

# Pakistan Cables Limited

(Annual Report 1995-96)

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## COMPANY INFORMATION

### BOARD OF DIRECTORS

Amir Sultan Chinoy (Chairman)  
Mohammad Hanif Adamjee  
Mustapha A. Chinoy  
Razi-ur-Rahman Khan  
Sadrudin I. Saleh  
Haroun Rashid  
S. Gulrez Yazdani  
Towfiq H. Chinoy  
Shahpur Channah  
Kamal A. Chinoy (Chief Executive)

### COMPANY SECRETARY

Aslam Sadruddin

### AUDITORS

A.F. Ferguson & Co,  
Chartered Accountants

### LEGAL ADVISERS

Orr. Dignam & Co,

### BANKERS

ANZ Grindlays Bank  
Bank of America N.T. & S.A.  
Banque Indosuez  
Deutsche Bank  
Muslim Commercial Bank Limited  
Oman International Bank  
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 Forty-third Annual General Meeting of the shareholders of Pakistan Cables Limited will be held on Monday the 4th November, 1996 at 11,00 a.m. at the 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 18 months period ended June 30, 1996 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 final dividend of 32.5% in addition for an interim dividend of 15% which has already been paid to the shareholders).
3. To approve the Auditors' remuneration for January 1995 - June 1996, 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 of an Annual General Meeting.

**NOTES:**

The Shares Transfer Books of the Company will remain closed from 22nd October, 1996 to 4th November, 1996, (both days inclusive) No transfer will be accepted for registration during this period.

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.

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 not later than 48 hours before the time of the Meeting.

**HIGHLIGHTS**

	Eighteen months ended June 30, 1996	Year ended December 31, 1994
	Rs. Million	Rs. Million
Sales	964.65	438.24
Profit after tax	19.73	9.16
Dividend	14.83	8.58
Net assets employed	159.62	128.85
Shareholders' fund	112.04	107.14
Net earning per share Rs.	6.32	2.93
Net earning per rupee sales Rs.	0.02	0.02

**TEN-YEAR REVIEW**

	* 1995-96	1994	1993	1992	1991	1990	1989	1988	1987	1986
	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
Sales	964.65	438.24	380.36	302.15	346,808	360,201	320,656	197,001	196,389	142,122
Profit after tax	19.73	9,157	7,868	4,173	8,331	16,557	14,197	9,443	17,073	10,962
Dividend	14.83	8,585	7,805	2,178	8,580	8,580	7,920	3,960	6.60	6.60
Bonus Issue	-	-	-	2,178	2,640	-	-	-	-	-
Capital expenditure	64.76	3,145	741	1.14	1,376	2,096	17,214	70,270	6,298	12,308
Fixed assets at cost	244.13	179,055	175,979	175,420	180,772	180.38	179.67	162,583	94.79	89,473
Current assets less current liabilities	37.833	41,609	48.63	61.23	55,085	61,849	54.68	59,393	50,895	52,722
Current Assets:										
Current Liabilities	1.1:1	1.2:1	1.3:1	1.4:1	1.4:1	1.4:1	1.5:1	1.7:1	1.8:1	2.5:1

Shareholders' funds										
Issued capital	31.22	31.22	31.22	29,040	26.40	26,400	26,400	26,400	26,400	26,400
Reserve & retained earnings	80.82	75,919	75.35	77,462	78,107	78.36	70.38	64.10	58,619	48,146
Total Shareholders' fund	112.04	107,137	106.57	106.50	104,507	104,756	96,779	90,502	85,019	74.55
Long term Loans & Liabilities	47.58	21.71	37.57	47,105	55,413	67,563	76,712	82,006	21.32	26,684
Net Assets employed	159.62	128,845	144,133	153,607	159,920	172,319	173,491	172,508	106,336	101.23
Net Earnings as percentage										
of net assets employed %	12	7	5	3	5	10	8	5	16	11
Earning per rupee of sales Rs.	0.02	2	2	1	2	0.05	0.04	0.05	0.09	8
Earning per share Rs.	6.32	293	252	144	316	627	5.38	3.58	647	415
Cash Dividend per share Rs.	4.75	275	250	75	325	3.25	300	150	250	250
Bonus Issue %	-	-	-	750	10.00	-	-	-	-	-
Cash Dividend as a % of shareholders funds %	13.20	8.00	7.30	2.00	8.20	8.20	82	44	78	89
Break-up value per share Rs.	35.89	34.32	34.14	36.67	3,959	39.68	3,666	34.28	3,220	28.24

\* Eighteen months ended June 30, 1996

#### CHAIRMAN'S REVIEW

On behalf of your Board of Directors, I am pleased to present you the report for the 18 months period ended on 30th June, 1996,

#### BOARD CHANGES

The following directors were elected unopposed effective from May 17, 1996 in the Extraordinary General Meeting of the Company held on 5th May, 1996:

Mr. Amir S. Chinoy	Mr. Sadruddin I. Saleh
Mr. M. Hanif Adamjee	Mr. Haroun Rashid
Mr. M Asadullah Sheikh	Mr. Tawfiq H. Chinoy
Mr. Mustapha A. Chinoy	Mr. Shahpur Channah
Mr. S. Gulrez Yazdani	Mr. Kamal A. Chinoy

Subsequently on 15th September, 1996 Mr. M. Asadullah Sheikh, nominee director of National Investment Trust Limited (NIT) has been replaced by Mr. Razi-ur-Rahman Khan, the new Managing Director of NIT, as director of the Company.

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

#### CHANGE OF ACCOUNTING PERIOD

Pursuant to the amendment made in the Income Tax Ordinance 1979 by the Finance Act 1995, the Company changed its accounting year from calendar year to fiscal year. Hence this year instead of closing the books on December 31, 1995, they were closed on June 30, 1996 as a result of which the present accounts are for a period of 18 months.

#### OPERATING PERFORMANCE

The period under review shows encouraging results in spite of the fact that one has been faced with high inflation, a deteriorating Rupee, regular strikes, power breakdowns and severe competition, Sales of Rs. 964.7 M for the 18 months ended June 30, 1996 is more than double of 1994 sales, Gross profit of Rs. 142.4 M for the 18 months is higher by 92% over 1994, Percentage wise, there is a drop of 2.1% mainly due to the higher cost of imported raw material due to the deteriorating value of Pak rupee and the high metal prices during the period, the whole of which could not be passed on to the customers.

Financial charges of Rs. 31.7 M for the 18 months are higher by Rs. 19.4 M compared to 12 months of 1994 mainly as a result of high receivables from KESC and WAPDA due to their financial crisis. Financial charges has also increased due to the long term loan obtained for the Copper Rod Plant. In spite of high financial charges, net profit after tax is Rs. 19.7 M which is 115% higher than 12 months profit of 1994.

#### DIVIDEND

Your directors recommend payment of final dividend of Rs. 3.25 per share (32.5%) in addition to interim dividend of Rs. 1.50 (15%) per share already paid, This bring the total dividend for the 18 months period at Rs. 4.75 per share (47.5%) compared with Rs. 2.75 per share (27.5%) for the year ended December 31, 1994.

#### INDUSTRY OVERVIEW

In my review of 1994 accounts I had expressed my concern regarding the higher incidence of excise duty and sales tax on cables amounting to over 25%. Unfortunately, the rate of sales has been further increased from 15% to 18% bringing the total levy of excise duty and sales tax to 29,8%. This is altogether too high and as mentioned earlier, it encourages tax evasion, affecting Government revenue on the one hand and abetting the supply of substandard goods on the other.

The Copper Rod Plant which has supplied by Outokumpu in Finland, commenced production on schedule in June 1996, By the grace of God, the plant has performed well so far, in that the quality of the Copper Rod is excellent and the productivity of the plant is most encouraging, The strategic and commercial benefits of this upstream investment should benefit us in the coming year.

**FUTURE PROSPECTS**

We are encouraged by the fact that we are carrying forward a healthy order book, However, a degree of uncertainty is introduced as a result of the financial difficulties being faced by WAPDA and KESK, We hope that as a result of privatization and imposition of financial discipline the situation will correct itself soon.

The Government needs to encourage industrial investment by lowering interest rates, freeing liquidity for the commercial sector and providing reasonable protection to local industry. This in turn will have a positive fallout on units like ours, which manufacture infrastructural items, The deterioration of the Pak Rupee also needs to be maintained within reasonable limits.

**STAFF**

Relationship with employees at all levels remained warm and cordial. A new CBA was elected by the workers in late 1995. A two year agreement which is valid upto December 1997 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 Audited Accounts for the 18 months period ended June 30, 1996.

Rs. '000

The net profit after tax amounted to	19,733
To this is added unappropriated profit brought forward from last year	919
	-----
	20,652
	=====

The Directors recommend:

Payment of final dividend at the rate of Rs. 3.25 per share (32.5%)	10,146
Interim Dividend of Rs. 1.50 per share (15%) already paid	4,683
Transfer to General Reserve	5,000
Leaving unappropriated profit to be carried forward	823
	=====
	20,652

2. The following directors were elected unopposed effective from May 17, 1996 in the Extraordinary General Meeting of the Company held on 5th May, 1996:

Mr. Amir S. Chinoy	Mr. Sadruddin I. Saleh
Mr. M. Hanif Adamjee	Mr. Haroun Rashid
Mr. M. Asadullah Sheikh	Mr. Towfiq H. Chinoy
Mr. Mustapha A. Chinoy	Mr. Shahput Channah
Mr. S. Gulrez Yazdani	Mr. Kamal A. Chinoy

Subsequently on 15th September, 1996 Mr. M. Asadullah Sheikh, nominee director of National Investment Trust Limited (NIT) has been replaced by Mr. Razi-ur-Rahman Khan, the new Managing Director of NIT, as director of the Company.

3. The Chairman's Review on page 6 covers significant activities of your Company.

4. The pattern of shareholding is provided on page 9.
5. The present Auditors M/s. A.F. Ferguson & Co, retire and offer themselves for re-appointment.

**PATTERN OF SHAREHOLDING As AT JUNE 30, 1996**

No. of Shareholders	Shareholding		Total Shares held
357	1	to	100 14,343
418	101	to	500 101,408
109	501	to	1,000 79,469
118	1,001	to	5,000 249,242
10	5,001	to	10,000 74,296
7	10,001	to	15,000 87,323
2	15,001	to	20,000 34,220
1	20,001	to	25,000 21,500
2	25,001	to	30,000 54,212
-	30,001	to	40,000 -
1	40,001	to	45,000 44,343
1	45,001	to	50,000 46,310
-	50,001	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 -
I	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	655,000 -
1	655,001	to	660,000 657,106
-	660,001	to	31,218,000 -
-----			-----
1,035			3,121,800
-----			-----

Category of shareholders	Number	Shares held	Percentage
Individuals	1,005	1,896,123	6,074
investment Companies	2	742,921	2,380
insurance Companies	6	334,676	1,072
Joint Stock Companies	12	45,186	145
Financial Institutions	5	81,257	260
Modaraba Companies	-	-	-
Others	5	21,637	69
	-----	-----	-----
	1,035	3,121,800	10,000
	-----	-----	-----

**OTHERS**

Amina Muslim Girls School Trust	11,304
Pakistan Masonic Institution	1,135
The Pakistan Memon Educational & Welfare Society	8,460
Government of Pakistan, Corporate Law Authority	1
Administration Abandoned Properties Organization	737
	-----
	21,637
	=====

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Pakistan Cables Limited as at June 30, 1996 and the related profit and loss account and the cash flow statement, together with the notes forming part thereof, for the eighteen months period 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 period was for the purposes of the company's business; and

iii) the business conducted, investments made and the expenditure incurred during the period 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, 1996 and of the profit and the cash flows for the eighteen months period then ended; and

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

#### BALANCE SHEET As AT JUNE 30, 1996

	Note	June 30, 1996 Rs. '000	December 31, 1994 Rs. '000
<b>SHARE CAPITAL AND RESERVES</b>			
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 (December 31, 1994: 3, 121,800)			
ordinary shares of Rs. 10 each	3	31,218	31,218
Reserves	4	80,000	75,000
Unappropriated profit		823	919
		-----	-----
		112,041	107,137
<b>CUSTOMS DEBENTURES</b>	5	1,970	-
<b>LONG-TERM LOANS</b>	6	28,000	5,180
<b>DEFERRED LIABILITY</b>			
Staff retirement benefits		17,612	16,528
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Running finances under mark-up			
arrangements	7	148,639	39,313
Current maturity of - redeemable capital		-	1,571
long-term loans		7,000	15,290
Creditors, accrued expenses and other			
liabilities	8	199,665	161,614
Workers' profits participation fund	9	1,875	1,588
Workers' welfare fund		748	1,023
Dividends	10	11,282	9,567
		-----	-----
		369,209	229,966
<b>CONTINGENCIES AND COMMITMENTS</b>	11		
		-----	-----
		528,832	358,811
		=====	=====

The annexed notes form an integral part of these accounts.

TANGIBLE FIXED ASSETS			
Operating assets	12	107,900	62,421
Capital work-in-progress		-	365
		-----	-----
		107,900	62,786
INVESTMENTS			
	13	22,444	22,299
LONG-TERM LOANS AND ADVANCES			
	14	590	842
LONG-TERM SECURITY DEPOSITS			
		1,002	1,309
CURRENT ASSETS			
Stores and spares	16	13,266	10,732
Stocks	17	205,700	148,026
Trade debts	18	159,239	89,076
Short-term loans and advances	19	2,459	1,909
Trade deposits and short-term prepayments	20	1,389	980
Income tax refundable		8,479	7,991
Other receivables		2878	693
Cash and bank balances	21	3,486	12,168
		-----	-----
		396,896	271,575
		-----	-----
		528,832	358,811
		=====	=====

**PROFIT AND Loss ACCOUNT**  
**FOR THE EIGHTEEN MONTHS PERIOD ENDED JUNE 30, 1996**

		Eighteen months ended June 30, 1996	Year ended December 31, 1994
	Note	Rs. '000	Rs. '000
Net sales	22	964,652	438,239
Cost of goods sold	23	822,241	364,111
		-----	-----
Gross profit		142,411	74,128
Selling, administration and general expenses	24	78,413	44,011
		-----	-----
Operating profit		63,998	30,117
Other income	25	4,901	6,211
		-----	-----
Other charges	26	68,899	36,328
		2,383	3,161
		-----	-----
Financial charges	27	66,516	33,167
		31,458	12,017
		-----	-----
Profit before taxation		35,058	21,150
Taxation	28	15,325	11,993
		-----	-----
Profit after taxation		19,733	9,157
Unappropriated profit brought forward		919	347
		-----	-----
Available for appropriation		20,652	9,504
Appropriations			
Interim dividend 15% (1994: Nil)		4,683	-
Proposed dividend 32.5% (1994: 27.5%)		10,146	8,585
Transfer to General Reserve		5,000	-
		-----	-----
Unappropriated profit carried forward		823	919
		=====	=====

The annexed notes form an integral part of these accounts.

**CASH FLOW STATEMENT**  
**FOR THE EIGHTEEN MONTHS PERIOD ENDED JUNE 30, 1996**

		Eighteen months ended June 30, 1996	Year ended December 31, 1994
	Note	Rs. '000	Rs. '000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	29	(10,462)	51,359
Proceeds from sale of a part investment in an associated undertaking and letters of right		-	2,587
Sales proceeds on disposal of fixed assets		62	-
Staff retirement benefits paid		(3,493)	(1,380)
Financial charges paid		(28,260)	(13,855)
Taxes paid		(15,813)	(4,761)
Long-term loans and advances (net)		252	(205)
Long-term security deposits (net)		307	(150)
		-----	-----
Net cash (outflow)/inflow from operating activities		(57,407)	33,595
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(64,762)	(3,145)
Investments made in bearer certificates (net)		55	(2,998)
Investments made in associated companies		-	(12)
Investment income received		1,876	1,295
Dividends received		415	221
		-----	-----
Net cash (outflow) from investing activities		(62,416)	(4,639)
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>			
Long-term borrowings less repayments		14,929	(9,042)
Dividends paid		(13,114)	(7,725)
		-----	-----
Net cash inflow/(outflow) from financing activities		1,815	(16,767)
		-----	-----
Net (decrease)/increase in cash and cash equivalents		(118,008)	12,189
Cash and cash equivalents at the beginning of the period/year		(27,145)	(39,334)
Cash and cash equivalents at the end of the period/year	30	(145,153)	(27,145)
		=====	=====

The annexed notes form an integral part of these accounts.

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**FOR THE EIGHTEEN MONTHS PERIOD ENDED JUNE 30, 1996**

**1. LEGAL STATUS AND OPERATIONS**  
**AND REASON FOR PREPARING THESE ACCOUNTS**

- 1.1 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 wires, cables and conductors, aluminium profiles and anodized fabrications.
- 1.2 The Finance Act, 1995 has stipulated that the income year for the purpose of submitting the income tax return must end on June 30. Since this change is effective for submitting the tax return for the assessment year 1995-96 the company had earlier prepared and circulated audited financial statements for a period of six months ended June 30, 1995. The company has also decided to change its accounting year end from December 31 to June 30, with effect from June 30, 1996. Accordingly, the company has prepared these financial statements for a period of eighteen months from January 1, 1995 to June 30, 1996 whereas the comparative figures are for the year ended December 31, 1994.

**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 12% of pensionable salaries of the employees upto December 31, 1995 and at a rate of 13% 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 actuarial 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.

In addition, the company 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 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 period 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 during the period 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 fixed asset additions or included in capital work-in-progress.

### **2.7 Stores and spares**

Stores and spares are valued at moving average cost. Items 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 for 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.

## 3. ISSUED, SUBSCRIBED AND PAID-UP

	June 30, 1996 Rs.'000	December 31, 1994 Rs.'000
<b>SHARE CAPITAL</b>		
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
=====	=====	=====

## 4. RESERVES

### General reserve

At the beginning of the period/year	75,000	75,000
Transfer from profit & loss account	5,000	-
	-----	-----
	80,000	75,000
	=====	=====

## 5. CUSTOMS DEBENTURES

### Unsecured

Debentures have been issued in respect of deterrent of custom duty on machinery imported during the period. 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

	Foreign currency balance	June 30, 1996 (Rs, '000 equivalent)	December 31, 1994
<b>Secured</b>			
- Bank of America, NT & SA, Karachi (1994: 990) (US\$ '000)		-	17,521
- Standard Chartered Bank AG, Zurich (1994:231) (SFR '000)		-	2,949
- ANZ Grindlays Bank plc, (note 1.6)		35,000	-
		-----	-----
		35,000	20,470
<b>Less: Amounts maturing within twelve months shown under current liabilities:</b>			
Bank of America, NT & SA, Karachi		-	12,341
Standard Chartered Bank AG, Zurich		-	2,949
ANZ Grindlays Bank plc, (note 6.1)		7,000	-
		-----	-----
		7,000	15,290
		-----	-----
		28,000	5,180
		=====	=====

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. payable in ten semi annual

instalments commencing in August 1996. The loan is secured by an equitable mortgage over all of its 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 short-term running finances under mark-up arrangements amounts to Rs. 220 million, the mark-up on these short-term running finances ranges between Rs. 0.397 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, 1996 amounted to Rs. 609,500 million (December 31, 1994: Rs. 336,209 million) of which the amount remaining unutilised as at that date was Rs. 344,904 million (December 31, 1994: Rs. 161,616 million).

#### 8. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

	June 30, 1996 Rs. '000	December 31, 1994 Rs. '000
Creditors	85,216	63,209
Bills payable	77,889	64,394
Accrued expenses	14,241	10,857
Advances received from customers	6,123	8,518
Import levies - customs duty	2,133	5,421
Sales tax - local	2,325	5,115
Mark-up on redeemable capital	- secured	- 30
Interest on customs debentures	- unsecured	117 -
Interest on a long-term loan	- secured	- 307
Mark-up on short-term running finances	- secured	5,189 1,906
Excise duty	168	33
Others	6,264	1,824
	-----	-----
	199,665	161,614
	=====	=====

#### 9. WORKERS' PROFITS PARTICIPATION FUND

Balance at the beginning of the period/year	1,588	1,176
Interest on funds utilized in the company's business	90	121
Allocation for the period/year	1,882	1,152
	-----	-----
	3,560	2,449
Amount paid to the fund	(1,685)	(861)
	-----	-----
Balance at the end of the period/year	1,875	1,588
	=====	=====

#### 10. DIVIDENDS

Unclaimed	1,136	982
Proposed	10,146	8,585
	-----	-----
	11,282	9,567
	=====	=====

#### 11. CONTINGENCIES AND COMMITMENTS

##### 11.1 Contingent liabilities at June 30, 1996 are as follows:

(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 appeal in the High Court 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 which has been admitted for hearing. As management is confident that the Supreme Court will uphold its appeal therefore no provision has been made in this respect. The contingent liability in this respect, upto May 22, 1985 amounts to Rs. 10.875 million (net of tax Rs. 6.96 million).

(b) Bank guarantees amounting to Rs. 66.821 million (December 31, 1994: Rs. 47,221 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. 22,431 million (December 31, 1994: Rs. 13,359 million).

(c) Bank guarantees amounting to Rs. 160,089 million (December 31, 1994: Rs. 90,994 million) have been given to various parties for contract performance, tender deposits etc.

**11.2 Commitments**

The company has acquired certain motor vehicles, an item of machinery and computers 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	MINIMUM LEASE PAYMENTS	
	June 30, 1996 Rs. '000	December 31, 1994 Rs. '000
December 31, 1995	-	1,526
December 31, 1996	-	1,151
June 30, 1997/December 31, 1997	881	698
June 30, 1998/December 31, 1998	522	174
	-----	-----
	1,403	3,549
	=====	=====

**12. OPERATING ASSETS**

The following is a statement of operating assets:

	Cost as at January 1, 1995	Additions/ (deletions)	Cost as at June 30, 1996	Accumulated depreciation as at Jan. 1, 1996	Depreciation charge for the period/ (depreciation on deletions)	Accumulated Depreciation as at June 30, 1996	Net book value as at June 30, 1996	Annual rate of depreciation as a % of cost
	----- Rupees '000 -----							
Buildings on leasehold land	10,045	4,605	14,650	6,510	421	6,931	7,719	2.5 & 5
Plant and machinery	159,969	57,767	217,736	104,597	17,657	122,254	95,482	8
Office equipment and appliances	4,957	1,836	6,793	3,480	779	4,259	2,534	12 & 25
Furniture and fixtures	1,438	491 (1)	1,928	1,075	166 (1)	1,240	688	12
Vehicles	2,473	428 (55)	2,846	799	625 (55)	1,369	1,477	12 & 20
Loose tools	173	-	173	173	-	173	-	20
As at June 30, 1996	179,055	65,127 -56	244,126	116,634	19,648 -56	136,226	107,900	
As at December 31, 1994	175,979	3,076	179,055	104,920	11,714	116,634	62,421	

12.1 The following fixed assets were disposed during the eighteen months period ended June 30, 1996.

	Original cost	Accumulated depreciation	Net book	Sale proceeds	Mode of disposal	Purchaser
	----- Rupees '000 -----					
Furniture	1	1	-	7	Negotiation	Mr. Ibrar, Karachi
Vehicle	55	55	-	55	Negotiation	M/s Shabir Motors Karachi
	-----	-----	-----	-----		
	56	56	-	62		
	-----	-----	-----	-----		

**13. INVESTMENTS**

	June 30, 1996 Rs. '000	December 31, 1994 Rs. '000
Note		

In associated companies

International Industries Limited 100,000 (December 31, 1994: 100,000) Fully paid ordinary shares of Rs. 10 each	4,300	4,100
New Jubilee Insurance Company Limited 218,592 (December 31, 1994: 165,600) Fully paid ordinary shares of Rs. 5 each	3,945	3,945
	-----	-----
Sub-total (Market value Rs, 9.054 million December 31, 1994: Rs. 9,399 million)	8,245	8,045
Others		
Special savings certificates-bearer	7,533	11,115
Foreign exchange bearer certificates	6,666	3,139
	-----	-----
	22,444	22,299
	=====	=====

**14. LONG-TERM LOANS AND ADVANCES**

Considered good

Director	14.1	6	25
Executives	14.2 & 14.3	129	145
Other employees	14.2 & 14.3	990	1,196
		-----	-----
		1,125	1,366

Less: Recoverable within one year

Director		6	16
Executives		49	49
Other employees		480	524
		-----	-----
	19	535	524
		-----	-----
		590	842
Amounts outstanding for periods exceeding three years included in above		97	82
		=====	=====

14.1 An interest free advance for the purchase of a computer was given to a director. The advance is adjusted in accordance with the rules of the company, The balance of the advance is recoverable in twelve instalments.

14.2 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 instalments.

14.3 Interest free advances for the purchase of computers are also given which are adjusted in accordance with the rules of the company.

14.4 The maximum aggregate amounts due from the director and executives at the end of any month during the period was Rs. 15 thousand (December 31, 1994: Rs. 180 thousand) and Rs. 226 thousand (December 31, 1994: Rs. 164 thousand) respectively.

**15. DEFERRED TAXATION**

The balance of deferred taxation as at June 30, 1996 arising due to net timing differences in respect of accelerated tax depreciation and other provisions, under the liability method, is estimated at Rs. 0,091 million debit (December 31, 1994: Rs. 4,570 million debit).

**16. STORES AND SPARES**

	Note	June 30, 1996 Rs. '000	December 31, 1994 Rs. '000
Stores		396	346
Spares (including Rs. Nil in-transit:			
December 31, 1994: Rs. 1 thousand)		14,344	11,578
		-----	-----
		14,740	11,924
Less: Provision for slow moving stores and spares		1,474	1,192

	-----	-----
	13,266	10,732
	=====	=====
<b>17. STOCKS</b>		
Raw materials (including Rs, 40,029 million in transit; December 31, 1994: Rs. 34,381 million)	108,390	93,540
Work-in-process	55,385	18,349
Finished goods	37,916	33,746
Scrap	4,009	2,391
	-----	-----
	205,700	148,026
	=====	=====
<b>18. TRADE DEBTS</b>		
Unsecured		
Considered good		
Due from associated undertakings	1,736	7,886
Others	157,503	81,190
	-----	-----
	159,239	89,076
Considered doubtful		
Others	3,547	4,972
	-----	-----
	162,786	94,048
Less: Provision for doubtful debts	3,547	4,972
	-----	-----
	159,239	89,076
	=====	=====

The maximum amount due from a director and associated undertakings at the end of any month during the period was Rs. Nil and Rs. 11,081 million respectively (December 31, 1994: Rs. 4 thousand and Rs. 8,097 million respectively).

#### 19. SHORT-TERM LOANS AND ADVANCES

Considered good

Current portion of long-term loans - note 14

Due from a director	6	15
Due from executives	49	49
Due from other employees	480	460
	-----	-----
	535	524
Short-term advances		
Due from a director	62	87
Due from executives	67	18
Due from other employees	1,082	451
	-----	-----
	1,211	556
Advances to suppliers	713	829
	-----	-----
	2,459	1,909
	=====	=====

The maximum aggregate amount due from a director and executives at the end of any month during the period was Rs. 339 thousand (December 31, 1994: Rs. 173 thousand) and Rs. 67 thousand (December 31, 1994: Rs. 36 thousand) respectively,

#### 20. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Trade deposits - considered good	673	353
- considered doubtful	-	39
	-----	-----
	673	392
Short-term prepayments	716	627
	-----	-----
	1,389	1,019

Less: Provision for doubtful trade deposits	-	39
	-----	-----
	1,389	980
	=====	=====

**21. CASH AND BANK BALANCES**

At banks on current accounts	2,917	4,961
Cash in hand	569	897
Cheques in hand	-	6,310
	-----	-----
	3,486	12,168
	=====	=====

	Eighteen months ended June 30, 1996 Note Rs. '000	Year ended December 31, 1994 Rs. '000
--	---	---

**22. NET SALES**

Gross sales	969,446	439,709
Less commission	4,794	1,470
	-----	-----
	964,652	438,239
	=====	=====

**23. COST OF GOODS SOLD**

Opening work-in-process	18,349	22,044
Raw materials and scrap		
Opening stock		
Purchase of raw materials	95,931	59,525
Scrap sold	769,270	337,196
Closing stock	(4,633)	(2,473)
	-112,399	(95,931)
	-----	-----
	748,169	298,317

Stores and spares		12,078	6,336
Fuel and power		20,813	10,381
Salaries, wages and benefits	23.1	50,124	127,093
Rent, rates and taxes		399	262
Lease rentals		1,142	1,146
insurance		2,327	1,443
Repairs and maintenance		3,085	1,731
Depreciation		19,351	11,401
Other expenses	23.2	4,712	2,913
		-----	-----
		114,031	62,706
		-----	-----

Closing work-in-process		880,549	383,067
		(55,385)	(18,349)
		-----	-----

Cost of goods manufactured	825,164	364,718
Opening stock of finished goods	33,746	32,702
Finished goods purchased	1,247	437
Closing stock of finished goods	(37,916)	(33,746)
	-----	-----
	822,241	364,111
	=====	=====

**23.1 Details of salaries, wages and benefits**

Salaries, wages and benefits	44,584	24,279
Provident fund contributions	1,081	648
Pension fund contributions	620	336
Provision for staff retirement benefits (unfunded)	3,839	1,830
	-----	-----
	50,124	27,093
	=====	=====

**23.2 Details of other expenses**

Communications and stationery	260	184
Training, travelling and entertainment	835	332
Motor car running	912	262
General works	2,705	2,135
	-----	-----
	4,712	2,913
	=====	=====

#### 24. SELLING, ADMINISTRATION AND GENERAL EXPENSES

Salaries, wages and benefits	24.1	21,428	13,453
Sales incentives		4,041	2,765
Rent, rates and taxes		372	162
Insurance		829	410
Repairs and maintenance		2,045	1,046
Consultancy fee		2,606	2,036
Donations	24.2	676	574
Auditors' remuneration	24.3	526	464
Communications and stationery		4,267	2,529
Training, travelling and entertainment		4,712	2,487
Advertising and publicity		10,328	5,353
Lease rentals		1,059	874
Carriage and forwarding expenses		8,362	4,502
Liquidated damages for late deliveries		9,641	2,864
Provision for doubtful debts		316	1,384
Bad debts written off		10	6
Depreciation		297	313
Provision for doubtful trade deposits		-	39
Tender deposit written off		-	10
Other expenses	24.4	6,898	2,740
		-----	-----
		78,413	44,011
		=====	=====

##### 24.1 Details of salaries, wages and benefits

Salaries, wages and benefits	18,906	12,030
Provident fund contributions	854	441
Pension fund contributions	930	431
Provision for staff retirement benefits (unfunded)	738	551
	-----	-----
	21,428	13,453
	=====	=====

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

##### 24.3 Auditors' remuneration

Audit fee	133	121
Fee for the audit of the accounts for the six months ended June 30, 1995	106	-
Tax services	56	266
Special certifications and audits of workers' funds	112	39
Central excise duty	41	-
Out of pocket expenses	78	38
	-----	-----
	526	464
	=====	=====

##### 24.4 Details of other expenses

Subscriptions	373	102
Fuel and power	235	177
Bank service charges	4,662	1,713
Directors' fee	16	10
Legal and professional	357	166
Miscellaneous selling	472	79
General office	783	493
	-----	-----
	6,898	2,740
	=====	=====

#### 25. OTHER INCOME



Sales of general scrap		
Commission from - an associated undertaking	811	506
- an insurance company	416	356
	262	551
Capital gain on sale of shares and letters of right	-	2,039
Profit from an investment - special savings certificates-bearer	1,876	1,295
Appreciation in the value of an investment	200	-
Gain on disposal of fixed asset	62	-
Dividend income	614	221
Balances no longer payable written back	425	1,216
Sundries	235	27
	-----	-----
	4,901	6,211
	=====	=====

**26. OTHER CHARGES**

Diminution in the value of an investment	-	1,382
Workers' profits participation fund	1,882	1,152
Workers' welfare fund	501	627
	-----	-----
	2,383	3,161
	=====	=====

**27. FINANCIAL CHARGES**

	58	378
Mark-up on	24,601	8,359
- redeemable capital		
- short-term running finances	117	-
Interest on	4,488	2,108
- debentures	90	121
-long-term loans	74	492
- workers' profits participation fund	1,865	559
Exchange risk cover fee	165	-
Excise duty	-----	-----
Others	31,458	12,017
	=====	=====

**28. TAXATION**

Current		
- for the year	8,853	10,863
- for prior years	6,472	-
	-----	-----
	15,325	10,863
Deferred		
- for the year	-	1,033
- for prior years	-	97
	-----	-----
	-	1,130
	-----	-----
	15,325	11,993
	=====	=====

**29. CASH GENERATED FROM OPERATIONS**

Profit before taxation	35,058	21,150
Adjustment for non cash charges and others items:		
Depreciation	19,648	11,714
Provision for staff retirement benefits	4,577	2,381
Capital gains	-	(2,039)
Gain on disposal of fixed assets	(62)	-
investment income	(1,876)	(1,295)
Dividend income	(614)	(221)
(Appreciation)/diminution in the value of an investment	(200)	1,382
Financial charges	31,458	12,017
Working capital changes	(98,451)	6,270
	-----	-----
	(10,462)	51,359
	=====	=====

**29.1 Working capital changes**

(Increase)/decrease in current assets

Stores and spares	(2,534)	1,120
Stocks	(57,674)	(33,755)
Trade debts	(70,163)	(21,993)
Short-term loans and advanced	(550)	(1,909)
Trade deposits and short-term prepayments	(409)	424
Other receivables (net)	(1,986)	9,044
	-----	-----
	(133,316)	(47,069)

Increase/(decrease) in current liabilities		
Creditors, accrued expenses and other liabilities (net)	34,853	52,300
Workers' profits participation fund	287	412
Workers' welfare fund	(275)	627
	-----	-----
	(98,451)	6,270
	=====	=====

**30. CASH AND CASH EQUIVALENTS**

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

Cash and bank balances	3,486	12,168
Short-term running finances under markup arrangements	(148,639)	(39,313)
	-----	-----
	(145,153)	(27,145)
	=====	=====

**31. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES****31.1 Remuneration of the chief executive, a director and executives**

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

	Eighteen months ended			Year ended		
	June 30, 1996			December 31, 1994		
	Rs. '000			Rs. '000		
	Chief execu- time	Direc- tors	Execu- tives	Chief execu- tive	Direc- tor	Execu- tives
Managerial remuneration	1,073	768	6,915	476	387	3,342
Retirement benefits	420	301	1,363	215	181	668
House rent and utilities	595	384	3,236	373	199	1,492
Medical expenses	81	253	325	284	27	100
Leave passage	23	23	508	15	15	279
Entertainment expenses	79	10	11	17	9	26
Conveyance	-	-	277	-	-	123
	2,271	1,739	12,635	1,380	818	6,030
Number of persons	1	1	28	1	1	21

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

**31.2 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. 16,000 and Rs. 180,000 respectively (December 31, 1994: seven directors and one director- Rs. 11,000 and Rs. 120,000 respectively).

	Eighteen months ended June 30, 1996 Rs. '000	Year ended December 31, 1994 Rs. '000
--	---	---

**32. SUMMARY OF TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

Sales of goods including scrap	21,709	18,379
Purchase of goods and materials	6,238	2,942

Commission earned	416	356
Dividend income	614	221

**33. 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.

**34. COMPARATIVE FIGURES**

The figures for the year ended December 31, 1994 have been reclassified, wherever necessary, for the purpose of comparison.