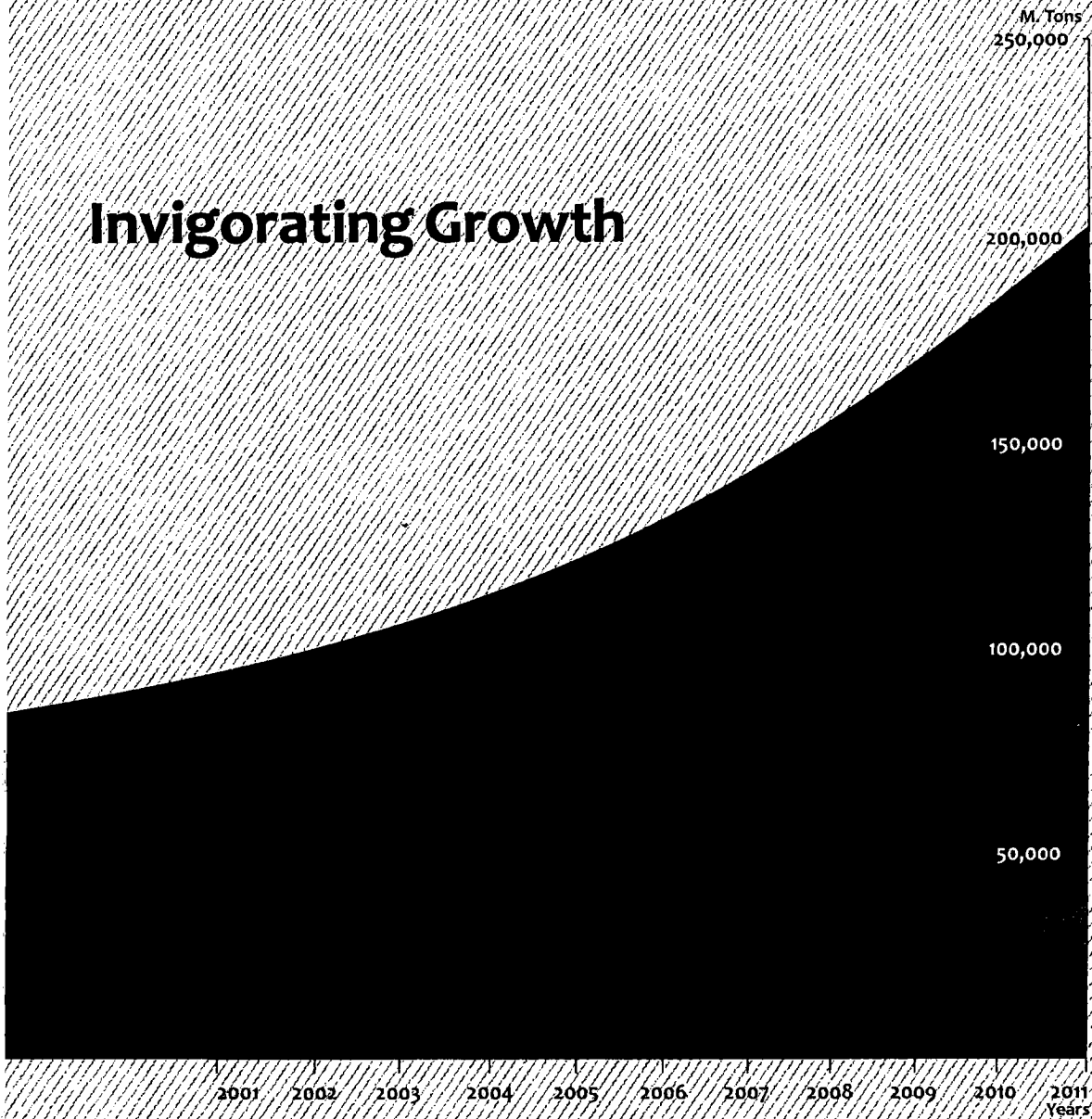




Promising Reliability, For Now and Tomorrow

## Unaudited Financial Statements First Quarter ended September 30, 2012

# Invigorating Growth



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

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## Company Information

### Board of Directors

<b>Chairman</b>	Mr. Zaffar A. Khan	Independent Chairman
<b>Chief Executive Officer</b>	Mr. Riyaz T. Chinoy	Chief Executive Officer
<b>Directors</b>	Mr. Mustapha A. Chinoy Mr. Kamal A. Chinoy Mr. Faud Azim Hashimi Mr. Javaid Anwar Mr. Azam Faruque Mr. Tariq Ikram Mr. Abdul Samad Dawood	Non-Executive Director Non-Executive Director Non-Executive Director Independent Director Independent Director Independent Director Independent Director
<b>Chief Financial Officer:</b>	Mr. Sohail R. Bhojani	
<b>Company Secretary:</b>	Ms. Neelofar Hameed	
<b>External Auditors</b>	KPMG Taseer Hadi & Co.	
<b>Bankers:</b>	Bank Al Habib Ltd. Faysal Bank Ltd. Habib Bank Ltd. HSBC Bank Middle East Ltd. MCB Bank Ltd. Meezan Bank Ltd. NIB Bank Ltd. Samba Bank Ltd. Soneri Bank Ltd. Standard Chartered Bank (Pakistan) Ltd. United Bank Ltd.	
<b>Legal Advisor:</b>	Mrs. Sana Shaikh Fikree	
<b>Registered Office:</b>	101, Beaumont Plaza 10, Beaumont Road, Karachi-75530 Phone: +9221-35680045-54 UAN: 021-111-019-019 Fax: +9221-35680373 E-mail: neelofar.hameed@iil.com.pk	
<b>Branch Office:</b>	Chinoy House, 6 Bank Square Lahore-54000 Phone: +9242-37229752-55, UAN: 042-111-019-019 Fax: +9242-37220348, E-mail: inquiries@iil.com.pk	
<b>Website:</b>	www.iil.com.pk	
<b>Share Registrar:</b>	Central depository Company of Pakistan Ltd. CDC House, 99-B, Block "B", S.M.C.H.S, Shahra-e-Faisal, Karachi Karachi-75530 Phone: +9221-111-111-500, Fax: +9221-34326053 E-mail: info@cdcpak.com	

### Directors' Report

The Directors of the Company are pleased to present the interim financial statements for the quarter ended September 30, 2012.

Net sales revenue for the period stood at Rs.4,088 million which is 11% higher than the corresponding period last year. Export sales revenue increased by 21% whereas domestic sales revenue was higher by 6% relative to the corresponding period last year.

The polyethylene segment remained under pressure during the quarter due to unfavorable economic conditions and widespread unethical practices prevalent in the industry, as a result polyethylene sales were down 32% in volume and 29% in value terms with respect to the corresponding period last year.

Selling and distribution expenses increased almost 37% relative to the corresponding period last year primarily on account of increase of fuel charges. Conversion costs were 15% higher compared to the corresponding period last year, mainly due to annual increase in salaries and wages, higher electricity and gas tariffs. Administrative expenses however were down 8% from the corresponding period last year as the Company continued to optimize resources and exercise rigorous cost control.

Financial expenses decreased by Rs.66 million (30%) compared to the corresponding period last year. The key drivers behind this reduction was the recent lowering of borrowing rates and the relative stability of the Pak Rupee which led to lower foreign exchange losses on currency transactions.

The Company's Profit After Tax for the period under review was Rs.138 million, a substantial improvement compared to Rs. 25 million for the corresponding period last year. This translates into an EPS of Rs. 1.15, which compares favourably with Rs. 0.21 for the same period last year.

Our subsidiary company, International Steels Limited reported an operating profit of Rs.249.5 million for the period, which is 44% greater than the corresponding period last year and translates into an operating profit margin of 7.8%. At the end of the first quarter the company declared a loss after taxation of Rs.12.6 million.

The general economic uncertainty has weighed heavily on industrial growth both in developing and developed countries, coupled with this the domestic law and order situation, recent floods and general economic pressures remain the major challenges. Against this backdrop, the Company will strive to drive reasonable levels of production and sales and bank on its traditional strengths in conversion efficiencies and cost management to deliver profits.

For & behalf of  
International Industries Limited



**Zaffar A. Khan**

Chairman

Karachi:  
Dated: 20 October 2012

**Condensed Interim Unconsolidated Balance Sheet (Un-audited)**

As at 30 September 2012

		(Un-audited) 30 September 2012	(Audited) 30 June 2012
----- (Rupees '000) -----			
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	5	2,854,970	2,803,505
Intangible assets		7,584	8,619
Investments	6	2,583,537	2,583,537
Long term deposits		4,428	5,213
		<u>5,450,519</u>	<u>5,400,874</u>
<b>Current Assets</b>			
Stores and spares		129,902	137,075
Stock-in-trade	7	7,981,370	7,322,917
Trade debts	8	1,755,812	1,673,226
Advances	9	52,231	22,038
Trade deposits and short term prepayments	10	13,750	8,555
Other receivables	11	105,894	120,048
Taxation - net		402,965	360,592
Bank balances		53,251	20,908
		<u>10,495,175</u>	<u>9,665,359</u>
<b>Total Assets</b>		<u>15,945,694</u>	<u>15,066,233</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorised capital 200,000,000 (2012: 200,000,000) ordinary shares of Rs. 10 each		2,000,000	2,000,000
Issued, subscribed and paid up capital		1,198,926	1,198,926
General reserves		1,848,736	1,848,736
Unappropriated profit		1,025,934	1,126,858
<b>Total Equity</b>		<u>4,073,596</u>	<u>4,174,520</u>
<b>Surplus on revaluation of property, plant and equipment</b>		1,002,025	1,003,155
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Long term financing	12	333,333	416,667
Deferred taxation - net		169,338	172,606
		<u>502,671</u>	<u>589,273</u>
<b>Current Liabilities</b>			
Trade and other payables	13	1,296,085	1,291,953
Short term borrowings	14	8,557,066	7,564,020
Current portion of long term financing	12	404,167	320,833
Accrued markup		110,084	122,479
		<u>10,367,402</u>	<u>9,299,285</u>
<b>Total Liabilities</b>		<u>10,870,073</u>	<u>9,888,558</u>
<b>Contingencies and Commitments</b>	15	-	-
<b>Total Equity and Liabilities</b>		<u>15,945,694</u>	<u>15,066,233</u>

The annexed notes 1 to 24 form an integral part of this condensed interim unconsolidated financial information

  
**Fuad Azim Hashimi**  
 Director & Chairman  
 Board Audit Committee

  
**Sohail R. Bhojani**  
 Chief Financial Officer

  
**Riyaz T. Chinoy**  
 Managing Director & Chief Executive

**Condensed Interim Unconsolidated Profit and Loss Account (Un-audited)****For the First Quarter ended 30 September 2012**

	Notes	Quarter ended	
		30 September 2012	30 September 2011
		----- (Rupees `000) -----	
Net sales	16	4088,199	3,674,419
Cost of sales	17	(3,609,295)	(3,289,257)
<b>Gross profit</b>		<b>478,904</b>	385,162
Selling and distribution expenses		(122,945)	(90,035)
Administrative expenses		(33,211)	(36,412)
		(156,156)	(126,447)
Financial charges	18	(149,480)	(215,297)
Other operating charges	19	(17,912)	(15,619)
		(167,392)	(230,916)
Other operating income	20	17,275	15,822
<b>Profit before taxation</b>		<b>172,631</b>	43,621
Taxation		(34,900)	(18,500)
<b>Profit after taxation for the period</b>		<b>137,731</b>	25,121
		----- (Rupees `000) -----	
<b>Earnings per share - basic and diluted</b>		<b>1.15</b>	0.21

The annexed notes 1 to 24 form an integral part of this condensed interim unconsolidated financial information.

  
**Fuad Azim Hashimi**  
 Director & Chairman  
 Board Audit Committee

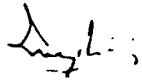
  
**Sohail R. Bhojani**  
 Chief Financial Officer

  
**Riyaz T. Chinoy**  
 Managing Director & Chief Executive

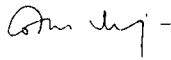
**Condensed Interim Unconsolidated Statement of Comprehensive Income (Un-audited)****For the First Quarter ended 30 September 2012**

	Quarter ended	
	30 September 2012	30 September 2011
	----- (Rupees '000) -----	
<b>Profit after taxation for the period</b>	<b>137,731</b>	25,121
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b><u>137,731</u></b>	<u>25,121</u>

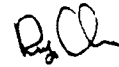
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**Fuad Azim Hoshimi**  
Director & Chairman  
Board Audit Committee



**Sohail R. Bhojani**  
Chief Financial Officer



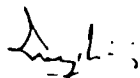
**Riyaz T. Chinoy**  
Managing Director & Chief Executive

**Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)**

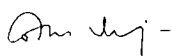
For the First Quarter ended 30 September 2012

	Quarter ended	
	30 September 2012	30 September 2011
	----- (Rupees '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation for the period	172,631	43,621
Adjustments for:		
Depreciation and amortization	48,863	43,827
Provision for doubtful debts	2,714	3,423
Interest on bank deposit	(327)	(269)
(Profit) / loss on disposal of property, plant and equipment	(2,804)	9,879
Financial charges	149,480	215,297
	<u>370,557</u>	<u>315,778</u>
<b>Movement in:</b>		
<b>Working capital</b>	(992,913)	(1,720,990)
Long term deposits	785	4,947
	<u>(621,571)</u>	<u>(1,400,265)</u>
<b>Net cash used in operations</b>	(621,571)	(1,400,265)
Financial charges paid	(161,875)	(270,591)
Taxes paid	(80,541)	(89,494)
	<u>(863,987)</u>	<u>(1,760,350)</u>
<b>Net cash used in operating activities</b>	(863,987)	(1,760,350)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(99,950)	(133,298)
Proceeds from sale of property, plant and equipment	3,461	2,761
Interest income received	393	269
	<u>(96,096)</u>	<u>(130,268)</u>
<b>Net cash (used in) investing activities</b>	(96,096)	(130,268)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	-	500,000
Dividends paid	(620)	(8)
	<u>(620)</u>	<u>499,992</u>
<b>Net cash (used in) / from financing activities</b>	(620)	499,992
Net (decrease) in cash and cash equivalents	(960,703)	(1,390,626)
Cash and cash equivalents of beginning of the period	(7,543,112)	(6,826,114)
	<u>(8,503,815)</u>	<u>(8,216,740)</u>
<b>Cash and cash equivalents comprises</b>		
Bank balances	53,251	15,014
Short term borrowings	(8,557,066)	(8,231,754)
	<u>(8,503,815)</u>	<u>(8,216,740)</u>

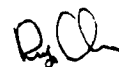
The annexed notes 1 to 24 form an integral part of this condensed interim unconsolidated financial information.



**Fuad Azim Hashimi**  
Director & Chairman  
Board Audit Committee



**Sohail R. Bhojani**  
Chief Financial Officer



**Riyaz T. Chinoy**  
Managing Director & Chief Executive



**Condensed Interim Unconsolidated Statement of Changes in Equity (Un-audited)****For the First Quarter ended 30 September 2012**

	Issued, subscribed and paid-up capital	Revenue Reserves		Total reserves	Total
		General reserves	Un- appropriated profit		
..... (Rupees `000) .....					
<b>Balance as at 01 July 2011</b>	1,198,926	2,177,522	887,366	3,064,888	4,263,814
Total comprehensive income for the first quarter ended 30 September 2011					
Profit for the period	-	-	25,121	25,121	25,121
<b>Transactions with owners recorded directly in equity - distributions</b>					
-Final dividend @ 35% ( Rs. 3.50 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	-	-	1,130	1,130	1,130
<b>Balance as at 30 September 2011</b>	<u>1,198,926</u>	<u>1,848,736</u>	<u>822,779</u>	<u>2,671,515</u>	<u>3,870,441</u>
<b>Balance as at 01 July 2012</b>	1,198,926	1,848,736	1,126,858	2,975,594	4,174,520
Total comprehensive income for the first quarter ended 30 September 2012					
Profit for the period	-	-	137,731	137,731	137,731
<b>Transactions with owners recorded directly in equity - distributions</b>					
-Final dividend @ 20% ( Rs. 2.00 per share ) for the year ended 30 June 2012	-	-	(239,785)	(239,785)	(239,785)
Total transactions with owners - distributions	-	-	(239,785)	(239,785)	(239,785)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	1,130	1,130	1,130
<b>Balance as at 30 September 2012</b>	<u>1,198,926</u>	<u>1,848,736</u>	<u>1,025,934</u>	<u>2,874,670</u>	<u>4,073,596</u>

The annexed notes 1 to 24 form an integral part of this condensed interim unconsolidated financial information.

  
**Fuad Azim Hashimi**  
Director & Chairman  
Board Audit Committee

  
**Sohail R. Bhojani**  
Chief Financial Officer

  
**Riyaz T. Chinoy**  
Managing Director & Chief Executive

**Notes to the Condensed Interim UnConsolidated Financial Information (Un-audited)****For the First Quarter ended 30 September 2012****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 & polyethylene pipes. The registered office of the Company is situated at 101 Beaumont Plaza, 10 Beaumont Road, Karachi - 75530.

**2. BASIS OF PREPARATION****2.1 Statement of compliance**

This condensed interim unconsolidated financial information has 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, and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, shall prevail.

This condensed interim unconsolidated financial information does not include all the information required for full annual financial statements and should be read in conjunction with the audited annual separate financial statements of the Company as at and for the year ended 30 June 2012.

The comparative balance sheet presented in this condensed interim unconsolidated financial information has been extracted from the audited annual separate financial statements of the Company for the year ended 30 June 2012, whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are extracted from the unaudited condensed interim unconsolidated financial information for the quarter ended 30 September 2011.

**2.2 Basis of measurement**

This condensed interim unconsolidated financial information has been prepared under the historical cost convention except that land and buildings are stated at revalued amounts.

**2.3 Functional and presentation currency**

This condensed interim unconsolidated financial information is presented in Pakistan Rupees which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest thousand Rupee.

**3. ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in the preparation of audited annual separate statements of the Company for the preceding year ended 30 June 2012.

Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period were not relevant to the Company's operation and do not have any impact on the accounting policies of the Company.

**4. USE OF ESTIMATES AND JUDGEMENTS**

Estimates and judgements made by the management in the preparation of this condensed interim unconsolidated financial information are the same as those that were applied to the audited annual separate financial statements of the Company as at and for the year ended 30 June 2012.

**Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)**  
**For the First Quarter ended 30 September 2012**

**5. PROPERTY, PLANT AND EQUIPMENT**

	Operating assets	Capital work in progress	Capital stores and spares	Total
	----- (Rupees '000) -----			
<b>Cost</b>				
Opening balance	4,511,523	8,620	24,238	4,544,381
Additions	30,097	100,800	-	130,897
Deletions/ consumed	(6,864)	(30,097)	(850)	(37,811)
	<u>4,534,756</u>	<u>79,323</u>	<u>23,388</u>	<u>4,637,467</u>
<b>Accumulated depreciation</b>				
Opening balance	(1,740,876)	-	-	(1,740,876)
Disposal	6,207	-	-	6,207
Charge for the period	(47,828)	-	-	(47,828)
	<u>(1,782,497)</u>	<u>-</u>	<u>-</u>	<u>(1,782,497)</u>
<b>Written down value as at 30 September 2012</b>	<u>2,752,259</u>	<u>79,323</u>	<u>23,388</u>	<u>2,854,970</u>
Written down value as at 30 June 2012	<u>2,770,647</u>	<u>8,620</u>	<u>24,238</u>	<u>2,803,505</u>

**6. INVESTMENTS**

30 September 2012 (Un-audited)	30 June 2012 (Audited)		30 September 2012 (Un-audited)	30 June 2012 (Audited)
Number of shares			----- (Rupees '000) -----	
<b>245,055,543</b>	245,055,543	International Steels Limited (ISL) - subsidiary company at cost	<b>2,450,555</b>	2,450,555
		6.1		
<b>2,425,913</b>	2,425,913	Pakistan Cables Limited (PCL) - associate company at cost	<b>132,982</b>	132,982
		6.2		
			<u><b>2,583,537</b></u>	<u>2,583,537</u>

**6.1** The Company holds 56.33% ownership interest in ISL, a subsidiary company. The Chief Executive of ISL is Mr. Towfiq H. Chinoy.

**6.2** The Company holds 8.52% ownership interest in PCL, an associate company. The Chief Executive of PCL is Mr. Kamal A. Chinoy.

## Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)

## For the First Quarter ended 30 September 2012

## 6.3 Market value of above investments is as follows:

	30 September 2012 (Un-audited)	30 June 2012 (Audited)
	..... (Rupees `000) .....	
Quoted		
International Steels Limited	<u>3,428,327</u>	<u>2,930,864</u>
Pakistan Cables Limited	<u>138,156</u>	<u>92,549</u>

## 7. STOCK IN TRADE

Raw materials- in hand	5,067,620	3,209,326
- in transit	-	1,627,791
Work-in-process	530,641	758,806
Finished goods	2,275,781	1,661,972
By-product	74,881	43,246
Scrap material	32,447	21,776
	<u>7,981,370</u>	<u>7,322,917</u>

## 8. TRADE DEBTS

Considered good		
- secured	730,065	728,162
- unsecured	8.1 1,025,747	945,064
Considered doubtful	37,222	34,508
	<u>1,793,034</u>	<u>1,707,734</u>
Provision for doubtful debts	(37,222)	(34,508)
	<u>1,755,812</u>	<u>1,673,226</u>

## 8.1 Related parties from whom debts are due are as under:

Sui Southern Gas Company Limited	90,126	109,268
Sui Northern Gas Pipelines Limited	73,734	34,864
Pakistan Cables Limited	51	16
DH Fertilizers Limited	-	63
	<u>163,911</u>	<u>144,211</u>

## 9. ADVANCES

Considered good		
- suppliers	48,822	21,438
- employees	3,409	600
	<u>52,231</u>	<u>22,038</u>

**Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)****For the First Quarter ended 30 September 2012**

<b>10. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>	<b>30 September 2012 (Un-audited)</b>	<b>30 June 2012 (Audited)</b>
	..... (Rupees '000) .....	
Trade deposits	<b>3,357</b>	3,297
Short term prepayments	<b>10,393</b>	5,258
	<b><u>13,750</u></b>	<u>8,555</u>
 <b>11. OTHER RECEIVABLES</b>		
Considered good		
- Interest income receivable	-	66
- Sales tax receivable	<b>83,241</b>	92,188
- Receivable on transmission of electricity to KESC	<b>20,542</b>	26,841
- Others	<b>2,111</b>	953
	<b><u>105,894</u></b>	<u>120,048</u>
 <b>12. LONG TERM FINANCING - secured</b>		
Long term finances utilised under mark-up arrangements	12.1 <b>737,500</b>	737,500
Current portion of long term finances shown under current liabilities	<b>(404,167)</b>	(320,833)
	<b><u>333,333</u></b>	<u>416,667</u>

**12.1** All long term financing utilised under mark-up arrangements are secured by way of a joint equitable mortgage on all 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.

**Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)****For the First Quarter ended 30 September 2012**

<b>13. TRADE AND OTHER PAYABLES</b>	<b>30 September 2012 (Un-audited)</b>	<b>30 June 2012 (Audited)</b>
	..... (Rupees '000) .....	
Trade creditors	<b>643,194</b>	874,627
Accrued expenses	<b>339,873</b>	331,087
Advance from customers	<b>43,284</b>	62,670
Workers' Profit Participation Fund	<b>9,300</b>	6,000
Workers' Welfare Fund	<b>11,576</b>	7,876
Unclaimed dividends	<b>9,070</b>	9,690
Dividend payable	<b>239,785</b>	-
Others	<b>3</b>	3
	<b><u>1,296,085</u></b>	<u>1,291,953</u>

**14. SHORT TERM BORROWINGS**

Running finance under mark-up arrangement from banks - secured	14.1	<b>163,072</b>	297,213
Short term borrowing under Money Market Scheme - secured		-	950,000
Short term borrowing under Export Refinance Scheme	14.2	<b>3,140,000</b>	2,370,000
Running finance under FE-25 Import Scheme	14.3	<b>5,253,994</b>	3,946,807
		<b><u>8,557,066</u></b>	<u>7,564,020</u>

14.1 The facilities for running finance available from various commercial banks under mark-up arrangement amounted to Rs. 3,172 million ( 30 June 2012: Rs.2,500 million ) are secured by way of hypothecation of stock-in-trade and book debts. The rates of mark-up on these facilities range from 11.76% to 13.48% per annum (30 June 2012: 12.66% to 13.79% per annum). The facilities for short term finance mature within twelve months.

14.2 The Company has borrowed short term running finance under the Export Refinance Scheme offered by the State Bank of Pakistan. The facility availed is for an amount of Rs. 3,140 million ( 30 June 2012: Rs.2,370 million ). The rates of mark-up on these facilities range from 9.00% to 10.75 % per annum (30 June 2012: 10.50% to 11.00% per annum).

14.3 The Company has borrowed short term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 from certain banks for the purpose of meeting import requirements. The facility availed is for an amount of USD 55 million equivalent to Rs. 5,254 million (30 June 2012:USD 42 million equivalent to Rs.3,947 million). The rates of markup on these facilities range from 2.05% to 2.30% per annum (30 June 2012: 2.05% to 2.30% per annum). These facilities are secured against a first pari passu hypothecation charge over the Company's present and future current assets.

## Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)

### For the First Quarter ended 30 September 2012

#### 15. CONTINGENCIES AND COMMITMENTS

##### 15.1 Contingencies

**15.1.1** Bank guarantees have been issued under certain supply contracts and to the Collector of Customs aggregating Rs. 296 million (30 June 2012: Rs.293 million).

**15.1.2** Custom duties amounting to Rs.902 million (30 June 2012: 1,018 million) on import of raw material shall be payable by the Company in case of non-fulfilment 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 of business, to be returned to the Company after fulfillment of stipulated conditions. The Company has fulfilled the conditions for duties amounting to Rs. 875 million and is making efforts to retrieve the associated post-dated cheques from the customs authorities.

Further, an amount of Rs. 375 million is 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.

**15.1.3** The customs authorities have charged a 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 reports and the subsequent order produced by the custom authorities and ordered the authorities to re-examine the matter afresh. However, the custom authorities have filed an application for leave to appeal against the order of the High Court of Sindh. Based on legal advice, the management expects that the chances of admission of such appeal are remote..

**15.1.4** 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 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. The 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 the High Court of Sindh with the right to appeal to the 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 consignments released upto 27 December 2006 and any bank guarantee / security furnished for consignments released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with balance kept intact till the disposal of petition. In case the High Court of Sindh upholds the applicability of the Fifth Version of the law and its retrospective application, the authorities are entitled to claim the amounts due under the said law with the right to appeal available to the petitioner. Bank guarantees amounting to Rs. 115 million have been provided to the Department.

##### 15.2 Commitments

**15.2.1** Capital expenditure commitments outstanding as at 30 September 2012 amounted to Rs.Nil (30 June 2012: Rs.66 million).

**Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)****For the First Quarter ended 30 September 2012**

15.2.2 Commitments under letters of credit for raw materials and spares as at 30 September 2012 amounted to Rs. 1,626 million (30 June 2012: Rs.2,787 million).

15.2.3 Commitments under purchase contracts as at 30 September 2012 amounted to Rs. 65 million (30 June 2012: Rs.8 million).

15.2.4 Unavailed facilities for opening letters of credit and guarantees from banks as at 30 September 2012 amounted to Rs. 7,001 million (30 June 2012: Rs. 5,494 million) and Rs. 364 million (30 June 2012: Rs. 367 million) respectively

**16. NET SALES**

	Quarter ended	
	30 September 2012	30 September 2011
	..... (Rupees `000) .....	
Local	2,978,555	2,811,635
Export	1,601,622	1,325,928
	<u>4,580,177</u>	<u>4,137,563</u>
Sales Tax and Special Excise Duty	(410,674)	(384,161)
Trade discount	(495)	(20,427)
Sales discount and commission	(80,809)	(58,556)
	<u>(491,978)</u>	<u>(463,144)</u>
	<u>4,088,199</u>	<u>3,674,419</u>

**17. COST OF SALES**

Opening stock of raw materials and work-in-process	3,968,132	3,251,729
Purchases	5,663,081	5,123,365
Salaries, wages and benefits	119,318	96,565
Rent, rates and taxes	170	1,681
Electricity, gas and water	62,352	54,395
Insurance	1,646	2,675
Security and janitorial	3,442	2,040
Depreciation and amortisation	44,768	39,790
Stores and spares consumed	13,199	14,871
Repairs and maintenance	24,980	18,586
Postage, telephone and stationery	2,182	1,503
Vehicle, travel and conveyance	2,667	2,037
Internal material handling	3,795	4,266
Environment controlling expenses	40	55
Sundries	458	512
Sale of scrap generated during production	(57,230)	(169,078)
Closing stock of raw materials and work-in-process	(5,598,261)	(4,724,735)
Cost of goods manufactured	<u>4,254,739</u>	<u>3,720,257</u>



**Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)****For the First Quarter ended 30 September 2012**

	Quarter ended	
	30 September 2012	30 September 2011
	----- (Rupees ` 000) -----	
Finished goods and by-product		
- Opening stock	1,705,218	1,495,865
- Closing stock	<u>(2,350,662)</u>	<u>(1,926,865)</u>
	(645,444)	(431,000)
	<u>3,609,295</u>	<u>3,289,257</u>
<b>18. FINANCIAL CHARGES</b>		
Mark-up on:		
- Long term financing	23,865	18,191
- Short term borrowings	110,333	107,743
Exchange loss - net	11,651	86,725
Interest on Workers' Profit Participation Fund	146	132
Bank charges	3,485	2,506
	<u>149,480</u>	<u>215,297</u>
<b>19. OTHER OPERATING CHARGES</b>		
Auditors' remuneration	762	440
Donations	4,150	2,000
Workers' Profit Participation Fund	9,300	2,350
Workers' Welfare Fund	3,700	950
Loss on sale of property, plant & equipment	-	9,879
	<u>17,912</u>	<u>15,619</u>
<b>20. OTHER OPERATING INCOME</b>		
<b>Income / return on financial assets</b>		
Interest on bank deposit accounts	327	269
<b>Income from non-financial assets</b>		
Income from power generation	9,216	5,134
Late payment surcharge - KESC	-	268
Gain on sale of property, plant & equipment	2,804	-
Rental income	1,993	1,814
IT services income from subsidiary	1,125	-
Dividend income from associate	-	4,852
Others	1,810	3,485
	<u>17,275</u>	<u>15,822</u>



**Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)****For the First Quarter ended 30 September 2012****22. SEGMENT REPORTING**

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

**22.1 SEGMENT REVENUE AND RESULTS**

	Steel Segment	Plastic Segment	Total
	----- (Rupees `000) -----		
<b>For the year ended 30 September 2012</b>			
Sales	3,977,110	111,089	4,088,199
Cost of sales	3,513,029	96,266	3,609,295
Gross Profit	<u>464,081</u>	<u>14,823</u>	<u>478,904</u>
<b>For the year ended 30 September 2011</b>			
Sales	3,517,844	156,575	3,674,419
Cost of sales	3,146,949	142,308	3,289,257
Gross Profit	<u>370,895</u>	<u>14,267</u>	<u>385,162</u>

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

	Quarter ended	
	30 September 2012	30 September 2011
	----- (Rupees `000) -----	
Total results for reportable segments	<b>478,904</b>	385,162
Selling, distribution and administrative expenses	<b>(156,156)</b>	(126,447)
Financial charges	<b>(149,480)</b>	(215,297)
Other operating expenses	<b>(17,912)</b>	(15,619)
Other operating income	<b>17,275</b>	15,822
Taxation	<b>(34,900)</b>	(18,500)
Profit after tax	<u><b>137,731</b></u>	<u>25,121</u>

**22.2 SEGMENT ASSETS & LIABILITIES**

	Steel Segment	Plastic Segment	Total
	----- (Rupees `000) -----		
<b>As at 30 September 2012 - Un-audited</b>			
Segment assets	<u>11,634,673</u>	<u>957,479</u>	<u>12,592,152</u>
Segment liabilities	<u>43,284</u>	<u>-</u>	<u>43,284</u>
<b>As at 30 June 2012 - Audited</b>			
Segment assets	<u>10,950,719</u>	<u>848,929</u>	<u>11,799,648</u>
Segment liabilities	<u>62,670</u>	<u>-</u>	<u>62,670</u>

**Notes to the Condensed Interim Unconsolidated Financial Information (Un-audited)****For the First Quarter ended 30 September 2012**

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

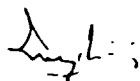
	30 September 2012 (Un-audited) ----- (Rupees '000) -----	30 June 2012 (Audited)
Total reportable segments assets	<b>12,592,152</b>	11,799,648
Unallocated assets	<b>3,353,542</b>	3,266,585
Total assets as per Balance Sheet	<b><u>15,945,694</u></b>	<u>15,066,233</u>
Total reportable segments liabilities	<b>43,284</b>	62,670
Unallocated liabilities	<b>10,826,789</b>	9,825,888
Total liabilities as per Balance Sheet	<b><u>10,870,073</u></b>	<u>9,888,558</u>

**23. DATE OF AUTHORISATION FOR ISSUE**

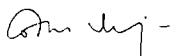
These financial statements were authorised for issue by the Board of Directors on 20 October 2012.

**24. GENERAL**

24.1 All financial information has been rounded off to the nearest thousand Rupee.



**Fuad Azim Hashimi**  
Director & Chairman  
Board Audit Committee



**Sohail R. Bhojani**  
Chief Financial Officer



**Riyaz T. Chinoy**  
Managing Director & Chief Executive



Promising Reliability, For Now and Tomorrow

**Condensed Interim Consolidated  
Financial Statements ( Un -audited)  
30 September 2012**

**Condensed Interim Consolidated Balance Sheet (Un-audited)****As at 30 September 2012**

	Note	(Un-audited) 30 September 2012	(Audited) 30 June 2012
----- (Rupees '000) -----			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	11,848,223	11,700,574
Intangible assets		19,661	22,033
Investments in equity accounted investee	5	174,595	169,018
Long term deposits		4,528	5,313
		<u>12,047,007</u>	<u>11,896,938</u>
<b>Current assets</b>			
Stores and spares		477,312	510,057
Stock-in-trade	6	12,835,776	12,596,684
Trade debts	7	1,949,110	1,960,724
Advances	8	95,886	40,730
Trade deposits and short term prepayments	9	31,296	19,889
Other receivables	10	443,301	628,001
Taxation - net		763,187	745,133
Bank balances		61,958	24,865
		<u>16,657,826</u>	<u>16,526,083</u>
<b>Total assets</b>		<u>28,704,833</u>	<u>28,423,021</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorised capital 200,000,000 (2012: 200,000,000) ordinary shares of Rs. 10 each		<u>2,000,000</u>	<u>2,000,000</u>
Issued, subscribed and paid up capital		1,198,926	1,198,926
General reserves		2,139,958	2,139,958
Unappropriated profit		241,002	343,515
<b>Equity attributable to owners of Holding Company</b>		<u>3,579,886</u>	<u>3,682,399</u>
Non-controlling interest		1,808,055	1,813,573
<b>Total equity</b>		<u>5,387,941</u>	<u>5,495,972</u>
<b>Surplus on revaluation of property, plant and equipment</b>		<u>1,356,693</u>	<u>1,357,823</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term financing	11	4,303,872	4,263,550
Deferred taxation - net		236,211	240,704
		<u>4,540,083</u>	<u>4,504,254</u>
<b>Current liabilities</b>			
Trade and other payables	12	1,607,089	1,760,083
Short term borrowings	13	14,499,556	14,011,842
Current portion of long term financing	11	978,316	959,608
Accrued markup		335,156	333,439
		<u>17,420,117</u>	<u>17,064,972</u>
<b>Total liabilities</b>		<u>21,960,200</u>	<u>21,569,226</u>
<b>Contingencies and commitments</b>	14	-	-
<b>Total Equity and Liabilities</b>		<u>28,704,833</u>	<u>28,423,021</u>

The annexed notes 1 to 22 form an integral part of this condensed interim consolidated financial information.

  
**Fuad Azim Hashimi**  
 Director & Chairman  
 Board Audit Committee

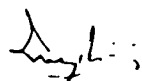
  
**Sohail R. Bhojani**  
 Chief Financial Officer

  
**Riyaz T. Chinoy**  
 Managing Director & Chief Executive

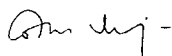
**Condensed Interim Consolidated Profit and Loss Account (Un-audited)****For the First Quarter ended 30 September 2012**

	Notes	Quarter ended	
		30 September 2012	30 September 2011
		----- (Rupees `000) -----	
<b>Net sales</b>	15	<b>6,969,300</b>	5,822,839
Cost of sales	16	<u>(6,190,278)</u>	<u>(5,237,299)</u>
<b>Gross profit</b>		<b>779,022</b>	585,540
Selling and distribution expenses		<u>(144,174)</u>	<u>(103,171)</u>
Administrative expenses		<u>(59,312)</u>	<u>(48,038)</u>
		<b>(203,486)</b>	(151,209)
Financial charges	17	<u>(420,561)</u>	<u>(497,675)</u>
Other operating charges	18	<u>(18,393)</u>	<u>(15,885)</u>
		<b>(438,954)</b>	(513,560)
Share of profit in equity accounted investee		<b>5,577</b>	3,775
Other operating income	19	<u>25,055</u>	<u>25,982</u>
<b>Profit / (loss) before taxation</b>		<b>167,214</b>	(49,472)
Taxation		<u>(36,590)</u>	<u>(19,131)</u>
<b>Profit / (loss) for the period</b>		<b>130,624</b>	(68,603)
		----- (Rupees `000) -----	
<b>Earnings per share - basic and diluted</b>		<b>1.09</b>	(0.57)

The annexed notes 1 to 22 form an integral part of this condensed interim consolidated financial information.



**Fuad Azim Hashimi**  
Director & Chairman  
Board Audit Committee



**Sohail R. Bhojani**  
Chief Financial Officer

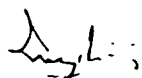


**Riyaz T. Chinoy**  
Managing Director & Chief Executive

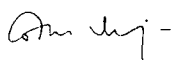
**Condensed Interim Consolidated Statement of Comprehensive Income (Un-audited)****For the First Quarter ended 30 September 2012**

	Quarter ended	
	30 September 2012	30 September 2011
	----- (Rupees '000) -----	
<b>Profit / (loss) for the period</b>	<b>130,624</b>	<b>(68,603)</b>
Other comprehensive income	.	.
<b>Total comprehensive income / (loss) for the period</b>	<b><u>130,624</u></b>	<b><u>(68,603)</u></b>
<b>Total comprehensive income attributable to:</b>		
<b>Owner of Holding company</b>	<b>136,142</b>	<b>(28,148)</b>
<b>Non-controlling interest</b>	<b><u>(5,518)</u></b>	<b><u>(40,455)</u></b>
<b>Profit / (loss) for the period</b>	<b><u>130,624</u></b>	<b><u>(68,603)</u></b>

The annexed notes 1 to 22 form an integral part of this condensed interim consolidated financial information.



**Fuad Azim Hashimi**  
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Board Audit Committee



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Chief Financial Officer



**Riyaz T. Chinoy**  
Managing Director & Chief Executive

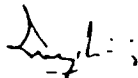


**Condensed Interim Consolidated Cash Flow Statement (Un-audited)**

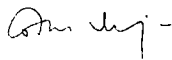
For the First Quarter ended 30 September 2012

	30 September 2012	30 September 2011
	----- (Rupees '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation for the period	167,214	(49,472)
Adjustments for:		
Depreciation and amortization	149,342	134,428
Provision for doubtful debts	2,714	3,423
Interest on bank deposits	(436)	(269)
(Gain) / loss on disposal of property, plant and equipment	(4,111)	9,735
Share of profit from an associated entity	(5,577)	(3,775)
Financial charges	420,561	321,263
	<u>729,707</u>	<u>415,333</u>
<b>Movement in:</b>		
Working capital	(471,469)	(2,618,744)
Long term deposits	785	4,947
	<u>259,023</u>	<u>(2,198,464)</u>
<b>Net cash generated from / (used in) operations</b>	<u>259,023</u>	<u>(2,198,464)</u>
Financial charges paid	(418,844)	(372,445)
Taxes paid	(59,137)	(233,575)
	<u>(218,958)</u>	<u>(2,804,484)</u>
<b>Net cash used in operating activities</b>	<u>(218,958)</u>	<u>(2,804,484)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(297,202)	(198,148)
Dividend income	-	4,852
Proceeds from disposal of property, plant and equipment	6,694	1,550
Interest income received	436	269
	<u>(290,072)</u>	<u>(191,477)</u>
<b>Net cash used in investing activities</b>	<u>(290,072)</u>	<u>(191,477)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long term financing	59,029	506,134
Dividends paid	(620)	(419,632)
	<u>58,409</u>	<u>86,502</u>
<b>Net cash generated from financing activities</b>	<u>58,409</u>	<u>86,502</u>
Net decrease in cash and cash equivalents	(450,621)	(2,909,459)
Cash and cash equivalents at beginning of the period	(13,986,977)	(11,621,918)
	<u>(14,437,598)</u>	<u>(14,531,377)</u>
Cash and cash equivalents at end of the period	<u>(14,437,598)</u>	<u>(14,531,377)</u>
<b>CASH AND CASH EQUIVALENTS COMPRISES:</b>		
Cash and bank balances	61,958	18,777
Short-term borrowings	(14,499,556)	(14,550,154)
	<u>(14,437,598)</u>	<u>(14,531,377)</u>

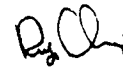
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**Fuad Azim Hashimi**  
Director & Chairman  
Board Audit Committee



**Sohail R. Bhojani**  
Chief Financial Officer

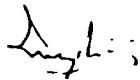


**Riyaz T. Chinoy**  
Managing Director & Chief Executive

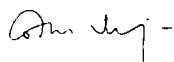
**Condensed Interim Consolidated Statement of Changes in Equity (Un-audited)****For the First Quarter ended 30 September 2012**

	Attributable to owners of Holding Company						
	Issued, subscribed and paid-up capital	Revenue Reserves		Total reserves	Total	Non- Controlling interest	Total
General reserves		Un- appropriated profit					
	----- (Rupees `000) -----						
<b>Balance as at 01 July 2011</b>	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 first quarter ended 30 September 2011							
Loss for the period	.	.	(28,148)	(28,148)	(28,148)	(40,455)	(68,603)
<b>Distribution to Owners of Holding Company</b>							
<b>Dividend</b>							
Final dividend @ 35% (Rs. 3.50 per share) for the year ended 30 June 2011	.	.	(419,624)	(419,624)	(419,624)	.	(419,624)
Total transaction with Owners of Holding Company	.	.	(419,624)	(419,624)	(419,624)	.	(419,624)
Transfer to general reserves	.	(328,786)	328,786	.	.	.	.
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	.	.	1,130	1,130	1,130	.	1,130
<b>Balance as at 30 September 2011</b>	<u>1,198,926</u>	<u>2,139,958</u>	<u>40,724</u>	<u>2,180,682</u>	<u>3,379,608</u>	<u>1,818,736</u>	<u>5,198,344</u>
<b>Balance as at 01 July 2012</b>	1,198,926	2,139,958	343,515	2,483,473	3,682,399	1,813,573	5,495,972
Total comprehensive income for the first quarter ended 30 September 2012							
Profit / (loss) for the period	.	.	136,142	136,142	136,142	(5,518)	130,624
<b>Distribution to Owners of Holding Company</b>							
<b>Dividend</b>							
Final dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2012	.	.	(239,785)	(239,785)	(239,785)	.	(239,785)
Total transaction with Owners of Holding Company	.	.	(239,785)	(239,785)	(239,785)	.	(239,785)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	.	.	1,130	1,130	1,130	.	1,130
<b>Balance as at 30 September 2012</b>	<u>1,198,926</u>	<u>2,139,958</u>	<u>241,002</u>	<u>2,380,960</u>	<u>3,579,886</u>	<u>1,808,055</u>	<u>5,387,941</u>

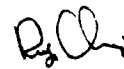
The annexed notes 1 to 22 form an integral part of this condensed interim consolidated financial information.



**Fuad Azim Hashimi**  
Director & Chairman  
Board Audit Committee



**Sohail R. Bhojani**  
Chief Financial Officer



**Riyaz T. Chinoy**  
Managing Director & Chief Executive

## Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

### For the First Quarter ended 30 September 2012

#### 1. THE GROUP AND ITS OPERATIONS

The Group consists of International Industries Limited ("the Holding Company") and International Steels Limited ("the Subsidiary Company") together referred to as "the Group" and individually as "Group Entities", and the Group's interest in its associated entity namely Pakistan Cables Limited.

International Industries Limited 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 & polyethylene pipes. The registered office of the Company is situated at 101 Beaumont Plaza, 10 Beaumont Road, Karachi - 75530.

International Steels Limited ("The Subsidiary Company") was incorporated in Pakistan in 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 the general public under an Initial Public Offer, the Subsidiary Company was listed on the Karachi Stock Exchange on 1 June 2011. The primary activity of the Subsidiary Company is the manufacturing of cold rolled steel coils and galvanized sheets. The Subsidiary Company commenced commercial operations on 1 January 2011. The registered office of the Subsidiary Company is situated at 101 Beaumont Plaza, 10 Beaumont Road Karachi - 75530.

Detail of the Group's investment in its associate entity is given in note 5 to these interim consolidated financial information:

#### 2. BASIS OF PREPARATION

2.1 This interim consolidated financial information has been prepared from the information available in the un-audited separate financial information of the Holding Company for the first quarter ended 30 September 2012 and the un-audited financial information of the Subsidiary Company for the first quarter ended 30 September 2012. Details regarding the financial information of the associate entity used in the preparation of this interim consolidated financial information are given in note 5.

#### 2.2 Statement of Compliance

This interim consolidated financial information has 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 and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

2.3 This interim consolidated financial information is presented in Pakistan Rupees which is also the Group's functional currency and all financial statements presented have been rounded off to the nearest thousand Rupee.

2.4 This interim consolidated financial information is being submitted to the shareholders as required by listing regulations of Karachi, Lahore and Islamabad Stock Exchanges and Section 245 of the Companies Ordinance, 1984.

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 3.1 Basis of consolidation

##### 3.1.1 Investment in 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 the Subsidiaries are included in the consolidated financial information from the date that control commences until the date that controls ceases.

**Notes to the Condensed Interim Consolidated Financial Information (Un-audited)****For the First Quarter ended 30 September 2012**

The financial information of the subsidiaries is 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 the subsidiaries have been consolidated on a line by line basis. The carrying value of the investments held by the Holding Company is eliminated against the subsidiaries' shareholders' equity in the consolidated financial statements. All material intra-group balances, transactions and 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 interim consolidated financial information.

**3.1.2 Investment in associate entities**

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 rights of another entity.

Investments in associate entities 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 information include the Group's share of an 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 an associate, the Group recognises its shares of any changes and discloses this, when applicable, in the statement of changes in equity.

The financial statements of the associate used for equity accounting are prepared with a difference of three months from the reporting period of the Group.

**4. PROPERTY, PLANT AND EQUIPMENT**

	Operating assets	Capital work in progress	Capital stores and spares	Total
	..... (Rupees `000) .....			
<b>Cost</b>				
Opening balance	13,701,496	373,991	24,238	14,099,725
Additions	140,950	297,436	-	438,386
Disposal / transfers	(6,722)	(140,950)	(850)	(148,522)
	<u>13,835,724</u>	<u>530,477</u>	<u>23,388</u>	<u>14,389,589</u>
<b>Accumulated depreciation</b>				
Opening balance	(2,399,151)	-	-	(2,399,151)
Disposal	6,092	-	-	6,092
Charge for the period	(148,307)	-	-	(148,307)
	<u>(2,541,366)</u>	<u>-</u>	<u>-</u>	<u>(2,541,366)</u>
<b>Written down value as at 30 September 2012</b>	<u>11,294,358</u>	<u>530,477</u>	<u>23,388</u>	<u>11,848,223</u>
Written down value as at 30 June 2012	<u>11,302,345</u>	<u>373,991</u>	<u>24,238</u>	<u>11,700,574</u>

## Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

## For the First Quarter ended 30 September 2012

5. INVESTMENTS IN EQUITY ACCOUNTED INVESTEE	30 September 2012 (Un-audited)	30 June 2012 (Audited)
	..... (Rupees `000) .....	
Pakistan Cables Limited - associated company	5.1 <u>174,595</u>	<u>169,018</u>
<p>5.1 This represents the Holding Company's investment in Pakistan Cables Limited (PCL) incorporated in Pakistan. The Holding Company has invested in 2,425,913 shares (30 June 2012: 2,425,913 shares) of the associate and holds 8.52% (30 June 2012: 8.52 %) share of interest in PCL, an equity accounted investee.</p> <p>The Chief Executive Officer of PCL is Mr. Kamal A. Chinoy. The market value as at 30 September 2012 was Rs. 138 million (30 June 2012: 93 million). The share of profit after acquisition is recognised based on PCL's financial statements as at 30 June 2012, as the latest financial statements of the associate as at 30 September 2012 are not presently available.</p>		
<b>6. STOCK IN TRADE</b>		
Raw materials - in hand	<b>8,238,770</b>	5,705,233
- in transit	<b>68,674</b>	3,284,185
	<b>8,307,444</b>	8,989,418
Work-in-process	<b>828,249</b>	1,064,991
Finished goods	<b>3,575,070</b>	2,414,279
By-products	<b>74,881</b>	43,246
Scrap material	<b>50,132</b>	84,750
	<b><u>12,835,776</u></b>	<u>12,596,684</u>
<b>7. TRADE DEBTS</b>		
Considered good		
- secured	<b>917,964</b>	1,015,660
- unsecured	<b>1,031,146</b>	945,064
	<b>1,949,110</b>	1,960,724
Considered doubtful	<b>37,222</b>	34,508
	<b>1,986,332</b>	1,995,232
Provision for doubtful debts	<b>(37,222)</b>	(34,508)
	<b><u>1,949,110</u></b>	<u>1,960,724</u>
<b>8. LOANS AND ADVANCES</b>		
Advances considered good		
- suppliers	<b>90,665</b>	39,870
- employees	<b>5,221</b>	860
	<b><u>95,886</u></b>	<u>40,730</u>
<b>9. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>		
Trade deposits	<b>6,763</b>	6,284
Short term prepayments	<b>24,533</b>	13,605
	<b><u>31,296</u></b>	<u>19,889</u>

**Notes to the Condensed Interim Consolidated Financial Information (Un-audited)****For the First Quarter ended 30 September 2012**

		<b>30 September 2012 (Un-audited)</b>	<b>30 June 2012 (Audited)</b>
----- (Rupees `000) -----			
<b>10. OTHER RECEIVABLES</b>			
Considered good			
- Interest income receivable		-	66
- Sales tax -net		292,071	371,436
- Receivable on transmission of electricity to KESC		149,119	255,546
- Others		2,111	953
		<u>443,301</u>	<u>628,001</u>
<b>11. LONG TERM FINANCING - secured</b>			
Long term finances utilised under mark-up arrangements	11.1	737,500	737,500
Syndicated term financing	11.2	3,678,789	3,768,391
Term finance	11.3	865,899	717,267
Current maturity of long term financing		<u>(978,316)</u>	<u>(959,608)</u>
		<u>4,303,872</u>	<u>4,263,550</u>

**11.1** 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 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. These are repayable in eight half-yearly instalments commencing from December 2009.

**11.2** The syndicated term financing is obtained by the Subsidiary for plant and machinery of the Cold Rolling mills and Galvanizing plant and is secured by way of a mortgage of land located at Survey No. 399-405, Landhi Town, Karachi, joint pari passu charge and joint supplemental memorandum of deposit of title deed as per the terms of syndicated term financing agreement. It is repayable in sixteen half-yearly instalments commencing from March 2011.

**11.3** The term finance is obtained for plant and machinery and is secured by way of a mortgage of land located at Survey No. 399-405, Landhi Town, Karachi and other fixed assets of the Subsidiary Company against a ranking charge. It is repayable in eight half yearly instalments commencing from June 2012.

		<b>30 September 2012 (Un-audited)</b>	<b>30 June 2012 (Audited)</b>
----- (Rupees `000) -----			
<b>12. TRADE AND OTHER PAYABLES</b>			
Trade creditors		716,596	946,343
Bills payable		-	207,840
Accrued expenses		506,023	480,304
Advance from customers		114,223	101,422
Workers' Profit Participation Fund		9,300	6,000
Workers' Welfare Fund		11,576	7,876
Unclaimed dividends		9,070	9,690
Dividend Payable		239,785	-
Others		516	608
		<u>1,607,089</u>	<u>1,760,083</u>

**13. SHORT TERM BORROWINGS**

Running finance under mark-up arrangement from banks - secured	13.1	4,086,014	4,805,018
Short term borrowing under Money Market Scheme - secured		-	950,000
Short term borrowing under Export Refinance Scheme	13.2	3,140,000	2,478,755
Running finance under FE-25 Import Scheme	13.3	6,463,749	5,318,069
Short term finance under Murabaha and Istisna	13.4	809,793	460,000
		<u>14,499,556</u>	<u>14,011,842</u>

## Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

### For the First Quarter ended 30 September 2012

- 13.1 The facilities for running finance available from various banks amounted to Rs. 8,947 million (30 June 2012: Rs.10,875 million) are secured by way of hypothecation of stock-in-trade and book debts of the Group Entities. The facilities for short term finance mature within twelve months.
- 13.2 The Holding Company has borrowed short term running finance under Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 3,140 million (30 June 2012: Rs.2,479 million). The rates of mark-up on these finances range from 9% to 11.75 % per annum (30 June 2012: 10.50% to 11.00% per annum).
- 13.3 The Group Entities have also borrowed short term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 from certain banks for the purpose of meeting import requirements. The facility availed is for an amount of USD 68 million equivalent to Rs. 6,464 million (30 June 2012: USD 56 million equivalent to Rs. 5,318 million). The rates of markup on these finances range from 2.05% to 2.40 % per annum (30 June 2012: 2.05% to 2.65% per annum). These facilities are secured against a first pari passu hypothecation charge over the Group Entities' present and future current assets.
- 13.4 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.

## 14. CONTINGENCIES AND COMMITMENTS

### 14.1 Contingencies

- 14.1.1 Bank guarantees have been issued by the Holding Company under certain supply contracts and to the Collector of Customs aggregating Rs. 296 million (30 June 2012: Rs.293 million).
- 14.1.2 Bank guarantees have been issued by the Subsidiary to Sui Southern Gas Company Limited and Excise & Taxation Officer aggregating Rs. 238 million (30 June 2012: Rs. 212 million).
- 14.1.3 Custom duties amounting to Rs.902 million (30 June 2012: Rs. 1,018 million) on import 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 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 of 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.

- 14.1.4 The customs authorities have charged a redemption fine of Rs. 83 million on clearance of an 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 reports and subsequent order produced by customs authorities and ordered the authorities to re-examine the matter afresh. However, the customs authorities have filed an application for leave to appeal against the order of the High Court of Sindh. Based on legal advice, the management expect the chances of admission of such appeal as remote.

**Notes to the Condensed Interim Consolidated Financial Information (Un-audited)****For the First Quarter ended 30 September 2012**

14.1.5 The Holding Company has reversed the provision for the levy of infrastructure fee amounting to Rs.107 million in 2009 on the basis of the decision of the 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 Supreme Court of Pakistan against such order. During May 2011, the Supreme Court of Pakistan has disposed of 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 the 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 consignments released upto 27 December 2006 and any bank guarantee / security furnished for consignments released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with the balance kept intact till the disposal of the petition. In case the High Court of Sindh 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 the petitioner. Bank guarantees amounting to Rs. 115 million have been provided to the Department by the Holding Company.

**14.2 Commitments**

- 14.2.1 Capital expenditure commitments of the Subsidiary outstanding as at 30 September 2012 amounted to Rs.289 million (30 June 2012: Rs.374 million).
- 14.2.2 Commitments under letters of credit of the Group Entities for raw material and spares as at 30 September 2012 to Rs. 3,935 million (30 June 2012: Rs.5,509 million), amounted
- 14.2.3 Commitments under purchase contracts of the Holding Company as at 30 September 2012 amounted to Rs. 65 million (30 June 2012: Rs.8 million).
- 14.2.4 The unavailed facilities of the Group Entities for opening letters of credit and guarantees from bank as at 30 September 2012 amounted to Rs. 11,354 million (30 June 2012: 9,339 million) and Rs. 677 million (30 June 2012: 705 million)

	Quarter ended	
	30 September 2012	30 September 2011
	..... (Rupees `000) .....	
<b>15. NET SALES</b>		
Local	<b>6,084,117</b>	5,412,585
Export	<b>1,889,857</b>	1,487,312
	<b>7,973,974</b>	6,899,897
Sales Tax and Special Excise Duty	<b>(887,042)</b>	(974,298)
Trade discount	<b>(1,178)</b>	(20,427)
Sales discount and commission	<b>(116,454)</b>	(82,333)
	<b>(1,004,674)</b>	(1,077,058)
	<b>6,969,300</b>	5,822,839



## Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the First Quarter ended 30 September 2012

	Quarter ended	
	30 September 2012	30 September 2011
	----- (Rupees `000) -----	
<b>16. COST OF SALES</b>		
Opening stock of raw material and work-in-process	6,770,224	6,353,470
Purchases	9,195,496	8,354,292
Salaries, wages and benefits	175,129	144,041
Rates and taxes	170	1,681
Electricity, gas and water	137,975	117,597
Insurance	6,591	7,406
Security and janitorial	6,291	3,852
Depreciation and amortisation	131,186	122,438
Stores and spares consumed	26,555	29,899
Repairs and maintenance	39,868	33,054
Postage, telephone and stationery	3,485	2,646
Vehicle, travel and conveyance	5,135	4,184
Internal material handling	5,789	4,715
Environment control	463	551
Sundries	1,037	5,142
Sale of scrap generated during Production	(55,672)	(315,761)
	<u>16,449,722</u>	<u>14,869,207</u>
Closing stock of raw material and work-in-process	(9,067,019)	(9,150,795)
Cost of goods manufactured	<u>7,382,703</u>	<u>5,718,412</u>
<b>Finished goods and By-product :</b>		
Opening stock	2,457,525	2,128,745
Closing stock	(3,649,950)	(2,609,858)
	<u>(1,192,425)</u>	<u>(481,113)</u>
	<u>6,190,278</u>	<u>5,237,299</u>
<b>17. FINANCIAL CHARGES</b>		
<b>Mark-up on :</b>		
- Long term financing	133,482	131,563
- Short-term borrowings	266,836	185,973
	<u>400,318</u>	<u>317,536</u>
Exchange loss - net	14,609	176,412
Interest on workers' Profit Participation Fund	146	132
Bank charges	5,488	3,595
	<u>420,561</u>	<u>497,675</u>

**Notes to the Condensed Interim Consolidated Financial Information (Un-audited)****For the First Quarter ended 30 September 2012**

	Quarter ended	
	30 September 2012	30 September 2011
	..... (Rupees `000) .....	
<b>18. OTHER OPERATING CHARGES</b>		
Auditors' remuneration	1,122	800
Donations	4,150	2,050
Loss on sale of property, plant & equipment	-	9,735
Workers' Profit Participation Fund	9,300	2,350
Workers' Welfare Fund	3,700	950
Others	121	-
	<u>18,393</u>	<u>15,885</u>
<b>19. OTHER OPERATING INCOME</b>		
<b>Income / return on financial assets</b>		
Interest on bank deposits	436	269
<b>Income from non-financial assets</b>		
Income from power generation - 18MW	7,693	15,909
Income from power generation - 4MW	9,216	5,134
Gain on sale of property, plant & equipment	4,111	-
Rental income	435	397
<b>Others</b>		
Late payment surcharge	-	268
Others	3,164	4,005
	<u>25,055</u>	<u>25,982</u>

**20. TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise associate entities, directors of the Holding Company and its Subsidiary, key management employees and staff retirement funds. The Group continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions. Further, contributions to the defined contribution plan (Provident Fund) are made as per the terms of employment and contributions to the defined benefit plan (Gratuity Scheme) are in accordance with actuarial advice. Remuneration of key management personnel is in accordance with their terms of engagement and company policy. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements, are as follows:

## Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the First Quarter ended 30 September 2012

	Quarter ended	
	30 September 2012	30 September 2011
	----- (Rupees '000) -----	
<b>Transactions with related parties</b>		
<b>Associated Companies</b>		
Sales	154,613	221,748
Purchases	1,438,507	3,165,779
Insurance premium expense	18,117	39,863
Insurance claims received	8	430
Rent income	435	397
Donations paid	1,125	-
Subscriptions paid	-	100
Reimbursement of expenses	910	-
<b>Key Management Personnel and their spouses</b>		
Remuneration	62,721	112,248
Disposal of vehicles	-	11,976
Purchase of vehicles	-	9,000
Staff retirement benefits	538	-
<b>Staff retirement benefits Plans</b>		
Contribution paid	11,148	10,214
<b>Directors Fees</b>		
	1,480	1,880
<b>Balance with related parties</b>		
Trade debts	163,911	144,211

**21. DATE OF AUTHORISATION FOR ISSUE**

These interim Consolidated financial statements were authorised for issue by the Board of Directors on 20 October 2012.

**22. GENERAL**

22.1 All financial values presented have been rounded off to the nearest thousand Rupee.

  
**Fuad Azim Hashimi**  
 Director & Chairman  
 Board Audit Committee

  
**Sohail R. Bhojani**  
 Chief Financial Officer

  
**Riyaz T. Chinoy**  
 Managing Director & Chief Executive