

Abbas Engineering Industries Limited
Annual Report 2000-
2001

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BOARD OF DIRECTORS

CHAIRMAN	Mr. Riaz Lalljee
CHIEF EXECUTIVE	Mrs. Nazneen Lalljee Mr. Suleman Lakhany Mr. Nasir Ahmed Mr. Anjum Nasim Dr. Nayyar Khawaja (Nominee of Pakistan Steel Mills Corporation Ltd.) Mr. Shahid Anwar (Nominee of National Investment Trust)

COMPANY SECRETARY Mr. Nasir Ahmed

GENERAL MANAGER Mr. Habib
FINANCE Ullah

AUDITORS Faruq Ali &
Co.
Chartered Accountants

LEGAL ADVISOR Faruqui &
Co.
Advocates & Legal Consultants

BANKERS	United Bank Limited Muslim Commercial Bank Limited Habib Bank Limited Oman International Bank Faysal Bank Limited
REGISTERED OFFICE	123-Old Clifton Karachi.
FACTORY	DSU-2, Bin Qasim Karachi.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 19th Annual General Meeting of the Company will be held at 10:30 a.m. on Friday the 21st December, 2001 at Beach Luxury Hotel, M. Tamizuddin Khan Road, Karachi, to transact the following business:

Ordinary Business:

1. To confirm the minutes of 18th Annual General Meeting held on December 20, 2000.
2. To receive, consider and adopt the Audited Accounts for the year ended June 30, 2001 together with Directors and Auditors Reports thereon.
3. To appoint auditors for the year 2001-2002 and to fix their remuneration. The present Auditors M/s Faruq Ali & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

Special Business:

4. To consider and if deemed fit and proper, pass the following resolution as Special Resolution:

"RESOLVED that the majority shareholders/sponsors of the Company will buy-back shares of the Company at a price of Rs. 13.75 per share fixed by the Karachi Stock Exchange from the general public, NIT and other shareholders of the Company."

"FURTHER RESOLVED that the Company be de-listed from Karachi and Lahore Stock exchanges, Mr. Nasir Ahmed, Director & Company Secretary be and is hereby authorised to take necessary action as deemed fit in this regard."

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

chair.

By Order of the Board

NASIR AHMED
Company Secretary

Karachi: November 28, 2001

NOTE:

1. The share transfer books of the Company will remain closed from December 14 to December 21, 2001 (both days inclusive).

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

CDC Account Holders will further have the following under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

A) For Attending Meeting:

(i) In the case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.

(ii) In the case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

B) For Appointing Proxies:

(i) In the case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

(ii) The proxy shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

(iii) Attested copies of NIC or the passport of the beneficial owners and proxy shall be furnished with the proxy form.

(iv) The proxy shall produce his original NIC or original passport at the time of meeting.

(v) In the case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) along with proxy form to the Company.

3. Statement under Section 160 of Companies Ordinance 1984

The approval of Shareholders of the Company is being sought for de-listing from Stock Exchanges. The reasons for de-listing are explained in Directors' Report. The Karachi Stock Exchange vide its letter No. KSE/C-533-4080 dated August 31, 2001 has fixed a price of Rs. 13.75 (Rupees thirteen and paisas seventy five) per share for buying back of the shares by Sponsors.

4. Shareholders are requested to notify any change in address immediately on the following address:

**Abbas Engineering Industries
Limited
123-01d Clifton, Karachi.**

**DIRECTORS'
REPORT**

The directors have pleasure in presenting their Annual Report together with the Audited Accounts and the Auditors' Report thereon for the year ended June 30, 2001 and welcoming you all to the 19th Annual General Meeting of the Company.

**OPERATING AND FINANCIAL
RESULTS**

The Gross Sales of main products of your Company - Wire Rods and Baling Hoops increased substantially by 15% collectively over last year and amounting to Rs. 401.965 million against Rs.350.285 million in the preceding year. The Gross Sales of Wire Rods Rs. 295.184 million and Baling Hoops Rs. 106.781 million registered an increase of 14% and 16% respectively over 1999-2000.

The total production of the Company also increased to 17,104 Metric Ton during the year under review as compared to 16,738 Metric Ton in the year 1999-2000. The supply position of billets during the year under review by Pakistan Steel Mills Corporation Limited was irregularly and unsatisfactorily.

The Gross Profit decreased to 5.66% in the year under review as compared to 6.40% in the last year and the main reason for this fall was no rebate allowed by the Pakistan Steel Mills Corporation Limited on billets during the year 2000-2001.

The actual production during the year was as under:

	<i>30th , June 2001</i>	<i>30th June 2000</i>
	<i>(Metric Tons)</i>	
Wire Rods	13,031	12,924
Baling Hoops	4,073	3,814

Total	----- 17,104 =====	----- 16,738 =====
-------	--------------------------	--------------------------

During the year under review the plant capacity utilization for the year was 44% of maximum designed capacity.

ADVANCE TO ASSOCIATED UNDERTAKING

During the year the position of advances given for purchase of raw-materials to M/s. Abbas Steel Industries (Private) Limited, an associated company has reduced to Rs. 47.264 million against Rs. 78.115 million in last year. However the Company is charging mark-up at bank rate on daily product basis as per agreement.

BUY-BACK OF SHARES

The Board of Directors of the Karachi Stock exchange (Guarantee) Limited vide their letter No. KSE/C-533-4080 of August 31,2001 has approved the de-listing of the Company from the Exchange and fixed a price of Rs. 13.75 (Rupees thirteen and paisas seventy five) for the buy-back of shares by the sponsors of the Company from the shareholders of the Company. The procedure for buy-back will be notified after the approval of the special resolution, to be proposed in the Annual General Meeting of the Company.

OUTLOOK FOR 2001-2002

The performance of your Company in the coming year will naturally depend upon the steel market stability, economic and political conditions of the country as well as positive growth in the global economy and regular supply of billets by Pakistan Steel Mills Corporation Limited. On the other hand there is no signs of any improvements in the local steel market position so far.

BOARD OF DIRECTORS

During the year Mr. Hammad Mehmood, nominee director of NIT and Mr. S.U. Beg & Mr. M. Haroon, nominee directors of PASMIC resigned from the Board. Mr. Shahid Anwar, nominee director of NIT and Dr. Nayyar Khawaja, nominee director of PASMIC were appointed to fill up the vacancy created thereby for the remainder of their terms of office.

The Board places on record the valuable services rendered by the outgoing nominee directors and welcomes the new nominee directors.

AUDITORS

The present auditors' M/s Faruq Ali & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment for the year 2001-2002.

PATTERN OF SHAREHOLDING

A statement showing pattern of shareholding as at June 30, 2001 is attached.

EARNING PER SHARE

Earning per share is given in Accounts

ACKNOWLEDGEMENT

The Directors are pleased to place on record their deep appreciation of work and dedicated services being rendered by both the management staff and the employees. We are confident that their continued dedications will more bring the better results in the coming year.

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE 1984

The Chief Executive of the Company is presently out of country, therefore this Report has been signed by two Directors of the Company duly authorised by the Board of Directors.

By Order of the Board

Karachi: November 28, 2001

Director

Director

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ABBAS ENGINEERING INDUSTRIES LIMITED** as at 30th June 2001 and the related profit & loss account, cash flow statement and statement of changes in equity 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 purpose of our audit.

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 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 -

(a) An amount of Rs. 204.285 million is outstanding against M/s Abbas Steel Industries (Pvt.) Limited, an associated company which remained being advanced during the period 1997 to 2001.

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

(c) In our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement

with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(d) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, 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, 2001 and of the profit its cash flows and changes in equity for the year then ended; and

(e) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980;

(f) Without qualifying our opinion, we draw attention to the fact that, although company Earned a profit of Rs. of 1.631 million during the year ended June 30, 2001 but as of that date, the company's accumulated losses exceeded its capital by Rs. 11.468 million and Its current liabilities exceeded its current assets by Rs. 40.712 million.

**FARUQ ALI &
CO.
Chartered
Accountants**

Karachi: November 27, 2001

Balance Sheet as at 30 June, 2001

	<i>Note</i>	<i>2001</i> <i>(Rupees in '000)</i>	<i>2000</i>
SHARE CAPITAL AND RESERVES			
AUTHORISED			
D			
5,000,000 ordinary shares of Rs. 10/- each		50,000 =====	50,000 =====
ISSUED, SUBSCRIBED AND PAID-UP			
4,200,000 (2000: 4,200,000) ordinary shares of Rs. 10/- each	4	42,000	42,000

ACCUMULATED LOSSES		(53,468)	(55,099)
		-----	-----
		(11,468)	(13,099)
CURRENT LIABILITIES			
Finances under mark-up arrangements	5	169,938	169,938
Creditors, accrued expenses and other liabilities	6	174,818	138,232
Provision for taxation		3,526	3,186
		-----	-----
CONTINGENCIES	7	348,282	311,356
		-----	-----
		336,814	298,257
		=====	=====
FIXED ASSETS - at cost less			
accumulated depreciation	8	27,723	30,194
LONG-TERM DEPOSITS		1,521	1,382
CURRENT ASSETS			
Stores, spares and loose tools	9	1,925	3,841
Stock-in-trade	10	9,755	11,582
Trade debts-unsecured considered good	11	2,121	2,605
Advances, deposits, prepayments and other receivables	12	233,747	160,032
Advance to associated undertaking	13	47,264	78,115
Cash and bank balances	14	12,758	10,506
		-----	-----
		307,570	266,681
		-----	-----
		336,814	298,257
		=====	=====

The annexed notes form an integral part of these accounts

**Statement under section 241 (2) of the Companies
Ordinance, 1984**

The Chief Executive of the company is presently out of the country, therefore these accounts have been signed by two Directors of the company duly authorised by the Board of Directors.

Director

Director

PROFIT AND LOSS ACCOUNT
For the year ended 30 June, 2001

	<i>Note</i>	<i>2001</i> <i>(Rupees in '000)</i>	<i>2000</i>
Sales - Net	18	359,299	313,217
Cost of goods sold	19	338,955	293,157
		-----	-----
Gross Profit		20,344	20,060
Other Income	20	32,227	28,804
		-----	-----
		52,571	48,864
		-----	-----
Administrative expenses	21	8,993	7,793
Selling expenses	22	4,632	3,017
		-----	-----
		13,625	10,810
		-----	-----
		38,946	38,054
		-----	-----
Financial charges	23	36,296	36,496
Workers' profit participation fund		133	78
		-----	-----
		36,429	36,574
		-----	-----
Profit for the year		2,517	1,480
Add: Prior year's Adjustment	24	2,021	--
		-----	-----
		4,538	1,480
Provision for Taxation			
- Current year		1,960	1,556
- Prior year		947	(1,369)
		-----	-----
		2,907	187
		-----	-----
Profit for the year		1,631	1,293
Accumulated Losses brought forward		(55,099)	(56,392)
		-----	-----
Accumulated Losses carried forward		(53,468)	(55,099)
		=====	=====
Earning per share	29	0.39	0.31
		=====	=====

The annexed notes form an integral part of these accounts

Statement under section 241 (2) of the Companies Ordinance, 1984

The Chief Executive of the company is presently out of the country, therefore these accounts have been signed by two Directors of the company duly authorised by the Board of Directors.

Director

Director

**CASH FLOW STATEMENT
For the year ended 30 June, 2001**

	<i>Note</i>	<i>2001</i> <i>(Rupees in '000)</i>	<i>2000</i>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	27	(28,103)	1,265
Income tax paid		(138)	(1,875)
Advances to associated undertaking		30,851	10,111
		-----	-----
Net cash (outflow) / inflow from operating activities		2,610	9,501
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(219)	(2)
Security deposit K.E.S.C		(139)	--
		-----	-----
Net cash inflow / (outflow) from investing activities		(358)	(2)
CASH FLOW FROM FINANCING ACTIVITIES			
		--	--
		-----	-----
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		2,252	9,499
CASH DEFICIT / EQUIVALENTS AT BEGINNING OF THE YEAR			
		(159,432)	(168,931)
CASH DEFICIT / EQUIVALENTS AT END OF THE YEAR			
	28	----- -----	----- -----
		(157,180)	(159,432)
		=====	=====

The annexed notes form an integral part of these accounts

Director

Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June, 2001

	<i>Share Capital</i>	<i>Share Premium</i>	<i>Unappropriated profit/(loss)</i>	<i>Total</i>
	<i>(Rupees in '000')</i>	<i>(Rupees in '000')</i>	<i>(Rupees in '000')</i>	<i>(Rupees in '000')</i>
Balance as on 1st July 1999	42,000	--	(56,392)	(14,392)
Net profit for the year	--	--	1,293	1,293
	-----	-----	-----	-----
Balance as on June 30, 2000	42,000	--	(55,099)	(13,099)
Net profit for the year	--	--	1,631	1,631
	-----	-----	-----	-----
Balance as on June 30, 2001	42,000	--	(53,468)	(11,468)
	=====	=====	=====	=====

Director

Director

NOTES TO THE ACCOUNTS
For the year ended 30 June, 2001

**1. STATUS AND NATURE OF
BUSINESS**

The company was incorporated on 30 March 1982 as a public limited company under the Companies Act, 1913 (now Companies Ordinance, 1984). Its shares are quoted on Karachi and Lahore Stock Exchanges. The principal activity of the company is manufacturing and marketing of Wire Rods, Baling Hoops and Re-enforcement bars.

However subsequent to the year end, The Karachi stock Exchange vide their letter No. KSE/C-533-4080 dated 31-08-2001 has approved de-listing of the company from the Exchange and fixed a price of Rs. 13.75 (Rupees Thirteen and paisa Seventy Five) per share for the buy-back of shares by sponsor of the Company from the shareholders of the company.

2. GOING CONCERN ASSUMPTION

Although during the year the company has earned a profit of Rs. 1.631 million and as of that date its accumulated losses exceeded its capital by Rs. 11.468 million and its current liabilities exceeded current assets by Rs. 40.712 million. However, the financial statements have been prepared under going concern assumption as the company has been able to increase its sales during the period subsequent to year end is hopeful that the running finance facility from Habib Bank Limited will be renewed / rescheduled.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These accounts have been prepared under the historical cost convention.

3.2 Retirement benefits

The company operates a provident fund scheme for all its eligible employees. Contributions thereto are made in accordance with the terms of the scheme.

3.3 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credits, tax rebates and tax losses etc., if any.

Deferred

The company accounts for deferred taxation using the liability method, on all major timing differences, except where these are not expected to reverse in the foreseeable future. However, deferred tax debits are not incorporated in the accounts.

3.4 Fixed assets

Owned assets

These are stated at cost less accumulated depreciation except land which is stated at cost. Depreciation is charged to income applying the reducing balance method at the rates indicated in Note 8.

A full year's depreciation is charged on the assets capitalized during the year, whereas no depreciation is charged in the year of disposal.

Gains or losses on disposal of fixed assets are dealt with through the profit and loss account. Normal repairs and maintenance are charged to expenses as and when incurred.

Leased assets

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations under the lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is provided in the same way as on owned assets.

3.5 Stores, spares and loose tools

These have been valued on the basis of moving average cost. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

3.6 Stock-in-trade

These have been valued as follows:

Finished goods	Lower of average cost and net realisable value.
	Cost of finished goods includes direct cost of materials, labour and an appropriate portion of production overheads.
Raw materials	Lower of moving average cost and net realisable value.
Scrap / cogging	Net realisable value.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

3.7 Trade debts

Known bad debts are written off, while provisions are made for debts considered doubtful.

3.8 Revenue recognition

Sales of products and income from re-rolling are recorded at the time the goods are despatched/ invoiced.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2001	2001 (Rupees in '000)	2000
Ordinary shares of Rs. 10/- 3,996,000 each fully paid in cash	39,960	39,960
Ordinary shares of Rs. 10/- 204,000 each issued for consideration other than cash	2,040	2,040
----- 4,200,000 =====	----- 42,000 =====	----- 42,000 =====

5. FINANCE UNDER MARK UP ARRANGEMENTS - Secured

The amount represent the running finance facility available from Habib Bank Limited - Central Branch under the markup arrangements amounting to Rs. 170 Million. The mark-up is being charged at the rate of 16% per annum. The facility is secured by charge against fixed assets of the company and hypothecation of stocks of raw materials, finished goods and stores and spares and personal guarantees of sponsors director and cross company guarantees of group company This facility was valid up to 30 September 1998. Habib Bank Limited Central Branch, Karachi has filed

a Suit No. B- 157 of 2000 in the High Court of Sindh at Karachi for the recovery of loans and advances including mark-up amounting Rs. 291.111 million from the Company. Further the company is challenging the amount claimed by Habib Bank Limited as well the charging of markup.

**6. CREDITORS, ACCRUED EXPENSES
AND
OTHER LIABILITIES**

	<i>Note</i>	<i>2001</i> <i>(Rupees in '000)</i>	<i>2000</i>
Creditors	6. 1 & 5	95,420	84,166
Accrued expenses		2,628	3,111
Security deposits		2	2
Mark-up payable on short term running finances	5	76,224	49,034
Workers' Profit Participation Fund	6.2	225	78
Tax deducted at source		87	116
Sales tax payable		--	1,493
Dividend payable		37	37
Others payable		195	195
		----- 174,818 =====	----- 138,232 =====

6.1 This represent the amount of Forced PAD (including mark-up) payable to Habib Bank Limited against various letter of credits for which Company has purchased billet from Pakistan Steel Mills Corporation Limited during the year 1998-99. This Force PAD carries mark-up @ 16% per Annum.

6.2 Workers' Profit Participation Fund

Opening balance		78	--
Payment during the year		--	--
		----- 78	----- --
Interest for the year		14	--
Contribution during the year		133	78
		----- 225 =====	----- 78 =====

7. CONTINGENCIES

Claims not acknowledged as debt

802 802

8. FIXED ASSETS - At cost less accumulated depreciation

	<i>COST</i>			<i>As at 30 June 2001</i>	<i>Rate %</i>	<i>DEPRECIATION</i>			<i>As at 30 June 2001</i>	<i>Written down value as at 30 June 2001</i>
	<i>As at 01 July 2000</i>	<i>Additions</i>	<i>Disposals/ Adjustments</i>			<i>As at 01 July 2000</i>	<i>For the year</i>	<i>Disposals/ Adjustments</i>		
Leasehold land (60 years)	3,060	--	--	3,060	--	--	--	--	--	3,060
Factory building (on leasehold land)	11,754	--	--	11,754	10	8,880	287	--	9,167	2,587
Office building	2,217	--	--	2,217	5	969	63	--	1,032	1,185
Plant and machinery	81,751	217	--	81,968	10	59,695	2,227	--	61,922	20,046
Furniture and fixtures	1,193	--	--	1,193	10	848	34	--	882	311
Vehicles	1,894	--	--	1,894	20	1,717	36	--	1,753	141
Electrical fittings and installations	521	2	--	523	10	372	15	--	387	136
Office equipment	864	--	--	864	10	579	28	--	607	257
	-	-	-	-	-	-	-	-	-	-
2001 (Rs.'000)	103,254	219	--	103,473	--	73,060	2,690	--	75,750	27,723
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
2000 (Rs. '000)	131,200	2	(27,948)	103,254	--	91,861	2,966	(21,769)	73,060	30,194
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

8.1 Depreciation has been allocated as follows:

	<i>2001 (Rupees in '000)</i>	<i>2000</i>
Cost of goods sold	2,530	2,786
Administrative expenses	161	180
	-----	-----
	2,691	2,966
	=====	=====

9. STORES, SPARES AND LOOSE TOOLS

Spares	6,247	6,408
Loose tools	110	212

Stores in transit		--	1,653
		-----	-----
		6,357	8,273
Less: Provision for obsolete and slow moving stores and spares		(4,432)	(4,432)
		-----	-----
		1,925	3,841
		=====	=====
10. STOCK IN TRADE			
Raw materials		507	1,036
Finished goods [including scrap/cogging Rs. 0.532 million (2000: 0.288 million)]		9,248	10,546
		-----	-----
		9,755	11,582
		=====	=====
11. TRADE DEBTS			
Considered good		2,121	2,605
Considered doubtful		1,191	2,454
		-----	-----
		3,312	5,059
Less: Provision for doubtful debts	24	(1,191)	(2,454)
		-----	-----
		2,121	2,605
		=====	=====
12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - Unsecured, considered good			
Against suppliers		31	156
For expenses		42	44
Staff		105	194
Advance income tax		478	2,908
		-----	-----
		656	3,302
Deposits			
Trade deposits		3,412	5,407
Less: Provision for doubtful debts	24	--	(757)
		-----	-----
		3,412	4,650
Prepayments		53	45
Margin against guarantees		--	210

Other receivables			
Mark up receivable	12.1	64,016	52,064
Receivable from Associated Undertaking			
Current			
Account	12.1	157,021	91,600
Income tax refundable		8,036	8,036
Munafa receivable		327	125
Sales tax receivable		226	--
		-----	-----
		229,626	151,825
		-----	-----
		233,747	160,032
		=====	=====

12.1 The current account with Abbas Steel Industries (Pvt) Limited carries mark up @ 16% (2000: @ 16%) per annum chargeable on daily product basis and the maximum aggregate balance receivable from associated undertaking at the end of any month during the year was Rs. 175.649 million (2000: Rs. 96.131 million).

13. ADVANCE TO ASSOCIATED UNDERTAKING

This advance has been given to Abbas Steel Industries (Pvt) Limited, an associated undertaking, in terms of an agreement for purchase of raw materials. The agreement was valid upto 31 December 1998 and is further extendable by mutual agreement. Mark up at the rate of 16% per annum is being charged on the balance outstanding where associated undertaking failed to comply with the agreement.

14. CASH AND BANK BALANCES

In hand		1,149	452
With banks			
Current accounts		102	91
Saving			
accounts		11,507	9,963
		-----	-----
		12,758	10,506
		=====	=====

15. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of financial assets and liabilities reflected in financial statement approximate their fair value.

16. CREDIT RISK

The following financial assets of the Company are exposed to credit risk:

Deposits		3,412	5,407
Receivable from Associated Undertaking			

	-				--	-
	241,663	--	241,663	103,093	--	103,093
	-----				-----	-----
	-				--	-
Net financial assets / (liabilities)	(25,871)	--	(25,871)	(22,995)	1,521	(21,474)
	=====		=====	=====	=====	=====

17.1 The effective rates for the financial assets and liabilities range between 14% to 16% per annum.

	<i>Note</i>	<i>2001</i> <i>(Rupees in '000)</i>	<i>2000</i>
18. SALES -			
Net			
Sales	18.1	413,591	361,763
Less: Sales tax		(54,292)	(48,546)
		-----	-----
		359,299	313,217
		=====	=====
18.1 Gross Sales			
Wire Rods		295,184	258,028
Baling Hoops		106,781	92,257
M.S. Products		11,528	9,445
Trading sales - Billets		98	2,033
		-----	-----
		413,591	361,763
		=====	=====
19. COST OF GOODS			
SOLD			
Raw materials			
Opening stock		1,036	1,020
Purchases		267,997	232,926
Less: Rebate from PASMIC		--	(1,068)
		-----	-----
		269,033	232,878
Less:			
Closing stock		(507)	(1,036)
		-----	-----
		268,526	231,842
Manufacturing expenses			
Salaries, wages and other benefits		8,187	7,314
Contractors' charges		8,875	6,637

Electricity, gas and water		27,298	26,117
Stores and spares		16,604	14,788
Repair and maintenance		3,194	1,385
Depreciation	8.1	2,530	2,786
Vehicle operating expenses		475	419
Insurance		208	328
Legal and professional		9	6
Rent rates and taxes		112	--
Leasing rent		219	219
Cartage on raw material		1,055	1,058
Miscellaneous		279	358

		69,045	61,415
--	--	--------	--------

Cost of goods manufactured		337,571	293,257
Add: Finished goods			
Opening stock		10,546	8,679
Trading Purchases - Billets (net of rebate)		85	1,767

		348,202	303,703
--	--	---------	---------

Less: Closing stock		(9,247)	(10,546)
---------------------	--	---------	----------

		338,955	293,157

20. OTHER INCOME

Interest income from associated undertaking on current account		31,414	28,392
Interest on FDR		--	11
Income from Rozana Munafa Account		740	261
Sales proceeds of miscellaneous scrap		73	140

		32,227	28,804

21. ADMINISTRATIVE EXPENSES

Salaries, allowances and other benefits		4,021	3,208
Postage and telegram		18	27
Telephone and telex		841	669
Electricity, Gas and Water		620	595
Printing and stationery		247	204
Repairs and maintenance		303	648
Vehicle operating expenses		481	410
Travelling and conveyance		397	295
Depreciation	8.1	161	180

Legal and professional		878	164
Auditors' remuneration	21.1	145	145
Insurance		181	203
Leasing rent		377	680
Office rent		120	120
Miscellaneous		203	245
		-----	-----
		8,993	7,793
		=====	=====

21.1 Auditors' remuneration

Audit fee		110	110
Out of pocket expenses		35	35
		-----	-----
		145	145
		=====	=====

22. SELLING EXPENSES

Salaries, allowances and other benefits		1,802	1,736
Vehicle operating expenses		226	209
Cartage and loading charges		2,504	822
Rent, rates and taxes		--	148
Postage and telegram		--	5
Telephone and telex		66	70
Printing and stationery		2	14
Miscellaneous		32	13
		-----	-----
		4,632	3,017
		=====	=====

23. FINANCIAL CHARGES

Mark-up on Finance			
under mark-up arrangements		27,190	27,264
Financial charges on billets purchased		9,070	9,115
Bank charges		22	117
Interest on workers' profit participation fund		14	--
		-----	-----
		36,296	36,496
		=====	=====

24. PRIOR YEARS' ADJUSTMENT

This represent provision made in earlier years against book debt and advances, has been recovered during the year hence reversed.

25. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

25.1 No remuneration of any sort was paid to Chief Executive of the Company.

25.2 The aggregate amounts charged in the financial statements in respect of remuneration and fringe benefits of the Directors and Executives of the Company were as follows:

	2001		2000	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees in '000)			
Managerial remuneration	--	2,011	--	1,519
Retirement Benefits	--	307	--	300
	-----		-----	
No. of persons	--	7	--	8
	=====		=====	

25.3 In addition the Company has also accounted for car running expenses of certain directors.

25.4 One Executive is also provided with the company maintained car.

26. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Sales of finished goods	15,720	4,625
Sales of raw materials	98	2,033
Purchases / amount received back for raw materials	30,851	10,110
Current Account (net - off)	65,421	13,610
Interest income	31,414	28,392
Expenses incurred	6,581	6,137
	-----	-----
	150,082	64,907
	=====	=====

27. CASH GENERATED FROM OPERATION

Profit before taxation	2,517	1,480
Adjustments for non cash charges and other items		
Depreciation	2,691	2,966
Provision for doubtful debts	2,021	--
Financial charges	27,190	27,264
Provision for prior year taxation	--	1,369
Provision for Chilled alloyed rolls	--	6,179
Working Capital changes	27.1	(37,993)
	(62,522)	

	-----	-----
	(28,103)	1,265
	=====	=====
27.1 Working Capital changes		
(Increase) / decrease in current assets		
Stores & spares	1,916	(791)
Stock in trade	1,827	(1,884)
Trade debts	484	(2,060)
Advances, deposits, prepayments & other receivables	(76,145)	(44,233)
Short term investment	--	308
Increase / (decrease) in current liabilities		
Creditors, accrued expenses & other liabilities	9,396	10,667
	-----	-----
	(62,522)	(37,993)
	=====	=====

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet

Cash and Bank balances	12,758	10,506
Short term Running Finance under mark up arrangements	(169,938)	(169,938)
	-----	-----
	(157,180)	(159,432)
	=====	=====

29. EARNING PER SHARE

Net profit after tax	1,631	1,293
	NO OF SHARES	
Weighted average number of Ordinary Shares	4,200,000	4,200,000
	Rs.	Rs.
Earning per shares	0.39	0.31
	=====	=====

30. CAPACITY

The designed capacity of the plant is to produce wire rods, baling hoops, re-enforcement bars, etc. of maximum sizes in aggregate quantity of 39,000 metric tons per annum.

The actual production in metric tons was as follows:

Metric Ton

Wire rods	13,031	12,924
Baling hoops	4,073	3,814
	-----	-----
	17,104	16,738
	=====	=====

The full production capacity of plant could not be achieved due to unstability of steel market caused by uncertainty of economic and political conditions of the Country.

31. TAXATION

31.1 The Income Tax assessment have been finalized upto assessment year 2000 - 2001.

31.2 Provision for taxation is based on Turnover @ 0.50% under section 80(d) of the Income Tax Ordinance 1979. As per assessment order for the assessment year 2000-2001, losses available to be carried forward to Rs. 12.150 million.

32. GENERAL

32.1 Prior year's figures have been re-arranged, wherever necessary, to facilitate comparison.

32.2 Figures have been rounded off to the nearest thousand rupees.

Director

Director

SHAREHOLDINGS PATTERN

As on June 30, 2001

<i>No. of Shareholders</i>	<i>Shareholdings</i>	<i>No. of Shares</i>	
395	1	100	39,500
108	101	500	37,500
39	501	1000	32,100
48	1001	5000	97,100
4	5001	10000	30,400
1	10001	15000	11,500
1	60001	65000	63,000
1	90001	95000	91,200
2	275001	500000	856,000
1	660001	665000	662,100
1	730001	735000	734,600
2	770001	775000	1,545,000

603
=====

4,200,000
=====

<i>Categories of Shareholders</i>	<i>No. of Shareholders</i>	<i>No. of Share Held</i>	<i>Percentage %</i>
Individuals	588	288,500	6.87
Investment Companies	1	600	0.01
Insurance Companies	3	13,500	0.32
Joint Stock Companies	2	408,200	9.72
Financial Institutions	1	6,800	0.16
Co-operative Societies	1	91,200	2.17
Modaraba Companies	1	500	0.01
Private Limited Co.	5	2,942,700	70.07
Central Depository Co.	1	448,000	10.67
TOTAL	----- 603	----- 4,200,000	----- 100.00