INTERNATIONAL INDUSTRIES LIMITED.
Annual Reports 2002

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)
Kemal Shoaib (Nominee Director of NIT)
Tariq Iqbal Khan (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
Faysal Bank Limited
Oman International Bank S.A.O.G
Credit Agricole Indosuez
Bank AI-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
E-mail: lahore@iil.com.pk

Factory
L X 15-16, Landhi Industrial Area,
Karachi-75160
Telephone Nos. 5080451-55
Fax: 5082403
E-mail: factory@iil.com.pk

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 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

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

2002 Turnover crossed 3 Billion rupees and was awarded Export Trophy

as the Best Performance Exporter of Engineering Products (Mechanical)

Notice of Meeting
Notice is hereby given to the Members that the 54th Annual General Meeting of the Company will be held on October 7, 2002 at 11:00 a.m. at the "Raffia Choudri Memorial Centre", Sidco Avenue Centre, 264-R.A. Lines, Karachi, to transact the following business:

1. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2002 and the Reports of the Directors and Auditors thereon.

2. To consider and approve payment of 55% Final Cash Dividend making a total of 70% for the financial year ended June 30, 2002 as recommended by the Board of Directors.

3. To appoint Auditors for the Year 2002-2003 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.

By Orde^ of the Board

Karachi September 10, 2002 MohanrlgGlH. Walli
Company Secretary

1. The Share Transfer Books of the Company shall remain closed from September 27, 2002 to October 7, 2002 (both days inclusive). Transfers received in order at the Registered Office of the Company by close of business on September 26, 2002 will be treated in time to determine the entitlement of 55% 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 guidelines 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 (N1C) 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 the Regulations, shall submit the Proxy Form as per the above requirement.

Attested copies of NIC 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.

Chairman's Review

It is with immense pleasure that on behalf of the Board of Directors I present before you the 54th Annual Report.

At the last Annual General Meeting the shareholders elected Mr.Tariq Iqbal Khan as director in place of Mr. Istaqbal Mehdi who after relinquishing his post as chairman of NIT did not contest in election.

The Board welcomes Mr. Tariq Iqbal Khan with anticipation that his vast knowledge in the coun try's corporate field will benefit the Company.

The Board also places on record its appreciation for the contribution made by Mr. Istaqbal Mehdi during his tenure as Director.

In continuation of the task of enhancing capacities undertaken last year, all the major additions came into production during the year under review.

The second slitter was commissioned in September 2001 and is now working satisfactorily.

Out of the three galvanizing plants the two which were upgraded to enhance capacity are both working at their desired levels of output. The results have been so encouraging that your Company has decided to upgrade the third plant as well in December 2002.

A new tube mill for producing small diameter pipe was installed in the later half of the year and began production in April 2002. Two older mills were completely refurbished to enhance pro ductivity.

All these major additions, up-gradations and refurbishment have been completed and are now on stream.

The production of pipes during the year was 3% higher than the previous year's production and galvanizing also improved by a similar percentage. The production at the Cold Rolling Mill was about 15% lower than previous year because of availability of cheap thin gauge material which would otherwise be rolled on this mill.

The general performance of the manufacturing plant remained satisfactory.

The domestic sales grew over the previous year by 5% . Exports in term of volume were about 19% higher than the previous year but because of the weakening dollar, in value terms exports

Chairman's Review

The Net Sales value at Rs. 2.559 billion is 6.4% higher than the previous year. The favourable raw material prices enabled the Company to achieve a gross margin of 19.8% as compared to the pre vious year's margin of 18.5%. The gross profit at Rs. 506 million is 14% higher than the previous year's gross profit. The swing in the exchange rates resulted in a slight exchange loss. The admin istrative, selling and freight and forwarding expenses have been contained at previous year's lev els, resulting in an increase in the operating profit of 16.6% over last year.

The financial charges are 6% higher than the previous year because a lot of imports had to be made on cash basis as a result of the post September economic scenario.

The profit before tax at Rs. 244 millions represents a growth over previous year of 22.7%. A pro vision of Rs. 63.7 million has been made for deferred taxation. A write-back of Rs. 9.9 million from prior years and a provision for current year's tax ofRs. 25 million leaves a post-tax profit ofRs. 165 million which translates into an earning per share ofRs. 11.67.

Steel prices across the world have increased significantly over the past three months. Pakistan Steel Mill has also increased its prices on the average by more than 15% since July 1, 2002. The gross margins will therefore be adversely affected. Escalation in gas and electricity charges will further aggravate the situation. The management of your Company will have to maintain a very stringent control over the costs to stem further erosion of the margins.

Exports sales are poised to grow and your Company is now ideally positioned to take advantage of this opportunity. Afghanistan also has the potential to develop into a good market for your Company's product which has been received very well in that country.

The elections in October 2002 will create unpredictability in the economic environment of the country. If a stable political government emerges, the country will Inshallah find itself on the path of economic prosperity.

In keeping with the practice of your Company and in view of the good financial results the Board is pleased to recommend a final dividend of Rs. 5.50 per share, which when added to the interim dividend of Rs. 1.50 per share brings the total for the year to Rs. 7.0 per share.

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

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

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

Ten Years at a Glance

2002 2001 2000 1999 1998 1997 1996 1995 1994 1993
(Rs. 000's)

Assets Employed					
Fixed Assets (Owned & Leased)	799,369	651,964	364,095		
Capital Work in Progress	25,163	57,651	165,667	2	
Long term deposits	3,592	3,752	2,304	2,300	
Net Current Assets /(Liabilities)	179,134	84,363	117,595		
Total Assets Employed	1,007,258	797,730	650	323,471	
Financed by					
Shareholders' Equity (includes revaluation of land)	504,844	441,533	348,590	303,471	
Long term & deferred liabilities	502,414	356,197	301,071		
	1,007,258	797,730	649,661	323,471	321,252
Sales & Profits					
Sales	2,559,044	2,404,628	2,222,004	1,906,957	1,
Gross Profit	505,846	445,162	402,554	309,674	
Profit before interest & taxation	366,767	314,617	247,193		
Profit before taxation	244,222	199,003	158,188	115,644	
Profit after taxation	165,425	163,816	82,814	44,820	
Dividend	99,222	70,873	61,208	45,101	
Retained Earnings / (Loss)	66,203	92,943	21,606	(28	

Financial Ratios

Gross Profit as a percentage of sales	19.80	18.50	18.10							
Net profit before tax as a percentage of sales	9.50	8.30	7.10	6.10						
Current ratio	1.19	1.09	1.19	1.02						
Long term debt: equity	50:50	45:55	46:54	06:94	05:95	21:79	31:69	24:76	35:65	48:52
Earnings per share	11.67	11.56	6.43	3.48						
Dividend (%)	70.00	50.00	37.50	35.00						
Bonus Shares (%)	-	-	10.00	-	-	-	-	-	10.00	
Right Shares % (at premium)	-	-	-	-	-	-	50.00			

Report of the Directors

The Directors have pleasure in submitting their report on audited acci
year ending June 30, 2002

The profit for the year amounts to:

Amount of un-appropriated profit brought forward from previous yeai

The Directors recommend:

Interim dividend already paid at the rate of Rs. 1.50 per share (15%)
Final dividend at the rate ofRs. 5.50 per share (55%)
Transfer to General Reserve

Leaving an un-appropriated profit carried forward to next year
We confirm and the auditors in their report to the members have also

a) The financial statements have been drawn up in conformity with the requirements of the Companies Ordinance 1984 and present fairly state of its affairs, operating results, cash flow and changes in equity.

b) Proper books of accounts have been maintained in the manner required under Companies Ordinance 1984.

c) Appropriate Accounting policies have been consistently applied in preparation of financial statements except for the change in accounting policy as stated in note 2.16 of financial statements which has concurrence of external auditors and accounting estimates are based on reasonable and prudent judgement.

d) International Accounting Standards as applicable in Pakistan have been followed in preparation of the financial statements.

e) The internal control system is being effectively implemented and monitored.

f) There are no significant doubts about the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance as detailed by the listing regulations.

The key operating and financial data of the past ten years are given on page 10.

Future prospects have been covered by the Chairman in his review.

Note 2.3 of financial statements on staff retirement benefits provides the information on the value of investme
the provident and gratuity funds.

The number of board meetings held during the year July 01, 2001 to June 30, 2002 was Five.
The attendance of the directors is as under:-

Name of Director	Meetings attended	Name of Director	Meetings attended
Mr. J.R. Rahim	3	Mr. Kemal Shoaib	4
Mr. K.M.M. Shah	5	Mr. Zahid Zaheer	5
Mr. Kamal A. Chinoy	3	Mr, A.W. Zuberi	5
Mr. Mustapha A. Chinoy	5	Mr. Towfiq H. Chinoy	5
Mr. Zaka U. Khan	5	Mr. Istaqbal Mehdi	0
Mr. M. Ateequllah	4	Mr. Tariq Iqbal Khan	3

Mr. Tariq Iqbal Khan was elected Director at the Annual General Meeting held on October 25, 2001 on which date Mr. Istaqbal MehdFs tenure ended.

The pattern of share holding is given on page number 38

During the fiscal year July 1, 2001 to June 30, 2002 the trading in shares of the Company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows:

1. Mr. Towfiq H. Chinoy, Managing Director bought 7,700 shares on September 12, 2001

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of INTERNATIONAL INDUSTRIES LIMITED as at June 30, 2002 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 except for the change in accounting policy as stated in note 2.16 to the financial statements with which we concur;

(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, 2002 and of the profit, its cash flows and changes in equity for the year then ended; and

(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.

	Note	2002	2001
		(Rs. 000's)	(Rs. 000's)
ASSETS			
NON-CURRENT ASSETS			
Tangible Fixed Assets	3	824,532	709,615
Long Term Deposits		3,592	3,752
		828,124	713,367
CURRENT ASSETS			
Stores and spares	4	63,066	67,613
Stock-in-trade	5	516,248	571,294
Trade debtors	6	366,693	235,827
Advances, deposits, pre-payments and other receivables	7	168,272	104,515
Cash and bank balances	8	4,737	2,144
		1,119,016	981,393
TOTAL ASSETS		1,947	1,694,760
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
25,000,000 (2001:25,000,000) ordinary shares of Rs. 10/- each		250,000	250,000
Issued, subscribed and paid up capital	9	141,745	141,745
Reserves		302,745	239,434
		444,490	381,179
SURPLUS ON REVALUATION OF LAND	10	60,354	60,354
NON CURRENT LIABILITIES			
Redeemable capital	11	405,649	322,736
Obligation under finance lease	12	465	861
Deferred taxation	13	96,300	32,600
		502,414	356,197
CURRENT LIABILITIES			
Current portion of redeemable capital	11	167,086	98,336
Current maturity of obligation under finance lease	12	396	339
Short term running finance	14	242,373	644,795
Creditors, accrued and other liabilities	15	530,027	153,560
		939,882	897,030

CONTINGENCIES AND COMMITMENTS 16

TOTAL EQUITY AND LIABILITIES 1,947,140 1,695

The accounting policies and explanatory note numbers 1 to 39 on pages 17 to 33 form an integral part of these financial statements

	Note	2002	2001
		(Rs. 000's)	(Rs. 000's)
TURNOVER			
Sales -Local		2,539,865	2,395,292
-Export		473,862	396,280
		3,013,727	2,791,572
Less: Sales tax		376,004	336,648
		2,637,723	2,454,924
Less: Sales discount		78,679	50,296
		2,559,044	2,404,628
COST OF GOODS SOLD	17	2,053,198	1,959,466
GROSS PROFIT		505,846	445,162
Other income	18	2,454	18,977
		508,300	464,139
Administrative expenses	19	43,804	40,886
Selling expenses	20	35,367	37,803
Freight and forwarding expenses	21	49,118	55,510
Other charges	22	13,244	15,323
		141,533	149,522
OPERATING PROFIT		366,767	314,617
Financial charges	23	122,545	115,614
PROFIT BEFORE TAXATION		244,222	199,003
Taxation	24	78,797	35,187
PROFIT AFTER TAXATION		165,425	163,816
Unappropriated profit brought forward		580	637
Available for appropriation		166,005	164,453
APPROPRIATIONS			
Interim dividend 15% (2001:15%)		21,262	21,262
Proposed final dividend 55% (2001: 35%)		77,960	49,611
Transfer to general reserves		66,000	93,000
		165,222	163,873
Unappropriated profit carried forward		783	580
BASIC EARNINGS PER SHARE	25	11.67	11.56

The accounting policies and explanatory note numbers 1 to 39 on pages 17 to 33 form an integral part of these financial statements

Cashflow statement/or the year ended 30th June 2002

	Note	2002 (Rs. 000's)	2001 (Rs. 000's)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		244,222	199,003
Adjustments for			
Depreciation		105,794	61,334
Provision for doubtful debts - net		6,010	2,243
(Profit)/Loss on sale of fixed assets		(2,250)	5,700
Financial charges		122,545	115,614
Working capital changes	26	241,646	(141,869)
		473,745	43,022
Long term deposits		160	(1,448)
Taxes paid		(82,891)	(99,189)
Financial charges paid		(95,645)	(115,391)
Net cash inHow from operating activities		539,591	25,997
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(227,625)	(250,195)
Proceed from sale of fixed assets		12,264	3,309
Net cash outflow from investing activities		(215,361)	(246,886)
CASH FLOWS FROM FINANCING ACTIVITIES			
Redeemable capital obtained		250,000	151,200
Repayment of redeemable capital		(98,337)	(43,928)
Repayment of finance lease		(339)	-
Dividend paid		(70,539)	(49,889)
Net cash inflow from financing activities		80,785	57,383
Net increase/(decrease) in cash and cash equivalents		405,015	(163,506)
Cash and cash equivalents at the beginning of the year		(642,651)	(479,145)
Cash and cash equivalents at the end of the year		(237,636)	(642,651)
CASH AND CASH EQUIVALENTS COMPRISES:			
Cash and bank balances	8	4,737	2,144
Short term running finances	14	(242,373)	(644,795)
		(237,636)	(642,651)

The accounting policies and explanatory note numbers 1 to 39 on pages 17 to 33 form an integral part of these financial statements.

Statement of changes in equity for the year ended 30th June 2002

Reserves

Issued Proposed Net Unrealised
subscribed issue gains/flosses)
and paid-up General of bonus Unappropriated on hedging
capital reserve share profit instruments Total Total
(Rupees 000's)

Balance as at June 30, 2000 128,859 145,854 12,886
Profit after taxation 163,816 163,816 163,816
Interim dividend - - - (21,262) - (21,262) (21,262)
Proposed final dividend - (49,611) - (49,611) (49,611)
Bonus shares issued 12,886 (12,886) - (12,886) -
Transfer to general reserves 93,000 - (93,000) - - -
Balance as at June 30, 2001 as
previously reported 141,745 238,854 - 580 - 239
Net unrealised gains on revaluation
of cash flow hedges due to change
in accounting policy (note 2.16) - - 9,991 9,991 9,991
Restated .balance 141,745 238,854 - 580 9,991
Profit after taxation - - - 165,425 - 165,425 165,425
Interim dividend - - - (21,262) - (21,262) (21,262)
Proposed final dividend - (77,960) - (77,960) (77,960)
Transfer to general reserves - 66,000 - (66,000) - - -
Adjustment for net unrealised gains
recognised in assets - (9,991) (9,991) (9,991)
Net unrealised losses on revaluation of
cash flow hedges - (2,892) (2,892) (2,892)
Balance as at June 30, 2002 141,745 304,854 - 785

The accounting policies and explanatory note numbers 1 to 39 on pages 17 to 33 form an integral part of these

Notes to the Financial Statements/or the year ended 30th June, 2002

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, West Wharf Road, K

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have heen prepared, in all material respects, in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards (1AS) as applicable in Pakistan.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention modified to include the revaluation of land as referred to in 2.6 below and the measurement at fair value of derivative financial instruments,

The accounting policies have been consistently applied by the company with those of the previous year except for the change in accounting policy discussed more fully below in note 2.16.

2.3 Staff retirement benefits

i) Defined contribution plan

The company operates a recognised provident fund for all employees except unionised staff. 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. The value of fund at the end of the year was Rs. 25.080 million.

ii) Defined benefit plan

The company operates an approved funded gratuity scheme for all employees of the company. Actuarial valuation is normally carried out every year. The latest actuarial valuation was carried out as at June 30, 2002. Contribution is made at 8.33% of basic salary and cost of living allowance alongwith additional contribution required to cover the transitional obligation ofRs. 21.968 million over five years which currently stands at Rs. 8.788 million to be recognised in the next two years. The Projected Unit Credit Method using the following significant assumptions has been used for the valuation of the scheme:

discount rate at 11% per annum

expected rate of return on plan assets at 12% per annum

expected rate of increase in salary level at 8% per annum for the year 2002 - 2003 and 10%

per annum thereafter.

Unrecognised actuarial gains or losses are amortised over the expected average remaining working lives of the employees participating in the plan in accordance with International Accounting Standards (1AS) 19 "Employee Benefits".

The value of the fund as at the end of the year was Rs.31.265 million.

2.4 Compensated absences

The company accounts for these benefits in the accounting period in which the absences are earned.

Notes to the Financial Statements for the year ended 30th June, 2002

2.5 Taxation

i) Current

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

u) Deferred

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

2.6 Tangible fixed assets and depreciation
i) Owned

These are stated at cost less accumulated depreciation except land which was revalued and is shown at such revalued amount. No amortisation 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 rates ranging between 10% - 50% as indicated in note 3.1. The cost or revalued amount of an asset is written off over its estimated useful life. Improvements to leasehold premises are amortized over the period of the lease. Depreciation on additions to buildings, plant and machinery costing over Vs. 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.

The carrying amounts of fixed assets are reviewed at each balance sheet date to assess whether they arc recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

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

Assets held under finance leases are stated at cost less depreciation. The outstanding obligations under the lease less finance charges allocated to future periods are shown as liability. The financial charge is calculated at the interest rate implicit in the lease and is charged to the profit and loss account. Depreciation is charged at the same rate as company owned assets or over the lease period, whichever is appropriate

iii) Capital work-in-progress

Capital work-in-progress is stated at cost.

2.7 Stores and spares

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

2.8 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 actual, in respect of work-in-process and finished goods. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

2.9 Trade debts

Trade debts originated by the company are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

2.10 Cash and cash equivalents

Cash in hand and at banks in current accounts are carried at cost.

Cash and cash equivalents are defined as cash in hand, cash at banks in current accounts and short term running finances readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and at banks net of short-term running finances maturing within three months from the date of acquisition.

2.11 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

2.12 Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the rates of exchange approximating those prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange ruling on the balance sheet date. Exchange differences are included in the profit and loss account currently.

2.13 Revenue recognition

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

2.14 Financial instruments

All financial assets and liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.

2.15 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.16 Derivative financial instruments

In certain cases, the company uses forward foreign exchange contracts to hedge its risk associated primarily with foreign currency fluctuations relating to purchases of raw materials from overseas suppliers. Commencing from the current year, these are included in the balance sheet at fair value and any resultant gain or loss is recognised in the statement of changes in equity and subsequently adjusted against the value of raw materials. The fair values of forward foreign exchange contracts are included in "other receivables" in case of favourable contracts and "other liabilities" in case of unfavourable contracts. The fair values of forward foreign exchange contracts are calculated by reference to current forward exchange rates with similar maturity profiles

i) Change in accounting policy

The company has adopted International Accounting Standard (IAS) 39 "Financial Instruments:

Recognition and Measurement" for the year ended June 30, 2002. This has resulted in a significant change in the accounting policy of the company in respect of derivatives. The adoption of IAS 39 resulted in a credit adjustment to a separate component of equity i.e. net unrealised gains/bosses) on hedging instruments ofRs. 9.991 million as at July 1, 2001. Hence reserves as at July 1, 2001 for the year have been increased by Rs.9.991 million. In accordance with the transitional provisions of this standard, the company has accounted for the change in policy with effect from July 1, 2001 and has not restated comparatives. This change in accounting policy did not have any impact on the profit and loss account.

3. TANGIBLE FIXED ASSETS

Cost and Disposals/ Cost and Accumulated Depreciation Disposals/ Accumulated Net book
evaluation adjustments*/ revaluation depreciation charge for adjustments*/ depreciation value as at
01-07.2001 Additions retirements 30-06-2002 as at 01-07-2001 the year retirements a' as at 30-06-2002 as at
(Rs.'000) (Rs.'000) (Rs.'000) (Rs.'000) (Rs.'000) (Rs.'000) (Rs.'000) (Rs.'000) (Rs.'000) %

3.1 Operating Fixed Assets

Owned
Freehold land at revalued amount 11,301 11,301 11,301
Leasehold land at revalued amount 119,391 119,391 119,391
Building on Freehold land 959 - 959 959
Building on Leasehold land 91,706 52,449(1) (1,036) 143,119
Improvement to Leasehold premises 2,930 2,930 2,930
Plant and machinery 764,136 214,695 (6,408) 968,895
1,164 261
(1692) (2) (4,692) (2)
Furniture, fixtures and office equipmeni 16,009 2,973 (446)
(128)* (64)
(54) (3) (54) 0)
Vehicles 16,751 8,252 (5,379) 19,624
1,023,183 278,369 (12,233) 1,284,573 395,27
(4,692) (2) (4,692) (2)
(54) (3) (54) (i)
Leased
Furniture, tames and office equipmeni 1,200 1,200 400
1,024,383 278,369 (12,233) 1,285,773 395,67
(4,692) (2) (4,692) (2)
(54) (3) (54)
3.2 Capital work -in- progre 58
Buildings 10,109 41,185 (8,100) 10,194
(33,000)*
Plant and machinery 14,276 202,491 (214,695)* 2,072 - -
Furniture, fixtures and office equipn lent 96 96 96
24,385 243,772 (8,100) 12,362 - 1
(247,695)*
3.3 Stores and spares for

capital expenditure

In store	16,389	162,296	(176,708)	1,977	- -
In transit	40,133	10,824	(40,133)	10,824	- -
	56,522	173,120	(216,841)	13	12,8
Total as at June 30,2002:	1,105,290	695,261	(20,333)	1,310,936	

(464,536)

(4,692) (2) (4.692) (2)

(54) (3) (54) B)

Total as at June 30, 2001	886,935	760,274	(541,919)	1,105,290

(1) Included in additions is an amount of Rs. 19,448 million, which represent office premises in a building

(2) This represents an item scrapped during the year

(3) This represents an asset costing Rs. 54,000 with a book value of Ks nil donated to small and Medium Enter

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

Operating fixed assets Original Accumulated Book Mode of
Cost Depreciation Value Proceed s Disposal Purchaser
(Rs. in 000's) (Rs. in 000's) (Rs. in 000's) (Rs. in 000's)

Plant and Machinery	2,397	1,900	497	12	
	1,087	872	215	8	Negotiation Mr. Sh
	320	177	143	27	Negotiation M/s. Q
	694	562	132	22	Negotiation M/s. S.
Items having book value upto Rs. 5,000	1,910	1,910		71	
	6,408	5,421	987	140	
Furniture, fixtures and office equipment	9	2	7	5	N
Items having book value upto Rs. 5,000	437	437		13	
	446	439	7	18	
Vehicles	197	79	118	197	Negotiatio
	475	95	380	400	Negotiation Brigad
	859	687	172	540	Negotiation Mr. Ri
	858	686	172	650	Insurance Claim M
	68	14	54	68	Insurance Claim M
	59	35	24	59	Insurance Claim M
Items having book value upto Rs. 5,000	2,863	2,863		1,192	
	5,379	4,459	920	3,106	

	12,233	10,319	1,914	3,264
Capital work-in-progress				
Building	8,100	8,100	9,000	Negotiation FICIC Commercia
-Associated undertaking				
	20,333	10,319	10,014	12,264

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

	Note	2002 (Rs. 000's)	2001 (Rs. 000's)
Cost of goods sold	17	101,688	57,151
Administrative expenses	19	3,139	3,243
Selling expenses	20	967	940
		105,794	61,334

3.6 Free hold land and leasehold land represent values subsequent to revaluations as at June 30, 1988, June 30, 1997 and June 30, 2000. Had there been no revaluation the values would have been as under

	Cost as at June 30, 2002 (Rs. 000's)	Book value as at June 30, 2002 (Rs. 000's)
Freehold land	3,460	3,460
Leasehold land	513	513
Leasehold land	66,365	66,365
Total as at June 30, 2002	70,338	70,338
Total as at June 30, 2001	70,338	70,338

4. STORES AND SPARES

Stores	7,001	2,678
Spares	54,256	62,237
Stores and Spares in transit	1,681	1,746
Loose tools	128	952
	63,066	67,613

	Note	2002 (Rs. 000's)	2001 (Rs. 000's)
5. STOCK-IN-TRADE			
Saw material - in hand		115,340	77,920
- in manufacturing bond		31,523	114,602
in private bond		42,190	76,322
- in transit		8,107	333
		197,160	269,177
Wbrk-in-process		68,780	78,496

Finished goods	243,097	216,017
Scrap material	7,211	7,604
	516,248	571,294

6. TRADE DEBTORS

Considered good - secured	174,852	26,474
Considered good - unsecured (Note 6.1)	191,841	209,353
Considered doubtful	31,148	25,138
	397,841	260,965
Less: Provision for doubtful debts (Note 6.2)	31	25,138
	366,693	235,827

6.1 Aggregate amount due from associated undertakings at the year end was Rs.1.661 million (2001:Rs. nil). T
maximum aggregate amount due from associated undertakings at the end of any month during the y[illegible] end wa
Rs. 1.661 million (2001:Rs. 4.187 million).

6.2 This has been arrived at after writing off Rs. 0.119 million (2001: Rs. 6.611 million) pertaining to debts pr
in the last year.

7. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - considered good		
Suppliers	3,120	5,787
Staff (Note 7.1)	2,217	1,850
For purchase of land	-	500
Income tax (net of provision)	151,983	84,189
Sales-tax	6,743	2,227
	164,063	94,553
Deposits	1,389	2,095
Prepayments	2,034	2,629
Other receivables		
Associated undertakings (Note 7.2)	130	384
Custom duty claimed as refundable	-	3,827
Others	656	1,027
	786	5,238
	168,272	104,515

7.1 Aggregate amount advanced to executives for expenses at year end was Rs. 0.938 million (2001: Rs. 0.387
Maximum aggregate amount advanced to executives at the end of any month during the year was Rs. 1.554 mi
(2001: Rs.l 458 million).

7.2 Maximum aggregate amount due from associated undertakings at the end of any month during the year wa
Rs. 0.130 million (2001 Rs. 0.498 million).

2002 2001

(Rs. 000's) (Rs. 000's)

8. CASH AND BANK BALANCES

In hand 5 824

At banks in current accounts 5 1,320

4,737 2,144

9. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2002 2001

(Num her of shares)

6,769,725 6,769,725 Ordinary shares ofRs.10 each issued for cash 67,697 67,697

Ordinary shares of Rs.10/- each

issued as bonus shares

7,404,747 6,116,159 - at beginning of the year 74,048 61,162

- 1,288,588 - during the year 12,886

7,404,747 7,404,747 74,048 74,048

14,174,472 14,174,472 141,745 141,745

10. SURPLUS ON REVALUATION OF LAND

During the year 2000, third revaluation of freehold and leasehold land was carried out by M/s Iqbal A. Nanjee Valuation Consultants, Karachi, resulting in 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.

Freehold land

Revaluation surplus over original cost ofRs. 0.8 million on June 30, 1988 1,218

Revaluation surplus over original cost ofRs. 2.7 million on June 30, 1997 3,455

Revaluation surplus over book value ofRs. 2.0 million on June 30, 1997 3,168

7,841 7,841

Leasehold land

Revaluation surplus over original cost ofRs. 0.5 million on June 30, 1988 13,796

Revaluation surplus over book value of Rs. 14.3 million on June 30, 1997 28,090

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

52,513 52,513