

# **Pakistan Engineering Company Limited**

## **Annual Report 2000**

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### **COMPANY INFORMATION**

#### **BOARD OF DIRECTORS**

Hussain Ahmad Siddiqui (Chairman)

M. Imtiaz-ur-Raheem (Chief Executive)

Prince Abbas Khan  
Jawaid Iqbal Mufti  
Afaq Jamal Hussain  
S. Hashim Ishaque  
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 Limited  
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 51st Annual General Meeting of Pakistan Engineering Company Limited will be held at Hotel Ambassador, 7 - Davis Road, Lahore, on Saturday December 23, 2000 at 10.30 A.M. to transact the following business: -

1. To confirm Minutes of 22nd Extra Ordinary General Meeting held on June 17th 2000.
2. To receive, consider and adopt the Audited Accounts of the company for the year ended June 30, 2000 together with the Auditors' and Directors' reports thereon.
3. To appoint Auditors for the year ending June 30, 2001 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 chain

Lahore: November 18, 2000

**NOTES:**

1. The Share Transfer Books of the company shall remain closed from December 14, 2000 to December 23, 2000 (Both days inclusive).
2. A member entitled to attend and vote at this meeting is entitled to appoint any person as a proxy and vote on his / her behalf. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours

**BY ORDER OF THE BOARD**

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

before the time of the meeting.

3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this Meeting, must bring his/her original NIC or passport to prove his/her identity and in case of Proxy must enclose an attested copy of his/her NIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose.

4. The shareholders are requested to notify the change of address, if any, immediately.

## **CHAIRMAN'S REVIEW**

It gives me great pleasure to welcome you, on behalf of the Board of Directors, to the 51st Annual General Meeting of the Company, and to apprise you of the affairs of the Company for the year ended June 30, 2000.

### **OVERVIEW:**

Engineering industry faced many challenges during the year 1999-2000. The overall economic and market conditions continued to remain uncertain, like last year. Inflation resulted in, on one hand, decline in demand and on the other, increased cost of sales. The growth performance of manufacturing sector, in general, and large scale manufacturing in particular, showed declining trend. The Company's performance during the year under review may thus be evaluated in the above economic scene, as it directly relates to the stability of economic conditions in the country.

### **OPERATING RESULTS:**

Despite economic recession, the operating results of the Company for the year 1999-2000 indicate reversal of the declining sales trend indicated during the past two years. Diversification in marketing strategies resulted into valuable orders for communication towers for Pakistan Telecommunication Corporation Ltd, and National Logistic Cell, which were successfully executed. The Company is enhancing its designing capabilities for communication towers to make it a regular product. The General Engineering jobs such as jib cranes, overhead road bridges, heavy crane wheels and special jobs from Lahore Development Authority, Pakistan Ordinance Factories, Pakistan Railways and WAPDA were also obtained.

Amongst the existing product lines, double circuit 500 KV towers were designed and successfully tested, thus enhancing the comparative technical edge. In addition, your Company obtained an order for 132 KV line valuing Rs. 80 million, which was completed within a record period of three months.

The above efforts resulted in increase in sales turnover to Rs. 511 million as against Rs. 244 million last year, with gross profit of Rs. 6 million as against gross loss during two previous years. The net loss before taxation was reduced to Rs. 109 million compared to loss of Rs. 178 million in the preceding year.

**FUTURE OUTLOOK:**

The Company has orders of Rs. 283 million in hand for transmission towers, and further order of 500 KV towers for Brotha Rawat line valuing Rs. 370 million is in advanced stage of approval by WAPDA. Another order for 132 KV towers valuing Rs. 90 million is under negotiation. It is expected that order for 500 KV Muzzafargarh - Gatti lines on turn key basis would be awarded soon, and PECO is expecting towers valuing Rs. 350 million approximately from the successful foreign bidder. There are 220 KV lines orders also under negotiations with foreign bidders by WAPDA on turn key basis and your Company expects business of Rs. 800 million against these contracts. Further, there are prospects of orders of approximately Rs. 700 million for transmission towers for Ghazi Brotha power project, to be tendered shortly.

You would be pleased to know that your Company has entered into co-operation agreement with a foreign group for joint participation in transmission lines turnkey business in Pakistan as well as in third Countries. It will further enhance the business prospects of your Company. The Company has also signed an agreement of cooperation for technology transfer for manufacturing large capacity Pumps. Efforts are also underway to explore and develop new markets. Despite your Company being on privatization list, the management is making efforts to improve technology, and enhance its competitive abilities, where possible. Short-term measures are also underway to cut down losses and make the Company profitable. In this connection, a proposal to close down loss making shops is under active consideration of the Government.

Looking forward, we are optimistic that the Company would perform better during the year 2000-2001.

**ACKNOWLEDGEMENT:**

Relations between the management and the employees continue to be cordial. I acknowledge the hard work and dedication put in by the management and employees for yet another turbulent year of operation. I am thankful to you, the shareholders, for your continued confidence in us.

**HUSSAIN AHMAD SIDDIQUI**  
**CHAIRMAN**

**DIRECTORS' REPORT**

The Directors have pleasure in presenting the 51st Annual Report with the Audited Accounts and the Auditors' Report thereon for the year ended June 30, 2000.

Financial results are as follows:

	<i>Year ended</i> <i>30.06.2000</i>	<i>(RS. IN THOUSAND)</i> <i>Year ended</i> <i>30.06.1999</i>
Loss for the year before taxation	109,026	146,800
Taxation (Turnover Tax)	2,557	1,218

Loss after taxation	111,583	148,018
Loss Brought Forward	1,096,738	948,720
Accumulated Loss	1,208,321	1,096,738
Earning / (Loss) Per Share (Rs.)	(19.61)	(26.01)

#### **Chairman's Review**

The accompanying Chairman's review deals with the performance of the company during the year and future outlook. The Directors of the company endorse the contents of the review.

#### **Board of Directors**

During the year under review Mr. M. Imtiaz-ur-Raheem replaced Mr. M. Javed Sahibzada as Managing Director and Mr. S. Hashim Ishaque nominee of NIT replaced Mr. S.M. Ahsan Raza. Following Directors representing Private Shareholders were elected unopposed for next three years.

1. Syed Aijaz Ali Abbasi
2. Mr. Liaqat Mohammad
3. Mr. Mohammad Shabir Malik
4. Sheikh Asif Salam

#### **ISO 9001**

Your company has obtained ISO 9001 certification for design and manufacturing of all types of Pumps, Steel Making, Rolled Products, General Structures and Transmission Line Towers. This will greatly enhance its image, quality and acceptability in the local & export market.

#### **Auditors**

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

#### **Pattern of Shareholding**

The pattern of shareholding as on June 30, 2000 is annexed.

Dated: November 18, 2000  
Lahore.

**On behalf of the Board**

**(Hussain Ahmad Siddiqui)**  
**Chairman**

#### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Pakistan Engineering Company Limited as at June 30, 2000 and the related profit and 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 purposes 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) the customs and other import duties outstanding principal amount of Rs. 105.684 million (see Note No. 22.2) is subject to interest @ 14% per annum which has not been accounted for and upto June 30, 2000 the accumulated amount of interest comes to Rs. 58.643 million. The management is of the view that the interest on such loan is to be paid by the Privatization Commission out of sale proceeds of the company and accordingly it has not been accounted for. But the confirmation of management's view from Privatization Commission was not available.

b) in our opinion, proper books of accounts 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, except for the matter referred to in paragraph (a) above and to the extent to which it affects the results of the Company, 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, 2000 and of the profit/loss, its cash flows and changes in equity for the year then ended: and

e) in our opinion, no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980.

Without qualifying our opinion we draw attention to note 2.1 to the accounts which states that these accounts have been prepared on assumption that the company will continue as a going concern. As explained in note 2.1 to the accounts, the company during the year has suffered an after tax loss of Rs. 111.583 million resulting in an accumulated loss of Rs. 1,208.321 million as at June 30, 2000. The company is under heavy debt burden and its long term liability to the Government and its institutions of Rs. 1,354.288 million alongwith the accumulated losses have further deteriorated its debt equity ratio during the year. These factors raise doubt that the company may be able to continue as a going concern. Management's plan in regard to this matter is also discussed in note 2.1 to the accounts. These accounts do not include any adjustments that might result from the outcome of this uncertainty.

Date: Nov. 18, 2000  
Place: LAHORE

**S.M. MASOOD & CO**  
**Chartered Accountants**

**BALANCE SHEET AS AT JUNE 30, 2000**

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in Thousand)</i>	
<b>FIXED CAPITAL EXPENDITURE</b>			
TANGIBLE FIXED ASSETS	3	1,238,631	1,230,301
ASSETS SUBJECT TO FINANCE LEASE	4	2,936	800
CAPITAL WORK IN PROGRESS	5	351	25,523
		-----	-----
		1,241,918	1,256,624
<b>STATE ENGINEERING CORPORATION PENSION</b>	6	5,944	14,394
<b>LONG TERM SECURITY DEPOSITS</b>		2,106	1,808
<b>LONG TERM INVESTMENTS</b>	7	191	315
<b>DEFERRED COST</b>	8	2,822	8,299
		-----	-----
		1,252,981	1,281,440
<b>CURRENT ASSETS</b>			
Loose Tools		25,741	28,760
Stores & Spares	9	141,977	154,443
Stock in Trade	10	290,897	314,765
Trade Debtors	11	232,972	77,934
Loans & Advances to Employees	12	8,127	6,082
Advances to Others	13	17,568	14,221
Trade Deposits, Prepayments & Other Receivables	14	36,581	20,962
Cash & Bank Balances	15	3,075	2,042
		-----	-----
		756,938	619,209
<b>CURRENT LIABILITIES</b>			

Short Term Loans	16	326,455	229,642
Current Maturity Against Finance Lease	24	614	176
Deposits & Advance Payments	17	24,562	22,993
Trade Creditors	18	110,873	5,083
Accrued Liabilities / Mark-up	19	30,658	26,086
Provision for Taxation		3,776	1,218
Unclaimed Dividend		1,903	1,903
Other Liabilities	20	68,886	70,120
		-----	-----
		567,727	357,221
		-----	-----
<b>CURRENT ASSETS LESS CURRENT LIABILITIES</b>		189,211	261,988
		-----	-----
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,442,192	1,543,428
		-----	-----
<b>CONTINGENCIES &amp; COMMITMENTS</b>	21	0	0
<b>LONG TERM &amp; DEFERRED LIABILITIES</b>			
Government Loans	22	566,846	566,846
Federal Government Bonds	23	787,442	787,442
Liabilities Against Assets Subject to Finance Leas	24	2,984	869
Deferred Liabilities		61,196	52,964
		-----	-----
		1,418,468	1,408,121
		-----	-----
<b>NET TOTAL ASSETS</b>		23,724	135,307
		=====	=====
<b>REPRESENTED BY</b>			
Share Capital	25	56,904	56,902
Revenue Reserve - General		10,000	10,000
Accumulated Loss		(1,208,321)	(1,096,738)
		-----	-----
		(1,141,419)	(1,029,836)
Revaluation Surplus	26	1,165,143	1,165,143
		-----	-----
		23,724	135,307
		=====	=====

The annexed notes from 1 to 44 form an integral part of these accounts.

**M. IMTIAZ-UR-RAHEEM**  
Chief Executive

**LIAQAT MOHAMMAD**  
Director

**MOHAMMAD SHABIR MALIK**  
Director

**PROFIT & LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2000**



	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>(Rupees in Thousand)</i>	
SALES	27	511,501	243,680
COST OF GOODS SOLD	28	505,407	315,248
		-----	-----
GROSS PROFIT / (LOSS)		6,094	(71,568)
OPERATING EXPENSES			
General & Administrative	29	49,040	47,188
Selling & Distribution	30	15,778	13,753
		-----	-----
		64,818	60,941
		-----	-----
<b>OPERATING PROFIT/(LOSS)</b>		(58,724)	(132,509)
FINANCIAL CHARGES	31	47,014	39,244
		-----	-----
		(105,738)	(171,753)
OTHER INCOME / (CHARGES)	32	(4,175)	(5,881)
		-----	-----
		(109,913)	(177,634)
PRIOR YEAR ADJUSTMENTS	33	887	30,834
		-----	-----
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		(109,026)	(146,800)
TAXATION	34	2,557	1,218
		-----	-----
<b>PROFIT/(LOSS) AFTER TAXATION</b>		(111,583)	(148,018)
PROFIT / (LOSS) BROUGHT FORWARD		(1,096,738)	(948,720)
		-----	-----
<b>ACCUMULATED LOSS</b>		(1,208,321)	(1,096,738)
		=====	=====
		<i>Rupees</i>	
EARNINGS/(LOSS) PER SHARE	35	(19.61)	(26.01)
		=====	=====

The annexed notes from 1 to 44 form an integral part of these accounts.

**M. IMTIAZ-UR-RAHEEM**  
Chief Executive

**LIAQAT MOHAMMAD**  
Director

**MOHAMMAD SHABIR MALIK**  
Director

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2000**

	<b>2000</b>	<b>1999</b>
	<i>(Rupees in Thousand)</i>	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit / (loss) before taxation	(109,026)	(146,800)
Adjustments for:		
Depreciation	17,025	16,680
Amortization of leased assets	734	200
Financial charges	47,014	39,244
Provision for bad debts	819	955
Provision for gratuity and pension	13,205	5,796
Provision for diminution in value of investments	124	0
Deferred cost amortized	5,753	7,232
(Profit) on sale of tangible fixed assets	(2,456)	(1,415)
Creditors written back	(75)	0
(Profit) / Loss on sale of assets held for sale	1,054	970
	-----	-----
<b>Profit / (Loss) before working capital changes</b>	<b>(25,829)</b>	<b>(77,138)</b>
(Increase) / decrease in loose tools	3,019	(3,342)
(Increase) / decrease in stores and spares	2,041	7,848
(Increase) / decrease in stock in trade	23,868	6,505
(Increase) / decrease in trade debtors	(155,857)	87,889
(Increase) / decrease in loans and advances to employees	(2,045)	676
(Increase) / decrease in advances to others	(3,347)	(1,831)
(Increase) / decrease in trade deposits, prepayments and others rece	(15,619)	(2,006)
Increase / (decrease) in deposits and advance payments	1,569	5,805
Increase ! (decrease) in trade creditors	105,865	(3,494)
Increase / (decrease) in accrued liabilities	4,712	(32,975)
Increase / (decrease) in other liabilities	(1,234)	(20,118)
	-----	-----
<b>Cash (used in) / generated from operations</b>	<b>(62,857)</b>	<b>(32,181)</b>
Financial charges paid	(47,154)	(37,802)
Gratuity paid	(4,973)	(3,777)
Taxes paid	0	(1,793)
	-----	-----
<b>Net cash outflow from operating activities</b>	<b>(114,984)</b>	<b>(75,553)</b>
	-----	-----
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of tangible fixed assets	(848)	(1,209)
Addition in capital work in progress	(337)	(13,176)

(Increase) / decrease in State Engineering Corporation Pension Fund	8,450	6,019
(Increase) / decrease in long term security deposits	(298)	(29)
Payment of deferred cost	(276)	(1,049)
Sale proceeds on disposal of fixed assets	3,457	1,931
Sale proceeds on disposal of assets held for sale	9,373	5,868
	-----	-----
<b>Net cash inflow / (outflow) from investing activities</b>	<b>19,521</b>	<b>(1,645)</b>
	-----	-----
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase / (decrease) in short term loans/long term loans	96,813	71,792
Increase / (decrease) in dividend payable	0	378
Payment of lease liability	(317)	(144)
	-----	-----
Net cash inflow from financing activities	96,496	72,026
	=====	=====
Net increase / (decrease) in cash and cash equivalents	1,033	(5,172)
Cash and cash equivalents at beginning of the period	2,042	7,214
	=====	=====
Cash and cash equivalents at close of the period	3,075	2,042
	=====	=====

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2000**

	<i>Share Capital</i>	<i>Revenue Reserve</i>	<i>Accumulated Loss</i>	<i>Amount Total</i>
<i>(Rupees in Thousand)</i>				
Balance as at July 01, 1998	56,902	10,000	(948,720)	(881,818)
Transferred from Profit & Loss Account	--	--	(148,018)	(148,018)
	-----	-----	-----	-----
Balance as on June 30, 1999	56,902	10,000	(1,096,738)	(1,029,836)
Transferred from Profit & Loss Account	--	--	(111,583)	(111,583)
	-----	-----	-----	-----
Balance as on June 30, 2000	56,902	10,000	(1,208,321)	(1,141,419)
	=====	=====	=====	=====

The annexed notes from 1 to 44 form an integral part of these accounts.

M. IMTIAZ-UR-RAHEEM

LIAQAT MOHAMMAD

MOHAMMAD SHABIR MALIK

Chief Executive

Director

Director

## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000**

### **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, 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 Basis of accounting**

The company has incurred a net loss of Rs. 111.583 million for the year ended June 30, 2000 and has accumulated losses of Rs. 1,208.321 million as of that date. The company is under heavy debt burden and its long term liability to the Government and its institutions of Rs. 1,354.288 million alongwith the accumulated losses have further deteriorated its debt equity ratio. These factors raise doubt that the company will be able to continue as going concern.

In order for the company to continue as a going concern a plan for its restructuring has been submitted to the Government which includes sale of Badami Bagh land and rehabilitation of Kot Lakhpat operations. The plan is under active consideration.

As a result, these accounts have been prepared on assumption that based on management's plan for restructuring, the company will continue as a going concern and consequently do not include any adjustments that might result should the company not be able to continue as going concern.

#### **2.2 Accounting Convention:**

The financial statements have been prepared under the historical cost convention as modified by the 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.

#### **2.3 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.

#### **2.4 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.

#### **2.5 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.

#### **2.6 Deferred Cost:**

These are amortized over a period of five years.

#### **2.7 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 Progress	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 cost

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

#### **2.8 Associated Undertakings:**

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

#### **2.9 Compliance with Experts Advisory Cell (EAC):**

Besides the relevant International accounting Standards and the Companies Ordinance, 1984 the company also complies with 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.

**2.10 Foreign Currency Translation:**

Transactions in foreign currency are accounted for in rupees at the rates of exchange ruling at the date of transaction. 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.

**2.11 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.

**2.12 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.

**2.13 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.

**2.14 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.

**2.15 Borrowing Costs:**

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

**2.16 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 a constant periodic rate of financial cost on the remaining balance of principal liability for each period.

**3. TANGIBLE FIXED ASSETS**

<i>Description</i>	<i>COST</i>			<i>DEPRECIATION</i>			<i>W.D.V. As on June 30, 2000</i>
	<i>As at July 01, 1999</i>	<i>Additions</i>	<i>Deletions</i>	<i>As on June 30, 2000</i>	<i>As at July 01, 1999</i>	<i>Deletions For the year</i>	

Freehold land	927,025	0	0	927,025	0	0	0	0	927,025
Office Building	3,171	0	0	3,171	2,341	0	42	2,383	789
Factory Buildings (Including Steel)	202,131	19,588	0	221,719	55,260	0	8,323	63,583	158,136
Plant & Machinery	287,012	5,921	958	291,975	139,638	176	7,626	147,088	144,859
Furniture & Fixtures	15,687	601	0	16,288	10,630	0	566	11,196	5,092
Vehicles	7,425	24	1,262	6,187	5,709	1,042	304	4,971	1,216
Tools	4,975	223	0	5,198	3,547	0	165	3,712	1,486
<b>Total Rupees - 2000</b>	<b>1,447,426</b>	<b>26,357</b>	<b>2,220</b>	<b>1,471,563</b>	<b>217,125</b>	<b>1,218</b>	<b>17,025</b>	<b>232,932</b>	<b>1,238,631</b>
<b>Total Rupees - 1999</b>	<b>1,413,273</b>	<b>357,268</b>	<b>1,115</b>	<b>1,447,426</b>	<b>201,004</b>	<b>559</b>	<b>16,680</b>	<b>217,125</b>	<b>1,230,301</b>

3.1 Depreciation rates on building, plant & machinery were reduced from 10% to 5% in the year 1998.

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

	<i>Freehold land</i>	<i>Steel Structure</i>	<i>Plant &amp; Machinery</i>	<i>Total</i>
Cost	1,495	0	30,140	31,635
Increment in Value (Note 26)	925,530	143,550	96,063	1,165,143
	927,025	143,550	126,203	1,196,778

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

	<i>2000</i>	<i>1999</i>
Cost of Goods Sold	16,229	15,773
General & Administrative Expenses	796	907
	17,025	16,680

#### 4. ASSETS SUBJECT TO FINANCE LEASE

<i>Description</i>	<i>COST</i>			<i>AMORTIZATION</i>				<i>W.D.V. As On June 30, 2000</i>	
	<i>As At July 01, 1999</i>	<i>Additions</i>	<i>Deletions</i>	<i>As On June 30, 2000</i>	<i>As At July 01, 1999</i>	<i>Deletions</i>	<i>For the Year</i>		
Vehicles	1,250	2,870	0	4,120	450	0	734	1,184	2,936
<b>Total Rupees - 2000</b>	<b>1,250</b>	<b>2,870</b>	<b>0</b>	<b>4,120</b>	<b>450</b>	<b>0</b>	<b>734</b>	<b>1,184</b>	<b>2,936</b>

**Total Rupees - 1999**

1,250	0	0	1250	250	0	200	450	800
-------	---	---	------	-----	---	-----	-----	-----

- Amortization charge for the year has been allocated to General & Administrative expenses.

**5. CAPITAL WORK IN PROGRESS***(Rupees in Thousand)*

	<b>2000</b>	<b>1999</b>
Building	206	19,515
Machinery	145	6,008
	-----	-----
	351	25,523
	=====	=====

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

	<b>Building</b>	<b>Machinery</b>		
Balance as at July 01, 1999	19,515	6,008	25,523	46,366
Additions	279	58	337	13,176
	-----	-----	-----	-----
	19,794	6,066	25,860	59,542
Transferred to fixed assets	19,588	5,921	25,509	34,019
	-----	-----	-----	-----
Balance as on June 30, 2000	206	145	351	25,523
	=====	=====	=====	=====

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

	<b>Building</b>	<b>Machinery</b>
Pattern Shop	134	0
New Cast Iron Foundry	145	58
	-----	-----
	279	58
	=====	=====

Transfer to fixed assets is related to the completion of Cast Iron Foundry at Kot Lakhpat Works

**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. Nil (1999: Rs. 7.950 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)	609	485
	-----	-----
	191	315
	=====	=====

7.1 Provision has been made on the basis of breakup value of shares which is Rs. 2.39 per share on the basis of latest available audited financial statements of the company for the year ended 30-06-1999.

#### 8. DEFERRED COST

Opening balance	8,299	14,482
Additions during the year	276	1,049
	-----	-----
	8,575	15,531
Less: Amortized	5,753	7,232
	-----	-----
Closing balance	2,822	8,299
	=====	=====

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.

#### 9. STORES & SPARES

Stores	26,973	23,551
Spare parts (Note 9.1)	86,611	86,980
Assets held for sale (Note 9.2)	28,393	43,912
	-----	-----
	141,977	154,443
	=====	=====

9.1 These include spare pans in transit of Rs. 1.179 million (1999: Rs. 1.097 million).

9.2 The closing balance represents 1,958 Metric tons (1999: 3,028 Metric tons) of steel structure shifted from Badami Bagh Works and is held for sale.

#### 10. STOCK IN TRADE

Raw material (Note 10.1)	135,977	113,026
Work in process	121,477	160,163
Finished goods	33,443	41,576
	-----	-----
	290,897	314,765
	=====	=====

10.1 It includes raw material in transit of Rs. 59.067 million (1999: Rs. 39.806 million).

**11. TRADE DEBTORS**

Associated undertakings	10,058	9,039
Wapda	184,413	39,853
Others (Note 11.2)	61,820	51,542
	-----	-----
	256,291	100,434
Less: Provision for bad & doubtful debts (Note 11.3):		
Associated undertakings	864	864
Wapda & others	22,455	21,636
	-----	-----
	23,319	22,500
	-----	-----
	232,972	77,934
	=====	=====

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

11.2 Trade debtors include an amount of Rs. 8.117 million receivable from M/s Metropolitan Steel Corporation Limited against which case for recovery is pending in civil court.

**11.3 Provision for Bad & Doubtful Debts**

Balance as at July 01, 1999	22,500	21,545
Less: Bad debts written off	264	704
	-----	-----
	22,236	20,841
Add: Provision for the year	1,083	1,659
	-----	-----
Balance as on June 30, 2000	23,319	22,500
	=====	=====

**12. LOANS & ADVANCES TO EMPLOYEES - Considered Good**

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

**13. ADVANCES TO OTHERS - Considered Good**

Suppliers	9,820	11,267
Income tax	3,108	1,348
Letters of credit	4,640	1,606
	-----	-----
	17,568	14,221
	=====	=====

**14. TRADE DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES**

Trade deposits (Note 14.1)	4,582	4.57
Margin against bank guarantees	8,926	3,868
Short term prepayments	1,530	1,378

Claims receivables (Note 14.2)	21,543	11,150
	-----	-----
	36,581	20,962
	=====	=====
Trade deposits balance	6,045	6,028
Less: Provision against doubtful recovery	1,463	1,462
	-----	-----
	4,582	4,566
	=====	=====

14.2 A claim of Rs. 5.339 millions shown in contingencies in the year 1997-98 against Pakistan Steel Mills Ltd., Karachi has been accounted for on the basis of CBR letter No C.NO.2(51) Survey-II-96 dated August 10, 1999. It also includes claim amount of Rs. 16.122 million recoverable from WAPDA against supply of 500 KV towers (DS-3, DA-3, DD-3) on account of testing charges.

#### 15. CASH & BANK BALANCES

Cash in hand	314	273
Cash with banks:		
Current accounts	1,797	859
Deposit accounts	964	910
	-----	-----
	3,075	2,042
	=====	=====

#### 16. SHORT TERM LOANS

From banking companies under markup arrangements (Note 16.1):

NBP cash finance	97,113	16,242
NBP preshipment finance	199,342	180,342
	-----	-----
	296,455	196,584

From associated undertakings

Spinning Machinery Co. (Pvt) Ltd. (Secured) (Note 16.2)	30,000	30,000
State Engineering Corp. (Pvt) Ltd.	0	3,058
	-----	-----
	30,000	33,058
	-----	-----
	326,455	229,642
	=====	=====

#### 16.1 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	31-12-2000	43 paisas per thousand per day



Sales tax payable	3,541	5,414
Workers' profit participation fund	9	7
Others	3,066	1,888
	-----	-----
	68,886	70,120
	=====	=====

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

20.2 Interest @ 16 % is being charged against outstanding principle and interest.

## 21. CONTINGENCIES & COMMITMENTS

### Contingencies

- Claims not acknowledged as debts in respect of various subjudice cases filed against the company for which the maximum possible liabilities could be approximately Rs.4.591 million (1999: Rs.7.380 million).

- Counter guarantees of Rs.121.622 million (1999: Rs. 53.120 million) issued by the company to banking and insurance companies.

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

- Post dated cheques of Rs. 49.77 million (1999: Rs. 50.72 million) issued to the Collector of Customs for import of raw materials. These are cancelable on providing consumption certificates to Collector of Customs.

### Commitments

Letters of credit amounted to Rs. 57:854 million (1999: Rs. 27.487 million).

## 22. GOVERNMENT LOANS

Privatization Commission loan (Note 22.1)	334,606	334,606
Government Escrow account (Note 22.2)	132,240	132,240
Other Government loan (Note 22.3)	100,000	100,000
	-----	-----
	566,846	566,846
	=====	=====

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

### 22.2 The break up of Government Escrow account is as follows

Customs & other import duties	105,684	105,684
Pakistan Railways freight	13,592	13,592
Karachi Port Trust	12,964	12,964
	-----	-----
	132,240	132,240

The customs and other import duties balance carries interest @ 14% per annum which has not been accounted for and upto June 30 , 2000 the accumulated amount of interest comes to Rs. 58.643 million (1999: Rs. 43.847 million).

22.3 The amount is payable on account of the company's 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.

### 23. FEDERAL GOVERNMENT BONDS

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 SRO No. 823(1)/94 dated August 28, 1994. Against the principal amount interest bearing bonds and against accrued mark up interest free bonds were issued by the government. The government is liable to pay interest @ 12.43% per annum to the Banks/DFI regarding the interest bearing bonds. The bonds shall be retired by the Ministry of Finance from privatization proceeds of the company. Therefore, it has been classified as long term liability.

### 24. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Opening balance	1045	1,189
Additions during the year	2,870	0
	-----	-----
	3,915	1,189
Payments during the year	317	144
	-----	-----
	3,598	1,045
Current portion	614	176
	-----	-----
Closing balance	2,984	869
	=====	=====

24.1 The company has entered into lease agreements with Pakistan Industrial Leasing Corporation Limited and Askari Leasing Limited to acquire vehicles. Present value of minimum lease payments has been discounted at interest rates ranging from 16.52% to 27.00% per annum which approximately equate the rates implicit in the lease agreements. Monthly lease rentals outstanding are 88 (1999: 43). The liability is partly secured against the deposit of Rs. 412,000. The company intends to exercise its option to purchase the leased assets for residual value of Rs. 412,000 upon completion of lease period.

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

Year to ended June 30, 2001	1211	403
Year to ended June 30, 2002	1211	403
Year to ended June 30, 2003	1168	403
Year to ended June 30, 2004	808	236
Year to ended June 30, 2005	758	0
	-----	-----
	5156	1,445
Less: finance charge - current year	0	0
- future year	1558	400
	-----	-----
	3,598	1,045
	=====	=====

## 5. SHARE CAPITAL

### Authorized Capital:

9,000,000 (1999: 9,000,000) Ordinary Shares of Rs. 10 each	90,000	90,000
100,000 (1999: 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 (1999: 3,162,144) Ordinary Shares of Rs. 10 each fully paid in cash	31,621	31,621
2,528,101 (1999: 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 on the replacement cost basis. Land with the cost of Rs. 1.495 million was revalued at Rs. 927.025 million resulting in the revaluation surplus of Rs. 925.53 millions.

26.2 Steel structure and plant & machinery was revalued on June 30, 1997 under the 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 on the replacement cost basis. The revaluation surplus has been calculated as follows:

	<i>(Rupees in Thousand)</i>		
	<i>Steel Structure</i>	<i>Plant &amp; Machinery</i>	<i>Total</i>
Cost	0	30,140	30,140
Accumulated depreciation	0	25,982	25,982
	-----	-----	-----
Written down value as at June 30, 1998	0	4,158	4,158
Revalued amount	143,550	100,221	243,771
	-----	-----	-----
Surplus on revaluation	143,550	96,063	239,613
	=====	=====	=====

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.

#### **27. SALES - Net**

Local	352,186	232,244
Export	162,016	15,771
	-----	-----
	514,202	248,015
Less: Rebate, allowances, discount & commission	2,701	4,335
	-----	-----
	511,501	243,680
	=====	=====

#### **28. COST OF GOODS SOLD**

Raw material consumed (Note 28.1)	179,326	67,591
Stores & spares consumed	64,050	55,470
Salaries & wages (including all benefits)	108,476	88,057
Provident fund	2,528	1,861
Gratuity	10,463	3,816
Fuel & power	63,220	48,678
Rent, rate & taxes	471	487
Service charges	4,668	3,490
Repair & maintenance	4,502	2,667
Insurance	318	390
Other expenses	4,337	2,955
Depreciation (Note 3.3)	16,229	15,773
	-----	-----
	458,588	291,235
(Increase)/decrease in work in process inventory (Note 28.2)	38,686	37,586
	-----	-----
Cost of goods manufactured	497,274	328,821
(Increase)/decrease in finished goods inventory (Note 28.3)	8,133	(13,573)



	----- 505,407 =====	----- 315,248 =====
<b>28.1 Raw Material Consumed:</b>		
Opening stock (as at July 01, 1999)	112,870	94,980
Add: Purchases	202,259	85,481
	----- 315,129	----- 180,461
Less: Closing stock (as on June 30, 2000)	(135,803)	(112,870)
	----- 179,326 =====	----- 67,591 =====
<b>28.2 (Increase)/decrease in work in process inventory:</b>		
Opening inventory	160,163	197,749
Closing inventory	121,477	160,163
	----- 38,686 =====	----- 37,586 =====
<b>28.3 (Increase)/decrease in furnished goods inventory:</b>		
Opening inventory	41,576	28,003
Closing inventory	33,443	41,576
	----- 8,133 =====	----- (13,573) =====
<b>29. GENERAL &amp; ADMINISTRATIVE EXPENSES</b>		
Salaries & wages (including all benefits)	28,340	27,766
Provident fund	763	590
Gratuity	2,001	1,420
Travelling & conveyance	1,818	1,492
Entertainment	352	363
Legal & professional	550	474
Rent, rates & taxes	609	655
Fuel, gas & electricity	1,356	1,397
Repairs & maintenance	718	626
Postage, telegrams & telephone	1,228	1,376
Printing, stationery & office supplies	1,360	1,529
Advertisement	251	371
Service charges - SEC	4,000	3,500
Amortization of leased assets	734	200
Insurance	514	437
Vehicle running expenses	1,639	1,332
Depreciation (Note 3.3)	796	907
Miscellaneous	2,011	2,753
	-----	-----

	49,040	47,188
--	--------	--------

	=====	=====
--	-------	-------

**30. SELLING & DISTRIBUTION EXPENSES**

Salaries & wages (including all benefits)	8,587	7,835
Provident fund	259	238
Gratuity	741	630
Travelling & conveyance	969	1,594
Entertainment	132	124
Rent, rates & taxes	64	86
Fuel, gas & electricity	3	37
Repairs & maintenance	38	165
Postage, telegrams & telephone	309	377
Printing, stationery & office supplies	126	179
Advertisement & sales promotion	489	854
Vehicle running expenses	158	184
Freight & forwarding	2,649	455
Miscellaneous	1254	995
	-----	-----
	15,778	13,753
	=====	=====

**31. FINANCIAL CHARGES**

Mark-up & interest on short term running finances	29,070	19,786
Interest on loan from State Engineering Corporation (Pvt) Limited & Spinning Machinery Company (Pvt.) Limited	5,130	5,506
Interest on provident fund	8,620	8,168
Bank charges & commission (Note 31.1)	3,733	5,515
Financial charges on finance lease	461	269
	-----	-----
	47,014	39,244
	=====	=====

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

**32. OTHER INCOME / (CHARGES)**

Interest / Profit		
On deposit with banks	63	64
On advances to employees	90	79
Profit / (Loss) on sale of assets held for sale (Note 32.1)	(1,054)	(970)
Creditors written back	75	0
Miscellaneous income	1,409	5,224
Gain on disposal of tangible fixed assets (Note 32.2)	2,456	1,415
Auditor's remuneration (Note 32.3)	(100)	(100)
ISO-9001 consultants fee	(135)	(165)
Deferred cost amortized (Note 8)	(5,753)	(7,232)
Provision for doubtful debts	(1,083)	(1,463)
Miscellaneous charges	(19)	(2,733)

Diminution in investment value	(124)	0
	-----	-----
	(4,175)	(5,881)
	=====	=====

32.1 "Assets held for sale" costing Rs. 10.427 million were sold during the year for Rs. 9.373 million resulting in such loss.

**32.2 Disposal of Tangible Fixed Assets during the year is as under:**

<i>Description</i>	<i>Original Cost Rupees</i>	<i>Accumulated Depreciation Rupees</i>	<i>W.D.V. Rupees</i>	<i>Sale Price Rupees</i>	<i>Profit/ (Loss) Rupees</i>	<i>Sold through Negotiation To</i>
<b>PLANT &amp; MACHINERY:</b>						
Gear Shaver Machine, F-80	450,000	43,875	406,125	518,938	112,813	Pakistan Machine Tool Factory, Karachi
Gear Hobbing Machine J-134	150,000	14,674	135,826	248,187	112,361	Pakistan Machine Tool Factory, Karachi
Hobbing Machine F-93	195,000	19,012	175,988	203,063	27,075	Pakistan Machine Tool Factory, Karachi
Transformers (3 Nos)	--	--	--	213,000	213,000	Muhammad Saleem, Lahore.
Welding Transformers (37 Nos)	162,657	98,111	64,546	145,800	81,254	Muhammad Saleem, Lahore.
Bailing Press	--	--	--	125,000	125,000	M/S Sufi & Co., Lahore.
Transformer. 1000 KVA.	--	--	--	126,000	126,000	Muhammad Saleem, Lahore.
	-----	-----	-----	-----	-----	
	958,157	175,672	782,485	1,579,988	797,503	
	=====	=====	=====	=====	=====	
<b>VEHICLES:</b>						
Mitsubishi Lancer Car No. 215-31	246,500	230,277	16,223	245,000	228,777	Mrs. Rubina Aslam, Lahore.
Bed Ford Truck D-1211	139,800	138,768	1,032	151,786	150,754	Muhammad Saleem, Lahore.
Bed Ford Truck LHN.3274	55,634	55,466	168	271,000	270,832	Muhammad Jameel, Rawalpindi.
Suzuki Pick-up No. 196-601	55,720	54,152	1,568	52,000	50,432	Muhammad Imran, Lahore.
Fiat Tractor, No. 480-4	85,926	84,378	1,548	120,181	118,633	M/S Mehfooz Alam, Sargodha.
Messy Ferguson Tractor No. 256-	7,680	5,667	2,013	152,219	150,206	M/S Mehfooz Alam, Sargodha.
Suzuki Swift No. LHV-6438	5,975	5,564	411	141,000	140,589	Muhammad Shafique, Lahore.
Suzuki Alto, LOD 3931	120,000	103,894	16,106	115,000	98,894	Muhammad Shafique, Lahore.
Suzuki Margala, No. LOM. 6531	319,000	252,101	66,899	256,200	189,301	Muhammad Safyan, Lahore.
Suzuki Margala No. Z-2082.	214,400	104,627	109,773	282,000	172,227	Mr. Kamran Hameed, Lahore.
Ford Lifter (MITSUBISHI) 3 Ton	10,790	7,962	2,828	68,000	65,172	M/S Sufi & Co. Lahore.
	-----	-----	-----	-----	-----	
	1,261,425	1,042,856	218,569	1,854,386	1,635,817	
	-----	-----	-----	-----	-----	
Sale of building material	--	--	--	22,493	22,493	Various Parties
	=====	=====	=====	=====	=====	
<b>TOTAL</b>	<b>2,219,582</b>	<b>1,218,856</b>	<b>1,001,054</b>	<b>3,456,867</b>	<b>2,455,813</b>	
	=====	=====	=====	=====	=====	

32.3

(Rupees in Thousand)

	<i>2000</i>	<i>1999</i>
Auditors remuneration	85	85
Out of Pocket Expenses	15	15
	-----	-----
Audit Fee	100	100
	=====	=====
<b>33. PRIOR YEARS ADJUSTMENTS</b>		
Reversal of Interest on Government Escrow Account	0	29,051
Others (Note 33.1)	887	1,783
	-----	-----
	887	30,834
	=====	=====

33.1 The amount includes Rs. 0.809 million regarding the adjustment of sales tax excess charged in the year 1998-99.

#### **34. TAXATION**

a) Due to income 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, 2000 are estimated approximately Rs. 550.75 million (1999: Rs. 699.941 million).

b) Deferred tax credit balance of Rs. 2.03 million, has not been accounted for as same is not expected to reverse in foreseeable future.

#### **35. EARNINGS/(LOSS) PER SHARE**

Loss for the year after taxation	(111,583)	(148,018)
	<b>No. of Shares</b>	
Average ordinary shares in issue during the year	5,690,245	5,690,245
	<b>Rupees</b>	
Loss per share	(19.61)	(26.01)
	=====	=====

#### **36. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

Maximum amounts due from the associated undertakings at the end of any month were Rs. 10.021 million (1999: Rs. 9.102 million). The company purchased from and sold to associated undertakings material, goods and services in the aggregate sum of Rs. 94.132 million (1999: Rs. 29.796 million) and Rs. 2.474 million (1999: Rs. 0.404 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>(Rupees in Thousand)</i>		<i>Executives</i> <i>(Rupees in Thousand)</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Remuneration	236	234	1,401	1,236
Provident fund	24	23	110	88
Perquisites	313	255	1,141	1,546
	-----	-----	-----	-----
	573	512	2,652	2,870
	=====	=====	=====	=====
Number of persons	1	1	8	8

Aggregate amount charged in the accounts for 8 directors for fees and expenses was Rs. 22,000 and Rs. 110,190 respectively, (1999: 8 directors Rs. 21,000 and Rs. 93,070 respectively).

### 39. FINANCIAL ASSETS AND LIABILITIES

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

### 40. FOREIGN EXCHANGE RISK MANAGEMENT

The company does not obtain forward exchange cover to hedge its foreign currency risks.

### 41. CONCENTRATION OF CREDIT RISK

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

### 42. NUMBER OF EMPLOYEES

The total number of employees at the year end was 1,706 (1999: 1,772)

### 43. PLANT CAPACITY & ACTUAL PRODUCTION

	<i>U/M</i>	<i>Capacity</i>		<i>Actual Production</i>	
		<i>Installed</i>	<i>Assessed</i>	<i>2000</i>	<i>1999</i>
Machine tools	Nos.	680	400	35	37
SSD engines	Nos.	650	300	0	0
HSD engines	Nos.	3,600	3,840	0	0
Concrete mixers	Nos.	350	350	3	10
Power looms	Nos.	1,200	800	0	0
Pumps/turbines	Nos.	3,400	4,000	571	505

Bicycles	Nos.	100,000	120,000	47,365	41,638
Electric motors	Nos.	16,500	6,500	460	428
Rolled material	Tons.	80,000	30,000	8,295	4,852
Steel fabrication	Tons.	20,000	N.A.	8,566	1,312
Steel ingots	Tons.	40,000	60,000	2,266	1,042

43.1 The main reason for production below capacity is that sales of company's products badly suffered due to lack of orders and poor economic & political situation prevailing in the country.

#### 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. IMTIAZ-UR-RAHEEM**  
Chief Executive

**LIAQAT MOHAMMAD**  
Director

**MOHAMMAD SHABIR MALIK**  
Director

#### PATTERN OF SHAREHOLDING AS AT JUNE 30, 2000

<i>Number of Shareholders</i>	<i>Shareholding</i>		<i>Total Shares held</i>
	<i>From</i>	<i>To</i>	
1,490	1	100	47,273
762	101	500	194,290
261	501	1,000	194,363
215	1,001	5,000	493,622
56	5,001	10,000	436,933
13	10,001	15,000	160,650
10	15,001	20,000	179,004
2	20,001	25,000	42,940
2	25,001	30,000	56,059
4	30,001	35,000	135,648
2	35,001	40,000	74,650
2	40,001	45,000	85,765
1	50,001	55,000	50,120
1	65,001	70,000	66,600
1	115,001	120,000	116,574
2	135,001	140,000	271,138
1	165,001	170,000	165,254
1	320,001	325,000	322,452
1	345,001	350,000	345,600
1	835,001	840,000	835,587
1	1,415,001	1,420,000	1,415,723
-----			-----
2,829			5,690,245

<i>Categories of Shareholders</i>	<i>Number of Shareholders</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	2,793	2,023,770	35.57
Investment Companies (Govt. Owned)	2	212,182	3.73
(Private)	5	11,170	0.20
Insurance Companies (Govt. Owned)	2	209,030	3.67
(Private)	3	130,528	2.29
Financial Institutions (Govt. Owned)	8	1,326,850	23.32
(Private)	4	341,467	6.00
Modaraba Companies	2	11,300	0.20
<b>OTHERS</b>			
The Custodian of Enemy Property	1	390	0.01
M/s. Corporate Law Authority	1	1	0.00
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	0.03
<b>TOTAL</b>	<b>2,829</b>	<b>5,690,245</b>	<b>100.00</b>

## TEN YEARS SUMMARY

	<i>1991</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>
<b>Sales - Net</b>	571,349	668,049	862,675	449,081	360,742	842,255	603,433	358,081	243,680
<b>Cost of Sales</b>	485,628	594,496	775,818	504,372	411,142	757,423	466,359	397,251	315,248
<b>Trading Profit/(Loss)</b>	85,721	73,553	86,857	(55,291)	(50,400)	84,832	137,074	(39,170)	(71,568)
<b>Other Income</b>	8,736	8,656	4,964	2,539	5,122	11,444	15,403	12,658	5,812
<b>Admin, General &amp; Selling Exp.</b>	69,100	66,745	72,688	72,223	55,798	61,903	61,672	64,576	60,941
<b>Financial Expenses</b>	102,131	107,098	122,408	132,552	16,877	51,893	56,458	63,010	39,244
<b>Workers Profit Participation Fu</b>	--	--	--	--	--	--	1,374	--	--
<b>Other Charges</b>	--	--	850	1,259	6,955	15,152	6,860	13,030	11,693
<b>Net Profit / (Loss) for the year</b>	(76,774)	(91,634)	(104,125)	(258,786)	(124,908)	(32,672)	26,113	(167,128)	(177,634)
<b>Prior Year's Adjustments</b>	(52,827)	(3,328)	(4,767)	--	--	4,110	--	--	30,834
<b>Profit/(Loss) before Taxation</b>	(129,601)	(94,962)	(108,892)	(258,786)	(124,908)	(28,562)	26,113	(167,128)	(146,800)
<b>Provision for Taxation</b>	(1,547)	(3,840)	2,833	--	(8,458)	(4,226)	3,017	(1,790)	(1,218)
<b>Profit/(Loss) after Taxation</b>	(131,148)	(98,802)	(106,059)	(258,786)	(133,366)	(32,788)	23,096	(168,918)	(148,018)
<b>Dividend</b>	--	375	--	--	--	--	8,535	--	--
<b>Paid Up Capital</b>	56,902	56,902	56,902	56,902	56,902	56,902	56,902	56,902	56,902
<b>Fixed Capital Expenditure</b>	97,907	1,016,653	1,010,478	1,003,567	1,005,336	1,034,404	12,957,224	1,259,635	1,256,624

