



Promising Reliability, For Now and Tomorrow

annual report 2011

The text 'annual report 2011' is rendered in a large, grey, sans-serif font. The word 'annual' is on the top line, 'report' is on the second line, and '2011' is on the third line. Three decorative illustrations are placed over the text: a large green tree with a brown trunk is positioned behind the 'n' in 'annual'; a brown leaf with white veins is positioned behind the 'o' in 'report'; and a small green seedling with two brown seeds is positioned behind the '1' in '2011'.

Forest in one acorn



Promising Reliability, For Now and Tomorrow

A great Oak tree is born of a small Acorn. The Acorn is the assurance that the tree that will rise from it will be firm rooted, sturdy and fruitful.

Confident that the fruit of IIL will in turn give rise to a successful industry like itself, another seed is sown: ISL, International Steels Ltd.

It is IIL's 40 years of stability and continuous growth and creditability which has drawn investment for ISL from Sumitomo Corporation, Japan, IFC and from JFE Steel Corporation.

Confidence in IIL drew from the public over two and a half times subscription of ISL's Public Offering / Book Building.



Shaping Tomorrow

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

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This annual report includes statements, relating to our future plans, objectives, intentions & expectations. These statements should not be taken as guarantees of future performance as results may materially differ due to many reasons including change in the market, industry and world economic conditions. We disclaim any obligation to update or alter these forward looking statements.





Promise in one acorn

Successful companies don't simply emerge. They germinate from a well planned idea, planted in fertile environment conducive to its growth. In 1992 IIL's turnover crossed 1 billion rupees. In 2010, it crossed 18 billion rupees.

In 2011, IIL gives rise to ISL, a US\$ 100 million project.

From an acorn will rise a mighty tree of industry.



Growth & expansion

In 40 years IIL has emerged as a respected leading manufacturing company. It is the constant nurturing and investment that has given rise to its national and international status as a trusted partner in business, trade and investment.

As it grows itself, from steel to cold rolled mill on to PEX, it roots as the national leader in the industry. With IIL's 56.33% stake in ISL, the new seed shall rapidly.



A new Company is borne:

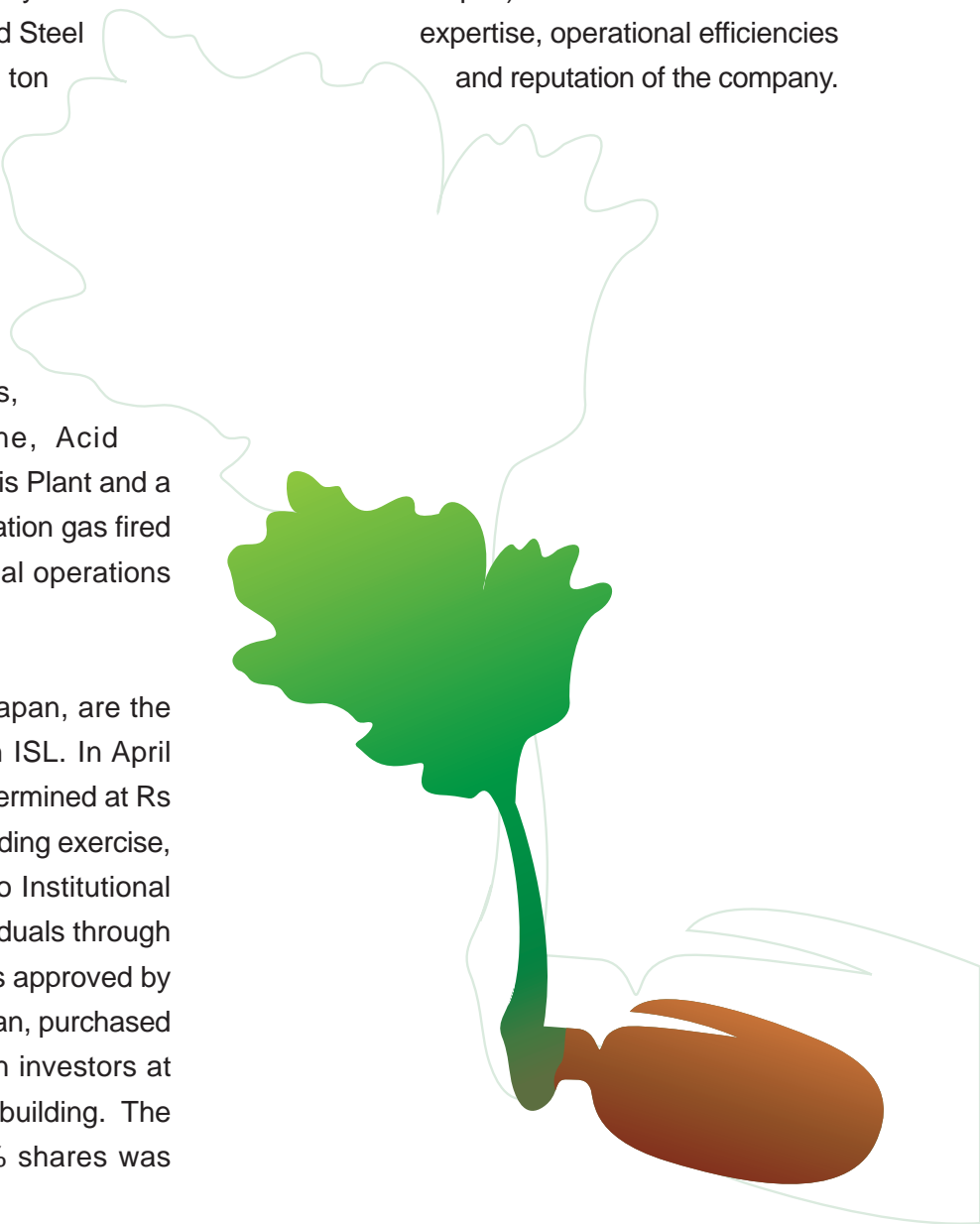
In accordance with a scheme, approved by its shareholders and in pursuance of Sindh High Court's Order, International Industries Limited (IIL) divested part of its shareholding in International Steels Limited [ISL].

This project [ISL] was conceived, erected and completed as a part of IIL, till it was hived down as ISL on August 24, 2010 as a separate Steel manufacturing unit with a capacity to produce 250,000 tons of Cold Rolled Steel Coils [CRC], out of which 150,000 ton will be used for Hot Dipped Galvanized Steel Coil [HDGC] production. The project is a state of art Steel unit spread on 32 acres of land near Port Qasim and was completed with a cost of PKR 8.700 billion, which includes Rolling Mills, Galvanizing Line, Pickling Line, Acid Regeneration unit, Reverse Osmosis Plant and a 19.2 MW combined cycle co-generation gas fired power plant. ISL started commercial operations in January 2011.

IFC and Sumitomo Corporation, Japan, are the two strategic Pre-IPO investors in ISL. In April 2011 the share price of ISL was determined at Rs 14.06 per share through a Book building exercise, when IIL offered 14.23 % shares to Institutional Investors and High Net worth individuals through a Dutch auction process, which was approved by SECP & KSE. JFE Steel Corp, Japan, purchased 4.74 % shares reserved for foreign investors at the price determined through Book building. The Offer for general Public for 6.32% shares was

held in May 2011, which completed this divestment scheme, with IIL retaining 56.33% shares of ISL. ISL was listed on June 1, 2011.

ISL has the advantage of IIL's management guidance, an established market network and more than four decades of experience. Additionally the strategic partnership with IFC and Sumitomo Corporation, Japan (one of the largest Steel manufacturers of Japan) will add on to the technical expertise, operational efficiencies and reputation of the company.



Company Profile

International Industries Limited (IIL) is a premium producer of steel tubing and galvanized pipes in Pakistan.

IIL was incorporated in Pakistan in 1948 and is quoted on the Karachi, Lahore and Islamabad Stock Exchanges in Pakistan. The company in 2011 has equity of over Rs. 5.0 billion with a turnover of over Rs. 15.8 billion and has featured in the Karachi Stock Exchange listing of the top 25 companies consecutively for 8 years (from 2001 to 2008).

elliptical tubes with a thickness range from 0.60 ~ 2.00 mm.

On the Galvanized Iron (GI) pipes side, the company has five hot rolled tubes mills, two hot rolled slitters and four fully automatic hot dipped galvanizing plants with a capacity of 150,000 tons / annum. The GI product range varies from 1/2" ~ 6" having a thickness range from 1.80 mm ~ 6.00 mm.



IIL's production capacity of steel pipes is the highest in Pakistan. It is the market leader in all segments of pipes within the country having major share of the market.

In 2011, IIL's gross sales volume was over 200,000 tons out of which 137,000 tons were sold in the domestic market and 63,000 tons amounting to over USD 60 million were exported to Afghanistan, Sri Lanka, UAE, Iraq, Yemen, Bahrain, Kuwait, Germany, Italy, UK, USA, Puerto Rico and trophy for leading exporter of engineering goods from the country over the last ten years.

IIL is the first local private sector company to have cold rolling facilities. Its ten cold rolled tubes mills and three cold rolled slitters have a capacity of over 100,000 tons per annum, with sizes ranging from 12.70 ~ 75.90 mm in round, 10 ~ 50 mm in square, 10x20 ~ 40x80 mm rectangular and 13x23 mm, 19x42 mm ~ 24x56 mm

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

IIL widened its portfolio of products in 2006 by installing three extrusion plants for high and medium density Polyethylene pipes for Water, Gas and Duct Pipe; with standard diameters ranging from 12 mm ~ 250 mm. In fact, IIL is the pioneer in the manufacturing of PEX (Cross Linked) pipe in Pakistan, with standard diameters ranging from 20 mm ~ 32 mm. The company is also manufacturing API polyethylene pipe under API license # 15LE-0014.

In terms of quality, health and safety, IIL achieved International Certifications of ISO 9001, ISO 14001 and OHSAS 18001.

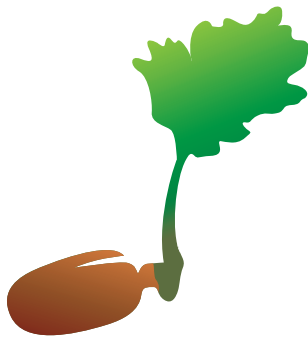
Corporate & Management Directory

Board of Directors

Chairman	Mr. Kemal Shoaib	Independent Chairman
CEO	Mr. Towfiq H. Chinoy Mr. Mustapha A. Chinoy Mr. Kamal A. Chinoy Mr. Fuad Azim Hashimi Mr. Zaffar A. Khan Mr. Javaid Anwar Mr. Azam Faruque Mr. Shahid Aziz Siddiqui	Managing Director Non-Executive Director Non-Executive Director Independent Director Independent Director Independent Director Independent Director Independent Director
Chief Operating Officer	Mr. Riyaz T. Chinoy	Executive Director
Chief Financial Officer:	Mr. Asad A. Siddiqui	
Company Secretary:	Ms. Neelofar Hameed	
External Auditors:	M/s KPMG Taseer Hadi & Co.	
Internal Auditors:	M/s E & Y Ford Rhodes Sidat Hyder & Co.	
Bankers:	Bank Al-Habib Ltd Faysal Bank Ltd Habib Bank Ltd HSBC Bank Middle East Ltd International Finance Corporation [IFC] MCB Bank Ltd Meezan Bank Ltd NIB Bank Ltd Samba Bank Ltd Standard Chartered Bank (Pakistan) Ltd Soneri Bank Ltd United Bank Ltd	
Legal Advisor:	Mrs. Sana Shaikh Fikree	
Registered Office:	101 Beaumont Plaza 10 Beaumont Road, Karachi-75530 Phone: +9221-35680045-54 UAN: 021-111-019-019 Fax: +9221-35680373 E-mail: neelofar.hameed@iil.com.pk	
Branch Office:	Chinoy House, 6 Bank Square, Lahore-54000 Phone: +9242-37229752-55 UAN: 042-111-019-019 Fax: +9242-37220384 E-mail: inquiries@iil.com.pk	
Website:	www.iil.com.pk	
Share Registrar:	THK Associates (Pvt.) Ltd Ground Floor, State Life Building 3, Dr. Ziauddin Ahmed Road, Karachi-75530 Phone: +9221-111-000-322 Fax: +9221-35655595 Email: info@thk.com.pk	

Vision

To be an internationally recognized, accepted and preferred pipe manufacturer.



Mission

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

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



Strategic Objectives

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



Our Values

- Ethical:**
IIL is honest and ethical in its dealings at all times through compliance with the applicable laws & regulations.
- Excellence:**
IIL endeavor's to exceed the needs of all stakeholders.
- Innovation:**
IIL encourages its stakeholders to be creative in all of its activities.
- Respect:**
IIL values the self esteem of all stakeholders, be it employees, suppliers, customers or shareholders.
- Fairness:**
IIL believes in fairness to all stakeholders.
- Responsibility:**
IIL considers quality health, safety and environment an integral part of its activities and way of life.
- Reliable:**
IIL has established itself as a reliable and dependable supplier.



Code of Conduct and Ethical Practices

The Company's policy is to conduct its business with honesty and integrity and be ethical in its dealings showing respect for the interest of those with whom it has a relationship.

The Company is committed to comply with all laws and regulations. The Board and Management are expected to familiarize themselves with laws and regulations governing their individual areas of responsibility and not to transgress them. If in doubt they are expected to seek advice. The company believes in fair competition and supports appropriate competition laws.

The Company does not support any political party or contributes funds to groups whose activities promote party interests. The company will promote its legitimate business interest through trade associations.

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

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

The Company recognizes its social responsibility and will contribute to community activities as a good corporate citizen.

The Company is committed and fully adheres to the reliability of financial reporting and transparent transactions.

The Company is committed to recruit and promote employees on merit, and provides safe and healthy

working conditions for all its employees. It also believes in maintaining good communications with employees.

Employees must not use company information and assets for their personal advantage. Conflict of interest should be avoided and disclosed where they exist and guidance sought.

It is the responsibility of the Board to ensure that the above principles are complied with, and sub-committees constituted by the Board support their compliance.

It is recognized that enforcement of laws and regulations is the responsibility of the Management.



The Code of Conduct is signed every year by all the Directors, Managerial and Secretarial Staff of the Company.

Key Operating Highlights

Rs. Million

FINANCIAL POSITION

Balance sheet

	2011	2010	2009	2008	2007	2006	2005	2004
Property, plant and equipment	2,679	9,905	5,987	4,172	2,737	1,837	1,658	1,417
Other non current assets	26	18	24	15	9	9	10	3
Current assets	8,623	8,709	5,168	6,439	5,854	3,401	3,272	2,824
Investments	2,584	106	-	-	-	-	-	-
Total assets	13,911	18,738	11,179	10,626	8,600	5,247	4,940	4,244
Share capital	1,199	999	999	833	569	428	428	163
Reserves	3,065	2,305	1,661	1,565	1,257	1,043	741	617
Total equity	4,264	3,304	2,660	2,398	1,827	1,471	1,169	780
Surplus on revaluation of fixed assets	1,008	1,367	1,379	1,391	515	529	543	559
Non current liabilities	405	5,359	2,302	1,416	1,251	436	473	366
Current liabilities	8,234	8,709	4,838	5,421	5,007	2,812	2,754	2,539
Total liabilities	8,639	14,067	7,140	6,837	6,258	3,248	3,228	2,905
Total equity & liabilities	13,911	18,738	11,179	10,626	8,600	5,247	4,940	4,244
Net current assets	389	1	330	1,018	847	589	517	285

OPERATING AND FINANCIAL TRENDS

Profit and Loss

Net turnover	15,851	13,472	12,319	12,068	9,700	7,674	7,102	4,293
Gross profit	1,812	2,222	1,167	1,787	1,423	1,241	869	790
EBITDA	2,044	1,830	1,234	1,580	1,334	1,082	753	686
Operating profit	1,195	1,703	723	1,362	1,062	903	619	608
Profit before taxation	1,269	1,339	469	904	807	726	503	524
Profit after taxation	1,030	1,007	375	705	613	534	373	393
Cash dividend	600	400	225	201	213	214	160	163
Bonus share	-	200	-	242	188	141	224	41
Capital expenditure (addition during the year)	926	4,147	2,055	757	1,099	360	400	172

Cash Flows

Operating activities	1,396	(3,490)	2,945	(597)	(590)	1,072	144	(528)
Investing activities	950	(4,222)	(2,039)	727	(2,339)	(303)	(393)	(156)
Financial activities	(1371)	2,916	737	141	574	(275)	(67)	(203)
Cash & cash equivalents at the end of the year	(6,826)	(7,094)	(2,298)	(3,941)	(4,212)	(1,858)	(2,352)	(2,035)

KEY INDICATORS

Profitability Ratios

	2011	2010	2009	2008	2007	2006	2005	2004
Gross profit ratio	% 11.4	16.5	9.5	14.8	14.7	16.2	12.2	18.4
Net profit to Sales	% 6.5	7.5	3.0	5.8	6.3	7.0	5.3	9.2
EBITDA Margin to Sales	% 12.9	13.6	10.0	13.1	13.8	14.1	10.6	16.0
Operating Leverage	% 0.7	5.2	(10.5)	0.8	0.9	5.4	0.1	1.3
Return on Shareholders' Equity with Surplus on revaluation of fixed assets	% 19.5	21.6	9.3	18.6	26.2	26.7	21.8	29.4
Return on Shareholders' Equity without Surplus on revaluation of fixed assets	% 24.2	30.5	14.1	29.4	33.6	36.3	31.9	50.4
Return on Capital Employed	% 21.1	17.0	11.4	26.2	29.5	37.1	28.3	35.7
Return on Total Assets	% 7.4	5.4	3.4	6.6	7.1	10.2	7.6	9.3

Rs. Million

		2011	2010	2009	2008	2007	2006	2005	2004
Liquidity Ratios									
Current ratio	(x)	1.0	1.0	1.1	1.2	1.2	1.2	1.2	1.1
Quick / Acid test ratio	(x)	0.5	0.3	0.6	0.3	0.5	0.5	0.2	0.3
Cash to Current Liabilities	(x)	0.2	(0.4)	0.6	(0.1)	(0.1)	0.4	0.1	(0.2)
Cash flow from Operations to Sales	%	8.8	(25.9)	23.9	(5.0)	(6.1)	14.0	2.0	(12.3)
Activity / Turnover Ratios									
Inventory turnover ratio	times	3.0	1.8	5.0	2.2	2.5	3.2	2.4	1.7
Inventory turnover in days	days	124	198	73	163	146	115	151	221
Debtor turnover ratio	times	9.5	9.9	13.1	9.8	12.1	14.6	15.8	11.5
Debtor turnover in days	days	38	37	28	37	30	25	23	32
Creditor turnover ratio	times	11.9	13.8	10.0	9.8	15.9	15.9	23.0	25.8
Creditor turnover in days	days	31	26	37	37	23	23	16	14
Total assets turnover ratio	times	1.1	0.7	1.1	1.1	1.1	1.5	1.4	1.0
Fixed assets turnover ratio	times	5.9	1.4	2.1	2.9	3.5	4.2	4.3	3.0
Operating cycle in days	days	162	235	101	201	176	140	174	253
Capital employed turnover ratio	times	2.8	1.3	1.9	2.3	2.7	3.2	3.2	2.5
Investment / Market Ratios									
Earnings per share - basic and diluted	Rs.	8.6	8.4	3.8	7.1	7.4	9.4	8.7	9.2
Price earning ratio	times	5.8	6.7	12.3	17.1	20.1	12.6	12.0	17.7
Dividend Yield ratio	%	10.1	10.7	4.9	4.6	4.8	7.0	14.0	7.7
Dividend Payout ratio	%	58.2	59.5	60.0	62.8	65.5	66.6	103.1	51.8
Dividend per share - Cash	Rs.	5.0	4.0	2.3	2.5	3.8	5.0	3.8	10.0
Bonus shares	Rs.	-	2.0	-	3.0	3.3	3.3	11.0	2.5
Dividend Cover	times	1.7	2.1	1.7	2.8	2.0	1.9	2.3	0.9
Market value per share at the end of the year	Rs.	50	56	46	121	148	118	105	163
Market value per share high during the year	Rs.	71	72	57	173	168	177	380	235
Market value per share low during the year	Rs.	44	46	44	107	98	88	99	99
Break-up value per share with revaluation of fixed assets	Rs.	44.0	46.8	40.4	45.5	41.2	46.7	40.0	82.1
Break-up value per share without revaluation of fixed assets	Rs.	35.6	33.1	26.6	28.8	32.1	34.4	27.3	47.9
Capital Structure Ratios									
Financial leverage ratio	(x)	2.0	4.3	2.7	2.9	3.4	2.2	2.8	3.7
Weight avg: cost of debts	%	5.6	2.6	9.1	8.0	7.9	6.3	3.7	2.1
Total Debt : Equity ratio	(x)	67:33	75:25	64:36	64:36	73:27	62:38	65:35	68:32
Interest cover	times	2.1	6.6	1.4	3.0	3.2	5.0	5.9	11.7
Value Addition									
Employees as remuneration	Rs. in million	601	472	374	350	293	254	216	178
Government as taxes	Rs. in million	3,027	2,900	2,110	1,940	1,775	1,526	1,376	1,222
Shareholders as dividends	Rs. in million	600	600	225	443	401	355	385	204
Retained within the business	Rs. in million	430	427	163	275	225	193	4	189
Financial charges to providers of finance	Rs. in million	579	257	535	450	332	180	105	52

Vertical Analysis

(Rupees in Million)

	2011	%	2010	%	2009	%	2008	%	2007	%	2006	%
OPERATING RESULTS												
Sales - Net	15,851	100.0	13,472	100.0	12,319	100.0	12,068	100.0	9,700	100.0	7,674	100.0
Cost of sales	14,039	88.6	11,250	83.5	11,152	90.5	10,280	85.2	8,277	85.3	6,433	83.8
Gross profit	1,812	11.4	2,222	16.5	1,167	9.5	1,787	14.8	1,423	14.7	1,241	16.2
Administrative, Selling and Distribution expenses	617	3.9	519	3.9	427	3.5	410	3.4	346	3.6	338	4.4
Other operating expenses	220	1.4	227	1.7	6	0.05	208	1.7	67	0.7	-	-
Other operating income	873	5.5	121	0.9	267	2.2	185	1.5	129	1.3	3	0.04
Operating Profit before finance costs	1,848	11.7	1,597	11.9	1,001	8.1	1,354	11.2	1,139	11.7	906	11.8
Finance costs	579	3.7	257	1.9	535	4.3	450	3.7	332	3.4	180	2.3
Profit before taxation	1,269	8.0	1,340	9.9	466	3.8	904	7.5	807	8.3	726	9.5
Taxation	239	1.5	333	2.5	94	0.8	199	1.6	194	2.0	192	2.5
Net income	1,030	6.5	1,007	7.5	372	3.0	705	5.8	613	6.3	534	7.0
BALANCE SHEET												
Property, plant and equipment	2,679	19.3	9,905	52.9	5,987	53.6	4,172	39.3	2,737	31.8	1,837	35.0
Investments	2,584	18.6	106	0.6	-	-	-	-	-	-	-	-
Other non current assets	26	0.2	18	0.1	24	0.2	15	0.1	9	0.1	9	0.2
Current assets	8,623	62.0	8,709	46.5	5,168	46.2	6,439	60.6	5,854	68.1	3,401	64.8
Total assets	13,911	100.0	18,738	100.0	11,179	100.0	10,626	100.0	8,600	100.0	5,247	100.0
Shareholders' equity	4,264	30.7	3,304	17.6	2,660	23.8	2,398	22.6	1,827	21.2	1,471	28.0
Capital Reserves	1,008	7.2	1,367	7.3	1,379	12.3	1,391	13.1	515	6.0	529	10.1
Non current liabilities	405	2.9	5,359	28.6	2,302	20.6	1,416	13.3	1,251	14.5	436	8.3
Current portion of long term financing	238	1.7	600	3.2	408	3.6	421	4.0	213	2.5	156	3.0
Short term borrowings	6,839	49.2	7,116	38.0	3,533	31.6	3,969	37.4	4,216	49.0	2,286	43.6
Other current liabilities	1,157	8.3	992	5.3	896	8.0	1,032	9.7	579	6.7	369	7.0
Total equity and liabilities	13,911	100.0	18,738	100.0	11,179	100.0	10,626	100.0	8,600	100.0	5,247	100.0
CASH FLOWS												
Net cash generated from/ (used in) operating activities	1,395	520.5	(3,490)	72.8	2,945	179.2	(597)	(220.3)	(590)	25.1	1,072	216.6
Net cash inflows/(outflows) from investing activities	780	291.0	(4,222)	88.0	(2,039)	(124.1)	727	268.3	(2,339)	99.4	(303)	(61.2)
Net cash (outflows)/inflows from financing activities	(1,907)	(711.6)	2,915	(60.8)	737	44.9	141	52.0	574	(24.4)	(275)	(55.6)
Net increase/ (decrease) in cash and cash equivalents	268	100.0	(4,797)	100.0	1,643	100.0	271	100.0	(2,354)	100.0	495	100.0

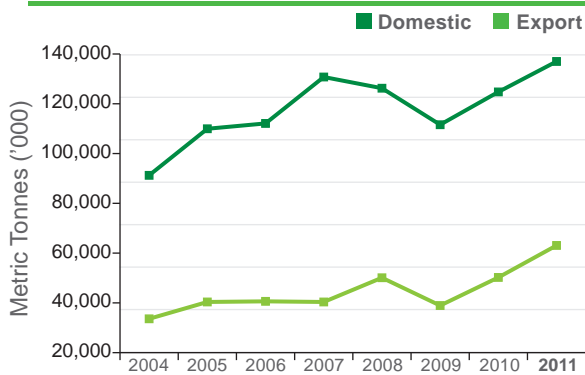
Horizontal Analysis

(Rupees in Million)

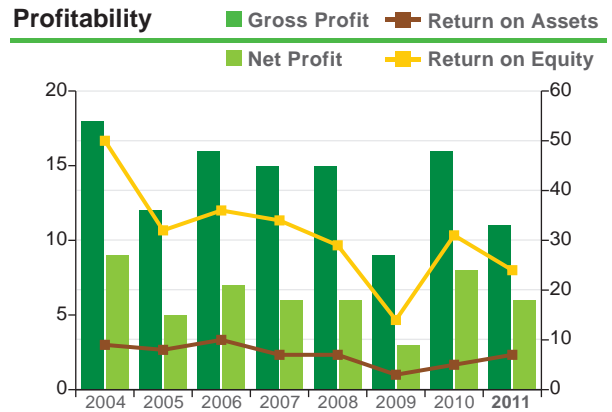
	2011	%	2010	%	2009	%	2008	%	2007	%	2006	%
OPERATING RESULTS												
Sales - Net	15,851	17.7	13,472	9.4	12,319	2.1	12,068	24.4	9,700	26.4	7,674	8.1
Cost of sales	14,039	24.8	11,250	0.9	11,152	8.5	10,280	24.2	8,277	28.7	6,433	3.2
Gross profit	1,812	(18.5)	2,222	90.4	1,167	(34.7)	1,787	25.6	1,423	14.7	1,241	42.8
Administrative, Selling and Distribution expenses	617	18.9	519	21.5	427	4.1	410	18.5	346	2.4	338	35.1
Other operating expenses	220	(3.1)	227	3683.3	6	(97.1)	208	210.4	67	100.0	-	(100.0)
Other operating income	873	621.5	121	(54.7)	267	44.3	185	43.4	129	4200.0	3	100.0
Operating profit before finance costs	1,848	15.7	1,597	59.5	1,001	(26.1)	1,354	18.9	1,139	25.8	906	49.0
Finance costs	579	125.3	257	(52.0)	535	18.9	450	35.5	332	84.6	180	71.3
Profit before taxation	1,269	(5.3)	1,340	187.5	466	(48.5)	904	12.1	807	11.2	726	44.3
Taxation	239	(28.2)	333	254.3	94	(52.8)	199	2.6	194	1.1	192	47.7
Net income	1,030	2.3	1,007	170.6	372	(47.2)	705	15.1	613	14.8	534	43.1
BALANCE SHEET												
Property, plant and equipment	2,679	(73.0)	9,905	65.4	5,987	43.5	4,172	52.4	2,737	49.0	1,837	10.8
Investments	2,584	2337.7	106	100.0	-	-	-	-	-	-	-	-
Other non current assets	26	42.2	18	(25.0)	24	60.0	15	66.7	9	-	9	(10.0)
Current assets	8,623	(1.0)	8,709	68.5	5,168	(19.7)	6,439	10.0	5,854	72.1	3,401	3.9
Total assets	13,911	(25.8)	18,738	67.6	11,179	5.2	10,626	23.6	8,600	63.9	5,247	6.2
Shareholders' equity	4,264	29.1	3,304	24.2	2,660	10.9	2,398	31.3	1,827	24.2	1,471	25.8
Capital Reserves	1,008	(26.3)	1,367	(0.9)	1,379	(0.9)	1,391	170.1	515	(2.6)	529	(2.6)
Non current liabilities	405	(92.4)	5,359	132.8	2,302	62.6	1,416	13.1	1,251	186.9	436	(7.8)
Current portion of long term financing	238	(60.3)	600	47.1	408	(3.1)	421	97.7	213	36.5	156	24.8
Short term borrowings	6,839	(3.9)	7,116	101.4	3,533	(11.0)	3,969	(5.8)	4,216	84.4	2,286	(2.9)
Other current liabilities	1,157	16.6	992	10.7	896	(13.1)	1,032	78.3	579	56.8	369	33.7
Total equity and liabilities	13,911	(25.8)	18,738	67.6	11,179	5.2	10,626	23.6	8,600	63.9	5,247	6.2
CASH FLOWS												
Net cash generated from/(used in) operating activities	1,395	(140.0)	(3,490)	(218.5)	2,945	(593.3)	(597)	1.2	(590)	(155.0)	1,072	644.4
Net cash inflows/(outflows) from investing activities	780	(118.5)	(4,222)	107.1	(2,039)	(380.5)	727	(131.1)	(2,339)	671.9	(303)	(22.9)
Net cash (outflows)/inflows from financing activities	(1,907)	(165.4)	2,915	295.5	737	422.7	141	(75.4)	574	(308.7)	(275)	310.4
Net increase/(decrease) in cash and cash equivalents	268	(105.6)	(4,797)	(392.0)	1,643	506.3	271	(111.5)	(2,354)	(575.6)	495	(256.2)

Key Operating Highlights

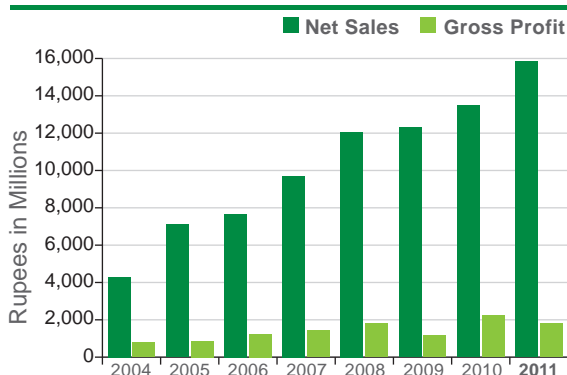
Sales Break Up



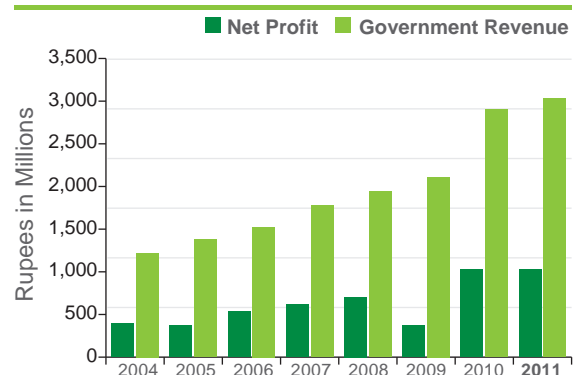
Profitability



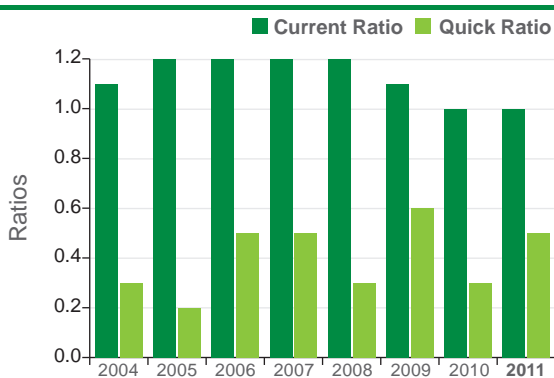
Net Sales and Gross Profit



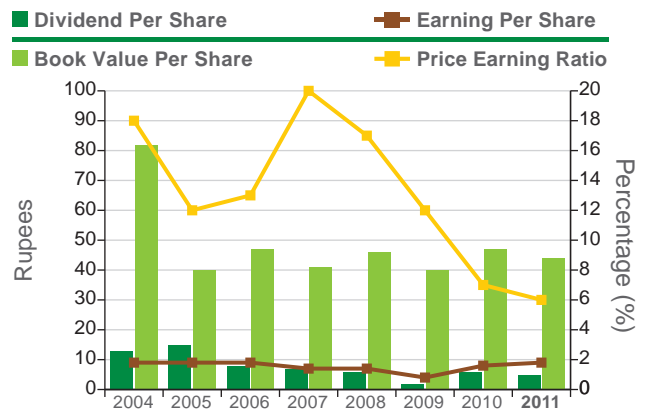
Net Profit and Government Revenues



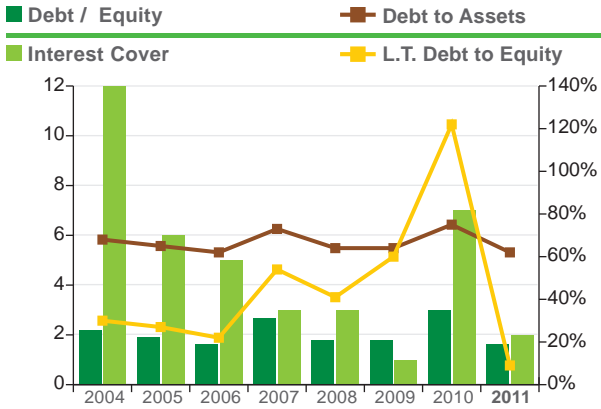
Liquidity



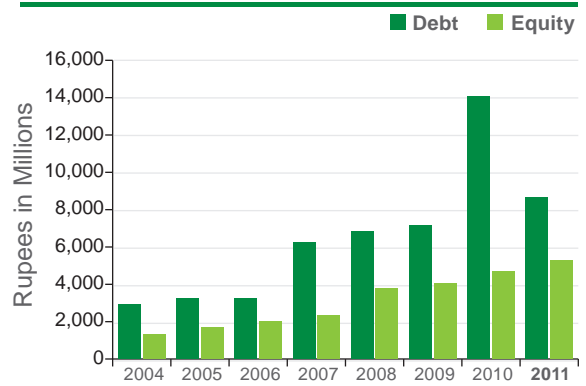
Market Value Ratio



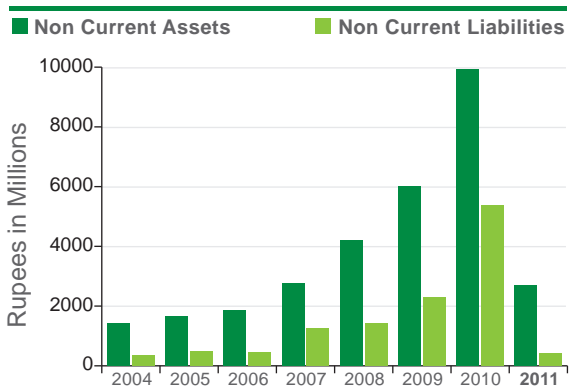
Debt Management



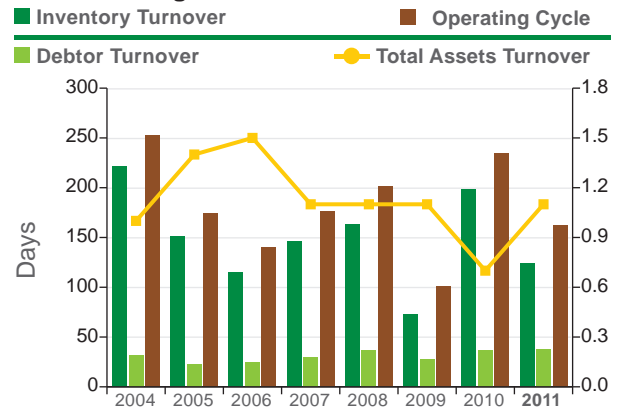
Debt and Equity Ratio



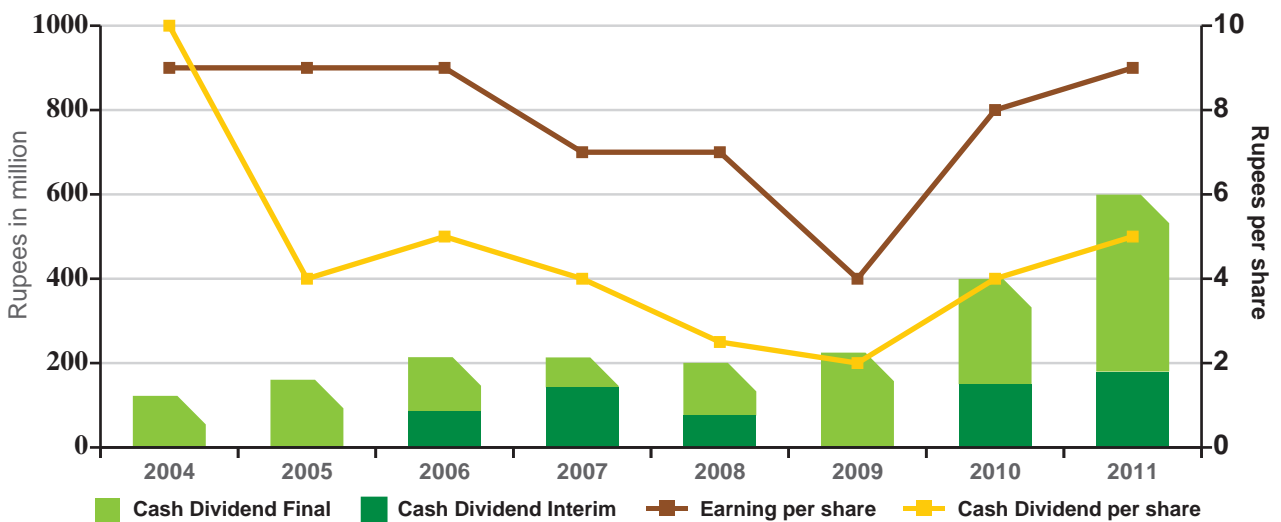
Non Current Assets and Non Current Liabilities



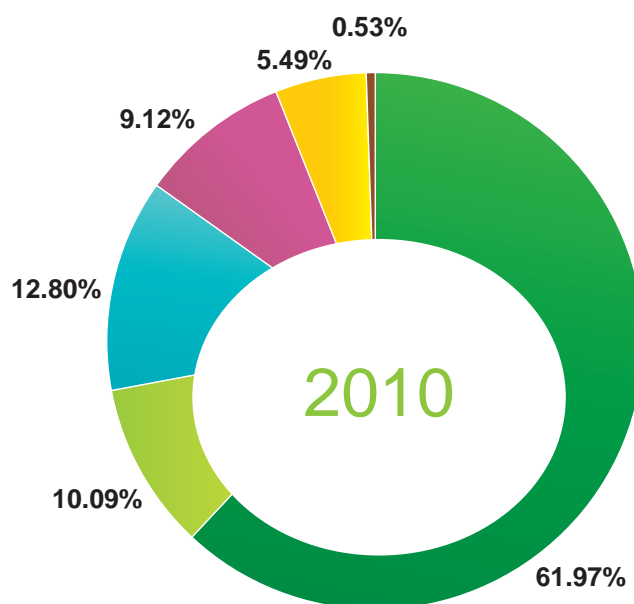
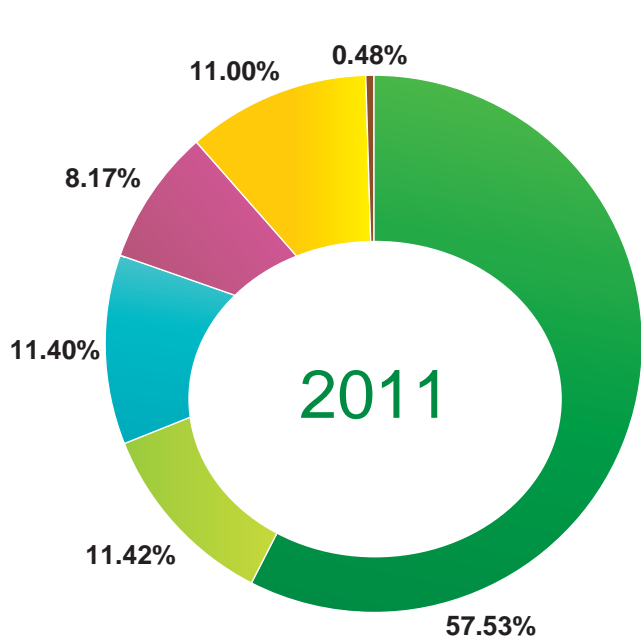
Assets Management Ratio



Earnings and Distribution Trend



Value addition and distribution

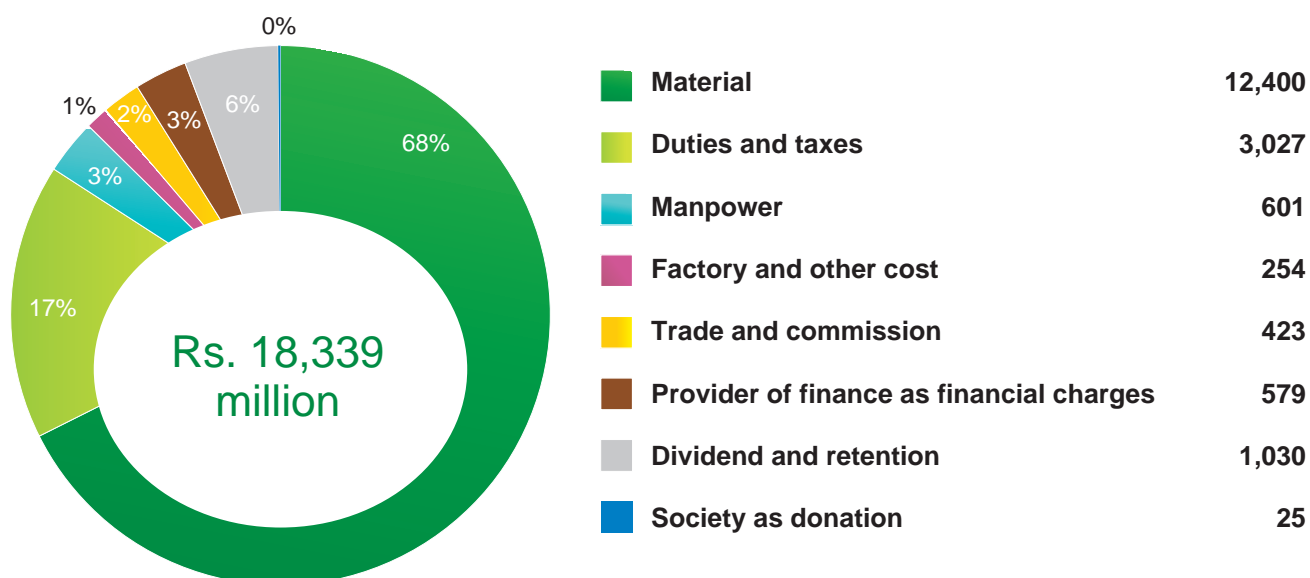


- Government as taxes
- Employees as remuneration
- Shareholders as dividends
- Retained within the business
- Providers of finance as financial charges
- Society as donations

2011	2010
(Rupees in million)	
3027	2,900
601	472
600	599
430	427
579	257
25	25

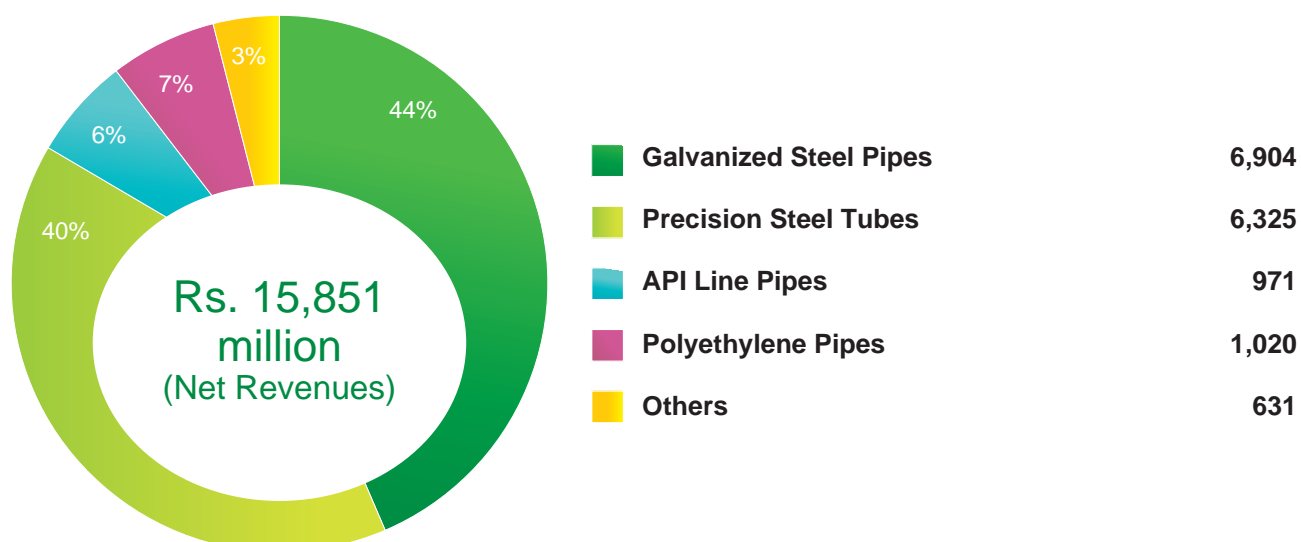
Application of Gross Revenues

Rs. in million



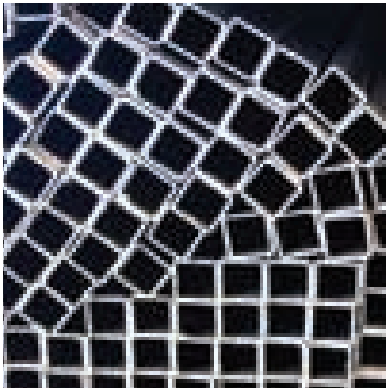
Product Wise Performance

Rs. in million



What we do - Product Profile

International Industries Limited (IIL), a top 25 KSE Listed Company; was incorporated in 1948 as Sultan Chinoy & Company and is in the business of manufacturing and marketing of GI Pipe, CR Tubes, API Line Pipe & Polyethylene Line Pipes throughout the world.



IIL Cold Rolled Steel Tubes:

Best for Chrome Bending & Drawing

CR Steel Tubes are available in round, rectangle, square and elliptical geometry and are predominantly used in the automotives, motorcycle, bicycle, transformer, fans, furniture, tents and other mechanical and general engineering purposes. IIL premium quality steel tubes are available in standard manufacturing sizes in outside diameter from 12.70mm to 60.30mm and in thickness from 0.60 to 2.00mm.

IIL API Line Pipe:

IIL manufactures API Steel Line Pipe and guarantees the thickness, weight, length, and straightness. IIL trusted welded line pipes are ideal for natural gas and petroleum distribution systems. IIL manufactures API Line Pipe as per PSL1 in accordance with API specification Q & 5L under license: 5L-0391.

The nominal diameter of IIL line pipes are ranges from 3/4" to 6" with the length ranging from 6 meters to 12.20 meters.



IIL Scaffolding & Black Pipe:

IIL also produces best scaffolding and black pipe which is high in strength yet light weight. It is made as per international standards and exported all over the world.



IIL Galvanized Pipe

The Best in Pakistan

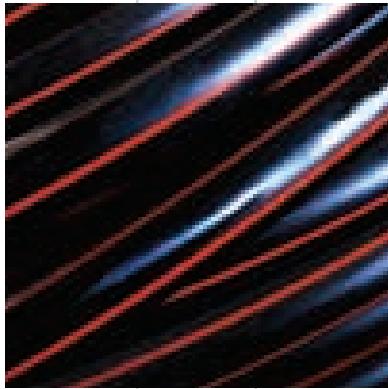
Galvanized Iron pipes are ideal for the transmission of potable water, natural gas, oil and other fluids. It is also used in fencing, low cost shelters and fabrication industries. IIL reliable GI pipes are available from nominal diameters of 15mm to 150mm and in thickness from 1.80mm to 6.00mm.

IIL Profiles:

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

IIL HDPE Duct Pipe:

IIL Polyethylene Duct is used as casing for optic fiber cable and other telecommunication cables. The standard diameter range is from 12 mm to 250 mm (without internal solid lubrication) and 12 mm to 125 mm (with internal solid lubrication).



IIL PEX + GI Pipe

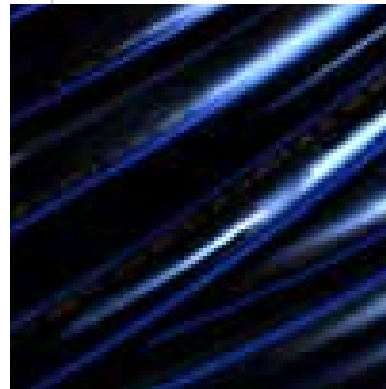
A complete solution

IIL is the pioneer in the manufacturing of PEX (Cross Linked Polyethylene) Pipe in Pakistan. IIL PEX Pipe is one of the most versatile, performance and cost efficient system for the transport of hot and cold water, under elevated pressure and temperature condition. PEX pipe is relatively low cost, technically advanced, easier to install, food grade and environmentally safe pipe for drinking water available in 20mm, 25mm and 32mm.

IIL PEX pipe simply lock into premium quality IIL GI pipe with the help of imported nylon compression fittings to provide a completion solution for all plumbing installations in new construction and re-modeling projects.

IIL HDPE Water Pipe:

Polyethylene Water pipe (HDPE) is used for distribution of water supply, effluent and water discharge. The standard sizes (in nominal diameter) of manufacture ranges from 16 mm to 250 mm.

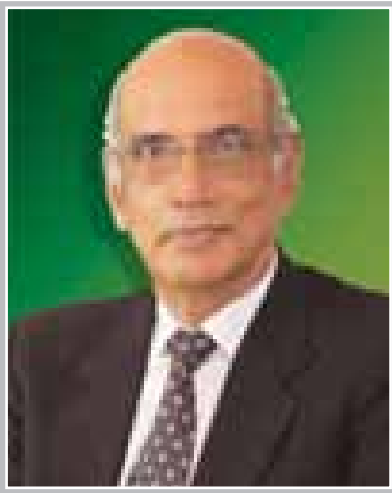


IIL MDPE Pipe:

IIL Polyethylene Line Pipes are manufactured on state-of-the-art German and Austrian equipment to meet the performance requirement of British Gas Technical Specification and American Petroleum Institute Specification for gaseous fuel. It is ideal for the natural gas, liquefied petroleum gas (LPG) and other gaseous fuels.

The nominal outside diameter of IIL polyethylene line pipes ranges from 20mm to 250mm with wall thickness ranging from 1.8mm to 22.7mm and standard dimension ratio SDR from 7 to 17.6 (imperial and metric).

Board of Directors



Mr. Kemal Shoaib

Chairman

Year of birth: 1936

Director Since: February 16, 2000

Mr. Kemal Shoaib holds a M.S. degree in Chemical Engineering from M.I.T., Cambridge, Massachusetts. He is currently a consultant on the capital market and serves on the Board of several companies including International Steels Ltd., ZIL Ltd., Century Paper & Board Mills Ltd., Premier Box (Pvt.) Ltd., International Advertising (Pvt.) Ltd., Safeway Funds Ltd. and Al-Aman Holdings (Pvt.) Ltd.

He has been associated with such prestigious organizations as Wyeth Laboratories (Pakistan) Ltd., Bank of Credit and Commerce Intl., S.A. London, Independence Bank, California Commerce Bank Limited, Karachi, Indus Bank Ltd. and Sana Industries Ltd. He was elected Chairman of the Board in November 1, 2009.



Mr. Towfiq H. Chinoy

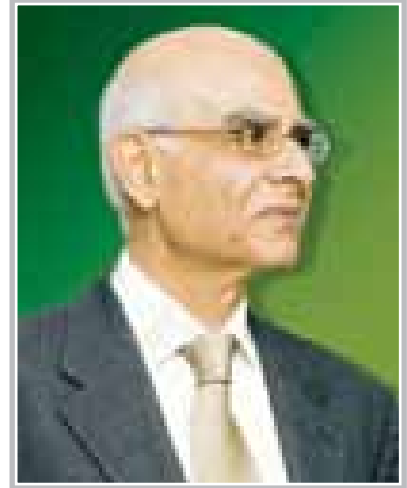
Managing Director & CEO

Year of Birth: 1940

Director since: October 29, 1970

Mr. Towfiq Habib Chinoy has been associated with the Company since 1964. He is presently holding the charge of non executive Chairman of New Jubilee Insurance Company Ltd., Packages Ltd., Pakistan Cables Ltd. and HBL Asset Management Ltd. He holds directorship of BOC Pakistan Ltd., New Jubilee Life Insurance Co. Ltd., IGI Investment Bank Ltd., International Steels Ltd. He is also Trustee of Mohatta Palace Gallery Trust and Director of the Pakistan Centre of Philanthropy.

Mr. Chinoy has served as the Member of the Engineering Development Board, Government of Pakistan, the Advisory Board of Ports and Shipping Sector, Ministry of Communications, Director on Board of Port Qasim Authority, National Refinery Ltd and Pakistan Business Council. He has held various appointments at the Aga Khan Economic Planning Board and Sultan Mohammad Shah Aga Khan III Foundation School, Karachi.



Mr. Fuad Azim Hashimi

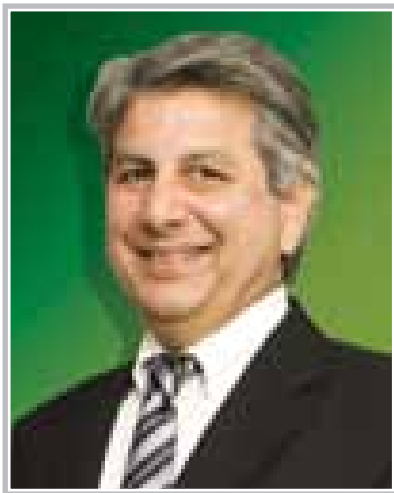
Director

Year of Birth: 1943

Director Since: June 22, 2005

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

He was a partner with A.F. Fergusons & Co., a member firm of Price Waterhouse & Co. and thereafter served with Middle East Bank - Dubai, Bankers Equity Ltd., Gestetner Holdings PLC / Ricoh Company, Japan, Jaffer Group of Companies, Dawood Group and National Investment Trust Limited. From a Corporate Governance perspective, he has served as a non-executive director on the Boards of Crescent Commercial Bank Ltd., Clariant Pakistan Ltd., National Refinery Ltd., Pakistan Security Printing Corporation and Pakistan Cables Ltd., and is currently on the Board of International Industries Ltd., where he is additionally Chairman of its Audit Committee. He is also a member of the Quality Assurance Board of the Institute of Chartered Accountants of Pakistan and of the Board of Governors of Indus Valley School of Art & Architecture. Mr. Hashimi now heads the Pakistan Institute of Corporate Governance and is a Director on its Board.



Mr. Kamal A. Chinoy

Director

Year of Birth: 1951

Director Since: February 06, 1984

Mr. Kamal A. Chinoy is the C.E.O. of Pakistan Cables. He has a B.Sc. Economics degree from The Wharton School, University of Pennsylvania, USA. After an internship with Banque Rothschild in Paris he worked in London and UAE, returning to Pakistan in 1980. He is Honorary Consul General of Cyprus. Mr. Kamal A. Chinoy is the President of the Management Association of Pakistan and a member of the executive committee of the International Chamber of Commerce (ICC), Pakistan.

He has served as the Chairman of the Aga Khan Foundation (Pakistan), NGO Resource Centre and Aga Khan University Foundation (Pakistan) and also as a Director of Pakistan Centre of Philanthropy. He is a Director of Atlas Battery Ltd., Pakistan Security Printing Corp. (Pvt.) Ltd. and International Steels Ltd.



Mr. Mustapha A. Chinoy

Director

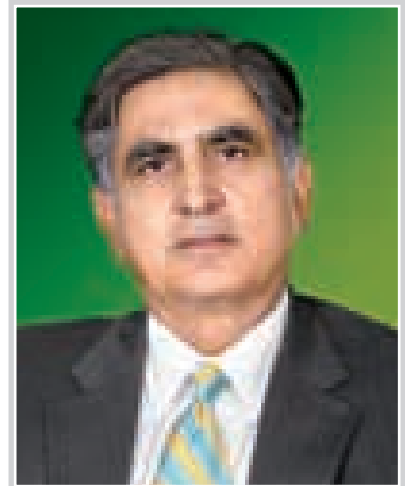
Year of Birth: 1949

Director Since: February 23, 1998

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

He has previously served on the Board of Union Bank Ltd. until it was acquired by Standard Chartered Bank.

He is the Honorary Consul General of Greece in Pakistan.



Mr. Zaffar A. Khan

Director

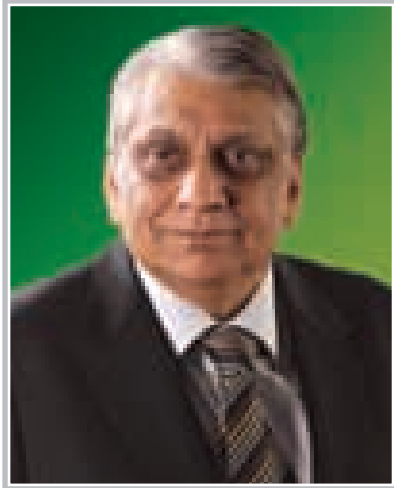
Year of birth: 1946

Director since : January 22, 2009

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

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

Board of Directors



Mr. Shahid Aziz Siddiqi

Director
Year of birth: 1946
Director Since: October 30, 2010

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

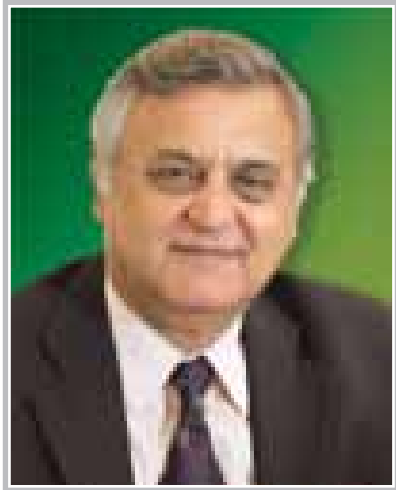


Mr. Riyaz T. Chinoy

Chief Operating Officer
Year of Birth: 1964
Director since: August 30, 2007

He has been employed with International Industries Ltd. since 1992. A professional Engineer with a B.Sc in Industrial Engineering from Case Western Reserve University, USA and a certified ISO 9001 Lead Auditor and a certified Director from the Pakistan Institute of Corporate Governance. He is head of operations of the company and is responsible for the production operations, procurement and all project and development activity of IIL. He was previously employed with Pakistan Cables Limited as Commercial Projects Manager and prior to that as Project Engineer.

He has served as Chairman of the Landhi Association of Trade and Industry. Currently serving as the Chairman of Amir Sultan Chinoy Foundation and a member of Pakistan India CEO's Business Forum, the Institute of Industrial Engineers Pakistan and the Pakistan Engineering Council.

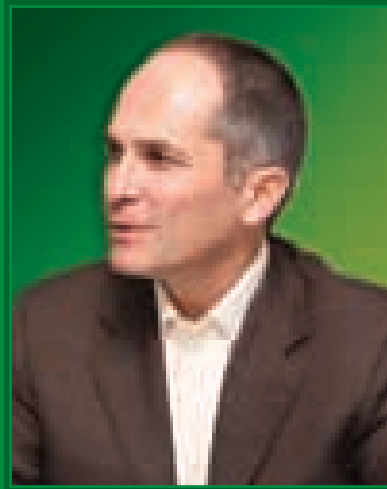


Mr. Javaid Anwar

Director
Year of Birth: 1939
Director Since: September 29, 2004

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

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



Mr. Azam Faruque

Director
Year of Birth: 1963
Director Since: November 26, 2009

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

He has also served as a member of the Board of Governors of GIK Institute and was a member of the National Commission of Science and Technology. He also served on the Board of the Privatization Commission of the Government of Pakistan.

From the Chairman's Desk



The year witnessed a number of changes at the Board level.

I announce that Mr. Towfiq Chinoy will be retiring from the post of Managing Director and Chief Executive Officer of International Industries Limited after 35 years as Managing Director and 47 years with the Company.

Towfiq joined IIL in 1964 and was initially responsible for cable sales. In 1966 he was given the task by the then Managing Director, Mr. Amir Sultan Chinoy of setting up our first pipe plant in Landhi which laid the seed for the IIL we all know today. Towfiq took over as Managing Director from Mr. Amir S. Chinoy in 1976 when Mr. Amir S. Chinoy took over as Chairman of IIL at that time IIL's total annual pipe production was 1,700 tons and the company's equity Rs. 1.67 million.

Towfiq & Mr. Amir S. Chinoy had a very special relationship and IIL continued to prosper as a result of their mutual understanding and turned public in 1984 at which time IIL's Annual Sales were almost 10,000 tons.

When Mr. Amir S. Chinoy passed away in 1998 IIL had sales of 56,000 tons.

Today as Towfiq retires IIL's Sales Volume has crossed the milestone of 200,000 tons.

IIL's experienced spectacular growth in the last nine years, starting in 2003. In this period the following increases took place:

- Paid up capital from Rs. 142 million to Rs. 1199 million through issue of bonus shares
- Reserves from Rs.409 million to Rs. 4073 million
- And turnover from Rs.3.2 billion to Rs.15.8 billion
- During that period cash dividends paid out was Rs. 2,274 million.

One of the major drivers in IIL exponential growth over the last decade has been our exports sales which under his visionary leadership has just crossed 63,000 tons and USD 60 million this year covering over 30 countries and 5 continents.

Evidence of his strong belief in corporate governance and segregation of ownership from management is established by the number of awards IIL has won on best presented accounts, top 25 companies of KSE (8 out of 9 years), top exporter of engineering goods (every year for the last 10) and the businessman of the year gold medal in 2008.

His vision lead to IIL's USD 100 million investment in a 250,000 tons Cold Rolled & Galvanized Steel Complex which started commercial production on January 1, 2011 under the name of International Steels Limited (ISL). The concept of hiving down the assets of ISL from IIL has resulted in IIL owning 56% of ISL for Rs. 2.4 billion which has a market price of 3.4 billion. IIL also earned Rs. 706 million as a result of premium on the sale of shares of ISL. The 25% foreign direct investment in ISL from Japanese giants Sumitomo Corporation, JFE Steels and the International Finance Corporation are a testament to the professionalism and ethics with which the Company has always conducted its business.

When Towfiq announced in June 2011 his plans to retire from IIL in order to concentrate his time as CEO of ISL, the board appointed a nomination committee to appoint his successor. I headed this nomination committee and fellow members included Mr. Mustapha A. Chinoy, Mr. Kamal A. Chinoy, Mr. Javaid Anwar and Mr. Zaffar A. Khan. The Committee after intensive deliberations unanimously selected Mr. Riyaz Chinoy as the new CEO with effect from 12th August, 2011. The Board endorsed the decision enthusiastically. Mr. Riyaz Chinoy, an industrial engineer by profession, has over 25 years of working experience and has been associated with the company for more than 19 years and is presently serving as the Chief Operating Officer. He is a worthy successor to Towfiq and I leave the company with the confidence that it remains in good hands.

Towfiq will continue to serve as an advisor to IIL but his main focus will remain in his role as Managing Director of International Steels Limited.

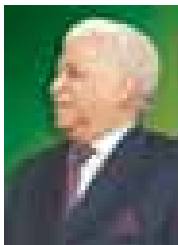
Other Board Changes

Mr. Zakaullah Khan joined the board of IIL on 18th March 1982 and retired on 16th September 2010 after 28 years.



Zaka as the Director Marketing was instrumental in building the IIL brand name and our current fame is authenticated mainly to his efforts over the five decades he has been with IIL. The Board over the last 3 decades relied on his market acumen and will surely miss him.

The board would like to record the outstanding contribution of Zakaullah Khan to both the IIL management team and to its board.



Mr. KMM Shah retired from the board of IIL at the start of the financial year after being on the board for 26 years. When Mansoor joined the board on 6th February 1984, IIL was about to be listed. The board would like to acknowledge and record his tremendous contribution to the board of IIL over the last quarter of a century.



Mr. Shahid Aziz Siddiqui joined the board of IIL on 30th October, 2010. The board will definitely gain from his tremendous and diversified experience.

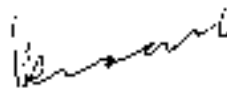
I have enjoyed serving on the board of IIL over the last 12 years with the last 2 years as its Chairman. I am also Chairman of the Board of International Steels Ltd. Consistent with the Boards wishes of separating and operating the two companies, IIL and ISL at arms' length, it is fitting that I now announce my retirement as Chairman. During my tenure as a Board member,

the company has enjoyed spectacular success as described above. This success has been due to the quality and endeavors of management but also to the guidance and direction received from the Board. I have had the privilege of serving with the highest quality professionals on the Board. My sincere thanks to my fellow board members for participating in all our board meetings in a very constructive and professional manner and constituting what I believe was the highest quality board in the country.

I am now looking forward to continuing to serve the group as the Chairman of ISL.



Mr. Zaffar A. Khan has now been elected as Chairman of the Board and I am certain your company will continue to grow as a result of his extensive experience in engineering and the corporate sector.



Kemal Shoaib
Chairman

Karachi
Dated: 11th August, 2011

Directors' Report

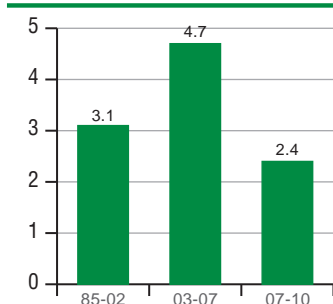
We are pleased to submit the CEO's performance review as part of our 63rd Annual Report along with the audited financial statements for the year ended June 30, 2011.

Despite the aftermath of the global financial crises and the worst floods in the history of the country, the Management focused on growth, seeking opportunities to expand the production capacity and strengthening markets.

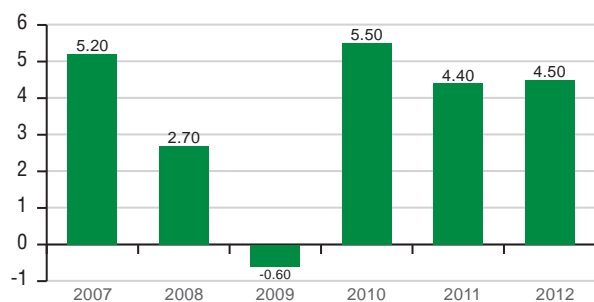
MACROECONOMIC GLOBAL SCENARIO

The world forecast of GDP growth for 2011-12 is at 4.5%; the mature economies are expected to grow at 2.6% while the emerging economies (led by China and India) are expected to grow at 6.5%.

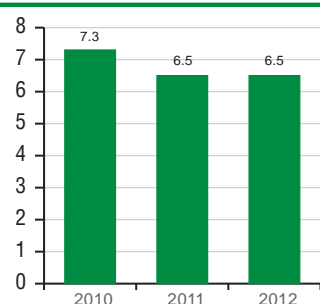
Past Trend



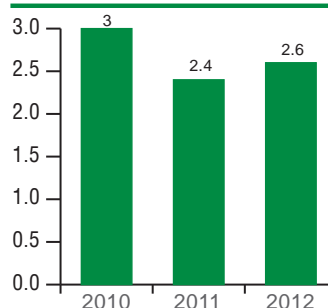
World GDP Forecast 2011-2012



Emerging Econ.



Mature Econ.



GLOBAL STEEL SCENARIO

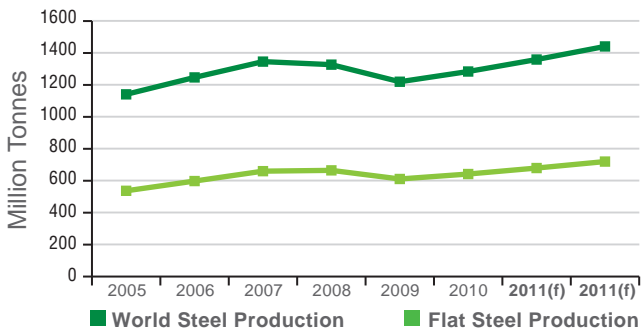
Subsequent to the global financial meltdown in 2008-09, the recovery in steel sector showed a significant shift in demand from the developed world to Asian countries. The associated production in the BRICK (Brazil, Russia, India, China and Korea) countries continued to be a key driver in growth of steel sector. The prices of raw material [Iron Ore and Coke] fluctuated heavily due to demand fluctuation and floods in Brazil and Australia, the two significant raw material providers. The scarcity of supply of raw material resulted in increase of price of steel and the cost of Hot Rolled Steel spiked to well over USD 825/= per ton in 2011. However, the prices have relatively stabilized shortly after this spike.

In 2011-12, the emerging markets of Asia are expected to witness strong growth in their steel industries due to robust demand for construction and civil engineering, automotive and mechanical engineering especially in India and China; however the developed world may not see the same growth rate. Crude steel production costs are likely to increase due to forecast price increases for iron ore, coking coal and energy. The main criteria for profitability of all steel players would however remain same i.e. well managed operations and adequate capital expenditure in line with market trends.

The World Steel Tube and Pipe Industry:

Around 45% of the World's Steel is converted into flat rolled products. The tube industry is an important part of the world steel industry accounting for 10% of the World's steel consumption.

Production of World Steel Vs Flat Steel



Pipe consumption after peaking at 102 million tons in 2008 dropped to 85 million tons in 2009 and 99 million tons in 2010. Consumption in 2011 is expected to be at a record of 108 million tons with 2012 demand expected to cross 115 million tons. China in 2008 produced 1/3 of the pipe in the world while in 2010 more than half the pipe was produced in China.

PAKISTAN ECONOMY:

As a whole, 2010 is one of the worst years in economic history of Pakistan. The poor performance of the economy in year 2010 was caused by floods in summer and relatively poor economic and financial management. The recent floods also played havoc with infrastructure and agriculture. Pakistan needs billions of rupees for the rehabilitation of affected people and for the reconstruction of infrastructure but government is handicapped owing to the shortage of funding.

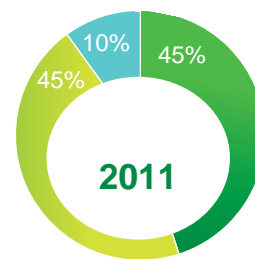
Corporate earnings however have remained good in this year and the outlook for the future will remain optimistic as long as the main objective of government policies is to raise the standard of living and improve the socioeconomic conditions of the people and thus reduce the incidence of poverty, to control inflation, reduce the level of unemployment, sustain high level of GDP, and ensure a higher level of transparency through good Governance.

Market Share:

Pakistan continues to have one of the lowest per capita

steel consumption in the region and your company's focus remains on maximizing volume at the cost of margins. Pakistan steel consumption remains at around 7 million tons or less than 40 Kg per capita.

The global tube industry is an important part of the whole world steel industry accounting for 10% of total carbon steel. Hence, domestic pipe demand is expected to be at the same level as the international benchmark of 10% of total steel demand.



World Pipe Consumption

- Pipe & Tubes
- Long Products
- Flat Products

ILL's domestic sales in the last year crossed 137,000 tons. The balance demand of over 600,000 tons is met by over 50 other manufacturers located all over the country.

COMPANY'S OPERATIONS

Operating Segments

These financial statements have been prepared on the basis of steel and plastic segment in the manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

Steel Sales

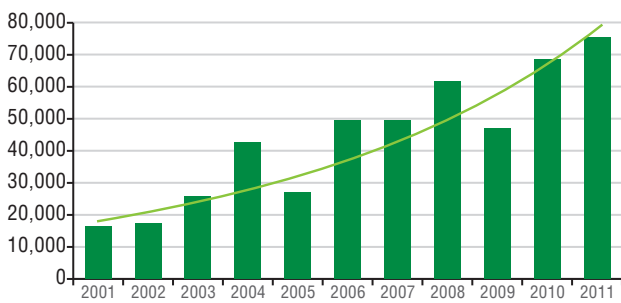
Despite the calamity of unprecedented floods and the challenge of fragile law & order; high inflation, slowdown of large scale manufacturing sector, the gross sales grew by 18 % to over PKR 18 billion in 2011 from PKR 15 billion in 2010. While the volume grew by 5% to over 194,000 tons.

Directors' Report

In 2011-12 your company continues to follow the strategy of increasing its sale of CR tubing by continuing to enhance our production capacity and product range.

We have been successful in increasing sales of CR tube by 14% over the previous year and we are targeting 30% growth in the next financial year, where we hope our CR tube sales will cross 100,000 tons.

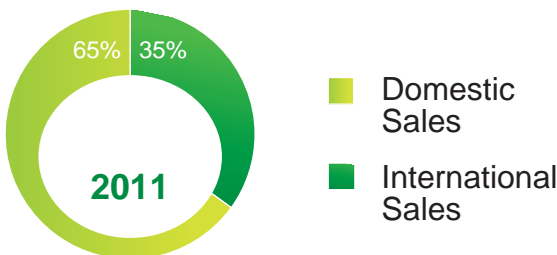
Cold Rolled Tube Sales ■ CR Production ■ Export CR Production



Domestic Sales:

The demand of GI pipes suffered heavily due to the worst floods in the northern areas of the country due to which construction activities were brought to a halt for almost half of the period, consequently the company was unable to maintain its GI sales which were 10,000 tons less than the same period last year.

The Domestic CR tube sales for the year were however 6% more than last year.



International Sales:

The Company re-enforced its presence in strategic markets like Afghanistan and Sri Lanka in addition to other markets of UAE, Bahrain, Kuwait, North America and European countries etc. as our exports crossed over USD 60 million. IIL has contributed valuable foreign

exchange earnings for the country by exporting 63,000 tons to international markets which is 26 % higher than last year. International sales comprised 28% of total sales and crossed Rs. 5 billion for the first time.

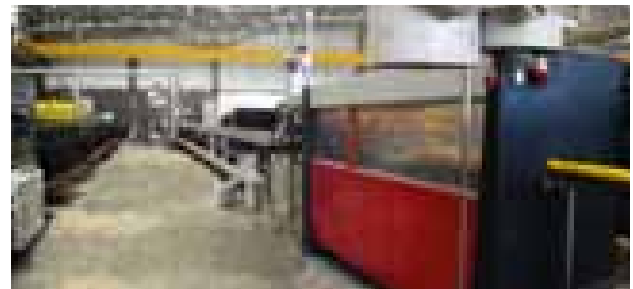
Polyethylene Sales:

Polyethylene sales has recorded a strong performance and grew by 27% to 6,000 Tons from 4,700 Tons last year, crossing the sales figures of more than PKR 1 billion in the 5th year after the commencement of PE division.



In anticipation of our future expansion our PE facility has been shifted at the start of year 2011 to a better & bigger facility at a 10 acre site where we will increase our product range to a maximum size of 650mm from the existing 250mm.

We are also continuing to export our PE pipe while our new product PEX pipe has now also been launched in the domestic market.



PE Plant

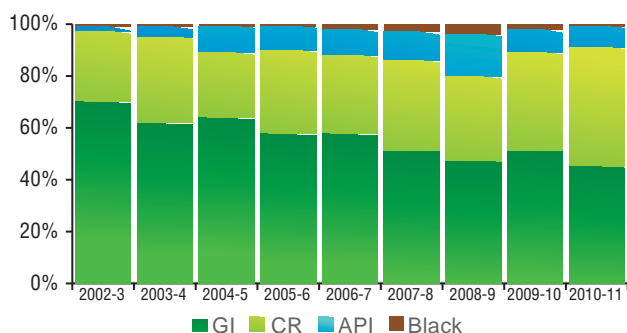
GROSS SALES

Your company gross sales volume crossed the 200,000 tons landmark for the first time, inclusive of 6,000 tons of PE pipes.

PRODUCTION:

In this year there were no significant challenges being faced by the production department, as we had ended the last year with fairly high stocks. Space restrictions and our desire to reduce stocks in this year only allowed us to produce 5% less than last year.

Steel Product Mix



Our new Japanese slitter was commissioned during the year preparing us for the challenge of 2011-12 and the growth to come in next 2-3 years.

Japanese Slitter



FINANCIAL REVIEW

The Company's Result

The Company has had another successful year with net turnover of Rs 15,851 million which is 18% higher than last year, gross profit of Rs 1,812 million, profit before tax of Rs 1,269 million while the profit after tax is Rs 1,030 million. These turnover figures are highest ever thus heralding another milestone for the company.

Revenue from the steel business stood at Rs. 14,831 million and plastic business at 1,020 million yielding a gross profit of Rs. 1,717 million and Rs.95 million, respectively. The profit from the steel business was lower than the previous year mainly due to reduced margins and increased financial cost of around Rs. 250 million on account of investment in International Steels Limited (ISL) and Pakistan Cables Limited (PCL).

Cost of goods sold for the year remained at Rs. 14,039 million, 25% higher than the last year. This increase is primarily due to increase in sales volume by 4% and increasing steel prices by 26% as compared with last year.

Selling & Marketing expenses of Rs. 418.99 million for the company ended up Rs 34.98 million (9%) higher than the last year. This increase is attributable mainly due to the increase in advertising & sales promotion activities.

Administrative Expenses of Rs. 197.579 million for the year have also shown an increase of Rs. 62.69 million (46%) due to increase in salaries and wages.

During the year ended June 30, 2011, the company has witnessed a substantial increase in the financial charges by Rs. 321.50 million (125%). Although the financing requirements have been curtailed to the minimum level, however increase, is principally due to long term investments in ISL and PCL.

Other charges have decreased by Rs. 7.60 million (3%).

Other income of the company which shows a substantial increase of Rs. 751.76 million in the current period includes onetime profit of Rs. 706.27 million, earned by the company on the divestment of 43.67% shares in ISL at a premium of Rs 4.06 per share.

The Company also received substantial cash flows of Rs. 2,606 million as a result of sale of shares in ISL on premium; the price of ISL shares was determined

Directors' Report

through a transparent book building process. The earnings per share are at Rs 8.59 per share.

The Company has also won KSE Top 25 Companies Award 2007-08 during current financial year.



Mr. Riyaz Chinoy (COO) receiving the KSE Top 25 Companies Award 2007-08 from the President of Pakistan.

Consolidated Financial Statements:

As fully explained in note 1.3 to the consolidated statements, during the year the company divested shares in its wholly owned subsidiary company (ISL), without losing controlling interest. As a result of the above activity, your company recognized a net gain of Rs. 645.890 million in the consolidated financial statements.

The net gain of Rs. 645.89 million, in accordance with requirements of para 30 & para 31 of IAS 27 (Consolidated and Separate Financial Statements), has been recognized in the consolidated financial statements, and directly in statement of changes in equity.

In addition to this, the consolidated financial statements includes a loss after tax of Rs. 92.19 million of subsidiary company (ISL) as fully explained in note 6.1 to the consolidated financial statements, a net gain of 10.81 million, on account of equity accounted investee, namely Pakistan Cables Limited, has also been recorded in the consolidated financial statements.

Segment Results

Sales revenue for steel and plastic segment stood at

Rs. 14,831 million and Rs. 1,020 million respectively. The gross profit for the year for steel segment was Rs. 1,717 million while for plastic segment it was Rs.95 million.



CASH FLOW STRATEGY:

The Company's cash flow management system projects cash inflows and outflows on a regular basis as well as maintains cash positions on a daily basis. Keeping in view the saving in financial costs owing to a gap between KIBOR and LIBOR based borrowings; the Company manages the majority of its working capital requirements through USD LIBOR based borrowings and the balance arranged through export refinance entitlements/ running finance facility. Part of long term investments and fixed assets were maintained out of long term borrowings and the balance through own resources.

IIL has in place numerous policies, including risk management policies, which are well documented and approved by the board.

During the financial year 2010-11 weighted average cost of borrowings including the exchange loss was around 6.8% per annum as against last year average borrowing rate of 9.6%.

CAPITAL STRUCTURE:

The company's debt structure was subject to major change due to hive down / sales of ISL shares at premium during the year. As a result the long term debt equity ratio dropped to 67:33 on June 2011 as against 75:25 as on June 2010.

CORPORATE SUSTAINABILITY:

Energy Conservation:

In IIL we continue to generate 4MW of electricity via co-generation with waste heat being used to generate free steam and waste hot water being used to generate chilled water. As a result all our water cooling and air conditioning requirements are now met using this chilled water.



Power Plant

We also continue to synchronize our power generation with the KESC grid & thus export all excess electricity to the KESC especially on holidays, hence fully utilizing our co-generation facility.

We have also set up a Reverse Osmosis plant and we can now meet part of our water requirements through recycling of water taken from our own wells.

Environmental Protection Measures:

In IIL we continue to protect the environment around us by neutralizing our emissions using 100 ft high fume scrubbers prior to discharge. All our effluents are



Mr. Asad A. Siddiqi (CFO) receiving the Environment Excellence Award

neutralized in an Effluent Treatment Plant prior to discharge.

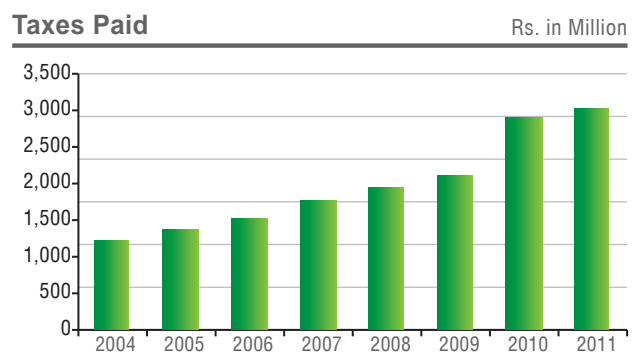
IIL has also won for the 4th consecutive year the Annual Environment Excellence Award 2011 awarded by the National Forum for Environment & Health.



IIL is also registered with the Ministry of Environment under the self-monitoring and reporting tool program and reports periodically effluents and emissions of power generation processes. HSE continue to be a hall mark of all our operations and despite unpredictable environment all IIL staff & assets remained safe due to proactive approach of safety measures and a commitment to our safety culture.

Contribution to National Exchequer

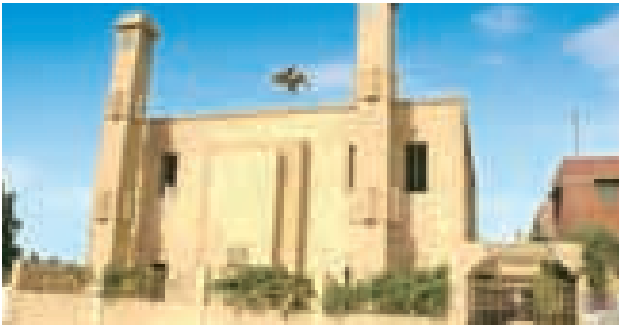
The company has made total contribution of Rs. 3,027 million towards National Exchequer comprising of income tax, sales tax, duties and other taxes.



Directors' Report

Corporate Social Responsibility

As a responsible corporate citizen your company plays its role of protecting the environment by recycling almost all the scrap and chemicals. We not only use the electricity co-generation for our own use but also supply on KESC grid. We have adopted measures to use the energy and water resources in the most efficient way.



Mosque - near IIL Factory

Our continuous commitment is to behave ethically and contribute to economic development while improving the quality of life of our employees, other stakeholders as well as of the local community and society at large. We believe, practice and support ethical practices in our business and social commitments. The company has a well-defined donation policy of supporting organizations which are working for improvement in health and education sectors.

Community Welfare Schemes

During the current year, the company paid Rs. 24.77 Million to various organizations as donations. We have funded and are supporting two Citizen Foundation



TCF School - IIL Campus

[TCF] Schools in the vicinity of the factory, equipped with modern facilities and teaching staff, providing education up to Matriculation level to almost 500 students. IIL has also set up a Madadgar Police Center in Landhi. The mosque constructed opposite the factory



Madadgar 15 - donated by IIL

is maintained by the Company. Additionally we have a sponsored chair at the Aga Khan University Hospital & Institute of Business Administration [IBA], while we continue with the 25 scholarships for meritorious and needy students in NED University of Engineering. We also have a policy to encourage educational support to children of our employees and ex-employees who cannot afford to pay the fee.

On the health front we continuously support prestigious institutions like SIUT, the Kidney Center, Marie Adelaide Leprosy center, LRBT, Al-Umeed etc. We also continue to extend financial support to provide health facilities to our employees, ex- employees etc who are in need of health care which is out of their reach.

Health, Safety and Environment

IIL continually strives to align HSE management systems & processes to best practices. We conduct our business in a manner that protects the health and safety of our employees, contractors & communities in which we operate. We base our policies on the belief that all incidents are preventable.

IIL is committed to provide a system that helps in eliminating unsafe & unhealthy work conditions. Hazard

identifications and risk assessment are being performed, reviewed and all necessary preventive measures are taken to minimize the accidents. Emergency preparedness and response procedures and plans are established to deal with incidents and emergencies. Exercises are periodically carried out in order to check the effectiveness of the plans. The system is checked and verified through internal audits and external audits on bi-annual basis to check the adequacy & implementation of HSE management system.



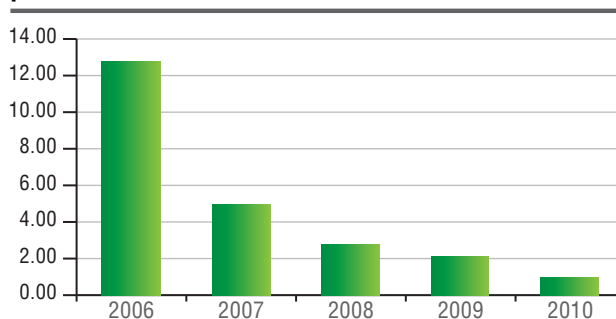
Employees involved in plant operations are given regular HSE trainings on First aid & Rescue Operations, emergency preparedness and response, HSE management system, safe driving etc. During this year 133 HSE training sessions covering 1433 staff were conducted.

Through practical implementation of HSE management system of global standards ISO-14001 & OHSAS-18001 and untiring efforts of management, employees & contractors, we were able to accomplish lost time incident frequency rate (LTIFR): 0.95 per one million worked hours which is well below current average global incident rate 2.60 of world steel organization. HSE performance witnessed during this year is depicted graphically as below.

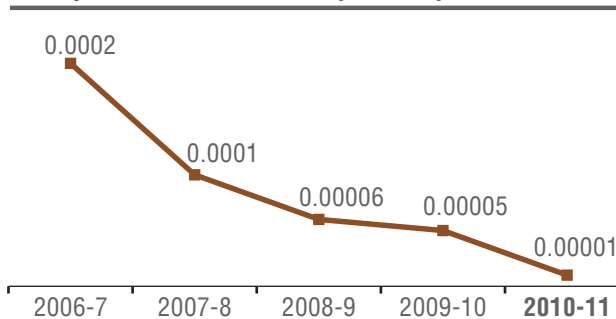
Case Study: A Success Story

To create a healthy competition amongst different departments in Health, Safety and Environment a Monthly Safety Walk by senior management was initiated. The purpose of the walk is to witness the pre-

Lost Time Incident Frequency Rate per one million worked hours



Yearly lost time incidents per ton production

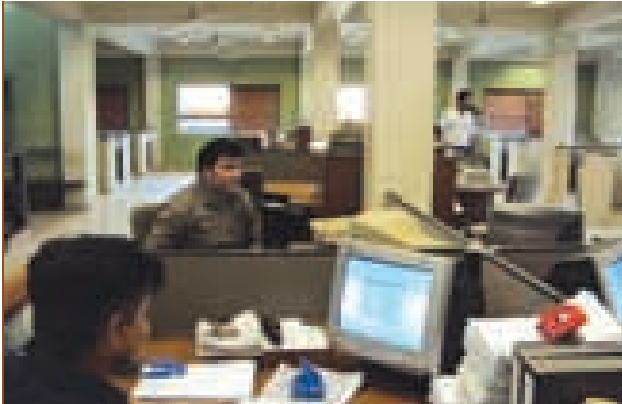


defined HSE parameters and its weightage; such as Compliance of PPEs, No. of incidents, Housekeeping conditions, HSE trainings & safe crane operations. After walk the best department is awarded a Trophy by Chief Operating Officer and Hi-tea is given to the winning department to celebrate the occasion. This initiative has brought good results for improvement of HSE performance (70% reduction lost time incidents) and Housekeeping.

Human Resource Management

IIL is offering a conducive working environment and dedicated workforce that are instrumental factors of our productivity & success. We take pride in hiring, developing and retaining the best talent through our transparent succession planning, career building policies and compensation. Presently we have more than 1500 employees out of which 200 are in the management cadre of which 93% are graduates.

Directors' Report



Staff at work

The Company has supported the Apprenticeship Training Program of Govt. of Sindh and has trained more than 875 Apprentices and absorbed about 430 Apprentices against permanent vacancies during the last ten years. Apart from this, the Company also inducted Graduates from IBA, NUST & NED University under internship program that provided them an exposure to learn and sharpen their skills under a professional environment.



Adult Education

We have a young and educated work force with average age of 33 years. Our philosophy has always remains to ensure that the working class is well paid and looked after and we hope this will continue to pay us dividends in the years to come.

Industrial Relations

Your company started the Adult Literacy Program in which the workers were taught in small groups, which by the grace of God has brought almost 100% literacy in the Company.



Long service awards distribution ceremony

Long service awards which included laptop, LCDs, Televisions, DVD Players, and Sewing Machines along with certificates were distributed to 280 workers who are associated with IIL for more than 10 years. To commemorate the occasion a lunch was held at the factory where awards were presented by the Managing Director.

Gratuity and Provident Funds

The Company maintains plans that provide retirement benefits to its employees. These include a noncontributory gratuity scheme for all employees and a contributory provident fund for all employees except unionized staff. Both plans are funded schemes recognized by the tax authorities. The latest actuarial valuation of gratuity scheme was carried out at June 30, 2011. The Company has fully paid all its liability obligations on the above schemes up to June 30, 2011.

The value of the recognized provident fund at the end of the year is Rs.165.55 million.

The value of the approved gratuity scheme at the end of the year is Rs.165.61 million.

Employment of Special Persons

Despite the fact that steel industry bears its own operational challenges, we do have some special persons amongst the workforce.

Business Ethics and Anti-corruption Measures

IIL is an active member & signatory of United Nations Global Compact and is therein committed to adhere to the principals in the areas of human rights, labor standards and environmental protection. For us, the corporate success has always been and always will be based on the respect for the moral values and the satisfaction of the ethical, legal and social expectations. IIL has well established internal controls in place. The internal controls review has been outsourced to Chartered Accountants firm. The independent Audit firm assesses the internal control systems, and the Audit Committee reviews the reports regularly.

INFORMATION SYSTEMS AND RE-ENGINEERING:

The Introduction and implementation of ORACLE ERP BUSINESS SUITE has brought considerable improvement in the areas of functional integration, internal control and adoption of best practices. This helps generation of real time reports for the management which has induced extremely efficient and optimal decision making.

BUSINESS RISK AND CONCERNS:

Your Company is the volume leader in steel Pipe Industry, operating in steel & PE Segments. The Steel segment portfolio can largely be bifurcated into two key products: Galvanized Pipes and Cold Rolled Tubes. We also have polyethylene pipe manufacturing features which cater to diversified PE pipe market.

Steel is the key raw material of the company's products, which is mainly imported from international markets.

The global trends in Steel prices have been very volatile. The key to remain profitable in a highly volatile market is well managed operations, smart inventory management and adequate capital expenditure. IIL's management believes that the global steel demand will continue to grow in the medium and long term. In particular we believe that the growth potential for steel, a 100% recyclable green product, in Pakistan is tremendous.

Our learning from the global financial crises of the recent past has encouraged us to continuously be as productive and lean as possible, in inventory management and cost control.

Your company will therefore continue to invest in increasing its cold rolled tube making capacity and will ensure continuous investment in balancing modernization and refurbishment to ensure that its CR tube making technology is continuously upgraded and cost effective.

Our 4 MW gas fired power plant continues to operate well and with KESC as a backup. We InshaAllah do not expect to be affected by any potential gas shortage. The company is cognizant of concentration risk in business and therefore, regularly reviews top 10% suppliers and customers.

The company has a sizeable investment in its subsidiary - ISL, which is in the business of flat steel products including Cold Rolled Coils and Galvanized Coils. ISL started its commercial operations in second half of FY11. IIL shall be able to reap benefits from the economies of scales in the supply chain as both IIL & ISL shall procure economically. Being the Holding Company, IIL shall benefit from the operations of ISL, in the form of dividends, which will add to IIL's profitability.

Directors' Report

FUTURE PROSPECTS:

International Steels Ltd (ISL) - A new beginning.



ISL started commercial operations in January 2011, comprises of state of art unit with a cold rolling mill and a galvanizing plant having an installed capacity to produce 250,000 tons of Cold Rolled Coils and 150,000 tons of Galvanized Coils. This unit is located on 32 acres of land in Landhi and is also equipped with a dedicated combined cycle 19.2 MW power plant, Acid regeneration, Hydrogen and Nitrogen gas generation facilities, Reverse Osmosis water plant etc., which ensures uninterrupted production of prime quality products with maximum level of efficiencies. With the planned expansion the production capacity can easily

be increased to 400,000 tons of Cold Rolled Coils, for which the infrastructure has already been provided for. Subsequent to the Orders of the Sindh High Court, the Cold Rolled Steel & Galvanized Steel Project Undertaking was separated from International Industries Ltd [IIL] on August 24, 2010. Accordingly all the assets and liabilities associated with this Steel project were hived down to the wholly owned subsidiary. The total project cost of ISL was Rs 8.7 billion out of which equity contribution by IIL was PKR 4.35 billion while the remaining cost was met by LTFF scheme of SBP and short term borrowings.

On April 1, 2011, SECP approved the Scheme proposed by IIL to divest up to 45% shares of ISL, partly by offering shares to Financial Institutions, Strategic Investors (IFC & Sumitomo Corp, Japan), foreign investors, High net-worth individuals and general public on the basis of price to be determined by book building process. The share price was determined through a Book-building exercise on April 14-15, at Rs 14.06/share. IFC and Sumitomo Corporation, Japan, purchased 9.3% and 9.08% shares respectively as per the approved scheme, while JFE Steel Corporation, Japan, purchased the entire segment of 4.74% allocated for foreign investors in the said scheme. The public Offer was held at the same price, on 3rd and 4th May and the Company was successfully listed in KSE on June 1, 2011.

ACKNOWLEDGMENT



This is my 47th year with IIL and 35th year as its Managing Director. The company and I have seen through many years together as it grew from a small pipe manufacturing company with a net worth of Rs. 1.6 million, to the largest pipe and tube manufacturing concern in the country, which by the Grace of Allah, has an equity of more than Rs. 5 billion.

Your company began its major growth phase in the year 2003 and this trend should continue given the focus on sustainable business development. The time is now ripe to handover the leadership of the company to a younger management. The Board of Directors of the company has appointed Riyaz T. Chinoy as my successor. I will continue to remain available to him for advice and I wish him all the success in growing the company in line with the vision and mission strategy. I would like to take this opportunity to pay homage to my late mentor Mr. Amir S. Chinoy who was Chairman from 1976 to 1998 when he passed away. He guided all of us deftly and with the utmost consideration for 22 years the major portion of my tenure as Managing Director.

Mr. J.R. Rahim was Chairman from 1998 to 2009 and all thanks are due to him for his guidance and support

of our aggressive expansion policies.

I especially record my thanks to Mr. Zakauallah Khan who has been responsible for the brand name IIL as we know it today. I would like to take this opportunity to record my admiration of the outstanding person he is. A number of high quality professionals served on the Board in my 35 year tenure and I sincerely thank them for their contribution.

Finally I would like to record my thanks to Mr. Kemal Shoaib, the outgoing Chairman of IIL, who is retiring today in order to move with me to ISL as its Chairman. His contribution to the IIL Board over the last 12 years particularly the last two as Chairman in general and his assistance in the hiving down of ISL from IIL are indeed note worthy.

On behalf of the board I extend my sincere thanks and appreciation to all employees, customers, shareholders, bankers, suppliers and other stakeholders for their loyalty and support to the company through my tenure. With prayers to Allah for the continuous prosperity of your Company.

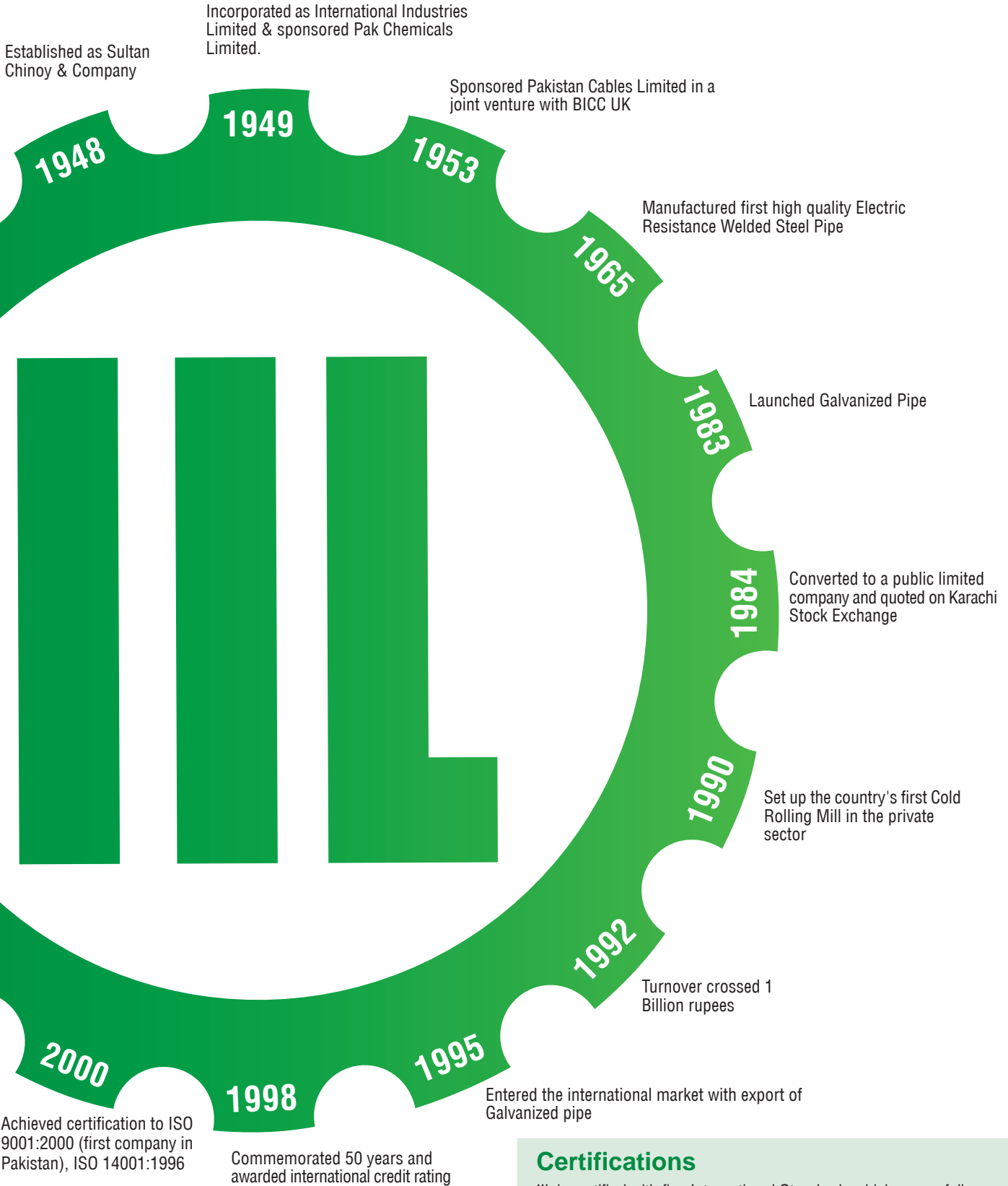
For and on behalf of International Industries Limited.

Towiq H. Chinoy
Managing Director/ Chief Executive

Karachi

Dated: 11th August 2011

Our Success Story - Gears in Motion



Certifications

IIL is certified with five International Standards which are as follows:

- ISO 9001 Quality Management System since 1997
- ISO 14001 Environmental Management Systems since 2000
- OHSAS 18001 Occupational Health & Safety Management System since 2007
- API Specification Q1 ® & 5L since 2000
- API Specification Q1 ® & 15LE since 2006

Recipient of Top 25 Companies of Pakistan at KSE.

Best Exports Performance Trophy for export of Engineering Products-Mechanical.

Best Exports Performance Trophy for export of Engineering Products-Mechanical.

Recipient of Top 25 Companies of Pakistan at KSE.

Crossed 100,000 tons in production and sales.

Best Exports Performance Trophy for export of Engineering Products Mechanical.

Recipient of Top 25 Companies of Pakistan at KSE.

Best Exports Performance Trophy for export of Engineering Products-Mechanical.

Recipient of Top 25 Companies of Pakistan at KSE.

Completed phase 2 of major expansion with the addition of four tube mills and a slitter.

Crossed 150,000 tons in production and sales.

Best Exports Performance Trophy for export of Engineering Products-Mechanical.

Recipient of Top 25 Companies of Pakistan at KSE.

Commissioned 3 MW Co-generation Power Plants.

Commenced Manufacture of Polyethylene Line Pipe.

Best Corporate Report Award -- Second Position in Engineering Sector.

Best Exports Performance Trophy for export of Engineering Products-Mechanical.

Recipient of Top 25 Companies of Pakistan at KSE.

Commissioned the 4th Galvanizing Plant, addition of 3 tube mills and 1 Plastic extruder.

Achieved Certification to OHSAS 18001:1999

Best Exports Performance Trophy for export of Engineering Products Mechanical.

Recipient of Top 25 Companies of Pakistan at KSE.

Best Corporate Report Award -- Second Position in Engineering Sector.

Commenced project to produce Cold Rolled & Galvanized Steel Flat Products.

Commissioned 19.2 MW gas fired power plant for the new project.

Turnover crossed Rs. 12 billion.

Annual Environmental Excellence Award.

Best Corporate Report Award -- Third Position in Engineering Sector.

Recipient of Top 25 Companies of Pakistan at KSE.

Best Export Performance Award - Mechanical Engineering products

Annual Environmental Excellence Award.

CSR National Excellence Award.

Best Corporate Report Award -- Third Position in Engineering Sector.

Best Export Performance Award -Mechanical Engineering products

Annual Environmental Excellence Award 2010 by NFEH

Re-Certification -Quality Management System -ISO 9001:2008

Re-Certification Environment Management System-ISO 14001:2001

Re-Certification OHSAS -ISO 18001:2007

Turnover crossed Rs. 13 billion

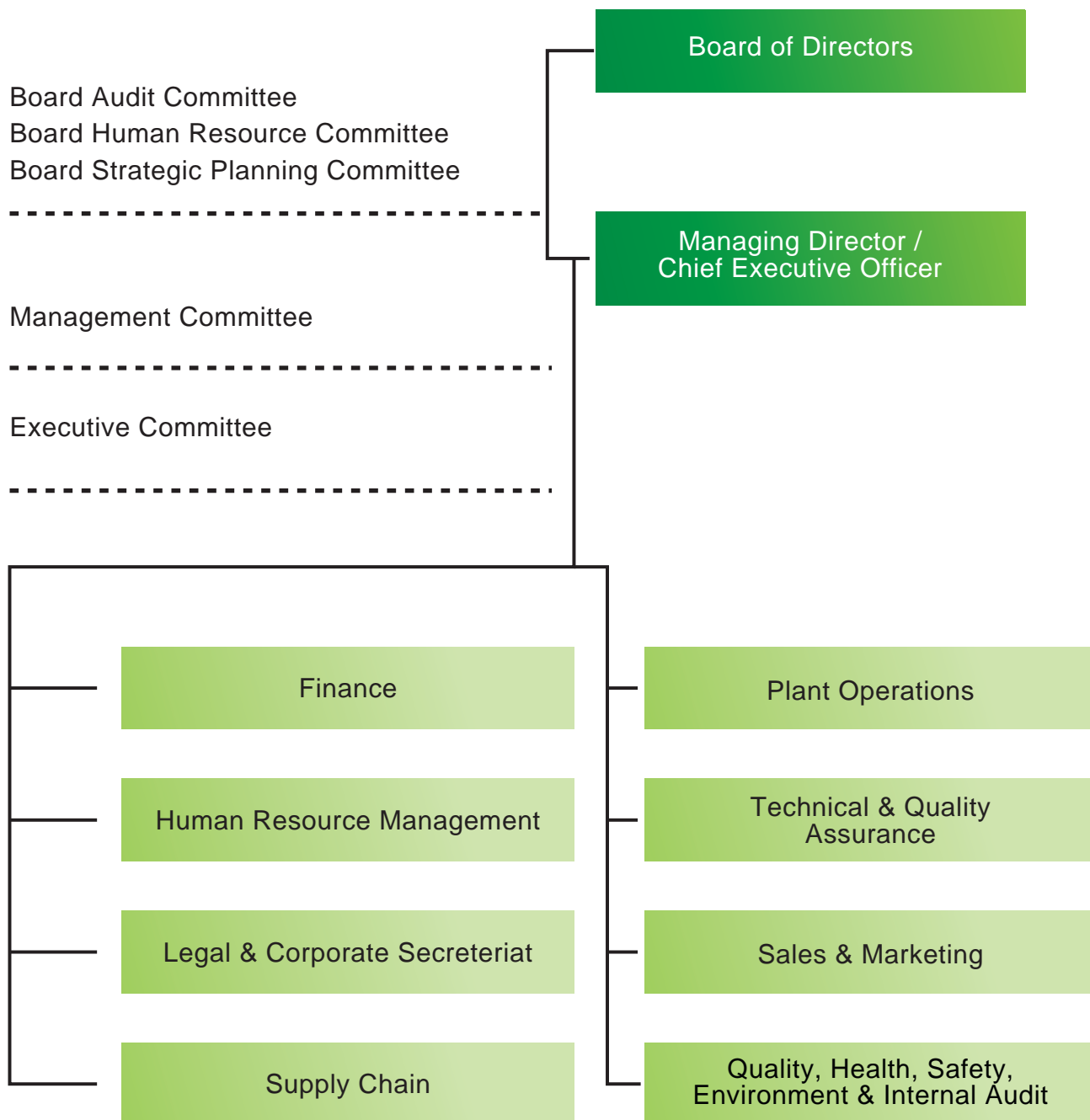
Hive Down and Setup ISL with 25% Foreign Direct Investment
Gross sales crossed 200,000 tons

Turnover crossed Rs 18 billion
Talent Triangle Award by Sidat Hyder

Good HR Practices Award by Sidat Hyder


Annual Environment Excellence Award 2011 by NFEH

Organizational Structure



Annual Sales Conference

Challenge '11

 geared to stay # 1



Corporate Governance

The main philosophy of business followed by the sponsors of International Industries for the last 62 years has been to create value for all stakeholders through fair and sound business practices. This philosophy is translated into policies approved by the Board throughout the company to enhance the economic and social values of all stakeholders of the company. The management believes in best practices in corporate governance by adopting transparency and disclosure as a policy.

Compliance Statement

The Board of Directors has complied with the Code of Corporate Governance, the listing requirements of Karachi Stock exchange and the Financial Reporting framework of Securities & Exchange Commission of Pakistan.

The Directors confirm that that the following has been complied:

- o The financial statements have been prepared which fairly represent the state of affairs of the company, the result of its operations, cash flows and changes in equity.
- o Proper books of accounts of the company have been maintained as required under Companies Ordinance 1984.
- o Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable prudent business judgment.
- o International Accounting Standards as applicable in the country have been followed.
- o The system of internal control has been effectively placed. The Company has hired services of M/s Ernst & Young Ford Rhodes Sidat Hyder as Internal auditors since last four years.
- o There are no significant doubts upon company's ability to continue as a going concern.

- o There is no material departure from the best practices of corporate governance as per regulations.

Pattern of Shareholding

A statement on the pattern of shareholding along with a pattern of shareholding of certain classes of shareholders, where disclosure is required under the reporting framework and the statement of shares held by the directors and executives as on June 30, 2011 is placed on Page 153-154.

THE BOARD

The Board of Directors consists of qualified individuals possessing knowledge, experience, and skills in various professions, with the leadership and vision to provide oversight to the company. The Board is headed by an Independent Chairman and out of 10 directors, 6 are independent directors, including the Chairman. To further its role to provide oversight and strategic guidelines to the company, the Board has constituted Audit Committee, HR Committee and Strategic Planning Committee. The composition, role and responsibilities of the Committees are clearly defined in their Terms of References.

Role and Responsibilities of the Chairman and Chief Executive:

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

Changes in the Board:

We have optimized the number of Directors from eleven (11) to ten (10) and accordingly Mr. Shahid Aziz Siddiqui has joined the Board, after resignations from Mr. K. M. M. Shah and Mr. Zaka- ullah Khan. The Board has also appointed a new Company Secretary. The Board comprises of 10 directors, elected by the shareholders in the General Meeting held on September 16, 2010.



The appointment of new CEO:

The Board of Directors of International Industries Limited (IIL) appointed a new Chief Executive Officer (CEO) Mr. Riyaz Chinoy, who shall take up the new responsibilities after finalization of results of the Fiscal year 2010-11. This decision

was taken by the Board in its 276th meeting, held on June 29, 2011. Mr. Towfiq Chinoy, the current CEO of IIL, had informed the Board of IIL that he wishes to retire in August 2011, after the announcement of the results of the current fiscal year, so as to focus on International Steels Limited (ISL) where he is also serving as the CEO/Managing Director.

A Nomination Committee formed by the Board of Directors found Mr. Riyaz Chinoy as the most suitable person for this assignment. Mr. Riyaz Chinoy has an overall experience of more than 25 yrs; he was elected as a Director on IIL's Board in 2007 and has been serving as the Chief Operating Officer (COO) of IIL since 2009. He has served in IIL for approximately 19 years in various managerial and executive capacities including manufacturing, marketing and sales, internal audit etc. Previously he has also served in Pakistan Cables as Commercial Projects Manager and Project Engineer.

Best Corporate Practices:

The Board of Directors provides an oversight to the management in the governance, management and control of the organization as well as to provide strategic guidance for sustainable business. All periodic financial statements and memos for the consideration of the Board/ Committees are circulated to the Directors well before the meetings so as to give sufficient time to the directors to make decisions on informed basis. This year the Board has held six (06) meetings, agendas of which were duly circulated beforehand.

The Quarterly un-audited financial statements and the half yearly financial statements (reviewed by the Auditors) were duly circulated within one month along with Directors' Report. Annual financial statements

including consolidated financial statements, Directors' Report in addition to Auditors' Reports and other statutory statements and information are being circulated for consideration and approval by the shareholders within 45 days from the close of the financial year. Additionally all the important disclosures were also made on the company website including the financial statements to keep the stakeholders duly informed.

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

Internal and External Audit:

The company places high value on transparency, both internally and externally, in its corporate management. We focus consistently on the implementation of efficient management for the purpose of achieving clear and quantifiable commitments. To ensure transparency the company has assigned the internal audit function to M/s Ernst & Young Ford Rhodes Sidat Hyder while the External Auditors are M/s KPMG Taseer Hadi, both of which are well known for their expertise and independence.

Disclosure and Transparency:

To bring an accurate understanding of the Company's management policies and business activities to all our stakeholders, we strive to make full disclosure of all material information to all stakeholders by various announcements on our website, KSE and other

Corporate Governance

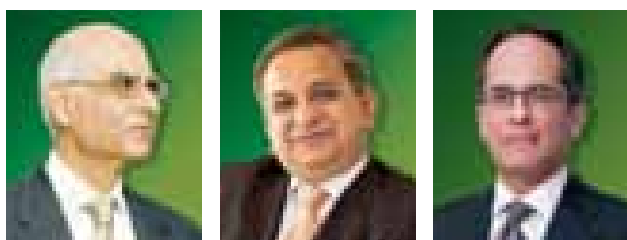
sources available to help the investors to make informed decisions.

We encourage full participation of the members in the General Meetings by sending the corporate results and sufficient information following the prescribed time line so as to enable the shareholders to participate on informed basis. While increasing management transparency, we aim to strengthen our relationships of trust with shareholders and investors.

BOARD COMMITTEES

The Board is assisted by four Committees namely Audit Committee, Human Resource Committee, Strategic Planning Committee and Nomination Committee to support its decision making in their respective domains:

Audit Committee



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

The Audit Committee comprises of three Non-Executive directors, out of which two are independent directors, including the Committee Chairman. The Chairman of the committee is a Fellow Member of the Institute of Chartered Accountants of Pakistan as well as the CEO

of PICG. The Chief Executive Officer, the Chief Operating Officer, the External Auditors and the Internal Auditors attend the meeting on invitation. The Audit Committee also separately meets the Internal Auditors and External Auditors at least once in a year without any person from the management being present.

Meetings of Audit Committee are held at least once every quarter of the year prior to approval of results of the Company by the Board. The Company Secretary is the Secretary of the Board Audit Committee. The minutes of the meetings of the Audit Committee are provided to all members, directors and the Chief Financial Officer. The Internal Auditors attend the Audit Committee meetings regularly and at least once a year meet the Audit Committee without management, to point out various risks, the intensity and suggestions for mitigating risks and improvements. The business risks identified are then referred to the respective department which are then implemented

Terms of Reference of Audit Committee:

The Audit Committee is mainly responsible for reviewing the financial statement, ensuring proper internal controls to align the operations in accordance with the mission and vision and business plans and monitoring compliance with all the applicable laws and regulations and accounting standards etc. The Salient features of Terms of reference of the Audit Committee are as follows:

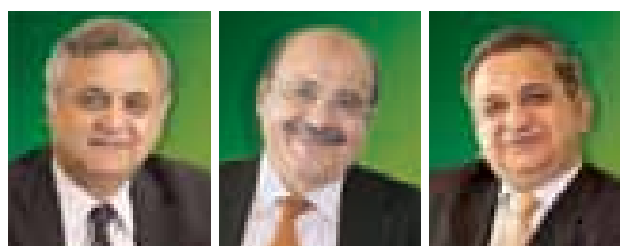
- a. Recommending to the Board the appointment of internal and external auditors.
- b. Consideration of questions regarding resignation or removal of external auditors, audit fees and provision by the external auditors of any services to the Company in addition to the audit of financial statements.
- c. Determination of appropriate measures to safeguard the Company's assets.
- d. Review of preliminary announcements of results prior to publication.
- e. Review of quarterly, half-yearly and annual financial

statements of the Company, prior to their approval by the Board, focusing on major judgmental areas, Significant adjustments resulting from the audit, Any changes in accounting policies and practices, compliance with applicable accounting standards and compliance with listing regulations and other statutory and regulatory requirements.

- f. Facilitating the external audit and discussion with external auditors of major observations arising from audit and any matter that the auditors may wish to highlight (in the absence of management, where necessary).
- g. Review of Management Letter issued by external auditors and Management's response thereto.
- h. Ensuring coordination between the internal and external auditors of the Company.
- i. Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources.
- j. Consideration of major findings of internal investigations and management's response thereto.
- k. Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.
- l. Review of Company's statement on internal control systems prior to endorsement by the Board.
- m. Instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body.
- n. Determination of compliance with relevant statutory requirements.
- o. Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof.

- p. Consideration of any other issue or matter as may be assigned by the Board.

Human Resources Committee:



- o Mr. Javaid Anwar - Chairman
Independent Director
- o Mr. Towfiq H. Chinoy - Member
Managing Director
- o Mr. Mustapha A. Chinoy - Member
Non Executive Director
- o Mr. Waseem Sufi - Secretary
GM Human Resources

The Human Resource Committee comprises of three members including, the Managing Director and two other members. The Chairman and one member are Independent Directors while the other two are one Executive and one Non-executive Director. Meetings are conducted at least annually or at such other frequency as the Chairman may determine. General Manager Human Resources is the Secretary of the Human Resources Committee. The minutes of the meetings of the Human Resources Committee are provided to all members and directors. The Committee held One Meeting during the year.

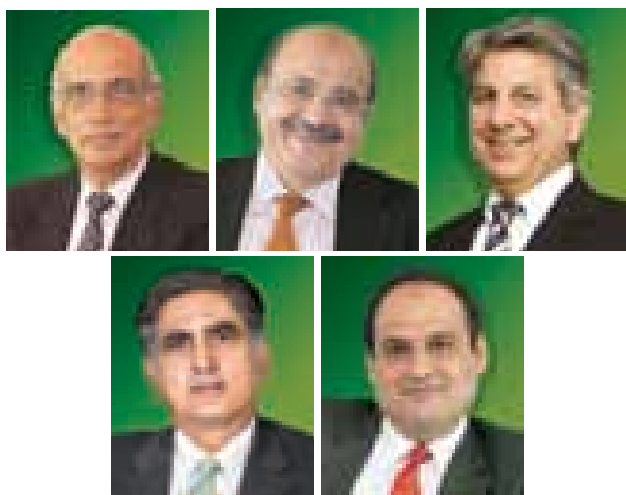
Terms of Reference of Human Resource Committee:

The Committee defines the HR policy framework and makes recommendations to the Board in the evaluation and approval of employee benefit plans and succession planning etc. The Salient features of the Terms of reference of Human Resource Committee are as follows:

Corporate Governance

- a) Recommending the remuneration of Executive Directors and Senior Executives so as to attract and retain the most suitable executives for the growth of the company;
- b) Review of succession plans for various management levels;
- c) Defining and recommending the development requirements of the senior executives for training, education etc.
- d) Reviewing renewal / separation contracts of a member of senior management.

Strategic Planning Committee



- o Mr. Kemal Shoaib - Chairman
Independent Director
- o Mr. Towfiq H. Chinoy - Member
Managing Director
- o Mr. Kamal A. Chinoy - Member
Non Executive Director
- o Mr. Zaffar A. Khan - Member
Independent Director
- o Mr. Riyaz T. Chinoy - Secretary
Chief Operating Officer

The Strategic Planning Committee comprises of 4 members, out of which two members are independent directors. The Chief Operating Officer is the Secretary of the Strategic Planning Committee. All members have a vote in shaping the recommendations of the Committee. In the event of a tie, the Chairman has the casting vote. Meetings are conducted as often as decided by the Committee members. This year the management's main focus was hive down and Offer of shares of ISL, according to the Board's approved strategy.

Terms of Reference of Strategic Planning Committee:

The salient features of the scope of the Strategic Planning Committee are as follows:

- a) To focus on medium to long range risks & prospects of the Company and the strategies it should pursue to meet stakeholder expectations.
- b) To encourage and if necessary initiate the Strategic Planning Activities of Management in defining the present and future businesses and products of the Company. Further it will oversee the operational implementation of the company strategies.
- c) To evaluate major capital investment proposals, restructuring, diversification, divestment, mergers & acquisitions, joint ventures & businesses in geographies beyond Pakistan
- d) To review, debate and brainstorm managements proposals to shape the strategic direction of the company

Meetings and Attendance

Meetings of the Board are held according to an annual schedule circulated before each fiscal year to ensure Directors availability.

During the year Six (6) Board meetings took place, Five (5) Audit Committee Meetings were held while two (2) meetings were held of Human Resource Committee during the year. There was no meeting held

of Strategic Planning Committee during the year as the management focus was on Hive Down of ISL , completing its formalities as a listed Company and Offer for Sale of ISL shares (up to 45%) to strategic investors, institutional investors and general public. Attendance by each director in the meetings of the Board and its committees is as follows:

BOD Sub Committee	Board	Audit	Human Resource	Strategic Planning	Nomination
Meetings held during FY 2010-11	6	5	2	0	4
Mr. Kemal Shoaib	5	--	---	---	4
Mr. Towfiq. H. Chinoy	6	---	1	--	--
Mr. Mustapha A. Chinoy	5	5	2	--	3
Mr. Kamal A. Chinoy	6	---	--	--	2
Mr. Fuad A. Hashimi	5	5	--	--	---
Mr. Zaffar A. Khan	6	---	--	--	3
Mr. Javaid Anwar	6	---	2	--	4
Mr. Azam Faruque	3	5	--	--	--
Mr. Shahid A. Siddiqui	3	--	--	--	--
Mr. Riyaz T. Chinoy	6	---	--	--	--
Mr. K.M.M. Shah*	1	--	--	--	--
Mr. Zaka -ullah Khan**	1	--	---	--	--

* Mr. K.M. M. Shah and **Mr. Zaka -ullah Khan did not offer themselves for elections in the AGM held on September 16, 2010; hence, they have ceased to be directors on the Board consequently.

Engagement of Directors in Other Companies / Entities

Name of Director	Directorships
Mr. Kemal Shoaib Chairman	Al-Aman Holdings (Pvt.) Ltd. Century Paper & Board Mills Ltd. International Advertising (Pvt.) Ltd. International Steels Ltd. Mind Sports Association of Pakistan Premier Box (Pvt.) Ltd. Public Interest Law Association of Pakistan Safeway Fund Ltd. ZIL Ltd. (Formerly Zulfiqar Ind. Ltd.)
Mr. Towfiq H. Chinoy Managing Director & CEO	BOC Pakistan Ltd. HBL Asset Management Ltd. IGI Investment Bank Ltd. International Steels Ltd. Mohatta Palace Gallery Trust New Jubilee Insurance Co. Ltd. New Jubilee Life Insurance Co. Ltd. Packages Ltd. Pakistan Cables Ltd. Pakistan Centre for Philanthropy
Mr. Kamal A. Chinoy Director	Atlas Battery Ltd. International Steels Ltd. National Fullerton Assets Mgmt. Ltd. (NAFA) Pakistan Cables Ltd. Pakistan Security Printing Corp. (Pvt.) Ltd.
Mr. Mustapha A. Chinoy Director	Global Travel Services (Pvt.) Ltd. Global e-Commerce Services (Pvt.) Ltd. Intermark (Pvt.) Ltd. International Steels Ltd. Pakistan Cables Ltd. Security Papers Ltd.

Mr. Riyaz T. Chinoy
Director / Chief Operating Officer

Amir Sultan Chinoy Foundation

Mr. Javaid Anwar
Director

Atlas Engineering
Cherat Cement Company Ltd.

Mr. Zaffar A. Khan
Director

Acumen Fund Pakistan
Pakistan Centre for Philanthropy
Shell Pakistan Ltd.
State Bank of Pakistan
Unilever Pakistan Ltd.

Mr. Fuad Azim Hashimi
Director

Indus Valley School of Arts & Architecture
Pakistan Institute of Corporate Governance
Quality Assurance Board -ICAP

Mr. Azam Faruque
Director

Atlas Insurance Ltd.
Cherat Cement Company Ltd.
Faruque (Pvt.) Ltd.
Madian Hydro Power Ltd.

Mr. Shahid Aziz Siddiqui
Director

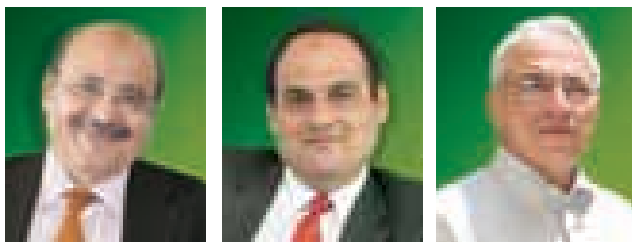
Alpha Insurance Company Ltd.
Fauji Fertilizer Company Ltd.
Orix Leasing Company Ltd.
Packages Ltd.
Pakistan Cables Ltd.
State Life Insurance Corp. of Pakistan
Sui Northern Gas Pipelines Ltd.
Sui Southern Gas Ltd.
Thatta Cement Co. Ltd.

The Management

MANAGEMENT COMMITTEE

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

Management Committee members:



Mr. Towfiq H. Chinoy
MD & CEO
Chairman
towfiq.chinoy@iil.com.pk

Mr. Riyaz T. Chinoy
COO
Member
riyaz.chinoy@iil.com.pk

Mr. Asad A. Siddiqui
CFO
Member
asad.siddiqui@iil.com.pk

Attendance
8/8
8/8
8/8

Role of the Committee:

The Committee is responsible for the following:

a) Routine operational matters arising out of day-to-day business.

- b) Review results of monthly operations, sales, production, expenses and comparison of same with the approved budgeted targets and analysis of observed variances.
- c) Review of raw material prices with special reference to international markets.
- d) Review of selling prices in view of changing market scenarios.
- e) Review and finalization of budget for presentation to and approval by the Board.
- f) Exploring new prospects for sustainable growth.
- g) Review and set the Objective for the Organization in compliance with the approved strategy.
- h) Accident prevention
- i) Set training needs
- j) Monitoring Speak-up policy

Meetings Held:

The Management Committee held eight (8) meetings during the year to monitor the performance as well as revisiting the strategy in line with policies.

EXECUTIVE COMMITTEE

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



	Attendance
Mr. Riyaz T. Chinoy (riyaz.chinoy@iil.com.pk) COO Chairman	12/13
Mr. Asad A. Siddiqui (asad.siddiqui@iil.com.pk) CFO Member	12/13
Mr. Mohsin Safdar (mohsin.safdar@iil.com.pk) GM Factory Member	13/13
Mr. Perwaiz Ibrahim (parwaiz.ibrahim@iil.com.pk) GM Operations Member	13/13
Mr. A. Waseem Sufi (waseem.sufi@iil.com.pk) GM-Human Resource Member	12/13
Mr. Tariq Hafeez (tariq.hafeez@iil.com.pk) GM Sales-North Member	6/13
Mr. Mazhar Qayyum (mazhar.qayyum@iil.com.pk) GM Sales-South & Intl. Sales Member	12/13
Ms. Neelofar Hameed (neelofar.hameed@iil.com.pk) Company Secretary Member	2/4

Role of the Executive Committee

The Committee is responsible for the following:

- a) Review results of monthly operations, sales, production, expenses and comparison of same with the approved budgeted targets and provide variance reports to the Management Committee.

- b) Review of Annual budget and recommending the same to the Management Committee.
- c) Review the training needs / plans and implementation thereof.
- d) Review of recruitment and organization resource requirements.
- e) Review and monitoring of accidents.
- f) Review and monitoring of raw material prices and trends and recommends the need for any price review and review of credit limits to the customers.
- g) Review and monitoring of product yield and identification of means for improving the same.
- h) Review and monitoring of raw material, work-in-process and finished goods inventory and taking timely action on controlling the same.

POLICY ON BOARD EVALUATION

The Board of Directors has formulated a policy to evaluate its own performance. The Board understands that board evaluation is a powerful tool in terms of effecting change in the board room.

The main purpose of this policy is to:

- a) improve board efficiency
- b) improve accountability
- c) clarify board responsibilities
- d) focus on strategy

Report of The Board Audit Committee

on adherence to the Code of Corporate Governance

The Board Audit Committee has concluded its annual review of the conduct and operations of the Company for the year ended 30 June 2011 and reports that:

- The Company has adhered in full, without any material departure, with both the mandatory and voluntary provisions of the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan, Company's statement of ethics and values and the international best practices of Governance throughout the year.
- Compliance has been confirmed from the members of the Board, the Management and employees of the Company. Equitable treatment of shareholders has also been ensured.
- The Company has issued a "Statement of Compliance with the Code of Corporate Governance" which has also been reviewed and certified by the Auditors of the Company.
- Appropriate accounting policies have been consistently applied. Applicable accounting standards were followed in preparation of the financial statements of the Company on a going concern basis, for the financial year ended 30 June 2011, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equity of the Company for the year under review.
- The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the Company and the Directors' Report. They acknowledge their responsibility for true and fair presentation of the financial statements, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the Company.
- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Ordinance, 1984.
- The financial statements comply with the requirements of the Fourth Schedule to the Companies Ordinance 1984 and applicable "International Accounting Standards (IAS / IFRS) notified by the SECP.
- All direct and indirect trading and holdings of the Company's shares by Directors and Executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction. All such holdings have been disclosed in the Pattern of Shareholding.

INTERNAL AUDIT FUNCTION

- The internal control framework has been effectively implemented through out sourcing the internal audit function to M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants. The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and control.
- The Board Audit Committee has ensured the achievement of operational, compliance and financial reporting objectives, safeguarding of the assets of the Company and the shareholders wealth through effective financial, operational and compliance controls and risk management at all levels within the Company.
- The Internal Auditors have direct access to the Chairman of the Board Audit Committee.
- Coordination between the External and Internal

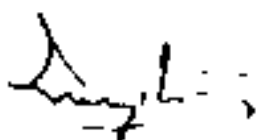
Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

EXTERNAL AUDITORS

- The statutory Auditors of the Company, M/s KPMG Taseer Hadi & Co., Chartered Accountants, have completed their Audit Assignment of the "Company's Financial Statements" and the "Statement of Compliance with the Code of Corporate Governance for the financial year ended 30 June 2011 and shall retire on the conclusion of the 63rd Annual General Meeting.
- The Board Audit Committee has reviewed and discussed Audit observations and Draft Audit Management Letter with the External Auditors. Final Management Letter is required to be submitted within 30 days of the date of the

Auditors' Report on the financial statements under the listing regulations and shall therefore accordingly be discussed in the next Board Audit Committee meeting.

- The Audit Firm has been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by the ICAP. The Auditors have indicated their willingness to continue as Auditors.
- Being eligible for reappointment under the listing regulations, the Board Audit Committee recommends their reappointment for the financial year ending 30 June 2011 with enhancement in the audit fee.



Fuad Azim Hashimi
Chairman
Board Audit Committee

Karachi:
Dated: 11 August 2011

Statement of Compliance

with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance as contained in the Listing Regulation of Karachi, Lahore and Islamabad Stock Exchange for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Company has applied the principles contained in the Code in the following manner:

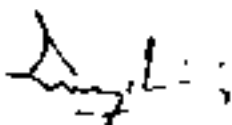
1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors.
2. The directors have confirmed that none of them is serving as director in more than ten listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Financial Institution. None of the director is a member of a stock exchange.
4. The number of directors on the Board was reduced from 11 to 10 and accordingly all ten (10) directors were elected by the shareholders on 16th September 2010.
5. The Company has prepared a "Code of Conduct and Ethical Practices" which has been signed by all the Directors, managerial and secretarial staff of the Company.
6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman who is an Independent non-executive director. The Board met six times as against the minimum requirement to meet at least once in every quarter. Written notices of the Board meetings, along with agenda, were circulated at least seven days before the meetings except in case of emergency meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors have been provided with copies of the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges, Company's Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities. As part of orientation course for its directors to apprise them of their duties and responsibilities, a revised version of Directors' Manual has been prepared and provided to the directors.
10. The Board has approved the appointment of Chief Financial Officer and Company Secretary. The Board has approved the remuneration and terms and conditions of employment of CFO and Company Secretary as determined by the CEO. The function of internal audit has been outsourced to M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants. The Board has approved the remuneration and terms and conditions of employment of the internal auditors on the recommendation of the Board Audit Committee based on their performance evaluation.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval by the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company maintains a list of related parties which is updated on a regular basis. All transactions with related parties are placed before

the Audit Committee on a quarterly basis and are approved by the Board.

15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed Board Audit Committee. It comprises three members, of whom all are Non-Executive Directors, out of which the Chairman and one member are Independent Directors.
17. The meetings of the Board Audit Committee were held five times in accordance with the Code that it should be held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
18. The Company has an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The Statutory Auditors or the persons associated with them have not been appointed to provide

other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. We confirm that all material principles contained in the Code have been complied with.
22. The company has documented the following policies and statements in compliance with the Code of Corporate Governance.
 - Human Resources
 - Acquisition / Disposal of Fixed Assets
 - Donations Charities and Contributions
 - Transaction / Arrangements or contracts with Associated Companies and Related parties
 - Write off of bad debts, advances and receivable
 - Investments
 - Budgetary Control
 - Delegation of Financial powers
 - Borrowings
 - Related party transactions and transfer pricing
 - Determination of terms of credit and discount to customers
 - Procurement of goods and services
 - Risk Management
 - Profit Appropriation
 - Roles and responsibilities of the Chairman and Chief Executive
 - Level of Materiality
 - Stores and spares
 - Board Evaluation Policy
 - CEO evaluation policy
 - Speak-up policy



Fuad Azim Hashimi
Chairman
Board Audit Committee



Towfiq H. Chinoy
Chief Executive Officer

Karachi
Dated: 11 August 2011

Review Report

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



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530 Pakistan

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Internet www.kpmg.com.pk

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2011.

Dated: 11 August 2011

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

KPMG Taseer Hadi & Co., a partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative

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Auditors' Report to the Members



KPMG Taseer Hadi & Co.
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We have audited the annexed balance sheet of International Industries Limited (“the Company”) as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

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- 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 except for the change as mentioned in note 2.5 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2011 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Dated: 11 August 2011
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Balance Sheet

as at 30 June 2011

ASSETS

Non-current assets

Property, plant and equipment	4	2,678,771	9,904,901
Intangible assets	5	14,538	11,801
Investments	6	2,583,537	105,902
Long term deposits		11,338	6,376
		5,288,184	10,028,980

Current assets

Stores and spares	7	113,657	130,547
Stock-in-trade	8	4,753,020	6,114,406
Trade debts	9	1,924,517	1,579,112
Advances	10	652,162	49,332
Trade deposits and short term prepayments	11	11,389	21,242
Other receivables	12	819,910	681,212
Taxation-net	13	335,137	111,819
Bank balances	14	12,806	21,568
		8,622,598	8,709,238

Total assets

13,910,782 18,738,218

EQUITY AND LIABILITIES

Share Capital and Reserves

Authorised capital
200,000,000 (2010: 200,000,000) ordinary shares of Rs. 10 each

2,000,000 2,000,000

Issued, subscribed and paid up capital

15 1,198,926 999,105

General reserves

2,177,522 1,422,854

Unappropriated profit

887,366 882,167

Total equity

4,263,814 3,304,126

Surplus on revaluation of property, plant and equipment

16 1,007,675 1,366,865

LIABILITIES

Non-current liabilities

Long term financing

17 237,500 5,113,227

Deferred taxation-net

18 167,927 245,288

405,427 5,358,515

Current liabilities

Trade and other payables

19 1,000,063 769,067

Short term borrowings

20 6,838,920 7,115,764

Current portion of long term financing

17 237,500 600,002

Accrued markup

157,383 223,879

8,233,866 8,708,712

Total liabilities

8,639,293 14,067,227

Contingencies and Commitments

21

Total Equity and Liabilities

13,910,782 18,738,218

The annexed notes 1 to 40 form an integral part of these financial statements.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Asad A. Siddiqui
Chief Financial Officer



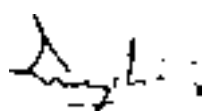
Towfiq H. Chinoy
Managing Director
& Chief Executive

Profit & Loss Account

for the year ended 30 June 2011

	Note	2011	2010
(Rupees in '000)			
Net sales	22	15,850,755	13,471,783
Cost of sales	23	(14,038,750)	(11,249,674)
Gross profit		1,812,005	2,222,109
Selling and distribution expenses	24	(418,998)	(384,019)
Administrative expenses	25	(197,579)	(134,890)
		(616,577)	(518,909)
Financial charges	26	(578,890)	(257,090)
Other operating charges	27	(219,690)	(227,292)
		(798,580)	(484,382)
Share of profit from an associated company		-	-
Other operating income	28	872,265	120,503
Profit before taxation		1,269,113	1,339,321
Taxation	29	(239,000)	(332,525)
Profit for the year		1,030,113	1,006,796
(Rupees)			
Earnings per share - basic and diluted	30	8.59	8.40

The annexed notes 1 to 40 form an integral part of these financial statements.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Asad A. Siddiqui
Chief Financial Officer



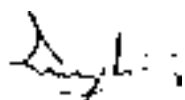
Towfiq H. Chinoy
Managing Director
& Chief Executive

Statement of Comprehensive Income

for the year ended 30 June 2011

Note	2011	2010
	(Rupees in '000)	
Profit for the year	1,030,113	1,006,796
Other comprehensive income	-	-
Total comprehensive income for the year	<u>1,030,113</u>	<u>1,006,796</u>

The annexed notes 1 to 40 form an integral part of these financial statements.



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Director & Chairman
Board Audit Committee



Asad A. Siddiqui
Chief Financial Officer



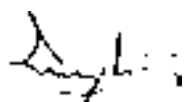
Towfiq H. Chinoy
Managing Director
& Chief Executive

Cash Flow Statement

for the year ended 30 June 2011

	Note	2011	2010 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,269,113	1,339,321
Adjustments for:			
Depreciation and amortisation		196,100	233,773
Provision for doubtful debts		3,693	27,720
Store and spares obsolescence		9	-
Interest on bank deposits		(1,675)	(20,745)
Gain on sale of property, plant and equipment		(2,749)	(4,752)
Gain on divestment of shares in subsidiary		(706,266)	-
Financial charges		578,890	257,090
		1,337,115	1,832,407
Movement in:			
Working capital	31	363,792	(4,814,392)
Long term deposits		(4,962)	49
Net cash generate from / (used in) operations		1,695,945	(2,981,936)
Financial charges paid		(589,504)	(119,472)
Taxes paid		(417,070)	(388,911)
Net cash generated from / (used in) operating activities		1,395,637	(3,490,319)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(926,237)	(4,146,607)
Proceeds from divestment in subsidiary company - net		2,069,713	-
Investment in subsidiary		(172,833)	-
Investment in an associated company		(27,080)	(105,902)
Proceeds from sale of property, plant and equipment		4,826	5,560
Interest received		1,722	25,171
Net cash generated from / (used in) investing activities		950,111	(4,221,778)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		427,600	3,697,769
Repayment of long term financing - net		(1,370,833)	(408,333)
Dividends paid		(428,166)	(373,896)
Net cash (used in) / generated from financing activities		(1,371,399)	2,915,540
Net increase / (decrease) in cash and cash equivalents		268,082	(4,796,557)
Cash and cash equivalents at beginning of the year		(7,094,196)	(2,297,639)
Cash and cash equivalents at end of the year		(6,826,114)	(7,094,196)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances	14	12,806	21,568
Short term borrowings	20	(6,838,920)	(7,115,764)
		(6,826,114)	(7,094,196)

The annexed notes 1 to 40 form an integral part of these financial statements.



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Director & Chairman
Board Audit Committee



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& Chief Executive

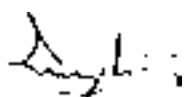
Statement of Changes in Equity

for the year ended 30 June 2011

(Rupees in '000)

	Revenue Reserves			Total reserves	Total
	Issued, subscribed & paid-up capital	General reserves	Un-appropriated profit		
Balance as at 1 July 2009	999,105	1,272,854	388,346	1,661,200	2,660,305
Total comprehensive income for the year ended 30 June 2010					
Profit for the year as restated (note2.5)	-	-	1,006,796	1,006,796	1,006,796
Transactions with owners recorded directly in equity - distributions					
Dividend:					
-Final dividend @ 22.5% (Rs.2.25 per share) for the year ended 30 June 2009	-	-	(224,799)	(224,799)	(224,799)
-Interim dividend @ 15% (Rs.1.50 per share) for the year ending 30 June 2010	-	-	(149,866)	(149,866)	(149,866)
Total transactions with owners - distributions	-	-	(374,665)	(374,665)	(374,665)
Transfer to general reserves	-	150,000	(150,000)	-	-
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	11,690	11,690	11,690
Balance as at 30 June 2010	999,105	1,422,854	882,167	2,305,021	3,304,126
Total comprehensive income for the year ended 30 June 2011					
Profit for the year	-	-	1,030,113	1,030,113	1,030,113
Transactions with owners recorded directly in equity - distributions					
Dividend					
-Final dividend @ 25% (Rs. 2.5 per share) for the year ended 30 June 2010	-	-	(249,776)	(249,776)	(249,776)
-Issuance of bonus shares for the year ended 30 June 2010 @ 20% per share	199,821	-	(199,821)	(199,821)	-
-Interim dividend @ 15% (Rs. 1.5 per share) for the year ending 30 June 2011	-	-	(179,839)	(179,839)	(179,839)
Total transactions with owners - distributions	199,821	-	(629,436)	(629,436)	(429,615)
Transfer to general reserves	-	400,000	(400,000)	-	-
Transfer of revaluation surplus on revalued land	-	354,668	-	354,668	354,668
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	4,522	4,522	4,522
Balance as at 30 June 2011	1,198,926	2,177,522	887,366	3,064,888	4,263,814

The annexed notes 1 to 40 form an integral part of these financial statements.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Asad A. Siddiqui
Chief Financial Officer



Towfiq H. Chinoy
Managing Director
& Chief Executive

Notes to the Financial Statements

for the year ended 30 June 2011

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

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

Income taxes

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

Staff retirement benefits

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

Trade debts and other receivables

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

Property, plant and equipment

The Company's management determines the estimated useful lives and related depreciation charge

Notes to the Financial Statements

for the year ended 30 June 2011

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 useful 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.

Stock-in-trade and stores and spares

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

2.5 Change in accounting policy

As more fully explained in note 6.1 to these financial statements, the Company as a result of the Scheme of Arrangement duly approved by the Board has vested its Steel Project Undertaking to International Steels

Limited (ISL) which became its wholly owned subsidiary on 24 August 2010. Subsequently, the Company divested 43.67% interest in ordinary shares of ISL without losing controlling interest.

As a result the Company prepared its separate financial statements for the first time for the year ended 30 June 2011 and also presented corresponding figures for the year ended 30 June 2010. Investment in Paksitan Cables Limited (PCL) was accounted for using equity basis of accounting in the financial statements for the year ended 30 June 2010. International Accounting Standards -28 "Investments in Associates" (IAS-28) requires that investment in associates shall be accounted for in the investor's separate financial statements either at cost or in accordance with IFRS 9 and IAS 39. Accordingly, the Company has changed its accounting policy for investment in associate from equity basis of accounting to cost in its separate financial statements. In accordance with requirements of IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors" this change in accounting policy is accounted for with retrospective effect. The following adjustments have been made in these financial statements with retrospective effect and accordingly comparatives for the year ended 30 June 2010 have been restated as follows:

Effect on balance sheet

Decrease in investment in an associated company
Decrease in deferred tax liability

Effect on profit and loss account

Decrease in gain on acquisition of investment
in an associated company
Decrease in share of profit in an associate company
Decrease in taxation

Effect on earning per share (EPS)

Decrease in EPS for the year ended 30 June 2010

2010
(Rupees in '000)
(Restated)
(19,950)
475
(15,195)
(4,755)
475
(19,475)
(Rupee)
(0.16)

As the investment in PCL was made during the period from 1 January 2010 to 30 June 2010, accordingly, there is no effect of such change in accounting policy prior to 30 June 2010. As a result opening balance sheet as at 1 July 2009 as required by IAS 1 "Presentation of Financial Statements has not been presented.

2.6 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards or new interpretations became effective. However, the amendments or interpretations did not have any material effect on the financial statements of the Company.

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

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

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1, 'Presentation of Financial Statements') effective for annual periods beginning on or after 1 July 2012.
- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12) effective for annual periods beginning on or after 1 January 2012.
- IAS 19 'Employee Benefits' (Amended 2011) effective for annual periods on or after 1 January 2013.

- Prepayments of a Minimum Funding Requirement (Amendments to International Financial Reporting Interpretations Committee (IFRIC) Interpretation 14) effective for annual periods beginning on or after 1 January 2011.
- IAS 24 'Related Party Disclosures' (Revised 2009) effective for annual periods beginning on or after 1 January 2011.
- Disclosures—Transfers of Financial Assets (Amendments to IFRS 7) effective for annual periods beginning on or after 1 July 2011.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to all years presented except for change mentioned in note 2.5 to these financial statements.

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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be reliably measured.

Notes to the Financial Statements

for the year ended 30 June 2011

Cost incurred to replace a component of an item of property, plant and equipment is capitalized and the asset so replaced is derecognised. Normal repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Depreciation is charged to income on straight line basis at the rate specified in note 4.1 to these financial statements.

Depreciation on additions to buildings and plant and machinery, furniture, fixture and office equipment and vehicles is charged from the month the asset is available for use upto the month prior to disposal.

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.

The Company has undertaken a review of pattern of consumption of the future economic benefits embodied in buildings and plant and machinery. As a result of this review, the depreciation method has been changed from diminishing balance method to straight line method to reflect the changed pattern. Hence the Company has determined the revised useful life of buildings and plant and machinery and residual value of plant and machinery. The useful life of buildings has increased from 2 to 10 years to a range of 2 to 50 years and for plant and machinery to a range of 2 to 33 years respectively. Further residual values of plant and machinery have increased from Rs. Nil to a range of Rs. 0.05 million and Rs.10 million.

Had the depreciation method not been changed from diminishing balance method to straight line for the above mentioned assets, the profit for the year would have been higher by Rs. 0.840 million with corresponding effect on carrying amount of respective assets.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

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

3.2 Intangible assets

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

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

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

3.3 Investments

Investments in subsidiaries

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

Investments in associates (also see note 2.5)

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

3.4 Derivative financial instruments

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

3.5 Borrowings costs

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

3.6 Stores and spares

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

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

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

3.7 Stock-in-trade

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

Scrap stocks are valued at estimated net realisable value.

3.8 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at

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for the year ended 30 June 2011

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

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. Short term borrowings availed by the Company, which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

3.10 Taxation

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

Current

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

Deferred tax

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

liabilities, using the tax rates enacted or substantively enacted at the balance sheet date.

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

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

3.11 Employee benefits

Defined benefit plan

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

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

Defined contribution plan

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

Compensated absences

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

3.12 Trade and other payables

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

3.13 Foreign currency translation

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

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

3.14 Revenue recognition

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

- Interest income (including late payment surcharge) is recognized on a time-apportioned basis using the effective rate of return.
- Dividend income is recognized when the right to receive payment is established.
- Revenue from power generation plant is recognized on transmission of electricity to Karachi Electric Supply Company Limited (KESC).
- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Service income is recognized when services are rendered.
- Rental income is recognized on straight line basis over the term of the lease.
- Miscellaneous income is recognised on receipt basis.

3.15 Financial instruments

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

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 recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

Notes to the Financial Statements

for the year ended 30 June 2011

3.17 Impairment

Financial assets

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

Non-Financial assets

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

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

3.18 Mark-up bearing borrowings

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

3.19 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.20 Segment reporting

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

3.21 Dividend and appropriation to / from reserves

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

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2011	2010
(Rupees in '000)			
Operating assets	4.1	2,659,992	3,849,399
Capital work-in-progress	4.7	16,096	6,041,888
Stores and spares held for capital expenditure	4.8	2,683	13,614
		2,678,771	9,904,901

4.1 Operating assets

	Land - Revalued		Building - Revalued		Plant and machinery	Furniture fixtures & office equipment	Vehicle	Total
	Freehold	Leasehold	Freehold land	Leasehold land				
Net carrying value as at 01 July 2010								
Opening NBV	1,105,737	917,830	42,652	392,214	1,317,730	20,822	52,414	3,849,399
Additions	30,340	-	65,638	18,453	272,359	8,469	19,687	414,946
Disposals	-	-	-	(155)	(862)	-	(1,060)	(2,077)
Transfers (refer note 4.3)	(834,007)	-	(42,319)	-	(519,071)	(3,331)	(13,966)	(1,412,694)
Depreciation charge	-	-	(1,097)	(20,473)	(145,350)	(7,518)	(15,144)	(189,582)
Closing NBV	302,070	917,830	64,874	390,039	924,806	18,442	41,931	2,659,992
Gross carrying value as at 30 June 2011								
Cost / revalued amount	302,070	917,830	65,971	509,038	2,305,518	63,436	75,156	4,239,019
Accumulated depreciation	-	-	(1,097)	(118,999)	(1,380,712)	(44,994)	(33,225)	(1,579,027)
Net Book Value	302,070	917,830	64,874	390,039	924,806	18,442	41,931	2,659,992
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	
Net carrying value as at 01 July 2009								
Opening NBV	1,105,737	917,830	44,252	431,823	1,443,671	16,140	27,771	3,987,224
Additions	-	-	-	1,288	40,008	11,700	37,602	90,598
Disposals	-	-	-	-	-	-	(808)	(808)
Depreciation charge	-	-	(1,600)	(40,897)	(165,949)	(7,018)	(12,151)	(227,615)
Closing NBV	1,105,737	917,830	42,652	392,214	1,317,730	20,822	52,414	3,849,399
Gross carrying value as at 30 June 2010								
Cost / revalued amount	1,105,737	917,830	52,916	493,903	2,672,755	60,735	86,093	5,389,969
Accumulated depreciation	-	-	(10,264)	(101,689)	(1,355,025)	(39,913)	(33,679)	(1,540,570)
Net Book Value	1,105,737	917,830	42,652	392,214	1,317,730	20,822	52,414	3,849,399
Depreciation rates (% per annum)	-	-	10	5 - 50	10 - 50	10 - 33.3	20	

Notes to the Financial Statements

for the year ended 30 June 2011

- 4.2 Net book value of plant and machinery includes an aggregate amount of Rs. 6.204 million (2010: Rs. 39.024 million) representing net book value of capitalized spares.
- 4.3 This represents assets transferred to International Steels Limited, subsidiary company, at the time of hive down in August 2010.

	Note	2011	2010
4.4 The depreciation charge for the year has been allocated as follows:		(Rupees in '000)	
Cost of sales	23	171,787	165,055
Selling and distribution expenses	24	4,649	2,604
Administrative expenses	25	9,042	10,043
Income from power generation	28.1	4,104	47,097
Capital work in progress	-	2,816	
		<u>189,582</u>	<u>227,615</u>

- 4.5 The company has carried out valuation of freehold land, leasehold land and buildings during the year ended 30 June 1988, 30 June 1997, 30 June 2000, 30 June 2004 and 31 December 2007. The resulting revaluation surplus has been disclosed in note 16 to the financial statements and has been credited to revaluation surplus account net of related tax effect.

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

	Cost	Accumulated depreciation	Net book value
	(Rupees in '000)		
Leasehold land	187,645	-	187,645
Freehold land	141,963	-	141,963
Buildings	455,522	(205,234)	250,288
As at 30 June 2011	<u>785,130</u>	<u>(205,234)</u>	<u>579,896</u>
As at 30 June 2010	<u>1,236,514</u>	<u>(203,626)</u>	<u>1,032,888</u>

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

Description	Cost	Accumulated depreciation	Book value	Sale Proceeds	Mode of disposal	Particulars of buyer
	(Rupees in '000)					
Buildings						
Roads	1,210	1,089	121	-	Scrapped	-
Book value less than Rs.50,000 each	2,108	2,074	34	-	Scrapped	-
Plant and machinery						
Control Panel - HR Slitters	924	62	862	924	Insurance claim	New Jubilee Insurance Co.
Book value less than Rs.50,000 each	8,035	8,035	-	828	Negotiation	Various
Furniture, fixtures and office equipment						
Various items of book value upto Rs.50,000 each	91	91	-	14	Negotiation	Various
Vehicles						
Suzuki Cultus	884	324	560	560	Negotiation	International Steels Limited
Suzuki Mehran VX	469	78	391	391	Negotiation	International Steels Limited
Honda Motorcycle	63	11	52	61	Insurance claim	New Jubilee Insurance Company Limited
Honda Motorcycle	63	6	57	56	Insurance claim	New Jubilee Insurance Company Limited
Various vehicles of book value upto Rs.50,000 each	4,137	4,137	-	1,992	Negotiation	Various
	17,984	15,907	2,077	4,826		

Notes to the Financial Statements

for the year ended 30 June 2011

4.7 Capital work-in-progress

	Cost			As at 01 July 2011
	As at 01 July 2010	Additions	(Transfers)	
	(Rupees in '000)			
Land	27,200	30,340	(57,540)	-
Buildings	796,442	72,893	(868,767)	568
Plant and machinery	5,214,144	790,960	(5,989,576)	15,528
Furniture, fixtures and office equipment	4,102	8,144	(12,246)	-
Vehicles		21,345	(21,345)	-
	6,041,888	923,682	(6,949,474)	16,096

4.8 Stores and spares held for capital expenditure

	Cost			As at 01 July 2011
	As at 01 July 2010	Additions	(Transfers)	
	(Rupees in '000)			
In store	13,614	-	(10,931)	2,683

4.8.1 The transfer includes Rs 4.727 million transferred to International Steels Limited at the time of hive down in August 2010.

5. INTANGIBLE ASSETS

	Note	2011	2010
		(Rupees in '000)	
Net Carrying value as at 1st July			
Net book value as at 1st July		11,801	17,959
Additions		9,255	-
Amortization		(6,518)	(6,158)
Net book value as at 30 June	5.1	14,538	11,801
Gross Carrying Value as at 30 June			
Cost		41,342	32,087
Accumulated amortization		(26,804)	(20,286)
Net book value		14,538	11,801
		(Percent)	
Amortization rate (% per annum)		33.33	33.33

5.1 Intangible assets comprises of computer software and licenses.

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

	Note	2011	2010
(Rupees in '000)			
Cost of sales	23	3,258	3,079
Selling and distribution expenses	24	1,950	1,848
Administrative expenses	25	1,310	1,231
		<u>6,518</u>	<u>6,158</u>

6. INVESTMENTS

2011	2010		2011	2010
(Number of Shares)			(Rupees in '000)	
245,055,543	-	International Steels Limited (ISL) -subsidiary company at cost	2,450,555	-
2,425,913	1,929,818	Pakistan Cables Limited (PCL) - associate company at cost	132,982	105,902
			<u>2,583,537</u>	<u>105,902</u>

6.1 The Board of Directors of the Company in its meeting held on 23 July 2009 approved the Scheme of Arrangement ("the Scheme") for the reconstruction of the Company by separation ("the Hive down") of the Steel Project Undertaking ("the Project"), and vesting of the Project in ISL through issuance of ordinary shares of ISL equal to the value of the net assets transferred under the Scheme.

The Scheme was approved by 99.99% shareholders of the Company present and voting at the Extra Ordinary General Meeting, held on 16 April 2010 pursuant to the order dated 9 March 2010 passed by the High Court in Judicial Miscellaneous Application No. 1 of 2010. The Sindh High Court vide its order dated 12 August 2010 approved the Scheme of Arrangement under section 284 of the Companies Ordinance, 1984.

Accordingly, the net assets of the Project amounting to Rs.4,177.167 million were determined as at 23 August 2010 (day immediately preceding the completion date) in accordance with the Scheme and net assets of the Project were transferred to the ISL on 24 August 2010 and 417,716,700 ordinary shares of Rs. 10 each of ISL were issued to the Company.

Subsequently the shares of ISL were offered via book building process from 12 to 14 April 2011. 19% of the shares were divested to institutional investors including foreign investors and high net worth individuals. The strike price was set at Rs. 14.06 against a floor of Rs. 12.90. As per the agreement with International Finance Corporation (IFC) and Sumitomo Corporation of Japan 9.30% and 9.08% shares were allocated to them respectively at a discount of 20% of the premium at Rs. 13.248 / share. The remaining 6.32% of ISL shares were divested at the book building price of Rs. 14.06 / share to the general public from 3 to 4 May 2011. The Company has divested in total 43.67% shares out of the 100% holding in ISL shares. 56.33% ownership interest in ISL remains with the Company. As a result of the divestment the Company realised capital gain of Rs. 706.266 million as reflected in note 28. The Chief Executive of ISL is Mr. Towfiq H. Chinoy.

Notes to the Financial Statements

for the year ended 30 June 2011

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

6.2.1 Market value of above investments is as follows:

Note	2011	2010
	(Rupees in '000)	
Quoted		
International Steels Limited	3,335,206	-
Pakistan Cables Limited	110,622	104,268

7. STORES AND SPARES

Stores	27,109	26,321
Spares	85,465	102,583
Loose tools	1,083	1,643
	<u>113,657</u>	<u>130,547</u>

8. STOCK-IN-TRADE

Raw material - in hand	8.1	2,510,362	3,533,821
- in transit		-	716,353
		<u>2,510,362</u>	<u>4,250,174</u>
Work-in-process		741,367	422,027
Finished goods		1,483,254	1,382,654
By-products		12,611	53,999
Scrap material		5,426	5,552
		<u>4,753,020</u>	<u>6,114,406</u>

8.1 Raw material amounting to Rs. 15.804 million (2010: Rs. 8.690 million) is held at vendor premises.

9. TRADE DEBTS

Considered good - secured		575,585	232,249
- unsecured	9.1	1,348,932	1,346,863
		<u>1,924,517</u>	<u>1,579,112</u>
Considered doubtful		37,133	33,440
		<u>1,961,650</u>	<u>1,612,552</u>
Provision for doubtful debts	9.2	(37,133)	(33,440)
		<u>1,924,517</u>	<u>1,579,112</u>

9.1	The related parties from whom the debts are due are as under:	Note	2011	2010
		(Rupees in '000)		
	Sui Southern Gas Company Limited		115,903	402,085
	Sui Northern Gas Pipelines Limited		18,264	2,903
	Pakistan Cables Limited		89	-
			134,256	404,988
9.2	Provision for doubtful debts			
	Balance as at 1 July		33,440	5,720
	Charge for the year - net	24	15,212	27,720
	Write offs		(11,519)	-
	Balance as at 30 June		37,133	33,440
10.	ADVANCES			
	Considered good			
	- suppliers		651,193	44,469
	- employees		969	4,863
			652,162	49,332
11.	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
	Trade deposits		9,134	18,351
	Short term prepayments		2,255	2,891
			11,389	21,242
12.	OTHER RECEIVABLES			
	Considered good			
	Interest income receivable		-	47
	Sales tax receivable		801,376	424,930
	Receivable on transmission of electricity to KESC		16,501	254,877
	Others		2,033	1,358
			819,910	681,212
13.	TAXATION - net			
	Tax receivable as at 1 July		111,819	96,637
	Tax payments / adjustments during the year		417,070	388,911
			528,889	485,548
	Less: Provision for tax	29	(193,752)	(373,729)
			335,137	111,819
14.	BANK BALANCES			
	- in current accounts		10,496	21,568
	- in profit and loss sharing accounts	14.1	2,310	-
			12,806	21,568
14.1	The profit and loss sharing accounts carry mark-up ranging from 5 % to 9.5 % (2010: Nil) per anum.			

Notes to the Financial Statements

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15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2011	2010		2011	2010
(Number of shares)			(Rupees in '000)	
6,769,725	6,769,725	Fully paid ordinary shares of Rs. 10 each issued for cash	67,697	67,697
113,122,894	93,140,791	Fully paid ordinary shares of Rs.10 each issued as bonus shares	1,131,229	931,408
<u>119,892,619</u>	<u>99,910,516</u>		<u>1,198,926</u>	<u>999,105</u>

- 15.1 Associated companies, due to common directors, held 6,034,133 (2010 : 3,661,779) ordinary shares of Rs. 10 each at the year end.

16. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	Note	2011	2010
(Rupees in '000)			
Freehold land			
Balance as at 01 July		9,728	9,728
Revaluation surplus over original cost/ book value of Rs. 6.65 million on 31 December 2007		3,667	3,667
Revaluation surplus over original cost/ book value of of Rs. 597.29 million on 31 December 2007		463,965	463,965
Revaluation surplus over original cost/ book value of of Rs. 6.530 million on 31 December 2007		7,076	7,076
		484,436	484,436
Transfer of revaluation surplus to Revenue reserve- General reserves		(354,668)	-
		<u>129,768</u>	<u>484,436</u>
Leasehold land			
Balance as at 01 July		383,635	383,635
Revaluation surplus over original cost / book value of Rs. 571.28 million on 31 December 2007		346,550	346,550
		730,185	730,185
		<u>859,953</u>	<u>1,214,621</u>
Buildings			
Balance as at 1 July		210,924	227,210
Transferred to retained earnings (Unappropriated profit) in respect of incremental depreciation charged during the year - net of deferred tax		(6,299)	(16,286)
		<u>204,625</u>	<u>210,924</u>
Related deferred tax liability as on 1 July		(58,680)	(63,276)
Tax effect on incremental depreciation transferred to retained earnings		1,777	4,596
Related deferred tax liability as on 30 June		(56,903)	(58,680)
		<u>147,722</u>	<u>152,244</u>
		<u>1,007,675</u>	<u>1,366,865</u>

17. LONG TERM FINANCING

Note	2011	2010
	(Rupees in '000)	
Secured		
Long-term finances utilised under mark-up arrangements	475,000	5,713,229
Current portion of long term finances shown under current liabilities	(237,500)	(600,002)
	<u>237,500</u>	<u>5,113,227</u>

17.1 Long term finances utilised under mark-up arrangements

	Sale price	Purchase price	Number of instalments & commencement date	Date of maturity	Rate of mark-up per annum	2011	2010
	(Rupees in '000)					(Rupees in '000)	
i) 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	-	66,667
ii) 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	-	66,665
iii) 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	100,000	150,000
iv) 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	375,000	562,500
v) Syndicated term financing Local currency assistance of Rs. 4,000 million for plant and machinery of Cold Rolled Galvanised Sheet Project (refer note 17.1.2)	4,000,000	9,376,178	16 half yearly 10-03-2011	10-09-2018	1.50% over SBP Refinance rate	-	3,581,399
vi) Habib Bank Limited Bridge Finance (refer note 17.1.3)	750,000	900,000	Single installment 05-05-2010	04-07-2011	3 month KIBOR plus 1%	-	750,000
vii) Loan from International Finance Corporation (IFC) (refer note 17.1.4)	-	-	-	-	LIBOR plus 2.32%	-	535,998
						<u>475,000</u>	<u>5,713,229</u>

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

17.1.2 The syndicated term financing has been transferred to International Steels Limited (ISL) at the time of hive down on August 2010.

17.1.3 This represent bridge financing obtained from Habib Bank Limited and has been repaid on 16 March 2011.

17.1.4 Loan from IFC has been settled by transferring 9.30% equity interest of the Company in ISL at Rs.13.248 per share as per the terms of the agreement.

Notes to the Financial Statements

for the year ended 30 June 2011

18. DEFERRED TAXATION - net

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

	Balance as at 01 July 2009	Charge / (Reversal) recognized in profit and loss	Balance as at 30 June 2010	Transfer to ISL (as per Scheme of Arrangement)	Charge / (Reversal) in profit and loss	Balance as at 30 June 2011
(Rupees in '000)						
Taxable temporary difference						
Accelerated tax depreciation	294,194	(29,432)	264,762	(122,609)	52,572	194,725
Deductible temporary differences						
Provision for doubtful debts	(2,002)	(9,702)	(11,704)	-	(1,293)	(12,997)
Provision for compensated absences	(5,700)	(2,070)	(7,770)	-	(6,031)	(13,801)
	<u>286,492</u>	<u>(41,204)</u>	<u>245,288</u>	<u>(122,609)</u>	<u>45,248</u>	<u>167,927</u>

19. TRADE AND OTHER PAYABLES

Note	2011	2010
(Rupees in '000)		
Trade creditors	523,518	155,804
Accrued expenses	389,009	516,067
Advances from customers	46,105	45,450
Workers' profit participation fund	2,250	5,000
Workers' welfare fund	26,876	38,958
Unclaimed dividend	7,404	5,955
Others	4,901	1,833
	<u>1,000,063</u>	<u>769,067</u>

19.1 Workers' profit participation fund

Balance as at 01 July	5,000	2,705
Interest on funds utilised in the Company's business at 30% (2010: 17.50%) per annum	164	40
	<u>5,164</u>	<u>2,745</u>
Allocation for the year	68,250	73,000
	<u>73,414</u>	<u>75,745</u>
Payments made during the year	(71,164)	(70,745)
Balance as at 30 June	<u>2,250</u>	<u>5,000</u>

20. SHORT TERM BORROWINGS

Running finance under mark-up arrangement from banks - secured	20.1	741,016	484,615
Short term borrowing under Export Refinance Scheme	20.2	1,790,000	1,545,000
Running finance under FE-25 Export and Import Scheme	20.3	4,307,904	5,086,149
		<u>6,838,920</u>	<u>7,115,764</u>

- 20.1 The facilities for running finance available from various banks amounting to Rs. 4,047 million (2010: Rs. 1,145 million) are secured by way of hypothecation of stock-in-trade and book debts. The rates of mark-up on these finances range from 14.39% to 15.20% per annum (2010: 13.16% to 14.68 % per annum). The facility for short term finance mature within twelve months.
- 20.2 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. 1,790 million (2010: Rs. 1,545 million). The rate of mark-up on this facility ranges from 10.50% to 10.75% per annum (2010: 8.00% to 8.5% per annum).
- 20.3 The Company has also borrowed short term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 for the purpose of meeting import requirements. The facility availed is for an amount of USD 50.063 million equivalent to Rs. 4,307.904 million (2010: USD 59.418 million equivalent to Rs.5,086.149 million). The rates of mark-up on these finances range from 2.30% to 3.47% (2010: 1.90% to 2.22%) per annum. These facilities are secured against the first pari passu hypothecation charge over the Company's present and future current assets.

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

- 21.1.1 Bank guarantees have been issued under certain supply contracts and to the collector of customs aggregating Rs. 342.793 million (2010: Rs. 386.945 million).
- 21.1.2 Custom duties amounting to Rs. 397.544 million (2010: Rs. 263.738 million) on imports of raw material shall be payable by the Company in case of non-fulfilment of certain conditions imposed by the custom authorities under SRO 565 (1) / 2006. The Company has filed petition in Sindh High Court against anomaly in the said SRO. Based on legal advise the management expects a favourable outcome.
- 21.1.3 The Custom authorities have charged redemption fine of Rs. 83 million on clearance of imported raw material consignment. The Company has filed an appeal before the High Court of Sindh, which has set aside the examination report and subsequent order produced by Custom authorities and ordered the department to re-examine the matter afresh. However, the Custom authorities have filed an application for leave to appeal against the order of High Court of Sindh. Based on legal advise the management expect chances of admission of such appeal rare.
- 21.1.4 The Company has reversed the provision for the levy of infrastructure fee amounting to Rs. 106.721 million in 2009 on the basis of decision of the Honourable High Court of Sindh which declared the levy of infrastructure cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Honourable Supreme Court of Pakistan against such order. During the year the Honourable Supreme Court of Pakistan has disposed off the appeal with a joint statement of the parties that during the pendency of the appeal, another law i.e. fifth version came into existence which was not the subject matter of in the appeal hence the case was referred back to High Court of Sindh with right to appeal to Supreme Court. On 31 May 2011, the High Court of Sindh has granted an interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignment released upto 27 December 2006 and any bank guarantee / security furnished for consignment released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of fifth version of the law and its retrospective application the authorities are entitled to claim the amounts due under the said law with the right to appeal available to petitioner. Bank guarantees amounting to Rs. 115 million have been provided to the department.

21.2 Commitments

- 21.2.1 Capital expenditures commitments outstanding as at 30 June 2011 amounted to Rs. 54.900 million (2010: Rs. 996.501 million).
- 21.2.2 Commitments under letters of credit for raw materials and spares as at 30 June 2011 amounted to Rs. 2,008.614 million (2010: Rs. 2,367.029 million).
- 21.2.3 Commitments under purchase contract as at 30 June 2011 amounted to Rs. 14.530 million (2010: Rs.32.254 million)
- 21.2.4 The unavailed facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 5,708.486 million (2010: Rs. 4,227.120 million) and Rs. 342.210 million (2010: Rs. 273.054 million) respectively

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for the year ended 30 June 2011

22. NET SALES	Note	2011	2010
		(Rupees in '000)	
Local		13,200,690	11,931,505
Export		5,138,868	3,626,785
		18,339,558	15,558,290
Sales tax and special excise duty		(2,066,067)	(1,690,894)
Trade discount		(129,715)	(127,521)
Sales discount and commission		(293,021)	(268,092)
		(2,488,803)	(2,086,507)
		15,850,755	13,471,783
23. COST OF SALES			
Opening stock of raw material and work-in-process		3,157,047	1,172,486
Purchases		13,791,517	13,747,603
Salaries, wages and benefits		409,527	360,517
Rent, rates and taxes		1,133	702
Electricity, gas and water		209,653	196,210
Insurance		11,559	9,019
Security and janitorial		11,280	11,464
Depreciation and amortisation	4.4 & 5.2	175,045	168,134
Stores and spares consumed		57,734	66,778
Stores and spares obsolescence		9	-
Repairs and maintenance		103,999	87,722
Postage, telephone and stationery		12,467	9,647
Vehicle, travel and conveyance		9,530	6,017
Internal material handling		14,728	8,464
Environment controlling expense		1,098	2,484
Sundries		2,624	2,399
(Reversal) / write down of inventory to net realisable value		-	(14,766)
Recovery of scrap		(619,259)	(518,250)
		17,349,691	15,316,630
Closing stock of raw material and work-in-process		(3,251,729)	(3,157,047)
Cost of goods manufactured		14,097,962	12,159,583
Finished goods and By-product:			
Opening stock		1,436,653	526,744
Closing stock		(1,495,865)	(1,436,653)
		(59,212)	(909,909)
		14,038,750	11,249,674

24. SELLING AND DISTRIBUTION EXPENSES

Note	2011	2010
	(Rupees in '000)	
	303,678	269,653
	50,065	51,876
	155	304
	3,205	2,878
	766	1,079
4.4 & 5.2	6,599	4,452
	708	955
	18,733	7,608
	4,829	5,329
	70	55
	10,761	8,230
9.2	15,212	27,720
	102	
	2,584	2,074
	1,531	1,806
	<u>418,998</u>	<u>384,019</u>

25. ADMINISTRATIVE EXPENSES

	150,698	85,425
	135	114
	2,484	3,288
	413	734
4.4 & 5.2	10,352	11,274
	1,245	1,846
	7,537	7,274
	104	1,014
	6,073	3,434
	8,269	11,855
	3,654	764
	6,615	7,868
	<u>197,579</u>	<u>134,890</u>

26. FINANCIAL CHARGES

Mark-up on:		
- long term financing	214,944	121,217
- short term borrowings	353,014	121,060
Interest on workers' profit participation fund	164	40
Bank charges	10,768	14,773
	<u>578,890</u>	<u>257,090</u>

Notes to the Financial Statements

for the year ended 30 June 2011

27. OTHER OPERATING CHARGES

	Note	2011	2010
(Rupees in '000)			
Auditors' remuneration	27.1	2,654	1,746
Donations	27.2	24,777	25,170
Workers' profit participation fund	19.1	68,250	73,000
Project development expenses		16,145	-
Divestment cost of shares in subsidiary	6.1	52,599	-
Exchange loss - net		27,965	98,076
Workers' welfare fund		27,300	29,300
		<u>219,690</u>	<u>227,292</u>

27.1 Auditors' remuneration

Audit fee	925	825
Half yearly review	240	215
Other services (including hive down and certifications)	1,367	625
Out of pocket expenses	122	81
	<u>2,654</u>	<u>1,746</u>

27.2 Donations

Donations include the following in which a director is interested.

	Interest in donee	Name and Address of the Donee	Amount Donated	
			2011	2010
(Rupees in '000)				
Mr. Riaz Chinoy	Chairman	Amir Sultan Chinoy Foundation	2,000	6,250
Mr. Fuad Azim Hashimi	Member BOG	Indus Valley School of Arts & Architecture	1,000	-
Mr. Towfiq H. Chinoy and Mr. Zaffar A.Khan	MD & CEO Director	Pakistan Centre for Philanthropy	-	825

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

28. OTHER OPERATING INCOME

Note	2011	2010
		Restated
	(Rupees in '000)	
Income / return on financial assets		
Interest on bank deposits	1,675	20,745
Income from non-financial assets		
Income from power generation-18MW	28.1 25,383	29,186
Income from power generation- 4MW	28.1.1 26,561	27,105
Late payment surcharge	28.1.2 88,035	7,614
Rental income	5,857	788
Dividend income from an associate	2,909	-
Gain on sale of property, plant and equipment	4.6 2,749	4,752
Gain on divestment of shares in subsidiary	6.1 706,266	-
Others	12,830	30,313
	872,265	120,503
28.1 Income from power generation		
Net sales	123,329	587,608
Cost of electricity produced:		
Salaries, wages and benefits	(1,431)	(9,711)
Electricity, gas and water	(71,435)	(386,387)
Insurance	(288)	(771)
Depreciation	4.4 (4,104)	(47,097)
Stores and spares consumed	(6,105)	(32,717)
Repairs and maintenance	(5,657)	(15,183)
Postage, telephone and stationery	(62)	(288)
Vehicle, travel and conveyance	(27)	(152)
Sundries	(33)	(67)
	(89,142)	(492,373)
Financial charges	(8,804)	(66,049)
Income from power generation	25,383	29,186

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

28.1.2 This represents amount charged to KESC as per the agreement for delay in payment on account of sale of electricity and amount charged to International Steels Limited on transfer of inventory.

28.1.3 On 23 August 2010, 18 MW plant was transferred to International Steels Limited, a subsidiary company, as a result of hive down process.

Notes to the Financial Statements

for the year ended 30 June 2011

29. TAXATION	Note	2011	2010
		(Rupees in '000)	
Current			(Restated)
- for the year		195,564	373,729
- for prior years		(1,812)	-
	13	193,752	373,729
Deferred		45,248	(41,204)
		<u>239,000</u>	<u>332,525</u>

29.1 Relationship between income tax expense and accounting profit

	2011	2010	2011	2010
	(Effective tax rate)		(Rupees in '000)	
Profit before taxation			1,269,113	1,339,321
Tax at the enacted tax rate of 35% (2010: 35%)	35.00	35.00	444,190	468,762
Tax effect of income subject to lower tax	(15.46)	-	(196,192)	-
Tax effect of rebate	(2.15)	-	(27,243)	-
Tax effect of permanent differences	2.68	0.58	34,042	7,896
Effect of higher tax as surcharge	1.83	-	23,219	-
Tax effect on exports under final tax regime	(5.08)	(10.54)	(64,462)	(143,268)
Tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes	2.12	(0.57)	26,845	(1,264)
Effect of change in prior years' tax	(0.14)	-	(1,812)	-
Others	0.03	0.03	413	399
	<u>18.83</u>	<u>24.50</u>	<u>239,000</u>	<u>332,525</u>

29.2 Income tax assessments of the Company have been finalised upto and including tax year 2010 on the basis of tax return filed under section 120 of Income Tax Ordinance 2001. However, the return may be selected for detailed audit within five years from the date of filing of return and the Income Tax Commissioner may amend the assessment if any objection is raised in audit.

	Note	2011	2010
30. EARNINGS PER SHARE - BASIC AND DILUTED			
		(Rupees in '000)	
Profit after taxation for the year		1,030,113	1,006,796
		(Number)	
Weighted average number of ordinary shares in issue during the year	15	119,892,619	119,892,619
		(Rupees)	
Earnings per share		8.59	8.40
31. MOVEMENT IN WORKING CAPITAL			
		(Rupees in '000)	
Decrease / (increase) in current assets:			
Stores and spares		(17,946)	147
Stock-in-trade		144,385	(3,885,439)
Trade debts		(349,098)	(522,842)
Loans and advances		(645,391)	(36,727)
Trade deposits and short term prepayments		(2,300)	(3,306)
Other receivables		(380,318)	(324,144)
		(1,250,668)	(4,772,311)
Increase / (decrease) in current liabilities:			
Trade and other payables		1,614,460	(42,081)
		363,792	(4,814,392)

32. STAFF RETIREMENT BENEFITS

32.1 Provident fund

Salaries, wages and benefits include Rs. 9.656 million (2010: Rs. 9.143 million) in respect of provident fund contribution.

32.2 Gratuity fund

Principal actuarial assumptions used in the actuarial valuation of the scheme carried out under Projected Unit Credit Method as at 30 June 2011 are as follows:

- Discount rate at 14% per annum (2010: 12% per annum).
- Expected rate of return on plan assets at 14% per annum (2010: 12% per annum).
- Expected rate of increase in salary level at 13% per annum (2010: 11% per annum).

The amount recognised in the balance sheet is as follows:

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for the year ended 30 June 2011

	2011	2010
	(Rupees in '000)	
Present value of defined benefit obligation	169,128	162,100
Fair value of plan assets	(155,973)	(133,568)
	13,155	28,532
Unrecognised actuarial loss	(13,155)	(28,532)
Liability as at 30 June	-	-
Movement in the present value of defined benefit obligation		
Obligation as at 1 July	162,100	124,326
Current service cost	19,101	12,645
Interest cost	19,253	14,919
Actuarial (gains) / losses	(14,393)	14,545
Benefits paid	(6,004)	(4,335)
Transferred to International Steels Limited on hive down (refer note 6.1)	(10,929)	-
Obligation as at 30 June	169,128	162,100
Movement in the fair value of plan assets		
Fair value as at 1 July	133,568	109,108
Expected return on plan assets	15,237	13,093
Net actuarial (losses) / gains	(2,942)	977
Benefits paid	(6,004)	(4,335)
Contribution to the fund	24,701	14,725
Transferred to International Steels Limited on hive down (refer note 6.1)	(8,587)	-
Fair value as at 30 June	155,973	133,568
Movement in (assets) / liabilities		
Balance as at 1 July	-	-
Expense recognised	24,701	14,725
Payments during the year	(24,701)	(14,725)
Liability as at 30 June	-	-
The amount recognised in the profit and loss account is as follows:		
Current service cost	19,101	12,645
Interest cost	19,253	14,919
Expected return on plan assets	(15,237)	(13,093)
Net actuarial losses recognised in the year	1,584	254
	24,701	14,725

	2011	2010
	(Percent)	
Major categories / composition of plan assets are as follows:		
Equity	48%	47%
Debt instruments	48%	49%
Others	4%	4%
	(Rupees in '000)	
Return on plan assets is are as follows:		
Expected return on plan assets	15,237	13,093
Net actuarial (loss) / gain on plan assets	(2,942)	977
	12,295	14,070

Historical information	2011	2010	2009	2008	2007
	(Rupees in '000)				
Present value of defined benefit obligation	169,128	162,100	124,326	106,051	79,317
Fair value of plan assets	(155,973)	(133,568)	(109,108)	(108,001)	(88,355)
Deficit / (surplus)	13,155	28,532	15,218	(1,950)	(9,038)
Unrecognised actuarial (loss) / gains	(13,155)	(28,532)	(15,218)	2,743	9,038
Liability in balance sheet	-	-	-	793	-
Experience adjustments on plan liabilities (gains) / losses	(14,393)	14,545	1,601	14,986	234
Experience adjustments on plan assets gains / (losses)	(2,942)	977	(16,360)	8,709	5,717

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	(Rupees in '000)							
Managerial remuneration	23,333	19,544	9,487	14,216	60,450	73,813	93,270	107,573
Retirement benefits	-	-	2,080	1,270	12,649	10,093	14,729	11,363
Ex-gratia	40,104	-	-	-	-	-	40,104	-
Rent, utilities, leave encashment etc.	18,181	15,635	7,906	11,847	49,995	60,390	76,082	87,872
	81,618	35,179	19,473	27,333	123,094	144,296	224,185	206,808
Number of persons	1	1	1	2	46	63	48	66

Notes to the Financial Statements

for the year ended 30 June 2011

- 33.1 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. During the year ended June 30, 2011 a provision of Rs. 40.104 million (2010 : nil) has been made on account of ex-gratia to CEO of the Company as a retirement benefit.
- 33.2 Fee paid to non-executive directors is Rs. 1.900 million (2010: Rs. 1.520 million).

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

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

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

34.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk

Credit risk arises when changes in economic or industry factors similarly affects Company's of counter parties whose aggregate credit exposure is significant in relation the Company's total credit exposure. Credit risk of the Company arises principally from the trade debts, advances, trade deposits, other receivables and balances with banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2011	2010
	(Rupees in '000)	
Trade debts	1,924,517	1,579,112
Advances	969	4,863
Trade deposits	9,134	18,351
Other receivables	18,534	256,282
Bank balances	12,806	21,568
	<u>1,965,960</u>	<u>1,880,176</u>
Analysis of trade debtors and receivable from KESC from local and foreign customers are as follows:		
Domestic	1,365,433	1,601,740
Export	575,585	232,249
	<u>1,941,018</u>	<u>1,833,989</u>

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

Impairment losses

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

	2011		2010	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Not past due	354,253	-	1,317,474	-
Past due 1-60 days	1,320,408	-	328,722	-
Past due 61 days -1 year	266,682	325	187,098	-
More than one year	36,808	36,808	34,135	33,440
Total	<u>1,978,151</u>	<u>37,133</u>	<u>1,867,429</u>	<u>33,440</u>

Based on assessment conducted of individual customers, the management believes that receivable falling within the age bracket of upto one year does not require any impairment provision other than to the extent determined above.

Bank balances are held only with reputable banks with high quality credit ratings.

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for the year ended 30 June 2011

34.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2011						
	"Carrying amount"	On demand	"Contractual cash flows"	"Six months or less"	"Six to twelve months"	"Two to five years"	"More than five years"
	(Rupees in '000)						
Non-derivative financial liabilities							
Long term financing	475,000	-	(564,432)	(154,462)	(145,596)	(264,374)	-
Trade and other payables	917,428	-	(917,428)	(917,428)	-	-	-
Accrued markup	157,383	-	(157,383)	(157,383)	-	-	-
Short-term borrowings	6,838,920	(6,838,920)	(6,838,920)	-	-	-	-
	<u>8,388,731</u>	<u>(6,838,920)</u>	<u>(8,478,163)</u>	<u>(1,229,273)</u>	<u>(145,596)</u>	<u>(264,374)</u>	<u>-</u>

	2010						
	"Carrying amount"	On demand	"Contractual cash flows"	"Six months or less"	"Six to twelve months"	"Two to five years"	"More than five years"
	(Rupees in '000)						
Non-derivative financial liabilities							
Long term financing	5,713,229	-	(7,989,613)	(443,461)	(1,121,648)	(2,395,722)	(4,028,782)
Trade and other payables	769,067	-	(769,067)	(769,067)	-	-	-
Accrued markup	223,879	-	(223,879)	(223,879)	-	-	-
Short-term borrowings	7,115,764	(7,115,764)	(7,115,764)	-	-	-	-
	<u>13,821,939</u>	<u>(7,115,764)</u>	<u>(16,098,323)</u>	<u>(1,436,407)</u>	<u>(1,121,648)</u>	<u>(2,395,722)</u>	<u>(4,028,782)</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June. The rate of mark-up have been disclosed in note 17.1 and 20 to these financial statements.

34.3 Market risk

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

Currency risk

Exposure to currency risk

The Company is exposed to currency risk on trade debts, borrowings and sales that are denominated in a currency other than the respective functional currency of the Company, primarily U.S. Dollar. The Company's exposure to foreign currency risk is as follows:

	2011		2010	
	Rupees	US Dollars	Rupees	US Dollars
	in '000			
Trade debts	575,585	6,705	232,249	2,720
Short term borrowings as FE 25 import / export loans	(4,307,904)	(50,063)	(5,086,149)	(59,418)
Accrued mark-up on FE 25 import / export loans	(24,419)	(284)	(20,607)	(241)
Balance sheet exposure	(3,756,738)	(43,642)	(4,874,507)	(56,939)

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2011	2010	2011	2010
US Dollars to PKR	85	83	85.85 / 86.05	85.40 / 85.60

Sensitivity analysis

A 10 percent strengthening of the Rupee against US Dollar at 30 June would have increased / (decreased) profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

	Profit and loss	
	2011	2010
	(Rupees in '000)	
As at 30 June		
Effect in US Dollars-gain (net of tax)	244,101	316,808

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

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from bank. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instrument is:

	Carrying amount	
	2011	2010
	(Rupees in '000)	
Fixed rate instruments		
Financial liabilities	(1,790,000)	(1,545,000)
	(1,790,000)	(1,545,000)
Variable rate instruments		
Financial liabilities	(5,523,920)	(11,283,993)

Notes to the Financial Statements

for the year ended 30 June 2011

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by Rs. 55.176 million (2010: Rs. 112.840 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

34.4 Fair value of financial assets and liabilities

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

35. CAPITAL MANAGEMENT

The objective of the Company when managing capital i.e., its shareholders' equity and surplus on revaluation on property, plant and equipment, 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. As at 30 June 2011, the shareholders' equity amounts to Rs 5,271.489 million (30 June 2010: Rs 4,670.991 million).

36. TRANSACTIONS WITH RELATED PARTIES

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

Note	2011	2010
(Rupees in '000)		
Subsidiary		
Transfer of inventory at cost	1,373,535	-
Sales	564,868	-
Purchases	2,984,373	-
Sale proceeds from disposal of vehicle	951	-
Late payment surcharge	79,944	-
Electrical power consultancy	9,750	-
Purchase of land	27,332	-
Service charges	1,182	-
Rental Income	5,658	-

Note	2011	2010
(Rupees in '000)		
Associated companies		
Sales	471,019	405
Purchases	145,003	102,974
Insurance premium expense	56,338	50,053
Insurance claims received	3,059	3,629
Investments in an associated company	27,080	105,902
Donations	3,000	7,075
Dividend paid	13,820	9,515
Payable to related parties	15,512	3,552
Receivable from related parties	134,256	953
Others	426	1,666
Key management personnel		
Remuneration	132,543	138,353
Staff retirement benefits	8,542	6,431
Sale proceed from disposal of vehicle	675	3,423
Non executive directors		
Director's fee	1,900	1,520
Staff retirement fund		
Contribution paid	34,357	23,793

37. PRODUCTION CAPACITY

The production capacity at the year end was as follows:

	2011	2010
(Metric tonnes)		
Pipe	312,000	312,000
Galvanising	150,000	150,000
Cold rolled steel strip	70,000	50,000
Polyethylene pipe	10,000	8,000
The actual production for the year was:		
Pipe	169,799	182,144
Galvanising	76,817	92,366
Cold rolled steel strip	50,278	36,768
Polyethylene pipe	5,840	5,181

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

Notes to the Financial Statements

for the year ended 30 June 2011

38. SEGMENT REPORTING

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

38.1 Segment revenue and results

	Steel Segment	Plastic Segment	Total
For the year ended 30 June 2011			
(Rupees in '000)			
Sales	14,830,874	1,019,881	15,850,755
Cost of sales	(13,113,795)	(924,955)	(14,038,750)
Gross profit	1,717,079	94,926	1,812,005
For the year ended 30 June 2010			
Sales	12,766,167	705,616	13,471,783
Cost of sales	(10,620,970)	(628,704)	(11,249,674)
Gross profit	2,145,197	76,912	2,222,109

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

	2011	2010
(Rupees in '000)		
Total results for reportable segments	1,812,005	2,222,109
Selling, distribution and administrative expenses	(616,577)	(518,909)
Financial charges	(578,890)	(257,090)
Other operating expenses	(219,690)	(227,292)
Other operating income	872,265	120,503
Taxation	(239,000)	(332,525)
Profit for the year	1,030,113	1,006,796

38.2 Segment assets and liabilities

	Steel Segment	Plastic Segment	Total
As at 30 June 2011			
(Rupees in '000)			
Segment assets	8,493,890	862,418	9,356,308
Segment liabilities	46,105	-	46,105
As at 30 June 2010			
Segment assets	16,823,796	774,624	17,598,420
Segment liabilities	45,450	-	45,450

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

	2011	2010
(Rupees in '000)		
Total for reportable segments assets	9,356,308	17,598,420
Unallocated assets	4,554,474	1,139,798
Total assets as per balance sheet	13,910,782	18,738,218
Total for reportable segments liabilities	46,105	45,450
Unallocated liabilities	8,593,188	14,021,777
Total liabilities as per balance sheet	8,639,293	14,067,227

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

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

38.5 Revenue from major products

The analysis of the Company's revenue from external customers for its products is given in 22 to these financial statements.

38.6 Information about major customers

Revenue from major customer of Plastic Segment is Rs. 625.613 million (2010: Rs. 396.454 million), where as in Steel Segment there is no major customer whose revenue accounts for more than 10% of Steel Segment's revenue.

38.7 Geographical information

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

	2011	2010
	(Rupees in '000)	
Domestic sales	13,200,690	11,931,505
Export sales	5,138,868	3,626,785
	<u>18,339,558</u>	<u>15,558,290</u>

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

39. NON - ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors in its meeting held on 11 August 2011 has proposed a final cash dividend of Rs.3.50 per share amounting to Rs. 419.624 million (2010: Rs. 2.50 per share final cash dividend amounting to Rs. 249.776 million and 20% bonus shares amounting to Rs. 199.821 million) for approval of the members at the Annual General Meeting to be held on 15 September 2011. Further the Board of Directors has approved transfer from general reserves amounting to Rs. 328.786 million (2010: transfer to general reserve Rs. 400 million). The financial statements for the year ended 30 June 2011 do not include the effect of the proposed cash dividends and transfer to general reserves which, will be accounted for subsequent to the year end.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the meeting of Board of Directors held on 11 August 2011.


Fuad Azim Hashimi
Director & Chairman
Board Audit Committee


Asad A. Siddiqui
Chief Financial Officer


Towfiq H. Chinoy
Managing Director
& Chief Executive



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Consolidated Key Operating Highlights

Rs. Million

	2011	2010	2009	2008	2007	2006	2005	2004
FINANCIAL POSITION								
Balance sheet								
Property, plant and equipment	11,467	9,905	5,997	4,172	2,737	1,837	1,658	1,417
Other non current assets	41	18	24	15	9	9	10	3
Current assets	14,056	8,709	5,158	6,439	5,854	3,401	3,272	2,824
Investment in equity accounted investee	164	126	-	-	-	-	-	-
Total assets	25,728	18,758	11,179	10,626	8,600	5,247	4,940	4,244
Share capital	1,199	999	999	833	569	428	428	163
Reserves	2,627	2,324	1,661	1,565	1,257	1,043	741	617
Non-controlling interest	1,859	-	-	-	-	-	-	-
Total equity	5,685	3,324	2,660	2,398	1,827	1,471	1,169	780
Surplus on revaluation of fixed assets	1,362	1,367	1,379	1,391	515	529	543	559
Non current liabilities	4,838	5,359	2,302	1,416	1,251	436	473	366
Current liabilities	13,843	8,709	4,838	5,421	5,007	2,812	2,754	2,539
Total liabilities	18,680	14,068	7,140	6,837	6,258	3,248	3,228	2,905
Total equity & liabilities	25,728	18,758	11,179	10,626	8,600	5,247	4,940	4,244
Net current assets	214	1	320	1,018	847	589	517	285
OPERATING AND FINANCIAL TRENDS								
Profit and Loss								
Net turnover	15,992	13,472	12,319	12,068	9,700	7,674	7,102	4,293
Gross profit	2,162	2,222	1,167	1,787	1,423	1,241	869	790
EBITDA	1,830	1,850	1,234	1,580	1,334	1,082	753	686
Operating profit	1,441	1,703	723	1,362	1,062	903	619	608
Profit before taxation	580	1,359	469	904	807	726	503	524
Profit after taxation	316	1,026	375	705	613	534	373	393
Profit attributable to owners of the Holding Company	282	1,026	375	705	613	534	373	393
Profit attributable to Non-controlling interest	34	-	-	-	-	-	-	-
Cash dividend	600	400	225	201	213	214	160	163
Bonus share	-	200	-	242	188	141	224	41
Capital expenditure (addition during the year)	1,934	4,147	2,055	757	1,099	360	400	172
Cash Flows								
Operating activities	(4,033)	(3,490)	2,945	(597)	(590)	1,072	144	(528)
Investing activities	37	(4,222)	(2,039)	727	(2,339)	(303)	(393)	(156)
Financial activities	(532)	2,916	737	141	574	(275)	(67)	(203)
Cash & cash equivalents at the end of the year	(11,622)	(7,094)	(2,298)	(3,941)	(4,212)	(1,858)	(2,352)	(2,035)

KEY INDICATORS

Profitability Ratios

	2011	2010	2009	2008	2007	2006	2005	2004	
Gross profit ratio	%	13.5	16.5	9.5	14.8	14.7	16.2	12.2	18.4
Net profit to Sales	%	2.0	7.6	3.0	5.8	6.3	7.0	5.3	9.2
EBITDA Margin to Sales	%	11.4	13.7	10.0	13.1	13.8	14.1	10.6	16.0
Operating Leverage	%	(0.1)	5.3	(10.5)	0.8	0.9	5.4	0.1	1.3
Return on Shareholders' Equity with Surplus on revaluation of fixed assets	%	6.1	21.9	9.3	18.6	26.2	26.7	21.8	29.4
Return on Shareholders' Equity without Surplus on revaluation of fixed assets	%	8.3	30.9	14.1	29.4	33.6	36.3	31.9	50.4
Return on Capital Employed	%	12.1	16.9	11.4	26.2	29.5	37.1	28.3	35.7
Return on Total Assets	%	1.2	5.5	3.4	6.6	7.1	10.2	7.6	9.3

Rs. Million

		2011	2010	2009	2008	2007	2006	2005	2004
Liquidity Ratios									
Current ratio	(x)	1.02	1.00	1.07	1.19	1.17	1.21	1.19	1.11
Quick / Acid test ratio	(x)	0.40	0.30	0.61	0.34	0.51	0.49	0.25	0.28
Cash to Current Liabilities	(x)	(0.29)	(0.40)	0.61	(0.11)	(0.12)	0.38	0.05	(0.21)
Cash flow from Operations to Sales	%	(25.2)	(25.9)	23.9	(5.0)	(6.1)	14.0	2.0	(12.3)
Activity / Turnover Ratios									
Inventory turnover ratio	times	1.6	1.8	5.0	2.2	2.5	3.2	2.4	1.7
Inventory turnover in days	days	226	198	73	163	146	115	151	221
Debtor turnover ratio	times	10.0	9.9	13.1	9.8	12.1	14.6	15.8	11.5
Debtor turnover in days	days	36	37	28	37	30	25	23	32
Creditor turnover ratio	times	11.8	13.8	10.0	9.8	15.9	15.9	23.0	25.8
Creditor turnover in days	days	31	26	37	37	23	23	16	14
Total assets turnover ratio	times	0.6	0.7	1.1	1.1	1.1	1.5	1.4	1.0
Fixed assets turnover ratio	times	1.4	1.4	2.0	2.9	3.5	4.2	4.3	3.0
Operating cycle in days	days	263	235	101	201	176	140	174	253
Capital employed turnover ratio	times	1.3	1.3	1.9	2.3	2.7	3.2	3.2	2.5
Investment / Market Ratios									
Earnings per share - basic and diluted	Rs.	2.35	8.4	3.8	7.1	7.4	9.4	8.7	9.2
Price earning ratio	times	18.80	6.7	12.3	17.1	20.1	12.6	12.0	17.7
Dividend Yield ratio	%	10.10	10.7	4.9	4.6	4.8	7.0	14.0	7.7
Dividend Payout ratio	%	189.99	58.4	60.0	62.8	65.5	66.6	103.1	51.8
Dividend per share - Cash	Rs.	5.00	4.00	2.25	2.50	3.75	5.00	3.75	10.00
Bonus shares	Rs.	-	2.00	-	3.00	3.30	3.30	11.00	2.50
Dividend Cover	times	0.53	2.10	1.67	2.82	1.96	1.88	2.32	0.92
Market value per share at the end of the year	Rs.	50	56	46	121	148	118	105	163
Market value per share high during the year	Rs.	71	72	57	173	168	177	380	235
Market value per share low during the year	Rs.	44	46	44	107	98	88	99	99
Break-up value per share with surplus on revaluation of fixed assets	Rs.	43.3	46.9	40.4	45.5	41.2	46.7	40.0	82.1
Break-up value per share without surplus on revaluation of fixed assets	Rs.	31.9	33.3	26.6	28.8	32.1	34.4	27.3	47.9
Capital Structure Ratios									
Financial leverage ratio	(x)	3.3	4.2	2.7	2.9	3.4	2.2	2.8	3.7
Weight avg: cost of debts	%	5.8	2.6	9.1	8.0	7.9	6.3	3.7	2.1
Total Debt : Equity ratio	(x)	77:23	75:25	64:36	64:36	73:27	62:38	65:35	68:32
Interest cover	times	1.6	6.6	1.4	3.0	3.2	5.0	5.9	11.7
Value Addition									
Employees as remuneration	Rs. in million	748	472	374	350	293	254	216	178
Government as taxes	Rs. in million	4,444	2,900	2,110	1,940	1,775	1,526	1,376	1,222
Shareholders as dividends	Rs. in million	600	600	225	443	401	355	385	204
Retained within the business	Rs. in million	328	427	163	275	225	193	4	189
Financial charges to providers of finance	Rs. in million	882	257	535	450	332	180	105	52

Consolidated Vertical Analysis

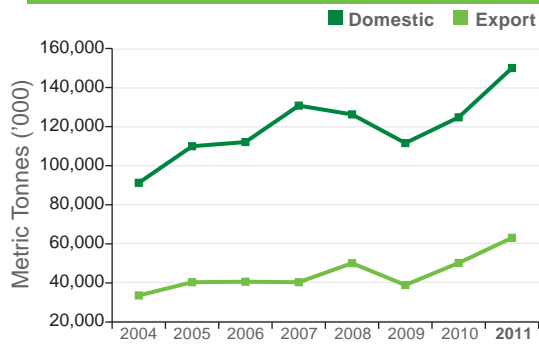
	2011	%	2010	%	2009	%	2008	%	2007	%	2006	%
OPERATING RESULTS												
Sales - Net	15,992	100	13,472	100.0	12,319	100.0	12,068	100.0	9,700	100.0	7,674	100.0
Cost of sales	13,830	86.5	11,250	83.5	11,152	90.5	10,280	85.2	8,277	85.3	6,433	83.8
Gross profit	2,162	13.5	2,222	16.5	1,167	9.5	1,787	14.8	1,423	14.7	1,241	16.2
Administrative, Selling and Distribution expenses	722	4.5	519	3.9	427	3.5	410	3.4	346	3.6	338	4.4
Other operating expenses	192	1.2	227	1.7	6	0.05	208	1.7	67	0.7	-	-
Share of profit in equity accounted investee	2	0.01	5	0.04	-	-	-	-	-	-	-	-
Other operating income	212	1.3	135	1.0	267	2.2	185	1.5	129	1.3	3	0.04
Operating Profit before finance costs	1,463	9.1	1,616	12.0	1,001	8.1	1,354	11.2	1,139	11.7	906	11.8
Finance costs	882	5.5	257	1.9	535	4.3	450	3.7	332	3.4	180	2.3
Profit before taxation	580	3.6	1,359	10.1	466	3.8	904	7.5	807	8.3	726	9.5
Taxation	265	1.7	333	2.5	94	0.8	199	1.6	194	2.0	192	2.5
Net income	316	2.0	1,026	7.6	372	3.0	705	5.8	613	6.3	534	7.0
BALANCE SHEET												
Property, plant and equipment	11,467	44.6	9,905	52.8	5,987	53.6	4,172	39.3	2,737	31.8	1,837	35.0
Investments	164	0.6	126	0.7	-	-	-	-	-	-	-	-
Other non current assets	41	0.2	18	0.1	24	0.2	15	0.1	9	0.1	9	0.2
Current assets	14,056	54.6	8,709	46.4	5,168	46.2	6,439	60.6	5,854	68.1	3,401	64.8
Total assets	25,728	100	18,758	100	11,179	100	10,626	100	8,600	100	5,247	100
Shareholders' equity	5,685	22.1	3,323	17.7	2,660	23.8	2,398	22.6	1,827	21.2	1,471	28.0
Capital Reserves	1,362	5.3	1,367	7.3	1,379	12.3	1,391	13.1	515	6.0	529	10.1
Non current liabilities	4,838	18.8	5,359	28.6	2,302	20.6	1,416	13.3	1,251	14.5	436	8.3
Current portion of long term financing	501	1.9	600	3.2	408	3.6	421	4.0	213	2.5	156	3.0
Short term borrowings	11,897	46.2	7,116	37.9	3,533	31.6	3,969	37.4	4,216	49.0	2,286	43.6
Other current liabilities	1,445	5.6	992	5.3	896	8.0	1,032	9.7	579	6.7	369	7.0
Total equity and liabilities	25,728	100	18,758	100	11,179	100	10,626	100	8,600	100	5,247	100
CASH FLOWS												
Net cash generated from/(used in) operating activities	(4,033)	89.1	(3,490)	72.8	2,945	179.2	(597)	(220.3)	(590)	25.1	1,072	216.6
Net cash inflows/(outflows) from investing activities	37	(0.8)	(4,222)	88.0	(2,039)	(124.1)	727	268.3	(2,339)	99.4	(303)	(61.2)
Net cash (outflows)/inflows from financing activities	(532)	11.7	2,916	(60.8)	737	44.9	141	52.0	574	(24.4)	(275)	(55.6)
Net increase/(decrease) in cash and cash equivalents	(4,528)	100	(4,797)	100	1,643	100	271	100	(2,354)	100	495	100

Consolidated Horizontal Analysis

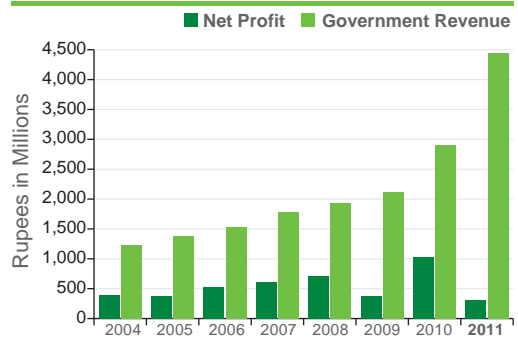
	2011	%	2010	%	2009	%	2008	%	2007	%	2006	%
OPERATING RESULTS												
Sales - Net	15,992	18.7	13,472	9.4	12,319	2.1	12,068	24.4	9,700	26.4	7,674	8.1
Cost of sales	13,830	22.9	11,250	0.9	11,152	8.5	10,280	24.2	8,277	28.7	6,433	3.2
Gross profit	2,162	(2.7)	2,222	90.4	1,167	(34.7)	1,787	25.6	1,423	14.7	1,241	42.8
Administrative, Selling and Distribution expenses	722	39.1	519	21.5	427	4.1	410	18.5	346	2.4	338	35.1
Other operating expenses	192	(15.6)	227	3683.3	6	(97.1)	208	210.4	67	100.0	-	(100.0)
Share of profit in equity accounted investee	2	(59.0)	5	100.0	-	-	-	-	-	-	-	-
Other operating income	212	56.7	135	(49.4)	267	44.3	185	43.4	129	4200.0	3	100.0
Operating profit before finance costs	1,463	(9.5)	1,616	61.4	1,001	(26.1)	1,354	18.9	1,139	25.8	906	49.0
Finance costs	882	243.3	257	(52.0)	535	18.9	450	35.5	332	84.4	180	71.4
Profit before taxation	580	(57.3)	1,359	191.5	466	(48.5)	904	12.1	807	11.2	726	44.3
Taxation	265	(20.5)	333	254.3	94	(52.8)	199	2.6	194	1.0	192	47.7
Net income	316	(69.2)	1,026	175.6	372	(47.2)	705	15.1	613	14.9	534	43.1
BALANCE SHEET												
Property, plant and equipment	11,467	15.8	9,905	65.4	5,987	43.5	4,172	52.4	2,737	49.0	1,837	10.8
Investments	164	30.2	126	100.0	-	-	-	-	-	-	-	-
Other non current assets	41	127.8	18	(25.0)	24	60.0	15	66.7	9	-	9	(10.0)
Current assets	14,056	61.4	8,709	68.5	5,168	(19.7)	6,439	10.0	5,854	72.1	3,401	3.9
Total assets	25,728	37.2	18,758	67.8	11,179	5.2	10,626	23.6	8,600	63.9	5,247	6.2
Shareholders' equity	5,685	71.1	3,323	24.9	2,660	10.9	2,398	31.3	1,827	24.2	1,471	25.8
Capital Reserves	1,362	(0.4)	1,367	(0.8)	1,379	(0.9)	1,391	170.1	515	(2.6)	529	(2.6)
Non current liabilities	4,838	(9.7)	5,359	132.8	2,302	62.6	1,416	13.1	1,251	186.9	436	(7.8)
Current portion of long term financing	501	(16.5)	600	47.1	408	(3.1)	421	97.7	213	36.5	156	24.8
Short term borrowings	11,897	67.2	7,116	101.4	3,533	(11.0)	3,969	(5.8)	4,216	84.4	2,286	(2.9)
Other current liabilities	1,445	45.7	992	10.7	896	(13.1)	1,032	78.3	579	56.8	369	33.7
Total equity and liabilities	25,728	37.2	18,758	67.8	11,179	5.2	10,626	23.6	8,600	63.9	5,247	6.2
CASH FLOWS												
Net cash generated from/(used in) operating activities	(4,033)	15.6	(3,490)	(218.5)	2,945	(593.3)	(597)	1.2	(590)	(155.0)	1,072	644.4
Net cash inflows/(outflows) from investing activities	37	(100.9)	(4,222)	107.1	(2,039)	(380.5)	727	(131.1)	(2,339)	671.9	(303)	(22.9)
Net cash (outflows)/inflows from financing activities	(532)	(118.2)	2,916	295.7	737	422.7	141	(75.4)	574	(308.7)	(275)	310.4
Net increase/(decrease) in cash and cash equivalents	(4,528)	(5.6)	(4,797)	(392.0)	1,643	506.3	271	(111.5)	(2,354)	(575.6)	495	(256.2)

Consolidated Key Operating Highlights

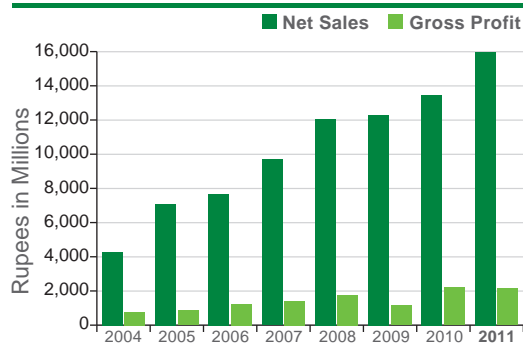
Sales Break Up



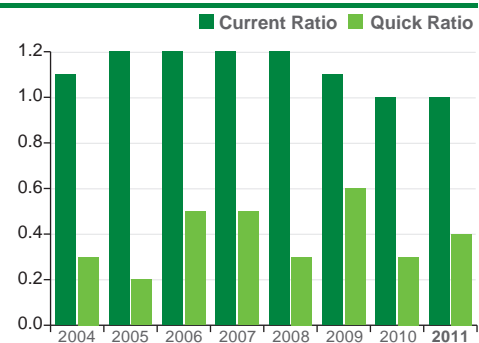
Net Profit and Government Revenues



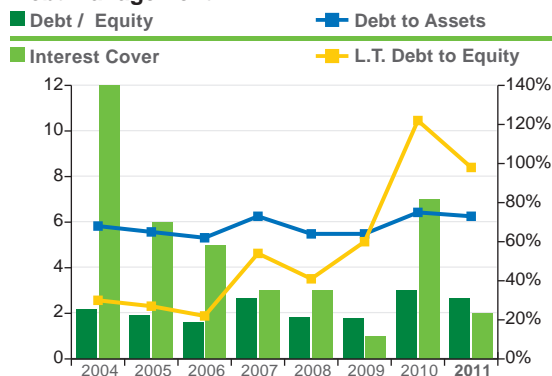
Net Sales and Gross Profit



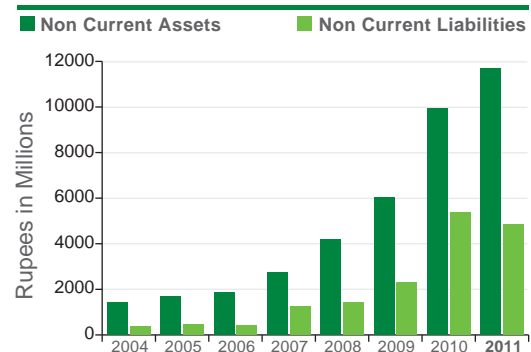
Liquidity



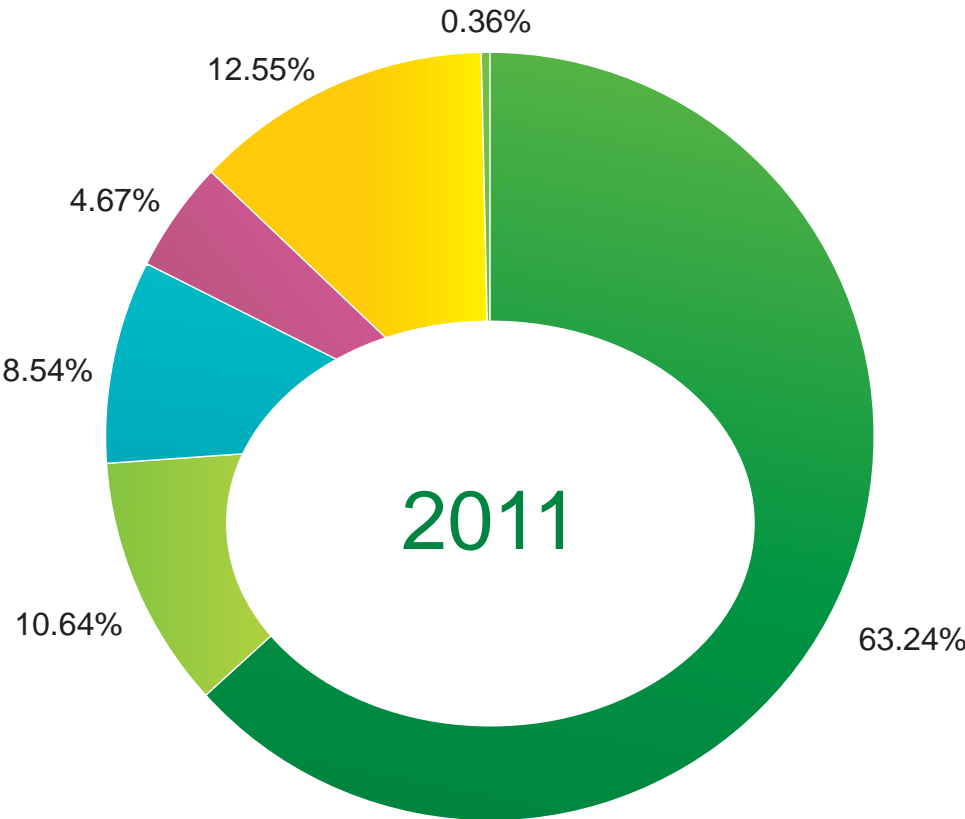
Debt Management









Non Current Assets and Non Current Liabilities



Consolidated Value addition and distribution



	Government as taxes	4,444
	Employees as remuneration	748
	Shareholders as dividends	600
	Retained within the business	328
	Providers of finance as financial charges	882
	Society as donations	25

Auditors' Report to the Members



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

We have audited the annexed consolidated financial statements of International Industries Limited (“the holding Company”) and its subsidiary company International Steels Limited comprising consolidated balance sheet as at 30 June 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on

the financial statements of International Industries Limited.

These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express our opinion on these consolidated financial 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

KPMG Taseer Hadi & Co., a partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”) a Swiss entity



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. In our opinion the consolidated financial statements present fairly the consolidated

financial position of International Industries Limited and its subsidiary company, International Steels Limited, as at 30 June 2011 and the consolidated results of its operations, its consolidated cash flows statement and consolidated statement of changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Dated: 11 August 2011
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Consolidated Balance Sheet

As at 30 June 2011

ASSETS

Non-current assets

Property, plant and equipment	4	11,466,692	9,904,901
Intangible assets	5	14,538	11,801
Investment in equity accounted investee	6	163,746	125,852
Long term deposits		26,917	6,376

Current assets

Stores and spares	7	253,220	130,547
Stock-in-trade	8	8,570,938	6,114,406
Trade debts	9	1,924,868	1,579,112
Advances	10	919,042	49,332
Trade deposits and short term prepayments	11	23,438	21,242
Other receivables	12	1,663,606	681,212
Taxation-net	13	426,154	111,819
Bank balances	14	274,883	21,568

Total assets

EQUITY AND LIABILITIES

Share Capital and Reserves

Authorised capital
200,000,000 (2010: 200,000,000) ordinary shares of Rs. 10 each

Issued, subscribed and paid up capital	15	1,198,926	999,105
General reserves		2,468,744	1,422,854
Unappropriated profit		158,580	901,642

Equity attributable to owners of the Holding Company

Non-controlling interest

		1,859,191	-
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Total equity		5,685,441	3,323,601
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Surplus on revaluation of property, plant and equipment

	16	1,362,343	1,366,865
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LIABILITIES

Non-current liabilities

Long term financing	17	4,573,019	5,113,227
Deferred taxation-net	18	264,717	245,763
		4,837,736	5,358,990

Current liabilities

Trade and other payables	19	1,129,974	769,067
Short term borrowings	20	11,896,801	7,115,764
Current portion of long term financing	17	500,701	600,002
Accrued markup		315,046	223,879

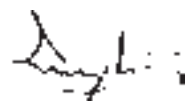
		13,842,522	8,708,712
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Total liabilities		18,680,258	14,067,702
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Contingencies and Commitments

Total Equity and Liabilities	21	25,728,042	18,758,168
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The annexed notes 1 to 40 form an integral part of these financial statements.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Asad A. Siddiqui
Chief Financial Officer



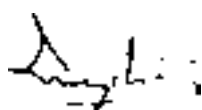
Towfiq H. Chinoy
Managing Director
& Chief Executive

Consolidated Profit and Loss Account

for the year ended 30 June 2011

	Note	2011	2010
(Rupees in '000)			
Net sales	22	15,992,338	13,471,783
Cost of sales	23	(13,829,976)	(11,249,674)
Gross profit		2,162,362	2,222,109
Selling and distribution expenses	24	(445,793)	(384,019)
Administrative expenses	25	(275,891)	(134,890)
		(721,684)	(518,909)
Financial charges	26	(882,260)	(257,090)
Other operating charges	27	(191,504)	(227,292)
		(1,073,764)	(484,382)
Share of profit in equity accounted investee		1,951	4,755
Other operating income	28	211,508	135,698
Profit before taxation		580,373	1,359,271
Taxation	29	(264,653)	(333,000)
Profit for the year		315,720	1,026,271
Profit attributable to:			
- Owners of the Holding company		281,852	1,026,271
- Non-controlling interest		33,868	-
Profit for the year		315,720	1,026,271
(Rupees)			
Earnings per share - basic and diluted	30	2.35	8.56

The annexed notes 1 to 40 form an integral part of these financial statements.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Asad A. Siddiqui
Chief Financial Officer



Towfiq H. Chinoy
Managing Director
& Chief Executive

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2011

Profit for the year

Other comprehensive income

Total comprehensive income for the year

Total comprehensive income attributable to:


-Owners of the Holding company

-Non-controlling interest

Total comprehensive income for the year

2011	2010
(Rupees in '000)	
315,720	1,026,271
-	-
315,720	1,026,271
281,852	1,026,271
33,868	-
315,720	1,026,271

The annexed notes 1 to 40 form an integral part of these financial statements.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Asad A. Siddiqui
Chief Financial Officer



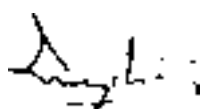
Towfiq H. Chinoy
Managing Director
& Chief Executive

Consolidated Cash Flow Statement

for the year ended 30 June 2011

	Note	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
(Rupees in '000)			
Profit before taxation		580,373	1,359,271
Adjustments for:			
Depreciation and amortisation		367,618	233,773
Provision for doubtful debts		3,693	27,720
Store and spares obsolescence		9	-
Interest on bank deposits		(1,675)	(20,745)
Gain on sale of property, plant and equipment		(3,616)	(4,752)
Gain on acquisition of investment in an associated company		(11,772)	(15,195)
Share of profit from an associated company		(1,951)	(4,755)
Financial charges		882,260	257,090
		1,814,939	1,832,407
Movement in:			
Working capital	31	(4,423,552)	(4,814,392)
Long term deposits		(20,541)	49
Net cash used in operations		(2,629,154)	(2,981,936)
Financial charges paid		(791,093)	(119,472)
Taxes paid		(613,004)	(388,911)
Net cash used in operating activities		(4,033,251)	(3,490,319)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(1,935,300)	(4,146,607)
Proceeds from divestment in subsidiary company		1,988,185	-
Investment in an associated company		(27,080)	(105,902)
Dividend income		2,909	-
Proceeds from sale of property, plant and equipment		6,770	5,560
Interest received		1,722	25,171
Net cash generated from / (used in) investing activities		37,206	(4,221,778)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		1,267,322	3,697,769
Repayment of long term financing		(1,370,833)	(408,333)
Dividends paid		(428,166)	(373,896)
Net cash (used in) / generated from financing activities		(531,677)	2,915,540
Net decrease in cash and cash equivalents		(4,527,722)	(4,796,557)
Cash and cash equivalents at beginning of the year		(7,094,196)	(2,297,639)
Cash and cash equivalents at end of the year		(11,621,918)	(7,094,196)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances	14	274,883	21,568
Short term borrowings	20	(11,896,801)	(7,115,764)
		(11,621,918)	(7,094,196)

The annexed notes 1 to 40 form an integral part of these financial statements.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Asad A. Siddiqui
Chief Financial Officer



Towfiq H. Chinoy
Managing Director
& Chief Executive

Consolidated Statement of Changes in Equity

for the year ended 30 June 2011

	Attributable to owners of the Holding Company					Non-Controlling interest	Total equity
	Issued, subscribed & paid-up capital	Revenue Reserves		Total reserves	Total		
		General reserves	Un-appropriated profit				
(Rupees in '000)							
Balance as at 1 July 2009	999,105	1,272,854	388,346	1,661,200	2,660,305	-	2,660,305
Total comprehensive income for the year ended 30 June 2010							
Profit for the year	-	-	1,026,271	1,026,271	1,026,271	-	1,026,271
Transactions with owners recorded directly in equity - distributions							
Dividend:							
-Final dividend @ 22.5% (Rs.2.25 per share) for the year ended 30 June 2009	-	-	(224,799)	(224,799)	(224,799)	-	(224,799)
-Interim dividend @ 15% (Rs.1.50 per share) for the year ending 30 June 2010	-	-	(149,866)	(149,866)	(149,866)	-	(149,866)
Total transactions with owners - distributions	-	-	(374,665)	(374,665)	(374,665)	-	(374,665)
Transfer to general reserves	-	150,000	(150,000)	-	-	-	-
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	11,690	11,690	11,690	-	11,690
Balance as at 30 June 2010	999,105	1,422,854	901,642	2,324,496	3,323,601	-	3,323,601
Total comprehensive income for the year ended 30 June 2011							
Profit for the year	-	-	281,852	281,852	281,852	33,868	315,720
Transactions with owners recorded directly in equity							
Distributions to owners of the Holding Company							
Dividend							
-Final dividend @ 25% (Rs. 2.5 per share) for the year ended 30 June 2010	-	-	(249,776)	(249,776)	(249,776)	-	(249,776)
-Issuance of bonus shares for the year ended 30 June 2010 @ 20% per share	199,821	-	(199,821)	(199,821)	-	-	-
-Interim dividend @ 15% (Rs. 1.5 per share) for the year ending 30 June 2011	-	-	(179,839)	(179,839)	(179,839)	-	(179,839)
Total distributions to the owners of the Holding Company	199,821	-	(629,436)	(629,436)	(429,615)	-	(429,615)
Change in ownership interest in Subsidiary							
Disposal of equity interest in Subsidiary	-	-	-	-	-	1,825,323	1,825,323
Gain on disposal of shares of subsidiary - net of tax	-	645,890	-	645,890	645,890	-	645,890
Total transactions with owners of the Holding Company	199,821	645,890	(629,436)	16,454	216,275	1,825,323	2,041,598
Transfer to general reserves	-	400,000	(400,000)	-	-	-	-
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	4,522	4,522	4,522	-	4,522
Balance as at 30 June 2011	1,198,926	2,468,744	158,580	2,627,324	3,826,250	1,859,191	5,685,441

The annexed notes 1 to 40 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements for the year ended 30 June 2011

1. THE GROUP AND ITS OPERATIONS

- 1.1 The Group consist of International Industries Limited, the Holding Company and International Steels Limited, the Subsidiary Company (together referred to as "the Group" and individually as "Group entities") and the Group's interest in associated entity namely Pakistan Cables Limited.
- 1.2 International Industries Limited ("the Holding Company") was incorporated in Pakistan in 1948 and is quoted on the Karachi, Lahore and Islamabad Stock Exchanges in Pakistan. The Holding Company is in the business of manufacturing and marketing of galvanized steel pipes, precision steel tubes, API line pipes and polyethylene pipes. The registered office of the Holding Company is situated at 101, Beaumont Plaza, 10, Beaumont Road Karachi - 75530.
- 1.3 International Steels Limited ("the Subsidiary Company") was incorporated on September 03, 2007 asa public unlisted company limited by shares under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. Subsequent to the sale of shares by the Holding Company to general public under Initial Public Offer, the Subsidiary Company was listed on the Karachi Stock Exchange on 01 June 2011. The primary activities of the Subsidiary Company are business of manufacturing of cold rolled steel coils and galvanized sheets. The Subsidiary Company commenced commercial operations on 01 January 2011. The registered office of the Subsidiary Company is situated at 101, Beaumont Plaza, 10 Beaumont Road, Karachi.

The Board of Directors of the Holding Company in its meeting held on 23 July 2009 approved the Scheme of Arrangement ("the Scheme") for the reconstruction of the Company by separation ("the Hive down") of the Steel Project Undertaking ("the Project"), and vesting of the Project in ISL through issuance of ordinary shares of ISL equal to the value of the net assets transferred under the Scheme.

The Scheme was approved by 99.99% shareholders of the Holding Company present and voting at the Extra Ordinary General Meeting, held on 16 April 2010 pursuant to the order dated 9 March 2010 passed by the High Court in Judicial Miscellaneous Application No. 1 of 2010. The Sindh High Court vide its order dated 12 August 2010 approved the Scheme of Arrangement under section 284 of the Companies Ordinance,1984.

Accordingly, the net assets of the Project amounting to Rs.4,177.167 million were determined as at 23 August 2010 (day immediately preceding the completion date) in accordance with the Scheme and net assets of the Project were transferred to the ISL on 24 August 2010 and 417,716,700 ordinary shares of Rs. 10 each of ISL were issued to the Holding Company and became the wholly owned subsidiary company of the Holding Company.

Subsequently the shares of the subsidiary company were offered via book building process from 12 to 14 April 2011. 19% of the shares were divested to institutional investors including foreign investors and high net worth individuals. The stirke price was set at Rs. 14.06 against a floor of Rs. 12.90. As per the agreement with International Finance Corporation (IFC) and Sumitomo Corporation of Japan 9.30% and 9.08% shares were allocated to them respectively at a discount of 20% of the premium at Rs. 13.248 / share. The remaining 6.32% of ISL shares were divested at the book building price of Rs.14.06 / share to the general public from 3 to 4 May 2011. The Holding Company has divested in total 43.67% shares out of the 100% holding in ISL shares. 56.33% ownership interest in ISL remains with the Holding Company. As a result of the divestment an amount of Rs.645.890 million was realised by the Holding Company as gain (net of tax), which has been directly taken to equity. As a result of above divestment, the Holding Company has recognized non-controlling interest based on their proportionate interest in the recognized amount of assets and liabilities in the Subsidiary Company.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

1.4 Detail of Group's associate is given in note 6 to these consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company for the year ended 30 June 2011 and the audited financial statements of the Subsidiary Company for the year ended 30 June 2011. Details regarding the financial information of associate used in the preparation of these consolidated financial statements are given in note 6 to these consolidated financial statements.

2.1 Statement of compliance

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

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except that the land and buildings of the Holding Company are stated at revalued amounts.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances,

the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

Income taxes

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

Staff retirement benefits

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

Trade debts and other receivables

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

Property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its plant and equipment. The estimates for revalued amounts of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Group. The said recommendation also include estimates with respect to residual values and useful lives. Further, the Group reviews the value of the assets for possible impairment on an annual

basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

Stock-in-trade and stores and spares

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

2.5 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards or new interpretations became effective. However, the amendments or interpretations did not have any material effect on the consolidated financial statements of the Group.

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

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

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1, 'Presentation of Financial Statements') effective for annual periods beginning on or after 1 July 2012.
- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12) effective for annual periods beginning on or after 1 January 2012.
- IAS 19 'Employee Benefits' (Amended 2011) effective for annual periods on or after 1 January 2013.
- Prepayments of a Minimum Funding Requirement (Amendments to International Financial Reporting

Interpretations Committee (IFRIC) Interpretation 14) effective for annual periods beginning on or after 1 January 2011.

- IAS 24 'Related Party Disclosures'(Revised 2009) effective for annual periods beginning on or after 1 January 2011.
- Disclosures–Transfers of Financial Assets (Amendments to IFRS 7) effective for annual periods beginning on or after 1 July 2011.

3. SUMMARY OF SIGNIFI CANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

Subsidiaries

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

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

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

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investments in associates

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

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

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. Dilution gains and losses arising in investments in associates are recognised in the income statement.

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the income statement.

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

3.2 Property, plant and equipment

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

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

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

basis at the rate specified in note 4.1 to these consolidated financials statements.

Depreciation on additions to buildings and plant and machinery, furniture, fixture and office equipment and vehicles is charged from the month the asset is available for use upto the month prior to disposal.

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

The Holding Company has undertaken a review of pattern of consumption of the future economic benefits embodied in buildings and plant and machinery. As a result of this review, the depreciation method has been changed from diminishing balance method to straight line method to reflect the changed pattern. Hence the Holding Company has determined the revised useful life of buildings and plant and machinery and residual value of plant and machinery. The useful life has increased from 2 to 10 years to a range of 2 to 50 for buildings and 10 to 33 years for plant and machinery respectively.

Further residual values of plant and machinery have increased from Rs. Nil to a range of Rs. 0.05 million and Rs.10 million.

Had the depreciation method not been changed from diminishing balance method to straight line for the above mentioned assets, the profit for the year would have been higher by Rs. 0.840 million with corresponding effect on carrying amount of respective assets.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of

the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

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

3.3 Intangible assets

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

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

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

3.4 Derivative financial instruments

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

3.5 Borrowings costs

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

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3.6 Stores and spares

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

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

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

3.7 Stock-in-trade

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

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

Scrap stocks are valued at estimated net realisable value.

3.8 Trade debts and other receivables

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

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. Short term borrowings availed by the Group, which are payable on demand and form an integral part of the Group's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

3.10 Taxation

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

Current

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

Deferred tax

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

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

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

3.11 Employee benefits

Defined benefit plan

The Holding Company operates an approved funded gratuity scheme (the plan) for all employees of the Holding Company.

The Subsidiary Company provides gratuity benefits to all its permanent employees who have completed their minimum qualifying period of service i.e. three year

(except in case of workers where minimum qualifying period of service is six months). For executives and officers having total service of over twenty years, the benefit is available at one month's basic salary (eligible salary) for each completed year of service. For executives and officers having total service of less than twenty years, the benefit is available at half month's basic salary (eligible salary) for each completed year of service. For workers, the benefit is available at one month's gross salary less conditional allowances (eligible salary) for each completed year of service.

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

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

Defined contribution plan

The Group operates a recognized provident fund for all employees of the Group except unionized staff. Equal monthly contributions are made by the Group and its employees to the fund at the rate of 8.33% of basic salary and cost of living allowance and the same is charged to the profit and loss account.

As a result of hive down of Steel Project Undertaking of the Holding Company and vesting of the Project in the Subsidiary Company, the employees of the Holding Company who were employed wholly or principally for the purpose of the Steel Project and who have signed letters agreeing to accept the employment with the Subsidiary Company in lieu of their employment with the Holding Company were transferred to the Subsidiary Company on 24 August 2010. The Subsidiary Company

is the process of establishing an approved funded gratuity scheme and recognised provident fund for the benefit of its employees and it is expected that the same would be established in near future.

Compensated absences

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

3.12 Trade and other payables

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

3.13 Foreign currency translation

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

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

3.14 Revenue recognition

- Domestic sales are recognized as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides with delivery.
- Export sales are recognized as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides with date of shipping bill.
- Interest income (including late payment surcharge) is recognized on a time-apportioned basis using the effective rate of return.
- Dividend income is recognized when the right to receive payment is established.
- Revenue from power generation plant is recognized on transmission of electricity to Karachi Electric Supply Company Limited (KESC).
- Gains / (losses) arising on sale of investments are

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included in the profit and loss account in the period in which they arise.

- Service income is recognized when services are rendered.
- Rental income is recognized on straight line basis over the term of the lease.
- Miscellaneous income is recognised on receipt basis.

3.15 Financial instruments

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

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 recognized amounts and the Group intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

3.17 Impairment

Financial assets

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

Non-Financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the

estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

3.18 Mark-up bearing borrowings

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

3.19 Provisions

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

3.20 Segment reporting

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

3.21 Dividend and appropriation to / from reserves

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

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2011	2010
(Rupees in '000)			
Operating assets	4.1	11,013,923	3,849,399
Capital work-in-progress	4.7	445,087	6,041,888
Stores and spares held for capital expenditure	4.8	7,682	13,614
		11,466,692	9,904,901

4.1 Operating assets

	Land - Revalued		Building - Revalued		Plant and machinery	Furniture fixtures & office equipment	Vehicle	Total
	Freehold	Leasehold	Freehold land	Leasehold land				
Net carrying value as at 01 July 2010								
Opening NBV	1,105,737	917,830	42,652	392,214	1,317,730	20,822	52,414	3,849,399
Additions	32,932	-	1,021,306	18,453	6,402,089	16,809	35,590	7,527,179
Disposals	-	-	-	(155)	(862)	-	(538)	(1,555)
Depreciation charge	-	-	(24,081)	(20,473)	(286,706)	(9,192)	(20,648)	(361,100)
Closing NBV	1,138,669	917,830	1,039,877	390,039	7,432,251	28,439	66,818	11,013,923
Gross carrying value as at 30 June 2011								
Cost / revalued amount	1,138,669	917,830	1,063,958	509,038	7,718,957	37,631	87,466	11,473,549
Accumulated depreciation	-	-	(24,081)	(118,999)	(286,706)	(9,192)	(20,648)	(459,626)
Net Book Value	1,138,669	917,830	1,039,877	390,039	7,432,251	28,439	66,818	11,013,923
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	
Net carrying value as at 01 July 2009								
Opening NBV	1,105,737	917,830	44,252	431,823	1,443,671	16,140	27,771	3,987,224
Additions	-	-	-	1,288	40,008	11,700	37,602	90,598
Disposals	-	-	-	-	-	-	(808)	(808)
Depreciation charge	-	-	(1,600)	(40,897)	(165,949)	(7,018)	(12,151)	(227,615)
Closing NBV	1,105,737	917,830	42,652	392,214	1,317,730	20,822	52,414	3,849,399
Gross carrying value as at 30 June 2010								
Cost / revalued amount	1,105,737	917,830	52,916	493,903	2,672,755	60,735	86,093	5,389,969
Accumulated depreciation	-	-	(10,264)	(101,689)	(1,355,025)	(39,913)	(33,679)	(1,540,570)
Net Book Value	1,105,737	917,830	42,652	392,214	1,317,730	20,822	52,414	3,849,399
Depreciation rates (% per annum)	-	-	10	5 - 50	10 - 50	10 - 33.3	20	

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4.2 Net book value of plant and machinery includes an aggregate amount of Rs. 20.235 million (2010: Rs. 39.024 million) representing net book value of capitalized spares.

4.3 The Holding Company as a co-borrower with the subsidiary entered into an agreement with International Finance Corporation ("IFC") in financial year 2008. Under this agreement IFC had extended a loan amounting to US\$ 6,400,000 to the Holding Company. This loan was secured by first ranking security interest over the fixed and immovable assets of steel project of the Holding Company including the Cold Rolling Mill, Galvanising plant located at plot bearing Survey No. 399-405, Landhi Town, Karachi and 18 MW gas fired power plant. During the year ended, the said loan has been settled by the Holding Company by transferring the shares of the Subsidiary Company held by the Holding Company and the vacation of charge is in process at the balance sheet date.

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

	Note	2011	2010
(Rupees in '000)			
Cost of sales	23	311,585	165,055
Selling and distribution expenses	24	5,583	2,604
Administrative expenses	25	11,766	10,043
Income from power generation	28.1	22,275	47,097
Capital work in progress		9,891	2,816
		<u>361,100</u>	<u>227,615</u>

4.5 The Holding Company has carried out valuation of freehold land, leasehold land and buildings during the year ended 30 June 1988, 30 June 1997, 30 June 2000, 30 June 2004 and 31 December 2007. The resulting revaluation surplus has been disclosed in note 16 to the financial statements and has been credited to revaluation surplus account net of related tax effect.

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

	Cost	Accumulated depreciation	Net book value
(Rupees in '000)			
Leasehold land	187,645	-	187,645
Freehold land	141,963	-	141,963
Buildings	455,522	(205,234)	250,288
As at 30 June 2011	<u>785,130</u>	<u>(205,234)</u>	<u>579,896</u>
As at 30 June 2010	<u>1,236,514</u>	<u>(203,626)</u>	<u>1,032,888</u>

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

	Cost	Accumulated depreciation	Book value	Sale Proceeds	Mode of disposal	Particulars of buyer
	(Rupees in '000)					
Buildings						
Roads	1,210	1,089	121	-	Scrapped	-
Book value less than Rs.50,000 each	2,108	2,074	34	-	Scrapped	-
Plant and machinery						
Control Panel - HR Slitters	924	62	862	924	Insurance claim	New Jubilee Insurance Co.
Book value less than Rs.50,000 each	8,035	8,035	-	828	Negotiation	Various
Furniture, fixtures and office equipment						
Various items of book value upto Rs.50,000 each	91	91	-	14	Negotiation	Various
Vehicles						
Honda Motorcycle	63	11	52	61	Insurance claim	New Jubilee Insurance Company Limited
Honda Motorcycle	63	5	58	56	Insurance claim	New Jubilee Insurance Company Limited
Suzuki Mehran	484	56	428	450	Insurance claim	New Jubilee Insurance Company Limited
Various vehicles of book value upto Rs.50,000 each	7,563	7,563	-	4,437*	Negotiation	Various
	20,541	18,986	1,555	6,770		

* This includes an amount of Rs. 0.6 million (2010: Rs. Nil) capitalized by the Subsidiary Company in CWIP.

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4.7 Capital work-in-progress

	Note	Cost			
		As at 01 July 2010	Additions	(Transfers)	As at 30 June 2011
(Rupees in '000)					
Land		27,200	5,732	(32,932)	-
Buildings		796,442	243,885	(1,039,759)	568
Plant and machinery	4.7.1	5,214,144	1,632,464	(6,402,089)	444,519
Furniture, fixtures and office equipment		4,102	12,707	(16,809)	-
Vehicles			35,590	(35,590)	-
		<u>6,041,888</u>	<u>1,930,378</u>	<u>(7,527,179)</u>	<u>445,087</u>

4.7.1 Plant and machinery represents Galvanizing Plant and Cold Rolling Mill and associated equipment and facilities. Installation and erection of plant and machinery for Cold Rolling Mill and Galvanizing plant were completed on 31 December 2010 after ensuring that the products are within the specific parameters such as targeted quality, rate of production etc. Accordingly trial production was ceased and these items were transferred to operating assets. The expenditure amounted to Rs. 86.480 million incurred during the trial production period to achieve desired results have been considered as trial production loss and included in additions to plant and machinery of the Subsidiary Company.

4.7.2 Borrowing costs capitalized during the year in the capital work in progress amounted to Rs. 126.931 million (2010: Nil). Borrowing costs were relating to both specific and general borrowings and were capitalized @ 10.84% per annum (2010: Nil).

4.8 Stores and spares held for capital expenditure

	Cost			
	As at 01 July 2010	Additions	(Transfers)	As at 30 June 2011
(Rupees in '000)				
In store	13,614	14,303	(20,235)	7,682

5. INTANGIBLE ASSETS

Net Carrying value as at 1st July

Net book value as at 1st July

Additions

Amortization

Net book value as at 30 June

Note	2011	2010
(Rupees in '000)		
	11,801	17,959
	9,255	-
	(6,518)	(6,158)
5.1	<u>14,538</u>	<u>11,801</u>
(Percent)		
	33.33	33.33

Gross Carrying Value as at 30 June

Cost

Accumulated amortization

Net book value

Amortization rate (% per annum)

	Note	2011	2010
5.1		(Rupees in '000)	
5.1		Intangible assets comprises of computer software and licenses.	
5.2		The amortisation expense for the year has been allocated as follows:	
		Cost of sales	
	23	3,258	3,079
	24	1,950	1,848
	25	1,310	1,231
		6,518	6,158

6. INVESTMENTS IN EQUITY ACCOUNTED INVESTEE

2011	2010		2011	2010
(Number of Shares)			(Rupees in '000)	
2,425,913	1,929,818	Pakistan Cables Limited (PCL) - associate company at cost	163,746	125,852
		6.1		

- 6.1 This represents investment in Pakistan Cables Limited incorporated in Pakistan. The Company holds 8.52% share of interest in PCL, an equity accounted investee which has increased to 8.53%, effective share of interest due to crossholding. The Chief Executive Officer of this company is Mr. Kamal A. Chinoy. The market value as at 30 June 2010 was Rs. 110.622 million (Rs. 104.268 million). The share of profit after acquisition is recognised based on unaudited condensed interim financial information as at 31 March 2011. The summarised financial information of the equity accounted investee based on condensed interim financial information is as follows:

	31 March 2011 (Unaudited)	30 June 2010 (Audited)
Summarised financial information of equity accounted investee		
(Rupees in '000)		
Assets	4,163,091	3,640,949
Liabilities	2,156,402	2,241,291
Total revenue	2,870,469	4,497,510
Profit after tax	41,425	45,506

The latest financial statements of the Associate as at 30 June 2011 are not presently available.

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	Note	2011	2010
(Rupees in '000)			
7. STORES AND SPARES			
Stores		73,314	26,321
Spares		178,559	102,583
Loose tools		1,347	1,643
		<u>253,220</u>	<u>130,547</u>
8. STOCK-IN-TRADE			
Raw material - in hand	8.1	5,197,767	3,533,821
- in transit		-	716,353
		<u>5,197,767</u>	<u>4,250,174</u>
Work-in-process		1,155,703	422,027
Finished goods		2,116,134	1,382,654
By-products		12,611	53,999
Scrap material		88,723	5,552
		<u>8,570,938</u>	<u>6,114,406</u>
8.1	Raw material amounting to Rs. 15.804 million (2010: Rs. 8.690 million) is held at vendor premises.		
9. TRADE DEBTS			
Considered good - secured		575,585	232,249
- unsecured	9.1	1,349,283	1,346,863
		<u>1,924,868</u>	<u>1,579,112</u>
Considered doubtful		37,133	33,440
Provision for doubtful debts	9.2	1,962,001	1,612,552
		<u>(37,133)</u>	<u>(33,440)</u>
		<u>1,924,868</u>	<u>1,579,112</u>
9.1	The related parties from whom the debts are due are as under:		
Sui Southern Gas Company Limited		115,903	402,085
Sui Northern Gas Pipelines Limited		18,264	2,903
Pakistan Cables Limited		89	-
		<u>134,256</u>	<u>404,988</u>
9.2 Provision for doubtful debts			
Balance as at 1 July		33,440	5,720
Charge for the year - net	24	15,212	27,720
Write offs		(11,519)	-
Balance as at 30 June		<u>37,133</u>	<u>33,440</u>

10. ADVANCES	Note	2011	2010
		(Rupees in '000)	
Considered good			
- suppliers		917,760	44,469
- employees		1,282	4,863
		919,042	49,332
11. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits		15,424	18,351
Short term prepayments		8,014	2,891
		23,438	21,242
12. OTHER RECEIVABLES			
Considered good			
Interest income receivable		-	47
Sales tax receivable		1,385,642	424,930
Receivable on transmission of electricity to KESC		275,931	254,877
Others		2,033	1,358
		1,663,606	681,212
13. TAXATION - net			
Tax receivable as at 1 July		111,819	96,637
Tax payments / adjustments during the year		613,004	388,911
		724,823	485,548
Less: Provision for tax	29	(245,699)	(373,729)
Less: Tax provision on divestment of shares of subsidiary company		(52,970)	-
		426,154	111,819
14. BANK BALANCES			
- in current accounts		272,573	21,568
- in profit and loss sharing accounts	14.1	2,310	-
		274,883	21,568

14.1 The profit and loss sharing accounts carry mark-up ranging from 5 % to 9.5 % (2010: Nil) per anum.

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15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2011	2010		2011	2010
(Number of Shares)			(Rupees in '000)	
6,769,725	6,769,725	Fully paid ordinary shares of Rs. 10 each issued for cash	67,697	67,697
113,122,894	93,140,791	Fully paid ordinary shares of Rs.10 each issued as bonus shares	1,131,229	931,408
<u>119,892,619</u>	<u>99,910,516</u>		<u>1,198,926</u>	<u>999,105</u>

- 15.1 Associated companies, due to common directors, held 6,034,133 (2010: 3,661,779) ordinary shares of Rs.10 each at the year end.

16. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2011	2010
	(Rupees in '000)	
Freehold land		
Balance as at 01 July	9,728	9,728
Revaluation surplus over original cost/ book value of Rs. 6.65 million on 31 December 2007	3,667	3,667
Revaluation surplus over original cost/ book value of Rs. 597.29 million on 31 December 2007	463,965	463,965
Revaluation surplus over original cost/ book value of Rs. 6.530 million on 31 December 2007	7,076	7,076
	<u>484,436</u>	<u>484,436</u>
Leasehold land		
Balance as at 01 July	383,635	383,635
Revaluation surplus over original cost / book value of Rs. 571.28 million on 31 December 2007	346,550	346,550
	<u>730,185</u>	<u>730,185</u>
	<u>1,214,621</u>	<u>1,214,621</u>
Buildings		
Balance as at 1 July	210,924	227,210
Transferred to retained earnings (Unappropriated profit) in respect of incremental depreciation charged during the year - net of deferred tax	(6,299)	(16,286)
	<u>204,625</u>	<u>210,924</u>
Related deferred tax liability as on 1 July	(58,680)	(63,276)
Tax effect on incremental depreciation transferred to retained earnings	1,777	4,596
Related deferred tax liability as on 30 June	(56,903)	(58,680)
	<u>147,722</u>	<u>152,244</u>
	<u>1,362,343</u>	<u>1,366,865</u>

17. LONG TERM FINANCING - secured

Note	2011	2010
	(Rupees in '000)	
Long-term finances utilised under mark-up arrangements	5,073,720	5,713,229
Current portion of long term finances shown under current liabilities	(500,701)	(600,002)
	<u>4,573,019</u>	<u>5,113,227</u>

17.1 Long term finances utilised under mark-up arrangements

	Sale price	Purchase price	Number of instalments & commencement date	Date of maturity	Rate of mark-up per annum	2011	2010
	(Rupees in '000)					(Rupees in '000)	
i) 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	-	66,667
ii) 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	-	66,665
iii) 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	100,000	150,000
iv) 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	375,000	562,500
v) Syndicated term financing Local currency assistance of Rs. 4,000 million for plant and machinery of Cold Rolled Galvanised Sheet Project (refer note 17.1.2)	4,000,000	9,376,178	16 half yearly 10-03-2011	10-09-2018	1.50% over SBP Refinance rate	3,948,720	3,581,399
vi) Habib Bank Limited Bridge Finance note 17.1.3)	750,000	900,000	Single installment 05-05-2010	04-07-2011	3 month KIBOR plus 1%	-	750,000
vii) Loan from International Finance Corporation (IFC) (refer note 17.1.4)	-	-	-	-	LIBOR plus	-	535,998
viii) Faysal Bank Limited Local currency assistance of Rs. 900 million for plant and Machinery(refer note 17.1.5)	900,000	1,046,259	8 half yearly 27-12-2012	27-06-2016	1.80% over 6 months Kibor	650,000	-
						<u>5,073,720</u>	<u>5,713,229</u>

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

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

17.1.3 This represent bridge financing obtained from Habib Bank Limited and has been repaid on 16 March 2011.

17.1.4 Loan from IFC has been settled by transferring 9.30% equity interest of the Holding Company in the subsidiary company at Rs.13.248 per share as per the terms of the agreement.

17.1.5 The Long term finance is obtained for Plant & Machinery and is secured by way of mortgage of Land located at survey # 399-405, Landhi Town, Karachi and other fixed assets of the Company against ranking charge.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

18. DEFERRED TAXATION - net

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

	Balance as at 01 July 2009	Charge / (Reversal) recognized in profit and loss	Balance as at 30 June 2010	Charge / (Reversal) in profit and loss	Balance as at 30 June 2011
(Rupees in '000)					
Taxable temporary difference					
Accelerated tax depreciation	294,194	(29,432)	264,762	1,422,411	1,687,173
Share of profit from associate	-	475	475	(280)	195
Deductible temporary differences					
Provision for doubtful debts	(2,002)	(9,702)	(11,704)	(1,293)	(12,997)
Carry forward of unused tax losses	-	-	-	(1,394,104)	(1,394,104)
Provision for compensated absences	(5,700)	(2,070)	(7,770)	(7,780)	(15,550)
	<u>286,492</u>	<u>(40,729)</u>	<u>245,763</u>	<u>18,954</u>	<u>264,717</u>

19. TRADE AND OTHER PAYABLES

	Note	2011	2010
(Rupees in '000)			
Trade creditors		527,952	155,804
Accrued expenses		414,799	516,067
Advances from customers		120,883	45,450
Workers' profit participation fund	19.1	2,250	5,000
Workers' welfare fund		26,876	38,958
Unclaimed dividend		7,404	5,955
Others		29,810	1,833
		<u>1,129,974</u>	<u>769,067</u>
19.1 Workers' profit participation fund			
Balance as at 01 July		5,000	2,705
Interest on funds utilised in the Holding Company's business at 30% (2010: 17.50%) per annum		164	40
		<u>5,164</u>	<u>2,745</u>
Allocation for the year		68,250	73,000
		<u>73,414</u>	<u>75,745</u>
Payments made during the year		(71,164)	(70,745)
Balance as at 30 June		<u>2,250</u>	<u>5,000</u>

20. SHORT TERM BORROWINGS

Running finance under mark-up arrangement from banks - secured	20.1	1,451,349	484,615
Short term borrowing under Export Refinance Scheme	20.2	1,790,000	1,545,000
Running finance under FE-25 Export and Import Scheme	20.3	8,655,452	5,086,149
		<u>11,896,801</u>	<u>7,115,764</u>

- 20.1 The facilities for running finance available from various banks amounting to Rs. 4,047 million (2010: Rs. 1,145 million) are secured by way of hypothecation of stock-in-trade and book debts. The rates of mark-up on these finances range from 14.39% to 15.20% per annum (2010: 13.16% to 14.68 % per annum). The facility for short term finance mature within twelve months.
- 20.2 The Holding 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.1,790 million (2010: Rs. 1,545 million). The rate of mark-up on this facility ranges from 10.50% to 10.75% per annum (2010: 8.00% to 8.5% per annum).
- 20.3 The Group entities have also borrowed short term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 for the purpose of meeting import requirements. The facility availed is for an amount of USD 100.6 million equivalent to Rs. 8,655.444 million (2010: USD 59.418 million equivalent to Rs.5,086.149 million). The rates of mark-up on these finances range from 2.30% to 5.46% (2010: 1.90% to 2.22%) per annum. These facilities are secured against the first pari passu hypothecation charge over the Company's present and future current assets.

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

- 21.1.1 Bank guarantees have been issued under certain supply contracts and to the collector of customs aggregating Rs. 342.793 million (2010: Rs. 386.945 million).
- 21.1.2 Bank guarantees have been issued by the subsidiary company to Sui Southern Gas Company Limited and Excise and Taxation Officer aggregating Rs.166.2 million (2010: Nil).
- 21.1.3 Custom duties amounting to Rs. 397.544 million (2010: Rs. 263.738 million) on imports of raw material shall be payable by the Holding Company in case of non-fulfilment of certain conditions imposed by the custom authorities under SRO 565 (1) / 2006. The Company has filed petition in Sindh High Court against anomaly in the said SRO. Based on legal advise the management expects a favourable outcome.
- 21.1.4 The Custom authorities have charged redemption fine of Rs. 83 million on clearance of imported raw material consignment. The Holding Company has filed an appeal before the High Court of Sindh, which has set aside the examination report and subsequent order produced by Custom authorities and ordered the department to re-examine the matter afresh. However, the Custom authorities have filed an application for leave to appeal against the order of High Court of Sindh. Based on legal advise the management expect chances of admission of such appeal rare.
- 21.1.5 The Holding Company has reversed the provision for the levy of infrastructure fee amounting to Rs.106.721 million in 2009 on the basis of decision of the Honourable High Court of Sindh which declared the levy of infrastructure cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Honourable Supreme Court of Pakistan against such order. During the year the Honourable Supreme Court of Pakistan has disposed off the appeal with a joint statement of the parties that during the pendency of the appeal, another law i.e. fifth version came into existence which was not the subject matter of the appeal hence the case was referred back to High Court of Sindh with right to appeal to Supreme Court. On 31 May 2011, the High Court of Sindh has granted an interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignment released upto 27 December 2006 and any bank guarantee / security furnished for consignment released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of fifth version of the law and its retrospective application the authorities are entitled to claim the amounts due under the said law with the right to appeal available to petitioner. Bank guarantees amounting to Rs. 115 million have been provided to the department by the Holding Company.

21.2 Commitments

- 21.2.1 Capital expenditures commitments outstanding as at 30 June 2011 amounted to Rs. 72.38 million (2010: Rs. 996.501 million).
- 21.2.2 Commitments under letters of credit for raw materials and spares as at 30 June 2011 amounted to Rs. 6,007.97 million (2010: Rs. 2,367.029 million).
- 21.2.3 Commitments under purchase contract as at 30 June 2011 amounted to Rs. 14.530 million (2010: Rs.32.254 million)
- 21.2.4 The unavailed facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 7,806.23 million (2010: Rs. 4,227.120 million) and Rs. 426.01 million (2010: Rs. 273.054 million) respectively.

Notes to the Consolidated Financial Statements

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	Note	2011	2010
22. NET SALES		(Rupees in '000)	
Local		14,181,319	11,931,505
Export		5,138,868	3,626,785
		19,320,187	15,558,290
Sales tax and special excise duty		(2,861,280)	(1,690,894)
Trade discount		(138,718)	(127,521)
Sales discount and commission		(327,851)	(268,092)
		(3,327,849)	(2,086,507)
		15,992,338	13,471,783
23. COST OF SALES			
Opening stock of raw material and work-in-process		3,157,047	1,172,486
Purchases		16,996,967	13,747,603
Salaries, wages and benefits		480,156	360,517
Rent, rates and taxes		1,133	702
Electricity, gas and water		251,931	196,210
Insurance		20,265	9,019
Security and janitorial		15,450	11,464
Depreciation and amortisation	4.4 & 5.2	314,843	168,134
Stores and spares consumed		76,572	66,778
Stores and spares obsolescence		9	-
Repairs and maintenance		135,301	87,722
Postage, telephone and stationery		16,201	9,647
Vehicle, travel and conveyance		14,710	6,017
Internal material handling		13,949	8,464
Environment controlling expense		3,150	2,484
Sundries		8,146	2,399
(Reversal) / write down of inventory to net realisable value		-	(14,766)
Recovery of scrap		(783,083)	(518,250)
		20,722,747	15,316,630
Closing stock of raw material and work-in-process		(6,353,470)	(3,157,047)
Cost of goods manufactured		14,369,277	12,159,583
Finished goods and By-product:			
Opening stock		1,672,741	526,744
Closing stock		(2,212,042)	(1,436,653)
		(539,301)	(909,909)
		13,829,976	11,249,674

24. SELLING AND DISTRIBUTION EXPENSES

Note	2011	2010
(Rupees in '000)		
	303,678	269,653
	68,871	51,876
	1,245	304
	3,259	2,878
	917	1,079
4.4 & 5.2	7,533	4,452
	708	955
	18,733	7,608
	5,031	5,329
	70	55
	14,015	8,230
9.2	15,212	27,720
	102	-
	2,584	2,074
	3,835	1,806
	<u>445,793</u>	<u>384,019</u>

25. ADMINISTRATIVE EXPENSES

	188,389	85,425
	772	114
	5,032	3,288
	538	734
4.4 & 5.2	13,076	11,274
	2,415	1,846
	11,145	7,274
	104	1,014
	10,121	3,434
	29,590	11,855
	3,654	764
	11,055	7,868
	<u>275,891</u>	<u>134,890</u>

26. FINANCIAL CHARGES

Mark-up on:		
- long term financing	353,985	121,217
- short term borrowings	515,520	121,060
Interest on workers' profit participation fund	164	40
Bank charges	12,591	14,773
	<u>882,260</u>	<u>257,090</u>

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

27. OTHER OPERATING CHARGES

	Note	2011	2010
(Rupees in '000)			
Auditors' remuneration	27.1	4,543	1,746
Donations	27.2	24,827	25,170
Workers' profit participation fund	19.1	68,250	73,000
Exchange loss - net		66,584	98,076
Workers' welfare fund		27,300	29,300
		<u>191,504</u>	<u>227,292</u>

27.1 Auditors' remuneration

Audit fee	1,850	825
Half yearly review	240	215
Other services (including hive down and certifications)	2,238	625
Out of pocket expenses	215	81
	<u>4,543</u>	<u>1,746</u>

27.2 Donations

Donations include the following in which a director is interested.

Name of Directors	Interest in donee	Name and Address of the Donee	Amount Donated	
			2011	2010
(Rupees in '000)				
Mr. Riaz Chinoy	Chairman	Amir Sultan Chinoy Foundation	2,000	6,250
Mr. Fuad Azim Hashimi	Member BOG	Indus Valley School of Arts & Architecture	1,000	-
Mr. Towfiq H. Chinoy and Mr. Zaffar A.Khan	MD & CEO Director	Pakistan Centre for Philanthropy	-	825

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

28. OTHER OPERATING INCOME

	Note	2011	2010
(Rupees in '000)			
Income / return on financial assets			
Interest on bank deposits		1,675	20,745
Gain on dilution of investment in equity accounted investee		11,772	-
Gain on acquisition of investment in equity accounted investee		-	15,195
Income from non-financial assets			
Income from power generation-18MW	28.1	143,148	29,186
Income from power generation- 4MW	28.1.1	26,561	27,105
Late payment surcharge	28.1.2	8,091	7,614
Rental income		3,813	788
Gain on sale of property, plant and equipment		3,616	4,752
Others		12,832	30,313
		211,508	135,698
28.1 Income from power generation			
Net sales		565,318	587,608
Cost of electricity produced:			
Salaries, wages and benefits		(7,218)	(9,711)
Electricity, gas and water		(323,279)	(386,387)
Insurance		(288)	(771)
Security and janitorial		(767)	-
Depreciation	4.4	(22,275)	(47,097)
Stores and spares consumed		(19,335)	(32,717)
Repairs and maintenance		(39,748)	(15,183)
Postage, telephone and stationery		(62)	(288)
Vehicle, travel and conveyance		(77)	(152)
Sundries		(317)	(67)
		(413,366)	(492,373)
Financial charges		(8,804)	(66,049)
Income from power generation		143,148	29,186

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

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

Notes to the Consolidated Financial Statements

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	Note	2011	2010
29. TAXATION		(Rupees in '000)	
			(Restated)
Current			
- for the year		247,511	373,729
- for prior years		(1,812)	-
	13	245,699	373,729
Deferred		18,954	(40,729)
		264,653	333,000

29.1 Relationship between income tax expense and accounting profit

	2011	2010	2011	2010
	(Effective tax rate)		(Rupees in '000)	
Profit before taxation			580,373	1,359,271
Tax at the enacted tax rate of 35% (2010: 35%)	35.00	35.00	203,131	475,745
Tax effect of permanent differences	-	0.58	-	7,896
Effect of higher tax as surcharge	4.00	-	23,219	-
Tax effect on exports under final tax regime	(7.71)	(10.54)	(44,758)	(143,268)
Tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes	7.43	(0.57)	43,107	(7,772)
Effect of minimum tax liability	7.20	-	41,766	-
Effect of change in prior years' tax	(0.31)	-	(1,812)	-
Others	-	0.03	-	399
	45.60	24.50	264,653	333,000

29.2 Income tax assessments of the Group entities have been finalised upto and including tax year 2010 on the basis of tax return filed under section 120 of Income Tax Ordinance 2001. However, the return may be selected for detailed audit within five years from the date of filing of return and the Income Tax Commissioner may amend the assessment if any objection is raised in audit.

	Note	2011	2010
30. EARNINGS PER SHARE - BASIC AND DILUTED		(Rupees in '000)	
The calculation of Earning per share (basic and diluted) at 30 June was based on profit attribution to owners of dinary shares of the Holding Company.			
Profit after taxation for the year		281,852	1,026,271
		(Number)	
Weighted average number of ordinary shares in issue during the year	15	119,892,619	119,892,619
		(Rupees)	
Earnings per share		2.35	8.56
31. MOVEMENT IN WORKING CAPITAL			
Decrease / (increase) in current assets:			
Stores and spares		(122,682)	147
Stock-in-trade		(2,456,532)	(3,885,439)
Trade debts		(349,449)	(522,842)
Loans and advances		(869,710)	(36,727)
Trade deposits and short term prepayments		(2,196)	(3,306)
Other receivables		(982,441)	(324,144)
		(4,783,010)	(4,772,311)
Increase / (decrease) in current liabilities:			
Trade and other payables		359,458	(42,081)
		(4,423,552)	(4,814,392)

32. STAFF RETIREMENT BENEFITS

32.1 Provident fund

Salaries, wages and benefits include Rs. 13.039 million (2010: Rs. 9.143 million) in respect of provident fund contribution.

32.2 Gratuity fund

Principal actuarial assumptions used in the actuarial valuation of the scheme carried out under Projected Unit Credit Method as at 30 June 2011 are as follows:

- Discount rate at 14% per annum (2010: 12% per annum).
- Expected rate of return on plan assets at 12 to 14% per annum (2010: 12% per annum).
- Expected rate of increase in salary level at 13% per annum (2010: 11% per annum).

The amount recognised in the balance sheet is as follows:

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	2011	2010
	(Rupees in '000)	
Present value of defined benefit obligation	184,497	162,100
Fair value of plan assets	(165,555)	(133,568)
	18,942	28,532
Unrecognised actuarial loss	(16,456)	(28,532)
Liability as at 30 June	2,486	-
Movement in the present value of defined benefit obligation		
Obligation as at 1 July	162,100	124,326
Current service cost	21,251	12,645
Interest cost	20,371	14,919
Actuarial (gains) / losses	(13,221)	14,545
Benefits paid	(6,004)	(4,335)
Obligation as at 30 June	184,497	162,100
Movement in the fair value of plan assets		
Fair value as at 1 July	133,568	109,108
Expected return on plan assets	16,115	13,093
Net actuarial (losses) / gains	(2,825)	977
Benefits paid	(6,004)	(4,335)
Contribution to the fund	24,701	14,725
Fair value as at 30 June	165,555	133,568
Movement in (assets) / liabilities		
Balance as at 1 July	-	-
Expense recognised	27,187	14,725
Payments during the year	(24,701)	(14,725)
Liability as at 30 June	2,486	-
The amount recognised in the profit and loss account is as follows:		
Current service cost	21,251	12,645
Interest cost	20,371	14,919
Expected return on plan assets	(16,115)	(13,093)
Net actuarial losses recognised in the year	1,680	254
	27,187	14,725

	2011	2010
	(Percent)	
Major categories / composition of plan assets are as follows:		
Equity	48%	47%
Debt instruments	48%	49%
Others	4%	4%
	(Rupees in '000)	
Return on plan assets is are as follows:		
Expected return on plan assets	16,115	13,093
Net actuarial (loss) / gain on plan assets	(2,825)	977
	13,290	14,070

Historical Information	2011	2010	2009	2008	2007
	(Rupees in '000)				
Present value of defined benefit obligation	184,497	162,100	124,326	106,051	79,317
Fair value of plan assets	(165,555)	(133,568)	(109,108)	(108,001)	(88,355)
Deficit / (surplus)	18,942	28,532	15,218	(1,950)	(9,038)
Unrecognised actuarial (loss) / gains	(16,456)	(28,532)	(15,218)	2,743	9,038
Liability in balance sheet	2,486	-	-	793	-
Experience adjustments on plan liabilities (gains) / losses	152	14,545	1,601	14,986	234
Experience adjustments on plan assets gains / (losses)	(2,825)	977	(16,360)	8,709	5,717

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Director		Executives		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	(Rupees in '000)							
Managerial remuneration	23,333	19,544	12,059	14,216	107,872	73,813	143,264	107,573
Retirement benefits	-	-	2,080	1,270	14,655	10,093	16,735	11,363
Ex-gratia	40,104	-	-	-	-	-	40,104	-
Rent, utilities, leave encashment etc.	18,181	15,635	9,192	11,847	68,161	60,390	95,534	87,872
	81,618	35,179	23,331	27,333	190,688	144,296	295,637	206,808
Number of persons	1	1	2	2	67	63	70	66

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

- 33.1 In addition to the above, the Chief Executive, Directors and certain Executives are provided with free use of Group maintained vehicles in accordance with the Group's policy. During the year ended June 30, 2011 a provision of Rs.40.104 million (2010 : nil) has been made on account of ex-gratia to CEO of the Group as a retirement benefit.
- 33.2 Fee paid to non-executive directors is Rs. 2.740 million (2010: Rs. 1.520 million).

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The Board of Directors of the Holding and Subsidiary Company have overall responsibility for the establishment and oversight of the Group risk management framework. The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

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

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

34.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk

Credit risk of the Group arises principally from the trade debts, advances, trade deposits, other receivables and balances with banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2011	2010
	(Rupees in '000)	
Trade debts	1,924,868	1,579,112
Advances	1,282	4,863
Trade deposits	15,424	18,351
Other receivables	277,964	256,282
Bank balances	274,883	21,568
	<u>2,494,421</u>	<u>1,880,176</u>
Analysis of trade debtors and receivable from KESC from local and foreign customers are as follows:		
Domestic	1,625,214	1,601,740
Export	575,585	232,249
	<u>2,200,799</u>	<u>1,833,989</u>

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

Impairment losses

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

	2011		2010	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Not past due	398,195	-	1,317,474	-
Past due 1-60 days	1,409,918	-	328,722	-
Past due 61 days -1 year	393,011	325	187,098	-
More than one year	36,808	36,808	34,135	33,440
Total	<u>2,237,932</u>	<u>37,133</u>	<u>1,867,429</u>	<u>33,440</u>

Based on assessment conducted of individual customers, the management believes that receivable falling within the age bracket of upto one year does not require any impairment provision other than to the extent determined above.

Bank balances are held only with reputable banks with high quality credit ratings.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

34.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group ensures that it has sufficient cash on demand to meet expected working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2011						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long term financing	5,073,720	-	(6,990,575)	(530,426)	(548,063)	(3,863,408)	(2,048,678)
Trade and other payables	969,240	-	(969,240)	(969,240)	-	-	-
Accrued markup	315,046	-	(315,046)	(315,046)	-	-	-
Short-term borrowings	11,896,801	(11,896,801)	(11,896,801)	-	-	-	-
	<u>18,254,807</u>	<u>(11,896,801)</u>	<u>(20,171,662)</u>	<u>(1,814,712)</u>	<u>(548,063)</u>	<u>(3,863,408)</u>	<u>(2,048,678)</u>

	2010						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long term financing	5,713,229	-	(7,989,613)	(443,461)	(1,121,648)	(2,395,722)	(4,028,782)
Trade and other payables	686,559	-	(686,559)	(686,559)	-	-	-
Accrued markup	223,879	-	(223,879)	(223,879)	-	-	-
Short-term borrowings	7,115,764	(7,115,764)	(7,115,764)	-	-	-	-
	<u>13,739,431</u>	<u>(7,115,764)</u>	<u>(16,015,815)</u>	<u>(1,353,899)</u>	<u>(1,121,648)</u>	<u>(2,395,722)</u>	<u>(4,028,782)</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June. The rates of mark-up have been disclosed in note 17.1 and 20 to these financial statements.

34.3 Market risk

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

34.3.1 Currency risk

The Group is exposed to currency risk on trade debts, borrowings and sales that are denominated in a currency other than the respective functional currency of the Group, primarily U.S. Dollar. The Group's exposure to foreign currency risk is as follows:

	2011		2010	
	Rupees	US Dollars	Rupees	US Dollars
	In '000			
Trade debts	575,585	6,705	232,249	2,720
Short term borrowings as FE 25 import / export loans	(8,655,452)	(100,586)	(5,086,149)	(59,418)
Accrued mark-up on FE 25 import / export loans	(60,128)	(699)	(20,607)	(241)
Balance sheet exposure	(8,139,995)	(94,580)	(4,874,507)	(56,939)

	Average rates		Balance sheet date rate	
	2011	2010	2011	2010
The following significant exchange rates applied during the year: US Dollars to PKR	85	83	85.85 / 86.05	85.40 / 85.60

Sensitivity analysis

A 10 percent strengthening of the Rupee against US Dollar at 30 June would have increased / (decreased) profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

	Profit and loss	
	2011	2010
	(Rupees in '000)	
As at 30 June		
Effect in US Dollars-gain (net of tax)	529,011	316,808

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

Interest rate risk

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

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

Fixed rate instruments

Financial liabilities

Variable rate instruments

Financial liabilities

	Carrying amount	
	2011	2010
	(Rupees in '000)	
Fixed rate instruments	(1,790,000)	(1,545,000)
Variable rate instruments	(15,180,521)	(11,283,993)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss.

Therefore a change in interest rates at the reporting date would not affect profit and loss account.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by Rs. 69.166 million (2010: Rs. 112.840 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

34.4 Fair value of financial assets and liabilities

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

35. CAPITAL MANAGEMENT

The objective of the Group when managing capital i.e., its shareholders' equity and surplus on revaluation on property, plant and equipment, is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

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

36. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated undertakings, directors of the Company and its subsidiary, 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:

	2011	2010
	(Rupees in '000)	
Associated companies		
Sales	471,019	405
Purchases	2,912,876	102,974
Insurance premium expense	82,040	50,053
Insurance claims received	15,345	3,629
Investments in an associated company	27,080	105,902
Rent income	1,255	-
Donations	3,000	7,075
Dividend paid	13,820	9,515
Payable to related parties	15,512	3,552
Receivable from related parties	134,256	953
Others	426	1,666
Key management personnel		
Remuneration	181,800	138,353
Staff retirement benefits	14,477	6,431
Sale proceed from disposal of vehicle	675	3,423
Non executive directors		
Director's fee	2,740	1,520
Staff retirement fund		
Contribution paid	40,226	23,793

37. PRODUCTION CAPACITY

The production capacity at the year end was as follows:

Note	2011	2010
	(Metric tonnes)	
Holding company		
Pipe	312,000	312,000
Galvanising	150,000	150,000
Cold rolled steel strip	70,000	50,000
Polyethylene pipe	10,000	8,000
Subsidiary company		
Galvanising	150,000	-
Cold rolled steel strip	250,000	-
The actual production for the year was:		
Holding company		
Pipe	169,799	182,144
Galvanising	76,817	92,366
Cold rolled steel strip	50,278	36,768
Polyethylene pipe	5,840	5,181
Subsidiary company		
Galvanising	38,796	-
Cold rolled steel strip	53,228	-

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

38. SEGMENT REPORTING

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

38.1 Segment revenue and results

	Steel Segment	Plastic Segment	Total
	(Rupees in '000)		
For the year ended 30 June 2011			
Sales	14,972,457	1,019,881	15,992,338
Cost of sales	(12,905,021)	(924,955)	(13,829,976)
Gross profit	2,067,436	94,926	2,162,362
For the year ended 30 June 2010			
Sales	12,766,167	705,616	13,471,783
Cost of sales	(10,620,970)	(628,704)	(11,249,674)
Gross profit	2,145,197	76,912	2,222,109

Notes to the Consolidated Financial Statements

for the year ended 30 June 2011

Reconciliation of segment results with profit after tax is as follows :	2011	2010
	(Rupees in '000)	
Total results for reportable segments	2,162,362	2,222,109
Selling, distribution and administrative expenses	(721,684)	(518,909)
Financial charges	(882,260)	(257,090)
Other operating expenses	(191,504)	(227,292)
Other operating income	211,508	135,698
Share of profit in equity accounted investee - net of taxation	1,951	4,755
Taxation	(264,653)	(333,000)
Profit for the year	315,720	1,026,271

38.2 Segment assets and liabilities	Steel Segment	Plastic Segment	Total
	(Rupees in '000)		
As at 30 June 2011			
Segment assets	21,131,881	860,634	21,992,515
Segment liabilities	120,883	-	120,883
As at 30 June 2010			
Segment assets	16,870,290	739,930	17,610,220
Segment liabilities	45,450	-	45,450

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

	2011	2010
	(Rupees in '000)	
Total for reportable segments assets	21,992,515	17,610,220
Unallocated assets	3,735,527	1,147,948
Total assets as per balance sheet	25,728,042	18,758,168
Total for reportable segments liabilities	120,883	45,450
Unallocated liabilities	18,559,375	14,022,252
Total liabilities as per balance sheet	18,680,258	14,067,702

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

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

38.5 Revenue from major products

The analysis of the Group's revenue from external customers for its products is given in note 22 to these financial statements.

38.6 Information about major customers

Revenue from major customer of Plastic Segment is Rs. 625.613 million (2010: Rs. 396.454 million), where as in Steel Segment there is no major customer whose revenue accounts for more than 10% of Steel Segment's revenue.

38.7 Geographical information

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

	2011	2010
	(Rupees in '000)	
Domestic sales	14,181,319	11,931,505
Export sales	5,138,868	3,626,785
	<u>19,320,187</u>	<u>15,558,290</u>

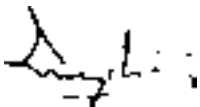
The Company exports its product to South Asia, Europe, Middle East and North America.

39. NON - ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Holding Company in its meeting held on 11 August 2011 has proposed a final cash dividend of Rs.3.50 per share amounting to Rs. 419.624 million (2010: Rs. 2.50 per share final cash dividend amounting to Rs. 249.776 million and 20% bonus shares amounting to Rs. 199.821 million) for approval of the members of the Holding Company at the Annual General Meeting to be held on 15 September 2011. Further the Board of Directors has approved transfer from general reserves amounting to Rs. 328.786 million (2010: transfer to general reserves Rs. 400 million). These consolidated financial statements for the year ended 30 June 2011 do not include the effect of the proposed cash dividends and transfer from general reserves which, will be accounted for subsequent to the year end.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the meeting of Board of Directors held on 11 August 2011.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Asad A. Siddiqui
Chief Financial Officer



Towfiq H. Chinoy
Managing Director
& Chief Executive

Stakeholders' Information

OWNERSHIP

On 30 June 2011 there were 3120 members on record of the Company's ordinary shares.

DIVIDEND PAYMENT

The Board of Directors of the Company has recommended 35% final dividend for the year as per "Profit Appropriation Policy" in addition to the interim dividend of 15% announced on January 25, 2011 and distributed to the then existing shareholders of the Company. The proposal shall be placed before the shareholders of the Company in the General Meeting for their consideration and approval on 15th September 2011. The dividend warrants, if approved by the shareholders, shall be dispatched to the shareholders listed in the Company's share Register at the close of business on 5th September 2011 and shall be subject to the Zakaat and Tax deductions as per law.

FINANCIAL CALENDAR

Results

First quarter ended 30 September 2010	Announced on	23-Oct-10
Half year ended 31 December 2010	Announced on	25-Jan-11
Third quarter ended 31 March 2011	Announced on	10-May-11
Year ended 30 June 2011	Announced on	11-Aug-11

Dividends

Interim - Cash (2011)	Announced on	25-Jan-11
	Entitlement date	16-Feb-11
	Statutory limit up to which payable	17-Mar-11
	Paid on	1-Mar-11
Final - Cash (2010)	Announced on	5-Aug-10
	Entitlement date	6-Sep-10
	Statutory limit up to which payable	15-Oct-10
	Paid on	23-Sep-10
Final - Bonus (2010)	Announced on	5-Aug-10
	Entitlement date	6-Sep-10
	Statutory limit up to which payable	15-Oct-10
	Issued / Credited on	23-Sept-10

Issuance of annual report 24-Aug-11

63rd annual general meeting 15-Sep-11

Tentative dates of financial results

Period	To be Announced on
1st Quarter	28-10-2011
2nd Quarter	31-01-2012
3rd Quarter	27-04-2012
Annual Accounts	August 2012

INVESTOR RELATIONS CONTACT

Ms. Neelofar Hameed (Company Secretary)

Email: neelofar.hameed@iil.com.pk **UAN:** +9221 111 019 019 **Fax:** +9221 568 0373

Enquiries concerning lost share certificates, dividend payments, changes of address, verification of transfer deeds and share transfers should be directed to the Shares registrar at the following address:

THK Associates (Pvt.) Ltd

Ground Floor, State Life Building 3, Dr. Ziauddin Ahmed Road Karachi-75530

Phone:+9221-111-000-322 **Fax:** +9221-35655595 **Email:** info@thk.com.pk

Pattern of Shareholding

as of 30 June 2011

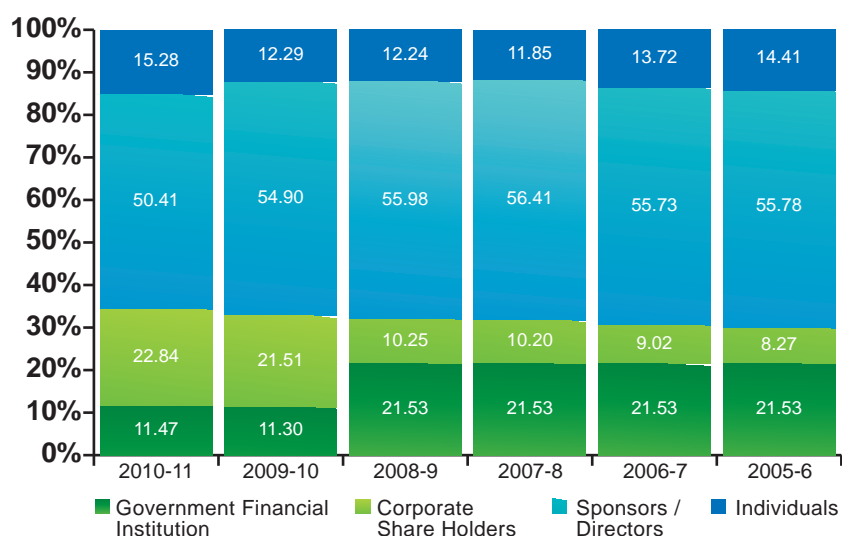
NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	FROM	TO		
840	1	100	18,120	0.0151
564	101	500	155,723	0.1299
358	501	1,000	278,581	0.2324
751	1,001	5,000	1,766,152	1.4731
214	5,001	10,000	1,519,721	1.2676
79	10,001	15,000	978,595	0.8162
60	15,001	20,000	1,053,941	0.8791
29	20,001	25,000	658,356	0.5491
28	25,001	30,000	756,842	0.6313
56	30,001	50,000	2,244,818	1.8724
42	50,001	75,000	2,562,673	2.1375
21	75,001	100,000	1,833,124	1.5290
12	100,001	125,000	1,337,377	1.1156
5	125,001	150,000	702,691	0.5860
8	155,001	190,000	1,360,310	1.1347
9	200,001	300,000	2,345,984	1.9567
3	310,001	350,000	1,008,136	0.8409
6	400,001	500,000	2,652,600	2.2124
5	505,001	580,000	2,722,144	2.2704
3	655,001	750,000	2,072,355	1.7285
3	765,001	1,000,000	2,571,576	2.1448
1	1,095,001	1,100,000	1,100,000	0.9175
1	1,160,001	1,165,000	1,161,990	0.9692
1	1,240,001	1,245,000	1,242,240	1.0361
1	1,395,001	1,400,000	1,398,823	1.1667
1	1,435,001	1,440,000	1,438,567	1.1999
1	1,440,001	1,445,000	1,441,776	1.2026
2	1,445,001	1,450,000	2,891,749	2.4119
1	1,545,001	1,550,000	1,545,394	1.2890
1	1,565,001	1,570,000	1,568,650	1.3084
1	1,635,001	1,640,000	1,638,530	1.3667
1	1,795,001	1,800,000	1,795,361	1.4975
1	2,310,001	2,315,000	2,312,706	1.9290
1	2,365,001	2,370,000	2,368,102	1.9752
1	2,425,001	2,430,000	2,425,191	2.0228
1	2,700,001	2,705,000	2,702,380	2.2540
1	3,320,001	3,325,000	3,321,435	2.7703
1	5,375,001	5,380,000	5,379,347	4.4868
1	5,540,001	5,545,000	5,542,017	4.6225
1	6,220,001	6,225,000	6,220,417	5.1883
1	6,645,001	6,650,000	6,649,473	5.5462
1	10,425,001	10,430,000	10,429,058	8.6987
1	12,100,001	12,105,000	12,101,461	10.0936
1	12,615,001	12,620,000	12,618,133	10.5244
3,120			119,892,619	100.0000

Categories of Shareholders

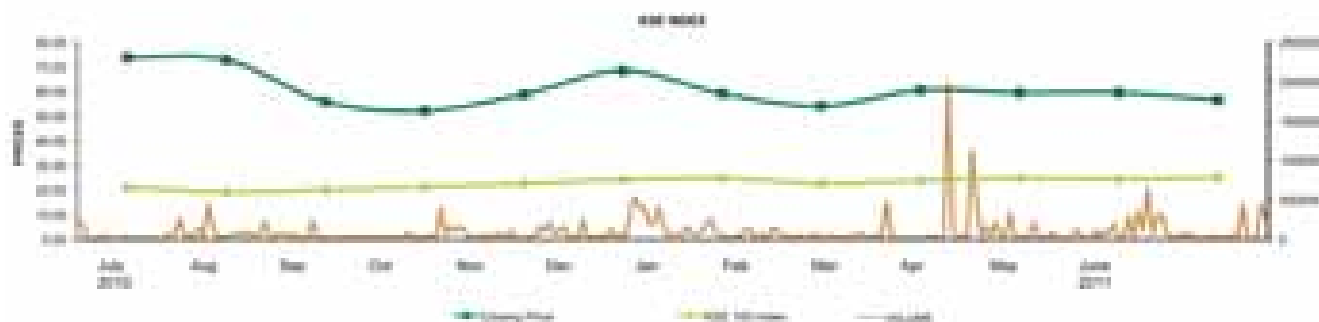
as of 30 June 2011

PARTICULARS	NO. OF SHAREHOLDERS	NO. OF SHARES HELD	PERCENTAGE
Directors, CEO, Sponsors and Family Members	27	60,441,446	50.4130
Associated Companies	5	6,034,133	5.0329
Govt. Financial Institutions	6	13,753,482	11.4715
Banks, DFI & NBFIs	10	11,531,416	9.6181
Insurance Companies	7	3,206,232	2.6743
Modarabas & Mutual Funds	9	1,614,475	1.3466
Foreign Companies	6	2,228,650	1.8589
Welfare Trusts / Provident Funds/Others	68	4,405,780	3.6748
General Public	2,982	16,677,005	13.9100
TOTAL	3,120	119,892,619	100.0000

Shareholder Composition



IIL Share Prices - Trend VS KSE 100 Index



Key Shareholdings

Information on shareholding required under reporting framework is as follows:

Directors & Spouses	No. of Shares	Percentage
Mr. Kemal Shoaib	10,090	0.008
Mr. Towfiq H. Chinoy	1,400,000	1.168
Mr. Kamal A. Chinoy	10,429,178	8.699
Mrs. Pia K. Chinoy wife of Mr. Kamal A. Chinoy	1,445,713	1.206
Mr. Mustapha A. Chinoy	12,120,177	10.109
Mrs. Nargis M.Chinoy wife of Mr. Mustapha A. Chinoy	670,080	0.559
Mr. Javaid Anwar	78,879	0.066
Mr. Riyaz T. Chinoy	5,542,017	4.622
Mr. Fuad Azim Hashimi	1,200	0.001
Mr. Zaffar A. Khan	64,352	0.054
Mr. Azam Faruque	12,000	0.01

Executives	173,205	0.144
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Associated Companies	No. of Shares	Percentage
Pakistan Cables Ltd.	576,000	0.48
Pakistan Cables Limited Employees Provident Fund	544,725	0.454
Trustees Pakistan Cables Limited Management Staff Pension Fund	232,600	0.194
New Jubilee Insurance Co. Ltd.	2,312,706	1.929
New Jubilee Life Insurance Co. Ltd.	2,368,102	1.975

Government Financial Institutions	No. of Shares	Percentage
National Bank of Pakistan-Trustee Department NI(U)T Fund	12,618,133	10.525
State Life Insurance Corp. of Pakistan	656,019	0.547
National Investment Trust Limited	314,344	0.262
National Investment Trust Limited - Administration Fund	160,023	0.133
IDBP (ICP Unit)	4,543	0.004
Investment Corp. of Pakistan	420	0

Notice of Meeting

Notice is hereby given to the Members that the 63rd Annual General Meeting of the Company will be held on 15 September, 2011 at 10:00 a.m. at the Auditorium, Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi to transact the following business:

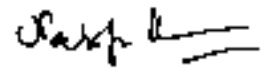
ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended 30 June 2011 and the Reports of the Directors' and Auditors' thereon.
2. To consider and approve payment of 35% Final Cash Dividend for the financial year ended 30 June 2011 as recommended by the Board of Directors.
3. To appoint Auditors for the year 2011-2012 and fix their remuneration.

SPECIAL BUSINESS

4. To transact with the permission of the Chair any other business which may be transacted at an Annual General Meeting.

By Order of the Board



Neelofar Hameed
Company Secretary

Karachi
Dated: 11 August, 2011

Notes:

1. The Share Transfer Books of the Company shall remain closed from 6 September, 2011 to 15 September 2011 (both days inclusive).
2. A Member entitled to attend, speak and vote at the General Meeting is entitled to appoint another member as his/her proxy to attend, speak and vote on his/her behalf.
3. Instrument appointing proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power or authority must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. Form of proxy is enclosed.

CDC Account Holders will further have to follow the under-mentioned guide lines as laid down in Circular 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan:

a) For Attending AGM

- In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the Regulations shall produce proof of his / her identity by showing original National Identity Card (NIC) at the time of attending the meeting.
- In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

b) For Appointing Proxy

- In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirement.
- Attested copies of NIC of the beneficial owners and the proxy shall be furnished with the proxy form.
- The proxy shall produce his original NIC at the time of the meeting.

4. Members are requested to submit declaration for zakat on the required format and to advise change in address, if any.
5. Members are requested to submit a copy of the Computerized National Identity Card (CNIC) to update our records.

Statement Under Section 160 Of The Companies Ordinance

Status of previous approval for investment in Pakistan Cables Limited:

Pursuant to the resolution passed by the shareholders of the Company at the Extraordinary General Meeting held on 13th April 2010 approving and authorizing the proposed investment in up to 3,600,000 shares of Pakistan Cables Limited, the Company has acquired up to 2,400,000 ordinary shares of Pakistan Cables Limited from its various shareholders, including National Bank of Pakistan, Faysal Bank and Khyber Bank Limited and also from the market.

The Company intends to make further investment in the share capital of Pakistan Cables Limited as and when the Company identifies prospective sellers and negotiates a suitable price with them.

The average market price of the shares of Pakistan Cables Limited for the last six months, beginning from 1 February 2011 to 31 July 2011 is Rs. 50.4233/share.

The earnings per share of Pakistan Cables Limited for the years 2008, 2009 and 2010 as per its accounts for the years ended on 30 June 2008, 30 June 2009 and 30 June 2010 were Rs. 3.35, Rs.2.98 and Rs. 2.12, per share respectively.

The break-up value of the shares of Pakistan Cables Limited as at 30 June 2008, 30 June 2009 and 30 June 2010 was Rs.68.6, Rs.65.3 and Rs.65.2 per share, respectively.

Glossary

AGM	Annual General Meeting
API	American Petroleum Institute
BOD	Board of Directors
CEO	Chief Executive officer
CFO	Chief Financial Officer
CNIC	Computerized National Identity Card
COO	Chief Operating Officer
CR	Cold Rolled
CRC	Cold Rolled Coil
EBITDA	Earnings before Interest, Taxes, Depreciation, and Amortization
EPS	Earning per share
ERP	Enterprise Resource Planning
FY	Financial Year
GI	Galvanized Iron
HDPE	High Density Polyethylene
HSE	Health, Safety and Environment
IFC	International Finance Corporation
IIL	International Industries Limited
ISL	International Steels Limited
ISO	International Standard Organization
IT	Information Technology
KESC	Karachi Electric Supply Corporation
KSE	Karachi Stock Exchange
LTF	Long term financial facility
LTIFR	Lost Time Incident Frequency Rate
MC	Management Committee
MD	Managing Director
MDPE	Medium Density Polyethylene
MW	Mega watt
OHSAS	Occupational Health and Safety Assessment System
PE	Polyethylene
PEX	Cross Link Polyethylene
SBP	State Bank of Pakistan
SECP	Securities and Exchange Commission of Pakistan
SIUT	Sindh Institute of Urology transplant
TCF	The Citizen Foundation
UNGC	United Nation Global Compact
USD	United States Dollar

Proxy Form



I / We _____
of _____

being a member of INTERNATIONAL INDUSTRIES LIMITED and holder of _____
ordinary shares as per Share Register Folio No. _____ and / or CDC
Participant I.D. No. _____ and Sub Account No. _____ hereby
appoint _____ of _____
or failing him _____
of _____

as my proxy to vote for me and on my behalf at the annual general meeting of the
Company to be held on September 15, 2011 and at any adjournment thereof.

Signed this _____ day of _____ 2011.

WITNESSES:

1. Signature: _____
Name: _____
Address: _____

NIC or
Passport No. _____

Signature

Revenue
Stamp
Rs.5/-

2. Signature: _____
Name: _____
Address: _____

NIC or
Passport No. _____

(Signature should agree with the
specimen signature registered with
the Company)

Note: Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting. A proxy must be a member of the Company. CDC Shareholders and their proxies are each requested to attach an attested photocopy of their National Identity Card or Passport with this proxy form before submission to the Company.



Promising Reliability, For Now and Tomorrow

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