Financial Statements of the Company

Auditor's Report To The Member

We have audited the annexed balance sheet of International Industries Limited ("the Company") as at 30 June 2012 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 2012 and of the profits, 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.

Date: 15 Aug. 2012

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Balance Sheet

As at 30 June 2012

	Note	2012	2011
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	**2,803,505**	2,678,771
Intangible assets	6	**8,619**	14,538
Investments	7	**2,583,537**	2,583,537
Long term deposits		**5,213**	11,338
		5,400,874	5,288,184
Current assets			
Stores and spares	8	**137,075**	113,657
Stock-in-trade	9	**7,322,917**	4,753,020
Trade debts	10	**1,673,226**	1,924,517
Advances	11	**22,038**	652,162
Trade deposits and short term prepayments	12	**8,555**	11,389
Other receivables	13	**120,048**	819,910
Taxation-net	14	**360,592**	335,137
Bank balances	15	**20,908**	12,806
		9,665,359	8,622,598
Total assets		**15,066,233**	13,910,782
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital			
200,000,000 (2011: 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 reserves		**1,848,736**	2,177,522
Unappropriated profit		**1,126,858**	887,366
Total equity		**4,174,520**	4,263,814
Surplus on revaluation of property, plant and equipment	17	**1,003,155**	1,007,675
LIABILITIES			
Non-current liabilities			
Long term financing	18	**416,667**	237,500
Deferred taxation-net	19	**172,606**	167,927
		589,273	405,427
Current liabilities			
Trade and other payables	20	**1,291,953**	1,000,063
Short term borrowings	21	**7,564,020**	6,838,920
Current portion of long term financing	18	**320,833**	237,500
Accrued markup		**122,479**	157,383
		9,299,285	8,233,866
Total liabilities		**9,888,558**	8,639,293
Contingencies and Commitments	22		
Total Equity and Liabilities		**15,066,233**	13,910,782

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
Managing Director &
Chief Executive

Profit and loss Account

For the year ended 30 June 2012

	Note	2012	2011
		(Rupees in '000)	
Net sales	23	**16,802,257**	15,850,755
Cost of sales	24	**(14,893,081)**	(14,038,750)
Gross profit		**1,909,176**	1,812,005
Selling and distribution expenses	25	**(439,510)**	(418,998)
Administrative expenses	26	**(140,544)**	(197,579)
		(580,054)	(616,577)
Financial charges	27	**(969,225)**	(606,855)
Other operating charges	28	**(40,858)**	(191,725)
		(1,010,083)	(798,580)
Other operating income	29	**71,471**	872,265
Profit before taxation		**390,510**	1,269,113
Taxation	30	**(64,700)**	(239,000)
Profit for the year		**325,810**	1,030,113
		(Rupees)	
Earnings per share - basic and diluted	31	**2.72**	8.59

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Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial Officer

Riyaz T. Chinoy
Managing Director &
Chief Executive

Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	2012	2011
		(Rupees in ‘000)	
Profit for the year		**325,810**	1,030,113
Other comprehensive income		-	-
Total comprehensive income for the year		**325,810**	1,030,113

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

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Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial Officer

Riyaz T. Chinoy
Managing Director &
Chief Executive

Cash flow Statement

For the year ended 30 June 2012

	Note	2012	2011
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**390,510**	1,269,113
Adjustments for:			
Depreciation and amortisation		**192,176**	196,100
Provision for doubtful debts		**(6,048)**	3,693
Provision for stores and spares obsolescence		**-**	9
Interest on bank deposits		**(1,663)**	(1,675)
Loss / (gain) on sale of property, plant and equipment		**3,614**	(2,749)
Gain on divestment of shares in subsidiary company		**-**	(706,266)
Financial charges		**969,225**	606,855
		1,547,814	1,365,080
Movement in:			
Working capital	*32*	**(713,486)**	363,792
Long term deposits		**6,125**	(4,962)
Net cash generated from operations		**840,453**	1,723,910
Financial charges paid		**(1,004,129)**	(617,469)
Taxes paid		**(85,476)**	(417,070)
Net cash (used in) / generated from operating activities		**(249,152)**	689,371
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		**(325,687)**	(926,237)
Proceeds from divestment in subsidiary company - net		**-**	2,069,713
Investment in subsidiary company		**-**	(172,833)
Investment in an associated company		**-**	(27,080)
Proceeds from sale of property, plant and equipment		**11,082**	4,826
Interest received		**1,597**	1,722
Net cash (used in) / generated from investing activities		**(313,008)**	950,111
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		**500,000**	427,600
Repayment of long term financing		**(237,500)**	(1,370,833)
Dividends paid		**(417,338)**	(428,166)
Net cash used in financing activities		**(154,838)**	(1,371,399)
Net (decrease) / increase in cash and cash equivalents		**(716,998)**	268,082
Cash and cash equivalents at beginning of the year		**(6,826,114)**	(7,094,196)
Cash and cash equivalents at end of the year		**(7,543,112)**	(6,826,114)
CASH AND CASH EQUIVALENTS COMPRISE OF :			
Bank balances	*15*	**20,908**	12,806
Short term borrowings	*21*	**(7,564,020)**	(6,838,920)
		(7,543,112)	(6,826,114)

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
Managing Director &
Chief Executive

Statement of Changes in Equity

For the year ended 30 June 2012

	Issued, subscribed and Paid up capital	Revenue reserves General reserves	Un-appropriated profit	Total reserves	Total
	(Rupees in '000)				
Balance as at 1 July 2010	999,105	1,422,854	882,167	2,305,021	3,304,126
Total comprehensive income for the year ended 30 June 2011					
Profit for the year	-	-	1,030,113	1,030,113	1,030,113
Transactions with owners recorded directly in equity - distributions					
Dividend:					
- Final dividend @ 25% (Rs.2.5 per share) for the year ended 30 June 2010	-	-	(249,776)	(249,776)	(249,776)
- Issuance of bonus shares for the year ended 30 June 2010 @ 20 % per share	199,821		(199,821)	(199,821)	-
- Interim dividend @ 15% (Rs.1.5 per share) for the year ending 30 June 2011	-	-	(179,839)	(179,839)	(179,839)
Total transactions with owners - distributions	199,821	-	(629,436)	(629,436)	(429,615)
Transfer to general reserves	-	400,000	(400,000)	-	-
Transfer of revaluation surplus on revalued land	-	354,668	-	354,668	354,668
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	4,522	4,522	4,522
Balance as at 30 June 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					
Dividend					
- Final dividend @ 35% (Rs. 3.5 per share) for the year ended 30 June 2011	-	-	(419,624)	(419,624)	(419,624)
Total transactions with owners - distributions	-	-	(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**

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

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Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial Officer

Riyaz T. Chinoy
Managing Director &
Chief Executive

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 associate are stated in note 7.1 and 7.2 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 as are notified under the Companies Ordinance, 1984, 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 the land and buildings are stated at revalued amounts.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the 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.

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 significant effect on the financial statements and estimates with significant risk of material judgment in the next year are set forth below.

Income taxes

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

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these financial statements for 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's management 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 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 effect 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 the respective carrying values and also review the inventories for obsolescence.

3. AMENDMENTS / INTERPRETATION TO EXISTING STANDARD AND FORTHCOMING REQUIREMENTS

3.1 Standards, amendments or 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 effect 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 standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. Except for the amendment in International Accounting Standard (IAS) 19 which results in immediate recognition of actuarial gains or losses and revised basis of calculation for net finance costs, these standards are either not relevant to the Company's operations or are not expected to have a significant impact on the Company's financial statements, other than increased disclosures in certain cases:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss.

- 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 arrangement.

- 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 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.

  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.

  IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment

Property, plant and equipment (except freehold and leasehold land and buildings) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold and leasehold land are stated at revalued amounts and buildings on freehold and leasehold land 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.

Subsequent cost

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be reliably measured. Cost incurred to replace a component of an item of property, plant and equipment is capitalized 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 straight line basis at the rate specified in note 5.1 to these financial statements. Depreciation on additions to buildings and plant and machinery, furniture, fixture and office equipment and vehicles is charged from the month the asset is available for use upto the month prior to disposal.

Revaluation surplus

Surplus on revaluation of land and buildings is credited to the surplus on revaluation account. 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.

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 expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

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 their construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.

4.2 Intangible assets

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

Costs directly associated with identifiable software that will have probable economic benefits exceeding costs beyond one year, are recognized 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 amortization and impairment losses, if any.

Subsequent expenditure

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

Amortization

Amortization is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets (i.e. three years) unless such lives are indefinite. Amortization on additions to intangible assets is charged from the month in which an item is acquired or capitalized while no amortization is charged for the month in which the item is disposed off.

4.3 Investments

Investments in subsidiaries

Investments in subsidiaries are initially recognized at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist the investments recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in profit or loss. 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 initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

Investments in associates

Investments in associates are initially recognized at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist the investments recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in profit or loss. 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 initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

4.4 Derivative financial instruments

Derivatives that do not qualify for hedge accounting are recognized in the balance sheet at estimated fair value with corresponding effect to profit and loss. 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 / 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 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 management'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 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 recognized initially at fair value and subsequently measured at amortized cost less provision for impairment, if any. A provision for impairment is established when there is an 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 cash flow purposes include cash in hand, current and deposit account 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 statement of cash flows.

4.10 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in comprehensive income or below equity, in which case it is recognized in comprehensive income or below equity respectively.

Current

Provision for current taxation is based on taxability of certain income streams of the Company under final tax regime at the applicable tax rates and 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 recognized using balance sheet liability method, providing for temporary difference 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 realization 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 recognizes 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 recognizes 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 all employees of the Company. Company's obligation 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 amortized over the expected average remaining working lives of the employees. Vested past service cost, if any, is recognized immediately in profit and loss, while non-vested past service cost is amortized on straight line basis over the average period until it becomes vested.

Amounts recognized in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, if any, and as reduced by the fair value of plan assets. Any assets resulting from this calculation is limited to the unrecognized actuarial losses and unrecognized past service cost plus the present value of available refunds and reductions in future contributions to the plan.

Defined contribution plan

The Company operates a recognized provident fund for all employees of the Company except unionized staff. Equal monthly contributions are made by the Company 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 recognized 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 recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized 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 recognized as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides with delivery.

- Export sales are recognized 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 recognized on a time-apportioned basis using the effective rate of return.

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

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

- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.

- Service income is recognized when services are rendered.

- Rental income is recognized on straight line basis over the term of the lease.

- 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 amortized cost as the case may be. The Company derecognizes 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 recognized amounts and the Company intends either to settle on a net basis or to realize 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 recognized, 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 amortization, if no impairment loss had been recognized.

4.18 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in profit and loss account over the period of borrowings on an effective interest basis.

4.19 Provisions

A provision is recognized 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. Management 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 recognized in the period in which these are approved.

5. PROPERTY, PLANT AND EQUIPMENT

		2012	2011
		(Rupees in '000)	
Operating assets	5.1	**2,770,647**	2,659,992
Capital work-in-progress	5.5	**8,620**	16,096
Stores and spares held for capital expenditure	5.6	**24,238**	2,683
		2,803,505	2,678,771

5.1 Operating assets

	Land - Revalued		Building - Revalued		Plant and machinery	Furniture, fixtures and office equipment	Vehicles	Total
	Freehold	Leasehold	Freehold land	Leasehold land				
	(Rupees in '000)							
Net carrying value as at 01 July 2011								
Opening NBV	302,070	917,830	64,874	390,039	924,806	18,442	41,931	2,659,992
Additions / transfer from CWIP	-	-	7,310	25,277	240,338	2,817	32,781	308,523
Disposals	-	-	-	-	(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**	**1,026,643**	**13,583**	**47,384**	**2,770,647**
Gross carrying value as at 30 June 2012								
Cost / revalued amount	302,070	917,830	73,281	533,982	2,539,782	66,011	78,234	4,511,190
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**	**1,026,643**	**13,583**	**47,384**	**2,770,647**
Depreciation rates (% per annum)	**-**	**-**	**2 - 50**	**2 - 50**	**3 - 50**	**10 - 33.3**	**20**	
Net carrying value as at 01 July 2010								
Opening NBV	1,105,737	917,830	42,652	392,214	1,317,730	20,822	52,414	3,849,399
Additions	30,340	-	65,638	18,453	272,359	8,469	19,687	414,946
Disposals	-	-	-	(155)	(862)	-	(1,060)	(2,077)
Transfers	(834,007)	-	(42,319)	-	(519,071)	(3,331)	(13,966)	(1,412,694)
Depreciation charge	-	-	(1,097)	(20,473)	(145,350)	(7,518)	(15,144)	(189,582)
Balance as at 30 June 2011 (NBV)	302,070	917,830	64,874	390,039	924,806	18,442	41,931	2,659,992
Gross carrying value as at 30 June 2011								
Cost / revalued amount	302,070	917,830	65,971	509,038	2,305,518	63,436	75,156	4,239,019
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	924,806	18,442	41,931	2,659,992
Depreciation rates (% per annum)	**-**	**-**	**2 - 50**	**2 - 50**	**3 - 50**	**10 - 33.3**	**20**	

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

		2012	2011
		(Rupees in '000)	
Cost of sales	*24*	**170,569**	171,787
Selling and distribution expenses	*25*	**5,322**	4,649
Administrative expenses	*26*	**7,281**	9,042
Income from power generation - 18 MW	*29.1*	**-**	4,104
		183,172	189,582

5.3 The Company has carried out valuation of freehold land, leasehold land and buildings during the year ended 30 June 1988, 30 June 1997, 30 June 2000, 30 June 2004 and 31 December 2007. The resulting revaluation surplus has been disclosed in note 17 to the financial statements and has been credited to revaluation surplus account net of related tax effect. The Company will carry out fresh revaluation as on 30 June 2013.

The carrying amount of the above mentioned assets as at 30 June 2012, if the said assets had been carried at historical cost would have been as follows:

	Cost	Accumulated depreciation	Net book value
	----------------	(Rupees in '000)	----------------
Leasehold land	**187,645**	**-**	**187,645**
Freehold land	**141,963**	**-**	**141,963**
Buildings	**488,010**	**(223,199)**	**264,811**
As at 30 June 2012	**817,618**	**(223,199)**	**594,419**
As at 30 June 2011	785,130	(205,234)	579,896

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

Description	Cost	Accumulated depreciation	Book value	Sale Proceeds	Mode of disposal	Particulars of buyer
	-----------------	(Rupees in '000)	-----------------			
Plant and machinery						
C-Hook 35 tons	208	137	71	80	Negotiation	M/s. Arshad Brothers
Book value less than Rs.50,000 each	5,866	5,862	4	377	Negotiation	Various
Furniture, fixtures and office equipment						
Various items of book value upto Rs.50,000 each	242	219	23	71	Negotiation	Various
Vehicles						
Toyota Corolla	1,869	467	1,402	-	On retirement as per policy	Mr. Kemal Shoaib
Toyota Harrier	3,420	1,136	2,284	-	On retirement as per policy	Mr. Towfiq H. Chinoy
Porsche Jeep	10,363	2,073	8,290	-	On retirement as per policy	Mr. Towfiq H. Chinoy
Honda Civic	1,764	559	1,205	-	On retirement as per policy	Mr. A. Waseem Sufi
Suzuki Cultus	795	292	503	725	Negotiation	International Steel Limited
Honda City	879	718	161	915	Negotiation	International Steel Limited
Suzuki Mehran	469	164	305	440	Insurance claim	Jubilee General Insurance
Honda City	854	769	85	905	Negotiation	Mr. G. Fareed c/o Al-Mustafa Motors
Honda Motorcycle	66	6	60	63	Insurance claim	Jubilee General Insurance
Suzuki Mehran	428	185	243	365	Negotiation	Asad Ali Qureshi, Karachi
Various vehicles of book value upto Rs.50,000 each	8,796	8,736	60	7,141	Negotiation	Various
	36,019	21,323	14,696	11,082		

5.5 **Capital work-in-progress (CWIP)**

	As at 01 July 2011	Additions	Cost (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**

5.6 **Stores and spares held for capital expenditure**

	As at 01 July 2011	Additions	Cost (Transfers)	As at 30 June 2012
	----------------------(Rupees in '000)----------------------			
In store	2,683	21,555	-	**24,238**

6. **INTANGIBLE ASSETS**

		2012	2011
		(Rupees in '000)	
Net Carrying value as at 1st July			
Net book value as at 1st July		**14,538**	11,801
Additions		**3,085**	9,255
Amortization		**(9,004)**	(6,518)
Net book value as at 30 June	*6.1*	**8,619**	14,538
Gross Carrying Value as at 30 June			
Cost		**44,427**	41,342
Accumulated amortization		**(35,808)**	(26,804)
Net book value		**8,619**	14,538
		(Percent)	
Amortization 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:

		2012	2011
Cost of sales	*24*	**4,567**	3,258
Selling and distribution expenses	*25*	**2,662**	1,950
Administrative expenses	*26*	**1,775**	1,310
		9,004	6,518

7. **INVESTMENTS**

2012	2011				
(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) - associate 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 International Steel Limited, subsidiary company. The Chief Executive of ISL is Mr. Towfiq H. Chinoy.

7.2 The Company holds 8.52% ownership interest in Pakistan Cables Limited, an associated company. The Chief Executive of PCL is Mr. Kamal A. Chinoy.

7.2.1 Market value of above investments is as follows:

		2012	2011
		(Rupees in '000)	
Quoted			
International Steel Limited		**2,930,864**	3,335,206
Pakistan Cables Limited		**92,549**	110,622

8. STORES AND SPARES

		2012	2011
Stores		**29,055**	27,109
Spares - in hand		**99,893**	85,465
- in transit		**6,959**	-
Loose tools		**1,168**	1,083
		137,075	113,657

9. STOCK-IN-TRADE

		2012	2011
Raw material - in hand	*9.1*	**3,209,326**	2,525,448
- in transit		**1,627,791**	-
		4,837,117	2,525,448
Work-in-process		**758,806**	988,374
Finished goods		**1,661,972**	1,221,161
By-products		**43,246**	12,611
Scrap material		**21,776**	5,426
		7,322,917	4,753,020

9.1 Raw material amounting to Rs. 25.433 million (2011: Rs. 15.804 million) is held at vendor premises.

10. TRADE DEBTS

		2012	2011
Considered good - secured		**728,162**	575,585
- unsecured	*10.1*	**945,064**	1,348,932
		1,673,226	1,924,517
Considered doubtful		**34,508**	37,133
		1,707,734	1,961,650
Provision for doubtful debts	*10.2*	**(34,508)**	(37,133)
		1,673,226	1,924,517

10.1 The related parties from whom the debts are due are as under:

	2012	2011
Sui Southern Gas Company Limited	**109,268**	115,903
Sui Northern Gas Pipelines Limited	**34,864**	18,264
Pakistan Cables Limited	**16**	89
DH Fertilizers Limited	**63**	-
	144,211	134,256

10.2 Provision for doubtful debts

	Note	2012	2011
		(Rupees in '000)	
Balance as at 1 July		**37,133**	33,440
Charge for the year		**4,594**	15,212
Reversal for the year		**(10,642)**	-
	25	**(6,048)**	15,212
Debtors' written back to the provision		**3,423**	-
Debtors' written off during the year		**-**	(11,519)
Balance as at 30 June		**34,508**	37,133

11. ADVANCES

	2012	2011
Considered good		
- suppliers	**21,438**	651,193
- employees	**600**	969
	22,038	652,162

12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2012	2011
Trade deposits	**3,297**	9,134
Short term prepayments	**5,258**	2,255
	8,555	11,389

13. OTHER RECEIVABLES

	2012	2011
Considered good		
Interest income receivable	**66**	-
Sales tax receivable	**92,188**	801,376
Receivable on transmission of electricity to Karachi Electric Supply Company (KESC)	**26,841**	16,501
Others	**953**	2,033
	120,048	819,910

14. TAXATION - NET

	Note	2012	2011
Tax receivable as at 1 July		**335,137**	111,819
Tax payments / adjustments during the year		**85,476**	417,070
		420,613	528,889
Less: Provision for tax	30	**(60,021)**	(193,752)
		360,592	335,137

15. BANK BALANCES

	Note	2012	2011
- in current accounts		**20,823**	10,496
- in profit and loss sharing accounts	15.1	**85**	2,310
		20,908	12,806

15.1 The profit and loss sharing accounts carry mark-up ranging from 6% to 8% (2011: 5% to 9.5%) per anum.

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2012	2011		2012	2011
(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 (2011 : 6,034,133) ordinary shares of Rs. 10 each at the year end.

17. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2012	2011
	(Rupees in '000)	
Freehold land		
Balance as at 01 July	**9,728**	9,728
Revaluation surplus over original cost/ book value of Rs. 6.65 million on 31 December 2007	**3,667**	3,667
Revaluation surplus over original cost/ book value of of Rs. 597.29 million on 31 December 2007	**463,965**	463,965
Revaluation surplus over original cost/ book value of of Rs. 6.530 million on 31 December 2007	**7,076**	7,076
	484,436	484,436
Transfer of revaluation surplus to Revenue reserve- General reserves	**(354,668)**	(354,668)
	129,768	129,768
Leasehold land		
Balance as at 01 July	**383,635**	383,635
Revaluation surplus over original cost / book value of Rs. 571.28 million on 31 December 2007	**346,550**	346,550
	730,185	730,185
	859,953	859,953
Buildings		
Balance as at 1 July	**204,625**	210,924
Transferred to retained earnings (Unappropriated profit) in respect of incremental depreciation charged during the year - net of deferred tax	**(6,298)**	(6,299)
	198,327	204,625
Related deferred tax liability as on 1 July	**(56,903)**	(58,680)
Tax effect on incremental depreciation transferred to retained earnings	**1,778**	1,777
Related deferred tax liability as on 30 June	**(55,125)**	(56,903)
	143,202	147,722
	1,003,155	1,007,675

18. LONG TERM FINANCING

	Note	2012	2011
		(Rupees in '000)	
Secured			
Long-term finances utilised under mark-up arrangements	18.1	**737,500**	475,000
Current portion of long term finances shown under current liabilities		**(320,833)**	(237,500)
		416,667	237,500

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	2012	2011
		(Rupees in '000)					(Rupees in '000)	
i)	**Bank Al Habib Limited** Local currency assistance of Rs.250 million for plant and machinery	250,000	412,586	8 half yearly 31-12-2009	28-06-2013	1.25 % over 6 months Kibor	**50,000**	100,000
ii)	**MCB Bank Limited** Local currency assistance of Rs.750 million for plant and machinery	750,000	1,238,000	8 half yearly 31-12-2009	1-07-2013	1.25 % over 6 months Kibor	**187,500**	375,000
iii)	**Meezan Bank Limited** Local currency assistance of Rs.500 million for plant and machinery	500,000	691,998	6 half yearly 31-03-2013	30-09-2015	0.65 % over 6 months Kibor	**500,000**	-
							737,500	475,000

18.1.1 All long term finances utilised under mark-up arrangements are secured by way of a joint equitable mortgage on all the present and future immovable properties on plot number LX-15 &16 and HX-7/4, Landhi Industrial Area, Karachi and other assets of the Company, excluding inventories and book debts.

19. DEFERRED TAXATION - NET

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

	Balance as at 01 July 2010	Charge / (Reversal) recognized in profit and loss	Transfer to ISL (as per Scheme of Arrangement)	Balance as at 30 June 2011	Charge / (Reversal) in profit and loss	Balance as at 30 June 2012
	(Rupees in '000)					
Taxable temporary difference						
Accelerated tax depreciation	264,762	52,572	(122,609)	194,725	1,947	**196,672**
Share of profit from associate	475	(475)	-	-	-	**-**
Deductible temporary differences						
Provision for doubtful debts	(11,704)	(1,293)	-	(12,997)	919	**(12,078)**
Provision for compensated absences	(7,770)	(6,031)	-	(13,801)	1,813	**(11,988)**
	245,763	44,773	(122,609)	167,927	4,679	**172,606**

20. TRADE AND OTHER PAYABLES

	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
Trade creditors		**874,627**	523,518
Accrued expenses		**331,087**	389,009
Advances from customers		**62,670**	46,105
Workers' profit participation fund	*20.1*	**6,000**	2,250
Workers' welfare fund		**7,876**	26,876
Unclaimed dividend		**9,690**	7,404
Others		**3**	4,901
		1,291,953	1,000,063

20.1 Workers' profit participation fund

		2012	2011
Balance as at 01 July		**2,250**	5,000
Interest on funds utilised in the Company's business at 37.50% (2011: 30%) per annum		**132**	164
		2,382	5,164
Allocation for the year		**21,000**	68,250
		23,382	73,414
Payments made during the year		**(17,382)**	(71,164)
Balance as at 30 June		**6,000**	2,250

21. SHORT TERM BORROWINGS

	Note	2012	2011
Running finance under mark-up arrangement from banks - secured	*21.1*	**297,213**	741,016
Short term borrowing under Money Market Scheme - secured	*21.2*	**950,000**	-
Short term borrowing under Export Refinance Scheme	*21.3*	**2,370,000**	1,790,000
Running finance under FE-25 Export and Import Scheme	*21.4*	**3,946,807**	4,307,904
		7,564,020	6,838,920

21.1 The facilities for running finance available from various banks amounting to Rs. 2,500 million (2011: Rs. 4,047 million) are secured by way of hypothecation of stock-in-trade and book debts. The rates of mark-up on these finances range from 12.66% to 13.79% per annum (2011: 14.39% to 15.20 % per annum). The facility for short term finance mature within twelve months.

21.2 The facilities for short term loan financing available from various commercial banks under mark-up arrangement amounted to Rs. 1,972 million (2011: Rs. Nil) are secured by way of hypothecation of stock-in-trade and book debts. The rate of mark-up on these finances were range from 12.00% to 12.64% per annum .

21.3 The Company has also borrowed short term running finance under Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 2,370 million (2011: Rs. 1,790 million). The rate of mark-up on this facility ranges from 10.50% to 11.00% per annum (2011: 10.50% to 10.75% per annum).

21.4 The Company has also borrowed short term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 for the purpose of meeting import requirements. The facility availed is for an amount of USD 41.750 million equivalent to Rs. 3,946.807 million (2011: USD 50.063 million equivalent to Rs.4,307.904 million). The rates of mark-up on these finances range from 2.05% to 2.30% (2011: 2.30% to 3.47%) per annum. These facilities are secured against the first pari passu hypothecation charge over the Company's present and future current 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. 293.005 million (2011: Rs. 342.793 million).

22.1.2 Customs duties amounting to Rs. 1,018 million (2011: Rs. 844 million) on imports 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 fulfilment of stipulated conditions. The Company has fulfilled the conditions for duties amounting to Rs. 875 million and is making continuous efforts to retrieve the associated post-dated cheques from the customs authorities.

Further, an amount Rs. 375 million claimed by the Customs Authorities as duty rate differential on imports made during 2005-10 and the Customs Authorities have refused to give the benefit of SRO 565(1)/2006 for the clearance of current imports. The Company has filed a petition with the Sindh High Court in 2010 for an injunction and is awaiting the final judgement.

22.1.3 The Custom authorities have charged redemption fine of Rs. 83 million on clearance of imported raw material consignment in 2006. The Company has filed an appeal before the High Court of Sindh, which has set aside the examination report and subsequent order produced by Custom authorities and ordered the department to re-examine the matter afresh. However, the Custom authorities have filed an application for leave to appeal against the order of High Court of Sindh. Based on legal advice the management expect chances of admission of such appeal rare.

22.1.4 The Company has reversed the provision for the levy of infrastructure fee amounting to Rs. 107 million in 2009 on the basis of decision of the Honourable High Court of Sindh 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 Honourable Supreme Court of Pakistan against such order. During May 2011, the Honourable Supreme Court of Pakistan has disposed off the appeal with a joint statement of the parties that during the pendency of the appeal, another law i.e. fifth version came into existence which was not the subject matter of in the appeal, hence, the case was referred back to High Court of Sindh with right to appeal to Supreme Court. On 31 May 2011, the High Court of Sindh has granted an interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignment released upto 27 December 2006 and any bank guarantee / security furnished for consignment 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 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 petitioner. Bank guarantees amounting to Rs. 115 million have been provided to the department.

22.2 Commitments

22.2.1 Capital expenditures commitments outstanding as at 30 June 2012 amounted to Rs. 66.304 million (2011: Rs. 54.9 million).

22.2.2 Commitments under letters of credit for raw materials and stores and spares as at 30 June 2012 amounted to Rs. 2,787.275 million (2011: Rs. 2,008.614 million).

22.2.3 Commitments under purchase contract as at 30 June 2012 amounted to Rs. 8.369 million (2011: Rs.14.530 million)

22.2.4 The unavailed facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 5,493.57 million (2011: Rs. 5,708.486 million) and Rs. 366.995 million (2011: Rs. 342.210 million) respectively.

23. NET SALES

		2012	2011
		(Rupees in '000)	
Local		**12,195,963**	13,200,690
Export		**6,582,471**	5,138,868
		18,778,434	18,339,558
Sales tax and special excise duty		**(1,683,192)**	(2,066,067)
Trade discount		**(55,351)**	(129,715)
Sales discount and commission		**(237,634)**	(293,021)
		(1,976,177)	(2,488,803)
		16,802,257	15,850,755

24. COST OF SALES

		2012	2011
Opening stock of raw material and work-in-process		**3,513,822**	3,157,047
Purchases		**15,488,126**	13,791,517
Salaries, wages and benefits		**437,900**	409,527
Rent, rates and taxes		**6,931**	1,133
Electricity, gas and water		**255,966**	209,653
Insurance		**10,249**	11,559
Security and janitorial		**13,150**	11,280
Depreciation and amortisation	*5.2 & 6.2*	**175,136**	175,045
Stores and spares consumed		**63,241**	57,734
Provision for stores and spares obsolescence		**-**	9
Repairs and maintenance		**94,605**	103,999
Postage, telephone and stationery		**7,951**	12,467
Vehicle, travel and conveyance		**11,405**	9,530
Internal material handling		**16,444**	14,728
Environment controlling expense		**268**	1,098
Sundries		**1,736**	2,624
Sale of scrap generated during production		**(764,271)**	(619,259)
		19,332,659	17,349,691
Closing stock of raw material and work-in-process		**(3,968,132)**	(3,513,822)
Cost of goods manufactured		**15,364,527**	13,835,869
Finished goods and By-product:			
Opening stock		**1,233,772**	1,436,653
Closing stock		**(1,705,218)**	(1,233,772)
		(471,446)	202,881
		14,893,081	14,038,750

25. SELLING AND DISTRIBUTION EXPENSES

		2012	2011
Freight and forwarding expense		**342,767**	303,678
Salaries, wages and benefits		**60,691**	50,065
Rent, rates and taxes		**205**	155
Electricity, gas and water		**3,310**	3,205
Insurance		**782**	766
Depreciation and amortisation	*5.2 & 6.2*	**7,984**	6,599
Repairs and maintenance		**344**	708
Advertising and sales promotion		**8,312**	18,733
Postage, telephone and stationery		**4,802**	4,829
Office supplies		**64**	70
Vehicle, travel and conveyance		**10,155**	10,761
Provision for doubtful debts - net	*10.2*	**(6,048)**	15,212
Debts written off		**-**	102
Certification and registration charges		**4,041**	2,584
Others		**2,101**	1,531
		439,510	418,998

26. ADMINISTRATIVE EXPENSES

	Note	2012	2011
		(Rupees in '000)	
Salaries, wages and benefits		**93,195**	150,698
Rent, rates and taxes		**134**	135
Electricity, gas and water		**2,472**	2,484
Insurance		**381**	413
Depreciation and amortisation	*5.2 & 6.2*	**9,056**	10,352
Repairs and maintenance		**991**	1,245
Postage, telephone and stationery		**7,203**	7,537
Office supplies		**334**	104
Vehicle, travel and conveyance		**6,934**	6,073
Legal and professional charges		**5,401**	8,269
Certification and registration charges		**2,286**	3,654
Others		**12,157**	6,615
		140,544	197,579

27. FINANCIAL CHARGES

	Note	2012	2011
Mark-up on:			
- long term financing		**111,354**	214,944
- short term borrowings		**533,366**	353,014
Exchange loss - net		**310,079**	27,965
Interest on workers' profit participation fund	*20.1*	**132**	164
Bank charges		**14,294**	10,768
		969,225	606,855

28. OTHER OPERATING CHARGES

	Note	2012	2011
Auditors' remuneration	*28.1*	**1,544**	2,654
Donations	*28.2*	**6,400**	24,777
Workers' profit participation fund	*20.1*	**21,000**	68,250
Project development expenses		**-**	16,145
Divestment cost of shares in subsidiary		**-**	52,599
Loss on sale of property, plant and equipment	*5.4*	**3,614**	-
Workers' welfare fund		**8,300**	27,300
		40,858	191,725

28.1 Auditors' remuneration

	2012	2011
Audit fee	**1,015**	925
Half yearly review	**265**	240
Other services (including hive down and certifications)	**171**	1,367
Out of pocket expenses	**93**	122
	1,544	2,654

28.2 Donations

Donations include the following in which a director is interested.

Name of director	Interest in donee	Name and address of the donee	Amount donated 2012	2011
			(Rupees in '000)	
Mr. Riyaz Chinoy	Chairman	Amir Sultan Chinoy Foundation	**1,000**	2,000
Mr. Fuad Azim Hashimi	Member BOG	Indus Valley School of Arts & Architecture	**750**	1,000

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

29. OTHER OPERATING INCOME

	Note	2012	2011
		(Rupees in '000)	
Income / return on financial assets			
Interest on bank deposits		**1,663**	1,675
Income from non-financial assets			
Income from power generation-18MW	*29.1*	**-**	25,383
Income from power generation- 4MW	*29.2*	**36,552**	26,561
Late payment surcharge	*29.3*	**778**	88,035
Rental income		**7,258**	5,857
Dividend income from an associate		**4,852**	2,909
Gain on sale of property, plant and equipment		**-**	2,749
Gain on divestment of shares in subsidiary		**-**	706,266
Others		**20,368**	12,830
		71,471	872,265

29.1 The 18 MW electric power generation plant was transferred to ISL at the time of hive down of assets in August 2010. Consequently no revenue has been reported in current year.

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

29.3 This represents amount charged to KESC as per the agreement for delay in payment on account of sale of electricity.

30. TAXATION

	Note	2012	2011
		(Rupees in '000)	
Current			
- for the year		**68,831**	195,564
- for prior years		**(8,810)**	(1,812)
	14	**60,021**	193,752
Deferred		**4,679**	45,248
		64,700	239,000

30.1	**Relationship between income tax expense and accounting profit Effective tax rate**	**2012**	**2011**	**2012**	**2011**
				(Rupees in '000)	
	Profit before taxation			**390,510**	1,269,113
	Tax at the enacted tax rate of 35% (2011: 35%)	**35.00**	35.00	**136,679**	444,190
	Tax effect of income subject to lower tax	**(0.78)**	(15.46)	**(3,047)**	(196,192)
	Tax effect of rebate	**(6.15)**	(2.15)	**(24,034)**	(27,243)
	Effect of higher tax as surcharge	**-**	1.83	-	23,219
	Tax effect on exports under final tax regime	**(14.05)**	(5.08)	**(54,878)**	(64,462)
	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	**5.57**	4.8	**21,751**	60,887
	Effect of change in prior years' tax	**(2.26)**	(0.14)	**(8,810)**	(1,812)
	Others	**(0.76)**	0.03	**(2,961)**	413
		16.57	18.83	**64,700**	239,000

30.2 Income tax assesments of the Company has been finalised upto and including tax year 2011 on the basis of 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 rasied in audit.

The Tax Department had selected tax year 2011 of the Company for audit under section 177 of the Ordinance. Accordingly, the tax audit was conducted and amended assessment order passed under section 122(1) of the Ordinance.

30.3 The Company has not recognized minimum tax charge amounting to Rs. 104.57 million in view of expectation of availability of sufficient future taxable profits resulting in tax liability under normal tax regime in next five years against which such liability would be adjusted.

31.	**EARNINGS PER SHARE - BASIC AND DILUTED**		**2012**	**2011**
			(Rupees in '000)	
	Profit after taxation for the year		**325,810**	1,030,113
			(Number)	
	Weighted average number of ordinary shares in issue during the year	*16*	**119,892,619**	119,892,619
			(Rupees)	
	Earnings per share		**2.72**	8.59

32. MOVEMENT IN WORKING CAPITAL

	2012	2011
	(Rupees in '000)	
Decrease / (increase) in current assets:		
Stores and spares	**(23,418)**	(17,946)
Stock-in-trade	**(2,569,897)**	144,385
Trade debts	**257,339**	(349,098)
Loans and advances	**630,124**	(645,391)
Trade deposits and short term prepayments	**2,834**	(2,300)
Other receivables	**699,928**	(380,318)
	(1,003,090)	(1,250,668)
Increase in current liabilities:		
Trade and other payables	**289,604**	1,614,460
	(713,486)	363,792

33. STAFF RETIREMENT BENEFITS

33.1 Provident fund

Salaries, wages and benefits include Rs. 10.843 million (2011: Rs. 9.656 million) in respect of provident fund contribution.

33.2 Gratuity fund

Principal actuarial assumptions used in the actuarial valuation of the scheme carried out under Projected Unit Credit Method as at 30 June 2012 are as follows:

- Discount rate at 13% per annum (2011: 14% per annum).

- Expected rate of return on plan assets at 13% per annum (2011: 14% per annum).

- Expected rate of increase in salary level at 12% per annum (2011: 13% per annum).

The amount recognised in the balance sheet is as follows:

	2012	2011
Present value of defined benefit obligation	**192,900**	169,128
Fair value of plan assets	**(190,698)**	(155,973)
	2,202	13,155
Unrecognised actuarial loss	**(2,202)**	(13,155)
Liability as at 30 June	**-**	-

Movement in the present value of defined benefit obligation

	2012	2011
Obligation as at 1 July	**169,128**	162,100
Current service cost	**17,116**	19,101
Interest cost	**23,678**	19,253
Actuarial gains	**(4,766)**	(14,393)
Benefits paid	**(12,256)**	(6,004)
Transferred to International Steels Limited on hive down	**-**	(10,929)
Obligation as at 30 June	**192,900**	169,128

	2012	2011
	(Rupees in '000)	
Movement in the fair value of plan assets		
Fair value as at 1 July	**155,973**	133,568
Expected return on plan assets	**21,836**	15,237
Actuarial gains / (losses)	**6,187**	(2,942)
Benefits paid	**(12,256)**	(6,004)
Contribution to the fund	**18,958**	24,701
Transferred to International Steels Limited on hive down	**-**	(8,587)
Fair value as at 30 June	**190,698**	155,973
Movement in (assets) / liabilities		
Balance as at 1 July	**-**	-
Expense recognised	**18,958**	24,701
Payments during the year	**(18,958)**	(24,701)
Liability as at 30 June	**-**	-

The amount recognised in the profit and loss account is as follows:

	2012	2011
Current service cost	**17,116**	19,101
Interest cost	**23,678**	19,253
Expected return on plan assets	**(21,836)**	(15,237)
Net actuarial losses recognised in the year	**-**	1,584
	18,958	24,701

Major categories / composition of plan assets are as follows:

	(Percent)	
Equity	**42%**	48%
Debt instruments	**45%**	48%
Others	**13%**	4%

Return on plan assets is are as follows:

	(Rupees in '000)	
Expected return on plan assets	**21,836**	15,237
Actuarial gain / (loss) on plan assets	**6,187**	(2,942)
	28,023	12,295

Historical information	**2012**	**2011**	**2010**	**2009**	**2008**
	(Rupees in '000)				
Present value of defined benefit obligation	192,900	169,128	162,100	124,326	106,051
Fair value of plan assets	(190,698)	(155,973)	(133,568)	(109,108)	(108,001)
Deficit / (surplus)	2,202	13,155	28,532	15,218	(1,950)
Unrecognised actuarial (loss) / gains	(2,202)	(13,155)	(28,532)	(15,218)	2,743
Liability in balance sheet	-	-	-	-	793

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in '000)							
Managerial remuneration	18,216	23,333	-	9,487	118,997	60,450	137,213	93,270
Retirement benefits	1,297	-	-	2,080	8,393	12,649	9,690	14,729
Ex-gratia		40,104	-	-		-	-	40,104
Rent, utilities, leave encashment etc.	7,241	18,181	-	7,906	45,813	49,995	53,054	76,082
	26,754	81,618	-	19,473	173,203	123,094	199,957	224,185
Number of persons	1	1	-	1	106	46	107	48

34.1 In addition to the above, the Chief Executive, Directors and certain Executives are provided with free use of Company maintained vehicles in accordance with the Company's policy.

34.2 Fee paid to non-executive directors is Rs. 4.421 million (2011: Rs. 1.990 million) on account of meetings attended by the directors.

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The Board of Directors 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 throughout the year 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 and 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 Audit Committee oversees how 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 Audit 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 Audit Committee.

35.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument without considering fair value of collateral or other credit instrument. It principally arises from long term deposits, trade debtors, trade deposits, bank balances and other receivables comprising receivable from Karachi Electric Supply Company.

Exposure to credit risk

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

	2012	2011
	(Rupees in '000)	
- Long term deposit	**5,213**	11,338
- Trade debts - net of provision	**1,673,226**	1,924,517
- Trade deposits	**3,297**	9,134
- Receivable on transmission of electricity to KESC	**26,841**	16,501
- Bank balances	**20,908**	12,806
	1,729,485	1,974,296

The Company does not take into consideration the value of collateral or other credit instrument 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 there against as the amount are paid to counter parties as per the agreement and are refundable on termination of agreement with respective counterparties.

Trade deposit

These represent deposit placed with various suppliers as per the terms of securing availability of services. The management does not expect to incur credit loss there against.

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. Majority of the Company customers have been transacting with the Company for past several years The Company establish an allowance for impairment that represents its estimate of incurred losses for balances above one year except for government entities / public sector entities.

Receivable from Karachi Electric Supply Company

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

Analysis of trade debtors and receivable from KESC from local and foreign customers are as follows:

Domestic	**971,905**	1,365,433
Export	**728,162**	575,585
	1,700,067	1,941,018

The majority of export debtors of the Company are situated in Afghanistan and Srilanka.

Impairment losses
The aging of trade debtors and receivable from KESC at the balance sheet date was:

	2012 Gross	2012 Impairment	2011 Gross	2011 Impairment
	(Rupees in '000)			
Not past due	**665,539**	**-**	354,253	-
Past due 1-60 days	**816,331**	**-**	1,320,408	-
Past due 61 days -1 year	**203,444**	**-**	266,682	325
More than one year	**49,261**	**34,508**	36,808	36,808
Total	**1,734,575**	**34,508**	1,978,151	37,133

Based on assessment conducted of individual customers, the management believes that receivable falling within the age bracket of upto one year does not require any impairment provision other than to the extent determined above. Further, provision recognized against balances appearing over one year is without prejudice to other recourse the management has for recovery against outstanding balances.

Balances with bank

The Company places its surplus fund with banks having good credit standing assessed by reputable credit agencies. As at 30 June 2012 the Company has placed funds with banks having long term credit rating ranging from AAA+ to BBB and short term credit rating ranging from A1+ to A3 rated by reputable credit agencies

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 Company's performance to developments affecting a particular industry. At reporting date the Company has no major concentration of credit risk. However 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 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 cash in hand including credit lines to meet expected working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments:

	"Carrying amount"	On demand	"Contractual cash flows"	2012 "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**	**-**	**(737,500)**	**(118,750)**	**(202,083)**	**(416,667)**	-
Trade and other payables	**1,205,717**	**-**	**(1,205,717)**	**(1,205,717)**	**-**	**-**	-
Accrued markup	**122,479**	**-**	**(122,479)**	**(122,479)**	**-**	**-**	-
Short-term borrowings	**7,564,020**	**(7,564,020)**	**(7,564,020)**	**-**	**-**	**-**	-
	9,629,716	**(7,564,020)**	**(9,629,716)**	**(1,446,946)**	**(202,083)**	**(416,667)**	-

	2011						
	"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	475,000	-	(564,432)	(154,462)	(145,596)	(264,374)	-
Trade and other payables	917,428	-	(917,428)	(917,428)	-	-	-
Accrued markup	157,383	-	(157,383)	(157,383)	-	-	-
Short-term borrowings	6,838,920	(6,838,920)	(6,838,920)	-	-	-	-
	8,388,731	(6,838,920)	(8,478,163)	(1,229,273)	(145,596)	(264,374)	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June. The rate of mark-up have been disclosed in note 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 and sales that are denominated in a currency other than the respective functional currency of the Company, primarily U.S. Dollar. The Company's exposure to foreign currency risk is as follows:

	2012 Rupees	US Dollars	2011 Rupees	US Dollars
	(In '000)			
Trade debts	**728,162**	**7,703**	575,585	6,705
Short term borrowings as FE 25 import / export loans	**(3,946,807)**	**(41,668)**	(4,307,904)	(50,063)
Accrued mark-up on FE 25 import / export loans	**(22,817)**	**(241)**	(24,419)	(284)
Balance sheet exposure	**(3,241,462)**	**(34,206)**	(3,756,738)	(43,642)

The following significant exchange rates applied during the year:

	Average rates 2012	Average rates 2011	Balance sheet date rate 2012	Balance sheet date rate 2011
US Dollars to PKR	**92**	85	**94.53 / 94.72**	85.85 / 86.05

Sensitivity analysis
A 10 percent strengthening of the Rupee against US Dollar at 30 June would have decreased 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 for 2011.

	Profit and loss	
	2012	2011
	(Rupees in '000)	
As at 30 June		
Effect in US Dollars-gain (net of tax)	**210,599**	244,101

A 10 percent weakening of the Rupees against the above currency at 30 June would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

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. Majority of the interest rate exposure arises from short and long term borrowings from bank.

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

	Carrying amount	
	2012	2011
	(Rupees in '000)	
Fixed rate instruments		
Financial liabilities	**(2,370,000)**	(1,790,000)
Variable rate instruments		
Financial liabilities	**(5,931,520)**	(5,523,920)

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 profit and loss. Therefore a change in interest rates at the reporting date would not affect 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 or loss by Rs. 59.315 million (2011: Rs. 55.176 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

Other price risk

At present the Company is not exposed to other price risk.

35.4 **Fair value of financial assets and liabilities**

The carrying values of financial assets and financial liabilities reported in balance sheet approximate their fair values.

36. CAPITAL MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for 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, key management employees and staff retirement funds. The Company continues to have a policy whereby all transactions with related parties undertakings are entered into at commercial terms and conditions. Further, contribution to defined contribution plan (provident fund) are made as per the terms of employment and contribution to the defined benefit plan (gratuity scheme) are in accordance with the actuarial advice. Remuneration of key management personnel are in accordance with their terms of engagements. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2012	2011
	(Rupees in '000)	
Subsidiary		
Transfer of inventory at cost	-	1,373,535
Sales	5,545	564,868
Purchases	1,445,060	2,984,373
Sale proceeds from disposal of fixed assets	1,715	951
Late payment surcharge	-	79,944
Supply of chilled water	28,788	9,750
Purchase of land	-	27,332
Service charges	-	1,182
Rental Income	7,258	5,658
Purchase of store items	7,838	-
Toll manufacturing	6,118	-
IT services	3,648	-
Associated companies		
Sales	1,182,850	471,019
Purchases	241,164	145,003
Insurance premium expense	17,079	56,338
Insurance claims received	-	3,059
Investments in an associated company	-	27,080
Donations	1,750	3,000
Dividend paid	4,737	13,820
Dividend received	4,852	2,909
Payable to related parties	-	15,512
Receivable from related parties	144,211	134,256
Others	200	426

	2012	2011
	(Rupees in '000)	
Key management personnel		
Remuneration	**164,973**	132,543
Staff retirement benefits	**11,976**	8,542
Sale proceed from disposal of vehicle	**-**	675
Non executive directors		
Director's fee	**4,421**	1,900
Staff retirement fund		
Contribution paid	**29,756**	34,357

38. PRODUCTION CAPACITY

	2012	2011
	(Matric Tonne)	
The production capacity at the year end was as follows:		
Pipe	**336,000**	312,000
Galvanising	**150,000**	150,000
Cold rolled steel strip	**70,000**	70,000
Polyethylene pipe	**15,000**	10,000
The actual production for the year was:		
Pipe	**176,963**	169,799
Galvanising	**90,666**	76,817
Cold rolled steel strip	**41,929**	50,278
Polyethylene pipe	**5,716**	5,840

The name-plate capacities of the plants are determined based on a certain product mix. The actual production mix is 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 segment is presented below.

39.1 Segment revenue and results

	Steel Segment	Plastic Segment	Total
	---------------- (Rupees in '000) --------------		
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**
For the year ended 30 June 2011			
Sales	14,830,874	1,019,881	15,850,755
Cost of sales	(13,113,795)	(924,955)	(14,038,750)
Gross profit	1,717,079	94,926	1,812,005

Reconciliation of segment results with profit after tax is as follows :

	2012	2011
	(Rupees in '000)	
Total results for reportable segments	**1,909,176**	1,812,005
Selling, distribution and administrative expenses	**(580,054)**	(616,577)
Financial charges	**(969,225)**	(606,855)
Other operating expenses	**(40,858)**	(191,725)
Other operating income	**71,471**	872,265
Taxation	**(64,700)**	(239,000)
Profit for the year	**325,810**	1,030,113

39.2 **Segment assets and liabilities**

	Steel Segment	Plastic Segment	Total
	(Rupees in '000)		
As at 30 June 2012			
Segment assets	**11,208,388**	**591,260**	**11,799,648**
Segment liabilities	**62,670**	**-**	**62,670**
As at 30 June 2011			
Segment assets	8,493,890	862,418	9,356,308
Segment liabilities	46,105	-	46,105

Reconciliation of segment assets and liabilities with total assets and liabilities in the balance sheet is as follows:

	2012	2011
	(Rupees in '000)	
Total for reportable segments assets	**11,799,648**	9,356,308
Unallocated assets	**3,266,585**	4,554,474
Total assets as per balance sheet	**15,066,233**	13,910,782
Total for reportable segments liabilities	**62,670**	46,105
Unallocated liabilities	**9,825,888**	8,593,188
Total liabilities as per balance sheet	**9,888,558**	8,639,293

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

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

39.5 Revenue from major products

The analysis of the Company's revenue from external customers for its products is given in note 23 to these financial statements.

39.6 Information about major customers

Revenue from major customer of Plastic Segment is Rs. 485.89 million (2011: Rs. 625.613 million), where as in Steel Segment there is no major customer whose revenue accounts for more than 10% of Steel Segment's revenue.

39.7 Geographical information

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

	2012	2011
	(Rupees in '000)	
Domestic sales	**12,195,963**	13,200,690
Export sales	**6,582,471**	5,138,868
	18,778,434	18,339,558

The Company exports its product to South Asia, Europe, Middle East and North America.

40. 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 operating charges (Exchange loss - net)	Financial charges (Exchange loss - net)	27,965
Stock in trade (Finished goods)	Stock in trade (Work in process)	262,093
Stock in trade (Work in process)	Stock in trade (Raw material)	15,086

The effect of above rearrangement / reclassification is not material.

41. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Bord of Director of the Company in their meeting held on 15 August 2012 has proposed a final cash dividend of Rs. 2.00 per share amounting to Rs. 239.785 million (2011 : Rs. 3.50 per share final cash dividend amounting to Rs. 419.624 million) for the year ended 30 June 2012. The approval of members of the Company for the dividend shall be obtained at the Annual General Meeting to be held on 25 September 2012. The financial statments for the year ended 30 June 2012 do not include the effect of the proposed final cash dividends which will be accounted for in the period in which it is approved by the members.

42. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the meeting of Board of Directors held on 15 August 2012.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial Officer

Riyaz T. Chinoy
Managing Director &
Chief Executive

Consolidated Financial Statements of the Company

Auditor's Report To The Member

We have audited the annexed consolidated financial statements of International Industries Limited ("the Holding Company") and its subsidiary company International Steels Limited (together referred as "the Group") comprising consolidated balance sheet as at 30 June 2012 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 Holding Company 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 Holding Company and its subsidiary company as at 30 June 2012 and the results of their operations, changes in equity and cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

KPMG Taseer Hadi & Co.

Date: 15 Aug. 2012

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Karachi

Consolidated Balance Sheet

As at 30 June 2012

	Note	2012	2011
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	**11,700,574**	11,466,692
Intangible assets	6	**22,033**	14,538
Investment in equity accounted investee	7	**169,018**	163,746
Long term deposits		**5,313**	26,917
		11,896,938	11,671,893
Current assets			
Stores and spares	8	**510,057**	253,220
Stock-in-trade	9	**12,596,684**	8,570,938
Trade debts	10	**1,960,724**	1,924,868
Advances	11	**40,730**	919,042
Trade deposits and short term prepayments	12	**19,889**	23,438
Other receivables	13	**628,001**	1,663,606
Taxation-net	14	**745,133**	426,154
Cash and bank balances	15	**24,865**	274,883
		16,526,083	14,056,149
Total assets		**28,423,021**	25,728,042
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital			
200,000,000 (2011: 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 reserves		**2,139,958**	2,468,744
Unappropriated profit		**343,515**	158,580
Equity attributable to owners of the Holding Company		**3,682,399**	3,826,250
Non-controlling interest		**1,813,573**	1,859,191
Total equity		**5,495,972**	5,685,441
Surplus on revaluation of property, plant and equipment	17	**1,357,823**	1,362,343
LIABILITIES			
Non-current liabilities			
Long term financing	18	**4,263,550**	4,573,019
Deferred taxation-net	19	**240,704**	264,717
		4,504,254	4,837,736
Current liabilities			
Trade and other payables	20	**1,760,083**	1,129,974
Short term borrowings	21	**14,011,842**	11,896,801
Current portion of long term financing	18	**959,608**	500,701
Accrued markup		**333,439**	315,046
		17,064,972	13,842,522
Total liabilities		**21,569,226**	18,680,258
Contingencies and Commitments	22		
Total Equity and Liabilities		**28,423,021**	25,728,042

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
Managing Director &
Chief Executive

Consolidated Profit and Loss Account

For the year ended 30 June 2012

	Note	2012	2011
		(Rupees in '000)	
Net sales	23	**28,800,719**	15,992,338
Cost of sales	24	**(25,642,642)**	(13,829,976)
Gross profit		**3,158,077**	2,162,362
Selling and distribution expenses	25	**(510,779)**	(445,793)
Administrative expenses	26	**(212,270)**	(275,891)
		(723,049)	(721,684)
Financial charges	27	**(2,242,085)**	(948,844)
Other operating charges	28	**(44,190)**	(124,920)
		(2,286,275)	(1,073,764)
Share of profit in equity accounted investee		**10,124**	1,951
Other operating income	29	**115,439**	211,508
Profit before taxation		**274,316**	580,373
Taxation	30	**(48,681)**	(264,653)
Profit for the year		**225,635**	315,720
Profit attributable to:			
- Owners of the Holding company		**271,253**	281,852
- Non-controlling interest		**(45,618)**	33,868
Profit for the year		**225,635**	315,720
		(Rupees)	
Earnings per share - basic and diluted	31	**2.26**	2.35

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
Managing Director &
Chief Executive

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	2012	2011
		(Rupees in '000)	
Profit for the year		**225,635**	315,720
Other comprehensive income		**-**	-
Total comprehensive income for the year		**225,635**	315,720
Total comprehensive income attributable to:			
-Owners of the Holding company		**271,253**	281,852
-Non-controlling interest		**(45,618)**	33,868
Total comprehensive income for the year		**225,635**	315,720

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
Managing Director &
Chief Executive

Consolidated Cash Flow Statement

For the year ended 30 June 2012

	Note	2012	2011
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**274,316**	580,373
Adjustments for:			
Depreciation and amortisation		**550,302**	367,618
Provision for doubtful debts		**(2,625)**	3,693
Store and spares obsolesence		**-**	9
Interest on bank deposits		**(5,784)**	(1,675)
Loss / (gain) on sale of property, plant and equipment		**4,287**	(3,616)
Gain on acquisition of investment in an associated company		**-**	(11,772)
Share of profit from an associated company		**(10,124)**	(1,951)
Financial charges		**2,242,085**	948,844
		3,052,457	1,881,523
Movement in:			
Working capital	*32*	**(1,770,459)**	(4,423,552)
Long term deposits		**21,604**	(20,541)
Net cash generated from / (used in) operations		**1,303,602**	(2,562,570)
Financial charges paid		**(2,223,692)**	(857,677)
Taxes paid		**(391,673)**	(613,004)
Net cash used in operating activities		**(1,311,763)**	(4,033,251)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		**(805,996)**	(1,935,300)
Proceeds from divestment in subsidiary company		**-**	1,988,185
Investment in an associated company		**-**	(27,080)
Dividend income		**4,852**	2,909
Proceeds from sale of property, plant and equipment		**10,030**	6,770
Interest received		**5,718**	1,722
Net cash (used in) / generated from investing activities		**(785,396)**	37,206
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		**500,000**	1,267,322
Repayment of long term financing		**(350,562)**	(1,370,833)
Dividends paid		**(417,338)**	(428,166)
Net cash used in financing activities		**(267,900)**	(531,677)
Net decrease in cash and cash equivalents		**(2,365,059)**	(4,527,722)
Cash and cash equivalents at beginning of the year		**(11,621,918)**	(7,094,196)
Cash and cash equivalents at end of the year		**(13,986,977)**	(11,621,918)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances	*15*	**24,865**	274,883
Short term borrowings	*21*	**(14,011,842)**	(11,896,801)
		(13,986,977)	(11,621,918)

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
Managing Director &
Chief Executive

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

	Issued, subscribed and Paid up capital	Revenue reserves: General reserves	Revenue reserves: Un-appropriated profit	Total reserves	Total	Non Controlling interest	Total equity
	-----	-----	-----	(Rupees in '000)	-----	-----	-----
Balance as at 1 July 2010	999,105	1,422,854	901,642	2,324,496	3,323,601	-	3,323,601
Total comprehensive income for the year ended 30 June 2011							
Profit for the year	-	-	281,852	281,852	281,852	33,868	315,720
Transactions with owners recorded directly in equity							
Distributions to owners of the Holding Company							
Dividend:							
-Final dividend @ 25% (Rs.2.50 per share) for the year ended 30 June 2010	-	-	(249,776)	(249,776)	(249,776)	-	(249,776)
-Issuance of bonus shares for the year ended 30 June 2010 @ 20% per share	199,821		(199,821)	(199,821)	-		-
-Interim dividend @ 15% (Rs.1.50 per share) for the year ending 30 June 2011	-	-	(179,839)	(179,839)	(179,839)		(179,839)
Total transactions to the owners of the Holding Company	199,821	-	(629,436)	(629,436)	(429,615)	-	(429,615)
Change in ownership interest in Subsidiary Company							
Disposal of equity interest in Subsidiary Company	-	-	-	-	-	1,825,323	1,825,323
Gain on disposal of shares of subsidiary - net of tax	-	645,890	-	645,890	645,890	-	645,890
Total transactions with owners of the Holding Company	199,821	645,890	(629,436)	16,454	216,275	1,825,323	2,041,598
Transfer to general reserves	-	400,000	(400,000)	-	-	-	-
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	4,522	4,522	4,522	-	4,522
Balance as at 30 June 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							
Dividend							
-Final dividend @ 35% (Rs. 3.50 per share) for the year ended 30 June 2011	-	-	(419,624)	(419,624)	(419,624)	-	(419,624)
Total transactions to the owners of the Holding Company	-	-	(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**

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
Managing Director &
Chief Executive

1. **THE GROUP AND ITS OPERATIONS**

1.1 The Group consist 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 associated entity namely Pakistan Cables Limited.

1.2 International Industries Limited ("the Holding Company") was incorporated in Pakistan in 1948 and is quoted on the Karachi, Lahore and Islamabad Stock Exchanges in Pakistan. The Holding 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 Holding Company is situated at 101, Beaumont Plaza, 10, Beaumont Road Karachi - 75530.

1.3 International Steels Limited ("the Subsidiary Company") was incorporated on September 03, 2007 as a public 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 general public under Initial Public Offer, the Subsidiary Company was listed on the Karachi Stock Exchange on 01 June 2011. The primary activities of the Subsidiary Company are business of manufacturing of cold rolled steel coils and galvanized sheets. The Subsidiary Company commenced commercial operationson 01 January 2011. The registered office of the Subsidiary Company is situated at 101, Beaumont Plaza, 10 Beaumont Road, Civil Lines, Karachi.

1.4 Detail of Group's associate 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 2011 and the audited financial statements of the Subsidiary Company for the year ended 30 June 2011. Details regarding the financial information of associate 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 as are notified under the Companies Ordinance, 1984, 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 consolidated financial statements have been prepared under the historical cost convention except that the land and buildings of the Holding Company are stated at revalued amounts.

2.3 Functional and presentation currency

These consolidated financials statements are presented in Pakistan Rupees which is also 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 consolidated financials 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.

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 significant effect on the consolidated financials statements and estimates with significant risk of material judgment in the next year are set forth below.

Income taxes

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

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these consolidated financials statements for 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 Group's management 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 valuation performed by external professional valuers and recommendation of technical teams of the Group. The said recommendation also include estimates with respect to residual values and useful lives. 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 equipments with a corresponding affect on the depreciation charge and impairment.

Stock-in-trade and stores and spares

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

3. AMENDMENTS / INTERPRETATION TO EXISTING STANDARD AND FORTHCOMING REQUIREMENTS

3.1 Standards, amendments or 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 effect on the 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 standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. Except for the amendment in International Accounting Standard (IAS) 19 which results in immediate recognition of actuarial gains or losses and revised basis of calculation for net finance costs, these standards are either not relevant to the Company's operations or are not expected to have a significant impact on the Group's financial statements, other than increased disclosures in certain cases:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss.

- 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 arrangement.

- 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 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.

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.

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financials statements are set out below and have been consistently applied to all 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 subsidiary company have been consolidated on a line by line basis. The carrying value of investment held by the Holding Company is eliminated against the subsidiary's 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 the 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 interests 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 income statement.

The financial statements of the associate used for equity accounting are prepared with 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 whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate 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 land and buildings of the Holding Company) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold and leasehold land of the Holding Company are stated at revalued amounts and buildings on freehold and leasehold land of the Holding Company 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.

Subsequent cost

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be reliably measured. Cost incurred to replace a component of an item of property, plant and equipment is capitalized 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 straight line basis at the rate specified in note 5.1 to these consolidated financials statements. Depreciation on additions to buildings and plant and machinery, furniture, fixture and office equipment and vehicles is charged from the month the asset is available for use upto the month prior to disposal.

Depreciation methods, useful lives and residual values of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each balance sheet date.

Revaluation surplus

Surplus on revaluation of land and buildings is credited to the surplus on revaluation account. 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.

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 expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

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 their construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.

4.3 Intangible assets

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

Costs directly associated with identifiable software that will have probable economic benefits exceeding costs beyond one year, are recognized 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 amortization and impairment losses, if any. These are amortized on straight line basis over its estimated useful life (three years).

Subsequent expenditure

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

Amortization

Amortization is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets (i.e. three years) unless such lives are indefinite. Amortization on additions to intangible assets is charged from the month in which an item is acquired or capitalized while no amortization is charged for the month in which the item is disposed off.

4.4 Derivative financial instruments

Derivatives that do not qualify for hedge accounting are recognized in the balance sheet at estimated fair value with corresponding effect to profit and loss. 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 / 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 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 management'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 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 recognized initially at fair value and subsequently measured at amortized 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 cash flow purposes include cash in hand, 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 statement of cash flows.

4.10 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in comprehensive income or below equity, in which case it is recognized in comprehensive income or below equity respectively.

Current

Provision for current taxation is based on taxability of certain income streams of the Group under final tax regime at the applicable tax rates and 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 recognized using balance sheet liability method, providing for temporary difference 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 realization 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 recognizes 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 recognizes 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 plan) for all employees of the Holding Company.

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 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 years, the benefit is available at half month's basic salary (eligible salary) for each completed year of 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 obligation 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 Group's obligations and the fair value of plan assets are amortized over the expected average remaining working lives of the employees. Vested past service cost, if any, is recognized immediately in profit and loss, while non-vested past service cost is amortized on straight line basis over the average period until it becomes vested.

Amounts recognized in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognzied actuarial gains and losses and unrecognized past service cost, if any, and as reduced by the fair value of plan assets. Any assets resulting from this calculation is limited to the unrecognized actuarial losses and unrecognized past service cost plus the present value of available refunds and reductions in future contributions to the plan.

Defined contribution plan

The Group operates a recognized provident fund for all employees of the Group except unionized 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 recognized 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 recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized 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 recognized as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides with delivery.

- Export sales are recognized 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 recognized on a time-apportioned basis using the effective rate of return.

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

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

- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.

- Service income is recognized when services are rendered.

- Rental income is recognized on straight line basis over the term of the lease.

- 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 amortized cost as the case may be. The Group derecognizes 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 recognized amounts and the Group intends either to settle on a net basis or to realize 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 recognized, 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 amortization, if no impairment loss had been recognized.

4.18 **Mark-up bearing borrowings**

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in profit and loss account over the period of borrowings on an effective interest basis.

4.19 **Provisions**

A provision is recognized 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. Management 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 Group's shareholders and appropriation to / from reserves is recognized in the period in which these are approved.

5. PROPERTY, PLANT AND EQUIPMENT

		2012	2011
		(Rupees in '000)	
Operating assets	*5.1*	**11,302,345**	11,013,923
Capital work-in-progress	*5.5*	**373,991**	445,087
Stores and spares held for capital expenditure	*5.7*	**24,238**	7,682
		11,700,574	11,466,692

5.1 Operating assets

	Land - Revalued		Building - Revalued		Plant and machinery	Furniture, fixtures and office equipment	Vehicles	Total
	Freehold	Leasehold	Freehold land	Leasehold land				
	(Rupees in '000)							
Net carrying value as at 01 July 2011								
Opening NBV	1,138,669	917,830	1,039,877	390,039	7,432,251	28,439	66,818	11,013,923
Additions / transfer from CWIP	-	-	7,310	25,277	748,834	11,289	48,700	841,410
Disposals	-	-	-	-	(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**	**7,744,804**	**28,446**	**79,335**	**11,302,345**
Gross carrying value as at 30 June 2012								
Cost / revalued amount	1,138,669	917,830	1,071,268	534,315	8,467,716	48,897	122,923	12,301,618
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**	**7,744,804**	**28,446**	**79,335**	**11,302,345**
Depreciation rates (% per annum)	**-**	**-**	**2 - 50**	**2 - 50**	**3 - 50**	**10 - 33.3**	**20**	
Net carrying value as at 01 July 2010								
Opening NBV	1,105,737	917,830	42,652	392,214	1,317,730	20,822	52,414	3,849,399
Additions	32,932	-	1,021,306	18,453	6,402,089	16,809	35,590	7,527,179
Disposals	-	-	-	(155)	(862)	-	(538)	(1,555)
Depreciation charge	-	-	(24,081)	(20,473)	(286,706)	(9,192)	(20,648)	(361,100)
Balance as at 30 June 2011 (NBV)	**1,138,669**	**917,830**	**1,039,877**	**390,039**	**7,432,251**	**28,439**	**66,818**	**11,013,923**
Gross carrying value as at 30 June 2011								
Cost / revalued amount	1,138,669	917,830	1,063,958	509,038	7,718,957	37,631	87,466	11,473,549
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**	**7,432,251**	**28,439**	**66,818**	**11,013,923**
Depreciation rates (% per annum)	**-**	**-**	**10**	**5 - 50**	**10 - 50**	**10 - 33.3**	**20**	

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

		2012	2011
		(Rupees in '000)	
Cost of sales	*24*	**488,282**	311,585
Selling and distribution expenses	*25*	**7,175**	5,583
Administrative expenses	*26*	**10,744**	11,766
Income from power generation	*29.1*	**32,470**	22,275
Capital work in progress-		-	9,891
		538,671	361,100

5.3 The Holding Company has carried out valuation of freehold land, leasehold land and buildings during the year ended 30 June 1988, 30 June 1997, 30 June 2000, 30 June 2004 and 31 December 2007. The resulting revaluation surplus has been disclosed in note 17 to the financial statements and has been credited to revaluation surplus account net of related tax effect. The group will carry out fresh revaluation as on 30 June 2013.

The carrying amount of the above mentioned assets as at 30 June 2011, if the said assets had been carried at historical cost would have been as follows:

	Cost	Accumulated depreciation	Net book value
	(Rupees in '000)		
Leasehold land	**187,645**	**-**	**187,645**
Freehold land	**141,963**	**-**	**141,963**
Buildings	**488,010**	**(223,199)**	**264,811**
As at 30 June 2012	**817,618**	**(223,199)**	**594,419**
As at 30 June 2011	785,130	(205,234)	579,896

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

Description	Cost	Accumulated depreciation	Book value	Sale Proceeds	Mode of disposal	Particulars of buyer
	(Rupees in '000)					
Plant and machinery						
C-Hook 35 tons	208	137	71	80	Negotiation	M/s. Arshad Brothers
Book value less than Rs.50,000 each	5,438	5,434	4	302	Negotiation	Various
Furniture, fixtures and office equipment						
Various items of book value upto Rs.50,000 each	242	219	23	71	Negotiation	Various
Vehicles						
Toyota Corolla	1,869	467	1,402	-	on retirement as per policy	Mr. Kemal Shoaib
Toyota Harrier	3,420	1,136	2,284	-	on retirement as per policy	Mr. Towfiq H.Chinoy
Porsche Jeep	10,363	2,073	8,290	-	on retirement as per policy	Mr. Towfiq H.Chinoy
Honda Civic	1,764	559	1,205	-	on retirement	Mr. A.Waseem Sufi
Suzuki Mehran	469	164	305	440	Insurance claim	M/s. Jubilee General Insurance
Honda City	854	769	85	905	Negotiation	Mr.G.Fareed C/o Al-Mustafa
Honda Motorcycle	66	6	60	63	Insurance claim	M/s. Jubilee General Insurance
Suzuki Mehran	428	185	243	365	Negotiation	Mr. Saqib Shamsher, Karachi
Suzuki Mehran	443	158	285	430	Insurance claim	M/s. Jubilee General Insurance
Suzuki Mehran VX	320	320	-	233	As per company policy	Mr. Shakeel Mustaq (Deputy Manager Admin)
Various vehicles of book value upto Rs.50,000 each	8,796	8,736	60	7,141	Negotiation	Various
	34,680	20,363	14,317	10,030		

5.5 **Capital work-in-progress (CWIP)**

	As at 01 July 2011	Additions	Cost (Transfers)	As at 30 June 2012
	---------- (Rupees in '000) ----------			
Land	-			**-**
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**

5.6 The Subsidiary Company has capitalized borrowing costs amounting to Rs. 6.98 million (2011: Rs 126.931 million). Further, an amount of Rs. 86.478 million is capitalised by the Subsidiary Company on account of trial production loss incurred till 31 December 2010 to achieve desired results such as targeted quality, rate of production etc.

5.6 **Stores and spares held for capital expenditure**

	As at 01 July 2011	Additions	Cost (Transfers)	As at 30 June 2012
	----------(Rupees in '000)----------			
In store	7,682	21,555	(4,999)	24,238

6. **INTANGIBLE ASSETS**

		2012	2011
		(Rupees in '000)	
Net book value as at 1st July		**14,538**	11,801
Additions		**19,126**	9,255
Amortization		**(11,631)**	(6,518)
Net book value as at 30 June	*6.1*	**22,033**	14,538
Gross Carrying Value as at 30 June			
Cost		**60,468**	41,342
Accumulated amortization		**(38,435)**	(26,804)
Net book value		**22,033**	14,538
		(Percent)	
Amortization rate (% per annum)		**33.33**	33.33

6.1 Intangible assets comprises of computer software and licenses.

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

		(Rupees in '000)	
Cost of sales	*24*	7,194	3,258
Selling and distribution expenses	*25*	2,662	1,950
Administrative expenses	*26*	1,775	1,310
		11,631	6,518

7. NVESTMENTS IN EQUITY ACCOUNTED INVESTEE

2012	2011		2012	2011
(Number of shares)			(Rupees in '000)	
2,425,913	1,929,818	Pakistan Cables Limited (PCL) - associate company at cost	**169,018**	163,746

7.1 This represents investment in Pakistan Cables Limited incorporated in Pakistan. The 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

The Chief Executive Officer of this company is Mr. Kamal A. Chinoy. The market value as at 30 June 2012 was Rs. 92.549 million (30 June 2011 Rs. 110.622 million). The share of profit after acquisition is recognised based on unaudited condensed interim financial information as at 31 March 2012 as the latest financial statements as at 30 June 2012 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

	31 March 2012 (Unaudited)	30 June 2011 Audited
Assets	**3,404,666**	3,807,776
Liabilities	**1,317,707**	1,738,410
Total revenue	**3,830,033**	4,908,036
Profit after tax	**74,521**	85,682

8. **STORES AND SPARES**

	2012	**2011**
	(Rupees in '000)	
Stores	**173,162**	73,314
Spares	**300,100**	178,559
Stores and spares in transit	**33,849**	-
Loose tools	**2,946**	1,347
	510,057	253,220

9. **STOCK-IN-TRADE**

Raw material	- in hand	*9.1*	**5,705,233**	5,212,853
	- in transit		**3,284,185**	-
			8,989,418	5,212,853
Work-in-process			**1,064,991**	1,402,710
Finished goods			**2,414,279**	1,854,041
By-products			**43,246**	12,611
Scrap material			**84,750**	88,723
			12,596,684	8,570,938

9.1 Raw material amounting to Rs. 25.433 million (2011: Rs. 15.804 million) is held at vendor premises.

			2012	2011
10.	**TRADE DEBTS**		(Rupees in '000)	
	Considered good - secured		**995,281**	575,585
	- unsecured	10.1	**965,443**	1,349,283
			1,960,724	1,924,868
	Considered doubtful		**34,508**	37,133
			1,995,232	1,962,001
	Provision for doubtful debts	10.2	**(34,508)**	(37,133)
			1,960,724	1,924,868
10.1	The related parties from whom the debts are due are as under:			
	Sui Southern Gas Company Limited		**109,268**	115,903
	Sui Northern Gas Pipelines Limited		**34,864**	18,264
	Pakistan Cables Limited		**16**	89
	DH Fertilizers		**63**	-
			144,211	134,256
10.2	**Provision for doubtful debts**			
	Balance as at 1 July		**37,133**	33,440
	Charge for the year		**4,594**	15,212
	Reversal for the year		**(10,642)**	-
		25	**(6,048)**	15,212
	Debtors' written back to the provision		**3,423**	-
	Debtors' written off during the year		**-**	(11,519)
	Balance as at 30 June		**34,508**	37,133
11.	**ADVANCES**			
	Considered good			
	- suppliers		**39,870**	917,760
	- employees		**860**	1,282
			40,730	919,042
12.	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Trade deposits		**6,284**	15,424
	Short term prepayments		**13,605**	8,014
			19,889	23,438
13.	**OTHER RECEIVABLES**			
	Considered good			
	Interest income receivable		**66**	-
	Sales tax receivable		**371,436**	1,385,642
	Receivable on transmission of electricity to KESC		**255,546**	275,931
	Others		**953**	2,033
			628,001	1,663,606

14. TAXATION - NET

	Note	2012	2011
		(Rupees in '000)	
Tax receivable as at 1 July		**426,154**	111,819
Tax payments / adjustments during the year		**391,673**	613,004
		817,827	724,823
Less: Provision for tax	30	**(72,694)**	(245,699)
Less: Tax provision on divestment of shares of subsidiary company		**-**	(52,970)
		745,133	426,154

15. CASH AND BANK BALANCES

	2012	2011
Cash in hand	**17**	-
Cash at bank		
- in current accounts	**24,052**	272,573
- in profit and loss sharing accounts	**796**	2,310
	24,865	274,883

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2012	2011		2012	2011
(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 (2011 : 6,034,133) ordinary shares of Rs. 10 each at the year end.

17. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2012	2011
	(Rupees in '000)	
Freehold land		
Balance as at 01 July	**9,728**	9,728
Revaluation surplus over original cost/ book value of Rs. 6.65 million on 31 December 2007	**3,667**	3,667
Revaluation surplus over original cost/ book value of of Rs. 597.29 million on 31 December 2007	**463,965**	463,965
Revaluation surplus over original cost/ book value of of Rs. 6.530 million on 31 December 2007	**7,076**	7,076
	484,436	484,436
Leasehold land		
Balance as at 01 July	**383,635**	383,635
Revaluation surplus over original cost / book value of Rs. 571.28 million on 31 December 2007	**346,550**	346,550
	730,185	730,185
	1,214,621	1,214,621

Buildings

	2012	2011
	(Rupees in '000)	
Balance as at 1 July	**204,625**	210,924
Transferred to retained earnings (Unappropriated profit) in respect of incremental depreciation charged during the year - net of deferred tax	**(6,298)**	(6,299)
	198,327	204,625
Related deferred tax liability as on 1 July	**(56,903)**	(58,680)
Tax effect on incremental depreciation transferred to retained earnings	**1,778**	1,777
Related deferred tax liability as on 30 June	**(55,125)**	(56,903)
	143,202	147,722
	1,357,823	1,362,343

18. LONG TERM FINANCING

	Note	2012	2011
		(Rupees in '000)	
Secured			
Long-term finances utilised under mark-up arrangements	*18.1*	**5,223,158**	5,073,720
Current portion of long term finances shown under current liabilities		**(959,608)**	(500,701)
		4,263,550	4,573,019

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	2012	2011
		(Rupees in '000)					(Rupees in '000)	
i)	**Bank Al Habib Limited** Local currency assistance of Rs.250 million for plant and machinery	250,000	412,586	8 half yearly 31-12-2009	28-06-2013	1.25 % over 6 months Kibor	**50,000**	100,000
ii)	**MCB Bank Limited** Local currency assistance of Rs.750 million for plant and machinery	750,000	1,238,000	8 half yearly 31-12-2009	1-07-2013	1.25 % over 6 months Kibor	**187,500**	375,000
iii)	**Meezan Bank Limited** Local currency assistance of Rs.500 million for plant and machinery	500,000	691,998	6 half yearly 31-03-2013	30-09-2015	0.65% over 6 months Kibor	**500,000**	-
iv)	**Syndicated term financing** Local currency assistance of Rs. 4,000 million for plant and machinery of Cold Rolled Galvanised Sheet Project (refer note 18.1.2)	4,000,000	9,376,178	16 half yearly 10-03-2011	10-09-2018	1.50% over SBP Refinance rate	**3,768,391**	3,948,720
v)	**Faysal Bank Limited** Local currency assistance of Rs. 900 million for plant and (refer note 18.1.3)	900,000	1,046,259	8 half yearly 27-12-2012	27-06-2016	1.80% over 6 months Kibor	**717,267**	650,000
							5,223,158	5,073,720

18.1.1 All long term finances except for the syndicated term financing mentioned above, utilised under mark-up arrangements are secured by way of a joint equitable mortgage on all the present and future immovable properties on plot number LX-15 &16 and HX-7/4, Landhi Industrial Area, Karachi and other assets of the Holding Company, excluding inventories and book debts.

18.1.2 The syndicated term financing is obtained by the Subsidiary Company for plant and machinery of Cold Rolling Mills and Galvanising Plant and is secured by way of mortgage of land located at Survey No. 399-405, Landhi Town, Karachi, joint pari passu charge, joint supplemental memorandum of deposit of title deeds as per the terms of syndicated term financing agreement.

18.1.3 The Long term finance is obtained by the Subsidiary Company from Faysal Bank Limited for Plant and Machinery and is secured by way of first pari passu charge over fixed assets of the Subsidiary Company.

19. DEFERRED TAXATION - NET

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

	Balance as at 01 July 2010	Charge / (Reversal) recognized in profit and loss	Balance as at 30 June 2011	Charge / (Reversal) in profit and loss	Balance as at 30 June 2012
	(Rupees in '000)				
Taxable temporary difference					
Accelerated tax depreciation	264,762	1,422,411	1,687,173	156,931	**1,844,104**
Share of profit from associate	475	(280)	195	-	**195**
Deductible temporarydifferences					
Provision for doubtful debts	(11,704)	(1,293)	(12,997)	919	**(12,078)**
Carry forward of unused tax losses	-	(1,394,104)	(1,394,104)	(161,977)	**(1,556,081)**
Provision for compensated absences	(7,770)	(7,780)	(15,550)	(19,886)	**(35,436)**
	245,763	18,954	264,717	(24,013)	**240,704**

20. TRADE AND OTHER PAYABLES

	Note	2012	2011
		(Rupees in '000)	
Trade creditors		**946,343**	527,952
Accrued expenses		**480,304**	414,799
Bills payable		**207,840**	-
Advances from customers		**101,422**	120,883
Workers' profit participation fund	*20.1*	**6,000**	2,250
Workers' welfare fund		**7,876**	26,876
Unclaimed dividend		**9,690**	7,404
Others		**608**	29,810
		1,760,083	1,129,974

20.1 Workers' profit participation fund

	2012	2011
Balance as at 01 July	**2,250**	5,000
Interest on funds utilised in the Holding Company's business at 37.50% (2011: 30%) per annum	**132**	164
	2,382	5,164
Allocation for the year	**21,000**	68,250
	23,382	73,414
Payments made during the year	**(17,382)**	(71,164)
Balance as at 30 June	**6,000**	2,250

21. SHORT TERM BORROWINGS

		2012	2011
		(Rupees in ‘000)	
Running finance under mark-up arrangement from banks - secured	*21.1*	**4,805,018**	1,451,349
Short term borrowing under Money Market Scheme	*21.2*	**950,000**	-
Short term borrowing under Export Refinance Scheme	*21.3*	**2,478,755**	1,790,000
Running finance under FE-25 Export and Import Scheme	*21.4*	**5,318,069**	8,655,452
Short term finance under Murabaha and Istisna	*21.5*	**460,000**	-
		14,011,842	11,896,801

21.1 The facilities for running finance available from various banks amounting to Rs. 10,875 million (2011: Rs. 4,047 million) are secured by way of hypothecation of stock-in-trade and book debts. The rates of mark-up on these finances range from 12.66% to 13.79% per annum (2011: 14.39% to 15.20% per annum). The facility for short term finance mature within twelve months.

21.2 The Holding Company has facilities for short term loan financing available from various commercial banks under mark-up arrangement amounted to Rs. 1,972 million (2011: Rs. Nil) are secured by way of hypothecation of stock-in-trade and book debts. The rates of mark-up on these finances range from 12.00% to 12.64% per annum).

21.3 The facilities for short term running finance under Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 2,478.755 million (2011: Rs.1,790 million). The rate of mark-up on this facility ranges from 10.50% to 11.00% per annum (2011: 10.50% to 10.75% per annum).

21.4 The Group entities have also borrowed short term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 for the purpose of meeting import requirements. The facility availed is for an amount of USD 56.20 million equivalent to Rs. 5,318.067 million (2011: USD 100.6 million equivalent to Rs.8,655.444 million). The rates of mark-up on these finances range from 2.05% to 2.65% (2011: 2.30% to 5.46%) per annum. These facilities are secured against the first pari passu hypothecation charge over the Company’s present and future current assets.

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.

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. 293 million (2011: Rs. 343 million).

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.211.7 million (2011: 166.2 million).

22.1.3 Customs duties amounting to Rs. 1,018 million (2011: Rs. 844 million) on imports of raw material shall be payable by the Holding Company in case of non-fulfillment 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 the stipulated conditions. The Holding Company has fulfilled the conditions for duties amounting to Rs. 875 million and is making continuous efforts to retrieve the associated post-dated cheques from the customs authorities.

Further, an amount Rs. 375 million claimed by the Customs Authorities as duty rate differential on imports made during 2005-10 and the Customs Authorities have refused to give the benefit of SRO 565(1)/2006 for the clearance of current imports. The Holding Company has filed a petition with the Sindh High Court in 2010 for an injunction and is awaiting the final judgement.

22.1.4 The Custom authorities have charged redemption fine of Rs. 83 million on clearance of imported raw material consignment in 2006. The Holding Company has filed an appeal before the High Court of Sindh, which has set aside the examination report and subsequent order produced by Custom authorities and ordered the department to re-examine the matter afresh. However, the Custom authorities have filed an application for leave to appeal against the order of High Court of Sindh. Based on legal advice the management expect chances of admission of such appeal rare.

22.1.5 The Holding Company has reversed the provision for the levy of infrastructure fee amounting to Rs. 107million in 2009 on the basis of decision of the Honourable High Court of Sindh 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 Honourable Supreme Court of Pakistan against such order. During May 2011, the Honourable Supreme Court of Pakistan has disposed off the appeal with a joint statement of the parties that during the pendency of the appeal, another law i.e. fifth version came into existence which was not the subject matter of the appeal hence the case was referred back to High Court of Sindh with right to appeal to Supreme Court. On 31 May 2011, the High Court of Sindh has granted an interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignment released upto 27 December 2006 and any bank guarantee / security furnished for consignment 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 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 petitioner. Bank guarantees amounting to Rs. 115 million have been provided to the department by the Holding Company.

22.2 Commitments

22.2.1 Capital expenditures commitments outstanding as at 30 June 2012 amounted to Rs. 373.934 million (2011: Rs. 72.38 million).

22.2.2 Commitments under letters of credit for raw materials and spares as at 30 June 2012 amounted to Rs. 5,508.625 million (2011: Rs. 6,007.97 million).

22.2.3 Commitments under purchase contract as at 30 June 2012 amounted to Rs. 8.369 million (2011: Rs.14.53 million)

22.2.4 The unavailed facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 9,339.13 million (2011: Rs. 7,806.23 million) and Rs. 705.295 million (2011: Rs. 426.01 million) respectively.

23. NET SALES

	2012	**2011**
	(Rupees in '000)	
Local	**25,482,829**	14,181,319
Export	**7,606,464**	5,138,868
	33,089,293	19,320,187
Sales tax and special excise duty	**(3,855,673)**	(2,861,280)
Trade discount	**(57,040)**	(138,718)
Sales discount and commission	**(375,861)**	(327,851)
	(4,288,574)	(3,327,849)
	28,800,719	15,992,338

			2012	2011
24.	**COST OF SALES**		**(Rupees in '000)**	
	Opening stock of raw material and work-in-process		**6,615,563**	3,157,047
	Purchases		**25,829,562**	16,996,967
	Salaries, wages and benefits		**647,636**	480,156
	Rent, rates and taxes		**10,631**	1,133
	Electricity, gas and water		**498,524**	251,931
	Insurance		**31,644**	20,265
	Security and janitorial		**21,612**	15,450
	Depreciation and amortisation	*5.2 & 6.2*	**495,476**	314,843
	Stores and spares consumed		**116,606**	76,572
	Stores and spares obsolescence		**-**	9
	Repairs and maintenance		**125,832**	135,301
	Postage, telephone and stationery		**15,990**	16,201
	Vehicle, travel and conveyance		**26,013**	14,710
	Internal material handling		**20,304**	13,949
	Environment controlling expense		**1,495**	3,150
	Freight and forwarding expenses		2,795	-
	Sundries		**10,922**	8,146
	(Reversal) / write down of inventory to net realisable value		**-**	-
	Recovery of scrap		**(1,550,163)**	(783,083)
			32,920,442	20,722,747
	Closing stock of raw material and work-in-process		**(6,770,224)**	(6,615,563)
	Cost of goods manufactured		**26,150,218**	14,107,184
	Finished goods and By-product:			
	Opening stock		**1,949,949**	1,672,741
	Closing stock		**(2,457,525)**	(1,949,949)
			(507,576)	(277,208)
			25,642,642	13,829,976

			2012	2011
25.	**SELLING AND DISTRIBUTION EXPENSES**			
	Freight and forwarding expense		**364,318**	303,678
	Salaries, wages and benefits		**98,240**	68,871
	Rent, rates and taxes		**489**	1,245
	Electricity, gas and water		**4,179**	3,259
	Insurance		**1,149**	917
	Depreciation and amortisation	*5.2 & 6.2*	**9,837**	7,533
	Repairs and maintenance		**344**	708
	Advertising and sales promotion		**11,452**	18,733
	Postage, telephone and stationery		**5,403**	5,031
	Office supplies		**64**	70
	Vehicle, travel and conveyance		**14,101**	14,015
	Provision for doubtful debts - net	*10.2*	**(6,048)**	15,212
	Debts written off		**-**	102
	Certification and registration charges		**4,041**	2,584
	Others		**3,210**	3,835
			510,779	445,793

26. ADMINISTRATIVE EXPENSES

	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
Salaries, wages and benefits		**144,699**	188,389
Rent, rates and taxes		**134**	772
Electricity, gas and water		**4,280**	5,032
Insurance		**941**	538
Depreciation and amortisation	*5.2 & 6.2*	**12,519**	13,076
Repairs and maintenance		**1,049**	2,415
Postage, telephone and stationery		**8,700**	11,145
Office supplies		**350**	104
Vehicle, travel and conveyance		**10,962**	10,121
Legal and professional charges		**10,680**	29,590
Certification and registration charges		**2,854**	3,654
Others		**15,102**	11,055
		212,270	275,891

27. FINANCIAL CHARGES

	Note	2012	2011
Mark-up on:			
- long term financing		**548,991**	353,985
- short term borrowings		**1,118,830**	515,520
Exchange loss - net		**555,877**	66,584
Interest on workers' profit participation fund	*20.1*	**132**	164
Bank charges		**18,255**	12,591
		2,242,085	948,844

28. OTHER OPERATING CHARGES

	Note	2012	2011
Auditors' remuneration	*28.1*	**2,994**	4,543
Donations	*28.2*	**6,485**	24,827
Workers' profit participation fund	*20.1*	**21,000**	68,250
Workers' welfare fund		**8,300**	27,300
Loss on sale of property, plant and equipment		**4,590**	-
Others		**821**	
		44,190	124,920

28.1 Auditors' remuneration

	2012	2011
Audit fee	**2,085**	1,850
Half yearly review	**515**	240
Other services (including hive down and certifications)	**266**	2,238
Out of pocket expenses	**128**	215
	2,994	4,543

28.2 Donations

Donations include the following in which a director is interested.

Name of director	**Interest** in donee	**Name and address** of the donee	**Amount donated** **2012** (Rupees in '000)	2011 (Rupees in '000)
Mr. Riyaz Chinoy	Chairman	Amir Sultan Chinoy Foundation	**1,000**	2,000
Mr. Fuad Azim Hashimi	Member BOG	Indus Valley School of Arts & Architecture	**750**	1,000

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

			2012	2011
29.	**OTHER OPERATING INCOME**		**(Rupees in '000)**	
	Income / return on financial assets			
	Interest on bank deposits		**5,784**	1,675
	Gain on dilution of investment in equity accounted investee		**-**	**11,772**
	Income from non-financial assets			
	Income from power generation-18MW	*29.1*	**54,324**	143,148
	Income from power generation- 4MW	*29.2*	**36,552**	26,561
	Late payment surcharge	*29.3*	**778**	8,091
	Rental income		**1,620**	3,813
	Gain on sale of property, plant and equipment		**378**	3,616
	Others		**16,003**	12,832
			115,439	211,508
29.1	**Income from power generation**			
	Net sales		**528,606**	565,318
	Cost of electricity produced:			
	Salaries, wages and benefits		**(9,664)**	(7,218)
	Electricity, gas and water		**(590,962)**	(323,279)
	Insurance		**-**	(288)
	Security and janitorial		**-**	(767)
	Depreciation	*5.2*	**(32,470)**	(22,275)
	Stores and spares consumed		**(16,526)**	(19,335)
	Repairs and maintenance		**(27,092)**	(39,748)
	Postage, telephone and stationery		**-**	(62)
	Vehicle, travel and conveyance		**-**	(77)
	Sundries		**(1,012)**	(317)
			(677,726)	(413,366)
	Self consumption		**203,444**	-
	Financial charges		**-**	(8,804)
	Income from power generation		**54,324**	143,148

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

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

29.3 This represents amount charged to KESC as per the agreement for delay in payment on account of sale of electricity.

			2012	2011
30.	**TAXATION**		**(Rupees in '000)**	
	Current			
	- for the year		**79,190**	247,511
	- for prior years		**(6,496)**	(1,812)
		14	**72,694**	245,699
	Deferred		**(24,013)**	18,954
			48,681	264,653

30.1	**Relationship between income tax expense and accounting profit**	**2012**	**2011**	**2012**	**2011**
		Effective tax rate		**(Rupees in '000)**	
	Profit before taxation			**274,316**	580,373
	Tax at the enacted tax rate of 35% (2010: 35%)	**35.00**	35.00	**96,011**	203,131
	Tax effect of rebate	**(8.76)**		**(24,034)**	-
	Tax effect of income subject to lower tax	**(1.11)**	4.00	**(3,047)**	23,219
	Tax effect on exports under final tax regime	**(15.28)**	(7.71)	**(41,905)**	(44,758)
	Tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes	**7.93**	7.43	**21,751**	43,107
	Effect of adjustment	**1.97**		**5,415**	-
	Effect of minimum tax liability	**-**	7.20	**-**	41,766
	Effect of change in prior years' tax	**(2.37)**	(0.31)	**(6,496)**	(1,812)
	Others	**0.36**	-	**986**	-
		17.75	45.60	**48,681**	264,653

30.2 Income tax assesments of the Group entities have been finalised upto and including tax year 2011 on the basis of 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 rasied in audit.

The Tax Department had selected tax year 2011 of the Holding Company for audit under section 177 of the Ordinance. Accordingly, the tax audit was conducted and amended assessment order passed under section 122(1) of the Ordinance.

30.3 The Group has not recognized minimum tax charge amounting to Rs. 232.57 million in view of expectation of availability of sufficient future taxable profits resulting in tax liability under normal tax regime in next five years against which such liability would be adjusted.

31. EARNINGS PER SHARE - BASIC AND DILUTED

The calculation of Earning per share (basic and diluted) at 30 June was based on profit attribution to owners of ordinary shares of the Holding Company.

		2012	**2011**
		(Rupees in '000)	
Profit after taxation for the year		**271,253**	281,852
		(Number)	
Weighted average number of ordinary shares in issue during the year	*16*	**119,892,619**	119,892,619
		(Rupees)	
Earnings per share		**2.26**	2.35

32. MOVEMENT IN WORKING CAPITAL

	2012	2011
	(Rupees in '000)	
Decrease / (increase) in current assets:		
Stores and spares	**(256,837)**	(122,682)
Stock-in-trade	**(4,025,746)**	(2,456,532)
Trade debts	**(33,231)**	(349,449)
Loans and advances	**878,312**	(869,710)
Trade deposits and short term prepayments	**3,549**	(2,196)
Other receivables	**1,035,671**	(982,441)
	(2,398,282)	(4,783,010)
Increase / (decrease) in current liabilities:		
Trade and other payables	**627,823**	359,458
	(1,770,459)	(4,423,552)

33. STAFF RETIREMENT BENEFITS

33.1 Provident fund

Salaries, wages and benefits include Rs. 16.1331 million (2011: Rs. 13.039 million) in respect of provident fund contribution.

33.2 Gratuity fund

Principal actuarial assumptions used in the actuarial valuation of the scheme carried out under Projected Unit Credit Method as at 30 June 2012 are as follows:

- Discount rate at 13% per annum (2011: 14% per annum).

- Expected rate of return on plan assets at 13 to 14% per annum (2011: 12 to 14% per annum).

- Expected rate of increase in salary level at 12% per annum (2011: 13% per annum).
  The amount recognised in the balance sheet is as follows:

	2012	2011
Present value of defined benefit obligation	**214,919**	184,497
Fair value of plan assets	**(207,273)**	(165,555)
	7,646	18,942
Unrecognised actuarial loss	**(7,646)**	(16,456)
Liability as at 30 June	**-**	2,486

Movement in the present value of defined benefit obligation

	2012	2011
Obligation as at 1 July	**184,497**	162,100
Current service cost	**21,481**	21,251
Interest cost	**25,830**	20,371
Actuarial gains	**(3,850)**	(13,221)
Benefits paid	**(13,039)**	(6,004)
Obligation as at 30 June	**214,919**	184,497

	2012	2011
	(Rupees in '000)	
Movement in the fair value of plan assets		
Fair value as at 1 July	**165,555**	133,568
Expected return on plan assets	**23,178**	16,115
Actuarial gains / (losses)	**4,800**	(2,825)
Benefits paid	**(13,039)**	(6,004)
Contribution to the fund	**26,779**	24,701
Fair value as at 30 June	**207,273**	165,555
Movement in (assets) / liabilities		
Balance as at 1 July	**2,486**	-
Expense recognised	**24,293**	27,187
Payments during the year	**(26,779)**	(24,701)
Liability as at 30 June	**-**	2,486

The amount recognised in the profit and loss account is as follows:

	2012	2011
Current service cost	**21,481**	21,251
Interest cost	**25,830**	20,371
Expected return on plan assets	**(23,178)**	(16,115)
Actuarial losses recognised in the year	**160**	1,680
	24,293	27,187

Major categories / composition of plan assets are as follows:	(Percent)	
Equity	**42%**	48%
Debt instruments	**45%**	48%
Others	**13%**	4%

Return on plan assets are as follows:	(Rupees in '000)	
Expected return on plan assets	**23,178**	16,115
Actuarial gain / (loss) on plan assets	**4,800**	(2,825)
	27,978	13,290

Historical information	**2012**	**2011**	**2010**	**2009**	**2008**
	(Rupees in '000)				
Present value of defined benefit obligation	**214,919**	184,497	162,100	124,326	106,051
Fair value of plan assets	**(207,273)**	(165,555)	(133,568)	(109,108)	(108,001)
Deficit / (surplus)	**7,646**	18,942	28,532	15,218	(1,950)
Unrecognised actuarial (loss) / gains	**(7,646)**	(16,456)	(28,532)	(15,218)	2,743
Liability in balance sheet	**-**	2,486	-	-	793

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in '000)							
Managerial remuneration	**35,958**	23,333	-	12,059	**215,465**	107,872	**251,423**	143,264
Retirement benefits	**1,297**	-	-	2,080	**11,898**	14,655	**13,195**	16,735
Ex-gratia	**-**	40,104	-		**-**		**-**	40,104
Rent, utilities, leave encashment etc.	**16,112**	18,181	-	9,192	**85,961**	68,161	**102,073**	95,534
	53,367	81,618	-	23,331	**313,324**	190,688	**366,691**	295,637
Number of persons	**2**	1	-	2	**138**	67	**140**	70

34.1 In addition to the above, the Chief Executive, Directors and certain Executives are provided with free use of Company maintained vehicles in accordance with the Company's policy .

34.2 Fee paid to non-executive directors is Rs. 6.461 million (2011: Rs. 2.740 million).

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The Board of Directors of the Group have overall responsibility for the establishment and oversight of the Group 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 throughout the year 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 Company, to set appropriate risk limits and controls, and to monitor risks and 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 Audit Committee oversees how 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 Audit 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 Audit Committee.

35.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument without considering fair value of collateral or other credit instrument. It principally arises from long term deposits, trade debtors, trade deposits, bank balances and other receivables comprising receivable from Karachi Electric Supply Company.

Exposure to credit risk

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

	2012	2011
	(Rupees in '000)	
- Long term deposit	**5,313**	26,917
- Trade debts - net of provision	**1,960,724**	1,924,868
- Trade deposits	**6,284**	15,424
- Receivable on transmission of electricity to KESC	**255,546**	275,931
- Bank balances	**24,137**	274,883
	2,252,004	2,518,023

The Group does not take into consideration the value of collateral or other credit instrument while esting 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 amount are paid to counter parties as per the agreement and are refundable on termination of agreement with respective counterparties.

Trade deposit

These represent deposit placed with various suppliers as per the terms of securing availability of services. The management does not expect to incur credit loss there against.

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. Majority of the Group customers have been transacting with the Group for past several years. The Group establish an allowance for impairment that represents its estimate of incurred losses for balances above one year except for government entities / public sector entities.

Receivable from Karachi Electric Supply Company

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

Analysis of trade debtors and receivable from KESC from local and foreign customers are as follows:

	2012	2011
	(Rupees in '000)	
Domestic	**1,220,989**	1,625,214
Export	**995,281**	575,585
	2,216,270	2,200,799

The majority of export debtors of the Group are situated in Africa, Asia, and Europe.

Impairment losses

The aging of trade debtors and receivable from KESC at the balance sheet date was:

	2012		2011	
	Gross	**Impairment**	Gross	Impairment
	----- (Rupees in '000) -----			
Not past due	**817,782**	**-**	398,195	-
Past due 1-60 days	**985,976**	**-**	1,409,918	-
Past due 61 days -1 year	**397,759**	**-**	393,011	325
More than one year	**49,261**	**34,508**	36,808	36,808
Total	**2,250,778**	**34,508**	2,237,932	37,133

Based on assessment conducted of individual customers, the management believes that receivable falling within the age bracket of upto one year does not require any impairment provision other than to the extent determined above. Further, provision recognized against balances appearing over one year is without prejudice to other recourse the management has for recovery against outstanding balances.

Balances with bank

The Group places its surplus fund with banks having good credit standing assessed by reputable credit agencies. As at 30 June 2012 the Group has placed funds with banks having long term credit rating ranging from AAA+ to BBB and short term credit rating ranging from A1+ to A3 rated by reputable credit agencies.

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 reporting date the Group has no major concentration of credit risk. However majority of debtors of the Group are domestic parties.

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 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 cash on demand to meet expected working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	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	1,423,934	-	(1,423,934)	(1,423,934)	-	-	-
Accrued markup	333,439	-	(333,439)	(333,439)	-	-	-
Short-term borrowings	14,011,842	(14,011,842)	(14,011,842)	-	-	-	-
	20,992,373	(14,011,842)	(22,571,519)	(2,402,137)	(734,726)	(3,940,790)	(1,482,024)

	2011						
	"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	5,073,720	-	(6,990,575)	(530,426)	(548,063)	(3,863,408)	(2,048,678)
Trade and other payables	969,240	-	(969,240)	(969,240)	-	-	-
Accrued markup	315,046	-	(315,046)	(315,046)	-	-	-
Short-term borrowings	11,896,801	(11,896,801)	(11,896,801)	-	-	-	-
	18,254,807	(11,896,801)	(20,171,662)	(1,814,712)	(548,063)	(3,863,408)	(2,048,678)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June. The rates of mark-up have been disclosed in note 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 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 and sales that are denominated in a currency other than the respective functional currency of the Group, primarily U.S. Dollar. The Group's exposure to foreign currency risk is as follows:

	2012		2011	
	Rupees	US Dollars	Rupees	US Dollars
	(In '000)			
Trade debts	**995,281**	10,528	575,585	6,705
Short term borrowings as FE 25 import / export loans	**(5,318,069)**	(56,145)	(8,655,452)	(100,586)
Accrued mark-up on FE 25 import / export loans	**(25,980)**	(274)	(60,128)	(699)
Balance sheet exposure	**(4,348,768)**	(45,891)	(8,139,995)	(94,580)

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2012	**2011**	**2012**	**2011**
US Dollars to PKR	**92**	85	**94.53 / 94.72**	85.85 / 86.05

Sensitivity analysis

A 10 percent strengthening of the Rupee against US Dollar at 30 June would have increased / (decreased) 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 for 2011.

	Profit and loss	
	2012	**2011**
	(Rupees in '000)	
As at 30 June		
Effect in US Dollars-gain (net of tax)	**282,543**	529,011

A 10 percent weakening of the Rupees against the above currency at 30 June would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

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. Majority of the interest rate exposure arises from short and long term borrowings from bank.

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

	Carrying amount	
	2012	**2011**
	(Rupees in '000)	
Fixed rate instruments		
Financial liabilities	**(2,370,000)**	(1,790,000)
Variable rate instruments		
Financial liabilities	**(16,868,864)**	(15,180,521)

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 profit and loss. Therefore a change in interest rates at the reporting date would not affect 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 or loss by Rs. 168.685 million (2011: Rs. 69.116 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

Other price risk

At present the Group is not exposed to other price risk.

35.4 **Fair value of financial assets and liabilities**

The carrying values of financial assets and financial liabilities reported in balance sheet approximate their fair values.

36. CAPITAL MANAGEMENT

The objective of the Group when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for 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, key management employees and staff retirement funds. The Group continues to have a policy whereby all transactions with related parties undertakings are entered into at commercial terms and conditions. Further, contribution to defined contribution plan (provident fund) are made as per the terms of employment and contribution to the defined benefit plan (gratuity scheme) are in accordance with the actuarial advice. Remuneration of key management personnel are in accordance with their terms of engagements. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2012	2011
	(Rupees in '000)	
Associated companies		
Sales	**1,182,850**	471,019
Purchases	**241,164**	2,912,876
Insurance premium expense	**17,079**	82,040
Insurance claims received	**430**	15,345
Investments in an associated company	**-**	27,080
Rent income	**1,620**	1,255
Donations	**1,750**	3,000
Dividend paid	**4,737**	13,820
Dividend received	**4,852**	2,909
Payable to related parties	**-**	15,512
Receivable from related parties	**144,211**	134,256
Others	**200**	426
Key management personnel		
Purchase of vehicles	**9,000**	-
Remuneration	**264,630**	181,800
Staff retirement benefits	**14,137**	14,477
Sale proceed from disposal of vehicle	**-**	675
Non executive directors		
Director's fee	**6,461**	2,740
Staff retirement fund		
Contribution paid	**43,065**	40,226

38. PRODUCTION CAPACITY

The production capacity at the year end was as follows:

	2012	2011
	(Metric tonnes)	
Holding company		
Pipe	**336,000**	312,000
Galvanising	**150,000**	150,000
Cold rolled steel strip	**70,000**	70,000
Polyethylene pipe	**15,000**	10,000
Subsidiary company		
Galvanising	**150,000**	150,000
Cold rolled steel strip	**250,000**	250,000

The actual production for the year was:

	2012	2011
Holding company		
Pipe	**176,963**	169,799
Galvanising	**90,666**	76,817
Cold rolled steel strip	**41,929**	50,278
Polyethylene pipe	**5,716**	5,840
Subsidiary company		
Galvanising	**113,851**	38,796
Cold rolled steel strip	**166,826**	53,228

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

39. SEGMENT REPORTING

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

39.1 Segment revenue and results

	Steel Segment	Plastic Segment	Total
	-------------- (Rupees in '000) --------------		
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**
For the year ended 30 June 2011			
Sales	14,972,457	1,019,881	15,992,338
Cost of sales	(12,905,021)	(924,955)	(13,829,976)
Gross profit	2,067,436	94,926	2,162,362

Reconciliation of segment results with profit after tax is as follows :

	2012	2011
	(Rupees in '000)	
Total results for reportable segments	**3,158,077**	2,162,362
Selling, distribution and administrative expenses	**(722,736)**	(721,684)
Financial charges	**(2,242,085)**	(948,844)
Other operating expenses	**(44,503)**	(124,920)
Other operating income	**115,439**	211,508
Share of profit in equity accounted investee - net of taxation	**10,124**	1,951
Taxation	**(48,681)**	(264,653)
Profit for the year	**225,635**	315,720

39.2 Segment assets and liabilities

	Steel Segment	Plastic Segment	Total
	---------------- (Rupees in '000) ----------------		
As at 30 June 2012			
Segment assets	**25,666,362**	**591,620**	**26,257,982**
Segment liabilities	**101,422**	**-**	**101,422**
As at 30 June 2011			
Segment assets	21,131,881	860,634	21,992,515
Segment liabilities	120,883	-	120,883

Reconciliation of segment assets and liabilities with total assets and liabilities in the balance sheet is as follows:

	2012	2011
	(Rupees in '000)	
Total for reportable segments assets	**26,257,982**	21,992,515
Unallocated assets	**2,165,039**	3,735,527
Total assets as per balance sheet	**28,423,021**	25,728,042
Total for reportable segments liabilities	**101,422**	120,883
Unallocated liabilities	**21,467,804**	18,559,375
Total liabilities as per balance sheet	**21,569,226**	18,680,258

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

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

39.5 Revenue from major products

The analysis of the Group's revenue from external customers for its products is given in note 23 to these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

39.6 Information about major customers

Revenue from major customer of Plastic Segment is Rs. 485.89 million (2011: Rs. 625.613 million), where as in Steel Segment there is no major customer whose revenue accounts for more than 10% of Steel Segment's revenue.

39.7 Geographical information

The Group's gross revenue from external customer by geographical location is detailed below:

	2012	2011
	(Rupees in '000)	
Domestic sales	**25,482,829**	14,181,319
Export sales	**7,606,464**	5,138,868
	33,089,293	19,320,187

The Group exports its product to South Asia, Europe, Middle East and North America.

40. 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 operating charges (Exchange loss - net)	Financial charges (Exchange loss - net)	66,584
Stock in trade (Finished goods)	Stock in trade (Work in process)	262,093
Stock in trade (Work in process)	Stock in trade (Raw material)	15,086

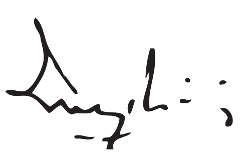
The effect of above rearrangement / reclassification is not material.

41. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

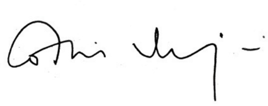
The Bord of Director of the Holding Company in their meeting held on 15 August 2012 has proposed a final cash dividend of Rs. 2.00 per share amounting to Rs. 239.785 million (2011 : Rs. 3.50 per share final cash dividend amounting to Rs. 419.624 million) for the year ended 30 June 2012. The approval of members of the Holding Company for the dividend shall be obtained at the Annual General Meeting to be held on 25 September 2012. The financial statments for the year ended 30 June 2012 do not include the effect of the proposed final cash dividends which will be accounted for in the period in which it is approved by the members.

42. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the meeting of Board of Directors held on 15 August 2012.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Sohail R. Bhojani
Chief Financial Officer

Riyaz T. Chinoy
Managing Director &
Chief Executive