International Industries Limited
Annual Report 2001

Contents

Company Information

Chairman J.R. Rahim

Managing Director & CEO Towfiq H. Chinoy

Directors K.M.M. Shah
Kamal A. Chinoy
M. Ateequllah
Mustapha A. Chinoy
Zakaullah Khan
A. W. Zuberi (Nominee Director of NIT)
Istaqbal Mehdi (Nominee Director of NIT)
Kemal Shoaib (Nominee Director of NIT)
Zahid Zaheer (Nominee Director of NIT)

Secretary Mohamed H. Walli

Auditors Ford, Rhodes, Robson, Morrow

Bankers Standard Chartered Bank
Standard Chartered Grindlays Bank
American Express Bank Ltd.

The Hong Kong & Shanghai Banking Corporation Limited
Societe Generale
Oman International Bank S.A.O.G
Credit Agricole Indosuez
Bank Al-Habib Ltd.
Soneri Bank Limited
Muslim Commercial Bank Ltd.
Habib Bank Ltd.

Legal Advisors J.H. Rahimtoola & Company

Website www.iil.com.pk

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
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Factory L X 15-16, Landhi Industrial Area, Karachi-75160
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Milestones

The Company through the years

1948 Established as Sultan Chinoy and Company

1949 Incorporated as International Industries Limited and sponsored Pak Chemicals Limited

1953 Sponsored Pakistan Cables Limited in a Joint Venture with BICC UK

1965 Manufactured high quality Electric Resistance Welded Steel Pipe

1983 Launched Galvanized Pipe

1984 Converted to a Public Limited Company and quoted on Karachi Stock Exchange

1990 Setup the country's first Cold Rolling Mill in the private sector

1992 Turnover crossed 1 Billion rupees

1995 Entered the international market with export of Galvanized Pipe

1997 Achieved Certification to ISO 9001:1994

1998 Commemorated 50 years and awarded international credit rating

1999 Turnover crossed 2 Billion rupees

2000 Achieved Certification to ISO 9001:2000 (first company in Pakistan), ISO 14001:1996 and was awarded the FPCCI trophy for export of non-traditional items from Pakistan

2001 Achieved Certification to API Q1 & 5L (2000) and completed phase 1 of a major expansion enhancing the pipe and tube manufacturing range

Notice of Meeting

Notice is hereby given to the Members that the 53rd Annual General Meeting of the Company will be held on Thursday, October 25, 2001 at 11:00 a.m. at the "Raffia Choudri Memorial Centre", Sidco Avenue Centre, 264 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 June 30, 2001 and the Reports of the Directors and Auditors thereon.

2. To consider and approve payment of 35% Final Cash Dividend making a total of 50% for the financial year ended June 30, 2001 as recommended by the Board of Directors.

3. To elect Directors for a period of 3 years commencing from October 25, 2001.

4. To appoint Auditors for the Year 2001-2002 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.

SPECIAL BUSINESS

6. 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

Mohamed H. Walli
Karachi October 3, 2001 Company Secretary

NOTES:

1. The Share Transfer Books of the Company shall remain closed from October 11, 2001 to October 25, 2001 (both days inclusive). Transfers received in order at the Registered Office of the Company by close of business on October 10, 2001 will be treated in time to determine the entitlement of 35% 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.

CDC Account Holders will further have to follow the under-mentioned guide lines as laid down in Circular 1, dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan:

a) For Attending A.G.M.

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

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

b) For Appointing Proxy
* In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per Regulations, shall submit the Proxy

Form as per the above requirement.

* Attested copies of N1C of the beneficial owners and the Proxy shall be furnished with the Proxy Form.

* The Proxy shall produce his original NIC at the time of the meeting.

4. Members are requested to submit declaration for Zakat on the required format and to advise change in address, if any.

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, KMM. Shah, Mustapha A. Chinoy, Kamal A. Chinoy, Zaka U. Khan, M. Ateequllah and Towfiq H. Chinoy.

The Nominated Directors are:
Messrs. Istaqbal Mehdi, Kemal Shoaib, Zahid Zaheer and A.W. Zuberi.

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 14 days before the date of the meeting, notice of his/her intention to offer himself/herself for election.

Statement U/s 160 of the Companies Ordinance, 1984.
This statement sets out the material facts concerning Item 6 of the "Special Business" to be transacted at the Fifty Third Annual General Meeting of the Company to be held on October 25, 2001.

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

ITEM 6
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 (I)82 of June 16, 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. 20 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 July 1, 2001 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 the Directors in executive or management service and the 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

On behalf of the Board of Directors it gives me great pleasure to present before you the 53rd Annual Report.

BOARD OF DIRECTORS

Since the last report the N.I.T. nominee Mr. M. Afzalullah Siddiqui, resigned from the Board and Mr. Zahid Z was nominated in his place.

The Board thanks Mr. M. Afzalullah Siddiqui for his contribution and welcomes Mr. Zahid Zaheer.

OPERATIONS

The year under review has seen major activities taking place in the form of additions to production facilities.

The installation of the new tube mill to produce up to 6" API line pipe which began in September 2000 was completed in two months. As expected there were teething problems which took some time to resolve. Comme production commenced in February 2001 and the plant has been operating smoothly since then.

The strip pickling plant had outlived its useful life and was replaced during the year. This replacement with up equipment and the addition of a PSA Generator will enable production of better quality Cold Rolled Steel Strip which your Company intends to market in greater quantity.

Major parts of the second slitter that is designed to handle 35 ton coil arrived during the year. This new line is expected to go into production before the end of September 2001.

The increased pipe making capacity necessitated an increase in the capacity of galvanizing. Instead of adding a plant, the company decided to change the technology of one of its existing plants to enhance productivity. The components arrived in April 2001 but the plant could not be closed before July owing to the pressure of marke demand. The new galvanizing system has since been installed and has started functioning from August 2001 w enhanced productivity and output.

The production of pipes was 14% higher as compared to the previous year and galvanizing was 12% higher. T production of cold rolled strip was 9% below the previous year's production because of the closure of the mill replace the pickling plant.

SALES

Domestic sales of galvanized pipes increased by 9% over the previous year. Steel Tubing sales also grew by a 2%. For the first time, the Company was able to produce and sell 4" and 6" API pipes to a gas Company. The s Cold Rolled strip was marginally higher than previous year and your Company plans to Inshallah market great volumes of this product in the future.

Export sales of both G.I. Pipes as well as steel tubes in volume terms remained at last year's level.

The combined sales volume grew by 7.4% over the previous year.

FINANCIAL RESULTS

The total turnover of the Company at Rs.2.8 billion is 7.5% higher than the previous year and the gross margin 18.5% is also higher, because the raw material prices during the year remained favourable.

The management of the Company succeeded in securing release of bank guarantees worth Rs. 13.5 million fro custom authorities after the declared values of imports were accepted. The accrued liability being no longer rec was reversed. An exchange gain resulting from devaluation of the rupee amounting to Rs.10.8 million was also realized. The gains from reversal of liabilities and exchange difference are the main contributors to the amount Rs. 19 million as other income.

Administration and selling expenses are lower than last year and there has been a substantial reduction in freig expenses because of conversion of the basis of export sales from C & F to F.O.B.

The operating profit at Rs.315 million is 27% higher than the previous year. Although there has been a signific increase in interest cost because of the medium term borrowing for capital expenditure, the profit before tax of Rs.199 million is 26% higher than the previous year. In calculating the income tax, a tax credit of Rs.29 millio been taken on additions to plant and machinery in accordance with section 107 of the income tax ordinance. Th shareholders will note from the accounts that a sum of Rs.84 million of advance income tax paid is refundable

By the grace of Allah the profit after tax at Rs.164 million is almost twice that of the previous year.

FUTURE PROSPECTS

The price or quality of locally manufactured steel is not in line with the international market. Large consumers like your Company are therefore forced to resort to imports. With the continuously depreciating rupee and escalating local costs such as electricity and gas, margins will be under pressure. Your industry does not have any protection as the duty tariff on steel is the same as the finished goods we produce. Imports of pipe into Pakistan is a definite threat to your Company. The government must review this situation. The management of your Company will continue to monitor the costs carefully with a view to control these wherever possible.

With the new tube mill now fully functional, the Company is favourably placed to take advantage of the opportunity of supplying large diameter and API pipe to the market.

The management sees an opportunity for growth in the Export market. We are therefore considering added capacities so that export opportunities can be availed when these arise.

Signs of economic revival in the country have begun to manifest themselves. The formation of local governme will also hopefully result in acceleration of the development work which had come to a virtual halt. This activi have positive impact on the industry in the country.

DIVIDENDS

During the past two years, your Company has had to invest substantially in capital expenditure. Thi vestmen continue in the next twelve months. In these circumstances, the cash dividends are normally reduced to conser

However, in view of the good results the Board is pleased to propose a final cash dividend of 35% which in ad to the 15% interim dividend already, paid makes the total dividend 50%.

STAFF & ACKNOWLEDGEMENT

The present Board retires, having completed its tenure of three years.

On behalf of the Board, I would like to take this opportunity of thanking the management and staff, the banker the valued customers who have made our task so pleasant.

I am confident that if the management and employees of the Company continue to work with the devotion and that has been their hallmark, the Company will Inshallah continue to prosper.

I pray to Allah for the continued success of your Company.

J.R. Rahim

Ten years at a Glance

-- (Rs. 000) --

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Assets Employed										
Fixed Assets (Owned & Leased)	651,964	364,095	300,379	302,659	309,390	234,304	245,894	257,842	268,42	
Capital Work in Progress	57,651	165,667	2,926	2,045	2,567	8,618	1,929	7,373	3,388	9,410
Long term deposits	3,752	2,304	2,300	2,073	1,940	3,003	3,586	3,320	4,252	4,480
Net Current Assets/(Liabilities)	84,363	117,595	17,866	14,475	41,716	66.15	22,583	33,900	16,660	(7,613)
Total Assets Employed	797,730	649,661	323,471	321,252	355,613	312,070	273,992	302,435	292,721	266,482

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Financed by
Shareholders' Equity (includes
revaluation of land) 441,533 348,590 303,471 303,752 281,547 216,270 208,432 197,778 151,999 133,070
Long term & deferred liabilities 356,197 301,071 20,000 17,500 74,066 95,800 65,560 104,657 140,722 133,4

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797,730 649,661 323,471 321,252 355,613 312,070 273,992 302,435 292,721 266,482

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Sales & Profits
Sales-Net 2,404,628 2,222,004 1,906,957 1,773,157 1,613,998 1,702,917 1,286,339 1,328,018 1,098,387 919
Gross Profit 445,162 402,554 309,674 275,646 274,278 253,799 168,943 155,709 150,341 121,27
Profit before interest & taxation 314,617 247,193 170,579 160,468 180,496 174,707 115,770 110,374 109,950
Profit before taxation 199,003 158,188 115,644 94,384 105,386 90,498 29,983 18,397 18,929 9,167
Profit after taxation 163,816 82,814 44,820 64,084 78,886 36,831 29,983 18,397 18,929 12,682
Dividend 70,873 61,208 45,101 41,879 48,322 28,993 19,329 12,886 -- --
Retained Earnings/(Loss) 92,943 21,606 (281) 22,205 30,564 7,838 10,654 5,511 18,929 12,682

Financial Ratios
Gross Profit as a percentage of sales 18.5 18.1 16.2 15.5 17.0 14.9 13.1 11.7 13.7 13.2
Net profit before tax as a percentage
of sales (excluding contract income) 8.3 7.1 6.1 5.3 6.5 5.3 2.3 1.4 1.7 1.0
Current ratio 1.09 1.19 1.02 1.02 1.06 1.12 1.04 1.08 1.03 0.98
Long term debt: equity 45:55 46:54 06:94 05:95 21:79 31:69 24:76 35:65 48:52 50:50
Earnings per share 11.56 6.43 3.48 4.97 6.12 2.86 2.33 1.43 2.35 1.69
Dividend (%) 50 37.5 35.0 32.5 37.5 22.5 15.0 10.0 -- --
Bonus Shares (%) -- 10.0 -- -- -- -- -- -- 10.0 7.5
Right Shares % (at premium) -- -- -- -- -- -- -- -- 50 --

Report of the Directors

The Directors have pleasure in submitting their Report and Audited Accounts for the year ended 30th June, 20

(Rs. 000's)

The profit for the year amounts to: 163,816
Amount of unappropriated profit brought forward from previous year: 637

164,453

The Directors recommend:

Interim dividend already paid at the rate of Rs. 1.50 per share (15%) 21,262
Final dividend at the rate of Rs. 3.50 per share (35.0%) 49,611
Transfer to General Reserve 93,000

163,873

Leaving an unappropriated profit carried forward to next year 580
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The Chairman's Review on pages 6, 7 & 8 covers significant activities of your Company during the year.

The pattern of shareholding is provided on page 32.

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

On behalf of the Board,

Towfiq H. Chinoy
Karachi: September 14, 2001 Managing Director & Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of INTERNATIONAL INDUSTRIES LIMITED as at June 30, 2001 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) in our opinion, proper books of accounts 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2001 and of the profit, its cash flows and changes in equity for the year then ended;

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

Karachi -
September 14, 2001 Chartered Accountants

Balance Sheet as at 30th June 2001

	Note	2001	2000
		(Rs. 000's)	(Rs. 000's)
ASSETS			
NON CURRENT ASSETS			
Tangible Fixed Assets	3	709,615	529,762
Long Term Deposits		3,752	2,304
CURRENT ASSETS			
Stores and spares	4	67,613	60,829
Stock-in-trade	5	571,294	370,970

	Note		
Trade debtors	6	232,481	255,020
Contract debtors	7	3,346	3,579
Advances, deposits, pre-payments and other receivables	8	104,515	55,201
Cash and bank balances	9	1,056	1,090
		980,305	746,689
TOTAL ASSETS		1,693,672	1,278,755

EQUITY AND LIABILITIES

	Note		
SHARE CAPITAL AND RESERVES			
Authorised capital			
25,000,000 (2000:15,000,000) ordinary shares of Rs. 10/- each		250,000	150,000
Issued, subscribed and paid up capital	10	141,745	128,859
Reserves	11	239,434	159,377
		381,179	288,236
SURPLUS ON REVALUATION OF LAND	12	60,354	60,354
REDEEMABLE CAPITAL	13	322,736	271,071
NON CURRENT LIABILITIES			
Obligation under finance lease	14	861	--
Deferred taxation	15	32,600	30,000
CURRENT LIABILITES			
Creditors accrued and other liabilities	16	153,560	104,930
Short term running finance	17	643,707	480,235
Current portion of redeemable capital	13	98,336	43,929
Current maturity of obligation under finance lease	14	339	--
		895,942	629,094
COMMITMENTS AND CONTINGENCIES	18		
TOTAL EQUITY AND LIABILITIES		1,693,672	1,278,755

The annexed notes form an integral part of these financial statements.

K.M.M. Shah Towfiq H. Chinoy
Director Managing Director & Chief Executive

Profit and Loss Account for the year ended 30th June 2001

	Note	2001	2000
		(Rs. 000's)	(Rs. 000's)
TURNOVER			
Sales - Local		2,395,292	2,222,544
- Export		396,280	373,492
		2,791,572	2,596,036
Less: Sales tax		336,648	333,648
		2,454,924	2,262,388
Less: Sales Discount		50,296	40,384
		2,404,628	2,222,004
COST OF GOODS SOLD	19	1,959,466	1,819,450
GROSS PROFIT		445,162	402,554
Other income	20	18,977	8,485
		464,139	411,039
Administrative expenses	21	40,886	42,949
Selling expenses	22	37,803	38,454
Freight and forwarding expenses	23	55,510	70,531
Workers' profit participation fund		10,716	8,508
Workers' welfare fund		4,607	3,404
		149,522	163,846
OPERATING PROFIT		314,617	247,193
Financial charges	24	115,614	89,005
PROFIT BEFORE TAXATION		199,003	158,188
Taxation	25	35,187	75,374
PROFIT AFTER TAXATION		163,816	82,814
Unappropriated profit brought forward		637	31

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Available for appropriation 164,453 82,845

APPROPRIATIONS
Interim dividend 15% (2000: 15%) 21,262 19,329
Proposed final dividend 35% (2000: 22.5%) 49,611 28,993
Proposed issue of bonus shares Nil (2000: 10%) -- 12,886
Transfer to general reserves 93,000 21,000
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163,873 82,208
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Unappropriated profit carried forward 580 637
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BASIC EARNINGS PER SHARE 27 11.56 5.84
========= =========

The annexed notes form an integral part of these Financial statements.

K.M.M. Shah Towfiq H. Chinoy
Director Managing Director & Chief Executive

Cash Flow Statement for the year ended 30th June 2001

Note 2001 2000
(Rs. 000's) (Rs. 000's)

CASH FLOWS FROM OPERATING ACTMTIES
Profit before taxation 199,003 158,188

Adjustments for:
Depreciation 61,334 53,713
Book value of fixed asset donated -- 220
Provision for staff retirement benefits -- 3,792
Provision for doubtful debts- net 2,243 10,613
Loss/(Profit) on sale of fixed assets 5,700 (744)
Financial charges 115,614 89,005
Working capital changes 28 (141,868) (67,061)
------------------ ------------------
43,023 89,538
Long term deposits -net (1,448) (4)
Taxes paid (99,189) (65,913)
Financial charges paid (115,391) (103,840)

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Net cash from operating activities 25,998 77,969
========== ==========

CASH FLOWS FROM INVESTING ACTIVITIES
Fixed capital expenditure   (250,196) (270,260)
Proceed from sale of fixed assets   3,309 1,242
------------------ ------------------
Net cash used in investing activities (246,887) (269,018)
========== ==========

CASH FLOWS FROM FINANCING ACTIVITIES
Dividend paid   (49,889) (44,888)
Repayment of long term finance (43,928) (17,879)
Long term finance obtained 151,200 315,00
Short term running finance 163,472 (60,237)
------------------ ------------------
Net cash from financing activities 220,855 191996
========== ==========

NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS (34) 947
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR 1,090 143
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CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR 1,056 1,090
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The annexed notes form an integral part of these Financial statements.

K.M.M. Shah Towfiq H. Chinoy
Director Managing Director & Chief Executive

Statement Of Changes in Equity for the year ended June 30, 2001

Issued, subscribed General Proposed Unappropriated Total
and paid-up reserves issued of bonus profit
capital shares

(Rupees 000's)

Balance as at June 30, 1999 128,859 124,854 -- 31 253,744
Profit after taxation -- -- -- 82,814 82,814
Interim dividend -- -- -- (19,329) (19,329)

Proposed final dividend -- -- -- (28,993) (28,993)
Proposed issue of bonus shares -- -- 12,886 (12,886) --
Transfer to general reserves -- 21,000 -- (21,000) --

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Balance as at June 30, 2000 128,859 145,854 12,886 637 288,236

Profit after taxation -- -- -- 163,816 163,816
Interim dividend -- -- -- (21,262) (21,262)
Proposed final dividend -- -- -- (49,611) (49,611)
Bonus shares 12,886 -- (12,886) -- --
Transfer to general reserves -- 93,000 -- (93,000) --

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Balance as at June 30, 2001 141,745 238,854 -- 580 381,179

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The annexed notes from an integral part of these financial statements.

K.M.M. Shah Towfiq H. Chinoy
Director Managing Director & Chief Executive

Notes to the Financial Statements for the year ended 30th June, 2001

1. THE COMPANY AND ITS OPERATIONS

International Industries Limited was incorporated in Pakistan in 1949 and is quoted on the Karachi, Lahore and Islamabad Stock Exchanges in Pakistan. The Company manufactures cold rolled steel strips, steel tubes and galvanised pipes. The registered office of the Company is situated at Hakimsons Building, 19-West Wharf Roa Karachi.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared, in all material respects, in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for revaluation of la as referred to in 2.5 below.

2.3 Staff retirement benefits

a) Provident Fund

The Company operates a recognised 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 profit and loss account.

b) Gratuity

The Company operates an approved funded gratuity scheme to cover all the employees of the Company. Actuarial valuation is normally carried out every three years. The latest actuarial valuation was carried out as at June 30,2000. The fair value of the scheme's assets and liabilities for past services of the employees at the valuation date were Rs.22.740 million and Rs.44.708 million respectively. Contribution is made at 8.33% of basic salary and cost of living allowance along with additional contribution required to cover the transition obligation of Rs.21.q68 million over five years which currently stands at Rs.13.180 million. The service cost for the year amounts to Rs.4.139 million. The Projected Unit Credit Method using the following significant assumptions is used for the valuation of the scheme:

- discount rate at 12 % per annum compound
- expected long-term rate of Plan Assets at 12 % per annum
- expected rate of increase in salary level at 10 % per annum compound

2.4 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 income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.5 Tangible fixed assets and depreciation

i) 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 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 note 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 capitalised.

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

ii) 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 charges are calculated at the interest rate implicit in the lease and are 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.

iii) Capital work-in-progress
Capital work -in- progress is stated at cost.

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

2.7 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 at actuals, in respect of work-in-process and finished goods.

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 Pak rupees at the rates of exchange ruling on the balance sheet date or Fixed under contractual arrangements.

2.10 Revenue recognition
Sales are recognised as revenue when invoiced, which coincides with delivery.

3. TANGIBLE FIXED ASSETS
Depreciation
Cost and Additions/ Cost and Accumulated charge for the Accumulated Net Book
revaluation (disposals)/ revaluation Depreciation year/(disposals)/ Depreciation value as at
at 01-07-2000 adjustments at 30-06-2001 as at 01-07-2000 adjustments as at 30-06-2001 30-06-2001 Rate
(Rs.000's) (Rs.000's) (Rs.000's) (Rs.000's) (Rs.000's) (Rs.000's) (Rs.000's) %
3.1 Operating Fixed Assets

Owned

Freehold land 11,301 -- 11,301 -- -- -- 11,301 --

Leasehold land 114,600 4,791 119,391 -- -- -- 119,391 --

Building on Leasehold land 54,626 37,647 91,706 29,015 6,147 34,806 56,900 10

(567) (356)

Building on Freehold land 959 -- 959 959 -- 959 -- 10

Improvements to

leasehold premises 2,930 -- 2,930 2,344 586 2,930 -- 20

Plant and machinery 491,398 300,073 764,136 306,183 48,628 335,340 428,796 10 - 50

(27,335) (19,471)

Furniture, fixtures

& office equipment 12,668 4,052 16,009 9,136 2,338 11,079 4,930 10-33.3

(711) (395)

Vehicles 16,788 3,190 16,751 9,536 3,234 10,161 6,590 20

(3,227) (2,609)

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

705,270 349,753 1,023,183 357,173 60,933 395,275 627,908

(31,840) (22,831)

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

Leased

Furniture, fixtures and

office equipment -- 1,200 1,200 -- 400 400 800 33.3

3.2 Capital Work-in-progress

Buildings 30,860 16,896 10,109 -- -- -- 10,109

(37,647)

Plant and machinery 134,807 212,808 47,542 -- -- -- 47,542

(300,073)

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

165,667 229,704 57,651 -- -- -- 57,651

(337,720)

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

3.3 Stores and spares for

capital expenditure 15,998 179,617 23,256 -- -- -- 23,256

(172,359)

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

Total as at June 30, 2001 886,935 760,274 1,105,290 357,173 61,333 395,675 709,615

(541,919) (22,831)

========== ========== ========== ========== ========== ========== ==========

Total as at June 30, 2000 633,615 373,149 886,935 330,310 53,713 357,173 529,762

(118,438) (25,679)

(1,391) (1,171)

========== ========== ========== ========== ========== ========== ==========

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

Assets	Original Cost	Accumulated Depreciation	Book Value	Proceeds	Mode of Disposal	Purchaser
	(Rs. in 000's)	(Rs. in 000's)	(Rs. in 000's)	(Rs. in 000's)		
Plant & Machinery	27,335	19,471	7,864	757	Negotiation	M/s. Arshad Brothers, Karachi
Buildings	567	356	211		Demolished	Not applicable
Computers	231	231	--	5	Negotiation	Mr. Sagheer Hussain, Karachi
Airconditioner	5	5	--	1	Negotiation	Mr. Aslam, Lahore
Generator	475	159	316	315	Negotiation	M/s. Ghulam Rasool & Co., Karachi
Vehicle	328	328	--	225	Negotiation	Mr. Jared Ahmed, Karachi
Vehicle	665	665	--	325	Negotiation	Sq. Ldr Imran Butt, Karachi
Vehicle	694	694	--	425	Negotiation	Mr. Riaz Alam, Karachi
Vehicle	93	93	--	41	Negotiation	Mr. Khalid, Karachi
Vehicle	328	328	--	225	Negotiation	Major Badar Mehboob, Karachi
Vehicle	412	165	247	320	Negotiation	Mr. Naveed Akhter, Karachi
Vehicle	436	260	176	398	Negotiation	Mr. S.Riaz Ahmed, Karachi
Vehicle	200	40	160	200	Negotiation	Mr. Akhter Ali, Karachi
Motorcycle	12	12	--	13	Insurance Claim	M/s. New Jubilee Insurance Co. Ltd.
Motorcycle	59	24	35	59	Insurance Claim	M/s. New Jubilee Insurance Co. Ltd.
	------------------	------------------	------------------	------------------		
	31,840	22,831	9,009	3,309		
	=========	=========	=========	=========		

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

	2001	2000
	(Rs. in 000's)	(Rs. in 000's)
Profit and loss account		
Cost of goods sold	57,151	48,547
Administrative expenses	3,242	4,227
Selling expenses	940	939
	------------------	------------------
	61,333	53,713
	=========	=========

3.6 Free hold land and leasehold land represent values subsequent to revaluations as at June 30, 1988, June 30, & June 30, 2000. Additions during the year are stated at cost. Had there been no revaluation, the values would have been as under:

	Cost as at June 30, 2001 (Rs. 000's)	Book value as at June 30, 2001 (Rs. 000's)
Freehold land	3,460	3,460
Leasehold land	513	513
Leasehold land	66,365	66,365
	------------------	------------------
Total as at June 30, 2001	70,338	70,338
	==========	==========
Total as at June 30, 2000	65,547	65,547
	==========	==========

4. STORES AND SPARES

Stores	2,678	2,348
Spares [includes in transit, valued at cost Rs. 1.746 million (2000: Rs.2.893 million)]	63,983	57,657
Loose tools	952	824
	------------------	------------------
	67,613	60,829
	==========	==========

5. STOCK-IN-TRADE

Raw material - in hand	(Note 5.1)	192,522	74,478
- in transit	(Note 5.1)	76,655	60,582
Work-in-process		78,496	91,312
Finished goods		216,017	134,608
Scrap material		7,604	9,990
		------------------	------------------
		571,294	370,970
		==========	==========

5.1 Includes Rs. 163.142 million (2000: Rs. 105.853 million) in bonded warehouse.

6. TRADE DEBTORS

Considered good- Secured	26,474	64,540
Considered good- Unsecured	206,007	190,480

Considered doubtful   25,138 22,895
------------------ ------------------
257,619 277,915

Less: Provision for doubtful debts (Note 6.1) 25,138 22,895
------------------ ------------------
232,481 255,020
========== ==========

6.1 This has been arrived at after writing off Rs.6.611 million
(2000: Rs.5.765 million) pertaining to debts provided for last year.

7. CONTRACT DEBTORS
Considered good- Unsecured 3,346 3,579
========== ==========

8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES
Advances- considered good
Suppliers   5,787 15,833
Staff- for expenses (Note 8.1) 1,850 2,145
For purchase of land   500 500
Income tax   84,189 17,587
Sales-tax   2,227 2,811
------------------ ------------------
94,553 38,876
Deposits   2,095 1,556

Prepayments   2,629 576

Other receivables
Associated undertakings (Note 8.2) 384 2,329
Custom duty claimed as refundable 3,827 11,016
Others   1,027 848
------------------ ------------------
104,515 55,201
========== ==========

8.1 Aggregate amount due from executives at year end was Rs.0.387 million (2000: Rs.0.594 million). Maxim
aggregate amount due from executives at the end of any month during the year was Rs.1.458 million
(2000: Rs. 3.802 million).

8.2 Maximum aggregate amount due from associated undertakings at the end of any month during the year wa
Rs.2.629 million (2000: Rs. 3.584 million).

9. CASH AND BANK BALANCES
In hand 824 --
At banks- on current accounts 232 1,090
------------------ ------------------
1,056 1,090
========== ==========

10. ISSUED, SUBSCRIBED AND PMD UP CAPITAL

2001 2000
(Number of shares)
Ordinary shares of Rs. 10 each
6,769,725 6,769,725 issued for cash 67,697 67,697
Ordinary share of Rs. 10/- each issued as bonus shares
6,116,159 6,116,159 - at beginning of the year 61,162 61,162
1,288,588 -- - during the year 12,886 --
------------------ ------------------ ------------------ ------------------
7,404,747 6,116,159 74,048 61,162
------------------ ------------------ ------------------ ------------------
14,174,472 12,885,884 141,745 128,859
========== ========== ========== ==========

11. RESERVES
Revenue reserves
General reserve
Balance at the beginning of the year 145,854 124,854
Transfer from profit and loss account 93,000 21,000
------------------ ------------------
238,854 145,854
Proposed issue of bonus shares (Note 11.1) -- 12,886
Unappropriated profit 580 637
------------------ ------------------
239,434 159,377
========== ==========

11.1 Proposed issue of bonus shares
At beginning of the year 12,886 --
Add: Transferred from Profit and Loss account -- 12,886
------------------ ------------------
12,886 12,886
Less: Transferred to Share Capital 12,886 --
------------------ ------------------

-- 12,886
========== ==========

12. SURPLUS ON REVALUATION OF LAND

During the year 2000, 3rd revaluation of leasehold land was carried out by M/s. Iqbal A. Nanjee Valuation Consultants, Karachi, resulting in a surplus of Rs.10.627 million, over book values as detailed below. This has been credited to Surplus on revaluation of land. The surplus on revaluation is not available for appropriation under the requirements of section 235 of the Companies Ordinance, 1984, except and to the extent actually realised on disposal of the assets which are revalued.

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
Revaluation surplus over book value of Rs. 42.4 million on June 30, 2000 10,627 10,627

52,513 52,513
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
------------------ ------------------
60,354 60,354
========== ==========

13. REDEEMABLE CAPITAL

Long term finance utilised under mark-up arrangements (Note 13.1) 421,072 315,000
Less: Current portion shown under current liabilities 98,336 43,929
------------------ ------------------
322,736 271,071
========== ==========

13.1 Long term finance utilised under mark-up arrangements

Sale Purchase No.of
price price installments and
commencement
date
i) STANDARD CHARTERED GRINDLAYS
Local currency
assistance of Rs.80.0
million for plant and 7 half yearly 57,143 80,000

machinery 80,000 140,376 31-12-2000

ii) HSBC
Local currency
assistance of Rs.75.0
million for plant and 6 half yearly 62,500 75,000
machinery 75,000 126,652 29-06-2001

iii) CREDIT AGRICOLE INDOSUEZ
Local currency
assistance of Rs.60.0
million for plant and 7 half yearly 51,429 60,000
machinery 60,000 80,076 01-05-2001

iv) BANK AL-HABIB LTD
Local currency
assistance of Rs. 100.0
million for plant and 12 quarterly 100,000 100,000
machinery 100,000 163,654 30-09-2001

v) MUSLIM COMMERCIAL BANK LTD
Local currency
assistance of Rs. 150.0
million for plant and 6 half yearly 150,000 --
machinery 150,000 211,520 31-12-2002
------------------ ------------------
421,072 315,000
========== ==========

All long term finances utilised under markup arrangements are secured by way of a joint equitable mortgage o
present and future immovable properties on plot no LX-15-16 & HX-7/4 Landhi Industrial Area, Karachi, and
assets of the Company, excluding inventories and book debts.

14. OBLIGATION UNDER FINANCE LEASE

i) The rate of interest used as the discounting factor is 16.15% per annum.
ii) The amount of future payments and the period they will become due are:

2001 2000
Present value Present value
Minimum of minimum Minimum of minimum
Payments Payments Payments Payments
(Rs.000's) (Rs.000's)

Within one year 513 338 -- --
After one year but not more than five years 1,025 862 -- --
------------------ ------------------ ------------------ ------------------
1,538 1,200 -- --
Less: Amount representing finance charges 338 -- -- --
------------------ ------------------ ------------------ ------------------
1,200 1,200 -- --
Less: Shown under current maturity 339 339 -- --
------------------ ------------------ ------------------ ------------------
861 861 -- --
========== ========== ========== ==========

iii) At the end of Lease period the ownership of assets will be transferred to the Company on payment of resid
value. There are no financial restrictions in the lease agreement.

2001 2000
(Rs. 000's) (Rs. 000's)

15. DEFERRED TAXATION (Note 15.1) 32,600 30,000
========== ==========

15.1 This represents deferred tax credits arising from timing differences relating to fixed assets. Certain provis
have not been considered in computing deferred taxation, as there will not be any significant change in the
carrying amount of these provisions in the near future.

16. CREDITORS, ACCURED AND OTHER LIABILITIES
Creditors 4,140 6,149
Accrued liabilities 20,183 23,692
Bills payable 53,067 13,484
Accounts payable 8,711 7,363
Mark-up accrued on long and short term finances 1,249 1,026
Sales tax 8,728 12,531
Employees gratuity fund -- 4,394
Workers' profit participation fund (Note 16.1) 1,216 1,008
Workers' welfare fund 3,533 3,376
Unclaimed dividend 1,109 743
Proposed dividend 49,611 28,993
Others 2,013 2,171
------------------ ------------------
153,560 104,930
========== ==========

16.1 Workers' Profit Participation Fund

Balance at the beginning of the year	1,008	6,296
Interest paid by the Company	80	86
	------------------	------------------
	1,088	6,382
Allocation for the year	10,716	8,508
	------------------	------------------
	11,804	14,890
Less: Payments during the year	10,588	13,882
	------------------	------------------
Balance at the end of the year	1,216	1,008
	==========	==========

17. SHORT TERM RUNNING FINANCE

From banks		
Under mark-up arrangements	643,707	480,235
	==========	==========

The facilities available from banks and financial institutions are secured by hypothecation of stocks, book debt and export documents and amount to Rs. 1,146 million. and Rs. Nil (2000: Rs. 889 million and Rs. 27.5 millio respectively). The unavailed facilities at the year end were Rs. 502.3 million. and RS. Nil (2000: Rs. 408.8 mil Rs. 27.5 million respectively).

The rates of mark-up range between 8% to 14% (2000: 7% to 13%).

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

18. COMMITMENTS AND CONTINGENCIES

Commitments

18.1 Capital expenditure commitments outstanding as at the year end amounted to Rs. 11.255 million (2000: Rs.78.466 million).

18.2 Commitments under letters of credit as at the year end amounted to Rs.72.586 million (2000: Rs.281.228

18.3 Commitments under purchase contracts as at the year end amounted to Rs. 142.558 million (2000: Nil)

Contingencies

18.4 Bank guarantees have been issued under certain supply contracts and to collector of Customs, aggregatin Rs.12.116 million (2000: Rs.22.536 million).

18.5 In respect of the assessment year 2000-2001, the Income Tax Department has assessed a tax liability of R million which is Rs.8.622 million in excess of the amount provided by the Company. The Company disagrees with the tax liability assessed and has filed a rectification application u/s 156 of the Income Tax Ordinance, 19 and an appeal u/s 129 of the Income Tax Ordinance, 1979 with the Appellate Additional Commissioner of Income Tax and is confident that the same would be decided in favour of the Company. Therefore, no provisio in this regard has been made in these financial statements.

19. COST OF GOODS SOLD

Opening stock of raw material and work-in-process	165,790	126,074
Purchases	1,951,086	1,622,911
Salaries, wages and benefits	84,858	79,980
Rates and taxes	1,670	2,041
Electricity gas and water	82,042	68,953
Insurance	3,015	2,194
Security and Janitorial	2,772	2,372
Depreciation	57,151	48,547
Stores and spares consumed	23,755	20,241
Repairs and maintenance	47,284	40,777
Postage, telephone and stationery	2,286	2,200
Vehicle, travel and conveyance	2,481	2,833
Internal Material Handling	5,041	3,767
Environment Control	1,113	--
Sundries	1,784	831
Recovery of bye products and scrap (net of sales tax)	(120,656)	(98,613)
	------------------	------------------
	2,311,472	1,925,108
Closing stock of raw material and work-in-process	(271,018)	(165,790)
	------------------	------------------
Cost of goods manufactured	2,040,454	1,759,318
Finished goods		
Opening stock	134,608	193,556
Purchases	421	1,184
Closing stock	(216,017)	(134,608)
	------------------	------------------
	(80,988)	60,132
	------------------	------------------
	1,959,466	1,819,450
	==========	==========

20. OTHER INCOME

(Loss) / Profit on sale of fixed assets	(5,700)	744
Exchange Gain	10,861	154
Refund receivable from customs in respect of PSI charges	--	7,189

Liabilities written back no longer payable (Note 20.1)	13,484	--
Miscellaneous	332	398
	------------------	------------------
	18,977	8,485
	==========	==========

20. This represent accruals made last year to secure differential in duties and taxes on provisional assessments of steel imports. Upon successful resolution of the issue, the Company's declared values have been accepted and the accruals reversed.

21. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	22,924	20,980
Rent rates and taxes	855	905
Electricity gas and water	955	595
Insurance	73	113
Depreciation	3,242	4,227
Repairs, renewals and maintenance	748	1,492
Postage, telephone and stationery	2,668	2,198
Office supplies	193	233
Vehicle, travel and conveyance	2,161	2,341
Legal and professional	976	4,678
Donations (Note 21.1)	2,936	2,806
Auditors' remuneration (Note 21.2)	589	600
Certification and Registration	1,089	371
Sundries	1,477	1,410
	------------------	------------------
	40,886	42,949
	==========	==========

21.1 Donations

Donation include an amount of Rs.0.5 million paid to M/s. Indus Valley School of Art and Architecture, ST-33, Block 2, Scheme 5, Clifton, Karachi. Mr. Towfiq H. Chinoy, Managing Director and Chief Executive of the Company is on the Board of Trustees of Indus Valley School of Art and Architecture.

Further donation of Rs.0.2 million paid to M/s. Hyderabad Relief & Rehabilitation Trust. Opp Central Jail, Hyderabad Colony, Karachi. M. Ateequllah, Executive Director of the Company is on the Board of Trustees of Hyderabad Relief & Rehabilitation Trust

21.2 Auditors' Remuneration

Audit fee	275	275
Tax services	100	237
Other services	190	70
Out of pocket expenses	24	18

------------------ ------------------
589 600
========== ==========

22. SELLING EXPENSES

Salaries, wages and benefits	12,526	14,148
Rent, rates and taxes	749	649
Electricity and gas	594	568
Insurance	1,042	480
Depreciation	940	939
Repairs, renewals and maintenance	174	127
Advertising and sales promotion	6,021	5,206
Postage, telephone and stationery	1,749	1,628
Office supplies	151	161
Vehicle, travel and conveyance	3,179	2,581
Provision for doubtful debts	8,854	10,613
Debts written off	--	190
Certification and Registration	1,240	483
Sundries	584	681
	------------------	------------------
	37,803	38,454
	==========	==========

23. FREIGHT AND FORWARDING EXPENSES

Local Sales	50,511	44,338
Export Sales	4,999	26,193
	------------------	------------------
	55,510	70,531
	==========	==========

24. FINANCIAL CHARGES

Interest on Workers' profit participation fund	80	86
Mark-up on		
Term finance certificates	--	376
Long-term finance	37,128	13,185
Short-term running finance	75,067	72,318
	------------------	------------------
	112,195	85,879
Bank charges	3,339	3,040
	------------------	------------------
	115,614	89,005
	==========	==========

25. TAXATION
Current (Note 25.1) 31,000 56,000
Prior year 1,587 9,374
Deferred 2,600 10,000
------------------ ------------------
35,187 75,374
========== ==========

25.1 This has been arrived at after taking tax credit of Rs.29 million on additions to plant and machinery during the year in accordance with section 107 AA of the Income Tax Ordinance, 1979.

26. STAFF RETIREMENT BENEFITS
Salaries, wages and benefits include Rs. 10.761 million (2000: Rs. 10.224 million) in respect of sta retirement benefits.

27. BASIC EARNINGS PER SHARE
Profit after taxation attributable to ordinary shares 163,816 82,814
Weighted average number of ordinary shares issued and
subscribed at the end of the year 14,174 14,174
------------------ ------------------
Earnings per share 11.56 5.84
========== ==========

28. WORKING CAPITAL CHANGES
Decrease/(Increase) in current assets
Stores and spares (6,784) 959
Stock in trade (200,324) (21,430)
Trade debtors 20,296 6,830
Contract debtors 233 191
Advances, deposits, prepayments and other receivables 17,288 65,709
------------------ ------------------
(169,291) 52,259
Increase/(Decrease) in current liabilities
Creditors, accrued and other liabilities 27,423 (119,320)
------------------ ------------------
(141,868) (67,061)
========== ==========

29. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Chief Total Total
Executive Directors Executives 2001 2000
(Rs.000's)

Managerial Remuneration 3,326 3,161 15,391 21,878 20,657
Retirement Benefits 848 805 3,653 5,306 5,209
Rent, utilities, leave
encashment etc. 2,010 2,382 9,697 14,089 10,980
------------------- ------------------- ------------------- -------------------
6,184 6,348 28,741 41,273
========== ========== ========== ========== -------------------
2000 5,617 5,337 25,892 36,846
========== ========== ========== ==========
Number 2001 1 2 69 72
2000 1 2 63 66

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

Fee paid to non-executive directors was Rs. 0.080 million (2000: Rs. 0.014 million).

30. FINANCIAL INSTRUMENTS
These comprise deposits, receivables, advances, cash, loans, lease, creditors, and certain other assets and liabil

(a) Financial Assets
The financial assets of the Company amount to Rs.247.968 million (2000: Rs.277.742 million)
which are non-interest bearing.

Non Interest Bearing Total
Maturity Maturity
upto one after one
year year 2001 2000
(Rupees in 000)

Long term deposits -- 3,752 3,752 2,304
Trade debtors 232,481 -- 232,481 255,020
Contract debtors 3,346 -- 3,346 3,579
Cash and bank 1,056 -- 1,056 1,090
Short term deposits 2,095 -- 2,095 1,556
Other receivable 5,238 -- 5,238 14,193
------------------- ------------------- -------------------
June 30, 2001 244,216 3,752 247,968
========== ========== ==========
June 30, 2000 275,438 2,304 277,742
========== ========== ==========

Credit Risk and concentration of credit risk

Company's exposure to credit risk is indicated by the carrying amount of its receivables. The Company control
credit risk by monitoring the amount of credit extended, limiting transactions with specific customers and cont
the credit worthiness of the customers. The Company minimizes concentration of credit risk by diversifying bu
different types of customers.

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

	Amount (Rs 000's)	%
Trade Debtors		
Private sector	108,803	46.80
Public sector	14,471	6.22
Commercial	29,881	12.85
Industrial	35,121	15.11
Exports	26,474	11.39
Others	17,731	7.63
	------------------	------------------
	232,481	100
	==========	==========
Contract Debtors		
Public Sector	3,346	100
	==========	==========

Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial asset or a liability will fluctuate due to a change in
foreign exchange rates. Financial assets include Rs.26.474 million (2000: Rs.64.540 million) in foreign curren
are subject to currency risk exposure.

(b) Financial Liabilities

The financial liabilities of the Company amount to Rs. 1,161.217 million (2000: Rs.892.802 million) out of wh
Rs 1,067.195 million (2000: Rs.796.243 million) are interest bearing.

	Interest/Mark-up Bearing			Non-Interest/Mark-up Bearing			Total	
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	2001	2000
	(Rupees in '000')							
Redeemable Capital	98,336	322,736	421,072	--	--	--	421,072	315,000
Obligation under finance lease	339	861	1,200	--	--	--	1,200	--
Creditors, accured								

& other liabilities 1,216 -- 1,216 94,022 -- 94,022 95,238 97,567
Short term running
finance 643,707 -- 643,707 -- -- -- 643,707 480,235
------------------ ------------------ ------------------ ------------------ ------------------ ------------------ ------------------
June 30, 2001 743,598 323,597 1,067,195 94,022 -- 94,022 1,161,217
========== ========== ========== ========== ========== ========== ========== --------
June 30, 2000 525,172 271,071 796,243 96,559 -- 96,559 892,802
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Interest/Mark-up Rate Risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company is exposed to interest/mark-up rate risk on some of the financial obligations. Mate liabilities which are exposed to various rates of mark-up are mentioned in notes 13, 14 and 17.

(c) Foreign currency risk
Foreign currency risk arises mainly where payables exist due to the transactions with foreign undertakings. Payables exposed to foreign currency, risks are covered through forward foreign exchange contracts.

(d) Liquidity risk
The Company may encounter difficulties in raising funds to meet its loans, letter of credit and capital commitments. This risk is mitigated by the unavailed running finance facilities available, which are adequate t meet the aforementioned commitments.

(e) Fair value of Financial Assets and liabilities
The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

31. NUMBER OF EMPLOYEES
The Company employed 602 (2000: 575) employees at the end of the year.

32. ASSOCIATED UNDERTAKINGS
Aggregate transactions made by the Company during the year with the Associated Companies were:

	2001 (Rs.000's)	2000 (Rs. 000's)
Purchases	4,520	4,520
Sales	11,145	14,514
Insurance premium expense	7,848	6,166
Rent/utilities/others	575	486

33. PRODUCTION
The capacity, based on 1999-2000 production mix (3 shifts, 355 working days per annum) at the beginning of

was as follows:

Pipe 75,000 Metric tonnes
Galvanizing 71,000 Metric tonnes
Cold rolled steel strip 47,000 Metric tonnes

The new tube mill, added during the course of the year achieved full rated output in the last two months of the
the pipe making capacity to 140,000 Metric tonnes. The refurbishing of the pickling line has helped improve tl
rolled steel strip. The capacity at the end of the year on June 30, 2001 is as follows:

Pipe 140,000 Metric tonnes
Galvanizing 71,000 Metric tonnes
Cold rolled steel strip 47