

International Industries Limited

Annual Report 1999

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Company Information

Chairman	J.R. Rahim	
Directors	K.M.M. Shah	
	Mustapha A. Chinoy	
	Kamal A. Chinoy	
	Zaka U. Khan	
	M. Ateequllah	
	Adnan Meraj	Nominee Director of NIT
	Afzalullah Siddiqui	Nominee Director of NIT
	M. Sibghatullah	Nominee Director of NIT
	Samir Ahmed	Nominee Director of NIT
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 A1-Habib Ltd.
	A1-Towfeek Investment Bank Ltd.
	A1-Baraka Islamic Investment Bank B.S.C. (E.C.)
	Soneri Bank Ltd.
	Societe Generale
	Oman International Bank S.A.O.G.
	Credit Agricole Indosuez
Legal Advisors	J.H. Rahimtoola & Company
Registered Office	Hakimsons Building, 19 West Wharf Road P.O. Box 4775, Karachi-74000 Telephone Nos. 2313508-14 Fax: 2314260 E-mail: inquiries@iil.com.pk
Branch Office	Salam Chambers, Link Mcleod Road Lahore-54000 Telephone Nos: 7229752-55 Fax: 7220384 E-mail: lahore@iil.com.pk
Factory	LX 15-16, Landhi Industrial Area Karachi- 75160 Telephone Nos: 7738868-70 Fax: 7738573 E-mail: factory@iil.com.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 Welded Steel Pipe Launched Galvanized Pipe. "ILL GI PIPE" is
1983	born
1984	Converted to a Public Limited Company Set up the country's first Cold Rolling Mill in
1990	the private sector
1992	Became a "BILLION" rupee company
1995	Entered the international market with export of Galvanized Pipes

1997	Certification under ISO 9001
1998	Commemorated 50 years and awarded international credit rating by Duff & Phelps
1999	Achieved a turnover of Rs. 2.0 billion

Notice of Meeting

Notice is hereby given to the Members that the 51st Annual General Meeting of the Company will be held on Thursday 18th November, 1999 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, 1999 and the Reports of the Directors and Auditors thereon.
2. To consider and approve payment of 20% Final Cash Dividend making a total of 35% for the financial year ended 30th June, 1999 as recommended by the Board of Directors.
3. To appoint Auditors for the year 1999-2000 and fix their remuneration.
4. To transact with the permission of the Chair any other business which may be transacted at an Annual General Meeting.

Special Business

5. To approve the remuneration of the Executive Directors, including the Chief Executive.

A Statement under Section 160 of the Companies Ordinance 1984, pertaining to the Special Business, is being sent to the Members with this Notice.

By Order of the Board

Karachi: 27th October, 1999

Mohamed H. Walli
Company Secretary

Notice of Meeting

Notes:

1. The Share Transfer Books of the Company remained closed from October 20, 1999 to October 26, 1999 (both days inclusive). Transfers received in order at the Registered Office of the Company by close of business on October 19, 1999 were treated in time for the purpose of issuing the Notice of the Annual General Meeting and to determine the entitlement of dividend recommended by the Board of Directors.
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 submit declaration for zakat on the required format and to advise change in address, if any.

Statement U/S 160 of the companies ordinance 1984

This statement sets out the material facts concerning item 5 of the "Special Business" to be transacted at the Fifty-First Annual General Meeting of the Company to be held on 18th November, 1999

The approval of the Shareholders of the Company will be sought for:

Item 5

The approval of remuneration of the Chief Executive and the Executive Directors in the draft resolution set out below is necessitated on account of Government of Pakistan SRO No. 572(1)82 of 16th June, 1982 and includes approval to the holding of their respective office of profit in the Company, the said Directors are thus personally interested to the extent of remuneration payable to them and the office of profit held by them.

The members are accordingly requested to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT a sum not exceeding Rs. 15 million per annum be and is hereby authorized for payment towards remuneration of the Directors in executive or management service of the Company including the Chief Executive commencing 1st July, 1999 and the Board is authorized to determine the terms and conditions of their appointment and within limit aforesaid to pay remuneration to them but so that period of appointment shall not exceed three years per appointment.

Shareholders are informed that Directors in executive or management service and Chief Executive are interested in their respective appointment and in the remuneration respectively payable to them and save as such no other Director is directly or indirectly interested in their contracts or benefits under them."

Chairman's Review

It gives me great pleasure to present before you on behalf of the Board the 51st Annual Report for the year ended 30th June, 1999.

DIRECTORS

Eight of the Directors who retired after completing their tenure were re-elected for a period of 3 years at the 50th Annual General Meeting. Mr. R.E. Bankwalla, Mr. S.M. Khalid and Mr. Abdul Latif Uqaili retired from the Board and in their place Mr. M. Sibghatullah, Mr. M. Afzalullah Siddiqui and Mr. Adnan Meraj were elected Directors for a period of 3 years.

Since then, Mr. Razi-ur-Rahman Khan has resigned and has been replaced by Mr. Samir Ahmed.

Your Board acknowledges with appreciation the contribution made by Mr. R.E. Bankwalla, Mr. S.M. Khalid, Mr. Abdul Latif Uqaili and Mr. Razi-ur-Rahman Khan and welcomes Mr. M. Sibghatullah, Mr. M. Afzalullah Siddiqui, Mr. Adnan Meraj and Mr. Samir Ahmed.

SALES

The domestic sales have registered a growth of about 9% mainly because of your Company's policy of supplying quality product at competitive prices, enabling it to wrest market share from its competitors. Exports, however were 38% lower than last year because of stiff competition from ASEAN Countries and Turkey. Your Company had to lower its prices to retain its place in the International Market. In total, the current year's sales were only 3% higher than the previous year.

OPERATIONS

All the plants have operated satisfactorily during the year. Some plants have undergone major repairs in the year under review and the pickling line and one galvanizing plant will be refurbished next year. This exercise will enable your Company to improve the efficiency of the plants. During the year under review, the pipe production was 10% higher and the Cold Rolling Mill production was 17% higher than the preceding year.

FINANCIAL RESULTS

The turnover crossed the Rs.2.0 Billion mark for the first time. Gross margins of Rs.309 million is 12% higher than the previous year. The selling expenses are higher than the previous year mainly due to the need to provide for doubtful debts, the cumulative result of the operations of previous years accentuated by prevailing economic conditions. The operating profit at Rs.180 million is 12% higher than the previous year's figure of Rs. 161 million. Although the other income is considerably lower than the previous year, a saving in financial expenses more than off-sets the impact, leaving a profit before tax of Rs.116 million which is 23% more than the last year. The provision for taxation includes a deferred tax liability of Rs.20 million which your Company has started to make from this year in anticipation of this provision becoming mandatory by our fiscal year 2002. There is also a prior year liability of Rs.8.3 million which has arisen because the tax authorities have disallowed freight on export as export income has been under the presumptive tax regime. This move is unfair and will serve as a disincentive for exporters. The after tax profits are therefore lower than last year.

FUTURE PROSPECTS

The Export market in the pipe industry is very competitive and the margins are thin. Growth and consolidation is possible only if support in the form of incentives from the government agencies is forthcoming. Steps such as disallowance of freight on exports will render this business unprofitable. Your Company has been trying to impress upon the authorities to review the laws which create hurdles in promotion of exports. Hopefully if our recommendations are accepted, exports of engineering goods will grow.

The Government's resolve to bring the tax evaders to book and expand the tax net is meeting stern resistance from the quarters which are going to be affected. Efforts however continue to be made. The Government should also address the issue of removing the weaknesses in the revenue collection agencies; a step which would encourage traders and small industries to pay honestly to the exchequer. A level playing field would benefit your Company which has always been an honest tax-payer.

The mandatory revision of import tariffs under the World Trade Order is now just round the corner but the country and particularly the steel industry does not seem to be prepared for the competition which is imminent. Cognizance must be taken of the difficulties likely to be created by free inflow of imports.

A brief mention was made in the half yearly review that the management of your Company

was considering acquisition of additional facilities to enable it to produce a larger range of pipes. I am pleased to inform you that your Company has embarked upon a major capital expenditure programme which will enable it to substantially increase the capacity and the range of its products. Additional land measuring about 10 acres has already been bought adjacent to the existing factory premises and the new tube mill and its components will

Inshallah be shipped to arrive in Pakistan during the early half of the year 2000. Work on the project is by God's grace progressing satisfactorily.

When the new tube mill comes on line, Inshallah in the last quarter of fiscal 2000 it will enable the Company to increase exports as well as domestic sales in an expanded range.

DIVIDEND

Your Board is pleased to recommend a final dividend of 20% making a total for the year of 35%.

STAFF

The Company's relationship with all its employees is cordial. Negotiations with the Employees' Union will be held this year and the Management is confident that the negotiations will be completed satisfactorily. The Company is proud of its zealous and dedicated employees.

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.

J.R. RAHIM

Ten Years at a Glance

	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>	<i>1991</i>	<i>1990</i>
	<i>(Rs. 000)</i>									
Assets Employed										
Fixed Assets (Owned & leased)	300,379	302,659	309,390	234,304	245,894	257,842	268,421	260,205	281,343	298,284
Capital Work in Progress	2926	2,045	2,567	8,618	1,929	7,373	3,388	9,410	3,573	2,962
Long term deposits	2,300	2,073	1,940	3,003	3,586	3,320	4,252	4,480	4,459	4,559
Net Current Assets/(Liabilities)	17,866	14,475	41,716	66,145	22,583	33,900	16,660	(7,613)	(35,582)	144
Total Assets Employed	323,471	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)	303,471	303,752	281,547	216,270	208,432	197,778	151,999	133,070	120,388	124,236

Long term & deferred liabilities	20,000	17,500	74,066	95,800	65,560	104,657	140,722	133,412	133,405	181,713
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	323,471	321,252	355,613	312,070	273,992	302,435	292,721	266,482	253,793	305,949
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

Sales & Profits

Sales-Net	1,906,957	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	309,674	275,646	274,278	253,799	168,943	155,709	150,341	121,274	77,316	47,743
Profit before interest & taxation	170,579	160,468	180,496	174,707	115,770	110,374	109,950	89,374	44,905	19,577
Profit/(Loss) before taxation	115,644	94,384	105,386	90,498	29,983	18,397	18,929	9,167	(21,897)	(30,624)
Profit/(Loss) after taxation	44,820	64,084	78,886	36,831	29,983	18,397	18,929	12,682	(26,096)	(30,739)
Cash Dividend	45,101	41,879	48,322	28,993	19,329	12,886	--	--	--	--
Retained Earnings/(Loss)	(281)	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 sal	16.2	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)	6.1	5.3	6.5	5.3	2.3	1.4	1.7	1.0	(2.6)	(4.2)
Current ratio	1.02	1.02	1.06	1.12	1.04	1.08	1.03	0.98	0.89	1.0
Long term debt: equity	6:94	5:95	21:79	31:69	24:76	35:65	48:52	50:50	53:47	59:41
Earning/(Loss) per share	3.48	4.97	6.12	2.86	2.33	1.43	2.35	1.69	(3.48)	(5.42)
Cash Dividend(%)	35	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, 1999.

(Rs. 000's)

The profit for the year amounts to	44,820
Amount of unappropriated profit brought forward from previous year	312

	45,132

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. 2.00 per share (20%)	25,772

	45,101
Leaving an unappropriated profit carried forward to next year	-----
	31
	=====

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 33.

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

On behalf of the Board

**Towfiq H. Chinoy
Managing Director & Chief
Executive**

Karachi: 27th September, 1999

Auditors' Report to the Members

We have audited the annexed balance sheet of **International Industries Limited** as at 30th June, 1999 and the related profit and loss account and statement of changes in financial position, (cash flow statement), together with the notes forming part thereof for the year then ended, and we state that 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, investments made and the expenditure incurred during the year were in accordance with the objects of the company.

(iii) the business conducted, investments made and 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, 1999 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.

Karachi: 27th September, 1999

Ford, Rhodes, Robson, Morrow
Chartered Accountants

Balance Sheet as at 30th June, 1999

	<i>Note</i>	<i>1999</i> <i>(Rs. 000's)</i>	<i>1998</i> <i>(Rs. 000's)</i>
Tangible Fixed Assets	3	303,305	304,704
Investments	4	--	380
Long-Term Deposits		2,300	2,073
Current Assets			
Stores and spares	5	61,788	46,336
Stock-in-trade	6	349,540	358,142
Contract work-in-progress	7	--	4,588
Trade debtors	8	272,463	191,894

Contract debtors	9	3,770	424
Advances, deposits, prepayments and other receivables	10	120,371	45,978
Cash and bank balances	11	143	14,685
		-----	-----
		808,075	662,047
		-----	-----
		1,113,680	969,204
		=====	=====
Share Capital and Reserves			
Authorised capital			
15,000,000 (1998:15,000,000) ordinary shares of Rs. 10/- each		150,000	150,000
		=====	=====
Issued, subscribed and paid up capital	12	128,859	128,859
Reserves	13	124,885	125,166
		-----	-----
		253,744	254,025
Surplus on Revaluation of Land	14	49,727	49,727
Redeemable Capital	15	--	17,879
Deferred Liabilities			
Deferred taxation		20,000	--
Current Liabilities			
Creditors, accrued and other liabilities	16	231,858	350,987
Short term running finances	17	540,472	252,622
Current portion of redeemable capital and long term loans		17,879	43,964
		-----	-----
		790,209	647,573
Commitments	18	-----	-----
		1,113,680	969,204
		=====	=====

The annexed notes form an integral part of these accounts.

J.R. RAHIM
Chairman

Towfiq H Chinoy
Managing Director & Chief
Executive

Profit and Loss Account for the year ended 30th June, 1999 0

	<i>Note</i>	<i>1999</i> <i>(Rs. 000's)</i>	<i>1998</i> <i>(Rs. 000's)</i>
Turnover			
Sales - Local		2,090,773	1,811,024
- Export		118,373	187,547
		-----	-----

		2,209,146	1,998,571
Less: Sales tax		271,990	201,931
		-----	-----
		1,937,156	1,796,640
Less: Sales Discount		30,199	23,483
		-----	-----
Cost of Goods Sold	19	1,906,957	1,773,157
		1,597,283	1,497,511
		-----	-----
Gross Profit		309,674	275,646
Contract (loss)	20	(574)	--
Other income	21	1,366	6,436
		-----	-----
		792	6,436
		-----	-----
		310,466	282,082
Administrative expenses	22	27,614	24,116
Selling expenses	23	31,536	21,502
Freight and forwarding expenses	24	70,467	69,087
Workers' profit participation fund		6,296	5,065
Workers' welfare fund		3,974	1,844
		-----	-----
		139,887	121,614
		-----	-----
Profit from Operations		170,579	160,468
Financial charges	25	54,935	66,084
		-----	-----
Profit before taxation		115,644	94,384
Taxation	26	70,824	30,300
		-----	-----
Profit after taxation		44,820	64,084
Unappropriated profit brought forward		312	107
		-----	-----
Available for appropriation		45,132	64,191
Appropriations			
Interim dividend 15% (1998: 15%)		19,329	19,329
Proposed final dividend 20% (1998: 17.5%)		25,772	22,550
Transfer to general reserves		--	22,000
		-----	-----
		45,101	63,879
		-----	-----
Unappropriated profit carried forward		31	312

Basic Earnings Per Share

27

3.48

4.97

The annexed notes form an integral part of these accounts.

J.R. RAHIM

Chairman

Towfiq H Chinoy
Managing Director & Chief
Executive

Statement of Changes in Financial Position (Cash Flow Statement)

for the year ended 30th June, 1999

	<i>1999</i> <i>(Rs. 000's)</i>	<i>1998</i> <i>(Rs. 000's)</i>
Cash flows from operating activities		
Profit before taxation	115,644	94,384
Adjustments for		
Depreciation	45,846	39,723
Provision for staff retirement benefit-net of payments	--	(603)
Provision for doubtful debts-net	10,540	4,617
Profit on sale of fixed assets	(1,118)	(1,385)
Long term deposits-(net)	(227)	(133)
Financial charges	54,935	66,084
Working capital changes	(297,573)	97,197
	-----	-----
Taxes paid	(187,597)	205,500
Financial charges paid	(50,706)	(38,989)
	-----	-----
Net cash used in/from operating activities	(173,678)	189,395
	=====	=====
Cash flows from investing activities		
Fixed capital expenditure	(45,310)	(33,532)
Proceed from sale of fixed assets	1,981	2,447
Investments	380	--
	-----	-----
Net cash used in investing activities	(42,949)	(31,085)
	=====	=====
Cash flows from financing activities		
Dividend paid	(41,801)	(48,206)
Repayment of long term finance	(43,964)	(61,775)

Short term running and morabaha finances	287,850	(122,887)
Repayment of finance lease	--	(1,607)
	-----	-----
Net cash from/used in financing activities	202,085	(234,475)
	=====	=====
Net (Decrease)/Increase in cash and cash equivalents	(14,542)	(76,165)
Cash and cash equivalents at the beginning of the year	14,685	90,850
	-----	-----
Cash and cash equivalents at the end of the year	143	14,685
	=====	=====
Working capital changes		
Decrease/(Increase) in current assets		
Stores and spares	(15,452)	2,731
Stock in trade	8,602	54,890
Contract work in progress	4,588	(953)
Trade debts	(91,109)	(37,839)
Contract debtors	(3,346)	155
Advances, deposits, prepayments and other receivables	(74,511)	(6,702)
	-----	-----
	(171,228)	12,282
Increase/(Decrease) in current liabilities		
Creditors, accrued and other liabilities	(126,345)	84,915
	-----	-----
	(297,573)	97,197
	=====	=====

J.R. RAHIM

Chairman

Towfiq H Chinoy
Managing Director & Chief
Executive

Notes to the Accounts for the year ended 30th June, 1999

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 recognized provident fund for some 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 of the Company. 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

2.4 Tangible fixed assets and depreciation**a) 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.

b) Depreciation

Depreciation charge on buildings and some 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 3.1). 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 capitalized.

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

2.5 Stores and spares

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

2.6 Stock-in-trade

These are stated at the lower of net realizable 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 realizable value and cost less payments received. Credit for claims receivable arising on contracts is taken when received.

2.8 Bad and doubtful debts

Known bad debts are written off and provision is made for debts considered doubtful.

2.9 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.

2.10 Revenue recognition

- i) Sales are recognized 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 recognized on the basis of completed contract method.

3. TANGIBLE FIXED ASSETS

<i>Cost and</i>	<i>Additions/</i>	<i>Cost and</i>	<i>Net book</i>	<i>Depreciation</i>
-----------------	-------------------	-----------------	-----------------	---------------------

	<i>revaluation at 1-7-98</i>	<i>adjustments/ (disposals)</i>	<i>revaluation at 30-6-99</i>	<i>Accumulated depreciation</i>	<i>value as at 30-6-99</i>	<i>for the year</i>	<i>Rate %</i>
<i>(Rs. 000's)</i>							
3.1 Operating Fixed Assets							
Freehold land	11,301	--	11,301	--	11,301	--	--
Leasehold land	42,399	--	42,399	--	42,399	--	--
Buildings	49,670	3,065	52,735	26,373	26,362	4,078	10
Improvement to leasehold premises	2,930	--	2,930	1,758	1,172	586	20
Plant and machinery	451,407	27,589 (6,958)	472,038	288,550	183,488	37,600	10-50
Furniture, fixtures & office equipments	10,686	1,455	12,141	6,797	5,344	813	10
Vehicles	12,566	4,129 (2,413)	14,282	6,832	7,450	2,769	20
	580,959	36,238 (9,371)	607,826	330,310	277,516	45,846	
3.2 Capital Work-in-progress							
Buildings	1,460	1,614 (3,065)	9	--	9	--	--
Plant and machinery	585	29,026 (26,694)	2,917	--	2,917	--	--
	2,045	30,640 (29,759)	2,926	--	2,926	--	--
3.3 Stores and spares for capital expenditure							
	14,672	26,279 (18,088)	22,863	--	22,863	--	--
	597,676	93,157 (57,218)	633,615	330,310	303,305	45,846	
1998	576,414	86,627 (65,365)	597,676	292,972	304,704	39,632	

3.4 Details of operating fixed assets disposed off during the year are:

Original Accumulated Mode of

<i>Assets</i>	<i>Cost</i>	<i>depreciation</i>	<i>Book Value</i>	<i>Proceeds</i> <i>(Rs. 000's)</i>	<i>Sale</i>	<i>Purchaser</i>
Plant & Machinery	6,899	6,899	--	--	Written off	
Plant & Machinery	59	52	7	16	Negotiation	M/s. Fine Engineering - Karachi.
Vehicles	149	149	--	45	- do-	Mr. Muhammad Akhtar - Karachi.
"	328	328	--	270	- do-	Mr. Liaquat Ali Tejani - Karachi
"	207	207	--	75	- do-	Mr. M.A. Siddiqui - Karachi.
"	450	180	270	435	- do-	M/s. Toyota Central Motor - Karachi.
"	256	51	205	225	Insurance Claim	M/s. New Jubilee Insurance Co., Ltd.
"	336	336	--	350	- do-	M/s. New Jubilee Insurance Co., Ltd.
"	256	51	205	256	- do-	M/s. New Jubilee Insurance Co., Ltd.
Motorcycles	175	35	140	174	- do-	M/s. New Jubilee Insurance Co., Ltd.
"	256	220	36	135	Negotiation	Various
	9,371	8,508	863	1,981		

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

	<i>1999</i> <i>(Rs. 000's)</i>	<i>1998</i> <i>(Rs. 000's)</i>
Profit and loss account		
Cost of goods sold	42,855	36,481
Administrative expenses	2,320	2,354
Selling expenses'	671	888
	45,846	39,723

3.6 Free hold land and leasehold land represent values subsequent to revaluations as at June 30, 1988 and June 30, 1997 with additions thereafter stated at cost. Had there been no revaluation, the values would have been as under:

	<i>Cost as at</i> <i>June 30, 1999</i> <i>(Rs. 000's)</i>	<i>Book value as</i> <i>at</i> <i>June 30, 1999</i> <i>(Rs. 000's)</i>
Freehold land	3,460	3,460
Leasehold land	513	513
	3,973	3,973

1998	=====	=====
	3,973	3,973
	=====	=====
4. INVESTMENTS - at cost		
WAPDA bonds	--	380
	=====	=====

	1999	1998
	(Rs. 000's)	(Rs. 000's)
5. STORES AND SPARES		
Stores	2,464	2,020
Spares [includes in transit, valued at cost Rs. 7.269 million (1998: Rs. 2.914 million)]	58,386	43,359
Loose tools	938	957
	-----	-----
	61,788	46,336
	=====	=====

6. STOCK-IN-TRADE

Raw material - in hand [includes in bonded warehouse Rs. 31.524 million (1998: Nil)]	67,413	52,262
- in transit	20,240	33,374
Work- in-process	58,661	72,313
Finished goods	193,556	177,744
Scrap material	9,670	22,449
	-----	-----
	349,540	358,142
	=====	=====

7. CONTRACT WORK-IN-PROGRESS

Work- in-progress	--	55,435
Less: Progress payments	--	50,847
	-----	-----
	--	4,588
	=====	=====

8. TRADE DEBTORS

Considered good - Secured	30,450	20,056
Considered good - Unsecured	242,013	171,838
Considered doubtful	18,047	7,507

	-----	-----
	290,510	199,401
Less: Provision for doubtful debts	18,047	7,507
	-----	-----
	272,463	191,894
	=====	=====

9. CONTRACT DEBTORS

Unsecured - considered good	3,770	424
	=====	=====

1999	1998
(Rs. 000's)	(Rs. 000's)

10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - considered good		
Suppliers	21,483	12,006
Staff- for expenses	5,675	1,820
For purchase of land and Machinery	63,717	500
Income tax	17,048	17,166
Sales-tax	983	5,598
	-----	-----
	108,906	37,090
Deposits	4,409	1,461
Prepayments	1,028	1,597
Other receivables		
Employees Gratuity fund	--	1,051
Profit accrued on investments	--	3
Associated undertakings	1,379	243
Custom duty claimed as refundable	3,827	3,827
Others	822	706
	-----	-----
	120,371	45,978
	=====	=====

Aggregate amount due from executives was Rs. 0.424 million (1998: Rs. 0.05 million).

Maximum aggregate amount due from executives at the end of any month during the year was Rs. 0.444 million (1998: Rs. 0.05 million).

Maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. 4.063 million (1998: Rs. 0.267 million).

10.1 This represents the amount due from custom department. The company is confident about its recovery hence no provision has been made there against.

	<i>1999</i> <i>(Rs. 000's)</i>	<i>1998</i> <i>(Rs. 000's)</i>
11. CASH AND BANK BALANCES		
In hand	5	--
At banks - on current accounts	138	9,369
- on PLS accounts	--	5,316
	-----	-----
	143	14,685
	=====	=====
12. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
6,769,725 (1998: 6,769,725) ordinary shares of Rs. 10 each fully paid in cash	67,697	67,697
6,116,159 (1998:6,116,159) ordinary shares of Rs. 10 each allotted as bonus shares	61,162	61,162
	-----	-----
	128,859	128,859
	=====	=====
13. RESERVES		
Revenue reserves		
General reserve		
Balance at the beginning of the year	124,854	102,854
Transfer from profit and loss account	--	22,000
	-----	-----
	124,854	124,854
Balance on profit and loss account	31	312
	-----	-----
	124,885	125,166
	=====	=====

14. 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.

1999

1998

	<i>(Rs. 000's)</i>	<i>(Rs. 000's)</i>
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
	=====	=====

		<i>1999</i> <i>(Rs. 000's)</i>	<i>1998</i> <i>(Rs. 000's)</i>
15. REDEEMABLE CAPITAL			
Term finance certificates	(Note 15.1)	11,212	26,009
Long term finance utilized under mark up arrangements	(Note 15.2)	6,667	35,834
		-----	-----
		17,879	61,843
Less: Current portion shown under current liabilities			
Term finance certificates		11,212	14,797
Long term finance utilized under mark up arrangements		6,667	29,167
		-----	-----
		17,879	43,964
		-----	-----
		--	17,879

15.1 Term Finance Certificates

	<i>Sale Price</i>	<i>Purchase Price</i>	<i>No. of installments and commencement date</i>		
National Investment Trust Ltd.					
1st Rs. 50.0 million	50,000	94,382	14 half yearly 22-02-93	5,683	15,785
2nd Rs. 25.0 million	25,000	43,694	14 half yearly 01-09-93	5,529	10,224
				-----	-----
				11,212	26,009
				=====	=====

5.2 Long term finance utilized 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
--------	--------	---------------------------	----	--------

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
--------	--------	---------------------------	----	--------

Local currency assistance of Rs. 20.0 million for plant and machinery

20,000	25,959	6 half yearly 14-09-97	6,667	13,334
--------	--------	---------------------------	-------	--------

-----	-----
6,667	35,834
=====	=====

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.

1999
(Rs. 000's)

1998
(Rs. 000's)

16. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors		129,532	10,522
Accrued liabilities		22,416	12,995
Bills payable		12,450	268,558
Accounts payable		10,912	8,152
Mark-up accrued on secured loans and short term running finances		15,861	11,945
Sales tax		1,103	7,963
Employees gratuity fund		602	602
Workers' profit participation fund	(Note 16.1)	6,296	5,065
Workers' welfare fund		3,008	1,155
Unclaimed dividend		530	452
Proposed dividend		25,772	22,550
Others		3,376	1,028
		-----	-----
		231,858	350,987
		=====	=====

16.1 Workers' Profit Participation Fund

Balance at the beginning of the year		5,065	5,631
Interest paid by the company		63	209
		-----	-----
		5,128	5,840
Allocation for the year		6,296	5,065
		-----	-----
		11,424	10,905
Less: Payments during the year		5,128	5,840
		-----	-----
Balance at the end of the year		6,296	5,065
		=====	=====

1999
(Rs. 000's)

1998
(Rs. 000's)

17. SHORT TERM RUNNING FINANCES

From banks			
Under mark-up arrangements		540,472	252,622
(Including export refinance)		=====	=====

The facilities available from banks and financial institutions are secured by hypothecation of stocks, book debts and export documents and amounts to Rs. 811.0 million and Rs. 27.5 million respectively (1998: Rs. 651 million and Rs. 27.5 million respectively). The unavailed facilities at the year end was Rs. 270.5 million and Rs. 27.5 million respectively. (1998: Rs. 398.4 million and Rs. 27.5 million respectively).

The rates of mark-up range between 07.0% to 16.0% (1998: 13.0% to 16.0%).

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

18. COMMITMENTS

18.1 Capital expenditure commitments outstanding as at 30th June, 1999 amounted to Rs. 203.843 million (1998: Rs. 12.5 million).

18.2 Commitments under letters of credit and letter of guarantee as at the year end amounted to Rs. 534.082 million (1998: Rs. 288.4 million).

	<i>1999</i> <i>(Rs. 000's)</i>	<i>1998</i> <i>(Rs. 000's)</i>
19. COST OF GOODS SOLD		
Opening stock of raw material and work-in-process	124,575	80,063
Purchases	1,468,931	1,373,338
Salaries, wages and benefits	66,489	62,987
Rates and taxes	1,928	1,637
Electricity and gas	67,228	61,259
Insurance	2,204	1,705
Security expenses	961	1,625
Depreciation	42,855	36,481
Stores and spares consumed	16,375	16,241
Repairs and maintenance	27,989	24,098
Postage, telephone and stationery	1,659	1,582
Vehicle, travel and conveyance	1,758	1,392
Sundries	5,454	4,257
Recovery of bye products and scrap (net of sales tax)	(89,126)	(87,809)
	-----	-----
	1,739,280	1,578,856
Closing stock of raw material and work-in-process	(126,074)	(124,575)
	-----	-----
Cost of goods manufactured	1,613,206	1,454,281
Finished goods		
Opening stock	177,744	220,556
(Internal consumption)/Purchases	(111)	418
Closing stock	(193,556)	(177,744)

(15,923)	43,230
1,597,283	1,497,511

1999	1998
<i>(Rs. 000's)</i>	<i>(Rs. 000's)</i>

20. CONTRACT LOSS

Turnover - completed contracts	55,615	--
Expenses		
Materials and sub-contract work	43,379	--
Salaries, wages and benefits	5,556	
Freight	291	--
Insurance	1,338	--
Depreciation	212	--
Sundries	5,413	--
	56,189	--
	(574)	--

21. OTHER INCOME

Profit on PLS account and investments	100	273
Profit on sale of fixed assets	1,118	1,385
Exchange gain	40	4,376
Miscellaneous	108	402
	1,366	6,436

1999	1998
<i>(Rs. 000's)</i>	<i>(Rs. 000's)</i>

22. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	14,976	11,745
Rent, rates and taxes	658	549
Electricity and gas	616	512
Insurance	30	26
Depreciation	2,320	2,354
Repairs, renewals and maintenance	485	998
Postage, telephone and stationery	1,722	1,412

Office supplies		181	212
Vehicle, travel and conveyance		2,481	1,779
Legal and professional		967	1,261
Donations	(Note 22.1)	1,752	1,862
Auditors' remuneration	(Note 22.2)	519	340
Sundries		907	1,066
		-----	-----
		27,614	24,116
		=====	=====

22.1 Donations

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

22.2 Auditors' Remuneration

Audit fee		275	200
Tax services		192	83
Other services		25	33
Out of pocket expenses		27	24
		-----	-----
		519	340
		=====	=====

23. SELLING EXPENSES

Salaries, wages and benefits		9,515	7,149
Rent, rates and taxes		513	433
Electricity and gas		499	532
Insurance		218	240
Depreciation		671	888
Repairs, renewals and maintenance		136	541
Advertising and sales promotion		4,964	3,964
Postage, telephone and stationery		1,640	1,421
Office supplies		97	66
Vehicle, travel and conveyance		2064	1,024
Provision for doubtful debts		10,540	4,617
Debts written off		54	--
Sundries		625	627
		-----	-----
		31,536	21,502
		=====	=====

1999
(Rs. 000's)

1998
(Rs. 000's)

24. FREIGHT AND FORWARDING EXPENSES

Local Sales	51,632	45,775
Export Sales	18,835	23,312
	-----	-----
	70,467	69,087
	=====	=====

25. FINANCIAL CHARGES

Interest on Workers' profit participation fund	63	209
Finance leases	--	58
	-----	-----
	63	267
Mark-up on Term finance certificates	2,999	5,336
Long-term loans	4,272	11,626
Short-term running finances	45,440	37,562
	-----	-----
	52,711	54,524
Bank charges	2,161	3,161
Others (usance charge)	--	8,132
	-----	-----
	66,084	54,935
	=====	=====

26. TAXATION

Current	42,500	30,300
Prior Year	8,324	--
Deferred (Note 26.1)	20,000	--
	-----	-----
	70,824	30,300
	=====	=====

26.1 In order to comply with the requirements of revised International Accounting Standard 12 which is applicable in Pakistan from accounting periods beginning on or after January 01, 2002, the management has decided to provide progressively for deferred taxation to meet the total liability by June 30, 2003 although it is estimated that the liability will not reverse in foreseeable future. Unprovided deferred tax liability is estimated at Rs. 12 million (1998: Rs. 35.9 million) under the liability method

27. BASIC EARNINGS PER SHARE

Profit after taxation attributable to ordinary shares	44,820	64,084
	=====	=====

Weighted average number of ordinary shares issued and subscribed at the end of the year	12,886	12,886
Earnings per share	3.48	4.97

28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	<i>Chief Executive</i>	<i>Directors</i>	<i>Executives</i>	<i>Total 1999</i>	<i>Total 1998</i>
	<i>(Rs. 000's)</i>				
Managerial Remuneration	2,184	2,367	9,967	14,518	10,779
Retirement Benefits	364	297	1,540	2,201	1,651
Rent, utilities, leave passage and encashment etc.	1,092	1,183	4,827	7,102	5,912
	3,640	3,847	16,334	23,821	18,342
1998	2,497	3,044	12,801	--	18,342
Number 1999	1	2	42		
1998	1	2	34		

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. 0.012 million (1998: Rs. 0.015 million).

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

29.1 Credit risk exposure

Company exposure to credit risk is indicated by the carrying amount of its receivables.

The company controls credit risk by monitoring the amount of credit extended, limiting transactions with specific customers and continually assessing the credit worthiness of customers. The company minimizes concentration of credit risk by diversifying business with different types of customers.

The company's concentration of credit risk can be analyzed with the following details of outstanding debtors.

%	<i>Amount</i>
---	---------------

	<i>Rupees</i>	
Private sector	168,096	61.69
Public sector	7,728	2.84
Commercial	21,456	7.87
Industrial	25,992	9.54
Exports	30,450	11.18
Others	18,741	6.88
	-----	-----
	272,463	100.00
	=====	=====

29.2 Interest/mark-up rate risk exposure

The company is exposed to interest/mark-up rate risk on some of the financial obligations which are payable within one year. Material financial liabilities which are exposed to various rates of interest are as mentioned in notes 15 and 17.

29.3 Foreign exchange risk management

Assets exposed to foreign currency risk amounts to Rs. 30.450 million.

29.4 Fair value of Financial instruments

The carrying value of all the financial instruments reported in the financial statements approximate their fair value.

30. NUMBER OF EMPLOYEES

The company employed 553 (1998:535) employees at the end of the year.

31. ASSOCIATED UNDERTAKINGS

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

	<i>1999</i> <i>(Rs. 000's)</i>	<i>1998</i> <i>(Rs. 000's)</i>
Purchases	1,009	1,482
Sales	10,890	6,653
Purchase of fixed assets	33	128
Insurance premium expense	3,833	2,952
Freight charges	9,191	5,357
Rent/utilities recovered	756	570
Other services	125	327

32. PRODUCTION

The capacity based on 1998-99 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 61,873 metric tonnes (1998:56,562 metric tonnes). Galvanizing during the year was 46,410 metric tonnes (1998:45,886 metric tonnes). In addition cold rolled steel strip of 35,726 metric tonnes was also produced (1998:30,450 metric tonnes).

33. 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.

J.R. RAHIM
Chairman

Towfiq H. Chinoy
Managing Director & Chief Executive

Pattern of Shareholding as at 30th June, 1999

<i>No. Of Shareholders</i>	<i>Having Shares</i>		<i>Shares Held</i>	<i>Percentage</i>
	<i>From</i>	<i>To</i>		
522	1	100	14601	.1133
361	101	500	92941	.7212
164	501	1000	115394	.8955
161	1001	5000	371227	2.8808
34	5001	10000	233779	1.8142
16	10001	15000	197555	1.5331
5	15001	20000	82745	.6421
1	20001	25000	21571	.1674
2	25001	30000	58000	.4501
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	141500	1.0981
1	145001	150000	146400	1.1361
5	150001	155000	770860	5.9822
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	395001	400000	400000	3.104
1	665001	670000	667404	5.1793
1	760001	765000	762372	5.9163
1	970001	975000	972910	7.5501
1	1040001	1045000	1040969	8.0783
1	1110001	1115000	1112490	8.6334
1	4120001	4125000	4120175	31.9743

1290			12885884	100.0000
=====				

Categories of Shareholders

<i>Particulars</i>	<i>Shareholders</i>	<i>Shareholding</i>	<i>Percentage</i>
Individual	1268	6696792	51.9699
Investment Companies	1	500	.0038
Insurance Companies	3	421360	3.2699
Joint Stock Companies	10	946713	7.3468
Financial Institutions	4	4537883	35.2159
Overseas	1	278000	2.1573
Private Companies	3	4636	.0359

Company Total	1290	12885884	100.0000