

## **Pakistan Cables Limited**

### **Annual Report 2001**

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#### **COMPANY INFORMATION**

##### **BOARD OF DIRECTORS**

Towfiq H. Chinoy (Chairman)

Mustapha A. Chinoy

Haroun Rashid

Muhammad Saeed Akhter

Syed Naseem Ahmad

Syed Zubair Ahmed

Aziz Husain

Shahpur Channah

Asian Sadruddin

Kamal A. Chinoy (Chief Executive)

##### **COMPANY SECRETARY**

Asian Sadruddin

##### **AUDITORS**

A.F. Ferguson & Co.

Chartered Accountants

##### **LEGAL ADVISERS**

Ghani Law Associates

##### **BANKERS**

Credit Agricole Indosuez

Habib Bank Limited

Hongkong and Shanghai Banking Corporation Limited

Muslim Commercial Bank Limited

Oman International Bank  
Standard Chartered Bank  
Standard Chartered Grindlays Bank Limited  
Union Bank Limited

**Registered Office, Factory and Marketing Office**

B/21, Sindh Industrial Trading Estates,  
Manghopir Road, P.O. Box 5050, Karachi-75700  
Telephone Nos: 2561170-75, 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, 7353520, Fax: 7355480

**Branch Offices**

**Multan** 1592, Quaid-e-Azam Shopping Centre No.1, Multan Cantt,  
Telephone No: 583332, Fax: 549336

**Rawalpindi** 455-A, Adamjee Street, Rawalpindi.  
Telephone Nos: 5568895, 5512797, Fax: 5587029

**NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT the 48th Annual General Meeting of the Shareholders of Pakistan Cables Limited will be held on Wednesday, the 14th November 2001 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, 2001 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 20%.
- 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 reappointment).
4. To transact any other business which may legally be transacted at an Annual General Meeting.

**By Order of the Board**

**Aslam Sadruddin  
Finance Director and  
Company Secretary**

KARACHI: October 22, 2001

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from 01.11.2001 to 14.11.2001 (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

|                             | <b>2000-2001</b>   | <b>1999-2000</b>   |
|-----------------------------|--------------------|--------------------|
|                             | <b>Rs. Million</b> | <b>Rs. Million</b> |
| Sales                       | 763.68             | 721.28             |
| Profit after tax            | 6.73               | 12.32              |
| Dividend                    | 6.24               | 9.37               |
| Net assets employed         | 134.67             | 13.531             |
| Shareholders' fund          | 120.45             | 11.996             |
| Net earning per share       | Rs.2.16            | 395                |
| Net earning per rupee sales | Rs.0.01            | 0.02               |

## TEN-YEAR REVIEW

|  | <b>2000-2001</b> | <b>1999-2000</b> | <b>1998-99</b> | <b>1997-98</b> | <b>1996-97</b> | <b>*1995-96</b> | <b>1994</b>    | <b>1993</b>    | <b>1992</b>    | <b>1991</b>    |
|--|------------------|------------------|----------------|----------------|----------------|-----------------|----------------|----------------|----------------|----------------|
|  | <b>Rs.</b>       | <b>Rs.</b>       | <b>Rs.</b>     | <b>Rs.</b>     | <b>Rs.</b>     | <b>Rs.</b>      | <b>Rs.</b>     | <b>Rs.</b>     | <b>Rs.</b>     | <b>Rs.</b>     |
|  | <b>Million</b>   | <b>Million</b>   | <b>Million</b> | <b>Million</b> | <b>Million</b> | <b>Million</b>  | <b>Million</b> | <b>Million</b> | <b>Million</b> | <b>Million</b> |
| Sales                                      | 763.683          | 721.279          | 578.895        | 500.151        | 636.476        | 964.652         | 438.239        | 380.362        | 302.149        | 346.808        |
| Operating profit                           | 34.816           | 40.424           | 39.695         | 24.583         | 54.204         | 63.998          | 30.117         | 30.390         | 16.914         | 24.646         |
| Profit before tax                          | 9.281            | 11.717           | 13.218         | 11.321         | 20.751         | 35.058          | 21.150         | 15.954         | 8.242          | 12.908         |
| Profit after tax                           | 6.733            | 12.317           | 9.248          | 8.321          | 13.151         | 19.733          | 9.157          | 7.868          | 4.173          | 8.331          |
| Dividend                                   | 6.244            | 9.365            | 7.805          | 7.024          | 10.927         | 14.829          | 8.585          | 7.805          | 2.178          | 8.580          |
| Bonus issue                                | --               | --               | --             | --             | --             | --              | --             | --             | 2.178          | 2.640          |
| Capital expenditure                        | 4.847            | 13.781           | 10.015         | 2.628          | 6.569          | 64.762          | 3.145          | 0.741          | 1.142          | 1.376          |
| Fixed assets at cost                       | 279.697          | 275.823          | 262.971        | 252.531        | 246.532        | 244.126         | 179.055        | 175.979        | 175.420        | 180.772        |
| Current assets less<br>current liabilities | 52.863           | 44.429           | 40.944         | 47.596         | 37.359         | 27.687          | 41.609         | 48.633         | 61.234         | 55.085         |
| Current assets:<br>Current liabilities     | 1.1:1            | 1.1:1            | 1.1:1          | 1.2:1          | 1.1:1          | 1.1:1           | 1.2:1          | 1.3:1          | 1.4:1          | 1.4:1          |
| Shareholders' funds<br>issued capital      | 31.218           | 31.218           | 31.218         | 31.218         | 31.218         | 31.218          | 31.218         | 31.218         | 29.040         | 26.400         |
| Reserve & retained<br>earnings             | 89.228           | 88.739           | 85.787         | 84.344         | 83.047         | 80.823          | 75.919         | 75.347         | 77.462         | 78.107         |
| Total shareholders' fund                   | 120.446          | 119.957          | 117.005        | 115.562        | 114.265        | 112.041         | 107.137        | 106.565        | 106.502        | 104.507        |

|  |         |         |         |         |         |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Long term loans & liabilities                          | 14.220  | 15.352  | 20.016  | 31.967  | 38.203  | 47.582  | 21.708  | 37.568  | 47.105  | 55.413  |
| Net assets employed                                    | 134.666 | 135.309 | 137.021 | 147.529 | 152.468 | 159.623 | 128.845 | 144.133 | 153.607 | 159.920 |
| Net earnings as percentage<br>of net assets employed % | 5       | 9       | 7       | 6       | 9       | 12      | 7       | 5       | 3       | 5       |
| Earning per rupee of sales Rs.                         | 0.01    | 0.02    | 0.02    | 0.02    | 0.02    | 0.02    | 0.02    | 0.02    | 0.01    | 0.02    |
| Earning per share Rs.                                  | 2.16    | 3.95    | 2.96    | 2.67    | 4.21    | 6.32    | 2.93    | 2.52    | 1.44    | 3.16    |
| Cash dividend per share Rs.                            | 2.00    | 3.00    | 2.50    | 2.25    | 3.50    | 4.75    | 2.75    | 2.50    | 0.75    | 3.25    |
| Break-up value per share Rs.                           | 38.59   | 38.43   | 37.48   | 37.02   | 36.60   | 3.5.89  | 34.32   | 34.14   | 36.67   | 39.59   |

*\*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 June 30th, 2001.

### BOARD CHANGES

During the year following changes took place in the Board:

i) Syed Zubair Ahmad was appointed as NIT's nominee director on the Board of your company on 08-12-2000 in place of Dr. Amjad Waheed.

ii) Mr. Aziz Husain was also appointed as NIT's nominee director in place of Ms. Sara Jawaid effective 10-11-2000.

iii) Mr. Muhammad Saeed Akhter was appointed as State Life Insurance Corporation of Pakistan's nominee director on 26-12-2000 in place of Mr. Imtiaz Rasool.

The Board wishes to place on record its warm appreciation for the valuable contributions made by the retiring directors and takes pleasure in welcoming the new directors.

### OPERATING PERFORMANCE

The recession of previous years continued unabated during the period under review. Construction activity was severely affected and industrial investment remained shy, except for the textile sector which invested in modernization and expansion, Our aluminium profile business was particularly affected by the slow pace of construction. The share of business that we received from utility companies was low and we particularly stayed away from KESC business of Medium Voltage (MV) cables as they wanted one year's unsecured credit. Matters were further aggravated by the steep depreciation in the rupee and the severe competition within the cable industry.

By the grace of God, despite these difficulties your company managed to achieve sales of Rs. 763.7 million during the year, which is 6% higher than last year's sales of Rs. 721.3 million.

Gross profit of Rs. 86.7 million is 11.4% of sales against last year's gross profit of Rs. 86.4 million, which is 12,0% of the sales. The fall in gross profit percentage is mainly due to increase in price of raw materials in the international market. The devaluation in the value of Pak Rupee by 23% during the year further raised the raw material cost. Due to severe competition in sales, it was not possible to pass on the increased material cost to the customers to the full extent, which resulted in reduced margins.

Operating profit for the year is Rs, 34,8 million against Rs, 40.4 million last year.

Financial charges for the year were Rs. 31.7 million which are almost at par with the last year's charges of Rs. 31.4 million inspire of higher sales for which higher working capital was required to finance inventories. This reflects yours Company's strict control on borrowings and efficient utilization of available resources.

The charge for income tax for the current year is much higher than last year as there was a write back of prior year's provision of Rs. 2 million last year. Due to the higher charge for the taxation and the higher material cost, the company ended up with a profit after fax of Rs. 6.7 million as compared to Rs. 12.3 million last year.

#### **DIVIDEND**

For the current year, your directors recommends payment of dividend of Rs. 2.00 per share (20%) compared to Rs. 3.00 per share (30%) last year.

#### **INDUSTRY CONCERNS**

As reported previously, the incidence of government taxes on wire & cables is very high. Excise Duty and Sales Tax together result in a loading of 26.5%. In addition, a further 3% sales tax is chargeable on goods sold to unregistered customers. This only encourages manufacturers to evade taxes, depriving the government of much needed revenue. The government has long declared that industry should not suffer from a multiplicity of taxes (either excise duty or sales tax should apply on a product). Wire & Cables is the only industry in the capital goods industry, which is under double taxation. This uneven playing field is all the more glaring in light of the fact that in the last budget, the government removed excise duty from Enamel Wire industry, whose products are now subject only to Sales Tax. We urge the government once again, not to discriminate against the wire and cables industry.

#### **ISO 9001 CERTIFICATION**

In 1997, your company was one of the first fifty companies in Pakistan to obtain ISO 9000 certification. It was also the first cable company to be so certified for all its products (as well as our branches). Now in November 2000, Pakistan Cables has upgraded its certification to the latest version of this specification. We are now certified to ISO 9001: 2000. We remain the only company in the cable industry to be certified to this latest specification and were amongst the first five in Pakistan to be so certified.

#### **FUTURE PROSPECTS**

The recent tragedy in the USA has put Pakistan in the focus of the whole world and has brought uncertainty to an already depressed market. The future has to be further viewed in the context of this industry sector, which is very competitive in the entire range of products which we offer, resulting in pressure on our margins. The poor financial health of WAPDA and KESC 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 and this should be of assistance in such market conditions. It is also hoped that government efforts will spur the economic activity once the existing uncertainties are over which should prove fruitful for our country.

#### **STAFF**

The total number of employees as on June 30th, 2001 was 293. The relations of the Management with the workers and their union remained peaceful and cordial at all levels. In order to improve the quality of staff, continuous training is provided both on job and outside. 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.

**TOWFIQ H. CHINOY**  
Chairman

KARACHI: October 13, 2001.

## **REPORT OF THE DIRECTORS**

1. The Directors have pleasure in submitting their Report and Annual Audited Accounts for the year ended 30th June, 2001.

|   |       |
|---|-------|
| The net profit after tax amounted to                                  | 6,733 |
| To this is added unappropriated profit brought forward from last year | 239   |
|   | ----- |
|   | 6,972 |
|   | ===== |

The Directors recommended:

|  |       |
|--|-------|
| Payment of Cash dividend at the rate of Rs. 2.00 per share (20%) | 6,244 |
| Transfer to General Reserve                                      | 500   |
| Leaving unappropriated profit to be Carried Forward              | 228   |
|  | ----- |
|  | 6,972 |
|  | ===== |

2. During the year following changes took place in the Board:

(i) Syed Zubair Ahmad was appointed as NIT's nominee director on the Board of your company on 08-12-2000 in place of Dr. Amjad Waheed.

(ii) Mr. Aziz Husain was also appointed as NIW's nominee director in place of Ms. Sara Jawaid effective 10-11-2000.

(iii) Mr. M. Saeed Akhter was appointed as State Life Insurance Corporation of Pakistan's nominee director on 26-12-2000 in place of Mr. Imtiaz Rasool.

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 reappointment.

**On behalf of the Board**

**Kamal A. Chinoy**  
Director & Chief Executive

Karachi: October 11, 2001

**PATTERN OF SHAREHOLDING AS AT JUNE 30, 2001**

| <i>No. of Shareholders</i> | <i>Shareholding</i> |    |           | <i>Total Shares held</i> |
|----------------------------|---------------------|----|-----------|--------------------------|
| 398                        | 1                   | to | 100       | 16,116                   |
| 405                        | 101                 | to | 500       | 101,455                  |
| 101                        | 501                 | to | 1,000     | 75,689                   |
| 108                        | 1,001               | to | 5,000     | 220,666                  |
| 12                         | 5,001               | to | 10,000    | 80,290                   |
| 6                          | 10,001              | to | 15,000    | 75,937                   |
| 2                          | 15,001              | to | 20,000    | 33,200                   |
| --                         | 20,001              | to | 25,000    | --                       |
| 1                          | 25,001              | to | 30,000    | 29,843                   |
| --                         | 30,001              | to | 40,000    | --                       |
| 1                          | 40,001              | to | 45,000    | 43,261                   |
| 1                          | 45,001              | to | 50,000    | 47,009                   |
| --                         | 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 | 125       | --                       |
| 1                          | 125,001             | to | 130,000   | 129,869                  |
| --                         | 130,001             | to | 160,000   | --                       |
| 1                          | 160,001             | to | 165,000   | 162,853                  |
| --                         | 165,001             | to | 170,000   | --                       |
| 1                          | 170,001             | to | 175,000   | 173,710                  |
| --                         | 175,001             | to | 290,000   | --                       |
| 1                          | 290,001             | to | 295,000   | 292,230                  |
| --                         | 295,001             | to | 300,000   | --                       |
| 1                          | 300,001             | to | 305,000   | 304,400                  |
| --                         | 305,001             | to | 475,000   | --                       |
| 1                          | 475,001             | to | 480,000   | 478,299                  |
| --                         | 480,001             | to | 615,000   | --                       |
| 1                          | 615,001             | to | 620,000   | 619,356                  |
| --                         | 620,001             | to | 3,121,800 | --                       |
| -----                      |                     |    |           | -----                    |
| 1,045                      |                     |    |           | 3,121,800                |
| =====                      |                     |    |           | =====                    |

| <i>Category of shareholders</i> | <i>Number</i> | <i>Shares held</i> | <i>Percentage</i> |
|---------------------------------|---------------|--------------------|-------------------|
| individuals                     | 1,016         | 1,630,616          | 52.23             |
| Investment Companies            | 2             | 705,171            | 22.59             |
| insurance Companies             | 6             | 349,610            | 11.20             |
| Joint Stock Companies           | 10            | 318,488            | 10.20             |
| Financial institutions          | 5             | 92,330             | 2.96              |
| Modaraba Companies              | 0             | --                 | 0.00              |
| Others                          | 6             | 25,585             | 0.82              |

|                         |                             |                          |
|-------------------------|-----------------------------|--------------------------|
| -----<br>1,045<br>===== | -----<br>3,121,800<br>===== | -----<br>100.00<br>===== |
|-------------------------|-----------------------------|--------------------------|

**OTHERS**

|  |                          |
|--|--------------------------|
| Aminia Muslim Girls School Trust                 | 11,304                   |
| Karachi Zarhosti Banu Mandal                     | 10,408                   |
| Pakistan Masonic Institution                     | 1,135                    |
| The Pakistan Memon Educational & Welfare Society | 2,000                    |
| Government of Pakistan, Corporate Law Authority  | 1                        |
| Administrator Abandoned Properties Organization  | 737                      |
|  | -----<br>25,585<br>===== |

**AUDITORS' REPORT To THE MEMBERS**

We have audited the annexed balance sheet of Pakistan Cables Limited as at June 30, 2001 and the related profit and loss account, statement of changes in equity and 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.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that-

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

(b) in our opinion-

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement



together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2001 and of the profit, its changes in equity and 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 18, 2001

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

## **BALANCE SHEET AS AT JUNE 30, 2001**

|   | <i>Note</i> | <i>2001</i><br><i>Rs. '000</i> | <i>2000</i><br><i>Rs. '000</i> |
|---|-------------|--------------------------------|--------------------------------|
| <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 (2000: 3,121,800)   |             |                                |                                |
| ordinary shares of Rs 10 each   | 3           | 31,218                         | 31,218                         |
| Revenue reserves  |             |                                |                                |
| General reserve   | 4           | 89,000                         | 88,500                         |
| Unappropriated profit   |             | 228                            | 239                            |
|   |             | -----                          | -----                          |
|   |             | 120,446                        | 119,957                        |
| <b>LIABILITY AGAINST AN ASSET SUBJECT TO A FINANCE LEASE</b>              |             |                                |                                |
|   | 5           | 487                            | 680                            |
| <b>DEFERRED LIABILITIES</b>   |             |                                |                                |
| Staff retirement benefits - gratuity                                      | 6           | 13,733                         | 14,672                         |
| <b>CURRENT LIABILITIES AND PROVISIONS</b>                                 |             |                                |                                |
| Finances under mark-up arrangements                                       | 7           | 220,195                        | 191,395                        |
| Current maturity of liability against an asset subject to a finance lease | 5           | 193                            | 161                            |
| Creditors, accrued expenses and other liabilities                         | 8           | 132,840                        | 175,691                        |
| Workers' profits participation fund                                       | 9           | 582                            | 686                            |
| Workers' welfare fund   |             | 1,497                          | 1,256                          |
| Dividends   | 10          | 8,029                          | 11,003                         |
|   |             | -----                          | -----                          |
|   |             | 363,336                        | 380,192                        |
| <b>CONTINGENCIES AND COMMITMENTS</b>                                      |             |                                |                                |
|   | 11          | --                             | --                             |
|   |             | -----                          | -----                          |
|   |             | 498,002                        | 515,501                        |

The annexed notes form an integral part of these accounts.

### TANGIBLE FIXED ASSETS

|   |    |         |         |
|---|----|---------|---------|
| Operating assets                          | 12 | 65,791  | 75,848  |
| Capital work-in-progress                  | 13 | --      | 930     |
|   |    | -----   | -----   |
|   |    | 65,791  | 76,778  |
| <b>LONG-TERM INVESTMENTS</b>              | 14 | 7,355   | 8,437   |
| <b>LONG-TERM LOANS AND ADVANCES</b>       | 15 | 2,186   | 1,053   |
| <b>LONG-TERM SECURITY DEPOSITS</b>        |    | 1,314   | 1,072   |
| <b>DEFERRED TAXATION</b>                  | 16 | 5,157   | 3,540   |
| <b>CURRENT ASSETS</b>                     |    |         |         |
| Stores and spares                         | 17 | 18,511  | 18,919  |
| Stocks                                    | 18 | 214,269 | 213,844 |
| Trade debts                               | 19 | 119,431 | 110,588 |
| Short-term loans and advances             | 20 | 2,397   | 2,583   |
| Current maturity of long-term investments | 14 | 1,967   | 4,699   |
| Deposits and short-term prepayments       | 21 | 1,555   | 1,313   |
| Other receivables                         | 22 | 6,322   | 68,081  |
| Income tax refundable                     |    | 37,171  | 36,232  |
| Cash and bank balances                    | 23 | 14,576  | 29,635  |
|   |    | -----   | -----   |
|   |    | 416,199 | 424,621 |
|   |    | -----   | -----   |
|   |    | 498,002 | 515,501 |
|   |    | =====   | =====   |

**KAMAL A. CHINYOY**  
Director and Chief Executive

**M. SAEED AKHTER**  
Director

**AZIZ HUSAIN**  
Director

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2001

|  | <i>Note</i> | <i>2001</i><br><i>Rs. '000</i> | <i>2000</i><br><i>Rs. '000</i> |
|--|-------------|--------------------------------|--------------------------------|
| Net sales                                    | 24          | 763,683                        | 721,279                        |
| Cost of goods sold                           | 25          | 676,958                        | 634,834                        |
|  |             | -----                          | -----                          |
| Gross profit                                 |             | 86,725                         | 86,445                         |
| Selling, administration and general expenses | 26          | 51,909                         | 46,021                         |
|  |             | -----                          | -----                          |
| Operating profit                             |             | 34,816                         | 40,424                         |
| Other income                                 | 27          | 6,895                          | 4,766                          |
|  |             | -----                          | -----                          |
|  |             | 41,711                         | 45,190                         |

|   |    |          |          |
|---|----|----------|----------|
| Other charges                           | 28 | 744      | 2,054    |
|   |    | -----    | -----    |
|   |    | 40,967   | 43,136   |
| Financial charges                       | 29 | 31,686   | 31,419   |
|   |    | -----    | -----    |
| Profit before taxation                  |    | 9,281    | 11,717   |
| Taxation                                | 30 | 2,548    | (600)    |
|   |    | -----    | -----    |
| Profit after taxation                   |    | 6,733    | 12,317   |
| Unappropriated profit brought forward   |    | 239      | 287      |
|   |    | -----    | -----    |
| Available for appropriation             |    | 6,972    | 12,604   |
|   |    | -----    | -----    |
| Appropriations                          |    |          |          |
| Proposed final dividend 20% (2000: 30%) |    | 6,244    | 9,365    |
| Transfer to general reserve             |    | 500      | 3,000    |
|   |    | -----    | -----    |
|   |    | 6,744    | 12,365   |
|   |    | -----    | -----    |
| Unappropriated profit carried forward   |    | 228      | 239      |
|   |    | =====    | =====    |
| Basic earnings per share                | 31 | Rs. 2.16 | Rs. 3.95 |
|   |    | =====    | =====    |

The annexed notes form an integral part of these accounts.

**KAMAL A. CHINYOY**  
Director and Chief Executive

**M. SAEED AKHTER**  
Director

**AZIZ HUSAIN**  
Director

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2001

|                             | <i>Issued,<br/>subscribed<br/>and paid-up<br/>share capital</i> | <i>General<br/>Reserve</i> | <i>Unappropriated<br/>profit</i> | <i>Total</i> |
|-----------------------------|---|----------------------------|----------------------------------|--------------|
|                             | <i>Rs. '000</i>   |                            |                                  |              |
| Balance as at June 30, 1999 | 31,218  | 85,500                     | 287                              | 117,005      |
| Profit for the year         | --  | --                         | 12,317                           | 12,317       |
| Transfer to general reserve | --  | 3,000                      | (3,000)                          | --           |
| Proposed dividend           | --  | --                         | (9,365)                          | (9,365)      |
|                             | -----   | -----                      | -----                            | -----        |
| Balance as at June 30, 2000 | 31,218  | 88,500                     | 239                              | 119,957      |
| Net profit for the year     | --  | --                         | 6,733                            | 6,733        |
| Transfer to general reserve | --  | 500                        | (500)                            | --           |
| Proposed dividend           | --  | --                         | (6,244)                          | (6,244)      |
|                             | -----   | -----                      | -----                            | -----        |
| Balance as at June 30, 2001 | 31,218  | 89,000                     | 228                              | 120,446      |
|                             | =====   | =====                      | =====                            | =====        |

The annexed notes form an integral part of these accounts.

**KAMAL A. CHINOY**  
Director and Chief Executive

**M. SAEED AKHTER**  
Director

**AZIZ HUSAIN**  
Director

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2001**

|  | <i>Note</i> | <i>2001</i><br><i>Rs. '000</i> | <i>2000</i><br><i>Rs. '000</i> |
|--|-------------|--------------------------------|--------------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>             |             |                                |                                |
| Cash generated from operations                         | 32          | (5,112)                        | 77,489                         |
| Staff retirement benefits paid                         |             | (2,789)                        | (2,642)                        |
| Financial charges paid                                 |             | (28,960)                       | (33,079)                       |
| Taxes paid   |             | (5,104)                        | 2,201                          |
| Long-term loans and advances (net)                     |             | (1,133)                        | 801                            |
| Long-term security deposits (net)                      |             | (242)                          | (157)                          |
|  |             | -----                          | -----                          |
| Net cash (outflow)/inflow from operating activities    |             | (43,340)                       | 44,613                         |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>             |             |                                |                                |
| Fixed capital expenditure                              |             | (4,847)                        | (13,781)                       |
| Sale proceeds on disposal of fixed assets              |             | 1,664                          | 1,364                          |
| Foreign exchange bearer certificates encashed          |             | 4,699                          | --                             |
| Investment income received                             |             | 6,410                          | --                             |
| Dividends received                                     |             | 934                            | 817                            |
|  |             | -----                          | -----                          |
| Net cash inflow/(outflow) from investing activities    |             | 8,860                          | (11,600)                       |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>             |             |                                |                                |
| Lease rentals paid                                     |             | (161)                          | (135)                          |
| Dividends paid   |             | (9,218)                        | (7,667)                        |
|  |             | -----                          | -----                          |
| Net cash outflow from financing activities             |             | (9,379)                        | (7,802)                        |
|  |             | -----                          | -----                          |
| Net (decrease)/increase in cash and cash equivalents   |             | (43,859)                       | 25,211                         |
| Cash and cash equivalents at the beginning of the year |             | (161,760)                      | (186,971)                      |
|  |             | -----                          | -----                          |
| Cash and cash equivalents at the end of the year       | 33          | (205,619)                      | (161,760)                      |
|  |             | =====                          | =====                          |

The annexed notes form an integral part of these accounts.

**KAMAL A. CHINOY**  
Director and Chief Executive

**M. SAEED AKHTER**  
Director

**AZIZ HUSAIN**  
Director

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2001**

## **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 rods, wires, cables and conductors and aluminium profiles.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Accounting convention and basis of preparation**

These accounts have been prepared under the historical cost convention and in accordance with the requirements of the Companies Ordinance, 1984 and the International Accounting Standards as applicable in Pakistan,

### **2.2 Staff retirement benefits**

#### **Defined benefit plans**

The company has established a pension fund scheme for all permanent employees who are in the management cadre and the executive directors.

In addition, the company operates an unfunded gratuity scheme for employees not covered by the pension fund scheme.

The actuarial valuations for pension and gratuity schemes are based on the 'projected unit credit method' which uses the following significant assumptions:

- discount rate- 14% per annum
- expected rate of increase in salaries- 11.83% per annum
- expected rate of interest on investment-14% per annum

Actuarial valuations are conducted annually and the last valuation was conducted at the balance sheet date (June 30, 2001). Actuarial gains and losses arising during the year are included in income currently. The net liability of the company for retirement benefits is Rs 11.654 million (2000: Rs 15.035 million).

#### **Defined contribution plan**

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 temporary differences using the balance sheet liability method. However, deferred tax is not accounted for if it can be established with reasonable probability that these 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 capitalised and the assets so replaced, if any, are retired.

Gains and losses on disposal of fixed assets are included in income currently.

### **2.5 Fixed assets acquired under finance leases**

The company accounts for fixed assets acquired under finance leases by recording the assets and the related liability. These amounts are determined on the basis of discounted value of minimum lease payments. Finance charges are allocated to the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged to income applying the straight line method at the rates stated in note 12 below.

### **2.6 Long-term investments**

Investments are stated at the lower of cost and market value determined on a portfolio basis. However, individual investments are adjusted to recognise a decline in market value other than temporary. Profits and losses on sale of investments during the year are included in income currently.

### **2.7 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.

### **2.8 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.

### **2.9 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.

### **2.10 Trade debts**

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

### **2.11 Foreign currencies**

Consistent with prior years transactions in foreign currencies are recorded in Pakistan rupees at the rates of exchange approximating those prevalent on the date of transaction except if such

transactions are covered through forward foreign exchange contracts in which case they are recorded at the contracted rate.

Consistent with prior years monetary assets and liabilities in foreign currencies are reported in Pakistan rupees at the rates of exchange approximating those prevalent on the balance sheet date except those liabilities covered under forward foreign exchange contracts which are reported at the contractual rates, Exchange gains and losses are included in income currently.

## 2.12 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.

|  | <i>2001</i>    | <i>2000</i>    |
|--|----------------|----------------|
|  | <i>Rs '000</i> | <i>Rs '000</i> |
| <b>3. ISSUED, SUBSCRIBED AND PAID-UP 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         |
| =====  | =====          | =====          |
| <b>4. GENERAL RESERVE</b>  |                |                |
| At the beginning of the year   | 88,500         | 85,500         |
| Transfer from profit and loss account  | 500            | 3,000          |
|  | -----          | -----          |
|  | 89,000         | 88,500         |
|  | =====          | =====          |

## 5. LIABILITY AGAINST AN ASSET SUBJECT TO A FINANCE LEASE

The company has acquired a vehicle under a finance lease agreement with a leasing company. The rentals are payable in quarterly installments under that lease agreement. The amounts of future payments for the lease and the period in which the lease payments will become due are as follows:

|                       | <i>2001</i>                   | <i>2000</i>    | <i>2001</i>              | <i>2000</i>    | <i>2001</i>                                    | <i>2000</i>    |
|-----------------------|-------------------------------|----------------|--------------------------|----------------|--|----------------|
|                       | <i>Minimum lease payments</i> |                | <i>Financial charges</i> |                | <i>Present value of minimum lease payments</i> |                |
|                       | <i>Rs '000</i>                | <i>Rs '000</i> | <i>Rs '000</i>           | <i>Rs '000</i> | <i>Rs '000</i>                                 | <i>Rs '000</i> |
| Year to June 30, 2001 | --                            | 307            | --                       | 146            | --   | 161            |
| Year to June 30, 2002 | 307                           | 307            | 114                      | 114            | 193  | 193            |
| Year to June 30, 2003 | 307                           | 307            | 77                       | 77             | 230  | 230            |
| Year to June 30, 2004 | 231                           | 231            | 27                       | 27             | 204  | 204            |
| Year to June 30, 2005 | 53                            | 53             | --                       | --             | 53   | 53             |

|  |     |       |     |     |     |     |
|--|-----|-------|-----|-----|-----|-----|
| Total  | 898 | 1,205 | 218 | 364 | 680 | 841 |
| Less: Current maturity shown under current liabilities |     |       |     |     | 193 | 161 |
|  |     |       |     |     | 487 | 680 |

The present value of minimum lease payments has been discounted at an effective interest rate of 18.62% per annum. Repairs and insurance costs are to be borne by the lessee. The company intends to exercise its option to purchase the leased asset at the termination of the lease period at 5% of the leased amount.

## 6. STAFF RETIREMENT BENEFITS

### - Defined benefit plans

|  | 2001                      |                            | 2000                      |                            |
|--|---------------------------|----------------------------|---------------------------|----------------------------|
|  | <i>Pension</i><br>Rs '000 | <i>Gratuity</i><br>Rs '000 | <i>Pension</i><br>Rs '000 | <i>Gratuity</i><br>Rs '000 |
| <b>6.1 Movement in liability</b>                         |                           |                            |                           |                            |
| Opening balance  | 363                       | 14,672                     | 3,470                     | 15,705                     |
| Reversal of liability/expense recog                      | (2,079)                   | 1,850                      | (1,161)                   | 1,403                      |
| Company's contribution to pension fund/gratuity payments | (363)                     | (2,789)                    | (1,946)                   | (2,436)                    |
|  | (2,079)                   | 13,733                     | 363                       | 14,672                     |

|   | 2001                      |                            | 2000                      |                            |
|---|---------------------------|----------------------------|---------------------------|----------------------------|
|   | <i>Pension</i><br>Rs '000 | <i>Gratuity</i><br>Rs '000 | <i>Pension</i><br>Rs '000 | <i>Gratuity</i><br>Rs '000 |
| <b>6.2 Balance sheet reconciliation</b> |                           |                            |                           |                            |
| Plan assets                             | (55,121)                  | --                         | (47,920)                  | --                         |
| Obligation                              | 53,042                    | 13,733                     | 48,283                    | 14,672                     |
| Company's (asset) /liability            |                           |                            |                           |                            |
| - pension                               | (2,079)                   | --                         | 363                       | --                         |
| - gratuity                              | --                        | 13,733                     | --                        | 14,672                     |

6.3 The actual return on pension plan assets was Rs. 8.2 million (2000: Rs. 7.3 million).

## 7. FINANCES UNDER MARK-UP ARRANGEMENTS

### Secured

#### Running and term finances

The company has arranged short-term running finances from banks, The overall facility for these



running finances under mark-up arrangements amounts to Rs 395 million (2000: Rs 395 million). The mark-up on these running finances ranges between Rs 0.3698 to Rs 0.3836 per Rs 1.000 per diem net of prompt payment rebate. Mark-up on term finances is agreed at each disbursement and such facility is earmarked from the aforementioned running finances. There were no outstanding term finances as at June 30, 2001 (2000: Rs 150 million). The facilities are available for various periods expiring between September 30, 2001 and January 21, 2002.

#### Other facilities

The facility for opening letters of credit and guarantees as at June 30, 2001 amounted to Rs 414.147 million (2000: Rs 366.147 million) of which the amount remaining unutilised as at that date was Rs 312,788 million (2000: Rs 273,419 million).

#### Securities

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

|   | <i>2001</i>    | <i>2000</i>    |
|---|----------------|----------------|
|   | <i>Rs '000</i> | <i>Rs '000</i> |
| <b>8. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES</b> |                |                |
| Creditors   | 29,624         | 27,426         |
| Bills payable   | 60,381         | 106,081        |
| Accrued expenses  | 7,166          | 13,302         |
| Advances from customers                                     | 3,901          | 3,463          |
| Customs duty - note 8.1                                     | 969            | 885            |
| Sales tax   | 4,564          | 2,481          |
| Mark-up on running and term finances - secured              | 7,607          | 4,881          |
| Others - note 8.2   | 18,628         | 17,172         |
|   | -----          | -----          |
|   | 132,840        | 175,691        |
|   | =====          | =====          |

8.1 This includes a provision for custom duty on raw materials aggregating Rs 0.969 million which is paid on demand by the custom authorities. The movement in this provision during the year is as follows:

|                      | <i>2001</i>    |
|----------------------|----------------|
|                      | <i>Rs '000</i> |
| Opening balance      | 885            |
| Expense for the year | 91             |
| Less: Payments       | 7              |
|                      | -----          |
| Closing balance      | 969            |
|                      | =====          |

8.2 'Others' includes an amount of Rs 10.941 million (2000: 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 a 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.

|  | <i>2001</i>    | <i>2000</i>    |
|--|----------------|----------------|
|  | <i>Rs '000</i> | <i>Rs '000</i> |
| <b>9. WORKERS' PROFITS PARTICIPATION FUND</b>        |                |                |
| Balance at the beginning of the year                 | 686            | 766            |
| Interest on funds utilised in the company's business | 55             | 38             |
| Allocation for the year                              | 504            | 631            |
|  | -----          | -----          |
|  | 1,245          | 1,435          |
| Less: Amount paid to the fund                        | 663            | 749            |
|  | -----          | -----          |
| Balance at the end of the year                       | 582            | 686            |
|  | =====          | =====          |
| <b>10. DIVIDENDS</b>                                 |                |                |
| Unclaimed  | 1,785          | 1,638          |
| Proposed final                                       | 6,244          | 9,365          |
|  | -----          | -----          |
|  | 8,029          | 11,003         |
|  | =====          | =====          |

## 11. CONTINGENCIES AND COMMITMENTS

### 11.1 Contingent liabilities

a) The Deputy Commissioner of Income Tax (DCIT) while finalising the assessment for the year ended June 30, 1998 has issued a demand for an additional liability on account of enhanced gross profit rate and certain other add backs. The company had filed an appeal with the CIT (Appeals) which was decided against the company. The company has filed an appeal with the Income Tax Appellate Tribunal which is pending adjudication. The DCIT has during the year rectified a mistake in the assessment order and accordingly the subject demand has been reduced by Rs 2.336 million. The management being confident that the ultimate decision in respect of the aforementioned matters will be in the company's favour has not made provision in the accounts for the additional amount of Rs 6.977 million (2000: Rs 9.313 million).

b) Bank guarantees amounting to Rs 15,067 million (2000: Rs 16,234 million) have been given to Collector of Customs against partial exemptions of import levies. The company has also issued post dated cheques amounting to Rs 0,605 million (2000: Rs nil) in this respect.

The company has given bank guarantees amounting to Rs 1.8 million and have also issued post-dated cheques in favour of the Collector of Customs in lieu of bank guarantees amounting to Rs 11.06 million (2000: Rs 9,889 million) in respect of import levies of aluminium rods. The custom authorities have taken a view that these rods fall within the definition of wire and are subject to higher rate of duty. The aforementioned amounts represent the differential amount of duty. The duty rates of both rods and wires (of which maximum cross sectional dimension exceeds 7mm) have now become the same, The custom authorities had sought encashment of these cheques and guarantees, however, the company has obtained stay on encashments of these from the High Court of Sindh.

d) The Additional Collector, Sales Tax and Central Excise has raised a demand of Rs 55,947 million as additional tax on the sales tax liability of Rs 6,401 million for aluminium rods extruded from aluminium billets. The issue of sales tax on aluminium rods, an intermediary product used in the

assimilation of conductors and cables, was pending with the Supreme Court. The principal amount of sales tax was fully discharged by the company immediately on receiving the Supreme Court decision. The company has filed an appeal against the demand for additional tax by the Additional Collector which was neither raised at the time of initial assessment nor during the course of litigation. The High Court has passed an interim order restraining the Sales Tax Collectorate from taking any coercive action. No provision has been made in the enclosed accounts for the aforementioned additional liability as the management is confident that the order made by the Additional Collector, shall not be maintained at the appeal stage.

e) Bank guarantees amounting to Rs 12,542 million (2000: Rs 21,955 million) have been given to various parties for contract performance, tender deposits etc.

## 11.2 Commitments

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:

| <i>Year ended<br/>June 30,</i> | <i>MINIMUM LEASE PAYMENTS</i> |                          |
|--------------------------------|-------------------------------|--------------------------|
|                                | <i>2001<br/>Rs. '000</i>      | <i>2000<br/>Rs. '000</i> |
| 2001                           | --                            | 395                      |
| 2002                           | 144                           | 144                      |
|                                | -----                         | -----                    |
|                                | 144                           | 539                      |
|                                | =====                         | =====                    |

## 12. OPERATING ASSETS

|  | <i>Cost as at<br/>July 1,<br/>2000</i> | <i>Additions/<br/>(disposals)</i> | <i>Cost as at<br/>June 30,<br/>2001</i> | <i>Accumulated<br/>depreciation<br/>as at July 1,<br/>2000</i> | <i>Depreciation<br/>charge for the<br/>year/(depreciation on<br/>disposals)</i> | <i>Accumulated<br/>depreciation<br/>as at June 30,<br/>2001</i> | <i>Net book<br/>value as<br/>at June 30,<br/>2001</i> | <i>Annual rate of<br/>depreciation as<br/>a % of cost</i> |
|--|--|-----------------------------------|---|--|---|---|---|---|
| <i>Rupees '000</i>                     |  |                                   |   |  |   |   |   |   |
| <b>Owned:</b>                          |  |                                   |   |  |   |   |   |   |
| Buildings on leasehold land            | 15,955                                 | --                                | 15,955                                  | 9,294  | 529   | 9,823   | 6,132   | 2.5 and 5   |
| Plant and machinery                    | 231,556                                | 2,311                             | 233,867                                 | 172,952  | 11,328  | 184,280   | 49,587  | 8, 12 and 25  |
| Office equipment and appliances        | 16,937                                 | 1,096<br>(24)                     | 18,009                                  | 12,098   | 1,428<br>(24)   | 13,502  | 4,507   | 12 and 25   |
| Furniture and fixtures                 | 2,611                                  | 253                               | 2,864                                   | 1,763  | 195   | 1,958   | 906   | 8, 12 and 25  |
| Vehicles                               | 7,538                                  | 2,117<br>(1,879)                  | 7,776                                   | 3,379  | 1,305<br>(1,041)  | 3,643   | 4,133   | 12 and 20   |
| Loose tools                            | 173                                    | --                                | 173                                     | 173  | --  | 173   | --  | 20  |
| <b>Asset subject to finance lease:</b> |  |                                   |   |  |   |   |   |   |
| Vehicle                                | 1,053                                  | --                                | 1,053                                   | 316  | 211   | 527   | 526   | 20  |
|  | -----                                  | -----                             | -----                                   | -----  | -----   | -----   | -----   |   |

|                     |         |                  |         |         |                   |         |        |
|---------------------|---------|------------------|---------|---------|-------------------|---------|--------|
| As at June 30, 2001 | 275,823 | 5,777<br>(1,903) | 279,697 | 199,975 | 14,996<br>(1,065) | 213,906 | 65,791 |
| As at June 30, 2000 | 262,971 | 13,665<br>(813)  | 275,823 | 184,268 | 16,222<br>(515)   | 199,975 | 75,848 |

12.1 The following fixed assets were disposed off during the year ended June 30, 2001.

| <i>Assets</i>                                     | <i>Original cost</i> | <i>Accumulated depreciation</i> | <i>Net book value</i>         | <i>Sale proceeds</i>          | <i>Mode of disposal</i> | <i>Purchaser</i>              |
|---|----------------------|---------------------------------|-------------------------------|-------------------------------|-------------------------|-------------------------------|
| <i>Rupees '000</i>                                |                      |                                 |                               |                               |                         |                               |
| <b>Vehicles</b>                                   |                      |                                 |                               |                               |                         |                               |
| Honda Motorcycle                                  | 63                   | 25                              | 38                            | 63                            | Insurance claim         | New Jubilee Insurance Company |
| Toyota Corolla                                    | 889                  | 89                              | 800                           | 889                           | Insurance claim         | New Jubilee Insurance Company |
| Other items of net book value below Rs 5,000 each | 951                  | 951                             | --                            | 712                           | Various                 | Various                       |
|   | 1,903                | 1,065                           | 838                           | 1,664                         |                         |                               |
| 2000  | 813                  | 515                             | 298                           | 1,364                         |                         |                               |
|   |                      |                                 | <i>2001</i><br><i>Rs '000</i> | <i>2000</i><br><i>Rs '000</i> |                         |                               |

### 13. CAPITAL WORK-IN-PROGRESS

|                     |    |     |
|---------------------|----|-----|
| Plant and machinery | -- | 930 |
|---------------------|----|-----|

### 14. LONG-TERM INVESTMENTS

Quoted

In associated companies

International Industries Limited 110,000 (2000: 100,000)

fully paid ordinary shares of Rs.10 each (Market value

Rs 3.410 million; 2000: Rs 2.525 million)

3,410 2,525

New Jubilee Insurance Company Limited 521,260

(2000: 434,384) fully paid ordinary shares of Rs 5 each

(Market value Rs 17.593 million; 2000: Rs 14.335 million)

3,945 3,945

Sub-total (Market value Rs 21.003 million; 2000:

Rs 16.860 million)

7,355 6,470

**Others**

|   |       |       |
|---|-------|-------|
| Foreign exchange bearer certificates              | 1,967 | 6,666 |
| Less: Current maturity shown under current assets | 1,967 | 4,699 |
|   | ----- | ----- |
|   | --    | 1,967 |
|   | ----- | ----- |
|   | 7,355 | 8,437 |
|   | ===== | ===== |

## 15. LONG-TERM LOANS AND ADVANCES

### Considered good

|                            |       |       |
|----------------------------|-------|-------|
| Executives - note 15.1     | 685   | 287   |
| Other employees- note 15.1 | 2,691 | 1,567 |
|                            | ----- | ----- |
|                            | 3,376 | 1,854 |

Less: Recoverable within one year- note 20

|                 |       |       |
|-----------------|-------|-------|
| Executives      | 263   | 110   |
| Other employees | 927   | 691   |
|                 | ----- | ----- |
|                 | 1,190 | 801   |
|                 | ----- | ----- |
|                 | 2,186 | 1,053 |
|                 | ===== | ===== |

Amounts outstanding for periods exceeding three years included in above

|  |       |       |
|--|-------|-------|
|  | --    | 149   |
|  | ===== | ===== |

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

15.2 The maximum aggregate amount due from executives at the end of any month during the year was Rs 0.709 million (2000: Rs 0.334 million).

## 16. DEFERRED TAXATION

The net deferred tax asset as at June 30, 2001 arising due to net temporary differences under the balance sheet liability method is estimated at Rs 8,392 million (2000: Rs 6,270 million) which is due to debit/(credit) balances arising in respect of:

|   | <i>2001</i>    | <i>2000</i>    |
|---|----------------|----------------|
|   | <i>Rs '000</i> | <i>Rs '000</i> |
| Accelerated tax depreciation allowances           | (4,974)        | (7,173)        |
| Provision for staff retirement and other benefits | 6,140          | 6,323          |
| Provision for doubtful debts                      | 2,109          | 2,166          |
| Provision for slow-moving stores and spares       | 712            | 721            |
| Provision for import levies                       | 522            | 586            |
| Finance lease arrangements                        | 54             | 36             |
| Others  | 3,829          | 3,611          |
|   | -----          | -----          |
|   | 8,392          | 6,270          |
|   | =====          | =====          |

The Institute of Chartered Accountants of Pakistan (ICAP) has adopted 'International Accounting Standard No, 12 'Income Taxes' (Revised)' (IAS-12) which interalia requires that a deferred tax asset should be recognised for all deductible temporary differences. According to the directives issued by ICAP, IAS-12 would now be applicable to the company with effect from the year ending June 30, 2003. The company had initially estimated that the temporary differences would start reversing by 2001 and accordingly the deferred tax asset was being recognised over a period of three years starting 1999. However, the company has revised its estimate and now believes that the asset would start reversing by the year ending June 30, 2003, by which date the IAS-12 will also become applicable. Accordingly, the remaining deferred tax asset balance, amounting to Rs 4.852 million as at June 30, 2001, is now being recognised over a period of three years starting 2001. During the year ended June 30, 2001 the company has recognised an amount of Rs 1.617 million as income. The deferred tax asset as at June 30, 2001 aggregates Rs 5.157 million (2000: Rs 3.540 million). Had the company not revised the period of recognition, the deferred tax asset and profit after tax would have been higher by Rs 3.235 million.

#### 17. STORES AND SPARES

|  |        |        |
|--|--------|--------|
| Stores   | 701    | 804    |
| Spares (including Rs 0.206 million in transit; 2000: Rs 0.206 million) | 19,844 | 20,194 |
|  | -----  | -----  |
|  | 20,545 | 20,998 |
| Less: Provision for slow moving stores and spares                      | 2,034  | 2,079  |
|  | -----  | -----  |
|  | 18,511 | 18,919 |
|  | =====  | =====  |

#### 18. STOCKS

|  |         |         |
|--|---------|---------|
| Raw materials (including Rs 23.611 million in-transit; 2000: Rs 23.62 million) - note 18.1 | 96,178  | 100,412 |
| Work-in-process  | 61,725  | 53,662  |
| Finished goods - note 18.2   | 53,973  | 58,260  |
| Scrap  | 2,393   | 1,510   |
|  | -----   | -----   |
|  | 214,269 | 213,844 |
|  | =====   | =====   |

18.1 This includes certain raw materials of an aggregate value of Rs 3,214 million (2000: Rs 2,510 million) held by third parties.

18.2 Include items aggregating Rs 3,467 million (2000: Rs 4,591 million) stated at their net realisable values.

18.3 During the year the company has revised its estimate of allocation of overheads. Had such a change in estimate not been made the value of stocks and profit before taxation would have been lower by Rs 2.484 million and Rs 2.315 million respectively whereas profit after taxation would have been lower by Rs 1.513 million.

#### 19. TRADE DEBTS

|                                  |        |        |
|----------------------------------|--------|--------|
| Unsecured                        |        |        |
| Considered good                  |        |        |
| Due from associated undertakings | 19,965 | 19,270 |
| Others                           | 99,466 | 91,318 |
|                                  | -----  | -----  |

|                                    |         |         |
|------------------------------------|---------|---------|
|                                    | 119,431 | 110,588 |
| Considered doubtful                | -----   | -----   |
| Others                             | 6,026   | 6,251   |
|                                    | -----   | -----   |
|                                    | 125,457 | 116,839 |
| Less: Provision for doubtful debts | 6,026   | 6,251   |
|                                    | -----   | -----   |
|                                    | 119,431 | 110,588 |
|                                    | =====   | =====   |

19.1 The maximum aggregate amount due from associated undertakings at the end of any month during the year was Rs 37.161 million (2000: Rs 25.911 million).

## 20. SHORT-TERM LOANS AND ADVANCES

|   |       |       |
|---|-------|-------|
| Considered good                               |       |       |
| Current portion of long- term loans - note 15 |       |       |
| Due from executives                           | 263   | 110   |
| Due from other employees                      | 927   | 691   |
|   | ----- | ----- |
|   | 1,190 | 801   |
|   |       |       |
| Short-term advances                           |       |       |
| Due from executives                           | 39    | 187   |
| Due from other employees                      | 206   | 1,173 |
|   | ----- | ----- |
|   | 245   | 1,360 |
| Advances to suppliers                         | 962   | 422   |
|   | ----- | ----- |
|   | 2,397 | 2,583 |
|   | ===== | ===== |

20.1 The maximum aggregate amount due from executives at the end of any month during the year was Rs 0.609 million (2000: Rs 0.387 million).

## 21. DEPOSITS AND SHORT-TERM PREPAYMENTS

|                            |       |       |
|----------------------------|-------|-------|
| Deposits - considered good | 796   | 832   |
| Short-term prepayments     | 759   | 481   |
|                            | ----- | ----- |
|                            | 1,555 | 1,313 |
|                            | ===== | ===== |

## 22. OTHER RECEIVABLES

|  |       |       |
|--|-------|-------|
| Due from an associated undertaking                                   |       |       |
| - Dividend- note 22.1  | 651   | 543   |
| Interest (net) receivable on foreign exchange<br>bearer certificates | 1,874 | 5,582 |
| Excise duty  | 451   | 673   |
| Others   | 3,346 | 10    |
|  | ----- | ----- |
|  | 6,322 | 6,808 |
|  | ===== | ===== |

22.1 The maximum aggregate amount due from an associated undertaking at the end of any month during the year was Rs 0,651 million (2000: Rs 0.543 million).

### 23. CASH AND BANK BALANCES

|                                |        |        |
|--------------------------------|--------|--------|
| In a US dollar deposit account | --     | 36     |
| On current accounts            | 10,356 | 22,439 |
| Remittances in transit         | --     | 23     |
| Cheques in hand                | 3,637  | 6,375  |
| Cash in hand                   | 583    | 762    |
|                                | -----  | -----  |
|                                | 14,576 | 29,635 |
|                                | =====  | =====  |

### 24. NET SALES

|                  |         |         |
|------------------|---------|---------|
| Gross sales      | 765,596 | 724,160 |
| Less: Commission | 764     | 145     |
| Discounts        | 1,149   | 2,736   |
|                  | -----   | -----   |
|                  | 1,913   | 2,881   |
|                  | -----   | -----   |
|                  | 763,683 | 721,279 |
|                  | =====   | =====   |

### 25. COST OF GOODS SOLD

|   |         |         |
|---|---------|---------|
| Opening work-in-process                 | 53,662  | 42,533  |
| Raw materials and scrap                 |         |         |
| Opening stock                           | 101,922 | 85,223  |
| Purchase of raw materials               | 576,899 | 539,501 |
|   | -----   | -----   |
|   | 678,821 | 624,724 |
|   | -----   | -----   |
| Less: Scrap sold                        | 7,657   | 6,613   |
| Closing stock                           | 98,571  | 101,922 |
|   | -----   | -----   |
|   | 106,228 | 108,535 |
|   | -----   | -----   |
|   | 572,593 | 516,189 |
|   | -----   | -----   |
| Stores and spares                       | 14,195  | 12,810  |
| Fuel and power                          | 23,167  | 25,347  |
| Salaries, wages and benefits- note 25.1 | 48,545  | 48,783  |
| Rent, rates and taxes                   | 420     | 434     |
| Lease rentals                           | 181     | 221     |
| Insurance                               | 1,414   | 1,676   |
| Repairs and maintenance                 | 2,271   | 4,617   |
| Depreciation                            | 13,185  | 14,789  |
| Other expenses- note 25.2               | 4,646   | 2,818   |
|   | -----   | -----   |
|   | 108,024 | 111,495 |
|   | -----   | -----   |
|   | 734,279 | 670,217 |
|   | -----   | -----   |
| Less: Closing work-in-process           | 61,725  | 53,662  |



|                                       |         |         |
|---------------------------------------|---------|---------|
| Cost of goods manufactured            | 672,554 | 616,555 |
| Opening stock of finished goods       | 58,260  | 76,129  |
| Finished goods purchased              | 117     | 410     |
|                                       | -----   | -----   |
|                                       | 730,931 | 693,094 |
| Less: Closing stock of finished goods | 53,973  | 58,260  |
|                                       | -----   | -----   |
|                                       | 676,958 | 634,834 |
|                                       | =====   | =====   |

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

|   |        |        |
|---|--------|--------|
| Salaries, wages and benefits                        | 46,572 | 45,480 |
| Provident fund contributions                        | 1,370  | 1,198  |
| Pension fund contributions - note 25.3              | (963)  | 925    |
| Provision for staff retirement gratuity - note 25.3 | 1,566  | 1,180  |
|   | -----  | -----  |
|   | 48,545 | 48,783 |
|   | =====  | =====  |

**25.2 Details of other expenses**

|  |       |       |
|--|-------|-------|
| Communications and stationery          | 400   | 383   |
| Training, travelling and entertainment | 533   | 430   |
| Motor car running                      | 660   | 714   |
| General works                          | 3,053 | 1,291 |
|  | ----- | ----- |
|  | 4,646 | 2,818 |
|  | ===== | ===== |

**25.3 Retirement benefits**

|                                | <i>Cost of goods sold</i><br><i>(note 25.1)</i> |             | <i>Selling and</i><br><i>administration</i><br><i>(note 26.1)</i> |             | <i>Total</i> |             |
|--------------------------------|---|-------------|---|-------------|--------------|-------------|
| <i>Pension</i>                 | <i>2001</i>                                     | <i>2000</i> | <i>2001</i>   | <i>2000</i> | <i>2001</i>  | <i>2000</i> |
| Current service cost           | 1,484   | 878         | 1,721   | 1,753       | 3,205        | 2,631       |
| Interest cost                  | 3,255   | 1,972       | 3,776   | 3,531       | 7,031        | 5,503       |
| Expected return on plan assets | (3,243)   | (2,782)     | (3,761)   | (3,544)     | (7,004)      | (6,326)     |
| Settlement cost                | --  | 3,684       | --  | (3,684)     | --           | --          |
| Transitional obligations       | --  | (4,780)     | --  | (2,984)     | --           | (7,764)     |
| Net actuarial (gain)/loss      | (2,459)   | 1,953       | (2,852)   | 2,842       | (5,311)      | 4,795       |
|                                | -----   | -----       | -----   | -----       | -----        | -----       |
|                                | (963)   | 925         | (1,116)   | (2,086)     | (2,079)      | (1,161)     |
|                                | =====   | =====       | =====   | =====       | =====        | =====       |
| <br><i>Gratuity</i>            |   |             |   |             |              |             |
|                                | <i>2001</i>                                     | <i>2000</i> | <i>2001</i>   | <i>2000</i> | <i>2001</i>  | <i>2000</i> |
| Current service cost           | 612   | 533         | 111   | 101         | 723          | 634         |

|                           |       |         |       |       |       |         |
|---------------------------|-------|---------|-------|-------|-------|---------|
| Interest cost             | 1,666 | 1,532   | 301   | 289   | 1,967 | 1,821   |
| Transitional obligations  | --    | (2,480) | --    | (468) | --    | (2,948) |
| Net actuarial (gain)/loss | (712) | 1,595   | (128) | 301   | (840) | 1,896   |
|                           | ----- | -----   | ----- | ----- | ----- | -----   |
|                           | 1,566 | 1,180   | 284   | 223   | 1,850 | 1,403   |
|                           | ===== | =====   | ===== | ===== | ===== | =====   |

|  |                |                |
|--|----------------|----------------|
|  | <b>2001</b>    | <b>2000</b>    |
|  | <b>Rs '000</b> | <b>Rs '000</b> |

**26. SELLING, ADMINISTRATION AND GENERAL EXPENSES**

|   |        |        |
|---|--------|--------|
| Salaries, wages and benefits- note 26.1 | 22,199 | 18,955 |
| Rent, rates and taxes                   | 454    | 332    |
| Insurance                               | 341    | 550    |
| Repairs and maintenance                 | 869    | 1,018  |
| Legal and professional                  | 2,499  | 1,393  |
| Donations-note 26.2                     | 302    | 299    |
| Auditors' remuneration - note 26.3      | 845    | 360    |
| Communications and stationery           | 3,033  | 2,715  |
| Training, travelling and entertainment  | 2,713  | 3,228  |
| Advertising and publicity               | 2,820  | 3,065  |
| Lease rentals                           | 214    | 268    |
| Carriage and forwarding expenses        | 6,958  | 5,879  |
| Liquidated damages for late deliveries  | 624    | 967    |
| Provision for doubtful debts            | 2,547  | 1,234  |
| Depreciation                            | 1,811  | 1,433  |
| Other expenses-note 26.4                | 3,680  | 4,325  |
|   | -----  | -----  |
|   | 51,909 | 46,021 |
|   | =====  | =====  |

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

|                                   |         |         |
|-----------------------------------|---------|---------|
| Salaries, wages and benefits      | 21,957  | 19,822  |
| Provident fund contributions      | 1,074   | 996     |
|                                   | -----   | -----   |
| Pension fund contributions        | (1,116) | 1,178   |
| Provision for unfunded - pensions | --      | (3,264) |
|                                   | -----   | -----   |
| - note 25.3                       | (1,116) | (2,086) |
| - gratuity - note 25.3            | 284     | 223     |
|                                   | -----   | -----   |
|                                   | 22,199  | 18,955  |
|                                   | =====   | =====   |

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

**26.3 Auditors' remuneration**

|   |     |     |
|---|-----|-----|
| Audit fee   | 255 | 230 |
| Tax services  | 441 | 103 |
| Special certifications and audits of workers' funds | 80  | --  |
| Out of pocket expenses                              | 69  | 27  |

|       |       |
|-------|-------|
| 845   | 360   |
| ===== | ===== |

**26.4 Details of other expenses**

|                       |       |       |
|-----------------------|-------|-------|
| Subscriptions         | 162   | 266   |
| Fuel and power        | 994   | 724   |
| Bank service charges  | 2,077 | 2,952 |
| Directors' fee        | 8     | 8     |
| Miscellaneous selling | 67    | 59    |
| General office        | 372   | 316   |
|                       | ----- | ----- |
|                       | 3,680 | 4,325 |
|                       | ===== | ===== |

**27. OTHER INCOME**

|  |       |       |
|--|-------|-------|
| Sales of general scrap                                 | 386   | 307   |
| Insurance commission from - an associated undertaking  | 340   | 321   |
| - an insurance company                                 | 421   | 267   |
| Interest (net) on foreign exchange bearer certificates | 2,702 | 1,541 |
| Gain on disposal of fixed assets                       | 826   | 1,066 |
| Dividend income  | 1,042 | 983   |
| Balances no longer payable written back                | 166   | 106   |
| Appreciation in value of investments                   | 888   | 175   |
| Exchange gain (net)                                    | 74    | --    |
| Miscellaneous  | 53    | --    |
|  | ----- | ----- |
|  | 6,895 | 4,766 |
|  | ===== | ===== |

**28. OTHER CHARGES**

|                                     |       |       |
|-------------------------------------|-------|-------|
| Workers' profits participation fund | 504   | 631   |
| Workers' welfare fund               | 240   | 233   |
| Exchange loss                       | --    | 8     |
| Sales tax                           | --    | 1,182 |
|                                     | ----- | ----- |
|                                     | 744   | 2,054 |
|                                     | ===== | ===== |

**29. FINANCIAL CHARGES**

|   |        |        |
|---|--------|--------|
| Mark-up on running and term finances under mark-up arrangements | 31,482 | 31,252 |
| Interest on workers' profits participation fund                 | 55     | 38     |
| Finance charges on lease  | 149    | 129    |
|   | -----  | -----  |
|   | 31,686 | 31,419 |
|   | =====  | =====  |

**30. TAXATION**

|                        |         |         |
|------------------------|---------|---------|
| Current - for the year | 4,165   | 4,200   |
| - for prior years      | --      | (2,090) |
| Deterred               | (1,617) | (2,710) |

|  |       |       |
|--|-------|-------|
|  | 2,548 | (600) |
|  | ===== | ===== |

**31. BASIC EARNINGS PER SHARE**

|  |         |         |
|--|---------|---------|
| Profit after taxation                        | 6,733   | 12,317  |
|  | =====   | =====   |
| Number of shares 3,121,800 (2000: 3,121,800) |         |         |
| Basic earnings per share                     | Rs 2.16 | Rs 3.95 |
|  | =====   | =====   |

**32. CASH GENERATED FROM OPERATIONS**

|  |          |         |
|--|----------|---------|
| Profit before taxation                           | 9,281    | 11,717  |
| Adjustment for non cash charges and other items: |          |         |
| Appreciation in value of investments             | (885)    | (175)   |
| Depreciation                                     | 14,996   | 16,222  |
| Provision for staff retirement gratuity          | 1,850    | (1,861) |
| Interest income                                  | (2,702)  | (1,541) |
| Gain on disposal of fixed assets                 | (826)    | (1,066) |
| Dividend income                                  | (1,042)  | (983)   |
| Financial charges                                | 31,686   | 31,419  |
| Working capital changes - note 32.1              | (57,470) | 23,757  |
|  | -----    | -----   |
|  | (5,112)  | 77,489  |
|  | =====    | =====   |

**32.1 Working capital changes****(Increase)/decrease in current assets**

|                                    |          |          |
|------------------------------------|----------|----------|
| Stores and spares                  | 408      | (1,114)  |
| Stocks                             | (425)    | (9,959)  |
| Trade debts                        | (8,843)  | (26,025) |
| Shod-term loans and advances       | 186      | (402)    |
| Deposits and shod-term prepayments | (242)    | 69       |
| Other receivables (net)            | (3,114)  | 3,990    |
|                                    | -----    | -----    |
|                                    | (12,030) | (33,441) |

**Increase/(decrease) in current liabilities**

|   |          |        |
|---|----------|--------|
| Creditors, accrued expenses and other liabilities (net) | (45,577) | 57,107 |
| Workers' profits participation fund                     | (104)    | (80)   |
| Workers' welfare fund                                   | 241      | 171    |
|   | -----    | -----  |
|   | (57,470) | 23,757 |
|   | =====    | =====  |

**33. CASH AND CASH EQUIVALENTS**

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

|                                     |           |           |
|-------------------------------------|-----------|-----------|
| Cash and bank balances              | 14,576    | 29,635    |
| Finances under mark-up arrangements | (220,195) | (191,395) |
|                                     | -----     | -----     |

(205,619) (161,760)

=====

**34. FINANCIAL ASSETS AND LIABILITIES AS ON JUNE 30, 2001****(i) Financial assets and liabilities**

|   | <i>Effective interest/markup rate %</i> | <i>Interest/mark-up bearing</i> |                                |                  | <i>Non-interest/mark-up bearing</i> |                                |                  | <i>Total 2001</i> | <i>Total 2000</i> |
|---|---|---------------------------------|--------------------------------|------------------|-------------------------------------|--------------------------------|------------------|-------------------|-------------------|
|   |   | <i>Maturity upto one year</i>   | <i>Maturity after one year</i> | <i>Sub-total</i> | <i>Maturity upto one year</i>       | <i>Maturity after one year</i> | <i>Sub-total</i> |                   |                   |
| <b>Financial Assets</b>                               |   |                                 |                                |                  |                                     |                                |                  |                   |                   |
| Investments   | 16.08                                   | 1,967                           | --                             | 1,967            | --                                  | 7,355                          | 7,355            | 9,322             | 13,136            |
| Loans to employees                                    | --                                      | --                              | --                             | --               | 1,190                               | 2,186                          | 3,376            | 3,376             | 1,854             |
| Deposits  | --                                      | --                              | --                             | --               | 796                                 | 1,314                          | 2,110            | 2,110             | 1,904             |
| Trade debts   | --                                      | --                              | --                             | --               | 119,431                             | --                             | 119,431          | 119,431           | 110,588           |
| Other receivables                                     | --                                      | --                              | --                             | --               | 3,792                               | --                             | 3,792            | 3,792             | 6,135             |
| Cash and bank balances                                | --                                      | --                              | --                             | --               | 14,576                              | --                             | 14,576           | 14,576            | 29,635            |
|   |   | -----                           | -----                          | -----            | -----                               | -----                          | -----            | -----             | -----             |
| 2001  |   | 1,967                           | --                             | 1,967            | 139,785                             | 10,855                         | 150,640          | 152,607           | 163,252           |
|   |   | =====                           | =====                          | =====            | =====                               | =====                          | =====            | =====             | =====             |
| 2000  |   | 4,699                           | 1,967                          | 6,666            | 147,991                             | 8,595                          | 156,586          | 163,252           |                   |
|   |   | =====                           | =====                          | =====            | =====                               | =====                          | =====            | =====             | =====             |
| <b>Financial Liabilities</b>                          |   |                                 |                                |                  |                                     |                                |                  |                   |                   |
| Finances under mark-up arrangements                   | 13.5-14.0                               | 220,195                         | --                             | 220,195          | --                                  | --                             | --               | 220,195           | 191,395           |
| Liability against an asset subject to a finance lease | 1,862                                   | 193                             | 487                            | 680              | --                                  | --                             | --               | 680               | 841               |
| Creditors, accrued expenses and other liabilities     | --                                      | --                              | --                             | --               | 117,799                             | --                             | 117,799          | 117,799           | 164,436           |
| Dividends   | --                                      | --                              | --                             | --               | 8,029                               | --                             | 8,029            | 8,029             | 11,003            |
|   |   | -----                           | -----                          | -----            | -----                               | -----                          | -----            | -----             | -----             |
| 2001  |   | 220,388                         | 487                            | 220,875          | 125,828                             | --                             | 125,828          | 346,703           | 367,675           |
|   |   | =====                           | =====                          | =====            | =====                               | =====                          | =====            | =====             | =====             |
| 2000  |   | 191,556                         | 680                            | 192,236          | 175,439                             | --                             | 175,439          | 367,675           |                   |
|   |   | =====                           | =====                          | =====            | =====                               | =====                          | =====            | =====             | =====             |
| <b>Off-balance sheet items</b>                        |   |                                 |                                |                  |                                     |                                |                  |                   |                   |
| Letters of credit                                     | --                                      | --                              | --                             | --               | 71,950                              | --                             | 71,950           | 71,950            |                   |
| Financial guarantees including post dated cheques     | --                                      | --                              | --                             | --               | 41,074                              | --                             | 41,074           | 41,074            |                   |

**(ii) Concentration of credit risk**

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. All the financial assets of the company, except

cash in hand, are exposed to credit risk. The company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the company applies credit limits to certain of its customers.

**(iii) Foreign exchange risk management and hedges of anticipated future transactions**

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. As at year end the company had liabilities in foreign currencies aggregating Rs 60.381 million. These liabilities are hedged through forward foreign exchange contracts. These contracts have a maturity of three months from the balance sheet date. The purpose of these contracts is to neutralise foreign currency transaction risk.

**(iv) Fair values of financial assets and liabilities**

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values other than a long-term marketable security which is stated at its cost and which is lower than its market value.

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

**35.1 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:

|                          | <i>2001</i>            |                 |                   | <i>2000</i>            |                 |                   |
|--------------------------|------------------------|-----------------|-------------------|------------------------|-----------------|-------------------|
|                          | <i>Rs '000</i>         |                 |                   | <i>Rs '000</i>         |                 |                   |
|                          | <i>Chief Executive</i> | <i>Director</i> | <i>Executives</i> | <i>Chief Executive</i> | <i>Director</i> | <i>Executives</i> |
| Managerial remuneration  | 1,625                  | 2,390           | 14,500            | 1,366                  | 2,013           | 12,235            |
| Retirement benefits      | (9)                    | (12)            | (138)             | 362                    | 534             | 2,179             |
| House rent and utilities | 917                    | 1,054           | 5,898             | 835                    | 951             | 5,013             |
| Medical expenses         | 32                     | 158             | 555               | 125                    | 90              | 445               |
| Others                   | 90                     | 47              | 921               | 87                     | 57              | 768               |
|                          | -----                  | -----           | -----             | -----                  | -----           | -----             |
|                          | 2,655                  | 3,637           | 21,736            | 2,775                  | 3,645           | 20,640            |
|                          | =====                  | =====           | =====             | =====                  | =====           | =====             |
| Number of persons        | 1                      | 2               | 63                | 1                      | 2               | 56                |
|                          | =====                  | =====           | =====             | =====                  | =====           | =====             |

The chief executive, directors and certain executives of the company are provided with free use of cars.

**35.2 Remuneration to other directors**

In addition to the above the aggregate amounts charged in these accounts for directors' fee to seven directors was Rs 7,500 (2000: seven directors - Rs 8,000).

|  | <i>2001</i>    | <i>2000</i>    |
|--|----------------|----------------|
|  | <i>Rs '000</i> | <i>Rs '000</i> |

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

|   | <i>2001</i>    | <i>2000</i>    |
|---|----------------|----------------|
|   | <i>Rs '000</i> | <i>Rs '000</i> |
| Sales of goods including scrap            | 34,939         | 32,835         |
| Purchase of goods, services and materials | 13,191         | 14,702         |
| Commission earned                         | 340            | 321            |

|                 |       |       |
|-----------------|-------|-------|
| Commission paid | 1,557 | 2,479 |
| Dividend income | 1,042 | 983   |

### **37. 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.

### **38. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on October 11, 2001 by the board of directors of the company.

### **39. CORRESPONDING FIGURES**

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

**KAMALA A. CHINOY**  
**Director and Chief Executive**

**M. SAEED AKHTER**  
**Director**

**AZIZ HUSAIN**  
**Director**