

## **DIRECTORS' REVIEW**

Sales for the first quarter are Rs. 867.5 million which is 16% lower than the sales in the corresponding period of last year. This is mainly due to a slowdown and decline in new industrial investment as a result of economic problems being faced by the country.

Gross profit of Rs. 115.7 million is 13.3% of sales against Rs. 126.3 million (12.2% of sales) in the corresponding period of last year. The increase in the gross profit, as a percentage to sales, is due to better sales mix and gain on opening inventory.

Your company continues to monitor and control its expenses vigorously to improve profitability from operations. Selling and administrative expense are Rs. 40.1 million compared to Rs. 51.4 million for the same period last year. The decrease is mainly due to lower expenses on account of carriage & forwarding and overall control on expenses.

The rise in financial cost is attributable to the sharp increase in interest rates. It is also impacted by increased working capital requirements due to rising raw material prices and the new long term loans for capital expenditure.

As a result of the above, your company ended the first quarter with a profit after tax of Rs. 15.6 million compared to Rs. 27.1 million in the corresponding period.

The economy of the country continues to remain sluggish. The sharp fall in the value of rupee has increased the cost of imports resulting in lower margins. At present foreign exchange for imports is without the benefit of forward cover. This increases the uncertainty in costing our materials. The prevailing tight liquidity in the banking sector has resulted in a substantial increase in the KIBOR rates which will increase our financing costs. Whilst there is uncertainty regarding the economic conditions which could impact the company's performance and results, your company is carrying forward a reasonable order book.

The Directors would like to place on record their sincere appreciation for the hard work and dedication shown by the management and employees of the company and express their gratitude to the company's valued customers, distributors, bankers and all other partners for their support and the confidence reposed in us.

On behalf of the Board of Directors



TOWFIQ H. CHINOY  
Chairman

Karachi: October 25, 2008

Pakistan Cables Limited  
Condensed Interim Balance Sheet (Unaudited)  
As at 30 September 2008

	Note	(Unaudited) 30 September 2008	(Audited) 30 June 2008 (Restated)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	1,736,136	1,643,567
Investments in associates	5	138,086	137,856
Long-term loans		2,039	1,407
Long-term security deposits		2,494	2,494
<b>CURRENT ASSETS</b>			
Stores and spares		31,226	28,773
Stock-in-trade	6	1,147,382	1,018,606
Trade debts	7	538,869	397,375
Short-term loans and advances		14,728	27,255
Short-term deposits and prepayments		20,816	4,179
Other receivables		1,423	3,028
Advance tax - net of provisions		61,718	57,617
Cash and bank balances	8	8,946	23,743
		1,825,108	1,560,576
<b>TOTAL ASSETS</b>		<b>3,703,863</b>	<b>3,345,900</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital		195,112	195,112
Reserve for issue of bonus shares		19,511	-
General reserves		436,000	378,000
Unappropriated profit		16,821	77,852
		667,444	650,964
Surplus on revaluation of land and buildings - net of tax		686,717	687,557
<b>NON-CURRENT LIABILITIES</b>			
Long-term loans	9	281,927	270,770
Deferred liability for staff gratuity		17,633	16,890
Other long-term employee benefits		13,727	13,726
Deferred tax liability - net		76,868	76,868
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	665,655	449,277
Short-term borrowings	11	1,174,546	1,092,487
Current portion of long-term loans	9	73,787	59,286
Mark-up accrued on bank borrowings		45,559	28,075
		1,959,547	1,629,125
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,703,863</b>	<b>3,345,900</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

KAMAL A. CHINOY  
Chief Executive

HAROUN RASHID  
Director

ASLAM SADRUDDIN  
Finance Director

**CONDENSED INTERIM PROFIT & LOSS ACCOUNT (UNAUDITED)***For the quarter ended 30 September 2008*

	<b>July to September 2008 Rs. 000</b>	<b>July to September 2007 Rs. 000</b>
Net Sales	<b>867,493</b>	1,037,491
Cost of goods sold	<b>751,833</b>	911,142
Gross profit	<b>115,660</b>	126,349
Selling costs	<b>29,285</b>	33,842
Administrative expenses	<b>10,825</b>	17,590
	<b>40,110</b>	51,432
	<b>75,550</b>	74,917
Other operating expenses	<b>2,751</b>	11,544
Other operating income	<b>711</b>	2,724
Operating profit	<b>73,510</b>	66,097
Finance cost	<b>50,299</b>	28,212
Share of profit from associates	<b>830</b>	2,613
Profit before taxation	<b>24,041</b>	40,498
Taxation	<b>8,400</b>	13,400
Profit after taxation	<b>15,641</b>	27,098
Earning per share - Basic and diluted	<b>Rs. 0.80</b>	Rs. 1.39

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

KAMAL A. CHINOY  
Chief Executive

HAROUN RASHID  
Director

ASLAM SADRUDDIN  
Finance Director

## Condensed Interim Cash Flow Statement (Unaudited)

For the quarter ended 30 September 2008

	Note	30 September 2008	30 September 2007
<b>(Rupees in '000)</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	13	37,756	(151,531)
Staff retirement benefits paid		(514)	-
Financial charges paid		(32,815)	(20,197)
Taxes paid		(12,501)	(26,311)
Long-term loans		(632)	99
Net cash used in operating activities		<u>(8,706)</u>	<u>(197,940)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		<b>(114,406)</b>	(107,270)
Proceeds from disposal of fixed assets		-	60
Dividends received		<b>600</b>	551
Net cash used in investing activities		<b>(113,806)</b>	(106,659)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term loan obtained		<b>33,991</b>	36,404
Repayment of long-term loans		<b>(8,333)</b>	(8,334)
(Decrease)/Increase in short-term finance		<b>(4,723)</b>	151,618
Dividends paid		<b>(2)</b>	(28,295)
Net cash flows from financing activities		<b>20,933</b>	151,393
Net decrease in cash and cash equivalents		<b>(101,579)</b>	(153,206)
Cash and cash equivalents at beginning of the period		<b>(714,021)</b>	(50,428)
Cash and cash equivalents at end of the period	14	<b>(815,600)</b>	(203,634)

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

KAMAL A. CHINOY  
Chief Executive

HAROUN RASHID  
Director

ASLAM SADRUDDIN  
Finance Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

*For the quarter ended 30 September 2008*

	Issued, subscribed and paid-up share capital	General reserves	Reserve for issue of bonus shares	Unappro- priated Profit	Total
	-----Rs.'000-----				
Balance as at 30 June 2007	146,334	285,000	-	171,423	602,757
<b>Changes in equity for the quarter ended 30 September 2007</b>					
Final cash dividend for the year ended 30 June 2007	-	-	-	(29,267)	(29,267)
Issuance of bonus shares for the year ended 30 June 2007	48,778	-	-	(48,778)	-
Transfer to general reserve	-	93,000	-	(93,000)	-
Transferred from surplus on revaluation of buildings	-	-	-	556	556
Transferred from surplus on revaluation of buildings by an associate	-	-	-	24	24
Net income recognized directly in equity	-	-	-	580	580
Profit for the period July 2007 to September 2007	-	-	-	27,098	27,098
Total recognized income for the quarter	-	-	-	27,678	27,678
Balance as at 30 September 2007	195,112	378,000	-	28,056	601,168
<b>Changes in equity for the period from October 07 to June 08</b>					
Transferred from surplus on revaluation of buildings	-	-	-	1,671	1,671
Transferred from surplus on revaluation of buildings by an associate	-	-	-	39	39
Transfer from surplus on revaluation of building by an associate on sale of shares	-	-	-	9,787	9,787
Net income recognized directly in equity	-	-	-	11,497	11,497
Profit for the period October 2007 to June 2008	-	-	-	38,299	38,299
Total recognized income for the period	-	-	-	49,796	49,796
Balance as at 30 June 2008	195,112	378,000	-	77,852	650,964
<b>Changes in equity for the quarter ended 30 September 2008</b>					
Transfer to reserve for Issuance of bonus shares for the year ended 30 June 2008	-	-	19,511	(19,511)	-
Transfer to general reserve	-	58,000	-	(58,000)	-
Transferred from surplus on revaluation of buildings	-	-	-	839	839
Net income recognized directly in equity	-	-	-	839	839
Profit for the period July 2008 to September 2008	-	-	-	15,641	15,641
Total recognized income for the period	-	-	-	16,480	16,480
Balance as at 30 September 2008	195,112	436,000	19,511	16,821	667,444

KAMAL A. CHINOY  
Chief Executive

HAROUN RASHID  
Director

ASLAM SADRUDDIN  
Finance Director

# Notes to Condensed Interim Financial Statements (Unaudited)

*For the quarter ended 30 September 2008*

## **1. INTRODUCTION**

Pakistan Cables Limited ("the Company") was incorporated in Pakistan as a private limited company on 22 April 1953 and in 1955 it was converted into a public limited company in which year it also obtained a listing on the Karachi Stock Exchange. The Company is engaged in the manufacturing of copper rods, wires, cables and conductors, and aluminium extrusion profiles. The registered office of the Company is situated at B/21, S.I.T.E., Karachi, Pakistan.

## **2. BASIS OF PRESENTATION**

These condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi Stock Exchange.

## **3. ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended 30 June 2008.

### **3.1 ESTIMATES**

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation were the same as those that applied to the financial statements for the year ended 30 June 2008.

	<b>30 September 2008</b>	30 September 2007
	<b>(Rupees in '000)</b>	
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>		
Additions	114,406	107,270
Disposals (cost)	-	(907)
<b>5. INVESTMENTS IN ASSOCIATES</b>		
	<b>(Unaudited)</b>	(Audited)
	<b>30 September</b>	30 June
	<b>2008</b>	2008
	(Restated)	
	<b>(Rupees in '000)</b>	
International Industries Limited 480,000 (30 June 2008: 400,000) fully paid ordinary shares of Rs.10 each (market value at 30 September 2008: Rs.36.816 million; market value at 30 June 2008: Rs.50.184 million)	49,584	50,184
New Jubilee Insurance Company Limited 500,000 (30 June 2008 :500,000) fully paid ordinary shares of Rs.10 each (market value at 30 September 2008: Rs.54.375 million; market value at 30 June 2008: Rs.84.22 million)	<u>88,502</u>	<u>87,672</u>
	<u><b>138,086</b></u>	<u><b>137,856</b></u>
<b>5.1</b> On June 30, 2008, the Company had shown shares worth Rs.71.239 million as Investments classified as held for sale. However, in view of the present unfavourable situation of the Karachi Stock Exchange, the Company has decided to hold these shares as long term investments. Therefore, these have been reclassified accordingly and the comparative figures have been restated to conform the requirements of International Accounting Standard 28, "Investments in Associates".		
	<b>(Unaudited)</b>	(Audited)
	<b>30 September</b>	30 June
	<b>2008</b>	2008
	<b>(Rupees in '000)</b>	
<b>6. STOCK-IN-TRADE</b>		
Raw materials [including Rs. 441.7 million in transit (30 June 2008: Rs. 59.8 million)]	6.1 650,038	295,113
Work-in-process	195,908	300,726
Finished goods	282,210	408,896
Scrap	<u>19,226</u>	<u>13,871</u>
	<u><b>1,147,382</b></u>	<u><b>1,018,606</b></u>
<b>6.1</b> This includes certain raw materials of an aggregate value of Rs.Nil (30 June 2008: Rs.0.2 million) held by third parties.		
<b>7. TRADE DEBTS</b>		
Considered good	538,869	397,375
Considered doubtful	<u>11,634</u>	<u>12,568</u>
	550,503	409,943
Provision for doubtful debts	<u>(11,634)</u>	<u>(12,568)</u>
	<u><b>538,869</b></u>	<u><b>397,375</b></u>
<b>8. CASH AND BANK BALANCES</b>		
With banks on current accounts	8,833	23,523
Cash in hand	<u>113</u>	<u>220</u>
	<u><b>8,946</b></u>	<u><b>23,743</b></u>

**9. LONG -TERM LOANS**

	<b>Number of instalments and commencement date</b>	<b>Instalment amount (Rs. in '000)</b>	<b>Mark-up rate per annum</b>	<b>(Unaudited) 30 September 2008 (Rupees in '000)</b>	<b>(Audited) 30 June 2008</b>
Loan 1	12 quarterly 15-Feb-06	4,167	3 months KIBOR plus 1.25%	<b>4,167</b>	8,333
Loan 2	5 half yearly 19-Nov-06	20,000	6 months KIBOR plus 1.25%	<b>20,000</b>	20,000
Loan 3	7 half yearly 27-Oct-07	7,143	6 months KIBOR plus 1.25%	<b>35,714</b>	35,714
Loan 4	12 quarterly 31-Jan-07	4,167	3 months KIBOR plus 1.25%	<b>20,833</b>	25,000
Loan 5	6 half yearly 17-Oct-09	13,333	6 months KIBOR plus 1%	<b>80,000</b>	80,000
Loan 6	6 half yearly 13-Aug-09	12,000	6 months KIBOR plus 1.25%	<b>60,000</b>	60,000
Loan 7	6 half yearly 29-Jul-09	6,002	6 months KIBOR plus 1.25%	<b>40,000</b>	36,009
Loan 8	6 half yearly 05-Nov-09	4,167	6 months KIBOR plus 1.25%	<b>25,000</b>	25,000
Loan 9	8 half yearly 02-Dec-09	5,000	6 months KIBOR plus 1%	<b>70,000</b>	40,000
				<b>355,714</b>	330,056
Current portion shown under current liabilities				<b>(73,787)</b>	(59,286)
				<b>281,927</b>	270,770

9.1 All long-term loans are secured against hypothecation of specific items of plant and machinery.

**10. TRADE AND OTHER PAYABLES**

Creditors	<b>258,128</b>	94,536
Accrued expenses	<b>36,000</b>	35,765
Advances from customers	<b>250,353</b>	205,272
Deposits from distributors	<b>7,500</b>	10,000
Payable to staff pension fund	<b>15,257</b>	14,160
Provision for import levies	<b>60,777</b>	58,552
Sales tax payable	<b>18,306</b>	8,203
Special excise duty payable	<b>1,760</b>	3,377
Workers' profit participation fund	<b>1,720</b>	395
Workers' welfare fund	<b>1,606</b>	1,076
Income tax deducted at source	<b>1,257</b>	1,416
Unclaimed dividend	<b>5,092</b>	5,094
Others	<b>7,899</b>	11,431
	<b>665,655</b>	449,277

**11. SHORT-TERM BORROWINGS**

<b>Secured - from banking companies</b>		
Running finance under mark-up arrangements	11.1	<b>824,546</b>
Term finance	11.2	<b>350,000</b>
Foreign currency import finance		-
		<b>1,174,546</b>
		737,764
		75,000
		279,723
		<b>1,092,487</b>

### 11.1 Running finances under mark-up arrangements

The Company has arranged short-term running finance facilities from certain banks. The overall facility for these running finances under mark-up arrangements amounts to Rs.2,210 million (30 June 2008: Rs.2,210 million). The rate of mark-up on the running finance facilities ranges between 14.35% to 15.56% net of prompt payment rebate (30 June 2008: 11.2% to 15.2%). These facilities are expiring between 30 September 2008 to 30 June 2009.

### 11.2 Term finance

The amount outstanding against term finance facility as at September 30, 2008 available from banks was Rs.350 million (30 June 2008: Rs.75 million) earmarked out of the total running finance facilities of Rs.1,200 million obtained from these banks. Mark-up on term finance is agreed at each disbursement.

### 11.3 Other facilities

The facility for opening letter of credit and guarantees as at September 30, 2008 amounted to Rs.3,110 million (30 June 2008: Rs.2,920 million) of which the amount remaining unutilized as at that date was Rs.2,384 million (30 June 2008: Rs.2,334 million).

### 11.4 Securities

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

## 12. CONTINGENCIES AND COMMITMENTS

### 12.1 Contingencies

- a) The Company has issued post-dated cheques amounting to Rs. 13.034 million (30 June 2008: Rs.12.571 million) to the Collector of Customs against partial exemption of import levies.
- b) Bank guarantees amounting to Rs. 296.318 million (30 June 2008: Rs. 233.493 million) have been given to various parties for contract performance, tender deposits, etc.

### 12.2 Commitments

- a) Aggregate commitments for capital expenditure at 30 September 2008 amounted to approximately Rs.24.850 million (30 June 2008: Rs.98.961 million).
- b) Commitments under letter of credit for the import of raw material, etc., (non capital expenditure) at 30 September 2008 amounted to Rs.406.968 million (30 June 2008: Rs. 267.525 million).

## 13. CASH GENERATED FROM/(USED IN) OPERATIONS

	30 September 2008	30 September 2007
	(Rupees in '000)	
Profit before taxation	24,041	40,498
<i>Adjustments for:</i>		
Depreciation	21,837	17,661
Provision for staff gratuity	1,257	1,257
Gain on disposal of fixed assets	-	(10)
Income from investment in associates accounted for under the equity method of accounting	(830)	(2,613)
Financial charges	50,299	28,212
Working capital changes: <i>(Increase) / decrease in current assets</i>		
Stores and spares	(2,453)	(2,612)
Stock-in-trade	(128,776)	(90,185)
Trade debts	(141,494)	(222,230)
Short-term loans and advances	12,527	(3,822)
Short term deposits and short term prepayments	(16,637)	(2,086)
Other receivables	1,605	11,048
	(275,228)	(309,887)
<i>Increase in trade and other payables</i>	216,380	73,351
	(58,848)	(236,536)
	<u>37,756</u>	<u>(151,531)</u>

**30 September**      30 September  
**2008**                      2007  
(Rupees in '000)

**14. CASH AND CASH EQUIVALENTS**

Cash and bank balances	8,946	13,597
Running finance under mark-up arrangements	<u>(824,546)</u>	<u>(217,231)</u>
	<u><b>(815,600)</b></u>	<u><b>(203,634)</b></u>

**15. TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise of associated companies, staff retirement plans, directors and key management personnel. Transactions with related parties are as follows:

	<b>30 September</b>	30 September
	<b>2008</b>	2007
	<b>(Rupees in '000)</b>	
<b>Transactions with related parties:</b>		
<b><i>Associated undertaking</i></b>		
Sale of goods	107,895	91,967
Purchase of goods, services and materials	62	6,352
Commission earned	-	188
Insurance premium expense	4,727	4,025
Insurance claim received	11	67
Dividend received	600	551
Distribution expenses	2,500	2,069
Share of profit of associated companies under the equity basis of accounting	830	2,613
<b><i>Other related parties</i></b>		
Remuneration to key management personnel	7,443	7,073
Net charge in respect of staff retirement benefit plans	3,250	3,139
<b>Balances with related parties:</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>30 September</b>	<b>30 June</b>
	<b>2008</b>	<b>2008</b>
	<b>(Rupees in '000)</b>	
<b><i>Associated undertakings</i></b>		
Trade debts	111,743	70,606
Creditors	3,666	295

**16. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on 25 October 2008.

KAMAL A. CHINYOY  
Chief Executive

HAROUN RASHID  
Director

ASLAM SADRUDDIN  
Finance Director