DIRECTORS REPORT

We are pleased to submit our 60th Annual Report and audited accounts for the year ended 30th June, 2008.

Messrs J.R. Rahim, Towfiq H. Chinoy, K.M.M. Shah, Zakaullah Khan, Kamal A. Chinoy, Mustapha A. Chinoy, Kemal Shoaib, Fuad Azim Hashimi, Javaid Anwar, Syed Salim Raza and Riyaz T. Chinoy were elected Directors for 3 years on 30th August, 2007.

The Board would like to record its appreciation for their services and valuable contributions made by the outgoing Directors Messrs M. Ateequllah and Zahid Zaheer.

The economy was able to prosper despite the unstable political environment throughout 2007-08 but continued political instability and increased policy uncertainty pose a risk to the economy. The country’s economy grew by 5.78% in the year under review which was about 1% less than last year.

GLOBAL STEEL SCENARIO

Steel consumption after being centered in the developed world for more than a century has been rising in emerging economies as investments take place in infrastructure, housing and the transport and industrial sectors. Growth will largely depend on how these economies continue to grow subsequent to increases in Oil and Food prices and the consequential inflation.

COMPANY’S OPERATIONS

Sales

Total sales almost crossed 180,000 tons with export sales crossing 50,000 tons for the first time in your company’s history. Overall sales have exhibited a consistent growth over the years. Domestic sales, however, of galvanized pipes registered a small decline. Our volumes of precision steel tubes increased by 13% and we hope to continue to gain a larger share of this growing market. Despite political instability and doubling of steel costs your company managed to increase by the grace of Allah sales by 22% to a total Rs.12.6 billion and export sales by 54% to a value of US $ 47 million.

Production

During the year your company made major repairs and technological investments necessary to sustain its position as the market leader in the country.

Production capacity now exists which will allow us to take advantage of any sudden demands and improve our order processing time.

FINANCIAL

Margins fell in the first half on the back of rising steel prices and freight costs. Advance purchases of steel at economical prices eased cost pressures in the 2nd half of the year. The depreciation in the Rupee/US Dollar parity has forced us to provide for Rs.137 million on account of an exchange loss.

Salaries, wages and benefits remained high on account of staff appointed to run additional plants coupled with salary rises to help employees stave off inflation. In compliance with the requirement of IAS 39 pertaining to forward currency transactions Rs.49 million are included in the profit and loss account as unrealized gain.

Land and Buildings were revalued in line with International accounting standards to align values with the current market.

The Company contributed Rs.1940 million to the National exchequer in the form of duties and taxes. By the grace of Allah , your company earned an after tax profit of Rs.705 million which is 14% higher than Rs.612 million of the previous year in-spite of an exponential increase in costs which translates into an earning of Rs.8.47 per share.

Sustained financial results enable profitability growth and provide for superior shareholders value. Our financial statements reflect an organized investment plan for the success of a flexible business enterprise.

APPROPRIATIONS

The appropriations approved by the Board of Directors are as follows:

	(Rs. 000)
Profit for the year after taxation	705,303
Un-appropriated profit from prior year	484,625
Transferred from surplus on revaluation of buildings	12,596
Disposable profit for appropriation	1,202,524
Final dividend for the year ended 30 June 2007	(71,137)
Issuance of bonus shares 2007	(187,802)
Interim dividend for the year ended 30 June 2008	(75,690)
Issuance of bonus shares 2008	(75,689)
Transfer to General Reserves	(225,000)
Unappropriated profit carried forward	567,206
Subsequent Effects	
Proposed issue of bonus shares in the ratio of 2 shares for every 10 shares held	166,518
Proposed final dividend on 83,258,764 shares of Rs. 10 each at Rs 1.50 per share	124,888
Transfer to General reserves	275,000
	566,406

SOCIAL RESPONSIBILITIES

The company continues with its tradition of contributing 2.5% of its profit after tax towards meeting responsibilities in this area.

We continue to support the two Citizen Foundation schools that were constructed by our sponsorship. We have also made a substantial contribution to the Hub School being built by the Ahmed Jaffer Foundation. Your company has established the I.I.L Mentoring Scholarship at The NED University whereby 50 scholarships are awarded to deserving Engineering students every year.

HUMAN RESOURCE DEVELOPMENT

Your Company lays special emphasis on improving internal communications, in addition to professional development and training to enable employees to implement corporate objectives. Your Company also has an adult education scheme which has increased our workforce literacy rate to 81%.

We adhered to our commitment to foster an environment that promotes open dialogue between managers and employees. Management conducted various meetings with the Labour Union to improve relationships during negotiations aimed at enhancement in staff emoluments. A two year agreement was signed with the collective bargaining agent in the year under review.

BUSINESS RISKS

The economy is confronting the challenges of high oil and food prices, rising interest rates and a trade deficit on current account. Major fluctuation in Steel Prices as has been the case in the last six months also continues.

Opportunities exist in infrastructure development and housing construction. Export markets also provide better opportunities than in the past.

Doubling of steel price between the beginning and end of the financial year has placed a considerable strain on the liquidity of the company. Increased rates will also adversely effect margins.

The equity injected through the Rights issue will considerably assist in improving our ability to borrow directly or through suppliers' credit.

FUTURE OUTLOOK

The project which is estimated to cost Rs.8 billion is planned to be financed through equity of Rs.4.0 billion and a matching debt of Rs.4.0 billion. The Board of Directors in its meeting held on July 28, 2008 has in principle decided that the management of the company prepare a scheme whereby the Company's downstream project comprising of 250,000 tons per annum cold rolling mill and a 150,000 tons per annum metal coating steel plant to be located at Landhi, Karachi and the 18 MW gas fired power plant already constructed and operational at that plot inclusive of all assets and liabilities of the Company relating to the Project will be separated from the Company and will be hived down to a subsidiary, which is intended initially to be a substantially wholly owned subsidiary of the Company and eventually at least a 55% owned subsidiary of the Company, through a court process under the Companies Ordinance 1984. The subsidiary would be a public limited company listed on the stock exchanges in Pakistan.

The above scheme could make it possible to introduce international equity partners with technical expertise which would enable the project to achieve global status. A loan agreement has been signed with IFC under which they will give a loan equivalent to Rs.400 million to IIL for the new project. When shares of the subsidiary are offered to the general public, IFC will have the option to convert the loan to equity. A dialogue is going on with other potential investors.

A consortium of four banks, namely Habib Bank Limited, Standard Chartered Bank (Pakistan) Limited, United Bank Limited and Bank Al-Habib Limited and IFC have agreed to provide Rs.4.0 billion of Debt.

Capital expenditure of Rs.1,556 million has so far been incurred on the project which has been financed by the company. Major payments for plant and machinery will be required to be made over the next twelve months for which additional capital will be required, hence the Company has decided to raise further capital of Rs.1,040,734,550 through the issue of 20,814,691 ordinary shares of Rs.10 each at a premium of Rs.40 per share to be offered to the Members whose names appear on the Register of Members as at the close of business on 18 August 2008 in proportion to their respective shareholdings in the Company as rights shares, that is, in the proportion of 1 right share for every 4 shares held by the Members as at that date.

The project is *Inshallah* expected to be commissioned in July 2010. Your company has also decided to expand your Polyethylene pipe division which is being relocated on a 10 acre site already purchased located alongside the proposed Cold Rolled and Metal coated steel sheet project. By the 3rd quarter of this financial year we will Inshallah launch a PEX solution for hot water.

Keeping pace with developments, your company has initiated business process re-engineering and to remain in line with best practice in information technology, your company is implementing Oracle's EBS, an enterprise resource planning (ERP) solution.

EXCELLENCE AWARDS

Our dedication and commitment to the best practices of governance has enabled us to continue our legacy of meritorious and excellence awards. Your Company has received the following awards during the year:

1) "Best Export Performance Trophy for Export of Engineering Products– Mechanical" in 2006-07. (8th consecutive year)
2) "Top 25 Companies" in 2006 on the Karachi Stock Exchange (7th consecutive year)
3) Best Corporate Report Award in 2007- 2nd position in Engineering (2nd consecutive year)
4) Environment Excellence Award for 2008 by the National Forum for Environment and Health.

ACKNOWLEDGEMENTS

The Directors of your Board would like to take this opportunity to thank the management and staff, without which none of this would have been possible. We would also like to thank our bankers and valued customers all of whom have made our task so pleasant.

The Board is confident that the management and employees of your Company shall continue to work with the devotion and zeal that has been their hallmark and your Company shall Inshallah continue to prosper.

We pray to Almighty Allah for the success of your Company.

For and on behalf of
International Industries Ltd.

J.R. Rahim
Chairman

Karachi:
Dated: 28 July 2008

KPMG

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Auditors' Report to the Members

We have audited the annexed balance sheet of **International Industries Limited** ("the Company") as at 30 June 2008 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2008 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Date: 28 JUL 2008

Karachi

KPMG Taseer Hadi & Co.

KPMG4TH

KPMG Taseer Hadi & Co.
Chartered Accountants

International Industries Limited
Balance Sheet
As at 30 June 2008

	Note	2008	2007
		(Rupees in '000)	
ASSETS			
Non Current Assets			
Property, plant and equipment	*4*	**4,172,307**	2,736,859
Intangible assets	*5*	**10,406**	5,578
Long term deposits		**4,190**	3,448
		4,186,903	2,745,885
Current Assets			
Stores and spares	*6*	**99,674**	88,557
Stock-in-trade	*7*	**4,591,568**	3,309,927
Trade debts	*8*	**1,401,333**	914,470
Loans and advances	*9*	**7,571**	3,713
Trade deposits and short term prepayments	*10*	**14,981**	12,870
Other receivables	*11*	**280,240**	104,836
Short term investments		**-**	1,359,018
Taxation-net	*12*	**15,835**	57,141
Cash and bank balances	*13*	**28,106**	3,923
		6,439,308	5,854,455
Total Assets		**10,626,211**	8,600,340
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized capital			
100,000,000 (2007: 100,000,000) ordinary shares of Rs. 10 each		**1,000,000**	1,000,000
Issued, subscribed and paid up capital	*14*	**832,587**	569,096
General reserves		**997,854**	772,854
Unappropriated profit		**567,206**	484,625
Total Equity		**2,397,647**	1,826,575
Surplus on revaluation of property, plant and equipment	*15*	**1,391,292**	515,362
LIABILITIES			
Non-Current Liabilities			
Long term financing	*16*	**1,141,665**	1,062,500
Deferred taxation-net	*17*	**274,247**	188,940
		1,415,912	1,251,440
Current Liabilities			
Trade and other payables	*18*	**916,943**	530,962
Short term borrowings	*19*	**3,968,820**	4,215,650
Current portion of long term financing	*16*	**420,835**	212,500
Accrued markup		**114,762**	47,851
		5,421,360	5,006,963
Contingencies and Commitments	*20*		
Total Equity and Liabilities		**10,626,211**	8,600,340

The annexed notes 1 to 44 form an integral part of these financial statements.

Kemal Shoaib	**Asad A. Siddiqui**	**Towfiq H. Chinoy**
Director & Chairman	Chief Financial	Managing Director &
Board Audit Committee	Officer	Chief Executive

International Industries Limited
Profit and Loss Account
For the year ended 30 June 2008

	Note	2008	2007
		(Rupees in '000)	
Net sales	21	**12,067,796**	9,700,192
Cost of sales	22	**(10,280,363)**	(8,277,211)
Gross profit		**1,787,433**	1,422,981
Selling and distribution expenses	23	**(321,652)**	(261,132)
Administrative expenses	24	**(87,462)**	(83,798)
		(409,114)	(344,930)
Financial charges	25	**(450,227)**	(331,766)
Other operating charges	26	**(210,610)**	(57,995)
		(660,837)	(389,761)
Other operating income	27	**186,821**	119,067
Profit before taxation		**904,303**	807,357
Taxation	28	**(199,000)**	(194,376)
Profit after taxation		**705,303**	612,981
		(Rupees)	
			(Restated)
Earnings per share - basic and diluted	29	**8.47**	7.36

The annexed notes 1 to 44 form an integral part of these financial statements.

Kemal Shoaib	**Asad A. Siddiqui**	**Towfiq H. Chinoy**
Director & Chairman	Chief Financial	Managing Director
Board Audit Committee	Officer	& Chief Executive

International Industries Limited

Cash Flow Statement

For the year ended 30 June 2008

	Note	2008	2007
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**904,303**	807,357
Adjustments for:			
Depreciation and amortisation		**225,397**	194,732
Provision for doubtful debts - net		**28**	(1,506)
Stores and spares obsolescence / scrapped		**-**	(2,014)
Interest on bank deposits		**(1,441)**	(6,513)
Gain on disposal of available for sale investments		**(120,466)**	(102,281)
Loss / (gain) on sale of property, plant and equipment		**1,822**	(4,864)
Financial charges		**450,227**	331,766
		555,567	409,320
Working capital changes	*30*	**(1,575,583)**	(1,234,298)
Net cash used in operations		**(115,713)**	(17,621)
Financial charges paid		**(383,316)**	(324,594)
Taxes paid		**(97,647)**	(247,855)
Long term deposits		**(742)**	434
Net cash used in operating activities		**(597,418)**	(589,636)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		**(756,768)**	(1,098,575)
Proceeds from sale of property, plant and equipment		**3,059**	8,181
Interest received		**1,706**	8,596
Short term investments - net		**1,479,484**	(1,256,737)
Net cash from / (used in) investing activities		**727,481**	(2,338,535)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		**500,000**	1,000,000
Repayment of long term financing		**(212,500)**	(156,250)
Dividends paid		**(146,550)**	(269,789)
Net cash from financing activities		**140,950**	573,961
Net increase / (decrease) in cash and cash equivalents		**271,013**	(2,354,210)
Cash and cash equivalents at beginning of the year		**(4,211,727)**	(1,857,517)
Cash and cash equivalents at end of the year		**(3,940,714)**	(4,211,727)
CASH AND CASH EQUIVALENTS COMPRISE			
Cash and bank balances	*13*	**28,106**	3,923
Short term borrowings	*19*	**(3,968,820)**	(4,215,650)
		(3,940,714)	(4,211,727)

The annexed notes 1 to 44 form an integral part of these financial statements.

Kemal Shoaib	**Asad A. Siddiqui**	**Towfiq H. Chinoy**
Director & Chairman	Chief Financial	Managing Director &
Board Audit Committee	Officer	Chief Executive

International Industries Limited
Statement of Changes in Equity
For the year ended 30 June 2008

	Issued, subscribed and Paid up capital	Capital Reserves Proposed issue of bonus shares	Revenue Reserves General reserves	Revenue Reserves Un-appropriated profit	Total reserves	Total
	------(Rupees in '000)------					
Balance as at 1 July 2006	427,892	-	575,854	467,047	1,042,901	1,470,793
Changes in equity for the year ended 30 June 2007						
Transfer to general reserves	-	-	197,000	(197,000)	-	-
Final dividend for the year ended 30 June 2006	-	-	-	(128,368)	(128,368)	(128,368)
Interim dividend for the half year ended 31 December 2006	-	-	-	(142,274)	(142,274)	(142,274)
Reserves for bonus issue	-	141,204	-	(141,204)	(141,204)	-
Bonus shares issued - 2006	141,204	(141,204)	-	-	-	-
Profit after taxation	-	-	-	612,981	612,981	612,981
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	13,443	13,443	13,443
Total recognised income and expenses for the year	-	-	-	626,424	626,424	626,424
Balance as at 30 June 2007	569,096	-	772,854	484,625	1,257,479	1,826,575
Changes in equity for the year ended 30 June 2008						
Transfer to general reserves	-	-	225,000	(225,000)	-	-
Final dividend for the year ended 30 June 2007	-	-	-	(71,137)	(71,137)	(71,137)
Reserves for bonus issue	-	187,802	-	(187,802)	(187,802)	-
Bonus shares issued - 2007	187,802	(187,802)	-	-	-	-
Reserves for bonus issue	-	75,689	-	(75,689)	(75,689)	-
Bonus shares issued - 2008	75,689	(75,689)	-	-	-	-
Interim dividend for the half year ended 31 December 2007	-	-	-	(75,690)	(75,690)	(75,690)
Profit after taxation	-	-	-	705,303	705,303	705,303
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	12,596	12,596	12,596
Total recognised income and expenses for the year	-	-	-	717,899	717,899	717,899
Balance as at 30 June 2008	**832,587**	**-**	**997,854**	**567,206**	**1,565,060**	**2,397,647**

The annexed notes 1 to 44 form an integral part of these financial statements.

Kemal Shoaib	**Asad A. Siddiqui**	**Towfiq H. Chinoy**
Director & Chairman	Chief Financial	Managing Director &
Board Audit Committee	Officer	Chief Executive

1. STATUS AND NATURE OF BUSINESS

International Industries Limited ("the Company") was incorporated in Pakistan in 1948 and is quoted on the Karachi, Lahore and Islamabad Stock Exchanges in Pakistan. The Company is in the business of manufacturing and marketing of galvanized steel pipes, precision steel tubes, API line pipes and polyethylene pipes. 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

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that the land and buildings are stated at revalued amounts and derivative financial instruments are measured at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 42.

2.5 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after 1 July 2008 are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures:

IFRS 2 (amendment)-Share-based payments (effective for annual periods beginning on or after 1 January 2009). IFRS 2 clarifies the vesting conditions and cancellations in the share-based payment arrangement.

IFRS 3 (amendment)-Business Combinations and consequential amendments to IAS 27-Consolidated and separate financial statements, IAS 28-Investment in associates and IAS 31-Interest in Joint Ventures. (effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).

IFRS 7 - Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 July 2008).

IFRS 8 - Operating Segments: (effective for annual periods beginning on or after 1 July 2008).

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). The objective of revising IAS 1 is to aggregate information in the financial statements on the basis of shared characteristics.

Revised IAS 23-Borrowing costs (effective from 1 January 2009). Amendments relating to mandatory capitalisation of borrowing costs relating to qualifying assets.

IAS 29- Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 July 2008).

IAS 32 (amendment)-Financial instruments: Presentation and consequential amendment to IAS 1- Presentation of Financial Statements(effective for annual period beginning on or after 1 January 2009). IAS 32 amended classification of Puttable Financial Instruments.

IFRIC 12 – Service Concession Arrangements (effective for annual period beginning on or after 1 January 2008).

IFRIC 13- Customer Loyalty Programmes (effective for annual period beginning on or after 1 July 2008).

IFRIC 14-IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual period beginning on or after 1 January 2008).

IFRIC 15- Agreement for the Construction of Real Estate (effective for annual period beginning on or after 1 October 2009).

IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual period beginning on or after 1 October 2008).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

Property, plant and equipment (except freehold and leasehold land and buildings) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold and leasehold land are stated at revalued amounts and buildings on freehold and leasehold land are stated at revalued amounts less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

Depreciation is charged on buildings and plant and machinery on diminishing balance method except for certain buildings and plant and machinery on which depreciation is charged on straight line method. Depreciation on furniture, fixture and office equipments and vehicles is charged on straight line method. The rates of depreciation are indicated in note 4.1. The cost or revalued amount of an asset is written off over its estimated useful life.

Depreciation on additions to buildings and plant and machinery costing over Rs.1 million is charged from the month in which asset is available for use upto the month prior to disposal. However, full year's depreciation is charged on all other items of property, plant and equipment in the year of acquisition and no charge is made in the year of disposal.

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

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

Gains and losses on disposal of assets are taken to the profit and loss account, and the related surplus on revaluation of property, plant and equipment is transferred directly to retained earnings (unappropriated profits).

Capital work in progress is stated at cost and consists of expenditure incurred and advances made in the course of their construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.

3.2 Intangible assets

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

Costs directly associated with identifiable software that will have probable economic benefits exceeding costs beyond one year, are recognised as an intangible asset. Direct costs include the purchase costs of software and other directly attributable costs of preparing the software for its intended use.

Computer software is measured initially at cost and subsequently stated at cost less accumulated amortisation and impairment losses, if any. These are amortised on straight line basis over its estimated useful life (three years).

3.3 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except that those which are directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset.

3.4 Stores and spares

Stores and spares are stated at lower of cost and net realisable value. Cost is determined using weighted average method.

3.5 Stock-in-trade

These are valued at lower of cost and net realisable value. Cost is determined under the weighted average basis. Cost of work-in-process and finished goods consists of direct materials, labour and applicable production overheads. Net realizable value signifies the estimated selling price in the ordinary course of the business less estimated cost of completion and selling expenses.

Scarp is valued at estimated realisable value.

3.6 Trade debts and other receivables

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

3.7 Derivative financial instruments

Derivatives that do not qualify for hedge accounting are recognised in the balance sheet at fair value with corresponding effect to profit and loss. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

The Company uses derivative financial instruments to hedge its exposure to foreign exchange arising from operational activities. The Company does not hold derivative financial instruments for trading purposes.

3.8 Short term investments - available for sale

Investments which are intended to be held for an indefinite period and may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale investments. These are recognised and valued at fair value and surplus or deficit, if any, arising as a result of remeasurement of fair value is recognised directly in equity, through the statement of changes in equity, until realised when it is taken to income. Provision for diminution in the value of investments is made after considering permanent impairment, if any, in their values and is taken to profit and loss account.

Gains or losses on disposals of investments are dealt with through the profit and loss account in the year in which they arise.

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised using the trade date method of accounting.

3.9 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand, current and deposit accounts held with banks. Running finance facilities availed by the Company, which are payable on demand and form an integral part of the Company’s cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

3.10 Taxation

Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustments to tax payable in respect of prior years.

Deferred tax

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

The Company recognises a deferred tax asset to the extent that it is probable that taxable profits for the the foreseeable future will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Further, the Company recognises also deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

3.11 Staff retirement benefits

Defined benefit plan

The Company operates an approved funded gratuity scheme (the plan) for all employees of the Company. Company's obligation under the scheme is determined through actuarial valuations carried out under the "Projected Unit Credit Method". Actuarial valuations are carried out annually and the latest valuation was conducted at the balance sheet date.

Net cumulative unrecognised actuarial gains / losses relating to previous reporting periods in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets are recognized as income or expense over the estimated remaining working lives of the employees.

Defined contribution plan

The Company operates a recognised provident fund for all employees of the Company except unionised staff. Equal contributions are made, both by the Company and the employees, to the fund at the rate of 8.33% of basic salary and cost of living allowance and the same is charged to the profit and loss account.

Compensated absences

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

3.12 Trade and other payables

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

3.13 Foreign currency transactions

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

Exchange differences are included in the profit and loss account currently.

3.14 Revenue recognition

- Domestic sales are recognised as revenue when invoiced, which coincides with delivery.

- Export sales are recognised as revenue when invoiced, which coincides with date of shipping bill.

- Interest income is recognised on a time-apportioned basis using the effective rate of return.

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

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

3.15 Financial instruments

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

3.16 Offsetting of financial assets and financial liabilities

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

3.17 Impairment

The carrying amounts of the Company's assets other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the assets recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in profit and loss account.

3.18 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.19 Dividend and appropriation to reserves

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

4. PROPERTY, PLANT AND EQUIPMENT

		2008	2007
		(Rupees in '000)	
Operating assets	*4.1*	**3,963,312**	1,979,384
Capital work-in-progress	*4.2*	**153,599**	756,031
Stores and spares held for capital expenditure	*4.3& 4.3.1*	**55,396**	1,444
		4,172,307	2,736,859

4.1 Operating assets

2008

	Cost / revaluation						Depreciation				Net book	*Rate*
	As at 01 July 2007	Additions	Revaluation (Adjustment)*	Revaluation Surplus	(Disposals)	As at 30 June 2008	As at 01 July 2007	For the year	(Adjustment)* / (Disposal)	As at 30 June 2008	value as at 30 June 2008	*%*
	(Rupees in '000)											
Freehold land	13,188	617,841	-	474,708	-	1,105,737	-	-	-	-	1,105,737	-
Leasehold land	571,280	-	-	346,550	-	917,830	-	-	-	-	917,830	-
Building on freehold land	959	51,215	(959)	1,701	-	52,916	959	1,843	(959) *	1,843	51,073	*10*
Building on leasehold land	553,951	35,371	(202,600)	90,827	-	477,549	183,703	40,726	(202,600) *	21,829	455,720	*5 - 50*
Plant and machinery	1,859,566	574,940	-	-	(3,984)	2,430,522	863,439	166,237	(1,838)	1,027,838	1,402,684	*10 - 50*
Furniture, fixtures and office equipment	35,185	5,701	-	-	(728)	40,158	27,239	4,189	(717)	30,711	9,447	*10-33.3*
Vehicles	40,539	11,524	-	-	(2,905)	49,158	19,944	8,574	(181)	28,337	20,821	*20*
	3,074,668	1,296,592	(203,559)	913,786	(7,617)	5,073,870	1,095,284	221,569	(203,559)	1,110,558	3,963,312	
						-			(2,736)			

2007

	Cost / revaluation						Depreciation				Net book	*Rate*
	As at 01 July 2006	Additions	Revaluation (Adjustment)	Revaluation Surplus	(Disposals)	As at 30 June 2007	As at 01 July 2006	For the year	(Adjustment) * / (Disposal)	As at 30 June 2007	value as at 30 June 2007	*%*
	(Rupees in '000)											
Freehold land	13,188	-	-	-	-	13,188	-	-	-	-	13,188	-
Leasehold land	571,280	-	-	-	-	571,280	-	-	-	-	571,280	-
Building on freehold land	959	-	-	-	-	959	959	-	-	959	-	*10*
Building on leasehold land	507,048	51,116	-	-	(4,213)	553,951	146,795	40,630	(3,722)	183,703	370,248	*5 - 50*
Plant and machinery	1,587,720	303,262	-	-	(31,416)	1,859,566	755,591	137,814	(29,966)	863,439	996,127	*10 - 50*
Furniture, fixtures and office equipment	32,774	3,501	-	-	(1,090)	35,185	23,459	4,796	(1,016)	27,239	7,946	*10-33.3*
Vehicles	33,074	17,015	-	-	(9,550)	40,539	21,237	6,955	(8,248)	19,944	20,595	*20*
	2,746,043	374,894	-	-	(46,269)	3,074,668	948,041	190,195	(42,952)	1,095,284	1,979,384	

* This represents elimination of accumulated depreciation at the date of revaluation (31 December 2007) against the gross carrying amount of the assets.

4.2 Capital work-in-progress

	COST			
	As at 01 July 2007	Additions	(Transfers)	As at 30 June 2008
	(Rupees in '000)			
Land	593,464	24,377	(617,841)	-
Buildings	29,015	85,198	(86,586)	27,627
Plant and machinery	133,552	565,902	(574,940)	124,514
Furniture, fixtures and office equipment	-	5,701	(5,701)	-
Vehicles	-	12,982	(11,524)	1,458
	756,031	694,160	(1,296,592)	153,599

4.2.1 Property, plant and equipment includes Rs.1556.423 million relating to the new Galvanizing Plant and Cold Rolling Mills. It includes land Rs.825.333 million, buildings Rs.51.215 million, plant and Rs.533.574 million and other assets including Capital work-in-progress Rs.146.301 million.

4.3 Stores and spares held for capital expenditure

	COST			
	As at 01 July 2007	Additions	(Transfers)	As at 30 June 2008
	(Rupees in '000)			
In store	1,444	517,767	(517,232)	1,979
In transit	-	468,654	(415,237)	53,417
	1,444	986,421	(932,469)	55,396

4.3.1 This includes items of plant and machinery amounting to Rs. 53.417 million which relates to new Galvanising Plant and Cold Rolling Mills.

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

	Original cost	Accumulated depreciation	Book value	Proceeds	Mode of disposal	Purchaser
	------	------	(Rupees in '000)	------		
Plant and machinery						
Pipe Drying Oven	3,300	1,320	1,980	278	Negotiation	M/s. Himayatullah Khan, Karachi
Vacuum Calibrator Sleeves	159	16	143		Scrapped	
Various machine components of book value less than Rs.50,000 each	525	502	23	43	Negotiation	Various
	3,984	1,838	2,146	321		
Furniture, fixtures & office equipment						
Book value upto Rs.50,000 each	728	717	11	13	Negotiation	Various
	728	717	11	13		
Vehicles						
Suzuki Cultus	560	112	448	515	Insurance Claim	M/s. New Jubilee Insurance Company Limited
Honda City Manual	850	-	850	825	Insurance Claim	M/s. New Jubilee Insurance Company Limited
Suzuki Cultus	576	-	576	576	Insurance Claim	M/s. New Jubilee Insurance Company Limited
Honda City Manual	850	-	850	800	Insurance Claim	M/s. New Jubilee Insurance Company Limited
Book value upto Rs.50,000 each	69	69	-	9	Negotiation	Various
	2,905	181	2,724	2,725		
	7,617	**2,736**	**4,881**	**3,059**		

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

		2008	2007
		(Rupees in '000)	
Cost of sales	*22*	**184,250**	180,970
Selling and distribution expenses	*23*	**3,121**	2,781
Administrative expenses	*24*	**7,789**	6,444
Cost of electricity produced	*27.3*	**26,410**	-
		221,570	190,195

4.6 During the year, as of 31 December 2007 fifth revaluation of freehold and leasehold land and second revaluation of buildings was carried out. The revaluation was carried out under market value basis by an independent valuer, M/s. Iqbal A.Nanji & Co., Karachi, resulting in a surplus of Rs.913.786 million, over book values as detailed in note 15. This has been credited to surplus on revaluation of property, plant and equipment.

4.7 Freehold land, leasehold land and buildings represent values subsequent to revaluations as at 30 June 1988, 30 June 1997, 30 June 2000, 30 June 2004 and 31 December 2007. Had there been no revaluation, the values would have been as under :

	Cost	**Book value**
	(Rupees in '000)	
Leasehold land	**187,645**	**187,645**
Freehold land	**600,745**	**600,745**
Buildings	**411,213**	**261,837**
As at 30 June 2008	**1,199,603**	**1,050,227**
As at 30 June 2007	394,964	270,609

5. INTANGIBLE ASSETS

	Note	2008	2007
		(Rupees in '000)	
Computer software and licence	*5.1*	**1,750**	5,578
Intangible asset under development	*5.2*	**8,656**	-
		10,406	5,578

5.1 Computer software and licence

2008

	Cost			Amortisation			Net Book value as at 30 June 2008	Rate %
	As at 01 July 2007	Additions	As at 30 June 2008	As at 01 July 2007	For the year	As at 30 June 2008		
	(Rupees in '000)							
Computer software and licence	**13,615**	**-**	**13,615**	**8,037**	**3,828**	**11,865**	**1,750**	33.3

2007

	Cost			Amortisation			Net Book value as at 30 June 2007	Rate %
	As at 01 July 2006	Additions	As at 30 June 2007	As at 01 July 2006	For the year	As at 30 June 2007		
	(Rupees in '000)							
Computer software and licence	8,365	5,250	13,615	3,500	4,537	8,037	5,578	33.3

5.2 This includes advance given for acquisition of software.

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

	Note	2008	2007
		(Rupees in '000)	
Cost of sales	*22*	**3,828**	4,189
Selling and distribution expenses	*23*	**-**	114
Administrative expenses	*24*	**-**	234
		3,828	4,537

6. STORES AND SPARES

	2008	2007
Stores	**23,650**	20,725
Spares	**74,126**	66,587
Stores and spares in transit	**1,136**	831
Loose tools	**762**	414
	99,674	88,557

7. STOCK-IN-TRADE

		Note	2008	2007
Raw material	- in hand		**1,763,312**	1,407,575
	- in manufacturing bond		**190,316**	82,901
	- in transit		**876,660**	82,209
			2,830,288	1,572,685
Work-in-process			**580,576**	399,178
Finished goods		*22*	**1,152,944**	1,252,646
By-product		*22*	**15,609**	72,057
Scrap material			**12,151**	13,361
			4,591,568	3,309,927

8. TRADE DEBTS

	Note	2008	2007
		(Rupees in '000)	
Considered good - secured		**367,772**	183,119
- unsecured		**1,033,561**	731,351
		1,401,333	914,470
Considered doubtful		**5,720**	5,692
		1,407,053	920,162
Provision for doubtful debts	*8.1*	**(5,720)**	(5,692)
		1,401,333	914,470

8.1 Provision for doubtful debts

Balance as at 1 July		**5,692**	7,198
Charge for the year	*23*	**1,506**	1,446
Reversals	*23*	**(1,227)**	(1,283)
Write offs		**(251)**	(1,669)
Balance as at 30 June		**5,720**	5,692

9. LOANS AND ADVANCES

Considered good		
- suppliers	**5,832**	2,208
- staff	**1,739**	1,505
	7,571	3,713

10. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits	**9,342**	4,807
Short term prepayments	**5,639**	8,063
	14,981	12,870

11. OTHER RECEIVABLES

Considered good:			
- Interest income receivable		**135**	400
- Sales tax receivable		**147,105**	103,555
- Fair value of forward exchange contracts	*27.2*	**49,184**	-
- Receivable on transmission of electricity to KESC	*27.3 & 27.3.1*	**82,935**	-
- Others		**881**	881
		280,240	104,836

12. TAXATION - net

Tax receivable / (payable) as at 30 June		**57,141**	(24,714)
Tax paid during the year		**97,647**	247,855
		154,788	223,141
Less: Provision for tax	*28*	**(138,953)**	(166,000)
		15,835	57,141

13. CASH AND BANK BALANCES

Cash at banks - in current accounts		**22,572**	652
- in profit and loss sharing accounts	*13.1*	**5,534**	3,271
		28,106	3,923

13.1 It carries interest / mark-up rate ranging from 1.50% to 8.00% per annum (2007: 1.50 % to 8 % per annum).

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2008	2007		2008	2007
(Number of shares)			(Rupees in '000)	
6,769,725	6,769,725	Fully paid ordinary shares of Rs.10 each issued for cash	**67,697**	67,697
76,489,039	50,139,889	Fully paid ordinary shares of Rs.10 each issued as bonus shares	**764,890**	501,399
83,258,764	56,909,614		**832,587**	569,096

14.1 Associated companies held 2,581,461 (2007: 1,741,090) ordinary shares of Rs.10 each at the year end.

15. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	Note	2008	2007
Freehold land			
Balance as at 01 July		**9,728**	9,728
Revaluation surplus over original cost/ book value of Rs. 6.65 million on 31 December 2007		**3,667**	-
Revaluation surplus over original cost/ book value of of Rs.597.29 million on 31 December 2007		**463,965**	-
Revaluation surplus over original cost/ book value of Rs. 6.530 million on 31 December 2007		**7,076**	-
		484,436	9,728
Leasehold land			
Balance as at 01 July		**383,635**	383,635
Revaluation surplus over original cost / book value of Rs.571.28 million on 31 December 2007		**346,550**	-
		730,185	383,635
		1,214,621	393,363
Buildings			
Revaluation surplus over written down value as at 01 July		**175,263**	188,706
Revaluation surplus over original cost / book value of Rs. 559.052 million on 31 December 2007		**92,528**	-
Transferred to retained earnings (Unappropriated profit) in respect of incremental depreciation charged during the year - net of deferred tax		**(12,596)**	(13,443)
		255,195	175,263
Less: Related deferred tax liability as on 1 July		**(53,264)**	(53,264)
: Related deferred tax liability as on 30 June	*17*	**(25,260)**	-
		(78,524)	(53,264)
		176,671	121,999
		1,391,292	515,362

16. LONG TERM FINANCING - secured

	Note	2008	2007
Long-term finances utilised under mark-up arrangements	*16.1*	**1,562,500**	1,275,000
Current portion of long term finances shown under current liabilities		**(420,835)**	(212,500)
		1,141,665	1,062,500

16.1 Long term finances utilised under mark-up arrangements

	Sale price (Rupees in '000)	Purchase price (Rupees in '000)	Number of installments and commencement date	Date of maturity	Rate of mark-up per annum	2008 (Rupees in '000)	2007 (Rupees in '000)
i) HSBC Bank Middle East Limited							
Local currency assistance of Rs.100 million for plant and machinery	100,000	181,331	8 half yearly 30-06-2004	31-12-2007	2.00 % over average of 6 months T-bill	**-**	12,500
ii) Standard Chartered Bank (Pakistan) Limited							
Local currency assistance of Rs.100 million for plant and machinery	100,000	184,218	8 half yearly 30-06-2005	26-12-2008	2.00 % over 6 months T-bill	**12,500**	37,500
iii) Bank Al-Habib Limited							
Local currency assistance of Rs.100 million for plant and machinery	100,000	156,968	8 half yearly 30-06-2006	29-12-2009	1.00 % over 6 months Kibor	**37,500**	62,500
iv) MCB Bank Limited							
Local currency assistance of Rs.100 million for plant and machinery	100,000	148,385	8 half yearly 30-12-2006	29-06-2010	1.00 % over 6 months Kibor	**50,000**	75,000
v) Habib Bank Limited							
Local currency assistance of Rs.100 million for plant and machinery	100,000	155,250	8 half yearly 30-06-2007	31-12-2010	1.00 % over 6 months Kibor	**62,500**	87,500
vi) Habib Bank Limited							
Local currency assistance of Rs.600 million for plant and machinery	600,000	847,438	6 half yearly 30-06-2008	30-12-2010	1.00 % over 6 months Kibor	**500,000**	600,000
vii) United Bank Limited							
Local currency assistance of Rs.200 million for plant and machinery	200,000	310,301	6 half yearly 31-12-2008	30-06-2011	1.00 % over 6 months Kibor	**200,000**	200,000
viii) Standard Chartered Bank (Pakistan) Limited							
Local currency assistance of Rs.200 million for plant and machinery	200,000	270,648	6 half yearly 31-12-2008	30-06-2011	1.00 % over 6 months Kibor	**200,000**	200,000
ix) Bank Al-Habib Limited							
Local currency assistance of Rs.250 million for plant and machinery	250,000	412,586	8 half yearly 31-12-2009	28-06-2013	1.25 % over 6 months Kibor	**200,000**	-
x) MCB Bank Limited							
Local currency assistance of Rs.750 million for plant and machinery	750,000	1,238,000	8 half yearly 31-12-2009	1-07-2013	1.25 % over 6 months Kibor	**300,000**	-
						1,562,500	1,275,000

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

As per the terms of the agreements with the banks, the Company is required to maintain certain financial and operating ratios throughout the period of the loans.

17. DEFERRED TAXATION - net

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

	Note	2008	2007
		(Rupees in '000)	
Taxable temporary difference			
Accelerated tax depreciation		**215,307**	149,758
Surplus on revaluation of buildings		**47,978**	53,264
Add : Related deferred tax liability on 30 June	*15*	**25,260**	
Less: Reversal of deferred tax on revaluation of buildings	*28*	**(4,953)**	(5,286)
		68,285	47,978
Deductible temporary difference			
Provision for doubtful debts		**(2,002)**	(1,992)
Provision for unavailed leaves		**(7,343)**	(6,804)
		274,247	188,940

18. TRADE AND OTHER PAYABLES

	Note	2008	2007
Trade creditors		**75,678**	55,484
Accrued expenses		**377,033**	206,613
Duties payable		**-**	131,917
Bills payable		**407,431**	48,945
Advances from customers		**26,653**	63,018
Workers' profit participation fund	*18.1*	**7,948**	4,971
Workers' welfare fund		**15,372**	14,256
Payable to defined benefit plan		**793**	-
Unclaimed dividend		**4,788**	4,511
Others		**1,247**	1,247
		916,943	530,962

18.1 Workers' profit participation fund

	Note	2008	2007
Balance as at 1 July		**4,971**	1,139
Interest on funds utilised in the Company's business at 28.13% (2007: 37.50%) per annum	*25*	**100**	32
		5,071	1,171
Allocation for the year	*26*	**47,948**	42,971
		53,019	44,142
Payments made during the year		**(45,071)**	(39,171)
Balance as at 30 June		**7,948**	4,971

19. SHORT TERM BORROWINGS

	Note	2008	2007
		(Rupees in '000)	
Running finance under mark-up arrangement from banks - secured	*19.1& 19.2*	**3,348,512**	1,331,084
Short term borrowing under Export Refinance Scheme	*19.3*	**600,000**	269,986
Running finance under FE-25 Export and Import Scheme		**-**	2,612,258
Book overdraft		**20,308**	2,322
		3,968,820	4,215,650

19.1 The facilities for running finance available from various banks amounting to Rs. 5,357 million (2007: Rs. 1,365 million) are secured by way of hypothecation of stock-in-trade and book debts. The unavailed facilities at the year end amounted to Rs. 2,008.488 million (2007: Rs. 31.608 million). The rates of mark-up on these finances range from 11.00% to 14.88% per annum (2007: 9.75% to 11.63% per annum). The facility for short term finance mature within twelve months.

19.2 The facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 7,897 million (2007: Rs. 2,715 million) and Rs. 475 million (2007: Rs. 350 million), respectively out of which the amount remaining unutilised at the year end was Rs. 5,323.115 million (2007: Rs. 607.120 million) and Rs. 12.528 million (2007: Rs. 118.487 million), respectively.

19.3 The Company has also borrowed short term running finance under Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 600 million (2007: Rs. 270 million). The rate of mark-up on this facility was 7.50% per annum. (2007: 6.85% to 6.90% per annum).

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

20.1.1 Bank guarantees have been issued under certain supply contracts and to the collector of customs aggregating Rs. 371.829 million (2007: Rs. 231.512 million).

20.1.2 The Company has provided guarantees amounting to Rs. 6.765 million (2007: Rs. 3.728 million) against the personal borrowings of its employees from a commercial bank.

20.1.3 Custom duties amounting to Rs. 165.658 million on imports of raw material shall be payable by the Company in case of non-fulfillment of certain conditions imposed by the custom authorities under SRO 565 (1) / 2006.

20.2 Commitments

20.2.1 Capital expenditures commitments outstanding as at 30 June 2008 amounted to Rs. 1,625.219 million (2007: Rs. 319.166 million).

20.2.2 Commitments under letters of credit for raw materials as at 30 June 2008 amounted to Rs. 1,009.658 million (2007: Rs. 1,798.630 million).

21. NET SALES

	Note	2008	2007
		(Rupees in '000)	
Local		**10,741,994**	9,062,959
Export		**3,019,508**	1,957,233
		13,761,502	11,020,192
Sales tax and special excise duty		**(1,428,640)**	(1,137,980)
Trade discount		**(70,189)**	(26,605)
Sales discount and commission		**(194,877)**	(155,415)
		(1,693,706)	(1,320,000)
		12,067,796	9,700,192

22. COST OF SALES

	Note	2008	2007
Opening stock of raw material and work-in-process		**1,806,753**	852,675
Purchases		**10,133,349**	9,174,337
Salaries, wages and benefits		**264,800**	216,860
Rent, rates and taxes		**3,340**	2,472
Electricity, gas and water		**122,002**	117,796
Insurance		**7,110**	5,627
Security and janitorial		**10,365**	8,114
Depreciation and amortisation	*4.5 & 5.3*	**188,078**	185,159
Stores and spares consumed		**49,290**	45,364
Stores and spares obsolescence / scrapped		**-**	2,014
Repairs and maintenance		**81,377**	60,896
Postage, telephone and stationery		**4,407**	4,546
Vehicle, travel and conveyance		**5,117**	4,576
Internal material handling		**11,436**	9,143
Environment controlling expense		**3,029**	2,189
Sundries		**2,777**	1,869
Recovery of scrap		**(225,129)**	(129,781)
		12,468,101	10,563,856
Closing stock of raw material and work-in-process		**(2,343,888)**	(1,806,753)
Cost of goods manufactured		**10,124,213**	8,757,103
Finished goods and By-product:			
Opening stock		**1,324,703**	841,095
Purchases			3,716
Closing stock	*7*	**(1,168,553)**	(1,324,703)
		156,150	(479,892)
		10,280,363	8,277,211

23. SELLING AND DISTRIBUTION EXPENSES

		2008	2007
		(Rupees in '000)	
Freight and forwarding expense		**232,622**	185,733
Salaries, wages and benefits		**35,887**	29,908
Rent, rates and taxes		**462**	647
Electricity, gas and water		**1,261**	1,092
Insurance		**219**	235
Depreciation and amortisation	*4.5 & 5.3*	**3,121**	2,895
Repairs and maintenance		**588**	683
Advertising and sales promotion		**38,244**	32,206
Postage, telephone and stationery		**2,314**	2,587
Office supplies		**109**	78
Vehicle, travel and conveyance		**5,159**	4,429
Provision for doubtful debts - net	*8.1*	**279**	103
Certification and registration charges		**671**	34
Others		**716**	502
		321,652	261,132

24. ADMINISTRATIVE EXPENSES

		2008	2007
Salaries, wages and benefits		**55,100**	50,175
Rent, rates and taxes		**151**	133
Electricity, gas and water		**2,390**	2,165
Insurance		**168**	136
Depreciation and amortisation	*4.5 & 5.3*	**7,789**	6,678
Repairs and maintenance		**1,193**	1,273
Postage, telephone and stationery		**4,208**	4,022
Office supplies		**299**	172
Vehicle, travel and conveyance		**3,948**	4,590
Legal and professional charges		**5,645**	7,898
Certification and registration charges		**3,524**	4,448
Others		**3,047**	2,108
		87,462	83,798

25. FINANCIAL CHARGES

		2008	2007
Mark-up on:			
- long term financing		**60,278**	78,010
- short term borrowings		**379,336**	246,591
Interest on workers' profit participation fund	*18.1*	**100**	32
Bank charges		**10,513**	7,133
		450,227	331,766

26. OTHER OPERATING CHARGES

		2008	2007
		(Rupees in '000)	
Auditors' remuneration	*26.1*	**942**	800
Donations	*26.2*	**15,791**	15,480
Workers' profit participation fund	*18.1*	**47,948**	42,971
Exchange loss / (gain) - net	*26.3*	**137,394**	(5,475)
Workers' welfare fund		**6,713**	9,083
Loss / (gain) on sale of property, plant and equipment		**1,822**	(4,864)
		210,610	57,995

26.1 Auditors' remuneration

	2008	2007
Audit fee	**600**	550
Other services	**280**	220
Out of pocket expenses	**62**	30
	942	800

26.2 Donations

Interest of the Directors or their spouses in the donations made during the year is as follows:

- Donation of Rs. 0.160 million paid to Mohatta Palace Museum, Clifton Karachi. Mr.Towfiq H. Chinoy, Managing Director & CEO of the Company is on the Board of Trustees of the Mohatta Palace Museum.

- Donation of Rs. 1 million paid to Amir Sultan Chinoy Foundation, Karachi. Mr.Riyaz Chinoy, Director of the Company is the Chairman of the Foundation.

- Donation of Rs. 0.055 million paid to Landhi Association of Trade & Industries, Karachi. Mr.Riyaz Chinoy, Director of the Company is the Chairman of the Association.

- Donation of Rs. 0.500 million paid to Mind Sports Association of Pakistan, Karachi, a company uner formation. Mr. Kemal Shoaib, Director, IIL is also a director of that Company.

26.3 The exchange gain / loss arises due to the Company's exposure in foreign currency. Due to significant decline in the foreign exchange rates at the balance sheet date the Company incurred exchange loss of Rs. 232.665 million and has exchange gain of Rs. 95.271 million.

27. OTHER OPERATING INCOME

		2008	2007
		(Rupees in '000)	
Income / return on financial assets			
Interest on bank deposits		**1,441**	6,513
Gain on disposal of available for sale investments	*27.1*	**120,466**	102,281
Unrealised exchange gain on forward contracts	*27.2*	**49,184**	-
Income from non-financial assets			
Income from power generation	*27.3 & 27.3.1*	**11,891**	-
Rent income		**437**	365
Others			
Others		**3,402**	9,908
		186,821	119,067

27.1 This includes stock dividend, remeasurment gain / loss taken to profit and loss account on disposal and capital gain / loss on disposal.

27.2 At the year end the Company had forward exchange contracts for the purchase of US Dollar (USD) 24,035,756 and Euro 299,715 at various maturity dates matching the anticipated payment dates for the import of raw material and certain items of property, plant and equipment. The unrealised gain relates to these forward exchange contracts.

27.3 Income from power generation

		2008	2007
		(Rupees in '000)	
Net sales		**198,706**	-
Cost of electricity produced:			
Salaries, wages and benefits		**2,318**	-
Rent, rates and taxes		**18**	-
Electricity, gas and water		**108,783**	-
Insurance		**303**	-
Security and janitorial		**4**	-
Depreciation	*4.5*	**26,410**	-
Stores and spares consumed		**3,470**	-
Repairs and maintenance		**3,141**	-
Postage, telephone and stationery		**77**	-
Vehicle, travel and conveyance		**144**	-
Sundries		**208**	-
		144,876	-
Financial charges		**41,939**	-
Income from power generation		**11,891**	**-**

27.3.1 For the purpose of expansion of the production facilities, the Company has started building a new plant. For this purpose the Company has acquired land amounting to Rs. 617.841 million in Karachi. In order to be self sufficient in terms of electricity required for the new plant, the Company has acquired a power generation plant amounting to Rs. 533.576 million. Since the said new plant is not in operation, the Company has excess electricity power which it is selling to the Karachi Electric Supply Corporation Limited (KESC) under an agreement. This agreement is valid for 20 years and after the commencement of operations of the new plant, the Company will transmit only the excess units of electricity.

28. TAXATION

		2008	2007
		(Rupees in '000)	
Current			
- for the year		**140,066**	166,000
- for prior years		**(1,113)**	-
	12	**138,953**	166,000
Deferred			
- for the year		**65,000**	33,662
- Reversal relating to surplus on revaluation of buildings	*17*	**(4,953)**	(5,286)
		60,047	28,376
		199,000	194,376

28.1 Relationship between income tax expense and accounting profit

	2008	2007	2008	2007
	Effective tax rate%		**(Rupees in '000)**	
Profit before taxation			**904,303**	807,357
Tax at the income tax rate of 35% (2007: 35%)	**35.00**	35.00	**316,506**	282,575
Tax effect of permanent differences	**(4.53)**	(3.15)	**(40,965)**	(25,426)
Tax effect on exports under final tax regime	**(6.18)**	(6.45)	**(55,853)**	(52,031)
Tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes	**(2.22)**	(1.40)	**(20,059)**	(11,335)
Effect of change in prior years' tax	**(0.12)**	-	**(1,113)**	-
Others	**0.05**	0.07	**484**	593
Tax effective rate / tax charge	**22.02**	24.07	**199,000**	194,376

28.2 Income tax assessments of the Company have been finalised upto and including the tax year 2006. However, the Commissioner of Income Tax may, at any time during a period of five years from the date of filing of return, select the deemed assessment order for audit.

29. EARNINGS PER SHARE - BASIC AND DILUTED

	2008	2007
	(Rupees in '000)	
Profit after taxation for the year	**705,303**	612,981
	(Number)	
		(Restated)
Weighted average number of ordinary shares in issue during the year	**83,258,764**	83,258,764
	(Rupees)	
		(Restated)
Earnings per share	**8.47**	7.36

29.1 Earnings per share - basic and diluted has been adjusted for the increase in the number of ordinary shares outstanding as a result of bonus issues.

30. WORKING CAPITAL CHANGES

	2008	2007
	(Rupees in '000)	
(Increase) / decrease in current assets:		
Stores and spares	**(11,117)**	(12,589)
Stock-in-trade	**(1,281,641)**	(1,284,006)
Trade debts	**(486,891)**	(314,989)
Loans and advances	**(3,858)**	249,490
Deposits and prepayments	**(2,111)**	(7,524)
Other receivables	**(175,669)**	(90,782)
	(1,961,287)	(1,460,400)
Increase in current liabilities:		
Trade and other payables	**385,704**	226,102
	(1,575,583)	(1,234,298)

31. STAFF RETIREMENT BENEFITS

31.1 Provident fund

Salaries, wages and benefits include Rs. 5.855 million (2007: Rs. 4.621 million) in respect of provident fund contribution.

31.2 Gratuity fund

Principal actuarial assumptions used in the actuarial valuation of the scheme carried out under Projected Unit Credit Method as at 30 June 2008 are as follows:

- Discount rate at 12% per annum (2007: 10% per annum).

- Expected rate of return on plan assets at 12% per annum (2007: 12% per annum).

- Expected rate of increase in salary level at 11% per annum (2007: 9% per annum).

The amount recognised in the balance sheet is as follows:	**2008**	2007
	(Rupees in '000)	
Present value of defined benefit obligation	**106,051**	79,317
Fair value of plan assets	**(108,001)**	(88,355)
	(1,950)	(9,038)
Unrecognised actuarial gains	**2,743**	9,038
Liability as at 30 June	**793**	-

Movement in the present value of defined benefit obligation

Obligation as at 1 July	**79,317**	68,271
Current service cost	**7,981**	6,564
Interest cost	**7,932**	6,144
Past service cost	**-**	-
Actuarial loss / (gain)	**14,986**	234
Benefits paid	**(4,165)**	(1,896)
Obligation as at 30 June	**106,051**	79,317

Movement in the fair value of plan assets

Fair value as at 1 July	**88,355**	71,826
Expected return on plan assets	**10,603**	8,619
Net actuarial gain	**8,709**	5,717
Benefits paid	**(4,165)**	(1,896)
Contribution to the fund	**4,499**	4,089
Fair value as at 30 June	**108,001**	88,355

Movement in (assets) / liabilities	**2008**	2007
	(Rupees in '000)	
Balance as at 1 July	**-**	-
Expense recognised	**5,292**	4,089
Payments during the year	**(4,499)**	(4,089)
Company's liability as at 30 June	**793**	-

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

Current service cost	**7,981**	6,564
Interest cost	**7,932**	6,144
Expected return on plan assets	**(10,603)**	(8,619)
Net actuarial gain recognised in the year	**(18)**	-
	5,292	4,089

Major categories / composition of plan assets are as follows:

Equity	**31%**	18%
Debt instruments	**32%**	81%
Others	**37%**	1%

Return on plan assets is as follows:

Expected return on plan assets	**10,603**	8,619
Actuarial gain on plan assets	**8,709**	5,717
Return on plan assets	**19,312**	14,336

Historical information	**2008**	2007	2006	2005	2004
	------------------------------(Rupees in '000)------------------------------				
Present value of defined benefit obligation	**106,051**	79,317	68,271	50,620	46,126
Fair value of plan assets	**(108,001)**	(88,355)	(71,826)	(62,674)	(57,326)
(Surplus) / deficit	**(1,950)**	(9,038)	(3,555)	(12,054)	(11,200)
Unrecognised actuarial gains	**2,743**	9,038	3,555	11,195	8,347
(Asset) / liability in balance sheet	**793**	-	-	(859)	(2,853)
Experience adjustments on plan liabilities	**14,986**	234	10,222	(257)	3,193
Experience adjustments on plan assets	**8,709**	5,717	3,031	2,828	2,330

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2008				2007			
	Chief Executive	**Directors**	**Executives**	**Total**	Chief Executive	Directors	Executives	Total
	(Rupees in '000)							
Managerial remuneration	**12,500**	**9,920**	**41,149**	**63,569**	10,000	8,800	23,157	41,957
Retirement benefits	**-**	**539**	**3,671**	**4,210**	-	-	2,839	2,839
Rent, utilities, leave encashment etc.	**7,850**	**7,150**	**32,983**	**47,983**	6,600	5,775	20,162	32,537
	20,350	**17,609**	**77,803**	**115,762**	16,600	14,575	46,158	77,333
Number of persons	**1**	**2**	**31**	**34**	1	2	18	21

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

32.2 Fee paid to non-executive directors is Rs. 0.610 million (2007: Rs. 0.640 million).

33. INTEREST/ MARK-UP RATE RISK MANAGEMENT

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. In respect of income earning financial assets and interest / mark-up bearing financial liabilities, the following table indicates their effective interest / mark-up rates at the balance sheet date and the periods in which they will reprice or mature.

	2008					
	Effective interest / mark-up rate %	**Total**	**Interest / mark-up bearing**			**Non interest/ mark-up bearing**
			Maturity upto one year	**Maturity one to five year**	**Sub-total**	
		(Rupees in '000)				
Financial assets						
Long-term deposits	-	4,190	-	-	-	4,190
Trade debts	-	1,401,333	-	-	-	1,401,333
Loans and advances	-	1,739	-	-	-	1,739
Deposits	-	9,342	-	-	-	9,342
Other receivables	-	132,485	-	-	-	132,485
Cash and bank balances	1.5% - 8%	28,106	5,534	-	5,534	22,572
		1,577,195	5,534	-	5,534	1,571,661
Financial liabilities						
Long term financing	11.02%	1,562,500	420,835	1,141,665	1,562,500	-
Trade and other payables	-	874,918	-	-	-	874,918
Short-term borrowings	7.5% - 14.88%	3,968,820	3,968,820	-	3,968,820	-
		6,406,238	4,389,655	1,141,665	5,531,320	874,918
Net financial assets / (liabilities)		########	########	########	########	696,743
Off balance sheet items						
Letter of credits	-	1,009,658	-	-	-	1,009,658
Capital commitments	-	1,625,219	-	-	-	1,625,219
		2,634,877	-	-	-	2,634,877

	2007					
	Effective interest / mark-up rate %	Total	Interest / mark-up bearing			Non interest/ mark-up bearing
			Maturity upto one year	Maturity one to five year	Sub-total	
	------------------------------(Rupees in '000)------------------------------					
Financial assets						-
Long-term deposits	-	3,448	-	-	-	3,448
Trade debts	-	914,470	-	-	-	914,470
Loans and advances	-	1,505	-	-	-	1,505
Deposits	-	4,807	-	-	-	4,807
Other receivables	-	631	-	-	-	631
Cash and bank balances	1.5% - 8%	3,923	3,271	-	3,271	652
		928,784	3,271	-	3,271	925,513
Financial liabilities						
Long term financing	10.01%	1,275,000	212,500	1,062,500	1,275,000	-
Trade and other payables	-	453,688		-	-	453,688
Short-term borrowings	6.85% - 11.63%	4,215,650	4,215,650	-	4,215,650	-
		5,944,338	4,428,150	1,062,500	5,490,650	453,688
Net financial assets / (liabilities)		########	########	########	########	471,825
Off balance sheet items						
Letter of credits	-	1,798,630	-	-	-	1,798,630
Capital commitments	-	319,166	-	-	-	319,166
		2,117,796	-	-	-	2,117,796

34. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk represents the risk of loss that would be recognised at the reporting date if counter parties failed to perform as contracted. The Company's credit risk is primarily attributable to its trade debts. To reduce the exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

The sector wise analysis of trade debts is given below:

	2008		2007	
	Amount (Rs. '000)	**%**	Amount (Rs. '000)	%
Private sector	**322,496**	**23.01**	329,043	35.98
Public sector	**132,053**	**9.42**	137,211	15.00
Commercial	**242,042**	**17.27**	157,487	17.22
Industrial	**330,775**	**23.60**	105,402	11.53
Exports	**367,772**	**26.25**	183,119	20.03
Others	**6,195**	**0.44**	2,208	0.24
	1,401,333	**100.00**	914,470	100.00

35. LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The Company aims to manage flexibility in funding by keeping committed credit lines available.

36. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk is the risk that the value of a financial asset or a liability will fluctuate due to changes in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. In appropriate cases, the management takes out forward foreign exchange contracts to mitigate the risk. Financial assets include Rs. 367.772 million (2007: Rs. 183.119 million) in foreign currencies and financial liabilities include Rs. NIL (2007: Rs. 2,612.258 million) which are subject to currency risk exposure. Financial assets and liabilities denominated in foreign currency are mainly in U.S. Dollar and Euro.

37. CAPITAL RISK MANAGEMENT

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

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares.

38. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

39. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, directors of the Company, key management employees and staff retirement funds. The Company continues to have a policy whereby all transactions with related parties undertakings are entered into at commercial terms and conditions. Further, contribution to defined contribution plan (provident fund) are made as per the terms of employment and contribution to the defined benefit plan (gratuity scheme) are in accordance with the actuarial advice. Remuneration of key management personnel are in accordance with their terms of engagements. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2008	2007
	(Rupees in '000)	
Associated companies		
Sales	**435**	491
Purchases	**12,062**	31,082
Insurance premium expense	**35,502**	22,856
Insurance claims received	**3,353**	276
Investments	**-**	350,000
Gain on disposal of available for sale investments	**30,222**	10,440
Donations	**1,215**	2,000
Dividend paid	**3,834**	7,824
Payable to related parties	**970**	21,211
Others	**502**	365
Key management personnel		
Remuneration	**83,541**	66,781
Post retirement benefits	**2,528**	2,359
Disposal of vehicles	**-**	1,740
Staff retirement fund		
Contribution paid	**11,147**	8,710
Dividend paid	**-**	679

40. PRODUCTION CAPACITY

	(Metric tonnes)	
The production capacity at the year end was as follows:		
Pipe	**300,000**	300,000
Galvanising	**150,000**	150,000
Cold rolled steel strip	**50,000**	50,000
Polyethylene pipe	**7,000**	7,000
The actual production for the year was:		
Pipe	**172,785**	172,181
Galvanising	**89,038**	98,027
Cold rolled steel strip	**36,680**	35,992
Polyethylene pipe	**3,326**	1,646

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

41. NON - ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on 28 July 2008 has proposed a final cash dividend of Rs.1.50 per share amounting to Rs. 124.888 million (2007: Rs. 1.25 per share final cash dividend amounting to Rs. 71.137 million) and 20% bonus shares amounting to Rs.166.518 million (2007 : 33% bonus shares amounting to Rs. 187.802 million) and transfer of an amount of Rs.275 million (2007 : Rs.225 million) from unappropriated profit to General Reserves for approval of the members at the Annual General Meeting to be held on 30 August 2008. The financial statements for the year ended 30 June 2008 do not include the effect of the proposed cash dividends and bonus shares, which will be accounted for in the financial statements for the year ending 30 June 2009.

42. ACCOUNTING ESTIMATES AND JUDGEMENTS

Income taxes

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

Staff retirement benefits

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

Trade debts and other receivables

Impairment loss against doubtful trade and other debts is made on a judgemental basis, which provision may differ in the future years based on the actual experience. The difference in provision if any, would be recognised in the future period.

Property, plant and equipment

The Company’s management determines the estimated useful lives and related depreciation charge for its plant and equipment. The estimates for revalued amounts of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Company. The said recommendation also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

43. GENERAL

Corresponding figures have been rearranged and reclassified, whenever necessary, for better presentation and disclosure.

Reclassification from	Reclassification to	Amount (Rupees '000)
Balance Sheet		
Advance, deposits, prepayments and other receivables	Loans and advances	3,713
- do -	Trade deposits and short term prepayments	12,870
- do -	Other receivables	104,836
Redeemable capital	Long term financing	1,062,500
Current portion of redeemable capital	Current portion of long term financing	212,500
Unclaimed dividend	Trade and other payable	4,511
Profit and Loss Account		
Freight and forwarding expenses	Selling and distribution expense	185,733

44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the meeting of Board of Directors held on July 28, 2008.

Kemal Shoaib
Director & Chairman
Board Audit Committee

Asad A. Siddiqui
Chief Financial
Officer

Towfiq H. Chinoy
Managing Director &
Chief Executive