

## Directors' Report

The Directors are pleased to present the interim financial statements for the period ended September 30, 2013.

The Company's gross sales turnover for the quarter at approximately Rs. 4 billion was 11% lower than the corresponding period last year as a result of sales volume at around 43,000 tons being down by 9.7%. Sales were affected by post-election economic uncertainties accentuated by the changes to the Sales Tax regime announced in the Finance Bill which were compounded by severe flooding in the North of the country and seasonality due to Ramazan and other holidays, which caused commercial activities in the region to slow down. Export volumes also remained under pressure as a result of stiff competition in the international market spurred by slow economic activity in developed countries. Off-take in the Polyethylene segment, however, improved by 91% over the corresponding period last year.

There are indications that a large number of pipe manufacturers continue to find new ways to evade customs duty and Sales Tax through unethical practices. Some of the reported violations include secondary material being imported at under-invoiced prices, flying invoices for goods supposedly being exported to Afghanistan but instead being sold domestically and through a loophole in the Pak-China FTA to apparently import Alloy Steel at 0% import duty and instead importing HRC for commercial use. It is hoped that the government's efforts to tackle this area will become progressively more effective.

Despite the tough market conditions, your Company was able to maintain its strong domestic market position. Gross profit percentage for the quarter under review was 12.9%, an improvement of 100 basis points over the same quarter last year.

The Company's Profit After Tax for the period ended September 30, 2013 stood at Rs. 112 million, 19% lower than the same period last year but much higher than expectations. The quarter's profit translates into an EPS of Rs. 0.93 compared to an EPS of Rs. 1.15 for the corresponding period last year.

The Company's subsidiary, International Steels Ltd. (ISL), registered a sales volume of 57,000 tons resulting in an increase of 37% in turnover compared to the same period last year. ISL's Profit After Tax for the quarter was Rs. 116 million, which compares very favorably to a loss of Rs. 13 million recorded for the same period last year.

The Group's strength is underpinned by sales volume of 98,000 tons resulting in net sales of Rs. 7.8 billion, PAT of Rs. 223 million and EPS of Rs. 1.44 for the quarter under review.

Your management expects sales activity to pick up in the coming quarter in light of increased PSDP expenditure and development of new export markets. Domestic commercial business conditions may, however, be adversely affected by the continuing depreciation of the Rupee, the likelihood of inflation and interest rate increases and the volatile domestic security situation.

We thank all of our stakeholders for their continued support and appreciate the management and staff for their dedication and hard work in the face of substantial external challenges.

For & on behalf of  
International Industries Limited



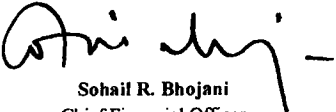
Zaffar.A.Khan  
Chairman

International Industries Limited  
Condensed Interim Unconsolidated Balance Sheet (Un-audited)  
As at 30 September 2013

	Note	(Un-audited) 30 September 2013	(Audited) 30 June 2013
<b>ASSETS</b>			
<b>(Rupees in '000)</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	3,453,545	3,464,666
Intangible assets		11,355	13,181
Investments	6	2,583,537	2,583,537
Long term deposits		4,428	4,428
		<u>6,052,865</u>	<u>6,065,812</u>
<b>Current assets</b>			
Stores and spares		138,237	122,999
Stock-in-trade	7	5,229,912	5,415,270
Trade debts	8	1,888,159	2,080,779
Advances	9	18,844	117,315
Trade deposits and short term prepayments	10	17,067	8,610
Other receivables	11	47,485	29,876
Sales tax refundable		126,906	240,894
Taxation - net		533,164	477,730
Bank balances		76,444	6,568
		<u>8,076,218</u>	<u>8,500,041</u>
<b>Total assets</b>		<u><u>14,129,083</u></u>	<u><u>14,565,853</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
<b>Authorised capital</b>			
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		2,700,036	1,848,736
Unappropriated profit		324,565	1,329,843
<b>Total equity</b>		<u>4,223,527</u>	<u>4,377,505</u>
<b>Surplus on revaluation of property, plant and equipment</b>		1,600,940	1,604,954
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term financing - secured	12	450,000	450,000
Deferred taxation - net		258,181	267,636
		<u>708,181</u>	<u>717,636</u>
<b>Current liabilities</b>			
Trade and other payables	13	696,287	579,030
Short term borrowings - secured	14	6,811,713	7,158,136
Accrued markup		88,435	128,592
		<u>7,596,435</u>	<u>7,865,758</u>
<b>Total liabilities</b>		<u>8,304,616</u>	<u>8,583,394</u>
<b>Contingencies and commitments</b>	15	-	-
<b>Total equity and liabilities</b>		<u><u>14,129,083</u></u>	<u><u>14,565,853</u></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  
Chief Executive Officer

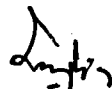
# International Industries Limited


## Condensed Interim Unconsolidated Profit and Loss Account (Un-audited)

For the Quarter ended 30 September 2013

	Note	Quarter ended	
		30 September 2013	30 September 2012
----- (Rupees in '000) -----			
Net sales	16	3,548,950	4,088,199
Cost of sales	17	(3,102,488)	(3,609,295)
<b>Gross profit</b>		<b>446,462</b>	<b>478,904</b>
Selling and distribution expenses		(137,973)	(122,945)
Administrative expenses		(46,609)	(33,211)
		<b>(184,582)</b>	<b>(156,156)</b>
Financial charges	18	(176,417)	(150,194)
Other operating charges	19	(15,203)	(17,912)
		<b>(191,620)</b>	<b>(168,106)</b>
Other income	20	74,406	17,989
<b>Profit before taxation</b>		<b>144,666</b>	<b>172,631</b>
Taxation		(32,900)	(34,900)
<b>Profit after taxation for the period</b>		<b>111,766</b>	<b>137,731</b>
<b>(Rupees)</b>			
<b>Earnings per share - basic and diluted</b>		<b>0.93</b>	<b>1.15</b>

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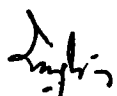
  
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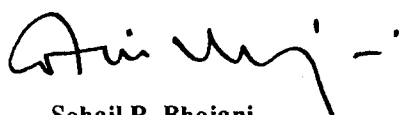
International Industries Limited  
-Condensed Interim Unconsolidated Statement of Comprehensive Income (Un-audited)  
For the Quarter ended 30 September 2013

	Quarter ended	
	30 September 2013	30 September 2012
	----- (Rupees in '000) -----	
Profit/(loss) after taxation for the period	111,766	137,731
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<u>111,766</u>	<u>137,731</u>

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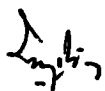
# International Industries Limited

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

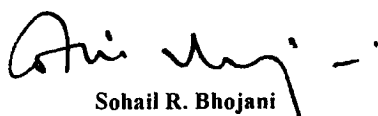
For the Quarter ended 30 September 2013

	Note	Quarter ended	
		30 September 2013	30 September 2012
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		144,666	172,631
Adjustments for :			
Depreciation and amortisation		54,908	48,863
Provision for doubtful debts		7,554	2,714
Interest on bank deposits	20	(232)	(327)
Gain on disposal of property, plant and equipment	20	(618)	(2,804)
Financial charges	18	176,417	150,194
		<u>382,695</u>	<u>371,271</u>
Changes in:			
Working capital	21	389,072	(992,913)
Long term deposits		-	785
<b>Net cash generated from / (used in) operations</b>		<u>771,767</u>	<u>(620,857)</u>
Financial charges paid		(216,574)	(162,589)
Taxes paid		(97,789)	(80,541)
<b>Net cash generated from / (used in) operating activities</b>		<u>457,404</u>	<u>(863,987)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(42,753)	(99,950)
Proceeds from disposal of property, plant and equipment		1,410	3,461
Interest income received		360	393
<b>Net cash used in investing activities</b>		<u>(40,983)</u>	<u>(96,096)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(122)	(620)
<b>Net cash used in financing activities</b>		<u>(122)</u>	<u>(620)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<u>416,299</u>	<u>(960,703)</u>
Cash and cash equivalents at beginning of the period		(7,151,568)	(7,543,112)
Cash and cash equivalents at end of the period		<u>(6,735,269)</u>	<u>(8,503,815)</u>
<b>Cash and cash equivalents comprise:</b>			
Bank balances		76,444	53,251
Short term borrowings	14	(6,811,713)	(8,557,066)
		<u>(6,735,269)</u>	<u>(8,503,815)</u>

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



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Board Audit Committee



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Chief Executive Officer

International Industries Limited

Condensed Interim Unconsolidated Statement of Changes in Equity (Un-audited)

For the Quarter ended 30 September 2013

	Issued, subscribed and paid-up capital	Revenue Reserves		Total reserves	Total
		General reserves	Un- appropriated profit		
(Rupees in '000)					
Balance as at 1 July 2012	1,198,926	1,848,736	1,126,858	2,975,594	4,174,520
Changes in equity for the first quarter ended 30 September 2012:					
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>					
Dividend					
-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>	<b>1,198,926</b>	<b>1,848,736</b>	<b>1,025,934</b>	<b>2,874,670</b>	<b>4,073,596</b>
Balance as at 1 July 2013	1,198,926	1,848,736	1,329,843	3,178,579	4,377,505
Changes in equity for the year ended 30 September 2013:					
Total comprehensive income for the year ended 30 September 2013					
Profit for the period	-	-	111,766	111,766	111,766
<b>Transactions with owners recorded directly in equity - distributions</b>					
Dividend					
-Final dividend @ 22.50% (Rs. 2.25 per share) for the year ended 30 June 2013			(269,758)	(269,758)	(269,758)
Total transactions with owners - distribution	-	-	(269,758)	(269,758)	(269,758)
Transfer to general reserves	-	851,300	(851,300)	-	-
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	4,014	4,014	4,014
<b>Balance as at 30 September 2013</b>	<b>1,198,926</b>	<b>2,700,036</b>	<b>324,565</b>	<b>3,024,601</b>	<b>4,223,527</b>

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## International Industries Limited

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

For the Quarter ended 30 September 2013

#### 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. The Company is in the business of manufacturing and marketing of galvanized steel pipes, precision steel tubes, API line pipes and polyethylene pipes.

#### 2. BASIS OF PREPARATION

##### 2.1 Statement of compliance

This condensed interim unconsolidated financial information of the Company for the quarter ended 30 September 2013 has been prepared in accordance with the requirements of International Accounting Standards 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In instances where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, have been followed.

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 2013.

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 2013, 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 period ended 30 September 2012.

##### 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 fair values determined by an independent valuer and the Company's liability under its defined benefit plan (gratuity) which is determined on the present value of defined benefit obligations determined by an independent actuary.

##### 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 financial statements of the Company as at and for the year ended 30 June 2013.

##### Change in accounting standards, interpretations and pronouncements

IAS 19 (amendments) - 'Employee Benefits' is applicable for the Company from July 1, 2013. It eliminates the corridor approach and recognizes all actuarial gains and losses in the Other Comprehensive Income as they occur, immediately recognizes all past services costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate on the net defined benefit liability / asset. The Company is in the process of evaluating impact of this change which therefore is not reflected in this condensed unconsolidated interim financial information 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 2013.

5. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work - in - progress	Total
(Rupees in '000)			
<b>Cost / revalued amount</b>			
Opening balance	5,203,051	2,045	5,205,096
Additions	13,758	47,130	60,888
Deletions/ consumed	(8,995)	(13,758)	(22,753)
	<u>5,207,814</u>	<u>35,417</u>	<u>5,243,231</u>
<b>Accumulated depreciation</b>			
Opening balance	(1,740,430)	-	(1,740,430)
Disposal	3,826	-	3,826
Charge for the period	(53,082)	-	(53,082)
	<u>(1,789,686)</u>	<u>-</u>	<u>(1,789,686)</u>
<b>Written down value as at 30 September 2013 (Unaudited)</b>	<u>3,418,128</u>	<u>35,417</u>	<u>3,453,545</u>
<b>Written down value as at 30 June 2013 (Audited)</b>	<u>3,462,621</u>	<u>2,045</u>	<u>3,464,666</u>

6. INVESTMENTS

30 September 2013 (Un-audited)	30 June 2013 (Audited)		30 September 2013 (Un-audited)	30 June 2013 (Audited)
Number of shares			(Rupees in '000)	
245,055,543	245,055,543	International Steels Limited (ISL) - subsidiary company at cost 6.1	2,450,555	2,450,555
2,425,913	2,425,913	Pakistan Cables Limited (PCL) - associate company at cost 6.2	132,982	132,982
			<u>2,583,537</u>	<u>2,583,537</u>

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

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

6.3 Market value of the above investments is as follows:

	30 September 2013 (Un-audited)	30 June 2013 (Audited)
(Rupees in '000)		
<b>Quoted:</b>		
International Steels Limited	4,207,604	4,335,033
Pakistan Cables Limited	171,658	157,199

7. STOCK-IN-TRADE

	30 September 2013 (Un-audited)	30 June 2013 (Audited)
Raw materials- in hand	2,793,991	2,763,419
- in transit	-	18,616
	<u>2,793,991</u>	<u>2,782,035</u>
Work-in-process	935,231	917,919
Finished goods	1,463,258	1,664,729
By-product	31,551	42,855
Scrap material	5,881	7,732
	<u>5,229,912</u>	<u>5,415,270</u>



8. TRADE DEBTS	30 September 2013 (Un-audited)	30 June 2013 (Audited)
	(Rupees in '000)	
Considered good :		
- Secured	586,837	845,060
- Unsecured	1,301,322	1,235,719
Considered doubtful	45,255	37,701
	<u>1,933,414</u>	<u>2,118,480</u>
Provision for doubtful debts	(45,255)	(37,701)
	<u>1,888,159</u>	<u>2,080,779</u>
 8.1 Related parties from whom debts are due are as under:		
Sui Southern Gas Company Limited	4,785	530
Sui Northern Gas Pipelines Limited	167,024	97,579
Pakistan Cables Limited	23	-
	<u>171,832</u>	<u>98,109</u>
 9. ADVANCES		
Considered good:		
- Suppliers	17,414	15,939
- Collector of Customs for clearance of goods	-	100,000
- Employees	1,430	1,376
	<u>18,844</u>	<u>117,315</u>
 10. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Trade deposits	4,395	4,178
Short term prepayments	12,672	4,432
	<u>17,067</u>	<u>8,610</u>
 11. OTHER RECEIVABLES		
Considered good:		
- Interest income receivable	-	128
- Receivable for transmission of electricity to Karachi Electric Supply Company (KESC)	10,848	2,796
- Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods.	25,940	25,940
- Dividend receivable from an associate	8,733	-
- Others	1,964	1,012
	<u>47,485</u>	<u>29,876</u>

**12. LONG TERM FINANCING**

Long term finances utilised under mark-up arrangements	12.1	450,000	450,000
Current portion of long term finances shown under current liabilities		-	-
		<u>450,000</u>	<u>450,000</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 lands & buildings located at Plot Number LX-15 & 16 and HX-7/4, Landhi Industrial Estate, Karachi and Survey No. 402, 405-406, Dehsharabi, Landhi Town, Karachi.

**13. TRADE AND OTHER PAYABLES**

	30 September 2013 (Un-audited)	30 June 2013 (Audited)
	(Rupees in '000)	
Trade creditors	46,396	168,917
Bills payable	-	18,616
Accrued expenses	153,093	179,341
Provision for infrastructure cess	129,531	114,825
Short term compensated absences	2,000	5,574
Advance from customers	52,616	50,849
Workers' Profit Participation Fund	7,300	8,100
Workers' Welfare Fund	25,176	22,276
Unclaimed dividends	10,407	10,529
Dividend payable	269,758	-
Others	10	3
	<u>696,287</u>	<u>579,030</u>

**14. SHORT TERM BORROWINGS - secured**

Running finance under mark-up arrangement	14.1	105,006	326,031
Short term borrowing under Money Market scheme	14.2	3,668,707	3,670,605
Short term borrowing under Export Refinance Scheme	14.3	3,038,000	3,161,500
		<u>6,811,713</u>	<u>7,158,136</u>

14.1 The facilities for running finance available from various commercial banks amounted to Rs.4,527 million. (30 June 2013: Rs.3,585 million). The rates of mark-up on these finances range from 9.81% to 10.66% per annum (30 June 2013: 10.01% to 11.41%). The facilities for short term finance mature within twelve months.

14.2 The facilities for short-term borrowing through Money Market Scheme available from various commercial banks under mark-up arrangements amounted to Rs. 4,045 million (30 June 2013: Rs.4,000 million). The rates of mark-up on these finances range from 8.53% to 9.49% per annum (30 June 2013: 9.57% to 10.02% per annum).

14.3 The Company has borrowed short-term running finance under the Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 3,038 million (30 June 2013: Rs.3,161.5 million). The rates of mark-up on this facility is 8.90% per annum (30 June 2013: 8.70% to 8.90% per annum).

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

## 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. 169.3 million (30 June 2013: Rs.178.6 million).

15.1.2 Custom duties amounting to Rs.1,225 million (30 June 2013: 1,174 million) on import of raw material shall be payable by the Company in case of non-fulfillment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Company has provided post dated cheques in favour of the Collector of Customs which are, in the normal course of business, to be returned to the Company after fulfillment of stipulated conditions. The Company has fulfilled the conditions for duties amounting to Rs. 937 million and is making efforts to retrieve the associated post-dated cheques from the customs authorities. Further, an amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Company filed a petition with the Sindh High Court in 2010 for an injunction and is awaiting the final judgement.

15.1.3 The customs authorities have charged a redemption fine of Rs. 83 million on clearance of imported raw material consignments in 2006. The Company has filed an appeal before the Sindh High Court, which has set aside the examination reports including 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. The management anticipates 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 a decision of the Sindh High Court which declared the levy of Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court against such order. In May 2011, the Supreme Court disposed off the appeal with a joint statement of the parties that, during the pendency of the appeal, another law i.e the Fifth Version, came into existence which was not the subject matter of the appeal. Hence the case was referred back to the High Court with the right to appeal to the Supreme Court. On 31 May 2011, the High Court has granted an interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignments released upto 27 December 2006 and any bank guarantee / security furnished for consignments released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of the Fifth Version of the law and its retrospective application, the authorities are entitled to claim the amounts due under the said law with the right to appeal available to the petitioner. Bank guarantees amounting to Rs. 230 million have been provided to the Department in this regard.

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

The matter of applicability of receiving the differential of Rs.87 per MMBTU is pending with the High Court. If the aforementioned matter is not decided in the favour of the Company, it may be required to pay Rs.48.174 million as additional amount in respect of GID Cess. However, the management is confident that the matter will be decided in the Company's favour.

## 15.2 Commitments

- 15.2.1 Capital expenditure commitments outstanding as at 30 September 2013 amounted to Rs.22.4 million (30 June 2013: Rs.42.5 million).
- 15.2.2 Commitments under letters of credit for raw materials and stores and spares as at 30 September 2013 amounted to Rs. 2,716.8 million (30 June 2013: Rs.2,666.4 million).
- 15.2.3 Commitments under purchase contracts as at 30 September 2013 amounted to Rs. 22.8 million (30 June 2013: Rs.880.2 million).
- 15.2.4 Unavailed facilities for opening letters of credit and guarantees from banks as at 30 September 2013 amounted to Rs. 7,210 million (30 June 2013: 7,107 million) and Rs. 451 million (30 June 2013: 366 million) respectively.

## 16. NET SALES

	Quarter ended	
	30 September	30 September
	2013	2012
	(Rupees in '000)	
Local	2,882,343	2,978,555
Export	1,175,590	1,601,622
	<u>4,057,933</u>	<u>4,580,177</u>
Sales Tax	(428,393)	(410,674)
Trade discounts	(6,545)	(495)
Sales discount and commission	(74,045)	(80,809)
	<u>(508,983)</u>	<u>(491,978)</u>
	<u>3,548,950</u>	<u>4,088,199</u>

## 17. COST OF SALES

Opening stock of raw material and work-in-process	3,681,338	3,968,132
Purchases	2,788,404	5,663,081
Salaries, wages and benefits	130,812	119,318
Rent, rates and taxes	200	170
Electricity, gas and water	70,729	62,352
Insurance	2,502	1,646
Security and janitorial	3,328	3,442
Depreciation and amortisation	49,987	44,768
Stores and spares consumed	15,013	13,199
Repairs and maintenance	21,480	24,980
Postage, telephone and stationery	1,674	2,182
Vehicle, travel and conveyance	2,841	2,667
Internal material handling	3,317	3,795
Environment controlling expenses	26	40
Sundries	592	458
Sale of scrap generated during production	(153,308)	(57,230)
Closing stock of raw materials and work-in-process	<u>(3,729,222)</u>	<u>(5,598,261)</u>
Cost of goods manufactured	<u>2,889,713</u>	<u>4,254,739</u>
Finished goods and by-products:		
- Opening stock	1,707,584	1,705,218
- Closing stock	(1,494,809)	(2,350,662)
	<u>212,775</u>	<u>(645,444)</u>
	<u>3,102,488</u>	<u>3,609,295</u>

## 18. FINANCIAL CHARGES

	Quarter ended	
	30 September 2013	30 September 2012
	(Rupees in '000)	
Mark-up on:		
- Long term financing	11,082	23,865
- Short term borrowings	153,093	110,333
Exchange loss	9,916	12,365
Interest on Workers' Profit Participation Fund	360	146
Bank charges	1,966	3,485
	<u>176,417</u>	<u>150,194</u>

## 19. OTHER OPERATING CHARGES

Auditors' remuneration	579	762
Donations	4,265	4,150
Workers' Profit Participation Fund	7,300	9,300
Workers' Welfare Fund	2,900	3,700
Others	159	-
	<u>15,203</u>	<u>17,912</u>

## 20. OTHER OPERATING INCOME

<b>Income / return on financial assets</b>		
Interest on bank deposits	232	327
<b>Income from non-financial assets</b>		
Income from power generation	11,961	9,216
Gain on disposal of property, plant and equipment	618	2,804
Rental income	2,181	1,993
IT services reimbursed by subsidiary	-	1,125
Dividend income from associate	9,704	-
Exchange gain	47,507	714
Others	2,203	1,810
	<u>74,406</u>	<u>17,989</u>

## 21. MOVEMENT IN WORKING CAPITAL

	30 September 2013	30 September 2012
		(Rupees in '000)
Decrease / (increase) in current assets:		
Store and spares	(15,238)	7,173
Stock-in-trade	185,358	(658,453)
Trade debts	185,066	(85,300)
Advances	98,471	(30,193)
Trade deposit and short term prepayments	(8,457)	(5,195)
Other receivables	96,251	14,088
	<u>541,451</u>	<u>(757,880)</u>
Decrease in current liabilities :		
Trade and other payables	(152,379)	(235,033)
	<u>389,072</u>	<u>(992,913)</u>

## 22. TRANSACTIONS WITH RELATED PARTIES

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

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

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in this condensed interim unconsolidated financial information, are as follows:

	Quarter ended	
	30 September 2013	30 September 2012
	----- (Rupees in '000) -----	
<i>Subsidiary company</i>		
Sales	655	857
Purchases	151,658	346,831
Sale proceeds from disposal of fixed assets	-	72
Payment for purchase of fixed assets	-	123
Purchase of store items	-	123
Supply of chilled water and electrical consultancy	6,450	-
Reimbursement of payroll management expenses	-	170
Reimbursement of corporate affairs management expenses	886	792
Reimbursement of IT services	-	1,125
Rental income	2,181	1,993
<i>Associate companies</i>		
Sales	170,547	154,613
Purchases	68,861	46,648
Donations	-	1,125
Dividend paid	1,296	-
Dividend received	9,704	-
Reimbursement of payments made on behalf of associated company	592	910
Subscriptions paid	12	-
<i>Key management personnel</i>		
Remuneration	38,026	32,158
<i>Staff retirement benefits</i>		
Contribution paid	10,820	7,943
<i>Non-executive directors</i>		
Directors' fee	680	1,000

**23. SEGMENT REPORTING**

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

**23.1 SEGMENT REVENUE AND RESULTS**

	Steel Segment	Plastic Segment	Total
	(Rupees in '000)		
<b>For the period ended 30 September 2013</b>			
Sales	3,336,888	212,062	3,548,950
Cost of sales	2,891,974	210,514	3,102,488
Gross Profit	<u>444,914</u>	<u>1,548</u>	<u>446,462</u>
<b>For the period ended 30 September 2012</b>			
Sales	3,977,110	111,089	4,088,199
Cost of sales	3,513,030	96,265	3,609,295
Gross Profit	<u>464,080</u>	<u>14,824</u>	<u>478,904</u>

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

	Quarter ended	
	30 September 2013	30 September 2012
	(Rupees in '000)	
Total results for reportable segments	446,462	478,904
Selling, distribution and administrative expenses	(184,582)	(156,156)
Financial charges	(176,417)	(150,194)
Other operating expenses	(15,203)	(17,912)
Other operating income	74,406	17,989
Taxation	<u>(32,900)</u>	<u>(34,900)</u>
Profit after tax	<u>111,766</u>	<u>137,731</u>

**23.2 SEGMENT ASSETS & LIABILITIES**

	Steel Segment	Plastic Segment	Total
	(Rupees in '000)		
<b>As at 30 September 2013 - Un-audited</b>			
Segment assets	<u>9,944,794</u>	<u>626,822</u>	<u>10,571,616</u>
Segment liabilities	<u>52,616</u>	<u>-</u>	<u>52,616</u>
<b>As at 30 June 2013 - Audited</b>			
Segment assets	<u>10,298,087</u>	<u>662,628</u>	<u>10,960,715</u>
Segment liabilities	<u>50,849</u>	<u>-</u>	<u>50,849</u>



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

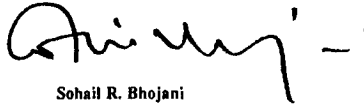
	30 September 2013 (Un-audited)	30 June 2013 (Audited)
	(Rupees in '000)	
Total reportable segments assets	10,571,616	10,960,715
Unallocated assets	3,557,467	3,605,138
<b>Total assets as per Balance Sheet</b>	<b>14,129,083</b>	<b>14,565,853</b>
Total reportable segments liabilities	52,616	50,849
Unallocated liabilities	8,252,000	8,532,545
<b>Total liabilities as per Balance Sheet</b>	<b>8,304,616</b>	<b>8,583,394</b>

24. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors on 25 October 2013.



Fuad Azim Hashimi  
Director & Chairman  
Board Audit Committee



Sohail R. Bhojani  
Chief Financial Officer

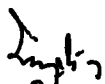


Riyaz T. Chinoy  
Chief Executive Officer


International Industries Limited  
Condensed Interim Consolidated Balance Sheet  
As at 30 September 2013

	Note	(Un-audited) 30 September 2013	(Audited) 30 June 2013
(Rupees in '000)			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	13,274,828	13,368,488
Intangible assets		19,598	21,248
Investment in equity - accounted investee	5	172,093	176,946
Long-term deposits		4,528	4,528
		<u>13,471,047</u>	<u>13,571,210</u>
<b>Current assets</b>			
Stores and spares		512,284	493,319
Stock-in-trade	6	11,821,248	8,031,310
Trade debts	7	2,483,987	2,630,422
Advances	8	120,822	415,216
Trade deposits and short term prepayments	9	25,003	21,072
Sales tax refundable		540,259	406,572
Other receivables	10	133,176	66,146
Taxation - net		1,574,739	1,203,451
Cash and bank balances		83,678	20,262
		<u>17,295,196</u>	<u>13,287,770</u>
<b>Total assets</b>		<u><u>30,766,243</u></u>	<u><u>26,858,980</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
<b>Authorised capital</b>			
200,000,000 (2013: 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		2,991,258	2,139,958
Unappropriated profit		(188,930)	754,306
<b>Total equity</b>		<u>4,001,254</u>	<u>4,093,190</u>
Non-controlling interest		2,024,131	1,972,281
		<u>6,025,385</u>	<u>6,065,471</u>
Surplus on revaluation of property, plant and equipment		2,525,597	2,532,508
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term financing - secured	11	3,673,866	3,821,860
Deferred taxation - net		467,070	491,414
		<u>4,140,936</u>	<u>4,313,274</u>
<b>Current liabilities</b>			
Trade and other payables	12	2,999,416	1,599,111
Short term borrowings - secured	13	14,094,471	11,279,514
Current portion of long term financing - secured	11	699,606	783,285
Accrued markup		280,832	285,817
		<u>18,074,325</u>	<u>13,947,727</u>
<b>Total liabilities</b>		<u>22,215,261</u>	<u>18,261,001</u>
Contingencies and commitments	14	-	-
<b>Total equity and liabilities</b>		<u><u>30,766,243</u></u>	<u><u>26,858,980</u></u>

The annexed notes 1 to 21 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  
Chief Executive Officer

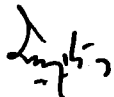
# International Industries Limited

## Condensed Interim Consolidated Profit and Loss Account (Un-audited)

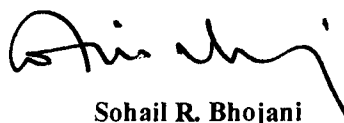
For the Quarter ended 30 September 2013

	Note	Quarter ended	
		30 September 2013	30 September 2012
(Rupees in '000)			
Net sales	15	7,793,178	6,969,300
Cost of sales	16	(6,922,043)	(6,190,278)
<b>Gross profit</b>		<b>871,135</b>	<b>779,022</b>
Selling and distribution expenses		(172,034)	(144,174)
Administrative expenses		(78,717)	(59,312)
		<b>(250,751)</b>	<b>(203,486)</b>
Financial charges	17	(442,085)	(420,561)
Other operating charges	18	(23,966)	(18,393)
		<b>(466,051)</b>	<b>(438,954)</b>
Other income	19	87,753	25,055
Share of profit in equity - accounted investee - net of tax		4,851	5,577
<b>Profit before taxation</b>		<b>246,937</b>	<b>167,214</b>
Taxation		(24,176)	(36,590)
<b>Profit after taxation</b>		<b>222,761</b>	<b>130,624</b>
(Rupees)			
<b>Earnings per share - basic and diluted</b>		<b>1.44</b>	<b>1.14</b>

The annexed notes 1 to 21 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**  
Chief Executive Officer

# International Industries Limited

Condensed Interim Consolidated Statement of Comprehensive Income (Un-audited)

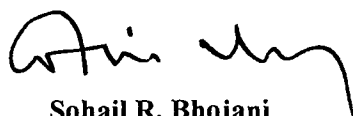
For the Quarter ended 30 September 2013

	Quarter ended	
	30 September 2013	30 September 2012
Profit after taxation	222,761	130,624
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>222,761</b>	<b>130,624</b>
Total comprehensive income attributable to:		
Owners of Holding company	172,176	136,142
Non-controlling interest	50,585	(5,518)
<b>Total comprehensive income for the quarter</b>	<b>222,761</b>	<b>130,624</b>

The annexed notes 1 to 21 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

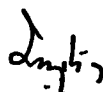


**Riyaz T. Chinoy**  
Chief Executive Officer

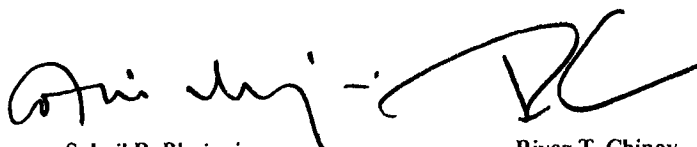
International Industries Limited  
Condensed Interim Consolidated Cash Flow Statement (Un-audited)  
For the quarter ended 30 September 2013

	30 September 2013	30 September 2012
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	246,937	167,214
Adjustments for:		
Depreciation and amortisation	178,609	149,342
Provision for doubtful debts	7,554	2,714
Interest on bank deposits	(232)	(436)
Gain on disposal of property, plant and equipment	(2,336)	(4,111)
Share of profit from an associated entity	(4,851)	(5,577)
Financial charges	442,085	420,561
	<u>867,766</u>	<u>729,707</u>
Changes in:		
Working capital	(2,449,735)	(471,469)
Long term deposits	-	785
<b>Net cash (used in) / generated from operations</b>	<u>(1,581,969)</u>	<u>259,023</u>
Financial charges paid	(447,070)	(418,844)
Taxes paid	(419,808)	(59,137)
<b>Net cash used in operating activities</b>	<u>(2,448,847)</u>	<u>(218,958)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(88,468)	(297,202)
Dividend income received	9,704	-
Proceeds from disposal of property, plant and equipment	7,505	6,694
Interest income received	360	436
<b>Net cash used in investing activities</b>	<u>(70,899)</u>	<u>(290,072)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term financing - net of proceeds	(231,673)	59,029
Dividends paid	(122)	(620)
<b>Net cash (used in) / generated from financing activities</b>	<u>(231,795)</u>	<u>58,409</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(2,751,541)</u>	<u>(450,621)</u>
Cash and cash equivalents at beginning of the period	<u>(11,259,252)</u>	<u>(13,986,977)</u>
Cash and cash equivalents at end of the period	<u>(14,010,793)</u>	<u>(14,437,598)</u>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Bank balances	83,678	61,958
Short-term borrowings	(14,094,471)	(14,499,556)
	<u>(14,010,793)</u>	<u>(14,437,598)</u>

The annexed notes 1 to 21 form an integral part of this condensed interim consolidated financial information.



Fuad Azim Hashimi  
Director & Chairman  
Board Audit Committee



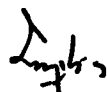
Sohail R. Bhojani  
Chief Financial Officer

Riyaz T. Chinoy  
Chief Executive Officer

International Industries Limited  
 Condensed Interim Consolidated Statement of Changes in Equity (Un-audited)  
 For the Quarter ended 30 September 2013

	Attributable to owners of the Holding Company				Total	Non-Controlling Interest	Total
	Issued, subscribed and paid-up capital	General reserves	Revenue Reserves Un-appropriated profit / (loss)	Total reserves			
Balance as at 1 July 2012	1,198,926	2,139,958	343,515	2,483,473	3,682,399	1,813,573	5,495,972
Total comprehensive income for the 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 the Holding Company</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 transactions with owners of the 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>	<b>1,198,926</b>	<b>2,139,958</b>	<b>241,002</b>	<b>2,380,960</b>	<b>3,579,886</b>	<b>1,808,055</b>	<b>5,387,941</b>
Balance as at 1 July 2013	1,198,926	2,139,958	754,306	2,894,264	4,093,190	1,972,281	6,065,471
Total comprehensive income for the quarter ended 30 September 2013:							
Profit for the period	-	-	172,176	172,176	172,176	50,585	222,761
<b>Distribution to owners of the Holding Company</b>							
Interim dividend @ 10% (Rs. 1.00 per share) for the year ended 30 June 2013	-	-	(269,758)	(269,758)	(269,758)	-	(269,758)
Total transactions with owners of the Holding Company	-	-	(269,758)	(269,758)	(269,758)	-	(269,758)
Interim dividend for the year ended 30 June 2012	-	-	-	-	-	-	-
Transfer from general reserves	-	851,300	(851,300)	-	-	-	-
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	5,646	5,646	5,646	1,265	6,911
<b>Balance as at 30 September 2013</b>	<b>1,198,926</b>	<b>2,991,258</b>	<b>(188,930)</b>	<b>2,802,328</b>	<b>4,001,254</b>	<b>2,024,131</b>	<b>6,025,385</b>

The annexed notes 1 to 21 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  
 Chief Executive Officer

# International Industries Limited

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

For the Quarter ended 30 September 2013

### 1. THE GROUP AND ITS OPERATIONS

- 1.1 The Group consists of International Industries Limited, the Holding Company and International Steels Limited, the Subsidiary Company (together referred to as "the Group" and individually as "Group Entities") and the Group's interest in its equity-accounted investee, namely Pakistan Cables Limited.
- 1.2 International Industries Limited was incorporated in Pakistan in 1948 and is quoted on the Karachi, Lahore and Islamabad Stock Exchanges in Pakistan. It is in the business of manufacturing and marketing of galvanized steel pipes, precision steel tubes, API line pipes & polyethylene pipes. The registered office of the Holding Company is situated at 101 Beaumont Plaza, 10 Beaumont Road, Karachi - 75530.
- 1.3 International Steels Limited was incorporated in Pakistan in 2007 as an unlisted company limited by shares under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. Subsequent to the sale of shares by the Holding Company to the general public under an Initial Public Offer, it was listed on the Karachi Stock Exchange on 1 June 2011. Its primary activities is the manufacturing of cold rolled steel coils and galvanized sheets. It commenced commercial operations on 1 January 2011. Its registered office is situated at 101 Beaumont Plaza, 10 Beaumont Road, Karachi - 75530.
- 1.4 Details of the Group's equity-accounted investee 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 quarter ended 30 September 2013 and the un-audited financial information of the Subsidiary Company for the quarter ended 30 September 2013. Detail regarding the financial information of the equity-accounted investee used in the preparation of this condensed interim consolidated financial information is 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 (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984 and provisions of and directives issued under the Ordinance. In case requirement differ, the provisions of, or directive issued under the Ordinance shall prevail.

- 2.3 This condensed interim consolidated financial information is presented in Pakistan Rupees which is also the Group's functional currency. All financial information presented have been rounded off to the nearest thousand Rupee.
- 2.4 This condensed 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.
- 2.5 Estimates and judgements made by the management in the preparation of this condensed interim consolidated financial information are the same as those that were applied to the audited annual separate financial statements of the Group Entities as at and for the year ended 30 June 2013.
- 2.6 **Change in accounting standards, interpretations and pronouncements**

IAS 19 (amendments) - 'Employee Benefits' is applicable for the Company from July 1, 2013. It eliminates the corridor approach and recognizes all actuarial gains and losses in the Other Comprehensive Income as they occur, immediately recognizes all past services costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate on the net defined benefit liability / asset. The Company is in the process of evaluating impact of this change which therefore is not reflected in this condensed unconsolidated interim financial information of the Company.

### 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.

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 where 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 condensed interim consolidated financial information.

##### 3.1.2 Investment in associate

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 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	Total
	----- (Rupees in '000) -----		
<b>Cost / Revalued amount</b>			
Opening balance	14,293,925	378,070	14,671,995
Additions	108,556	86,818	195,374
Disposal / transfers	(8,995)	(108,556)	(117,551)
	<u>14,393,486</u>	<u>356,332</u>	<u>14,749,818</u>
<b>Accumulated depreciation</b>			
Opening balance	(1,303,507)	-	(1,303,507)
Disposal	3,826	-	3,826
Charge for the period	(175,309)	-	(175,309)
	<u>(1,474,990)</u>	<u>-</u>	<u>(1,474,990)</u>
<b>Written down value as at 30 September 2013</b>	<u>12,918,496</u>	<u>356,332</u>	<u>13,274,828</u>
<b>Written down value as at 30 June 2013 (Audited)</b>	<u>12,990,418</u>	<u>378,070</u>	<u>13,368,488</u>



5. INVESTMENT IN EQUITY - ACCOUNTED INVESTEE	30 September 2013 (Un-audited)	30 June 2013 (Audited)
	(Rupees in '000)	
Pakistan Cables Limited - associated company	5.1	176,946
	<u>172,093</u>	<u>176,946</u>

5.1 This represents the Holding Company's investment in Pakistan Cables Limited (PCL), a company incorporated in Pakistan. The Holding Company has invested in 2,425,913 shares (30 June 2013: 2,425,913 shares) of the Associate Company and holds 8.52% (30 June 2013: 8.52 %) ownership interest in PCL.

The Chief Executive Officer of PCL is Mr. Kamal A. Chinoy. The market value as at 30 September 2013 was Rs. 171.7 million (30 June 2013: 157.2 million). The share of profit after acquisition is recognised based on PCL's audited financial statements as at 30 June 2013. The latest financial statements of the Associated Company as at 30 September 2013 are not presently available.

6. STOCK- IN- TRADE	30 September 2013 (Un-audited)	30 June 2013 (Audited)
	(Rupees in '000)	
Raw material - in hand	7,878,894	3,621,652
- in transit	-	570,862
	<u>7,878,894</u>	<u>4,192,514</u>
Work-in-process	1,292,172	1,278,643
Finished goods	2,612,224	2,506,545
By-products	31,551	42,855
Scrap material	6,407	10,753
	<u>11,821,248</u>	<u>8,031,310</u>

7. TRADE DEBTS	30 September 2013 (Un-audited)	30 June 2013 (Audited)
	(Rupees in '000)	
Considered good:		
- secured	1,167,323	1,389,297
- unsecured	1,316,664	1,241,125
	<u>2,483,987</u>	<u>2,630,422</u>
Considered doubtful	45,255	37,701
	<u>2,529,242</u>	<u>2,668,123</u>
Provision for doubtful debts	(45,255)	(37,701)
	<u>2,483,987</u>	<u>2,630,422</u>
<b>8. ADVANCES</b>		
Considered good:		
- Suppliers and service providers	119,332	227,401
- Collector of Customs for clearance of goods	-	100,000
- Sales tax	-	85,000
- Employees	1,490	2,815
	<u>120,822</u>	<u>415,216</u>
<b>9. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>		
Trade deposits	8,952	8,015
Short term prepayments	16,051	13,057
	<u>25,003</u>	<u>21,072</u>
<b>10. OTHER RECEIVABLES</b>		
Considered good:		
- Interest income receivable	-	128
- Receivable for transmission of electricity to Karachi Electric Supply Company (KESC)	96,539	38,539
- Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods.	25,940	25,940
- Dividend receivable from an associate	8,733	-
- Others	1,964	1,539
	<u>133,176</u>	<u>66,146</u>
- Receivable from foreign supplier	3,027	3,027
Less: Provision thereagainst	(3,027)	(3,027)
	<u>133,176</u>	<u>66,146</u>
<b>11. LONG TERM FINANCING - secured</b>		
Long term finances utilised under mark-up arrangements	11.1 450,000	450,000
Syndicated LTFF term finance	11.2 3,196,809	3,344,803
Long term finance	11.3 726,663	810,342
	<u>4,373,472</u>	<u>4,605,145</u>
Current portion of long term financing shown under current liabilities	(699,606)	(783,285)
	<u>3,673,866</u>	<u>3,821,860</u>

- 11.1 All long term finances, except for all term financing mentioned above, utilised under mark-up arrangements, are obtained by the Holding Company and secured by way of a joint equitable mortgage on all present and future lands and buildings located at Plot Number LX-15 &16 and HX-7/4, Landhi Industrial Estate, Karachi and Survey No. 402,405-406, Dehsharabi, Landhi Town, Karachi.
- 11.2 The Syndicated term financing is obtained for plant and machinery of the Cold Rolling Mill and Galvanizing Plant by the Subsidiary Company and is secured by way of mortgage of land located at Survey No.399 - 404, Dehsharabi, Landhi Town, Karachi, and joint hypothecation of all present and future fixed assets (excluding land and building ). as per the terms of syndicated term financing agreement.
- 11.3 The term finance is obtained by the Subsidiary Company for plant and machinery and is secured by way of mortgage of land located at Survey No. 399-404, Dehsharabi, Landhi Town, Karachi and other fixed assets of the Subsidiary Company against ranking charge.

**12. TRADE AND OTHER PAYABLES**

	30 September 2013 (Un-audited)	30 June 2013 (Audited)
	(Rupees in '000)	
Trade creditors	166,235	190,808
Bills payable	1,723,818	592,446
Accrued expenses	268,697	302,231
Provision for infrastructure cess	273,531	232,825
Short term compensated absences	2,306	7,156
Advances from customers	204,178	197,760
Workers' Profit Participation Fund	36,865	31,906
Workers' Welfare Fund	37,002	31,798
Unclaimed dividends	10,407	10,529
Dividend payable	269,758	-
Others	6,619	1,652
	<u>2,999,416</u>	<u>1,599,111</u>

**13. SHORT TERM BORROWINGS**

Running finance under mark-up arrangement	13.1	6,092,755	2,952,190
Short term borrowing under Money Market Scheme	13.2	3,668,707	3,670,605
Short term running finance under Export Refinance Scheme	13.3	3,436,000	3,559,500
Running finance under FE-25 Import Scheme	13.4	159,154	697,277
Short term finance under Murabaha and Istisna	13.5	737,855	399,942
		<u>14,094,471</u>	<u>11,279,514</u>

- 13.1 The facilities for running finance under mark-up arrangements, available to the Group Entities from various commercial banks, amounted to Rs. 12,654 million . (30 June 2013: Rs.11,602 million) and are for the purpose of meeting working capital requirements The rate of mark-up on these finances obtained by the Holding company range from 9.81% to 10.66% per annum (2013: 10.01% to 11.41% per annum). The rate of mark-up on these finances obtained by Subsidiary Company range from KIBOR+0.4% to KIBOR +2%(2013: KIBOR+.05% to KIBOR+2% per annum).

- 13.2 The Holding Company has obtained facilities for short term borrowing under Money Market Scheme financing from various commercial banks under mark-up arrangements amounted to Rs. 4,045 million (30 June 2013: Rs. 4,000 million). The rate of mark-up on these facilities range from 8.53% to 9.49% per annum (30 June 2013: 9.57% to 10.02% per annum).
- 13.3 The Group Entities have borrowed short term running finance under Export Refinance Scheme offered by the State Bank of Pakistan. The facilities availed is for an amount of Rs. 3,436 million (30 June 2013: Rs.3,559.5 million). The rates of mark-up on these facilities range from 8.88% to 8.90 % per annum (30 June 2013: 8.70% to 8.90% per annum).
- 13.4 The Subsidiary Company has also borrowed short term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 from various commercial banks are for the purpose of meeting import requirements. The facilities availed are for an amount of USD 1.5 million equivalent to Rs. 159.15 million (30 June 2013: USD 6.99 million equivalent to Rs. 697.3 million). The rates of markup on these facilities range from 1.25% to 1.78% per annum (30 June 2013: 1.25% to 1.79% per annum). The facilities mature within six months and are renewable.
- 13.5 The Subsidiary Company has obtained facilities for short term finance under Murahaba and Istisna under Islamic financing arrangement. The rate of profit is KIBOR + 0.44% (30 June 2013: KIBOR + 1%). The facilities mature within six months and are renewable.
- 13.6 All running finances and short term borrowing facilities availed by the Holding Company are secured by way of hypothecation of all its present and future fixed assets (excluding lands and buildings) and present and future current and moveable assets.

#### 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. 169.3 million (30 June 2013: Rs.178.6 million).
- 14.1.2 Bank guarantees have been issued by the Subsidiary Company to Sui Southern Gas Company Limited and Excise & Taxation Officer aggregating Rs. 198.2 million (30 June 2013: Rs. 198.2 million).
- 14.1.3 Bank guarantees has been issued by the Subsidiary Company to Jamshoro Power Company Limited (Bid Bond Guarantee) amounting to Rs.0.07 million (30 June 2013: Rs.0.05 million).
- 14.1.4 Custom duties amounting to Rs. 1,225 million (30 June 2013: Rs. 1,174 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. 937 million and is making continuous efforts to retrieve the associated post-dated cheques from the customs authorities.

Further, an amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made by the Holding Company during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Holding Company filed a petition with the Sindh High Court in 2010 for an injunction and is awaiting the final judgement.

14.1.5 The customs authorities have charged a redemption fine of Rs. 83 million on clearance of an imported raw material consignment in 2006 by the Holding Company. It has filed an appeal before the Sindh High Court, which has set aside the examination reports including 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. The management anticipates that the chances of admission of such appeal are remote.

14.1.6 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 Sindh High Court which declared the levy of Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court of Pakistan against such order. During May 2011, the Supreme Court of Pakistan 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 with the right to appeal to the Supreme Court. On 31 May 2011, the High Court granted interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignments released upto 27 December 2006 and any bank guarantee / security furnished for consignments released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with the balance kept intact till the disposal of the 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 the petitioner. Bank guarantees amounting to Rs. 230 million have been provided to the Department in this regard.

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

The matter of applicability of receiving the differential of Rs.87 per MMBTU is pending with the High Court. If the aforementioned matter is not decided in the favour of the Group, it may be required to pay Rs.156.3 million as additional amount in respect of GID Cess. However, the Group is confident that the matter will be decided in the favour of Group.

14.1.8 Section 113(2)(c) was interpreted by a Divisional Bench of the Sindh High Court (SHC) in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 7 May 2013, whereby it was held that the benefit of carry forward of Minimum Tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than Minimum Tax. Therefore, where there is no tax payable due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability. As per the provisions of Income Tax Ordinance 2001, Minimum Tax charge of the Subsidiary Company for the year ended 30 June 2012 is Rs. 128.3 million and for the year ended 30 June 2013 is Rs. 91.3 million which have not been recorded.

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

**14.2 Commitments**

- 14.2.1** Capital expenditure commitments of the Group Entities outstanding as at 30 September 2013 amounted to Rs.22.4 million (30 June 2013: Rs.49.9 million).
- 14.2.2** Commitments under letters of credit established by the Group Entities for raw material and spares as at 30 September 2013 to Rs. 4,872.8 million (30 June 2013: Rs.7,458.6 million).
- 14.2.3** Commitments under purchase contracts entered into by the Holding Company as at 30 September 2013 amounted to Rs. 22.8 million (30 June 2013: Rs.880.2 million).
- 14.2.4** The unavailed facilities of the Group Entities for opening letters of credit and guarantees from banks as at 30 September 2013 amounted to Rs. 11,804.05 million (30 June 2013: 10,369.4 million) and Rs. 856.23 million (30 June 2013: 791.3 million) respectively.

## 15. NET SALES

	Quarter ended	
	30 September 2013	30 September 2012
	(Rupees in '000)	
Local	7,260,420	6,084,117
Export	1,769,529	1,889,857
	<u>9,029,949</u>	<u>7,973,974</u>
Sales Tax	(1,110,344)	(887,042)
Trade discounts	(8,108)	(1,178)
Sales discount and commission	(118,319)	(116,454)
	<u>(1,236,771)</u>	<u>(1,004,674)</u>
	<u>7,793,178</u>	<u>6,969,300</u>

## 16. COST OF SALES

Opening stock of raw material and work-in-process	4,900,295	6,770,224
Purchases	8,933,862	9,195,496
Salaries, wages and benefits	188,218	175,129
Rates and taxes	200	170
Electricity, gas and water	166,493	137,975
Insurance	7,634	6,591
Security and janitorial	8,049	6,291
Depreciation and amortisation	158,107	131,186
Stores and spares consumed	48,260	26,555
Repairs and maintenance	45,725	39,868
Postage, telephone and stationery	3,412	3,485
Vehicle, travel and conveyance	6,162	5,135
Internal material handling	4,315	5,789
Environment controlling expense	349	463
Sundries	1,825	1,037
Sale of scrap generated during production	(166,876)	(55,672)
	<u>14,306,030</u>	<u>16,449,722</u>
Closing stock of raw material and work-in-process	(7,289,612)	(9,067,019)
Cost of goods manufactured	<u>7,016,418</u>	<u>7,382,703</u>
Finished goods and by-products :		
Opening stock	2,549,400	2,457,525
Closing stock	(2,643,775)	(3,649,950)
	<u>(94,375)</u>	<u>(1,192,425)</u>
	<u>6,922,043</u>	<u>6,190,278</u>

17. FINANCIAL CHARGES

	Quarter ended	
	30 September 2013	30 September 2012
	----- (Rupees in '000) -----	
Mark-up on :		
- Long term financing	104,705	133,482
- Short-term borrowings	298,268	266,836
	<u>402,973</u>	<u>400,318</u>
Exchange loss	36,154	14,609
Interest on Workers' Profit Participation Fund	360	146
Bank charges	2,598	5,488
	<u>442,085</u>	<u>420,561</u>

18. OTHER OPERATING CHARGES

Auditors' remuneration	979	1,122
Donations	4,565	4,150
Workers' Profit Participation Fund	13,059	9,300
Workers' Welfare Fund	5,204	3,700
Others	159	121
	<u>23,966</u>	<u>18,393</u>

19. OTHER INCOME

<b>Income / return on financial assets</b>		
Interest on bank deposits	232	436
<b>Income from non-financial assets</b>		
Income from power generation - 18MW	5,377	7,693
Income from power generation - 4MW	11,961	9,216
Gain on disposal of sale of property, plant and equipment	2,336	4,111
Rental income	429	435
Exchange gain - net	63,706	-
Others	3,712	3,164
	<u>87,753</u>	<u>25,055</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 Entities continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions. 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.

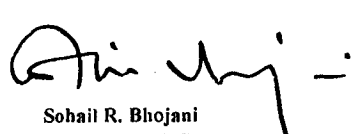
Remuneration of key management personnel is in accordance with their terms of engagement and company policy. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in this condensed interim consolidated financial information, are as follows:

	Quarter ended	
	30 September 2013	30 September 2012
	----- (Rupees in '000) -----	
<b>Transactions with related parties</b>		
<i>Associated companies</i>		
Sales	170,547	154,613
Purchases	2,606,426	1,438,507
Insurance premium expense	6,599	18,117
Insurance claims received	-	8
Rental income	429	435
Donations paid	-	1,125
Dividend paid	1,296	-
Dividend received	9,704	-
Reimbursement of payments made on behalf of associated company	592	910
Subscriptions paid	12	-
<i>Key management personnel and their spouses</i>		
Remuneration	75,920	62,721
Sales commission expense	1,622	-
Staff retirement benefits	1,108	538
<i>Staff retirement benefit plans</i>		
Contribution paid	14,931	11,148
<i>Non- executive directors' Fees</i>		
	1,320	1,480
<b>Balances with related parties</b>		
	30 September 2013	30 June 2013
	----- (Rupees in '000) -----	
<i>Trade debts</i>		
Receivable from Sui Southern Gas Company Limited	<u>4,785</u>	<u>530</u>
Receivable from Sui Northern Gas Pipelines Limited	<u>167,024</u>	<u>97,579</u>
Receivable from Pakistan Cables Limited	<u>23</u>	<u>-</u>

21. DATE OF AUTHORISATION FOR ISSUE

These condensed interim Consolidated financial statements were authorised for issue by the Board of Directors of the Holding Company on 25 October 2013.

  
Fuad Azim Hashimi  
Director & Chairman  
Board Audit Committee

  
Sohail R. Bhojani  
Chief Financial Officer

  
Riyaz T. Chinoy  
Chief Executive Officer