

## **Pakistan Cables Limited**

**ANNUAL REPORT 1996-97**

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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  
Abdul Rauf Malik  
Towfiq H. Chinoy  
Shahpur Channah  
Kamal A. Chinoy (Chief Executive)

#### **COMPANY SECRETARY**

Asian Sadrudin

#### **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  
Deutsche 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, Shakra-e-Quaid-e-Azam  
Telephone Nos: 7355783, 7120790 - 91, 353520, Fax: 7355480

**Branch Offices**

**Multan** Shersshah 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-fourth Annual General Meeting of the shareholders of Pakistan Cables Limited will be held at 11.00 a.m. on Thursday the 27th November, 1997 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 year ended June 30, 1997 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 25% in addition to an interim dividend of 10% which has already been paid to the shareholders).
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 14th November, 1997 to 27th November, 1997 (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 not later than 48 hours before the time of the Meeting.

**HIGHLIGHTS**

	Year ended June 30, 1997	Eighteen months ended June 30, 1996
	Rs. Million	Rs, Million
Sales	638.80	964.65
Profit after tax	13.15	19.73
Dividend	10.93	14.83
Net assets employed	152.47	159.62
Shareholders' fund	114.27	112.04
Net earning per share	Rs. 4.21	632
Net earning per rupee sales	Rs. 0.02	0.02

**TEN-YEAR REVIEW**

	1996.97	* 1995-96	1994	1993	1992	1991	1990	1989	1988	1987
	Rs.	Rs,	Rs,	Rs,	Rs,	Rs,	Rs,	Rs,	Rs,	Rs,
	Million	Million	Million	Million	Million	Million	Million	Million	Million	Million
Sales	638.8	984,652	438,239	380,362	302,149	346,808	360,201	320,656	197,001	196,389
Profit after tax	13.15	19,733	9,157	7,868	4,173	8,331	16,557	14,197	9,443	17,073
Dividend	10.93	14,829	8,585	7,805	2,178	8,580	8,580	7,920	3,960	6,600
Bonus Issue	-	-	-	-	2,178	2,640	-	-	-	-
Capital expenditure	6.57	54,762	3,145	0,741	1,142	1,376	2,096	17,214	70,270	6,298
Fixed assets at cost	246.532	244,126	179,055	175,979	175,420	180,772	180,383	179,569	162,583	94,794
Current assets less current liabilities	37.36	27,687	41,609	48,633	61,234	55,085	61,849	54,677	59,393	50,895
Current Assets:										
Current Liabilities	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	1.8:1
Shareholders' funds										
Issued capital	31.218	31,218	31,218	31,218	29,040	26,400	26,400	26,400	26,400	26,400
Reserve & retained earnings	83.05	80.82	75,919	75,347	77,462	78,107	78,356	70,379	64,102	58,619
Total Shareholders' fund	114.27	112,041	107,137	106,565	106,502	104,507	104,756	96,779	90,502	85,019
Long term Loans & Liabilities	38.20	47,582	21,708	37,568	47,105	55,413	67,563	76,712	82,006	21,317
Net Assets employed	152.468	159,623	128,845	144,133	153,607	159,920	172,319	173,491	172,508	106,336
Net Earnings as percentage of net assets employed	%	9	12	7	5	3	5	10	8	5
Earning per rupee of sales	Rs.	0.02	0.02	0.02	0.02	0.01	0.02	0.05	0.04	0.05
Earning per share	Rs.	4.21	632	293	252	1.44	316	627	538	647
Cash Dividend per share	Rs.	350	475	275	250	75	325	3.25	300	150
Bonus Issue	%	-	-	-	-	7.50	1,000	-	-	-
Cash Dividend as a % of shareholders funds	%	9.6	13.2	8.0	7.3	2.0	8.2	8.2	8.2	44
Break-up value per share	Rs.	36.60	3,589	3,432	3,414	3,667	3,959	3,968	3,666	3,428

\* Eighteen months ended June 30, 1996

**CHAIRMAN'S REVIEW**

On behalf of your Board of Directors, I am pleased to present to you the report for the year ended on 30th June, 1997.

**BOARD CHANGES**

The following changes took place in the Board:

Mr. Razi ur Rahman, Chairman and Managing Director of National Investment Trust Limited (NIT) replaced Mr. Asadullah Sheikh as nominee director of NIT on your Company's Board on 15th September, 1996.

State Life Insurance Corporation's nominee director Syed Gulrez Yazdani was replaced by Mr. Abdul Rauf Malik on October 1, 1996,

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

**OPERATING PERFORMANCE**

The year under review experienced numerous difficulties. The first nine months of the year saw political insecurity, followed by the dismissal of the PDF government and then the imposition of an interim government. As a result there was a lack

of positive governance, which is an invaluable factor for business and economic confidence. Matters were further aggravated by a depressed national economy and depreciation of the Rupee by around 15% over this period. As a result of high budget deficits, the government resorted to borrowing in the domestic market at high interest rates which obviously affected commercial lending rates. Apart from all this, the financial crisis being faced both by WAPDA and KESCO put the electrical sector under pressure.

The Company's performance for the year under review is not unsatisfactory, keeping in view the above factors. Sales of Rs. 638.8 Million for the year ended June 30, 1997 are marginally below the proportionate annual sale of the period ended June 30, 1996, Gross profit of Rs. 101,9 M for the year is 15.9% of sale against 14.8% of sale for the 18 months period mainly due to ease of metal price in the international market, favourable sales mix and also saving in material cost as a result of in-house production of Copper Rod.

Operating profit for the year is Rs. 54,2 million against Rs. 63.9 million for the 18 months period, On an annual basis it shows improvement of 27% compared to proportionate operating profit of the previous period mainly due to savings in administration and selling expenses.

Financial charges of Rs. 34.2 M for the year are higher mainly as a result of high receivables from KESCO and WAPDA due to their financial crisis, In spite of high financial charges, net profit after tax is Rs. 13.2 M which is in line with the proportionate annual net profit after tax of the previous period.

#### **DIVIDEND**

Your directors recommend payment of final dividend of Rs. 2.50 per share (25%) in addition to interim dividend of Re. 1.0 per share (10%) already paid, This bring the total dividend for the 12 months period at Rs. 3.50 per share (35%) compared with Rs. 4.75 per share (47.5%) for the 18 months ended June 30, 1996.

#### **INDUSTRY CONCERNS**

The incidence of government taxes on the front end price of the cable is still high. Excise duty and sales tax together result in a loading of 24%. This encourages tax evasion and creates a market for cheaper but substandard goods. The electrical cable industry is the only capital goods industry which is suffering this double duty.

The other area of concern is the prevalence of poor quality cable in the market. This affects mainly the Housewiring segment as if is fed by low tech backyard manufacturers using mainly scrap raw material. A recent laboratory test done by us showed one of the cheap but more popular brand of cable to have electrical conductivity as low as 32% of the requirement! PSI and other quality standards must be enforced not only at the manufacturing stage but also in the market.

#### **FUTURE PROSPECTS**

The future has to be viewed in the light of the recessionary trend of the economy and the decline in new industrial investment. The poor financial health of WAPDA and KESCO is also a matter of concern, This situation has presented a challenge to the electrical cable industry.

However your Company has a strong market image visa vis ifs competitors and this should be of assistance in such market conditions.

It is also hoped that government efforts towards privatisation of financial institutions and its moves to lower interest rates will spur economic activity. A good cotton crop and release of ESAF funds would also serve to have a positive effect in the economy.

#### **STAFF**

Relationship with employees at all levels remained warm and cordial, On behalf of the Directors and employees of the company, I express my 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 1997.

	Rs. '000
The net profit after tax amounted to	13,151
To this is added unappropriated profit brought forward from last period	823
	-----
	13,974
	=====
The Directors recommended:	
Payment of final Dividend at the rate of Rs. 2.50 per share (25%),	7,805
Interim Dividend of Rs. 1.00 per share (10%) already paid	3,122
Transfer to General Reserve	2,500
Leaving unappropriated profit to be carried forward	547
	-----
	13.974
	=====

2. During the current year Mr. Razi ur Rahman Khan replaced Mr. Asadullah Sheikh of NIT on 15th September, 1996 and Mr. Abdul Rauf Malik replaced Mr. S. Gulrez Yazdani of State Life Insurance Corporation of Pakistan on October 1, 1996.

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, 1997**

No. of Shareholders	Shareholding	Total Shares held
369	1 to	100 14,875
424	101 to	500 102,598
104	501 to	1,000 76,849
117	1,001 to	5,000 247,506
10	5,001 to	10,000 74,230
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 47,010
-	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	-
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	655,000	-
1	655,001	to	660,000	659,106
-	660,001	to	3,121,800	-
-----				
	1,047			3,121,800
=====				

Category of shareholders	Number	Shares held	Percentage
Individuals	1,019	1,920,533	61.52
Investment Companies	2	744,921	2.386
Insurance Companies	6	334,610	1.072
Joint Stock Companies	10	18,842	.61
Financial Institutions	5	81,257	.260
Modaraba Companies	-	-	-
Others	5	21,637	0.69
	-----	-----	-----
	1,047	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, 1997 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, 1997 and of the profit and the cash flows for the year then ended; and

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

**A.F. FERGUSON & CO.**  
**Chartered Accountants**

Karachi: October, 21, 1997

### **BALANCE SHEET As AT JUNE 30, 1997**

	Note	1997 Rs. '000	1996 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 (1996: 3,121,800)			
ordinary shares of Rs. 10 each	3	31,218	31,218
Reserves	4	82,500	80,000
Unappropriated profit		547	823
		-----	-----
		114,265	112,041
<b>CUSTOMS DEBENTURES</b>			
	5	1,970	1,970
<b>LONG-TERM LOANS</b>			
	6	21,000	28,000
<b>DEFERRED LIABILITY</b>			
Staff retirement benefits		15,233	17,612
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Running finances under mark-up			
arrangements	7	115,332	148,639
Current maturity of long-term loans	6	7,000	7,000
Creditors, accrued expenses and other			
liabilities	8	172,807	199,665
Workers' profits participation fund	9	1,380	1,875
Workers' welfare fund		1,276	748
Dividends	10	9,099	11,282
		-----	-----
		306,894	369,209
<b>CONTINGENCIES AND COMMITMENTS</b>			
	11		
		-----	-----
		459,362	528,832
		=====	=====
The annexed notes form an integral part of these accounts.			
<b>TANGIBLE FIXED ASSETS</b>			
Operating assets	12	94,264	107,900
Capital work-in-progress	13	3,751	-
		98,015	107,900
<b>INVESTMENTS</b>			
	14	14,296	22,444
<b>LONG-TERM LOANS AND ADVANCES</b>			
	15	1,814	590

LONG-TERM SECURITY DEPOSITS		1,284	1,002
CURRENT ASSETS			
Stores and spares	17	14,358	13,266
Stocks	18	141,086	205,700
Trade debts	19	160,595	159,239
Short-term loans and advances	20	1,919	2,459
Trade deposits and short-term prepayments	21	1,312	1,389
Income tax refundable		17,391	8,479
Other receivables	22	1,225	2,878
Cash and bank balances	23	6,367	3,486
		-----	-----
		344,253	396,896
		-----	-----
		459,362	528,832
		=====	=====

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 1997**

		Year ended June 30, 1997	Eighteen months ended June 30, 1996
	Note	Rs. '000	Rs. '000
Net sales	24	638,803	964,652
Cost of goods sold	25	536,864	822,241
		-----	-----
Gross profit		101,939	142,411
Selling, administration and general expenses	26	47,735	78,413
		-----	-----
Operating profit		54,204	63,998
Other income	27	3,717	4,901
		-----	-----
Other charges	28	57,921	68,899
		2,944	2,383
		-----	-----
Financial charges	29	54,977	66,516
		34,226	31,458
		-----	-----
Profit before taxation		20,751	35,058
Taxation	30	7,600	15,325
		-----	-----
Profit after taxation		13,151	19,733
Unappropriated profit brought forward		823	919
		-----	-----
Available for appropriation		13,974	20,652
<b>Appropriations</b>			
Interim dividend 10% (1996: 15%)		3,122	4,683
Proposed dividend 25%(1996: 32,5%)		7,805	10,146
Transfer to General Reserve		2,500	5,000
		-----	-----
		13,427	19,829
		-----	-----
Unappropriated profit carried forward		547	823
		=====	=====

The annexed notes form an integral part of these accounts.



**CASH FLOW STATEMENT****FOR THE YEAR ENDED JUNE 30, 1997**

	Year ended June 30, 1997	Eighteen months ended June 30, 1996
Note	Rs. '000	Rs, '000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash generated from/(utilized in) operations	31 109,161	(10,462)
Sales proceeds on disposal of fixed assets	867	62
Staff retirement benefits paid	(2,747)	(3,493)
Financial charges paid	(34,732)	(28,260)
Taxes paid	(16,512)	(15,813)
Long-term loans and advances (net)	(924)	252
Long-term security deposits (net)	(282)	307
	-----	-----
Net cash inflow/(outflow) from operating activities	54,831	(57,407)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(6,569)	(64,762)
Investment in bearer certificates encashed (net)	6,873	55
Investment income received	689	1,876
Dividends received	474	415
	-----	-----
Net cash inflow/(outflow) from investing activities	1,467	(62,416)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayments of long-term borrowings (net)	(7,000)	14,929
Dividends paid	(13,110)	(13,114)
	-----	-----
Net cash (outflow)/inflow from financing activities	(20,110)	1,815
	-----	-----
Net increase/(decrease)in cash and cash equivalents	35,188	(118,008)
Cash and cash equivalents at the beginning of the year/period	(145,153)	(27,145)
Cash and cash equivalents at the end of the year/period,	32 (108,965)	(145,153)
	=====	=====

The annexed notes form an integral part of these accounts.

**NOTES TO AND FORMING PART OF THE ACCOUNTS****FOR THE YEAR ENDED JUNE 30, 1997****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 copper rod, wires, cables and conductors, aluminum profiles and anodized fabrications,

1.2 The option available to companies to adopt a calendar year as income year under the provisions of the Income Tax Ordinance, 1979 was withdrawn through the Finance Act, 1995, Consequently, the company is now required to adopt the financial year (i.e. July to June) as its income year

For tax purposes, In view of the above the company has changed its accounting year end from December to June effective June 30, 1996, As a consequence of this change these accounts have been prepared for the year ended June 30, 1997, whereas the corresponding figures are for the eighteen months period ended June 30, 1996.

## **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 personable 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 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.

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 during the year 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 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 realizable value. Items of work-in-process are valued at average cost. Finished goods are valued at the lower of average cost and net realizable value.

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

Scrap stocks are valued at estimated realizable 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 Js 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 sold are identified, segregated and are awaiting delivery. Claims for cost escalation are recognized on actual receipt.

**3. ISSUED, SUBSCRIBED AND PAID-UP**

<b>SHARE CAPITAL</b>	<b>1997</b>	<b>1996</b>
	<b>Rs. '000</b>	<b>Rs. '000</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
	=====	=====

**4. RESERVES**

General reserve		
At the beginning of the year/period	80,000	75,000
Transfer from profit & loss account	2,500	5,000
	-----	-----
	82,500	80,000
	=====	=====

**5. CUSTOMS DEBENTURES**

Unsecured

Debentures have been issued in respect of detornment 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 o rate of 14% per annum is payable in January and July each year.

**6. LONG-TERM LOANS**

	Note	1997 Rs. '000	1996 Rs. '000
Secured			
ANZ Grindlays Bank plc.	6.1	28,000	35,000
Less: Amounts maturing within twelve months shown under current liabilities:		7,000	7,000
		-----	-----
		21,000	28,000
		=====	=====

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. 265 million, The markup on these running finances ranges between Rs. 0.4041 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, 1997 amounted to Rs 580500 million (1996: Rs. 609.500 million) of which the amount remaining utilized as at that date was Rs. 276.122 million (1996: Rs. 344.904 million).

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

	1997 Rs. '000	1996 Rs. '000
Creditors	8,067	85,216
Bills payable	131,591	77,889
Accrued expenses	11,329	14,241
Advances received from customers	6,840	6,123
Import levies - customs duly	3,874	2,133
Sales tax - local	4,000	2,325
Interest on customs debentures - unsecured	117	117
Mark-up on short-term running finances - secured	4,732	5,189
Excise duty	119	168
Others	2,138	6,264
	-----	-----
	172,807	199,665
	=====	=====

**9. WORKERS' PROFITS PARTICIPATION FUND**

Balance at the beginning of the year/period	1,875	1,588
Interest on funds utilized in the company's business	130	90
Allocation for the year/period	1,141	1,882
	-----	-----
Amount paid to the fund	3,146	3,560
	(1,766)	(1,685)
	-----	-----
Balance at the end of the year/period	1,380	1,875
	=====	=====

**10. DIVIDENDS**

Unclaimed	1,294	1,136
-----------	-------	-------

Proposed	7,805	10,146
	-----	-----
	9,099	11,282
	=====	=====

## 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 aluminum rods extruded from aluminum 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 fixed 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 which has been admitted for hearing. As the 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. 7.29 million).

(b) Bank guarantees amounting to Rs. 27.090 million (1996: Rs. 66.821 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. 18.946 million (1996: Rs. 22.431 million).

(c) Bank guarantees amounting to Rs, 64,039 million (1996: Rs. 160,089 million) have been given to various parties for contract performance, tender deposits etc.

### 11.2 Commitments

a) 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 JUNE 30,	MINIMUM LEASE PAYMENTS	
	June 30, 1997 Rs. '000	June 30, 1997 Rs. '000
1997	-	881
1998	2,166	522
1999	1,643	-
2000	1,409	-
2001	1,331	-
2002	612	-
	-----	-----
	7,161	1,403
	=====	=====

b) Commitment for capital expenditure authorized by the board of directors and contract placed therefor amounted to Rs, 0,981 million (1996: Rs. Nil).

## 12. OPERATING ASSETS

The following is a statement of operating assets:

	Cost as at July 1, 1997	Additions/ (deletions)	Cost as at June 30, 1997	Accumulated depreciation as at July 1, 1996	Depreciation charge for the year/ (depreciation on deletions)	Accumulated Depreciation as at June 30, 1997	Net book value as at June 30, 1997	Annual rate of depreci- ation as a % of cost
	Rupees '000							
Buildings on leasehold land	14,650	565	15,215	6,931	650	7,581	7,634	2.5 to 5
Plant and machinery	217,736	444	218,180	122,254	14,118	136,372	81,808	8

Office equipment and appliances	6,793	866	7,659	4,259	1,032	5,291	2,368	12 & 25
Furniture and fixtures	1,928	169	2,097	1,240	92	1,332	765	12
Vehicles	2,846	774	3,208	1,369	548	1,519	1,689	12 & 20
		(412)			(398)			
Loose tools	173	--	173	173	--	173	--	20
-----	-----	-----	-----	-----	-----	-----	-----	-----
As at June 30, 1997	244,126	2,818	246,532	136,226	16,440	152,268	94,264	
		(412)			(398)			
-----	-----	-----	-----	-----	-----	-----	-----	-----
As at June 30, 1996	179,055	65,127	244,126	116,634	19,648	136,226	107,900	
		(56)			(56)			
-----	-----	-----	-----	-----	-----	-----	-----	-----

12.1 The following fixed assets were disposed off during the year ended June 30, 1997.

	Original cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Purchaser
Rupees '000						
Vehicle						
Toyota Corolla	29	15	14	371	Negotiation	Mr. Joaquim Almeida Asghari Manzi/, Green St No, 2, Saddar, Karachi.
Suzuki Car	9	9	-	60	Negotiation	Mr. Ahmed Baggia Former executive Pakistan Cables Ltd,
Other vehicles with net book value below Rs. 5,000 each	374	374	-	436	Negotiation	Various
	-----	-----	-----	-----		
	412	398	14	867		
	=====	=====	=====	=====		

**13. CAPITAL WORK-IN-PROGRESS**

	Note	1997 Rs. '000	1996 Rs. '000
Plant and machinery		3,751	-
		=====	=====

**14. INVESTMENTS**

In associated companies			
International Industries Limited			
100,000 (1996: 100,000) Fully paid ordinary shares of Rs. 10 each		3,025	4,300
New Jubilee Insurance Company Limited			
251,380 (1996: 218,592) Fully paid ordinary shares of Rs. 5 each		3,945	3,945
		-----	-----
Subtotal (Market value Rs. 7.173 million (1996: Rs. 9.054 million))		6,970	8,245
<b>Others</b>			
Special savings certificates-bearer		660	7,533
Foreign exchange bearer certificates		6,666	6,666
		-----	-----
		14,296	22,444
		=====	=====

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

Considered good			
Director		-	6
Executives	15.1	80	129
Other employees	15.1	2,246	990
		-----	-----

	2,326	1,125
Less: Recoverable within one year		
Director	-	6
Executives	38	49
Other employees	774	480
	-----	-----
20	812	535
	-----	-----
	1,514	590
	=====	=====
Amounts outstanding for periods exceeding three years included in above	9	97
	=====	=====

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. 0.006 million (1996: Rs. 0.015 million) and Rs. 0.124 million (1996: Rs. 0.226 million) respectively.

#### 16. DEFERRED TAXATION

The balance of deterred taxation as at June 30, 1997 arising due to net timing differences in respect of accelerated tax depreciation and other provisions, under the liability method, is estimated at Rs. 0.672 million debit (1996: Rs. 0.091 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

	Note	1997 Rs. '000	1996 Rs. '000
Stores		613	396
Spares (including Rs. 0.013 million in-transit; 1996: Rs. Nil)		15,339	14,344
		15,952	14,344
Less: Provision for slow moving stores and spares		1,594	1,474
		-----	-----
		14,358	13,266
		=====	=====

#### 18. STOCKS

Raw materials (including Rs, 0,481 million in transit; 1996: Rs. 40.029 million)		56,483	108,390
Work-in-process		35,912	55,385
Finished goods		44,655	37,916
Scrap		4,036	4,009
		-----	-----
		141,086	205,700
		=====	=====

#### 19. TRADE DEBTS

Unsecured			
Considered good			
Due from associated undertakings		9,270	1,736
Others		151,325	57,503
		-----	-----
		160,595	159,239
		=====	=====
Considered doubtful			
Others		3,321	3,547

	163,916	162,786
Less: Provision for doubtful debts	3,321	3,547
	-----	-----
	160,595	159,239
	=====	=====

19.1 The maximum amount due from associated undertakings at the end of any month during the year was Rs. 9.270 million (1996: Rs. 11.081 million).

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

	Note	1997 Rs. '000	1996 Rs, '000
Considered good			
Current portion of long-term loans	15		
Due from a director		-	6
Due from executives		38	49
Due from other employees		774	480
		-----	-----
		812	535
Short-term advances			
Due from a director		-	62
Due from executives		53	67
Due from other employees		637	1,082
		-----	-----
		690	1,211
Advances to suppliers		417	713
		-----	-----
		1,919	2,459
		=====	=====

20.1 The maximum aggregate amount due from a director and executives at the end of any month during the year was Rs. Nil (1996: Rs. 0.339 million) and Rs. 0.067 million (1996: Rs. 0.067 million) respectively.

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

	1997 Rs. '000	1996 Rs, '000
Trade deposits - considered good	577	673
Short-term prepayments	735	716
	-----	-----
	1,312	1,389
	=====	=====

#### 22. OTHER RECEIVABLES

Due from an associated undertaking	288	199
Others	937	2,679
	-----	-----
	1,225	2,878
	=====	=====

22.1 The maximum aggregate amount due from an associated undertaking at the end of any month during the year was Rs. 0.288 million (1996: Rs. 0.199 million).

#### 23. CASH AND BANK BALANCES

	1997 Rs. '000	1996 Rs. '000
At banks on current accounts	2,353	2,917
Cheques in hand	3,578	--
Cash in hand	436	569
	-----	-----
	6,367	3,486



		Year ended June 30, 1997 Rs. '000	Eighteen months ended June 30, 1996 Rs. '000
<b>24. NET SALES</b>			
Gross sales		640,009	969,446
Less: commission		1,206	4,794
		-----	-----
		638,803	964,652
=====			
<b>25. COST OF GOODS SOLD</b>			
Opening work-in-process		55,385	18,349
Raw materials and scrap			
Opening stock		112,399	95,931
Purchase of raw materials		386,357	769,270
Scrap sold		(2,776)	(4,633)
Closing stock		(60,519)	(112,399)
		-----	-----
		435,461	748,169
Stores and spares		8,174	12,078
Fuel and power		17,820	20,813
Salaries, wages and benefits	25.1	35,906	50,124
Rent, rates and taxes		388	399
Lease rentals		867	1,142
Insurance		1,649	2,327
Repairs and maintenance		2,944	3,085
Depreciation		16,236	19,351
Other expenses	25.2	3,489	4,712
		-----	-----
		87,473	114,031
Closing work-in-process		578,319	880,549
		(35,912)	(55,385)
		-----	-----
Cost of goods manufactured		542,407	825,164
Opening stock of finished goods		37,916	33,746
Finished goods purchased		1,196	1,247
Closing stock of finished goods		(44,655)	(37,916)
		-----	-----
		536,864	822,241
=====			
<b>25.1 Details of salaries, wages and benefits</b>			
Salaries, wages and benefits		34,290	44,584
Provident fund contributions		871	1,081
Pension fund contributions		605	620
Provision for staff retirement benefits (unfunded)		140	3,839
		-----	-----
		35,906	50,124
=====			
		Year ended June 30, 1997	Eighteen months ended June 30, 1996

	Note	Rs. '000	Rs. '000
<b>25.2 Details of other expenses</b>			
Communications and stationery		210	260
Training, travelling and entertainment		342	835
Motor car running		773	912
General works		2,164	2,705
		-----	-----
		3,489	4,712
		=====	=====
<b>26. SELLING, ADMINISTRATION AND GENERAL EXPENSES</b>			
Salaries, wages and benefits	26.1	15,657	21,428
Sales incentives		2,327	4,041
Rent, rates and taxes		276	372
Insurance		624	829
Repairs and maintenance		585	2,045
Consultancy fee		1,140	2,606
Donations	26.2	355	676
Auditors' remuneration	26.3	329	526
Communications and stationery		2,752	4,267
Training, travelling and entertainment		3,084	4,712
Advertising and publicity		4,625	10,328
Lease rentals		890	1,059
Carriage and forwarding expenses		5,251	8,362
Liquidated damages for late deliveries		6,225	9,641
Provision for doubtful debts		-	316
Bad debts written off		7	10
Depreciation		204	297
Other expenses	26.4	3,404	6,898
		-----	-----
		47,735	78,413
		=====	=====
<b>26.1 Details of salaries, wages and benefits</b>			
Salaries, wages and benefits		13,959	18,906
Provident fund contributions		673	854
Pension fund contributions		797	930
Provision for staff retirement benefits (unfunded)		228	738
		-----	-----
		15,657	21,428
		=====	=====
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.			
<b>26.3 Auditors' remuneration</b>			
Audit fee		150	133
Fee for the audit of the accounts for the six months ended June 30, 1995		-	106
Tax services		121	56
Special certifications and audits of workers' funds		10	112
Central and provincial excise duties		10	41
Out of pocket expenses		38	78
		-----	-----
		329	526
		=====	=====
<b>26.4 Details of other expenses</b>			
Subscriptions		163	373

Fuel and power	205	235
Bank service charges	1,976	4,662
Directors' fee	10	16
Legal and professional	232	357
Miscellaneous selling	62	472
General office	756	783
	-----	-----
	3,404	6,898
	=====	=====

**27. OTHER INCOME**

Sales of general scrap	654	811
Commission from - an associated undertaking	602	416
- an insurance company	425	262
Profit from an investment - special savings certificates-bearer	689	1,876
Appreciation in the value of an investment	-	200
Gain on disposal of fixed assets	853	62
Dividend income	494	614
Balances no longer payable written back	-	425
Sundries	-	235
	-----	-----
	3,717	4,901
	=====	=====

**28. OTHER CHARGES**

Diminution in the value of an investment	1,275	-
Workers' profits participation fund	1,141	1,882
Workers' welfare fund	528	501
	-----	-----
	2,944	2,383
	=====	=====

**29. FINANCIAL CHARGES**

Mark-up on		
- redeemable capital	--	58
- running finances		
under mark-up arrangements	26,589	24,601
Interest on		
- debentures	276	117
-long-term loans	4,960	4,488
- workers' profits participation fund	130	90
Exchange risk cover fee	--	74
Excise duty	2,035	1,865
Others	236	165
	-----	-----
	34,226	31,458
	=====	=====

**30. TAXATION**

Current		
- for the year	7,600	8,853
- for prior years	-	6,472
	-----	-----
	7,600	15,325
	=====	=====

**31. CASH GENERATED FROM OPERATIONS**

Profit before taxation	20,751	35,058
Adjustment for non cash charges and others items:		
Depreciation	16,440	19,648
Provision for staff retirement benefits (unfunded)	368	4,577
investment income	(689)	(1,876)
Diminution/(appreciation) in the value of an investment	1,275	(200)

Gain on disposal of fixed assets		(853)	(62)
Dividend income		(494)	(614)
Financial charges		34,226	31,458
Working capital changes	31.1	38,137	(98,451)
		-----	-----
		109,161	(10,462)
		=====	=====

**31.1 Working capital changes**

(Increase)/decrease in current assets			
Stores and spares		(1,092)	(2,534)
Stocks		64,614	(57,674)
Trade debts		(1,356)	(70,163)
Short-term loans and advances		540	(550)
Trade deposits and short-term prepayments		77	(409)
Other receivables (net)		1,673	(1,986)
		-----	-----
		64,456	(133,316)
Increase/(decrease) in current liabilities			
Creditors, accrued expenses and other liabilities (net)		(26,352)	34,853
Workers' profits participation fund		(495)	287
Workers' welfare fund		528	(275)
		-----	-----
		38,137	(98,451)
		=====	=====

**32. CASH AND CASH EQUIVALENTS**

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

Cash and bank balances		6,367	3,486
Running finances under mark-up arrangements		(115,332)	(148,639)
		-----	-----
		(108,965)	(145,153)
		=====	=====

**33. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

**33.1 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:

	Year ended June 30, 1997 Rs. '000			Eighteen months ended June 30, 1996 Rs. '000		
	Chief execu- time	Direc- tors	Execu- tives	Chief execu- time	Direc- tor	Execu- times
Managerial remuneration	838	601	7,017	1,073	768	6,915
Retirement benefits	313	224	1,357	420	301	1,363
House rent and utilities	506	301	3,065	595	384	3,236
Medical expenses	62	90	366	81	253	325
Leave passage	15	15	406	23	23	508
Entertainment expenses	61	8	7	79	10	11
Conveyance	-	-	227	-	-	277
	-----	-----	-----	-----	-----	-----
	1,795	1,239	12,445	2,271	1,739	12,635
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	34	1	1	28
	=====	=====	=====	=====	=====	=====

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.

**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. 10,000 and Rs. 120,000 respectively (1996: eight directors and one director - Rs. 16,000 and Rs. 180,000 respectively).

Year ended June 30, 1997 Rs. '000	Eighteen months ended June 30, 1996 Rs, '000
---	---

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

Sales of goods including scrap	13,131	21,709
Purchase of goods and services	3,651	6,238
Commission earned	602	416
Dividend income	494	614

**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 period's figures have been reclassified, wherever necessary, for the purposes of comparison.