

Pioneer Cables Limited

Annual Report 1998

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Company Profile

Board of Directors

Mr. Said Ahmed (Chairman)
Mr. Rashid Zakaria Bawany (Chief Executive)
Mr. Zakaria A. Bawany
Mrs. Mobina A. Dada
Mr. Zahid Zaheer
Mr. Arshad Mahmud (Nominee of N.I.T.)
Ms. Aaliya K. Dossa (Nominee of N.I.T.)

Company Secretary

Mr. Asif A. Sattar

Chief Accountant

Mr. Vali Muhammad A. Rehman

Legal Adviser

Mr. Muhammad Azizur Rehman
Advocate

Bankers

Bank Al-Habib Ltd.
Muslim Commercial Bank Ltd.
Security Investment Bank Ltd.
Bank Al-Falah Ltd,
Albaraka Islamic Investment Bank Ltd.

Auditors

Rahim Iqbal Rafiq & Co.
Chartered Accountants

Registered Office

27/3/1, Mauza Bairut,
Main RCD Highway, Hub Chowki,
Distt. Lasbela, Balochistan,
Phones: 0202-32360, 0202-33679
Fax: 0202-32369

Head/Sales Office

1001-Uni Towers.
I.I. Chundrigar Road, P.O. Box 6643,
Karachi- 74000, Pakistan.
Phones: 2416511-14, 2410553, 2413828
Fax: (92-21) 2415815, (92-21) 2411804
E-Mail: pioneer@bawany.com
WEBSITE: <http://www.bawany.com>

Lahore Office 24/25 Associated Chambers. Patiala Ground,
Link Mcleod Road, Lahore.
Phones: (042) 7235741 - 43
Fax: (042) 7235712

Islamabad Office 3rd Floor, Ally Plaza,
44 West Blue Area,
Islamabad.
Tel/Fax: (92-51) 822915
Mobile: 0351-7356342

Notice of Meeting

Notice is hereby given that the Eighteenth Annual General Meeting of the Shareholders of Pioneer Cables Limited will be held on Thursday the 17th December, 1998 at 12:30 p.m., at the liaison office of the Company at Uni towers. 10th Floor, Room No, 1001, I.I, Chundrigar Road, Karachi to transact the following business;

Ordinary Business

1. To confirm the minutes of Extra Ordinary General Meeting held on Tuesday the 12th May, 1998.
2. To receive, consider and adopt the Statement of Accounts for the year ended June 30, 1998 together with the Reports of the Directors and Auditors thereon.
3. To appoint Auditors for the ensuing year, and to fix their remuneration, Messrs. Rahim Iqbal Rafiq & Co, Chartered Accountants retire and being eligible have offered themselves for re-appointment.

Special Business

4. To consider and, if thought fit to pass the following special resolution with or without modification:-

"Resolved that the consent of the members of the Company be and is hereby accorded to disinvest/sell 1,090,000 ordinary shares of Rs. 10/- each of M/s. Bawany Metals Limited, an associated undertaking @ Rs. 10,16 per share."

5. To transact any other business which may legally be transacted at an Annual General Meeting with the permission of the Chair.

By Order of the Board

Karachi: November 14, 1998,

ASIF A. SATTAR
Company Secretary

Notes:

1. The Share Transfer Books of the Company will be closed from 10th December, 1998 to 17th December, 1998 (both days inclusive). Transfers received in order at the Shares Department of the Company at Uni Towers. 10th Floor, Room No. 1001 I.I Chundrigar Road, Karachi by close of business on 9th December, 1998 will be treated in time.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as his/her proxy to attend and vote on his/her behalf.
3. The instrument appointing a proxy, together with the power of attorney under which it is signed or a notariially certified copy thereof, should be deposited at the Liaison Office/

Shares Department of the Company not less than 48 hours before the time of holding of the meeting.

4. The members are requested to advise the change in address, if any.

**STATEMENT U/S 160(B) OF THE COMPANIES ORDINANCE, 1984
PERTAINING TO THE SPECIAL BUSINESS**

The Pioneer Cables Limited has invested an amount of Rs. 10,900,000/- in = 1,090,000= ordinary shares of Rs. 10/- each of Bawany Metals Limited, which is an associated undertaking. The Shareholders in the Extra Ordinary General Meeting held on 12th May, 1998 have passed Special Resolution for disinvestment of the Shares of Bawany Metals Limited at a price based on the report of an independent valuer. In view of the drastic reduction in the break-up value of the share between 31-12-97 and 30-06-98, the Board does not consider it prudent to get independent valuation and in its meeting held on 14-11-98 decided to recommend to the Shareholders that 1,090,000 shares of Rs. 10/-each of Bawany Metals Limited be disinvested at a price of Rs. 10.16 per share being the break-up value of the share as at 31-12-97 as the Company has received an offer from Pakistan Management & Services (Pvt) Ltd, an associated undertaking to buy these shares.

Chairman's Review

Dear Shareholders

On behalf of the Board of Directors. it gives me great pleasure to welcome you to the meeting. The 18th Annual Report alongwith the audited accounts for the year ended 30th June, 1998 is also being presented.

Board of Directors:

The present Board of Directors was elected for a term of 3 years commencing from 22nd June. 1998, Mr. Arshad Mahmud and Ms. Aaliya K. Dossa (nominees of NIT) have been elected as new Directors and I welcome them to the Board, I wish to record appreciation for the services rendered by the out going Directors Mr. Abdul Haiy Khan and Mr. Tariq N. Haq.

The founder of the Company Mr. Zakaria A. Bawany has stepped down from the office of the Chief Executive Mr. Rashid Z. Bawany has been appointed by your Board as Chief Executive of the Company in his place. for a period of three years.

I wish to place on record the outstanding services of Mr. Zakaria A. Bawany as Chief Executive of the Company and take pleasure in welcoming Mr. Rashid Z. Bawany as a new Chief Executive of the Company.

Company's Performance:

The year under review the market for your Company remained highly depressed and uncertain mainly due to the recession in the national economy. The weak financial position of WAPDA and KESC acted as a restraint on their operations and no new major orders were awarded by them during the year and this situation had an adverse impact on your Company's operations.

The devaluation of Pak Rupee by nearly 13% was effected during last financial year. The Pak Rupee continued to remain under severe strain through out the year and as such, it has drastically increased the cost of imports. The year passed with insurmountable difficulties owing to devaluation of Pak Rupee. high energy cost and high lending rate of the banks. It is against this backdrop that the Company's performance has to be measured.

The Sales for the year dropped to an unsatisfactory level because of paucity of orders emanating from KESC and WAPDA. As such. the sales volume declined to Rs. 189.53 million compared to Rs. 330.17 million of previous year reducing the turnover volume by 43%.

The proportionate increase in cost of sales has been registered due to massive devaluation of Pak Rupee and inflationary increase during 1997-98, As such, the gross profit margin has reduced to Rs. 1.04 million as against Rs. 31.54 million in the previous year.

The Selling Expenses have as far as possible been contained and reduced to Rs. 3.05 million as against Rs. 7.01 million of corresponding year. Similarly, the Financial Charges have been brought down to Rs. 9.01 million compared to Rs. 22.05 million in last year. Your Company made strenuous efforts to control the inventories and to recover the trade debts which has improved the cash flow position by Rs. 14.37 million during the year.

The Company has ended in a loss of Rs. 22.71 million before tax, Over and above these losses, a provision has been made for the payment of Rs. 0.95 million to Government Exchequer @ 0.5% on turnover under section 80-D of the Income Tax Ordinance, 1979. This unjustifiable and presumptive levy has further worsened the results. However due to prior years' tax refunds of Rs. 5.17 million, the loss after tax has reduced to Rs. 18.50 million.

ISO 9002 Certification:

It gives me great pleasure to inform you that your Company has been awarded ISO 9002 Certification for certain products during the year under review. This achievement represents great stride towards our quality management and higher commitment of our employees.

Future Prospects:

The prospects of the forthcoming year of your Company should be viewed in the backdrop of Government efforts for the revival of industrial sector of the Country. The reduced activity of your Company is a reflection of sluggish national economy. The incidence of high taxes on the end price particularly dual taxes in the form of Excise duty and Sales tax continue to inhibit the growth of the wire and cable industry. At the same time, higher taxation lure the unscrupulous manufacturers of substandard products in unorganised sectors to tax evasion, and result in colossal losses in transmission of electricity on one hand and unhealthy competition to your Company's products on the other hand.

The national economic scenario deteriorated further after nuclear explosion in May, 1998 followed by economic sanctions as also withholding of financial support of IMF and World Bank and other international sources. The foreign currency reserve of the Country dwindled to an alarming level forcing the Government to take stringent measures like disallowing imports on official rate of exchange. The imports were however allowed on composite rate of exchange which turned out to be a de facto devaluation of Pak Rupee further by nearly 15%.

The future prospects of your Company can only be ascribed as uncertain until the economic scenario improves due to governmental efforts to check the recessionary trend of the economy. The economic scenario is presently dismal and could be improved if a bail out package is successfully concluded with IMF and World Bank. However, the Government is making concerted efforts to arrest the downslide in the economy. Under an improved scenario and with the dedicated efforts of the management team, your Company will hopefully be able to secure more orders so as to increase the turnover as it has in-built strength to overcome the present difficulties.

Employees and Valued Customers:

I wish to thank all employees for their contribution to the Company and also our valued customers and banks for their confidence reposed in your Company.

Karachi: November 14, 1998

Said Ahmed
Chairman

Directors' Report

Your Directors are pleased to submit 18th Annual Report and 15th since the Company was listed on the Stock Exchange of Pakistan, alongwith audited accounts for the year ended June 30, 1.998 and the Auditors Report thereon.

The operating results of your Company are summarised below:

	June 30, 1998 Rupees	June 30, 1997 Rupees
Loss before taxation	(24,210,817)	(10,681,531)
Reversal of provision for doubtful debts	1,500,000	-
Taxation	(954,082)	(1,650,831)
Prior years' refunds	5,168,000	-
	-----	-----
	4,213,918	(1,650,831)
Loss after taxation	(18,496,899)	(12,332,362)
Balance brought forward from last year	(11,670,993)	661,369
Unappropriated balance carried forward	(30,167,892)	(11,670,993)

The present Auditors M/s. Rahim Iqbal Rafiq & Co., Chartered Accountants retire and offer themselves for re-Appointment.

The pattern of shareholdings is annexed.

On behalf of the Board
RASHID ZAKARIA BAWANY
 Chief Executive

Karachi: November 14, 1998

**Pattern of Shareholdings
 As At June 30, 1998**

No of shareholders	Shareholding	Total Shares held
209	01 to 100	5,357
267	101 to 500	51,066
75	501 to 1,000	49,362
125	1,001 to 5,000	232,847
12	5,001 to 10,000	76,479
4	10,001 to 15,000	47,085
3	15,001 to 20,000	51,857
1	20001 to 25,000	23,650
2	25,001 to 30,000	53,362
1	35,001 to 40,000	35,561
2	55001 to 60,000	117,942
2	60,001 to 65,000	125,345
2	90001 to 95,000	184,243
1	105,001 to 110,000	106,048
1	110001 to 115,000	112,821
2	130001 to 135,000	264,804
1	145001 to 150,000	147,661
1	155,001 to 160,000	156,197
1	235,001 to 240,000	237,988
1	375,001 to 380,000	379,646
1	1,085,001 to 1,090,000	1,088,179
-----		-----
714		3,547,500
=====		=====

CATEGORIES OF SHAREHOLDERS

S. No.	Categories	Number	Shares held	Percentage
1	Individual	696	1,434,525	4,043
2	Investment Companies	3	59,053	167
3	Insurance Companies	2	15,750	44
4	Joint Stock Companies	5	27,157	77
5	Financial Institutions	4	1,128,577	3,181
6	Associated Companies	3	752,009	2,120
7	Charitable institutions	1	130,429	368
		-----	-----	-----
		714	3,547,500	100.00
		=====	=====	=====

10 Years at a Glance

(Rs. in '000')

	1997-98	1996-97	1995-96*	1994	1993	1992	1991	1990	1989	1988
Sales	189,532	330,166	772,297	358,729	300,157	247,878	312,480	316,850	292,046	204,818
Profit/(loss) after tax	(189,497)	(12,332)	15,269	10,709	6,026	2,737	11,027	12,089	10,226	9,844
Tangible fixed assets	75,880	81,917	65,962	63,891	65,750	69,861	73,898	60,058	61,577	65,211
Long term investment/deposits	11,324	11,324	11,314	11,304	11,233	11,219	11,251	2,553	2,513	320
Working capital	2,925	17,199	47,132	42,824	35,886	35,791	32,606	50,596	47,818	45,968
Net assets employed	90,129	110,440	124,408	118,019	112,869	116,871	117,755	113,207	111,908	111,509
Issued capital	35,475	35,475	35,475	33,000	33,000	33,000	33,000	33,000	33,000	33,000
Reserve and retained earnings	45,832	64,329	76,661	71,849	64,440	64,189	61,452	53,483	46,832	44,572
Shareholders' equity	81,307	99,804	112,136	104,849	97,440	97,189	9,452	86,483	79,832	74,572
Long term loans	-	1,768	3,310	8,174	10,910	15,102	18,679	23,576	29,106	34,054
Deferred liabilities	8,822	8,868	8,962	4,996	4,519	4,580	4,624	3,148	2,970	2,883
Capital employed	90,129	110,440	124,408	118,019	112,869	116,871	117,755	113,207	111,908	111,509

Financial ratios

Current assets:

Current liabilities	1.02:1	1.07:1	1.19:1	1.37:1	1.37:1	1.49:1	1.43:1	1.66:1	1.78:1	2.08:1
Turnover: Total assets	0.75:1	0.96:1	2.08:1	1.53:1	1.42:1	1.31:1	1.61:1	1.67:1	1.68:1	1.33:1
Long term loans: Equity	N.A.	0.02:1	0.03:1	0.08:1	0.11:1	0.16:1	0.20:1	0.27:1	0.36:1	0.46:1
Earning/share after tax Rs	N.A.	N.A.	4.30	3.25	1.83	0.83	3.34	3.66	3.10	3.28
Net earning/Rupee of sales Rs.	N.A.	N.A.	0.02	0.03	0.02	0.01	0.04	0.04	0.04	0.05
Break up value/share Rs.	22.92	28.13	31.61	31.77	29.53	29.45	28.62	26.21	24.19	24.86
Net return on equity %	N.A.	N.A.	31.62	10.21	6.18	2.82	11.67	13.98	12.81	13.20
Net return on capital employed %	N.A.	N.A.	12.27	9.07	5.34	2.34	9.36	10.68	9.14	8.83
Net return on total assets %	N.A.	N.A.	4.11	4.56	2.86	1.44	5.68	6.38	5.90	6.38
Cash dividend/share %	-	-	22.50	10.00	17.50	-	17.50	17.50	15.00	-
Bonus issue/share %	-	-	-	7.50	-	-	-	-	-	10.00

* Figures are for eighteen months ended June 30, 1996.

Auditors' Report To The Members

We have audited the annexed Balance Sheet of PIONEER CABLES LIMITED as at June 30, 1998 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 explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

(iii) the business conducted, investment 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 and 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, 1998; and of the loss 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 diminution in long term investment in respect of which no provision has been made in the accounts for the reason given in the note 10.1.

RAHIM IQBAL RAFIQ & CO.
Chartered Accountants

Karachi:
Date: November 14, 1998

Balance Sheet
As At June 30,1998

	NOTE	1998 Rupees	1997 Rupees
SHARE CAPITAL AND RESERVES			
Authorized Capital			
4,000,000 ordinary shares of Rs. 10/- each		40,000,000	40,000,000
		=====	=====
Issued, subscribed and paid up capital	3	35,475,000	35,475,000
General reserve		76,000,000	76,000,000
Unappropriated loss		(30,167,892)	(11,670,993)
		-----	-----
		81,307,108	99,804,007

LONG TERM LOANS	4	-	1,767,632
DEFERRED LIABILITIES			
Taxation		8,500,000	8,500,000
Staff gratuity		321,966	368,411
		-----	-----
		8,821,966	8,868,411
CURRENT LIABILITIES			
Current maturity of long term loans		1,767,632	1,542,000
Short term finances	5	86,351,893	101,468,131
Creditors. accrued and other liabilities	6	74,922,799	127,698,094
Taxation		954,082	1,045,052
		-----	-----
		163,996,406	231,753,277
CONTINGENCIES AND COMMITMENTS			
	7	-----	-----
		254,125,480	342,193,327
		=====	=====
FIXED CAPITAL EXPENDITURE			
Operating fixed assets	8	58,108,349	60,359,074
Capital work-in-progress	9	17,771,999	21,558,078
		-----	-----
		75,880,348	81,917,152
LONG TERM INVESTMENT			
	10	10,900,000	10,900,000
LONG TERM SECURITY DEPOSITS			
		424,355	424,355
CURRENT ASSETS			
Stores and spares	11	276,333	323,460
Stock-in-trade	12	48,107,363	73,777,627
Trade debts	13	93,602,645	147,902,873
Loans, advances, deposits, prepayments and other receivables	14	18,160,544	19,424,047
Cash and bank balances	15	6,773,892	7,523,813
		-----	-----
		166,920,777	248,951,820
		-----	-----
		254,125,480	342,193,327
		=====	=====

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

SAID AHMED
Director and Chairman

RASHID ZAKARIA BAWANY
Director and Chief Executive

**Profit And Loss Account
For The Year Ended June 30, 1998**

	Note	1998 Rupees	1997 Rupees
Sales-Net	16	189,531,567	330,166,214
Cost of sales	17	188,488,575	298,624,700
		-----	-----
Gross profit		1,042,992	31,541,514
		-----	-----

Administration expenses	18	13,431,088	13,399,586
Selling expenses	19	3,057,706	7,011,690
Financial charges	20	9,011,026	22,049,844
		-----	-----
		25,499,820	42,461,120
		-----	-----
Operating loss		(24,456,828)	(10,919,606)
Other income	21	246,011	238,075
		-----	-----
Loss before taxation		(24,210,817)	(10,681,531)
Reversal of provision for doubtful debts		1,500,000	-
		-----	-----
		(22,710,817)	(10,681,531)
Taxation	22		
- Current		(954,082)	(1,650,831)
- Prior		5,168,000	-
		-----	-----
		4,213,918	(1,650,831)
		-----	-----
Loss after taxation		(18,496,899)	(12,332,362)
Unappropriated profit/(loss) brought forward		(11,670,993)	661,369
		-----	-----
Unappropriated loss carried forward		(30,167,892)	(11,670,993)
		=====	=====

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

SAID AHMED

Director and Chairman

RASHID ZAKARIA BAWANY

Director and Chief Executive

Cash Flow Statement

For The Year Ended June 30, 1998

	NOTE	1998 Rupees	1997 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(22,710,817)	(10,681,531)
Adjustments for:			
Depreciation		6,558,162	6,888,063
Gain on disposal of operating fixed assets		(109,661)	(118,718)
Financial charges		9,011,026	22,049,844
Provision for doubtful debts/claims		(1,500,000)	-
		-----	-----
		13,959,527	28,819,189
		-----	-----
Operating profit/(loss) before working capital changes		(8,751,290)	18,137,658
Changes in working capital:			
Decrease/(Increase) in current assets			
Stores and spares		47,127	23,022
Stock-in-trade		25,670,264	(21,571,820)
Trade debts		55,800,228	65,964,218
Loans, advances, deposits, prepayments and other receivables		1,263,504	(6,731,026)
(Decrease)/Increase in current liabilities			
creditors. accrued and other liabilities		(53,561,015)	(15,562,230)

	-----	-----
	29,220,108	22,122,164
	-----	-----
Cash generated from operations	20,468,818	40,259,822
	-----	-----
Payment of tax	4,122,947	(7,218,361)
Payment of gratuity	(46,445)	(93,615)
Financial charges paid	(8,197,839)	(22,049,844)
	-----	-----
	(4,121,337)	(29,361,820)
	-----	-----
Net cash (used in)/from operating activities	16,347,481	10,898,002
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of fixed assets	260,000	233,000
Fixed capital expenditure	(671,697)	(22,957,181)
Long term deposits	-	(10,500)
	-----	-----
Net cash from/(used in)investing activities	(411,697)	(22,734,681)
	-----	-----
	15,935,784	(11,836,679)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term loans	(1,542,000)	(3,351,424)
Dividends paid	(27,467)	(5,308,068)
	-----	-----
Net cash used in financing activities	(1,569,467)	(8,659,492)
	-----	-----
Net (decrease)/increase in cash and cash equivalents	14,366,317	(20,496,171)
Cash and cash equivalents at the beginning of the period	(93,944,318)	(73,448,147)
	-----	-----
Cash and cash equivalents at the end of the pe	23 (79,578,001)	(93,944,318)
	=====	=====

SAID AHMED
Director and Chairman

RASHID ZAKARIA BAWANY
Director and Chief Executive

Notes To The Accounts For The Year Ended June 30, 1998

1. THE COMPANY AND ITS OPERATION

The Company is limited by shares incorporated in Pakistan on November 19, 1979 and quoted on Karachi & Lahore Stock Exchange. The principal activity of the Company is manufacturing and sore of cables, conductors and other allied items.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

The financial statements have been prepared under the historical cost convention.

2.2 Employees' Retirement Benefit

Gratuity Scheme

The Company operated an unfunded gratuity scheme upto the year 1990 covering its employees who completed prescribed qualifying period of service.

Provident Fund Scheme

The Company operates provident Fund Scheme registered under the Income Tax Ordinance, 1979, for all its employees who are eligible for the benefit. Monthly contributions are made to cover obligations under the scheme.

2.3 Taxation

Current

Provision for current taxation is based on taxable income at current rates, after considering admissible tax credits, if any, or 0.5 percent of turnover, whichever is higher.

Deferred

The Company accounts for deferred tax on all significant timing differences using the 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 Fixed Capital Expenditure

a. Operating assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation except lease hold land which is stated at cost.

Depreciation is charged to profit and loss account by applying reducing balance method at the rates specified in operating assets note.

Full year's depreciation is charged on additions, while no depreciation is charged on assets deleted during the year.

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

b. Capital work-in-progress

Capital work-in-progress is stated at cost and represents expenditure on fixed assets, in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets become operative.

2.5 Long Term Investments

These are stated at cost, Provision for deminution in value of investment is made if such deminution is considered permanent.

2.6 Stores and Spares

These are valued as follows:

In hand	on moving average cost.
In transit	on cost comprising invoice value and other charges paid thereon 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 and packing materials	on moving average basis
Work-in-process	at average manufacturing cost
Finished goods	at average manufacturing cost
Scrap stocks	at estimated realizable value
Stock-in-transit	at cost comprising invoice value plus expenses incurred thereon upto the balance sheet date

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

2.8 Trade Debts

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

2.9 Revenue Recognition

* Sales of products and services are recorded on delivery of products or performance of services.

*Claims for cost escalation are recognized on actual receipt.

* Income from investment is credited to profit and loss account in the year in which it is received.

2.10 Foreign Currency Transactions

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing at the date of balance sheet except those covered with the State Bank of Pakistan under forward exchange contract. Liabilities for import against L/C's are translated into Pak. Rupees at the rate of exchange prevailing at the date of preparation of balance sheet. Exchange gains or losses are included in current year's profit and loss account.

		1998	1997
		Rupees	Rupees
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
1997	1998		
3,000,000	3,000,000	3,000,000	3,000,000
	Ordinary Shares of Rs. 10/- each fully paid in cash		
300,000	300,000	3,000,000	3,000,000
	Ordinary Shares of Rs. 10/- each issued as fully paid bonus shares		
247,500	247,500	2,475,000	2,475,000
	Ordinary Shares of Rs. 10/- each issued as fully paid bonus shares		
----- 35,475,000	----- 35,475,000	----- 35,475,000	----- 35,475,000
=====	=====	=====	=====

4. LONG TERM LOANS

FOREIGN CURRENCY FROM PICIC

Opening balance	3,309,632	6,661,056
Repaid during the period	(1,542,000)	(3,351,424)
	-----	-----
	1,767,632	3,309,632
Current maturity shown under current liabilities	(1,767,632)	(1,542,000)
	-----	-----
	-	1,767,632
	=====	=====

4.1 The significant terms and conditions of the agreement are:-

Credit line	Principal amount million	Effective Mark-up rate P.A.	Exchange risk fee	Repayable in equal installments			Rate of mark-up on default in payment of outstanding dues
				No./Mode	From	To	
ADB- 878/879/18	4th Loan US\$ 0.426 Rs. 09.327	14%	Included in 14%	16 (semi- annually)	01.01.92		10,7995% per annum above bank rate or effective rate of interest whichever is higher

Security

The above loans rank pari-passu with other loans and are secured by:-

- a) First equitable mortgage on the immovable properties both present and future including building, plant, machinery and fixtures;
- b) First charge by way of hypothecation in respect of the machinery both present and future;
- c) 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 banker;
- d) A demand promissory note for the amount of the loan executed by the Company renewable after every three years; and
- e) Assignment by the Company by way of mortgage of the benefits of its contract with the suppliers of the goods to be imported under this agreement.

Other Information Pertaining to Loans

Dividend Declaration

Without prior written consent of PICIC, the Company shall not declare any dividend during the period in which the Company is in arrears of PICIC dues.

1998 Rupees	1997 Rupees
----------------	----------------

5. SHORT TERM FINANCES

Secured

From Banks

Morabaha Finance	(5.1)	8,000,000	10,000,000
Demand Finance	(5.2)	43,386,968	37,386,968
Running finance	(5.3)	28,116,248	7,234,063
Refinance	(5.4)	-	2,463,000
Documents against acceptance		6,133,326	40,732,599
		-----	-----
		85,636,542	97,816,630

Unsecured

From associated undertakings	(5.5)	715,351	3,651,501
		-----	-----
		86,351,893	101,468,131
		=====	=====

5.1 Morabaha finance

The aggregate fund based limit is Rs. 10 million (1997: Rs. 10 million), Markup to be charged at the rate of 15,5% per annum (1997: 14% per annum).

5.2 Demand finance

The aggregate fund based limit is Rs. 43.4 million (1997: Rs. 39.10 million), Mark-up is charged @ 14% per annum.

5.3 Running finance

The aggregate fund based limit is Rs. 58.5 million (1997: Rs. 39.10 million), Mark-up on running finance is charged at the rate of 43 to 48 paisas per thousand rupees on daily product basis.

Securities

The above finances are secured by joint pari-passu charge against hypothecation of current assets and lien over title of imported goods.

5.4 Refinance

Re-finance facility expired during the year, (1997: mark-up charged @ 13%, This credit facility was against International Contract).

5.5 Loan from associated undertakings

No interest on loan was charged during the year as the associated undertaking has agreed not to charge further interest on the said loan with effect from July 01, 1997 (Interest was charged upto June 30, 1997 between 16% to 16.7% per annum payable semi annually on daily product basis).

	1998	1997
	Rupees	Rupees

6. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors		
- Associated undertaking	54,946,767	81,835,353
- Others	5,739,379	3,715,755
	-----	-----
	60,686,146	85,551,108
Accrued liabilities		
Mark-up on		
- Short term finance- secured	4,168,715	3,224,178
- Loan from associated undertakings- unsecured	-	131,350
Accrued charges	2,974,649	3,022,970
Excise levy on loans	-	8,333
	-----	-----
	7,143,364	6,386,831
Other liabilities		
Advances from customers	-	35,289,294
Unclaimed dividend	170,271	197,738
Withholding taxes	47,418	209,463
Workers' welfare fund	978,463	-
Others	5,897,137	63,660
	-----	-----
	7,093,289	35,760,155
	-----	-----
	74,922,799	127,698,094
	=====	=====

7. CONTINGENCIES AND COMMITMENTS

Contingencies

a) Guarantees amounting to Rs. 15,771,578/- (1997: Rs. 16,528,075/-) have been given to Collector of Customs against partial exemption in import levies.

b) Bank and insurance guarantees amounting to Rs. 51,418,845/- (1997: Rs. 55,439,883/-) have been given to various parties for contract performance, tender bids etc.

Commitments in respect of

LC's established for import of raw materials 3,204,794 -

8. OPERATING FIXED ASSETS

Particulars	Cost		Depreciation			Written Down Value		Rate
	As on 01-07-97	Additions/ (Deletions)	As on 30-06-98	As on 01-07-97	For the year	As on 30-06-98	As on 30-06-98	%
Lease Hold Land	1,481,886	-	1,481,886	-	-	-	1,481,886	-
Factory Building								
on Lease Hold Land	18,437,200	4,021,931	22,459,131	12,490,625	996,850	13,487,475	8,971,656	10
Plant & Machinery	115,606,579	274,725	115,881,304	71,437,099	4,444,420	75,881,519	39,999,785	10
Office Premises	1,144,570	-	1,144,570	363,199	39,069	402,268	742,302	5
Furniture & Fixture	1,502,176	5,600	1,507,776	736,419	77,136	813,555	694,221	10
Electric Fittings	1,375,000	-	1,375,000	1,068,662	30,634	1,099,296	275,704	10
Office Equipment	4,007,567	120,520	4,010,087	1,760,756	228,561	1,953,038	2,057,049	10
		(118,000)		(36,279)				
Lab & Other Equipments	264,605	-	264,605	191,783	7,282	199,065	65,540	10
Fire Fighting Equipments	48,019	-	48,019	26,002	2,202	28,204	19,815	10
Sign Board	1,048,740	-	1,048,740	439,746	60,899	500,645	548,095	10
Fork Lifter	2,076,581	-	2,076,581	940,860	113,572	1,054,432	1,022,149	10
Motor Vehicles	7,365,704	35,000	7,033,349	4,544,402	557,537	4,803,202	2,230,147	20
		(367,355)		(298,737)				
Rupees - 1998	154,358,627	4,457,776	158,331,048	93,999,553	6,558,162	100,222,699	58,108,349	
		(485,355)		(335,016)				
Rupees - 1997	153,386,524	1,399,103	154,358,627	87,424,208	6,888,063	93,999,553	60,359,074	
		(427,000)		(312,718)				

8.1 Addition to factory building includes capitalization of capital work in progress amounting to Rs. 3,955,832/-.

8.2 Depreciation for the year has been allocated as under:-

	1998 Rupees	1997 Rupees
Cost of sales	5,594,960	5,739,217
Administration expenses	963,202	1,148,846
	6,558,162	6,888,063
	=====	=====

8.3 Details of disposals of operating fixed assets

Particulars	Cost	Accumulated depreciation	Book Value	Sales proceeds	Profit/ (Loss)	Mode of Sales	Sold to
Vehicle	180,000	152,821	27,179	100,000	72,821	Negotiation	Abdul Rauf Gul Plot No. 410, Noor Homes Flat No. 104, Adamjee Nagar

Block-B, K.C.H.S. Karachi.

Photocopy Machine	118,000	36,279	81,721	45,000	(36,721)	Negotiation	SILC Business Computer 4th floor, Abdullah Sadiq Chamber, I.I. Chundrigar Road, Karachi.
Vehicle	163,355	124,815	38,540	100,000	61,460	Negotiation	Mr. Hanif I. Lakhany Former Executive Pioneer Cables Limited
Vehicle	24,000	21,101	2,899	15,000	12,101	Negotiation	Mr. Riaz Mirza Former Account Officer Pioneer Cables Limited

Rupees - 1998	485,355	335,016	150,339	260,000	109,661
Rupees - 1997	427,000	312,718	114,282	233,000	118,718

1998	1997
Rupees	Rupees

9. CAPITAL WORK-IN-PROGRESS

Advance for:

- Plant and machinery	17,771,999	17,602,246
- Building	-	3,955,832
	-----	-----
	17,771,999	21,558,078
	=====	=====

10. LONG TERM INVESTMENT- AT COST

In associated undertaking

Bawany Metals Limited- Unquoted

1,090,000 (1997: 1,090,000) ordinary

shares of Rs. 10/- each

10,900,000	10,900,000
=====	=====

Chief Executive: Mr. Zakaria A. Bawany

Equity held 49,55% (1997: 49,55%)

10.1 Value of these investments based on the net assets of the investee company as shown by its audited accounts for the year ended June 30, 1997 was Rs. 13,380,733/-.

The unaudited financial statements of the investee company for the year ended June 30, 1998 show its liabilities as exceeding its assets by Rs. 9,916,916/-.

No provision has however been made for the 100% diminution in the value of these investments as the management has received indications of offer for these shares not below Rs. 10/- per share, The management intends to proceed with the disinvestment at such a price as is approved by the shareholders in the General Meeting,

Had the provision been made for the diminution, the loss for the year would have been higher by Rs. 10,9 million.

11. STORES AND SPARES

Stores	230,953	260,563
Spares	45,380	62,897
	-----	-----
	276,333	323,460
	=====	=====

12. STOCK-IN-TRADE

Raw materials	23,319,503	46,214,435
---------------	------------	------------

Packing materials	266,166	669,596
Work-in-process	19,393,073	20,162,307
Finished goods	3,747,372	4,605,080
Others	1,381,249	2,126,209
	-----	-----
	48,107,363	73,777,627
	=====	=====

13. TRADE DEBTS- UNSECURED

Considered good	95,102,645	150,902,873
Less: Provision for doubtful debts/claims	(1,500,000)	(3,000,000)
	-----	-----
	93,602,645	147,902,873
	=====	=====

13.1 The management considers that all debts are good and fully recoverable, In view of effective recovery made during the year, lump sum provision made as a matter of prudence in previous year accordingly been reduced by Rs. 1.5 million.

13.2 No amount was due at the end of any month during the period from associated undertaking (1997: Rs. 592/-).

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

Loans and advances- unsecured

Considered good

- Employees		218,950	222,250
- Suppliers		1,455,258	72,395
- Associated undertakings	(14.1)	-	211,826
- Income tax		3,448,258	5,416,347
- Others		273,727	7,345,507
		-----	-----
		5,396,193	13,268,325
Deposits			
- Octroi, sales tax and excise duty		388,519	4,046,239
Prepayments		313,371	564,779
Other receivables			
- Income tax refundable	(14.2)	12,062,461	1,544,704
		-----	-----
		18,160,544	19,424,047
		=====	=====

14.1 The maximum aggregate amount due from associated undertakings at the end of any month during the period was Rs. 276,932/- (1997: Rs. 211,826/-).

14.2 This represents the refundable amount as worked out by the company on the basis of completed assessment for the year 1997-98 as well as the appeal effect of the order passed by the Income Tax Appellate Tribunal for the assessment years 1988-89 to 1997-98.

	1998	1997
	Rupees	Rupees
15. CASH AND BANK BALANCES		
In hand	180,147	302,109

With banks in:

- current accounts	6,593,745	7,183,362
- dividend account	-	38,342
	-----	-----
	6,593,745	7,221,704
	-----	-----
	6,773,892	7,523,813
	=====	=====

16. SALES- NET

Gross sales	229,747,526	419,647,464
Excise duty	15,756,206	28,128,544
Sales tax	23,174,952	59,841,922
Commission	1,284,801	1,510,784
	-----	-----
	40,215,959	89,481,250
	-----	-----
	189,531,567	330,166,214
	=====	=====

17. COST OF SALES

Raw and packing materials	(17.1)	161,718,032	260,009,497
Stores and spares		1,279,442	2,507,684
Salaries, wages and other benefits		11,934,193	13,899,138
Fuel, power and light		4,159,359	4,443,125
Rent, rates and taxes		149,212	171,484
Insurance		88,455	102,235
Repairs and maintenance		516,891	928,302
Vehicles running expenses		549,857	646,844
Depreciation	(8.2)	5,594,960	5,739,217
Others		871,232	1,382,035
		-----	-----
		186,861,633	289,829,561

Work in process

- Opening		20,162,307	32,528,582
- Closing		(19,393,073)	(20,162,307)
		-----	-----
		769,234	12,366,275
		-----	-----
Cost of goods manufactured		187,630,867	302,195,836

Finished goods

- Opening		4,605,080	1,033,944
- Closing		(3,747,372)	(4,605,080)
		-----	-----
		857,708	(3,571,136)
		-----	-----
		188,488,575	298,624,700
		=====	=====

17.1. Raw And Packing Materials Consumed

Opening stock			
- Raw materials		46,214,435	15,887,750
- Packing materials		669,596	387,650
- Scrap		2,126,209	1,897,415
		-----	-----
		49,010,240	18,172,815

Purchases		
- Raw materials	143,030,348	285,083,174
- Packing materials	1,996,649	7,513,758
	-----	-----
	145,026,997	292,596,932
	-----	-----
	194,037,237	310,769,747
Closing stock		
- Raw materials	23,319,503	46,214,435
- Packing materials	266,166	669,596
- Scrap	1,381,249	2,126,209
	-----	-----
	24,966,918	49,010,240
	-----	-----
Scrap sales	(7,352,287)	(1,750,010)
	-----	-----
	161,718,032	260,009,497
	=====	=====

18. ADMINISTRATION EXPENSES

Salaries and other benefits	5,696,423	6,033,290
Directors' remuneration and fees	1,412,155	822,534
Rent, rates and taxes	73,063	73,063
Insurance	191,674	277,765
Repairs and maintenance	216,187	321,660
Vehicles running	839,438	856,573
Entertainment	146,459	217,292
Travelling	746,331	1,067,832
Electricity and gas	648,567	468,519
Communications	895,014	899,617
Printing and stationery	263,392	493,489
Legal and professional	1,041,754	418,075
Fees and subscription	132,795	114,360
Donations (18.1)	100,500	138,500
Newspapers and periodicals	13,851	21,155
Audit fee	45,000	25,000
Depreciation	963,202	1,148,846
Others	5,283	2,016
	-----	-----
	13,431,088	13,399,586
	=====	=====

18.1 Donations do not include payments to any institutions or fund in which any Director or his spouse had any interest.

1998	1997
Rupees	Rupees

19. SELLING EXPENSES

Advertising and sales promotion	890,863	1,457,849
Performance bonds, cables jointing kits & other related expenses	1,214,286	2,656,222
Handling and cartage	818,045	1,965,903
Octroi on sales	134,512	931,716
	-----	-----
	3,057,706	7,011,690
	=====	=====

20. FINANCIAL CHARGES

Interest on long term loans	411,198	819,148
Mark-up on short term finances	8,462,533	7,174,715
Interest on loan from associated undertaking	-	636,276
Mark-up against purchase credit from associated undertaking	-	12,207,488
Excise levy on bank finances	-	712,049
Bank guarantee commission	-	5,705
Bank charges	75,011	228,527
Mark-up on refinance	62,284	265,936
	-----	-----
	9,011,026	22,049,844
	=====	=====

21. OTHER INCOME

Interest on loan to associated undertakings	40,350	19,826
Gain on disposal of operating fixed assets	109,661	118,718
Others	96,000	99,531
	-----	-----
	246,011	238,075
	=====	=====

22. TAXATION

Income tax assessment of the Company has been finalized upto the assessment year 1997-98 (accounting year June 30, 1997).

The deferred tax liability as at June 30, 1998 was Rs. 8,531,868/- (1997: Rs. 9,963,063/-) against which the Company has made provision of Rs. 8,500,000/- (1997: Rs. 8,500,000/-).

1998	1997
Rupees	Rupees

23. CASH AND CASH EQUIVALENTS

Cash and bank balances	6,773,892	7,523,813
Short term finances	(86,351,893)	(101,468,131)
	-----	-----
	(79,578,001)	(93,944,318)
	=====	=====

24. REMUNERATION OF DIRECTORS AND EXECUTIVES

	June 30, 1998		June 30, 1997	
	Rupees		Rupees	
	DIRECTORS	EXECUTIVES	DIRECTORS	EXECUTIVES
Meeting fees	3,500	-	2,500	-
Managerial remuneration	673,257	2,665,018	566,540	2,427,444
Other perquisites and benefits	735,398	1,331,130	253,494	1,191,851

Total	1,412,155	3,996,148	822,534	3,619,295
	=====			

No. of Persons

Meeting fees	5	-	3	-
Managerial remuneration	4	11	5	10

The Company for the purpose of its business has provided to its Directors with free use of Company owned and maintained cars and residential telephones etc.

	1998	1997
	Rupees	Rupees
25. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS		
Sales	39,780	592
Purchases	117,176,978	200,062,144
Interest received on inter-company balances	40,350	19,826
Interest paid on inter-company balances	-	12,843,764
Rent paid	60,000	60,000
Rent received	96,000	96,000
Net payments	144,065,564	269,304,554

26. CAPACITY AND PRODUCTION

The capacity and production of the Company's plant is not determinable due to production of various types and sizes of cables, wires and conductors etc.

27. OTHER INFORMATION

The company do not foresee any impact of the year 2000 problem on its present computer system and on the records maintained.

28. FIGURES

- Of previous year's have been reclassified and rearranged wherever necessary to facilitate comparison.

- Have been rounded off to the nearest rupee.

SAID AHMED

Director and Chairman

RASHID ZAKARIA BAWANY

Director and Chief Executive