

Pakistan Engineering Company Limited
Annual Report 1999

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COMPANY INFORMATION

BOARD OF DIRECTORS

Hussain Ahmad Siddiqui (Chairman)

M. Javed Sahibzada (Chief Executive)

Prince Abbas Khan
Jawaid Iqbal Mufti
Afaq Jamal Hussain
S.M. Ahsan Raza
Syed Aijaz Ali Abbasi
Liaqat Mohammad
Mohammad Shabir Malik
Sheikh Asif Salam

COMPANY SECRETARY

M. Imtiaz-ur-Raheem

BANKERS

National Bank of Pakistan
United Bank Limited
Habib Bank Limited
American Express Bank
Emirates Bank International Limited

AUDITORS

S.M. Masood & Company
Chartered Accountants

REGISTERED AND HEAD OFFICE

6-Ganga Ram Trust Building,
Shahrah-e-Quaid-e-Azam,
Lahore.

BRANCHES

Karachi
Islamabad
Peshawar
Quetta

PLANT

Kot Lakhpat, Lahore.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 50th Annual General Meeting of Pakistan Engineering Company Limited will be held at Hotel Holiday Inn, 25/26 Egerton Road, Lahore, on Monday December 27, 1999 at 10.30 A.M. to transact the following business:-

1. To confirm minutes of 49th Annual General Meeting held on December 31, 1998.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 1999 together with the Auditors' and Directors' reports thereon.
3. To appoint auditors for the year ending June 30, 2000 and to fix their remuneration. The present auditors M/s. S.M. Masood & Company, Chartered Accountants being eligible for reappointment have offered themselves for reappointment.
4. To transact any other business with the permission of the chair.

**BY ORDER OF THE
BOARD**

**(M. Imtiaz-ur-Raheem)
Company Secretary**

Lahore: November 27, 1999

NOTES:

1. The share transfer books of the company shall remain closed from December 22, 1999 to December 31, 1999 (Both days inclusive).

2. A member entitled to attend and vote at this meeting may appoint any person as his/her proxy to attend the meeting and vote for him/her. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.

3. Shareholders are requested to notify the change of address, if any, immediately.

CHAIRMAN'S REVIEW

On behalf of your Board, I am pleased to present the 50th Annual Report for the year ended June 30, 1999.

OPERATING RESULTS

As you would see, the operating results of your company for the year 1995-99 have not been satisfactory. Although we did foresee the downward trend at the beginning of the year Nit still the overall performance of the company turned out to be far below our expectation. One can account many reasons for this downward trend, the major factor being overall slow pace of industrialization in the country. You would appreciate that the last few years did neither see any favourable economic/investment climate nor any significant industrial activity. Due to depressed market conditions and consequently reduced inflow of orders, PECO operated far below its capacity and thus sustained losses.

Above all, uncertainty due to privatization process which continued for long, and is still continuing, did the real damage to your company. The long privatization process generated serious adverse affect on your company's operations. The material suppliers refused to extend credit to the company and started pressing for payment of their outstanding bills. The company was therefore forced to go for cash purchases. Similarly, the customers were reluctant to place order on a company under privatization. Banks were equally careful and hesitant to extend any facility over and above the sanctioned limit. The employees were understandably demoralized. In short, the company was confronted with a plethora of problems that characterized the present performance.

Due to slow down of economic activity in the country, the government's funded projects also suffered because allocated funds were not timely released to them. Company's major customer WAPDA was going through many corporate and organizational changes, and foreign financing agencies withdrew their support to finance the projects of WAPDA. As a result, WAPDA was forced into a situation where it had to defer execution of some of its new projects which PECO was banking upon.

All the above factors had a multiplier effect on the operations of your company. As against sales of Rs 35g million last year, it could achieve sales of only Rs 244 million. Because of low sales turnover, fixed overheads could not be absorbed, resulting into gross loss. Although the management did exercise economy in expenses, yet these measures could not prevent the company to sustain a loss of Rs 147 million before tax compared to a loss of Rs 167 million during the previous year.

FUTURE PROSPECTS:

During the current year 1999-2000, WAPDA has placed an order of Rs 240 million on PECO for 500 KV Transmission Towers which at present is under execution. Another order of Rs 80 million for 132 KV Towers has been recommended by WAPDA to World Bank. The Company had participated as sub-contractor to a foreign bidder for supply of additional 500 KV Towers on turn key basis valuing Rs 340 million, and it is expected that this order would also be finalized soon. Yet another international tender for 500 KV Towers is also expected to be floated by WAPDA in the beginning of the year 2000 which will be participated by your company. The fabrication of Transmission Towers is of major strength in terms of turnover and profitability. Sales of other products will be to the routine volume, for which partial orders are in hand. Renewed efforts are being made to enter into export market such as Bangladesh and Sudan where promising potential exists for the products of your company. We can look forward to achieving positive developments as a result of these efforts.

I am pleased to inform you that your company has obtained ISO-9001 certification for design and manufacturing of all types of pumps, general structures and transmission line towers. This will greatly enhance its image and will also help the company in effectively participating in the international tenders.

PECO is still on the list of privatization but due to change in the government, the future economic policies, particularly from the point of view of privatization, are not yet clear. The company's management is however making efforts to adopt short term measures for reduction in expenditure as well as diversification of product mix.

ACKNOWLEDGMENT

In conclusion, I would like to appreciate the efforts of the Directors, Management, Executives, Staff and Workers who are contributing to the best of their abilities to overcome the present situation, and to make your company a viable and healthy entity in coming years.

**HUSSAIN AHMAD
SIDDQUI
CHAIRMAN**

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors have privilege to place before you the 50th Annual Report with the Audited Accounts for the year ended June 30, 1999 together with Auditors' Report thereon:

ACCOUNTS

(RS. IN THOUSAND)

Loss for the year before taxation	146,800
Taxation (Turnover Tax)	1,218
Loss after taxation	148,018
Loss Brought Forward	948,720
Accumulated Loss	1,096,738

OPERATING RESULTS

Operating results of your company for the year 1998-99 were not satisfactory. As against sales of Rs. 358 million last year, it could achieve sales of Rs. 244 million. Because of low sales turnover, fixed overheads could not be absorbed, resulting in gross loss increase. Strict control over salaries / wages, operating and financial expenses was exercised, but these measures could not prevent to sustain net loss Rs. 147 million before tax, compared to a net loss of Rs. 167 million during previous year.

The reasons for drop in sales and loss have been given in the Chairman's review, and are summarised as below:

- * Unfavourable economic / investment climate in the country and industrial sector, resulting in low orders.
- * Uncertainty due to long privatisation process, resulting in serious adverse affect on company operations, due to problems highlighted in Chairman's review.
- * Major customer WAPDA was passing through a phase of funding problems of their projects, which resulted in deferment of their plans, on which the budget of the year under review was structured.

However order position of current year is encouraging as indicated in Chairman's review, and marketing efforts are being renewed to enter into export market such as Bangladesh and Sudan.

AUDITORS' REPORT

The Government Bonds, loans and other dues are to be paid out of sale proceeds of your company surplus assets, as per rehabilitation scheme approved by the Government. The financial charges on Government Bonds pending their retirement are being paid by the Finance Division of the Government. The interest charges on custom and other import duties, along with the principal amount is also to be paid out of sale proceeds to be credited to Government Escrow account. The Board of Directors in their meeting held on 27th November, 1999 observed and decided not to charge this interest amount of Rs. 14.796 million for the year 1998-99 and interest charged Rs. 29.051 million in previous years also to be reversed, since it is neither an expense related to the company operations, nor it is to be paid out of company working capital. This liability is to be met out of sale proceeds of company surplus assets or privatisation, therefore it is not to be charged similar to interest on Government Bonds.

BOARD OF DIRECTORS

During the year under review Prince Abbas Khan of Ministry of Industries & Production and Mr. Jawaid Iqbal Mufti of WAPDA replaced Mr. Sajjad Haider and Mr. Mairaj Ahmed Sheikh respectively as Directors.

AUDITORS

The retiring Auditors M/s. S.M. Masood & Company, Chartered Accountants offer themselves for re-appointment.

YEAR 2000 COMPLIANCE

The issue of Year 2000 bug has already been taken care of. The Company has already up graded payroll, inventory, financial accounting and Shares software to comply with Y2K. The hardware (wherever required) has also been replaced / upgraded to comply with the Y2K problem.

On behalf of the Board

(HUSSAIN AHMAD
SIDDIQUI)
CHAIRMAN

Dated: November 27, 1999

TEN YEARS SUMMARY

DESCRIPTION	<i>(Rupees in thousand)</i>									
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Sales (net)	837,033	571,349	668,049	862,675	449,081	360,742	842,255	603,433	358,081	243,680
Cost of Sales	706,131	485,628	594,496	775,818	504,372	411,142	757,423	466,359	397,251	315,248
Trading Profit/(Loss)	130,902	85,721	73,553	86,857	(55,291)	(50,400)	84,832	137,074	(39,170)	(71,568)
Other income	7,965	8,736	8,656	4,964	2,539	5,122	11,444	15,403	12,658	5,812
Admin. General Selling Exp.	55,578	69,100	66,745	72,688	72,223	55,798	61,903	61,672	64,576	60,941
Financial Expenses	117,107	102,131	107,098	122,408	132,552	16,877	51,893	56,458	63,010	39,244
Workers Profit Partip. Fund	--	--	--	--	--	--	--	1,374	--	--
Other Charges	--	--	--	850	1,259	6,955	15,152	6,860	13,030	11,693
Net Profit/(Loss) for the year	(33,818)	(76,774)	(91,634)	(104,125)	(258,786)	(124,908)	(32,672)	26,113	(167,128)	(177,634)
Prior Year's Adjustments	--	(52,827)	(3,328)	(4,767)	--	--	4,110	--	--	30,834
Profit/(Loss) before Taxation	(33,818)	(129,601)	(94,962)	(108,892)	(258,786)	124,908	(28,562)	26,113	(167,128)	(146,800)
Provision for Taxation	--	(1,547)	(3,840)	2,833	--	8,458	4,226	3,017	1,790	1,218
Profit/(Loss) After Taxation	(33,818)	(131,148)	(98,802)	(106,059)	(258,786)	(133,366)	(32,788)	23,096	(167,128)	(148,018)
Dividends	--	--	375	--	--	--	--	8,535	--	--
Paid up										
Capital	56,902	56,902	56,902	56,902	56,902	56,902	56,902	56,902	56,902	56,902
Fixed Capital Expenditure	97,773	97,907	1,016,653	1,010,478	1,003,567	1,005,336	1,034,404	1,295,224	1,259,635	1,256,624

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **PAKISTAN ENGINEERING COMPANY LIMITED** as at June 30, 1999 and the related Profit and Loss Account and Statement of Changes in Financial Position (Cash Flow Statement), together with the Notes forming part thereof, for the year then ended and we state that:

The Custom and Other import duties outstanding principal amount of Rs. 105.684 million (See note No 22.2) is subject to interest @ 14 % per annum. Interest for the year on such

amount which comes to Rs. 14.796 million has not been charged, further interest amounting to Rs. 29.051 million charged during the years from 1995 to 1998 has been reversed by crediting "Prior Year Adjustment Account". The management is of the view that the interest on such loan is to be paid by Privatization Commission out of sale proceed of the company and accordingly it has not been accounted for. But the confirmation of management's view from Privatization Commission was not available.

Except for above and to the extent to which it effects the results of the Company, we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and, after due verification thereof, we report that:-

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

(b) in our opinion:-

(i) the Balance Sheet and Profit & 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;

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit & Loss Account and the Statement of Changes in Financial Position (Cash Flow Statement), 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 (Cash Flow) for the year then ended; and

* in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Dated: November 27, 1999

S.M. MASOOD & CO.
Chartered Accountants

BALANCE SHEET
AS AT JUNE 30, 1999

(Rupees in Thousand)

Note

1999

1998

FIXED CAPITAL EXPENDITURE

TANGIBLE FIXED ASSETS	3	1,230,301	1,212,269
ASSETS SUBJECT TO FINANCE LEASE	4	800	1,000
CAPITAL WORK IN PROGRESS	5	25,523	46,366
		-----	-
		1,256,624	1,259,635
STATE ENGINEERING CORPORATION PENSION FUND	6	14,394	20,413
LONG TERM SECURITY DEPOSITS		1,808	1,777
LONG TERM INVESTMENTS	7	315	315
DEFERRED COST	8	8,299	14,482
		-----	-
		1,281,440	1,296,622
 CURRENT ASSETS			
Assets Held for Sale	9	43,912	50,750
Loose Tools		28,760	25,418
Stores & Spares	10	110,531	118,379
Stock in Trade	11	314,765	321
Trade Debtors	12	77,934	16,677
Loans & Advances to Employees	13	6,082	6,758
Advances to Others	14	14,221	12,390
Trade Deposits, Prepayments & Other Receivables	15	20,962	18,956
Cash & Bank Balances	16	2,042	7,214
		-----	-
		619,209	727,91
 CURRENT LIABILITIES			
Short Term Loans	17	229,642	128
Current Maturity Against Finance Lease	24	176	144
Deposits & Advance Payments	18	22,993	17,188
Trade Creditors		5,083	8,577
Accrued Liabilities / Mark-up	19	26,086	57,619
Provision for Taxation		1,218	1,791
Unclaimed Dividend		1,903	1,153
Dividend Payable		0	372
Other Liabilities	20	70,120	90,238
		-----	-
		357,221	305,880
 CURRENT ASSETS LESS CURRENT LIABILITIES		-----	-
		261,988	422,033
		-----	-

TOTAL ASSETS LESS CURRENT LIABILITIES		1,543,428	1,718,655
CONTINGENCIES & COMMITMENTS	21	0	0
LONG TERM & DEFERRED LIABILITIES			
Government Loans	22	566,846	595,898
Federal Government Bonds	23	787,442	787,442
Liabilities Against Assets Subject to Finance Lease	24	869	1,045
Deferred Liabilities		52,964	50,945
		-----	-----
		1,408,121	1,435,330
		-----	-----
NET TOTAL ASSETS		135,307	283,325
		=====	=====
REPRESENTED BY			
Share Capital	25	56,902	56,902
Revenue Reserve - General		10,000	10,000
Accumulated Loss		(1,096,738)	(948,720)
		-----	-----
		(1,029,836)	(881,818)
Revaluation Surplus	26	1,165,143	1,165,143
		-----	-----
		135,307	283,325
		=====	=====

**M. JAVED
SAHIBZADA**
Chief Executive

**LIAQAT
MOHAMMAD**
Director

**MOHAMMAD SHABIR
MALIK**
Director

**PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1999**

	<i>Note</i>	<i>(Rupees in Thousand)</i>	
		<i>1999</i>	<i>1998</i>
SALES	27	243,680	358,081
COST OF GOODS SOLD	28	315,248	397,251
		-----	-----
GROSS LOSS		(71,568)	(39,170)

OPERATING EXPENSES			
General & Administrative	29	47,188	46,997
Selling & Distribution	30	13,753	17,579
		-----	-----
		60,941	64,576
		-----	-----
OPERATING LOSS		(132,509)	(103,746)
FINANCIAL CHARGES	31	39,244	63,010
		-----	-----
		(171,753)	(166,756)
OTHER INCOME / (CHARGES)	32	(5,881)	(372)
		-----	-----
		(177,634)	(167,128)
PRIOR YEARS ADJUSTMENTS		30,834	0
		-----	-----
LOSS BEFORE TAXATION	33	(146,800)	(167,128)
TAXATION	34	1,218	1,790
		-----	-----
LOSS AFTER TAXATION		(148,018)	(168,918)
LOSS BROUGHT FORWARD		(948,720)	(779,802)
		-----	-----
ACCUMULATED LOSS		(1,096,738)	(948,720)
		=====	=====

**M. JAVED
SAHIBZADA
Chief Executive**

**LIAQAT
MOHAMMAD
Director**

**MOHAMMAD SHABIR
MALIK
Director**

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

(Rupees in Thousand)

**CASH FLOW FROM OPERATING
ACTIVITIES**

	1999	1998
Net Profit / (loss) before taxation and after appropriation	(146,800)	(167,128)
Adjustments for:		

Depreciation	16,680	15,912
Amortization of leased assets	200	250
Financial charges	39,244	63,010
Provision for bad debts	955	4,451
Provision for gratuity and pension	5,796	6,696
Provision for diminution in value of investment	0	485
Deferred cost amortized	7,232	7,023
(Profit) on sale of tangible fixed assets	(1,415)	(2,741)
Creditors written back	0	(8,270)
(Profit) on sale of assets held for sale	970	0
	-----	-----
Profit / (Loss) before working capital changes	(77,138)	(80,312)
(Increase) / decrease in loose tools	(3,342)	(418)
(Increase) / decrease in stores and spares	7,848	12,760
(increase) / decrease in stock in trade	6,505	36,827
(Increase) / decrease in trade debtors	87,889	157,262
(Increase) / decrease in loans and advances to employees	676	2,759
(Increase) / decrease in advances to others	(1,831)	50,424
(Increase) / decrease in trade deposits, prepayments and others receivables	(2,006)	11,618
Increase / (decrease) in deposits and advance payments	5,805	(3,407)
Increase / (decrease) in trade creditors	(3,494)	(70,112)
Increase / (decrease) in accrued liabilities	(32,975)	15,389
Increase / (decrease) in other liabilities	(20,118)	29,392
	-----	-----
Cash generated from operations	(32,181)	162,182
Financial charges paid	(37,802)	(71,470)
Gratuity paid	(3,777)	(1,231)
Taxes paid	(1,793)	(3,284)
	-----	-----
Net cash inflow from operating activities	(75,553)	86,197
	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(1,209)	(1,416)
Addition in capital work in progress	(13,176)	(28,749)
(Increase) / Decrease in State Engineering Corporation pension fund	6,019	13,397
(Increase) / Decrease in long term security deposits	(29)	41
Payment of deferred cost	(1,049)	(1,316)
Sale proceeds on disposal of fixed assets	1,931	2,834
Sale proceeds on disposal of assets held for sale	5,868	0
	-----	-----
Net cash outflow from investing activities	(1,645)	(15,209)
	-----	-----

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**CASH FLOW FROM FINANCING
ACTIVITIES**

Increase / (Decrease) in short term loans / long term loans	71,792	(70,102)
Increase / (Decrease) in dividend payable	378	(8,535)
Payment of lease liability	(144)	(60)
	-----	-----
Net cash inflow / (outflow) from financing activities	72,026	(78,697)
	-----	-----
Net increase / (decrease) in cash and cash equivalents	(5,172)	(7,709)
Cash and cash equivalents at beginning of the period	7,214	14.92
	=====	=====
Cash and cash equivalents at close of the period	2,042	7,214
	=====	=====

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

1. THE COMPANY AND ITS ACTIVITIES

Pakistan Engineering Company Limited (a State Enterprise) was incorporated in Pakistan on February 15, 1950 under the Companies Act, 1913 (Now Companies Ordinance, 1984) as a public limited company. Its shares are quoted on all Stock Exchanges of Pakistan. The company is principally engaged in the manufacture and sale of engineering products. The major products of the company are electricity transmission and communication towers, bicycles, power looms, electric motors, pumps, steel rolled products and machine tools etc.

The Federal Cabinet approved a rehabilitation plan in consultation with Privatization Commission to improve the viability of the company. According to the plan Badami Bagh Works was closed on March 22, 1995 and plant and machinery, stocks and land were offered for sale in June, August and September, 1995 in convenient lots as complete production unit and separately also. The offers received were lower than the reserve price, and disposal could not be made. Consequently, Privatization Commission advised to shift all machines and structure to Kot Lakhpat Works, so that land could be offered for sale in suitable size plots to get maximum possible price. Privatization Commission, later on decided to sell the company including Badami Bagh land and in this regard bidding was held on April 09, 1999 but no satisfactory offer was received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention:

The financial statements have been prepared under the historical cost convention as modified by revaluation of freehold land carried out in 1991 and of the steel structure and plant & machinery shifted from Badami Bagh Works to Kot Lakhpat Works in the year 1997.

2.2 Tangible Fixed Assets & Depreciation:

Operating fixed assets are stated at cost less accumulated depreciation except freehold land. Cost of these assets consists of historical cost and directly attributable cost of bringing the assets to working condition.

Borrowing costs pertaining to the construction and erection period upto the date of completion are also capitalized.

Depreciation on operating fixed assets is charged to income on reducing balance method at the rates specified in Note No. 3 to the accounts to write off the cost over their estimated useful lives.

Full year's depreciation is charged on additions, while no depreciation is charged on deletions during the year. Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss, if any, on disposal of operating fixed assets is included in current year income.

2.3 Assets Subject to Finance Lease:

Assets under finance lease are stated at lower of present value of minimum lease payments under the agreement or the fair value of the assets. Depreciation on these assets is charged in line with normal depreciation policy adopted for assets owned by the company. The aggregate amount of obligations relating to these assets are accounted for at net present value of liabilities.

2.4 Long Term Investments:

These are stated at cost. Provision against permanent diminution in the value of investments is made on the basis of market value or breakup value of shares.

2.5 Deferred Cost:

These are amortized over a period of five years.

2.6 Stocks, Stores, Spare Parts & Loose Tools:

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw Material	At average cost
Work in Process	At direct material cost, labour and appropriate portion of production overheads.
Finished Goods	At direct material cost, labour and appropriate portion of production overheads.
Goods in Transit	At invoice value plus other charges, if any
Stores, Spare Parts & Loose Tools	At moving average

Net realizable value represents selling price in the ordinary course of business less selling expenses incidental to sales.

2.7 Associated Undertakings:

The units controlled by the Ministry of Industries and Production, Government of Pakistan are considered as associated undertakings of the company.

2.8 Compliance with Experts Advisory Cell (EAC):

Besides the relevant International Accounting Standards and the Companies Ordinance, 1984 the company also complies the requirements of accounting manual for public sector industries prepared by the Experts Advisory Cell, Ministry of Industries & Production, Government of Pakistan while preparing the financial statements.

2.9 Foreign Currency Translation:

Transactions in foreign currency are accounted for in rupees at the rates of exchange ruling at the balance sheet date. Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange ruling at the balance sheet date. Exchange gains and losses are included in current year income.

2.10 Employees Retirement Benefits:

The company has two schemes, a pension fund for the officers administered by the State Engineering Corporation Pension Fund Trust and an unfunded gratuity scheme for all other employees. Based on a graduated scale under the scheme, the liability is calculated with reference to the last drawn salary and length of service of the employee. Sums due in respect of the pension fund are paid to the State Engineering Corporation Pension Fund Trust. Sums due in respect of gratuity scheme are paid to employees when they leave service.

The company also operates a funded provident fund scheme covering all regular members and monthly contribution is made to the trust @ 10% of basic pay both by the Company and the Employees.

2.11

Taxation:

The charge for current taxation is based on taxable income at the current rate after taking into account credits and rebates available, if any.

2.12 Deferred Tax:

The company accounts for deferred taxation on material timing differences using the liability method. However deferred tax is not provided if it can be established with reasonable probability that these differences will not reverse in the foreseeable future.

2.13 Revenue Recognition:

Revenue from sales is recognized on delivery of goods to the customers. Price escalation claims, due to the uncertainty in realization are recorded when accepted.

2.14 Borrowing Costs:

Borrowing costs are charged off to the income in the year in which they are incurred.

2.15 Liabilities Against Assets Subject to Finance Lease:

Finance charges under the lease agreements are allocated to periods during the lease term so as to produce constant periodic rate of financial cost on the remaining balance of principal liability for each period.

3. TANGIBLE FIXED ASSETS

*(Rupees in
Thousand)*

<i>Description</i>	<i>COST</i>			<i>DEPRECIATION</i>						
	<i>As at July 01, 1998</i>	<i>Additions</i>	<i>Deletions</i>	<i>As at June 30, 1999</i>	<i>As at July 01, 1998</i>	<i>Deletions</i>	<i>For the Year</i>	<i>As at June 30, 1998</i>	<i>W.D.V. As on June 30, 1999</i>	<i>Rate (%)</i>
Free Hold										
Land	927,025	0	0	927,025	0	0	0	0	927,025	--
Factory Buildings (Including Steel Structure)	184,282	17,849	0	202,131	47,530	0	7,730	55,260	146,871	5
Office Building	3,259	0	88	3,171	2,344	47	44	2,341	830	5
Plant & Machinery	270,264	16,826	78	287,012	131,957	75	7,756	139,638	147,374	5
Furniture & Fixtures	15,213	473	0	15,686	10,068	0	562	10,630	5,056	10
Vehicles	8,265	88	927	7,426	5,698	417	429	5,710	1,716	20
Tools	4,965	32	22	4,975	3,407	20	159	3,546	1,429	10
	-----		-----		-----		-----	-----	-----	
Total Rupees - 1999	1,413,273	35,268	1,115	1,447,426	201,004	559	16,680	217,125	1,230,301	
	=====		=====		=====		=====	=====	=====	
Total Rupees - 1998	1,439,561	24,898	51,186	1,413,273	185,435	343	15,912	201,004	1,212,269	
	=====		=====		=====		=====	=====	=====	

3.1 Depreciation rate on building, plant & machinery has been reduced from 10% to 5% in 1998.

3.2 Free hold land was revalued in May, 1991. Steel structure and plant & machinery shifted from Badami Bagh Works to Kot Lakhpat Works, was revalued in June, 1997. The revaluation impact is as follows:

	<i>Free Hold Land</i>	<i>Steel Structure</i>	<i>Plant & Machinery</i>
Cost	1,495	0	30,140
Increment in Value (Note 28)	925,530	143,550	96,063
	-----	-----	-----
	927,025	143,550	126,203
	=====	=====	=====

3.3 Depreciation charged for the year has been allocated as follows:

	<i>1999</i>	<i>1998</i>
Cost of Goods Sold	15,773	14,758
General & Administration Expenses	907	1,154

	-

	16,680

	15,912

4. ASSETS SUBJECT TO FINANCE LEASE

<i>Description</i>	<i>COST</i>			<i>AMORTIZATION</i>				<i>W.D.V. As on June 30, 1999</i>	<i>Rate (%)</i>	
	<i>As at July 01, 1998</i>	<i>Additions</i>	<i>Deletions</i>	<i>As at June 30, 1999</i>	<i>As at July 01, 1998</i>	<i>Deletions</i>	<i>For the Year</i>			<i>As at June 30, 1999</i>
Vehicles	1,250	0	0	1,250	250	0	200	450	800	20
	-----		-----		-----		-----	-----		
Total Rupees - 1999	1,250	0	0	1,250	250	0	200	450	800	
	=====		=====		=====		=====	=====		
Total Rupees - 1998	0	1,250	0	1,250	0	0	250	250	1,000	
	=====		=====		=====		=====	=====		

(Rupees in Thousand)

5. CAPITAL WORK IN PROGRESS

	<i>1999</i>	<i>1998</i>
Building	19,515	29,657
Machinery	6,008	16,709
	-----	-----
	25,523	46,366
	=====	=====

The movement of the account during the year is as follows:

	<i>Building</i>	<i>Machinery</i>	<i>1999</i>	<i>1998</i>
Balance as on July, 01, 1998	29,657	16,709	46,366	41,099
Additions	7,707	5,469	13,176	28,746
	-----	-----	-----	-----
	37,364	22,178	59,542	69,845
Transferred to fixed assets (Including construction of steel structure)	17,849	16,170	34,019	23,479
	-----	-----	-----	-----
Balance as on June 30, 1999	19,515	6,008	25,523	46,366
	=====	=====	=====	=====

The capital work in progress relates to the expenditure incurred for construction of building and cost of reinstallation of machinery shifted from Badami Bagh Works. The detail of additions in different workshops during the year is as follows:

	<i>Building</i>	<i>Machinery</i>
Machine tool shop	1,399	518
New cast iron foundry	3,163	3,573
Rolling mill	1,821	100
Press & forge	687	145
Power loom shop	637	1,133
	-----	-----
	7,707	5,469
	=====	=====

Building addition includes salaries & wages and overhead cost of "Steel Structure Division" amounting to Rs. 6.29 million, allocated on the basis of time spent by the division for the construction and reinstallation of steel structure in the above workshops.

6. STATE ENGINEERING CORPORATION PENSION FUND

This represents the payments of pension to the eligible employees on behalf of Pension Fund Trust administered by State Engineering Corporation (SEC). Under the pension fund procedure all payments of pension made by the company on behalf of the fund upto the commencement or during the prescribed initial period will be repayable to the company over 13 years including a grace period of 8 years. Interest @ 10% per annum will be accounted for after expiry date of prescribed grace period. An amount of Rs. 7.950 million (1998: Rs. 10.228 million) is outstanding for period exceeding three years.

7. LONG TERM INVESTMENTS

80,000 Ordinary shares of Rs. 10 each in SEPCO (State Engineering Project Company (Pvt.) Limited) - an associated company	800	800
Less: Provision for diminution in value (Note 7.1)	485	485
	-----	-----
	315	315
	=====	=====

7.1 Provision has been made on the basis of breakup value of shares which is Rs. 3.94 per share on the basis of latest available audited financial statements of the company for the period ended 30-06-97.

(Rupees in Thousand)

	<i>1999</i>	<i>1998</i>
8. DEFERRED COST		
Opening balance	14,482	20,189
Additions during the year	1,049	1,316
	-----	-----

		-
	15,531	21,505
Less:		
Amortized	7,232	7,023

		-
Closing balance	8,299	14,482
	=====	=====

The Badami Bagh Works, as detailed in Note 1 to the accounts, was closed on March 22, 1995 and it was decided to shift the machinery to Kot Lakhpat Works. The deferred cost represents dismantling and shifting cost, salaries & wages, stores consumption and related expenses of Badami Bagh Works incurred for dismantling and transfer of machinery to Kot Lakhpat Works for reinstallation.

9. ASSETS HELD FOR SALE

Opening balance	50,750	0
Additions during the year	0	50,750

		-
	50,750	50,750
Sold during the year (Note 32.1)	6,838	0

		-
Closing balance	43,912	50,750
	=====	=====

The closing balance represents 3,028 M.Tons (1998: 3,500 M. Tons) of steel structure shifted from Badami Bagh Works and held for sale.

10. STORES & SPARES

Stores	23,551	29,962
Spare parts (Note 10.1)	86,980	88,417

		-
	110,531	118,379
	=====	=====

10.1 These includes spare parts in transit of Rs. 1.097 million (1998: Rs. 4.968 million).

11. STOCK IN TRADE

Raw material (Note 11.1)	112,870	94,980
Work in process	160,163	197,749
Finished goods	41,576	28,003
Others	156	538
	-----	-----

	-
314,765	321,270
=====	=====

11.1 These includes raw material in transit of Rs. 39.806 million (1998: Rs. 3.363 million).

(Rupees in Thousand)

	1999	1998
12. TRADE DEBTORS		
Associated undertakings	9,039	9,105
Wapda	39,853	73,724
Others (Note 12.1)	51,542	105,494
	-----	-----
	100,434	188,323
Less: Provision for bad & doubtful debts (Note 12.2):		
Associated undertakings	864	848
Wapda & others	21,636	20,697
	-----	-----
	22,500	21,545
	-----	-----
	77,934	166,778
	=====	=====

Trade debtors other than those against which provision has been made are considered good by the management.

12.1 This includes an amount of Rs. 8.117 million receivable from M/s Metropolitan Steel Corp. Ltd. against which case for recovery is pending in civil court.

12.2 Provision for Bad & Doubtful Debts

Balance as on July 01	21,545	17,094
Less: Bad debts written off	704	102
	-----	-----
	20,841	16,992
Add: Provision for the year	1,659	4,553
	-----	-----
Balance as at June 30	22,500	21,545
	=====	=====

13. LOANS & ADVANCES TO EMPLOYEES

The loans and advances are considered good and no loan has been advanced to the Chief Executive, Directors & Executives of the Company.

14 ADVANCES TO OTHERS - Considered**Good**

Suppliers	11,267	8,943
Income tax	1,348	1,476
Letters of credit	1,606	1,971
	-----	-----
	14,221	12,390
	=====	=====

15. TRADE DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES

Trade deposits (Note 15.1)	4,566	6,409
Margin against bank guarantees	3,868	6,705
Short term prepayments	1,378	774
Claims receivables (Note 15.2)	11,150	5,068
	-----	-----
	20,962	18,956
	=====	=====

15.1 Trade deposits balance	6,028	6,409
Less: Provision against doubtful recovery	1,462	0
	-----	-----
	4,566	6,409
	=====	=====

15.2 A claim of Rs. 6.077 million shown in contingencies in the last year against Pakistan Steel Mills Ltd. has been accounted for on the basis of CBR Letter No. C.NO.2(51) Survey-II-96 dated August 10, 1999.

*(Rupees in Thousand)***1999****1998****16. CASH & BANK BALANCES**

Cash in hand	273	296
Cash with banks:		
Current accounts	859	6,071
Deposits accounts	910	847
	-----	-----
	2,042	7,214
	=====	=====

17. SHORT TERM LOAN

From banking companies under markup arrangements (Note 17.1):

NBP cash finance	16,242	97,740
NBP preshipment finance	180,342	0
	-----	-----

		-
	196,584	97,740
From associated undertakings		
Spinning Machinery Co. (Pvt.) Ltd. (Secured) (Note 17.2)	30,000	30,000
State Engineering Corp. (Pvt.) Ltd. (Note 17.3)	3,058	1,058
	-----	-----
	33,058	31,058
	-----	-----
	229,642	128,798
	=====	=====

17.1 The detail of loans is as under:

<i>Bank / Financial institution</i>	<i>Sanctioned Limit</i>	<i>Date of Expiry</i>	<i>Rate of Markup</i>
NBP cash finance	100 Million	31-12-99	49.5 paisas per thousand per day
NBP preshipment finance	200 Million	31-12-99	8% per annum (financed by SBP)

These finances are secured by:

- Hypothecation of stocks of iron, steel machinery, raw material and finished goods of appropriate value.
- First charge on stocks, book debts and fixed assets of the company.

17.2 Loan from Spinning Machinery Company (Pvt.) Ltd. is secured against second charge on fixed assets of Rs. 34.5 million of the company. It carries interest @ 45 paisas per thousand per day.

17.3 This unsecured facility has been provided by the State Engineering Corp. (Pvt.) Ltd. and carries interest @ 16% per annum. From the balance amount Rs. 2.00 million was payable in April, 1999 and has become overdue.

(Rupees in Thousand)

	1999	1998
18. DEPOSITS & ADVANCE PAYMENTS		
Advance from customers (Note 18.1)	17,880	12,333
Dealership securities (Note 18.2)	2,944	2.70
Retention & earnest money	2,169	2,158
	-----	-----
	22,993	17,188
	=====	=====

18.1 These includes interest free advances from associated companies amounting to Rs. 0.200 million (1998: Rs. 0.028 million).

18.2 These are payable on demand and do not carry any interest.

19. ACCRUED LIABILITIES / MARK-UP

Accrued mark-up and interest on loan - secured	12,163	10,936
-		
unsecured	1,013	774
Accrued interest on finance lease	0	24
Other accrued expenses payable	12,910	45,885
	-----	-----
	26,086	57,619
	=====	=====

20. OTHER LIABILITIES

Payable to preference shareholders (Note 20.1)	875	875
Employees provident fund trust	53,122	61,631
Pension fund trust	2,142	3,829
State Engineering Corporation (Pvt.) Ltd. (an associated undertaking)	6,672	13,075
Sales tax payable	5,464	9,371
Workers' profit participation fund	7	5
Others	1,838	1,452
	-----	-----
	70,120	90,238
	=====	=====

20.1 The amount stands payable to preference shareholders on account of principal amount due.

21. CONTINGENCIES & COMMITMENTS

Contingencies

- Claims not accepted as debts by the company in respect of various subjudice cases filed against the company for which the maximum possible liabilities could be approximately Rs.7.38 million (1998:Rs.116.871 million).

- Counter guarantees of Rs. 53.120 million (1998: Rs. 120.968 million) issued by the company to bank and insurance companies.

- A claim of Rs. 15.709 million is pending with Collector of Customs on account of refund of custom duty paid on scrap consumed for production of High Transmission Power supplies against International Tender No. KF-531 & KF-514.

- There is a contingent liability of Rs. 50.720 million (1998: Rs. 110.946 million) in respect of post dated cheques issued to the Collector of Customs for import of raw materials. These are cancellable on providing consumption certificates to Collector of Customs.

Commitment

s

Letters of credit amounted to Rs. 27.487 million (1998: Rs. 25.087 million).

(Rupees in Thousand)

	1999	1998
22. GOVERNMENT LOANS		
Privatization Commission loan (Note 22.1)	334,606	334,606
Government Escrow account (Note 22.2)	132,240	161,292
Other Government loan (Note 22.3)	100,000	100,000
	-----	-----
	-----	-
	566,846	595,898
	=====	=====

22.1 It represents interest free loan from Privatization Commission for the implementation of rehabilitation plan approved by the Government of Pakistan.

22.2 Detail of the account is as follows:

Customs & other import duties	105,684	134,736
Pakistan Railway freight	13,592	13,592
Karachi Port Trust	12,964	12,964
	-----	-----
	-----	-
	132,240	161,292
	=====	=====

The custom and other import duties balance carries interest @ 14% per annum, which has not been accounted for and upto June 30,1999 the accumulated amount of interest comes to Rs.43.847 million.

22.3 The amount is payable on account of the company bank loans taken over by the Government in the year 1990. The loan is free of interest.

The above balances are repayable from the privatization proceeds of the company. Considering the discouraging response received by the Government in April 1999, regarding privatization of the company, the management is of the view that settlement of these loans in the next twelve months is not possible.

(Rupees in Thousand)

	1999	1998
23. FEDERAL GOVERNMENT BONDS		
Interest bearing bonds	655,138	655,138
Interest free bonds	132,304	132,304
	-----	-----
	-----	-
	787,442	787,442
	=====	=====

(Rupees in Thousand)

1999 1998

25. SHARE CAPITAL

Authorized Capital:

9,000,000 (1998: 9,000,000) ordinary shares of Rs. 10 each	90,000	90.00
100,000 (1998: 100,000) 7.5% cumulative redeemable preference shares of Rs. 100 each	10,000	10,000
	-----	-
	10,000	10,000
	=====	=====

Issued, Subscribed & Paid-up Capital:

3,162,144 (1998: 3,162,144) ordinary shares of Rs. 10 each fully paid in cash	31,621	31,621
2,528,101 (1998: 2,528,101) ordinary shares of Rs. 10 each issued as fully paid up bonus shares	25,281	25,281
	-----	-
	56,902	56,902
	=====	=====

26. REVALUATION SURPLUS

Land (Note 26.1)	925,530	925,530
Steel structure and plant & machinery (Note 26.2)	239,613	239,613
	-----	-
	1,165,143	1,165,143
	=====	=====

26.1 Land was revalued by M/s NESPAK in May, 1991 under the instructions of Government of Pakistan. Land with the cost of Rs. 1.495 million was revalued at Rs. 927.025 million.

26.2 Steel structure and plant & machinery was revalued on June 30, 1997 on the basis of approval of Board of Directors vide meeting dated February 22, 1997. Revaluation relates to steel structure and plant & machinery shifted from Badami Bagh Works to Kot Lakhpat Works and has been carried out by independent valuer M/s Indus Surveyors. The revaluation surplus has been calculated on the following basis:

	<i>Steel Structure</i>	<i>Plant & Machinery</i>
Cost	0	30,140
Accumulated depreciation	0	25,982
	-----	-
Written down value as at June 30, 1998	0	4,158
Revalued amount	143,550	100,221

	-----	-----
Surplus on revaluation	143,550	96,063
	=====	=====

The cost and accumulated depreciation of steel structure could not be ascertained as the same was recorded as a part of building cost at the time of construction, which took place before 1972 and no detail in this regard is available. The written down value of Badami Bagh Works building, which has been dismantled, was Rs. 0.652 million. Fixed assets other than above are stated at original cost.

	<i>(Rupees in Thousand)</i>	
	<i>1999</i>	<i>1998</i>
27. SALES - Net		
Local	232,244	279,123
Export (27.1)	15,771	80,282
	-----	-----
	248,015	359,405
Less: Rebate, allowances, discount & other deduction	4,335	1,324
	-----	-----
	243,680	358,081
	=====	=====

27.1 Export sales included exchange fluctuation income on export debtor's realization of Rs. Nil million (1998: Rs. 1.961 million).

28. COST OF GOODS SOLD

Raw material consumed (Note 28.1)	67,591	170,102
Stores & spares consumed	55,470	66,538
Salaries & wages (including all benefits)	88,057	89,013
Provident fund	1,861	2,438
Gratuity	3,816	6,475
Fuel & power	48,678	61,144
Rent, rate & taxes	487	39
Service charges	3,490	535
Repair & maintenance	2,667	2,848
Insurance	390	474
Other expenses	2,955	1,715
Depreciation (Note 3.3)	15,773	14,758
	-----	-----
	291,235	416,079
(Increase)/decrease in work in process inventory (Note 28.2)	37,586	(29,220)

	-----	-----
Cost of goods manufactured	328,821	386,859
(Increase)/decrease in finished goods inventory (Note 28.3)	(13,573)	10,392
	-----	-----
	315,248	397,251
	=====	=====

28.1 Raw Material Consumed:

Opening stock (as at July 01, 1998)	94,980	150,507
Add:		
Purchases	85,481	114,575
	-----	-----
	180,461	265,082
Less: Closing stock (as at June 30, 1999)	(112,870)	(94,980)
	-----	-----
	67,591	170,102
	=====	=====

28.2 (Increase)/decrease in work in process inventory:

Opening inventory	197,749	168,529
Closing inventory	160,163	197,749
	-----	-----
	37,586	(29,220)
	=====	=====

(Rupees in Thousand)

	1999	1998
28.3 (Increase)/decrease in finished goods inventory:		
Opening inventory	28,003	38,395
Closing inventory	41,576	28,003
	-----	-----
	(13,573)	10,392
	=====	=====

Work in process included items of stores & spares since last many years. Such items amounting to Rs. 31.338 million in the current and in the previous year have been accordingly re-classified.

29. GENERAL & ADMINISTRATIVE EXPENSES

Salaries & wages (including all benefits)	27,766	28,577
Provident fund	590	916
Gratuity	1,420	1,622

Travelling & conveyance	1,492	606
Entertainment	363	343
Legal & professional	474	950
Rent, rates & taxes	655	940
Fuel, gas & electricity	1,397	1,097
Repairs & maintenance	626	634
Postage, telegrams & telephone	1,376	1,304
Printing, stationery & office supplies	1,529	1,247
Advertisements	371	606
Service charges - SEC	3,500	3,044
Amortization of leased assets	200	250
Insurance	437	463
Vehicle running	1,332	1,253
Depreciation (Note 3.3)	907	1,154
Miscellaneous	2,753	1,991
	-----	-----
	47,188	46,997
	=====	=====

30. SELLING & DISTRIBUTION EXPENSES

Salaries & wages (including all benefits)	7,835	8,259
Provident fund	238	321
Gratuity	630	548
Travelling & conveyance	1,594	1,089
Entertainment	124	118
Rent, rates & taxes	86	557
Fuel, gas & electricity	37	17
Repairs & maintenance	165	26
Postage, telegrams & telephone	377	388
Printing, stationery & office supplies	179	234
Advertisement & sales promotion	854	409
Vehicle running expenses	184	180
Freight & forwarding	455	4,798
Miscellaneous	995	635
	-----	-----
	13,753	17,579
	=====	=====

(Rupees in Thousand)

1999

1998

31. FINANCIAL CHARGES

Mark-up & interest on short term running finances	19,786	27,018
---	--------	--------

Interest on loan from State Engineering Corp. (Pvt.) Ltd. & SMC (Pvt.) Ltd.	5,506	6,979
Interest on provident fund	8,168	8,348
Interest on workers profit participation fund	0	106
Surcharge on escrow account	0	14,796
Bank charges & commission (Note 31.1)	5,515	5,666
Financial charges on finance lease	269	97
	-----	-----
	39,244	63,010
	=====	=====

31.1 Bank guarantee commission paid by the company has been charged over the period of contract.

32. OTHER INCOME / (CHARGES)

Interest / Profit		
On Deposit with Banks	64	121
On Advances to Employees	79	71
Loss on sale of assets held for sale (Note 32.1)	(970)	0
Creditors written back	0	8,270
Miscellaneous income	5,224	1,455
Gain on Disposal of Tangible Fixed Assets (Note 32.2)	1,415	2,741
Auditor's Remuneration (Note 32.3)	(100)	(100)
ISO-9001 consultants fee	(165)	0
Deferred cost amortized (Note 8)	(7,232)	(7,023)
Provision for doubtful debts	(1,463)	(4,553)
Bad debts written off	0	(256)
Diminution in investment value (Note 7.1)	0	(485)
Miscellaneous charges	(2,733)	(613)
	-----	-----
	(5,881)	(372)
	=====	=====

32.1 "Assets Held for Sales" costing Rs. 6.838 million were sold during the year for Rs. 5.868 million resulting in such loss.

32.2 Details of Disposal of Tangible Fixed Assets During the Year is as Under:

<i>Description</i>	<i>Original Cost</i>	<i>Accumulated Depreciation</i>	<i>W.D.V.</i>	<i>Sale Price</i>	<i>Profit/ (Loss)</i>	<i>Sold Through Negotiation to</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	
Plant and Machinery:						
Welding plant-single (30 Nos.)	36,650	33,449	3,201	150,000	146,799	M/s Iqbal Hussain & Sons, Lahore
Welding generators-(2 Nos.)	42,000	41,286	714	50,000	49,286	M/s Iqbal Hussain & Sons, Lahore

Diesel engines (10 Nos.)	0	0	0	125,000	125,000	M/s Iqbal Hussain & Sons, Lahore
Welding plant generators (8 Nos.)	0	0	0	50,000	50,000	M/s Iqbal Hussain & Sons, Lahore
Diesel generators (3 Nos.)	0	0	0	50,000	50,000	M/s Iqbal Hussain & Sons, Lahore

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78,650	74,735	3,915	-	425,000	421,085	-

Vehicles:

Suzuki Margalla LXE 526	567,000	113,400	453,600	453,600	M/s Spinning Machinery Co. (Pvt.) Ltd., 0 Lahore
Fork Lifter 3 Ton Cap	41,402	20,069	21,333	102,000	M/s Khan Traders, 80,667 Gujranwala
Fork Lifter 2 Ton Cap	39,730	35,464	4,266	12,000	7,734 Mr. Mohammad Amin Butt, Lahore.
Dumper Truck Lifter	52,091	46,498	5,593	155,512	149,919 Mr. Iqbal Hussain, Lahore Mr. Mohammad Rafique, 82,257 Lahore
Mobile Crane 4 Ton Cap	72,118	64,375	7,743	90,000	143,487 Mr. Tahir Sharif, Lahore.
Suzuki Car 1000 CC - LHV-6430	5,975	5,462	513	144,000	16,872 Mr. Tahir Yousaf, Lahore
Vespa Scooter 150 CC (2 Nos.)	20,749	20,621	128	17,000	140,042 Mr. Mohammad Iqbal Bhatti
Suzuki Car 1000 CC - LHV-6431	5,975	4,017	1,958	142,000	105,624 Mian Asif Mahmood, Lahore
Suzuki Car 800 CC - 256-842	4,200	2,824	1,376	107,000	73,219 Mr. Iqbal Hussain, Lahore.
Mobile Crane 5 Ton Cap	114,496	102,202	12,294	85,513	70,821 Mr. Asif Majid & Co. Lahore
Suzuki Car 800 CC - 256-841	3,600	2,421	1,179	72,000	

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927,336	417,353	509,983	-	1,380,625	870,642	-

Weighing Scales:

Weighing Scale 5 ton Cap	11,250	11,184	66	35,000	34,934	Mr. Mohammad Amin Butt, Lahore Mr. Mohammad Iqbal, 88,105 Lahore.
Road Cum Rail Bridge 50 Ton Cap	10,229	8,334	1,895	90,000		

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---	---	---	---	---	---	---
21,479	19,518	1,961	-	125,000	123,039	-
=====	=====	=====	=====	=====	=====	=====
=	=	=	=	=	=	=
1,027,465	511,606	515,859	-	1,930,625	1,414,766	-
=====	=====	=====	=====	=====	=====	=====
=	=	=	=	=	=	=

(Rupees in Thousand)

1999

1998

32.3

Auditors remuneration				85	85	
Out of pocket expenses				15	15	
				-----	-----	
Audit fee				100	100	
				=====	=====	

(Rupees in Thousand)

	<i>1999</i>	<i>1998</i>
33. PRIOR YEARS ADJUSTMENTS		
Reversal of Interest on Government Escrow Account (Note 33.1)	29,051	0
Others	1,783	0
	-----	-----
	-----	-
	30,834	0
	=====	=====

33.1 The amount represents the reversal of interest on Government Escrow Account (See Note 22.2) charged from the year 1995 to 1998.

34. TAXATION

a) Due to income tax losses, income tax provision has been calculated at 0.5% of turnover U/S 80 D of the Income Tax Ordinance, 1979. The tax losses available for carry forward at June 30, 1999 are estimated approximately Rs. 699.941 million (1998: Rs. 658.419 million).

b) Deferred Tax debit balance of Rs. 1.03 million, has not been accounted for as the same is not expected to realize in foreseeable future.

35. BASIC EARNING PER SHARE

The company in the current and in the previous year suffered an after tax loss, resulting in negative earning per share.

36. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Maximum amounts due from the associated undertakings at the end of any month were Rs. 9.102 million (1998: Rs. 14.627 million). The company purchased from and sold to associated undertakings material, goods and services in the aggregate sum of Rs. 29.796 million (1998: Rs. 84.77 million) and Rs. 0.404 million (1998: Rs. 6.039 million) respectively. Purchase / sale of goods and services are made at prevailing market prices.

37. SEGMENT INFORMATION

Owing to the significant transfer of material at various stages of manufacture between different units, the costing system does not permit a realistic separation of working results of the units and the items produced, accordingly segment information cannot be prepared.

38. CHIEF EXECUTIVE, DIRECTORS' & EXECUTIVES REMUNERATION

	<i>Chief Executive</i>		<i>Executives</i>	
	<i>(Rupees in Thousand)</i>		<i>(Rupees in Thousand)</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Remuneration	234	149	1,236	1,744
Provident fund	23	0	88	160

Perquisites	255	0	1,546	1,484
	-----	-----	-----	-----
	512	149	2,870	3,388
	=====	=====	=====	=====
Number of persons	1	1	8	9

Aggregate amount charged to the accounts for 8 directors for fees and expenses was Rs. 21,000 and Rs. 93,070 respectively, (1998: 8 directors Rs. 38,000 and Rs. 100,490 respectively).

39. STATEMENT OF CHANGES IN EQUITY

	<i>Share Capital (Rupees in Thousand)</i>	<i>Revenue Reserve</i>	<i>Accumulated Loss</i>	<i>1999 Total (Rupees in Thousand)</i>	<i>1998 Total</i>
Balance as on July 01, 1998	56,902	10,000	(948,720)	(881,818)	(712,900)
Transferred from Profit & Loss Account	0	0	(148,018)	(148,018)	(168,918)
	-----	-----	-----	-----	-----
Balance as at June 30, 1999	56,902	10,000	(1,096,738)	(1,029,836)	(881,818)
	=====	=====	=====	=====	=====

40. FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair value.

41. CONCENTRATION OF CREDIT RISK

The company believes that it is not exposed to major concentration of credit risk.

42. NUMBER OF EMPLOYEES

Total number of employees at the year end was 1,772 (1998: 1,815).

43. PLANT CAPACITY & ACTUAL PRODUCTION

	<i>U/M</i>	<i>Capacity</i>		<i>Actual Production</i>	
		<i>Installed</i>	<i>Assessed</i>	<i>1999</i>	<i>1998</i>
Machine tools	Nos.	680	400	37	33
SSD engines	Nos.	650	300	0	0
HSD engines	Nos.	3,600	3,840	0	0

Concrete mixers	Nos.	350	350	10	14
Power looms	Nos.	1,200	800	0	12
Pumps/turbines	Nos.	3,400	4,000	505	680
Bicycles	Nos.	100,000	120,000	41,638	48,725
Electric motors	Nos.	16,500	6,500	428	413
Rolled material	Tons.	80,000	30,000	4,852	6,096
Steel fabrication (STR)	Tons.	20,000	N.A.	1,312	2.15
Steel ingots	Tons.	40,000	60,000	1,042	4,917

44. FIGURES

- Previous year's figures have been rearranged wherever necessary for the purpose of comparison.
- Figures have been rounded off to the nearest thousand rupee.

**M. JAVED
SAHIBZADA**
Chief Executive

**LIAQAT
MOHAMMAD**
Director

**MOHAMMAD SHABIR
MALIK**
Director

PATTERN OF SHAREHOLDING AS AT JUNE 30, 1999

<i>Number of Shareholders</i>	<i>From</i>	<i>To</i>	<i>Total Shares Held</i>
1,494	1	100	47,042
759	101	500	194,408
264	501	1,000	195,084
221	1,001	5,000	507,108
58	5,001	10,000	450,658
16	10,001	15,000	197,038
9	15,001	20,000	166,100
1	20,001	25,000	22,890
1	25,001	30,000	29,800
3	30,001	35,000	102,738
2	35,001	40,000	72,900
2	40,001	45,000	87,576
1	50,001	55,000	50,120
1	65,001	70,000	66,600
1	115,001	120,000	116,600
2	160,001	170,000	328,706
1	320,001	325,000	322,532

1	480,001	485,000	480,840
1	835,001	840,000	835,782
1	1,415,001	1,420,000	1,415,723

-			-----
2,839			5,690,245
=====			=====

<i>Categories of Shareholders</i>	<i>Number of Shareholders</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	2,805	2,021,905	35.53
Investment Companies (Govt. Owned)	2	213,577	3.75
(Private)	4	11,870	0.21
Insurance Companies (Govt. Owned)	2	209,030	3.67
(Private)	3	130,528	2.29
Financial Institutions (Govt. Owned)	7	1,326,120	23.31
(Private)	4	341,467	6.00
Modaraba Companies	2	11,800	0.21
OTHERS			
The Custodian of Enemy Property	1	390	0.01
M/s. Corporate Law Authority	1	1	--
State Engineering Corporation Ltd.	1	1,415,723	24.88
The Deputy Administrator Abandoned Properties	1	5,754	0.10
Foreign Participation	6	2,080	0.04

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TOTAL	2,839	5,690,245	100.00