

Pakistan Telephone Cables Limited

Annual Report 1999

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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 BARKET ALI

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 Lasbella
Balochistan.

LIAISON-OFFICE

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

ADVISOR

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

NOTICE OF MEETING

Notice is hereby given that the 16th Annual General Meeting of the Shareholders of Pakistan Telephone Cables Limited, will be held at the Registered Office, at 18th Mile RCD Highway, 27/3/3, at Mouza Bairuit, Tehsil Hub, District Lasbella, Balochistan on Friday the 31st December '1999, at 02:30 Hours to transact the following business:

1. To read & confirm the minutes of the 15th Annual General Meeting held on Saturday the 27th February, 1999.
2. To receive, consider and adopt the statement of accounts for the year ended 30th June 1999, together with the report of Directors and Auditors thereon.
3. To appoint auditors for the year 1999-2000 and to fix their remuneration. The present Auditors M/s Rahim Iqbal Rafiq & Company Chartered Accountants' retire and being eligible have offered themselves for re-appointment.
4. To appoint and elect an additional Director Mr. Mian Ghulam Abbas in the company who will also work

as Finance Director and whose consent has been taken as required U/S 184 of company ordinance

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

sd/-
REYAZUL HODA
COMPANY SECRETARY

Karachi 8th December, 1999.

NOTICE:

1. Share Transfer Books of the Company will remain closed from 23/12/99 to 31/12/999.
(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.

REPORT OF DIRECTORS

Directors are pleased to present their Annual Report together with the Company's audited accounts for the year ended 30th June '1999.

Financial Results are drawn as follows:

FINANCIAL RESULTS:

Net loss for the period ended 30th June '1999	Rs. 40,276,142.00
Accumulated Loss for the year ended 30th June '1998	Rs. 163,033,602.00
Accumulated Loss carried forwarded	Rs. 203,309,744.00

The Company after adjustment of Turn-over-tax has sustained a Net Loss of Rs. 40,276,142. The net sale of Rs. 83.910 Million comprised of 65% in contractual sales made to M/s. Pakistan Telecommunication Company Limited (PTCL), Islamabad, which was awarded against Contract No. 1074 & 1075 dated 08-01-98 & 13-03-98 for Rs. 54.459 Million & Rs. 19.208 Million respectively. The exchange rate was Fixed in the sales contract at Rs. 44.3144 for the then prevailing equivalent rate for US Currency.

Unfortunately the performance for both the Contract was delayed till last delivery made in May 99, after devaluation of Pak Rs. by 15 to 16% (composite Exchange Rate) and price hike of Raw Materials in the International Market. All these factors contributed to the loss suffered by the company during the year.

It is pertinent to state here that during the year there was a change in specification of Cable made by our Key buyer PTCL, which would have rendered a substantial portion of our stock in odd length and full length as obsolete, and in order to save total loss the Company decided to make force sale at lower than cost price. This was also necessary to keep the plant and worker in operation.

However, the overall sales has increased during the current year by 96.30% against the preceding year and there is expected to be tremendous increase in the ensuing year.

COMPANY'S OPERATION & PROSPECTS:

Marketing

The Company has been awarded a contract from M/s. Pakistan Telecommunication Company Limited, Islamabad, for Rs. 450.50 Million for which the production and supplies are going on. Out of this turnover the management is expecting a good margin of profit for the company.

Further orders to the tune of Rs. 150.00 Million are also under process of issue from M/s. Pakistan Telecommunication Company Limited, Islamabad.

All these achievements will enable the management to earn profit and hopeful declare dividend Inshallah in the ensuing year.

Settlement with Financial Institutions:

All the debts of PICIC, BEL's consortium & Habib Bank, have been paid, settled and restructured as per government instruction for the remaining amount of Rs. 18,537,612/-, well disclosed in this report under Note No. 7.1.

Funds Injection:

Though the company is running in loss till this year, the sponsors are fully co-operating with day to day 'working of the project and also injecting cash whenever, required to the unit.

This year also the sponsor have financed the .project from their own resources for Rs 7.736/- Million **as evidence with cash flow in the Annual Report.**

Funds injected by the management on interest free basis shall be saving the company from high mark-up rate in future as against that paid in the previous years which had been primarily responsible for the losses suffered in those periods.

General

The work in ISO '9002 Certification is going on and approximately 75% have been done.

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

Authorise Capital of the company has increased to Rs. 220.00 Million from Rs. 40.00 of preceding year.

Issue of Right Share has also been finalized and will be reported in ensuing half yearly Un-Audited Account ending December 31, 1999.

Liquidity Ratio between Current Liabilities to Current Assets have been achieved as 1:0.9 as required for Financing Institution to meet the SBP's requirement.

All these achievement will lead the company to its betterment in all respect.

Comments On Auditor's Report:

Auditors have qualified in their report that the goods were sold at price at below its cost. our satisfactory explanation appear under Para 3 of the financial results.

This year also the Auditors have qualified in their report that disclosed Stock of Rs. 3.00 Million could not be physical verified. In fact, the Stock of short length and pieces length cables available in 100's of Drum (wooden Reels) laying in open yard out side the shop floor could not be properly listed out. In this connection it may be noted that in the previous year the amount of such stock qualified by the Auditors was Rs. 8.0 Million, which has substantially been reduced to Rs. 3.0 Million. The management is trying its based to solved these problem in best possible manner.

As usual this year also the Auditors have commented that the account's have been prepared on going concern basis. In this respect the management have well highlighted the prospects of the project in foregoing report in the General Section.

As the project has now achieved in manifold way in obtaining orders, with future commitment of the same, reduction in debt Liabilities, re-structuring of Banks Loan for remaining small amount of Rs. 18.5 Million, and adjustment of borrowing for Rs. 180.00/- Million, in the Right Share will, definitely bring the project in profit from next year.

It is commendable that the company for the first time in its history has secured huge order of Rs. 450.0 Million, which will hopefully contribute good margin and shall improve over all performance.

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 is one change in the Board of Directors to appoint and elect an additional Director as notified in notice of AGM 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

RAZA ABDUL AZIZ AL-RAEE

Chief Executive

Dated: December 08, 1999

PATTERN OF SHAREHOLDINGS AS AT 30TH JUNE, 1999

<i>NUMBER OF SHAREHOLDE</i>	<i>FROM</i>	<i>SHARE HOLDING TO</i>	<i>TOTAL SHARES HELD</i>	
5500	1	--	100	550,000
87	101	--	500	30,600
81	501	--	1000	65,500
126	1001	--	5000	254,300
7	5001	--	10000	52,800
1	10001	--	15000	15,000
1	15001	--	20000	20,000
1	20001	--	25000	25,000
1	25001	--	30000	27,500
2	30001	--	35000	68,000
1	40001	--	45000	40,700
1	45001	--	50000	50,000
1	50001	--	55000	55,000
1	55001	--	60000	60,000
1	65001	--	70000	69,000
1	85001	--	90000	87,300
1	90001	--	95000	90,500
1	95001	--	100000	99,000
4	115001	--	120000	477,000
1	125001	--	130000	128,300
1	190001	--	195000	190,600
1	250001	--	255000	251,000
1	290001	--	295000	292,900
-----	-----	-----	-----	-----
5823				3,000,000
=====	=====	=====	=====	=====

CATEGORIES OF SHARE HOLDERS AS AT 30TH JUNE, 1999

<i>CATEGORIES OF SHAREHOLDERS</i>	<i>NUMBER OF SHAREHOLDERS</i>	<i>TOTAL SHARE HELD</i>	<i>PERCENTAGE (%)</i>
Individuals	5810	1,731,800	57.72
Investment Companies	5	672,500	22.42
Joint Stock Companies	6	371,100	12.37

Financial Institutions	2	224,600	7.49
	-----	-----	-----
	5823	3,000,000	100.00
	=====	=====	=====

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pakistan Telephone Cables Limited as at June 30, 1999 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanation 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. The Company sold goods to registered parties at a price below its cost price. These transactions have contributed Rs. 8.157 million into the gross loss suffered by the company.
2. Included in work-in-progress (stock-in-trade) are semi processed short length cables valuing approximately Rs. 3.00 million, whose physical verification and valuation was not practically possible and is based on management 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 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 accounting policies consistently applied except for the changes stated in note 2.7 which we concur;

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

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

c) Except for the matter in para 1 and 2 above, in our opinion and to the best of our information and according to the explanation given to us, the balance sheet, profit and loss account and the statement of changes in financial position, 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, 1999 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 opinion we draw attention to the fact that the Company continue to incur operating losses and as at June 30, 1999, its accumulated loss amounted to Rs. 203.309 million (1998: Rs. 163.033 million) which has resulted in net capital deficiency. The current liabilities have exceeded the current assets by Rs. 9.007 million (1998: Rs. 109.01 million). Further due to liquidity constraints, the capacity remained under utilized and delayed supplies attracted penalties (Note 21). The financial statements of the Company have been prepared on a going concern basis, the validity of which is dependent on the arrangement of working capital for the contract secured and successful outcome of the matters stated in (Note 33) through optimum capacity utilization and execution of the said contract in time.

RAHIM IQBAL RAFIQ & COMPANY

Chartered Accountants

Karachi, Dated: 8th December, 1999

BALANCE SHEET AS ON JUNE 30, 1999

	<i>1999</i>	<i>1998</i>
<i>NOTE</i>	<i>Rupees</i>	<i>Rupees</i>

**SHARE CAPITAL
CAPITAL AND RESERVES**

Authorised	3	220,000,000	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		(203,309,744)	(163,033,602)
		-----	-----
		(173,309,744)	(133,033,602)
ADVANCE FROM SPONSORING DIRECTORS	4	146,274,872	12,012,691
SURPLUS ON REVALUATION OF FIXED ASSETS	6	34,581,267	34,581,267
REDEEMABLE CAPITAL	7	--	--
LONG TERM LOANS	8	47,174,862	47,174,862
DEFERRED LIABILITIES			
Staff gratuity		1,364,222	971,653

CURRENT LIABILITIES

Short term finances	9	24,035,258	122,111,403
Current portion of long term liabilities	10	6,439,500	6,439,500
Creditors, accrued and other liabilities	11	55,621,807	54,450,675
Book overdraft		--	9,000,000
Taxation		656,410	739,323
		-----	-----
		86,752,975	192,740,901

CONTINGENCIES & COMMITMENTS

	12		
		-----	-----
		142,838,454	154,447,772
		=====	=====

OPERATING FIXED ASSETS	13	64,956,032	70,597,853
LONG TERM SECURITY DEPOSITS		137,300	128,300

CURRENT ASSETS

Stores and spares	14	797,887	527,603
Stock in trade	15	38,231,699	70,396,569
Trade debts - secured considered good		14,986,481	209,004
Short term investment		--	2,000,000
Advances, deposits, prepayments and other receivables	16	23,475,220	10,395,495
Cash and bank balances	17	253,835	192,948
		-----	-----
		77,745,122	83,721,619
		-----	-----
		142,838,454	154,447,772
		=====	=====

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

RAZA ABDUL AZIZ AL-RAEE
CHIEF EXECUTIVE

AQEEL AHMED
DIRECTOR

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1999**

1999 1998

	<i>NOTE</i>	<i>Rupees</i>	<i>Rupees</i>
Sales		83,910,552	42,745,523
Cost of sales		(93,691,537)	(41,040,005)
		-----	-----
Gross profit / (Loss)		(9,780,985)	1,705,518
Operating Expenses:			
Administration	20	5,705,329	4,905,940
Selling and distribution	21	8,514,264	1,496,618
		-----	-----
		(14,219,593)	(6,402,558)
		-----	-----
Operating (Loss) / profit		(24,000,578)	(4,697,040)
Finance charges	22	(17,290,520)	(15,717,089)
		-----	-----
		(41,291,098)	(20,414,129)
Other income	23	136,809	1,545,570
		-----	-----
		(41,154,289)	(18,868,559)
Reversal of liabilities	24	1,298,059	95,747,777
		-----	-----
Profit / (Loss) before taxation		(39,856,230)	76,879,218
Provision for taxation - minimum tax			
- Current		(419,912)	(739,000)
- Prior		--	(323)
		-----	-----
		(419,912)	(739,323)
		-----	-----
Profit / (loss) after taxation		(40,276,142)	76,139,895
Accumulated loss brought forward		(163,033,602)	(239,173,497)
		-----	-----
Accumulated loss carried forward		(203,309,744)	(163,033,602)
Earning per share	30	(13.425)	25.380
RAZA ABDUL AZIZ AL-RAEE		AQEEL AHMED	
CHIEF EXECUTIVE		DIRECTOR	

STATEMENT OF CHANGES IN FINANCIAL POSITION (CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 1999

	<i>NOTE</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		(39,856,230)	76,879,218
Adjustment for:			
Depreciation		6,991,386	3,924,111
Financial charges		17,290,520	15,717,089
Provision for gratuity		460,780	413,492
Reversal of loan and liabilities		(1,298,059)	(9,574,777)
(Gain)/Loss on sale of fixed assets		8,569	(42,076)
		-----	-----
		23,453,196	(75,735,161)
		-----	-----
Operating (Loss)/profit before working capital changes		(16,403,034)	1,144,057
Changes in working capital			
Decrease/(Increase) in current assets			
Store and spares		(270,204)	(144,12.5)
Stock-in-trade		32,164,870	(2,647,353)
Trade debts		(14,777,477)	11,473,331
Advances, deposits, prepayments and other receivables		(13,079,725)	(5,709,034)

Increase/(decrease) in current liabilities

Creditors, accrued and other liabilities	20,084,757	(5,720,632)
	-----	-----
	24,122,141	(2,747,813)
	-----	-----
Cash generated from / (used in) operations	7,719,107	(1,603,756)
Payment of tax	502,825	(288,050)
Payment of gratuity	68,211	(328,875)
Financial' charges paid	(16,607,668)	(11,748,240)
	-----	-----
	(16,036,632)	(12,365,165)
	-----	-----
Net cash used in operating activities	(8,317,525)	(13,968,921)

CASH FLOW FROM INVESTING ACTIVITIES

Fixed capital expenditure	(1,381,139)	(516,663)
Short term investment	2,000,000	--
Sale proceeds of fixed assets	23,000	82,500
	-----	-----
Net cash used in investing activities	641,861	(434,163)

CASH FLOWS FROM FINANCING ACTIVITIES

Long term loan obtained from associated undertaking and Directors	114,812,696	--
Repayment of long term loan	(9,000,000)	(23,148,307)
Increase / (decrease) in short term finances	(98,076,145)	37,003,777
	-----	-----
Net cash from financing activities	7,736,551	13,855,470
	-----	-----
Net (decrease) / increase in cash and bank balances	60,887	(547,614)
Cash and bank balances at the beginning of the year	192,948	740.56
	-----	-----
Cash and bank balances at the 'end of the year	253,835	192,948
	=====	=====

RAZA ABDUL AZIZ AL-RAEE
CHIEF EXECUTIVE

AQEEL AHMED
DIRECTOR

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1999

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 Basis for preparation**

These accounts have been prepared in accordance with the International Accounting Standards as applicable in Pakistan.

2.2 Accounting convention

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

2.3 Employee's retirement benefit

The Company operates and 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.

2.4 Taxation

Current

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

2.5 Operating fixed assets

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

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, maintenance, repairs and profit and loss on off Fixed Assets are included in current year's profit and loss account. Major renewals, betterments and replacement are capitalized.

2.6 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.

2.7 Stock-in-trade

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

Raw & packing materials	at average cost
Work in progress	at average cost
Finished goods	at average cost
Scrap stocks	at estimated realizable value
Stock-in-transit	at cost comprising invoice values plus other charges Paid thereon upto the balance sheet date.

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

2.8 Trade debts

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

2.9 Foreign currency translation

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

2.10 Revenue recognition

Sales are recorded on despatch of goods.

	<i>1999</i>	<i>1998</i>
<i>NOTE</i>	<i>Rupees</i>	<i>Rupees</i>

3. AUTHORISED CAPITAL

22,000,000 (1998: 4,000,000) ordinary

shares of Rs.10/- each fully paid in

220,000,000 40,000,000

The Securities and Exchange Commission of Pakistan vide its letter No. CO 84/4/99 dated October 5, 1999 sanctioned the issue of eighteen million shares by the Company at 10% discount a price of Rs. 9/- per share against its face value of Rs. 10/- per share in terms of Section 84 of the Companies Ordinance 1984. The Company has decided to issue these shares as 600% Right Shares as per approval given by the shareholders in Extra Ordinary General Meeting held on July 17, 1999.

4. ADVANCE FROM SPONSORING DIRECTORS

The represents the amount received from principal shareholders being advance against their portion of Right Shares subscription in fulfilment of their underwriting commitment made with the Company for these shares.

5. STATEMENT OF CHANGES IN EQUITY

	<i>Share Capital</i>	<i>General Reserve</i>	<i>Accumulated Loss</i>	<i>Total</i>
Balance as at June 30, 1997	30,000,000	--	(239,173,497)	(209,173,497)
Profit/Loss for the year	--	--	76,139,895	76,139,895
	-----	-----	-----	-----
Balance as at June 30, 1998	30,000,000	--	(163,033,602)	(133,033,602)
Loss for the year	--	--	(40,276,142)	(40,276,142)
	-----	-----	-----	-----
Balance as at June 30, 1999	30,000,000	--	(203,309,744)	(173,309,744)
	=====	=====	=====	=====

6. 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.

	<i>LAND</i>	<i>FACTORY BUILDING</i>	<i>PLANT & MACHINERY</i>	<i>TOTAL</i>
Cost at June 30, 199	1,944,727	13,441,866	84,955,923	100,342,516
Accumulated Depreciation up to June 30, 1997	--	9,114,512	57,819,630	66,931,142
	-----	-----	-----	-----
Depreciation replacement cost	1,944,727	4,327,354	27,139,293	33,411,374
Written down value on 01-07-98	3,102,000	25,359,816	39,530,825	67,992,641
	-----	-----	-----	-----
Incremental depreciation charged	1,157,273	21,032,462	1,239,153	34,581,267
	-----	-----	-----	-----
	--	2,120,121	1,259,211	3,379,332
	=====	=====	=====	=====

1999 **1998**
Rupees **Rupees**

7. REDEEMABLE CAPITAL -- SECURED

Term finance certificates
From syndicate of banks
led by Banker Equity Limited

Opening balance	6,439,500	9,540,000
Paid during the year	--	(3,100,500)
	-----	-----

	6,439,500	6,439,500
Less: Current portion shown under current liabilities		
- Due	--	--
- Overdue	(6,439,500)	(6,439,500)
	-----	-----
	(6,439,500)	(6,439,500)
	-----	-----
	--	--
	=====	=====

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 equipments. 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). The second charge on these certificates stands vacated by Bank of America since April 12, 1993.

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.

As referred in detail made under note No. 9.1 and Not 1 1.1 the company has reached a negotiated settlement with these banks for payment in installment and aggregate amount equal to Rs. 25.587 million as against Rs. 27.62 million outstanding as principal mark-up and C.E.D.

7.1 The revised repayment schedule is as under:

Name of Bank	Balance as on 30.06-999			Amount Total	Amount Agreed to pay	Down Payment	Balance amount	Term and Amount
	Principal	Markup	C.E.D.					
Habib Bank Ltd- LT/TFC, RF,TR	7,881,758	9,579,719	66,348	17,527,825	17,563,732	5,269,120	12,294,612	24 equal monthly installment of Rs. 512,275/-
National Bank Ltd LT/TFC	2,146,518	2,900,064	--	5,046,582	4,162,020	1,040,520	3,121,500	24 equal monthly installments of Rs. 130,062/
United Bank Ltd. LT/TFC	2,146,518	2,900,064	--	5,046,582	4,162,020	1,040,520	3,121,500	24 equal monthly installments of Rs. 130,062/
	-----	-----	-----	-----	-----	-----	-----	
	12,174,794	15,379,847	66,348	27,620,989	25,887,772	7,350,160	18,537,612	
	=====	=====	=====	=====	=====	=====	=====	
				1999	1998			
				Rupees	Rupees			

8. LONG TERM LOANS

Pakistan Industrial Credit and Investment Corporation
(PICIC) -- Secured

8.1

Opening balance including
capitalisation of overdues/accrued charges

-- 65,983,341

Repaid during the year

-- (20,000,000)

Adjusted during the year

-- 45,938,341
-- (45,938,341)

Associated under taking -- Unsecured

8.2

47,174,862 47,174,862

47,174,862 47,174,862
=====

8.1 Security

The following securities have still not been released by PICIC despite lump sum settlement of the loan in 1998 as it is seeking submission of no objection certificate from other banks namely HBL, NBP & UBL. The company reached a settlement with these banks by November 16, 1999 by making agreed down payments and the agreeing to pay the balance amount of liability in 24 equal monthly installments.

- a. first equitable mortgage on all the present and future immovable properties wherever situated including all building, fixed plants, machinery, and fixtures;
- b. a first charge by way of hypothecation in respect of all machinery both present and future;
- c. the first floating charge on all other assets of the Company both present and future (subject to the hypothecation of 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 contracts with suppliers afterwards to be imported under this agreement.

(ii) Dividend. Declaration

The Company shall not declare any dividend without the prior consent of PICIC.

8.2 Loan from associated under takin8

The above loan is interest-free upto Rs. 4.5 million and the amount in excess thereof carries mark-up @ Re. 0.49 paisas (1998: @ R. 0.43) per thousand rupees per day. No repayment terms have been fixed.

Maximum balance due at the end of any month during the period was Rs. 47,250,523/- (1998; Rs. 47,250,523/-).

<i>LIMIT</i>			
<i>Rupees</i>	<i>1999</i>	<i>1998</i>	
<i>in million</i>	<i>Rupees</i>	<i>Rupees</i>	

9. SHORT TERM FINANCES

Secured

Running finance (H.B.L)	9.1	2.500	1,700,000	1,800,000
Trust receipt finance (H.B.L)	9.1	9.355	4,035,528	4,135,258
Overdraft (Rupali Bank Ltd.)				92,832,429
Finance against Imported merchandise (Rupali Bank Ltd)		3.892	--	7,043,716
			-----	-----
			5,735,258	105,811,403

Unsecured

Associated undertaking interest free	9.2		16,300,000	16,300,000
Baham Associates & others			2,000,000	--
			-----	-----
			24,035,258	122,111,403
			=====	=====

9.1 These are secured against hypothecation of stocks and personal guarantee of directors. The finance 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 subsequently reached a negotiated settlement in respect of both the accounts under the scheme announced by banks on November 16, 1999 and made a 30% down payment. It has further agreed to repay the balance amount in 24 equal installments with effect from December 19, 1999 (Refer. Note No. 7.1).

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

		<i>1999</i>	<i>1998</i>
		<i>Rupees</i>	<i>Rupees</i>
10. CURRENT PORTION OF LONG TERM LIABILITIES			
Redeemable capital	(Refer Note 7)	6,439,500	6,439,500
11. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors			
Accrued liabilities			
Expenses		4,653,456	3,162,778
Mark-up / interest on TFC's -- Secured		8,700,190	8,700,190
Long term loan -- Secured		--	17,898,513
Short term finance -- Secured	11.1	7,182,511	7,182,511
Central Excise Duty on loan		1,230,707	2,245,819
		-----	-----
		21,766,864	39,189,811
Other liabilities			
Advance from Customers		26,138,944	--
Others		1,106,985	510,318
		-----	-----
		27,245,929	510,318
		-----	-----
		55,621,807	54,450,675
		=====	=====

11.1 This include Rs. 6,679,655/- (1998: Rs. 6,679,655/-) being mark-up against Finance and Trust Receipt Finance due to Habib Bank Limited under litigation. The Company has subsequently made a 30% down payment on November 16, 1999 and as further agreed to repay the balance in 24 equal monthly installments of with effect from December 01, 1999 (Refer Note No. 7.1).

12. 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. 91,599,878/- (1998: Rs. 43,483,829).

Commitments

Commitments in respect of contracts for supply to Pakistan Telecommunication Co. Limited as at June 30, 1999 stood at Rs. 450.530 million (1998: Rs. 68.361 million)

13. OPERATING FIXED ASSETS

Particulars	COST			Rate %	DEPRECIATION			Written down value as on June 30, 1999
	As on July 01, 1998	Additions/ (Deletions)	As on June 30, 1999		As on July 01, 1998	For the Year	As on June 30, 1999	
Land - free hold	3,102,000	--	3,102,000		--	--	--	3,102,000
Factory building on free hold land	25,359,816	168,748	25,528,564	10	--	2,552,856	2,552,856	22,975,708
Plant & Machinery	39,530,825	200,577	39,731,402	10	--	3,973,140	3,973,140	35,758,262
Electric fittings	2,223,767	98,820	2,322,587	10	1,512,457	81,013	1,593,470	729,117
Furniture & Fixture	704,042	102,800	806,842	10	394,143	41,270	435,413	371,429

Office equipment	636,256	2,100	638,356	10	192,002	44,635	236,637	401,719
Computer equipment	480,770	65,725	546,495	50	405,230	5,366	458,897	87,598
		(41,500)			(33,931)			
Tools and equipment	830,009	19,000	849,009	10	325,161	52,385	377,546	471,463
Telephone Installations	71,486	4,000	75,486	10	24,780	5,071	29,851	45,635
Motor vehicles	1,112,950	45,000	1,157,950	20	600,296	110,331	710,627	447,323
		(30,000)			(6,000)			
Electric Generator	--	674,365	674,365	10	--	67,437	67,437	606,928
	-----	-----	-----	-----	-----	-----	-----	-----
Rupees- 1999	74,051,921	1,381,135	75,433,056		3,454,069	6,991,386	10,405,524	64,956,032
		(71,500)			(39,931)			
	-----	-----	-----	-----	-----	-----	-----	-----
Rupees- 1998	106,309,633	516,663	74,051,921		66,845,176	3,924,111	3,454,069	70,597,853
		(424,500)			(384,076)			
	=====	=====	=====	=====	=====	=====	=====	=====

3.1 Incremental Depreciation included in the depreciation for the year is Rs. 3,379,332

3.2 Depreciation for the period has been allocated as follows:

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
Cost of Goods Sold	6,726,833	3,631,422
Administration Expenses	264,553	292,689
	-----	-----
	6,991,386	3,924,111
	=====	=====

3.3 Details of Disposal of Fixed Assets

Particulars	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>	<i>Sale Proceed</i>	<i>Gain / (Loss)</i>	<i>Mode of Disposal</i>	<i>Sold to</i>
Motor Cycle KAD 9142	30,000	6,000	24,000	20,000	(4,000)	Negotiation	Mr.Tanveer, Ahmed Shop No.8, Akber Road, Saddar, Karachi.
Computer	41,500	33,931	7,569	3,000	(4,569)	Negotiation	Mr. Anwarul Haq Gulshan-e-Iqbal, Karachi
	-----	-----	-----	-----	-----	-----	-----
Rupees 1999	71,500	39,931	31,569	23,000	(8,569)		
	=====	=====	=====	=====	=====	=====	=====
Rupees 1998	424,500	384,176	40,424	82,500	42,076		
	=====	=====	=====	=====	=====	=====	=====

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>

14. STORES AND SPARES

Stores	529,809	395,389
Spares	268,078	132,214
	-----	-----
	797,887	527,603
	=====	=====

15. STOCK-IN-TRADE

Raw material	16,466,137	19,108,913
Packing material	492,611	981,628
Work in process	15,556,291	31,797,417
Finished goods	5,716,660	18,508,611
	-----	-----
	38,231,699	70,396,569
	=====	=====

16. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances - considered good

- Employees	69,500	117,750
- Suppliers	7,445,436	3,754,950
- Income tax	698,390	549,941
	-----	-----
	8,213,326	4,422,641

Tender Deposits	2,274,500	2,302,562
L/C. margin and charges	9,482,096	1,098,177
Prepayments	243,256	257,083

Other receivables

Octroi refundable	458,358	673,414
Sales tax refundable	438,905	716,620
Profit on FDR	--	96,300
Excise duty	4,542	4,250
L/G Margin	1,355,290	--
Others	1,004,947	824,448
	-----	-----
	3,262,042	2,315,032
	-----	-----
	23,475,220	10,395,495

17. CASH AND BANK BALANCES

Cash in hand	54,169	13,685
Cash at banks in current account	199,666	179,263
	-----	-----
	253,835	192,948

1999 **1998**
Rupees **Rupees**

18. SALES

Sales	105,313,589	52,897,584
Excise duty	8,391,055	4,274,552
Sales tax	13,011,982	5,877,509
	-----	-----
	(21,403,037)	(10,152,061)
	-----	-----
	83,910,552	42,745,523

19 COST OF SALES

Material consumed:

Opening stock

- Raw materials	19,108,913	21,485,479
- Packing materials	981,628	1,169,816
	-----	-----
	20,090,541	22,655,295

Purchases

- Raw materials	40,642,256	36,755,367
- Packing materials	987,076	639,307
	-----	-----
	41,629,332	37,394,674
- Scrap	(829,360)	(284,453)
	-----	-----
	40,799,972	37,110,221
	-----	-----
	60,890,513	59,765,516

Closing stock

- Raw materials	16,466,137	191,108,913
-----------------	------------	-------------

- Packing materials	492,611	981,628
	-----	-----
	(16,958,748)	(20,090,541)
	-----	-----
Material consumed	43,931,765	39,674,975
Manufacturing expenses		
Store and spares	711,635	804,116
Fuel, power and light	3,490,640	2,570,382
Salaries, wages and other benefits	5,338,445	4,633,012
Repairs and maintenance	1,310,917	451,054
Vehicles running	1,554,517	1,067,081
Rent, rates and taxes	413,323	239,432
Telephone expense	151,130	132,162
Legal and professional	--	24,000
Insurance	344,475	362,251
Printing and stationery	84,925	4,914
Depreciation	6,726,833	3,631,422
Others	599,855	434,711
	-----	-----
	20,726,695	14,354,537
	-----	-----
	64,658,460	54,029,512
Work in process		
- Opening stock	31,797,417	34,040,515
- Adjustment of supply against PTCL penalty	--	(7,777,400)
- Closing stock	(15,556,291)	(31,797,417)
	-----	-----
	16,241,126	(5,534,302)
	-----	-----
Cost of goods manufactured	80,899,586	48,495,210
Finished goods		
- Opening stock	18,508,611	11,053,406
- Closing stock	(5,716,660)	(18,508,611)
	-----	-----
	12,791,951	(7,455,205)
	-----	-----
	93,691,537	41,040,005
	=====	=====

20. ADMINISTRATION EXPENSES

Salaries, wages and other benefits	2,651,388	2,697,949
Rent, rates and Taxes	27,178	27,178
Postage, telegram, telephone and telex	47,710.50	379,428
Printing and stationery	180,213	129,596
Legal and professional	206,300	57,358
Travelling conveyance and entertainment	969,421	541,304
Subscriptions	81,000	42,500
Audit fee	50,000	50,000
Depreciation	264,553	292,688
Zakat	--	50,000
Office maintenance	83,117	237,104
Electricity, gas & other expenses	113,131	118,850
Insurance	131,232	113,458
Others	470,691	168,527
	-----	-----
	5,705,329	4,905,940
	=====	=====

21. SELLING AND DISTRIBUTION

Advertising and sales promotion	191,214	334,274
Carriage and forwarding	75,850	137,402
Octroi on sales	283,084	86,022
Penalties on sales (late delivery charges)	7,059,499	352,284
Tender charges	112,900	55,500

Bank Charges on performance bonds, bid bonds etc.	520,550	355,208
Printing and stationery	--	4,745
Others	271,167	171,183
	-----	-----
	8,514,264	1,496,618
	=====	=====

22. FINANCIAL CHARGES

Interest / mark-up on:

- Mark-up on Long Term Loan PICIC	343,274	--
- Short term finances	12,753,639	13,180,382
- Borrowing from associated undertakings- unsecured	3,803,780	4,536,849
Bank charges	389,827	899,922
	-----	-----
	17,290,520	18,617,153

Less:

--Mark-up reversed on BEL's porti(22.1)	--	--
--Mark-up reversed on MCB's port(22.2)	--	1,740,039
--Mark-up reversed on ABL's porti(22.3)	--	1,160,025
	-----	-----
	--	(2,900,064)
	-----	-----
	17,290,520	15,717,089
	=====	=====

22.1 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.

22.2 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

22.3 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.

23. OTHER INCOME

Profit/Loss on sale of motor vehicle	(4,000)	42,076
Profit on FDR	96,592	214,000
Insurance Claim	48,786	9,320
Sale of Fixed Assets	(4,569)	--
Others	--	1,280,174
	-----	-----
	136,809	1,545,570
	=====	=====

24. REVERSAL OF LIABILITIES

PICIC -- long term loan	1,298,059	93,352,569
It includes CED and markup on PICIC loan reversed upon final payment made as per settlement reached with PICIC.		
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		
	-----	-----
	1,298,059	95,747,777
	=====	=====

25. DIRECTOR'S AND EXECUTIVE'S REMUNERATION

1999
Rupees

1998
Rupees

Particulars	Director		Executives	
	Director	Executives	Director	Executives
Basic salary	771,876	457,850	771,876	399,400
House rent	347,340	205,800	347,340	179,000
Conveyance allowance	3,600	10,800	3,600	10,800
Leave encashment	100,000	45,550	100,000	54,700
Utilities	77,184	60,000	77,184	39,000
Gratuity	100,000	60,000	100,000	25,000
	-----	-----	-----	-----
	1,400,000	840,000	1,400,000	707,900
	=====	=====	=====	=====
	1	3	1	4
	=====	=====	=====	=====

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

26. TAXATION

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

	1999	1998
	Rupees	Rupees

27. TRANSACTION WITH ASSOCIATED UNDERTAKINGS

Interest charged	3,803,780	4,536,849
Rent charged	--	24,000
	-----	-----
	3,803,780	4,560,849
	=====	=====

28. EARNING PER SHARE

Net profit / (loss) for the year	(40,276,142)	76,139,895
	=====	=====
Number of ordinary shares	3,000,000	3,000,000
	=====	=====
Earning / (loss) per share	(13.43)	25.38
	=====	=====

29. PLANT CAPACITY

Installed capacity sanctioned by I.B.P. is \$02,000 conductor core kilometres. During the period capacity has been achieved at 31.90% (1998: 9.94%) against the installed capacity, as 160,155 (1998: 49,897) conductor core kilometre of various types of Telephone Cables were produced.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of all financial assets and financial liabilities are estimated to approximate their respective carrying amount.

31. INTEREST RATE RISK EXPOSURE

Financial Assets	Interest bearing		Non-interest bearing	Total
	One month to one year	one year and onwards		
			Rupees	Rupees
Long term deposits	--	--	137,300	137,300
Trade debts	--	--	14,986,481	14,986,481
Advances & other receivables	--	--	10,535,058	10,535,058
Cash and bank balances	--	--	253,835	253,835
	-----	-----	-----	-----
	--	--	25,912,674	25,912,674
	=====	=====	=====	=====

Financial Liabilities

Long term loans	--	42,674,862	4,500,000	47,174,862
Short term finances	5,735,258	--	18,300,000	24,035,258
Creditors, accrued & other liabilities	--	--	55,621,807	55,621,807
	-----	-----	-----	-----
	5,735,258	42,674,862	78,421,807	126,831,927
	=====	=====	=====	=====
On Balance Sheet gap	-----	-----	-----	
	5,735,258	42,674,862	52,509,133	
	=====	=====	=====	

Effective rate of markup for financial liabilities are as follows:

	%
Long term loans	17-18
Short term finances	16-17

32. CREDIT RISK EXPOSURE

The following financial assets of the Company are exposed to credit risk

Trade debts	14,986,481	209,904
	=====	=====

A major portion of trade debts were subsequently realized and good against advance payment were received.

33. OTHER INFORMATION

The Company has secured a huge contract amounting to Rs. 450 million from its principal buyer. The Company has also reached negotiated settlement with the remaining banks i.e. HBL, UBL, and NBP on November 16, 1999 and made down payments to these banks. The remaining amount has been agreed to be paid in 24 equal monthly instalments as explained in details in Note No. 7.1. The Company expects and reversal of liability of amount Rs. 1.733 million upon full and final payment of instalments.

34. MAN POWER

Total number of employees including contractors employees as at June 30, 1999 was 100 (1998: 85).

35. GENERAL

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

- Figures have been rounded off to the nearest rupee.

RAZA ABDUL AZIZ AL-RAEE
CHIEF EXECUTIVE

AQEEL AHMED
DIRECTOR