-47,339	-332
Loans and advances	-2,652	-343
Deposits, prepayments and other receivables	-12,838	7,736
	-110,612	31,601
Increase / (decrease) in current liabilities		
Creditors, accrued expenses and other liabilities	76,276	-10,907
	-34,336	20,694

CASH AND CASH EQUIVALENTS

	2004	2003
Cash and bank balances	978	276

	Chief Executive		Executives	
	2004	2003	2004	2003
	--------------------- Rupees in '000	------------- -— - -----		
Managerial remuneration	960	960	3,023	1,888
Housing utilities	432	432	984	506
Conveyance allowance	-	-	68	64
Retirement benefits	-	-	147	94
Other allowances	96	96	261	71
	1,488	1,488	4,483	2,623
Number of persons	2	. 2	12	13
	(note 34.2)	(note 34.2)		

CAPACITIES AND PRODUCTION

	Capacity in tons on double shift basis	2004 Actual production in tons	2003 Actual production in tons
Hoop mill	25,000'	_	_
4th 'mill	20,000	866	-
Mild steel wires	7,000	1,188	
Special steel wires	9,000	3,762	23
Cold profile plant	600	-	-
Transmission tower plant and fabrication shop	10,000	1,213	366
Wire rod and bar mill (new)	75,000	10,070	

SHAREHOLDERS ANALYSIS AS ON 30th June, 2004

No. of Shareholders Total	Holding Shares From	To	Grand Total
3203	1	100	44,820
393	101	500	95,557
101	501	1000	75,632
117	1001	5000	296,201
28	1501	10000	218,935
5	10001	15000	59,713
3	15001	20000	55,000
1	20001	25000	25,000
2	30001	35000	62,964
1	35001	40000	35,502
1	40001	45000	45,000
1	70001	75000	72,500
2	95001	100000	200,000
1	125001	130000	126,516
1	245001	250000	246,500
1	1110001	1115000	1,113,123
1	1505001	1510000	1,505,038
1	1545001	1550000	1,545,681
1	2365001	2370000	2,368,872
1	22780001	22785000	22,785,000
3865			30,977,554

SHAREHOLDERS ANALYSIS AS ON 30th June, 2004

S. No.	Folio No.	holder Category	No.of Shareholders	No. of Share held	Total	Percentage

1-						
1-	4120/331	Habib Bank Ltd.		4,153		
	2551/1084					
2-	1041	United Bank Ltd.		11,212		
3-	2437	Commerce Bank Ltd.		9,492		
4-	1045	I.C.P		1,113,123		
5-	6677	I.C.P		1,858		
6-	1047	N.B.P Trusttee Depatment		31,464		
7-	6677	N.B.P Trusttee Depatment		2,368,872		
8-	6677	Prime Commercial Bank		2,000		
9-	6677-	PICIC		100		
10-	6677	PICIC		100,000		
11-	6677	Metropolitan Bank Ltd.	11	246,500	3,988,674	12.88%
II-		INSURANCE COMPANIES				
1-	1046/3652	State Life Ins. Corporation.		1,547,343		
2-	3667	Pakistan Re-Ins. Corporation.		3,492		
3-	337	New Jubilee Insurance Company Ltd.		6,450		
4-	338	Adamjee Insurance Company Ltd.		35,502		
5-	6677	Adamjee Insurance Company Ltd.	5	72,500	1,665,287	5.38%
III-		JOINT STOCK COMPANIES				
1-	6677	Capital One Equities Ltd.		1,000		
2-	6677	Capital One Equities Ltd.		9,000		
3-	6677	S.C. Securities (PVT) Ltd.		17,500		
4-	1097	Share Trading Company Ltd.		1,441		
5-	6677	Aqeel Karim Dhedhi (pvt) Ltd.		126,516		
6-	6677	Munaf Sattar Sec. (pvt) Ltd.		5,000		
7-	6677	Mazhar Hussain Securities(PVT) Ltd.		500		
8-	6677	Bawa Securities (PVT) Ltd.		6,547		
9-	6677	M.R.A. Sec. (pvt) Ltd.		10,000		
10-	6677	Friendly Sec. (pvt) Ltd.		8,500		
11-	6677	Zafar Moti Capital Sec. Ltd.		2,000		
12-	6677	D.J.M. Sec. (pvt) Ltd.		1		
13-	6677	Jahangir Capital Makts. (pvt) Ltd.		3,000		
14-	6677	Continental Capital management(pvt) Ltd.		9,000		
15-	6677	Invest Forum (pvt) Ltd.		82		
16-	6677	H.H. Misbah Sec. (pvt) Ltd.		4,000		
17-	6677	A.H.K.D. Sec.(pvt) Ltd.	17	2,500	206,587	0.67%
IV-		INVESTMENT COMPANIES				
1-	541	Naeem Investment Co. Ltd.		60		
2-	508	Karachi Investment Co. Ltd.		399		
3-	1305	'Amie Investment Ltd.		2,273		
4-	766	H.M. Investment Ltd.		10		
5-	2064	Fancies Investment Ltd.	5	580	3,322	0.01%
V-		CO-OPERARIVE SOCIETIES				
1-	3846	National Ind. Coop. Fin. Ltd.	1	800	800	0.00%
VI-		OTHERS				
1-	3980	State Engineering Corporation Ltd.		1,505,038		
2-	3878	The Administrator Abandoned Property.		495		
3-	6677	Others COC	3	300	1,505,833	4.86%
			42			
VII-		INDIVIDUALS				
1-		Individuals MSCL	3,641	349,183		
2-		Individuals CDC	182	23,257,868	23,607,051	76.21%
		Total	3,865		30,977,554	100.00%