

PAKISTAN ENGINEERING COMPANY LIMITED
ANNUAL REPORT 1998

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COMPANY INFORMATION

CHAIRMAN Mr. Hussain Ahmad Siddiqui

CHIEF EXECUTIVE Mr. M. Javed Sahibzada

DIRECTORS Mr. Sajjad Haider
Mr. Mairaj Ahmed Sheikh
Mr. Afaq Jamal Hussain
Mr. S. M. Ahsan Raza
Syed Aijaz Ali Abbasi
Mr. Liaqat Mohammad
Mr. Mohammad Shabir Malik
Sheikh Asif Salam

BANKERS National Bank of Pakistan
National Development Finance Corporation
Habib Bank Limited

AUDITORS S.M. Masood
Chartered Accountants

REGISTERED 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 49th Annual General Meeting of PAKISTAN ENGINEERING COMPANY LIMITED will be held at Hotel Ambassador, 7-Davis Road, Lahore. on Thursday December 31, 1998 at 10.30 A.M. to transact the following business:-

- 1) To confirm minutes of 48th Annual General Meeting held on December, 29, 1997.
- 2) To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 1998 together with the Auditors' and Directors' reports thereon.
- 3) To appoint auditors for the year ending June 30, 1999 and to fix their remuneration. The present Auditors NVs. 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

Dated: December 5, 1998

NOTES :

1. The Share Transfer Books of the Company shall remain closed from December 29, 1998 to January 5, 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

I welcome you to the 49th Annual General meeting of the Company and to present its audited accounts for the year ended June 30, 1998 alongwith Auditors' Report.

OPERATING RESULTS:

The year under review was full of domestic and international events which had affected the economic activities in the country. The major customers of your Company are WAPDA and other Government departments. With the installation of power projects in private sector and privatization of WAPDA's Generation Plants, the resources of WAPDA were adversely squeezed. Economic sanctions imposed by the lending agencies also affected WAPDA. The Third Circuit Project valuing approximately Rs. 650 million, which was recommended in April 1997 to be awarded to your Company under financial arrangement with World Bank, was consequently not implemented. This was a great set-back to your Company as it had severe impact on the operations during the year under review. Because of non-availability of foreign loans to WAPDA, it was forced to ask for bidders' long term financing on turn key basis. Unfortunately, due to many structural changes in WAPDA., even the projects based on suppliers credit could not be finalized. The result was that during the year under review, there was not a single order placed by WAPDA on PECO.

The above factors coupled with increase in energy cost and general inflationary trend in the country had a stunning blow on the operating results of your Company during the year ended June 30, 1998. Due to shrinkage of industrial activity, there was cut throat competition with private sector in other areas of business. With no option available, some products had to be sold on marginal cost to atleast recover the variable cost. The sales resultantly declined from Rs. 603 million during previous year to Rs. 358 million during the current year. As a result, the Company incurred a loss of Rs. 167 million as against a profit of Rs. 26 million last year.

FUTURE OUT LOOK:

Since it was not possible to handle WAPDA's project on turn key basis and arrange long term credit, the Company participated as sub-contractors to the foreign ,suppliers. Direct participation was made where the financing was available to WAPDA from some foreign banks. It is hoped that some business will be available from WAPDA/foreign suppliers.

The Management however took a few remedial measures to overcome the

order shortage with a view to utilize the available production facilities. It succeeded in obtaining some orders for supply of iron bars for Ghazi Brotha Project from the foreign contractors, besides few private sector construction companies. The Company was also able to secure orders from PTCL for steel poles and structure. Steel fabrication jobs are also being negotiated, besides providing special steel to POF and other such customers.

The Company is also negotiating with foreign organizations to improve its technology in the fields of Textile Looms and Pumps. The designing capabilities, which had been deteriorated over time, are also being seriously considered for improvement and up-gradation. The Management of the Company is seriously working on these short term plans to maximize utilization of production facilities. The other area which is receiving special attention of the Management is marketing and sales promotion of Company's products in order to promote sales, particularly through exports.

Your Company is on active privatization list of the Government. The Privatization Commission has already appointed a Financial Advisor to assist the Government in the privatization process of the Company.

PROGRESS OF MACHINERY SHIFTING:

The installation and erection of Machinery and Steel Structure, as indicated in the last year's review, was in its final stage. During the current year, Rolling Mills have been fully commissioned, while Cast Iron Foundry and Pattern Shop are in advanced stage of completion. As no further release of funds was made by the Government, installation of these shops is being carried out through Company's own resources.

ACKNOWLEDGEMENT:

In the end, 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 combat the adverse economic factors affecting the operations of your Company and trying to steer it out from the present predicament.

Thank you.

HUSSAIN AHMAD SIDDIQUI
CHAIRMAN

Dated: December 5, 1998

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors have privilege to place before you the 49th Annual Report with the Audited Accounts for the year ended June 30, 1998 together with

Auditors' Report thereon:

ACCOUNTS	(RUPEES IN THOUSAND)
Loss for the year before taxation	167,128
Taxation (Turnover Tax)	1,790
Loss after taxation	168,918
Loss Brought Forward	779,802
Accumulated Loss	948,720

BOARD OF DIRECTORS

During the year under review Mr. Hussain Ahmad Siddiqui Chairman SEC and Mr. Sajjad Haider of Ministry of Industries & Production replace Dr. M. Akram Sheikh and Mr. Imtiaz Rasool respectively as Directors.

AUDITORS

The retiring auditors Messrs S.M. Masood & Company, Chartered Accountants offer themselves for re-appointment.

On behalf of the Board

(HUSSAN AHMAD SIDDIQUI)
CHAIRMAN

Dated: December 5, 1998

PATTERN OF SHARE HOLDING AS AT JUNE 30, 1998

No. of Shareholders	Shareholding				Total Shares held Ordinary
	From	To	Shares	Shares	
1,495	1	100	100	"	47,212
758	"	101	500	"	193,107
262	"	501	1,000	"	193,071
221	"	1,001	5,000	"	510,847
54	"	5,001	10,000	"	409,008
18	"	10,001	15,000	"	224,888
10	"	15,001	20,000	"	181,400
2	"	20,001	25,000	"	47,890
1	"	25,001	30,000	"	29,800
3	"	30,001	35,000	"	102,738
1	"	35,001	40,000	"	37,800
1	"	40,001	45,000	"	43,776
2	"	50,001	55,000	"	101,920
1	"	65,001	70,000	"	66,600

1	"	115,001	"	120,000	"	116,600
1	"	160,001	"	165,000	"	163,457
1	"	165,001	"	170,000	"	165,254
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

2,836			TOTALS			5,690,245
=====						

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Individuals	2802	2021905	35.53
Investment Companies (Govt, Owned)	2	213577	3.75
(Private)	4	11870	21
Insurance Companies (Govt. Owned)	2	209030	3.67
(Private)	3	130528	229
Financial Institutions (Govt. Owned)	7	1326120	23.31
(Private)	4	341467	6.00
Modaraba Companies	2	11800	0.21
OTHERS			
The Custodian of Enemy Property	1	390	1
M/s. Corporate Law Authority	1	1	-
State Engineering Corpn, Ltd, The Deputy Administrator	1	1415723	24.88
Abandoned Properties	1	5754	10
Foreign Participation	6	2080	0.04

TOTAL	2836	5690245	100.00
=====			

TEN YEARS AT A GLANCE

DESCRIPTION	1,989	1,990	1,991	1992	1993	1994	1995	1996
Sales (Net)	802,055	837,033	571,349	668,049	862,675	449,081	360,742	842,255
Cost of Sales	650,942	706,131	485,628	594,496	775,818	504,372	411,142	757,423
Trading Profit/(Loss)	151,113	130,902	85,721	73,553	86,857	(55,291)	(50,400)	84,832
Other Income	8,325	7,965	8,736	8,656	4,964	2,539	5,122	11,444
Admin. General Selling Exp.	50,888	55,578	69,100	66,745	72,688	72,223	55,798	61,903
Financial Expenses	94,516	117,107	102,131	107,098	122,408	132,552	16,877	51,893
Workers' Profit Participation Fund	656	-	-	-	-	-	-	-

Other Charges	3,000	-	-	-	850	1,259	6,955	15,152
Net Profit/(Loss) for the year	10,378	(33,818)	(76,774)	(91,634)	(104,125)	(258,786)	(124,908)	(32,672)
Prior year's Adjustments	-	-	(52,827)	(3,328)	(4,767)	-	-	4,110
Profit/(Loss) before Taxation	10,378	(33,818)	(129,601)	(94,962)	(108,892)	(258,786)	(124,908)	(28,562)
Provision for Taxation	5,800	-	(1,547)	(3,840)	2,833	-	8,458	4,226
Profit/(Loss) after Taxation	4,578	(33,818)	(131,148)	(98,802)	(106,059)	(258,786)	(133,366)	(32,788)
Dividends	375	-	-	375	-	-	-	-
Paid up Capital	61,902	56,902	56,902	56,902	56,902	56,902	56,902	56,902
Fixed Capital Expenditure	93,868	97,773	97,907	1,016,653	1,010,478	1,003,567	1,005,336	1,034,404

REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of PAKISTAN ENGINEERING COMPANY LIMITED as at June 30, 1998 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:

During the year Company has reduced the rate of depreciation on Building and Plant & machinery from 10% to 5% which has resulted in reduction of depreciation charge as well as losses for the year by Rs. 14.525 million.

Except for above and to the extent to which it affect 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 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;

(c) 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 and the Statement of Changes in Financial Position, together with the Notes forming part thereof, give the information required by the

Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1998 and of the LOSS and the Changes in Financial Position for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: December 5, 1998.

(S.M. MASOOD & co.)

Place: LAHORE.

Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1998

		(Rupees in Thousand)	
	Note	1998	1997
FIXED CAPITAL EXPENDITURE			
TANGIBLE FIXED ASSETS	3	1,212,269	1,254,125
ASSETS SUBJECT TO FINANCE LEASE	4	1,000	0
CAPITAL WORK IN PROGRESS	5	46,366	41,099
		-----	-----
		1,259,635	1,295,224
STATE ENGINEERING CORPORATION			
PENSION FUND	6	20,413	33,810
LONG TERM SECURITY DEPOSIT		1,777	1,818
LONG TERM INVESTMENTS	7	315	800
DEFERRED COST	8	14,482	20,189
		1,296,622	1,351,841
CURRENT ASSETS			
Assets held for Sale	9	50,750	0
Loose Tools		25,418	25,000
Stores & Spares	10	87,041	99,801
Stock in Trade	11	352,608	389,435
Trade Debtors	12	166,778	328,491
Loans & Advances to Employees	13	6,758	9,517
Advances to Others	14	12,390	62,547
Trade Deposits, Prepayments & Other Receivable	15	18,956	30,574
Cash & Bank Balances	16	7,214	14,923
		-----	-----
		727,913	960,288
CURRENT LIABILITIES			
Short Term Loans		128,798	213,697
Privatization Commission Loan		334,606	334,606
Government Escrow Account		161,292	146,495

Current Maturity against Finance Lease		144	0
Deposits & Advance Payments		17,188	20,595
Trade Creditors		8,577	86,959
Accrued Liabilities / Mark-up		57,619	50,690
Provision for Taxation		1,791	3,017
Unclaimed Dividend		1,153	1,153
Dividend Payable		372	8,907
Other Liabilities		90,238	60,845
		-----	-----
		801,778	926,964
		-----	-----
CURRENT ASSETS LESS CURRENT LIABILITIES		(73,865)	33,324
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		1,222,757	1,385,165
CONTINGENCIES & COMMITMENTS	23	0	0
LONG TERM & DEFERRED LIABILITIES			
Government Loan	24	100,000	100,000
Federal Government Bonds	25	787,442	787,442
Liabilities against Assets Subject to Finance L	26	1,045	0
Deferred Liabilities		50,945	45,480
		-----	-----
		939,432	932,922
		-----	-----
NET TOTAL ASSETS		283,325	452,243
		=====	=====
REPRESENTED BY			
Share Capital	27	56,902	56,902
Revenue Reserve- General		10,000	10,000
Accumulated (Loss)		(948,720)	(779,802)
		-----	-----
		(881,818)	(712,900)
Revaluation Surplus	28	1,165,143	1,165,143
		-----	-----
TOTAL CAPITAL & RESERVES		283,325	452,243
		=====	=====

M. JAVED SAHIBZADA
Managing Director

LIAQAT MOHAMMAD
Director

MOHAMMAD SHABIR MALIK
Director

**PROFIT & LOSS ACCOUNT FOR
THE YEAR ENDED JUNE 30, 1998**

(Rupees in Thousand)

	Note	1998	1997
SALES	29	358,081	603,433
COST OF GOODS SOLD	30	397,251	466,359
		-----	-----
GROSS PROFIT/(Loss)		(39,170)	137,074
OPERATING EXPENSES			
General & Administrative	31	46,997	47,569
Selling & Distribution	32	17,579	14,103
		-----	-----
		64,576	61,672
OPERATING PROFIT/(LOSS)		(103,746)	75,402
FINANCIAL CHARGES	33	63,010	56,458
		-----	-----
OTHER INCOME/(CHARGES)	34	(166,756)	18,944
		(372)	8,543
		-----	-----
		(167,128)	27,487
WORKERS' PARTICIPATION FUND		0	1,374
		-----	-----
PROFIT/(LOSS) BEFORE TAXATION		(167,128)	26,113
TAXATION	35	1,790	3,017
		-----	-----
PROFIT/(Loss) AFTER TAXATION		(168,918)	23,096
APPROPRIATION			
Dividend (1997: 15%)		0	8,535
		-----	-----
PROFIT AVAILABLE AFTER APPROPRIATION		(168,918)	14,561
PROFIT/(LOSS) BROUGHT FORWARD		(779,802)	(794,363)
		-----	-----
ACCUMULATED (LOSS)		(948,720)	(779,802)
		=====	=====

M. JAVED SAHIBZADA
Managing Director

LIAQAT MOHAMMAD
Director

MOHAMMAD SHABIR MALIK
Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1998**

	(Rupees in Thousand)	
	1998	1997
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(loss) before taxation and after appropriation	(167,128)	17,578
Adjustment for:		
Depreciation	15,912	10,088
Amortization of Leased Assets	250	0
Financial charges	63,010	56,458
Provision for bad debts	4,451	0
Provision for gratuity and pension	6,696	2,053
Provision for Diminution in value of Investment	485	0
Deferred cost amortized	7,023	6,759
(Profit) on sale of tangible fixed assets	(2,741)	(7,748)
Creditors written back	(8,270)	0
Provision for Workers' Participation Fund	0	1,374
	-----	-----
Profit/(Loss) before working capital changes	(80,312)	86,562
(Increase)/Decrease in loose tools	(418)	105
(Increase)/Decrease in stores and spares	12,760	(10,898)
(increase)/Decrease in stock in trade	36,827	(87,266)
(Increase)/Decrease in trade debtors	157,262	103,469
(Increase)/Decrease in loans and advances to employees	2,759	(2,114)
(Increase)/Decrease in advances to others	50,424	(49,552)
(Increase)/Decrease in trade deposits prepayments and other	11,618	(7,359)
Increase/(Decrease)in deposits and advance payments	(3,407)	(13,397)
Increase/(Decrease)in trade creditors	(70,112)	46,722
Increase/(Decrease) in accrued liabilities	15,389	3,243
Increase/(Decrease) in other liabilities	29,392	89
	-----	-----
Cash generated from operations	162,182)	69,604
Financial charges paid	(71,470)	(58,409)
Gratuity paid	(1,231)	(965)
Taxes paid	(3,284)	(2,600)
	-----	-----
Net cash inflow from operating activities	86,197	7,630
	-----	-----
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(1,416)	(2,156)
Addition in Capital Work in progress	(28,749)	(29,837)

(Increase)/Decrease in State Engineering Corporation Pensio	13 397	(3,813)
(Increase) 1 Decrease in long term security deposits	41	(18)
Payment of deferred cost	(1,316)	(7,225)
Sale proceeds on disposal of fixed assets	2,834	8,454
	-----	-----
Net cash outflow from investing activities	(15,209)	(34,604)
	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) in short term loans/long term loans	(70,102)	26,412
Increase/(Decrease)in Dividends payable	(8,535)	8,535
Payment of Lease Liability	(60)	0
	-----	-----
Net cash Inflow /(Outflow)from financing activities	(78,697)	34,947
	-----	-----
Net increase/(decrease)in cash and cash equivalentents	(7,709)	7,973
Cash and cash equivalentents at beginning of the period	14,923	6,950
	-----	-----
Cash and cash equivalentents at close of the period	7,214	14,923
	=====	=====

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1998

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 towers, bicycles, power looms, diesel engines, pumps, rolled material and machine tools etc.

The Federal Cabinet approved the rehabilitation plan advised by 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. Therefore, Privatization Commission advised to shift all machines and structure to Kot Lakhpat Works. So that land is offered for sale in small size plots to get maximum possible price. Further, the Cabinet Committee on Privatization (CCOP) has also approved a plan for the privatization of remaining operations.

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 steel structure and plant & machinery shifted from Badami Bagh Works to Kot Lakhpat Works in the previous year.

2.2 Tangible Fixed Assets & Depreciation

Operating fixed assets are stated at cost less accumulated depreciation except freehold land, plant & machinery and factory building (steel structure) which have been revalued (Note No.

3). 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 except the increment in value of plant & machinery and factory building 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 income.

2.3 Assets subject to Finance Lease.

Assets under finance are stated at lower of present value of minimum lease payments under the agreement or the fair value of 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 Terms Investments

These are stated at cost. Provision against permanent diminution in the value of investments is made on the basis of market value or break up 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 follow:

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 income currently.

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 tax 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.

ELECTRIC MOTORS

1. Drip Proof Squirrel Cage 3 phase 400V	1-75HP 1000, 1500 and 3000 R.P.M.
2. Totally Enclosed Fan Cooled Squirrel Cage 3 phase 400V	1 - 50HP 1000,1500 and 3000 R.P.M.
3. Drip Proof Vertical Hollow Shaft Squirrel Cage 3 phase 400V	10 - 150HP 1500 and 3000 R.P.M.
4. Totally Enclosed Fan Cooled Squirrel Cage Vertical Hollow Shaft 3 Phase - 400V	10,15,20,80 & 150HP 1500 R.P.M.
5. Naturally Cooled Squirrel Cage 3 phase 400 V	1 - 2HP 720 and 960 R.P.M.
6. Submersible Motors Type 1218a/2 3 phase 400V	15 - 50HP 2900 R.P.M.

PUMPS

PECO Pumps, designed under modern manufacturing techniques and as per BSS, meet the requirements of Agriculture, Construction, Water supply, Drainage, Fire Fighting and Industrial applications:

*** CENTRIFUGAL PUMPS:**

For heads: 20 to 300 ft
Capacity range: 100 to 1625
IGPM

*** DEEP-WELL-TURBINE-PUMPS:**

For well dia: 6" to 16"
Capacity range: 15 to 700 cu m/hr

*** SUBMERSIBLE-PUMPS:**

For well dia: 8" to 12"
Capacity range: 60 to 1200
IGPMI

CONCRETE MIXERS

*** CM 17NT**

Mixed capacity: 17 ft³

*** CM 7 NTR**

Mixed capacity: 7 ft³

MACHINE TOOLS

(i) LATHES

Bed Lengths: 1265mm to 4910mm

Centre Height: 115mm to 335mm

(ii) SHAPING MACHINE

Length of Stroke 460mm

(iii) HACK-SAWING-MACHINE

Sawing off Round/Square bars, Tubular and Profiles upto 180mm

(iv) DRILLING MACHINE

(a) PD-20

Drilling Capacity in M. Steel 20mm

(b) UD-50

Drilling Capacity in M. Steel 50mm

Drilling Capacity in C. Iron 62mm

POWER LOOMS

(Cop-Change, Automatic)

MODEL CG/CBG	REED SPACE	MODEL CBG/SE	REED SPACE
CG 46"	46 inches	CBG 75"SE	75 inches
CG 60"	60 inches	CBG 85"SE	85 inches
CG 70"	70 inches	CBG 105"SE	105 inches
CBG 75"	75 inches	CBG 120"SE	120 inches

BICYCLES

POPULAR GENTS BICYCLE

22" and 24"

SUPER SHAHEEN BMX

ROLLED PRODUCTS

Description	Sizes
Steel Ingots	3"x4", "4"x5", "5"x6" 6"x7", "7"x8"
Billets	2"x2 to 6"x6"
Plain Bars	1/4", to 1 3/4", Dia,
Deformed Bars (Grade 60 & 40)	No. 3 to No. 18 (3/8", to 2 1/4")
Steel Angles	3/4"x3/4, 1/8" to 6"x6"x3/4"
Channels	3"x1 1/2, 4"x2, "5x2 1/2"
Shafting	1 3/4" to 3 1/4" Dia.

Special Steel Billets In various sizes and given specifications.

PECO can produce the above products according to Bss, AISI, SAE, and DIN standards.

FABRICATION

Structural Fabrication Specializing in Equipment for:-

- * Sugar & Chemical Plants
- * Power Plants
- * Gates & Gearings for Dams & Canals
- * Overhead Cranes
- * Storage Tanks

TRANSMISSION LINE TOWERS

· 11KV, 132KV, 220KV and 500KV Towers

· Communication & Observation Towers

3. TANGIBLE FIXED ASSETS:

DESCRIPTION	COST			DEPRECIATION						W.D.V. As on June 30 1998
	As at July 01, 1997	Additions	Adjustment/ Deletions	As at June 30, 1998	As at June 30, 1997	Deletions	For the year	As at June 30, 1998		
Free Hold Land	927,025	0	0	927,025	0	0	0	0	927,025	
Factory Buildings	217,728	17,304	50,750	184,282	40,333	0	7,197	47,530	136,752	
Office Building	3,259	0	0	3,259	2,296	0	48	2,344	915	
Plant & Machinery	264,313	6,338	387	270,264	124,987	310	7,280	131,957	138,307	
Furniture & Fixtures	14,738	475	0	15,213	9,496	0	572	10,068	5,145	
Vehicles	7,731	583	49	8,265	5,089	33	642	5,698	2,567	
Tools	4,767	198	0	4,965	3,234	0	173	3,407	1,558	
Total Rupees-1998	1,439,561	24,898	51,186	1,413,273	185,435	343	15,912	201,004	1,212,269	
Total Rupees-1997	1,199,982	245,883	6,305	1,439,560	180,955	5,608	10,088	185,435	1,254,125	

(Rupee

3.1 Depreciation rate on Building, Plant and Machinery has been reduced from 10% to 5% in the current year.

3.2 Factory building deletion of Rs. 50.750 million relates to steel structure which management intends to sell and accordingly has been shifted to current "Assets held for Sale" (See note No. 9).

3.3 Free hold land was revalued in May, 1991. Steel Structure and Plant & Machinery shifted from Badami Bagh Works to Kot Lakhpur Works, was revalued in June 1997. The revaluation impact is as follows:

	Free hold land	Steel structure	Plant & Machinery
Cost	1,495	0	30,140
Increment in Value (Note 28)	925,530	143,550	96,063
	-----	-----	-----
	927,025	143,550	126,203
	=====	=====	=====

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

	1998	1997
Cost of Goods Sold	14,758	8,834
General & Administration Expenses	1,154	1,254
	-----	-----
	15,912	10,088
	=====	=====

4. ASSETS SUBJECT TO FINANCE LEASE

DESCRIPTION		COST			AMORTIZATION					(Rupees)
		As at July 01, 1997	Additions	Deletions	As on June 30, 1998	As at July 01, 1997	Deletions	For the year	As on June 30, 1998	W.D.V. as on June 30 1998
Vehicles	1998	0	1,250	0	1,250	0	0	250	250	1000
	1997	0	0	0	0	0	0	0	0	0

		=====								

5. CAPITAL WORK IN PROGRESS

(Rupees in Thousand)
1998 1997

Building	29,657	36,281
Machinery	16,709	4,818
	-----	-----
	46,366	41,099
	=====	=====

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

	Building	Machinery
Balance as on July 01, 1997	36,281	4,818
Additions	10,680	18,066
	-----	-----
Transferred to Fixed Assets	46,961	22,884
	17,304	6,175
	-----	-----
Balance as on June 30, 1998	29,657	16,709
	=====	=====

The capital work in progress relates to the expenditure incurred for construction of building (including reinstallation of steel structure) and installation of machinery at Kot Lakhpat Works, the break-up of expenditure incurred during the year as follows:

	Building	Machinery
Salaries & Wages and Other Expenses (Note 5.1)	211	8,999
Building Material	6,041	4,334
Labour Charges & other expenses	4,428	4,733
	-----	-----
	10,680	18,066
	=====	=====

5.1 Salaries & wages and other expenses have been allocated to this head of account on the basis of the time spent on such jobs.

6. STATE ENGINEERING CORPORATION PENSION FUND

	20,413	33,810
	=====	=====

This represents the payments of pension to the eligible employees on behalf of Pension 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. 10.228 million (1997: Rs. 22.621 million) is outstanding for period exceeding

three years.

7. LONG TERM INVESTMENTS

80,000 Ordinary shares of Rs. 10 each in SEPCO (State Engineering Projects Company (Pvt) Limited)- An associated company

	800	800
Less: Provision for diminution in value (Note 7.1)	485	0
	-----	-----
	315	800
	=====	=====

7.1 Provision has been made on the basis of Break up 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.

8. DEFERRED COST

Opening Balance	20,189	19,723
Additions During the Year	1,316	7,225
	-----	-----
Less: Amortized	21,505	26,948
	7,023	6,759
	-----	-----
Balance as at June, 30.	14,482	20,189
	=====	=====

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 & 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 DISPOSAL

It represents 3,500 M. Tons of steel structure, held for sale by the management and has been transferred from fixed assets (See Note No. 3.2).

10. STORES & SPARES

	(Rupees in Thousand)	
	1998	1997
Stores	29,962	33,474
Spare parts (Note 10.1)	57,079	66,327
	-----	-----
	87,041	99,801

10.1 These include spare parts in transit of Rs. 4.968 million (1997: Rs. 5.395 million).

11. STOCK IN TRADE

Raw material (Note 11.1)	94,980	150,507
Work in process	229,087	199,867
Finished goods	28,003	38,395
Others	538	666
	-----	-----
	352,608	389,435
	=====	=====

11.1 This includes raw material in transit of Rs. 3.363 million (1997: Rs. 7.046 million).

12. TRADE DEBTORS

Associated undertakings	9,105	10,676
WAPDA	73,724	276,522
Others	105,494	58,387
	-----	-----
	188,323	345,585

Less: Provision for bad & doubtful debts (Note 12.1):

Associated undertakings	848	851
WAPDA & others	20,697	16,243
	-----	-----
	21,545	17,094
	-----	-----
	166,778	328,491
	=====	=====

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

12.1 Provision for Bad and Doubtful Debts

Balance as at July 01	17,094	17,094
Less: Bad debts written off	102	0
	-----	-----
	16,992	17,094
Add: Provision for the year	4,553	0
	-----	-----
Balance as at June 30	21,545	17,094

13. LOANS & ADVANCES TO EMPLOYEES-Considered Good

	=====	=====
	6,758	9,517
	=====	=====

There was no loans to the Chief Executive, Directors & Executives of the Company.

(Rupees in Thousand)

	1998	1997
Suppliers	8,943	12,115
Income Tax	1,476	1,209
Letters of credit	1,971	49,223
	-----	-----
	12,390	62,547
	=====	=====

15. TRADE DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES

Trade deposits	6,409	7,840
Margin against bank guarantees	6,705	8,723
Prepaid Sales tax	0	4,969
Short term prepayments	774	1,654
Claim receivables	5,068	7,388
	-----	-----
	18,956	30,574
	=====	=====

16. CASH & BANK BALANCES

Cash in hand	296	208
Cash with banks		
Current accounts	6,041	13,820
Deposit accounts	847	865
Dividend account	30	30
	-----	-----
	7,214	14,923
	=====	=====

17. SHORT TERM LOAN

From banking companies under markup arrangements (Note 17.1):

NBP Cash Finance	97,740	93,094
NBP Preshipment Finance	0	76,087

	-----	-----
	97,740	169,181
From associated undertakings (Note 17.2)	31,058	44,516
	-----	-----
	128,798	213,697
	=====	=====

17.1 The detail of finances is as under:

Bank/Financial Institution	Sanctioned Limit	Date of Expiry	Rate of Markup
N.B.P Cash finance	100 Million	31-12-1998	51 paisas per thousand per day
N.B.P. Preshipment finance	200 Million	31-12-1998	13% per annum

These finances are secured by:

- Hypothecation of stocks and machinery.
- First charge on movable properties, stock of raw material, work in process, finished goods, other material and goods in transit, sundry debtors and accounts receivables.

17.2 This unsecured finance facility has been provided by State Engineering Corporation (Pvt) Ltd. and Spinning Machinery Co. (Pvt) Ltd. and carries interest rate @ 16% per annum and 45 paisas per thousand per day respectively.

18. PRIVATIZATION COMMISSION LOAN

	334,606	334,606
	=====	=====

This amount has been released by Privatization Commission for the implementation of rehabilitation plan approved by the Government of Pakistan and is repayable from the privatization proceeds.

19. GOVERNMENT ESCROW ACCOUNT

Customers & Other Import Duties (Note 19.1)	134,736	119,939
Pakistan Railway Freight	13,592	13,592
Karachi Port Trust	12,964	12,964
	-----	-----
	161,292	146,495
	=====	=====

19.1 According to Federal Cabinet decision and SRO No: 1 (12) March/93-Pt.6 dated May 10, 1994, the above liabilities are repayable from privatization proceeds. It also includes surcharge amounting to Rs. 29.051 million (1997:14.255 million) charged @ 14% per annum.

20. DEPOSITS & ADVANCE PAYMENTS

Advance from customers (Note 20.1)	12,333	15,283
Dealership securities (Note 20.2)	2,697	2,788
Retention & earnest money	2,158	2,524
	-----	-----
	17,188	20,595
	=====	=====

20.1 These include interest free advances from associated companies amounting to Rs. 0.028 million (1997: Rs. 0.225 million).

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

21. ACCRUED LIABILITIES/MARK-UP

Accrued mark up and interest on loan-secured	10,936	20,194
unsecured	774	0
Accrued interest on finance lease	24	0
Other accrued expenses payable	45,885	30,496
	-----	-----
	57,619	50,690
	=====	=====

22. OTHER LIABILITIES

Payable to preference shareholders (Note 22.1)	875	875
Employees provident fund trust	61,631	39,705
Pension fund trust	3,829	2,392
State Engineering Corporation (Pvt)Ltd. (An associated undertaking)	13,075	14,652
Others	10,828	3,221
	-----	-----
	90,238	60,485
	=====	=====

22.1 The amount stands payable to preference shareholder8 on account of principal amount due.

23. 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. 116.871 Million (1997: Rs. 111.383 Million).

* The company has filed a rebate claim of Rs. 6.077 million with Pakistan Steel equivalent to actual purchase price and notional price difference of M.S. Billet.

* Counter guarantees issued by the company to bank and insurance companies, less margin thereon Rs. 120.968 Million (1997: Rs. 141.994 Million).

* 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 Tower supplies against International Tender No. KF-531 & KF-514.

* There is a contingent liability of Rs. 110,946 million (1997: Rs. 87.603 million) in respect of post dated cheques issued to the Collector of Customs for import of raw material. These would be cancelled on providing of consumption certificates by PECO to Collector of Customs.

Commitments

Letters of credit amounted to Rs. 25.087 Million (1997: Rs. 6.164 Million).

24. GOVERNMENT LOAN

The amount represents the bank loans picked up by the government in the year 1990.

25. FEDERAL GOVERNMENT BONDS

	(Rupees in Thousand)	
	1998	1997
Interest Bearing Bonds	655,138	655,138
Interest Free Bonds	132,304	132,304
	-----	-----
	787,442	787,442
	=====	=====

These Bonds were issued by the Federal Government against the liability of the Company towards banks/financial institutions taken up by the Federal Government in the light of Federal Cabinet Decision and S.R.O. No. 823(1)/64 dated August 28, 1964. Against the principal amount Interest Bearing Bonds were issued by the Government on which it has to pay interest @ 12.43% pa. While, against accrued markup Interest Free Bonds were issued. The bonds shall be retired by the Ministry of Finance from privatization proceeds of the company. On such basis it has been classified as Long Term Liability.

26. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of Minimum Lease Payments (Note 26.2)	1,189	0
Less: Current Maturity shown under Current liabilities	144	0
	-----	-----
	1,045	0
	=====	=====

26.1 The company has entered into lease agreement with PILCORP (Pakistan Industrial Leasing Corporation (Pvt) Ltd.) to acquire vehicles. Present value of minimum lease payments have been discounted at interest rate which approximately equates to the rate implicit in this lease agreement i.e. 27.00% p.a. Monthly lease rentals outstanding are 56. The liability is partly

secured against the deposit of Rs. 125,000 The company intends to exercise its option to purchase the leased assets for residual value of Rs. 125,000 upon completion of lease period

26.2 The amount of future payments for the above lease and the period in which these payments become due are:

Year to ended June 30, 1999	437
Year to ended June 30, 2000	403
Year to ended June 30, 2001	403
Year to ended June 30, 2002	403
Year to ended June 30, 2003	236

	1,882
Less: Finance Charge-Current Year	(24)
Future period	(669)

	1,189
	=====

27. SHARE CAPITAL

Authorized Capital:

9,000,000 (1997: 9,000,000) ordinary shares of Rs. 10/- eac	90,000	90,000
100,000 (1997: 100,000) 7.5% cumulative redeemable preference shares of Rs. 100/- each	10,000	10,000
	-----	-----
	100,000	100,000
	=====	=====

Issued Subscribed & Paid-up Capital:

3,162,144 (1997: 3,162,144) ordinary shares of Rs. 10/- each fully paid up in cash	31,621	31,621
2,528,101 (1997: 2,528,101) ordinary shares of Rs. 10/- each issued as fully paid up bonus shares	25,281	25,281
	-----	-----
	56,902	56,902
	=====	=====

28. REVALUATION SURPLUS

Land (Note 28.1)	925,530	925,530
Steel Structure and Plant & Machinery (Note 28.2)	239,613	239,613
	-----	-----
	1,165,143	1,165,143
	=====	=====

28.1 Land was revalued by Mis NESPAK in May, 1991 under the instruction of Government of

Pakistan. Land with the cost of 1.495 million was revalued at Rs. 927.025 million.

28.2 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:

	Steel Structure	Plant & Machinery
Cost	0	30,140
Accumulated Depreciation	0	25,982
	-----	-----
Written Down Value as at June 30, 1997	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.

29. SALES-Net

	(Rupees in Thousand)	
	1998	1997
Local	279,123	410,888
Export (29.1)	80,282	194,065
	-----	-----
	359,405	604,953
Less: Rebates, allowances, discount & other deduction	1,324	1,520
	-----	-----
	358,081	603,433
	=====	=====

29.1 Export sales included exchange fluctuation income on exports debtor's realization of Rs. 1.961 million (1997: Rs. 24.324 million).

30. COST OF GOODS SOLD

Raw material	170,102	223,899
--------------	---------	---------

Stores & spares consumed	66,538	87,570
Salaries & wages (including all benefits)	97,926	99,901
Fuel & power	61,144	55,976
Rent, rates & taxes.	39	2,516
Service charges	535	9,794
Repairs & maintenance	2,848	4,239
Insurance	474	590
Other expenses	1,715	3,016
Depreciation (Note 3.4)	14,758	8,834
	-----	-----
	416,079	496,335
(Increase)/Decrease in work in process inventory (Note 30.1)	(29,220)	(19,751)
	-----	-----
Cost of goods manufactured	386,859	476,584
(Increase)/Decrease in finished goods inventory (Note 30.2)	10,392	(10,225)
	-----	-----
	397,251	466,359
	=====	=====

30.1 (Increase)/Decrease in Work-in-Process Inventory:

Opening inventory	199,867	180,116
Closing inventory	229,087	199,867
	-----	-----
	(29,220)	(19,751)
	=====	=====

30.2 (Increase)/Decrease in Finished Goods Inventory:

Opening inventory	38,395	28,170
Closing inventory	28,003	38,395
	-----	-----
	10,392	(10,225)
	=====	=====

31. GENERAL & ADMINISTRATIVE EXPENSES

(Rupees in Thousand)

	1998	1997
Salaries & wages (including all benefits)	31,115	30,679
Travelling & conveyance	606	
Entertainment	343	463
Legal & professional	950	1,474
Rent, rates & taxes	940	463
Fuel, gas & electricity	1,097	1,703
Repairs & maintenance	634	916
Postage, telegrams & telephone	1,304	1,729

Printing, stationery & office supplies	1,247	1,564
Advertisement	606	291
Service charges-SEC	3,044	2,500
Amortization of Lease Assets	250	0
Insurance	463	354
Vehicles running	1,253	1,110
Depreciation (Note 3.4)	1,154	1,254
Miscellaneous	1,991	1,765
	-----	-----
	46,997	47,569
	=====	=====

32. SELLING & DISTRIBUTION EXPENSES

Salaries & wages (including all benefits)	9,128	8,742
Travelling & conveyance	1,089	834
Entertainment	118	98
Rent, rates & taxes	557	226
Fuel, gas & electricity	17	12
Repairs & maintenance	26	52
Postage, telegrams & telephone	388	121
Printing, stationery & office supplies	234	265
Advertisement & sales promotion	409	942
Vehicle running expenses	180	165
Freight & forwarding	4,798	2,197
Miscellaneous	635	449
	-----	-----
	17,579	14,103
	=====	=====

33. FINANCIAL CHARGES

Mark up & interest on short term running finances (Including Central Excise Duty of Rs. 0.078 Million 19971 RS. 0.933 Million)	27,018	38,403
Interest on loan from State Engineering Corp. (Pvt) Ltd. & SMC (Pvt) Ltd.	6,979	6,015
Interest on Provident Fund	8,348	9,285
Interest on Workers Profit Participation Fund	106	-
Surcharge on Escrow Account	14,796	-
Bank charges & commission (Note 33.1)	5,666	2,755
Financial charges on Finance Lease	97	0
	-----	-----
	63,010	56,458
	=====	=====

33.1 Bank guarantee commission paid by the company has been charged over the

period of contract.

34. OTHER INCOME/ (CHARGES)

	(Rupees in Thousand)	
	1998	1997
Interest/Profit		
On Deposit with Banks	121	435
On Advances to Employees	71	179
Gain on Disposal of Tangible Fixed Assets (Note 34.1)	2,741	7,748
Creditors Written Back	8,270	0
Miscellaneous Income	1,455	7,041
Auditor's Remuneration (Note 34.2)	(100)	(100)
Deferred cost amortized (Note 8)	(7,023)	(6,760)
Provision for Doubtful debts	(4,553)	0
Bad Debt Written off	(256)	0
Diminution in Investment Value (Note 7.1)	(485)	0
Miscellaneous Charges	(613)	0
	-----	-----
	(372)	8,543
	=====	=====

34.1 Details of Disposal of Fixed Assets during the year is as under:

Description	Original cost (Rupees)	Accumulated Depreciation (Rupees)	W.D.V. (Rupees)	Sale Price (Rupees)	Profit/ (Loss) (Rupees)	Sold to
Plant & Machinery:						
CO.2 Gas Welding Plant (2 Nos)	100,000	63,195	36,805	50000	13,195	M/s. Spinning Machinery Co. (Pvt) Ltd., L
Nipple making Machine (5 Nos)	251,618	244,712	6,906	1,605,000	1,598,094	Mr. Fazal Haq Qureshi, Lahore.
Furnace Tanks (2 Nos)	5,000	250	4,750	117,000	112,250	M/s. Amin Butt, Lahore.
Heat Treat. Furnaces (3 Nos)	30,000	1,500	28,500	21,000	(7,500)	M/s. Amin Butt, Lahore.
	-----	-----	-----	-----	-----	
	386,618	309,657	76,961	1,793,000	1,716,039	
Vehicles:						
Suzuki Car 800 cc No. 256-840	4,040	2,716	1,324	76,600	75,276	Mr. Raheel Ishtiaq, Lahore.
Suzuki Car 1000 cc No. LHV-6443	5,620	3,777	1,843	140,150	138,307	Mrs. Riffat Rana, Lahore.
Mobile Cranes (2 Nos)	40,000	26,893	13,107	451,893	451,893	M/s. Tanveer Ahmad, Lahore.
	-----	-----	-----	-----	-----	
	49,660	33,386	16,274	665,476	665,476	
	-----	-----	-----	-----	-----	
Building Material (Bricks)	0	0	0	359,476	359,476	Various Parties
	-----	-----	-----	-----	-----	

436,278	343,043	93,235	2,740,991	2,740,991
=====				

34.2 Auditors Remuneration

Audit Fee	85	85
Out of Pocket Expenses	15	15
	-----	-----
	100	100
	=====	=====

(Rupees in Thousand)

35. TAXATION

	1998	1997
Current year	1,790	3,017
Prior years	0	0
	-----	-----
	1,790	3,017
	=====	=====

35.1 Due to tax losses, 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, 1998 are estimated approximately Rs. 658.419 million (1997: Rs. 590.942 million).

35.2 No provision has been made for deferred taxation as the timing differences are not expected to reverse in the foreseeable future.

36. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Maximum amounts due from the associated undertakings at the end of any month were Rs. 14.627 Million (1997: Rs. 11.114 Million). The company purchased from and sold to associated undertakings material, goods and services in the aggregate sum of Rs. 84.770 Million (1997: Rs. 64.383 Million) and Rs. 6.039 Million (1997: Rs. 21.951 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

Chief Executive (Rupees in Thousand)		Executives (Rupees in Thousand)	
1998	1997	1998	1997

Remuneration	149	149	1,744	1,572
Provident fund	0	0	160	157
Perquisites	0	0	1,923	1,546

	149	149	3,827	3275
	=====			
Number of persons	1	1	9	9

Aggregate amount charged in the accounts for 9 directors for fees and expenses was Rs. 38,000 and Rs. 100,490 respectively, (1997:7 directors Rs. 25,000 and Rs. 115,021 respectively). The Chief Executive was holding additional charge of this company, therefore he was paid additional charge and special allowances only and General Managers are provided fully maintained vehicles.

39. PLANT CAPACITY & ACTUAL PRODUCTION

	U/M	Capacity		Actual Production	
		Installed	Assessed	1998	1997
Machine Tools	Nos.	680	400	33	0
SSD Engines	Nos.	650	300	0	0
HSD Engines	Nos.	3,600	3,840	0	0
Concrete Mixers	Nos.	350	350	14	33
Power Looms	Nos.	1,200	800	12	0
Pumps/Turbines	Nos.	3,400	4,000	680	660
Bicycles	Nos.	100,000	120,000	48,725	60,497
G.I. Pipe & Tubings	Rft. (000)	18,000	N.A.	1,030	743
Electric Motors	Nos.	16,500	6,500	413	511
Rolled Material	Tons.	80,000	30,000	6,096	6,120
Steel Fabrication (STR)	Tons.	20,000	N.A.	2,151	8,320
Steel Ingots	Tons.	40,000	60,000	4,917	7,670

39.1 The main reasons for variance in capacity utilization is as under:
Production badly suffered due to lack of orders because of poor economic and political situation prevailing in the country.

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
Managing Director

LIAQAT MOHAMMAD
Director

MUHAMMAD SHABIR MALIK
Director