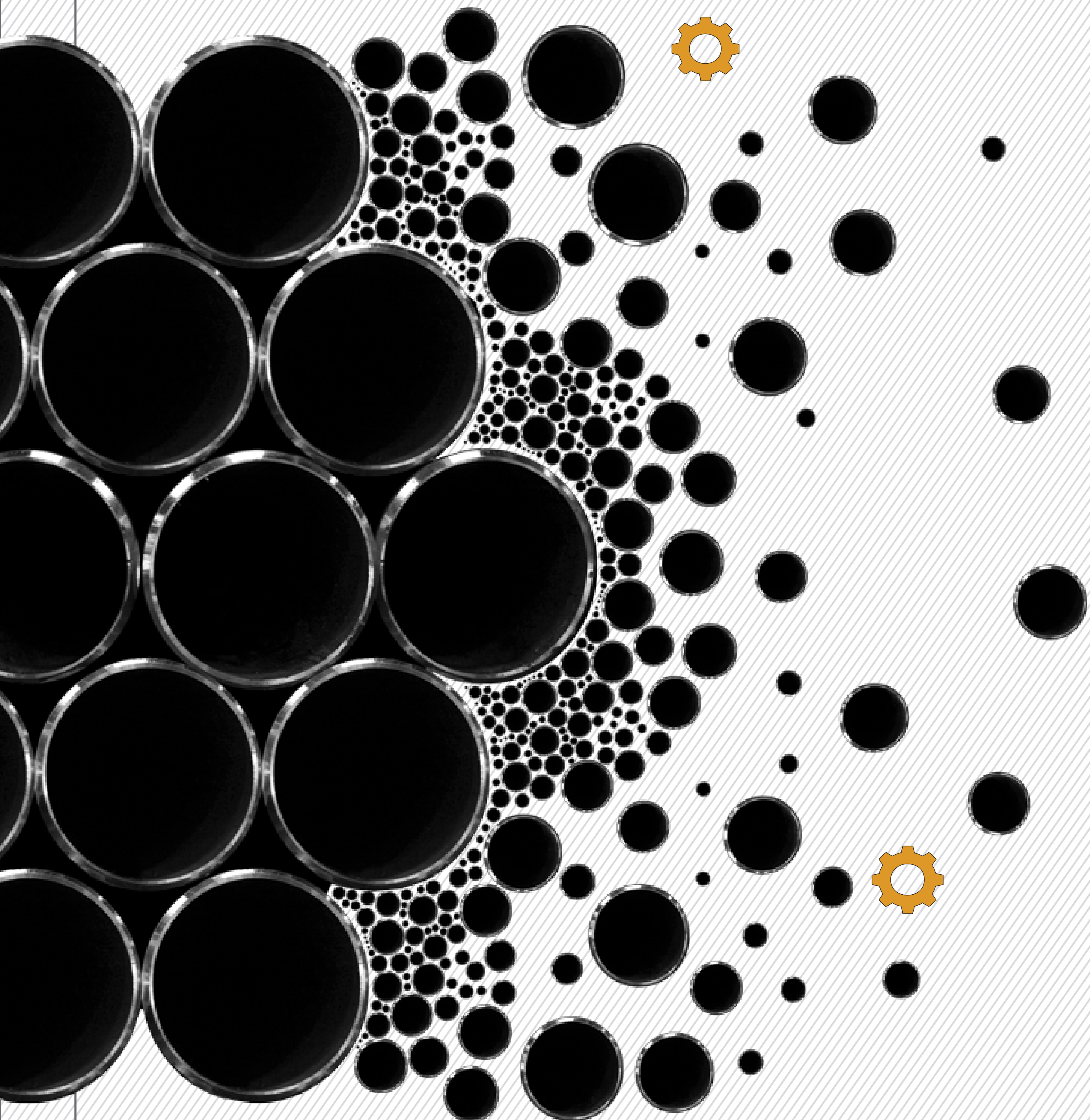
INTERNATIONAL INDUSTRIES LTD.

Promising Reliability, For Now and Tomorrow



Innovation

Exploring New Horizons

Annual Report 2013

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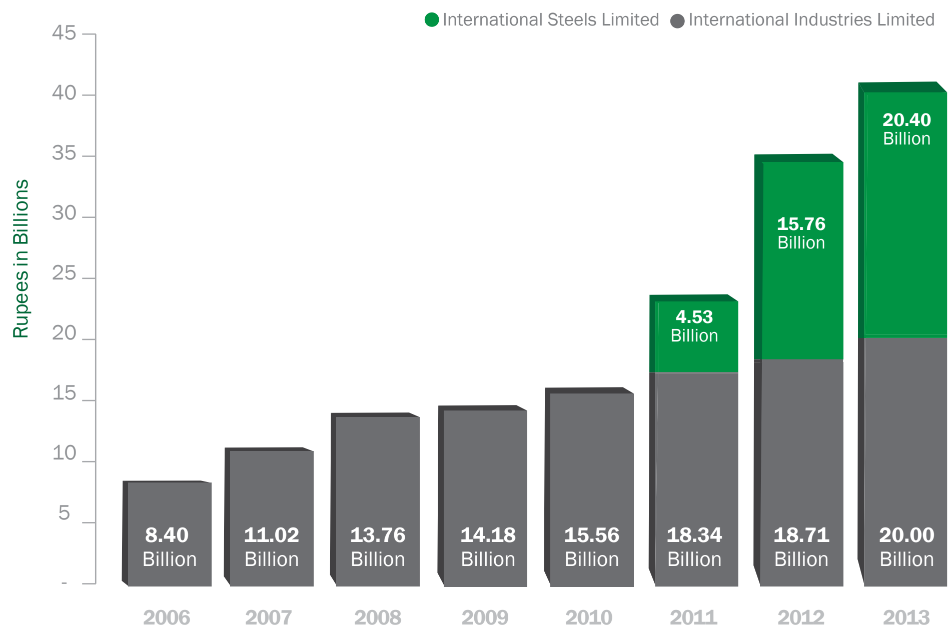
بسم الله الرحمن الرحيم

In the name of Allah, Most Gracious, Most Merciful.This is by the Grace of Allah



Sales Revenue

> " More today than yesterday and more tomorrow than today, the survival of people and their institutions depends upon innovation. "

Jack Morton

Contents

Company Profile

International Industries Limited (IIL) is the premium producer of steel tubing, galvanized iron pipes and polyethylene pipes in Pakistan.

IIL was incorporated in Pakistan in 1948 and is quoted on the Karachi, Lahore and Islamabad Stock Exchanges. The Company has equity of over Rs.5 billion with a gross turnover of more than Rs.20 billion for the reporting year. IIL has featured on the Karachi Stock Exchange listing of the top 25 companies consecutively for 9 years (between 2001 to 2010).

IIL's production capacity of steel pipes is the highest in Pakistan. It is the market leader in all segments of pipes within the country and also has a significant export footprint. In 2012-13 , IIL's gross sales volume was over 200,000 tons out of which 70,000 tons was exported to various regions including Afghanistan, Sri Lanka, the GCC region and North America. The Company has been recognized as one of the best managed companies at various forums including the leading exporter of engineering goods for the last thirteen years and has been conferred with Management Association of Pakistan's "Corporate Excellence Award" for the Industrial Metals & Mining Sector for 2011-12.

IIL was the first local private sector company to install Cold Rolling (CR) facilities in the 1980s. Its 11 cold rolled tube mills and 3 cold rolled slitters have a capacity of over 120,000 tons per annum.

To cater to the needs of the Galvanized Iron (GI) pipes market, the Company has 5 hot rolled tube mills, 3 hot rolled slitters and 4 fully automatic hot dipped galvanizing plants with a capacity of 150,000 tons per annum.

A sizeable amount of Pakistan's API pipe demand is met by IIL with its 2", 4" and 6" pipes. All API pipes are produced with inline seam annealing and hydro-testing and under API License # 5L-0391.

IIL widened its portfolio of products in 2006 by installing three extrusion plants for high and medium density Polyethylene pipes for Water, Gas and Duct Pipe. IIL is the pioneer in the manufacturing of PEX (Cross Linked) pipe in Pakistan. The Company is also manufacturing MDPE gas pipe under API license # 15LE-0014.

To conform to the highest quality, health and safety standards, IIL has obtained international certifications of ISO 9001, ISO 14001, OHSAS 18001 and CE Mark certification on CR tubing and GI pipe.

The Company owns 56.335% of the share capital of its listed subsidiary, International Steels Limited (ISL), which is the largest manufacturer of cold rolled steel and galvanized steel coils in the country with annual production capacities of 250,000 tons and 150,000 tons respectively. ISL was designed on sustainable principles, with minimum wastages, green processes and energy efficient plant and machinery. This year ISL has achieved sale of more than 220,000 tons of Cold Rolled and Galvanized Steel.

Company Information

Board of Directors

Chairman	Mr. Zaffar A. Khan	Independent Chairman
Directors	Mr. Mustapha A. Chinoy	Non-Executive Director
	Mr. Kamal A. Chinoy	Non-Executive Director
	Mr. Fuad Azim Hashimi	Independent Director
	Mr. Javaid Anwar*	Independent Director
	Mr. Azam Faruque	Independent Director
	Mr. Shahid Aziz Siddiqui	Non-Executive Director
	Mr. Tariq Ikram	Independent Director
	Mr. Abdul Samad Dawood*	Independent Director
Chief Executive Officer	Mr. Riyaz T. Chinoy	Executive Director
Chief Financial Officer	Mr. Sohail R. Bhojani	
Company Secretary	Ms. Neelofar Hameed	
External Auditors	KPMG Taseer Hadi & Co	
Internal Auditors	Ernst & Young Ford Rhodes Sidat Hyder & Co	
Bankers	Bank AL Habib Ltd Barclays Bank PLC Faysal Bank Ltd Habib Bank Ltd HSBC Bank Middle East Ltd MCB Bank Ltd Meezan Bank Ltd NIB Bank Ltd Samba Bank Ltd Soneri Bank Ltd Standard Chartered Bank Ltd United Bank Ltd	
Legal Advisor	Mrs. Sana Shaikh Fikri	
Registered Office	101 Beaumont Plaza, 10 Beaumont Road, Karachi-75530 Phone: +9221-35680045-54 / UAN: 021-111-019-109 Fax: +9221-35680373 / E-mail: inquiries@iil.com.pk	
Branch Office	Chinoy House, 6 Bank Square, Lahore-54000 Phone: +9242-37229752-55 / UAN: 042-111-019-019 Fax: +9242-37220384 / E-mail: lahore@iil.com.pk	
Factory	LX-15 & 16, Landhi Industrial Area, Karachi Phone: +9221-35080451-55 Fax: +9221-35082403 / E-mail: factory@iil.com.pk	
Website	www.iil.com.pk	
Share Registrar	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block B, S.M.C.H.S, Shahra-e-Faisal, Karachi Phone: +9221-111-111-500 Fax: +9221-34326053 Email: info@cdcpak.com	

* Resigned in August 2013.

Vision

To be an internationally recognized and preferred pipe manufacturer.

Mission

IIL is a quality conscious company committed to economies of scale. It shall continually enhance the effectiveness of its quality, environmental, occupational health and safety management systems. IIL is committed to be an ethical company and shall conform to all applicable legal requirements, as well as fulfill and exceed the needs and expectations of all stakeholders.

Team work, continuous improvement, prevention of pollution, waste reduction, protection of environment, care for health and safety of people and equipment, reduction of accidents, improvement in safety practices, a fair return to shareholders and fulfillment of social responsibility shall be the hallmark of all activities.

Strategic Objectives

- To remain an ethical company.
- Ensure a fair return to shareholders.
- Retain our reputation as the quality leader in our existing markets.
- To remain the volume leader and preferred supplier of pipe in the country.
- To enhance market share by maintaining a fair price, ensuring availability and timely deliveries.
- To enhance exports and to use them to take advantage of economies of scale.
- Ensure compliance with the spirit of the Code of Corporate Governance.
- To train, develop, retain and hire the human resources required to attain our vision.
- To promote a culture of ownership and loyalty in the Company.
- To continue to invest in IT in order to retain our ability to be flexible and take quick decisions based on real time business information.

Our Values

At IIL we take pride in uncompromising integrity through each individual's effort towards quality product for our customers and a significant contribution to the National Exchequer.

Ethical
IIL is honest and ethical in its dealings at all times through compliance with the applicable laws and regulations.

Excellence
IIL endeavours to exceed the needs of all stakeholders.

Innovation
IIL encourages its employees to be creative in all of their activities.

Respect
IIL values the self-esteem of all stakeholders, be it employees, suppliers, customers or shareholders.

Fairness
IIL believes in fairness to all stakeholders.

Responsibility
IIL considers quality, health, safety and the environment an integral part of its activities and way of life.

Reliable
IIL has established itself a reliable and dependable supplier.

Code of Conduct

- This Code of Conduct applies to all employees of International Industries Ltd. – hereby termed as the "Company".
- For the purposes of this Code, "employees" refers to directors, executives, officers, and employees of the Company.
- The Board and Management are expected to familiarize themselves with laws and regulations governing their individual areas of responsibility and not to transgress them.
- All employees should be sure that they understand and abide by the spirit as well as the letter of this Code and that violation of any of the Code's provisions could result in disciplinary action.

The salient features of the Code of Conduct are as follows:

A. BUSINESS ETHICS

i. The Company's policy is to conduct its business with honesty and integrity and be ethical in its dealings, showing respect for the interest of all stakeholders including its shareholders, employees, customers, suppliers and the society.

ii. The Company is dedicated to providing a safe and non-discriminatory working environment for all employees.

iii. The Company does not support any political party or contribute funds to groups whose activities promote political interests.

iv. The Company is committed to provide products which consistently offer value in terms of price and quality and are safe for their intended use, to satisfy customer needs and expectations.

v. The Board of Directors and the Management are committed to ensure that the Company is a responsible corporate citizen and business shall be carried out in sustainable manner.

vi. The operations shall be carried out with minimum adverse effect on the environment and producing quality products in a healthy and safe working environment.

vii. We, as a responsible corporate citizen, shall promote our role towards the betterment of society in the health and education sectors.

B. CONFLICT OF INTEREST

i. Every employee should conduct his/her personal and business affairs in a manner such that neither a conflict, nor the appearance of a conflict, arises between those interests and the interests of the Company.

ii. An employee should avoid any situation in which he or she, or a family member, might profit personally (directly or indirectly), from the Company's facilities, its products or Company's relationships with its vendors or customers.

iii. An employee should not permit himself/herself (or members of his/her family) to be obligated (other than in the course of normal banking relationships) to any organization or individual with whom the Company has a business relationship. However, business lunches, dinners or social invitations, nominal giveaways and attendance at conferences and seminars would not be considered a violation of this Code.

iv. In case an employee is offered or receives something of value which he/she believes may be impermissible under this Code, he/she should disclose the matter.

v. All employees should avoid any kind of bribery, extortion and all other forms of corruption.

vi. Conflict of interest shall be avoided and promptly disclosed where they exist and guidance should be sought.

C. ACCOUNTING RECORDS, CONTROLS & STATEMENTS

i. All books, records, accounts and statements should conform to generally accepted and applicable accounting principles and to all applicable laws and regulations and should be maintained accurately.

ii. Employees are expected to sign only documents or records which they believe to be accurate and truthful.

D. ENVIRONMENT

i. The Company is committed to conduct its business in an environmentally sound and sustainable manner and promote preservation and sustainability of the environment.

ii. All employees are required to adhere strictly to all applicable environmental laws and regulations that impact the Company's operations.

E. REGULATORY COMPLIANCE

i. The Company is committed to make prompt public disclosure of material information regarding the Company as prescribed in the Karachi Stock Exchange Regulations and/or any other exchanges where the Company is listed.

ii. Where an employee is privy to information which is generally referred to as "material inside information", the same must be held in the strictest confidence by the employee involved until it is publicly released.

iii. The Employees shall abide by the appropriate competition laws and shall not enter into understandings, arrangements or agreements with competitors which have the effect of fixing or controlling prices, dividing and allocating markets or territories or boycotting suppliers or customers.

F. PERSONAL CONDUCT

i. All employees should conduct themselves with the highest degree of integrity and professionalism in the workplace or any other location while on Company business.

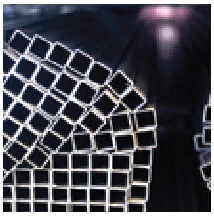
ii. All employees should avoid any kind of bribery, extortion and all other forms of corruption.

iii. Employees should always be cognizant of the need to adhere strictly to all safety policies and regulations.

iv. Any legally prohibited or controlled substances, if found in the possession of any employee, will be confiscated and where appropriate, turned over to the authorities.

Business at a Glance

IIL, a listed top 25 KSE Company was incorporated in 1948 as Sultan Chinoy & Company and is in the business of manufacturing and marketing of CR Tubes, GI Pipes, API Line Pipes, Profiles, Scaffolding & Black Pipes and Polyethylene Pipes.



IIL Cold Rolled Steel Tube

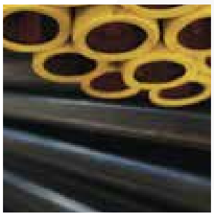
Best for Chrome, Bending and Drawing

IIL CR Steel Tubes are available in round, rectangle, square and elliptical geometry and are predominantly used in the automotives, motorcycle, bicycle, transformer, fans, furniture, tents and other mechanical and general engineering sectors. IIL premium quality steel tubes are available in standard manufacturing sizes in outside diameter from 9.00 mm to 75.90 mm and in thickness from 0.60 to 2.00 mm.

IIL Galvanized Iron Pipe

The Best in Pakistan

IIL GI pipes are ideal for the transmission of potable water, natural gas, oil and other fluids. It is also used in the fencing, low cost shelters and fabrication industries. IIL's reliable GI Pipes are available from nominal diameters of 15mm to 150mm and in thickness from 1.80mm to 6.00mm.



IIL API Line Pipe

IIL manufactures API Line Pipe as per PSL1 in accordance with ANSI/ API specification 5L under license: 5L-0391. The nominal diameter of IIL line pipes ranges from ¾" to 6" with the length ranging from 6 meters to 12.20 meters.

IIL Profiles

IIL produces the best quality profiles available in "L", "T", "Z" and "D" shapes which are used for fabrication of door and window frames that are primarily used for low cost housing.

IIL Scaffolding & Black Pipe

IIL also produces the best scaffolding and black pipe which is high in strength yet light-weight. It is made as per international standards and exported all over the world. IIL Scaffolding are available in nominal diameter of 48.3 mm with wall thickness of 4 mm and 3.2 mm.

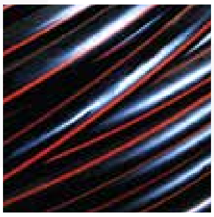
IIL PEX Pipe

A complete solution

IIL is a pioneer in the manufacturing of PEX (Cross Linked Polyethylene) Pipe in Pakistan. PEX pipe is a relatively low cost, technically advanced, easier to install, food grade and environmentally safe pipe for drinking water (hot and cold) available in 20, 25 and 32 mm.

IIL MDPE Pipe

IIL MDPE Pipes are ideal for the natural gas, liquefied petroleum gas (LPG) and other gaseous fuels. The nominal outside diameter of IIL Polyethylene Line Pipes ranges from 20 mm to 250 mm with wall thickness ranging from 1.8 mm to 22.7 mm.



IIL HDPE Duct Pipe

IIL HDPE Duct pipe is used as casing for optic fiber cable and other telecommunication cables. The standard diameter range is from 12 mm to 250 mm (without internal solid lubrication), 12 mm to 250 mm (internal ribs) and 12 mm to 250 mm (with internal solid lubrication).

IIL HDPE Water Pipe

IIL HDPE Water Pipe is used for distribution of water supply and effluent and water discharge. The standard sizes (in nominal diameter) of manufacture ranges from 20 mm to 630 mm.

Key Operating Highlights

(Rupees in million)

		2013	2012	2011	2010	2009	2008	2007	2006
FINANCIAL POSITION									
Balance Sheet									
Property, plant and equipment		3,465	2,804	2,679	9,905	5,987	4,172	2,737	1,837
Investment		2,584	2,584	2,584	106	-	-	-	-
Other non current assets		18	14	26	18	24	15	9	9
Current assets		8,500	9,665	8,623	8,709	5,168	6,439	5,854	3,401
Total assets		14,566	15,066	13,911	18,738	11,179	10,626	8,600	5,247
Share capital		1,199	1,199	1,199	999	999	833	569	428
Reserves		3,179	2,976	3,065	2,305	1,661	1,565	1,257	1,043
Total equity		4,378	4,175	4,264	3,304	2,660	2,398	1,827	1,471
Surplus on revaluation of fixed assets		1,605	1,003	1,008	1,367	1,379	1,391	515	529
Non-current liabilities		718	589	405	5,359	2,302	1,416	1,251	436
Current liabilities		7,866	9,299	8,234	8,709	4,838	5,421	5,007	2,812
Total liabilities		8,583	9,889	8,639	14,067	7,140	6,837	6,258	3,248
Total Equity & Liabilities		14,566	15,066	13,911	18,738	11,179	10,626	8,600	5,247
Net Current Assets		634	366	389	1	330	1,018	847	589
OPERATING AND FINANCIAL TRENDS									
Profit and Loss									
Net turnover		17,730	16,802	15,851	13,472	12,319	12,068	9,700	7,674
Gross profit		2,065	1,909	1,812	2,222	1,167	1,787	1,423	1,241
EBITDA		1,608	1,620	2,072	1,830	1,234	1,580	1,334	1,082
Operating profit		1,320	1,329	1,195	1,703	723	1,362	1,062	903
Profit before taxation		699	391	1,269	1,339	469	904	807	726
Profit after taxation		558	326	1,030	1,007	375	705	613	534
Cash dividend		390	240	600	400	225	201	213	214
Bonus share		-	-	-	200	-	242	188	141
Capital expenditure (additions during the year)		185	326	926	4,147	2,055	757	1,099	360
Cash Flows									
Operting activities		1,207	(249)	689	(3,490)	2,945	(597)	(590)	1,072
Investing activities		(169)	(313)	950	(4,222)	(2,039)	727	(2,339)	(303)
Financial activities		(646)	(155)	(1,371)	2,916	737	141	574	(275)
Cash & cash equivalents at the end of the year		7,152	(7,543)	(6,826)	(7,094)	(2,298)	(3,941)	(4,212)	(1,858)
KEY INDICATORS									
Profitability Ratios									
Gross profit ratio	%	11.6	11.4	11.4	16.5	9.5	14.8	14.7	16.2
Net profit to sales	%	3.1	1.9	6.5	7.5	3.0	5.8	6.3	7.0
EBITDA margin to sales	%	9.1	9.6	13.1	13.6	10.0	13.1	13.8	14.1
Operating leverage	%	(1.9)	(0.5)	0.7	5.2	(10.5)	0.8	0.9	5.4
Return on shareholders' equity (with surplus on revaluation of fixed assets)	%	9.3	6.3	19.5	21.6	9.3	18.6	26.2	26.7
Return on shareholders' equity (without Surplus on revaluation of fixed assets)	%	12.8	7.8	24.2	30.5	14.1	29.4	33.6	36.3
Return on capital employed	%	19.7	23.0	21.1	17.0	11.4	26.2	29.5	37.1
Return on total assets	%	3.8	2.2	7.4	5.4	3.4	6.6	7.1	10.2

		2013	2012	2011	2010	2009	2008	2007	2006
Liquidity Ratios									
Current ratio	times	1.08	1.04	1.05	1.00	1.07	1.19	1.17	1.21
Quick / acid test ratio	times	0.39	0.25	0.47	0.30	0.61	0.34	0.51	0.49
Cash to current liabilities	times	0.15	(0.03)	0.08	(0.40)	0.61	(0.11)	(0.12)	0.38
Cash flow from operations to sales	times	6.81	(1.48)	4.35	(25.9)	23.9	(5.0)	(6.1)	14.0
Activity / Turnover Ratios									
Inventory turnover ratio	times	2.9	2.0	3.0	1.8	5.0	2.2	2.5	3.2
Inventory turnover in days	days	126	179	124	198	73	163	146	115
Debtor turnover ratio	times	9.6	11.2	9.5	9.9	13.1	9.8	12.1	14.6
Debtor turnover in days	days	38	33	38	37	28	37	30	25
Creditor turnover ratio	times	20.4	11.0	11.9	13.8	10.0	9.8	15.9	15.9
Creditor turnover in days	days	18	33	31	26	37	37	23	23
Total assets turnover ratio	times	1.2	1.1	1.1	0.7	1.1	1.1	1.1	1.5
Fixed assets turnover ratio	times	5.1	6.0	5.9	1.4	2.1	2.9	3.5	4.2
Operating cycle in days	days	164	212	162	235	101	201	176	140
Capital employed turnover ratio	times	2.6	2.9	2.8	1.3	1.9	2.3	2.7	3.2
Investment / Market Ratios									
Earnings per share - basic and diluted	Rs.	4.7	2.7	8.6	8.4	3.8	7.1	7.4	9.4
Price earning ratio	times	9.7	10.4	5.8	6.7	12.3	17.1	20.1	12.6
Dividend yield ratio	%	7.2	7.1	10.1	10.7	4.9	4.6	4.8	7.0
Dividend payout ratio	%	69.8	73.6	58.2	59.5	60.0	62.8	65.5	66.6
Dividend per share - cash	Rs.	3.25	2.00	5.00	4.00	2.25	2.50	3.75	5.00
Bonus shares	Rs.	-	-	-	2.00	-	3.00	3.30	3.30
Dividend cover	times	1.43	1.36	1.72	2.10	1.67	2.82	1.96	1.88
Market value per share-at the end of the year	Rs.	45	28	50	56	46	121	148	118
Market value per share-high during the year	Rs.	49	52	71	72	57	173	168	177
Market value per share-low during the year	Rs.	28	26	44	46	44	107	98	88
Break-up value per share (with revaluation of fixed assets)	Rs.	50	43	44	47	40	46	41	47
Break-up value per share (without revaluation of fixed assets)	Rs.	37	35	36	33	27	29	32	34
Capital Structure Ratios									
Financial leverage ratio	times	2.0	2.4	2.0	4.3	2.7	2.9	3.4	2.2
Weight average: cost of debts	times	7.7	6.1	5.6	2.6	9.1	8.0	7.9	6.3
Total debt: equity ratio	times	66:34	70:30	67:33	81:19	64:36	64:36	73:27	62:38
Interest cover	times	1.9	1.3	2.0	6.6	1.4	3.0	3.2	5.0
Value Addition									
Employees as remuneration	Rs. in million	657	592	610	472	374	350	293	254
Government as taxes	Rs. in million	2,599	1,999	3,027	2,900	2,110	1,940	1,775	1,526
Shareholders as dividends	Rs. in million	390	240	600	600	225	443	401	355
Retained within the business	Rs. in million	168	86	430	427	163	275	225	193
Financial charges to providers of finance	Rs. in million	699	1,037	607	257	535	450	332	180

Vertical Analysis

(Rupees in million)

	2013	%	2012	%	2011	%	2010	%	2009	%	2008	%
OPERATING RESULTS												
Sales - net	17,730	100.0	16,802	100.0	15,851	100.0	13,472	100.0	12,319	100.0	12,068	100.0
Cost of sales	15,665	88.4	14,893	88.6	14,039	88.6	11,250	83.5	11,152	90.5	10,280	85.2
Gross profit	**2,065**	**11.6**	**1,909**	**11.4**	**1,812**	**11.4**	**2,222**	**16.5**	**1,167**	**9.5**	**1,787**	**14.8**
Administrative, selling and distribution expenses	744	4.2	580	3.5	617	3.9	519	3.9	427	3.5	410	3.4
Other operating charges	71	0.4	41	0.2	192	1.2	227	1.7	6	0.0	208	1.7
Other operating income	149	0.8	140	0.8	872	5.5	121	0.9	267	2.2	185	1.5
Profit before financial charges	**1,398**	**7.9**	**1,428**	**8.5**	**1,876**	**11.8**	**1,597**	**11.9**	**1,001**	**8.1**	**1,354**	**11.2**
Financial charges	699	3.9	1,037	6.2	607	3.8	257	1.9	535	4.3	450	3.7
Profit before taxation	**699**	**3.9**	**391**	**2.3**	**1,269**	**8.0**	**1,340**	**9.9**	**466**	**3.8**	**904**	**7.5**
Taxation	141	0.8	65	0.4	239	1.5	333	2.5	94	0.8	199	1.6
Profit for the year	**558**	**3.1**	**326**	**1.9**	**1,030**	**6.5**	**1,007**	**7.5**	**372**	**3.0**	**705**	**5.8**
BALANCE SHEET												
Property, plant and equipment	3,465	23.8	2,804	18.6	2,679	19.3	9,905	52.9	5,987	53.6	4,172	39.3
Investments	2,584	17.7	2,584	17.1	2,584	18.6	106	0.6	-	-	-	-
Other non-current assets	18	0.1	14	0.1	26	0.2	18	0.1	24	0.2	15	0.1
Current assets	8,500	58.4	9,665	64.2	8,623	62.0	8,709	46.5	5,168	46.2	6,439	60.6
Total assets	**14,566**	**100.0**	**15,066**	**100.0**	**13,911**	**100.0**	**18,738**	**100.0**	**11,179**	**100.0**	**10,626**	**100.0**
Shareholders' equity	4,378	30.1	4,175	27.7	4,264	30.7	3,304	17.6	2,660	23.8	2,398	22.6
Surplus on revaluation of fixed assets	1,605	11.0	1,003	6.7	1,008	7.2	1,367	7.3	1,379	12.3	1,391	13.1
Non-current liabilities	718	4.9	589	3.9	405	2.9	5,359	28.6	2,302	20.6	1,416	13.3
Current portion of long-term financing	-	0.0	321	2.1	238	1.7	600	3.2	408	3.6	421	4.0
Short-term borrowings	7,158	49.1	7,564	50.2	6,839	49.2	7,116	38.0	3,533	31.6	3,969	37.4
Other current liabilities	708	4.9	1,414	9.4	1,157	8.3	992	5.3	896	8.0	1,032	9.7
Total equity and liabilities	**14,566**	**100.0**	**15,066**	**100.0**	**13,911**	**100.0**	**18,738**	**100.0**	**11,179**	**100.0**	**10,626**	**100.0**
CASH FLOWS												
Net cash generated from / (used in) operating activities	1,207	308.2	(249)	34.7	689	257.1	(3,490)	72.8	2,945	179.2	(597)	(220.3)
Net cash (outflows) / inflows from investing activities	(169)	(43.1)	(313)	43.7	950	354.4	(4,222)	88.0	(2,039)	(124.1)	727	268.3
Net cash (outflows) / inflows from financing activities	(646)	(165.1)	(155)	21.6	(1,371)	(511.6)	2,915	(60.8)	737	44.9	141	52.0
Net increase / (decrease) in cash and cash equivalents	392	100.0	(717)	100.0	268	100.0	(4,797)	100.0	1,643	100.0	271	100.0

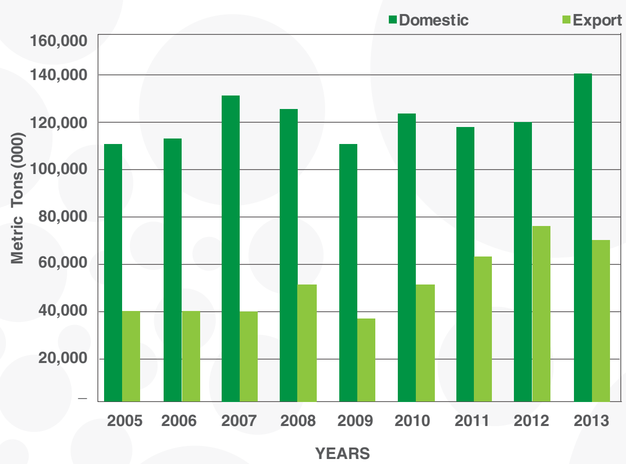
Horizontal Analysis

(Rupees in million)

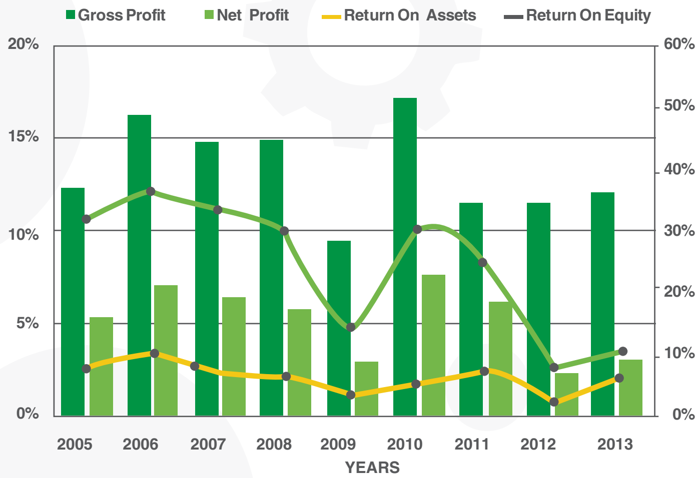
	2013	%	2012	%	2011	%	2010	%	2009	%	2008	%
OPERATING RESULTS												
Sales - net	17,730	5.5	16,802	6.0	15,851	17.7	13,472	9.4	12,319	2.1	12,068	24.4
Cost of sales	15,665	5.2	14,893	6.1	14,039	24.8	11,250	0.9	11,152	8.5	10,280	24.2
Gross profit	**2,065**	**8.1**	**1,909**	**5.4**	**1,812**	**(18.5)**	**2,222**	**90.4**	**1,167**	**(34.7)**	**1,787**	**25.6**
Administrative, selling and distribution expenses	744	28.3	580	(5.9)	617	18.8	519	21.5	427	4.1	410	18.5
Other operating charges	71	74.8	41	(78.7)	192	(15.5)	227	3683.3	6	(97.1)	208	210.4
Other operating income	149	6.8	140	(84.0)	872	620.9	121	(54.7)	267	44.3	185	43.4
Operating profit / (loss) before financial charges	**1,398**	**(2.1)**	**1,428**	**(23.9)**	**1,876**	**17.5**	**1,597**	**59.5**	**1,001**	**(26.1)**	**1,354**	**18.9**
Financial charges	699	(32.6)	1,037	71.0	607	136.1	257	(52.0)	535	18.9	450	35.5
Profit / (loss) before taxation	**699**	**79.0**	**391**	**(69.2)**	**1,269**	**(5.3)**	**1,340**	**187.5**	**466**	**(48.5)**	**904**	**12.1**
Taxation	141	117.6	65	(72.9)	239	(28.2)	333	254.3	94	(52.8)	199	2.6
Profit for the year	**558**	**71.3**	**326**	**(68.4)**	**1,030**	**2.3**	**1,007**	**170.6**	**372**	**(47.2)**	**705**	**15.1**
BALANCE SHEET												
Property, plant and equipment	3,465	23.6	2,804	4.7	2,679	(73.0)	9,905	65.4	5,987	43.5	4,172	52.4
Investments	2,584	0.0	2,584	0.0	2,584	2337.3	106	100.0	-	-	-	-
Other non-current assets	18	27.3	14	(46.5)	26	43.8	18	(25.0)	24	60.0	15	66.7
Current assets	8,500	(12.1)	9,665	12.1	8,623	(1.0)	8,709	68.5	5,168	(19.7)	6,439	10.0
Total assets	**14,566**	**(3.3)**	**15,066**	**8.3**	**13,911**	**(25.8)**	**18,738**	**67.6**	**11,179**	**5.2**	**10,626**	**23.6**
Shareholders' equity	4,378	4.9	4,175	(2.1)	4,264	29.1	3,304	24.2	2,660	10.9	2,398	31.3
Surplus on revaluation of fixed assets	1,605	60.0	1,003	(0.4)	1,008	(26.3)	1,367	(0.9)	1,379	(0.9)	1,391	170.1
Non-current liabilities	718	21.8	589	45.3	405	(92.4)	5,359	132.8	2,302	62.6	1,416	13.1
Current portion of long-term financing	-	(100.0)	321	35.1	238	(60.4)	600	47.1	408	(3.1)	421	97.7
Short-term borrowings	7,158	(5.4)	7,564	10.6	6,839	(3.9)	7,116	101.4	3,533	(11.0)	3,969	(5.8)
Other current liabilities	708	(50.0)	1,414	22.2	1,157	16.7	992	10.7	896	(13.1)	1,032	78.3
Total equity and liabilities	**14,566**	**(3.3)**	**15,066**	**8.3**	**13,911**	**(25.8)**	**18,738**	**67.6**	**11,179**	**5.2**	**10,626**	**23.6**
CASH FLOWS												
Net cash generated from / (used in) operating activities	1,207	(584.3)	(249)	(136.1)	689	(119.8)	(3,490)	(218.5)	2,945	(593.3)	(597)	1.2
Net cash (outflows) / inflows from investing activities	(169)	(46.1)	(313)	(132.9)	950	(122.5)	(4,222)	107.1	(2,039)	(380.5)	727	(131.1)
Net cash (outflows) / inflows from financing activities	(646)	317.4	(155)	(88.7)	(1,371)	(147.0)	2,915	295.5	737	422.7	141	(75.4)
Net increase / (decrease) in cash and cash equivalents	392	(154.6)	(717)	(367.5)	268	(105.6)	(4,797)	(392.0)	1,643	506.3	271	(111.5)

Key Operating Highlights

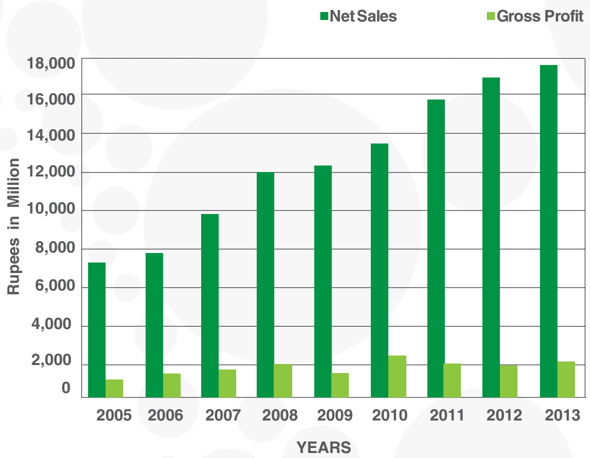
Sales Breakup



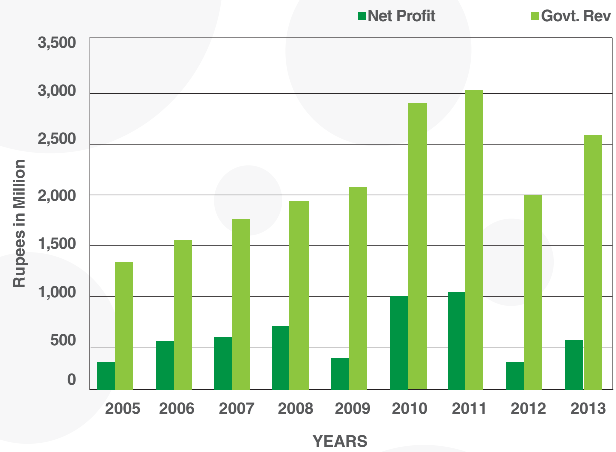
Profitabilty



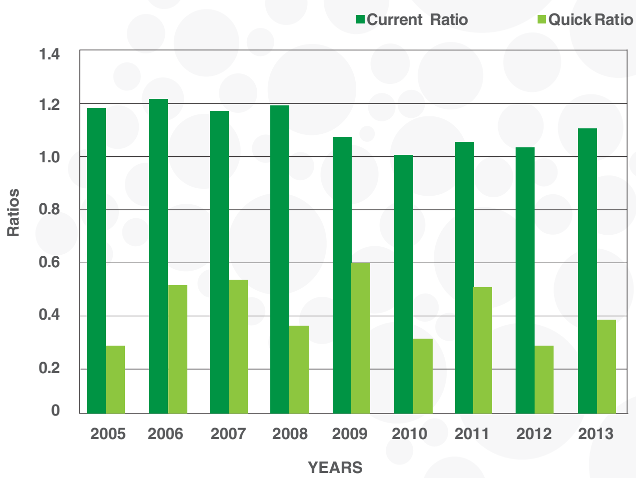
Net Sales and Gross Profit



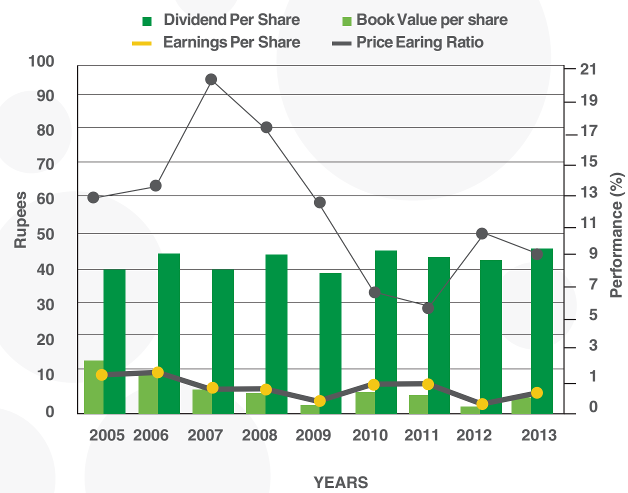
Net Sales and Government Revenue



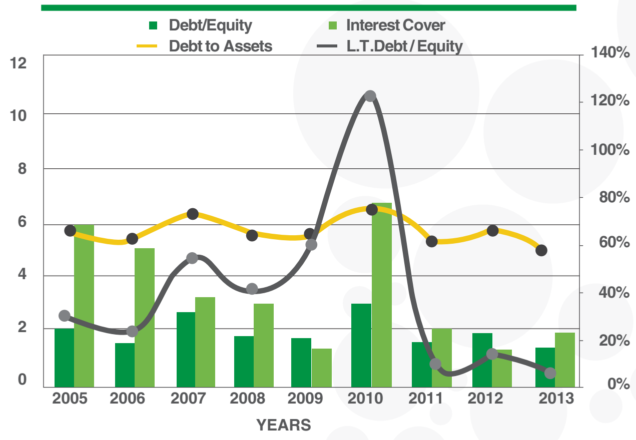
Liquidity Ratio



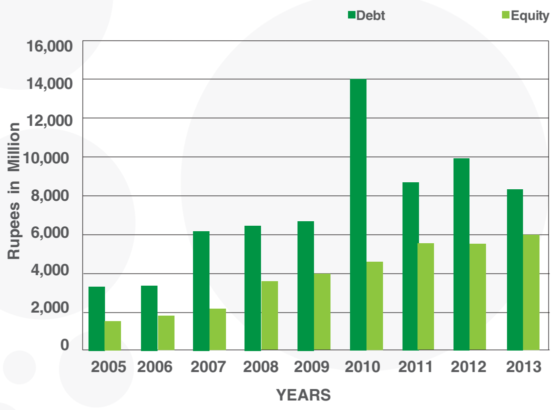
Market Value Ratio



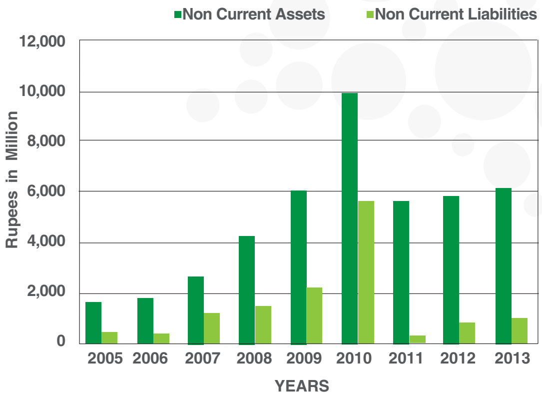
Debt Management



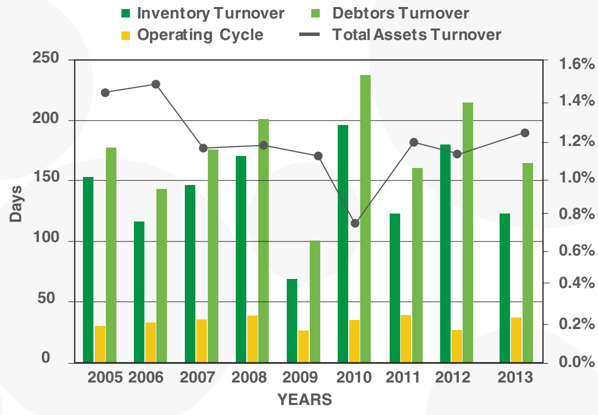
Debt and Equity



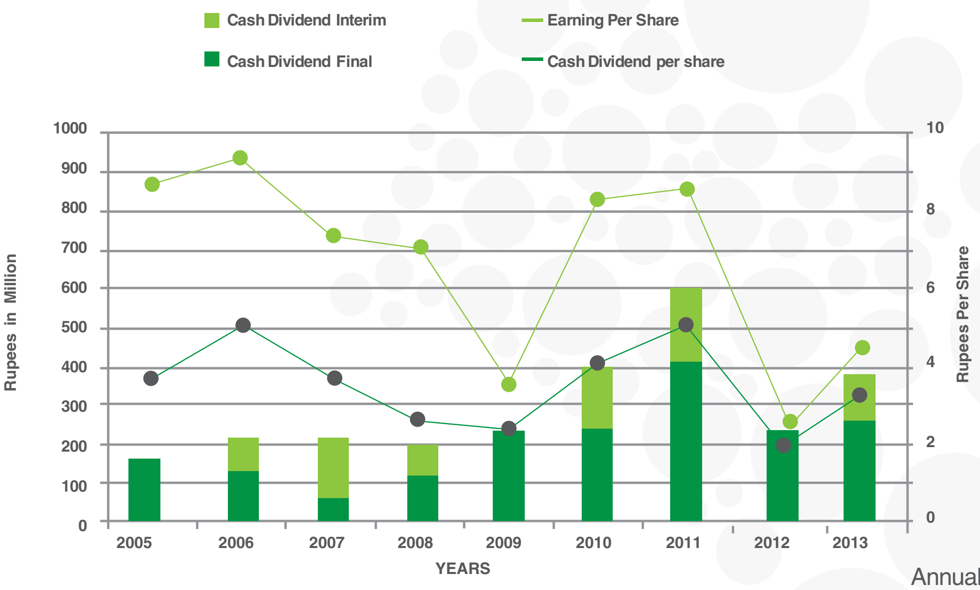
Non Current Assets and Non Current Liabilities



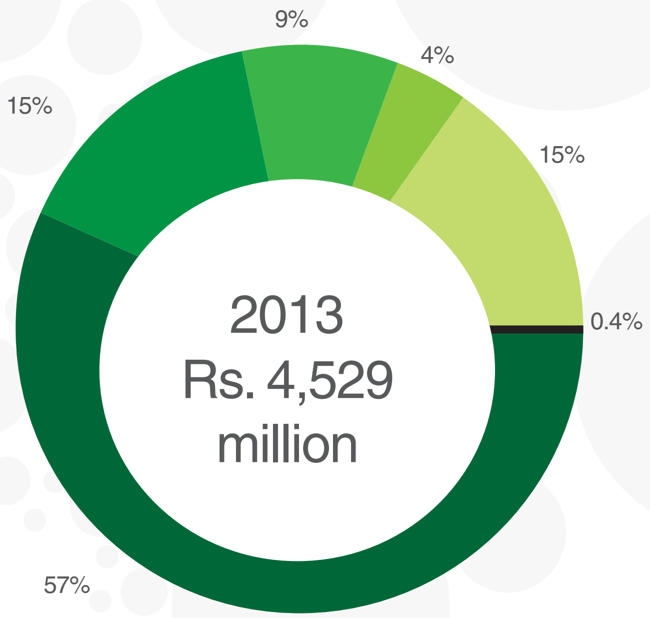
Asset Management Ratio

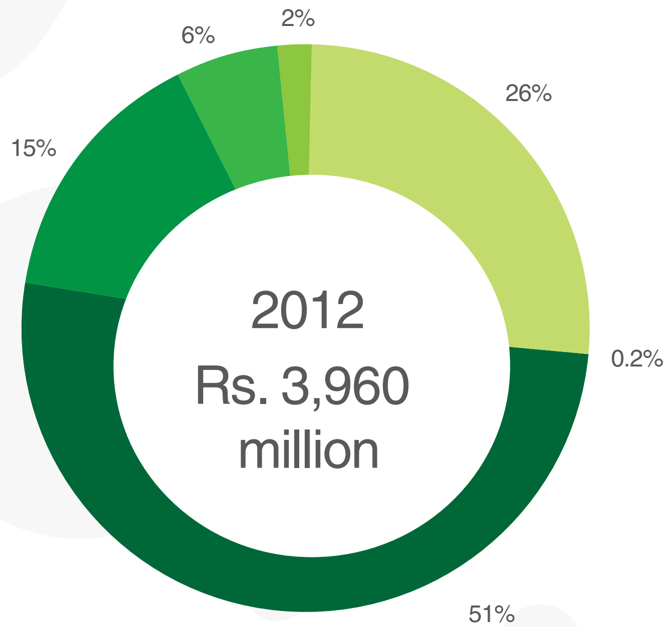


Earnings and Distribution Trend



Value Addition and Distribution

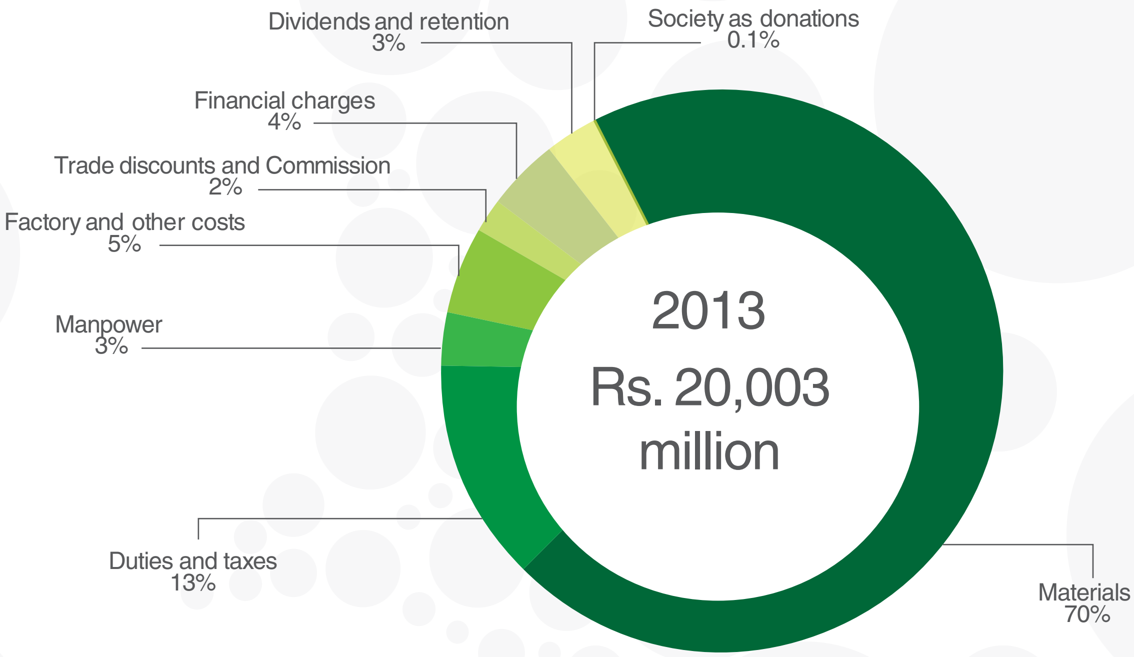




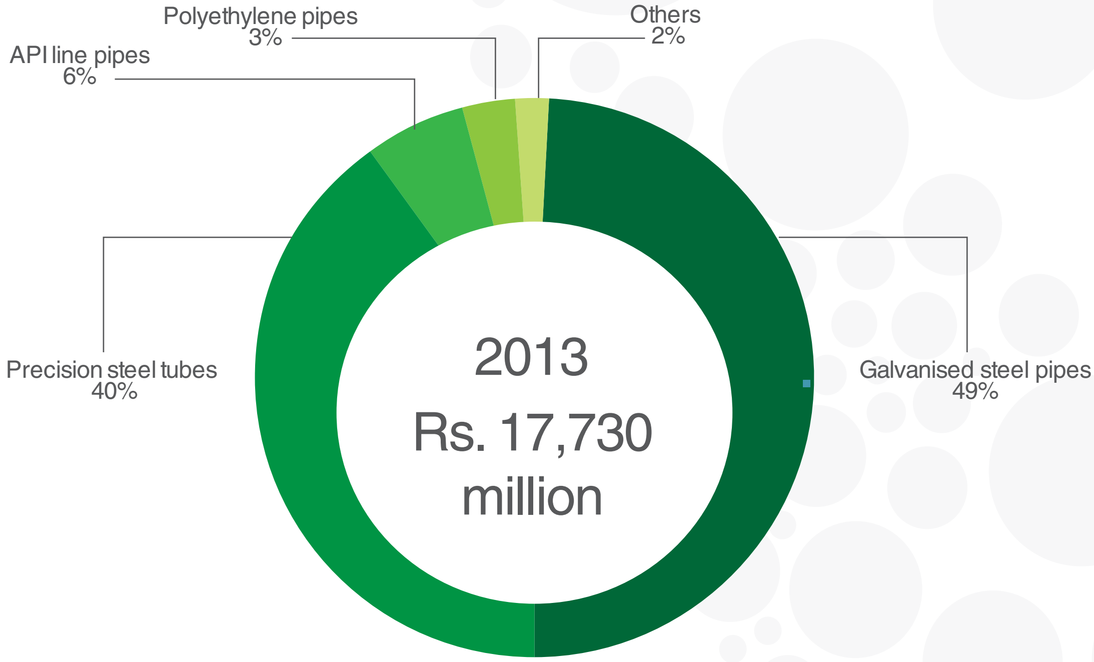
Rupees in million

	2013	2012
Government as taxes	**2,599**	1,999
Employees as remuneration	**657**	592
Shareholders as dividends	**390**	240
Retained within the business	**168**	86
Financial charges	**699**	1,037
Society as donations	**16**	6

Application of Gross Revenue



Product-wise Performance



Directors' Profiles

Mr. Zaffar A. Khan - Chairman
Director since: January 22, 2009
Chairman since: August 12, 2011

Mr. Zaffar A. Khan graduated as a mechanical engineer in 1967 and soon thereafter joined Exxon Chemicals which, following an employee-led buyout, became Engro Chemicals in Pakistan. He retired from the company in 2004 after serving for 35 years, the last 6 of which were as President & CEO. During the early years of his career, he served Exxon Chemicals for 10 years in Hong Kong, Singapore and the USA in the petrochemicals business. He has done an Advanced Management Program from the University of Hawaii, USA and has attended short courses at INSEAD, France and the Harvard Business School, USA.

Mr. Zaffar Khan has been a Director on a number of diverse boards, both in the private and public sector. He has served as Chairman Engro Vopak, Engro Polymers, Pakistan Telecommunications Co. (PTCL), the Karachi Stock Exchange and Pakistan International Airlines (PIA). He has also served as President of the Overseas Chamber of Commerce and Industry (OICCI) and on several committees of the Government of Pakistan in an advisory capacity. He has been conferred the Sitara-e-Imtiaz. Currently, he is an adjunct professor at IBA and is also serving on the Boards of Unilever Pakistan, Shell Pakistan, Acumen Pakistan and Pakistan Centre for Philanthropy.

Mr. Riyaz T. Chinoy - Chief Executive Officer
Director since: August 30, 2007

Mr. Riyaz T. Chinoy took over as CEO on August 12, 2011 after serving in the Company since 1992 and growing through various positions. A qualified engineer by profession with a B.Sc in Industrial Engineering from Case Western Reserve University, USA, he is also a certified ISO 9001 Lead Auditor and a Certified Director from the Pakistan Institute of Corporate Governance. He has had extensive experience of production operations, procurement and all project and development activity at IIL. He was previously employed with Pakistan Cables Limited as Commercial Projects Manager and, prior to that, as Project Engineer.

He has served as Chairman of the Landhi Association of Trade and Industry (LATI) and Amir Sultan Chinoy Foundation and is a member of the Pakistan-India CEO's Business Forum, the Institute of Industrial Engineers Pakistan, the Pakistan Engineering Council and the Citizens Trust Against Crime (CTAC).

Mr. Kamal A. Chinoy
Director since: February 06, 1984

Mr. Kamal A. Chinoy is a graduate of the Wharton School, University of Pennsylvania, USA. He in Pakistan is the Honorary Consul General of the Republic of Cyprus. Mr. Kamal Chinoy is a member of the executive committee of the International Chamber of Commerce (ICC), Pakistan and is also the past President of the Management Association of Pakistan (MAP). He is a Certified Director from the Pakistan Institute of Corporate Governance.

He has served as the Chairman of the Aga Khan Foundation (Pakistan) & NGO Resource Centre and also as a Director of the Pakistan Centre of Philanthropy, Pakistan Security Printing Corporation, Atlas Insurance and First International Investment Bank. Currently he is a Director of Pakistan Cables Ltd., Atlas Battery Ltd., NBP Fullerton Asset Management Ltd., International Steels Ltd. and a member of the Board of Governors of Army Burn Hall Institutions. He is an advisor to Tharpak, a consortium of international companies.

Mr. Mustapha A. Chinoy
Director since: February 23, 1998

Mr. Mustapha A. Chinoy is a B.Sc in Economics from Wharton School of Finance, University of Pennsylvania, USA with majors in Industrial Management and Marketing. Upon return from United States he took up the position of Marketing Manager at International Industries Ltd. He is currently the Chairman of Pakistan Cables Ltd. and Security Papers Ltd. and Chief Executive of Intermark (Pvt) Ltd., Travel Solutions (Pvt.) Ltd. and Global E-Commerce Services (Pvt) Ltd. He is also a director of International Steels Ltd.

He has previously served on the board of Union Bank Ltd. He is the Honorary Consul General of Greece in Pakistan.

Mr. Fuad Azim Hashimi
Director since: June 22, 2005

Mr. Fuad Azim Hashimi is a Fellow Member of the Institute of Chartered Accountants in England and Wales (ICAEW). He has over 40 years of experience in public accounting and diversified business and commercial ventures in banking, sales & marketing, information technology and fund management.

He was a partner with A.F. Ferguson & Co., a member firm of Price Waterhouse & Co. and thereafter served with Middle East Bank – Dubai, Bankers Equity Ltd., Gestetner Holdings PLC / Ricoh Company, Japan, Jaffer Group of Companies, Dawood Group and National Investment Trust Limited (NIT). He has served as a non-executive director on the boards of Crescent Commercial Bank Ltd., Clariant Pakistan Ltd., National Refinery Ltd., Pakistan Security Printing Corporation and Pakistan Cables Ltd. and is currently on the Boards of Burj Bank Ltd. He is also a member of the Quality Assurance board of the Institute of Chartered Accountants of Pakistan (ICAP). Mr. Hashimi heads the Pakistan Institute of Corporate Governance (PICG) and is a director on its board.

Mr. Javaid Anwar
Director since: September 29, 2004
* Resigned from the Board on August 16, 2013

Mr. Javaid Anwar has a Masters degree in Chemical Tech. from the University of Punjab and extensive management experience in senior capacities with multinational companies in the oil & gas sector. He has served as MD & CEO of BOC Pakistan Limited for 15 years. During his tenure, BOC won the top-25 companies award of Karachi Stock Exchange for 13 years.

He was associated with Burshane Pakistan Limited and played a pioneering role in the development of the LPG industry in Pakistan. He is also a director of Cherat Cement Company Ltd.

Mr. Azam Faruque
Director since: November 26, 2009

Mr. Azam Faruque is the CEO of Cherat Cement Co. Ltd., a Ghulam Faruque Group (GFG) company. He graduated in Electrical Engineering and Computer Science from Princeton University, USA and also possesses an MBA (High Honors) from the University of Chicago Booth School of Business, USA. Apart from the 23 years he has spent in the cement industry and other GFG businesses, he has served as a member on the boards of State Bank of Pakistan, National Bank of Pakistan and Oil and Gas Development Corporation Ltd (OGDCL).

He has also served as a member of the Board of Governors of GIK Institute and was a member of the National Commission of Science and Technology. He also served on the board of the Privatization Commission of the Government of Pakistan. Currently he is also a director of Atlas Asset Management Ltd., Faruque (Pvt) Ltd., Madian Hydro Power Ltd. and Greaves Pakistan Ltd.

Mr. Tariq Ikram
Director since: September 8, 2011

Mr. Tariq Ikram completed his Masters in English Literature in 1967 from the then Government College Lahore. Subsequently, he qualified the CSS exam in 1969-70 but decided not to join government service and opted for the private sector in 1970 and joined Reckitt & Colman, presently Reckitt Benckiser (Pvt) Ltd., where he rose to the level of CEO in 1983. Later, he was entrusted with more responsibility as Regional Head and progressed to becoming responsible for a wide territory from Pakistan to North Africa, covering 31 countries.

His vast experience also includes directorship on the boards of Reckitt Benckiser, Reckitt and Colman Nigeria Pvt. Ltd., Robinsons Foods Pvt. Ltd. - Bangladesh, Atlantis Pvt. Ltd, Karachi Port Trust (KPT), Karachi Electric Supply Corporation (KESC) and Pakistan Petroleum Ltd. (PPL). He has also been the Chairman of Reckitt & Colman Egypt Pvt. Ltd. and Chairman & CEO of Expo Lahore Pvt. Ltd.

He has also served in prestigious positions as the Federal Minister of State, President of the Overseas Chamber of Commerce and Industry, Management Association of Pakistan (MAP) and Marketing Association of Pakistan, Chairman of the then Export Promotion Bureau (EPB), Chief Executive of Trade Development Authority of Pakistan (TDAP), member of the Economic Co-ordination Committee (ECC) of Pakistan and President of the Textile Institute of Pakistan, a reputable institute offering five degree courses in textiles and apparel.

Presently, he is also on the boards of Habib Metropolitan Bank and Tasha Enterprises Pvt. Ltd. He is also visiting faculty and speaker at Pakistan Institute of Corporate Governance (PICG), Institute of Business Administration Karachi (IBA), Lahore University of Management Sciences (LUMS), National Management College and the Institute of Public Policy, Government of Pakistan.

Mr. Abdul Samad Dawood
Director since: September 8, 2011
*Resigned from the Board on August 7, 2013

Mr. Samad Dawood is the Chairman of Central Insurance Company Limited and Chief Executive Officer of Dawood Corporation. He also serves as director on the boards of Dawood Hercules Corporation Limited, Engro Corporation Ltd., DH Fertilizers, Dawood Corporation, Sui Northern Gas Pipeline Company Limited (SNGPL), Dawood Lawrencepur Limited, Tenega Generasi Limited, Inbox Business Technologies, Sach International (Pvt) Limited and WWF Pakistan.

Mr. Dawood is a graduate in Economics from the University College London, and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance (PICG).

Mr. Shahid Aziz Siddiqui
Re-joined the Board in October 2012

Mr. Shahid Aziz Siddiqui is the current Chairman of Sui Southern Gas Company Ltd. He has formerly been Chairman State Life Corporation, Managing Director, Rice Export Corporation of Pakistan, Chairman, National Highways Authority, Director General Ports and Shipping and Director General Hajj, Embassy of Pakistan, Jeddah. He has also been Commissioner Karachi Division and Deputy Commissioner of the Districts of Thatta, Sanghar and Larkana. Mr. Siddiqui has held the positions of Director Labor, Sindh and many other assignments in the federal and provincial governments. Mr. Siddiqui also holds the directorship of Packages Limited and Fauji Fertilizer Company. Mr. Siddiqui holds a master's Degree from Karachi University and a post-graduate Degree in Development Economics from the University of Cambridge, United Kingdom. In 1968, Mr. Siddiqui topped the CSS examination. He also heads the HR Committee of SSGC Board of Directors as its Chairman.

From the Chairman's Desk

The business results of the Company improved appreciably during fiscal year 2012-13. The Company achieved record sales volume of 211,000 tons representing an increase of 8.1% of the preceding year. Profit After Tax increased to Rs. 558 million recording a significant increase of 71% over last year.

The remarkable results were achieved in spite of the difficult and challenging business environment in our country. The Company also faced difficulties in its key export markets and, as a consequence, there was a decline in the steel export volume. However, the loss in steel exports was more than offset by the robust growth of 20.7% achieved in domestic steel sales volume. The Company for the first time crossed the Rs. 20 billion gross turnover mark a notable milestone in the Company's history.

The composition of the IIL Board with a good mix of experience, skill sets and sponsor and independent directors enabled healthy debates on business strategy and adoption of good corporate governance practices. Together with a responsive management team, the Company was able to make good progress in achieving most of its business goals. A key focus area of the Board during the year was to fill all the leadership positions in the management team. This was accomplished and it helped greatly to deal with both challenges and opportunities. The two committees of the Board met regularly and considerably strengthened the functioning of the Board. A new position of Internal Audit Manager was established and filled who, together with an external firm, undertook the Internal Audit function. The Board for the first time implemented the board evaluation policy, wherein each director evaluated the performance of the Board as a whole. The results of this exercise were reviewed by the full Board with a view to bringing about further improvements.

Towards the end of the period under review, two of our Board directors indicated their desire to step out of the Board. Mr Javaid Anwar decided to retire after completing 9 years as an independent director and Mr Samad Dawood after less than 2 years due to his other preoccupations. Both served the Board with distinction and their contribution is both acknowledged and greatly appreciated.

I am pleased to report that, during the course of the year, the Company received several performance awards reflecting the Company's continued pursuit to achieve excellence in all its activities. The awards received were:

- Management Association of Pakistan (MAP) for Corporate Excellence - 1st position in sector

- FPCCI's best export performance award for engineering products - for the 13th consecutive time

- Best Annual Report ICAP - 2nd overall, & 1st in Engineering sector in 2011 & 2nd position in 2012

- Best Presented Accounts South Asia Federation of Accountants (SAFA) for 2011

- Environmental Excellence for 2011 from National Forum for Environment & Health

- IAPEX Karachi for Best Stall - 2nd position

The Company's subsidiary, International Steels Limited (ISL), in which IIL has 56.33% shareholding, has separately released its business results for 2012-13 as it is a listed company. ISL has made good all-round progress and we are hopeful that in the coming years, we will see this company contributing appreciably to IIL's bottom line.

Looking ahead, the likely Rupee devaluation, inflation, energy shortfall and law and order concerns in the country are significant challenges. However, given the focus of the new government to address these issues, we are hopeful to see a more favorable business environment emerging. Should that happen, the near-term prospects of the Company will improve significantly. The Company's management in any case is confident and determined of push ahead with plans that will build on the results achieved in 2012-13.

In closing, on behalf of the Board, I wish to acknowledge the contribution of all our employees in the success of the Company. I also wish to thank our shareholders, customers, suppliers, bankers and other business partners for their confidence and support.

The Board looks forward with confidence to the year ahead.

Zaffar A. Khan
Chairman

August 30, 2013

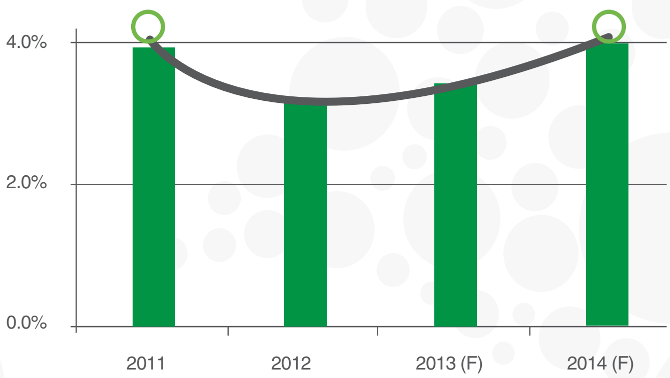
Directors' Report

We are pleased to present the CEO's Performance Review as part of our 65th Annual Report, along with the audited financial statements for the year ended June 30, 2013.

GLOBAL ECONOMIC OUTLOOK

World Economic Outlook 2013 figures presented by the IMF indicate that 2012 was a challenging year for the world economy. World GDP growth rate slipped from 4% in 2011 to 3.2% in 2012.

World GDP Growth, 2011-2014



Source: IMF Economic Outlook Database, April 2013

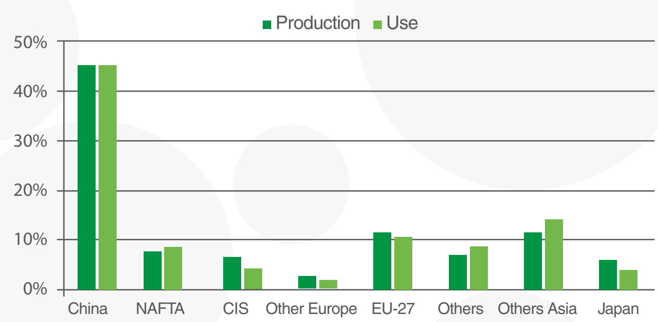
The major contributor to this downturn was slow growth in the BRICS economies, particularly China. Growth in the developed economies, particularly the Euro Zone, was weak and was down further from 2011. This trend is unlikely to reverse if ongoing austerity measures in the region continue. It is likely that future global economic recovery and growth will be driven by economic activity in the developing countries as opposed to the developed world.

GLOBAL STEEL SCENARIO

The global steel industry has, in the last decade, witnessed a significant shift in geographical production and consumption patterns. The Chinese steel industry, which accounted for 20% of world production in 2001, now produces 45% of the world's steel, which in absolute terms translates into 1 billion tons of additional capacity, added in the last decade or so. As a result of this accelerated expansion, there is now 300 million tons of overcapacity in the global steel industry, most of it emanating from China. As the Chinese steel industry is comprised largely of State Owned Enterprises, capacity reduction ranks as a secondary task for state and local governments whose primary objective is the continuous creation of employment opportunities.

In light of the above, the industry should therefore not expect to liberate itself from the challenge of surplus and obsolete capacity at least in the short to medium term.

Steel Production & Use, 2012



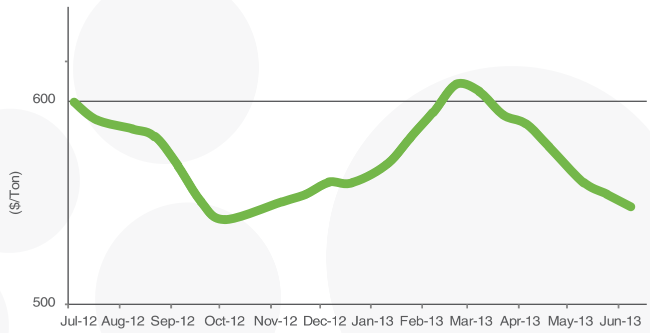
Source: World Steel Association

On a positive note, the US Federal Reserve has announced its intention to cut back on its asset purchase program as and when required. This change in stance signals that it anticipates a recovery in the foreseeable future, which is a positive sign for global economy.

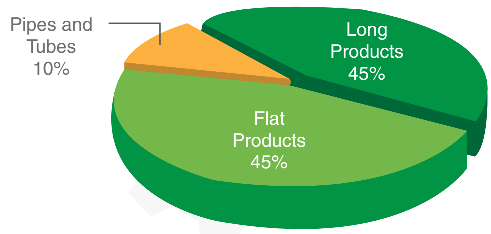
Steel prices are, by and large, dictated by iron ore, coking coal and various ferrous metal prices and subject to seasonality. Hot rolled steel coil prices varied from US$ 530 to US$ 630 per metric ton over the course of financial year 2012-13.

The steel tube and pipe industry remains an integral part of the global steel industry, accounting for 10% of the world's steel consumption.

HRC Steel Benchmarker Price 2012-13, USD Per Ton



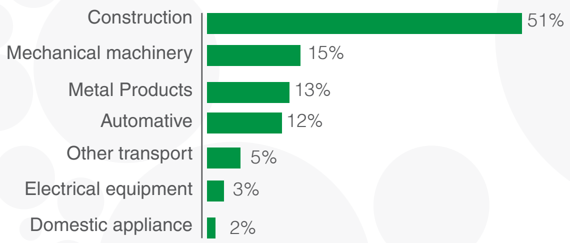
Source: MetalBulletin



Source: MetalBulletin

Steel Consumption

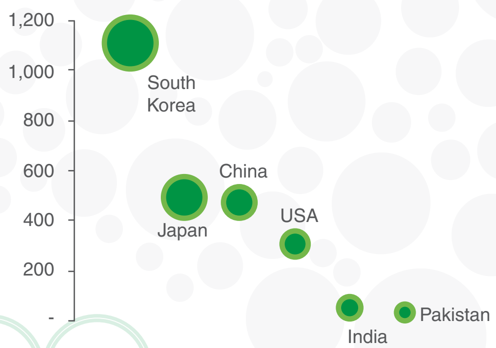
Global steel consumption is concentrated largely in construction and infrastructure related activities. These account for 51% of total steel consumption globally but account for only 35% of steel consumption in developed countries. In developing countries therefore, steel consumption is highly skewed towards construction and infrastructure projects.



Source: World Steel Association (Sustainability Report), Morgan Stanley Research

The World Steel Association's assessment of per capita steel consumption indicates a world average of approximately 217 kgs / capita. Pakistan lies well below this figure highlighting the country's acute need for infrastructure and social uplift projects. However, it also indicates the immense growth potential in domestic steel manufacturing and processing industries.

Apparent Steel Use, Kgs per Capita, 2012



Source: World Steel Association

The end use for steel pipes in Pakistan lies primarily in the oil and gas, water and sewage transmission and construction industry whereas cold rolled steel tubing is used in automotive, home appliance manufacturing and furniture and fabrication applications.

DOMESTIC ECONOMY

Fiscal year 2012-13 saw domestic GDP register a growth rate of 3.6% compared to 4.4% for the preceding year.

During 2012 and 2013, power shortages had a profound impact on the domestic economy resulting in sub-par performance of the manufacturing, agriculture and services sectors. According to Pakistan Economic Survey estimates, approximately 2% was wiped out from the domestic GDP during these years due to ongoing power shortages.

Fiscal deficit reduction during the first nine months of 2012-13 from 6.4% the year before to 4.6% was encouraging. However major concerns on the fiscal side remain, including mismanagement of Public Sector Enterprises and circular debt ailing the power generation sector, both of which continue to be major contributors towards the current account deficit.

Further, the inability of the state to bring large parts of the economy within the tax net – leading to a low tax to GDP ratio, necessitates heavy government borrowing resulting in mounting public debt levels. Meanwhile, the foreign exchange reserves continue to deplete alarmingly due to the drying up of foreign inflows and large foreign debt repayments. Consequently, the Rupee has persistently depreciated, further exacerbating the challenges.

There were some healthy signs also. Growth in Large Scale Manufacturing (LSM) at 4.3%, single digit headline inflation and reduced interest rates led to strong corporate sector earnings. The Karachi Stock Exchange continued its upward momentum and remained one of the best-performing bourses in the world.

It is hoped that the arrival of the new government will spur economic growth and bring about a positive revival in the business environment.

Market Share

Your Company held its position as the leading tube and pipe manufacturer in the domestic market for GI Pipes and CR Tubes. In addition, the management is confident that the Company's Plastics segment will make further inroads into the relatively nascent domestic plastic pipe industry.

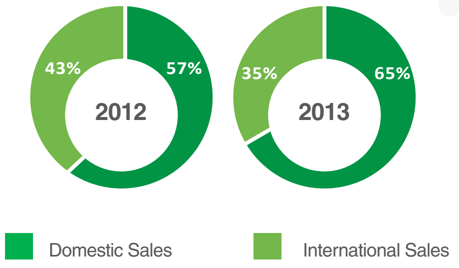
COMPANY OPERATIONS

Steel Sales

The outgoing year saw your Company achieve record sales with steel sales volume exceeding 206,000 metric tons. This is the first time it has crossed the 200,000 metric tons landmark and hopes to carry this momentum forward into the future years. This achievement was on the back of robust growth in the domestic CR tubes market, which continues to expand at a rapid pace as a result of firm demand from the automotive and furniture industries.

Sales of API line pipes to gas companies more than doubled over the previous year. This market however needs better regulatory oversight in order to ensure delivery of quality product to the gas companies.

Domestic vs. International Sales Contribution, 2012 & 2013



GI pipe sales volume was fractionally below that of last year, primarily due to sluggish export demand from the developed markets. The Company remains focused on exploring new markets as the domestic market seems to be approaching its maximum potential.

Total Gross Sales grew by 6.6% over the previous year.

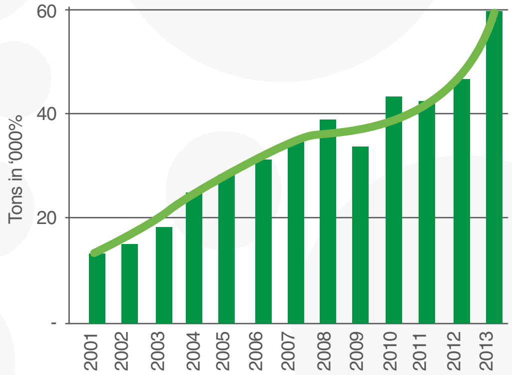
Domestic Steel Sales

The domestic market performed exceptionally well compared to last year. Overall volume grew by over 21%, which also augurs well for the coming years.

Domestic GI sales were up marginally relative to last year. This is an established and mature market for IIL products with deep-rooted customer loyalty to the IIL brand.

Domestic CR sales volume increased by almost 26% over the previous year as the Company tapped into various previously unexplored segments of this exciting and dynamic market.

Domestic CR Sales Volume, Metric Tons in '000's, 2001-2013



Export Steel Sales

The outgoing year saw international sales volume contract over the previous year. Sales volume fell approximately 6% whereas gross turnover declined by approximately 7% over the same period last year. This is in part due to difficult international environment for sales due to the imposition of duties and taxes in major export markets, as well as sluggish economic activity in key markets. Your Company is nonetheless committed to reclaim lost volumes by making inroads into new markets. The Company exports its product to more than 35 destinations worldwide.

Contribution from your Company's international sales to the country's foreign exchange earnings was in excess of USD 60 million.

Polyethylene Sales

The Company's Polyethylene segment has not been able to takeoff as desired on account of stiff competition from inferior quality products. The management is making concerted efforts to create awareness in the market with regards to quality standards. Sale of MDPE gas pipe has fallen considerably due to slack demand from gas companies. Gas shortages and competition by inferior quality products are major reasons for this outcome.

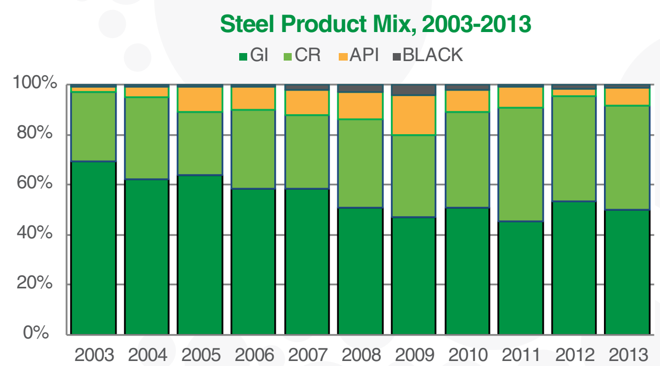
The Segment has successfully focused on rigorous cost control and the management is confident of improved results in the coming year.

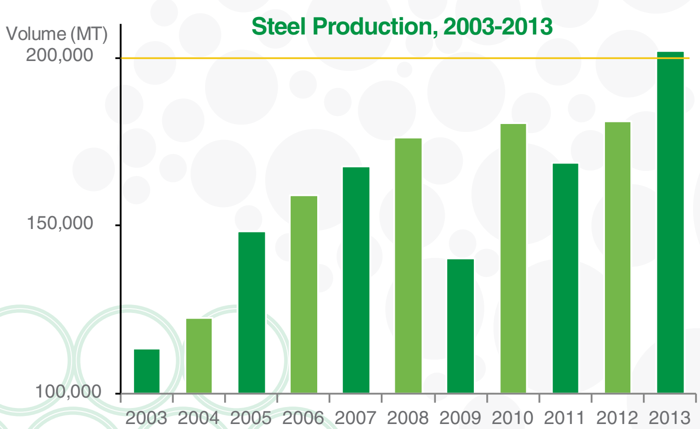
Gross Sales

Your Company's gross sales volume for the year was 212,000 metric tons with gross turnover crossing Rs. 20 billion, which is 6.6% higher than last year and another first for IIL.

PRODUCTION

Production related challenges were faced primarily on account of gas shortages, especially at weekends, which resulted in production planning constraints and disruptions. These were tackled effectively and a highest-ever production of over 200,000 tons was achieved.





To meet the rising demand for CR tubes, a new tube mill was installed and commissioned for production of new pipe sizes. This mill caters to customers requiring draw-down pipes.

FINANCIAL REVIEW

Company Results

The Company achieved its highest ever Net Sales of Rs. 17,729 million, which was 5.5% higher than last year, earning Gross Profit of Rs. 2,065 million, Profit Before Tax of Rs. 699 million and Profit After Tax of Rs. 558 million.

Profit Before Tax for the year increased by 79% over last year. This was mainly due to increased tonnage sold amounting to Rs. 155 million and efficient utilization of financing facilities resulting in lower financial charges (including exchange loss on foreign currency borrowings). The aforementioned increase in profit more than offset an increase in selling expenses of Rs. 153 million due to aggressive sales and marketing campaigns run during the current year and higher freight costs.

Cost of goods sold for the year at Rs. 15,665 million was 5.2% higher than last year primarily due to increase in tonnage sold. Despite tough trading conditions, the Company was successful in maintaining gross profit margin at the same level as last year.

Selling and distribution expenses of Rs. 593 million were 35% higher than last year mainly due to increasing cost of freight & forwarding on account of hikes in petroleum prices as well as sales promotional expenses to drive volumes and protect market share.

Administrative expenses of Rs. 151 million were 8% higher than last year, in line with the prevailing inflation trends during the year.

Other operating charges of Rs. 71 million were 75% higher than last year primarily on account of increase in allocation of profit to Workers Profit Participation Fund and Worker Welfare Fund charges due to increase in profit. Other Income showed an increase of Rs. 9 million mainly due to reversal of excess allocation to Workers' Profit Participation Fund in earlier years amounting Rs. 26 million, which was offset by decrease of Rs. 22 million in exchange gain on realization of export sales proceeds.

Financial charges during the year decreased by Rs. 338 million (33%) primarily due to efficient utilization of financing facilities resulting in lower exchange losses by Rs. 266 million compared to last year despite significant devaluation of the Pak Rupee. The reduction in the base rate by 250 basis points also benefited the Company, as did its success in negotiating borrowing rates downwards.

As a result of healthy export sales, the Company enjoys a 'natural hedge' against foreign currency losses arising from the revaluation of its foreign currency denominated borrowings. This hedge is in the form of inventory held for exports and outstanding export-related receivables. The Company is confident that this hedge, supported by its exchange rate risk mitigation methodology, will enable it to continue to protect its margins from adverse movements in the Pak Rupee against the US Dollar.

Segment Results

Revenue from the Steel segment stood at Rs. 17,152 million, yielding Gross profit of Rs. 2,030 million. Gross profit margin from the Steel segment was maintained at last year's level.

The Polyethylene segment remained subdued during the year due to unfavorable economic conditions and cheaper inferior quality substitutes. Release of funds towards public sector spending were held up in the run up to the general elections, resulting in low tender business volume. This led to a decline in revenue from the Plastic segment to Rs 578 million with a Gross profit of Rs. 34 million.

Cash Flow Management & Borrowing Strategy

The Company's cash flows management system projects cash inflows and outflows on a regular basis as well as monitors the cash position on a daily basis. Keeping in view the saving in financial costs owing to a gap between KIBOR and LIBOR based borrowing and its aforementioned natural hedge on account of exports, the Company manages a portion of its working capital requirements through LIBOR based USD borrowings and the balance is arranged through an optimal mix of Export Refinance entitlements and running finance facilities.

During the year 2012-13, the weighted average cost of borrowings, including exchange losses, was 9.0% per annum against last year's rate of 12.1%.

A positive cash flow of Rs. 392 million was generated during the year.

Capital Structure

Debt equity ratio on June 30, 2013 was 68:32 compared to 69:31 as on June 30, 2012. Interest cover and debt servicing ratios also registered an improvement over the previous year.

CORPORATE SUSTAINABILITY

Energy Conservation and Recycling

Steel by its nature is one of the most aggressively recycled materials in the world with a vibrant global market for steel and other non-ferrous scrap metals.

Continuing its commitment to the efficient use of resources, the Company utilizes all waste hot water to generate chilled water, which in turn, fulfills the factory's water-cooling and air-conditioning requirements. Furthermore, our recently commissioned Reverse Osmosis Plant helps meet additional water requirements at the factory premises.

IIL generates electricity though co-generation. Its own needs are met through this generation and excess electricity is transported to the KESC grid. Hence, there is full utilization of installed generation capacity and generation of additional revenues, whilst contributing to alleviate the chronic power shortage faced by the country.

Environmental Protection Measures

Being an environmentally-conscious company, IIL is dedicated to reducing the impact of its operations to sustainable levels and in line with acceptable standards. It neutralizes its emissions prior to discharge by using 100 feet high fume scrubbers. All effluent waste is treated at its Effluent Treatment Plant (ETP) prior to discharge, whereas sludge generated from the ETP is transferred responsibly to designated landfill sites for environment-friendly disposal. Your Company is certified for Environmental Management System Standard ISO14001 since 2001. It is also registered with the Ministry of Environment under the Self-Monitoring and Report Tool (SMART) program.

During the year, a recertification audit was conducted by M/S Lloyds (a UK-based certification body), to provide assurance that the Q&HSE Management System complies with ISO 9001, ISO-14001 & OHSAS 18001 global standards. No major non-conformities were observed.

In addition, IIL carried out testing of its effluents, emissions and vehicular emissions through third parties and recognized laboratories for compliance with the National Environmental Quality Standards; the results were verified at the time of the aforementioned audits.

Contribution to the National Exchequer

Your Company is registered with the Large Taxpayers Unit and contributed over Rs. 2 billion towards the national exchequer in the form of Income Tax, Sales Tax, other taxes, duties and levies.

Corporate Social Responsibility (CSR) and Community Welfare Schemes

IIL contributes approximately 2.5% of its Profit after Tax towards CSR activities. It continues to support all operating expenses for two Citizens' Foundation (TCF) primary schools in Landhi. It also provides funds to a mosque opposite its factory in Landhi. During the year under review, the Company donated Rs. 10 million to the Citizens Police Liaison Committee (CPLC) for crime prevention initiatives.

Health Safety & Environment

In an environment of increasing regulatory interest and awareness of safety hazards, IIL seeks to prevent injury and illness through the implementation and ongoing active development of proactive work health and safety management systems, which are based on OHSAS-18001 & ISO-14001 International Standards.

IIL strives to fully integrate work health and safety into all aspects of its activities by:

- Providing professional and technical advice;
- Effectively communicating and consulting on the development and implementation of the system through an extensive network of OHS committees, established specifically to assist in inculcating good OHS practices at all levels;
- Managing OHS risk by systematically identifying hazards and assessing and eliminating or controlling the associated risks;
- Providing training and awareness on an extensive array of OHSE issues; and
- Encouraging innovation

Relevant management staff is incentivized to achieve compliance through the inclusion of OHSE-related criteria to their performance appraisals. Accident prevention amongst contractual employees is made a priority by incentivizing employees through a system of quarterly safety performance related awards and penalties.

Regular safety walkthroughs are used to keep a check on housekeeping, safe crane operations, compliance with PPE requirements and identifying unsafe acts and conditions. All locations within IIL are examined. These walkthroughs are conducted by senior managers and all observations are sent to respective department heads for corrective and preventive actions and the same report is presented in the monthly Q&HSE Trend Analysis to top management.

A Monthly Safety Trophy is awarded based on set criteria. Evaluation is done of the monthly safety walkthroughs. The CEO presents trophies to winning departments and photographs of the event are displayed prominently.

During the year over 2,300 employees were imparted a total of 156 trainings. OHSE trainings included Safe Crane Operations, Hands Safety, Fire Fighting Operations, Permit to Work System, Industrial Hazards, First Aid & Rescue, Defensive Driving, Electric Safety and Working at Heights.

Through effective implementation of ISO-14001 & OHSAS-18001 OHSE management systems, the Company achieved a Lost Time Injury Frequency Rate (LTIFR) of 1.08 which is well below the global average of 1.93.

HUMAN RESOURCE MANAGEMENT

IIL employs a dedicated and diverse work force which plays a key role in the continuing success of the Company. It takes pride in hiring, developing and retaining the best talent through its transparent succession-planning, career-building and compensation policies. The Company currently has a workforce of more than 1,000 employees, 27% of which are in management grades. The Company has also recently introduced a Variable Pay Plan to help foster a performance based remuneration culture. It endeavors to ensure that employees are regularly trained and well looked after to secure high levels of retention and performance delivery.

The Company inducts apprentices through the Apprenticeship Training Program of the Sindh Government, whereas graduates from IBA, NUST & NED Universities are regularly hired under internship programs.

Industrial Relations

A major objective vis-à-vis the Company's labor force is to maintain industrial peace in order to ensure operational continuity. Despite the volatile work environment in Karachi, the Company was successful in preserving and improving upon its relations with the unionized workforce. This was achieved through various initiatives including the Adult Literacy Program and Long Service Awards.

Gratuity Scheme and Provident Fund

The Company invests in plans that provide retirement benefits to its employees. These include a non-contributory defined benefit Gratuity Scheme for all employees and a contributory Provident Fund for all employees except unionized staff. Both plans are funded schemes recognized by tax authorities.

The value of the Provident Fund at the year-end was Rs. 190 million. The value of the Gratuity Scheme at the year-end was Rs. 225 million.

Employment of Special Persons

A very small subset of the workforce comprises of special persons, reflective of the operational challenges inherent in the steel industry.

Business Ethics and Anti-corruption Measures

IIL remains an active member of and signatory to the United Nations Global Compact and is thereby committed to adhere to the principles of human rights, labor standards and environmental protection. The Company's corporate success hinges upon strong and universal ethical and moral standards, professionalism and the fulfillment of fundamental duties towards current and prospective stakeholders in order to gain durable trust and respect.

The Company has independent Internal Audit department and well-established controls. Parts of the internal audit activities are outsourced to Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants. The internal auditors assess the internal control system on a regular basis and present their view to the Board Audit Committee.

INFORMATION SYSTEMS AND RE-ENGINEERING

The introduction and implementation of Oracle ERP Business Suite has brought considerable improvements in the areas of functional integration, internal controls, process efficiencies and adoption of best practices. This facilitates the generation of real time information for the management and has thus promoted effective and optimal decision-making.

BUSINESS RISKS

Steel and Zinc are the two primary raw materials consumed in the Company's manufacturing process. The absence of adequate domestic supply sources compel IIL to procure most of its raw material from international markets, which makes it sensitive to changes in the international price of Steel coils and Zinc as well as exchange rate fluctuation. The key to profitability in such an environment is efficient inventory management and sales forecasting, as well as consistently strong sales. Cost containment, well-managed operations and adequate capital expenditure are key components of business strategy to deliver healthy returns to stakeholders despite the business risk and the uncertain external environment.

INVESTMENTS

The Company has a sizeable investment in its subsidiary, International Steels Limited (ISL), which is in the business of processing flat steel products. Any diminution in the fair value of the investment will have negative repercussions for IIL. On the positive side, IIL stands to benefit from an appreciation in price of ISL's shares as well as its dividend payouts. Your Company intends to maintain its significant ownership interest in ISL. The management believes that this investment will create strong backward linkages, resulting in a diversified and low cost supplier base for IIL and the Group in the long run. IIL is poised to benefit from the economies of scale in sourcing major raw materials in conjunction with ISL and share in the subsidiary's profitability in the years to come.

ISL has leveraged the Group's 46-year involvement in the steel industry and consequently enjoys the advantages of a vast nationwide dealer network, existing linkages to regional export markets and a credible market reputation. In 2012-13 ISL had a good year with sales volume of 217,000 tons, Gross Sales of Rs 20.4 billion and PAT of Rs. 363 million.

The outgoing year has seen IIL and ISL as a group surpass expectations by posting sales volume in excess of 425,000 tons, Gross Sales of over Rs. 40 billion and Profit Before Tax of Rs. 1,149 million.

Your Company holds an 8.5% ownership interest in Pakistan Cables Limited (PCL), an associated company. PCL is in the business of manufacturing copper rods, wires and cables. In addition to being the country's foremost manufacturer of copper cables and wiring, PCL is affiliated with General Cable Limited, the biggest worldwide manufacturer of copper cables and a Fortune-500 company.

ACKNOWLEDGEMENT

I would like to extend my sincere gratitude to the entire IIL team and especially my management team, who have proved themselves capable of delivering strong results in the face of stiff challenges. The effort which has helped the Company achieve a successful year is deeply appreciated. I would also especially like to record my thanks to Mr. Zakaullah Khan, a former director, who after having built the IIL brand name, continues to guide our sales philosophy. I also thank all other stakeholders for their support and look forward to sharing more successes with them in the coming years.

Riyaz T. Chinoy
Chief Executive Officer

Karachi
Dated: August 30, 2013

Our Success Story

The Company through the years:

1948
Established as Sultan Chinoy & Company

1949
Incorporated as International Industries Limited and sponsored Pak Chemicals Limited

1953
Sponsored Pakistan Cables Limited in a joint venture with BICC UK

1965
Manufactured first high quality Electric Resistance Welded Steel Pipe

1983
Launched Galvanized Pipe

1984
Converted to a public limited company and quoted on Karachi Stock Exchange

1990
Set up the country's first Cold Rolling Mill in the private sector

1992
Turnover crossed Rs.1 Billion

1995
Entered the international market with export of Galvanized Pipe

1997
Achieved certification to ISO 9001:1994

1998
Commemorated 50 years and awarded international credit rating

2000
Achieved certification to ISO 9001:2000 (first company in Pakistan) and ISO 14001:1996. Merit Trophy for Export of Non-Traditional Items (Galvanized Steel Pipes)

2001
Achieved certification to API Q1 & 5L (2000) and completed phase 1 of a major expansion enhancing the pipe and tube manufacturing range. Best Exports Performance Trophy for export of Engineering Products-Mechanical.Recipient of Top-25 Companies of Pakistan at KSE

2002
Best Exports Performance Trophy for export of Engineering Products-Mechanical. Recipient of Top-25 Companies of Pakistan at KSE

International Certifications

IIL has the following international certifications:

Standard	Description	Certified by	Certified since	License #
ISO 9001	Quality Management System	Lloyds Register Quality Assurance	1997	MEA 4105044
ISO 14001	Environment Management System		2000	MEA 4205044
OHSAS 18001	Occupational Health & Safety Management System		2007	MEA 4306044
API Specification Q1 ® & 5L	Manufacturing of Steel Line Pipe	American Petroleum Institute	2000	5L-0391
API Specification Q1 ® & 15LE	Manufacturing of Polyethylene Line Pipe		2006	15LE-0014
CE Mark for GI Pipe	CE Mark for Hot Dip Galvanized ERW Carbon Steel Pipes	CNC Services (Germany)	October 2011	CNC/EEC/4112/11
CE Mark for CR Tube	CE Mark for ERW Tubes from Cold Rolled Carbon Steel		October 2011	CNC/EEC/4113/11

2003
Crossed 100,000 tons in production and sales. Best Exports Performance Trophy for export of Engineering Products Mechanical. Recipient of Top-25 Companies of Pakistan at KSE

2004
Best Exports Performance Trophy for export of Engineering Products-Mechanical. Recipient of Top-25 Companies of Pakistan at KSE

2005
Completed phase 2 of major expansion with the addition of four tube mills and a slitter. Crossed 150,000 tons in production and sales. Best Exports Performance Trophy for export of Engineering Products-Mechanical. Recipient of Top-25 Companies of Pakistan at KSE

2006
Commissioned 3 MW Co-generation Power Plant. Commenced Manufacture of Polyethylene Line Pipe. Best Corporate Report Award - Second Position in Engineering Sector. Best Exports Performance Trophy for export of Engineering Products-Mechanical. Recipient of Top-25 Companies of Pakistan at KSE

2007
Added 1 MW to the existing 3 MW Co-generation Power Plant. Commissioned the fourth Galvanizing Plant. Addition of 3 tube mills and a Plastic extruder. Achieved Certification to OHSAS 18001:1999 Best Exports Performance Trophy for export of Engineering Products-Mechanical

2008
Commenced project to produce Cold Rolled & Galvanized Steel Flat Products. Commissioned 19.2 MW gas fired power plant for the new project. Turnover crossed Rs. 13 billion. Annual Environmental Excellence Award

2009
Best Export Performance Award –Engineering Products-Mechanical. Annual Environmental Excellence Award. CSR National Excellence Award

2010
Best Export Performance Award – Engineering Products-Mechanical Annual Environmental Excellence Award 2010 by NFEH, Re-Certification –Quality Management System –ISO 9001:2008, Re-Certification Environment Management System-ISO 14001:2001, Re-Certification OHSAS –ISO 18001:2007, Turnover crossed Rs. 15 billion

2011
Hive-down of Steel Unit as ISL with 25% Foreign Direct Investment, Gross sales crossed 200,000 tons, Turnover crossed Rs. 18 billion, Talent Triangle Award by Sidat Hyder, Good HR Practices Award by Sidat Hyder, Best Corporate Report (2009-10) (5th position- Engg Sector) Annual Environment Excellence Award 2011 by NFEH

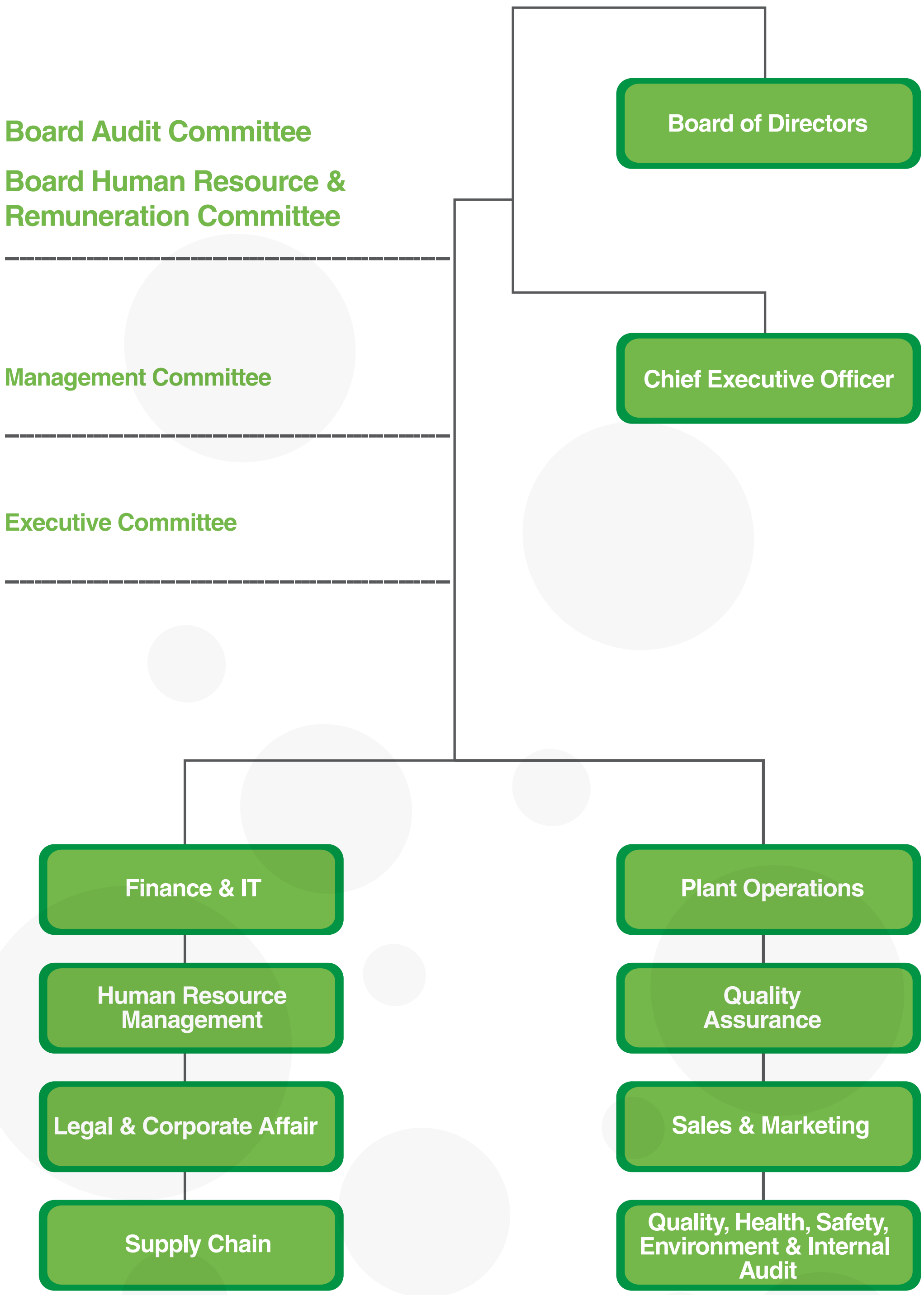
2012
Top 25 Companies Award 9th Position (Karachi Stock Exchange), Certification of recognition from Pakistan Centre of Philanthropy, CE certification of Cold Rolled Tubes and Galvanized Iron Pipes, Addition of 2 tube mills and 1 Plastic extruder. Turnover crossed Rs. 18 billion. Best Presented Accounts South Asian Federation of Accountants (SAFA) award for the year 2011. Best Annual Report ICAP Award (2nd overall) award for 2011. Best Annual Report ICAP Award (1st position in Engineering Sector) award for 2011. 13th Consecutive FPCCI Export performance award for 2011. Environment Excellence award for 2011 from National Forum for Environment & Health

2013
Corporate Excellence Award 2012-13 (Industrial Metals & Mining-by MAP). Best Annual Report ICAP Award 2nd Position in Engineering Sector for 2012. IAPEX Karachi 2013 award for 2nd best stall. Turnover crossed Rs. 20 billion

Promising Reliability, For Now and Tomorrow

Innovation
Exploring New Horizons

Organization Structure



Sustainable Business

We have laid the foundations of sustainable business. All components of sustainability including efficient operational procedures, effective internal controls, ethical behaviour and energy conservation are integral part of our business model.

We have been one of the first voluntary signatories of the United Nations Global Compact [UNGC] initiative in Pakistan, which reflects our commitment towards human rights, labor rights, environment and good governance. Our strength in sustainable operations emanates from ethical values and the code of conduct.

Governance Framework

The main philosophy of business followed by the sponsors of International Industries Ltd. for the last 64 years has been to create value for all stakeholders through fair and sound business practices, which translates into policies approved by the Board implemented throughout the Company to enhance the economic and social values of all stakeholders of the Company.

Compliance Statement

Living upto its standards, the Board of Directors has, throughout the year 2012-13, complied with the Code of Corporate Governance, the listing requirements of the Karachi, Lahore and Islamabad Stock Exchanges and the financial reporting framework of Securities & Exchange Commission of Pakistan (SECP).

The Directors confirm that that the following have been complied with:

a) The Financial statements have been prepared which fairly represent the state of affairs of the Company, the result of its operations, cash flows and changes in equity.
b) Proper books of accounts of the Company have been maintained.
c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent business judgment.
d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of the financial statements and any departures therefrom have been adequately disclosed and explained.
e) The system of internal control is sound in design and has been affectively implemented and monitored.
f) There are no doubts upon the Company's ability to continue as a going concern.
g) There is no material departure from the best practices of corporate governance as per regulations.

The Board of Directors

The Board of Directors consists of qualified individuals possessing knowledge, experience and skills in various professions, with the leadership and vision to provide oversight to the Company. The Board is headed by Mr Zaffar A. Khan, an independent Chairman. Six (6) directors on the Board are independent, including the Chairman. The current Board composition reflects a strong mix of experience, backgrounds, skills and qualifications.

To further its role of providing oversight and strategic guidelines to the Company, the Board has formulated a Board Charter to define its role of strategic leadership and provide oversight to the Management. The Board has constituted two sub committees, namely Audit Committee and Human Resources & Remuneration Committee. The composition, role and responsibilities of the Committees are clearly defined in their Terms of Reference.

The Board meets at least once after every quarter to review the financial performance and to provide guidance to the Management to achieve key performance indicators. Additionally, one Board meeting is held to discuss the budget for the following year, while another one is focused on future strategy. A board meeting calendar is issued annually to reflect the dates planned for the Board, Audit Committee and Human Resource & Remuneration Committee Meetings. All the Board members are given appropriate documentation in advance of each meeting.

Role and Responsibilities of the Chairman and the Chief Executive Officer

The Chairman and the Chief Executive Officer have separate and distinct roles. The Chairman has all the powers vested under the Code of Corporate Governance and presides over Board meetings. The Chief Executive performs his duties under the powers vested by the law and the Board, recommends and implements business plans and is responsible for the overall control and operation of the Company.

Changes to the Board

Mr. Shahid Aziz Siddiqui had resigned from the Board in August 2012, in compliance of condition of the Code of Corporate Governance pertaining to the maximum limit of seven directorships. The casual vacancy so created was duly filled by his re-appointment in October, 2012 as a nominee director of NIT, after getting an exemption from SECP regarding limitation of Board memberships.

Subsequent to close of the financial year two directors Mr. Javaid Anwar and Mr. Abdul Samad Dawood, have resigned from the Board due to their other business commitments.

This year, the term of the members of the Board is expiring and a notice for the election of directors for the next three years is recorded at page 149.

Best Corporate Practices

The Board has formulated a Board Charter to define the scope of its activities in setting the tone at the top, formulating strategies and providing oversight to the Management for sustainable growth of the business.

All periodic financial statements and other working papers for the consideration of the Board/ Committees are circulated to the directors well before the meetings so as to give sufficient time to the Directors to make decisions on an informed basis. This year the Board has held Six (6) meetings, agendas of which were duly circulated at least a week before the meetings.

The Quarterly un-audited financial statements and the half-yearly financial statements (reviewed by the external auditors) were duly circulated within one month and two months respectively along with the Directors' Report. Annual financial statements, including consolidated financial statements, Board of Directors' Report, Auditors' Report and other statutory statements and information are being circulated for consideration and approval by the shareholders within 60 days from the close of the financial year. Additionally all important disclosures, including the financial statements, were also made on the Company's website to keep the stakeholders duly informed.

The Board members actively participate in the meetings to provide guidance concerning the Company's business activities, operational plans, reviewing corporate operations and formulating and reviewing all significant policies. The Board firmly adheres to the best ethical practices and fully recognizes its responsibilities for protection and efficient utilization of Company assets for legitimate business objectives and compliance with laws and regulations. The Chairman ensures that the discussions held during the board meetings and the consequent decisions arising are duly recorded and circulated to all the Directors within 14 days. The CFO and the Company Secretary attended all the meetings of the Board as required by the Code of Corporate Governance.

Risk Management

Risk management is crucial to any business, which includes identification and assessment of various risks followed by coordinated application of resources, economically to minimize, monitor and control the impact of such risks and maximize the realization of opportunities. The Management periodically reviews major financial and operating risks faced by the Company.

Internal Control framework

The Company maintains an established control framework comprising clear structures, authority limits, and accountabilities, well understood policies and procedures and budgeting for review processes. All policies and control procedures are documented in manuals. The Board establishes corporate strategy and the Company's business objectives.

The Board Audit Committee has been entrusted with the main responsibility for Internal Controls. The Audit Committee receives the audit reports by the Internal and External auditors, and after detailed deliberations, and suggesting improvements, periodic reports are submitted to the ultimate authority- The Board of Directors. The Company places a high value on transparency, both internally and externally, in its corporate management. It focuses consistently on the implementation of efficient management practices for the purpose of achieving clear and quantifiable commitments. The Company has appointed a senior Chartered Accountant as Head of Internal Audit, who is being assisted by Ernst &Young Ford Rhodes Sidat Hyder & Co. to carry out the Internal Audit function.

The Management has placed an explicit internal control framework with clear structures, authority limits, and accountabilities, well defined policies and detailed procedures, enabling the Audit Committee and the Board to have a clear understanding of risk areas and to place effective controls to mitigate the risks.

Risk and Opportunity

Pakistan' s per capita steel consumption is still very low compared to world standards, hence there is a potential for growth in domestic market as well as regional markets. After a 20% growth in domestic sales, the Company expects to see further growth in domestic market, as all the newly elected provincial governments have earmarked significant amounts for public service development projects in 2013-14. The anti-dumping regulations in USA, Canada and Australia have also opened new vistas for exports to these non-traditional markets.

The energy crises, law and order situation and sliding Rupee value are significant risks for any manufacturing industry relying on imported raw material. The management is countering these external challenges by trying to buy raw material at the right time and prices, keeping other costs low and improving operating efficiencies.

Disclosure and Transparency

To bring an accurate understanding of its management policies and business activities to all its stakeholders, the Compnay strives to make full disclosure of all material information to all stakeholders by various announcements on its website, to the Stock Exchanges and other sources available to help investors to make informed decisions. It encourages full participation of the members in the General Meetings by sending corporate results and sufficient information following prescribed time lines so as to enable the shareholders to participate on an informed basis. While increasing management transparency, it aims to strengthen its relationship of trust with shareholders and investors.

Speak-up Policy

The Compnay is committed to creating an atmosphere that its people can freely communicate their concerns to their supervisors and functional heads. A Speak-up Policy has been in place since last two years as IIL's 'whistle-blowing' system to report any corrupt or unethical behavior – if employees feel that they are not able to use the normal management routes.

Board Committees

The Board is assisted by two Committees, namely the Audit Committee and the Human Resource & Remuneration Committee, to support its decision-making in their respective domains:

Audit Committee

- Mr. Fuad A. Hashimi - Chairman
  Independent Director
- Mr. Mustapha A. Chinoy - Member
  Non- Executive Director
- Mr. Azam Faruque - Member
  Independent Director
- Ms. Neelofar Hameed - Secretary
  Company Secretary

The Audit Committee comprises of three [3] Non-executive directors, out of which two [2] are independent directors. The Chairman of the Committee is a Fellow Member of the Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Chartered Accountants in England & Wales (ICAEW) as well as the CEO of PICG. The Chief Executive Officer, the Chief Financial Officer, the External Auditors, the Internal Auditors and the Chief Internal Auditor attend the meeting on invitation. The Audit Committee also separately meets the internal and external auditors at least once a year without the presence of the Management.

Meetings of the Audit Committee are held at least once every quarter. The Committee reviews the annual financial statements before and after the auditors review. The recommendations of the Audit Committee are then submitted for approval of financial results of the Company by the Board. During the year 2012-13, the Audit Committee held Six [6] meetings. The minutes of the meetings of the Audit Committee are provided to all the members, Directors and the Chief Financial Officer. The Chief Internal Auditor attends the Audit Committee meetings regularly and meets the Audit Committee without the presence of the Management, at least once a year, to point out various risks, their intensity and suggestions for mitigating risks and improvement areas. The business risks identified are then referred to the respective departments and mitigating actions are then implemented.

Terms of Reference of the Audit Committee

The Audit Committee is mainly responsible for reviewing the financial statements, ensuring proper internal controls to align operations in accordance with the mission, vision and business plans and monitoring compliance with all applicable laws and regulations and accounting and financial reporting standards.

The salient features of the Terms of Reference of the Audit Committee are as follows:

i) Recommend to the Board the appointment of internal and external auditors.

ii) Consideration of questions regarding resignation or removal of external auditors, audit fees and provision by the external auditors of any services to the company in addition to the audit of financial statements.

iii) Determination of appropriate measures to safeguard the Company's assets.

iv) Review of preliminary announcements of results prior to publication.

v) Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board, focusing on major judgmental areas, significant adjustments resulting from the audit, any changes in accounting policies and practices, compliance with applicable accounting standards and compliance with listing regulations and other statutory and regulatory requirements.

vi) Facilitate the external audit and discussion with external auditors on major observations arising from audit and any matter that the auditors may wish to highlight (without the presence of the Management, where necessary).

vii) Review of the Management Letter issued by external auditors and the Management's response thereto.

viii) Ensure coordination between the internal and external auditors of the Company.

ix) Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources.

x) Consideration of major findings of internal investigations and the Management's response thereto.

xi) Ascertain that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.

xii) Review of Company's Statement on Internal Control systems prior to endorsement by the Board.

xiii) Institute special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the Chief Executive and to consider referral of any matter to the external auditors or to any other external body.

xiv) Determination of compliance with relevant statutory requirements.

xv) Monitor compliance with the best practices of corporate governance and identification of significant violations thereof.

xvi) Consideration of any other issue or matter as may be assigned by the Board.

The Audit Committee also evaluates its performance after the close of each year and submits the report to the Board of Directors on its performance vis-a-vis its responsibilities as per its Terms of Reference.

Human Resources & Remuneration Committee

- Mr. Javaid Anwar - Chairman
  Independent Director
- Mr. Riyaz T. Chinoy - Member
  Executive Director
- Mr. Mustapha A. Chinoy - Member
  Non- Executive Director
- Mr. Khalid Junejo - Secretary
  Head of Human Resources

The Human Resource & Remuneration Committee [HR&RC] comprises of three members. The Chairman is an independent director whereas the other two members are the Chief Executive Officer and a non-executive director. Meetings are conducted at least annually or at such other frequency as the Chairman may determine. The Head of Human Resources is the Secretary of the HR&RC. The minutes of the meetings of the HR&RC meetings are provided to all members and Directors. The Committee held five [5] meetings during the year.

Terms of Reference of Human Resource & Remuneration Committee

The Committee defines the HR policy framework and makes recommendations to the Board in the evaluation and approval of employee benefit plans and succession planning.

The salient features of the Terms of Reference of HR&RC are as follows:

1. Major HR Policy / frameworks including compensation
2. Overall organizational structure
3. Organization model and periodically seek assessment of the same
4. Succession planning for key executives, including the CEO.
5. Recruitment, remuneration and evaluation of the CEO and his direct reports, including the CFO, Chief Internal Auditor and Company Secretary.
6. The CEO, being a member of the HR&RC is not a part of Committee meetings if his compensation/ performance is being discussed /evaluated.
7. Charter of demands and negotiated settlements with CBA.
8. Compensation of non-executives directors.

Board & Sub-Committee Meetings

Meetings of the Board of Directors and Audit Committee are held according to an annual schedule circulated before each fiscal year to ensure maximum director participation.

During the year six (6) Board meetings, six (6) Audit Committee meetings and five (5) meetings of Human Resource & Remuneration Committee were held. Attendance by each director in the meetings of the Board and its sub-committees is as follows:

Board / Sub Committee	Board Meeting	Audit Committee	Human Resource & Remuneration Committee
Meetings held during FY 2012-13	6	6	5
Mr. Zaffar A. Khan	6		
Mr. Riyaz T. Chinoy	6		5
Mr. Kamal A. Chinoy	6		
Mr. Mustapha A. Chinoy	6	6	5
Mr. Javaid Anwar **	5		5
Mr. Fuad Azim Hashimi	6	6	
Mr. Azam Faruque	4	6	
Mr. Shahid Aziz Siddiqui *	2		
Mr. Tariq Ikram	5		
Mr. Abdul Samad Dawood **	2		

*Mr. Shahid Aziz Siddiqui had resigned from the Board in August 2012 due to the limitation by the Code of Corporate Governance to hold not more than seven seats (7) on the boards of listed companies. However, he was nominated by NIT and joined the Board in October 2012, as he received due exemption from SECP.

**Mr. Javaid Anwar and Mr. Abdul Samad Dawood have resigned from the Board in August 2013 and the vacancies so created shall be duly filled in as per prevailing rules and regulations.

Engagement of Directors in Other Companies/ Entities

DIRECTORS	
Mr. Zaffar A. Khan	Unilever Pakistan Ltd. Shell Pakistan Ltd. Acumen Fund Pakistan Pakistan Centre for Philanthropy
Mr. Riyaz T. Chinoy	-
Mr. Mustapha A. Chinoy	Pakistan Cables Ltd. Security Papers Ltd. Intermark (Pvt) Ltd. International Steels Ltd. Travel Solutions (Pvt) Ltd. Global e-Commerce Services (Pvt) Ltd.
Mr. Kamal A. Chinoy	Pakistan Cables Ltd. International Steels Ltd. Atlas Battery Ltd. NBP Fullerton Assets Mgmt. Ltd.
Mr. Javaid Anwar*	Cherat Cement Company Ltd.
Mr. Fuad Azim Hashimi	Pakistan Institute of Corporate Governance Burj Bank Ltd. Quality Assurance Board- ICAP
Mr. Azam Faruque	Atlas Asset Management Ltd. Cherat Cement Company Ltd. Greaves Pakistan Ltd. Faruque (Pvt) Ltd. Madian Hydro Power Ltd.
Mr. Tariq Ikram	Habib Metropolitan Bank Ltd. Tasha Enterprises (Pvt) Ltd.

DIRECTORS	
Mr. Shahid Aziz Siddiqui	National Bank of Pakistan Fauji Fertilizer Company Ltd. Orix Leasing Company Ltd. Packages Ltd. Pakistan Cables Ltd. Hub Power Company Ltd. Sui Northern Gas Pipelines Ltd. Sui Southern Gas Ltd. Thatta Cement Co. Ltd.
Abdul Samad Dawood*	Cyan Ltd. Dawood Corporation Dawood Hercules Corporation Ltd. DH Fertilizers Ltd. Engro Corporation Ltd. Engro Fertilizers Ltd. Sui Northern Gas Pipeline Co. Ltd. Hub Power Company Ltd. Engro Foods Ltd. Engro Eximp Ltd. Dawood Lawrencepur Ltd. Tenega Generasi Ltd. Inbox Business Technologies, Pebbles (Pvt) Ltd. Sach International (Pvt) Ltd. WWF Pakistan Dawood Foundation

Mr. Abdul Samad Dawood* and Mr. Javaid Anwar * have since resigned on August 7, 2013 and August 16, 2013 respectively and the statutory reporting has been fulfilled. The vacancies so created shall be duly filled in as per prevailing rules and regulations.

Board Evaluation Criteria

The Board of Directors has formulated a policy to evaluate its own performance, the salient features of which are as follows:

1. The Board Evaluation Methodology has been adopted as self-evaluation of the Board as a whole through an agreed questionnaire.
2. The evaluation exercise is to be carried out every year. .
3. The evaluation system is to address areas of critical importance and should include, but not be limited to, the following:
   a) Appraising the basic organization of the Board of Directors;
   b) The effectiveness and efficiency of the operation of the Board and its committees;
   c) Assess the Board's overall scope of responsibilities;
   d) Evaluate the flow of information; and
   e) Validate the support and information provided by the Management.
4. The Board would review the results and suggest measures to improve areas of improvement.

During the year, the Board carried out its self evaluation for the first time and identified areas for further improvement in line with global best practices.

The Management

Management Committee

The mission of the Management Committee [MC] is to support the Chief Executive Officer to determine and implement the business policies within the strategy approved by the Board of Directors. MC meetings are conducted on a monthly basis or more frequently as circumstances dictate. The Committee reviews all operational and financial aspects, advises improvements to operational policies / procedures and monitors implementation of the same. The MC held 14 meetings during the financial year to review operational performance and to consider various policies and procedures.

Management Committee Member	Capacity	Designation	Attendance
Mr. Riyaz T. Chinoy	Chairman	Chief Executive Officer	14/14
Mr. Sohail R. Bhojani	Member	Chief Financial Officer	14/14
Mr. Mohsin Safdar	Member	Head of Factory	12/14
Mr. Khawar Bari	Member	Head of Marketing & Sales	13/14
Mr. Khalid Junejo	Member	Head of Human Resources	12/14
Mr. Perwaiz Ibrahim	Member	Head of Quality Assurance	10/14
Ms. Neelofar Hameed	Member & Secretary	Company Secretary	14/14

Role of the Committee

The Committee is responsible for the following:

a) Routine operational matters arising out of day-to-day business.
b) Review results of monthly operations, sales, production and expenses and comparison of same with approved budgeted targets and analysis of observed variances.
c) Review of raw material prices with special reference to international markets.
d) Review of selling prices in view of changing market scenarios.
e) Review and finalization of budget for presentation to and approval by the Board.
f) Explore new prospects for sustainable growth.
g) Review and set organizational directives in synchronisation with approved strategy.
h) Accident prevention.
i) Set training needs.
j) Monitor speak-ups.

Executive Committee

The mission of the Executive Committee (EC) is to support the Management Committee [MC] in implementing the business policies within the strategy approved by the Board of Directors. EC meetings are conducted on a monthly basis or more frequently if needed.

Executive Committee Members	Capacity	Designation
• Mr. Anwar Imam	Chairman	Head of Deptt- Engineering
• Mr. Sheraz Khan	Member	Sr Mgr Sales –CR North
• Mr. Kashif Rasool	Member	Head of Deptt- PE Div
• Mr. Imran Siddiqui	Member	Head of Deptt- HR Operations
• Mr. Riaz Moazzam	Member	Head of Deptt- CR Operations
• Mr. Ozair Qureshi	Member	Sr Manager –Finance
• Mr. Samar Abbas	Member	Head of Deptt- Int. Sales
• Mr. Wajahtullah Khan	Member	Head of Deptt- Commercial
• Mr. Ghazanfar Ali Shah	Member	Head of Deptt- Quality Assurance
• Mr. Samiuddin Khan	Member	Head of Deptt- Industrial Relations
• Mr. Owais Ahmed	Member	Head of Deptt- Information Technology
• Mr. Ayaz Ahmed Khan	Member	Head of Deptt- QMS

Role of the Executive Committee

The Committee is responsible for the following:

a) Review results of monthly operations, sales, production and expenses and comparison of same with the approved budgeted targets and provide variance reports to the MC.
b) Review of annual budgets and recommending the same to the MC.
c) Review training needs / plans and implementation thereof.
d) Review recruitment and organization resource requirements.
e) Review and monitor of accidents.
f) Review and monitor of raw material prices and trends and recommend the need for any price review.
g) Review of credit limits to customers.
h) Review and monitor of product yield and identification of means for improving the same.
i) Review and monitor of raw material, work-in-process and finished goods inventory and taking timely action to control the same.

UNGC

We take pride in having been a signatory to United Nations Global Compact [UNGC] since 2006 and are committed to uphold the ten basic principles focusing on human rights, enabling working conditions for employees, environmental conservation, transparency and anti-bribery values. We believe that corporate success hinges upon strong and universal ethical and moral standards, professionalism and the fulfillment of fundamental duties towards current and prospective clients and other stakeholders in order to gain durable trust and respect.

Sustainbility Measures

ENVIRONMENT

Energy Conservation:

1. Continuing its commitment to the efficient use of all available resources, IIL utilizes all its waste hot water to generate chilled water which in turn fulfills the factory's entire water-cooling and air-conditioning requirements. Furthermore, its recently commissioned Reverse Osmosis plant caters to all additional water requirements at the factory premises.
2. During the year our electricity consumption was reduced by 7.5% from the previous year due to continuous process improvements and our electricity consumption decreased from 145.74 to 135.23 KWh / ton.
3. Gas consumption however increased by 1% due to reheating of furnaces caused by weekly shutdown of gas by SSGC.

Environmental Protection Measures:

1. We continue to neutralize our emissions prior to discharge by using 100 feet high fume scrubbers. During the year the emissions released in the atmosphere during power generation process operations of 4 MW were: NOx: 17.40 tones & CO: 33.06 tones
2. The steel industry is a green industry as almost all the raw material is used either as finished goods or sold as scrap to be re-melted and used.
3. During the year, we have reduced steel scrap generation from 7.72% to 7.56% reflecting a cost saving of 0.16% or 310 tons w.r.t. last year.
4. During the year, 1,180 tons of sludge produced by treating spent acid at effluent treatment plant was disposed through public contractor to the designated site, while 12% of spent acid was recycled and reused.
5. The Company is certified for Environmental Management System Standard ISO 14001 since 2001, as well as being registered with the Ministry of Environment under the Self-Monitoring and Report Tool (SMART) programme.
6. During the year, two surveillance external audits were conducted by the Company's official Certification Registrar (M/s Lloyds Register Quality Assurance) to assure compliance with ISO 9001, ISO 14001 and OHSAS 18001 global standards. No major non-conformities observed during these audits.
7. In addition, IIL carried out testing of its effluents, emissions and vehicular emissions through third parties and registered laboratories for compliance with National Environmental Quality Standards (NEQS); the results were verified at the time of the aforementioned audits.

CORPORATE RESPONSIBILITY

Corporate responsibility covers a wide range of aspects including how we are run, how we interact with the communities in which we operate and the impact we have on the environment.

Health & Safety

We maintain and improve our Health and Safety standards continuously. During the year a consultant was hired to review our OHSE practices and six trainings were conducted by him, for management staff, to create awareness with the latest OSHE practices. For non-management staff, 156 in-house trainings were conducted under this program.

Human Resource Development

We take pride in hiring, developing and retaining the best talent through our transparent hiring, succession-planning, career-building and compensation policies. The Company currently has a workforce of more than 1,000 employees including management staff. The Company introduced a Variable Pay Plan for its management staff to improve performance and enhance employee engagement.

During the year 3 senior executives attended the Corporate Governance Leadership Skills program at Pakistan Institute of Corporate Governance, while two senior executives attended the GRID International Leadership Seminar.

Industrial Relations

We encourage workers to form collective bargaining unions to voice their views on matters relating to work. Workers' incentive plans to meet production targets have been in place since many years, which have helped in motivating the workforce to improve productivity. Despite the volatile work environment in Karachi, the Company was successful in preserving and improving upon its relations with the unionized workforce.

During the year, 66 employees were acknowledged for their long association with IIL for periods between 10 to 43 years.

Society

The Company continues to allocate approximately 2.5% of the Profit after Tax for activities focused on health and education sectors, focused in the communities in the vicinity of its manufacturing facilities .

In cooperation with The Citizen's Foundation (TCF), IIL has adopted two TCF schools in Landhi. The TCF Primary School – Chinoy Campus, educates 369 students while the TCF Primary & Secondary school –IIL Campus educates 452 students.

The Company also funds a mosque near its manufacturing facilities in Landhi to facilitate local residents and workers in nearby factories.

This year, taking cognizance of the deteriorating law and order situation in the city, the Company has donated a significant amount to strengthen the operation of law enforcing agencies for certain equipment.

Dividend to Shareholders

During the year, the Company paid interim dividend of 10% per share to all eligible shareholders and the Board of Directors is recommending a final dividend of 22.5% per share in respect of the financial year ended June 30, 2013, which is subject to shareholders approval.

Pattern of Shareholding

A Statement on the Pattern of Shareholding along with a pattern of shareholding of certain classes of shareholders, where disclosure is required under the reporting framework, and the Statement of Shares held by the Directors and executives as on June 30, 2013 is placed on Page 146.

Report of the Audit Committee

on adherence to the Code of Corporate Governance

The Board Audit Committee has concluded its annual review of the conduct and operations of the Company for the year ended June 30, 2013 and reports that:

- The Company has adhered in full, without any material departure, with both the mandatory and voluntary provisions of the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan, Code of Corporate Governance, Company's Code of Conduct and Values and the international best practices of governance throughout the year.
- Compliance has been confirmed from the members of the Board, the Management and employees of the Company. Equitable treatment of shareholders has also been ensured.
- The Company has issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed and certified by the auditors of the Company.
- Appropriate accounting policies have been consistently applied. Applicable accounting standards were followed in preparation of the financial statements of the Company on a going concern basis for the financial year ended June 30, 2013, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equity of the Company for the year under review.
- The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the Company and the Chairman's and Board of Directors' Report. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the Company.
- Accounting estimates are based on reasonable and prudent judgment. Proper, accurate and adequate accounting records have been maintained by the Company in accordance with the Companies Ordinance, 1984.
- The financial statements comply with the requirements of the Fourth Schedule to the Companies Ordinance, 1984, and applicable International Accounting Standards and International Financial Reporting Standards notified by the SECP.
- All direct and indirect trading in and holdings of the Company's shares by Directors and executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction. All such holdings have been disclosed.

INTERNAL AUDIT FUNCTION

- The internal control framework has been effectively implemented through outsourcing the internal audit function to Ernst & Young Ford Rhodes Sidat Hyder, & Co. Chartered Accountants, for the last 6 years. The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and control.
- The Board Audit Committee has ensured the achievement of operational, compliance and financial reporting objectives, safeguarding of the assets of the Company and the shareholders wealth through effective financial, operational and compliance controls and risk management at all levels within the Company.
- The Company has also appointed a Chief Internal Auditor in compliance of the Code of Corporate Governance who coordinates with the internal auditors Ernst & Young Ford Rhodes Sidat Hyder & Co. and reports directly to the Chairman of the Board Audit Committee.
- Coordination between the external and internal auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

EXTERNAL AUDITORS

- The statutory auditors of the company, KPMG Taseer Hadi & Co., Chartered Accountants, have completed their audit assignment of the Company's financial statements and the Statement of Compliance with the Code of Corporate Governance for the financial year ended June 30, 2013 and shall retire on the conclusion of the 65th Annual General Meeting.
- The Board Audit Committee has reviewed and discussed audit observations and the draft Management Letter with the external auditors. The final Management Letter is required to be submitted within 45 days of the date of the Auditors' Report on the financial statements under the listing regulations and shall therefore accordingly be discussed in the next Board Audit Committee meeting.
- The Audit firm has been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by ICAP. The auditors have indicated their willingness to continue as auditors.

- Being eligible for reappointment under the listing regulations, the Board Audit Committee recommends their reappointment for the financial year ending June 30, 2014 on terms of remuneration to be negotiated by the Chief Executive Officer.

Fuad Azim Hashimi
Chairman
Board Audit Committee

Karachi:
Dated: August 19, 2013

Statement of Compliance
with the Code of Corporate Governance

INTERNATIONAL INDUSTRIES LIMITED
June 30, 2013

This Statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.
The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board constitutes of:

Independent Directors

Mr. Zaffar A. Khan
Mr. Javaid Anwar**
Mr Fuad A. Hashimi
Mr. Azam Faruque
Mr. Tariq Ikram
Mr. Abdul Samad Dawood**

Executive Director
Mr. Riyaz T. Chinoy

Non-Executive Directors
Mr. Kamal A. Chinoy
Mr. Mustapha A. Chinoy
Mr. Shahid Aziz Siddiqui*

Mr. Shahid Aziz Siddiqui * resigned from the Board on August 15, 2012, in compliance with the restriction to hold more than 7 directorships in listed companies and subsequently re-appointed on the Board on October 20, 2013 as NIT nominated him after getting due exemption from SECP.

Mr. Javaid Anwar ** and Mr. Abdul Samad Dawood** have since resigned from the Board in August 2013, and the vacancies so created shall be filled in as per prevailing rules and regulations.

The Independent Directors meet the criteria of independence under clause (i-b) of the CCG.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable) other than Mr Shahid A. Siddiqui, who has the regulatory exception available.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. There has just been one casual vacancy during the year due to resignation of Mr Shahid Aziz Siddiqui on August 15, 2012 in compliance with section 35(ii) of the Code of Corporate Governance. He was however re-appointed on October 20, 2012, (within 90 days) after getting due exemption from SECP, to represent as NITL's nominated director.
5. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions regarding material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and non-executive directors have been taken by the Board / shareholders.
8. All the meetings of the Board were presided over by the Chairman who is an Independent Non-executive director. The Board met six (6) times this year. The Board normally meets at least once in every quarter to consider operational results, once a year to consider the budget for the following year while one meeting is focused on strategy. Written notices of board meetings, along with agenda and working papers, were circulated normally at least seven days before the meetings. Minutes of the meetings were appropriately recorded and circulated.
9 The Directors have been provided with copies of Listing Regulations, Memorandum and Articles of Association of the Company and Code of Corporate Governance. Six (6) directors have the required certificate of Directors Training Course from PICG, two directors are certified trainers on Corporate Governance at PICG, while the other two directors also qualify under the criteria described in clause (xi) of the Code of Corporate Governance. During the year, there was no specific training arranged for the directors, however the domestic and international business environment and regulatory changes were discussed in detail at various Board meeting.
10. The Company has complied with all the corporate and financial reporting requirements of the CCG and the Directors' report for this year fully describes the salient matters required to be disclosed by the CCG except for:

The Company has not disclosed the information as required under clause (xvi) and sub-clauses (J-iii) directors and their spouse(s) and minor children (name wise details), (j-iv) executives(name-wise), and clause (xvi)(l) all trade in the shares of the listed company, carried out by its directors, executives and their spouses and minor children as mentioned in the Code of Corporate Governance due to security reasons. The Company has applied for relaxation before Securities and Exchange Commission of Pakistan for the above in July 13, 2013. However, a response yet to be received.

11. The Board has approved the appointment of the CEO, the CFO and the Company Secretary earlier, including their remuneration and terms and conditions of employment while the Chief Internal Auditor has been appointed during the year.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval by the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the Pattern of Shareholding.
14. The Board has formed an Audit Committee. It comprises 3 members, out of which one is a non-executive director, and two are independent directors including the Chairman BAC.
15. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the CCG. The Terms of Reference of the Committee have been formed and advised to the Committee for compliance.
16. The Board has formed a Human Resource & Remuneration Committee. It comprises of 3 members, of whom one is a non-executive director, one is an executive director while the Chairman of the Committee is an independent director.
17. The Company has appointed a Chief Internal Auditor, who is assisted by Ernst & Young Ford Rhodes Sidat Hyder & Co. in the Internal Audit function, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) Guidelines on Code of Ethics as adopted by ICAP.
19. The statutory auditors or persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The closed period, prior to the announcement of interim/final results, and business decisions which may materially affect the market price of Company's securities, were determined and intimated to Directors, employees and stock exchanges.
21. Material / price sensitive information has been disseminated among all market participants at once through the stock exchanges.
22. We confirm that all other material principles enshrined in the CCG have been complied with.
23. The Company has documented the following policies and statements in compliance with the Code of Corporate Governance.

- Policy for Statement of Ethics and Business Practices
- Vision Statement
- Mission Statement / Quality, Environmental, Health & Safety Policy
- Human Resources Policies
- Policy for Donations and Charitable Contributions
- Policy for Stores & Spares
- Policy for Write-off Bad Debts, Advances & Receivables
- Investments Policy
- Budgetary Control Policy
- Delegation of Financial Powers
- Borrowing Policy
- Related Party Transactions & Transfer Pricing Policy
- Policy for Determination of Terms for Credit & Discount to Customer
- Policy for Procurement of Goods & Services
- Risk Management Policy
- Policy for Profit Appropriation
- Roles & Responsibilities of The Chairman & Chief Executive Officer
- Policy for Level of Materiality
- Speak-up Policy
- Policy on Chief Executive Officer Evaluation
- Policy for Board Evaluation
- Capital Expenditure Control and Planning Policy

FUAD AZIM HASHIMI
Chairman
Board Audit Committee

RIYAZ T. CHINOY
Chief Executive Officer

Review Report

Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of International Industries Limited ("the Company") to comply with the Listing Regulations of the respective Stock Exchanges, where the company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Stock Exchanges where the Company is listed, require the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

As more fully explained in paragraph 10 which describes the non-compliance in respect of requirements relating to Directors' Report for disclosure of pattern of shareholding held by certain persons respectively. The Company has applied to the Securities and Exchange Commission of Pakistan (SECP) seeking relaxation from such compliance and currently awaiting for their response in this regard.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2013.

KPMG Taseer Hadi

Date: August 30, 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Financial Statements of the Company

Auditor's Report to the Members

We have audited the annexed balance sheet of International Industries Limited ("the Company") as at 30 June 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of 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, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi

Date: August 30, 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Balance Sheet

As at 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	**3,464,666**	2,803,505
Intangible assets	6	**13,181**	8,619
Investments	7	**2,583,537**	2,583,537
Long term deposits		**4,428**	5,213
		6,065,812	5,400,874
Current assets			
Stores and spares	8	**122,999**	137,075
Stock-in-trade	9	**5,415,270**	7,322,917
Trade debts	10	**2,080,779**	1,673,226
Advances	11	**117,315**	22,038
Trade deposits and short term prepayments	12	**8,610**	8,555
Other receivables	13	**29,876**	27,860
Sales Tax refundable		**240,894**	92,188
Taxation-net	14	**477,730**	360,592
Bank balances	15	**6,568**	20,908
		8,500,041	9,665,359
Total assets		**14,565,853**	15,066,233
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
200,000,000 (2012: 200,000,000) ordinary shares of Rs.10 each		**2,000,000**	2,000,000
Issued, subscribed and paid-up capital	16	**1,198,926**	1,198,926
General reserve		**1,848,736**	1,848,736
Unappropriated profit		**1,329,843**	1,126,858
Total equity		**4,377,505**	4,174,520
Surplus on revaluation of property, plant and equipment	17	**1,604,954**	1,003,155
LIABILITIES			
Non-current liabilities			
Long term financing - secured	18	**450,000**	416,667
Deferred taxation-net	19	**267,636**	172,606
		717,636	589,273
Current liabilities			
Trade and other payables	20	**579,030**	1,291,953
Short term borrowings - secured	21	**7,158,136**	7,564,020
Current portion of long term financing - secured	18	**-**	320,833
Accrued markup		**128,592**	122,479
		7,865,758	9,299,285
Total liabilities		**8,583,394**	9,888,558
Contingencies and commitments	22	**-**	-
Total equity and liabilities		**14,565,853**	15,066,233

The annexed notes 1 to 42 form an integral part of these financial statements.

Fuad Azim Hashimi	**Sohail R. Bhojani**	**Riyaz T. Chinoy**
Director & Chairman	Chief Financial Officer	Chief Executive Officer
Board Audit Committee		

Profit and Loss Account

For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
Net sales	23	**17,729,744**	16,802,257
Cost of sales	24	**(15,665,121)**	(14,893,081)
Gross profit		**2,064,623**	1,909,176
Selling and distribution expenses	25	**(592,780)**	(439,510)
Administrative expenses	26	**(151,559)**	(140,544)
		(744,339)	(580,054)
Financial charges	27	**(699,131)**	(1,037,467)
Other operating charges	28	**(71,412)**	(40,858)
		(770,543)	(1,078,325)
Other income	29	**149,165**	139,713
Profit before taxation		**698,906**	390,510
Taxation	30	**(140,763)**	(64,700)
Profit for the year		**558,143**	325,810
Earnings per share - basic and diluted	31	**4.66**	2.72

The annexed notes 1 to 42 form an integral part of these financial statements.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

Statement of Comprehensive Income

For the year ended 30 June 2013

	2013	2012
	(Rupees in '000)	
Profit for the year	**558,143**	325,810
Other comprehensive income	-	-
Total comprehensive income for the year	**558,143**	325,810

The annexed notes 1 to 42 form an integral part of these financial statements.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

Cash Flow Statement

For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**698,906**	390,510
Adjustments for:			
Depreciation and amortisation		**209,908**	192,176
Provision / (reversal) for doubtful debts and other receivables		**6,177**	(6,048)
Interest on bank deposits		**(2,366)**	(1,663)
(Gain) / loss on disposal of property, plant and equipment		**(9,255)**	3,614
Financial charges		**699,131**	1,037,467
		1,602,501	1,616,056
Changes in:			
Working capital	32	**548,239**	(713,486)
Long term deposits		**785**	6,125
Net cash generated from operations		**2,151,525**	908,695
Financial charges paid		**(693,018)**	(1,072,371)
Taxes paid		**(251,950)**	(85,476)
Net cash generated from / (used in) operating activities		**1,206,557**	(249,152)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		**(184,789)**	(325,687)
Proceeds from sale of property, plant and equipment		**13,811**	11,082
Interest received		**2,304**	1,597
Net cash used in investing activities		**(168,674)**	(313,008)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		**450,000**	500,000
Repayment of long term financing		**(737,500)**	(237,500)
Dividends paid		**(358,839)**	(417,338)
Net cash used in financing activities		**(646,339)**	(154,838)
Net increase / (decrease) in cash and cash equivalents		**391,544**	(716,998)
Cash and cash equivalents at beginning of the year		**(7,543,112)**	(6,826,114)
Cash and cash equivalents at end of the year		**(7,151,568)**	(7,543,112)
CASH AND CASH EQUIVALENTS COMPRISE OF:			
Bank balances	15	**6,568**	20,908
Short term borrowings - secured	21	**(7,158,136)**	(7,564,020)
		(7,151,568)	(7,543,112)

The annexed notes 1 to 42 form an integral part of these financial statements.

Fuad Azim Hashimi	**Sohail R. Bhojani**	**Riyaz T. Chinoy**
Director & Chairman	Chief Financial Officer	Chief Executive Officer
Board Audit Committee		

Statement of Changes in Equity

For the year ended 30 June 2013

	Issued, subscribed and paid-up capital	Revenue reserves		Total reserves	Total
		General reserves	Un-appropriated profit		
	--(Rupees in '000)--				
Balance as at 1 July 2011	1,198,926	2,177,522	887,366	3,064,888	4,263,814
Total comprehensive income for the year ended 30 June 2012					
- Profit for the year	-	-	325,810	325,810	325,810
Transactions with owners recorded directly in equity - distributions:					
- Final dividend @ 35% (Rs. 3.50 per share) for the year ended 30 June 2011	-	-	(419,624)	(419,624)	(419,624)
Transfer from general reserves	-	(328,786)	328,786	-	-
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	4,520	4,520	4,520
Balance as at 30 June 2012	1,198,926	1,848,736	1,126,858	2,975,594	4,174,520
Total comprehensive income for the year ended 30 June 2013					
- Profit for the year	-	-	558,143	558,143	558,143
Transactions with owners recorded directly in equity - distributions:					
- Final dividend @ 20% (Rs. 2 per share) for the year ended 30 June 2012	-	-	(239,785)	(239,785)	(239,785)
- Interim dividend @ 10% (Rs. 1 per share) for the year ended 30 June 2013	-	-	(119,893)	(119,893)	(119,893)
Total transactions with owners - distributions	-	-	(359,678)	(359,678)	(359,678)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	4,520	4,520	4,520
Balance as at 30 June 2013	**1,198,926**	**1,848,736**	**1,329,843**	**3,178,579**	**4,377,505**

The annexed notes 1 to 42 form an integral part of these financial statements.

Fuad Azim Hashimi	**Sohail R. Bhojani**	**Riyaz T. Chinoy**
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

1. **STATUS AND NATURE OF BUSINESS**

International Industries Limited ("the Company") was incorporated in Pakistan in 1948 and is quoted on the Karachi, Lahore and Islamabad Stock Exchanges in Pakistan. The Company is in the business of manufacturing and marketing of galvanized steel pipes, precision steel tubes, API line pipes and polyethylene pipes. The registered office of the Company is situated at 101 Beaumont Plaza, 10 Beaumont Road, Karachi - 75530.

Details about the Company's investment in subsidiary and associated companies are stated in notes 7 to these financial statements.

2. **BASIS OF PREPARATION**

2.1 **Statement of compliance**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984 and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 **Basis of measurement**

These financial statements have been prepared under the historical cost convention except that land and buildings are stated at fair values determined by an independent valuer and the Company's liability under defined benefit plan (gratuity) that is determined on the present value of defined benefit obligations determined by an independent actuary.

2.3 **Functional and presentation currency**

These financial statements are presented in Pakistan Rupees which is Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand.

2.4 **Use of estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013): the amended IAS 19 requires actuarial gains and losses to be recognised immediately in Other Comprehensive Income. This change will remove the corridor method and eliminate the ability of entities to recognise all changes in the defined benefit obligations and in plan assets in the Profit and Loss Account, which currently is allowed under under IAS 19, and expected return on plan assets recognised in profit and loss account is calculated based on the rate used to discount the defined benefit obligations. The Company's policy is to account for actuarial gains and losses using the corridor method. The amendment will have an effect on unrecognized actuarial gains / losses as at 30 June 2013 which will need to be recognized in Other Comprehensive Income.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013): the amendment has no impact on the financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013): the amendment has no impact on the financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014): the amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013): the amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the Statement of Financial Position or subject to master netting agreement or similar arrangements.

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013): the new cycle of improvements contains amendments to the following three standards, with consequential amendments to other standards and interpretations:

  - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements.

  - IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

  - IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

  - IFRIC 20 - Stripping Cost in the Production Phase of a Surface Mine (effective for annual periods beginning on or after 1 January 2013). The amendment has no impact on the financial statements of the Company.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have a significant impact on the financial statements and estimates with significant risk of material judgment in the next financial year are set forth below:

Income taxes

In making the estimates for income taxes currently payable by the Company, it looks at the current income tax law and the decisions of appellate authorities on certain matters in the past.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these financial statements for the valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognised gains and losses in those years.

Trade debts and other receivables

The Company reviews trade debtors on a continuous basis to identify receivables where collection of an amount is no longer probable. These estimates are based on historical experience and are subject to changes in conditions at the time of actual recovery.

Property, plant and equipment

The Company reviews the rates of depreciation, useful lives, residual values and values of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding impact on the depreciation charge and impairment.

Stock-in-trade and stores and spares

The Company reviews the net realizable value of stock-in-trade and stores, spares parts and loose tools to assess any diminution in carrying values and also reviews inventories for obsolescence.

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS

3.1 Standards, amendments and interpretations which became effective during the year:

During the year certain amendments to standards or new interpretations became effective; however the amendments or interpretation did not have any material impact on the financial statements of the Company.

3.2 New / revised accounting standards, amendments to published accounting standards and interpretations that are not yet effective:

The following new standards, amendments to existing standards and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2013:

- IFRIC 21- Levies 'an Interpretation on the Accounting for Levies Imposed by Governments' (effective for annual periods beginning on or after 1 January 2014): the amendment has no impact on the financial statements of the Company.

- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The amendment has no impact on the financial statements of the Company.

- Amendment to IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014): the amendment has no impact on the financial statements of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted in the preparation of these financial statements are set out below and have been consistently applied to all the years presented.

4.1 Property, plant and equipment

Property, plant and equipment (except freehold land and leasehold land and buildings) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold and leasehold lands are stated at revalued amounts and buildings on freehold and leasehold lands are stated at revalued amounts less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The value assigned to leasehold lands is not amortized as the respective leases are expected to be renewed for further periods on payment of relevant rentals.

Subsequent cost

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and its cost can be reliably measured. Cost incurred to replace a component of an item of property, plant and equipment is capitalised and the asset so replaced is derecognised. Normal repairs and maintenance are charged to the Profit and Loss Account during the period in which they are incurred.

Depreciation

Depreciation is charged to income on a straight line basis at rates specified in note 5.1 to these financial statements. Depreciation on additions to buildings and plant and machinery, furniture, fixtures and office equipment and vehicles is charged from the month an asset is available for use upto the month prior to its disposal.

Revaluation surplus

Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to retained earnings (Unappropriated Profit). Surplus on revaluation of land and buildings is credited to the Surplus on Revaluation Account.

Disposal

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within Other Income / Other Operating Charges in the Profit and Loss Account. When revalued assets are sold, any related amount included in the Revaluation Reserve is transferred to retained earnings (Unappropriated Profit).

Capital work in process

Capital work in progress is stated at cost less impairment loss, if any and consists of expenditure incurred and advances made in the course of an asset's construction and installation. Transfers are made to relevant asset categories as and when assets are available for intended use.

4.2 Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the Company and the cost of such asset an can be measured reliably.

Costs directly associated with identifiable software that will have probable economic benefits exceeding costs beyond one year, are recognised as an intangible asset. Direct costs include the purchase costs of software and other directly attributable costs of preparing the software for its intended use. Computer software is measured initially at cost and subsequently stated at cost less accumulated amortisation and impairment losses, if any.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the Profit and Loss Account on a straight line basis over the estimated useful lives of intangible assets (i.e. three years) unless such lives are indefinite. Amortisation on additions to intangible assets is charged from the month in which an item is acquired or capitalised upto the month prior to its disposal.

4.3 Investments

Investments in subsidiaries

Investments in subsidiaries are initially recognised at cost. The carrying amount of investments is reviewed at each reporting date to determine if there is any indication of impairment. If any such indication exists, the investment's recoverable amount is estimated which is the higher of its value in use and its fair value less cost to sell. An impairment loss is recognised if the carrying amount exceeds its recoverable amount. Impairment losses are recognised in the Profit and Loss Account. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of the initial cost of investments. A reversal of impairment loss is recognised in the Profit and Loss Account.

Investments in associates

Investments in associates are initially recognised at cost. The carrying amount of investments is reviewed at each reporting date to determine if there is any indication of impairment. If any such indication exists, the investment's recoverable amount is estimated which is the higher of its value in use and its fair value less cost to sell. An impairment loss is recognised if the carrying amount exceeds its recoverable amount. Impairment losses are recognised in Profit and Loss Account. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of the initial cost of investments. A reversal of impairment loss is recognised in the Profit and Loss Account.

4.4 Derivative financial instruments

Derivatives that do not qualify for hedge accounting are recognised in the Balance Sheet at estimated fair value with a corresponding effect to the Profit and Loss Account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

4.5 Borrowings costs

Borrowing costs incurred on long-term finances directly attributable to the construction / acquisition of qualifying assets are capitalised up to the date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the Profit and Loss Account currently.

4.6 Stores and spares

Stores and spares are stated at the lower of weighted average cost and net realisable value, less provision for impairment, if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on the Company's estimate regarding their future usability.

Net realisable value signifies the estimated selling price in the ordinary course of business less the net estimated costs necessary to be incurred to make the sale.

4.7 Stock-in-trade

These are valued at the lower of cost and net realisable value less impairment loss, if any. Cost is determined under the weighted average basis. Cost comprises all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value signifies the estimated selling price in the ordinary course of the business less the net estimated cost of completion and selling expenses.

Scrap stocks are valued at estimated net realisable value.

4.8 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment, if any. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

4.9 Cash and cash equivalents

Cash and cash equivalents for the purpose of the Cash Flow Statement include cash in hand and current and deposit accounts held with banks. Short term borrowings availed by the Company, which are payable on demand and form an integral part of the Company's cash management, are included as part of cash and cash equivalents for the purpose of the Cash Flow Statement.

4.10 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Profit and Loss Account, except to the extent that it relates to items recognised directly in Other Comprehensive Income or below Equity, in which case it is recognised in Other Comprehensive Income or below Equity respectively.

Current tax

Provision for current taxation is based on taxability of certain income streams of the Company under the final tax regime at the applicable tax rates and remaining income streams chargeable at the current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates available, if any.

Deferred tax

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date.

The Company recognises a deferred tax asset to the extent that it is probable that taxable profits in the foreseeable future will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Further, the Company also recognises deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

4.11 Employee benefits

Defined benefit plan

The Company operates an approved funded Gratuity Scheme (the Plan) for eligible employees of the Company. The Company's obligations under the scheme is determined through actuarial valuations carried out at each balance sheet date under the Projected Unit Credit Method. Actuarial gains and losses which exceed 10 percent of the greater of the present value of the Company's obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the employees. Vested past service cost, if any, is recognised immediately in the Profit and Loss Account, while non-vested past service cost is amortised on a straight line basis over the average period until it becomes vested.

Amounts recognised in the Balance Sheet represent the present value of the defined benefit obligations as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, if any, and as reduced by the fair value of plan assets. Any assets resulting from this calculation are limited to the total of any unrecognised actuarial losses and unrecognised past service cost plus the present value of economic benfits available in the form of any future refunds from the Plan or reductions in future contributions to the Plan.

Defined contribution plan

The Company operates a recognised Provident Fund for all employees of the Company except unionised staff. Equal monthly contributions are made by the Company and the employees to the Fund at the rate of 8.33% of basic salary and cost of living allowance and the same is charged to the Profit and Loss Account.

Compensated absences

The liability for accumulated compensated absences of employees is recognised in the period in which employees render service that increases their entitlement to future compensated absences.

4.12 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost.

4.13 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those prevailing on the date of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange ruling on the Balance Sheet date.

Exchange differences are included in the Profit and Loss Account currently.

4.14 Revenue recognition

- Domestic sales are recognised as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides with delivery.

- Export sales are recognised as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides with date of the shipping bill.

- Interest income (including late payment surcharge) is recognised on a time-apportioned basis using the effective rate of return.

- Dividend income is recognised when the right to receive payment is established.

- Revenue from the power generation plant is recognised on transmission of electricity to Karachi Electric Supply Company Limited (KESC).

- Gains and losses arising on the sale of investments are included in the Profit and Loss Account in the period in which they arise.

- Service income is recognised when services are rendered.

- Rental income is recognised on a straight line basis over the term of the respective lease agreement.

- Miscellaneous income is recognised on receipt basis.

4.15 Financial instruments

All financial assets and liabilities are initially measured at fair value, and subsequently measured at fair value or amortised cost as the case may be. The Company derecognises financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instrument.

4.16 Offsetting of financial assets and financial liabilities
Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.17 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-Financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised as an expense in the Profit and Loss Account for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.18 Mark-up bearing borrowings

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Profit and Loss Account over the period of borrowings on an effective interest basis.

4.19 Provisions

A provision is recognised in the Balance Sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. The Company monitors the operating results of its products (i.e. Steel and Plastic Pipes) separately for the purpose of making decisions regarding resource allocation and performance assessment.

4.21 Dividend and appropriation to / from reserves

Dividend distribution to the Company's shareholders and appropriation to / from reserves is recognised in the period in which these are approved by the Members and Board of Directors respectively.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
		(Rupees in '000)	
Operating assets	5.1	**3,462,621**	2,794,885
Capital work-in-progress (CWIP)	5.5	**2,045**	8,620
		3,464,666	2,803,505

5.1 Operating assets

	Land - revalued		Buildings - revalued		Plant and machinery **	Furniture, fixtures and office equipment	Vehicles	Total
	Freehold	Leasehold	Freehold land	Leasehold land				
	(Rupees in '000)							
Balance as at 1 July 2012								
Cost / revalued amount	302,070	917,830	73,281	533,982	2,564,020	66,011	78,234	4,535,428
Accumulated depreciation	-	-	(4,577)	(139,549)	(1,513,139)	(52,428)	(30,850)	(1,740,543)
Net Book Value (NBV)	302,070	917,830	68,704	394,433	1,050,881	13,583	47,384	2,794,885
Additions / transfer from CWIP	-	-	420	8,883	132,416	15,483	24,671	181,873
Surplus on revaluation	182,204	70,524	99,097	343,573	-	-	-	695,398
Disposals								
- Cost	-	-	-	-	(20,794)	(3,286)	(15,043)	(39,123)
- Accumulated depreciation	-	-	-	-	19,556	3,168	11,843	34,567
	-	-	-	-	(1,238)	(118)	(3,200)	(4,556)
Depreciation charge	-	-	(3,659)	(22,740)	(153,838)	(8,790)	(15,952)	(204,979)
Balance as at 30 June 2013 (NBV)	**484,274**	**988,354**	**164,562**	**724,149**	**1,028,221**	**20,158**	**52,903**	**3,462,621**
Gross carrying value as at 30 June 2013								
Cost / revalued amount	484,274	988,354	164,562	724,149	2,675,642	78,208	87,862	5,203,051
Accumulated depreciation*	-	-	-	-	(1,647,421)	(58,050)	(34,959)	(1,740,430)
Net book value	**484,274**	**988,354**	**164,562**	**724,149**	**1,028,221**	**20,158**	**52,903**	**3,462,621**
Depreciation rates (% per annum)	**-**	**-**	**2 - 50**	**2 - 50**	**3 - 50**	**10 - 33.3**	**20**	
Balance as at 1 July 2011								
Cost / revalued amount	302,070	917,830	65,971	509,038	2,308,201	63,436	75,156	4,241,702
Accumulated depreciation	-	-	(1,097)	(118,999)	(1,380,712)	(44,994)	(33,225)	(1,579,027)
Net Book Value	302,070	917,830	64,874	390,039	927,489	18,442	41,931	2,662,675
Additions / transfer from CWIP	-	-	7,310	25,277	261,893	2,817	32,781	330,078
Disposals								
- Cost	-	-	-	-	(6,074)	(242)	(29,703)	(36,019)
- Accumulated depreciation	-	-	-	-	5,999	219	15,105	21,323
	-	-	-	-	(75)	(23)	(14,598)	(14,696)
Depreciation charge	-	-	(3,480)	(20,883)	(138,426)	(7,653)	(12,730)	(183,172)
Balance as at 30 June 2012 (NBV)	302,070	917,830	68,704	394,433	1,050,881	13,583	47,384	2,794,885
Gross carrying value as at 30 June 2012								
Cost / revalued amount	302,070	917,830	73,281	533,982	2,564,020	66,011	78,234	4,535,428
Accumulated depreciation	-	-	(4,577)	(139,549)	(1,513,139)	(52,428)	(30,850)	(1,740,543)
Net Book Value	302,070	917,830	68,704	394,433	1,050,881	13,583	47,384	2,794,885
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	

* This includes an amount of Rs.170.5 million representing an adjustment relating to the revaluation surplus.
** This includes capital spares with a net book value of Rs.19.0 million (2012: Rs. 24.2 million).

5.2 The depreciation charge for the year has been allocated as follows:

		2013	2012
		(Rupees in '000)	
Cost of sales	24	**189,826**	170,569
Selling and distribution expenses	25	**5,261**	5,322
Administrative expenses	26	**9,892**	7,281
		204,979	183,172

5.3 The revaluation of freehold lands, leasehold lands and buildings thereon was carried out as of 30 June 2013 by Iqbal A. Nanjee (Private) Limited, an independent valuer, on the basis of their professional assessment of present market values based on enquiries made about the cost of lands of similar nature, size and location including consideration of current cost of acquisition or construction, net of dimunition owing to depreciation. The revaluation has resulted in a surplus on revaluation amounting to Rs. 695.4 million which has been incorporated in the books of the Company as at 30 June 2013.

The Company commissioned independent valuations of freehold lands, leasehold lands and buildings during the years / periods ended 30 June 1988, 30 June 1997, 30 June 2000, 30 June 2004, 31 December 2007 and 30 June 2013. The resulting revaluation surplus has been disclosed in notes 5.1 and 17 to the financial statements and has been credited to the revaluation surplus account net of related tax effect.

The carrying amount of the above mentioned assets as at 30 June 2013, if the said assets had been carried at historical cost, would have been as follows:

	Cost	Accumulated depreciation	Net book value
	-------------	(Rupees in '000)	-------------
Freehold land	**172,302**	**-**	**172,302**
Leasehold land	**187,645**	**-**	**187,645**
Buildings	**497,313**	**(243,301)**	**254,012**
As at 30 June 2013	**857,260**	**(243,301)**	**613,959**
As at 30 June 2012	**847,958**	**(223,201)**	**624,757**

5.4 Details of property, plant and equipment disposed off / scrapped during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
	----------------- (Rupees in '000) -----------------					
Plant and machinery						
Continuous Strip Pickling Line	3,835	2,647	1,188	1,600	Negotiation	M/s.Rahim Shah , Karachi.
Zinc Ash Reclamation System	7,560	7,510	50	-	Scrapped	-
Various items of book value up to Rs.50,000 each	9,399	9,399	-	540	Negotiation	Various
Furniture, fixtures and office equipment						
Various items of book value up to Rs.50,000 each	3,286	3,168	118	431	Negotiation	Various
Vehicles						
Honda City	995	780	215	565	As per Company policy	Mr.Riaz Moazzam (employee)
Honda City	995	780	215	565	As per Company policy	Mr. Imran Siddiqui (employee)
Honda City	995	796	199	700	Negotiation	Mr. Ghulam Yazdani (ex-employee)
Suzuki Mehran	403	343	60	361	Auction	M/s. Karachi Auction Mart
Suzuki Cultus	704	622	82	618	Auction	M/s. Karachi Auction Mart
Honda Civic	1,990	498	1,492	1,800	Insurance claim	Jubilee General Insurance Co.
Suzuki Cultus	795	556	239	725	Insurance claim	Jubilee General Insurance Co.
Suzuki Mehran	454	333	121	450	Negotiation	Mr. Muhammad Saleem (employee)
Suzuki Mehran	459	321	138	300	Negotiation	Agha Sohail Nawaz Khan (employee)
Suzuki Cultus	795	583	212	665	Auction	M/s. Karachi Auction Mart
Suzuki Mehran	484	258	226	-	Long Service Award	Mr. Abdul Qayyum (ex-employee)
Various vehicles of book value up to Rs.50,000 each	5,974	5,973	1	4,491	Negotiation	Various
	39,123	**34,567**	**4,556**	**13,811**		

5.5 Capital work-in-progress

	Cost			
	As at 01 July 2012	**Additions**	**(Transfers)**	**As at 30 June 2013**
	---------- **(Rupees in '000)** ----------			
Buildings	1,297	8,419	(9,303)	**413**
Plant and machinery	7,323	126,725	(132,416)	**1,632**
	8,620	135,144	(141,719)	**2,045**

	Cost			
	As at 01 July 2011	Additions	(Transfers)	As at 30 June 2012
	---------- (Rupees in '000) ----------			
Buildings	568	33,316	(32,587)	1,297
Plant and machinery	15,528	232,133	(240,338)	7,323
	16,096	265,449	(272,925)	8,620

6. INTANGIBLE ASSETS

	Note	2013	2012
		(Rupees in '000)	
Net book value as at 1st July		**8,619**	14,538
Additions		**9,491**	3,085
Amortisation	6.2	**(4,929)**	(9,004)
Net book value as at 30 June		**13,181**	8,619
Gross carrying value as at 30 June			
Cost		**53,918**	44,427
Accumulated amortisation		**(40,737)**	(35,808)
Net book value		**13,181**	8,619
		Percent	
Amortisation rate (per annum)		**33.33**	33.33

6.1 Intangible assets comprise of computer software and licenses.

6.2 The amortisation expense for the year has been allocated as follows:

	Note	2013	2012
		(Rupees in '000)	
Cost of sales	24	**2,500**	4,567
Selling and distribution expenses	25	**1,457**	2,662
Administrative expenses	26	**972**	1,775
		4,929	9,004

7. INVESTMENTS

2013	2012		Note	2013	2012
(Number of shares)					
245,055,543	245,055,543	International Steels Limited (ISL) - subsidiary company, at cost	7.1	**2,450,555**	2,450,555
2,425,913	2,425,913	Pakistan Cables Limited (PCL) - associated company, at cost	7.2	**132,982**	132,982
				2,583,537	2,583,537

7.1 The Company holds 56.33% ownership interest in ISL. The Chief Executive of ISL is Mr. Towfiq H. Chinoy.

7.2 The Company holds 8.52% ownership interest in PCL. The Chief Executive of PCL is Mr. Kamal A. Chinoy.

7.3 The market value of the above investments is as follows:

	2013	2012
	(Rupees in '000)	
Quoted		
International Steel Limited	**4,335,033**	2,930,864
Pakistan Cables Limited	**157,199**	92,549

			2013	2012
			(Rupees in '000)	

8. STORES AND SPARES

			2013	2012
Stores			**29,869**	29,055
Spares	- in hand		**91,646**	99,893
	- in transit		**-**	6,959
			91,646	106,852
Loose tools			**1,484**	1,168
			122,999	137,075

9. STOCK-IN-TRADE

			2013	2012
Raw material	- in hand		**2,763,419**	3,209,326
	- in transit		**18,616**	1,627,791
			2,782,035	4,837,117
Work-in-process			**917,919**	758,806
Finished goods			**1,664,729**	1,661,972
By-products			**42,855**	43,246
Scrap material			**7,732**	21,776
			5,415,270	7,322,917

9.1 Raw material amounting to Rs. 6.0 million (2012: Rs. 25.4 million) is held at a vendor's premises for the production of pipe caps.

10. TRADE DEBTS

			2013	2012
			(Rupees in '000)	
Considered good	- secured		**845,060**	728,162
	- unsecured	10.1	**1,235,719**	945,064
			2,080,779	1,673,226
Considered doubtful			**37,701**	34,508
			2,118,480	1,707,734
Provision for doubtful debts		10.2	**(37,701)**	(34,508)
			2,080,779	1,673,226

10.1 Related parties from whom trade debts are due are as under:

	2013	2012
Sui Southern Gas Company Limited	**530**	109,268
Sui Northern Gas Pipelines Limited	**97,579**	34,864
Pakistan Cables Limited	**-**	16
DH Fertilizers Limited	**-**	63
	98,109	144,211

10.1.1 The ageing of the trade debts receivable from related parties as at the balance sheet date are as under:

	2013	2012
Not past due	**97,292**	113,637
Past due 1-60 days	**338**	30,574
Past due 61 days - 365 days	**479**	-
Total	**98,109**	144,211

10.2 Provision for doubtful debts

		2013	2012
Balance as at 1 July		**34,508**	37,133
Charge for the year		**11,087**	4,594
Reversal for the year		**(7,937)**	(10,642)
	25	**3,150**	(6,048)
Debtors written back into provision		**43**	3,423
Balance as at 30 June		**37,701**	34,508

		2013	2012
		(Rupees in '000)	
11. ADVANCES			
Considered good:			
- Suppliers		**15,939**	21,438
- Collector of Customs for clearance of goods		**100,000**	-
- Employees		**1,376**	600
		117,315	22,038
12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		**4,178**	3,297
Short term prepayments		**4,432**	5,258
		8,610	8,555
13. OTHER RECEIVABLES			
Considered good:			
Interest income receivable		**128**	66
Receivable on transmission of electricity to Karachi Electric Supply Company (KESC)		**2,796**	26,841
Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods		**25,940**	-
Others		**1,012**	953
		29,876	27,860
Receivable from foreign supplier on account of material		**3,027**	-
Less: Provision thereagainst		**(3,027)**	-
		-	-
		29,876	27,860
14. TAXATION - NET			
Tax receivable as at 1 July		**360,592**	335,137
Tax payments / withheld during the year		**434,734**	259,658
Refunds received during the year		**(182,784)**	(174,182)
		612,542	420,613
Less: Provision for tax	30	**(134,812)**	(60,021)
		477,730	360,592
15. BANK BALANCES			
- Current accounts		**6,568**	20,823
- Profit and loss sharing accounts		**-**	85
		6,568	20,908

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013	2012		2013	2012
(Number of shares)			(Rupees in '000)	
6,769,725	6,769,725	Fully paid ordinary shares of Rs. 10 each issued for cash	67,697	67,697
113,122,894	113,122,894	Fully paid ordinary shares of Rs. 10 each issued as bonus shares	1,131,229	1,131,229
119,892,619	119,892,619		1,198,926	1,198,926

16.1 Associated companies, due to common directors, held 1,353,325 (2012: 1,353,325) ordinary shares of Rs. 10 each at the year end.

17. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
		(Rupees in '000)	
Freehold land			
Balance as at 1 July		129,768	129,768
Surplus on revaluation of freehold land		182,204	-
Balance as at 30 June		311,972	129,768
Leasehold land			
Balance as at 1 July		730,185	730,185
Surplus on revaluation of leasehold land	5.1	70,524	-
Balance as at 30 June		800,709	730,185
Buildings			
Balance as at 1 July		198,327	204,625
Surplus on revaluation of buildings	5.1	442,670	-
Transferred to retained earnings (Unappropriated Profit) in respect of incremental depreciation charged during the year - net of deferred tax		(6,298)	(6,298)
		634,699	198,327
Related deferred tax liability	17.1	(142,426)	(55,125)
Balance as at 30 June - net of deferred tax		492,273	143,202
		1,604,954	1,003,155

17.1 Movement in related deferred tax liability

	2013	2012
Balance as at 1 July	55,125	56,903
Surplus on revaluation of buildings	99,334	-
Effect of change in tax rate and recognised temporary differences	(10,255)	-
Tax effect on incremental depreciation transferred to retained earnings (Unappropriated Profit)	(1,778)	(1,778)
Deferred tax liability as at 30 June	142,426	55,125

	2013	2012
	(Rupees in '000)	

18. LONG-TERM FINANCING - secured

	2013	2012
Long-term finances utilised under mark-up arrangements	**450,000**	737,500
Current portion of long-term finances shown under current liabilities	**-**	(320,833)
	450,000	416,667

		Sale price (Rupees in '000)	Purchase price (Rupees in '000)	Number of installments and commencement date	Date of maturity	Rate of mark-up per annum	2013	2012
i)	**Bank Al Habib Limited** Local currency assistance of Rs. 250 million for plant and machinery	200,000	412,586	8 half-yearly 31 December 2009	28 June 2013	1.25% over 6 months KIBOR	**-**	50,000
ii)	**MCB Bank Limited** Local currency assistance of Rs. 750 million for plant and machinery	750,000	1,238,000	8 half-yearly 31 December 2009	1 July 2013	1.25% over 6 months KIBOR	**-**	187,500
iii)	**Meezan Bank Limited** Local currency assistance of Rs. 500 million for plant and machinery	500,000	691,998	6 half-yearly 31 March 2013	25 June 2013	0.65% over 6 months KIBOR	**-**	500,000
iv)	**Meezan Bank Limited** Local currency assistance of Rs. 450 million for plant and machinery (Refer note 18.1)	450,000	600,822	6 half-yearly 24 December 2014	24 June 2017	0.65% over 6 months KIBOR	**450,000**	-
							450,000	737,500

18.1 The above long-term financing utilised under mark-up arrangement is secured by way of a mortgage on all present and future lands and buildings, located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate, Karachi, and Survey No. 402, 405-406, Dehsharabi, Landhi Town, Karachi.

19. DEFERRED TAXATION - NET

Deferred tax liability comprises of taxable / (deductible) temporary differences in respect of the following:

	2013	2012
Taxable temporary difference:		
Accelerated tax depreciation	**140,952**	141,547
Surplus on revaluation of buildings	**142,426**	55,125
Deductible temporary differences:		
Provision for doubtful debts	**(12,818)**	(12,078)
Provision for compensated absences	**(1,895)**	(11,988)
Provision against receivable from supplier on account of material	**(1,029)**	-
	267,636	172,606

19.1 The applicable tax rate for the tax year 2014 has been reduced to 34% from 35% through the enactment of the Finance Act, 2013. Accordingly, deferred tax has been calculated using a tax rate of 34% (2012: 35%).

20. TRADE AND OTHER PAYABLES

	Note	2013	2012
		(Rupees in '000)	
Trade creditors	20.1	**168,917**	874,627
Bills payable		**18,616**	-
Accrued expenses		**179,341**	236,371
Provision for Infrastructure Cess	20.2 & 22.1.4	**114,825**	60,463
Short-term compensated absences		**5,574**	34,253
Advances from customers		**50,849**	62,670
Workers' Profit Participation Fund	20.3	**8,100**	6,000
Workers' Welfare Fund		**22,276**	7,876
Unclaimed dividend		**10,529**	9,690
Others		**3**	3
		579,030	1,291,953

20.1 This includes an amount of Rs.1.2 million payable to the International Steels Limited on account of Sales Tax payable.

20.2 Provision for Infrastructure Cess

	2013	2012
Balance as at 1 July	**60,463**	742
Charge for the year	**54,362**	59,721
Balance as at 30 June	**114,825**	60,463

20.3 Workers' Profit Participation Fund

	Note	2013	2012
Balance as at 1 July		**6,000**	2,250
Interest on funds utilised in the Company's business at 15% (2012: 26%) per annum	27	**146**	132
		6,146	2,382
Allocation for the year		**36,100**	21,000
		42,246	23,382
Payments made during the year		**(34,146)**	(17,382)
Balance as at 30 June		**8,100**	6,000

21. SHORT-TERM BORROWINGS- secured

	Note	2013	2012
Running finance under mark-up arrangement	21.1	**326,031**	297,213
Short-term borrowing under Money Market Scheme	21.2	**3,670,605**	950,000
Short-term borrowing under Export Refinance Scheme	21.3	**3,161,500**	2,370,000
Running finance under FE-25 Export and Import Scheme		**-**	3,946,807
		7,158,136	7,564,020

21.1 The facilities for running finance available from various commercial banks amounted to Rs. 3,585 million (2012: Rs.2,500 million). The rates of mark-up on these finances range from 10.01% to 11.41% per annum (2012: 12.66% to 13.79% per annum). Unavailed facility as at year end amounted to Rs. 3,259 million (2012: Rs. 2,203 million).

21.2 The facilities for short-term borrowing through Money Market Scheme available from various commercial banks under mark-up arrangement amounted to Rs. 4,000 million (2012: Rs. 1,972 million). The rates of mark-up on these finances range from 9.57% to 10.02% per annum (2012: 12.00% to 12.66% per annum). Unavailed facility under as at year-end amounted to Rs. 329.4 million (2012: Rs. 1,022 million).

21.3 The Company has borrowed short-term running finance under the Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 3,161.5 million (2012: Rs. 2,370 million). The rates of mark-up on this facility range from 8.70% to 8.90% per annum (2012: 10.50% to 11.00% per annum).

21.4 All running finance and short-term borrowing facilities are secured by way of hypothecation of all present and future fixed assets (excluding lands and buildings) and present and future current and moveable assets.

22. CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

22.1.1 Bank guarantees have been issued under certain supply contracts and to the Collector of Customs aggregating Rs. 178.6 million (2012: Rs. 293 million).

22.1.2 Customs duties amounting to Rs.1,174 million (30 June 2012: Rs. 1,018 million) on import of raw material shall be payable by the Company in case of non-fulfillment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Company has provided post-dated cheques in favour of the Collector of Customs which are, in the normal course of business, to be returned to the Company after fullfilment of stipulated conditions. The Company has fullfilled the conditions for duties amounting to Rs. 920 million and is making efforts to retrieve the associated post-dated cheques from the customs authorities. Further, an amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Company filed a petition with the Sindh High Court in 2010 for an injunction and is awaiting the final judgement.

22.1.3 The customs authorities have charged a redemption fine of Rs. 83 million on clearance of imported raw material consignments in 2006. The Company has filed an appeal before the Sindh High Court, which has set aside the examination reports including subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities have filed an application for leave to appeal against the order of the High Court. The Company anticipates that the chances of admission of such appeal are remote.

22.1.4 The Company has reversed the provision for the levy of Infrastructure Cess amounting to Rs.107 million in 2009 on the basis of a decision of the Sindh High Court which declared the levy of the Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court of Pakistan against such order. In May 2011, the Supreme Court disposed off the appeal with a joint statement of the parties that, during the pendency of the appeal, another law i.e the Fifth Version, came into existence which was not the subject matter of the appeal. Hence the case was referred back to the High Court with the right to appeal to the Supreme Court. On 31 May 2011, the High Court has granted interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignments released upto 27 December 2006 and any bank guarantee / security furnished for consignments released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of the Fifth Version of the law and its retrospective application, the authorities are entitled to claim the amounts due under the said law with the right to appeal available to the petitioner. Bank guarantees amounting to Rs. 230 million have been provided to the Department in this regard.

22.1.5 As per the Gas Infrastructure and Development Cess Act 2011 (the Act), certain companies as specified in the Act (including Sui Southern Gas Company) shall collect and pay Gas Infrastructure and Development Cess (GID Cess) in such manner as the Federal Government may prescribe. As per the second schedule of the Act, GID Cess of Rs. 13 per MMBTU was payble by the Company. Through Finance Bill 2012-2013, an amendment was made to the Act whereby the rate of GID Cess applicable on the Company was increased to Rs. 100 per MMBTU. During the year, the Company filed a suit wherein it has impugned the Act on the ground that the rate of GID Cess has been enhanced without any lawful justification and authority. The Sindh High Court vide its ad-interim order dated 1 August 2012 has restrained SSGC from charging GID Cess above Rs. 13 per MMBTU. Consequently, on account of the High Court order, SSGC invoices the Company at Rs. 13 per MMBTU and accordingly the Company continues to record GID Cess at Rs. 13 per MMBTU.

The matter of applicability of receiving the differential of Rs. 87 per MMBTU is pending with the High Court. If the aforementioned matter is not decided in the favour of the Company, it may be required to pay Rs. 39.5 million as additional amount in respect of GID Cess. However, the Company is confident that the matter will be decided in its favour.

22.2 Commitments

22.2.1 Capital expenditure commitments outstanding as at 30 June 2013 amounted to Rs. 42.5 million (2012: Rs. 66.3 million).

22.2.2 Commitments under letters of credit for raw materials and stores and spares as at 30 June 2013 amounted to Rs. 2,666.4 million (2012: Rs. 2,787.3 million).

22.2.3 Commitments under purchase contracts as at 30 June 2013 amounted to Rs. 880.2 million (2012: Rs. 8.4 million)

22.2.4 Unavailed facilities for opening letters of credit and guarantees from banks as at 30 June 2013 amounted to Rs. 7,107 million (2012: Rs. 5,493.6 million) and Rs. 366 million (2012: Rs. 367 million) respectively.

23. NET SALES

		2013	2012
		(Rupees in '000)	
Local		**13,912,711**	12,195,963
Export		**6,090,026**	6,582,471
		20,002,737	18,778,434
Sales Tax		**(1,930,884)**	(1,683,192)
Trade discounts		**(26,457)**	(55,351)
Sales discounts and commission		**(315,652)**	(237,634)
		(2,272,933)	(1,976,177)
		17,729,744	16,802,257

24. COST OF SALES

		2013	2012
Opening stock of raw material and work-in-process		**3,968,132**	3,513,822
Purchases		**14,447,040**	15,488,126
Salaries, wages and benefits	24.1	**485,294**	437,900
Rent, rates and taxes		**1,169**	6,931
Electricity, gas and water		**264,844**	255,966
Insurance		**12,720**	10,249
Security and janitorial		**13,291**	13,150
Depreciation and amortisation	5.2 & 6.2	**192,326**	175,136
Stores and spares consumed		**66,954**	63,241
Repairs and maintenance		**100,385**	94,605
Postage, telephone and stationery		**9,969**	7,951
Vehicle, travel and conveyance		**11,502**	11,405
Internal material handling		**17,029**	16,444
Environment controlling expense		**162**	268
Sundries		**3,581**	1,736
Sale of scrap generated during production		**(245,573)**	(764,271)
		19,348,825	19,332,659
Closing stock of raw material and work-in-process	9	**(3,681,338)**	(3,968,132)
Cost of goods manufactured		**15,667,487**	15,364,527
Finished goods and by-products:			
Opening stock		**1,705,218**	1,233,772
Closing stock	9	**(1,707,584)**	(1,705,218)
		(2,366)	(471,446)
		15,665,121	14,893,081

24.1 Salaries, wages and benefits include Rs. 17.6 million (2012: Rs. 18.5 million) in respect of staff retirement benefits.

25. SELLING AND DISTRIBUTION EXPENSES

		2013	2012
		(Rupees in '000)	
Freight and forwarding		**458,834**	342,767
Salaries, wages and benefits	25.1	**73,484**	60,691
Rent, rates and taxes		**104**	205
Electricity, gas and water		**3,182**	3,310
Insurance		**1,601**	782
Depreciation and amortisation	5.2 & 6.2	**6,718**	7,984
Repairs and maintenance		**726**	344
Advertising and sales promotion		**18,241**	8,312
Postage, telephone and stationery		**4,315**	4,802
Office supplies		**22**	64
Vehicle, travel and conveyance		**16,092**	10,155
Provision for doubtful debts - net	10.2	**3,150**	(6,048)
Certification and registration charges		**4,188**	4,041
Others		**2,123**	2,101
		592,780	439,510

25.1 Salaries, wages and benefits include Rs. 5.9 million (2012: Rs. 5.1 million) in respect of staff retirement benefits.

26. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	26.1	**98,046**	93,195
Rent, rates and taxes		**226**	134
Electricity, gas and water		**2,551**	2,472
Insurance		**260**	381
Depreciation and amortisation	5.2 & 6.2	**10,864**	9,056
Repairs and maintenance		**785**	991
Postage, telephone and stationery		**7,855**	7,203
Office supplies		**81**	334
Vehicle, travel and conveyance		**7,692**	6,934
Legal and professional charges		**10,237**	5,401
Certification and registration charges		**2,589**	2,286
Others		**10,373**	12,157
		151,559	140,544

26.1 Salaries, wages and benefits include Rs. 9.2 million (2012: Rs. 6.6 million) in respect of staff retirement benefits.

27. FINANCIAL CHARGES

Mark-up on:			
- long-term financing		**53,946**	111,354
- short-term borrowings		**517,833**	533,366
Exchange loss		**112,193**	378,321
Interest on Workers' Profit Participation Fund	20.3	**146**	132
Bank charges		**15,013**	14,294
		699,131	1,037,467

28. OTHER OPERATING CHARGES

	Note	2013	2012
		(Rupees in '000)	
Auditors' remuneration	28.1	**2,035**	1,544
Donations	28.2	**15,850**	6,400
Workers' Profit Participation Fund		**36,100**	21,000
Workers' Welfare Fund		**14,400**	8,300
Loss on disposal of property, plant and equipment		**-**	3,614
Provision against receivable from foreign supplier on account of material		**3,027**	-
		71,412	40,858

28.1 Auditors' remuneration

	2013	2012
Audit fee	**1,015**	1,015
Half-yearly review	**265**	265
Other services (including consolidation charges)	**645**	171
Out-of-pocket expenses	**110**	93
	2,035	1,544

28.2 Donations

Donations in which a director is interested are as follows:

Name of director	Interest in donee	Name and address of the donee	Amount donated 2013	2012
			(Rupees in '000)	
Mr. Riyaz T. Chinoy	Chairman	Amir Sultan Chinoy Foundation, 101 Beaumont Plaza, 10 Beaumont Road, Karachi	**2,125**	1,000
Mr. Fuad Azim Hashimi	Member Board of Governors	Indus Valley School of Arts & Architecture, ST-13, Block-2, Scheme-5, Clifton, Karachi	**-**	750

28.2.1 Donations, other than those mentioned above, were not made to any donee in which a director or his spouse had any interest at any time during the year.

29. OTHER INCOME

	Note	2013	2012
Income / return on financial assets			
Interest on bank deposits		**2,366**	1,663
Income from non-financial assets			
Income from power generation	29.1	**33,483**	36,552
Late payment surcharge		**-**	778
Rental income		**7,973**	7,258
Dividend income from associated company		**7,884**	4,852
Gain on disposal of property, plant and equipment	5.4	**9,255**	-
Exchange gain		**46,154**	68,242
Reversal on account of excess allocation of Workers' Profit Participation Fund in earlier periods		**25,940**	-
Others		**16,110**	20,368
		149,165	139,713

29.1 This represents gross billing on account of sale of excess power generation of the 4MW plant to KESC.

30. TAXATION

	Note	2013	2012
		(Rupees in '000)	
Current			
- for the year		**134,812**	68,831
- for prior years		**-**	(8,810)
	14	**134,812**	60,021
Deferred		**5,951**	4,679
		140,763	64,700

30.1 Relationship between income tax expense and accounting profit

	2013	2012	2013	2012
	Effective tax rate		(Rupees in '000)	
Profit before taxation			**698,906**	390,510
Tax at the enacted tax rate	**35.00**	35.00	**244,617**	136,679
Tax effect of income subject to lower tax	**(0.57)**	(0.78)	**(3,999)**	(3,047)
Tax effect of rebate / credits	**(2.48)**	(6.15)	**(17,308)**	(24,034)
Tax effect of exports under final tax regime	**(12.46)**	(14.05)	**(87,064)**	(54,878)
Tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes	**1.01**	5.57	**7,060**	21,751
Effect of calculating deferred tax @ 34%	**(0.48)**	0.00	**(3,357)**	-
Effect of change in prior years' tax	**0.00**	(2.26)	**-**	(8,810)
Others	**0.12**	(0.76)	**814**	(2,961)
	20.14	16.57	**140,763**	64,700

30.2 Income tax assesments of the Company have been finalised upto and including tax year 2012 on the basis of the tax return filed under section 120 of the Income Tax Ordinance 2001. However, the return may be selected for detailed audit within five years from the date of filing of the return and the Income Tax Commissioner may amend the assessment if any objection is rasied in the audit.

31. EARNINGS PER SHARE - BASIC AND DILUTED

	Note	2013	2012
		(Rupees in '000)	
Profit after taxation for the year		**558,143**	325,810
		(Number)	
Weighted average number of ordinary shares in issue during the year	16	**119,892,619**	119,892,619
		(Rupees)	
Earnings per share		**4.66**	2.72

32. CHANGES IN WORKING CAPITAL

	2013	2012
Decrease / (increase) in current assets:		
Stores and spares	**14,076**	(23,418)
Stock-in-trade	**1,907,647**	(2,569,897)
Trade debts	**(410,703)**	257,339
Advances	**(95,277)**	630,124
Trade deposits and short-term prepayments	**(55)**	2,834
Other receivables	**(153,687)**	699,928
	1,262,001	(1,003,090)
(Decrease) / increase in current liabilities:		
Trade and other payables	**(713,762)**	289,604
	548,239	(713,486)

33. STAFF RETIREMENT BENEFITS

33.1 Provident Fund

Salaries, wages and benefits include Rs. 9.7 million (2012: Rs. 10.8 million) in respect of Provident Fund contribution.

33.1.1 The following information is based on the latest financial statements of the Fund:

	(Unaudited)	(Audited)
Size of the Fund - total assets	189,956	158,006
Cost of investments made	180,753	125,149
Percentage of investments made	99%	85%
Fair value of investments	187,255	134,643

33.1.2 The break-up of the fair value of investments is:

	2013 (Unaudited)	2012 (Audited)	2013 (Unaudited)	2012 (Audited)
	(Rupees in '000)		% of total investment	
Government securities	**30,794**	8,192	**16%**	6%
Debt securities	**61,386**	57,609	**33%**	43%
Mutual funds	**95,075**	68,842	**51%**	51%
	187,255	134,643	**100%**	100%

33.1.3 Investments out of the Provident Fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

33.2 Gratuity Scheme

Principal actuarial assumptions used in the actuarial valuation of the Scheme carried out by an independent firm of Chartered Actuaries under the Projected Unit Credit Method as at 30 June 2013 are as follows:

- Discount rate at 10.5% per annum (2012: 13% per annum)
- Expected rate of return on plan assets at 13% per annum (2012: 13% per annum)
- Expected rate of increase in salary level at 9.5% per annum (2012: 12% per annum)

The amount recognised in the Balance Sheet is as follows:

	2013	2012
	(Rupees in '000)	
Present value of defined benefit obligations	275,466	192,900
Fair value of plan assets	(225,588)	(190,698)
	49,878	2,202
Unrecognised actuarial loss	(49,878)	(2,202)
Liability as at 30 June	-	-

Movement in the present value of defined benefit obligations:

	2013	2012
Obligation as at 1 July	192,900	169,128
Current service cost	19,070	17,116
Interest cost	25,077	23,678
Actuarial losses / (gains)	48,278	(4,766)
Benefits paid	(9,859)	(12,256)
Obligation as at 30 June	275,466	192,900

Movement in the fair value of plan assets:

	2013	2012
Fair value as at 1 July	190,698	155,973
Expected return on plan assets	24,791	21,836
Actuarial gains	602	6,187
Benefits paid	(9,859)	(12,256)
Contribution to the Scheme	19,356	18,958
Fair value as at 30 June	225,588	190,698

	2013	2012
Movement in (assets) / liabilities:		
Balance as at 1 July	-	-
Expense recognised during the year	19,356	18,958
Payments during the year	(19,356)	(18,958)
Liability as at 30 June	-	-

The amount recognised in the Profit and Loss Account is as follows:

	2013	2012
Current service cost	19,070	17,116
Interest cost	25,077	23,678
Expected return on plan assets	(24,791)	(21,836)
	19,356	18,958

Expected contribution to the Gratuity Scheme for the year ending 30 June 2014 is Rs. 28 million.

Major categories / composition of plan assets are as follows:

	2013	2012
	(Percent)	
Debt instruments and mutual funds	87%	93%
Others	13%	7%

Return on plan assets is as follows:

	2013	2012
	(Rupees in '000)	
Expected return on plan assets	24,791	21,836
Actuarial gain on plan assets	602	6,187
	25,393	28,023

Historical information

	2013	2012	2011	2010	2009
	(Rupees in '000)				
Present value of defined benefit obligations	275,466	192,900	169,128	162,100	124,326
Fair value of plan assets	(225,588)	(190,698)	(155,973)	(133,568)	(109,108)
Deficit	49,878	2,202	13,155	28,532	15,218
Unrecognised actuarial loss	(49,878)	(2,202)	(13,155)	(28,532)	(15,218)
	-	-	-	-	-
Experience adjustment arising on plan liabilities (gains) / losses	48,278	(4,765)	(14,393)	14,544	1,600
Experience adjustment arising on plan assets gains / (losses)	602	6,187	(2,942)	977	(16,359)

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Executives		Total	
	2013	2012	2013	2012	2013	2012
	(Rupees in '000)					
Remuneration	20,676	18,216	165,231	118,997	185,907	137,213
Variable Performance Pay	2,585	-	20,654	-	23,238	-
Retirement benefits	1,292	1,297	10,322	8,393	11,614	9,690
Rent, utilities, leave encashment, etc.	7,753	7,241	62,229	45,813	69,982	53,054
	32,306	26,754	258,436	173,203	290,741	199,957
Number of persons	1	1	132	106	133	107

34.1 In addition to the above, the Chief Executive Officer, directors and certain executives are provided with free use of company-maintained vehicles in accordance with the Company's policy.

34.2 Fees paid to non-executive directors is Rs. 2.8 million (2012: Rs. 4.4 million) on account of meetings attended by them.

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The Board of Directors ("the Board") of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Board meets frequently for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks including adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Audit Committee ("the Committee") oversees how the management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

35.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party to a financial instrument fails to meet its contractual obligation without considering fair value of collateral available there against.

Exposure to credit risk

The carrying amount of respective financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date is as follows:

	2013	2012
	(Rupees in '000)	
- Long-term deposit	**4,428**	5,213
- Trade debts - net of provision	**2,080,779**	1,673,226
- Trade deposits	**4,178**	3,297
- Other receivable (excluding receivable from KESC)	**1,140**	1,019
- Receivable on transmission of electricity to KESC	**2,796**	26,841
- Bank balances	**6,568**	20,908
	2,099,889	1,730,504

The Company does not take into consideration the value of collateral while testing financial assets for impairment. The Company considers the credit worthiness of counter-parties as part of its risk management.

Long-term deposits

These represent long-term deposits with various parties for the purpose of securing supplies of raw materials and services. The Company does not foresee any credit exposure thereagainst as the amounts are paid to counter -parties as per agreements and are refundable on termination of the agreements with respective counter-parties.

Trade deposit

These represent deposits placed with various suppliers as per the terms of securing availability of services. The Company does not expect to incur credit loss thereagainst.

Trade debts

The Company's exposure to credit risk arising from trade debtors is mainly influenced by the individual characteristics of each customer. The Company has no major concentration of credit risk with any single customer. The majority of the Company's customers have been transacting with the Company for several years. The Company establishes an allowance for impairment that represents its estimate of incurred losses for balances above one year except for amounts due from government / public sector entities.

Receivable from Karachi Electric Supply Company ("KESC")

This represents the receivable from KESC on account of electricity provided to it from the 4 MW plant located at the factory site under an agreement. The Company does not expect to incur credit loss there against.

Analysis of amounts receivable from KESC and from local and foreign trade debtors is as follows:

	2013	2012
	(Rupees in '000)	
Domestic	**1,238,515**	971,905
Export	**845,060**	728,162
	2,083,575	1,700,067

The majority of export debtors of the Company are situated in South Asia, Europe, Middle East, North Africa and North America.

Impairment losses

The ageing of trade debtors and amounts receivable from KESC at the balance sheet date was as follows:

	2013		2012	
	Gross	**Impairment**	Gross	Impairment
	(Rupees in '000)			
Not past due	**1,784,565**	**-**	665,539	-
Past due 1-60 days	**193,285**	**-**	816,331	-
Past due 61 days -1 year	**79,838**	**-**	203,444	-
More than one year	**63,588**	**37,701**	49,261	34,508
Total	**2,121,276**	**37,701**	1,734,575	34,508

Based on an assessment conducted of individual customers, the Company believes that receivables falling within the age bracket of upto one year do not require any impairment provision other than to the extent determined above. Further, provision recognised against balances appearing over one year is without prejudice to other recourse the Company has for recovery against outstanding balances. Movement in the provision has been stated elsewhere in these financial statements.

Other receivables

These comprise of interest receivable and other miscellaneous receivables and the Company does not expect to incur material losses against those balances.

Balances with bank

The Company places its surplus funds with banks carrying good credit standing assessed by reputable credit agencies. As at 30 June 2013, the Company has placed funds with banks having the following credit ratings:

	Short-term	**Long-term**
Local banks	AAA to AA-	A1+ to A1
Foreign banks	F1+ / P1 to F1 / P1	AA- / A1 to A / A2

Concentration of credit risk

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. At the reporting date, the Company has no major concentration of credit risk. However, the majority of debtors of the Company are domestic parties.

35.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or experiences difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient liquidity including credit lines to meet expected working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments:

	2013						
	Carrying amount	On-demand	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long-term financing	450,000	-	(569,903)	(21,255)	(21,855)	(526,793	-
Trade and other payables	377,406	(10,532)	(366,874)	(366,874)	-	-	-
Accrued mark-up	128,592	-	(128,592)	(128,592)	-	-	-
Short-term borrowings	7,158,136	(7,158,136)	-	-	-	-	-
	8,114,134	(7,168,668)	(1,065,369)	(516,721)	(21,855)	(526,793)	-

	2012						
	Carrying amount	On-demand	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long-term financing	737,500	-	(889,130)	(150,910)	(255,189)	(483,031)	-
Trade and payables	1,120,691	(9,687)	(1,111,004)	(1,111,004)	-	-	-
Accrued mark-up	122,479	-	(122,479)	(122,479)	-	-	-
Short-term borrowings	7,564,020	(7,564,020)	-	-	-	-	-
	9,544,690	(7,573,707)	(2,122,613)	(1,384,393)	(255,189)	(483,031)	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June. The rates of mark-up have been disclosed in notes 18.1 and 21 to these financial statements.

35.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company is exposed to currency risk and interest rate risk only.

Currency risk

Exposure to currency risk

The Company is exposed to currency risk on trade debts, borrowings, trade and other payables, bank balances and accured mark-up that are denominated in a currency other than the functional currency of the Company. The Company's exposure to foreign currency risk is as follows:

	2013		2012	
	Rupees	**US Dollars**	Rupees	US Dollars
	(In '000)			
Financial assets				
Trade debts and bank balances	**854,468**	**8,629**	747,513	7,907
Financial liabilities				
Running finance under FE-25 Export and Import Scheme	**-**	**-**	(3,946,807)	(41,668)
Trade and other payable	**(57,359)**	**(578)**	(45,324)	(479)
Accured mark-up on running finance under FE-25 Export and Import Scheme	**-**	**-**	(22,817)	(241)
	(57,359)	**(578)**	(4,014,948)	(42,388)
Net exposure	**797,109**	**8,051**	(3,267,435)	(34,481)

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2013	2012	**2013**	2012
US Dollars to PKR	**97**	92	**99.02 / 99.20**	94.53 / 94.72

Sensitivity analysis

A 10 percent strengthening / (weakening) of the Pak Rupee against the US Dollar as at 30 June 2013 would have (decreased) / increased profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2012.

	Effect on profit (net of tax)	
	2013	2012
As at 30 June		
Effect in US Dollars	**51,812**	(212,383)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the interest rate exposure arises from short and long-term borrowings from banks.

At the balance sheet date, the interest rate profile of the Company's interest-bearing financial instrument is:

	Carrying amount	
	2013	2012
	(Rupees in '000)	
Fixed-rate instruments		
Financial liabilities	**(3,161,500)**	(2,370,000)
Variable-rate instruments		
Financial liabilities	**(4,446,636)**	(5,931,520)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through the Profit and Loss Account. Consequently, a change in interest rates at the reporting date would not affect the Profit and Loss Account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) Equity and the Profit and Loss Account by Rs. 44.5 million (2012: Rs. 59.3 million) with the corresponding effect on the carrying amount of the liability. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2012.

Other price risks

At present the Company is not exposed to any other price risks.

35.4 Fair value of financial assets and liabilities

The carrying values of financial assets and liabilities reported in the Balance Sheet approximate their fair values.

35.5 Financial instruments by categories

	2013	2012
	(Rupees in '000)	
Financial assets		
Loans and Receivables:		
- Long-term deposit	**4,428**	5,213
- Trade debts - net of provision	**2,080,779**	1,673,226
- Trade deposits	**4,178**	3,297
- Other receivables	**3,936**	27,860
- Bank balances	**6,568**	20,908
	2,099,889	1,730,504
Financial liabilities		
Financial liabilities at amortised cost:		
- Long-term financing	**450,000**	737,500
- Trade and other payables	**377,406**	1,120,691
- Accrued mark-up	**128,592**	122,479
- Short-term borrowings	**7,158,136**	7,564,020
	8,114,134	9,544,690

36. CAPITAL MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to operate as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

37. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated undertakings, directors of the Company and its subsidiary company, key management employees and staff retirement funds. The Company continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions. Contribution to its defined contribution plan (Provident Fund) are made as per the terms of employment and contribution to its defined benefit plan (Gratuity Scheme) are in accordance with actuarial advice. Remuneration of key management personnel is in accordance with their terms of employment and the Company's policy.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers its Non-executive Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and departmental heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement.

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements, are as follows:

	2013	2012
	(Rupees in '000)	
Subsidiary		
Sales	**3,308**	5,545
Purchases	**1,817,390**	1,445,060
Sale proceeds from disposal of fixed assets	**157**	1,715
Payments for purchase of fixed assets	**1,423**	-
Supply of chilled water and electrical consultancy	**12,145**	28,788
Reimbursement of payroll management expenses	**633**	-
Reimbursement of corporate affairs management expenses	**3,169**	-
Rental income	**7,973**	7,258
Sale of store items	**30**	-
Purchase of store items	**722**	7,838
Toll manufacturing	**-**	6,118
IT services	**3,375**	3,648
Trade payable	**1,237**	-
Associated companies		
Sales	**1,206,826**	1,182,850
Purchases	**226,961**	241,164
Insurance premium expense	**-**	17,079
Donations	**2,125**	1,750
Dividend paid	**1,728**	4,737
Dividend received	**7,884**	4,852
Reimbursement of payments made on behalf of associated company	**2,665**	-
Receivable from related parties	**98,109**	144,211
Others	**691**	200
Key management personnel		
Remuneration	**153,035**	164,973
Staff retirement benefits	**8,218**	11,976
Sale proceeds from disposal of vehicles	**1,936**	-
Non-executive directors		
Directors' fee	**2,800**	4,421
Staff retirement funds		
Contributions paid	**32,625**	29,756

38. PRODUCTION CAPACITY

	2013	2012
	(Metric Tonnes)	
Actual production capacity at the year-end was as follows:		
Pipe	**340,000**	336,000
Galvanising	**150,000**	150,000
Cold rolled steel strip	**70,000**	70,000
Polyethylene pipe	**15,000**	15,000
Actual production for the year was:		
Pipe	**192,942**	176,963
Galvanising	**94,003**	90,666
Cold rolled steel strip	**44,328**	41,929
Polyethylene pipe	**3,139**	5,716

Actual production during the year was sufficient to meet market demand.

The name-plate capacities of the plants are determined based on a certain product mix. The actual production mix was different.

39. SEGMENT REPORTING

The Company has identified Steel and Plastic Pipes as two reportable segments. Performance is measured based on respective segment results. Information regarding the Company's reportable segments is presented below.

39.1 Segment revenue and results

	Steel segment	Plastic segment	Total
	----------------------	(Rupees in '000)	----------------------
For the year ended 30 June 2013			
Sales	**17,151,976**	**577,768**	**17,729,744**
Cost of sales	**(15,121,487)**	**(543,634)**	**(15,665,121)**
Gross profit	**2,030,489**	**34,134**	**2,064,623**
For the year ended 30 June 2012			
Sales	15,785,807	1,016,450	16,802,257
Cost of sales	(13,979,821)	(913,260)	(14,893,081)
Gross profit	1,805,986	103,190	1,909,176

Reconciliation of segment results with Profit for the Year is as follows :

	2013	2012
	(Rupees in '000)	
Total results for reportable segments	**2,064,623**	1,909,176
Selling, distribution and administrative expenses	**(744,339)**	(580,054)
Financial charges	**(699,131)**	(1,037,467)
Other operating expenses	**(71,412)**	(40,858)
Other income	**149,165**	139,713
Taxation	**(140,763)**	(64,700)
Profit for the year	**558,143**	325,810

39.2 Segment assets and liabilities

	Steel segment	Plastic segment	Total
	----------------------	(Rupees in '000)	----------------
As at 30 June 2013			
Segment assets	**10,295,060**	**665,655**	**10,960,715**
Segment liabilities	**50,849**	**-**	**50,849**
As at 30 June 2012			
Segment assets	11,208,388	591,260	11,799,648
Segment liabilities	62,670	-	62,670

Reconciliation of segment assets and liabilities with total assets and liabilities in the Balance Sheet is as follows:

	2013	2012
	(Rupees in '000)	
Total reportable segments assets	**10,960,715**	11,799,648
Unallocated assets	**3,605,138**	3,266,585
Total assets as per Balance Sheet	**14,565,853**	15,066,233
Total reportable segments liabilities	**50,849**	62,670
Unallocated liabilities	**8,532,545**	9,825,888
Total liabilities as per Balance Sheet	**8,583,394**	9,888,558

39.3 Segment revenues reported above are revenues generated from external customers. There were no inter-segment sales during the year.

39.4 Segment assets reported above comprise of property, plant and equipment, stock-in-trade and trade debts.

39.5 Information about major customers

Revenue from major customer of the Plastic segment is Rs. Nil (2012: Rs. 485.9 million), whereas in the Steel segment, there is no major customer whose revenue accounts for more than 10% of the segment's revenue.

39.6 Geographical information

The Company's gross revenue from external customers by geographical location is detailed below:

	2013	2012
Domestic sales	**13,912,711**	12,195,963
Export sales	**6,090,026**	6,582,471
	20,002,737	18,778,434

The Company exports its products to South Asia, Europe, the Middle East, North Africa and North America.

39.7 As at 30 June 2013, all non-current assets of the Company are located in Pakistan.

40. NUMBER OF EMPLOYEES

	2013	2012
	(Number)	
Average number of employees during the year	**1,038**	1,054
Number of employees as at 30 June	**1,020**	1,041

41. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for the purposes of comparison and better presentation as follows:

Reclassification from component	Reclassification to component	(Rupees in '000)
Other receivables (Sales Tax refundable)	Sales Tax refundable	92,188
Trade and other payables (Accrued expenses)	Trade and other payables (Provision for Infrastructure Cess)	60,463
Trade and other payables (Accrued expenses)	Trade and other payables (Short-term compensated absences)	34,253
Financial charges (Exchange loss)	Other income (Exchange gain)	68,242

The impact of the above rearrangements / reclassifications is not material.

42. GENERAL

42.1 Non-adjusting events after balance sheet date

The Board of Directors of the Company in their meeting held on 30 August 2013 has proposed a final cash dividend of Rs. 2.25 per share amounting to Rs. 269.8 million (2012: Rs. 2.00 per share amounting to (Rs. 239.8 milion) for the year ended 30 June 2013. In addition, the Board of Directors have also approved an appropriation of Rs. 851.3 million (2012: Nil) from Unappropriated Profit to General Reserves. The approval of the Members of the Company for the dividend shall be obtained at the Annual General Meeting to be held on 4 October 2013. The Financial Statements for the year ended 30 June 2013 do not include the effect of the proposed final cash dividend and appropriation which will be accounted for in the period ending 30 June 2014.

42.2 Date of authorisation for issue

These financial statements were authorised for issue on 30 August 2013 by the Board of Directors of the Company.

Fuad Azim Hashimi Director & Chairman Board Audit Committee	**Sohail R. Bhojani** Chief Financial Officer	**Riyaz T. Chinoy** Chief Executive Officer

Consolidated Financial Statements of the Company

Consolidated Key Operating Highlights

(Rupees in million)

		2013	2012	2011	2010	2009	2008	2007	2006	2005
FINANCIAL POSITION										
Balance sheet										
Property, plant and equipment		13,368	11,701	11,467	9,905	5,997	4,172	2,737	1,837	1,658
Investment in equity accounted investee		177	169	164	126	-	-	-	-	-
Other non-current assets		26	27	41	18	24	15	9	9	10
Current assets		13,288	16,526	14,056	8,709	5,158	6,439	5,854	3,401	3,272
Total assets		**26,859**	**28,423**	**25,728**	**18,758**	**11,179**	**10,626**	**8,600**	**5,247**	**4,940**
Share capital		1,199	1,199	1,199	999	999	833	569	428	428
Reserves		2,894	2,483	2,627	2,324	1,661	1,565	1,257	1,043	741
Non-controlling interest		1,972	1,814	1,859	-	-	-	-	-	-
Total equity		6,065	5,496	5,685	3,324	2,660	2,398	1,827	1,471	1,169
Surplus on revaluation of fixed assets		2,533	1,358	1,362	1,367	1,379	1,391	515	529	543
Non-current liabilities		4,313	4,504	4,838	5,359	2,302	1,416	1,251	436	473
Current liabilities		13,948	17,065	13,843	8,709	4,838	5,421	5,007	2,812	2,754
Total liabilities		18,261	21,569	18,680	14,068	7,140	6,837	6,258	3,248	3,228
Total equity & liabilities		**26,859**	**28,423**	**25,728**	**18,758**	**11,179**	**10,626**	**8,600**	**5,247**	**4,940**
Net Current Assets		(660)	(539)	214	1	320	1,018	847	589	517
OPERATING AND FINANCIAL TRENDS										
Profit and Loss										
Net turnover		33,512	28,801	15,992	13,472	12,319	12,068	9,700	7,674	7,102
Gross profit		3,684	3,158	2,162	2,222	1,167	1,787	1,423	1,241	869
EBITDA		3,483	3,135	1,897	1,850	1,234	1,580	1,334	1,082	753
Operating profit		2,755	2,435	1,441	1,703	723	1,362	1,062	903	619
Profit before taxation		1,149	274	580	1,359	469	904	807	726	503
Profit after taxation		925	226	316	1,026	375	705	613	534	373
Profit atributable to owners of the Holding Company		766	271	282	1,026	375	705	613	534	373
Profit atributable to non-controlling intrest		159	(46)	34	-	-	-	-	-	-
Cash dividend		390	240	599	400	225	201	213	214	160
Bonus share		-	-	-	200	-	242	188	141	224
Capital expenditure (additions during the year)		961	806	1,935	4,147	2,055	757	1,099	360	400
Cash Flows										
Operting activities		4,628	(1,312)	(4,033)	(3,490)	2,945	(597)	(590)	1,072	144
Investing activities		(924)	(785)	37	(4,222)	(2,039)	727	(2,339)	(303)	(393)
Financial activities		(977)	(268)	(532)	2,916	737	141	574	(275)	(67)
Cash & cash equivalents at the end of the year		(11,259)	(13,987)	(11,622)	(7,094)	(2,298)	(3,941)	(4,212)	(1,858)	(2,352)
KEY INDICATORS										
Profitability Ratios										
Gross profit ratio	%	11.0	11.0	13.5	16.5	9.5	14.8	14.7	16.2	12.2
Net profit to sales	%	2.8	0.8	2.0	7.6	3.0	5.8	6.3	7.0	5.3
EBITDA margin to sales	%	10.4	10.9	11.9	13.7	10.0	13.1	13.8	14.1	10.6
Operating leverage	%	0.8	0.6	0.1	5.3	(10.5)	0.8	0.9	5.4	0.1
Return on shareholders' equity (with surplus on revaluation of fixed assets)	%	14.0	4.5	6.1	21.9	9.3	18.6	26.2	26.7	21.8
Return on shareholders' equity (without Surplus on revaluation of fixed assets)	%	22.6	6.1	8.3	30.9	14.1	29.4	33.6	36.3	31.9
Return on capital employed	%	21.3	21.4	12.1	16.9	11.4	26.2	29.5	37.1	28.3
Return on total assets	%	3.4	0.8	1.2	5.5	3.4	6.6	7.1	10.2	7.6

		2013	2012	2011	2010	2009	2008	2007	2006	2005
Liquidity Ratios										
Current ratio	times	0.95	0.97	1.02	1.00	1.07	1.19	1.17	1.21	1.19
Quick / Acid test ratio	times	0.38	0.23	0.40	0.30	0.61	0.34	0.51	0.49	0.25
Cash to Current Liabilities	times	0.33	(0.08)	0.05	(0.40)	0.61	(0.11)	(0.12)	0.38	0.05
Cash flow from Operations to Sales	times	13.8	(4.55)	4.31	(25.91)	23.91	(4.95)	(6.08)	13.97	2.02
Activity / Turnover Ratios										
Inventory turnover ratio	times	3.7	2.0	1.6	1.8	5.0	2.2	2.5	3.2	2.4
Inventory turnover in days	days	98	179	226	198	73	163	146	115	151
Debtor turnover ratio	times	14.7	16.9	10.0	9.9	13.1	9.8	12.1	14.6	15.8
Debtor turnover in days	days	25	22	36	37	28	37	30	25	23
Creditor turnover ratio	times	13.8	12.3	11.8	13.8	10.0	9.8	15.9	15.9	23.0
Creditor turnover in days	days	26	30	31	26	37	37	23	23	16
Total assets turnover ratio	times	1.2	1.0	0.6	0.7	1.1	1.1	1.1	1.5	1.4
Fixed assets turnover ratio	times	2.5	2.5	1.4	1.4	2.0	2.9	3.5	4.2	4.3
Operating cycle in days	days	123	201	263	235	101	201	176	140	174
Capital employed turnover ratio	times	2.6	2.5	1.3	1.3	1.9	2.3	2.7	3.2	3.2
Investment / Market Ratios										
Earnings per share - basic and diluted	Rs.	6.39	2.3	2.4	8.4	3.8	7.1	7.4	9.4	8.7
Price earning ratio	times	7.06	12.4	21.1	6.7	12.3	17.1	20.1	12.6	12.0
Dividend yield ratio	%	7.20	7.1	10.1	10.7	4.9	4.6	4.8	7.0	14.0
Dividend payout ratio	%	42.14	106.3	189.9	58.4	60.0	62.8	65.5	66.6	103.1
Dividend per share - cash	Rs.	3.25	2.00	5.00	4.00	2.25	2.50	3.75	5.00	3.75
Bonus shares	Rs.	-	-	-	2.00	-	3.00	3.30	3.30	11.00
Dividend cover	times	1.97	1.13	0.47	2.10	1.67	2.82	1.96	1.88	2.32
Market value per share at the end of the year	Rs.	45	28	50	56	46	121	148	118	105
Market value per share high during the year	Rs.	49	52	71	72	57	173	168	177	380
Market value per share low during the year	Rs.	28	26	44	46	44	107	98	88	99
Break-up value per share with revaluation of fixed assets	Rs.	55	42	43	47	40	46	41	47	40
Break-up value per share without revaluation of fixed assets	Rs.	34	31	32	33	27	29	32	34	27
Capital Structure Ratios										
Financial leverage ratio	times	3.0	3.9	3.3	4.2	2.7	2.9	3.4	2.2	2.8
Weight avg: cost of debts	times	9.2	10.4	7.6	2.6	9.1	8.0	7.9	6.3	3.7
Total debt : equity ratio	times	75:25	80:20	77:23	75:25	64:36	64:36	73:27	62:38	65:35
Interest cover	times	1.6	1.1	1.5	6.6	1.4	3.0	3.2	5.0	5.9
Value Addition										
Employees as remuneration	Rs. in million	973	891	737	472	374	350	293	254	216
Government as taxes	Rs. in million	6,067	5,091	4,459	2,900	2,110	1,940	1,775	1,526	1,376
Shareholders as dividends	Rs. in million	390	240	599	600	225	443	401	355	385
Retained within the business	Rs. in million	535	31	-	427	163	275	225	193	4
Financial charges to providers of finance	Rs. in million	1,692	2,310	949	257	535	450	332	180	105

Consolidated Vertical Analysis

(Rupees in million)

	2013	%	2012	%	2011	%	2010	%	2009	%	2008	%
OPERATING RESULTS												
Sales - net	33,512	100	28,801	100	15,992	100	13,472	100.0	12,319	100.0	12,068	100.0
Cost of sales	29,827	89.0	25,643	89.0	13,830	86.5	11,250	83.5	11,152	90.5	10,280	85.2
Gross profit	**3,684**	**11.0**	**3,158**	**11.0**	**2,162**	**13.5**	**2,222**	**16.5**	**1,167**	**9.5**	**1,787**	**14.8**
Administrative, selling and distribution expenses	930	2.8	723	2.5	722	4.5	519	3.9	427	3.5	410	3.4
Other operating charges	107	0.3	44	0.2	125	0.8	227	1.7	6	0.0	208	1.7
Share of profit in equity - accounted investee	16	0.0	10	0.0	2	0.0	5	0.0	-	-	-	-
Other operating income	177	0.5	184	0.6	212	1.3	135	1.0	267	2.2	185	1.5
Profit before financial charges	**2,841**	**8.5**	**2,585**	**9.0**	**1,529**	**9.6**	**1,616**	**12.0**	**1,001**	**8.1**	**1,354**	**11.2**
Financial charges	1,692	5.0	2,310	8.0	949	5.9	257	1.9	535	4.3	450	3.7
Profit before taxation	**1,149**	**3.4**	**274**	**1.0**	**580**	**3.6**	**1,359**	**10.1**	**466**	**3.8**	**904**	**7.5**
Taxation	224	0.7	49	0.2	265	1.7	333	2.5	94	0.8	199	1.6
Profit for the year	**925**	**2.8**	**226**	**0.8**	**316**	**2.0**	**1,026**	**7.6**	**372**	**3.0**	**705**	**5.8**
BALANCE SHEET												
Property, plant and equipment	13,368	49.8	11,701	41.2	11,467	44.6	9,905	52.8	5,987	53.6	4,172	39.3
Investments	177	0.7	169	0.6	164	0.6	126	0.7	-	-	-	-
Other non-current assets	26	0.1	27	0.1	41	0.2	18	0.1	24	0.2	15	0.1
Current assets	13,288	49.5	16,526	58.1	14,056	54.6	8,709	46.4	5,168	46.2	6,439	60.6
Total assets	**26,859**	**100**	**28,423**	**100**	**25,728**	**100**	**18,758**	**100**	**11,179**	**100**	**10,626**	**100**
Shareholders' equity	6,065	22.6	5,496	19.3	5,685	22.1	3,323	17.7	2,660	23.8	2,398	22.6
Surplus on revaluation of fixed assets	2,533	9.4	1,358	4.8	1,362	5.3	1,367	7.3	1,379	12.3	1,391	13.1
Non-current liabilities	4,313	16.1	4,504	15.8	4,838	18.8	5,359	28.6	2,302	20.6	1,416	13.3
Current portion of long term-financing	783	2.9	960	3.4	501	1.9	600	3.2	408	3.6	421	4.0
Short-term borrowings	11,280	42.0	14,012	49.3	11,897	46.2	7,116	37.9	3,533	31.6	3,969	37.4
Other current liabilities	1,885	7.0	2,094	7.4	1,445	5.6	992	5.3	896	8.0	1,032	9.7
Total equity and liabilities	**26,859**	**100**	**28,423**	**100**	**25,728**	**100**	**18,758**	**100**	**11,179**	**100**	**10,626**	**100**
CASH FLOWS:												
Net cash generated from/(used in) operating activities	4,628	169.7	(1,312)	55.5	(4,033)	89.1	(3,490)	72.8	2,945	179.2	(597)	(220.3)
Net cash (outflows)/inflows from investing activities	(924)	(33.9)	(785)	33.2	37	(0.8)	(4,222)	88.0	(2,039)	(124.1)	727	268.3
Net cash (outflows)/inflows from financing activities	(977)	(35.8)	(268)	11.3	(532)	11.7	2,916	(60.8)	737	44.9	141	52.0
Net increase/(decrease) in cash and cash equivalents	2,728	100	(2,365)	100	(4,528)	100	(4,797)	100	1,643	100	271	100

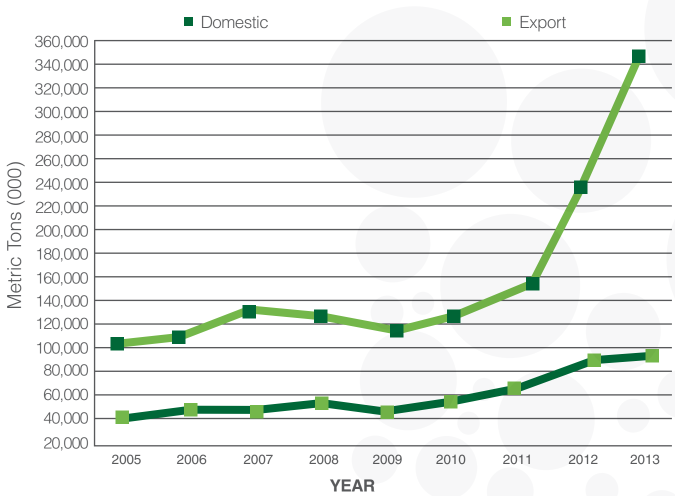
Consolidated Horizontal Analysis

(Rupees in million)

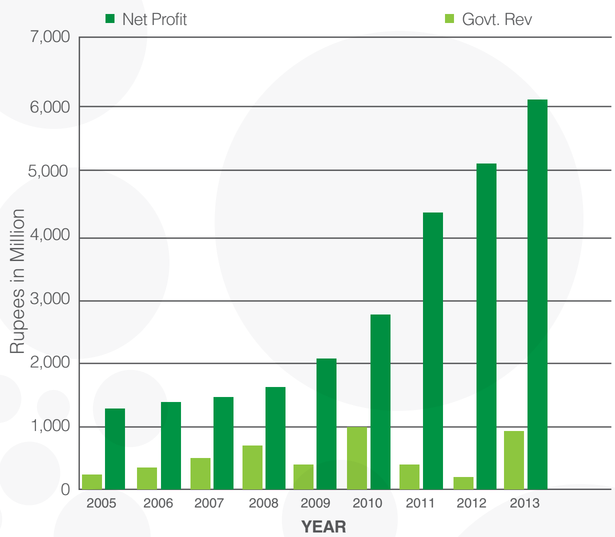
	2013	%	2012	%	2011	%	2010	%	2009	%	2008	%
OPERATING RESULTS												
Sales - net	33,512	16.4	28,801	80.1	15,992	18.7	13,472	9.4	12,319	2.1	12,068	24.4
Cost of sales	29,827	16.3	25,643	85.4	13,830	22.9	11,250	0.9	11,152	8.5	10,280	24.2
Gross profit	**3,684**	**16.7**	**3,158**	**46.0**	**2,162**	**(2.7)**	**2,222**	**90.4**	**1,167**	**(34.7)**	**1,787**	**25.6**
Administrative, selling and distribution expenses	930	28.6	723	0.2	722	39.1	519	21.5	427	4.1	410	18.5
Other operating charges	107	141.5	44	(64.6)	125	(45.0)	227	3683.3	6	(97.1)	208	210.4
Share of profit in equity-accounted investee	16	56.2	10	419.2	2	(59.0)	5	100.0	-	-	-	-
Other operating income	177	(3.5)	184	(13.2)	212	56.7	135	(49.4)	267	44.3	185	43.4
Profit before financial charges	**2,841**	**9.9**	**2,585**	**69.0**	**1,529**	**(5.4)**	**1,616**	**61.4**	**1,001**	**(26.1)**	**1,354**	**18.9**
Financial charges	1,692	(26.8)	2,310	143.5	949	269.2	257	(52.0)	535	18.9	450	35.5
Profit before taxation	**1,149**	**318.9**	**274**	**(52.7)**	**580**	**(57.3)**	**1,359**	**191.5**	**466**	**(48.5)**	**904**	**12.1**
Taxation	224	361.1	49	(81.6)	265	(20.5)	333	254.3	94	(52.8)	199	2.6
Profit for the year	**925**	**309.8**	**226**	**(28.5)**	**316**	**(69.2)**	**1,026**	**175.6**	**372**	**(47.2)**	**705**	**15.1**
BALANCE SHEET												
Property, plant and equipment	13,368	14.3	11,701	2.0	11,467	15.8	9,905	65.4	5,987	43.5	4,172	52.4
Investments	177	4.7	169	3.1	164	30.2	126	100.0	-	-	-	-
Other non-current assets	26	(5.7)	27	(33.3)	41	127.8	18	(25.0)	24	60.0	15	66.7
Current assets	13,288	(19.6)	16,526	17.6	14,056	61.4	8,709	68.5	5,168	(19.7)	6,439	10.0
Total assets	**26,859**	**(5.5)**	**28,423**	**10.5**	**25,728**	**37.2**	**18,758**	**67.8**	**11,179**	**5.2**	**10,626**	**23.6**
Shareholders' equity	6,065	10.4	5,496	(3.3)	5,685	71.1	3,323	24.9	2,660	10.9	2,398	31.3
Surplus on revaluation of fixed assets	2,533	86.5	1,358	(0.3)	1,362	(0.4)	1,367	(0.8)	1,379	(0.9)	1,391	170.1
Non-current liabilities	4,313	(4.2)	4,504	(6.9)	4,838	(9.7)	5,359	132.8	2,302	62.6	1,416	13.1
Current portion of long-term financing	783	(18.4)	960	91.5	501	(16.5)	600	47.1	408	(3.1)	421	97.7
Short-term borrowings	11,280	(19.5)	14,012	17.8	11,897	67.2	7,116	101.4	3,533	(11.0)	3,969	(5.8)
Other current liabilities	1,885	(10.0)	2,094	44.9	1,445	45.7	992	10.7	896	(13.1)	1,032	78.3
Total equity and liabilities	**26,859**	**(5.5)**	**28,423**	**10.5**	**25,728**	**37.2**	**18,758**	**67.8**	**11,179**	**5.2**	**10,626**	**23.6**
CASH FLOWS:												
Net cash generated from/(used in) operating activities	4,628	(452.8)	(1,312)	(67.5)	(4,033)	15.6	(3,490)	(218.5)	2,945	(593.3)	(597)	1.2
Net cash (outflows)/inflows from investing activities	(924)	17.6	(785)	(2222.7)	37	(100.9)	(4,222)	107.1	(2,039)	(380.5)	727	(131.1)
Net cash (outflows)/inflows from financing activities	(977)	264.6	(268)	(49.6)	(532)	(118.2)	2,916	295.7	737	422.7	141	(75.4)
Net increase/(decrease) in cash and cash equivalents	2,728	(215.3)	(2,365)	(47.8)	(4,528)	(5.6)	(4,797)	(392.0)	1,643	506.3	271	(111.5)

Consolidated Key Operating Highlights

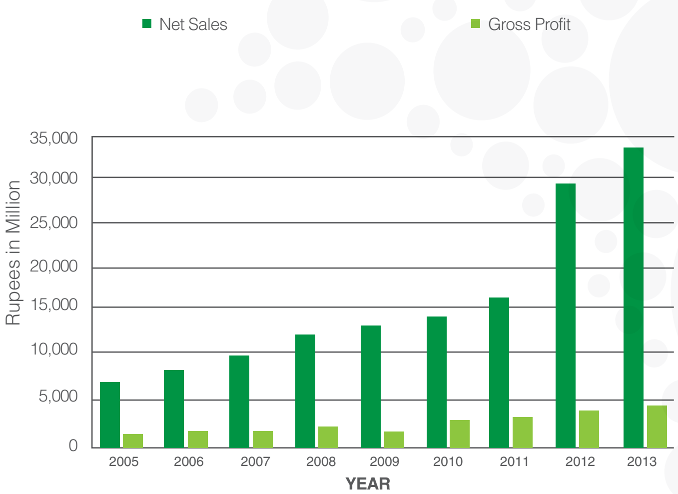
SALES BREAK UP



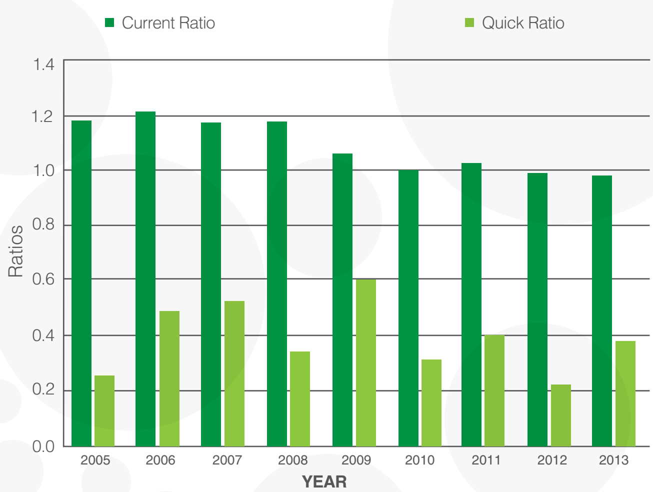
NET PROFIT AND GOVERNMENT REVENUES



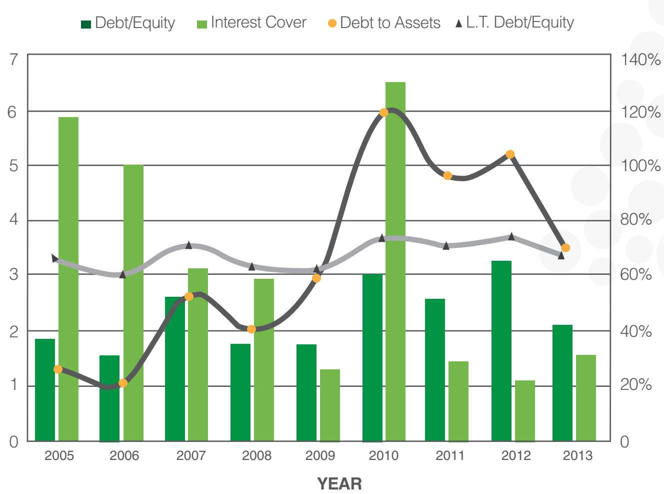
NET SALES AND GROSS PROFIT



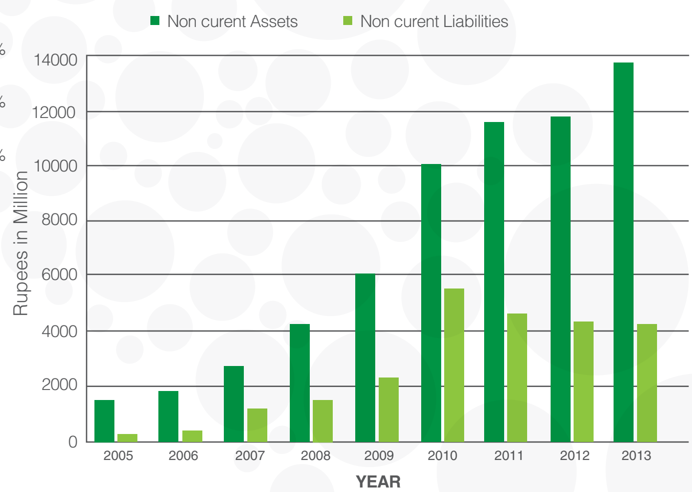
LIQUIDITY RATIO



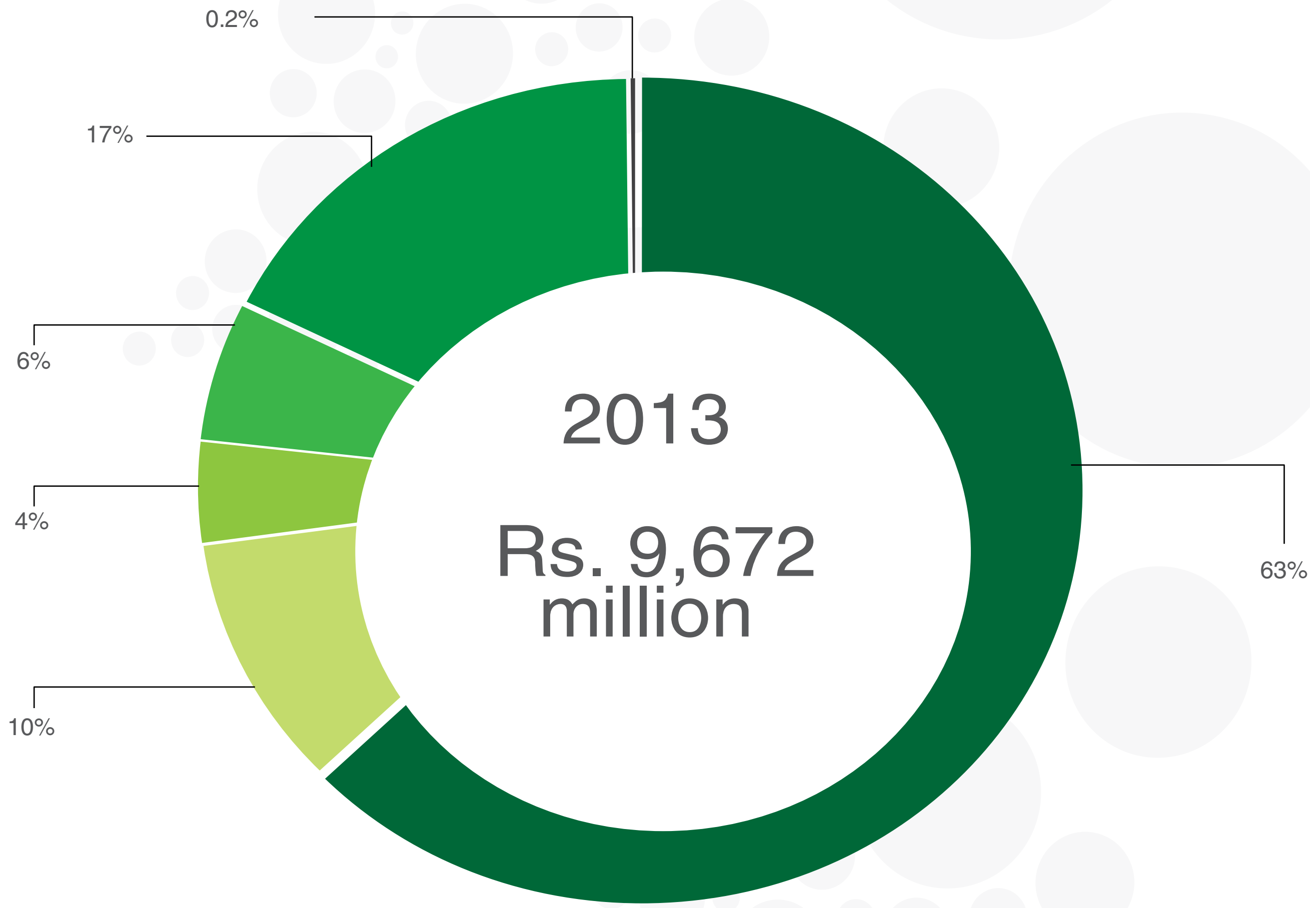
DEBT MANAGEMENT



NON CURRENT ASSETS AND NON CURRENT LIABILITIES



Consolidated Value Addition and Distribution



	Rupees In million
Government as taxes	6,067
Employees as remuneration	973
Shareholders as dividends	390
Retained within the business	535
Financial charges	1,692
Society as donations	16

Auditor's Report To The Member

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of International Industries Limited ("the Holding Company") and its subsidiary company as at 30 June 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the International Industries Limited and its subsidiary company. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the International Industries Limited and its subsidiary company as at 30 June 2013 and the results of their operations for the year then ended.

KPMG Taseer Hadi

Date: August 30, 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Consolidated Balance Sheet

As at June 30 2013

	Note	2013	2012
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	13,368,488	11,700,574
Intangible assets	6	21,248	22,033
Investment in equity-accounted investee	7	176,946	169,018
Long-term deposits		4,528	5,313
		13,571,210	11,896,938
Current assets			
Stores and spares	8	493,319	510,057
Stock-in-trade	9	8,031,310	12,596,684
Trade debts	10	2,630,422	1,960,724
Advances	11	415,216	40,730
Trade deposits and short-term prepayments	12	21,072	19,889
Other receivables	13	66,146	256,565
Sales Tax refundable		406,572	371,436
Taxation - net	14	1,203,451	745,133
Cash and bank balances	15	20,262	24,865
	-	13,287,770	16,526,083
Total assets	-	26,858,980	28,423,021
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
200,000,000 (2012: 200,000,000) ordinary shares of Rs.10 each		2,000,000	2,000,000
Issued, subscribed and paid-up capital	16	1,198,926	1,198,926
General reserve		2,139,958	2,139,958
Unappropriated profit		754,306	343,515
Total equity		4,093,190	3,682,399
Non-controlling interest		1,972,281	1,813,573
		6,065,471	5,495,972
Surplus on revaluation of property, plant and equipment	17	2,532,508	1,357,823
LIABILITIES			
Non-current liabilities			
Long-term financing - secured	18	3,821,860	4,263,550
Deferred taxation - net	19	491,414	240,704
		4,313,274	4,504,254
Current liabilities			
Trade and other payables	20	1,599,111	1,760,083
Short-term borrowings - secured	21	11,279,514	14,011,842
Current portion of long-term financing - secured	18	783,285	959,608
Accrued markup		285,817	333,439
		13,947,727	17,064,972
Total liabilities		18,261,001	21,569,226
Contingencies and commitments	22	-	-
Total equity and liabilities		**26,858,980**	28,423,021

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Fuad Azim Hashimi	**Sohail R. Bhojani**	**Riyaz T. Chinoy**
Director & Chairman	Chief Financial Officer	Chief Executive Officer
Board Audit Committee		

Consolidated Profit and Loss Account

For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
Net sales	23	**33,511,717**	28,800,719
Cost of sales	24	**(29,827,402)**	(25,642,642)
Gross profit		**3,684,315**	3,158,077
Selling and distribution expenses	25	**(671,531)**	(510,779)
Administrative expenses	26	**(258,182)**	(212,270)
		(929,713)	(723,049)
Financial charges	27	**(1,691,826)**	(2,310,327)
Other operating charges	28	**(106,705)**	(44,190)
		(1,798,531)	(2,354,517)
Other income	29	**177,260**	183,681
Share of profit in equity-accounted investee - net of tax		**15,812**	10,124
Profit before taxation		**1,149,143**	274,316
Taxation	30	**(224,486)**	(48,681)
Profit for the year		**924,657**	225,635
Profit attributable to			
Owners of the Holding Company		**765,949**	271,253
Non-controlling interest		**158,708**	(45,618)
Profit for the year		**924,657**	225,635
		-------------(Rupees)-----------	
Earnings per share - basic and diluted	31	**6.39**	2.26

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
Profit for the year		**924,657**	225,635
Other comprehensive income		**-**	-
Total comprehensive income for the year		**924,657**	225,635
Total comprehensive income attributable to:			
Owners of the Holding Company		**765,949**	271,253
Non-controlling interest		**158,708**	(45,618)
Total comprehensive income for the year		**924,657**	225,635

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

Consolidated Cash Flow Statement

For the year ended 30 June 2013

	Note	2013	2012
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**1,149,143**	274,316
Adjustments for:			
Depreciation and amortisation		**641,843**	550,302
Provision / (reversal) for doubtful debts and other receivables		**6,177**	(2,625)
Interest on bank deposits		**(2,731)**	(5,784)
(Gain) / loss on disposal of property, plant and equipment		**(14,495)**	4,287
Share of profit from associated company		**(15,812)**	(10,124)
Financial charges		**1,691,826**	2,242,085
		3,455,951	3,052,457
Changes in:			
Working capital	32	**3,524,102**	(1,770,459)
Long-term deposits		**785**	21,604
Net cash generated from operations		**6,980,838**	1,303,602
Financial charges paid		**(1,739,448)**	(2,223,692)
Taxes paid		**(613,068)**	(391,673)
Net cash generated from / (used in) operating activities		**4,628,322**	(1,311,763)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		**(961,446)**	(805,996)
Dividend income		**7,884**	4,852
Proceeds from sale of property, plant and equipment		**27,148**	10,030
Interest received		**2,669**	5,718
Net cash used in investing activities		**(923,745)**	(785,396)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of / proceeds from long-term financing - net		**(618,013)**	149,438
Dividends paid		**(358,839)**	(417,338)
Net cash used in financing activities		**(976,852)**	(267,900)
Net increase / (decrease) in cash and cash equivalents		**2,727,725**	(2,365,059)
Cash and cash equivalents at beginning of the year		**(13,986,977)**	(11,621,918)
Cash and cash equivalents at end of the year		**(11,259,252)**	(13,986,977)
CASH AND CASH EQUIVALENTS COMPRISE OF:			
Cash and bank balances	15	**20,262**	24,865
Short-term borrowings - secured	21	**(11,279,514)**	(14,011,842)
		(11,259,252)	(13,986,977)

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	Attributable to the Holding Company						
	Issued, subscribed and paid-up capital	Revenue reserves: General reserves	Revenue reserves: Un-appropriated profit	Total reserves	Total	Non-Controlling Intrest	Total
	-----	-----	-----	(Rupees in '000)	-----	-----	-----
Balance as at 1 July 2011	1,198,926	2,468,744	158,580	2,627,324	3,826,250	1,859,191	5,685,441
Total comprehensive income for the year ended 30 June 2012 - profit for the year	-	-	271,253	271,253	271,253	(45,618)	225,635
Transactions with owners recorded directly in equity:							
Distributions to owners of the Holding Company							
Final dividend @ 35% (Rs. 3.50 per share) for the year ended 30 June 2011	-	-	(419,624)	(419,624)	(419,624)	-	(419,624)
Transfer from general reserves	-	(328,786)	328,786	-	-	-	-
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	4,520	4,520	4,520	-	4,520
Balance as at 30 June 2012	1,198,926	2,139,958	343,515	2,483,473	3,682,399	1,813,573	5,495,972
Total comprehensive income for the year ended 30 June 2013 - profit for the year	-	-	765,949	765,949	765,949	158,708	924,657
Transactions with owners recorded directly in equity:							
Distributions to owners of the Holding Company							
Final dividend @ 20% (Rs. 2 per share) for the year ended 30 June 2012	-	-	(239,785)	(239,785)	(239,785)	-	(239,785)
Interim dividend @ 10% (Rs. 1 per share) for the year ended 30 June 2013	-	-	(119,893)	(119,893)	(119,893)	-	(119,893)
Total transactions with owners of the Holding Company	-	-	(359,678)	(359,678)	(359,678)	-	(359,678)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	4,520	4,520	4,520	-	4,520
Balance as at 30 June 2013	**1,198,926**	**2,139,958**	**754,306**	**2,894,264**	**4,093,190**	**1,972,281**	**6,065,471**

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

1. THE GROUP AND ITS OPERATIONS

1.1 The Group consists of International Industries Limited, the Holding Company and International Steels Limited, the Subsidiary Company (together referred to as "the Group" and individually as "Group entities") and the Group's interest in its equity-accounted investee, namely Pakistan Cables Limited.

1.2 International Industries Limited was incorporated in Pakistan in 1948 and is quoted on the Karachi, Lahore and Islamabad Stock Exchanges in Pakistan. It is in the business of manufacturing and marketing of galvanized steel pipes, precision steel tubes, API line pipes and polyethylene pipes. The registered office of the Holding Company is situated at 101 Beaumont Plaza, 10 Beaumont Road, Karachi - 75530.

1.3 International Steels Limited was incorporated in 2007 as an unlisted company limited by shares under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. Subsequent to the sale of shares by the Holding Company to the general public under an Initial Public Offer, it was listed on the Karachi Stock Exchange on 1 June 2011. Its primary activities is the of manufacturing of cold rolled steel coils and galvanized sheets. It commenced commercial operations on 1 January 2011. Its registered office is situated at 101 Beaumont Plaza, 10 Beaumont Road, Karachi - 75530.

1.4 Detail of the Group's equity-accounted investee is given in note 7 to these consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company for the year ended 30 June 2013 and the audited financial statements of the Subsidiary Company for the year ended 30 June 2013. Details regarding the financial information of the equity-accounted investee used in the preparation of these consolidated financial statements are given in note 7 to these consolidated financial statements.

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984 and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions of, or directives issued under the Ordinance shall prevail.

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except that lands and buildings of the Holding and Subsidiary Companies are stated at fair values determined by an independent valuer and the Group's liability under defined benefit plan (Gratuity Schemes) which is determined on the present value of defined benefit obligations determined by an independent actuary.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees which is the Group's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand.

2.4 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with approved accounting standards, applicable in Pakistan requires the Company to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which an estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the Company in the application of approved accounting standards, as applicable in Pakistan, that have a significant impact on the consolidated financial statements and estimates with significant risk of material judgment in the next financial year are set forth below.

Income taxes

In making the estimates for income taxes currently payable by the Group, the Company looks at the current income tax law and the decisions of appellate authorities on certain matters in the past.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these consolidated financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes these assumptions in future years might affect unrecognised gains and losses in those years.

Trade debts and other receivables

The Group reviews its trade debtors on a continuous basis to identify receivables where collection of an amount is no longer probable. These estimates are based on historical experience and are subject to changes in conditions at the time of actual recovery.

Property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its plant and equipment. The estimates for revalued amounts of different classes of property, plant and equipment are based on valuations performed by an independent external professional valuer. Further, the Group reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding impact on the depreciation charge and impairment.

Stock-in-trade and stores and spares

The Group reviews the net realisable value of stock-in-trade and stores, spares parts and loose tools to assess any diminution in carrying values and also reviews the inventories for obsolescence.

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS

3.1 During the year, certain amendments to standards and new interpretations became effective, however, the amendments and interpretations did not have any material impact on the consolidated financial statements of the Group.

3.2 New / revised accounting standards, amendments to published accounting standards and interpretations that are not yet effective.

The following new standards, amendments to existing standards and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013): the amended IAS 19 requires actuarial gains and losses to be recognised immediately in Other Comprehensive Income. This change will remove the Corridor Method and eliminate the ability of entities to recognise all changes in the defined benefit obligations and in plan assets in Profit and Loss Account, which currently is allowed under IAS 19, and expected return on plan assets recognised in Profit and Loss Account is calculated based on the rate used to discount the defined benefit obligations. The Group's policy is to account for actuarial gains and losses using the Corridor Method. The amendment will have an impact on unrecognised actuarial gains / losses at 30 June 2013 which will need to be recognised in Other Comprehensive Income.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013): the amendment has no impact on the consolidated financial statements of the Group.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013): the amendment has no impact on the consolidated financial statements of the Group.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014): the amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013): the amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the Statement of Financial Position or subject to a master netting agreement or similar arrangements.

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013): the new cycle of improvements contains amendments to the following three standards, with consequential amendments to other standards and interpretations:

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of consolidated financial statements.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IFRIC 20 - Stripping cost in the Production Phase of a Surface Mine (effective for annual periods beginning on or after 1 January 2013): the amendment has no impact on the consolidated financial statements of the Group.

- IFRIC 21- Levies 'an Interpretation on the Accounting for Levies imposed by Governments' (effective for annual periods beginning on or after 1 January 2014): the amendment has no impact on the consolidated financial statements of the Group.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014): the amendment has no impact on the consolidated financial statements of the Group.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014): the amendment has no impact on the consolidated financial statements of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES\

Significant accounting policies adopted in the preparation of these consolidated financial statements are set out below and have been consistently applied to all the years presented.

4.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than fifty percent of the voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Holding Company, using consistent accounting policies and changes are made when necessary to align them with the policies adopted by the Holding Company.

The assets and liabilities of subsidiaries have been consolidated on a line by line basis. The carrying value of investment held by the Holding Company is eliminated against the subsidiaries' shareholders' equity in the consolidated financial statements. All material intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interest is that portion of equity in a subsidiary that is not attributable, directly or indirectly, to the Holding Company. Non-controlling interests are presented as a separate item in the consolidated financial statements.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Losses applicable to the non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of its associate's post-acquisition profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. Dilution gains and losses arising in investments in associates are recognised in the Profit and Loss Account. The financial statements of the associate used for equity accounting are prepared with a difference of three months from the reporting period of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date if there is any objective evidence that the investment in the equity-accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in equity accounted investee (which is the higher of its value in use and its fair value less cost to sell) and its carrying value and recognises the amount in the Profit and Loss Account. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount but limited to the carrying amount that would have been determined, if no impairment loss had been recognised. A reversal of impairment is recognised in the Profit and Loss Account.

Upon loss of significant influence over an associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the equity-accounted investee upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

4.2 Property, plant and equipment

Property, plant and equipment (except freehold and leasehold lands and buildings) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold and leasehold lands are stated at revalued amounts and buildings on freehold and leasehold lands are stated at revalued amounts less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The value assigned to leasehold lands is not amortised as the respective leases are expected to be renewed for further periods on payment of relevant rentals.

Subsequent cost

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company entity and its cost can be reliably measured. Cost incurred to replace a component of an item of property, plant and equipment is capitalised and the asset so replaced is derecognised. Normal repairs and maintenance are charged to the Profit and Loss Account during the period in which they are incurred.

Depreciation

Depreciation is charged to income on a straight line basis at rates specified in note 5.1 to these consolidated financial statements. Depreciation on additions to buildings and plant and machinery, furniture, fixtures and office equipment and vehicles is charged from the month an asset is available for use upto the month prior to its disposal.

Revaluation surplus

Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to retained earnings (Unappropriated Profit). Surplus on revaluation of land and buildings is credited to the Surplus on Revaluation Account.

Disposal

Gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income / other expenses in Profit and Loss Account. When revalued assets are sold, any related amount included in the Revaluation Reserve is transferred to retained earnings (Unappropriated Profit).

Capital work-in-process

Capital work-in-progress is stated at cost less impairment loss, if any, and consists of expenditure incurred and advances made in the course of an asset's construction and installation. Transfers are made to relevant asset categories as and when assets are available for intended use.

4.3 Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. Costs directly associated with identifiable software that will have probable economic benefits exceeding costs beyond one year are recognised as an intangible asset. Direct costs include the purchase costs of software and other directly attributable costs of preparing the software for its intended use. Computer software is measured initially at cost and subsequently stated at cost less accumulated amortisation and impairment losses, if any.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the Profit and Loss Account on a straight-line basis over the estimated useful lives of intangible assets (i.e. three years) unless such lives are indefinite. Amortisation on additions to intangible assets is charged from the month in which an item is acquired or capitalised upto the month prior to their disposal.

4.4 Derivative financial instruments

Derivatives that do not qualify for hedge accounting are recognised in the Consolidated Balance Sheet at estimated fair value with corresponding effect to Profit and Loss Account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

4.5 Borrowings costs

Borrowing costs incurred on long-term finances directly attributable for the construction or acquisition of qualifying assets are capitalised up to the date the respective assets are available for the intended use. All other mark-up, interest and other related charges are taken to the Profit and Loss Account currently.

4.6 Stores and spares

Stores and spares are stated at the lower of weighted average cost and net realisable value, less provision for impairment, if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on the Company's estimate regarding their future usability.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to be incurred to make the sale.

4.7 Stock-in-trade

These are valued at the lower of cost and net realisable value less impairment loss, if any. Cost is determined under the weighted average basis. Cost comprises all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value signifies the estimated selling price in the ordinary course of the business less net estimated cost of completion and selling expenses.

Scrap stocks are valued at estimated net realisable value.

4.8 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

4.9 Cash and cash equivalents

Cash and cash equivalents for the purpose of the Cash Flow Statement include cash in hand and current and deposit accounts held with banks. Short-term borrowings availed by the Group, which are payable on demand and form an integral part of the Group's cash management, are included as part of cash and cash equivalents for the purpose of the Consolidated Cash Flow Statement.

4.10 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Profit and Loss Account, except to the extent that it relates to items recognised directly in Comprehensive Income or below Equity, in which case it is recognised in Other Comprehensive Income or below Equity respectively.

Current

Provision for current taxation is based on taxability of certain income streams of the Group under the final tax regime at the applicable tax rates and the remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates available, if any.

Deferred tax

Deferred tax is recognised using the Balance Sheet Liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date.

The Group recognises a deferred tax asset to the extent that it is probable that taxable profits in the foreseeable future will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Further, the Group also recognises deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

4.11 Employee benefits

Defined benefit plan

The Holding Company operates an approved funded Gratuity Scheme (the Scheme) for eligible employees of the Holding Company. The Holding Company's obligations under the Scheme are determined through actuarial valuations carried out at each balance sheet date under the Projected Unit Credit Method. Actuarial gains and losses which exceed 10 percent of the greater of the present value of the Holding Company's obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the employees. Vested past service cost, if any, is recognised immediately in the Profit and Loss Account, while non-vested past service cost is amortised on straight-line basis over the average period until it becomes vested.

The Subsidiary Company provides gratuity benefits to all its permanent employees who have completed their minimum qualifying period of service i.e. three year (except in case of workers where the minimum qualifying period of service is six months). For executives and officers having total service of over twenty years, the benefit is available at one month's basic salary (eligible salary) for each completed year of service. For executives and officers having total service of less than twenty service. For workers, the benefit is available at one month's gross salary less conditional allowances (eligible salary) for each completed year of service.

The Group's obligations under the scheme are determined through actuarial valuations carried out at each balance sheet date under the Projected Unit Credit Method. Actuarial gains and losses which exceed 10 percent of the greater of the present value of the Group's obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the employees. Vested past service cost, if any, is recognised immediately in Profit and Loss Account, while non-vested past service cost is amortised on straight-line basis over the average period until it becomes vested.

Amounts recognised in the Consolidated Balance Sheet represent the present value of the defined benefit obligations as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, if any, and as reduced by the fair value of plan assets. Any assets resulting from this calculation are limited of the total of any unrecognised actuarial losses and unrecognised past service cost plus the present value of economic benefits available in the form of any future refunds from the Schemes or reductions in future contributions to the Schemes.

Defined contribution plan

The Group operates a recognised Provident Fund for all employees of the Group except unionised staff. Equal monthly contributions are made by the Group and its employees to the Fund at the rate of 8.33% of basic salary and cost of living allowance and the same is charged to the Profit and Loss Account.

Compensated absences

The liability for accumulated compensated absences of employees is recognised in the period in which employees render service that increases their entitlement to future compensated absences.

4.12 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost.

4.13 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange ruling on the balance sheet date.

Exchange differences are included in the Profit and Loss Account currently.

4.14 Revenue recognition

- Domestic sales are recognised as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides with delivery.

- Export sales are recognised as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides with date of shipping bill.

- Interest income (including late payment surcharge) is recognised on a time-apportioned basis using the effective rate of return.

- Dividend income is recognised when the right to receive payment is established.

- Revenue from power generation plant is recognised on transmission of electricity to Karachi Electric Supply Company Limited (KESC).

- Gains and losses arising on sale of investments are included in the Profit and Loss Account in the period in which they arise.

- Service income is recognised when services are rendered.

- Rental income is recognised on straight-line basis over the term of the respective lease agreement.

- Miscellaneous income is recognised on receipt basis.

4.15 Financial instruments

All financial assets and liabilities are initially measured at fair value, and subsequently measured at fair value or amortised cost as the case may be. The Group derecognises financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instrument.

4.16 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated financial statements only when there is legally enforceable right to set-off the recognised amounts and the Group intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.17 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-Financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised as an expense in the Profit and Loss Account for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.18 Mark-up bearing borrowings

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Profit and Loss Account over the period of borrowings on an effective interest basis.

4.19 Provisions

A provision is recognised in the Balance Sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. The Holding Company monitors the operating results of its products (i.e. Steel and Plastic Pipes) separately for the purpose of making decisions regarding resource allocation and performance assessment.

4.21 Dividend and appropriation to / from reserves

Dividend distribution to the Holding Company's shareholders and appropriation to and from reserves is recognised in the period in which these are approved.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
		(Rupees in '000)	
Operating assets	5.1	**12,990,418**	11,326,583
Capital work-in-progress (CWIP)	5.5	**378,070**	373,991
		13,368,488	11,700,574

5.1 Operating assets

	Land - revalued		Buildings - revalued					
	Freehold	Leasehold	Freehold land	Leasehold land	Plant and machinery **	Furniture, fixtures and office equipment	Vehicles	Total
	(Rupees in '000)							
Balance as at 1 July 2012								
Cost / revalued amount	1,138,669	917,830	1,071,268	534,315	8,491,954	48,897	122,923	12,325,856
Accumulated depreciation	-		-	(72,440)	(139,882)	(722,912)	(20,451)	(43,588)	(999,273)
Net Book value (NBV)	1,138,669	917,830	998,828	394,433	7,769,042	28,446	79,335	11,326,583
Additions / transfer from CWIP	-	-	420	8,883	872,876	22,341	43,356	947,876
Surplus on revaluation	562,480	70,524	383,602	343,573	-	-	-	1,360,179
Disposals								
Transfers (note 4.3)	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	(20,794)	(2,947)	(32,647)	(56,388)
- Accumulated depreciation	-	-	-	-	19,556	2,903	21,276	43,735
	-	-	-	-	(1,238)	(44)	(11,371)	(12,653
Depreciation charge	-	-	(48,536)	(22,740)	(519,107)	(14,511)	(26,673)	(631,567)
Balance as at 30 June 2013 (NBV)	**1,701,149**	**988,354**	**1,334,314**	**724,149**	**8,121,573**	**36,232**	**84,647**	**12,990,418**
Gross carrying value as at 30 June 2013								
Cost / revalued amount	1,701,149	988,354	1,334,314	724,149	9,344,036	68,291	133,632	14,293,925
Accumulated depreciation*	-	-	-	-	(1,222,463)	(32,059)	(48,985)	(1,303,507)
Net Book Value	1,701,149	988,354	1,334,314	724,149	8,121,573	36,232	84,647	12,990,418
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	
Balance as at 1 July 2011								
Cost / revalued amount	1,138,669	917,830	1,063,958	509,038	7,721,640	37,631	87,466	11,476,232
Accumulated depreciation	-	-	(24,081)	(118,999)	(286,706)	(9,192)	(20,648)	(459,626)
Net Book Value	1,138,669	917,830	1,039,877	390,039	7,434,934	28,439	66,818	11,016,606
Additions / transfer from CWIP	-	-	7,310	25,277	770,389	11,289	48,700	862,965
Disposals								
- Cost	-	-	-	-	(5,646)	(242)	(28,029)	(33,917)
- Accumulated depreciation	-	-	-	-	5,571	219	13,810	19,600
	-	-	-	-	(75)	(23)	(14,219)	(14,317
Depreciation charge	-	-	(48,359)	(20,883)	(436,206)	(11,259)	(21,964)	(538,671)
Balance as at 30 June 2012 (NBV)	1,138,669	917,830	998,828	394,433	7,769,042	28,446	79,335	11,326,583
Gross carrying value as at 30 June 2012								
Cost / revalued amount	1,138,669	917,830	1,071,268	534,315	8,491,954	48,897	122,923	12,325,856
Accumulated depreciation	-	-	(72,440)	(139,882)	(722,912)	(20,451)	(43,588)	(999,273)
Net Book Value	1,138,669	917,830	998,828	394,433	7,769,042	28,446	79,335	11,326,583
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	

* This includes an amount of Rs.293.9 million representing an adjustment relating to the revaluation surplus.
** This includes capital spares with a net book value of Rs.19 million (2012: Rs.24.2 million).

5.2 The depreciation charge for the year has been allocated as follows:

		2013	2012
		(Rupees in '000)	
Cost of sales	24	**546,748**	488,282
Selling and distribution expenses	25	**7,479**	7,175
Administrative expenses	26	**14,159**	10,744
Income from power generation	29.1	**63,181**	32,470
		631,567	538,671

5.3 The revaluation of the freehold lands, leasehold lands and buildings thereon of the Holding Company and Subsidiary Company was carried out as of 30 June 2013 by Iqbal A. Nanjee (Private) Limited (an independent valuer) on the basis of their professional assessment of present market values based on enquiries made about the cost of lands of similar nature, size and location including consideration of current cost of acquisition or construction net of diminution owing to depreciation. The revaluation has resulted in surplus on revaluation amounting to Rs. 1,360.2 million which has been incorporated in the books of the Holding Company and the Subsidiary Company as at 30 June 2013.

The Holding Company has carried out valuation of freehold lands, leasehold lands and buildings during the years ended / periods 30 June 1988, 30 June 1997, 30 June 2000, 30 June 2004, 31 December 2007 and 30 June 2013. The resulting revaluation surplus has been disclosed in notes 5.1 and 17 to the consolidated financial statements and has been credited to Surplus on Revaluation Account net of related tax effect.

The carrying amount of the above mentioned assets as at 30 June 2013, if the said assets had been carried at historical cost, would have been as follows:

	Cost	Accumulated depreciation	Net book value
	----------------	(Rupees in '000)	----------------
Freehold land	**654,233**	**-**	**654,233**
Leasehold land	**187,645**	**-**	**187,645**
Buildings	**1,505,897**	**(366,638)**	**1,139,259**
As at 30 June 2013	**2,347,775**	**(366,638)**	**1,981,137**
As at 30 June 2012	847,958	(223,201)	624,757

5.4 Details of property, plant and equipment disposed off / scrapped during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
	------------------ (Rupees in '000) ------------------					
Plant and machinery						
Continuous Strip Pickling Line	3,835	2,647	1,188	1,600	Negotiation	M/s. Rahim Shah , Karachi
Zinc Ash Reclamation System	7,560	7,510	50	-	Scrapped	
Various items of book value up to Rs. 50,000 each	9,399	9,399	-	540	Negotiation	Various
Furniture, fixtures and office equipment						
Various items of book value up to Rs. 50,000 each	2,946	2,902	44	274	Negotiation	Various
Vehicles						
Honda City	995	780	215	565	As per Holding Company policy	Mr. Riaz Moazzam (employee)
Honda City	995	780	215	565	As per Holding Company policy	Mr. Imran Siddiqui (employee)
Honda City	995	796	199	700	Negotiation	Mr. Ghulam Yazdani (ex-employee)
Suzuki Mehran	403	343	60	361	Auction	M/s. Karachi Auction Mart
Suzuki Cultus	704	622	82	618	Auction	M/s. Karachi Auction Mart
Honda Civic	1,990	498	1,492	1,800	Insurance claim	Jubilee General Insurance Company
Suzuki Cultus	795	556	239	725	Insurance claim	Jubilee General Insurance Company
Suzuki Mehran	454	333	121	450	Negotiation	Mr. Muhammad Saleem (employee)
Suzuki Mehran Khan	459	321	138	300	Negotiation	Mr. Agha Sohail Nawaz (employee)
Suzuki Cultus	795	583	212	665	Auction	M/s. Karachi Auction Mart
Suzuki Mehran	484	258	226	-	Long Service Award	Mr. Abdul Qayyum (ex-employee)
Honda Civic	1,675	1,142	533	-	As per Subsidiary Company policy	Mr. Liaquat Ali Tejani (ex-employee)
Honda Civic	1,738	984	754	1,380	Negotiation	Mr. Walid Basit Khan
Honda Civic	1,708	1,033	675	1,425	Negotiation	Mr. Abdul Rashid
Honda City	1,317	44	1,273	1,175	Negotiation	Mr. Qaim Bajwa
Honda City	1,178	837	341	950	Negotiation	Mr. Mazhar
Honda City	915	259	656	638	As per Subsidiary Company policy	Mr.Sohail Jilani (employee)
Toyota Corolla	1,827	62	1,765	1,730	Negotiation	Mr. Saeed Abdul Sattar
Suzuki Cultus	868	334	534	775	Negotiation	Mr. Aamir Gul
Suzuki Cultus	725	205	520	700	Negotiation	Mr. S. Riaz Ahmed
Suzuki Cultus	560	197	363	615	Negotiation	Mrs. Gulfam Sheikh
Suzuki Mehran	494	206	288	475	Negotiation	Mr. Qaiser Nadeem
Suzuki Mehran	484	210	274	484	Insurance claim	Jubilee General Insurance Company
Honda CD-70 motorcycle	68	4	64	68	Insurance claim	Jubilee General Insurance Company
Honda CD-70 motorcycle	68	4	64	68	Insurance claim	Jubilee General Insurance Company
Honda CD-70 motorcycle	68	4	64	68	Insurance claim	Jubilee General Insurance Company
Various vehicles of book value up to Rs. 50,000 each	9,885	9,881	4	7,434	Negotiation	Various
	56,387	**43,734**	**12,653**	**27,148**		

5.5 Capital work-in-progress

	Cost			
	As at 01 July 2012	**Additions (note 5.5.1)**	**Transfers**	**As at 30 June 2013**
	(Rupees in '000)			
Buildings	1,297	8,419	(9,303)	**413**
Plant and machinery	372,694	880,226	(875,263)	**377,657**
	373,991	888,645	(884,566)	**378,070**

	Cost			
	As at 01 July 2011	Additions (note 5.5.1)	Transfers	As at 30 June 2012
	(Rupees in '000)			
Buildings	568	33,316	(32,587)	1,297
Plant and machinery	444,519	677,009	(748,834)	372,694
	445,087	710,325	(781,421)	373,991

5.5.1 The Subsidiary Company has capitalised borrowing costs amounting to Rs. Nil (2012: Rs. 7.0 million).

6. INTANGIBLE ASSETS

		2013	2012
		(Rupees in '000)	
Net book value as at 1st July		**22,033**	14,538
Additions		**9,491**	19,126
Amortisation	6.2	**(10,276)**	(11,631)
Net book value as at 30 June		**21,248**	22,033
Gross carrying value as at 30 June			
Cost		**69,959**	60,468
Accumulated amortisation		**(48,711)**	(38,435)
Net book value		**21,248**	22,033
		(Percent)	
Amortisation rate (per annum)		**33.33**	33.33

6.1 Intangible assets comprise of computer software and licenses.

6.2 The amortisation expense for the year has been allocated as follows:

		2013	2012
Cost of sales	24	**7,847**	7,194
Selling and distribution expenses	25	**1,457**	2,662
Administrative expenses	26	**972**	1,775
		10,276	11,631

7. INVESTMENT IN EQUITY-ACCOUNTED INVESTEE

2013	2012		2013	2012
(Number of shares)			(Rupees in '000)	
2,425,913	2,425,913	Pakistan Cables Limited (PCL) - associated company	**176,946**	169,018

7.1 This represents investment in Pakistan Cables Limited, a company incorporated in Pakistan. The Holding Company holds 8.52% share of interest in PCL, an equity-accounted investee which has increased to 8.53%, effective share of interest due to crossholding

7.2 The Chief Executive Officer of this company is Mr. Kamal A. Chinoy. The market value as at 30 June 2013 was Rs. 157.2 million (30 June 2012: Rs. 92.5 million). The share of profit after acquisition is recognised based on unaudited condensed interim financial information as at 31 March 2013 as the latest financial statements as at 30 June 2013 are not presently available. The summarised financial information of the equity-accounted investee based on condensed interim financial information is as follows:

Summarised financial information of equity-accounted investee:

	March 2013 (Unaudited)	30 June 2012 Audited
Assets	**3,540,911**	3,679,157
Liabilities	**1,360,950**	1,526,760
Total revenue	**4,538,073**	5,344,571
Profit after taxation for the period / year	**120,070**	139,956

8. STORES AND SPARES

		2013	2012
		(Rupees in '000)	
Stores		**78,580**	173,162
Spares	- in hand	**333,633**	300,100
	- in transit	**21,584**	33,849
		355,217	333,949
Loose tools		**59,522**	2,946
		493,319	510,057

9. STOCK-IN-TRADE

		2013	2012
Raw material	- in hand	**3,621,652**	5,705,233
	- in transit	**570,862**	3,284,185
		4,192,514	8,989,418
Work-in-process		**1,278,643**	1,064,991
Finished goods		**2,506,545**	2,414,279
By-products		**42,855**	43,246
Scrap material		**10,753**	84,750
		8,031,310	12,596,684

9.1 Raw material amounting to Rs. 6.0 million (2012: Rs. 25.4 million) is held at a vendor's premises for the production of pipe caps.

10. TRADE DEBTS

	Note	2013	2012
		(Rupees in '000)	
Considered good - secured		**1,389,297**	995,281
- unsecured	10.1	**1,241,125**	965,443
		2,630,422	1,960,724
Considered doubtful		**37,701**	34,508
		2,668,123	1,995,232
Provision for doubtful debts	10.2	**(37,701)**	(34,508)
		2,630,422	1,960,724

10.1 Related parties from whom trade debts are due are as under:

	2013	2012
Sui Southern Gas Company Limited	**530**	109,268
Sui Northern Gas Pipelines Limited	**97,579**	34,864
Pakistan Cables Limited	**-**	16
DH Fertilizers Limited	**-**	63
	98,109	144,211

10.1.1 The ageing of the trade debts receivable from related parties as at the balance sheet date are as under:

	2013	2012
Not past due	**97,292**	113,637
Past due 1-60 days	**338**	30,574
Past due 61 days - 365 days	**479**	-
Total	**98,109**	144,211

10.2 Provision for doubtful debts

	Note	2013	2012
Balance as at 1 July		**34,508**	37,133
Charge for the year		**11,087**	4,594
Reversal for the year		**(7,937)**	(10,642)
	25	**3,150**	(6,048)
Debtors written back into provision		**43**	3,423
Balance as at 30 June		**37,701**	34,508

11. ADVANCES

	Note	2013	2012
Considered good			
- Suppliers	22.2.5	**227,401**	39,870
- Collector of Customs for clearance of goods		**100,000**	-
- Sales Tax		**85,000**	-
- Employees		**2,815**	860
		415,216	40,730

12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	2013	2012
Trade deposits	**8,015**	6,284
Short-term prepayments	**13,057**	13,605
	21,072	19,889

13. OTHER RECEIVABLES

	2013	2012
	(Rupees in '000)	
Considered good:		
Interest income receivable	**128**	66
Receivable on account of transmission of electricity to Karachi Electric Supply Company (KESC)	**38,539**	255,546
Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods	**25,940**	-
Others	**1,539**	953
Receivable from foreign supplier on account of material	**3,027**	-
Less: provision thereagainst	**(3,027)**	-
	-	-
	66,146	256,565

14. TAXATION - NET

	Note	2013	2012
Tax receivable as at 1 July		**745,133**	426,154
Tax payments / withheld during the year		**1,071,171**	705,869
Refunds received during the year		**(458,103)**	(314,196)
		1,358,201	817,827
Less: provision for tax	30	**(154,750)**	(72,694)
		1,203,451	745,133

15. CASH AND BANK BALANCES

	2013	2012
Cash in hand	**-**	17
Cash at bank:		
- Current accounts	**19,383**	24,052
- Profit and loss sharing accounts	**879**	796
	20,262	24,865

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013	2012		2013	2012
(Number of shares)				
6,769,725	6,769,725	Fully paid ordinary shares of Rs. 10 each issued for cash	**67,697**	67,697
113,122,894	113,122,894	Fully paid ordinary shares of Rs. 10 each issued as bonus shares	**1,131,229**	1,131,229
119,892,619	119,892,619		**1,198,926**	1,198,926

16.1 Associated companies, due to common directors, held 1,353,325 (2012: 1,353,325) ordinary shares of Rs. 10 each at the year end.

17. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
		(Rupees in '000)	
Freehold land			
Balance as at 01 July		**484,436**	484,436
Surplus on revaluation of freehold land	5.1	**562,480**	-
Balance as at 30 June		**1,046,916**	484,436
Leasehold land			
Balance as at 01 July		**730,185**	730,185
Surplus on revaluation of leasehold land	5.1	**70,524**	-
Balance as at 30 June		**800,709**	730,185
Buildings			
Balance as at 01 July		**198,327**	204,625
Surplus on revaluation of buildings	5.1	**727,175**	-
Transferred to retained earnings (Unappropriated Profit) in respect of incremental depreciation charged during the year - net of deferred tax		**(6,298)**	(6,298)
		919,204	198,327
Related deferred tax liability	17.1	**(234,321)**	(55,125)
Balance as at 30 June - net of deferred tax		**684,883**	143,202
		2,532,508	1,357,823

17.1 Movement in related deferred tax liability

		2013	2012
Balance as at 01 July		**55,125**	56,903
Surplus on revaluation of buildings		**191,229**	-
Effect of change in tax rate and recognised temporary differences		**(10,255)**	-
Tax effect on incremental depreciation transferred to retained earnings (Unappropriated Profit)		**(1,778)**	(1,778)
Deferred tax liability as at 30 June		**234,321**	55,125

18. LONG-TERM FINANCING - secured

	Note	2013	2012
Long-term finances utilised under mark-up arrangements	18.1	**4,605,145**	5,223,158
Current portion of long-term finances shown under current liabilities		**(783,285)**	(959,608)
		3,821,860	4,263,550

18.1 Long term finances utilised under mark-up arrangements

		Sale price	Purchase price	Number of installments and commencement date	Date of maturity	Rate of mark-up per annum	2013	2012
		(Rupees in '000)					(Rupees in '000)	
i)	**Bank Al Habib Limited** Local currency assistance of Rs. 250 million for plant and machinery	200,000	412,586	8 half-yearly 31 December 2009	28 June 2013	1.25% over 6 months KIBOR	-	50,000
ii)	**MCB Bank Limited** Local currency assistance of Rs. 750 million for plant and machinery	750,000	1,238,000	8 half-yearly 31 December 2009	1 July 2013	1.25% over 6 months KIBOR	-	187,500
iii)	**Meezan Bank Limited** Local currency assistance of Rs. 500 million for plant and machinery	500,000	691,998	6 half-yearly 31 March 2013	25 June 2013	0.65% over 6 months KIBOR	-	500,000
iv)	**Meezan Bank Limited** Local currency assistance of Rs. 450 million for plant and machinery (note 18.1.1)	450,000	600,822	6 half-yearly 24 December 2014	24 June 2017	0.65% over 6 months KIBOR	**450,000**	-
v)	**Syndicated Term Financing** under LTFF Scheme Local currency assistance for plant and machinery of Cold Rolled and Galvanized Sheet Project (note 18.1.2)	4,000,000	9,376,178	16 half-yearly instalments 19-Mar-11	11-Jun-21	1.50% over SBP Refinance rate	**3,344,803**	3,768,391
vi)	**Faysal Bank Limited** Local currency assistance for Plant and Machinery (note 18.1.3)	900,000	1,263,602	8 half-yearly 27-Dec-12	2-Oct-17	1.8% over 6 months KIBOR	**810,342**	717,267
							4,605,145	5,223,158

18.1.1 The above long-term financing utilised under mark-up arrangement is secured by way of a mortgage on all present and future land and buildings, located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate, Karachi, and Survey No. 402, 405-406, Dehsharabi, Landhi Town, Karachi.

18.1.2 The syndicated term financing is obtained for plant and machinery of the Cold Rolling Mill and Galvanising Plant by the Subsidiary Company and is secured by way of mortgage of land located at Survey No. 399-404, Landhi Town, Karachi and joint hypothecation of all present and future fixed assets (excluding lands and buildings), as per the terms of syndicated term financing agreement.

18.1.3 This finance is obtained by the Subsidiary Company for plant and machinery and is secured by way of first pari passu charge over the fixed assets of the Subsidiary Company.

19. DEFERRED TAXATION - NET

Deferred tax liability comprises of taxable / (deductible) temporary differences in respect of the following:

	2013	2012
	(Rupees in '000)	
Taxable temporary difference		
Accelerated tax depreciation	**1,800,224**	1,788,979
Share of profit from associate	**4,396**	195
Surplus on revaluation of buildings	**234,321**	55,125
Deductible temporary differences		
Provision for doubtful debts	**(12,818)**	(12,078)
Unrealised exchange losses	**(2,371)**	(1,903)
Pre-commencement expenditure	**(10,650)**	(18,161)
Tax loss	**(1,518,508)**	(1,556,081)
Provision against receivable from supplier on account of material	**(1,029)**	-
Provision for compensated absences	**(2,151)**	(15,372)
	491,414	240,704

19.1 The applicable tax rate for the tax year 2014 has been reduced to 34% from 35% through the enactment of the Finance Act, 2013. Accordingly, deferred tax has been calculated using a tax rate of 34% (2012: 35%).

20. TRADE AND OTHER PAYABLES

	Note	2013	2012
		(Rupees in '000)	
Trade creditors	20.1	**190,808**	946,343
Bills Payable		**592,446**	207,840
Accrued expenses	20.2	**301,284**	320,109
Provision for Infrastructure Cess	20.3 & 22.1.7	**232,825**	115,463
Provision for government levies	20.4	**947**	811
Short-term compensated absences		**7,156**	43,921
Advances from customers		**197,760**	101,422
Workers' Profit Participation Fund	20.5	**31,906**	6,000
Workers' Welfare Fund		**31,798**	7,876
Unclaimed dividend		**10,529**	9,690
Others		**1,652**	608
		1,599,111	1,760,083

20.1 Trade creditors includes Rs. 0.005 million payable to an associated company

20.2 Accrued expenses include Rs. 2.4 million in respect of commission payable to an associated person.

20.3 Provision for Infrastructure Cess

	2013	2012
Balance as at 1 July	**115,463**	22,330
Charge for the year	**117,362**	95,436
	232,825	117,766
Payment / adjustment during the year	**-**	(2,303)
Balance as at 30 June	**232,825**	115,463

20.4 Provision for government levies

		2013	2012
		(Rupees in '000)	
Balance as at 1 July		**811**	-
Charge for the year		**315**	1,261
		1,126	1,261
Payment / adjustment during the year		**(179)**	(450)
Balance as at 30 June		**947**	811

20.5 Workers' Profit Participation Fund

		2013	2012
Balance as at 1 July		**6,000**	2,250
Interest on funds utilised in the Group's business at 15% (2012: 26%) per annum	27	**146**	132
		6,146	2,382
Allocation for the year		**59,906**	21,000
		66,052	23,382
Payments made during the year		**(34,146)**	(17,382)
Balance as at 30 June		**31,906**	6,000

21. SHORT-TERM BORROWINGS - secured

		2013	2012
Running finance under mark-up arrangement	21.1	**2,952,190**	4,805,018
Short-term borrowing under Money Market Scheme	21.2	**3,670,605**	950,000
Short-term borrowing under Export Refinance Scheme	21.3	**3,559,500**	2,478,755
Running finance under FE-25 Export and Import Scheme	21.4	**697,277**	5,318,069
Short-term finance under Murabaha and Istisna	21.5	**399,942**	460,000
		11,279,514	14,011,842

21.1 The facilities for running finance available from various commercial banks amounted to Rs. 11,602 million (2012: Rs.10,875 million). The rates of mark-up on these finances obtained by Holding Company range from 10.01% to 11.41% per annum (2012: 12.66% to 13.79 % per annum). The rates of markup on these finances obtained by Subsidiary Company range from KIBOR + 0.5% to KIBOR + 2% (2012: KIBOR + 0.5% to KIBOR + 1.7%).

21.2 The facilities for short-term borrowing under Money Market Scheme financing available from various commercial banks under mark-up arrangements amounted to Rs. 4,000 million (2012: Rs. 1,972 million). The rates of mark-up on these finances obtained by Holding Company range from 9.57% to 10.02 % per annum (2012: 12.00% to 12.66% per annum).

21.3 The Group has borrowed short-term running finance under the Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 3,559.5 million (2012: Rs. 2,478.8 million). The rates of mark-up on this facility range from 8.70% to 8.90% per annum (2012: 10.50% to 11.00 % per annum).

21.4 The facilities for short-term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 available to the Subsidiary Company from various commercial banks are for the purpose of meeting import requirements. The facilities availed are for an amount of Rs. 697.3 million (2012: Rs. 5,318.1 million) The rates of mark-up on these finances range from 1.25% to 1.79% (2012: 2.05% to 2.65%) per annum. These facilities mature within six months and are renewable.

21.5 The Subsidiary Company has obtained facilities for short-term finance under Murahaba and Istisna from an Islamic Bank. The rate of profit is KIBOR + 1%. The facility matures within six months and is renewable.

21.6 All running finance and short-term borrowing facilities are secured by way of hypothecation of all present and future fixed assets (excluding lands and buildings) and present and future current and moveable assets.

21.7 As at 30 June 2013, unavailed facilities from the above borrowings amounted to Rs. 8,978.9 million (2012: Rs. 5,152.28 million)

22. CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

22.1.1 Bank guarantees have been issued under certain supply contracts and to the Collector of Customs aggregating Rs. 178.6 million (2012: Rs. 293 million) by the Holding Company.

22.1.2 Bank guarantees have been issued by the Subsidiary Company to Sui Southern Gas Company Limited and Excise and Taxation Officer aggregating Rs.198.2 million (2012: 211.7 million).

22.1.3 Guarantee has been issued by the Subsidiary Company to Jamshoro Power Company Limited (Bid Bond Guarantee) amounting to Rs. 0.05 million (2012: Rs. Nil).

22.1.4 Customs duties amounting to Rs.1,174 million (30 June 2012: Rs. 1,018 million) on import of raw material shall be payable by the Holding Company in case of non-fulfilment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Holding Company has provided post-dated cheques in favour of the Collector of Customs which are, in the normal course of business, to be returned to the Holding Company after fulfilment of stipulated conditions. The Holding Company has fulfilled the conditions for duties amounting to Rs. 920 million and is making efforts to retrieve the associated post-dated cheques from the customs authorities. Further, an amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Holding Company filed a petition with the Sindh High Court in 2010 for an injunction and is awaiting the final judgement.

22.1.5 The customs authorities have charged a redemption fine of Rs. 83 million on clearance of imported raw material consignments in 2006. The Holding Company has filed an appeal before the Sindh High Court, which has set aside the examination reports including subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities have filed an application for leave to appeal against the order of the High Court. The Company anticipates that the chances of admission of such appeal are remote.

22.1.6 The Holding Company has reversed the provision for the levy of Infrastructure Cess amounting to Rs.107 million in 2009 on the basis of a decision of the Sindh High Court which declared the levy of Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court of Pakistan against such order. In May 2011, the Supreme Court disposed off the appeal with a joint statement of the parties that, during the pendency of the appeal, another law i.e the Fifth Version, came into existence which was not the subject matter of the appeal. Hence the case was referred back to the High Court with the right to appeal to the Supreme Court. On 31 May 2011, the High Court has granted an interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignments released upto 27 December 2006 and any bank guarantee / security furnished for consignments released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of the Fifth Version of the law and its retrospective application, the authorities are entitled to claim the amounts due under the said law with the right to appeal available to the petitioner. Bank guarantees amounting to Rs. 356.5 million (2012: Rs. 170.5 million) have been provided by the Holding Company to the Department in this regard.

22.1.7 As per the Gas Infrastructure and Development Cess Act 2011 (the Act), certain companies as specified in the Act (including Sui Southern Gas Company) shall collect and pay Gas Infrastructure and Development Cess (GID Cess) in such manner as the Federal Government may prescribe. As per the second schedule of the Act, GID Cess of Rs. 13 per MMBTU was payable by the Group entities. Through the Finance Bill 2012 - 2013, an amendment was made to the Act whereby the rate of GID Cess applicable on the Group entities was increased to Rs. 100 per MMBTU. During the year, the Group filed a suit wherein it has impugned the Act on the ground that the rate of GID Cess has been enhanced without any lawful justification and authority. The Sindh High Court vide its ad-interim order dated 1 August 2012 has restrained SSGC from charging GID Cess above Rs. 13 per MMBTU. Consequently, on account of the High Court order, SSGC invoices the Group entities at Rs. 13 per MMBTU and accordingly the Group continues to record GID Cess at Rs. 13 per MMBTU.

The matter of applicability of receiving the differential of Rs. 87 per MMBTU is pending with the Court. If the aforementioned matter is not decided in favour of the Group, it may be required to pay and additional amount in respect of GID Cess of Rs. 120.7 million. However, the Group is confident that the matter will be decided in favour of the Group.

22.1.8 Section 113(2)(c) was interpreted by a Divisional Bench of the Sindh High Court (SHC) in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 7 May 2013, whereby it was held that the benefit of carry -forward of Minimum Tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than the Minimum Tax. Therefore, where there is no tax payable due to brought-forward tax losses, Minimum Tax could not be carried-forward for adjustment with future tax liability. As per the provisions of Income Tax Ordinance 2001, Minimum Tax charge of the Subsidiary Company for the year ended 2012 is Rs 128.3 million and for the year ended 2013 Rs 91.3 million which have not been recorded.

The Subsidiary Company based on legal councils' advice considered that certain strong grounds are available whereby the aforesaid decision can be challenged in a larger bench of the Sindh High Court or the Supreme Court. A leave to appeal against the aforesaid decision has already been filed before the Supreme Court by other companies which is pending for hearing. In view of be above, the Subsidiary Company is confident that the ultimate outcome in this regard would be favorable. Hence no provision in this respect has been made in these consolidated financial statements.

22.2 Commitments

22.2.1 Capital expenditure commitments outstanding as at 30 June 2013 amounted to Rs. 49.9 million (2012: Rs. 373.9 million).

22.2.2 Commitments under letters of credit for raw materials and stores and spares as at 30 June 2013 amounted to Rs. 7,458.6 million (2012: Rs. 5,508.6 million).

22.2.3 Commitments under purchase contracts as at 30 June 2013 amounted to Rs. 880.2 million (2012: Rs. 8.4 million)

22.2.4 Unavailed facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 10,369.4 million (2012: Rs. 9,339.1 million) and Rs. 791.3 million (2012: Rs. 705.3 million) respectively.

22.2.5 The Subsidiary Company has obtained facilities for short-term finance with a commercial bank under Murabaha Master Agreement having a limit of Rs. 1,600 million for purchase of raw material (asset).

The rate of profit is KIBOR + 0.70%. This facility matures in 2014 and is renewable. As per the Agreement, the Subsidiary Company purchases the assets on behalf of the bank as agent and gives an irrevocable, unconditional and absolute undertaking for purchase of assets from the bank at agreed terms and will make a down payment of 20% of the amount. The bank is entitled to recover any actual loss that may arise in case the Subsidiary Company does not purchase such assets. Actual loss will be calculated as the difference between sale of assets in the market and the relevant cost price paid by the bank. As at 30 June 2013, the bank purchased raw material (asset) amounting to Rs. 927.8 million against which the Subsidiary Company has paid and advance of Rs. 186.5 million (note 11) under the above Murabaha Master Agreement. Subsequent to the balance sheet date, the aforementioned raw material were purchased by the Subsidiary Company in accordance with the terms of the settlement of Murabaha Master Agreement.

23. NET SALES

		2013	2012
		(Rupees in '000)	
Local		**30,767,904**	25,482,829
Export		**7,814,484**	7,606,464
		38,582,388	33,089,293
Sales Tax		**(4,513,768)**	(3,855,673)
Trade discounts		**(40,157)**	(57,040)
Sales discounts and commission		**(516,746)**	(375,861)
		(5,070,671)	(4,288,574)
		33,511,717	28,800,719

24. COST OF SALES

		2013	2012
Opening stock of raw material and work-in-process		**6,770,224**	6,615,563
Purchases		**26,009,085**	25,829,562
Salaries, wages and benefits	24.1	**685,184**	647,636
Rent, rates and taxes		**1,169**	10,631
Electricity, gas and water		**582,218**	498,524
Insurance		**33,991**	31,644
Security and janitorial		**24,797**	21,612
Depreciation and amortisation	5.2 & 6.2	**554,595**	495,476
Stores and spares consumed		**205,666**	116,606
Repairs and maintenance		**160,842**	125,832
Postage, telephone and stationery		**15,507**	15,990
Vehicle, travel and conveyance		**22,607**	26,013
Internal material handling		**21,218**	20,304
Environment controlling expense		**1,312**	1,495
Freight and forwarding expenses		**-**	2,795
Sundries		**8,170**	10,922
Sale of scrap generated during production		**(277,013)**	(1,550,163)
		34,819,572	32,920,442
Closing stock of raw material and work-in-process	9	**(4,900,295)**	(6,770,224)
Cost of goods manufactured		**29,919,277**	26,150,218
Finished goods and by-products:			
Opening stock		**2,457,525**	1,949,949
Closing stock	9	**(2,549,400)**	(2,457,525)
		(91,875)	(507,576)
		29,827,402	25,642,642

24.1 Salaries, wages and benefits include Rs. 27.1 million (2012: Rs. 28.1 million) in respect of staff retirement benefits.

25. SELLING AND DISTRIBUTION EXPENSES

		2013	2012
		(Rupees in '000)	
Freight and forwarding		**491,367**	364,318
Salaries, wages and benefits	25.1	**107,924**	98,240
Rent, rates and taxes		**783**	489
Electricity, gas and water		**3,904**	4,179
Insurance		**2,011**	1,149
Depreciation and amortisation	5.2 & 6.2	**8,936**	9,837
Repairs and maintenance		**726**	344
Advertising and sales promotion		**20,505**	11,452
Postage, telephone and stationery		**4,889**	5,403
Office supplies		**22**	64
Vehicle, travel and conveyance		**19,445**	14,101
Provision for / (reversal of) doubtful debts - net	10.2	**3,150**	(6,048)
Certification and registration charges		**4,188**	4,041
Others		**3,681**	3,210
		671,531	510,779

25.1 Salaries, wages and benefits include Rs. 7.6 million (2012: Rs. 7.2 million) in respect of staff retirement benefits.

26. ADMINISTRATIVE EXPENSES

		2013	2012
Salaries, wages and benefits	26.1	**179,574**	144,699
Rent, rates and taxes		**226**	134
Electricity, gas and water		**4,160**	4,280
Insurance		**831**	941
Depreciation and amortisation	5.2 & 6.2	**15,131**	12,519
Repairs and maintenance		**831**	1,049
Postage, telephone and stationery		**9,206**	8,700
Office supplies		**87**	350
Vehicle, travel and conveyance		**14,633**	10,962
Legal and professional charges		**16,872**	10,680
Certification and registration charges		**3,026**	2,854
Others		**13,605**	15,102
		258,182	212,270

26.1 Salaries, wages and benefits include Rs. 10.6 million (2012: Rs. 8.0 million) in respect of staff retirement benefits.

27. FINANCIAL CHARGES

		2013	2012
Mark-up on:			
- long-term financing		**470,029**	548,991
- short-term borrowings		**1,045,490**	1,118,830
Exchange loss		**156,829**	624,119
Interest on Workers' Profit Participation Fund	20.5	**146**	132
Bank charges		**19,332**	18,255
		1,691,826	2,310,327

28. OTHER OPERATING CHARGES

	Note	2013	2012
		(Rupees in '000)	
Auditors' remuneration	28.1	**3,560**	2,994
Donations	28.2	**15,975**	6,485
Workers' Profit Participation Fund		**59,906**	21,000
Workers' Welfare Fund		**23,922**	8,300
Loss on disposal of property, plant and equipment		**-**	4,590
Provision for government levies		**315**	811
Penalty imposed by Stamp Board of Revenue, Sindh on Subsidiary Company		**-**	10
Provision against receivable from foreign supplier on account of material		**3,027**	-
		106,705	44,190

28.1 Auditors' remuneration

	2013	2012
Audit fee	**2,085**	2,085
Half-yearly review	**590**	515
Other services (including consolidation charges)	**740**	266
Out-of-pocket expenses	**145**	128
	3,560	2,994

28.2 Donations

Donations in which a director is interested are as follows:

Name of director	Interest in donee	Name and address of the donee	Amount donated 2013	2012
			(Rupees in '000)	
Mr. Riyaz T. Chinoy	Chairman	Amir Sultan Chinoy Foundation, 101 Beaumont Plaza, 10 Beaumont Road, Karachi	**2,125**	1,000
Mr. Fuad Azim Hashimi	Member Board of Governors	Indus Valley School of Arts & Architecture, ST-13, Block-2, Scheme-5, Clifton, Karachi	**-**	750

Donations, other than those mentioned above, were not made to any donee in which a director or his spouse had any interest at any time during the year.

29. OTHER INCOME

	Note	2013	2012
		(Rupees in '000)	
Income / return on financial assets			
Interest on bank deposits		**2,731**	5,784
Income from non-financial assets			
Income from power generation -18MW	29.1	**43,606**	54,324
Income from power generation - 4MW	29.2	**33,483**	36,552
Late payment surcharge		**-**	778
Rental income		**1,735**	1,620
Gain on disposal of property, plant and equipment	5.4	**14,495**	378
Exchange gain - net		**37,901**	68,242
Reversal on account of excess allocation of Workers' Profit Participation Fund in earlier periods		**25,940**	-
Others		**17,369**	16,003
		177,260	183,681

29.1 Income from power generation - 18MW

	Note	2013	2012
Net sales		**452,404**	528,606
Cost of electricity produced:			
Salaries, wages and benefits		**(12,642)**	(9,664)
Electricity, gas and water		**(532,191)**	(590,962)
Depreciation	5.2	**(63,181)**	(32,470)
Stores and spares consumed		**(19,090)**	(16,526)
Repairs and maintenance		**(26,620)**	(27,092)
Sundries		**(913)**	(1,012)
		(654,637)	(677,726)
Self-consumption		**245,839**	203,444
Income from power generation		**43,606**	54,324

29.1.1 The Subsidiary Company has electricity power generation facilities at its premises. Currently, the Subsidiary Company has excess electricity power which is sold to KESC under an agreement. The agreement is valid for a period upto 20 years w.e.f. 31 August 2007.

29.2 This represent gross billing on account of sale of excess power generation of the 4MW plant to KESC by the Holding Company.

30. TAXATION

	Note	2013	2012
		(Rupees in '000)	
Current:			
- for the year		**152,864**	79,190
- for prior years		**1,886**	(6,496)
	14	**154,750**	72,694
Deferred		**69,736**	(24,013)
		224,486	48,681

30.1 Relationship between income tax expense and accounting profit

	2013	2012	2013	2012
	Effective tax rate		(Rupees in '000)	
Profit before taxation			**1,149,143**	274,316
Tax at the enacted tax rate	**35.00**	35.00	**402,200**	96,011
Tax effect of income subject to lower tax	**(0.35)**	(1.11)	**(3,999)**	(3,047)
Tax effect of rebate / credits	**(1.51)**	(8.76)	**(17,308)**	(24,034)
Tax effect on exports under final tax regime	**(7.85)**	(15.28)	**(90,251)**	(41,905)
Tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes amounts used for taxation purposes	**0.61**	7.93	**7,060**	21,751
Effect of adjustments on account of change in rates and proportionate etc.	**(6.82)**	0.00	**(78,392)**	-
Effect of change in prior years' tax	0.16	(2.37)	**1,886**	(6,496)
Others	**0.29**	2.33	**3,290**	6,401
	19.54	17.74	**224,486**	48,681

30.2 Income tax assessments of the Holding Company have been finalised upto and including tax year 2012 on the basis of the tax return filed under section 120 of the Income Tax Ordinance 2001. However, the return may be selected for detailed audit within five years from the date of filing of return and the Income Tax Commissioner may amend the assessment if any objection is raised in the audit.

31. EARNINGS PER SHARE - BASIC AND DILUTED

		2013	2012
		(Rupees in '000)	
Profit after taxation for the year		**765,949**	271,253
		(Number)	
Weighted average number of ordinary shares in issue during the year	16	**119,892,619**	119,892,619
		(Rupees)	
Earnings per share		**6.39**	2.26

32. CHANGES IN WORKING CAPITAL

	2013	2012
	(Rupees in '000)	
Decrease / (increase) in current assets:		
Stores and spares	**16,738**	(256,837)
Stock-in-trade	**4,565,374**	(4,025,746)
Trade debts	**(672,848)**	(33,231)
Advances	**(374,486)**	878,312
Trade deposits and short-term prepayments	**(1,183)**	3,549
Other receivables	**152,318**	1,035,671
	3,685,913	(2,398,282)
(Decrease) / increase in current liabilities:		
Trade and other payables	**(161,811)**	627,823
	3,524,102	(1,770,459)

33. STAFF RETIREMENT BENEFITS

33.1 Provident Fund

33.1.1 Holding Company

Salaries, wages and benefits include Rs. 9.7 million (2012: Rs. 10.8 million) in respect of Provident Fund contribution.

The following information is based on the latest financial statements of the Fund:

	(Unaudited)	(Audited)
Size of the Fund - total assets	**189,956**	200,303
Cost of investments made	**180,753**	164,753
Percentage of investments made	**99%**	67%
Fair value of investments	**187,255**	134,643

The break-up of the fair value of investments is:

	2013 (Unaudited)	2012 (Audited)	2013 (Unaudited)	2012 (Audited)
	(Rupees in '000)		% of total investment	
Government securities	**30,794**	8,192	**16%**	6%
Debt securities	**61,386**	57,609	**33%**	43%
Mutual funds	**95,075**	68,842	**51%**	51%
	187,255	134,643	**100%**	100%

33.1.2 Subsidiary Company

Salaries, wages and benefits include Rs. 6.4 million (2012: Rs. 5.5 million) in respect of Provident Fund contribution.

The following information is based on the latest unaudited financial statements of the Fund:

	2013	2012
	(Rupees in '000)	
Size of the Fund - total assets	**43,978**	200,303
Cost of investments made	**38,978**	164,753
Percentage of investments made	**49%**	10%
Fair value of investments	**21,733**	20,305

The break-up of the fair value of investments is:

	2013	2012	2013	2012
	(Rupees in '000)		% of total investment	
Government securities	**1,526**	1,348	**7%**	7%
Debt securities	**8,955**	4,457	**41%**	22%
Mutual funds	**11,252**	14,500	**52%**	71%
	21,733	20,305	**100%**	100%

33.1.3 The investments out of the Provident Funds of the Holding Company and Subsidiary Company have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

33.2 Gratuity Scheme

Principal actuarial assumptions used in the actuarial valuation of the scheme carried out by an independent firm of Chartered Actuaries under Projected Unit Credit Method as at 30 June 2013 are as follows:

- Discount rate at 10.5% per annum (2012: 13% per annum).

- Expected rate of return on plan assets at 13% per annum (2012: 13% - 14% per annum).

- Expected rate of increase in salary level at 9.5% per annum (2012: 12% per annum).

The amount recognised in the Consolidated Balance Sheet is as follows:

	2013	2012
	(Rupees in '000)	
Present value of defined benefit obligations	**305,091**	214,919
Fair value of plan assets	**(245,366)**	(207,273)
	59,725	7,646
Unrecognised actuarial loss	**(59,725)**	(7,646)
Liability as at 30 June	**-**	-
Movement in the present value of defined benefit obligations		
Obligations as at 1 July	**214,919**	184,497
Current service cost	**24,744**	21,481
Interest cost	**27,939**	25,830
Actuarial losses / (gains)	**55,911**	(3,850)
Benefits paid	**(18,422)**	(13,039)
Obligations as at 30 June	**305,091**	214,919

	2013	2012
	(Rupees in '000)	
Movement in the fair value of plan assets		
Fair value as at 1 July	**207,273**	165,555
Expected return on plan assets	**26,946**	23,178
Actuarial gains	**3,537**	4,800
Benefits paid	**(18,422)**	(13,039)
Contribution to the Scheme	**26,032**	26,779
Fair value as at 30 June	**245,366**	207,273
Movement in liability / (asset)		
Balance as at 1 July	**-**	2,486
Expense recognised during the year	**26,032**	24,293
Payments during the year	**(26,032)**	(26,779)
Balance as at 30 June	**-**	-

The amount recognised in the Profit and Loss Account is as follows:

	2013	2012
Current service cost	**24,744**	21,481
Interest cost	**27,939**	25,830
Expected return on plan assets	**(26,946)**	(23,178)
Net actuarial loss recognised	**295**	160
	26,032	24,293

Expected contribution to the Gratuity Scheme for the year ending 30 June 2014 is Rs. 36.7 million.

Major categories / composition of plan assets are as follows:

	(Percent)		(Rupees in '000)	
Debt instruments and mutual funds	93%	87%	228,177	180,638
Others	7%	13	17,188	26,635

Return on plan assets is as follows:

	(Rupees in '000)	
Expected return on plan assets	**26,946**	23,178
Actuarial gain on plan assets	**3,537**	4,800
	30,483	27,978

Historical information	**2013**	2012	2011	2010	2009
	(Rupees in '000)				
Present value of defined benefit obligations	**305,091**	214,919	184,497	162,100	124,326
Fair value of plan assets	**(245,366)**	(207,273)	(165,555)	(133,568)	(109,108)
Deficit	**59,725**	7,646	18,942	28,532	15,218
Unrecognised actuarial loss	**(59,725)**	(7,646)	(16,456)	(28,532)	(15,218)
	-	-	2,486	-	-
Experience adjustment arising on plan liabilities (gains) / losses	**55,911**	(3,849)	(13,221)	14,544	1,600
Experience adjustment arising on plan assets gains / (losses)	**3,537**	4,800	(2,825)	977	(16,359)

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

34.1 Holding Company

	Chief Executive		Executives		Total	
	2013	2012	**2013**	2012	**2013**	2012
	(Rupees in '000)					
Remuneration	**20,676**	18,216	**165,231**	118,997	**185,907**	137,213
Variable Performance Pay	**2,585**	-	**20,654**	-	**23,238**	-
Retirement benefits	**1,292**	1,297	**10,322**	8,393	**11,614**	9,690
Rent, utilities, leave encashment, etc.	**7,753**	7,241	**62,229**	45,813	**69,982**	53,054
	32,306	26,754	**258,436**	173,203	**290,741**	199,957
Number of persons	**1**	1	**132**	106	**133**	107

34.1.1 In addition to the above, certain Directors, Chief Executive and certain executives are provided with free use of company-maintained vehicles in accordance with the Holding Company's policy.

34.1.2 Fees paid to non-executive directors of the Holding Company is Rs. 2.8 million (2012: Rs. 4.4 million) on account of meetings attended by them.

34.2 Subsidiary Company

	Chief Executive		Executives		Total	
	2013	2012	2013	2012	2013	2012
	(Rupees in '000)					
Remuneration	**28,524**	17,742	**136,439**	96,468	**164,963**	114,210
Retirement benefits	**-**	-	**7,020**	3,505	**7,020**	3,505
Rent, utilities, leave encashment, etc.	**14,256**	8,871	**34,110**	40,148	**48,366**	49,019
	42,780	26,613	**177,569**	140,121	**220,349**	166,734
Number of persons	**1**	1	**37**	32	**38**	33

3 4.2.1 In addition to the above, certain Directors, Chief Executive and certain executives are provided with free use of company-maintained vehicles in accordance with the Subsidiary Company's policy.

34.2.2 Fees paid to non-executive directors of the Subsidiary Company is Rs. 2.0 million (2012: Rs. 2.0 million) on account of meetings of attended by them.

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The Board of Directors of the Group ("the Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Board meets frequently for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks including adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Audit Committee ("the Committee") oversees how the management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

35.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fails to meet its contractual obligation without considering fair value of collateral available there against.

Exposure to credit risk

The carrying amount of respective financial assets represent the maximum credit exposure. The maximum exposure to credit risk at balance sheet date is as follows:

	2013	2012
	(Rupees in '000)	
- Long-term deposit	**4,528**	5,313
- Trade debts - net of provision	**2,630,422**	1,960,724
- Trade deposits	**8,015**	6,284
- Other receivable (excluding receivable from KESC)	**1,667**	1,019
- Receivable on transmission of electricity to KESC	**38,539**	255,546
- Cash and bank balances	**20,262**	24,848
	2,703,433	2,253,734

The Group does not take into consideration the value of collateral while testing financial assets for impairment. The Group considers the credit worthiness of counter-parties as part of its risk management.

Long-term deposits

These represent long-term deposits with various parties for the purpose of securing supplies of raw materials and services. The Group does not foresee any credit exposure there against as the amounts are paid to counter-parties as per the agreement and are refundable on termination of agreement with respective counter-parties.

Trade deposits

These represent deposits placed with various suppliers as per the terms of securing the availability of services. The Group does not expect to incur credit loss thereagainst.

Trade debts

The Group's exposure to credit risk arising from trade debtors is mainly influenced by the individual characteristics of each customer. The Group has no major concentration of credit risk with any single customer. The majority of the Group's customers have been transacting with the Group for several years. The Holding Company establishes an allowance for impairment that represents its estimate of incurred losses for balances above one year except for amounts due from government / public sector entities.

Receivable from Karachi Electric Supply Company (KESC)

This represents receivable from KESC on account of electricity provided to it from the 4 MW and 18 MW plant located at factory sites of the Holding Company and Subsidiary Company respectively under agreements. The Group does not expect to incur credit loss thereagainst.

Analysis of amounts receivable from KESC and from local and foreign trade debtors are as follows:

	2013	2012
	(Rupees in '000)	
Domestic	**1,302,641**	1,220,989
Export	**1,366,320**	995,281
	2,668,961	2,216,270

The majority of export debtors of the Holding Company are situated in South Asia, Europe, Middle East, North Africa and North America.

Impairment losses

The ageing of trade debtors and amounts receivable from KESC at the balance sheet date was as follows:

	2013		2012	
	Gross	**Impairment**	Gross	Impairment
	---------- **(Rupees in '000)** ----------			
Not past due	**2,342,367**	**-**	817,782	-
Past due 1 - 60 days	**217,880**	**-**	985,976	-
Past due 61 days -1 year	**82,827**	**-**	397,759	-
More than one year	**63,588**	**37,701**	49,261	34,508
Total	**2,706,662**	**37,701**	2,250,778	34,508

Based on an assessment conducted of individual customers, the Group believes that receivable falling within the age bracket of upto one year do not require any impairment provision other than to the extent determined above. Further, provision recognised against balances appearing over one year is without prejudice to other recourse the Group has for recovery against outstanding balances. Movement in the provision has been stated elsewhere in these consolidated financial statements.

Other receivables

These comprise of interest receivable and other miscellaneous receivables and the Group does not expect to incur material losses against those balances.

Balances with bank

The Group places its surplus funds with banks carrying good credit standing assessed by reputable credit agencies. As at 30 June 2013 the Group has placed funds with banks having credit ratings as follows:

	Short-term	**Long-term**
Local banks	AAA to AA-	A1+ to A1
Foreign banks	F1+ / P1 to F1 / P1	AA- / A1 to A / A2

Concentration of credit risk

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. At the reporting date, the Group has no major concentration of credit risk.

35.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected or experiences difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group ensures that it has sufficient liquidity including credit lines to meet expected working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments:

	2013						
	Carrying amount	On-demand	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long-term financing	4,605,145	-	(5,940,718)	(540,728)	(663,165)	(3,817,292)	(919,533)
Trade and other payables	1,096,719	(12,181)	(1,084,538)	(1,084,538)	-	-	-
Accrued mark-up	285,817	-	(285,817)	(285,817)	-	-	-
Short-term borrowings	11,279,514	(11,279,514)	-	-	-	-	-
	17,267,195	(11,291,695)	(7,311,073)	(1,911,083)	(663,165)	(3,817,292)	(919,533)

	2012						
	Carrying amount	On-demand	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long-term financing	5,223,158	-	(6,802,304)	(644,764)	(734,726)	(3,940,790)	(1,482,024)
Trade and other payables	1,484,590	(10,298)	(1,474,292)	(1,474,292)	-	-	-
Accrued mark-up	333,439	-	(333,439)	(333,439)	-	-	-
Short-term borrowings	14,011,842	(14,011,842)	-	-	-	-	-
	21,053,029	(14,022,140)	(8,610,035)	(2,452,495)	(734,726)	(3,940,790)	(1,482,024)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June. The rates of mark-up have been disclosed in notes 18.1 and 21 to these consolidated financial statements.

35.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group is exposed to currency risk and interest rate risk only.

Currency risk

Exposure to currency risk

The Group is exposed to currency risk on trade debts, borrowings, trade and other payables, bank balances and accrued mark-up that are denominated in a currency other than the functional currency of the Group. The Group's exposure to foreign currency risk is as follows:

	2013		2012	
	Rupees	**US Dollars**	**Rupees**	**US Dollars**
	---------- (In '000) ----------			
Financial assets:				
Trade debts and bank balance in foreign currency	**1,398,770**	**14,126**	1,014,632	10,733
Financial liabilities:				
Running finance under FE-25 Export and Import Scheme	**(697,277)**	**(7,029)**	(5,318,069)	(56,145)
Trade and other payable	**(57,359)**	**(578)**	(45,324)	(479)
Accrued mark-up on running finance under FE-25 Export and Import Scheme	**-**	**-**	(22,817)	(241)
	(754,636)	**(7,607)**	(5,386,210)	(56,865)
Net exposure	**644,134**	**6,519**	(4,371,578)	(46,132)

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2013	**2012**	**2013**	**2012**
US Dollars to PKR	**97**	92	**99.02 / 99.20**	94.53 / 94.72

Sensitivity analysis

A 10 percent strengthening or weakening of the Pak Rupee against the US Dollar at 30 June would have (decreased) / increased Profit and Loss Account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2012.

	Effect on profit and loss (net of tax)	
	2013	2012
As at 30 June		
Effect in US Dollars	41,869	(284,153)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the interest rate exposure arises from short and long-term borrowings from banks.

At the balance sheet date, the interest rate profile of the Group's interest-bearing financial instrument is as follows:

	Carrying amount	
	2013	2012
	(Rupees in '000)	
Fixed-rate instruments		
Financial liabilities	**(3,559,500)**	(2,478,755)
Variable-rate instruments		
Financial liabilities	**(12,325,159)**	(16,756,245)

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets and liabilities at fair value through the Profit and Loss Account. Consequently, a change in interest rates at the reporting date would not affect the Profit and Loss Account.

Cash flow sensitivity analysis for variable-rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) Equity and Profit and Loss Account by Rs. 123.3 million (2012: Rs. 167.6 million) with a corresponding effect on the carrying amount of the liability. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2012.

Other price risks

At present the Group is not exposed to any other price risks.

35.4 Fair value of financial assets and liabilities

The carrying values of financial assets and financial liabilities reported in the Consolidated Balance Sheet approximate their fair values.

35.5 Financial instruments by categories

	2013	2012
	(Rupees in '000)	
Financial assets		
Loans and Receivables		
- Long-term deposit	**4,528**	5,313
- Trade debts - net of provision	**2,630,422**	1,960,724
- Trade deposits	**8,015**	6,284
- Other receivables	**40,206**	256,565
- Cash and bank balances	**20,262**	24,865
	2,703,433	2,253,751
Financial liabilities		
Financial liabilities at amortised cost		
- Long-term financing	**4,605,145**	5,223,158
- Trade and other payables	**1,096,719**	1,484,590
- Accrued mark-up	**285,817**	333,439
- Short-term borrowings	**11,279,514**	14,011,842
	17,267,195	21,053,029

36. CAPITAL MANAGEMENT

The objective of the Group when managing capital is to safeguard its ability to operate as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

37. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated undertakings, directors of the Group companies, key management employees and staff retirement funds. The Group continues to have a policy where by all transactions with related parties are entered into at commercial terms and conditions. Contribution to its defined contribution plans (Provident Funds) are made as per the terms of employment and contribution to its defined benefit plans (Gratuity Schemes) are in accordance with actuarial advice. Remuneration of key management personnel is in accordance with their terms of employment and Group policy.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Group considers its Non-executive Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and departmental heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement.

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements, are as follows:

	2013	2012
	(Rupees in '000)	
Associated companies		
Sales	**1,206,826**	1,182,850
Purchases	**8,648,999**	241,164
Insurance premium expense	**51,213**	17,079
Insurance claim received	**1,630**	430
Rent income	**1,735**	1,620
Donations	**2,125**	1,750
Dividend paid	**1,728**	4,737
Dividend received	**7,884**	4,852
Reimbursement of payments made on behalf of associated company	**2,665**	-
Receivable from related parties	**98,109**	144,211
Others	**691**	200
Key management personnel		
Purchase of vehicle	**-**	9,000
Remuneration	**278,306**	264,630
Staff retirement benefits	**12,075**	14,137
Sales proceeds from disposal of vehicle	**1,936**	-
Non-executive directors		
Directors' fee	**4,760**	6,461
Staff retirement funds		
Contributions paid	**45,722**	43,065

38. PRODUCTION CAPACITY

	2013	2012
	(Rupees in '000)	
Actual production capacity at the year end was as follows:		
Holding company		
Pipe	**340,000**	336,000
Galvanising	**150,000**	150,000
Cold rolled steel strip	**70,000**	70,000
Polyethylene pipe	**15,000**	15,000
Subsidiary company		
Galvanising	**150,000**	150,000
Cold rolled steel strip	**250,000**	250,000
The actual production for the year was:		
Holding company		
Pipe	**192,942**	176,963
Galvanising	**94,003**	90,666
Cold rolled steel strip	**44,328**	41,929
Polyethylene pipe	**3,139**	5,716
Subsidiary company		
Galvanising	**143,424**	113,851
Cold rolled steel strip	**221,859**	166,826

Actual production during the year was sufficient to meet market demand.

The name-plate capacities of the plants are determined based on a certain product mix. The actual production mix was different.

39. SEGMENT REPORTING

The Group has identified Steel and Plastic Pipes segment as two reportable segments. Performance is measured based on respective segment results. Information regarding the Group's reportable segments is presented below.

39.1 Segment revenue and results

	Steel segment	Plastic segment	Total
	---------------- (Rupees in '000) ----------------		
For the year ended 30 June 2013			
Sales	**32,933,949**	**577,768**	**33,511,717**
Cost of sales	**(29,283,768)**	**(543,634)**	**(29,827,402)**
Gross profit	**3,650,181**	**34,134**	**3,684,315**
For the year ended 30 June 2012			
Sales	27,784,269	1,016,450	28,800,719
Cost of sales	(24,729,382)	(913,260)	(25,642,642)
Gross profit	3,054,887	103,190	3,158,077

Reconciliation of segment results with Profit After Tax is as follows :

	2013	2012
	(Rupees in '000)	
Total results for reportable segments	**3,684,315**	3,158,077
Selling and distribution expenses	**(671,531)**	(510,779)
Administrative expenses	**(258,182)**	(212,270)
Financial charges	**(1,691,826)**	(2,310,327)
Other operating charges	**(106,705)**	(44,190)
Share of profit from an associated company	**15,812**	10,124
Other income	**177,260**	183,681
Taxation	**(224,486)**	(48,681)
Profit for the year	**924,657**	225,635

39.2 Segment assets and liabilities

	Steel segment	**Plastic segment**	**Total**
	----------------	**(Rupees in '000)**	----------------
As at 30 June 2013			
Segment assets	**23,364,565**	**665,655**	**24,030,220**
Segment liabilities	**197,760**	**-**	**197,760**
As at 30 June 2012			
Segment assets	15,785,807	1,016,450	16,802,257
Segment liabilities	13,979,821	913,260	14,893,081

Reconciliation of segment assets and liabilities with total assets and liabilities in the Balance Sheet is as follows:

	2013	2012
	(Rupees in '000)	
Total reportable segments assets	**24,030,220**	16,802,257
Unallocated assets	**2,828,760**	11,620,764
Total assets as per balance sheet	**26,858,980**	28,423,021
Total reportable segments liabilities	**197,760**	14,893,081
Unallocated liabilities	**18,063,241**	6,676,145
Total liabilities as per balance sheet	**18,261,001**	21,569,226

39.3 The segment revenues reported above are revenues generated from external customers. There were no inter-segment sales during the year.

39.4 The segment assets reported above comprise of property, plant and equipment, stock-in-trade and trade debts.

39.5 Information about major customers

Revenue from major customer of Plastic segment is Rs. Nil (2012: Rs. 485.9 million), where as in the Steel segment, there is no major customer whose revenue accounts for more than 10% of segment's revenue.

39.6 Geographical information

The Group's gross revenue from external customers by geographical location is detailed below:

	2013	2012
	(Rupees in '000)	
Domestic sales	**30,767,904**	25,482,829
Export sales	**7,814,484**	7,606,464
	38,582,388	33,089,293

The Group exports its products to South Asia, Europe, the Middle East, North Africa and North America.

39.7 As at 30 June 2013, all non-current assets of the Group are located in Pakistan.

40. NUMBER OF EMPLOYEES

	2013	2012
	(Rupees in '000)	
Holding company:		
Average number of employees during the year	**1,038**	1,054
Number of employees as at 30 June	**1,020**	1,041
Subsidiary company:		
Average number of employees during the year	**428**	402
Number of employees as at 30 June	**441**	415

41. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified for the purposes of comparison and better presentation as follows:

Reclassification from component	**Reclassification to component**	**(Rupees in '000)**
Other receivables (Sales Tax refundable)	Sales Tax refundable	371,436
Trade and other payables (Accrued expenses)	Trade and other payables (Provision for Infrastructure Cess)	60,463
Trade and other payables (Accrued expenses)	Trade and other payables (Short-term compensated absences)	34,253
Financial charges (Exchange loss)	Other income (Exchange gain)	68,242

The effect of above rearrangement / reclassification is not material.

42. GENERAL

42.1 Non-adjusting events after balance sheet date

The Board of Directors of the Holding Company in their meeting held on 30 August 2013 has proposed a final cash dividend of Rs. 2.25 per share amounting to Rs. 269.8 million (2012: Rs.2.00 per share amounting to Rs. 239.8 milion) for the year ended 30 June 2013. In addition, the Board of Directors have also approved an appropriation of Rs. 851.3 million (2012: Nil) from Unappropriated Profit to General Reserves. The approval of the Members of the Holding Company for the dividend shall be obtained at the Annual General Meeting to be held on 4 October 2013. The consolidated financial statements for the year ended 30 June 2013 do not include the effect of the proposed final cash dividend and appropriation which will be accounted for in the period ending 30 June 2014.

42.2 Date of authorisation for issue

These financial statements were authorised for issue on 30 August 2013 by the Board of Directors of the Holding Company.

Fuad Azim Hashimi Director & Chairman Board Audit Committee	**Sohail R. Bhojani** Chief Financial Officer	**Riyaz T. Chinoy** Chief Executive Officer

Stakeholders' Information

OWNERSHIP

On June 30, 2013 there were 2,882 shareholders on record.

Dividend Payment

The Board of Directors of the Company has recommended a 22.5% final cash dividend in addition to a 10% interim cash dividend announced and paid, making a total of 32.5% for the year ended June 30, 2013 as per the Profit Appropriation Policy. The proposal shall be placed before the shareholders of the Company in the Annual General Meeting for their consideration and approval on October 4, 2013. The dividend warrants, if approved by the shareholders, shall be dispatched to the shareholders listed in the Company's share register at the close of business on September 24, 2013 and shall be subject to Zakat and Tax deductions as per law.

Financial Calendar

RESULTS		
First quarter ended September 30, 2012	Approved on	Oct. 20, 2012
	Announced on	Oct. 22, 2012
Half-year ended December 31, 2012	Approved and announced on	Feb. 1, 2013
Third quarter ended March 31, 2013	Approved and announced on	Apr. 26, 2013
Year ended June 30, 2013	Approved and announced on	Aug. 30, 2013

DIVIDENDS		
Interim – Cash (2013)	Approved on	Feb. 1, 2013
	Entitlement date	Feb. 21, 2013
	Statutory limit upto which payable	Mar. 22, 2013
	Paid on	Feb. 28, 2013
Final – Cash (2012)	Approved on	Aug.15, 2012
	Entitlement date	Sep. 15, 2012
	Statutory limit upto which payable	Oct. 24, 2012
	Paid on	Oct. 24, 2012

Last Annual Report issued on	Sep. 03, 2012
65th Annual General Meeting to be held on	Oct. 4, 2013

Tentative Dates Of Financial Results Announcements

Period	To be Announced on
1st Quarter	28-10-2013
2nd Quarter	24-01-2014
3rd Quarter	18-04-2014
Annual Accounts	13-08-2014

Investor Relations Contact

Mr. M. Irfan Bhatti (Deputy Manager Corporate Affairs Deptt)
Email: irfan.bhatti@iil.com.pk
UAN: +9221 111 019 019 Fax: +9221 568 0373

Enquiries concerning lost share certificates, dividend payments, changes of address, verification of transfer deeds and share transfers should be directed to the Shares Registrar at the following address:

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block B, S.M.C.H.S,
Shahra-e-Faisal, Karachi
Phone: +9221-111-111-500 Fax: +9221-34326053
Email: info@cdcpak.com

Pattern of Shareholding

As at June 30, 2013

No. of Shareholders	Having Shares		Shares Held	Percentage
	From	To		
763	1	100	16,075	0.0134
498	101	500	149,694	0.1249
335	501	1,000	270,581	0.2257
681	1,001	5,000	1,635,841	1.3644
207	5,001	10,000	1,525,417	1.2723
73	10,001	15,000	896,763	0.7480
68	15,001	20,000	1,213,774	1.0124
37	20,001	25,000	850,243	0.7092
19	25,001	30,000	521,082	0.4346
31	30,001	40,000	1,089,811	0.9090
22	40,001	50,000	1,014,488	0.8462
38	50,001	75,000	2,299,856	1.9183
31	75,001	100,000	2,680,766	2.2360
9	100,001	125,000	1,017,578	0.8487
9	125,001	150,000	1,253,466	1.0455
5	155,001	155,001	801,380	0.6684
3	185,001	200,000	585,812	0.4886
7	200,001	300,000	1,750,701	1.4602
3	305,001	350,000	971,438	0.8103
4	435,001	450,000	1,775,604	1.4810
4	455,001	500,000	1,936,974	1.6156
6	515,001	600,000	3,395,672	2.8323
4	655,001	750,000	2,785,461	2.3233
4	775,001	830,000	3,232,651	2.6963
1	1,095,001	1,100,000	1,100,000	0.9175
1	1,115,001	1,120,000	1,115,976	0.9308
1	1,240,001	1,245,000	1,242,240	1.0361
1	1,370,001	1,375,000	1,370,080	1.1428
1	1,435,001	1,440,000	1,438,567	1.1999
1	1,440,001	1,445,000	1,441,776	1.2026
2	1,445,001	1,450,000	2,891,749	2.4119
1	1,495,001	1,500,000	1,500,000	1.2511
1	1,565,001	1,570,000	1,568,650	1.3084
1	2,080,001	2,085,000	2,083,529	1.7378
1	2,425,001	2,430,000	2,425,191	2.0228
1	2,910,001	2,915,000	2,912,706	2.4294
1	3,320,001	3,325,000	3,321,435	2.7703
1	5,375,001	5,380,000	5,379,347	4.4868
1	5,540,001	5,545,000	5,542,017	4.6225
1	6,265,001	6,270,000	6,265,792	5.2262
1	6,645,001	6,650,000	6,649,473	5.5462
1	11,245,001	11,250,000	11,249,078	9.3826
1	12,545,001	12,550,000	12,548,133	10.4661
1	14,175,001	14,180,000	14,175,752	11.8237
2,882			**119,892,619**	**100.0000**

Categories of Shareholders

As at June 30, 2013

PARTICULARS	NO. OF SHAREHOLDER	NO. OF SHARES HELD	PERCENTAGE
Directors, CEO, Sponsors and Family Members	26	60,456,782	50.4258
Associated Companies	3	1,353,325	1.1288
Govt. Financial Institutions	6	13,682,133	11.4120
Banks, DFI & NBFI	9	7,331,556	6.1151
Insurance Companies	8	7,162,486	5.9741
Modarabas & Mutual Funds	6	2,186,209	1.8235
Foreign Companies	4	623,907	0.5204
Welfare Trusts / Provident Funds/Others	67	6,152,834	5.1320
General Public	2,753	20,943,387	17.4685
TOTAL	**2,882**	**119,892,619**	**100.0000**

Key Shareholdings And Shares Traded

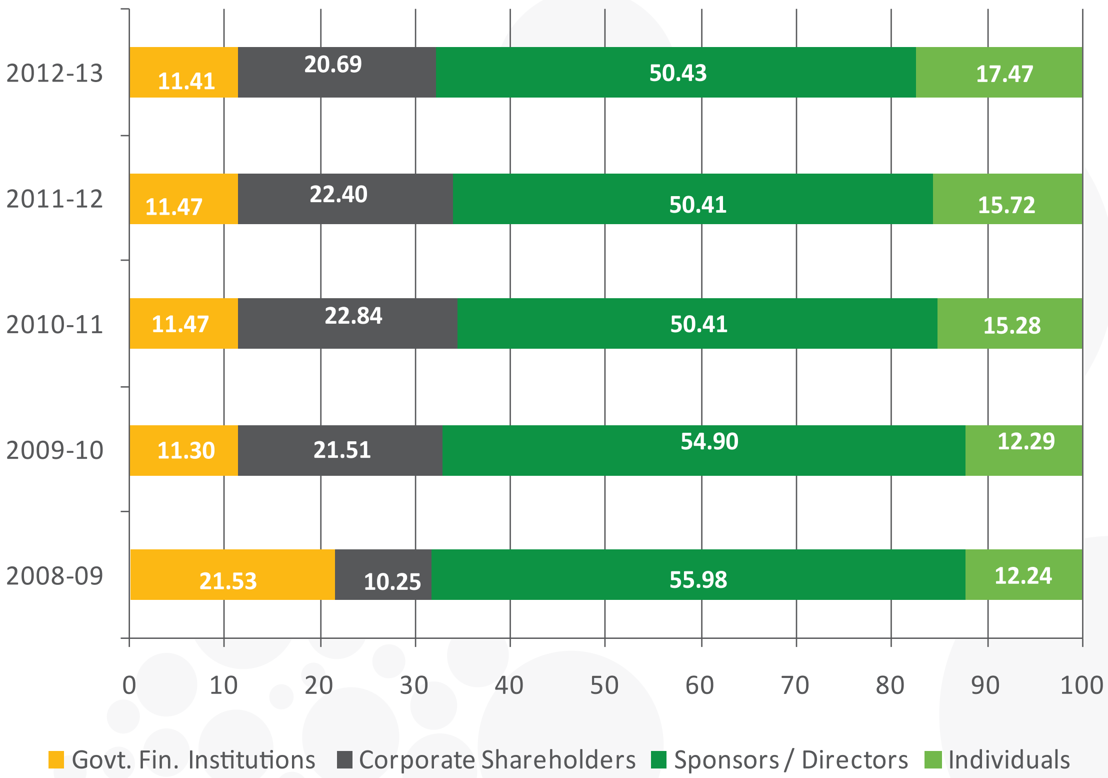
As at June 30, 2013

Information on shareholding required under reporting framework is as follows:

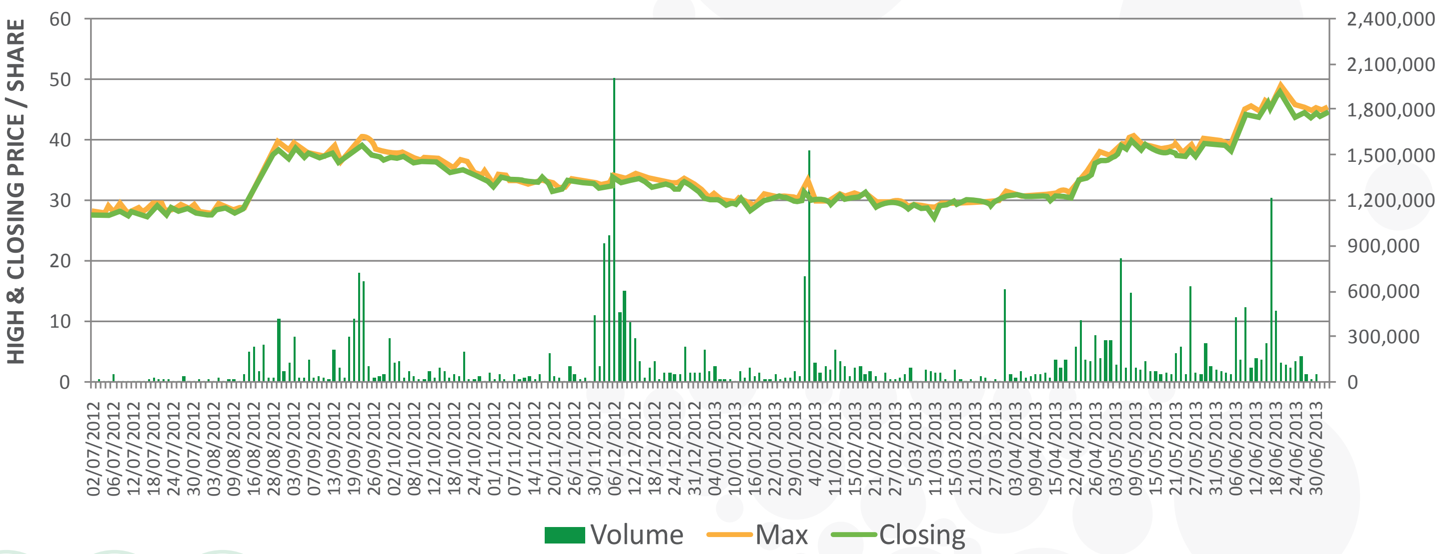
	No. of Shares	Percentage
Directors & Spouses and Sponsors holding 5% or more	40,599,250	33.8630
Executives	182,712	0.152
Associated Companies		
Pakistan Cables Ltd.	576,000	0.480
Pakistan Cables Limited Employees Provident Fund	544,725	0.454
Trustees Pakistan Cables Limited Management Staff Pension Fund	232,600	0.194
	1,353,325	**1.1288**
Government Institutions		
National Bank of Pakistan-Trustee Department NI(U)T Fund	12,548,133	10.466
State Life Insurance Corp. of Pakistan	656,019	0.547
National Investment Trust Limited	314,344	0.262
National Investment Trust Limited - Administration Fund	160,023	0.133
IDBP (ICP Unit)	3,194	0.003
Investment Corp. of Pakistan	420	0.000
	13,682,133	**11.412**
Members having 5% or more of voting rights		
National Bank of Pakistan	6,319,491	5.2710

Shares Traded by Directors & their spouses / executives during July 2012 to June 2013 15,420 shares

Shareholder composition



IIL SHARE PRICES - TREND V/S VOLUME TRADED FY 2012-13



Notice of Meeting

For the year ended June 30, 2013

Notice is hereby given to the Members that the 65th Annual General Meeting of the Company will be held on October 4, 2013 at 10.30 a.m. at the Jasmine Hall, Beach Luxury Hotel, Off. M.T. Khan Road, Karachi to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2013 and the Directors' Report and Auditors' Report thereon.

2. To Consider and approve payment of Rs 2.25 (22.5%) per share as final cash dividend in addition to 10% interim cash dividend announced and paid, making a total dividend of Rs. 3.25 (32.5%) per share for the financial year ended June 30, 2013 as recommended by the Board of Directors.

3. To elect nine(9) directors for a period of next three (3) years commencing from October 4, 2013 in accordance with the provisions of section 178 of the Companies Ordinance, 1984.

   As defined under section 178(1) the Board has fixed the number of Directors to be elected as Nine (9) and the following Directors will cease to hold office upon the election of new Board of Directors:

   Mr. Zaffar A. Khan, Mr. Riyaz T. Chinoy, Mr. Mustapha A. Chinoy, Mr. Kamal A. Chinoy, Mr. Fuad Azim Hashimi, Mr. Azam Faruque, Mr. Shahid Aziz Siddiqui and Mr. Tariq Ikram.

4. To appoint auditors for the year 2013-2014 and fix their remuneration.

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

By Order of the Board

NEELOFAR HAMEED
Company Secretary

Karachi
Dated: August 30, 2013

Notes:

1. The Share Transfer Books of the Company shall remain closed from September 25, 2013 to October 4, 2013 (both days inclusive).
2. A Member entitled to attend, speak and vote at the General Meeting is entitled to appoint another member as his/her proxy to attend, speak and vote on his/her behalf.
3. An instrument appointing proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power or authority must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. Form of Proxy is enclosed.

CDC Account Holders will further have to follow the under-mentioned guide lines as laid down in Circular 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan:

a) For Attending AGM

- In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the regulations, shall produce proof of his / her identity by showing original Computerised National Identity Card (CNIC) at the time of attending the meeting.
- In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

b) For Appointing Proxy

- In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirement.
- Attested copies of CNIC of the beneficial owners and the proxy shall be furnished with the proxy form.
- The proxy shall produce his original CNIC at the time of the meeting.

4. Members are requested to submit declaration for Zakat on the required format and to advise change in address, if any.

5. Members are requested to submit a copy of the Computerized National Identity Card (CNIC) to update our records.

Item 3

Any person or retiring director who seeks to contest election of the office of the director against the number fixed by the Board under section 178 (1) of the Company Ordinance 1984, must file with the Company, not later than fourteen days before the date of meeting, notice of his/her intention to offer himself/herself for election as a director.

e-dividend

In compliance of Securities and Exchange Circular No.8(4) SM/CDC 2008 dated April 5, 2013 shareholders are informed that to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged whereby shareholders can get the amount of dividend credited into their respective bank accounts electronically without any delay. In addition, by this way, dividends may be instantly credited to respective accounts.

The shareholders can avail the benefit of e-dividend mechanism by providing a dividend mandate in their CDS accounts through their participants or to the respective listed companies / Share Registrar.

Proxy Form

INTERNATIONAL INDUSTRIES LTD.

Promising Reliability, For Now and Tomorrow

I / We ______________________________

of ______________________________

being a member of INTERNATIONAL INDUSTRIES LIMITED and holder of ______________________________

ordinary shares as per Share Register Folio No. ______________ and / or CDC Participant I.D. ______________

No. ______________________ and Sub Account No. ______________________

hereby appoint ______________________________ of ______________

or failing him ______________________________

of ______________________________

as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on October 4, 2013 and at any adjournment thereof.

Signed this ______________ day of ______________ 2013

WITNESS:

1 Signature ______________________
Name ______________________
Address ______________________

NIC or ______________________
Passport No. ______________________

2 Signature ______________________
Name ______________________
Address ______________________

NIC or ______________________
Passport No. ______________________

Signature

Revenue Stamp Rs.5/-

(Signature should correspond with the specimen signature registered with the Company)

Note: Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting. A proxy must a member of the Company.

CDC Shareholders and their proxies are each requested to attach an attested photocopy of their National Identity Card or Passport with this proxy form before submission to the Company.

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10 Beaumont Road
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For International Sales Inquiries: inquiries@iil.com.pk

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Email: factory@iil.com.pk

PE Factory:
Survey#405 to 406, Rehri Road,
Landhi, Karachi-75160.
Telephone: (92 21) 35017028-27
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