

Pakistan Telephone Cables Limited

Annual Report 1998

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BOARD OF DIRECTORS MR. ABDUL AZIZ AL-RAEE (Chairman)
MR. RAZA ABDUL AZIZ AL-RAEE (Chief Executive)
MR. NISAR ABDUL AZIZ AL-RAEE
MR. RIYADH ABDUL AZIZ AL-RAEE
MR. EIJAZ ABDUL AZIZ AL-RAEE
MR. AQEEL AHMED
MRS. RABIA BARKAT ALL

SECRETARY MR. REYAZUL HODA

AUDITORS RAHIM IQBAL RAFIQ AND COMPANY
(Chartered Accountants)

REGISTERED OFFICE 18th Mile RCD Highway,
27/3/2, Mouza Bairut, Tehsil Hub,
District Lasbela,
Balochistan.

LIAISON OFFICE Room No. 107, 2nd Floor,
Elahi Centre, Preedy Street, Saddar,
Karachi-74400.

ADVISOR MUSLIM SHAMIM & CO.
10, Noorani Building,
Campbell Steet Chamber,
Karachi.

NOTICE OF MEETING

Notice is hereby given the 15th Annual General Meeting of the Shareholders of Pakistan Telephone Cables Limited, will be held at the Registered Office, at 18th Mile RCD Highway, 27/3/2, at Mouza Bairut, Tehsil Hub, District Lasbella, Balochistan on Saturday the 27th February, 1999 at 12.00 noon to transact the following business:

1. To read & confirm the minutes of the 14th Annual General Meeting held on Saturday the 27th December, 1997.

2. To receive, consider and adopt the statement of accounts for the year ended 30th June, 1998, together with the report of Director and Auditors thereon.

3. To appoint auditors for the year 1998-99 and to fix their remuneration.

Special Business:

4. To consider and, if approved, pass the following resolution as a special resolution:

Resolved that the authorised capital of the company be and is hereby increased from Rs. 40.00 M (Rupees Forty Million) to Rs. 100.00 M (Rupees Hundred Million) and clause No. 4 of the Articles of Association of the company be amended accordingly.

6. To transact any other business which may legally be transacted at an Annual General Meeting.

sd/-

REYAZU/HODA

Company Secretary

Karachi, Dated: 05th February, 1999

NOTICE:

1. Share Transfer Books of the Company will remain closed from 19/02/99 to 27/02/99. (Both days inclusive).

2. Shareholders are requested to communicate to the Company change, if any, in their address.

3. The instrument of Proxy duly executed in accordance with Articles of Association of the Company should be lodged with the Company, at least 48 hours before the time of the meeting. The Proxy must be a member of the company.

4. Statement u/s 160(1)(b) of the Companies Ordinance, 1984:

The Authorised Capital of Pakistan Telephone Cables Ltd. is being increased from Rs. 40 million to Rs. 100.0 Million to enable the company to expand its capital base to facilitate the issue of further capital commensurate with the company's business as the directors may deem necessary from time to time.

REPORT OF DIRECTORS

Directors are pleased to present their Annual Report together with the Company's audited accounts for the year ended 30th June 1998.

Financial Results are drawn as follows:

FINANCIAL RESULTS:

- Net Profit for the period ended 30th June '1998	Rs. 76,139,895/=
- Accumulated Loss for the year ended 30th June '1997	Rs. 239,173,497/=
- Accumulated Loss carried forwarded	Rs. 163,033,602/=

The Company after adjustment of Turn-over-tax and reversal of liabilities against accrued Mark-up of M/s. PICIC has gained a net Profit of Rs. 76,139,895/= The net sale has been lower by 22.53% as the net sale revenue recorded for 1998 for Rs. 42.745 million against the preceding year's sale of Rs. 55.17 million.

This year the percentage of Gross Profit has decreased by 18.70% against proceeding year. The Rate of G.P. has decreased due to reduction in sale price, high Cost of Sales and effect of devaluation of Pak Rupees by 14.046%

between 01-07-97 to 30-06-98 on the imported Raw Materials, thus lead the loss in operation to Rs. 4,697,040/=

COMPANY'S OPERATION & PROSPECTS:

A. Marketing:

i) The situation of Orders in hand till the date of this reporting are as under:

CONTRACT REF.	GROSS VALUE OF CONTRACT FOR PERFORMANCE	NET VALUE EXCLUDING C.E.D. & S.T.	QTY. CABLE KM
1) Pur. 3-15/91PTcL dated 12-08-92.	Rs. 112,590,486.00	Rs. 89,004,357.00	583.80

(NOTE: This order is not feasible any more as the cost of the material to be supplied against a Contracted price of 1992 has gone up by over 100% for which we are approaching PTC's authority either to delete the supply of balance quantity or allow us price escalation).

2. Pur. 8-5/96/1074 dated 08-01-98.	Rs. 30,802,219.00	Rs. 24,349,585.00	261.00
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ii) A Bid against Tender No. 1089 is under final stage of award of Contract with a tentative value of Rs. 450 million for production and supply of 410 KM cables of big pairs. Insha' Allah we are sure to receive the same.

iii) Further Tenders are also under issue by M/s. PTCL's authority, which evidences the further demand of the cable.

B. Settlement With Financial Institutions:

1. PICIC:

The management is pleased to disclose that the settlement with M/s. PICIC has been made against the agreed package of Rs. 65.00 million. Only an small amount of Rs. 3.20 million against CED & Mark-up is claimed by PICIC which is also under negotiation with them.

2. Bankers Equity:

Negotiation is going on to settle balance of principal amount of Rs. 2,146,500.00 for each rest of the three Consortium Banks M/s. NBP, HBL and UBL.

Whereas, pending suit with the Banking Tribunal since 1995 filed by BEL, the Company has also availed the SBP's incentive Policy under circular Nos. 19 & 21 respectively, and accordingly 10% down payment have also been made to these three Banks against Principal amount of Rs. 2,385,000.00 each.

C. Capital Injection:

Apart from the accrued Mark-up of the current year for Rs. 2.000 million the sponsor of the Company has this year too injected additional capital of Rs. 11.863 million.

D. General:

- ISO 9002 Certification is under process, which is a condition of M/s. Pakistan Telecommunication Company Limited.

- Compliance in respect of YEAR 2000 is not applicable to the Project as neither the operation of Plant is integrated to the Computer nor the accounts are Computerised in the office.

- Authorised Capital of the Company is going to be raised from Rs. 40.00 million to Rs. 100.00 million and being notified to the shareholders for seeking approval from them in the AGM.

- The Company was able to keep the over-head cost under control despite of devaluation in Pak Rupee & its impact on the cost of sale.

- The extension of time for holding AGM by February 1999, was granted by Corporate Law Authority, for better disclosure of Annual Reports against settled loan with M/s. PICIC and others.

E. Comments On Auditor's Report:

1) Auditors have qualified in their report that stock of work in process includes Rs. 8.00 million, which could not be physically verified by them. In this respect the management is fully satisfied that the value of stock of work in process accounted for in the book under report is 100% correct as the work in process includes processed cables in short length pieces alongwith the stocks available on shop-floor in semi process in various shapes and stages. The short length pieces are now commercially salesable in the market and these short length cables are available in 100's of drums (wooden reels) and lying in open yard outside the shop-floor, part of which, is apparently omitted from the list of the physical stock. However, the management is planning to appoint Auditor for a thorough physical stock taking to make the inventory update by eliminating chances of mistake.

2. Auditors also as usual again commented that the accounts have been prepared on goin concern basis explaining the critical status of the accounts. Management this year too giving assurance to the valuable shareholders that even default and sick nature of project the unit is in operation and will Insha Allah survive and all the measures are under way to maintain Cash Flow, settle gradually the long outstanding debts of various Financial Institutions, avail all efforts in marketing of the product to the only buyer M/s. Pakistan Telecommunication Company Limited, also explore in the local market and refrain by all means for closer of factory as it was happened in the past in the year 1989 to 1991.

Moreover, to reduce financial cost against the finances taken on loan from associated Company the management is planing to issue right share as well as to liquidate the long-term loan from the book to reduce financial cost and to improve debt equity ratio of the Company.

F. Staff Relation:

Relation with staff remain co-ordial and the directors recognize the valuable contribution made by employees at all level in the business.

G. Pattern of Shareholders:

The pattern of shareholding and categories of share in terms of number and percent are included in the Annual Report.

H. Directors :

There are no changes in the Board of Directors during the current year under the report.

I. Auditors.

The present auditors M/s. Rahim Iqbal Rafiq & Company, Chartered Accountants, retired and offers themselves for re-appointment.

On behalf of the Board

Dated: 29th January, 1999

RAZA ABDUL AZIZ AL-RAEE
Chief Executive

PATTERN OF SHAREHOLDINGS AS AT 30TH JUNE, 1998

NUMBER OF SHAREHOLDERS		SHAREHOLDINGS		TOTAL SHARES HELD	
5512	FROM	1	TO	100	551200
84	FROM	101	TO	500	29400
81	FROM	501	TO	1000	65500
126	FROM	1001	TO	5000	253500
7	FROM	5001	TO	10000	53000
1	FROM	10001	TO	15000	15000
1	FROM	15001	TO	20000	20000
1	FROM	20001	TO	25000	25000
1	FROM	25001	TO	30000	27500
1	FROM	30001	TO	35000	68000
1	FROM	40001	TO	45000	40700
1	FROM	45001	TO	50000	50000
1	FROM	50001	TO	55000	55000
5	FROM	55001	TO	60000	60000
1	FROM	65001	TO	70000	69000
1	FROM	85001	TO	90000	87900
1	FROM	95001	TO	100000	99000
1	FROM	100001	TO	125000	567500
1	FROM	125001	TO	130000	128300
1	FROM	190001	TO	195000	190600
1	FROM	250001	TO	255000	251000
1	FROM	290001	TO	295000	292900
-----				-----	
5831				3000000	
=====				=====	

CATEGORIES OF SHARE HOLDERS AS AT 30TH JUNE, 1998

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	TOTAL SHARES HELD	PERCENTAGE (%)
Individuals	5822	1731700	57.72
Investment Companies	2	190700	636
Joint Stock Companies	3	314900	10.50
Financial Institutions	1	34000	1.13
Associated Companies	3	728700	24.29

	5831	3000000	100.00
=====			

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Pakistan Telephone Cables Limited as at June 30,1998 and the related Profit and Loss Account and the Statement of Changes in Financial Position (Cash Flow Statement), together with the notes forming part thereof, for the year then ended and we state that we have obtained all the informations and explanations which to the best of our knowledge and belief were necessary for the purposes of

our audit and, after due verification thereof, we report that:

1. Included in Work in process (stock-in-trade) are semi processed short lengths cables valuing Rs.8.00 million whose physical verification and valuation was not practically possible and is based on management's representation.

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 the 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 accounts and are further in accordance with the 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) Except for the matter in para 1 above, in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and the Statement of Changes in Financial Position (Cash Flow Statement), together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1998 and of the profit and the changes in financial position for the year then ended; and

d) in our opinion "No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980".

Without qualifying our report, we draw attention to the fact that the Company incurred continued operating losses and as at June 30, 1998 its accumulated loss amounted to Rs.163,033,602/- (1997: Rs. 239,173,407/-) which has resulted in net capital deficiency and the current liabilities have exceeded current assets by Rs.121,031,973/- (1997: Rs.154,718,208/-) and further due to liquidity constraints, optimum capacity utilization could not be achieved. The financial statements of the company have been prepared on a going concern basis, the validity of which is dependent on the successful outcome of the matters stated in Note 27.

Karachi, Dated: 29th January, 1999

RAHIM IQBAL RAFIQ & COMPANY
Chartered Accountants

BALANCE SHEET AS ON JUNE 30, 1998

	NOTE	1998 Rupees	1997 Rupees
SHARE CAPITAL			
CAPITAL AND RESERVES			
Authorised			
4,000,000 ordinary shares of Rs.10/- each		40,000,000	40,000,000
Issued subscribed and paid-up		=====	=====
3,000,000 ordinary shares of Rs. 10/- each		30,000,000	30,000,000

Accumulated loss		(163,033,602)	(239,173,497)
		-----	-----
		(133,033,602)	(209,173,497)
Surplus on Revaluation of Fixed Assets	3	34,581,267	-
REDEEMABLE CAPITAL	4	-	-
LONG TERM LOANS	5	47,174,862	93,161,010
DEFERRED LIABILITY			
Staff gratuity		971,653	887,036
CURRENT LIABILITIES			
Short term finances	6	134,124,094	106,120,317
Current portion of long term liabilities	7	6,439,500	29,540,000
Creditors, accrued and other liabilities	8	54,450,675	106,011,893
Book overdraft		9,000,000	-
Taxation		739,323	288,050
		-----	-----
		204,753,592	241,960,260
CONTINGENCIES & COMMITMENTS	9		
		-----	-----
		154,447,772	126,834,809
		=====	=====
OPERATING FIXED ASSETS	10	70,597,853	39,464,457
LONG TERM SECURITY DEPOSITS		128,300	128,300
CURRENT ASSETS			
Stores and spares	11	527,603	383,478
Stock in trade	12	70,396,569	67,749,216
Trade debts-Secured considered good		209,004	11,682,335
Short Term Investment	13	2,000,000	2,000,000
Advances, deposits, prepayments and other receivables	14	10,395,495	4,686,461
Cash and bank balance	15	192,948	740,562
		-----	-----
		83,721,619	87,242,052
		-----	-----
		154,447,772	126,834,809
		=====	=====

The annexed notes form an integral part of these financial statements.

RAZA ABDUL AZIZ AL-RAEE **AQEEL AHMED**
CHIEF EXECUTIVE DIRECTOR

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

	1998	1997
NOTE	Rupees	Rupees

Sales	16	42,745,523	55,178,569
Cost of sales	17	41,040,005	42,653,404
		-----	-----
Gross profit		1,705,518	12,525,165
Operating Expenses:			
Selling and distribution	18	1,496,618	7,994,465
Administration	19	4,905,940	3,983,448
		-----	-----
		(6,402,558)	(11,977,913)
		-----	-----
Operating (Loss)/profit		(4,697,040)	547,252
Financial charges	20	(15,717,089)	(7,704,918)
		-----	-----
		(20,414,129)	(7,157,666)
Other income	21	1,545,570	2,495,722
		-----	-----
		(18,868,559)	(4,661,944)
Reversal of liabilities	22	95,747,777	-
		-----	-----
Profit/(loss) before taxation		76,879,218	(4,661,944)
Provision for taxation - minimum tax			
- Current		(739,000)	(288,050)
- Prior		(323)	47,007
		-----	-----
		(739,323)	(241,043)
		-----	-----
Profit/(loss) after taxation		76,139,895	(4,902,987)
Accumulated loss brought forward		(239,173,497)	(234,270,510)
		-----	-----
Accumulated loss carried forward		(163,033,602)	(239,173,497)
		=====	=====

The annexed notes form an integral part of these financial statements.

RAZA ABDUL AZIZ AL-RAEE
CHIEF EXECUTIVE

AQEEL AHMED
DIRECTOR

**STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT)
FOR THE PERIOD ENDED JUNE 30, 1998**

	1998	1997
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	76,879,218	(4,661,944)
Adjustment for:		
Depreciation	3,924,111	4,385,250
Financial charges	15,717,089	7,704,918
Provision for gratuity	413,492	323,786
Reversal of loan and liabilities	(95,747,777)	-
(Gain)/Loss on sale of fixed assets	(42,076)	(63,600)
	-----	-----
	(75,735,161)	12,350,354

Operating (Loss)/profit before working capital changes	1,144,057	7,688,410
Changes in working capital		
Decrease/(Increase) in current assets		
Stores and spares	(144,125)	(91,602)
Stock-in-trade	(2,647,353)	(11,000,986)
Trade debts	11,473,331	(1,319,910)
Advances, deposits, prepayments and other receivables	(5,709,034)	6,100,181
Increase/(decrease/in current liabilities		
Creditors, accrued and other liabilities	(5,720,632)	(16,713,607)
	-----	-----
	(2,747,813)	(23,025,924)
	-----	-----
Cash generated from/(used in) operations	(1,603,756)	(15,337,514)
	-----	-----
Payment of tax	(288,050)	(408,070)
Payment of gratuity	(328,875)	(23,000)
Financial charges paid	(11,748,240)	(12,820,854)
	-----	-----
	(12,365,165)	(13,251,924)
	-----	-----
Net cash used in operating activities	(13,968,921)	(28,589,438)
	=====	=====

1998	1997
Rupees	Rupees

CASH FLOWS FROM INVESTING ACTIVITIES

Fixed capital expenditure	(516,663)	(845,350)
Short term investment	-	(2,000,000)
Sale proceed of fixed assets	82,500	150,000
	-----	-----
Net cash used in investing activities	(434,163)	(2,695,350)

CASH FLOWS FROM FINANCING ACTIVITIES

Long term loan obtained from associated undertaking	-	27,282,435
Repayment of long term loan	(23,148,307)	(36,360,000)
Increase/(decrease) in short term finances	37,003,777	41,084,830
	-----	-----
Net cash from financing activities	13,855,470	32,007,265

Net (decrease)/increase in cash and bank balances	(547,614)	722,477
Cash and bank balances at the beginning of the year	740,562	18,085
	-----	-----
Cash and bank balances at the end of the year	192,948	740,562

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RAZA ABDUL AZIZ AL-RAEE
CHIEF EXECUTIVE

AQEEL AHMED
DIRECTOR

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30,1998**

1. THE COMPANY AND ITS OPERATION

The Company is incorporated on June 08,1983 in Pakistan and quoted on the Stock Exchanges at Karachi and Lahore. The principal activity of the company is manufacturing and sale of Telecommunication Cables.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These financial statements have been prepared under the 'historical cost convention'.

2.2 Employee's retirement benefit

The Company operates an unfunded gratuity scheme covering all its permanent employees who have completed prescribed qualifying period of service. Provision is made annually to cover obligations under the scheme.

2.3 Taxation

Current

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

Deferred

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

2.4 Operating fixed assets

These are stated at cost less accumulated depreciation except free hold land which is stated at cost.

Depreciation on operating fixed assets is charged to profit and loss account by applying reducing balance method over its estimated useful life.

The full annual rate of depreciation is applied on the cost of additions, while no depreciation is charged on assets deleted during the year.

Minor renewals, replacements, repairs and profit and loss on disposal of fixed assets are included in current year's profit and loss account. Major renewals, betterments and replacements are capitalized.

2.5 Stores and spares

These are valued as follows:

In hand : on average cost basis.

in transit : on cost comprising invoice value and other charges paid there on upto the balance sheet date.

2.6 Stock-in-trade

These are valued at lower of cost and net realizable value. The cost is computed by using the following methods:

Raw and packing materials	at average cost
Work in process	at average cost
Finished goods	at average cost
Sc. rap stocks	at estimated realizable value
	at cost comprising invoice values plus
	other charges paid thereon upto the balance sheet date.

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

2.7 Trade debts

Debits considered irrecoverable are written off and provisions is made for debts considered doubtful.

2.8 Foreign currency translation

Foreign currency loans are converted into Pak Rupees at the rate of exchange prevailing on the date of actual disbursements.

2.9 Revenue recognition

Sales are recorded on despatch of goods.

3. SURPLUS ON REVALUATION OF FIXED ASSETS

Valuation of fixed assets has been carried out as on June 30, 1998 by independent valuer M/s. Razzaque Umerani & Company, Karachi Revaluation surplus has been credited to surplus on revaluation of fixed assets account.

The basis for re-valuation is as under:

Land	Current market value.
Factory building	Current replacement value.
Plant & machinery	To incorporate effects of increase in the Value of plant and machinery and fluctuations of foreign exchange rates in respect of ' plant and machinery and current replacement value of local plant and machinery.

4. REDEEMABLE CAPITAL

	1998 Rupees	1997 Rupees
Term finance certificates		
From Syndicate of banks		
led by Bankers Equity Limited		
Opening balance	9,540,000	15,900,000
Paid during the year	(3,100,500)	(6,360,000)
	-----	-----

6,439,500 9,540,000

Less: Current portion shown under current liabilities

- Due	-	-
- Overdue (4.1)	(6,439,500)	(9,540,000)
	-----	-----
	(6,439,500)	(9,540,000)
	-----	-----
	-	-
	=====	=====

The significant terms and conditions of agreement are as follows:

CREDIT LINE	SALE	RE-PURCHASE	EFFECTIVE	NO./MADE	REPAYMENT INSTALLMENTS	
	PRICE	PRICE	MARK-UP		FROM	TO
	MILLION	MILLION	RATE P.A. %			
TFC	Rs. 15.900	Rs. 30.436	Rs. 20.27	14 (Semi-annually)	01-07-89	01-01-96

Security:

The certificates are Secured by first fixed legal mortgage ranking pari passu with Pakistan Industrial Credit and Investment Corporation on land, all the present and future buildings, works, erection structures, installations and fixed plants, machinery and equipment. The certificates are also secured by first floating charge ranking pari passu with Pakistan Industrial Credit and Investment Corporation on the Company's undertaking and all its assets and property both present and future (including any un-called capital).

Dividend declaration:

The Company has agreed with the Bankers Equity Limited led syndicate not to declare dividend or bonus shares without prior written approval of Bankers Equity or the Trustees.

4.1 Over due

Description	BEL	NBP	HBL	UBL	MCB	ABL	TOTAL 1998	TOTAL 1997
OPENING BALANCE	-	2,385,000	2,385,000	2,385,000	1,431,000	954,000	9,540,000	15,900,000
PAID DURING THE YEAR	-	(238,500)	(238,500)	(238,500)	(1,431,000)	(954,000)	(3,100,500)	(6,360,000)
Over-due Balance of Loan installment as on 30-06-98	NIL	2,146,500	2,146,500	2,146,500	NIL	NIL	6,439,500	9,540,000

The company has made full and final payments against settlement reached with BEL, MCB and ABL under the SBP scheme. However, the remaining banks namely NBP, HBL and UBL continue to pursue the suit earlier filed by the BEL in respect of consortium loan. The company request for settlement with these banks under the SBP scheme on the terms agreed by other members of consortium loan is pending. It is also made a down payment of 10% with its request as against 20% prescribed under the scheme.

1998 Rupees 1997 Rupees

5. LONG TERM LOANS

Pakistan Industrial Credit and Investment Corporation (PICIC)-Secured (5.1)
Opening balance including

capitalisation of overdues/accrued charges		65,938,341	95,938,341
Repaid during the year		(20,000,000)	(30,000,000)
		-----	-----
		45,938,341	65,938,341
		1998	1997
		Rupees	Rupees
Less: Current portion shown under current liabilities			
- Due		-	12,500,000
- Overdue		-	7,500,000
		-----	-----
		-	(20,000,000)
		-----	-----
		45,938,341	45,938,341
Adjusted during the year	(5.2)	(45,938,341)	-
		-----	-----
		-	45,938,341
Associated undertaking-Unsecured (5.3)		47,174,862	47,222,669
		-----	-----
		47,174,862	93,161,010
		=====	=====

5.1 Balance of the installments remaining against lump sum settlement at Rs.65.00 million reached with PICIC in 1994 were paid by the company during the year in full and final settlement of the loan. An additional amount of Rs.3,267,920/- (Refer note 5.2) has however, been claimed by PICIC in respect of CED and Mark-up which is still outstanding.

5.2 In the light of the foregoing the position of account is as under:-

PICIC	As per books	Repaid as per lump sum settlement	Balance of Central Excise duty and mark-up Payable to PICIC	Amount waived by PICIC to be reversed
Principal	110,938,341	(65,000,000)	-	45,938,341
Mark-up	49,438,535	-	(2,024,307)	47,414,228
C.E.D.	1,243,613	-	(1,243,613)	-
	-----	-----	-----	-----
Rupees	161,620,489	(65,000,000)	(3,267,920)	93,352,569
	=====	=====	=====	=====

(Refer Note 22)

i) Security

The following securities are still due for release from PICIC which will be released after submission of no objection certificates from other banks namely HBL, NEP and UBL to PICIC which is under process.

The above loan is secured by:

a) first equitable mortgage on all the present and future immovable properties wherever situated including all building fixed plants, machinery, arid fixtures;

b) a first charge by way of hypothecation in respect of all machinery both present and future;

c) a first floating charge on all other assets of the Company both present and future (subject to the hypothecation or charge in favour of the Company's bankers);

d) a demand promissory note for the amount of the loan executed by the Company renewable every three years; and

e) assignment by the Company, by way of mortgage, of the benefits of its contract with suppliers of the goods to be imported under this agreement.

ii) Dividend declaration

The company shall not declare any dividend, during the period that the Company is in arrears of PICIC dues, without the prior consent of PICIC. Though the package of settlement has been cleared, but first charge with other securities will be released after payment of Rs. 3.2 million for CED and its mark-up as claimed by PICIC

5.3 Loan from associated under taking

The above loan is interest free upto Rs. 4.5 million and over Rs. 4.5 million the loan carries mark-up @ Rs.0.43 paisas (1997: @ Rs. 0.43) per thousand rupees per day. There is no fixed terms for repayment.

Maximum balance due at the end of any month during the period was Rs.47,250,523/- (1997: Rs.47,222,609/-).

		Limit Rupees in million	1998 Rupees	1997 Rupees
6. SHORT TERM FINANCES				
Secured				
Running finance (H.B.L.)	(6.1)	2.500	1,800,000	2,500,000
Trust receipt finance (H.B.L.)	(6.1)	9.355	4,135,258	4,135,258
Overdraft (Rupali Bank Ltd)	(6.2)	24.787	92,832,429	63,096,828
Finance against Imported merchandise (Rupali bank Ltd.)	(6.2)	3.892	7,043,716	12,817,933
			-----	-----
			105,811,403	82,550,019
Unsecured				
- from directors-interest free			12,012,691	7,270,298
- Associated undertaking	(6.3)		16,300,000	16,300,000
			-----	-----
			134,124,094	106,120,317
			=====	=====

6.1 These are secured against hypothecation of stocks and personal guarantee of directors. The finances carry mark-up @ 45 paisas per rupee one thousand per day. In respect of Trust Receipt Finance, suit filed by the bank has been decreed by the Banking Tribunal for recovery of Rs.4,606,528/- alongwith 20% liquidated damages equal to Rs.941,305/- with further mark-up at the rate of 43 paisas per thousand per day.

The company has however submitted its proposal for negotiated settlement of both the accounts under the SBP scheme by depositing 10% payment equal to Rs.0.7 million which is pending for banks approval.

6.2 Overdraft and FIM facilities are being availed from Rupali Bank Limited which are secured against Foreign Currency Deposit Account of a director and hypothecation of stock in trade carrying mark-up ranging from 50 to 52 paisas per rupee one thousand per day, whereas FIM is secured by lien on imported merchandise.

6.3 Associated undertaking is Holiday Inn Hotel, Islamabad managed by A.A.R. Co. (Private) Limited.

7. CURRENT PORTION OF LONG TERM LIABILITIES

Redeemable capital	(note 4)	6,439,500	9,540,000
Long term - PICIC	(note 5)	-	20,000,000
		-----	-----
		6,439,500	29,540,000
		=====	=====

1998	1997
Rupees	Rupees

8. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors		14,750,546	5,361,651
Accrued liabilities			
Expenses		3,162,778	2,365,906
Mark-up/interest on			
- TFC's - Secured		8,700,190	11,600,254
- Long term loan-Secured	8.1	17,898,513	60,547,391
- Short term finance-Secured	8.2	7,182,511	7,182,511
- Central Excise Duty on loan		2,245,819	2,537,464
		-----	-----
		39,189,811	84,233,526
		-----	-----
		53,940,357	89,595,177
Other liabilities			
Others		510,318	1,164,459
		510,318	16,416,716
		-----	-----
		54,450,675	106,011,893
		=====	=====

8.1 The brake-up of mark-up against long term loan as under:-

- Bin Bak Industries	15,645,705
- PICIC	2,252,808

	17,898,513
	=====

8.2 This includes Rs.6,679,655/- (1997: Rs.6,679,655/-) being mark-up against Running Finance and Trust Receipt Finance due to Habib Bank Limited under litigation (refer note. 6.1).

9. CONTINGENCIES & COMMITMENTS

Contingencies

Aggregate amount of liabilities in respect of indemnity. Bonds issued to Collector of Customs & Performance Bonds issued by banks/insurance company for guarantees issued by them for normal business operation amounting to Rs. 43,483,829/-(1997: Rs.54,734,409).

10.3 Surplus on revaluation undertaken as at June 30,1998 of Land, Factory Building and Plant and Machinery has been arrived at as follows:

	Land	Factory Building	Plant and Machinery	Total
Cost at June 30,1997	1,944,727	13,441,866	84,955,923	100,342,516
Accumulated depreciation upto June 30,1997	-	9,114,512	57,816,630	66,931,142
	1,944,727	4,327,354	27,139,293	33,411,374
Depreciation replacement cost	3,102,000	25,359,816	39,530,825	67,992,641
	1,157,273	21,032,462	12,391,532	34,581,267

10.4 Had there been no revaluation the related figures of Land, Factory Building and Plant and Machinery at June 30,1998 would have been as follows:-

	Cost	Accumulated depreciation	Written down value
Land	1,944,727	-	1,944,727
Factory Building	13,441,866	9,114,512	4,327,354
Plant and Machinery	84,955,923	57,816,630	27,139,293
	100,342,516	66,931,142	33,411,374

10.5 Revaluation of Land, Factory Building and Plant and Machinery is carried out by an independent valuer M/s. Razzaque Umerani & Company as on June 30, 1998 which created a surplus of Rs. 34,581,267/-. This amount is included in the assets with a corresponding amount appearing as surplus on revaluation of fixed assets (Refer Note: 3) of comply with the requirements of section 235 of the Companies Ordinance, 1984.

In view the fact that the revalued assets have been appropriately adjusted by the amount of the depreciation to the date of valuation. The depreciation on revalued amount would be charged from July 01, 1998.

	1998 Rupees	1997 Rupees
11. STORES AND SPARES		
Stores	395,389	138,052
Spares	132,214	245,416
	527,603	383,478

	1998 Rupees	1997 Rupees
12. STOCK IN TRADE		
Raw material	19,108,913	21,485,479
Packing material	981,628	1,169,816

Work in process	31,797,417	34,040,515
Finished goods	18,508,611	11,053,406
	-----	-----
	70,396,569	67,749,216
	=====	=====

13. SHORT TERM INVESTMENT

The FDR is held by Rupali Bank Ltd under lien against overdraft facility extended to the company
(Refer note 6.2)

**14. ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES**

ADVANCES-CONSIDERED GOOD

- Employees	117,750	152,500
- Suppliers	3,754,950	2,156,459
- Income Tax	549,941	77,782
	-----	-----
	4,422,641	238,674
Deposits	2,302,562	28,062
L/C margin and charges	1,098,177	1,088,409
Prepayments	257,083	266,745
Other receivables:		
Octroi refundable	673,414	324,206
Income tax refundable/sales tax refundable	716,620	300,622
Profit on FDR	96,300	96,300
Others	828,698	195,376
	-----	-----
	2,315,032	916,504
	-----	-----
	10,395,495	4,686,461
	=====	=====

15. CASH AND BANK BALANCES

Cash in hand	13,685	7,708
Cash at banks in current account	179,263	732,854
	-----	-----
	192,948	740,562
	=====	=====

16. SALES

Sales	52,897,584	70,586,602
	-----	-----
Excise duty	4,274,552	5,517,859
Sales Tax	5,877,509	9,890,174
	-----	-----
	10,152,061	15,408,023
	-----	-----
	42,745,523	55,178,569
	=====	=====

1998	1997
Rupees	Rupees

17. COST OF SALES
Material consumed:

Opening stock		
- Raw materials	21,485,479	30,651,302
- Packing materials	1,169,816	380,394
	-----	-----
	22,655,295	31,031,696
Purchases		
- Raw materials	36,755,367	38,043,208
- Packing materials	639,307	2,201,683
	-----	-----
	37,394,674	40,244,891
- Scrap	(284,453)	(228,383)
	-----	-----
	37,110,221	40,016,508
	-----	-----
	59,765,516	71,048,204
Closing stock		
- Raw materials	19,108,913	21,485,479
- Packing materials	981,628	1,169,816
	-----	-----
	(20,090,541)	(22,655,295)
	-----	-----
Material consumed	39,674,975	48,392,909
MANUFACTURING EXPENSES		
Store and spares	804,116	542,420
Fuel, Power and light	2,570,382	2,558,241
Salaries, wages and other benefits	4,633,012	4,237,822
Repairs and maintenance	451,054	116,036
Vehicles running	1,067,081	1,010,391
Rent, rates and taxes	239,432	174,172
Telephone expenses	132,162	126,933
Legal and professional	24,000	28,300
Insurance	362,251	399,462
Printing and stationery	4,914	19,325
Depreciation	3,631,422	4,016,052
Others	434,711	408,728
	-----	-----
	14,354,537	13,637,882
	-----	-----
	54,029,512	62,030,791
Work in process		
- Opening stock	340,405,151	18,960,005
- Adjustments of supply against PTCL penalty	(7,777,400)	-
- Closing stock	(31,797,417)	(34,040,515)
	-----	-----
	(5,534,302)	(15,080,510)
	1998	1997
	Rupees	Rupees
Cost of goods manufactured	48,495,210	46,950,281
Finished goods		
- Opening stock	11,053,406	6,756,529
- Closing stock	(18,508,611)	(11,053,406)

	-----	-----
	(7,455,205)	(4,296,877)
	-----	-----
	41,040,005	42,653,404
	=====	=====

18. SELLING AND DISTRIBUTION

Advertising and sales promotion	334,274	221,961
Carriage and forwarding	137,402	285,610
Octroi and sales	86,022	323,484
Penalties on sales (late delivery charges)	352,284	6,713,745
Insurance charges on performance bonds	-	120,528
Tender charges	55,500	10,000
Bank charges on performance bonds, bid bonds etc.	355,208	103,134
Printing and stationery	4,745	2,361
Others	171,183	213,642
	-----	-----
	1,496,618	7,994,465
	=====	=====

19. ADMINISTRATION

Salaries, wages and other benefits	2,697,949	1,392,618
Rent, rates and taxes	27,178	24,000
Postage, telegram, telephone and telex	379,428	359,401
Printing and stationery	129,596	128,398
Legal and professional	57,358	91,449
Travelling, conveyance and entertainment	541,303	958,170
Subscriptions	42,500	46,800
Audit fee	50,000	50,000
Depreciation	292,689	369,198
Zakat	50,000	-
Office maintenance	237,104	252,146
Electricity, gas & other expenses	118,850	83,435
Insurance	113,458	110,217
Others	168,527	117,616
	-----	-----
	4,905,940	3,983,448
	=====	=====

1998	1997
Rupees	Rupees

20. FINANCIAL CHARGES

Interest/mark-up on:		
- Short term finances	13,180,382	10,160,592
- Borrowing from associated undertakings-unsecured	4,536,849	2,581,639
Central excise duty on loan	-	1,324,200
Bank charges	899,922	1,371,993
	-----	-----
	18,617,153	15,438,424

Less:

- Mark-up reversed on BEL's portion of TFCs (20.1)	-	7,733,506
--	---	-----------

- Mark-up reversed on MCB's portion of TFCs (20.2)	1,740,039	-
- Mark-up reversed on ABL's portion of TFCs (20.3)	1,160,025	-
	-----	-----
	(2,900,064)	(7,733,506)
	-----	-----
	15,717,089	7,704,918
	=====	=====

20.1 Relief in Mark-up of BEL's portion of TFC's loan equal to Rs. 7,733,506 has been reversed upon final payment made as per settlement reached with BEL (refer Note No.4.1)

20.2 Relief in Mark-up of MCB's portion of TFC's loan equal to Rs. 1,740,039 has been reversed upon final payment made as per settlement reached with MCB (refer Note No.4.1)

20.3 Relief in Mark-up of ABL's portion of TFC's loan equal to Rs. 1,160,025 has been reversed upon final payment made as per settlement reached with ABL (refer Note No.4.1).

21. OTHER INCOME

Profit/Loss on sale of motor vehicle	42,076	63,600
Profit on FDR	214,000	64,493
Insurance Claim	9,320	1,921,912
Octroi & Freight	-	249,462
Others	1,280,174	196,255
	-----	-----
	1,545,570	2,495,722
	=====	=====
	1998	1997
	Rupees	Rupees

22. REVERSAL OF LIABILITIES

PICIC-Long term loan	93,352,569	-
This represents reversal of mark-up previously capitalised and accrued mark-up on loan charged by PICIC in the previous years and now waived by PICIC as per lump sum settlement (Refer Note 5.1 and 5.2)		
Penalty payable to PTCL	2,395,208	-
This represent the waiver of balance amount of Rs. 15 million penalty imposed by PTCL against contracts resulting in reversal of the liability		
	-----	-----
	95,747,777	-
	=====	=====

23. DIRECTORS AND EXECUTIVE'S REMUNERATION

Particulars	1998 Rupees		1997 Rupees	
	Director	Executives	Director	Executives
Basic salary	771,876	399,400	-	505,600

House rent	347,340	179,000	-	221,100
Conveyance allowance	3,600	10,800	-	15,400
Leave encashment	100,000	54,700	-	60,550
Utilities	77,184	39,000	-	-
Gratuity	100,000	25,000	-	-
	-----	-----	-----	-----
TOTAL	1,400,000	707,900	-	802,650
	=====	=====	=====	=====
No. of persons	1	4	-	5
	=====	=====	=====	=====

23.1 Company's owned and maintained cars are provided to two executives.

	1998	1997
	Rupees	Rupees

24. TAXATION

Income tax assessment of the company has been finalised upto and including the income year ended June 30,1997 (Assessment Year 1997-98)

25. TRANSACTIONS WITH ASSOCIATED UNDERTAKING

Interest charged	4,536,849	2,581,639
Rent charged	24,000	24,000
	-----	-----
	4,560,849	2,605,639
	=====	=====

26. PLANT CAPACITY

Installed capacity sanctioned by I.B.P. is 502,000 conductor core kilometres. During the period capacity has been achieved at 9.94% (1997:19.92%) against the installed capacity, as 49,897 (1997:100,042) conductor core kilometre of various types of Telephone Cables were produced.

27. The management of the company continue to strive for negotiated settlement of the remaining matters pending in suits filed by HBL, UBL & NBP. The management further expects improvement in capacity utilisation based on reduction in frequent power failure and consequent plant break down which will enable it to continue as a going concern.

28. GENERAL

28.1 Previous year's figures have been reclassified and re-arranged wherever necessary for the purpose of comparison.

28.2 Figures have been rounded off to the nearest rupee.

RAZA ABDUL AZIZ AL-RAEE
CHIEF EXECUTIVE

AQEEL AHMED
DIRECTOR