

Pakistan Cables Limited

Annual Report 1998

In Memory of our Founder & Chairman

AMIR SULTAN CHINOY

(1921-1998)

Amir S. Chinoy, the illustrious son of Sir Sultan Chinoy, was born in Bombay in 1921. In his early years he was exposed to insurance, banking, the family stud farm and the motor car business in India.

He migrated to Pakistan in 1948 and proceeded to play a pioneering role in the industrialization of the new country by introducing and establishing industrial concerns in heavy chemicals (Pak Chemicals Ltd.), electrical cables (Pakistan Cables Ltd.) and galvanized and steel pipes (International Industries Ltd.). His commercial interests extended to trading (representing major European and American companies), contracting and distribution, and keeping abreast with demands of the changing world.

A firm believer in modern management, he played a leading role in establishing the Institute of Business Administration, Karachi, as well as becoming the Founder President of the Management Association of Pakistan.

Appointed the Honorary Consul General Greece in 1968, he dealt with this prestigious appointment with great honour and dignity. As a result of his efforts and commitment, he was awarded the 'ORDER OF THE PHOENIX OF GREECE' in 1989, one of the highest honours bestowed upon honorary persons.

He was a Director of the Quaid Project, an international consortium whose aim was to produce a movie on Mohammad Ali Jinnah, the Founder of Pakistan. The movie is due to be released internationally in late 1998.

As a prominent member of the Ismaili community, he was bestowed with the title of Vazir. Numerous offices held by him included trustee of the Aga Khan University Hospital Foundation, director of the Aga Khan Central Education Board, Aga Khan Health Services and Founding Chairman of Aga Khan Arbitration and Conciliation Board for Pakistan.

Socially loved and respected, he was president of Sindh Club (1973-75), Rotary Club (1968-69) and Steward of the Karachi and Lahore Race Clubs. His social interests made him an enthusiastic and popular bridge player. A lover of horses, he successfully owned and bred several race horses, and in the process won numerous classics such as the Pakistan Derby, the Oaks and Quaid-e-Azam Gold Cup.

In his lifetime, he actively promoted many charitable causes one of them being the establishment of a Senior Citizens Home in Sultanabad Colony, Karachi in the late 1970s.

Amir Chinoy passed away peacefully on 23 Ramazan 1418 A.H. (22 January 1998). May Allah rest his soul in peace, Ameen.

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COMPANY INFORMATION

BOARD OF DIRECTORS

Towfiq H. Chinoy (Chairman)
Mohammad Hanif Adamjee
Mustapha A, Chinoy
Razi-ur-Rahman Khan
Sadruddin I, Saleh
Haroun Rashid
Imtiaz Rasool
Shahpur Channah
Asian Sadruddin
Kamal A. Chinoy (Chief Executive)

COMPANY SECRETARY

Asian Sadruddin

AUDITORS

A.F. Ferguson & Co.
Chartered Accountants

LEGAL ADVISERS

Orr, Dignam & Co.

BANKERS

ANZ Grindlays Bank
Bank of America N.T. & S.A.
Credit Agricole Indosuez, The Global French Bank
Hongkong and Shanghai Banking Corporation
Muslim Commercial Bank Limited
Oman International Bank S.A.O.G.
Societe Generale, The French and International Bank
Standard Chartered Bank

Registered Office, Factory and Marketing Office

B/21 Sindh Industrial Trading Estates
Manghopir Road, P.O. Box 5050 Karachi-75700
Telephone Nos: 2561170-5, Telex: 29132 PCL PK, Fax: 92-21-2564614

Regional Office

Lahore

Co-operative Insurance Building, Shahra-e-Quaid-e-Azam

Telephone Nos: 7355783, 7120790 - 91, 353520, Fax: 7355480

Branch Offices**Multan**

Shershah Road, Telephone No, 33132,

Rawalpindi

445-A, Adamjee Street, Telephone No, 568895, Fax: 051-512797

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 45th Annual General Meeting of the shareholders of Pakistan Cables Limited will be held on Thursday the 26th November, 1998 at 11:00 a.m. at Council Hall of the Overseas Investors Chamber of Commerce and Industry, Chamber of Commerce Building, Talpur Road, Karachi, to transact the following business:

Ordinary Business

1. To receive and consider the Statement of Accounts for the year ended June 30, 1998 together with the Reports of the Directors and Auditors thereon,
2. To approve the payment of Dividend as recommended by the Directors. (The Directors have recommended a dividend of 22.5%),
3. To appoint Auditors for the ensuing year and to fix their remuneration (Messrs. A. F. Ferguson & Co. Chartered Accountants, retire, and being eligible, have offered themselves for re-appointment),
4. To transact any other business which may legally be transacted at an Annual General Meeting,

NOTES:

1. The Shares Transfer Books of the Company will remain closed from 13th November, 1998 to 26th November, 1998 (both days inclusive), No transfer will be accepted for registration during this period,
2. A member entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote instead of him, A proxy need not be a member of the Company.
3. The instrument appointing the proxy and the Power of Attorney or other authority under which it is signed, or a notarially certified copy thereof, must be lodged at the Company's Registered Office i.e. B/21, S.I.T.E., Karachi, not later than 48 hours before the time of the Meeting.

HIGHLIGHTS

	1997-98	1996-97
	Rs. Million	Rs. Million
Sales	500.15	63,648
Profit after tax	8.32	1,315
Dividend	7.02	1,093
Net assets employed	147.53	152,468
Shareholders' fund	115.56	114,265
Net earning per share	Rs. 2.67	421

Net earning per rupee sales Rs. 0.02 0.02

TEN-YEAR REVIEW

	1997-98	1996-97	1995-96	1994	1993	1992	1991	1990	1989	1988
	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
Sales	500.2	636.5	964.652	438.239	380.362	302.149	346.808	360.201	320.656	197.001
Profit after tax	8.32	13.15	19.733	9.157	7.868	4.173	8.331	16.557	14.197	9.443
Dividend	7.024	10.927	14.829	8.585	7.805	2,178	8,850	8,580	7,290	3,960
Bonus Issue	--	--	--	--	--	2.178	2.640	--	--	--
Capital expenditure	2.628	6.569	64.762	3.145	0.741	1.142	1.376	2.096	17.214	70.270
Fixed assets at cost	252.531	246.532	244.126	179.055	175.979	175.420	180.772	180.383	179.669	162.583
Current assets less current liabilities	47.596	37.359	27.687	41.609	48.633	61.234	55.085	61.849	54.677	59.393
Current Assets: Current Liabilities	1.2:1	1.1:1	1.1:1	1.2:1	1.3:1	1.4:1	1.4:1	1.4:1	1.5:1	1.7:1
Shareholders' funds										
Issued capital	31.218	31.218	31.218	31.218	31.218	29.040	26.400	26.400	26.400	26.400
Reserve & retained earnings	84.344	83.047	80.823	75.919	75.347	77.462	78.107	78.356	70.379	64.102
Total Shareholders' fund	115.562	114.265	112.041	107.137	106.565	106.502	104.507	104.756	96.779	90.502
Long term Loans & Liabilities	31.967	38.203	47.582	21.708	37.568	47.105	55.413	67.563	76.712	82.006
Net Assets employed	147.529	152.468	159.623	128.845	144.133	153.607	159.920	172.319	173.491	172.508
Net Earnings as percentage of net assets employed	% 6	% 9	% 12	% 7	% 5	% 3	% 5	% 10	% 8	% 5
Earning per rupee of sales	Rs. 0.02	Rs. 0.02	Rs. 0.02	Rs. 0.02	Rs. 0.02	Rs. 0.01	Rs. 0.02	Rs. 0.05	Rs. 0.04	Rs. 0.05
Earning per share	Rs. 2.67	Rs. 4.21	Rs. 6.32	Rs. 2.93	Rs. 2.52	Rs. 1.44	Rs. 3.16	Rs. 6.27	Rs. 5.38	Rs. 3.58
Cash Dividend per share	Rs. 2.25	Rs. 3.50	Rs. 4.75	Rs. 2.75	Rs. 2.50	Rs. 0.75	Rs. 3.25	Rs. 3.25	Rs. 3.00	Rs. 1.50
Bonus Issue	% --	% --	% --	% --	% --	% 7.50	% 10.00	% --	% --	% --
Cash Dividend as a % of shareholders funds	% 6.1	% 9.6	% 13.2	% 8.0	% 7.3	% 2.0	% 8.2	% 8.2	% 8.2	% 4.4
Break-up value per share	Rs. 37.02	Rs. 36.60	Rs. 35.89	Rs. 34.32	Rs. 34.14	Rs. 36.67	Rs. 39.59	Rs. 39.68	Rs. 36.66	Rs. 34.28

* Eighteen months ended June 30, 1996

CHAIRMAN'S REVIEW

On behalf of your Board, I am pleased to present to you the report for the year ended the 30th June 1998,

BOARD CHANGES

I regret to inform you with profound grief that our beloved Chairman and Founder of the Company, Mr. Amir S, Chinoy left for his heavenly abode on January 22, 1998, May Allah grant him eternal peace - Ameen.

Mr. Aslam Sadruddin was appointed as a Director on 25th February, 1998 to fill the vacancy created on the Board,

Subsequent to 30th June, 1998 State Life Insurance Corporation's nominee Director Mr. Abdul Rauf Malik was replaced by Mr. Imtiaz Rasool on October 8, 1998,

The Board wishes to place on record its appreciation of the contribution made by the outgoing Director and takes great pleasure in welcoming the new Directors.

OPERATING PERFORMANCE

As mentioned in the Chairman's Review of the Half Yearly Accounts, the year under review was difficult. The economy is under going a recession which has resulted an over all slackness in the market coupled with a decline in industrial investment. The conditions have further deteriorated due to sanctions imposed as a result of the nuclear explosion in May, 98. The applicability of composite exchange rate has increased the cost of imports and the forward cover premiums have increased substantially. The rupee remained under pressure and was devalued twice during the year, by 8.5% in October, 1997 and by 4.43% on June 27, 1998. The financial difficulties of KESC and WAPDA continues and no new major orders were placed during the year,

As a result of the above facts Rs. your Company has achieved net sales of Rs. 500.2 M which is 21% below the sales of last year,

Gross profit of Rs. 60.6 M is 12.1% of sales against Rs. 99.6 M last year which was 15.6% of the sales. The drop in gross profit and reduced margins was owing to competitive forces in the market place,

Operating profit for the year is Rs. 24.6 M against Rs. 54.2 M last year. Due to curtailed expenses, especially financial charges, the Company ended the year with a net profit after tax of Rs. 8.3 M against Rs. 13.1 M last year,

Financial charges for the year were only Rs. 25.2 M against Rs. 34.2 M in 1996/97. This was the result of reduced borrowing and lower mark-up rates,

MILLENNIUM BUG

The Company uses computers to generate financial reports and management information. The Company has examined all computers and softwares in use and ensured that none of these will be affected by the Millennium Bug. Associated companies are also using computers. but the company's performance is not dependent on their operations.

The company is not dependent on any single major supplier but buys its material from various sources. These suppliers are being asked to ensure that their systems will continue to work smoothly through year 2000.

INDUSTRY CONCERNS

Deduction of tax at source is now becoming a major concern for all engineering companies due to continuous increase in the standard rates of deduction from 2% initially to the present rate of 5% on imports and an additional 3.5% on payments received. By the time exemption certificate or certificate for deduction at reduced rate is received, substantial amounts are already deducted at source as a result of which the tax deducted is much higher than the current year income tax liability, resulting in refunds appearing in the books.

ISO 9002

By the grace of Allah the company successfully underwent an audit of our quality management

system according to ISO 9002:1994 in December, 1997. This makes Pakistan Cables the only company in Pakistan to have achieved certification for Manufacturing of Electrical Cables and Wires, Subsequently in July 1998 we have also received ISO Certification for manufacture of Aluminium Profile and Copper Rods as well as marketing of all our products including Lahore and Rawalpindi offices. We are the only company in Pakistan to be certified for the manufacturing and marketing of each of these products.

DIVIDEND

For the current year, your directors recommended payment of dividend of Rs. 2.25 per share (22.5%) compared to the total of Rs. 3.50 per share (35%) last year.

FUTURE PROSPECTS

At this moment, uncertainty is the prime thought that comes to mind when trying to predict the future. On the political front the government is struggling with major controversies. On the economic front, we have yet to gain the support of the IMF and the World Bank which will affect our economy to a great extent. However, the uncertainty is tempered by the fact that your company has a strong position within the industry and has a built in resilience. These factors will be of assistance in these trying times.

STAFF

Relationship with the employees at all levels remained warm and cordial, A two years agreement which is valid upto December 1999 was amicably negotiated with the CBA. On behalf of the directors and employees of the Company, I express our gratitude to all our valued customers, distributors and banks for their confidence and support.

REPORT OF THE DIRECTORS

1. The Directors have pleasure in submitting their Report and Annual Audited Accounts for the year ended 30th June 1998.

	Rs. '000
The net profit after tax amounted to	8,321
To this is added unappropriated profit brought forward from last year	547

	8,868
	=====
The Directors recommended:	
Payment of Cash Dividend at the rate of Rs. 2.25 per share (22.5%)	7,024
Transfer to General Reserve	1,500
Leaving unappropriated profit to be carried forward	344

	8,868
	=====

2. During the year our beloved Chairman and Founder of the Company, Mr. Amir S. Chinoy left for his heavenly abode on January 22, 1998.

On February 25, 1998 Mr. Towfiq H. Chinoy was elected as the Chairman of the Board of Directors and Mr. Aslam Sadruddin was appointed as a Director to fill in the vacancy created on the Board.

3. The Chairman's Review on page 6 covers significant activities of your Company.
4. The pattern of shareholding is provided on page 29.
5. The present Auditors M/s. A.F. Ferguson & Co. retire and offer themselves for re-appointment.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pakistan Cables Limited as at June 30, 1998 and the related profit and loss account and the cash flow statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purposes of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1998 and of the profit and the cash flows for the year then ended; and

(d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi: October 22, 1998

A.F. FERGUSON & CO.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1998

Note	1998 Rs. '000	1997 Rs. '000
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SHARE CAPITAL AND RESERVES

Authorised share capital			
5,000,000 ordinary shares of Rs. 10 each		50,000	50,000
		=====	=====
Issued, subscribed and paid-up share capital			
3,121,800 (1997: 3,121,800)			
ordinary shares of Rs. 10 each	3	31,218	31,218
Reserves	4	84,000	82,500
Unappropriated profit		344	547
		-----	-----
		115,562	114,265

CUSTOMS DEBENTURES

LONG-TERM LOANS	6	14,000	21,000
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DEFERRED LIABILITY

Staff retirement benefits		17,967	15,233
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CURRENT LIABILITIES AND PROVISIONS

Running finances under mark-up arrangements	7	125,238	115,332
Current maturity of customs debentures	5	1,970	--
Current maturity of long-term loans	6	7,000	7,000
Creditors accrued expenses and other liabilities	8	165,791	172,807
Workers' profits participation fund	9	734	1,380
Workers' welfare fund		2,237	1,276
Dividends	10	8,392	9,099
		-----	-----
		311,362	306,894

CONTINGENCIES AND COMMITMENTS

	11	--	--
		-----	-----
		458,891	459,362
		=====	=====

TANGIBLE FIXED ASSETS

Operating assets	12	84,395	94,264
Capital work-in-progress	13	278	3,751
		-----	-----
		84,673	98,015

INVESTMENTS

LONG-TERM LOANS AND ADVANCES	15	997	1,514
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LONG-TERM SECURITY DEPOSITS

		1,302	1,284
--	--	-------	-------

CURRENT ASSETS

Stores and spares	17	16,349	14,358
Stocks	18	150,602	141,086
Trade debts	19	122,978	160,595
Short-term loans and advances	20	2,925	1,919
Trade deposits and shortfall prepayments	21	1,913	1,312
Income tax refundable		29,938	17,391
Other receivables	22	3,513	1,225
Cash and bank balances	23	30,740	6,367

	358,958	344,253
	458,891	459,362

The annexed notes form an integral part of these accounts.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1998

	Note	1998 Rs. '000	1997 Rs. '000
Net sales	24	500,151	636,476
Cost of goods sold	25	439,529	536,864
Gross profit		60,622	99,612
Selling, administration and general expenses	26	36,039	45,408
Operating profit		24,583	54,204
Other income	27	13,700	3,717
Other charges	28	1,723	2,944
Financial charges	29	25,239	34,226
Profit before taxation		11,321	20,751
Taxation	30	3,000	7,600
Profit after taxation		8,321	13,151
Unappropriated profit brought forward		547	823
Available for appropriation		8,868	13,974
Appropriations			
Interim dividend Nil (1997: 10%)		--	3,122
Proposed final dividend 22.5% (1997: 25%)		7,024	7,805
Transfer to general reserve		1,500	2,500
		8,524	13,427
Unappropriated profit carried forward		344	547

The annexed notes form an integral part of these accounts.

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 1998

	Note	1998 Rs. '000	1997 Rs. '000
CASH FLOW FROM OPERATING ACTIVITIES	13	69,465	109,161
Cash generated from operations		930	867

Sales proceeds on disposal of fixed assets	(829)	(2,747)
Staff retirement benefits paid	(24,552)	(34,732)
Financial charges paid	(15,547)	(16,512)
Taxes paid	517	(924)
Long-term loans and advances (net)	(18)	(282)
Long-term security deposits (net)	-----	-----
	29,966	54,831
Net cash inflow from operating activities		
CASHFLOW FROM INVESTING ACTIVITIES	(2,628)	(6,569)
Fixed capital expenditure	660	6,873
Encashment of special savings certificates- bearer	607	689
Investment income received	593	474
Dividends received	-----	-----
	(768)	1,467
Net cash (outflow)/inflow from investing activities		
CASHFLOW FROM FINANCING ACTIVITIES	(7,000)	(7,000)
Long-term loan less repayments	(7,731)	(13,110)
Dividends paid	-----	-----
	(14,731)	(20,110)
Net cash (outflow) from financing activities	-----	-----
	14,467	36,188
Net increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	(108,965)	(145,153)
Cash and cash equivalents at the end of the year	32	32
	=====	=====
	(94,498)	(108,965)

The annexed notes form an integral part of these accounts,

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1998

1. LEGAL STATUS AND OPERATIONS

The company was incorporated in Pakistan as a private limited company in April 1953 and in 1955 it was converted into a public limited company in which year it also obtained a listing on the Karachi Stock Exchange. The company is engaged in the manufacture of copper rod, wires, cables and conductors, aluminium profiles and anodized fabrications,

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits

The company has established a pension fund scheme for all permanent employees who are in the management cadre and the executive directors. Contributions are payable to the fund on a monthly basis according to the actuarial recommendations at a rate of 13% of pensionable salaries of the employees with effect from January 1, 1996. The last actuarial valuation of this fund was carried out as of December 31, 1995 on the basis of the attained age method. The fund's liability for past services was Rs. 17,414 million as of December 31, 1995 against which the value

of fund's assets was Rs. 20,644 million. The principal assumptions used in the valuation of the pension fund scheme as of December 31, 1995 by the actuary are:

- Expected rate of growth in future salaries: 8% per annum
- Expected rate of return on fund: 8% per annum

The company also operates an unfunded pension scheme for its executive directors.

In addition, the company operates an unfunded gratuity scheme for employees not covered by the pension scheme. Provision is made annually to cover the obligations in respect of those employees who have completed the initial qualifying period.

The company also operates a recognised provident fund scheme for its employees. Equal monthly contributions are made, both by the company and the employees, to the fund at the rate of 10% of basic pay and dearness allowance.

2.3 Taxation

Current

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

Deferred

The company accounts for deferred taxation on all major timing differences using the liability method. However, deferred tax is not accounted for if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future.

2.4 Tangible fixed assets

Operating assets are stated at cost less accumulated depreciation and capital work-in-progress is stated at cost accumulated to the balance sheet date.

Depreciation is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions and deletions of operating assets during the year is charged at half the normal rate.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains and losses on disposal of fixed assets are included in income currently.

2.5 Investments

Investments are valued at the lower of cost and market value. Profits and losses on sale of investments are included in income currently.

2.6 Capitalisation of borrowing cost

The borrowing cost during installation period, on loans obtained for a specific project, is capitalised as part of additions to fixed assets or included in capital work-in-progress.

2.7 Stores and spares

Stores and spares are valued at moving average cost. Items in-transit are valued at cost comprising invoice value plus other charges paid thereon.

2.8 Stocks

Raw and packing materials are valued at the lower of cost, calculated on a moving average

basis, and net realisable value. Items of work-in-process are valued at average cost. Finished goods are valued at the lower of average cost and net realisable value.

Cost of work-in-process and finished goods consists of direct materials, labour and applicable production overheads.

Scrap stocks are valued at estimated realisable value.

Items in-transit are valued at cost comprising invoice value plus other charges paid thereon to the balance sheet date.

2.9 Trade debts

Debts irrecoverable are written off and a provision is made on the balance based on an age analysis of the debts.

2.10 Foreign currency translations

Assets and liabilities in foreign currencies are translated into Pakistan rupees at the rates of exchange prevalent on the balance sheet date except those liabilities covered under forward exchange contracts which are translated at the contractual rates, Exchange gains and losses are included in income currently.

2.11 Revenue recognition

Sales of products and services are recorded on delivery of products or performance of services or when goods said are identified, segregated and are awaiting delivery. Claims for cost escalation are recognised on actual receipt.

	1998 Rs. '000	1997 Rs. '000
3. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL		
1,475,225 ordinary shares of Rs. 10 each fully paid in cash	14,752	14,752
174,775 ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash	1,748	1,748
1,471,800 ordinary shares of Rs. 10 each issued as fully paid bonus shares	14,718	14,718
-----	-----	-----
3,121,800	31,218	31,218
=====	=====	=====

	1998 Rs. '000	1997 Rs. '000
4. RESERVES		
General reserve		
At the beginning of the year	82,500	80,000
Transfer from profit & loss account	1,500	2,500
-----	-----	-----
	84,000	82,500
=====	=====	=====

5. CUSTOMS DEBENTURES

Unsecured

Debentures have been issued in respect of deterrent of custom duty on machinery imported during the eighteen months period ended June 30, 1996. The debentures are redeemable in the year 1998-99 while interest at a rate of 14% per annum is payable in January and July each year.

6. LONG-TERM LOANS

	1998	1997
	Rs. '000	Rs. '000
Secured		
- ANZ Grindlays Bank plc,- note 6,1	21,000	28,000
Less: Amounts maturing within twelve months shown under current liabilities	7,000	7,000
	-----	-----
	14,000	21,000
	=====	=====

6.1 The company has arranged a local currency five year loan of Rs. 35 million from ANZ Grindlays Bank plc., Karachi. The loan carries mark-up at a rate of 16,25% p.a. and is payable in ten semi annual instalments commencing from August 1996. The loan is secured by an equitable mortgage over all of the companies' present and future immovable properties including all buildings thereon by deposit of title deeds in favour of the bank.

7. RUNNING FINANCES UNDER MARK-UP ARRANGEMENTS

The company has arranged short-term running finances from banks. The facility for these running finances under mark-up arrangements amounts to Rs. 295 million. The mark-up on these running finances ranges between Rs. 0,3904 to Rs. 0,43 per Rs. 1,000 per diem.

These arrangements are secured by way of joint hypothecation over stocks, stores and spares and present and future trade debts of the company.

The facility for opening letters of credit and guarantees as at June 30, 1998 amounted to Rs. 525,5 million (1997: Rs. 580,5 million) of which the amount remaining unutilised as at that date was Rs. 314,471 million (1997: Rs. 276,122 million),

8. CREDITORS ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	1998	1997
		Rs. '000	Rs. '000
Creditors		4,674	8,067
Bills payable		113,376	131,591
Accrued expenses		11,712	11,329
Advances received from customers		6,800	6,840
Import levies - customs duty		3,544	3,874
Sales tax -local		6,067	4,000
Interest on customs debentures - unsecured		117	117
Mark-up on shortterm running finances - secured		5,419	4,732
Excise duty		--	119
Others	8.1	14,082	2,138
		-----	-----
		165,791	172,807
		=====	=====

8.1 'Others' includes an amount of Rs. 10.941 million received as part of sales proceeds from a customer which has not been credited to sales because a revenue levying authority had claimed this amount, However, the company's appeal against the authority's claim was upheld by the concerned appellate authorities. The levying authority has filed an appeal in the tribunal against the order of the appellate authorities, Therefore, as prudent accounting practice, the company has deferred recognition of the subject amount as a part of its sales, pending outcome of the tribunal's decision.

	1998	1997
	Rs. '000	Rs. '000
9. WORKERS' PROFITS PARTICIPATION FUND		
Balance at the beginning of the year	1,380	1,875
Interest on funds utilised in the company's business	88	130
Allocation for the year	637	1,141
	-----	-----
	2,105	3,146
Less: Amount paid to the fund	1,371	1,766
	-----	-----
Balance at the end of the year	734	1,380
	=====	=====
10. DIVIDENDS		
Unclaimed	1,368	1,294
Proposed final	7,024	7,805
	-----	-----
	8,392	9,099
	=====	=====

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingent liabilities

a) There is a pending litigation in respect of sales tax. The sales tax authorities have in the past levied sales tax on aluminium rods extruded from, aluminium billets, an intermediary product, used in the assimilation of conductors and cables. The company had disputed the contention of the sales tax authorities and had filed appeals against such assessments for the years 1970-71 to 1974-75 in the Appellate Tribunal and for the years 1975-76 to 1979-80 before the Commissioner of Sales Tax (Appeals), which were decided in the Company's favour. The authorities subsequently filed an appeal in the High Court of Sindh against the appellate order. The High Court has upheld the appeal of the authorities for sales tax assessments for assessment years 1970-71 to 1979-80. The company has filed an appeal against the order of the High Court in the Supreme Court of Pakistan. The hearing was held in June 1998 and the judgement has been reserved. As the management is confident that the Supreme Court will uphold its appeal therefore no provision has been made. The contingent liability in this respect, upto May 22, 1985 amounts to Rs. 10,875 million (net of tax Rs. 7,29 million).

b) Bank guarantees amounting to Rs. 17,466 million (1997: Rs. 27,090 million) have been given to Collector of Customs against partial exemption of import levies. The company has also issued post- dated cheques in favour of the Collector of Customs in lieu of bank guarantees amounting to Rs. 0,181 million (1997: Rs. 18,946 million),

c) Bank guarantees amounting to Rs. 36,597 million (1997: Rs. 64,039 million) have been given to various parties for contract performance, tender deposits etc,

11.2 Commitments

a) The company has acquired certain motor vehicles, under operating lease agreements,

Commitments for minimum lease payments under such non-cancellable operating leases entered into by the company are as follows:

YEAR ENDED JUNE 30,	MINIMUM LEASE PAYMENTS	
	1998 Rs. '000	1997 Rs. '000
1998	--	2,166
1999	1,643	1,643
2000	1,409	1,409
2001	1,331	1,331
2002	612	612
	-----	-----
	4,995	7,161
	=====	=====

Commitment for capital expenditure authorized by the board of directors and contract placed therefor amounted to Rs. Nil (1997: Rs. 0,981 million),

12. OPERATING ASSETS

The following is a statement of operating assets:

	Cost as at July 1, 1997	Additions/ (deletions)	Cost as at June 30, 1998	Accumulated depreciation as at July 1, 1997	Depreciation charge for the year/ (depreciation on deletions)	Accumulated Depreciation as at June 30, 1998	Net book value as at June 30, 1998	Annual rate of depreciation as a % of cost
Buildings on leasehold land	15,215	--	15,215	7,581	663	8,244	6,971	5
Plant and machinery	218,180	4,632	222,812	136,372	13,219	149,591	73,221	8, 12 & 25
Office equipment and appliances	7659	469	8,128	5,291	1,185	6,476	1,652	12 & 25
Furniture and fixtures	2097	247	2,344	1,332	117	1,449	895	8, 12 & 25
Vehicles	3208	753 (102)	3,859	1,519	742 (58)	2,203	1,656	12 & 20
Loose tools	173	--	173	173	--	173	--	20
As at June 30, 1998	246,532	6,101 (102)	252,531	152,268	15,926 (58)	168,136	84,395	
As at June 30, 1997	244,126	2,181 (412)	246,532	136,226	16,440 (398)	152,268	94,264	

12.1 The following the year ended June 30, 1998.

Vehicle	Original cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Purchaser
	Rupees '000					
Mitsubishi Pajero	70	28	42	625	Negotiation	Messrs Auto Point 11 Munawar Centre, ST 4-A, Block-14, F. B. Area, Karachi.

Other vehicles with net book value below Rs. 5,000 each	32	30	2	305	-do-	Various

	102	58	44	930		
	=====					

13. CAPITAL WORK-IN-PROGRESS

	Note	1998 Rs. '000	1997 Rs. '000
Plant and machinery		278	3,751
14. INVESTMENTS		=====	=====
In associated companies			
International Industries Limited 100,000 (1997: 100,000) Fully paid ordinary shares of Rs. 10 each (Market value Rs. 2,350 million; 1997: Rs. 3,025 million)		2,350	3,025
New Jubilee Insurance Company Limited 301,656 (1997: 251,380) Fully paid ordinary shares of Rs. 5 each (Market value Rs. 4,715 million; 1997: Rs. 4,148 million)		3,945	3,945
		-----	-----
Sub-total (Market value Rs.7,065 million (1997: Rs. 7,173 million))		6,295	6,970
Others			
Special savings certificates-bearer		--	660
Foreign exchange bearer certificates		6,666	6,666
		-----	-----
		12,961	14,296
		=====	=====

15. LONG-TERM LOANS AND ADVANCES

Considered good			
Executives	151	75	80
Other employees	151	1,521	2,246
		-----	-----
		1,596	2,326
Less: Recoverable within one year			
Executives		48	38
Other employees		551	774
		-----	-----
	20	599	812
		-----	-----
		997	1,514
Amounts outstanding for periods exceeding three years included in above		=====	=====
		11	9
		=====	=====

15.1 Interest free loans have been given to executives and employees for purchase of motor cars and motorcycles. These are repayable in thirty-six to sixty equal monthly installments.

15.2 The maximum aggregate amounts due from a director and executives at the end of any month during the year was Rs. Nil (1997: Rs. 0,006 million) and Rs. 0,126 million (1997: Rs. 0.124 million) respectively.

16. DEFERRED TAXATION

The balance of deferred taxation as at June 30, 1998. arising due to net timing differences in respect of accelerated tax depreciation and other provisions, under the liability method, is estimated at Rs. 0.436 million debit (1997: Rs. 0.672 million debit). In view of the company's accounting policy (note 2.3) this debit balance has not been recognised in these accounts.

17. STORES AND SPARES

	1998	1997
	Rs. '000	Rs. '000
Stores	562	613
Spares (including Rs. 0,044 million in-transit; 1997: Rs. 0,013 million)	17,599	15,339
	-----	-----
	18,161	15,952
Less: Provision for slow moving stores and spares	1,812	1,594
	-----	-----
	16,349	14,358
	=====	=====

18. STOCKS

Raw materials (including Rs. 18,57 million in transit; 1997: Rs. 0,481 million)	63,784	56,483
Work-in-process	42,401	35,912
Finished goods	43,435	44,655
Scrap	982	4,036
	-----	-----
	150,602	141,086
	=====	=====

19. TRADE DEBTS

Unsecured		
Considered good		
Due from associated undertakings	8,594	9,270
Others	114,384	151,325
	-----	-----
	122,978	160,595
Considered doubtful		
Others	3,589	3,321
	-----	-----
	126,567	163,916
Less: Provision for doubtful debts	3,589	3,321
	-----	-----
	122,978	160,595
	=====	=====

19.1 The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs. 21.783 million (1997: Rs. 9,270 million).

20. SHORT-TERM LOANS AND ADVANCES

1998	1997
-------------	-------------

	Note	Rs. '000	Rs. '000
Considered good			
Current portion of long-term loans	15		
Due from executives		48	38
Due from other employees		551	774
		-----	-----
		599	812
Short-term advances			
Due from executives		--	53
Due from other employees		767	637
		-----	-----
		767	690
Advances to suppliers		1,559	417
		-----	-----
		2,925	1,919
		=====	=====

20.1 The maximum aggregate amount due from executives at the end of any month during the year was Rs. Nil (1997: Rs. 0,067 million).

21. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	1998 Rs. '000	1997 Rs. '000
Trade deposits - considered good		1,317	577
Short-term prepayments		596	735
		-----	-----
		1,913	1,312
		=====	=====

22. OTHER RECEIVABLES

	Note	1998 Rs. '000	1997 Rs. '000
Due from an associated undertaking	22.1		
- Dividend		314	218
- Others		--	70
Interest (net) receivable on foreign exchange bearer certificates		2,654	--
Interest receivable on a US dollar deposit account		419	--
Others		126	937
		-----	-----
		3,513	1,225
		=====	=====

22.1 The maximum aggregate amount due from an associated undertaking at the end of any month during the year was Rs. 0,314 million (1997: Rs. 0,288 million).

23. CASH AND BANK BALANCES

	Note	1998 Rs. '000	1997 Rs. '000
In a US dollars deposit account	23.1	16,100	--
On current accounts		10,770	2,353
Cheques in hand		2,992	3,578
Cash in hand		878	436

30,740	6,367
--------	-------

23.1 The withdrawals from this account in US dollars has been suspended by the State Bank of Pakistan,

24. NET SALES	Note	1998 Rs. '000	1997 Rs. '000
Gross sales		504,229	640,009
Less: commission		831	1,206
Incentive		3,247	2,327
		4,078	3,533
		500,151	636,476
25. COST OF GOODS SOLD			
Opening work-in-process		35,912	55,385
Raw materials and scrap		60,519	112,399
Opening stock			
Purchase of raw materials		362,117	386,357
Scrap sold		(7,494)	(2,776)
Closing stock		(64,766)	(60,519)
		350,376	435,461
Stores and spares		7,798	8,174
Fuel and power		19,220	17,820
Salaries, wages and benefits	25.1	41,717	35,906
Rent, rates and taxes		337	388
Lease rentals		836	867
Insurance		1,868	1,649
Repairs and maintenance		3,583	2,944
Depreciation		14,970	16,236
Other expenses	25.2	4,030	3,489
		94,359	87,473
		480,647	578,319
Closing work-in-process		(42,401)	(35,912)
Cost of goods manufactured		438,246	542,407
Opening stock of finished goods		44,655	37,916
Finished goods purchased		63	1,196
Closing stock of finished goods		(43,435)	(44,655)
		439,529	536,864

25.1 Details of salaries, wages and benefits

Salaries, wages and benefits	37,689	34,290
Provident fund contributions	1,030	871
Pension fund contributions	788	605
Provision for staff retirement benefits (unfunded)	2,210	140
	-----	-----
	41,717	35,906
	=====	=====

25.2 Details of other expenses

	1998	1997
Note	Rs. '000	Rs. '000
Communications and stationery	416	210
Training, travelling and entertainment	473	342
Motor car running	685	773
General works	2,456	2,164
	-----	-----
	4,030	3,489
	=====	=====

26. SELLING, ADMINISTRATION AND GENERAL EXPENSES

Salaries, wages and benefits	26.1	18,181	15,657
Rent, rates and taxes		288	276
Insurance		484	624
Repairs and maintenance		844	585
Consultancy fee		800	1,140
Donations	26.2	23	355
Auditors' remuneration	26.3	344	329
Communications and stationery		2,321	2,752
Training, travelling and entertainment		3,232	3,084
Advertising and publicity		1,886	4,625
Lease rentals		1,330	890
Carriage and forwarding expenses		4,508	5,251
Liquidated damages for late deliveries		(1,958)	6,225
Provision for doubtful debts		271	--
Bad debts written off		--	7
Depreciation		956	204
Other expenses	26.4	2,529	3,404
		-----	-----
		36,039	45,408
		=====	=====

26.1 Details of salaries, wages and benefits

Salaries, wages and benefits	15,129	13,959
Provident fund contributions	770	673
Pension fund contributions	929	797
Provision for staff retirement benefits (unfunded)	1,353	228
	-----	-----
	18,181	15,657
	=====	=====

26.2 Donations were not made to any donee in whom a director or his spouse had any interest at any time during the year,

	1998	1997
	Rs. '000	Rs. '000
26.3 Auditors' remuneration		
Audit fee	185	150
Tax services	115	121
Special certifications and audits of workers' funds	10	10
Central and provincial excise duties	--	10
Out of pocket expenses	34	38
	-----	-----
	344	329
	=====	=====

26.4 Details of other expenses

Subscriptions	235	163
Fuel and power	196	205
Bank service charges	1,121	1,976
Directors' fee	8	10
Legal and professional	544	232
Miscellaneous selling	68	62
General office	357	756
	-----	-----
	2,529	3,404
	=====	=====

27. OTHER INCOME

Sales of general scrap	626	654
Commission from - an associated undertaking	474	602
- an insurance company	299	425
Profit from special savings certificates-bearer	46	689
Interest (net) on foreign exchange bearer certificates	2,654	--
Interest on US dollars deposit accounts	980	--
Gain on disposal of fixed assets	886	853
Dividend income	689	494
Balances no longer payable written back	1,568	--
Exchange gain (net)	5,468	--
Sundries	10	--
	-----	-----
	13,700	3,717
	=====	=====

28. OTHER CHARGES

Diminution in the value of an investment	675	1,275
Workers' profits participation fund	637	1,141
Workers' welfare fund	411	528
	-----	-----
	1,723	2,944
	=====	=====

29. FINANCIAL CHARGES

Mark-up on running finances under mark-up arrangements	20,920	26,589
Interest on		
- customs debentures	276	276
- long-term loans	3,935	4,960
- workers' profits participation fund	88	130
Excise duty	20	2,035

Others	--	236
	-----	-----
	25,239	34,226
	=====	=====

30. TAXATION

Current - for the year	6,000	7,600
- for prior years	(3,000)	--
	-----	-----
	3,000	7,600
	=====	=====

31. CASH GENERATED FROM OPERATIONS

Profit before taxation	11,321	20,751
Adjustment for non cash charges and others items:		
Depreciation	15,926	16,440
Provision for staff retirement benefits (unfunded)	3,563	368
Investment income	(3,680)	(689)
Diminution in the value of an investment	675	1,275
Gain on disposal of fixed assets	(886)	(853)
Dividend income	(689)	(494)
Financial charges	25,239	34,226
Working capital changes	31.1	17,996
	-----	-----
	69,465	109,161
	=====	=====

31.1 Working capital changes

(Increase)/decrease in current assets		
Stores and spares	(1,991)	(1,092)
Stocks	(9,516)	64,614
Trade debts	37,617	(1,356)
Short-term loans and advances	(1,006)	540
Trade deposits and short-term prepayments	(601)	77
Other receivables (net)	881	1,673
	-----	-----
	25,384	64,456

Increase/(decrease) in current liabilities

Creditors accrued expenses and other liabilities (net)	(7,703)	(26,352)
Workers' profits participation fund	(646)	(495)
Workers' welfare fund	961	528
	-----	-----
	17,996	38,137
	=====	=====

32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items as included in the balance sheet:

Cash and bank balances	30,740	6,367
Running finances under mark-up arrangements	(125,238)	(115,332)
	-----	-----
	(94,498)	(108,965)
	=====	=====

33. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**33.1 Remuneration of the chief executive, directors and executives**

The aggregate amounts charged in these accounts for remuneration including all benefits to the chief executive, directors and executives of the company were as follows:

	1998			1997		
	Rs. '000			Rs. '000		
	Chief executive	Directors	Executives	Chief executive	Director	Executives
Managerial remuneration	938	954	8,505	838	601	7,017
Retirement benefits	322	303	1,759	313	224	1,357
House rent and utilities	577	441	3,820	506	301	3,065
Medical expenses	48	58	410	62	90	366
Leave passage	15	20	435	15	15	406
Entertainment expenses	63	10	4	61	8	7
Conveyance	--	--	213	--	--	227
	1,963	1,786	15,146	1,795	1,239	12,445
Number of persons	1	2	39	1	1	34

The chief executive, directors and certain executives of the company are provided with free use of cars. Remuneration of the chief executive and directors does not include amounts paid or provided for by the associated undertakings.

33.2 Remuneration to other directors

In addition to the above the aggregate amounts charged in these accounts for directors' fee to eight directors and consultancy fee to one director were Rs. 7,500 and Rs. 60,000 respectively (1997: eight directors and one director - Rs. 10,000 and Rs. 120,000 respectively),

1998	1997
Rs. '000	Rs. '000

34. SUMMARY OF TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Sales of goods including scrap	22,997	13,131
Purchase of goods and materials	3,260	3,651
Commission earned	474	602
Dividend income	689	494

35. PLANT CAPACITY AND ACTUAL PRODUCTION

The production capacity of the plant cannot be determined as this depends on the relative proportions of the various types of aluminium sections and types and sizes of cables and wires produced.

36. CORRESPONDING FIGURES

Previous year's figures have been reclassified, wherever necessary, for the purposes of comparison.

KAMALA A. CHINYO	ASLAM SADRUDDIN	M. HANIF ADAMJEE
Director and Chief Executive	Director	Director

PATTERN OF SHAREHOLDING As AT JUNE 30, 1998

No. of Shareholders	Shareholding			Total Shares held
380	1	to	100	15,475
419	101	to	500	102,977
108	1501	to	1,000	79,950
114	1,001	to	5,000	240,157
9	5,001	to	10,000	65,770
8	10,001	to	15,000	99,552
2	15,001	to	20,000	34,220
--	20,001	to	25,000	--
2	25,001	to	30,000	54,212
--	30,001	to	40,000	--
1	40,001	to	45,000	43,843
1	45,001	to	50,000	47,010
--	50,001	to	60,000	--
1	60,001	to	65,000	61,250
--	65,001	to	85,000	--
1	85,001	to	90,000	85,815
1	90,001	to	95,000	90,552
--	95,001	to	105,000	--
1	105,001	to	110,000	109,869
--	110,001	to	135,000	--
1	135,001	to	140,000	135,553
--	140,001	to	200,000	--
1	200,001	to	205,000	201,379
--	205,001	to	290,000	--
1	290,001	to	295,000	292,230
--	295,001	to	365,000	--
1	365,001	to	370,000	369,609
1	370,001	to	375,000	373,021
--	375,001	to	615,000	--
1	615,001	to	620,000	619,356
--	620,001	to	3,121,800	--
-----			-----	
1,054			3,121,800	
=====			=====	

Category of shareholders	Number	Shares held	Percentage
Individuals	1,026	1,921,087	6,154
Investment Companies	2	705,171	2,259
Insurance Companies	6	334,610	1,072
Joint Stock Companies	10	18,788	.60
Financial Institutions	5	116,738	374
Modaraba Companies	--	--	--
Others	5	25,406	.81

-----	-----	-----
1,054	3,121,800	100.00
=====	=====	=====

OTHERS

Amina Muslim Girls School Trust	11,304
Pakistan Masonic Institution	1,135
The Pakistan Memon Educational & Welfare Society	12,229
Government of Pakistan, Corporate Law Authority	1
Administration Abandoned Properties Organization	737

	25,406
	=====