

International Industries Limited

Annual Report 1998

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CHAIRMAN

J.R. RAHIM

DIRECTORS

R.E. BANKWALLA

K.M.M. SHAH

M. ATEEQULLAH

S.M. KHALID

MUSTAPHA A. CHINOY

KAMAL A. CHINOY

ZAKA U. KHAN

RAZI-UR-RAHMAN KHAN Representing NIT

ABDUL LATIF UQAILI Representing ICP

MANAGING DIRECTOR &

CHIEF EXECUTIVE

TOWFIQ H. CHINOY

SECRETARY

MOHAMED H. WALLI

AUDITORS

FORD, RHODES, ROBSON, MORROW

BANKERS

STANDARD CHARTERED BANK

ANZ GRINDLAYS BANK LIMITED

AMERICAN EXPRESS BANK LTD.

HONGKONG & SHANGHAI BANKING CORPORATION

THE BANK OF TOKYO-MITSUBISHI, LTD.

MUSLIM COMMERCIAL BANK LTD.
BANK AL-HABIB LTD.
AL-TOWFEEK INVESTMENT BANK LTD.
AL-BARAKA ISLAMIC INVESTMENT BANK B.S.C. (E.C.)
SONERI BANK LTD.
SOCIETE GENERALE
OMAN INTERNATIONAL BANK S.A.O.G.
J.H. RAHIMTOOLA & COMPANY
HAKIMSONS BUILDING, 19 WEST WHARF ROAD
P.O. Box 4775, KARACHI-74000
TELEPHONE NOS. 2313508-14 FAX: 2314260
E-MAIL: iil@ khi.fascom.com
BRANCH
OFFICE
SALAM CHAMBERS, LINK McLEOD ROAD
LAHORE-54000
TELEPHONE NOS: 7229752-55 FAX: 7220384
E-MAIL: iil@ brain.net.pk.
FACTORY
LX 15-16, LANDHI INDUSTRIAL AREA
KARACHI-75160
TELEPHONE NOS: 7738868-70 FAX: 7738573
E-MAIL: iilfty@cyber.net.pk

MILESTONES

The Company through the Years Development and Growth

- | | |
|------|--|
| 1948 | Established as Sultan Chinoy and Company |
| 1949 | Incorporated as International Industries Limited
Sponsored Pak Chemicals Limited, Pakistan. |
| 1953 | Sponsored Pakistan Cables Limited, Karachi as a Joint
Venture with BICC, UK |
| 1965 | Ventured into manufacturing of high quality Electric
Resistance Welding Steel Pipe |
| 1983 | Launched Galvanised Pipe. "ILL GI PIPE" is born |

- 1984 Converted to a Public Limited Company
- 1990 Set up the country's first Cold Rolling Mill in the private sector
- 1992 Became a "BILLION" rupee company
- 1995 Entered the international market with export of Galvanised Pipes
- 1997 Certification under ISO 9001
- 1998 Commemorates 50 years and awarded international credit rating by Duff & Phelps

Notice of Meeting

Notice is hereby given to the Members that the 50th Annual General Meeting of the Company will be held on Thursday 12th November, 1998 at 11:00 a.m. at the "Raffia Choudri Memorial Centre", Sidco Avenue Centre, 264-R. A. Lines, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 30th June, 1998 and the Reports of the Directors and Auditors thereon.
2. To consider and approve payment of 17.5% Final Cash Dividend making a total of 32.5% for the financial year ended 30th June, 1998 as recommended by the Board of Directors.
3. To elect Directors for a period of 3 years commencing from 12th November, 1998.
4. To appoint Auditors for the year 1998-99 and fix their remuneration.
5. To transact with the permission of the Chair any other business which may be transacted at an Annual General Meeting.

By Order of the Board

sd/-

Mohamed H. Walli

Company Secretary

Karachi: October 15, 1998

Notes:

1. The Share Transfer Books of the Company will remain closed from 2nd November, 1998 to 12th November, 1998 (both days inclusive). Transfers received in order at the Registered Office of the Company by close of business on 31st October, 1998 will be treated in time for the purpose of payment of final cash dividend to the transferees.
2. A Member entitled to attend, speak and vote at the General Meeting is entitled to appoint another member as his/her proxy to attend, speak and vote on his/her behalf.
3. Instrument appointing proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power or authority must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. Form of proxy is enclosed.
4. Members are requested to advise change in address, if any.
5. Members are requested to consider and approve the following resolution regarding election of Directors:

Item-3

a) To elect 11 Directors being the number fixed by the Board of Directors for election for a period of three years from the date of the Annual General Meeting,

b) the elected Directors who retire at the meeting are:

Messrs J. R. Rahim, R. E. Bankwalla, K. M. M. Shah, S. M. Khalid, Zaka U. Khan, M. Ateequllah, Mustapha A. Chinoy, Kamal A. Chinoy, Towfiq H. Chinoy, the nominated Directors are:

Messrs Razi-ur-Rahman Khan and Abdul Latif Uqaili representing NIT and ICP respectively.

c) any person or retiring Director who seeks to contest election of the office of the Director must file with the Company, not later than fourteen days before the date of meeting, notice of his/her intention to offer himself/herself for election.

Chairman's Review

It is with pleasure that I present to you on behalf of the Board, the 50th Annual Report for the year ended 30th June, 1998.

DIRECTORS

Consequent to Mr. Amir Sultan Chinoy's sad demise on January 22 1998, Mr. Mustapha A. Chinoy was appointed a Director for the remaining tenure of the current Board. We welcome him a There was no other change in your Board during the year.

SALES

The domestic sales continued to be affected by the prevailing economic conditions and only a nominal growth was witnessed during the year. However, your Company's ability to manufacture high quality product conforming to International Standards enabled it to achieve a substantial growth in the export market. In some of these international markets your Company's product has been accepted as a permanent feature with a growing reputation for consistent quality and availability.

By the grace of Allah, your Company has now acquired ISO-9001 certification which should Inshallah enable it to further consolidate the quality image that it has built and defended so successfully over the past 50 years.

RAW MATERIALS

Supply of steel from Pakistan Steel Mills was satisfactory, as a result of which the Company's requirement for domestic sales was met entirely through local purchases. Import of steel was restricted to meet export requirements only.

The Zinc prices witnessed sharp movements at the beginning of the fiscal year because of speculation by major players in the international markets. The prices in the second half of the year have dropped and continue to remain at low levels owing to depressed international demand.

FINANCIAL RESULTS

The growth in volume has resulted mostly from the export sales where intense international competition restricts the margins to levels lower than on domestic sales. Thus, although the net sales value is higher than the previous year by almost 10%, the gross profit at Rs. 276 million is at the same level. Freight and forwarding expenses have increased by Rs. 20 million because of the increase in exports and financial charges are Rs. 9.0 million less.

The profit before tax at Rs. 94 million is 10% lower as compared to the previous year's profit of Rs. 105 million. After providing for the current year's tax, the after tax profit is Rs. 64 million.

FUTURE PROSPECTS

The prevailing uncertainty in the domestic market will restrict growth of local sales to nominal levels. Growth in export sales is possible but the lower margins will affect the overall profitability of the Company.

Imports are becoming increasingly difficult and the imposition of a 30% cash margin on letters of credit and an ever increasing value of the Dollar will make import of Zinc and spare parts very expensive.

Local costs, particularly fuel and energy charges under the influence of a double digit inflation are also on the rise, and a corresponding increase in prices, particularly in the already depressed market, will not be easily possible.

In view of the foregoing, it appears that your Company is faced with the prospects of even lower margins than the current level.

The only redeeming factor in this bleak scenario is the Government's resolve to bring the tax evaders to If this effort succeeds and the playing field becomes level, your Company will benefit.

DIVIDEND

Your Board is pleased to propose a final dividend of 17.5% , making a total for the year of 32.5%. This would leave only a third of the profit for the year to be taken to reserves.

STAFF

The Company's relationship with all its employees is cordial. Negotiations with the Employees' Union were held and concluded in a peaceful atmosphere. The Company is proud of its zealous and dedicated employees.

In keeping with our social responsibility and in memory of our founder Chairman, the late Mr. Amir S. Chinoy, a school has been sponsored in the vicinity of the factory operated by "The Citizens Foundation" an eminent NGO in the field of education. This school allows concessional quality education to children of our factory workers.

We are grateful to our Bankers for their continued support and to our customers for their loyalty and assure them of our continued determination to provide them with quality products and serve them according to needs of the market place.

Ten Years at a Glance

1998 1997 1996 1995 1994 1993 1992 1991 1990

(Rs. 000)

Assets Employed									
Fixed Assets (Owned & leased)	302,659	309,390	234,304	245,894	257,842	268,421	260,205	281,343	298,284
Capital Work In Progress	2,045	2,567	8,618	1,929	7,373	3,388	9,410	3,573	2,962
Long term deposits	2,073	1,940	3,003	3,586	3,320	4,252	4,480	4,459	4,559
Net Current Assets/(Liabilities)	14,475	41,716	66,145	22,583	33,900	16,660	(7,613)	(35,582)	144
Total Assets Employed	321,252	355,613	312,070	273,992	302,435	292,721	266,482	253,793	305,949
Financed by									
Shareholders' Equity (includes revaluation of land)	303,752	281,547	216,270	208,432	197,778	151,999	133,070	120,388	124,236
Long term & deferred liabilities	17,500	74,066	95,800	65,560	104,657	140,722	133,412	133,405	181,713
	321,252	355,613	312,070	273,992	302,435	292,721	266,482	253,793	305,949
Sales & Profits									
Sales-Net	1,773,157	1,613,998	1,702,917	1,286,339	1,328,018	1,098,387	919,449	821,935	734,148
Gross Profit	275,646	274,278	253,799	168,943	155,709	150,341	121,274	77,316	47,743
Profit before interest & taxation	160,468	180,496	174,707	115,770	110,374	109,950	89,374	44,905	19,577
Profit/(Loss) before taxation	94,384	105,386	90,498	29,983	18,397	18,929	9,167	(21,897)	(30,624)
Profit/(Loss) after taxation	64,084	78,886	36,831	29,983	18,397	18,929	12,682	(26,096)	(30,739)
Cash Dividend	41,879	48,322	28,993	19,329	12,886	--	--	--	--
Retained Earnings/(Loss)	22,205	30,564	7,838	10,654	5,511	18,929	12,682	(26,096)	(30,739)
Financial Ratios									
Gross Profit as a percentage of sales	15.5	17.0	14.9	13.1	11.7	13.7	13.2	9.4	6.5
Net profit/(loss) before tax as a percentage of sales (excluding contract income)	5.3	6.5	5.3	2.3	1.4	1.7	1.0	(2.6)	(4.2)
Current ratio	1.02	1.06	1.12	1.04	1.08	1.03	0.98	0.89	1.0
Long term debt: equity	06:94	21:79	31:69	24:76	35:65	48:52	50:50	53:47	59:41
Earning/(Loss) per share	4.97	6.12	2.86	2.33	1.43	2.35	1.69	(3.48)	(5.42)
Cash Dividend (%)	32.5	37.5	22.5	15	10	--	--	--	--
Bonus Shares (%)	--	--	--	--	--	10	7.5	--	--
Right Shares (%)	--	--	--	--	--	50	--	32	20

Report of the Directors

The Directors have pleasure in submitting their Report and Audited Accounts for the year

ended 30th June, 1998.

(Rs. 000's)

The profit for the year amounts to	64,084
Amount of unappropriated profit brought forward from previous year	107

	64,191
The Directors recommend:	
Interim dividend already paid at the rate of Rs. 1.50 per share (15%)	19,329
Final dividend at the rate of Rs. 1.75 per share (17.5%)	22,550
Transfer to General Reserve	22,000

	63,879
Leaving an unappropriated profit carried forward to next year	312

	=====

The Chairman's review on pages 6 & 7 covers significant activities of your Company during the year.

The Management of the Company has taken cognizance of the possible effects of the millennium bug and steps have been taken to ensure smooth operation at the change of the millennium. Non listed associated companies are not likely to be affected. Our major suppliers and debtors have been requested to take measures to avoid complications arising out of the millennium bug.

The pattern of shareholdings is provided on page 31.

The present auditors, M/s. Ford, Rhodes, Robson, Morrow retire and offer themselves for re-appointment.

On behalf of the Board

sd/-

Towfiq H.Chinoy

Karachi: 15th October, 1998

Managing Director & Chief Executive

Auditors' Report to the Members

We have audited the annexed balance sheet of INTERNATIONAL INDUSTRIES LIMITED as at 30th June, 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 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 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, (cash flow statement) together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30th June, 1998 and of the profit and the changes in financial position (cash flows) 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.

sd/-

Ford, Rhodes, Robson, Morrow

Balance Sheet as at 30th June, 1998

	Note	1998 (Rs. 000's)	1997
SHARE CAPITAL AND RESERVES			
Authorised capital 15,000,000 (1997: 15,000,000) ordinary shares of Rs. 10/- each		150,000	150,000
		=====	=====
Issued, subscribed and paid up capital	3	128,859	128,859
Reserves	4	125,166	102,961
		-----	-----
		254,025	231,820
SURPLUS ON REVALUATION OF LAND	5	49,727	49,727
		-----	-----
		303,752	281,547
REDEEMABLE CAPITAL	6	17,880	73,843
DEFERRED LIABILITIES			
Gratuity		--	603
CURRENT LIABILITIES			
Current portion of redeemable capital, long term loan and finance leases		43,963	51,382
Short term running & Morabaha finances	7	252,622	375,509
Creditors, accrued and other liabilities	8	350,987	277,815
		-----	-----
		647,572	704,706
COMMITMENTS	9	-----	-----
		969,204	1,060,699
		=====	=====
OWNED FIXED ASSETS	10	304,704	305,360
LEASED FIXED ASSETS	11	--	6,597
INVESTMENT	12	380	380
LONG - TERM DEPOSITS		2,073	1,940

CURRENT ASSETS

Stores and spares	13	46,336	49,067
Stock-in-trade	14	358,142	413,032
Contract work-in-progress	15	4,588	3,635
Trade debtors	16	191,894	158,672
Contract debtors	17	424	579
Advances, deposits, prepayments and other receivables	18	45,978	30,587
Cash and bank balances	19	14,685	90,850
		-----	-----
		662,047	746,422
		-----	-----
		969,204	1,060,699
		=====	=====

The annexed notes form an integral part of these accounts.

Sd/-

K.M.M. Shah

Director

Sd/-

Towfiq H. Chinoy

Managing Director & Chief Executive

Profit and Loss Account for the year ended 30th June, 1998

	Note	1998 (Rs. 000's)	1997
TURNOVER			
Sales - Local		1,811,024	1,874,035
Sales - Export		187,547	36,444
		-----	-----
		1,998,571	1,910,479
Less: Sales tax		201,931	267,472
		-----	-----
		1,796,640	1,643,007
Less: Commission and Allowances		23,483	29,009
		-----	-----
		1,773,157	1,613,998
COST OF GOODS SOLD	20	1,497,511	1,339,720
		-----	-----

		275,646	274,278
GROSS PROFIT			
Administrative expenses	21	24,116	20,845
Selling expenses	22	21,502	17,871
Freight and forwarding expenses	23	69,087	49,465
		-----	-----
		114,705	88,181
		-----	-----
OPERATING PROFIT		160,941	186,097
Other income	24	6,436	1,631
		-----	-----
		167,377	187,728
		-----	-----
Financial charges	25	66,084	75,110
Workers' profit participation fund		5,065	5,631
Workers' welfare fund		1,844	1,601
		-----	-----
		72,993	82,342
		-----	-----
		94,384	105,386
		-----	-----
PROFIT BEFORE TAXATION			
Taxation	26	30,300	26,500
		-----	-----
		64,084	78,886
		-----	-----
PROFIT AFTER TAXATION			
Unappropriated profit brought forward		107	543
		-----	-----
Available for appropriation		64,191	79,429
		-----	-----
APPROPRIATIONS			
Interim dividend 15% (1997: 15%)		19,329	19,329
Proposed final dividend 17.5% (1997: 22.5%)		22,550	28,993
Transfer to general reserve		22,000	31,000
		-----	-----
		63,879	79,322
		-----	-----
Unappropriated profit, carried forward		312	107
		=====	=====

The annexed notes form an integral part of these accounts.

Sd/-

Sd/-

K.M.M. Shah
Director

Towfiq H. Chinoy
Managing Director & Chief Executive

**Statement of Changes in Financial Position (Cash Flow Statement)
for the year ended 30th June, 1998**

	1998	1997
	(Rs. 000's)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	94,384	105,386
Adjustments for		
Depreciation	39,723	34,923
Provision for staff retirement benefits- net of payments	(603)	(10,017)
Provision for doubtful debts - (net)	4,617	1,965
Profit on sale of fixed assets	(1,385)	(566)
Long term deposits - (net)	(133)	1,063
Financial charges	66,084	75,110
Working capital changes	97,197	(81,455)
	-----	-----
	205,500	21,023
Taxes paid	(38,989)	(34,502)
Financial charges paid	(71,500)	(69,651)
	-----	-----
Net cash flows from operating activities	189,395	22,256
	=====	=====
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(33,532)	(69,732)
Proceed from sale of fixed assets	2,447	1,053
	-----	-----
Net cash flows from investing activities	(31,085)	(68,679)
	=====	=====
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(48,206)	(35,292)
Repayment of long term finance	(61,775)	(23,084)
Long term finance obtained	--	40,000
Shod term running and morabaha finances	(122,887)	149,137
Repayment of finance lease	(1,607)	(4,569)

Net cash flows from financing activities	----- (234,475) =====	----- 126,192 =====
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(76,165)	79,769
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	90,850	11,081
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	----- 14,685 =====	----- 90,850 =====
WORKING CAPITAL CHANGES		
Decrease/(Increase) in current assets		
Stores and spares	2,731	(10,129)
Stock-in-trade	54,890	(64,154)
Contract work-in-progress	(953)	2,017
Trade debts	(37,839)	4,709
Contract debtors	155	701
Advances, deposits, prepayments and other receivables	(6,702)	13,754
	----- 12,282	----- (53,102)
Increase/(Decrease) in current liabilities		
Creditors, accrued and other liabilities	84,915	(28,353)
	----- 97,197 =====	----- (81,455) =====

Sd/-
K.M.M. Shah
Director

Sd/-
Towfiq H. Chinoy
Managing Director & Chief Executive

Notes to the Accounts for the year ended 30th June, 1998

1. THE COMPANY AND ITS OPERATIONS

International Industries Limited was incorporated in Pakistan and is quoted on Stock Exchanges in Pakistan. The company manufactures cold rolled steel strips, steel tubes and galvanized pipes, besides being an electrical contractor.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention except for revaluation of land as referred to in 2.4 below.

2.2 Staff retirement benefits

a) Provident Fund

The company operates a recognised provident fund for non-unionised employees. Contribution is made by the company at the rate of 8.33% of basic salary and cost of living allowance and the same is charged to the profit and loss account.

b) Gratuity

The company operates an approved gratuity fund to cover all the employees. Contributions are made annually on the basis of actuarial valuation.

2.3 Taxation

Provision for current taxation is based on taxable income on current rates of taxation, after taking into account tax rebates and tax credits available, if any.

Deferred taxation is provided on timing differences using the liability method, excluding the tax effects of those timing differences which are not likely to reverse in the foreseeable future (see note 26.1).

2.4 Tangible fixed assets and depreciation

a) Owned fixed assets

These are stated at cost less accumulated depreciation except land which was revalued and is shown at such revalued amount. No amortization is provided on leasehold land since the lease is renewable at the option of the lessee. Cost in relation to certain fixed assets signifies historical cost and cost of borrowings during period of construction.

Depreciation charge on buildings and plant and machinery is based on the diminishing balance method (10%) while for other assets it is on straight line method at the rates ranging between 10% - 50% as indicated (see notes 10 and 11). The cost or revalued amount of an asset is written off over its estimated useful life without taking into account any residual value. Improvements to leasehold premises are amortized over the period of the lease. Depreciation on additions to buildings, plant and machinery costing over Rs. 1 million is charged from

the month in which asset is put to use to the month prior to disposal. However, full year's depreciation is charged on all other fixed assets in the year of acquisition and no charge is made in the year of disposal.

Repairs and maintenance cost is written off to the profit and loss account in the year in which it is incurred; major renewals and improvements are capitalised.

Profit on disposal of fixed assets is credited and loss debited to the profit and loss account.

b) Leased fixed assets

Assets held under finance leases are stated at cost less depreciation.

The outstanding obligations under the lease less finance charges allocated to future periods are shown as liability.

The financial charge is calculated at the interest rate implicit in the lease and is charged to the profit and loss account.

Depreciation is charged at the same rate as company owned assets or over the lease period whichever is appropriate.

2.5 Stores and spares

These are stated at the lower of net realisable value and cost determined on moving average method.

2.6 Stock-in-trade

These are stated at the lower of net realisable value and cost determined on moving average method except raw material of steel which is determined on first-in-first-out-method. Cost includes direct raw material, labour and manufacturing overheads in respect of work-in-process and finished goods.

2.7 Contract work-in-progress

Work-in-progress consists of work done stated at the lower of net realisable value and cost less payments received. Credit for claims receivable arising on contracts is taken when received.

2.8 Foreign currency transactions

Assets and liabilities in foreign currencies are stated in rupees at the rates of exchange ruling on the balance sheet date or fixed under contractual arrangements.

All exchange differences are included in the profit and loss account.

2.9 Revenue recognition

i) Sales are recognised as revenue when invoiced, which coincides with delivery.

ii) Return on investments is accrued from the date of purchase at the specified rates on the assumption that such investments will be held till maturity.

iii) Income from contracts is recognised on the basis of completed contract method.

	1998	1997
	(Rs. 000's)	
3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
6,769,725 (1997: 6,769,725) ordinary shares of Rs. 10 each fully paid in cash	67,697	67,697
6,116,159 (1997: 6,116,159) ordinary shares of Rs. 10 each allotted as bonus shares	61,162	61,162
	-----	-----
	128,859	128,859
	=====	=====
4. RESERVES		
Revenue reserves		
General reserve		
Balance at the beginning of the year	102,854	71,854
Transfer from profit and loss account	22,000	31,000
	-----	-----
	124,854	102,854
Balance on profit and loss account	312	107
	-----	-----
	125,166	102,961
	=====	=====

5. SURPLUS ON REVALUATION OF LAND

During the year 1997, 2nd revaluation of freehold and leasehold land was carried out by Mr. Javed Rana F.I.C.E. (London), Chartered Civil Engineer of M/s. Indus Associated Consultants (Pvt.) Ltd. resulting in a surplus of Rs. 34.713 million, over cost or book values as detailed below. This has been credited to surplus on revaluation of land.

Leasehold land

Revaluation surplus over original cost of Rs. 0.5 million on June 30, 1988	13,796	13,796
Revaluation surplus over book value of Rs. 14.3 million on June 30, 1997	28,090	28,090
	-----	-----
	41,886	41,886

Freehold land

Revaluation surplus over original cost of Rs. 0.8 million on June 30, 1988	1,218	1,218
Revaluation surplus over original cost of Rs. 2.7 million on June 30, 1997	3,455	3,455
Revaluation surplus over book value of Rs. 2.0 million on June 30, 1997	3,168	3,168
	-----	-----
	7,841	7,841
	-----	-----
	49,727	49,727
	=====	=====

	1998	1997
	(Rs. 000's)	

6. REDEEMABLE CAPITAL

Term finance certificates	(Note 6.1)	26,009	38,618
Long term finance utilised under mark up arrangements	(Note 6.2)	35,834	85,000
		-----	-----
		61,843	123,618
Less: Current portion shown under current liabilities			
Term finance certificates		14,796	12,609
Long term finance utilised under mark up arrangements		29,167	37,166
		-----	-----
		43,963	49,775
		-----	-----
		17,880	73,843
		=====	=====

6.1 Term Finance Certificates

	Sale Price	Purchase Price	No. of installments and commencement date		
National Investment Trust Ltd.					
1st Rs. 50.0 million	50,000	94,382	14 half yearly 22-02-93	15,785	24,405
2nd Rs. 25.0 million	25,000	43,694	14 half yearly 01-09-93	10,224	14,213
				----- 26,009	----- 38,618
				=====	=====

6.2 Long term finance utilised under mark up arrangements

i) Standard Chartered Bank

Local currency assistance of Rs. 25.0 million for buildings and plant and machinery	25,000	33,325	4 half yearly 31-12-97	12,500	25,000
---	--------	--------	---------------------------	--------	--------

ii) ANZ Grindlays Bank

Local currency assistance of Rs. 30.0 million for plant and machinery	30,000	38,403	6 half yearly 15-08-96	10,000	20,000
---	--------	--------	---------------------------	--------	--------

Local currency assistance of Rs. 20.0 million for plant and machinery	20,000	25,959	6 half yearly 14-09-97	13,334	20,000
---	--------	--------	---------------------------	--------	--------

iii) American Express Bank

Local currency assistance of Rs. 20.0 million for plant and machinery	20,000	25,646	5 half yearly 30-09-97	--	20,000
---	--------	--------	---------------------------	----	--------

				----- 35,834	----- 85,000
				=====	=====

6.3 All term finance certificates and long term finance are secured by way of a joint equitable mortgage on all the present and future immovable properties and other assets of the company, excluding inventories and book debts, and ranking pari passu with long term loan secured similarly.

The consent of the TFC holders and financiers is required prior to declaration and payment of dividend by the company.

	1998	1997
	(Rs. 000's)	
7. SHORT TERM RUNNING AND MORABAHA FINANCES		
From banks		
Under mark-up arrangements	252,622	287,769
From financial institutions		
Under Morabaha arrangements	--	7,500
Against US Dollar Deposit	--	80,240
	-----	-----
	252,622	375,509
	=====	=====

The facilities available from banks and financial institutions are secured by hypothecation of stocks, book debts and export documents and amounts to Rs. 651 million and Rs. 27.5 million respectively (1997: Rs. 321 million and Rs. 27.5 million respectively). The unavailed facilities at the year end was Rs. 398.4 million and Rs. 27.5 million respectively. (1997: Rs. 33.2 million and Rs. 20 million respectively).

The rates of mark-up range between 13.0% to 16.0% (1997: 13.0% to 16.6%).

The liability shown above is stated net of prompt payment rebate.

	1998	1997
	(Rs. 000's)	
8. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Creditors	10,522	14,915
Accrued liabilities	12,995	14,331
Bills payable	268,558	164,398
Mark-up accrued on secured loans and short term running finances	11,945	17,361
Sales tax	7,963	8,407
Advances from customers	8,152	7,159
Employees gratuity fund	602	12,786

Workers' profit participation fund	(Note 8.1)	5,065	5,631
Workers' welfare fund		1,155	3,007
Unclaimed dividend		452	336
Proposed dividend		22,550	28,993
Others		1,028	491
		-----	-----
		350,987	277,815
		=====	=====

1998 **1997**
(Rs. 000's)

8.1 Workers' Profit Participation Fund

Balance at the beginning of the year		5,631	4,838
Interest paid by the company		209	597
		-----	-----
		5,840	5,435
Allocation for the year		5,065	5,631
		-----	-----
		10,905	11,066
Less: Payments during the year		5,840	5,435
		-----	-----
Balance at the end of the year		5,065	5,631
		=====	=====

9. COMMITMENTS

9.1 Capital expenditure commitments outstanding as at 30th June, 1998 amounted to Rs. 12.5 million (1997: Rs. 4.6 million).

9.2 Commitments under letters of credit as at the year end amounted to Rs. 288.4 million (1997: Rs. 208.0 million).

10. OWNED FIXED ASSETS

(Rs. 000's)

Cost and revalua- tion at	additions adjustments	Cost and revalua- tion at	Accumulated depreciation	Net book value as at	Depreciation for the year	Rate
---------------------------------	--------------------------	---------------------------------	-----------------------------	----------------------------	---------------------------------	------

	1-7-97	(disposals)	30-6-98		30-6-98		%
10.1 Operating Fixed Assets							
Freehold land	11,301	--	11,301	--	11,301	--	--
Leasehold land	42,399	--	42,399	--	42,399	--	--
Buildings	44,662	4,081 927	49,670	22,294	27,376	3,276	10
Improvement to leasehold premises	2,930	--	2,930	1,172	1,758	879	20
Plant and machinery	440,458	32,301 (21,352)	451,407	257,900	193,507	32,566	10-50
Furniture, fixtures & office equipment	9,803	1,032 (149)	10,686	5,984	4,702	685	10
Vehicles	9,387	6,454 (3,275)	12,566	5,622	6,944	2,226	20
	560,940	43,868 (23,849)	580,959	292,972	287,987	39,632	
10.2 Capital Work-in-progress							
Buildings	7	5,651 (4,198)	1,460	--	1,460	--	
Plant and machinery	2,560	19,462 (21,437)	585	--	585	--	
	2,567	25,113 (25,635)	2045	--	2,045	--	
10.3 Stores and spares for capital expenditure							
	12,907	17,646 (15,881)	14,672	--	14,672	--	
	576,414	86,627 (65,365)	597,676	292,972	304,704	39,632	

1997

457,142	207,748	576,414	271,054	305,360	33,645
	(88,476)				

10.4 Details of owned fixed assets disposed off during the year are:

Assets	Original Cost	Accumulated depreciation	Book Value	Proceeds	Mode of Sale	Purchaser
Building (well)	52	52	--	--	Written off	
Plant & Machinery	20,401	20,401	--	--	Written off as Scrap	
Motorcycle	26	26	--	27	Negotiation	Syed Munawar, Karachi.
Vehicles	139	139	--	100	Negotiation	Mr. Karoran Fakhr, Karachi.
„	93	93	--	111	Negotiation	M/s. Sohail Bros. Islamabad.
„	137	137	--	75	Negotiation	Mr. Mohammed Ismail, Karachi.
„	273	55	218	256	Insurance Claim	M/s. New Jubilee Insurance Co., Ltd.
„	343	137	206	300	Insurance Claim	M/s. New Jubilee Insurance Co., Ltd.
„	340	136	204	180	Negotiation	Syed Tehzibul Hassan, Karachi.
„	515	412	103	390	Negotiation	Mr. Mohammed Ateequllah, Karachi.
„	560	336	224	390	Negotiation	M/s. Toyota Western Motors, Karachi.
„	850	850	--	570	Negotiation	M/s. Pak Chemicals Ltd. Karachi.
Generator	120	12	108	48	Negotiation	Mrs. Zeenat, Karachi
	23,849	22,786	1,063	2,447		

11. LEASED FIXED ASSETS

	Cost at 1-7-97	*(Disposals)	Cost at 30-6-98	Accumulated depreciation	Net book value as at 30-6-98	Depreciation for the year	Rate %
Plant and machinery	10,000	--	--	3,494	--	--	10
		(10,000)		(3,494)			
Furniture, fixtures & office equipment	392	--	--	392	--	49	25, 33.3
		(392)		(392)			

Vehicles	1,186	--	--	1,186	--	42	25, 33.3
		(1,186)		(1,186)			

	11,578	--	--	--	--	91	
		(11,578)					
=====							
1997	28,477	--	11,578	4,981	6,597	1,278	
		(16,899)					
=====							

* Transferred to operating fixed assets.

11.1 Allocation of depreciation for operating and leased assets for the year is as follows:

	1998	1997
	(Rs. 000's)	
Profit and loss account		
Cost of goods sold	36,481	32,755
Administrative expenses	2,354	1,794
Selling expenses	888	374
	-----	-----
	39,723	34,923
	=====	=====
12. INVESTMENTS - at cost		
WAPDA bonds	380	380
	=====	=====
13. STORES AND SPARES		
Stores	2,977	3,154
Spares [includes in transit, valued at cost Rs. 2.914 million (1997:2.349 million)]	43,359	45,913
	-----	-----
	46,336	49,067
	=====	=====
14. STOCK-IN-TRADE		
Raw material- in hand	52,262	28,486

-in transit [includes in bounded warehouse Rs. Nil (1997:69.018 million)]	33,374	95,217
Work-in-process	72,313	51,577
Finished goods	177,744	220,556
Scrap material	22,449	17,196
	-----	-----
	358,142	413,032
	=====	=====

CONTRACT WORK-IN-PROGRESS

Work-in-progress	55,435	52,920
Less: Progress payments	50,847	49,285
	-----	-----
	4,588	3,635
	=====	=====

16. TRADE DEBTORS

Considered good - Secured	20,056	12,995
Considered good - Unsecured	171,838	145,677
Considered doubtful	7,507	2,890
	-----	-----
	199,401	161,562
Less: Provision for doubtful debts	7,507	2,890
	-----	-----
	191,894	158,672
	=====	=====

17. CONTRACT DEBTORS

Unsecured - considered good	424	579
	=====	=====

**18. ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES**

Advances - considered good		
Suppliers	12,006	1,388
Staff - for expenses	1,820	1,912
For purchase of land	500	500
Income tax	17,166	8,477

Sales-tax	5,598	4,519
	-----	-----
	37,090	16,796
Deposits	1,461	3,246
Prepayments	1,597	5,429
Other receivables		
Employees Gratuity fund	1,051	--
Profit accrued on investments	3	3,657
Associated undertakings	243	99
Custom duty claimed as refundable	3,827	--
Others	706	1,360
	-----	-----
	45,978	30,587
	=====	=====

Maximum amount due from associated undertakings at the end of any month during the year was Rs. 0.267 million (1997: Rs. 0.230 million).

19. CASH AND BANK BALANCES

In hand	--	66
At banks -on PLS accounts	5,316	5,125
-on current accounts	9,369	613
-on term deposits	--	85,046
	-----	-----
	14,685	90,850
	=====	=====

20. COST OF GOODS SOLD

Opening stock of raw material and work-in-process	80,063	130,950
Purchases	1,373,338	1,277,524
Salaries, wages and benefits	62,987	60,037
Rates and taxes	1,637	2,045
Electricity and gas	61,259	48,475
Insurance	1,705	1,686
Security expenses	1,625	1,558
Depreciation	36,481	32,755
Stores and spares consumed	16,241	14,748
Repairs and maintenance	24,098	24,227
Postage, telephone and stationery	1,582	1,394

Vehicle, travel and conveyance	1,392	1,341
Sundries	4,257	4,166
Recovery of bye products and scrap (net of sales tax)	(87,809)	(91,384)
	-----	-----
	1,578,856	1,509,522
Closing stock of raw material and work-in-process	(124,575)	(80,063)
	-----	-----
Cost of goods manufactured	1,454,281	1,429,459
Finished goods		
Opening stock	220,556	127,716
Purchases/(Internal consumption)	418	3,101
Closing stock	(177,744)	(220,556)
	-----	-----
	43,230	(89,739)
	-----	-----
	1,497,511	1,339,720
	=====	=====

21. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits		11,745	10,408
Rent, rates and taxes		549	309
Electricity and gas		512	472
Insurance		26	25
Depreciation		2,354	1,794
Repairs, renewals and maintenance		998	731
Postage, telephone and stationery		1,412	1,498
Office supplies		212	174
Vehicle, travel and conveyance		1,779	1,732
Legal and professional		1,261	1,167
Donations	(Note 21.1)	1,862	1,200
Auditors' remuneration	(Note 21.2)	340	254
Sundries		1,066	1,081
		-----	-----
		24,116	20,845
		=====	=====

21.1 Donations

No donation was made to any donee in whom a director or his spouse had any interest at any time during the year.

21.2 Auditors' Remuneration

Audit fee	200	125
Tax services	83	94
Other services	33	16
Out of pocket expenses	24	19
	-----	-----
	340	254
	=====	=====

22. SELLING EXPENSES

Salaries, wages and benefits	7,149	6,460
Rent, rates and taxes	433	490
Electricity and gas	532	404
Insurance	240	268
Depreciation	888	374
Repairs, renewals and maintenance	541	458
Advertising and sales promotion	3,964	2,838
Postage, telephone and stationery	1,421	1,118
Office supplies	66	31
Vehicle, travel and conveyance	1,024	887
Provision for doubtful debts	4,617	2,526
Debts written off	--	1,643
Sundries	627	374
	-----	-----
	21,502	17,871
	=====	=====

23. FREIGHT AND FORWARDING EXPENSES

Local Sales	45,775	45,536
Export Sales	23,312	3,929
	-----	-----
	69,087	49,465
	=====	=====

24. OTHER INCOME

Profit on PLS term deposits and investments	273	3,932
Profit on sale of fixed assets	1,385	566
Exchange gain/(Ioss)	4,376	(3,021)
Miscellaneous	402	154
	-----	-----

	6,436	1,631
	=====	=====

25. FINANCIAL CHARGES

Interest on

Long-term loans

-- 99

Finance leases

58 664

Workers' profit participation fund

209 597

267 1,360

Mark-up on

Term finance certificates

5,336 7,267

Long-term finance

11,626 12,039

Short-term running finances

37,562 48,658

54,524 67,964

Bank charges

3,161 5,189

Others (usance charge)

8,132 597

66,084 75,110

=====

26. TAXATION

Current

30,300 26,500

=====

26.1 Deferred taxation arising due to timing differences computed under liability method is estimated at Rs. 35.9 million, after adjusting the debit for the year of Rs. 0.4 million (1997: Rs. 36.3 million, for which Rs. 5.1 million was for the year). However, no provision has been made in the accounts, as this liability is unlikely to crystallize in the foreseeable future.

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Chief Executive	Directors	Executives	Total 1997	Total 1998
--------------------	-----------	------------	---------------	---------------

(Rs. 000's)

Managerial Remuneration	1,440	1,752	7,587	10,779	9,367
Retirement Benefits	120	146	516	782	711
Rent, utilities, leave passage and encashment etc.	817	1,000	4,095	5,912	5,087
	-----	-----	-----	-----	
	2,377	2,898	12,198	17,473	
	=====	=====	=====	=====	-----
1997	2,232	2,649	10,284		15,165
	=====	=====	=====		=====
Number 1998	1	2	34		
1997	1	2	30		

In addition, the chief executive, directors and certain executives were provided with use of Company's cars and telephone mainly for business purposes.

Fee paid to non-executive directors was Rs. 0.015 million (1997: Rs. 0.015 million).

28. ASSOCIATED UNDERTAKINGS

Aggregate transactions made by the company during the year with the Associated Companies were:

	1998	1997
	(Rs. 000's)	
Purchases	1,482	3,104
Sales	6,653	3,654
Purchase of fixed assets	128	1,091
Insurance premium expense	2,952	3,532
Freight charges	5,357	1,371
Rent/utilities recovered	570	344
Other services	327	247

29. PRODUCTION

The capacity based on 1996-97 production mix (3 shifts 300 working days per annum) is as follows:

Pipe	63,000 Metric tonnes
Galvanizing	60,000 Metric tonnes
Cold rolled steel strip	40,000 Metric tonnes

The capacities of the plants have been estimated on the production mix of 1997-98 and will vary significantly, if the sizes of pipes and cold rolled steel strip are different.

The actual pipe production during the year was 56,562 metric tonnes (1997: 54,899 metric tonnes). Galvanizing during the year was 45,886 metric tonnes (1997:44,145 metric tonnes). In addition cold rolled steel strip of 30,450 metric tonnes was also produced (1997:29,570 metric tonnes).

30. GENERAL

i) Figures have been rounded off to the nearest thousand rupees.

ii) Previous year's figures have been re-arranged wherever necessary for purposes of comparison.

sd/-

K.M.M.Shah
Director

sd/-

Towfiq H. Chinoy
Managing Director & Chief Executive

Pattern of Shareholding as at 30th June, 1998

Number of Shareholders	Having Shares		Shares Held	Percentage
	From	To		
529	1	100	15788	.1225
373	101	500	96449	.7484
186	501	1000	132986	1.032
167	1001	5000	387627	3.0081
37	5001	10000	253580	1.9678
15	10001	15000	186355	1.4461
5	15001	20000	82745	.6421
1	20001	25000	21571	.1674
1	25001	30000	30000	.2328
1	40001	45000	42272	.3280
1	45001	50000	47121	.3656
1	70001	75000	72020	.5589
1	80001	85000	82657	.6414
2	95001	100000	199649	1.5493
1	140001	145000	142000	1.1019
7	150001	155000	1071294	8.3137

1	160001	165000	165000	1.2804
1	170001	175000	172666	1.3399
1	195001	200000	200000	1.5520
1	215001	220000	220000	1.7072
1	225001	230000	227040	1.7619
1	275001	280000	278000	2.1573
1	280001	285000	280884	2.1797
1	330001	335000	333348	2.5869
1	400001	405000	403784	3.1335
1	665001	670000	667404	5.1793
1	915001	920000	917490	7.1201
1	990001	995000	992910	7.7054
1	1040001	1045000	1041069	8.0791
1	4120001	4125000	4122175	31.9898
-----		-----	-----	-----
1342		12885884		100.000
=====		=====	=====	=====

Categories of Shareholders

Particulars	Shareholders	Shareholding	Percentage
Individuals	1318	6729622	52.22
Investment Companies	1	500	0.00
Insurance Companies	3	421360	3.27
Joint Stock Companies	9	173941	1.35
Financial Institutions	5	4915825	38.15
Overseas	3	640000	4.97
Private Companies	3	4636	0.04
	-----	-----	-----
	1342	12885884	100.00