INTERNATIONAL INDUSTRIES LTD.

Promising Reliability, For Now and Tomorrow

Turnover crossed 18 billion in 2014

Annual Report 2014

introduction

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

International Industries Limited (IIL) is the largest producer of cold rolled steel tubing, galvanized iron pipes and polyethylene pipes in Pakistan. The company is listed at the Karachi, Lahore and Islamabad Stock Exchanges.

We are proud to be the winner of many awards including FPCCI Export Performance, MAP's Corporate Excellence, Top 25 Companies, and Best Corporate Report Awards.

IIL has high quality standard based certifications of ISO 9001, ISO 14001, OHSAS 18001 and CE Mark certification.

contents

6 continents

47 countries

IIL 's Exports

IIL has a significant export foot-print. In 2013-14, over 71,000 tons were exported to various regions including Afghanistan, Sri Lanka, America, Europe, Middle East and Africa.

IIL is currently exporting pipes & tubes to 47 countries covering 6 continents with over 650,000 tons of pipes & tubes exported to date.

IIL Australia Pty. Limited

In order to achieve its long term vision IIL has been actively pursuing new opportunities for organic and inorganic growth. IIL has incorporated a wholly owned subsidiary in Australia – IIL Australia Pty Ltd., which heralds its success in this developed market.

IIL’s Production

Since its inception, IIL has been committed to expanding its product line, and introducing new technologies in pipe making. A major step in IIL’s journey of innovation came in 1965 when the company launched its line of high quality Electric Resistance Welded Steel Pipe and then launched Galvanized Pipe in 1983.

As a Public Limited company, IIL continued to expand its facilities and set up the country's first Cold Rolling Mill in the private sector in 1990.

Today IIL’s production capacity is the highest in Pakistan with 5 million tons produced till date.

5 million tons output to date

IIL's Employees

IIL employs a dedicated and diverse work force which plays a key role in the continuing success of the Company. It takes pride in hiring, developing and retaining the best talent through its transparent succession- planning, career building and compensation policies.

Currently it has more than 1,500 employees who are committed towards the Company's vision.

IIL's Expansion Plan

IIL is in the process of constructing its new factory close to its main domestic and international market.

In addition, IIL is also setting up 12 inch diameter API and structural pipe mill to cater the growing demand of gas companies and construction sector in the region.

IIL Is in the process of establishing a state of the art stainless steel tube unit which will produce international premium quality stainless steel tube.

manufacturing area

1,548,

340,000 tons/annum production capacity

IIL's Product Development

IIL has always been focused towards innovation and developing new products to better satisfy the emerging needs of its consumers.

IIL has recently introduced **IIL PLUMBO** - the finest PPRC pipe for hot and cold water transmission, with standard diameters ranging from 20 mm ~ 63 mm. The Company is also developing two new products **Stainless Steel Pipes**- ideal for automobile and interior designing and **Large Dia Structural Pipes**- ideal for building structures and large dia water & gas lines.

Area

516 square feet

manufacturin

established
since

Established

The Legacy

IIL, Pakistan's premier pipe manufacturer, was established in 1948 as Sultan Chinoy & Company within a year of the country's independence. The next year, in 1949, it was incorporated as International Industries Limited. After 65 years of consistent performance the prestigious pipe manufacturer's products are featured in all major developmental work undertaken in the country – be it supplying gas to the most far flung villages in the Northern Mountains of Pakistan or for exceptional architectural projects in Pakistan's Southern metropolis.

years of pipe manufacturing experience

Company Profile

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

IIL was incorporated in Pakistan in 1948 and is quoted on the Karachi, Lahore and Islamabad Stock Exchanges. The Company has equity of over Rs.5 billion with a turnover of more than Rs. 18 billion and has featured on the Karachi Stock Exchange's listing of the Top 25 Companies consecutively for 9 years .

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 and also has a significant export footprint. In 2013-14, IIL's gross sales volume was over 200,000 tons out of which over 71,000 tons were exported to various regions including Afghanistan, Sri Lanka, America, Europe, Middle East and Africa. The Company has been recognized as one of the best managed companies at various forums including the leading exporter of engineering goods for the last fourteen years and has been conferred with Management Association of Pakistan's "Corporate Excellence Award" for the Industrial Metals & Mining Sector.

IIL was the first local private sector company to install cold rolling facilities in 1980s. Its 11 cold rolled tube mills and 3 cold rolled slitters have a capacity of over 120,000 tons per annum, with sizes ranging from 9.00 ~ 75.90 mm in round, 10 ~ 50 mm in square, 10x20 ~ 40x80 mm rectangular and 13x23 mm, 19x42 mm ~ 24x56 in elliptical tubes and 16x40, 30x50 oval tubes, with a thickness range from 0.60 ~2.00 mm.

To cater to the needs of the Galvanized Iron (GI) pipes market, the company has 5 hot rolled tube mills, 3 hot rolled slitters and 4 fully automatic hot dipped galvanizing plants with a capacity of 150,000 tons per annum. The GI product range varies from 1/2" ~ 6" with a thickness range from 1.80 mm ~ 6.00 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 under API License # 5L-0391.

IIL widened its portfolio of products by installing four extrusion plants for high & medium density Polyethylene pipes for water, gas and duct pipe with standard diameters ranging from 12 mm ~ 630 mm. IIL is the pioneer in the manufacturing of Flexflo (PEX) pipe in Pakistan, with standard diameters ranging from 20 mm ~ 32 mm. The company is also manufacturing MDPE gas pipe under API license # 15LE-0014.

IIL has recently introduced "IIL PLUMBO"- the finest PPRC pipe for hot and cold water transmission, with standard diameters ranging from 20 mm ~ 63 mm. The Company is also developing two new products "Stainless Steel pipes"- ideal for automobile and interior designing and "Large Dia structural pipes"- ideal for building structures and large dia water & gas lines.

To conform to the highest quality, health and safety standards, IIL has obtained International Certifications of ISO 9001, ISO 14001, OHSAS 18001 and CE Mark certification on CR tubing and GI pipe.

The company owns 56.335% of the share capital of its listed subsidiary, International Steels Limited (ISL), which is the largest manufacturer of cold rolled steel and galvanized steel coils in Pakistan with annual production capacities of 250,000 tons and 150,000 tons respectively.

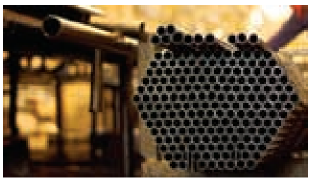
In order to achieve our long term vision we have been actively pursuing new opportunities for organic and inorganic growth. IIL is pleased to announce the incorporation of its wholly owned subsidiary in Australia – IIL Australia Pty Ltd., which will enable it to tap this developed market.

For further information please visit our website, www.iil.com.pk.

Business at a Glance

Products

IIL has a wide range of products :



IIL Cold Rolled Steel Tube

Ideal for chroming, bending & drawing

CR steel tubes are available in round, rectangle, oval, square and elliptical geometry and are predominantly used for automotive, 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 diameters from 9.00 mm to 75.90mm and in thicknesses from 0.60 to 2.00mm. The products are certified as European Conformity Standards–CE.

IIL API Line Pipe

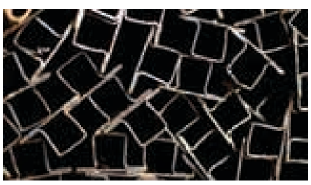
Ideal for natural gas and petroleum distribution

IIL's trusted welded line pipes are ideal for natural gas and petroleum distribution systems. These are manufactured as per PSL1 in accordance with API specifications.

IIL Galvanized Pipe

Ideal for water & gas transmission and fencing

GI pipes are ideal for the transmission of potable water, natural gas, oil and other fluids. They are also used in fencing, low cost shelters and fabrication industries. IIL's reliable GI pipes are available from nominal diameters of 15mm (1/2") to 150mm (6") and in thicknesses from 1.80mm to 6.00mm. The products are certified as European Conformity Standards –CE.



IIL Profile Tubes

Ideal for steel door, window & railing

Profiles in "L", "T" "D" and "Z" shapes are used in the making of furniture and low cost housing.

IIL Safescaf

Ideal for scaffolding projects

IIL also manufactures best quality scaffolding and black pipe which is high in strength yet light-weight.

IIL MS Schedule 40

Ideal for fire fighting and high pressure lines of water transmission

Keeping in mind the needs of industrial sectors, such as Sugar Industry, Textile Industry, Pharma Industry, Power Industry and Food Industry, IIL has developed IIL MS Schedule 40 as per ASTM A53 standard available in Grade A & B, best for fire fighting, water distribution lines, high pressure lines, steam lines, hot/chill water lines and chemical liquid lines.

IIL, a top 25 KSE-listed company, was established in 1948 as Sultan Chinoy & Company and is in the business of manufacturing and marketing of GI Pipe, CR Tube, Black Pipe, API Line Pipe and Polyethylene Line Pipe throughout the world.

IIL Hot Dipped Galvanized Iron Pipe & Black Pipe (ASTM A53)
Best used for fencing applications and fluid transmission

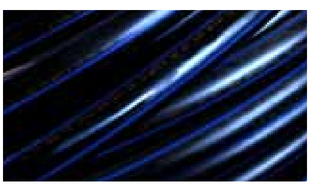
IIL has also developed IIL Hot Dipped Galvanized Pipe & IIL Black Pipe as per ASTM A53 Schedule 40 & Schedule 10. These pipes are available from nominal diameters of 15mm (1/2”) to 150mm (6”)

IIL MDPE Pipe
Ideal for distribution of natural gas and LPG

IIL’s 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 natural gas, liquefied petroleum gas (LPG) and other gaseous fuels. The nominal outside diameter of IIL polyethylene line pipes ranges from ¾” to 25” and 20 mm to 630mm.

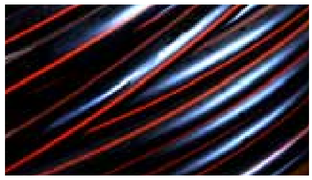
IIL Flexflo
Ideal for hot & cold water transmission

IIL is the pioneer in the manufacturing of PEX (Cross Linked Polyethylene) pipe in Pakistan. IIL PEX Pipe is one of the most versatile, high-performance and cost efficient system for transmission of hot and cold water, under elevated pressure and temperature conditions. PEX pipe is a relatively low cost, technically advanced, easier to install, food grade and environmentally safe pipe for drinking water available from 16 mm to 50 mm.



IIL HDPE Water Pipe
Ideal for water distribution lines

IIL’s Polyethylene water pipe (HDPE) is used for distribution of water supply, effluent and water discharge. The range of sizes produced is from 16 mm to 630 mm.



IIL HDPE Duct Pipe
Ideal for fiber and cable ducting

IIL’s Polyethylene duct is used as casing for optic fiber cables and other telecommunication cables. The standard diameter range is from 12 mm to 630 mm (without internal solid lubrication and with internal ribs) and 12 mm to 250 mm (with internal solid lubrication).

IIL Plumbo
Finest PPRC pipe for hot & cold water transmission

IIL has recently introduced IIL Plumbo, the finest PPRC Pipe and a comprehensive system for the distriubtion of Hot & Cold Potable Water. Plumbo is made from 100% prime food grade imported raw material. It is available in nominal diameter ranging from 20 mm to 63 mm.

Board of Directors

Chairman	Mr. Zaffar A. Khan	Independent Chairman
Chief Executive Officer	Mr. Riyaz T. Chinoy	Executive Director
Directors	Mr. Mustapha A. Chinoy	Non-Executive Director
	Mr. Kamal A. Chinoy	Non-Executive Director
	Mr. Fuad Azim Hashimi *	Non-Executive Director
	Mr. Azam Faruque	Independent Director
	Mr. Tariq Ikram	Independent Director
	Mr. Aly Noormahomed Rattansey	Independent Director
	Mr. Muhamad Raeesuddin Paracha	Non-Executive Director

Company Information

Chief Financial Officer	Mr. Sohail R. Bhojani
Company Secretary	Ms. Neelofar Hameed
External Auditors	KPMG Taseer Hadi & Co.
Internal Auditors	Ernst & Young Ford Rhodes Sidat Hyder

* Mr. Fuad Azim Hashimi as Independent Director completed his 9 years in June 2014 and is now considered a Non-Executive Director

Bankers

Bank AL Habib Ltd.

Barclays Bank PLC

Faysal Bank Ltd.

Habib Bank Ltd.

HSBC Bank Middle East Ltd.

MCB Bank Ltd.

Meezan Bank Ltd.

NIB Bank Ltd.

Samba Bank Ltd.

Soneri Bank Ltd.

Standard Chartered Bank (Pakistan) Ltd.

United Bank Ltd.

Branch Office

Chinoy House, 6 Bank Square
Lahore - 54000
Telephone Nos: 37229752-55
UAN: 111-019-019
Fax: 9242 37220384
Email: lahore@iil.com.pk

Factory

Steel Pipe Factory
LX 15-16, Landhi Industrial Area
Karachi – 75120
Telephone Nos: 35080451-55
Fax: 9221 35082403
Email: factory@iil.com.pk

PE Plant

Survey # 402,405 & 406, Deh Sharabi
Rehri Road, Landhi, Karachi – 75160
Telephone Nos: 9221 35017027-28
35017030
Fax: 9221 35013108

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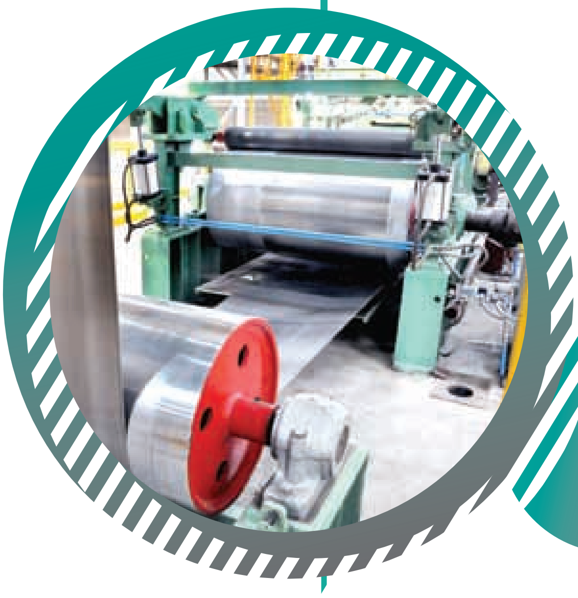

Legal Advisor

Mrs. Sana Shaikh Fikri

Registered Office

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Telephone Nos: +9221-35680045-54
UAN: 021-111-019-019
Fax: +9221-35680373
Email: neelofar.hameed@iil.com.pk

Website

www.iil.com.pk

Share Registrar

Central Depository Company of Pakistan Ltd.
CDC House, 99-B, Block "B"
S.M.C.H.S, Shahrah-e-Faisal, Karachi
Telephone No: +9221-111-111-500
Fax: +9221-34326053
Email : info@cdcpak.com

Vision

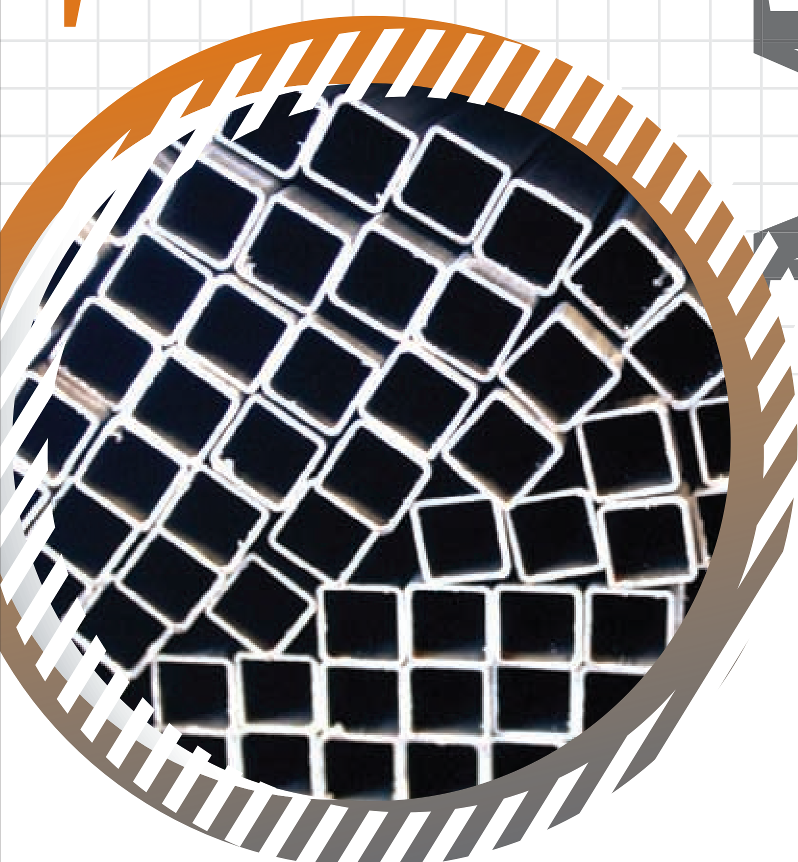
To be an international, innovative, entrepreneurial, million ton steel processor by the year 2020

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 expectations of all stakeholders.

Team work, continual improvement, prevention of pollution, waste reduction, protection of environment, care for health & 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 markets

To remain the volume leader by maintaining quality and easy availability of diversified products

To enhance market share by maintaining a fair price, ensuring availability and timely deliveries

To enhance exports and leverage them to take advantage of economies of scale

Focus on new ventures, especially M&As and JVs in near home markets in order to capitalize on opportunities for inorganic growth

Capitalize on our traditionally strong engineering base and invest to expand / modernize production capability

Maintain focus on CSR, environment and safety management in order to reap corporate benefits as a good corporate citizen and employer

Ensure aggressive training and development of personnel commensurate with strategic needs, specially those who are key executives of the company

Our Values

At IIL we take pride in uncompromising integrity through each individual's effort towards quality product for our customers and sizeable contributions to the National Exchequer.

Ethical:
IIL is honest and ethical in its dealings at all times through compliance with the applicable laws and regulations.

Excellence:
IIL endeavours to exceed the expectations of all stakeholders.

Innovation:
IIL encourages its employees to be creative and seek innovative solutions.

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 the 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

The salient features of the Code of Conduct are as follows:

A. BUSINESS ETHICS

i. The Company's policy is to conduct its business with honesty & integrity and be ethical in its dealings, showing respect for the interest of all stakeholders including its shareholders, employees, customers, suppliers and the society.

ii. The Company is dedicated towards providing a safe and non-discriminatory working environment for all employees.

iii. The Company does not support any political party nor contributes funds to groups whose activities promote political interests.

iv. 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.

v. The Board of Directors and the Management are committed that the Company be a responsible corporate citizen and the business shall be carried out in a sustainable manner.

vi. The operations shall be carried out with minimum adverse effect on the environment, producing quality products in a healthy & safe working environment.

vii. We, as a responsible corporate citizen, shall promote our role towards betterment of the society in health and education sectors.

B. CONFLICTS OF INTEREST

i. Every employee should conduct his/ her personal and business affairs in such a manner that neither a conflict, nor the appearance of a conflict, arises between those interests and the interests of the Company.

ii. An employee should avoid any situation in which he or she, or a family member, might profit personally (directly or indirectly), from the Company's facilities, its products, or Company's relationships with its vendors or customers.

iii. An employee should not permit himself/ herself (or members of his/ her family) to be obligated (other than in the course of normal banking relationships) to any organization or individual with whom the Company has a business relationship. However, business lunches, dinners or social invitations, nominal giveaways and attendance at conferences and seminars would not be considered a violation of this Code.

iv. In case an employee is offered or receives something of value which he/she believes may be impermissible under this Code, he /she should promptly disclose the matter.

v. All employees shall avoid any kind of bribery, extortion and all other forms of corruption.

vi. Conflict of interest shall be avoided and promptly disclosed where they exists and guidance should be sought from senior management.

C. ACCOUNTING RECORDS, CONTROLS & STATEMENTS

i. All books, records, accounts and statements should conform to generally accepted and applicable accounting principles and to all applicable laws & regulations and should be maintained accurately.

ii. Employees are expected to sign only documents or records which they believe to be accurate and truthful.

D. ENVIRONMENT

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

ii. All employees are required to adhere strictly to all applicable environmental laws and regulations that impact the Company's operations.

E. REGULATORY COMPLIANCE

i. The Company is committed to making prompt public disclosure of "material information" as prescribed in the Karachi Stock Exchange Regulations and / or any other exchange where the Company is listed.

ii. Where an employee is privy to the information, which is generally referred to as "material inside information", the same must be held in the strictest confidence by the employee involved until it is publicly released.

iii. The employees shall abide by the appropriate Competition Laws and shall not enter into understandings, arrangements or agreements with competitors which have the effect of fixing or controlling prices, dividing and allocating markets or territories, or boycotting suppliers or customers.

F. PERSONAL CONDUCT

i. All employees should conduct themselves with the highest degree of integrity and professionalism in the workplace or any other location whilst acting in the course of business.

ii. The employees shall be careful while dealing with personal or business associates and not disclose, divulge or provide any information regarding the Company to anyone except where the same is used as a part of his/ her official obligations and as required for official purpose and shall abide by the closed period announced by the Company from time to time and also sign a Non- Disclosure Agreement if the need arises.

iii. All employees should avoid any kind of bribery, extortion and all other forms of corruption.

iv. Employees should always be cognizant of the need to adhere strictly to all safety policies and regulations.

v. Any legally prohibited or controlled substances if found in the possession of any employee will be confiscated and where appropriate, turned over to the authorities.

Key Operating Highlights

	2014	2013 (Restated)	2012	2011	2010	2009	2008	2007	2006
FINANCIAL POSITION									
Balance sheet									
Property, plant and equipment	3,502	3,465	2,804	2,679	9,905	5,987	4,172	2,737	1,837
Investments	2,593	2,584	2,584	2,584	106	-	-	-	-
Other non current assets	18	18	14	26	18	24	15	9	9
Current assets	10,133	8,500	9,665	8,623	8,709	5,168	6,439	5,854	3,401
Total assets	16,247	14,566	15,066	13,911	18,738	11,179	10,626	8,600	5,247
Share capital	1,199	1,199	1,199	1,199	999	999	833	569	428
Reserves	3,224	3,140	2,976	3,065	2,305	1,661	1,565	1,257	1,043
Total equity	4,423	4,339	4,175	4,264	3,304	2,660	2,398	1,827	1,471
Surplus on revaluation of fixed assets	1,582	1,605	1,003	1,008	1,367	1,379	1,391	515	529
Non current liabilities	568	756	589	405	5,359	2,302	1,416	1,251	436
Current liabilities	9,674	7,866	9,299	8,234	8,709	4,838	5,421	5,007	2,812
Total liabilities	10,242	8,622	9,889	8,639	14,067	7,140	6,837	6,258	3,248
Total equity & liabilities	16,247	14,566	15,066	13,911	18,738	11,179	10,626	8,600	5,247
Net current assets	459	634	366	389	1	330	1,018	847	589
OPERATING AND FINANCIAL TRENDS									
Profit and Loss									
Net turnover	16,341	17,730	16,802	15,851	13,472	12,319	12,068	9,700	7,674
Gross profit	2,102	2,065	1,909	1,812	2,222	1,167	1,787	1,423	1,241
EBITDA	1,610	1,608	1,620	2,072	1,830	1,234	1,580	1,334	1,082
Operating profit	1,338	1,320	1,329	1,195	1,703	723	1,362	1,062	903
Profit before taxation	652	699	391	1,269	1,339	469	904	807	726
Profit after taxation	503	558	326	1,030	1,007	375	705	613	534
Cash dividend	390	390	240	600	400	225	201	213	214
Bonus share	-	-	-	-	200	-	242	188	141
Capital expenditure (addition during the year)	323	185	326	926	4,147	2,055	757	1,099	360
Cash Flows									
Operting activities	1,546	1,207	(249)	689	(3,490)	2,945	(597)	(590)	1,072
Investing activities	(182)	(169)	(313)	950	(4,222)	(2,039)	727	(2,339)	(303)
Financial activities	(417)	(646)	(155)	(1,371)	2,916	737	141	574	(275)
Cash & cash equivalents at the end of the year	(6,205)	(7,152)	(7,543)	(6,826)	(7,094)	(2,298)	(3,941)	(4,212)	(1,858)

Rs. Million

		2014	2013	2012	2011	2010	2009	2008	2007	2006
KEY INDICATORS										
Profitability Ratios										
Gross profit ratio	%	12.9	11.6	11.4	11.4	16.5	9.5	14.8	14.7	16.2
Net profit to Sales	%	3.1	3.1	1.9	6.5	7.5	3.0	5.8	6.3	7.0
EBITDA Margin to Sales	%	9.9	9.1	9.6	13.1	13.6	10.0	13.1	13.8	14.1
Operating Leverage	%	(0.0)	(0.1)	(3.6)	0.7	5.2	(10.5)	0.8	0.9	5.4
Return on Shareholders' Equity with Surplus on revaluation of fixed assets	%	8.4	9.4	6.3	19.5	21.6	9.3	18.6	26.2	26.7
Return on Shareholders' Equity without Surplus on revaluation of fixed assets	%	11.4	12.9	7.8	24.2	30.5	14.1	29.4	33.6	36.3
Return on Capital Employed	%	20.8	16.9	18.0	32.4	15.8	15.6	25.8	31.5	36.9
Return on Total Assets	%	8.4	8.7	6.9	13.2	8.4	8.9	12.6	13.2	17.1

			Restated							Rs. Million
		2014	2013	2012	2011	2010	2009	2008	2007	2006
Liquidity Ratios										
Current ratio	(x)	1.05	1.08	1.04	1.05	1.00	1.07	1.19	1.17	1.21
Quick / Acid test ratio	(x)	0.36	0.39	0.25	0.47	0.30	0.61	0.34	0.51	0.49
Cash to Current Liabilities	(x)	(0.64)	(0.91)	(0.81)	(0.83)	(0.81)	(0.47)	(0.73)	(0.84)	(0.66)
Cash flow from Operations to Sales	(x)	0.09	6.81	(1.48)	4.35	(25.91)	23.91	(4.95)	(6.08)	13.97
Activity / Turnover Ratios										
Inventory turnover ratio	times	2.1	2.9	2.0	3.0	1.8	5.0	2.2	2.5	3.2
Inventory turnover in days	days	171	126	179	124	198	73	163	146	115
Debtor turnover ratio	times	8.2	9.6	11.2	9.5	9.9	13.1	9.8	12.1	14.6
Debtor turnover in days	days	44	38	33	38	37	28	37	30	25
Creditor turnover ratio	times	4.5	20.4	11.0	11.9	13.8	10.0	9.8	15.9	15.9
Creditor turnover in days	days	82	18	33	31	26	37	37	23	23
Total assets turnover ratio	times	1.0	1.2	1.1	1.1	0.7	1.1	1.1	1.1	1.5
Fixed assets turnover ratio	times	4.7	5.1	6.0	5.9	1.4	2.1	2.9	3.5	4.2
Operating cycle in days	days	134	146	179	131	209	64	163	153	117
Capital employed turnover ratio	times	2.5	2.6	2.9	2.8	1.3	1.9	2.3	2.7	3.2
Investment / Market Ratios										
Earnings per share - basic and diluted	Rs.	4.2	4.7	2.7	8.6	8.4	3.8	7.1	7.4	9.4
Price earning ratio	times	11.8	9.7	10.4	5.8	6.7	12.3	17.1	20.1	12.6
Dividend Yield ratio	%	6.6	7.2	7.1	10.1	10.7	4.9	4.6	4.8	7.0
Dividend Payout ratio	%	77.6	69.8	73.6	58.2	59.5	60.0	62.8	65.5	66.6
Dividend per share - Cash	Rs.	3.25	3.25	2.00	5.00	4.00	2.25	2.50	3.75	5.00
Bonus shares	Rs.	-	-	-	-	2.00	-	3.00	3.30	3.30
Dividend Cover	times	1.29	1.43	1.36	1.72	2.10	1.67	2.82	1.96	1.88
Market value per share at the end of the year	Rs.	49	45	28	50	56	46	121	148	118
Market value per share high during the year	Rs.	61	49	52	71	72	57	173	168	177
Market value per share low during the year	Rs.	40	28	26	44	46	44	107	98	88
Break-up value per share with revaluation of fixed assets	Rs.	50	50	43	44	47	40	46	41	47
Break-up value per share without revaluation of fixed assets	Rs.	37	36	35	36	33	27	29	32	34
Capital Structure Ratios										
Financial leverage ratio	(x)	3.2	2.7	3.3	2.8	6.1	4.3	4.4	5.0	3.1
Weight avg: cost of debts	(x)	9.9	7.2	8.3	5.6	2.6	9.1	8.0	7.9	6.3
Total Debt : Equity ratio	(x)	63:37	66:34	70:30	67:33	81:19	64:36	64:36	73:27	62:38
Interest cover	times	1.8	1.9	1.3	2.0	6.6	1.4	3.0	3.2	5.0
Value Addition										
Employees as remuneration	Rs. in million	657	657	592	610	472	374	350	293	254
Government as taxes	Rs. in million	2,700	2,599	1,999	3,027	2,900	2,110	1,940	1,775	1,526
Shareholders as dividends	Rs. in million	390	390	240	600	600	225	443	401	355
Retained within the business	Rs. in million	113	168	86	430	427	163	275	225	193
Financial charges to providers of finance	Rs. in million	724	699	1,037	607	257	535	450	332	180

Vertical Analysis

Restated Rs. Million

	2014	%	2013	%	2012	%	2011	%	2010	%	2009	%	2008	%
OPERATING RESULTS														
Sales - Net	16,341	100.0	17,730	100.0	16,802	100.0	15,851	100.0	13,472	100.0	12,319	100.0	12,068	100.0
Cost of sales	14,240	87.1	15,665	88.4	14,893	88.6	14,039	88.6	11,250	83.5	11,152	90.5	10,280	85.2
Gross profit	2,102	12.9	2,065	11.6	1,909	11.4	1,812	11.4	2,222	16.5	1,167	9.5	1,787	14.8
Administrative, Selling and Distribution expenses	764	4.7	744	4.2	580	3.5	617	3.9	519	3.9	427	3.5	410	3.4
Other operating expenses	128	0.8	71	0.4	41	0.2	192	1.2	227	1.7	6	0.0	208	1.7
Other operating income	166	1.0	149	0.8	140	0.8	872	5.5	121	0.9	267	2.2	185	1.5
Profit before finance costs	1,376	8.4	1,398	7.9	1,428	8.5	1,876	11.8	1,597	11.9	1,001	8.1	1,354	11.2
Finance costs	724	4.4	699	3.9	1,037	6.2	607	3.8	257	1.9	535	4.3	450	3.7
Profit before taxation	652	4.0	699	3.9	391	2.3	1,269	8.0	1,340	9.9	466	3.8	904	7.5
Taxation	149	0.9	141	0.8	65	0.4	239	1.5	333	2.5	94	0.8	199	1.6
Profit for the year	503	3.1	558	3.1	326	1.9	1,030	6.5	1,007	7.5	372	3.0	705	5.8
BALANCE SHEET														
Property, plant and equipment	3,502	21.6	3,465	23.8	2,804	18.6	2,679	19.3	9,905	52.9	5,987	53.6	4,172	39.3
Investments	2,593	16.0	2,584	17.7	2,584	17.1	2,584	18.6	106	0.6	-	-	-	-
Other non current assets	18	0.1	18	0.1	14	0.1	26	0.2	18	0.1	24	0.2	15	0.1
Current assets	10,133	62.4	8,500	58.4	9,665	64.2	8,623	62.0	8,709	46.5	5,168	46.2	6,439	60.6
Total assets	16,247	100.0	14,566	100.0	15,066	100.0	13,911	100.0	18,738	100.0	11,179	100.0	10,626	100.0
Shareholders' equity	4,423	27.2	4,339	29.8	4,175	27.7	4,264	30.7	3,304	17.6	2,660	23.8	2,398	22.6
Surplus on revaluation of fixed assets	1,582	9.7	1,605	11.0	1,003	6.7	1,008	7.2	1,367	7.3	1,379	12.3	1,391	13.1
Non current liabilities	568	3.5	756	5.2	589	3.9	405	2.9	5,359	28.6	2,302	20.6	1,416	13.3
Current portion of long term financing	150	0.9	-	0.0	321	2.1	238	1.7	600	3.2	408	3.6	421	4.0
Short term borrowings	6,277	38.6	7,158	49.1	7,564	50.2	6,839	49.2	7,116	38.0	3,533	31.6	3,969	37.4
Other current liabilities	3,247	20.0	708	4.9	1,414	9.4	1,157	8.3	992	5.3	896	8.0	1,032	9.7
Total equity and liabilities	16,247	100.0	14,566	100.0	15,066	100.0	13,911	100.0	18,738	100.0	11,179	100.0	10,626	100.0
CASH FLOWS														
Net cash generated from/(used in) operating activities	1,546	163.3	1,207	308.2	(249)	34.7	689	257.1	(3,490)	72.8	2,945	179.2	(597)	(220.3)
Net cash inflows/(outflows) from investing activities	(182)	(19.2)	(169)	(43.1)	(313)	43.7	950	354.4	(4,222)	88.0	(2,039)	(124.1)	727	268.3
Net cash (outflows)/inflows from financing activities	(417)	(44.0)	(646)	(165.1)	(155)	21.6	(1,371)	(511.6)	2,915	(60.8)	737	44.9	141	52.0
Net increase/(decrease) in cash and cash equivalents	947	100.0	392	100.0	(717)	100.0	268	100.0	(4,797)	100.0	1,643	100.0	271	100.0

Horizontal Analysis

	2014	%	Restated 2013	%	2012	%	2011	%	2010	%	2009	%	2008	%
														Rs. Million
OPERATING RESULTS														
Sales - Net	16,341	(7.8)	17,730	5.5	16,802	6.0	15,851	17.7	13,472	9.4	12,319	2.1	12,068	24.4
Cost of sales	14,240	(9.1)	15,665	5.2	14,893	6.1	14,039	24.8	11,250	0.9	11,152	8.5	10,280	24.2
Gross profit	2,102	1.8	2,065	8.1	1,909	5.4	1,812	(18.5)	2,222	90.4	1,167	(34.7)	1,787	25.6
Administrative, Selling and Distribution expenses	764	2.6	744	28.3	580	(5.9)	617	18.8	519	21.5	427	4.1	410	18.5
Other operating expenses	128	79.6	71	74.8	41	(78.7)	192	(15.5)	227	3683.3	6	(97.1)	208	210.4
Other operating income	166	11.4	149	6.8	140	(84.0)	872	620.9	121	(54.7)	267	44.3	185	43.4
Operating profit before finance costs	1,376	(1.6)	1,398	(2.1)	1,428	(23.9)	1,876	17.5	1,597	59.5	1,001	(26.1)	1,354	18.9
Finance costs	724	3.5	699	(32.6)	1,037	71.0	607	136.1	257	(52.0)	535	18.9	450	35.5
Profit before taxation	652	(6.8)	699	79.0	391	(69.2)	1,269	(5.3)	1,340	187.5	466	(48.5)	904	12.1
Taxation	149	5.8	141	117.6	65	(72.9)	239	(28.2)	333	254.3	94	(52.8)	199	2.6
Profit for the year	503	(9.9)	558	71.3	326	(68.4)	1,030	2.3	1,007	170.6	372	(47.2)	705	15.1
BALANCE SHEET														
Property, plant and equipment	3,502	1.1	3,465	23.6	2,804	4.7	2,679	(73.0)	9,905	65.4	5,987	43.5	4,172	52.4
Investments	2,593	0.4	2,584	0.0	2,584	0.0	2,584	2337.3	106	100.0	-	-	-	-
Other non current assets	18	4.2	18	27.3	14	(46.5)	26	43.8	18	(25.0)	24	60.0	15	66.7
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Surplus on revaluation of fixed assets	1,582	(1.5)	1,605	60.0	1,003	(0.4)	1,008	(26.3)	1,367	(0.9)	1,379	(0.9)	1,391	170.1
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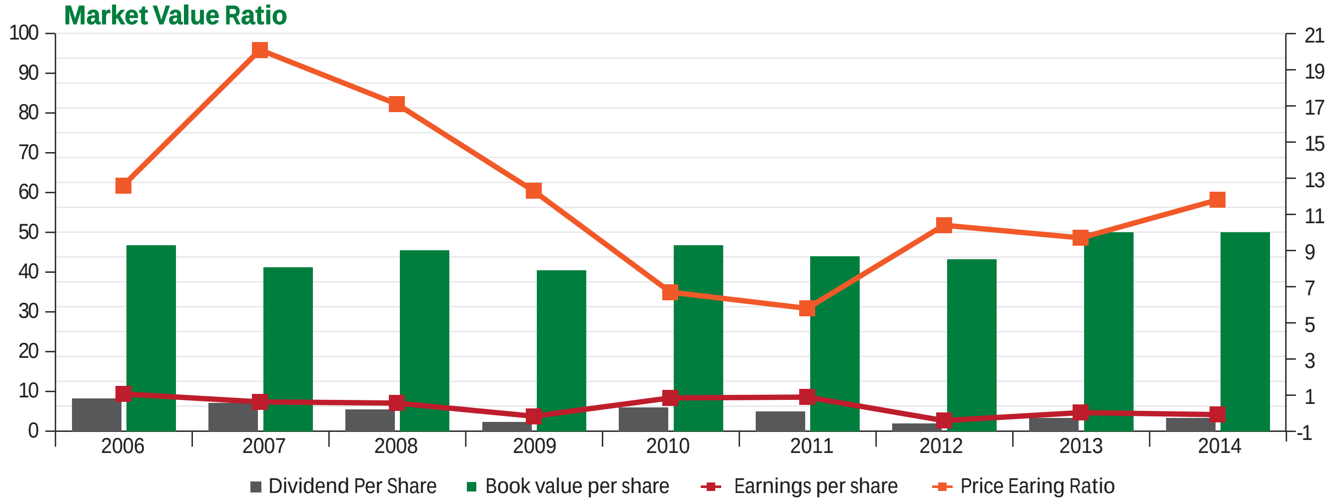
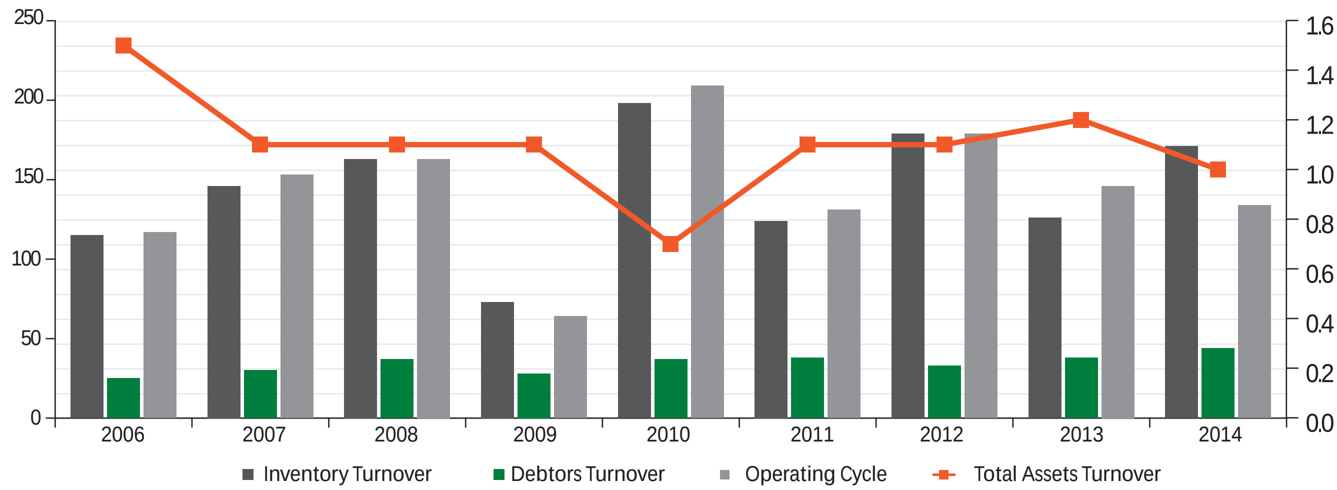
Net cash generated from/(used in) operating activities	1,546	28.1	1,207	(584.3)	(249)	(136.1)	689	(119.8)	(3,490)	(218.5)	2,945	(593.3)	(597)	1.2
Net cash inflows/(outflows) from investing activities	(182)	7.9	(169)	(46.1)	(313)	(132.9)	950	(122.5)	(4,222)	107.1	(2,039)	(380.5)	727	(131.1)
Net cash (outflows)/inflows from financing activities	(417)	(35.5)	(646)	317.4	(155)	(88.7)	(1,371)	(147.0)	2,915	295.5	737	422.7	141	(75.4)
Net increase/(decrease) in cash and cash equivalents	947	141.8	392	(154.6)	(717)	(367.5)	268	(105.6)	(4,797)	(392.0)	1,643	506.3	271	(111.5)

Key Operating Highlights

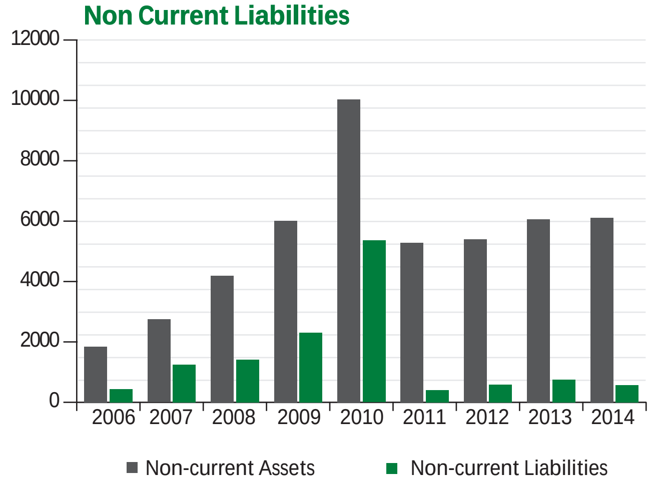
Market Value Ratio



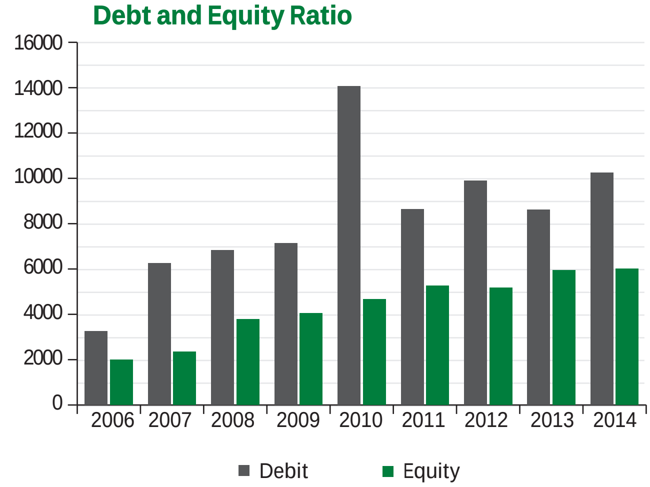
Asset Management Ratio



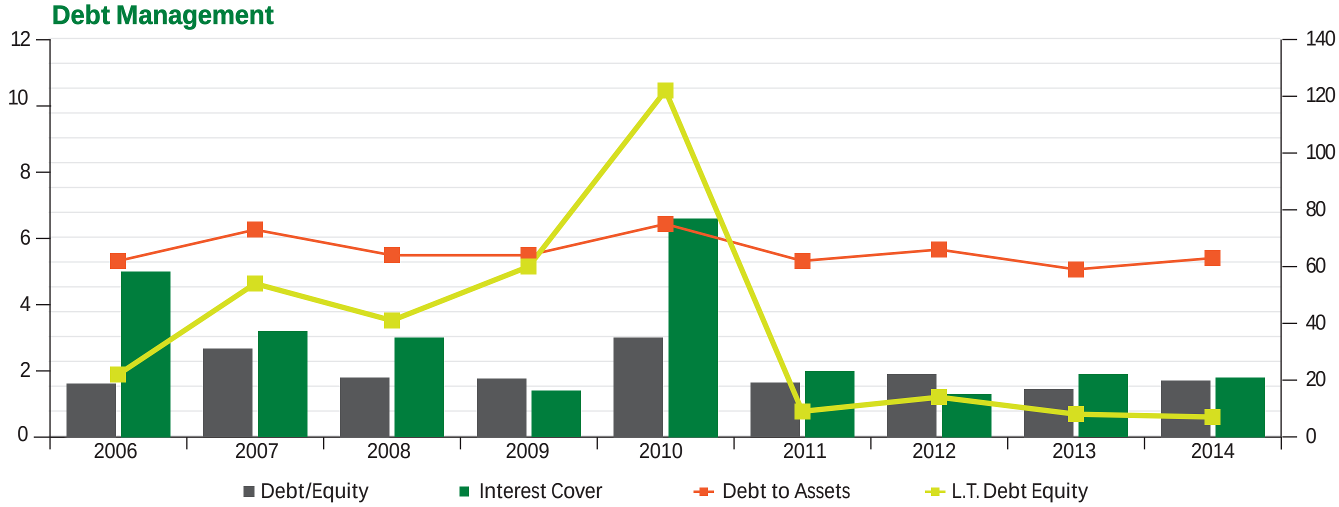
Non Current Assets and Non Current Liabilities



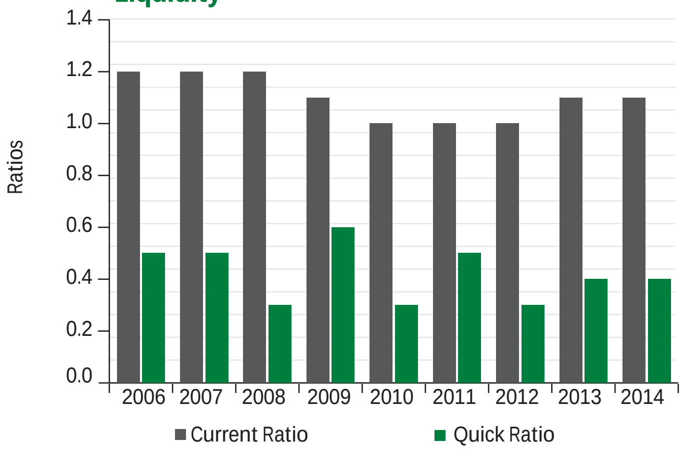
Debt and Equity Ratio



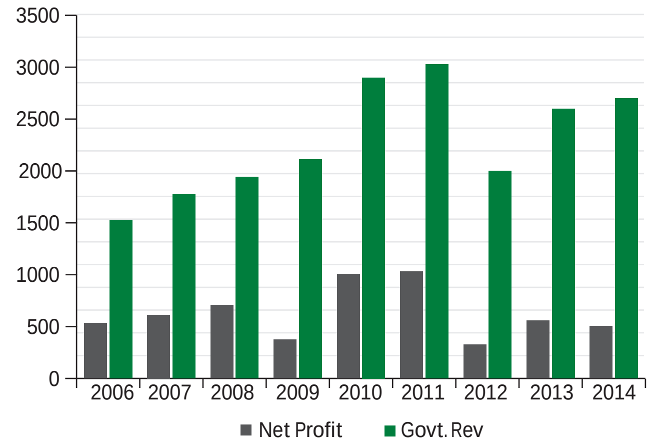
Debt Management



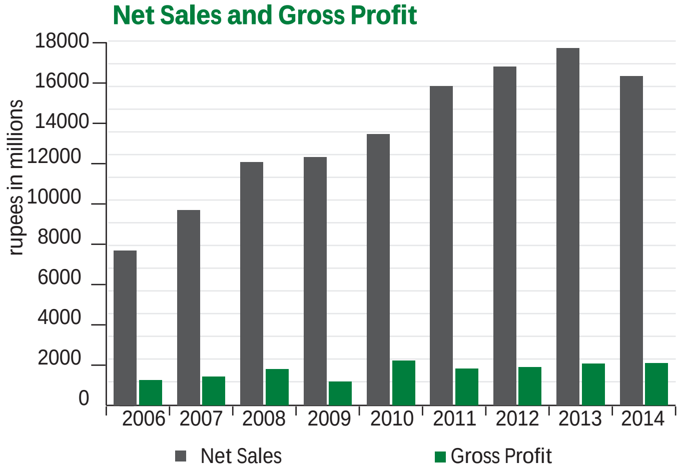
Liquidity



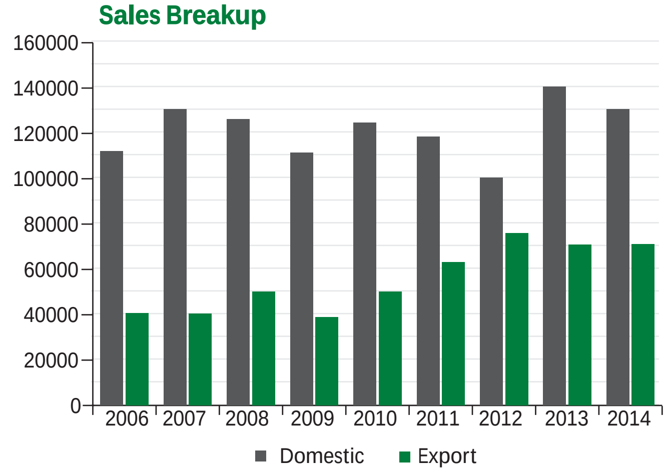
Net Profit and Government Revenue



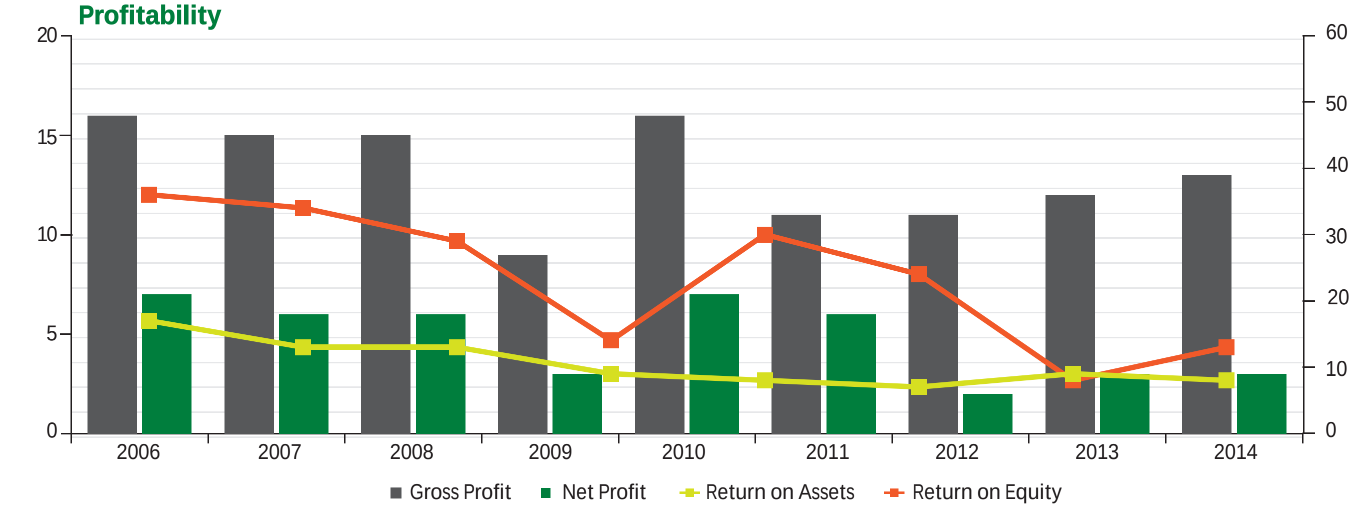
Net Sales and Gross Profit



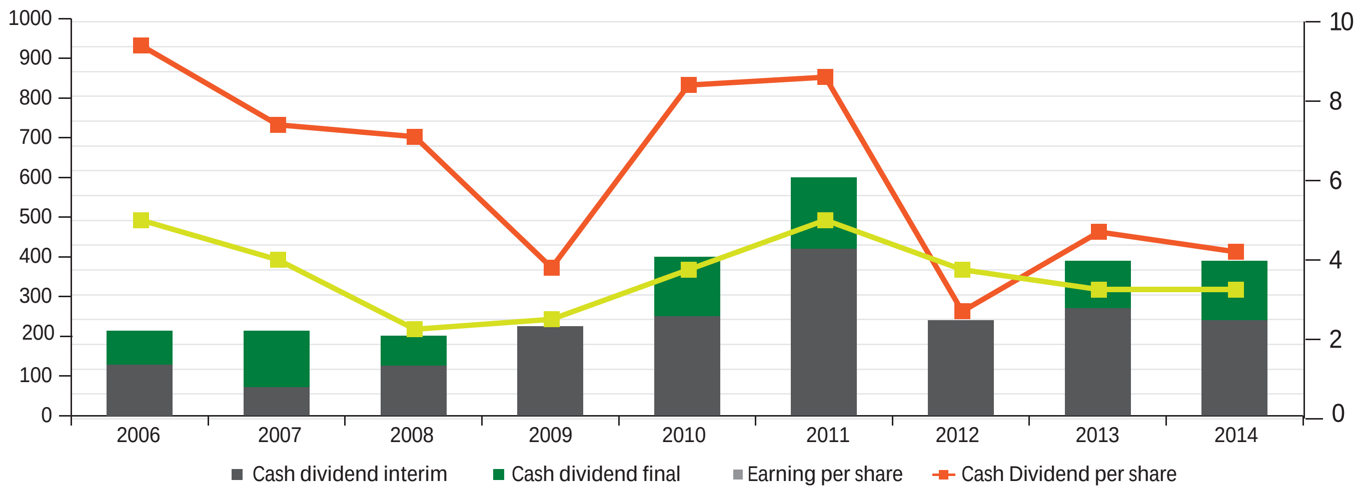
Sales Breakup



Profitability

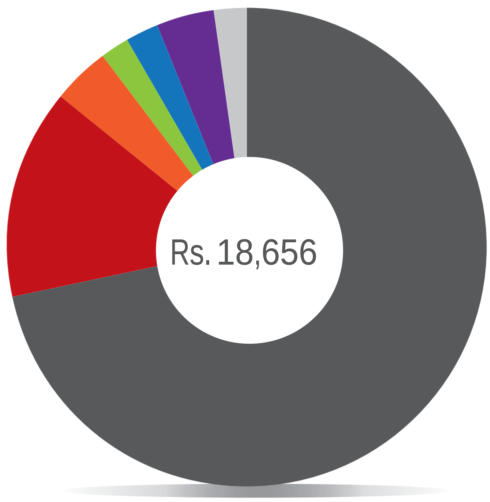


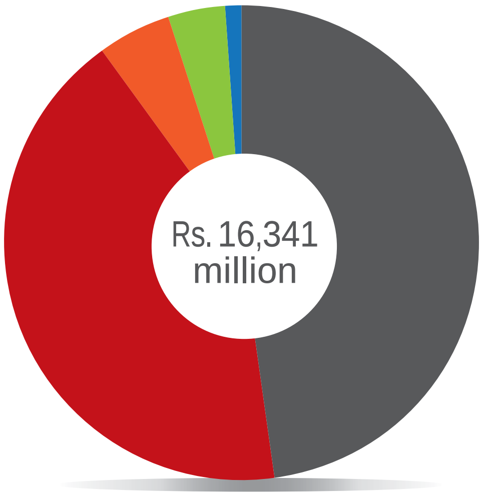
Earnings and Distribution Trend



Application of Gross Revenue

Material	71
Duties and taxes	14
Manpower	4
Factory and other cost	2
Trade discounts and commission	2
Financial charges	4
Dividend and retention	3
Society as donation	0



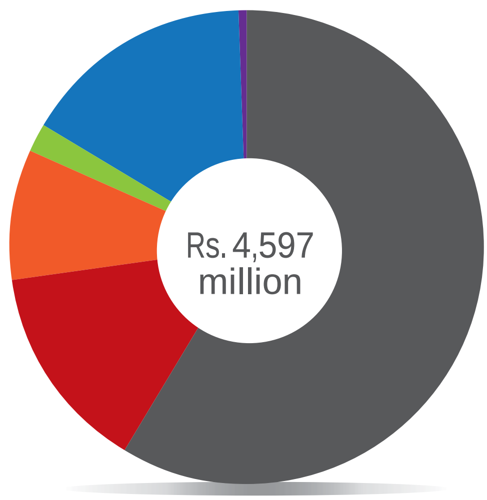


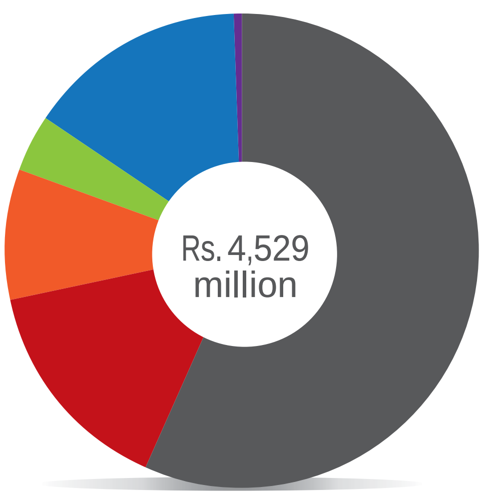
Product Wise Performance

Galvanised steelpipes	48
Precision steel tubes	42
API line pipes	5
Polyethylene pipes	4
Others	1

Value Addition and Distribution during 2014

Governmet as taxes	59
Employees as remuneration	14
Shareholders as dividends	9
Retained within the business	2
Financial charges	16
Society as donation	0.3





Value Addition and Distribution during 2013

Governmet as taxes	57
Employees as remuneration	15
Shareholders as dividends	9
Retained within the business	4
Financial charges	15
Society as donation	0.4

Profiles of the Board of Directors

Mr. Zaffar A. Khan - Chairman

Director since: January 22, 2009
Chairman since: August 12, 2011

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 petrochemicals business. He has completed an Advanced Management Program from the University of Hawaii and has attended short courses at INSEAD and the Harvard Business School.

Mr. Zaffar 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. , the Karachi Stock Exchange and Pakistan International Airlines. He 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. Currently he is an adjunct professor at the Institute of Business Administration and is also serving on the Boards of Shell Pakistan, Askari Bank Ltd., Privatization Commission of Pakistan, Acumen Pakistan and Pakistan Centre for Philanthropy.

Mr.Riyaz T. Chinoy - Chief Executive Officer

Director since: August 30, 2007

Mr. Riyaz T. Chinoy took over as CEO on August 12, 2011 after serving in the Company since 1992 and growing through various positions. A qualified engineer by profession with a BSc in Industrial Engineering from Case Western Reserve University, USA, he is also a certified ISO 9001 Lead Auditor and a Certified Director from the Pakistan Institute of Corporate Governance. He has had extensive experience of production operations, procurement and all project and development activity at IIL. He was previously employed by 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 and Amir Sultan Chinoy Foundation and is a member of the Pakistan-India CEO's Business Forum, the Institute of Industrial Engineers Pakistan and the Pakistan Engineering Council. He is also the Chairman of IIL Australia Pty Limited and a director of the Citizens Trust Against Crime.

Mr. Mustapha A. Chinoy

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 Unit ed States, he took up the position of Marketing Manager at International Industries Ltd. He is currently the Chairman of Pakistan Cables Ltd., Security Papers Ltd. and a director on the Board of International Steels Ltd., Travel Solutions (Pvt) Ltd., Global E-Commerce Services (Pvt) Ltd., Crea8ive Bench (Pvt) Ltd., Universal Training & Development (Pvt) Ltd. and Global Reservation (Pvt) Ltd. He is the Chief Executive of Intermark (Private) 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. Kamal A. Chinoy

Director Since: February 6, 1984

Mr. Kamal A. Chinoy is a graduate of the Wharton School, University of Pennsylvania, USA. He is the Honorary Consul General of the Republic of Cyprus. Mr. Kamal Chinoy is a member of the executive committee of the International Chamber of Commerce, Pakistan and is also a past President of the Management Association of Pakistan (MAP). He is a 'Certified Director' from the Pakistan Institute of Corporate Governance.

He has served as the Chairman of the Aga Khan Foundation (Pakistan) and also as a Director of Pakistan Centre of Philanthropy, Pakistan Security Printing Corporation and Atlas Insurance. Currently he is the Chairman of Jubilee Life Insurance Co, CEO of Pakistan Cables Ltd and a director of Atlas Battery Ltd, NBP Fullerton Asset Management Ltd, International Steels Ltd and ICI Pakistan Ltd and a member of the Board of Governors of Army Burn Hall Institutions. He is also an advisor to Tharpak, a consortium of international companies.

Mr. Fuad Azim Hashimi

Director since : June 22, 2005

Mr. Fuad Azim Hashimi is a Fellow Member of the Institute of Chartered Accountants in England & Wales. He has over 45 years of experience in public accounting and diversified business and commercial ventures in banking, sales and marketing, information technology and fund management. Mr. Hashimi is a member of the Private Sector Advisory Group of Global Corporate Governance Forum and also a member of the Quality Assurance Board of the Institute of Chartered Accountants of Pakistan. He currently heads the Pakistan Institute of Corporate Governance.

He was a partner at A.F. Ferguson & 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 Burj Bank Ltd, where he is additionally Chairman of its Audit Committee.

Mr. Azam Faruque

Director since: November 26, 2009

Mr. Azam Faruque is the CEO of Cherat Cement Co. Ltd, a Ghulam Faruque Group (GFG) company. He graduated in Electrical Engineering and Computer Science from Princeton University, USA, and also possesses an MBA (High Honors) from the University of Chicago Booth School Of Business, USA. 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. Currently he is also a director of Atlas Asset Management Ltd, Cherat Packaging Ltd, Faruque (Pvt) Ltd , Madian Hydro Power Ltd, KP Oil & Gas Company Ltd. and Greaves Pakistan (Pvt) Ltd.

Mr. Tariq Ikram

Director since: September 8, 2011

Mr. Tariq Ikram completed his Masters in English Literature in 1967 from the then Government College Lahore. He studied International Relations, US History and British History and then qualified the CSS exam in 1969-70. However he decided not to join government service and opted for the private sector. In 1970 joined Reckitt & Colman, presently Reckitt Benckiser Pvt. Ltd, where he rose to the level of CEO in 1983. Later, he was entrusted with larger responsibility as Regional Head and progressed to becoming responsible for a wide territory from Pakistan to North Africa, covering 31 countries.

His vast experience includes directorship on the boards of Reckitt Benckiser, Reckitt and Colman Nigeria Pvt. Ltd., Robinsons Foods Pvt. Ltd - Bangladesh, Atlantis Pvt. Ltd, Karachi Port Trust, K-Electric (formerly known as KESC) and Pakistan Petroleum Ltd (PPL). He has also been the Chairman of Reckitt & Colman Egypt Pvt. Ltd and Chairman & CEO of Expo Lahore Pvt. Ltd.

Mr Ikram has served in prestigious positions as the President of the Overseas Chamber of Commerce and Industry, Management Association of Pakistan and Marketing Association of Pakistan' and founded the Pakistan Advertisers Society and Pakistan Research Society.

Mr Ikram was invited by the President of Pakistan to join the government in year 2000 as a Federal Minister of State and Chairman of the then Export Promotion Bureau. Later he was appointed as the Chief Executive of Trade Development Authority of Pakistan, member of the Economic Co-ordination Committee of Pakistan and President of the Textile Institute of Pakistan, a prestigious institute offering five degree courses in textiles and apparel.

Presently he is also on the boards of Habib Metropolitan Bank Ltd. and Tasha Enterprises (Pvt.) Ltd. He is also a visiting faculty and speaker at Pakistan Institute of Corporate Governance, Institute of Business Administration Karachi, Lahore University of Management Sciences, Lahore National Management College and Institute of Public Policy, Government of Pakistan.

In pursuit of his philanthropic aims, Mr Ikram has founded an orphanage in Jhelum, under the name of 'Saiya Homes', where he is now the Chairman of the Board.

The Board of Directors

Mr. Aly Noormahomed Rattansey

Director since: October 4, 2013

Mr. Rattansey is a fellow member of the Institute of Chartered Accountants in England & Wales, and also a fellow member of the Institute of Chartered Accountants of Pakistan. He has over 40 years of experience in the fields of audit, accounting, taxation and corporate consultancy. He was associated with M/s A. F. Ferguson & Co. Chartered Accountants, (A member firm of PricewaterhouseCoopers in Pakistan) for 31 years, including 23 years working as a Partner.

He has significant exposure of the corporate sector in Pakistan, including subsidiaries of leading multinational companies operating in Pakistan and considerable liaison with related regulatory agencies & the government.

Mr. Rattansey is on the Board of Jubilee General Insurance Company Limited, Jubilee Life Insurance Company, Aga Khan Rural Support Program and Rural Support Program Network, both being companies limited by guarantee.

Mr. Raeesuddin Paracha

Director since: April 22, 2014

Mr Paracha is a senior government officer with 32 years' experience of admistration and management in federal / provincial governments including the District Management Group, Ministry for Rural Development, Ministry of Housing & Town Planning and Ministry of Law, Justice & Human Rights. He has attended many training courses. Currently he is an executive Director (M-II/BS-21) of State Life Insurance Corporation and a director of Fauji Fertilizer Company Ltd, Orix Leasing Company Ltd, Sui Southern Gas Company Ltd, Sui Northern Gas Company Ltd and Pakistan Cables Ltd.

From the Chairman's Desk

Your Company surpassed 200,000 Metric Tons in sales volume and ended the financial year with a Profit After Tax (PAT) of Rs 503 Million yielding an Earnings per Share of Rs 4.19. Although the PAT this year was almost 10% lower than last year, it was achieved in a difficult environment given the challenges encountered both within Pakistan and externally.

A primary challenge faced internally was the protracted labor negotiations with the union. The tough negotiations led to a strike call resulting in stoppage of manufacturing operations in May 2014. The Company was however able to maintain supply to its customers by drawing down inventory. A new Collective Labor Agreement was eventually signed with the union which is valid till October 2015. The external challenges faced included the sharp appreciation of the Rupee which was neither controllable nor anticipated and resulted in margin compression on export sales and also translation of loss on the export sale proceeds. The other major difficulty faced was protectionism in certain key export markets. The volume loss of export sales in these markets was made up by gains made in other export markets. In keeping with its past track record, the Company was again the recipient of the FPCCI Best Export Performance Award. This was the 14th consecutive time the Company received this award.

During the course of the year 2013-14, the Board focused substantially on developing a new strategic plan to guide the Company's efforts through to the year 2020. The Board approved a new vision which envisages IIL to become a one million ton steel producer by the year 2020. Supporting strategies was debated and adopted to help attain the vision. Several new investments were approved for the immediate future which include setting up of stainless steel pipe and large diameter pipe manufacturing facilities. Further, new land acquisition was made on the outskirts of Lahore to streamline and strengthen the Company's operations in the north of the country. Moreover, as part of the strategy to diversify its export business, the Company incorporated IIL Australia Pty. Ltd, a fully owned subsidiary with offices in Melbourne, Victoria. This subsidiary is poised to commence trading operations thus opening up opportunities in a vast new market for the Company.

IIL's domestic subsidiary, International Steel Industries (ISL), in which it has 56.33% shareholding interest has now been reporting its business results separately for the past 3 years. ISL has progressed very well and for the year ended 2013-14 reported a PAT of Rs 690 million and declared its first dividend @ 10%. IIL's share of the dividend amounts to Rs. 245 million which will be credited to IIL by November 2014. We expect ISL to contribute appreciably to IIL's bottom line in the years ahead.

The IIL Board met 10 times during 2013-14. IIL Board members offer a good mix of experience and skill sets besides having a good balance between sponsor directors and independent directors thereby enabling healthy debates on business strategy and good governance practices. During the course of the year, Mr Javaid Anwer retired from the Board on August 16, 2013 after serving for 9 years and Mr Samad Dawood resigned on August 7, 2013 after serving for 2 years. Mr Raeesuddin Paracha, a nominee of NIT/ SL was appointed as non-executive director on April 22, 2014 following the resignation of Mr. Alamuddin Bullo on March 11, 2014. The Board appreciated the contribution made by all of the outgoing directors. The two Board Committees, namely the Board Audit Committee and the Board Human Resource and Remuneration Committee met regularly and greatly facilitated the overall working of the Board. The Board as required by the Code of Corporate Governance undertook a self-evaluation of its workings. This was the second year this exercise was undertaken using a questionnaire. The feedback from individual directors on the functioning of the Board is gathered confidentially and the consolidated feedback is shared with the full Board to strengthen its collective working.

In closing, on behalf of the Board, I wish to acknowledge the contribution of all our employees in the success of the Company. I also wish to thank our shareholders, customers, suppliers, bankers and other business partners for their confidence and support.

The Board looks forward with confidence to the year ahead.

Zaffar A. Khan
Chairman

August 13, 2014

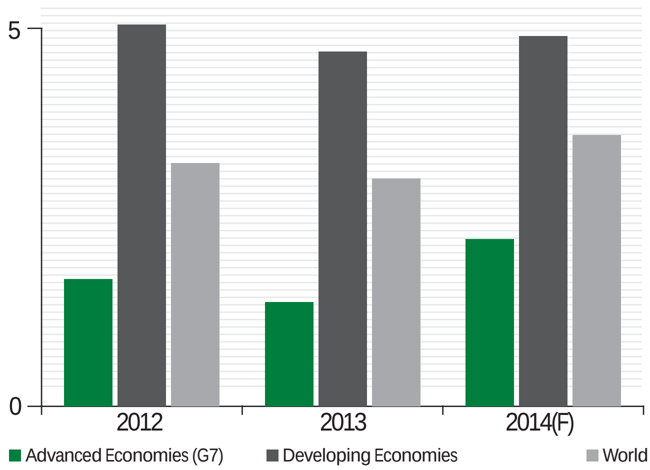
Board of Directors' Report

We are pleased to present the Directors' Report as part of our 66th Annual Report, along with the audited financial statements for the year ended June 30, 2014.

GLOBAL MACROECONOMIC OUTLOOK

The outgoing year proved to be a challenge for global economic recovery and growth. While sentiment has broadly improved and the financial system appears to have found a solid footing, macroeconomic indicators remain more or less static.

World GDP Growth - 2012 - 2014(F)



Source: IMF World Economic Outlook, April 2014

After close to a decade long cycle of almost double digit growth, the Chinese economy is now in the process of transitioning towards a more sustainable and balanced growth path. Activity in other developing and emerging markets on the other hand, has remained below projections in the face of a less favorable external environment.

The Eurozone continues to struggle with low economic growth and output, although this is more visible in the periphery, where debt levels are relatively high. The United States has performed much better in comparison and activity is gradually picking up. However, here too, key macroeconomic indicators such as unemployment remain stubbornly high and will continue to weigh on GDP growth.

Despite the fact that it has now been more than 5 years since the onset of the financial crisis, global growth remains fragile.

Moreover geopolitical risks have resurfaced, threatening stability.

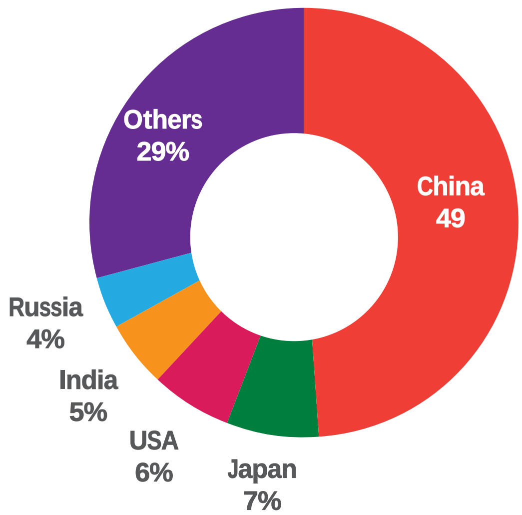
GLOBAL STEEL SCENARIO

World crude steel production touched 1.582 billion metric tons (MT) in 2013. Out of this the Chinese steel industry accounted for roughly 779 million MT. Other major players include Russia 70 million MT, India 81 million MT, USA 87 million MT and Japan 110 million MT.

The structure of the global steel industry remains largely fragmented, with the top 5 steelmakers contributing only 17% to global crude steel output. In contrast, upstream industries such as iron ore are highly consolidated, with the top 3 players controlling roughly 70% of trade in seaborne iron ore. Steel prices are as a result more susceptible to competitive pressures.

The challenges facing the steelmaking industry today are overcapacity and obsolete technology, both largely due to explosive growth of the Chinese steelmaking industry over the last decade or so. During this period the industry increased its output roughly tenfold to meet the country's growing infrastructure development requirements. However, now that Chinese growth has slowed its pace to more sustainable levels, the industry is left with substantial idle capacity.

Share of Global Crude Steel Production - 2013

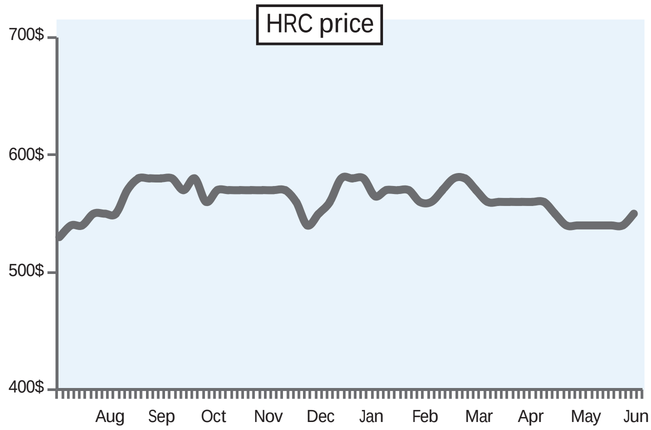


Source: World Steel Association

The Chinese government has however begun to take note of overcapacity that is plaguing the industry and has announced elimination of roughly 29 million tons of steelmaking capacity during the year, which, although negligible given the total industry capacity, is nonetheless a step in the right direction. Furthermore, iron ore financing has become increasingly difficult for small to medium-sized steelmakers with the price of iron ore having nosedived since March 2014.

Steel prices are, by and large, dictated by iron ore, coking coal and various ferrous metal prices. Prices of hot rolled steel coil varied from US$ 540 to US$ 580 per MT over the course of financial year 2013-14.

Hot Rolled Steel Coil Price-2013-14
USD Per Ton



Source: Metal Bulletin

Steel Consumption
Steel is all around us in various forms and configurations; no other material has the same unique combination of strength, formability and overall versatility. Consumption of steel is concentrated largely in construction and infrastructure development related activities, which account for roughly half of the global steel consumption. The pattern of consumption however, is proportionate to the level of economic development of a country or region. Therefore in developing countries, steel consumption is highly skewed towards construction and infrastructure related activities, whereas advanced economies consume steel primarily for production of higher value added goods.

Per Capita Steel Consumption-2013

Source: World Steel Association

The World Steel Association's assessment of per capita finished steel consumption for 2013 indicates a world average of approximately 225 kg/capita. Reported estimates of per capita steel consumption in Pakistan are in the range of 40-45 kg/capita, which is well below the world average and indicates immense potential for growth in the domestic steel manufacturing and processing industry.

The steel tube and pipe industry is an integral part of the global steel industry. The end use for steel pipes lies primarily in the oil and gas, water and sewage transmission and construction industries whereas cold rolled steel tubing is used in automotive and home appliance manufacturing and furniture and fabrication applications.

Category	Product Line	Production (million tons)	Share
Flat Sheet Products	Plate	849	49%
Tube & pipe		**108**	**7%**
Long Products	Rebar	209	14%
	Wire rod	194	13%
	Bar	132	9%
	Structural	107	7%
	Rail	11	1%
Total Production		**1,518**	**100%**

Source: World Steel Association

DOMESTIC ECONOMY

Fiscal year 2013-14 witnessed GDP register a growth rate of 4.14% compared to 3.70% for the preceding year.

Other indicators are also encouraging, primarily the reduction in fiscal deficit, the rebounding of Large Scale Manufacturing (LSM) and stronger foreign exchange reserves, which all point towards a more stable short-term outlook. The new government's timely initiatives to fortify the short-term position of the country's economy are also commendable, notably the swift auctioning of long pending 3G and 4G licenses and the launching of Euro bonds, which have helped international investors regain confidence in the economy.

However, the sharp and unprecedented appreciation of the Rupee was unanticipated and adversely impacted export-oriented industries. Although the appreciation has contained inflation to single digit levels, it remains to be seen whether the current level is sustainable in the medium to long-term.

The Government's initiatives to unwind Statutory Regulatory Ordinances (SROs) are expected to help boost tax revenue; however proper care should be exercised when domestic stakeholders are exposed to new risks as a result. The Finance Act 2014-15 has reduced protection for the domestic steel pipe and re-rolling industry and has in effect exposed the domestic industry to cheap competing imports from China via the Pak-China FTA. It should be noted that the steel manufacturing and processing industry in Pakistan is in a relative state of infancy when compared to neighboring countries like China and India. As such, removal of protection will adversely impact domestic manufacturers.

The Pak-China FTA remains an impediment to steel industry growth in the country, as major steel products can be imported at concessional duty under the FTA, whereas imports from all other countries are at the higher rate of tariff, giving free reign to Chinese exporters to exploit the Pakistani market. Given the overcapacity in the Chinese steel industry, the domestic industry will unquestionably have to face cheap imports and unfair trade practices under the current arrangement. It is also unlikely that Pakistan Steel Mills (PSM) can thrive in such an environment.

Market Share

Your company is the leading tube and pipe manufacturer in the domestic market for GI Pipes, CR Tubes and black and scaffolding pipe and has the largest product range in its relevant segments. It enjoys continuing loyalty from its customers, dealers and business partners.

The Company's Plastics segment caters to water and gas transmission and duct applications, and is continuously evolving to meet the demands of its customers.

COMPANY OPERATIONS

Gross Sales

Your Company's gross sales volume for the year was approximately 202,000 MTs, with gross turnover crossing Rs. 18.6 billion, which is 6.6% lower than last year.

Steel Sales

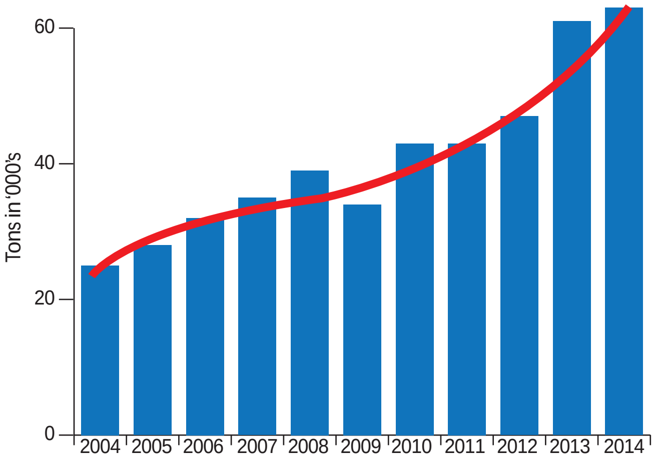
Your Company achieved steel sales volume of roughly 198,000 MTs, approximately 4% below the corresponding period last year. Sales were slow during the first half of the year, primarily due to slow pickup in demand from institutional customers. Demand from gas companies for API Line pipe remained subdued during the year and was the primary reason for the drop in sales volume. International sales ended the year at roughly the same level as last year.

Domestic Steel Sales

Overall domestic sales volume declined by 7.4% from last year. Sales of GI pipe in the domestic market declined by 18.5% from the corresponding period last year. We however took advantage of the idle capacity to aggressively market our range of scaffolding and black pipes used in construction related applications.

Sales of CR tubes in the domestic market have continued to rise. Volume was up roughly 7.3% over the previous year on the back of strong growth in demand from the automotive and furniture sectors.

Domestic CR Sales Volume, MTs in 000's-2004-2014



International Steel Sales

Total export sales volume ended the year at approximately the same level as last year. Construction and infrastructure development activities, having picked up in key markets, helped export sales of GI pipes, which rose 11.8% compared to last year. Export of CR tubing has however not performed well due to various protectionist measures imposed in key export markets.

The Company continues to explore and develop new markets for export. It currently exports to more than 47 destinations worldwide covering 6 continents.

Polyethylene Sales

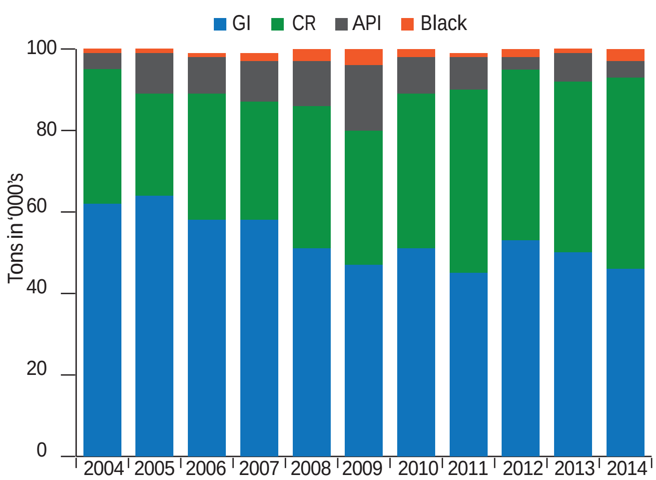
The Company's Polyethylene segment has struggled to increase volumes due to proliferation of inferior quality products in the domestic market. It continues to supply key institutional clients with its premium quality water and duct pipes; however the commercial market is replete with cheap, substandard product that is inhibiting volume growth. The management is making concerted efforts to create awareness about quality standards and the long-term implications of using sub-standard plastic pipe systems.

We have successfully launched a new range of PPRC pipes for hot and cold water distribution in housing and commercial applications and have received a highly positive response from the market. The management is doing its utmost to develop this product as a forerunner in the Plastics business.

PRODUCTION

Production-related challenges were faced primarily on account of gas shortages, especially at weekends, which resulted in production planning constraints and disruptions.

Steel Product Mix - 2004-2014



FINANCIAL REVIEW

Company Results

The Company posted Net Sales of Rs. 16,341 million, which were 7.8% lower than last year, earning Gross Profit of Rs. 2,102 million, Profit Before Tax of Rs. 652 million, Profit After Tax of Rs. 503 million and EPS of Rs. 4.19. The Board approved a 12.5% interim cash dividend and 20% final cash dividend for the year ended 30 June 2014, bringing the total cash dividend to 32.5% for the financial year.

Without the impact of the sharp appreciation of the Rupee during the year, the PAT figure would have been significantly higher.

Profit Before Tax for the year decreased by 7% over last year primarily due to lower throughput and unprecedented 10% appreciation in the Pakistani Rupee which adversely affected the export margins of the Company.

Cost of Goods Sold for the year at Rs. 14,239 million was 9% lower than last year which was in line with the turnover. Despite tough trading conditions, the Company was successful in improving its gross profit margin by 2% over last year.

Selling and Distribution Expenses of Rs. 605 million were only 2% higher than last year as a result of better freight management and cost saving initiatives.

Administrative Expenses of Rs. 159 million were 5% higher than last year which was well within the inflation trends prevailing during the year.

Other Operating Charges of Rs. 128 million were 80% higher than last year primarily on account of loss on currency exchange derivatives due to unexpected and sharp appreciation of Pakistani Rupee. Other Income showed an increase of Rs. 17 million mainly due to exchange gain arising on foreign currency denominated liabilities and sale of surplus power generation to K-Electric Limited.

Financial Charges during the year increased by Rs. 25 million (4%) primarily due to higher stock holding and borrowing in local currency during the first nine months of the year. Financial charges were also affected by increase in base rate of 100bps.

As a result of healthy export sales, the Company enjoys a 'natural hedge' against foreign currency losses arising from the revaluation of its foreign currency denominated borrowings. This hedge is in the form of inventory held for exports and outstanding export-related receivables. The Company is confident that this hedge, supported by its exchange rate risk mitigation methodology, will enable it to continue to protect its margins from adverse movements in the Pak Rupee against the US Dollar.

Segment Results

Revenue from the Steel segment stood at Rs. 15,719 million, yielding Gross Profit of Rs. 2,121 million. Gross profit margin from the Steel segment showed improvement over last year's level.

The Polyethylene segment remained subdued during the year due to unfavorable economic conditions and cheaper inferior quality substitutes. Release of funds towards public sector spending was held up due to the Government's budgetary constraints. The Company's Plastic business segment has been struggling to attain profitability. Revenue from the Plastic segment was Rs 622 million with a Gross Loss of Rs. 19 million. The Company is however hopeful that the newly launched products will enable it to turn this business segment around and deliver positive contributions to its bottom line.

Cash Flow Management & Borrowing Strategy

The Company's cash flows management system projects cash inflows and outflows on a regular basis as well as monitors the cash position on a daily basis. Keeping in view the saving in financial costs owing to a gap between KIBOR and LIBOR based borrowing and its aforementioned natural hedge on account of exports, the Company manages a portion of its working capital requirements through LIBOR based USD borrowings and the balance is arranged through an optimal mix of Export Refinance entitlements and running finance facilities.

During the year 2013-14, the weighted average cost of borrowings, including exchange losses, was 9.3% per annum against last year's rate of 9.0% despite an increase in base rate by 100bps.

Capital Structure

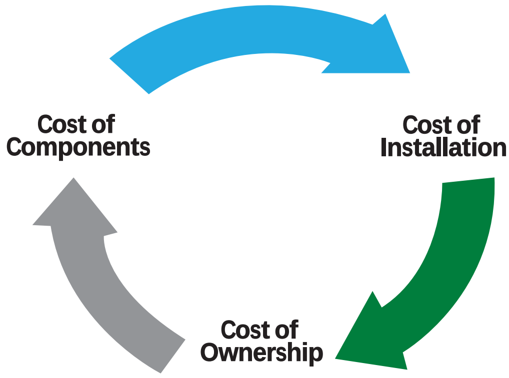
Debt equity ratio on 30 June 2014 was 60:40 compared to 68:32 as on 30 June 2013. However, interest cover and debt servicing ratios deteriorated marginally due to lower operating profit.

CORPORATE SUSTAINABILITY

Energy Conservation and Recycling

Steel is 100% recyclable, meaning it can be reprocessed into the same material multiple times. Recycling accounts for significant energy and raw materials savings. More than 1,400 kg of iron ore, 740 kg of coal and 120 kg of limestone are saved for every ton of steel scrap made into new steel. When selecting piping systems, we encourage our customers to evaluate the 'Whole Life Cost' of alternative systems in order to arrive at the true cost to the user. The Whole Life Cost of a system includes cost of components, installation and ownership. Our HDPE water pipes, with low installation costs and leak-free life provide greater durability and true peace of mind to the system operator and end user.

Whole Life Costing



Pursuing its commitment to the efficient use of resources, the Company utilizes all waste heat to generate chilled water, which in turn, fulfills the factory's water-cooling and air-conditioning requirements. Furthermore, its recently commissioned Reverse Osmosis Plant helps meet additional water requirements at the factory premises.

IIL generates electricity through co-generation. Its own needs are met through this generation and excess electricity is transported to the K-Electric grid. Hence, there is full utilization of installed generation capacity and generation of additional revenues, whilst contributing to alleviate the chronic power shortage faced by the country.

Environmental Protection Measures

Being an environmentally-conscious company, IIL is dedicated to reducing the impact of its operations to sustainable levels and in line with acceptable standards. It neutralizes its emissions prior to discharge by using 100 feet high fume scrubbers. All effluent waste is treated at its Effluent Treatment Plant (ETP) prior to discharge, whereas sludge generated from the ETP is transferred responsibly to designated landfill sites for environment-friendly disposal. Your Company is certified for Environmental Management System Standard ISO-14001 since 2001. It is also registered with the Ministry of Environment under the Self-Monitoring and Report Tool (SMART) program.

During the year, a recertification audit was conducted by M/S Lloyds (a UK-based certification body) to provide assurance that the QA&HSE Management System complies with ISO 9001, ISO-14001 & OHSAS 18001 global standards. No major non-conformities were observed.

In addition, IIL carried out testing of its effluents and factory and vehicular emissions through third parties and recognized laboratories for compliance with the National Environmental Quality Standards (NEQS); the results were verified at the time of the aforementioned audits.

Contribution to the National Exchequer

Your Company is registered with the Large Taxpayers Unit (LTU) and contributed over Rs. 2.7 billion towards the national exchequer in the form of Income Tax, Sales Tax, other taxes, duties and levies during the financial year.

Corporate Social Responsibility (CSR) and Community Welfare Schemes

IIL contributes approximately 2.5% of its Profit after Tax towards CSR activities. It continues to support all operating expenses for The Citizens Foundation (TCF) primary school and a mosque in Landhi opposite its factory premises. We also sponsored the Amir Sultan Chinoy (ASC) Amphitheater at the Institute of Business Administration (IBA) this year.

Health Safety & Environment

In an environment of increasing regulatory interest and awareness of safety hazards, IIL seeks to prevent injury and illness through the implementation and ongoing development of proactive work health and safety management systems, based on OHSAS-18001 & ISO-14001 International Standards.

IIL strives to fully integrate work health and safety into all aspects of its activities by:

- providing professional and technical safety advice
- continuous improvement and testing of emergency response procedures
- effective communication on development and implementation of OHS systems through an effective network of OHS committees, established specifically to assist in inculcating good OHS practices at all levels
- managing OHS risk by systematically identifying hazards and assessing and eliminating or controlling the associated risks
- providing training and awareness on an extensive array of OHSE issues

Basic safety training is imparted to all service contract and company workers upon induction.

Relevant management staff is incentivized to achieve compliance through the inclusion of OHSE-related criteria in their performance appraisals. Accident prevention amongst contractual employees is made a priority by incentivizing employees through a system of quarterly safety performance-related awards and penalties.

Regular safety walkthroughs are used to keep a check on housekeeping, detailed risk assessment of cranes is carried out to ensure safe crane operations and monthly Joint Crane Inspections by OHSE, Engineering & Production staff are carried out to trace and rectify faults. All IIL locations are examined. These walkthroughs are conducted by senior managers and all observations are shared with respective department heads for corrective and preventive actions. A final report is presented in the monthly Q&HSE Trend Analysis meeting to the top management.

A Monthly Safety Trophy is awarded based on set criteria. Evaluation is done the monthly safety walkthroughs. The CEO presents trophies to winning departments and visuals of the event are displayed prominently.

During the year over 3,700 employees were imparted a total of 324 trainings. OHSE trainings included Safe Crane Operations, Hands Safety, Fire Fighting Operations, Permit to Work System, Industrial Hazards, First Aid & Rescue, Defensive Driving, Electric Safety and Working at Heights.

Through effective implementation of ISO-14001 & OHSAS-18001 OHSE management systems, the Company achieved a Lost Time Injury Frequency Rate (LTIFR) of 1.49, which is below the global industry average of 1.61 (2013).

HUMAN RESOURCE MANAGEMENT

IIL continues to focus towards increasing its competitiveness by hiring, developing and retaining the best talent through its transparent recruitment, performance management, succession-planning, career-building and compensation, training & development processes. The Company currently has a workforce of more than 1,000 employees, 27% of which are in management grades.

The Company has successfully fostered a performance-based remuneration culture by introducing a Variable Pay Plan last year. It endeavors to ensure that employees are regularly trained and well looked after to ensure high levels of performance delivery.

Industrial Relations

The year 2013-14 was a challenge from the IR perspective. A newly-elected CBA was inducted into office and the year was marked with CBA demands for undue disbursement of WPPF and an unrealistic Charter of Demand, followed by unjustified protests and strike, which resulted in a half month closure of factory operations. Despite these difficulties, matters were handled effectively with a view to keep actual production aligned with the budget. Strategies to avoid such incidents in the future have been devised and are being reviewed.

Gratuity Scheme and Provident Funds

The Company invests in plans that provide retirement benefits to its employees. These include a non-contributory defined benefit Gratuity Scheme for all employees and a contributory Provident Fund for all employees except unionized staff. Both plans are funded schemes recognized by tax authorities. The values of the Provident Fund and the Gratuity Scheme at the year-end were Rs. 229 million and Rs. 262 million respectively.

Employment of Special Persons

Complying with the legal requirement to hire physically handicapped persons, IIL's workforce has 25 such special people.

Business Ethics and Anti-corruption Measures

IIL remains an active member of and signatory to the United Nations Global Compact and is thereby committed to adhering to the principles of human rights, labor standards and environmental protection. The Company's corporate success has been derived from strong and universal ethical and moral standards, professionalism and the fulfillment of fundamental duties towards current and prospective stakeholders in order to gain durable trust and respect.

The Company has an independent Internal Audit department and well-established controls. Parts of the internal audit function are outsourced to Ernst & Young, a prominent firm of Chartered Accountants. Internal Audit assesses the internal control systems on a regular basis and presents their view to the Board Audit Committee.

Trainings

IIL believes in intensive trainings for its employees. During the year more than 6,000 hours of trainings were conducted, and over 4,000 employees went through 350 in-house training sessions on various topics of OHSE, Manufacturing Operations, Quality Assurance & Control and Systems & Standards. 32 employees attended external (local & foreign) programs arranged by various well-reputed institutes including PICG, ICAP, MAP, HIDA-Japan, KPMG-UAE, Galvanizing Association of Malaysia and Commonwealth Business Forum.

INFORMATION SYSTEMS AND RE-ENGINEERING

We are committed to the process of upgrading and enhancing our IT infrastructure and moving towards greater process automation and a paperless environment.

Additionally, we remain focused on working closely with end users in studying their day-to-day activities and finding opportunities to automate and streamline various tasks. In this regard, considerable effort was expended in analyzing business processes and reporting gaps in the ERP system through a series of discussions with business users. This is the basis for an initiative to upgrade and enhance our Oracle ERP Business Suite installation.

FUTURE OUTLOOK

The company is focused on achieving more efficient and profitable utilization of installed manufacturing capacity through selection of an optimal product mix. We regularly engage our institutional customers for feedback in order to seek product improvement.

Continuing its drive to explore new markets for growth opportunities, the Company formally announced the incorporation of a wholly-owned subsidiary, IIL Australia Pty Limited (IILA), during the current financial year. The company is set to make substantial inroads and develop this vast market in the years ahead.

Promising Reliability, for Now and Tomorrow

We are set to start manufacturing and sales of Stainless Steel Pipes and Tubes in FY 2014-15. The absence of a reliable large scale manufacturer of stainless steel pipes in Pakistan poses an opportunity for us to engage in import substitution. Board approval for the investment was obtained in the outgoing year after thorough research and deliberations. We have also approved investment in a large diameter tube mill that will manufacture pipes up to 12" diameter and ½" in wall thickness to cover up to X70 API grade for oil, gas and water distribution. This will open up a new segment of the market and qualify us as a manufacturer with a complete range of ERW pipes.

The Company is in the process of constructing a factory near the outskirts of Lahore to better serve its near home and international clients' requirements and be closer to its key domestic markets. Operations of the new factory are expected to begin in FY 2014-15.

The Company has planned extensively to enhance its reach and expand its range of products in the coming years so as to cater to a wider customer base and achieve its vision, "to be an international, innovative, entrepreneurial, million ton steel processor by the year 2020".

BUSINESS RISKS

Steel and Zinc are the two primary raw materials consumed in the Company's manufacturing processes. The absence of a reliable and adequate domestic supply compels the Company to procure raw material from the international market. Importing large quantities of these raw materials exposes it to volatility in the international price of Steel and Zinc as well as exchange rate fluctuation. The key to profitability in such an environment is efficient inventory management and sales forecasting, as well as effective procurement and consistently strong sales.

Cost containment, well-managed operations and continuous modernization and upgrading are key components of your Company's business strategy employed to deliver healthy returns to stakeholders.

INVESTMENTS

The Company has a sizeable investment in its subsidiary, International Steels Limited (ISL), which is in the business of processing flat steel products. 2013-14 was a record for ISL with sales volume in excess of 270,000 tons, Gross Sales of Rs 24.7 billion and PAT of Rs. 690 million. In addition, ISL has announced its maiden 10% cash dividend for the outgoing year.

The overwhelmingly positive response from the market has prompted ISL to fast-track its expansion plans. The Company will be enhancing its cold-rolling capacity and adding a second galvanizing line at an approximate cost of Rs. 3 billion.

The outgoing year has seen IIL and ISL as a group surpass expectations by posting sales volume in excess of 472,000 MTs, Gross Sales of over Rs. 41.6 billion and Profit After Tax of Rs. 1,191 million.

Your Company holds an 8.5% ownership interest in Pakistan Cables Limited (PCL), an associated company. PCL is in the business of manufacturing copper rods, wires and cables. In addition to being the country's foremost manufacturer of copper cables and wiring, PCL is affiliated with General Cable Limited, the biggest worldwide manufacturer of copper cables and a Fortune-500 company.

Your Company has recently invested in a wholly-owned subsidiary in Australia, subscribing to IILA's initial capital of Australian Dollars 0.1 million.

Group Results

The Group posted Net Sales of Rs. 35.855 million, which was 7% higher than last year, earning Gross Profit of Rs. 4,364 million, Profit Before Tax of Rs. 1,525 million, Profit After Tax of Rs. 1,191 million and EPS of Rs. 7.45.

IILA was incorporated in Australia on 2 May, 2014. As at 30 June 2014, no substantial business activity has been carried out by IILA and its unaudited financial statements have been used for the period from 2 May to 30 June 2014 in preparation of consolidated financial statements of the Group. The external auditors' report on Consolidated Financial Statements draws attention to this fact and their opinion is not qualified in this respect.

ACKNOWLEDGEMENT

We would like to extend our sincere gratitude to the entire IIL team and especially out management team, who have proved themselves capable of delivering strong results in the face of considerable internal and external challenges. The effort, which has helped the Company achieve a reasonably successful year, is deeply appreciated. We also thank all other stakeholders for their support and look forward to sharing more successes with them in the coming years.

For and on behalf of the Board of Directors

Riyaz T. Chinoy
Chief Executive Officer

Karachi
Dated: August 13, 2014

Our Success Story

The Company through the years:

1948	Established as Sultan Chinoy & Company.
1949	Incorporated as International Industries Limited and sponsored Pak Chemicals Limited.
1953	Sponsored Pakistan Cables Limited in a joint venture with BICC UK.
1965	Manufactured first high quality Electric Resistance Welded Steel Pipe.
1983	Launched Galvanized Pipe.
1984	Converted to a public limited company and became quoted on Karachi Stock Exchange.
1990	Set up the country's first Cold Rolling Mill in the private sector.
1992	Turnover crossed Rs.1 Billion.
1995	Entered the international market with export of Galvanized Pipe.
1997	Achieved certification to ISO 9001:1994.
1998	Commemorated 50 years and awarded international credit rating.
2000	Achieved certification to ISO 9001:2000 (first company in Pakistan) and ISO 14001:1996. Merit Trophy for Export of Non-Traditional Items (Galvanized Steel Pipes).
2001	Achieved certification to API Q1 & 5L (2000) and completed phase 1 of a major expansion enhancing the pipe and tube manufacturing range. Best Exports Performance Trophy for export of Engineering Products-Mechanical. Recipient of Top-25 Companies Award of Pakistan at KSE.
2002	Best Exports Performance Trophy for export of Engineering Products-Mechanical. Recipient of Top-25 Companies Award of Pakistan at KSE.
2003	Crossed 100,000 tons in production and sales. Best Exports Performance Trophy for export of Engineering Products Mechanical. Recipient of Top-25 Companies Award of Pakistan at KSE.
2004	Best Exports Performance Trophy for export of Engineering Products-Mechanical. Recipient of Top-25 Companies Award of Pakistan at KSE.
2005	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 Award of Pakistan at KSE.
2006	Commissioned 3 MW Co-generation Power Plant. 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 Award of Pakistan at KSE.

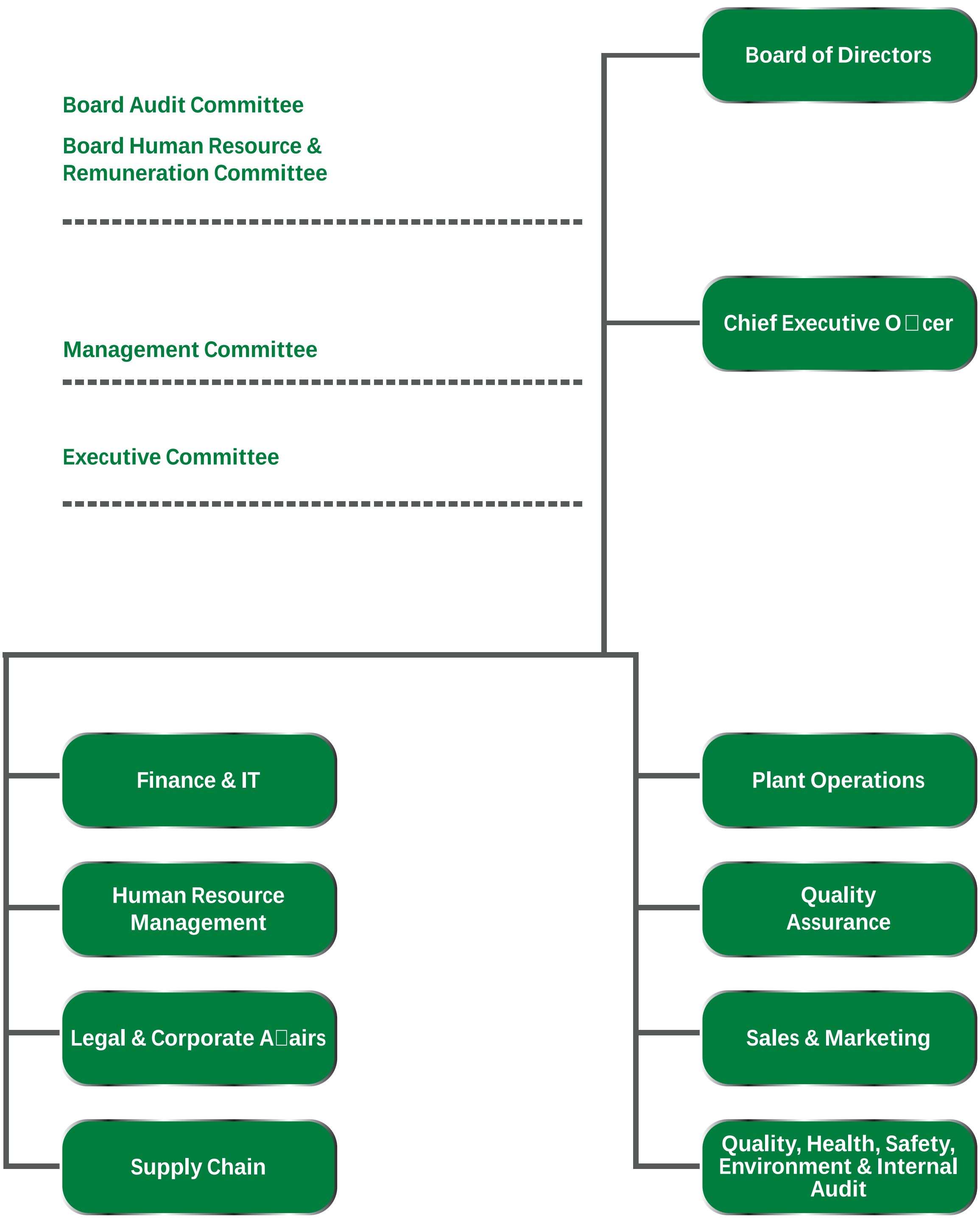
2007	Added 1 MW to the existing 3 MW Co-generation Power Plant. Commissioned the fourth Galvanizing Plant. Addition of 3 tube mills and a plastic extruder. Achieved Certification to OHSAS 18001:1999 Best Exports Performance Trophy for export of Engineering Products-Mechanical. Recipient of Top-25 Companies Award of Pakistan at KSE.
2008	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. 13 billion. Annual Environmental Excellence Award.
2009	Best Export Performance Award –Engineering Products-Mechanical. Annual Environmental Excellence Award. CSR National Excellence Award.
2010	Best Export Performance Award – Engineering Products-Mechanical. Annual Environmental Excellence Award 2010 by NFEH. Re-Certification –Quality Management System –ISO 9001:2008. Re-Certification Environment Management System-ISO 14001:2001.
2011	Hive-down of Steel Unit as ISL with 25% Foreign Direct Investment. Gross sales crossed 200,000 tons. Talent Triangle Award by Sidat Hyder Morshed Associates. Good HR Practices Award by Sidat Hyder Morshed Associates. Best Corporate Report (2009-10) (5th position-Engg Sector). Annual Environment Excellence Award 2011 by NFEH.
2012	Top 25 Companies Award 9th Position (Karachi Stock Exchange). Certification of recognition from Pakistan Centre of Philanthropy. CE certification of Cold Rolled Tubes and Galvanized Iron Pipes. Addition of 2 tube mills and 1 plastic extruder. Best Presented Accounts South Asian Federation of Accountants Award for the year 2011. Best Annual Report ICAP Award (2nd overall) for 2011. Best Annual Report ICAP Award (1st position in Engineering Sector) for 2011. 13th Consecutive FPCCI Export Performance Award for 2011. Environment Excellence Award for 2011 from National Forum for Environment & Health.
2013	Corporate Excellence Award (Industrial Metals & Mining for 2012-13) from MAP. Best Annual Report ICAP Award 2nd Position in Engineering Sector for 2012. IAPEX Karachi 2013 Award for 2nd best stall. 14th Consecutive FPCCI Export Perfromance Award for 2012. Turnover crossed 20 billion.
2014	Incorporated IIL Australia Pty Limited. Launched new brand for hot and cold water distribution “Plumbo” - the finest PPRC Pipe.

International Certifications

IIL has the following seven International Certifications:

Standard	Description	Certified by	Certified since	License #
ISO 9001	Quality Management System	Lloyds Register Quality Assurance	1997	MEA 4105044
ISO 14001	Environment Management System		2000	MEA 4205044
OHSAS 18001	Occupational Health & Safety Management System		2007	MEA 4306044
API Specification Q1 ® & 5L	Manufacturing of Steel Line Pipe	American Petroleum Institute	2000	5L-0391
API Specification Q1 ® & 15LE	Manufacturing of Polyethylene Line Pipe		2006	15LE-0014
CE Mark for GI Pipe	CE Mark for Hot Dip Galvanized ERW Carbon Steel Pipes	CNC Services (Germany)	2011	CNC/EEC/4112/11
CE Mark for CR Tube	CE Mark for ERW Tubes from Cold Rolled Carbon Steel		2011	CNC/EEC/4113/11

Organization Structure



Governance Framework

The main philosophy of business followed by the sponsors of International Industries for the last 65 years has been to create value for all stakeholders through fair and sound business practices, which translates into policies approved by the Board implemented throughout the Company to enhance the economic and social values of all stakeholders of the Company.

Compliance Statement

Living up to its standards the Board of Directors has, throughout the year 2013-14, complied with the Code of Corporate Governance, the listing requirements of the Karachi, Lahore and Islamabad Stock Exchanges and the financial reporting framework of Securities & Exchange Commission of Pakistan (SECP).

The Directors confirm that that the following has been complied with:

a) 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.

b) Proper books of accounts of the Company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent business judgment.

d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom have been adequately disclosed and explained.

e) The system of internal control is sound in design and has been affectively implemented and monitored. The Company has engaged the services of Ernst & Young Ford Rhodes Sidat Hyder as internal auditors for the last six years; however during this year the Internal Audit function was based on a hybrid system led by the Chief Internal Auditor supported by in-house staff as well as E&Y.

f) There are no significant doubts upon the Company's ability to continue as a going concern.

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

The Board of Directors

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 Mr Zaffar A Khan, Non-Executive Chairman; out of 9 directors, 4 are independent directors, including the Chairman. The current Board composition reflects a good mix of experience, backgrounds, skills and qualifications.

To further its role of providing oversight and strategic guidelines to the Company, the Board has formulated a Board Charter to define its role of strategic leadership and provide oversight to the management. The Board has constituted two sub-committees, namely Audit Committee and Human Resources & Remuneration Committee. The composition, role and responsibilities of the Committees are clearly defined in their terms of references.

The Board meets at least once after every quarter to review the financial performance and to provide oversight to the management to achieve key performance indicators. Additionally one Board meeting is held to discuss the budget for the following year, while one is focused on future strategy. A board meeting calendar is issued annually to reflect the dates planned for the Board, Audit Committee and Human Resource & Remuneration Committee Meetings. All the Board members are given appropriate documents in advance of each meeting.

Role and Responsibilities of the Chairman and Chief Executive

The Chairman and the Chief Executive have separate and distinct roles. The Chairman has all the powers vested under the Code of Corporate Governance and presides over 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

The Board of Directors fixed the number of directors as nine (09), in August 2013, for the next term under section 178(1) of the Companies Ordinance 1984 and accordingly all nine persons, who offered themselves for elections, were elected by the shareholders in the Annual General Meeting held on October 4, 2013.

Mr Ataullah Rasheed, who represented NIT, however resigned from the Board and Mr. Alamuddin Bullo was co-opted in November 2013 against the casual vacancy created. Subsequent to Mr. Bullo's resignation in March 2014, Mr. Muhammad Raeesuddin Paracha was co-opted by the Board in April 2014.

Mr Javaid Anwar resigned from the Board in August 2013.

Best Corporate Practices

The Board has formulated a Board Charter to define the scope of its activities in setting the tone at the top, formulating strategies and providing oversight to the management for sustainable growth of the business.

All periodic financial statements and other working papers 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 an informed basis. This year the Board has held ten (10) meetings, agendas of which were duly circulated at least a week before the meetings.

The quarterly un-audited financial statements and the half-yearly financial statements (reviewed by the Auditors) were duly circulated within one month and two months respectively along with the Directors' Report. Annual financial statements, including consolidated financial statements, Board of Directors' Report, Auditors' Report 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 important disclosures, including the financial statements, were also made on the Company website 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 and formulating and reviewing all significant policies. 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 and regulations. The Chairman ensures that the discussions held during the board meetings and the consequent decisions arising are duly recorded and circulated to all the directors within 14 days. The CFO and the Company Secretary attended all the meetings of the Board as required by the Code of Corporate Governance.

Risk Management

Risk management is crucial to any business, which includes identification and assessment of various risks followed by coordinated application of resources, economically to minimize, monitor and control the impact of such risks and maximize the realization of opportunities. The management periodically reviews major financial and operating risks faced by the business.

Internal Control Framework

The Company maintains an established control framework comprising of clear structures, authority limits, and accountabilities, as well as sound understanding of policies & procedures and budgetary review processes. All policies and control procedures are document in manuals. The Board establishes corporate strategy and the Company's business objectives.

The Board Audit Committee has been entrusted with the main responsibility of Internal Controls. The Audit Committee receives audit reports by the internal and external auditors, and after detailed deliberations, and suggestions for improvements, periodic reports are submitted to the ultimate authority- the Board of Directors . The Company places a high value on transparency, both internally and externally, in its corporate management. It focuses consistently on the implementation of efficient management practices for the purpose of achieving clear and quantifiable commitments. The Company has a Chartered Accountant posted as Head of Internal Audit, who is being assisted by Ernst & Young Ford Rhodes Sidat Hyder and in house executives to carry out the Internal Control functions.

The management has placed an effective internal control framework with clear structures, authority limits, and accountabilities, well defined policies and detailed

governance framework

procedures, enabling the Audit Committee and the Board to have clear understanding of risk areas and to place effective controls to mitigate the risks, if so.

Risk and Opportunity

Pakistan's per capita steel consumption is still very low as per world standards; hence there is a potential for growth in the domestic market as well as regional markets. During the year, the Board focused on future business strategy to assess the opportunities and evaluated all significant risks attached with the business proposals and decided to move towards its newly revised Vision Statement of being a million tons steel processing group by 2020.

The Company has opted for a multi-pronged expansion program which includes but is not limited to incorporating a fully owned subsidiary in Australia to take advantage of the market, acquisition of land at 22 Shaikhupura Road, Lahore to house the plants for future expansion focused on large dia pipes and expanding its product range by adding PPRC pipes which already have a huge demand for cold/ hot water transmission in domestic and commercial consumers.

The Company expects to see growth in domestic market, as all the provincial governments have earmarked significant amounts for public service development projects in 2014-15. The anti -dumping regulations in USA, Canada and Australia have also opened new vistas for exports in these non-traditional markets, and the management is geared to augment its presence in all such markets.

The energy crises, law and order situation and unpredictable exchange rate are factors which are significant risks for any manufacturing industry based on imported raw material as well as significant exports. The management is however confronting all these external challenges by trying to buy raw material at the right time and prices, keeping other costs low and improving operating efficiencies.

Disclosure and Transparency

To bring an accurate understanding of the Company's management policies and business activities to all its stakeholders, it strives to make full disclosure of all material information to stakeholders by various announcements on its website, to the Stock Exchanges and other sources available to help the investors to make informed decisions. It encourages full participation of the members in the General Meetings by sending corporate results and sufficient information following the prescribed time line so as to enable the shareholders to participate on an informed basis. While increasing management transparency, it aims to strengthen its relationships of trust with shareholders and investors.

Speak-up Policy

We are committed to creating an atmosphere in which our people can freely communicate their concerns to their supervisors and functional heads. A Speak up Policy has been in place since last two years as IIL's 'whistle-blowing' system to report any corrupt or unethical behavior – if employees feel that they are not able to use the normal management routes.

Board Evaluation

The Board of Directors has formulated a policy to evaluate its own performance, the salient features of which are as follows:

1. The Board Evaluation Methodology is to be adopted as self-evaluation of the Board as a whole through an agreed questionnaire.
2. The evaluation exercise is to be carried out every year.
3. The evaluation system is to address areas of critical importance and should include, but not be limited to, the following:
   a) Appraising the basic organization of the Board of Directors;
   b) The effectiveness and efficiency of the operation of the Board and its committees;
   c) Assess the Board's overall scope of responsibilities;
   d) Evaluate the flow of information; and
   e) Validate the support and information provided by management.
4. The Board would review the results and suggest measures to improve such areas which are identified for improvement.

This was the second year when the Board carried out its Self-Evaluation and identified areas for further improvement in line with global best practices. The main focus remained on strategic growth, business opportunities, risk management, Board composition and providing oversight to the management.

Board Committees

The Board is assisted by two committees, namely the Audit Committee and the Human Resource & Remuneration Committee to support its decision-making in their respective domains:

Audit Committee

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

* Mr. Fuad A. Hashimi joined the Board as Non- Executive Independent Director on June 22, 2014 and he has been the Chairman -Board Audit Committee since July 28, 2010 as an Independent Non-Executive Director. Consequent to completion of his nine years as an Independent Non Executive Director as on June 22, 2014, his status has been revised as the Non- Executive Director.

The Audit Committee comprises of three Non-executive directors, out of which one is independent while the other two are Non-Executive Directors. The Chairman of the Committee is a Fellow Member of the Institutes of Chartered Accountants of Pakistan (ICAP) and England & Wales (ICAEW) as well as the CEO of PICG. The Chief Financial Officer, the Chief Internal Auditor and the Company Secretary attend the BAC meetings while the Chief Executive Officer is also invited to attend. The Audit Committee also separately meets the internal and external auditors at least once a year without the presence of the management.

Meetings of the Audit Committee are held at least once every quarter, which also reviews annual financial statements before and after the auditors review. The recommendations of the Audit Committee are then submitted for approval of financial results of the Company by the Board. During the year 2013-14, the Audit Committee held five meetings. The minutes of the meetings of the Audit Committee are provided to all members, directors and the Chief Financial Officer. The Chief Internal Auditor attends the Audit Committee meetings regularly and meets the Audit Committee without the presence of the management, at least once a year, to point out various risks, their intensity and suggestions for mitigating risks and improvement areas. The business risks identified are then referred to the respective departments and corrective actions are implemented.

Terms of Reference of the Audit Committee

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

i) Recommending to the Board the appointment of internal and external auditors.

ii) 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.

iii) Determination of appropriate measures to safeguard the Company's assets.

iv) Review of preliminary announcements of results prior to publication.

v) Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board, focusing on major area of judgement 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.

vi) Facilitating the external audit and discussion with external auditors on major observations arising from audit and any matter that the auditors may wish to highlight (without the presence of the management, where necessary).

vii) Review of the Management Letter issued by external auditors and the management's response thereto.

viii) Ensuring coordination between the internal and external auditors of the Company.

ix) Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources.

x) Consideration of major findings of internal investigations and the management's response thereto.

xi) Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.

xii) Review of the Company's statement on internal control systems prior to endorsement by the Board.

xiii) 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.

xiv) Determination of compliance with relevant statutory requirements.

xv) Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof.

xvi) Consideration of any other issue or matter as may be assigned by the Board.

Human Resources & Remuneration Committee

- Mr. Tariq Ikram – Chairman
  Independent Director
- Mr. Kamal A. Chinoy - Member
  Non- Executive Director
- Mr. Riyaz T. Chinoy – Member
  Executive Director
- Mr. Khalid Junejo - Secretary
  Head of Human Resources

The Human Resources & Remuneration Committee [HR&RC] comprises of three members. The Chairman is an independent director whereas the other two members are the Chief Executive Officer and a non-executive director. Meetings are conducted at least annually or at such other frequency as the Chairman may determine. The Head of Human Resources is the Secretary of the HR&RC. The minutes of the HR&RC meetings are provided to all members and directors. The Committee held five meetings during the year.

Terms of Reference of Human Resources & Remuneration 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.

The salient features of the Terms of Reference of HR&RC are as follows:

1. Major HR Policy / frameworks including compensation.
2. Overall organizational structure.
3. Organization model and its periodic assessment.
4. Succession planning for key executives, including the CEO.
5. Recruitment, remuneration and evaluation of the CEO and his direct reports, including the CFO, Chief Internal Auditor and the Company Secretary.
6. The CEO, being a member of the HR&RC is not part of Committee meetings, when compensation/ performance is being discussed /evaluated.
7. Charter of demands and negotiated settlements with CBA.
8. Compensation of the non-executives directors.

Board & Committee Meetings

Meetings of the Board of Directors and Audit Committee are held according to an annual schedule circulated before each fiscal year to ensure maximum director participation.

During the year ten Board meetings, five Audit Committee meetings and six meetings of Human Resources & Remuneration Committee were held. Attendance by each director in the meetings of the Board and its Committees is as follows:

Board / Committee	Board	Audit	Human Resource
Meetings held during FY 2013-14	**10**	**5**	**6**
Mr. Zaffar A. Khan	10		
Mr. Riyaz T. Chinoy	10		6
Mr. Kamal A. Chinoy	10		5
Mr. Mustapha A. Chinoy	9	4	1
Mr. Fuad Azim Hashimi	10	5	
Mr. Azam Faruque	7	4	
Mr. Tariq Ikram	8		5
Mr. Aly Noormahomed Rattansey	7		
Mr. Ataullah A. Rasheed	2		
Mr. Alamuddin Bullo	1		
Mr. Raeesuddin Paracha*	2		
Mr Javaid Anwar **	--	---	1

* Mr. M. Raeesuddin Paracha is representing interests of NIT. Mr. Paracha was appointed by the Board of Directors to fill the casual vacancy created by the resignation of Mr. Alamuddin Bullo. Mr. Bullo was earlier co-opted against a vacancy created by resignation of Mr. Attaullah Rasheed, who was elected as a director, a nominee of NIT, during the AGM held on October 4, 2014.

**Mr Javaid Anwar, was a Director and the Chairman HR&RC till August 2013, when he resigned from the Board.

Engagement of Directors in Other Entities

Directors	Other business occupation and directorships
Mr. Zaffar A. Khan	Askari Bank Ltd. Shell Pakistan Ltd. Acumen Fund Pakistan Privatization Commission of Pakistan Pakistan Centre for Philanthropy
Mr. Riyaz T. Chinoy	IIL Australia Pty Ltd. Citizens Trust Against Crime
Mr. Mustapha A. Chinoy	Pakistan Cables Ltd. Security Papers Ltd. Intermark (Pvt) Ltd. International Steels Ltd. Travel Solutions(Pvt) Ltd. Global e-Commerce Services (Pvt) Ltd. Crea8ive Bench (Pvt) Ltd. Universal Training & Development (Pvt) Ltd. Global Reservation (Pvt) Ltd.
Mr. Kamal A. Chinoy	Pakistan Cables Ltd. International Steels Ltd. Atlas Battery Ltd. Jubilee Life Insurance Company Ltd. ICI Pakistan Ltd. NBP Fullerton Assets Mgmt. Ltd.
Mr. Fuad Azim Hashimi	Pakistan Institute of Corporate Governance Burj Bank Ltd. Quality Assurance Board- ICAP
Mr. Azam Faruque	Cherat Cement Company Ltd. Atlas Asset Management Ltd. Greaves Pakistan Ltd. Faruque (Pvt) Ltd. KPK Oil & Gas Co. Ltd. Cherat Packaging Ltd. Madian Hydro Power Ltd.
Mr. Tariq Ikram	Habib Metropolitan Bank Ltd. Tasha Enterprises (Pvt) Ltd. Saiya Homes
Mr. Aly Noormahomed Rattansey	Jubilee General Insurance Company Ltd. Jubilee Life Insurance Company Ltd. Aga Khan Rural Support Programme Rural Support Programme Network Pakistan Foundation for Fighting Blindness
Mr. M. Raeesuddin Paracha	State Life Insurance Corporation Ltd. Fauji Fertilizer Company Ltd. Orix Leasing Company Ltd. Sui Southern Gas Company Ltd. Sui Northern Gas Company Ltd. Pakistan Cables Ltd.

The Management

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. MC meetings are conducted on a monthly basis or more frequently as circumstances dictate. The Committee reviews all aspects of operational and financial performance advises improvements to operational policies / procedures and monitors their implementation.

Management Committee Members		
Mr. Riyaz T. Chinoy	Chairman	Chief Executive Officer
Mr. Sohail R. Bhojani	Member	Chief Financial Officer
Mr. Mohsin Safdar	Member	Head of Factory
Mr. Khawar Bari	Member	Head of Marketing & Sales
Mr. Khalid Junejo	Member	Head of Human Resources
Mr. Perwaiz Ibrahim	Member	Head of Quality Assurance
Ms. Neelofar Hameed	Member & Secretary	Company Secretary

Role of the Management 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 analysis of observed variances.

b) Review of raw material prices with special reference to international markets.

c) Review of selling prices in view of changing market scenarios.

d) Review and finalization of budget for presentation to and approval by the Board.

e) Exploring new prospects for sustainable growth.

f) Review and set the objective for the organization in compliance with the approved strategy.

g) Accident prevention.

h) Set training needs.

i) Monitor Speak-ups.

Executive Committee

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

Executive Committee Members			
1.	Mr. Khalid Junejo	Chairman	Head of Human Resources
2.	Mr. Anwar Imam	Member	Div. Manager Engineering
3.	Mr. Sheraz Khan	Member	Div. Manager Sales, North
4.	Mr. Imran Siddiqui	Member	Div. Manager HR Operations
5.	Mr. Riaz Moazzam	Member	Div. Manager CR Operations
6.	Mr. Uzair Qureshi	Member	Financial Controller
7.	Mr. Samar Abbas	Member	Div. Manager International Sales
8.	Mr. Wajahtullah Khan	Member	Senior Manager Commercial
9.	Mr. Ghazanfar Ali Shah	Member	Senior Manager Quality Assurance
10.	Mr. Samiuddin Khan	Member	Senior Manager Industrial Relations
11.	Mr. Faiz Iqbal Mian	Member	Head of Dept. Information Technology
12.	Mr. Ayaz Ahmed Khan	Member & Secretary	Senior Manager QMS

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 MC.

b) Review of the Annual Budget and recommending the same to the MC.

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 recommending price reviews.

g) Review of customer credit limits.

h) Review and monitoring of product yield and identification of means for improving the same.

i) Review and monitoring of raw material, work-in-process and finished goods inventory and taking timely action on controlling the same.

Sustainbility Measures

We have laid the foundation of a sustainable business. All aspects of sustainability including efficient operational procedures, effective internal controls, ethical behaviour and energy conservation are an integral part of our business model. We also believe that employees are highly critical in the progress, growth and sustainability of any organization.

With improved processes the Company has been able to reduce the solid waste by 1.2% and liquid waste by 10.5 % respectively compared to the previous year.

Fuel gases are directed to waste heat recovery boilers, saving substantial input energy. The overall energy saving achieved was 9% higher compared to last reporting year.

Processes are continuously improved to minimize any wastage or reducing the process time and this year we could achieve 5.2% reduction in scrap produced.

Corporate Responsibility

The Company contributes approximately 2.5% of its Profit After Tax towards CSR activities especially in the field of education and health for the less fortunate. IIL continues to support a TCF primary school in Landhi, Karachi. A mosque in the vicinity of the production facilities also being supported.

The Company is also in the process of establishing a health clinic in Landhi in association with SINA Health, Education & Welfare Foundation to provide free medical facilities to the community living in the vicinity of its manufacturing facilities.

Dividend to Shareholders

During the year, the Company paid an interim dividend of 12.5% per share to all eligible shareholders and the Board of Directors is recommending a final dividend of 20% per share, in addition to the interim dividend already paid, in respect of the financial year ended June 30, 2014 which is subject to shareholders approval.

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, 2014 is placed on Page 159.

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 2014 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, Code of Corporate Governance, the Company's Code of Conduct 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 except those disclosed in the financial statements. 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 2014, 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 Chairman and Board of Directors' Report. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting, 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, accurate 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 and International Financial Reporting Standards notified by the SECP.
- All direct and indirect trading in 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.

INTERNAL AUDIT FUNCTION

- The internal control framework was effectively implemented through outsourcing the internal audit function to Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, for the last 6 years. Presently the Company's internal Audit function is being managed by the Chief Internal Auditor, in compliance of the Code of Corporate Governance who is assisted by the internal auditors Ernst & Young Ford Rhodes Sidat Hyder & Co. The Chief Internal Auditor reports directly to the Chairman of the Board Audit Committee.
- 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.
- 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, 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 2014 and shall retire on the conclusion of the 66th Annual General Meeting.

- The Board Audit Committee has reviewed and discussed audit observations and the draft Management Letter with the external auditors. The final Management Letter is required to be submitted within 45 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 is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by 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 2015 on terms of remuneration negotiated by the Chief Executive Officer.

Karachi
Dated: 13 August 2014

Fuad Azim Hashimi
Chairman – Board Audit Committee

Statement of Compliance with the Code of Corporate Governance

INTERNATIONAL INDUSTRIES LIMITED
June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework 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 CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board constitutes of:

Category / Names	Names
Independent Directors	Mr. Zaffar A. Khan
	Mr. Azam Faruque
	Mr. Tariq Ikram
	Mr. Aly Noormahomed Rattansey
Executive Director	Mr. Riyaz T. Chinoy
Non-Executive Directors	Mr. Kamal A. Chinoy
	Mr. Mustapha A. Chinoy
	Mr. Fuad A. Hashimi*
	Mr. M. Raeesuddin Paracha

The Independent Directors meet the criteria of independence under clause (i-b) of the CCG.

* Mr. Fuad A. Hashimi joined the Board as Non-Executive Independent Director on June 22, 2014 and has been the Chairman of the Board Audit Committee since July 28, 2010 as an Independent Non Executive Director. Consequent to completion of his nine years as an Independent Non Executive Director as on June 22, 2014, his status has been revised as the Non- Executive Director.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

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 DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. There have been changes in the Board during the year as Mr. Attaullah A. Rasheed resigned on November 5, 2013 and Mr. Alamuddin Bullo was co-opted by the Board in his place on November 28, 2013. Mr Bullo resigned on March 11, 2014, and Mr Raeesuddin Paracha was co-opted in his place on April 22, 2014. Each time the casual vacancy was filled in compliance with section 35(ii) of the Code of Corporate Governance and were filled within 90 days.

5. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed the Company's vision/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 regarding material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors have been taken by the Board/shareholders.

8. All the meetings of the Board were presided over by the Chairman who is an Independent Non-Executive director. The Board met ten (10) times this year. The Board normally meets at least once in every quarter to consider operational results, once a year to consider the budget for the following year while one meeting is focused on strategy. Written notices of board meetings, along with agenda and working papers, were circulated normally at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9 The directors have been provided with copies of Listing Regulations, Memorandum and Articles of Association of the Company and Code of Corporate Governance. Six (06) directors have the required Certificate of Directors Training course from PICG, two directors are certified trainers on Corporate Governance at PICG, while the other two qualify under the criteria described

in clause (xi) of the Code of Corporate Governance. During the year there was no specific training arranged for the directors, however the domestic and international business environment and regulatory changes was discussed in detail in each Board meeting.

10. The Company has complied with all the corporate and financial reporting requirements of the CCG and the Directors' Report for this year, fully describes the salient matters required to be disclosed by the CCG except for:

    The Company has not disclosed the information as required under clause (xvi) and sub-clauses (J-iii) directors and their spouse(s) and minor children (name wise details), (j-iv) executives (name-wise), and clause (xvi)(l) all trade in the shares of the listed company, carried out by its directors, executives and their spouses and minor children as mentioned in the Code of Corporate Governance due to security reasons. The Company has applied for relaxation before Securities and Exchange Commission of Pakistan for the above in August 4, 2014. However, reply is yet to be received.

11. The Board has approved the appointment of the CFO, Company Secretary and the Chief Internal Auditor earlier, including their remuneration and terms and conditions of employment. The CEO has been reappointed during the year consequent to his election as director.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of 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 Board has formed an Audit Committee. It comprises 3 members, two being Non Executive directors; while one member is independent director.

15. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

16. The Board has formed a Human Resource & Remuneration Committee. It comprises of 3 members, of whom one is a non-executive director, one is an executive director while the Chairman of the Committee is an independent director.

17. The Company has appointed a Chief Internal Auditor, who is assisted by Ernst & Young Ford Rhodes Sidat Hyder & Co in the internal audit function, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

18. The statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of ICAP, that they or any of the 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 ICAP.

19. The statutory Auditors or 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.

20. The closed period, prior to the announcement of interim/final results, and business decisions which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

21. Material/price sensitive information has been disseminated among all market participants at once through the stock exchanges.

22. We confirm that all other material principles enshrined in the CCG have been complied with.

23. The Company has documented the following policies and statements in compliance with the Code of Corporate Governance.

    - Policy for Code of Conduct & Procedure for Dissemination
    - Mission Statement / Quality, Environmental, Health & Safety Policy
    - Vision Statement
    - Human Resources Policies
    - Policy for Acquisition / Disposal of Fixed Assets
    - Policy and Procedure for Donations & Charitable Contributions
    - Policy and Procedure for Stores & Spares
    - Policy and Procedure for Write off Bad Debts, Advances & Receivables
    - Investment Policy
    - Budgetary Control Policy
    - Delegation of Financial Powers
    - Borrowing Policy and Procedure for Determination of Level of Long Term Borrowings
    - Related party Transactions & Transfer Pricing Policy
    - Policy for Pricing, Credit & Discount
    - Policy for Procurement of Goods & Services
    - Risk Management Policy
    - Policy for Profit Appropriation and Procedure for Dividend Payment
    - Roles and Responsibilities of the Chairman and Chief Executive
    - Policy for Level of Materiality
    - Procedure for Disclosure of Material Information to the Stock Exchanges & SECP
    - Speak-Up Policy
    - Policy on Chief Executive Officer Evaluation
    - Policy and Procedure for Board Evaluation
    - Policy and Procedure for Review and Guidance on Litigation

Fuad Azim Hashimi
Chairman – Board Audit Committee

Riyaz T. Chinoy
Chief Executive Officer

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of International Industries Limited ("the Company") for the year ended 30 June 2014 to comply with the requirements of Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the 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 of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended 30 June 2014.

Further, we highlight below instance of non-compliance with the requirement of the Code as reflected in paragraph 10 in the Statement of Compliance with respect to non-disclosure of pattern of shareholding held by certain persons respectively as required by clause (xvi) of the Code of Corporate Governance. The company has applied to the Securities and Exchange Commission of Pakistan (SECP) seeking relaxation from such compliance and currently awaiting for their response in this regard.

KPMG Taseer Hadi & Co.

Date: 13 August 2014
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Financial Statements

Contents

Auditors' Report to the Members

We have audited the annexed balance sheet of International Industries Limited ("the Company") as at 30 June 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for changes in accounting policies as stated in note 3.1.1 to the accompanying financial statements 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 2014 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.

KPMG Taseer Hadi & Co.

Date: 13 August 2014
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Balance Sheet

As at 30 June 2014

	Note	2014	2013 (Restated)	1 July 2012 (Restated)
			(Rupees in '000)	
ASSETS				
Non-current assets:				
Property, plant and equipment	5	3,502,052	3,464,666	2,803,505
Intangible assets	6	9,029	13,181	8,619
Investments	7	2,592,705	2,583,537	2,583,537
Long term deposits		4,488	4,428	5,213
Long term prepayments		4,835	-	-
		6,113,109	6,065,812	5,400,874
Current assets				
Stores and spares	8	135,137	122,999	137,075
Stock-in-trade	9	6,671,260	5,415,270	7,322,917
Trade debts	10	2,268,337	2,080,779	1,673,226
Advances	11	33,460	117,315	22,038
Trade deposits and short term prepayments	12	7,460	8,610	8,555
Other receivables	13	49,883	29,876	27,860
Sales Tax refundable		318,123	240,894	92,188
Taxation-net	14	577,539	477,730	360,592
Bank balances	15	72,261	6,568	20,908
		10,133,460	8,500,041	9,665,359
Total assets		16,246,569	14,565,853	15,066,233
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorised capital				
200,000,000 (2013: 200,000,000) ordinary shares of Rs.10 each		2,000,000	2,000,000	2,000,000
Issued, subscribed and paid-up capital	16	1,198,926	1,198,926	1,198,926
General reserve		2,700,036	1,848,736	1,848,736
Unappropriated profit		523,550	1,291,496	1,125,165
Total equity		4,422,512	4,339,158	4,172,827
Surplus on revaluation of property, plant and equipment	17	1,581,636	1,604,954	1,003,155
LIABILITIES				
Non-current liabilities				
Long term financing- secured	18	300,000	450,000	416,667
Staff retirement benefits	33.2	79,068	49,878	2,202
Deferred taxation-net	19	188,942	256,105	172,097
		568,010	755,983	590,966
Current liabilities				
Trade and other payables	20	3,160,417	579,030	1,291,953
Short term borrowings- secured	21	6,277,234	7,158,136	7,564,020
Current portion of long term financing- secured	18	150,000	-	320,833
Accrued markup		86,760	128,592	122,479
		9,674,411	7,865,758	9,299,285
Total liabilities		10,242,421	8,621,741	9,890,251
Contingencies and commitments	22			
Total equity and liabilities		16,246,569	14,565,853	15,066,233

The annexed notes 1 to 41 form an integral part of these financial statements.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial
Officer

Riyaz T. Chinoy
Chief Executive
Officer

Profit and Loss Account

For the year ended 30 June 2014

	Note	2014	2013
		(Rupees in '000)	
Net sales	23	16,341,306	17,729,744
Cost of sales	24	(14,239,770)	(15,665,121)
Gross profit		2,101,536	2,064,623
Selling and distribution expenses	25	(604,781)	(592,780)
Administrative expenses	26	(159,101)	(151,559)
		(763,882)	(744,339)
Financial charges	27	(723,931)	(699,131)
Other operating charges	28	(128,259)	(71,412)
		(852,190)	(770,543)
Other income	29	166,234	149,165
Profit before taxation		651,698	698,906
Taxation	30	(148,858)	(140,763)
Profit for the year		502,840	558,143
		(Rupees)	
Earnings per share - basic and diluted	31	4.19	4.66

The annexed notes 1 to 41 form an integral part of these financial statements.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial
Officer

Riyaz T. Chinoy
Chief Executive
Officer

Statement of Comprehensive Income

For the year ended 30 June 2014

	2014	2013 (Restated)
	(Rupees in '000)	
Profit for the year	502,840	558,143
Items that will never be reclassified to Profit and Loss Account:		
Remeasurements of defined benefit liability	(29,098)	(47,676)
Tax thereon	5,918	11,022
Total other comprehensive income - net of tax	(23,180)	(36,654)
Total comprehensive income for the year	479,660	521,489

The annexed notes 1 to 41 form an integral part of these financial statements.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial
Officer

Riyaz T. Chinoy
Chief Executive
Officer

Cash Flow Statement

For the year ended 30 June 2014

	Note	2014	2013
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		651,698	698,906
Adjustments for:			
Depreciation and amortization	5.1 & 6.1	234,555	209,908
Provision for doubtful debts		3,076	6,177
Interest on bank deposits	29	(2,542)	(2,366)
Loss / (gain) on disposal of property, plant and equipment	28	6,248	(9,255)
Financial charges	27	723,931	699,131
		1,616,966	1,602,501
Changes in:			
Working capital	32	1,009,064	548,239
Long term deposits		(60)	785
Long term prepayments		(4,835)	-
Net cash generated from operations		2,621,135	2,151,525
Financial charges paid		(765,763)	(693,018)
Taxes paid		(309,820)	(251,950)
Net cash generated from operating activities		1,545,552	1,206,557
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(224,482)	(184,789)
Investment in subsidiary	7	(9,168)	-
Proceeds from sale of property, plant and equipment		48,973	13,811
Interest received		2,670	2,304
Net cash used in investing activities		(182,007)	(168,674)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		-	450,000
Repayment of long term financing		-	(737,500)
Dividends paid		(416,950)	(358,839)
Net cash used in financing activities		(416,950)	(646,339)
Net increase in cash and cash equivalents		946,595	391,544
Cash and cash equivalents at beginning of the year		(7,151,568)	(7,543,112)
Cash and cash equivalents at end of the year		(6,204,973)	(7,151,568)
CASH AND CASH EQUIVALENTS COMPRISE OF:			
Bank balances	15	72,261	6,568
Short term borrowings- secured	21	(6,277,234)	(7,158,136)
		(6,204,973)	(7,151,568)

The annexed notes 1 to 41 form an integral part of these financial statements.

Fuad Azim Hashimi	**Sohail R. Bhojani**	**Riyaz T. Chinoy**
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

Statement of Changes in Equity

For the year ended 30 June 2014

	Issued, subscribed & paid up capital	Revenue reserves		Total reserves	Total
		General reserve	Un-appropriated profit		
	(Rupees in '000)				
Balance as at 1 July 2012 - as previously reported	1,198,926	1,848,736	1,126,858	2,975,594	4,174,520
Effect of change in accounting policy note 3.1.1	-	-	(1,693)	(1,693)	(1,693)
Balance as at 1 July 2012 - restated	1,198,926	1,848,736	1,125,165	2,973,901	4,172,827
Profit for the year	-	-	558,143	558,143	558,143
Other comprehensive income for the year- restated	-	-	(36,654)	(36,654)	(36,654)
Total comprehensive income for the year ended 30 June 2013- restated	-	-	521,489	521,489	521,489
Transactions with owners recorded directly in equity - distributions:					
- Final dividend at 20% (Rs. 2 per share) for the year ended 30 June 2012	-	-	(239,785)	(239,785)	(239,785)
- Interim dividend at 10% (Re. 1 per share) for the year ended 30 June 2013	-	-	(119,893)	(119,893)	(119,893)
Total transactions with owners - distributions	-	-	(359,678)	(359,678)	(359,678)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	4,520	4,520	4,520
Balance as at 30 June 2013 - restated	1,198,926	1,848,736	1,291,496	3,140,232	4,339,158
Profit for the year	-	-	502,840	502,840	502,840
Other comprehensive income for the year	-	-	(23,180)	(23,180)	(23,180)
Total comprehensive income for the year ended 30 June 2014	-	-	479,660	479,660	479,660
Transactions with owners recorded directly in equity - distributions:					
- Final dividend at 22.50% (Rs. 2.25 per share) for the year ended 30 June 2013	-	-	(269,758)	(269,758)	(269,758)
- Interim dividend at 12.50% (Rs. 1.25 per share) for the year ended 30 June 2014	-	-	(149,866)	(149,866)	(149,866)
Total transactions with owners - distributions	-	-	(419,624)	(419,624)	(419,624)
Transfer from general reserves	-	851,300	(851,300)	-	-
Transfer from surplus on revaluation on disposal of land	-	-	7,264	7,264	7,264
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	16,054	16,054	16,054
Balance as at 30 June 2014	1,198,926	2,700,036	523,550	3,223,586	4,422,512

The annexed notes 1 to 41 form an integral part of these financial statements.

Fuad Azim Hashimi	**Sohail R. Bhojani**	**Riyaz T. Chinoy**
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

Notes to the Financial Statements

For the year ended 30 June 2014

1. STATUS AND NATURE OF BUSINESS

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

Details of the Company's investment in subsidiary and associated companies are disclosed in note 7 to these financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that land and buildings are stated at fair values determined by an independent valuer and the Company's liability under defined benefit plan (gratuity) is determined on the present value of defined benefit obligations determined by an independent actuary.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is 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 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 that have a significant effect on the financial statements and estimates with significant risk of material judgment in the next financial 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 matters from the past.

Staff retirement benefits

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

Trade debts and other receivables

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

Property, plant and equipment

The Company reviews the rates of depreciation, useful lives, residual values and values of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

Stock-in-trade and stores and spares

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

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS

3.1 Standards, amendments or interpretations which became effective during the year:

During the year certain amendments to standards or new interpretations became effective; however the amendments or interpretation did not have any material effect on the financial statements of the Company except for the revised IAS 19 'Employees Benefits', details of which are disclosed below:

3.1.1 Change in accounting policy

Employee Benefits

With effect from 1 January 2013, the revised IAS 19 'Employee Benefits' became effective. The revised IAS 19 requires actuarial gains and losses to be recognized immediately in other comprehensive income. Previously, actuarial gains and losses over and above the corridor limit were amortized over the expected average remaining working lives of employees. Further, any past service cost is now recognized immediately in the Profit and Loss Account as soon as the change in the benefit plans are made whereas previously, only vested past service cost was recognized immediately in the Profit and Loss Account and non-vested cost was amortized to the Profit and Loss Account over the vesting period. The Standard also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year. Refer to note 4.12 for revised accounting policy.

The effects of the change have been accounted for retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', resulting in restatement of financial statements of prior periods. Resultantly, the cumulative effect of adjustments that arose as at 1 July 2012 has been presented and disclosed as part of the Statement of Changes in Equity, while the corresponding period adjustment through other comprehensive income is restated and disclosed as part of the Statement of Comprehensive Income respectively. The Balance Sheet also presents the prior year numbers as restated, due to the aforementioned change.

	30 June 2013			1 July 2012		
	As previously reported	Impact due to change in policy	As restated	As previously reported	Impact due to change in policy	As restated
	(Rupees in '000)					
Effect on Balance Sheet						
Staff retirement benefit	-	49,878	49,878	-	2,202	2,202
Deferred taxation	267,636	(11,531)	256,105	172,606	(509)	172,097
Unappropriated profit	1,329,843	(38,347)	1,291,496	1,126,858	(1,693)	1,125,165

	2013
Effect on other comprehensive income	(Rupees in '000)
Remeasurement of defined benefit liability	(47,676)
Tax thereon	11,022
	(36,654)

This change in accounting policy has no impact on the Statement of Cash Flows and on earnings per share.

3.2 Standards, amendments or interpretations not yet effective

The following new standards, amendments to existing standards and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2014 and the Company does not expect any material / significant changes in its accounting policy except for disclosures, where applicable:

- IFRIC 21- Levies 'an Interpretation on the Accounting for Levies Imposed by Governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Amendments to IAS 36 'Impairment of Assets' Recoverable Amount Disclosures for Non-Financial Assets' (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 'Impairment of Assets' address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' - Continuing Hedge Accounting after Derivative Novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 'Employee Benefits' Employee Contributions – a Practical Approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets are inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

- Agriculture: Bearer Plants [Amendments to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 'Agriculture'. A bearer plant is a plant that is used in the supply of agricultural produce is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

  Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contains amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by the management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision-maker. This change aligns the disclosure requirements with those for segment liabilities.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision-maker. This change aligns the disclosure requirements with those for segment liabilities.

- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below and have been consistently applied to all the years presented except for as disclosed in note 3.1 and also in respect of the adoption of derivative financial instruments-cash flow hedge policy as stated in note 4.5.

4.1 Property, plant and equipment

Property, plant and equipment (except freehold and leasehold land and buildings) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold and leasehold land and buildings are stated at revalued amounts less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of an asset including borrowing costs, if any. 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. The value assigned to leasehold lands is not amortized as the respective leases are expected to be renewed for further periods on payment of relevant rentals.

Subsequent cost

Subsequent costs are included in an 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 Company 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 derecognized. Normal repairs and maintenance are charged to the Profit and Loss Account during the period in which they are incurred.

Depreciation

Depreciation is charged to income on a straight line basis at rates specified in note 5.1 to these financial statements except for freehold and leasehold land. Depreciation on addition is charged from the month an asset is available for use upto the month prior to its disposal.

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

Revaluation surplus

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

Disposal

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized in other income/ other expenses in the Profit and Loss Account. When revalued assets are sold, any related amount included in the Surplus on Revaluation is transferred to retained earnings (Unappropriated profit).

Capital work-in-progress (CWIP)

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 an assets's construction and installation. Transfers are made to relevant asset categories as and when assets are available for intended use.

4.2 Intangible assets

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the Company 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. An intangible asset is measured initially at cost and subsequently stated at cost less accumulated amortization and impairment losses, if any.

Subsequent expenditure

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

Amortization

Amortization is charged to the Profit and Loss Account on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Amortization on additions to intangible assets is charged from the month in which an item is acquired or capitalized upto the month prior to their disposal.

4.3 Investments

Investments in subsidiaries

Investments in subsidiaries are initially recognized and carried 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 exists the investment's recoverable amount is estimated which is the 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 the Profit and Loss Account. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the Profit and Loss Account.

Investments in associates

Investments in associates are initially recognized and carried 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 exists, the investment's 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 the Profit and Loss Account. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the Profit and Loss Account.

4.4 Derivative financial instruments - other than hedging

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

4.5 Derivative financial instruments - cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in fair value of derivative is recognized immediately in the Profit and Loss Account. The amount accumulated in equity is removed therefrom and included in the initial carrying amount of non-financial asset upon recognition of non-financial asset.

The fair value of forward exchange contracts is estimated using appropriate valuation techniques. These are carried as assets when the fair value is positive and liabilities when the fair value is negative.

4.6 Borrowings costs

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

4.7 Stores and spares

Stores and spares are stated at lower of weighted average cost and net realizable 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 the management's estimate regarding their future usability.

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

4.8 Stock-in-trade

These are valued at lower of cost and net realizable 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 realizable value signifies the estimated selling price in the ordinary course of business less the net estimated cost of completion and selling expenses.

Scrap stocks are valued at estimated net realizable value.

4.9 Trade debts and other receivables

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

4.10 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand and 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 the cash flow statement.

4.11 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 other comprehensive income or below equity, in which case it is recognized in other comprehensive income or below equity respectively.

Current tax

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

Deferred tax

Deferred tax is recognized using the 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 utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

4.12 Employee benefits

Defined benefit plan

The Company operates an approved funded Gratuity Scheme (the Plan) for eligible employees of the Company. The Company's obligation under the scheme is determined through an actuarial valuation carried out at each year end under the Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income.

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense and current service cost are recognized in the profit and loss account. The latest actuarial valuation was conducted at the balance sheet date by a qualified professional firm of actuaries.

Defined contribution plan

The Company operates a recognized Provident Fund for all its employees 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 are charged to the Profit and Loss Account.

Compensated absences

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

4.13 Trade and other payables

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

4.14 Foreign currency translation

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

Exchange differences are included in the Profit and Loss Account currently.

4.15 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 either with date of shipping bill or upon delivery to customers or their representative(s), based on the terms of arrangement.
- 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 the power generation plant on account of sale of surplus electricity is recognized on transmission of electricity to K-Electric Limited (formerly Karachi Electric Supply Company Limited).
- 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 the related services are rendered.
- Rental income is recognized on a straight line basis over the term of the applicable lease agreement.
- Miscellaneous income is recognized on a receipt basis.

4.16 Financial instruments

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

4.17 Offsetting of financial assets and financial liabilities

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

4.18 Impairment

Financial assets

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

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

4.19 Mark-up bearing borrowings

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

4.20 Provisions

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

4.21 Segment reporting

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

4.22 Dividend and appropriation to / from reserves

Dividend distribution to the Company's shareholders and appropriation to / from reserves are recognized in the period in which these are approved by the Members and Board of Directors respectively.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2014	2013
		(Rupees in '000)	
Operating assets	5.1	3,458,062	2,462,621
Capital work-in-progress (CWIP)	5.5	43,990	2,045
		3,502,052	3,464,666

5.1 Operating assets

	Land - revalued		Buildings - revalued		Plant and machinery *	Furniture, fixtures and office equipment	Vehicles	Total
	Freehold	Leasehold	on freehold land	on leasehold land				
	(Rupees in '000)							
Balance as at 1 July 2013								
Cost / revalued amount	484,274	988,354	164,562	724,149	2,675,642	78,208	87,862	5,203,051
Accumulated depreciation	-	-	-	-	(1,647,421)	(58,050)	(34,959)	(1,740,430)
Net book value (NBV)	484,274	988,354	164,562	724,149	1,028,221	20,158	52,903	3,462,621
Additions / transfer from CWIP	-	149,294	-	3,445	94,543	7,600	23,320	278,202
Disposals								
- Cost	-	(37,604)	-	-	(84,031)	(2,596)	(14,936)	(139,167)
- Accumulated depreciation	-	-	-	-	70,439	2,469	11,038	83,946
	-	(37,604)	-	-	(13,592)	(127)	(3,898)	(55,221)
Depreciation charge	-	-	(7,308)	(44,957)	(148,612)	(8,681)	(17,982)	(227,540)
Balance as at 30 June 2014 (NBV)	484,274	1,100,044	157,254	682,637	960,560	18,950	54,343	3,458,062
Gross carrying value as at 30 June 2014								
Cost / revalued amount	484,274	1,100,044	164,562	727,594	2,686,154	83,212	96,246	5,342,086
Accumulated depreciation	-	-	(7,308)	(44,957)	(1,725,594)	(64,262)	(41,903)	(1,884,024)
Net book value	484,274	1,100,044	157,254	682,637	960,560	18,950	54,343	3,458,062
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	
Balance as at 1 July 2012								
Cost / revalued amount	302,070	917,830	73,281	533,982	2,564,020	66,011	78,234	4,535,428
Accumulated depreciation	-	-	(4,577)	(139,549)	(1,513,139)	(52,428)	(30,850)	(1,740,543)
Net book value (NBV)	302,070	917,830	68,704	394,433	1,050,881	13,583	47,384	2,794,885
Additions / transfer from CWIP	-	-	420	8,883	132,416	15,483	24,671	181,873
Surplus on revaluation	182,204	70,524	99,097	343,573	-	-	-	695,398
Disposals								
- Cost	-	-	-	-	(20,794)	(3,286)	(15,043)	(39,123)
- Accumulated depreciation	-	-	-	-	19,556	3,168	11,843	34,567
	-	-	-	-	(1,238)	(118)	(3,200)	(4,556)
Depreciation charge	-	-	(3,659)	(22,740)	(153,838)	(8,790)	(15,952)	(204,979)
Balance as at 30 June 2013 (NBV)	484,274	988,354	164,562	724,149	1,028,221	20,158	52,903	3,462,621
Gross carrying value as at 30 June 2013								
Cost / revalued amount	484,274	988,354	164,562	724,149	2,675,642	78,208	87,862	5,203,051
Accumulated depreciation	-	-	-	-	(1,647,421)	(58,050)	(34,959)	(1,740,430)
Net book value	484,274	988,354	164,562	724,149	1,028,221	20,158	52,903	3,462,621
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	

* This includes capital spares with a net book value of Rs.9.6 million (2013: Rs.19 million).

5.1.1 The addition in leasehold land during the year represents land purchased at Main Shaikupura Road for which title will be transferred upon payment of the outstanding amount shown in note 20.

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

	Note	2014	2013
		(Rupees in '000)	
Cost of sales	24	210,364	189,826
Selling and distribution expenses	25	7,048	5,261
Administrative expenses	26	10,127	9,892
		227,539	204,979

5.3 The revaluation of the freehold land, leasehold land and buildings thereon was carried out as of 30 June 2013 by Iqbal A. Nanjee (Private) Limited (an independent valuer located in Karachi) on the basis of their professional assessment of present market values based on enquiries made about the cost of land of similar nature, size and location including consideration of current cost of acquisition or construction, net of diminution owing to depreciation, keeping in view the current condition. The revaluation resulted in a surplus on revaluation amounting to Rs. 695.4 million which was incorporated in the books of the Company as at 30 June 2013.

The Company commissioned independent valuations of freehold land, leasehold land and buildings during the years / periods ended 30 June 1988, 30 June 1997, 30 June 2000, 30 June 2004, 31 December 2007 and 30 June 2013. The resulting revaluation surpluses have been disclosed in notes 5.1 and 17 to the financial statements and have been credited to the revaluation surplus account net of their related tax effect.

The carrying amount of the aforementioned assets as at 30 June 2014, if the said assets had been carried at historical cost, would have been as follows:

	Cost	Accumulated depreciation	Net book value
	(Rupees in '000)		
Freehold land	172,302	-	172,302
Leasehold land	306,599	-	306,599
Buildings	500,758	(274,442)	226,316
As at 30 June 2014	979,659	(274,442)	705,217
As at 30 June 2013	857,260	(243,301)	613,959

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

Description	Revalued amount	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
	(Rupees in '000)						
Land	37,604	30,340	-	37,604	30,000	Negotiation *	M/s. Fareed & Sons.
Plant and machinery							
1064 KW gas generator set	-	39,000	30,103	8,897	205	Negotiation	M/s. Prime Power
Cutter trolley	-	2,727	894	1,833	2,639	Negotiation	M/s. Rahim Shah
Foundation of plant - K32-A	-	332	217	115	-	Demolished	Not applicable
Various items of book value up to Rs.50,000 each	-	41,972	39,225	2,747	7,245	Negotiation	Various
Furniture, fixtures and office equipment							
Time attendance terminal	-	102	-	102	102	Sold to subsidiary	International Steels Limited, subsidiary company
Various items of book value up to Rs.50,000 each	-	2,493	2,469	24	124	Negotiation	Various
Vehicles							
Suzuki Cultus	-	970	178	792	-	Retirement gift	Mr. Pervaiz Iqbal Abid, employee
Suzuki Cultus	-	795	623	172	625	Insurance claim	Jubilee General Insurance Co.- related party
Toyota Corolla	-	1,414	966	448	975	Negotiation	Mr. Farooq Ehsun, consultant
Suzuki Mehran	-	580	97	483	580	Insurance claim	Jubilee General Insurance Co.- related party
Toyota Hilux	-	1,814	726	1,088	900	Negotiation	Mr. Adnan
Honda Civic	-	1,879	1,409	470	400	Negotiation	Mr. Adnan
Suzuki Mehran	-	580	135	445	525	Insurance claim	Jubilee General Insurance Co.- related party
Various vehicles of book value up to Rs.50,000 each	-	6,905	6,904	1	4,653	Negotiation	Various
	37,604	131,903	83,946	55,221	48,973		

During the year, one of the Company's leasehold properties in Lahore was sold at an amount approximately equal to its cost; however the property was revalued to Rs. 37.6 million in 2013 which did not take into account the National Highway Authority's (NHA) directive to extend the open area facing Grand Trunk (GT) Road in excess of the mandatory requirements stipulated by the Lahore Development Authority (LDA) which resulted in a reduction in the area available for construction.

5.5 Capital work-in-progress (CWIP)

	2014				2013			
	Cost				Cost			
	As at 1 July 2013	Additions	Transfers	As at 30 June 2014	As at 1 July 2012	Additions	Transfers	As at 30 June 2013
	(Rupees in '000)							
Buildings	413	18,281	(3,445)	15,249	1,297	8,419	(9,303)	413
Plant and machinery	1,632	128,733	(101,624)	28,741	7,323	126,725	(132,416)	1,632
	2,045	147,014	(105,069)	43,990	8,620	135,144	(141,719)	2,045

6. INTANGIBLE ASSETS

	Note	2014	2013
		(Rupees in '000)	
Operating intangible assets	6.1	6,829	13,181
Capital work-in-progress (CWIP)	6.2	2,200	-
		9,029	13,181

6.1 Operating intangible assets

	Note	2014	2013
Net book value as at 1 July		13,181	8,619
Additions		663	9,491
Amortization	6.1.2	(7,015)	(4,929)
Net book value as at 30 June		6,829	13,181
Gross carrying value as at 30 June			
Cost		54,581	53,918
Accumulated amortization		(47,752)	(40,737)
Net book value		6,829	13,181
		Percent	
Amortization rate (per annum)		33.33	33.33

6.1.1 Intangible assets comprise of computer software and licenses.

6.1.2 The amortization expense for the year has been allocated as follows:

	Note	2014	2013
		(Rupees in '000)	
Cost of sales	24	3,548	2,500
Selling and distribution expenses	25	2,036	1,457
Administrative expenses	26	1,431	972
		7,015	4,929

6.2 This represents an advance provided to the ERP Consultant on account of upgradation of the ERP system.

7. INVESTMENTS

2014	2013		Note	2014	2013
(Number of Shares)					
Quoted companies					
245,055,543	245,055,543	International Steels Limited (ISL) - subsidiary company, at cost	7.1	2,450,555	2,450,555
2,425,913	2,425,913	Pakistan Cables Limited (PCL) - associated company, at cost	7.2	132,982	132,982
Un-quoted company					
100,000	-	IIL Australia Pty Limited (IIL Australia) - subsidiary company, at cost	7.3	9,168	-
				2,592,705	2,583,537

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

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

7.3 The Company holds 100% ownership interest in IIL Australia Pty Limited. Corporation Act 2001, Australia, does not require a proprietory company registered in Australia to appoint a Chief Executive Officer. The Chairman of IIL Australia Pty Limited is Mr. Riyaz T.Chinoy.

7.4 The market value of the aforementioned quoted investments is as follows:

	Note	2014	2013
		(Rupees in '000)	
International Steels Limited		5,648,530	4,335,033
Pakistan Cables Limited		241,985	157,199

7.5 The book value of IIL Australia as at 30 June 2014 was Australian Dollars 100,000 (Rs. 9.2 million) (2013: Nil). The Company is incorporated in Victoria, Australia.

8. STORES AND SPARES

	Note	2014	2013
Stores		37,604	29,869
Spares		96,130	91,646
Loose tools		1,403	1,484
		135,137	122,999

9. STOCK-IN-TRADE

	Note	2014	2013
Raw material - in hand	9.1	3,519,254	2,763,419
- in transit		595,652	18,616
		4,114,906	2,782,035
Work-in-process		1,102,542	917,919
Finished goods		1,414,234	1,664,729
By-products		26,835	42,855
Scrap material		12,743	7,732
		6,671,260	5,415,270

9.1 Raw material amounting to Rs. 5.2 million (2013: Rs. 6 million) as at 30 June 2014 was held at a vendor's premises for the production of pipe caps.

10. TRADE DEBTS

	Note	2014	2013
Considered good - secured	10.1	916,510	809,133
- unsecured		1,351,827	1,271,646
		2,268,337	2,080,779
Considered doubtful		40,777	37,701
		2,309,114	2,118,480
Provision for doubtful debts	10.3	(40,777)	(37,701)
		2,268,337	2,080,779

10.1 This represents trade debts arising on account of export sales of Rs. 895.1 million (2013: Rs. 796.7 million) which are secured through Export Letters of Credit and Document of Acceptance and Rs. 21.4 million (2013: Rs. 12.5 million) arising on account of domestic sales which are secured through Inland Letters of Credit.

10.2 Related parties from whom trade debts are due as at 30 June 2014 are as under:

	Note	2014	2013
		(Rupees in '000)	
Sui Southern Gas Company Limited		15,496	530
Sui Northern Gas Pipelines Limited		-	97,579
IIL Australia Pty Limited		6,944	-
	10.2.1	22,440	98,109

10.2.1 The ageing of the trade debts receivable from related parties as at the balance sheet date is as under:

Not past due	22,315	97,292
Past due 1-60 days	-	338
Past due 61 days - 365 days	125	479
Total	22,440	98,109

None of the trade debts receivable from related parties are considered doubtful.

10.3 Provision for doubtful debts

Balance as at 1 July		37,701	34,508
Charge for the year		7,564	11,087
Reversal during the year		(4,488)	(7,937)
	25	3,076	3,150
Debtors written back into the provision		-	43
Balance as at 30 June		40,777	37,701

11. ADVANCES

Considered good- unsecured:		
- Suppliers	16,964	15,939
- Collector of Customs for clearance of goods	-	100,000
- Employees for business related expenses	3,290	1,376
- Workers	13,206	-
	33,460	117,315

12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits	3,278	4,178
Short term prepayments	4,182	4,432
	7,460	8,610

13. OTHER RECEIVABLES

Considered good:		
Interest income receivable	-	128
Receivable against sale of land	14,000	-
Receivable on transmission of electricity to K-Electric Limited (formerly Karachi Electric Supply Company Limited)	8,924	2,796
Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods	25,940	25,940
Others	1,019	1,012
	49,883	29,876
Receivable from foreign supplier on account of material	3,027	3,027
Less: Provision thereagainst	(3,027)	(3,027)
	-	-
	49,883	29,876

14. TAXATION - NET

	Note	2014	2013
		(Rupees in '000)	
Tax receivable as at 1 July		477,730	360,592
Tax payments / withheld during the year		309,912	434,734
Refunds received during the year		-	(182,784)
		787,642	612,542
Less: Provision for tax	30	(210,103)	(134,812)
		577,539	477,730

15. BANK BALANCES

	Note	2014	2013
- Current accounts (including foreign currency accounts)		58,604	6,568
- Savings accounts	15.1	13,657	-
		72,261	6,568

15.1 These carry interest ranging from 6.5 % to 8% per annum (2013: 5% to 8% per annum).

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013		2014	2013
(Number of Shares)				
6,769,725	6,769,725	Fully paid ordinary shares of Rs. 10 each issued for cash	67,697	67,697
113,122,894	113,122,894	Fully paid ordinary shares of Rs. 10 each issued as bonus shares	1,131,229	1,131,229
119,892,619	119,892,619		1,198,926	1,198,926

16.1 Associated companies, due to common directors, held 6,333,560 (2013 : 1,353,325) ordinary shares of Rs. 10 each at the year end.

17. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	Note	2014	2013
Freehold land			
Balance as at 1 July		311,972	129,768
Surplus on revaluation of freehold land	5.1	-	182,204
Balance as at 30 June		311,972	311,972
Leasehold land			
Balance as at 1 July		800,709	730,185
Surplus on revaluation of leasehold land	5.1	-	70,524
Transfer to retained earnings (Unappropriated profit) on disposal of leasehold land		(7,264)	-
Balance as at 30 June		793,445	800,709
Buildings			
Balance as at 1 July		634,699	198,327
Surplus on revaluation of buildings	5.1	-	442,670
Transferred to retained earnings (Unappropriated profit) in respect of incremental depreciation charged during the year		(21,124)	(6,298)
		613,575	634,699
Related deferred tax liability	17.1	(137,356)	(142,426)
Balance as at 30 June - net of deferred tax		476,219	492,273
		1,581,636	1,604,954

17.1 Movement in related deferred tax liability

	Note	2014	2013
		(Rupees in '000)	
Balance as at 1 July		142,426	55,125
Surplus on revaluation of buildings		-	99,334
Effect of change in recognized temporary differences		-	(10,255)
Tax effect on incremental depreciation transferred to retained earnings (Unappropriated profit)		(5,070)	(1,778)
Deferred tax liability as at 30 June	19	137,356	142,426

18. LONG TERM FINANCING - secured

Details of long term financing are as follows:

	Sale price	Purchase price	Number of instalments and commencement date	Date of maturity	Rate of mark-up per annum	2014	2013
	(Rupees in '000)					(Rupees in '000)	
Meezan Bank Limited Local currency assistance of Rs. 450 million for plant and machinery (Refer note 18.1)	450,000	600,822	6 half - yearly 24 December 2014	24 June 2017	0.65 % over 6 months KIBOR	450,000	450,000
Less: current portion of long term finances shown under current liabilities						(150,000)	-
						300,000	450,000

18.1 The above long term financing utilized under mark-up arrangement is secured by way of a mortgage on all present and future land and buildings, located at Plot Number LX-15 & 16 and HX-7/4, Landhi Industrial Estate, Karachi and Survey No. 402, 405-406, Dehsharabi, Landhi Town, Karachi.

19. DEFERRED TAXATION - NET

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

	Note	2014	2013 Restated
		(Rupees in '000)	
Taxable temporary difference:			
Accelerated tax depreciation		111,677	140,952
Surplus on revaluation of buildings	17.1	137,356	142,426
Deductible temporary differences:			
Provision for Infrastructure Cess		(25,552)	-
Provision for doubtful debts		(14,272)	(12,818)
Provision for compensated absences		(1,241)	(1,895)
Staff retirement benefits		(17,967)	(11,531)
Provision against claim due from foreign supplier		(1,059)	(1,029)
		188,942	256,105

20. TRADE AND OTHER PAYABLES

	Note	2014	2013
		(Rupees in '000)	
Trade creditors	20.1	2,008,073	168,917
Bills payable		581,252	18,616
Accrued expenses		212,328	179,341
Provision for Infrastructure Cess	20.2 & 22.1.4	172,781	114,825
Short term compensated absences		5,454	5,574
Advances from customers		45,607	50,849
Payable against purchase of land	5.1.1	98,528	-
Workers' Profit Participation Fund	20.3	10,300	8,100
Workers' Welfare Fund		12,880	22,276
Unclaimed dividend		13,203	10,529
Others		11	3
		3,160,417	579,030

20.1 This includes an amount of Rs. 7.4 million (2013: Rs. Nil) payable to Jubilee General Insurance Company Limited, a related party, on account of premium bills.

20.2 Provision for Infrastructure Cess

	2014	2013
Balance as at 1 July	114,825	60,463
Charge for the year	57,956	54,362
Balance as at 30 June	172,781	114,825

20.3 Workers' Profit Participation Fund

	Note	2014	2013
Balance as at 1 July		8,100	6,000
Interest on funds utilized in the Company's business at 15% (2013: 15%) per annum	27	360	146
		8,460	6,146
Allocation for the year		34,300	36,100
		42,760	42,246
Payments made during the year		(32,460)	(34,146)
Balance as at 30 June		10,300	8,100

21. SHORT TERM BORROWINGS- secured

	Note	2014	2013
Running finance under mark-up arrangement from banks	21.1	336,196	326,031
Short term borrowing under Money Market Scheme	21.2	2,840,000	3,670,605
Short term borrowing under Export Refinance Scheme	21.3	1,000,000	3,161,500
Running finance under FE-25 Export and Import Schemes	21.4	2,101,038	-
		6,277,234	7,158,136

21.1 The facilities for running finance available from various commercial banks amounted to Rs. 1,732 million (2013: Rs. 3,585 million). The rates of mark-up on these finances range from 10.38% to 11.88% per annum (2013: 10.01% to 11.41% per annum). Unavailed facilities as at the year end amounted to Rs. 1,396 million (2013: Rs. 3,259 million).

21.2 The facilities for short term borrowing under Money Market Scheme available from various commercial banks under mark-up arrangements amounted to Rs. 5,087 million (2013: Rs. 4,000 million). The rates of mark-up on these finances range from 10.10% to 10.39 % per annum (2013: 9.57% to 10.02% per annum). Unavailed facilities as at year end amounted to Rs. 2,247 million (2013: Rs. 329.4 million).

21.3 The Company has borrowed short term running finance under the Export Refinance Scheme of the State Bank of Pakistan (SBP). The facility availed is for an amount of Rs. 2,522 million (2013: Rs. 3,161 million). The rates of mark-up on this facility were 8.90% per annum (2013: 8.70% to 8.90% per annum).

21.4 The Company has borrowed short term running finance under SBP Foreign Exchange Circular No.25 dated 20 June 1998 for the purpose of meeting import requirements. The facility availed is for amounts aggregating USD 21.3 million equivalent to Rs. 2,101 million (2013: USD Nil). The rate of mark-up on these finances range from 1.50% to 2.59%.

21.5 All running finance and short term borrowing facilities are secured by way of hypothecation of all present and future fixed assets (excluding land and building) and present and future current and moveable assets.

22. CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

22.1.1 Guarantees issued by the Company to various service providers amounted to Rs. 137.5 million (2013: Rs. 178.6 million) as a security for continued provision of services.

22.1.2 Customs duties amounting to Rs.713 million as at 30 June 2014 (2013: Rs. 1,174 million) on import of raw material shall be payable by the Company in case of non-fulfillment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Company has provided post-dated cheques in favour of the Collector of Customs which are, in the normal course of business, to be returned to the Company after fulfillment of stipulated conditions. The Company has fulfilled the conditions for the aforementioned amounts and is making efforts to retrieve the associated post-dated cheques from the customs authorities. Further, an amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Company filed a petition with the Sindh High Court in 2010 for an injunction and is awaiting the final judgement.

22.1.3 The customs authorities have charged a redemption fine of Rs. 83 million on the clearance of imported raw material consignments in 2006. The Company has filed an appeal before the Sindh High Court, which has set aside the examination reports including subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities had filed an application for leave to appeal against the order of the High Court. The Supreme Court of Pakistan has referred the case back to the High Court with instructions to decide the matter in accordance with the law. The management is confident that the matter will be decided in its favour.

22.1.4 The Company has reversed the provision for the levy of Infrastructure Cess amounting to Rs.107million in 2009 on the basis of a decision of the Sindh High Court which declared the levy of Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court of Pakistan against such order. In May 2011, the Supreme Court disposed off the appeal with a joint statement of the parties that, during the pendency of the appeal, another law i.e. the Fifth Version, came into existence which was not the subject matter of the appeal. Hence the case was referred back to the High Court with the right to appeal to the Supreme Court. On 31 May 2011, the High Court has granted interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignments released upto 27 December 2006 and any bank guarantee / security furnished for consignments released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of the Fifth Version of the law and its retrospective application, the authorities are entitled to claim the amounts due under the said law with the right to appeal available to the petitioner. Bank guarantees amounting to Rs. 288 million have been provided to the Department in this regard.

22.1.5 The Company has received a demand from the Deputy Collector (Manufacturing Bond), Model Collectorate of Customs (Port Muhammad Bin Qasim) aggregating Rs. 82.9 million. The demand has been raised on account of Sales Tax, custom duty and withholding Income Tax in respect of wastage generated on raw material imported under manufacturing bond license and covers the period from July 2007 to December 2010. The Company believes that it has discharged its liability towards all applicable taxes and duties. Further, Model Customs Collectorate (Exports) has already completed its audit upto 31 March 2009 and no further dues were liable to be paid as a result of this audit. The Company has filed a Constitutional Petition in the High Court of Sindh which has granted interim stay as the matter requires further consideration by the Sindh High Court. The Company, based on the advice of its legal counsel, is confident that the subject demand is unjustified and the matter will be decided in its favour.

22.1.6 As per the Gas Infrastructure and Development Cess Act 2011 (the Act), certain companies as specified in the Act (including Sui Southern Gas Company - SSGC) shall collect and pay Gas Infrastructure and Development Cess (GID Cess) in such manner as the Federal Government may prescribe. As per the second schedule of the Act, GID Cess of Rs. 13 per MMBTU was applicable on the Company. Through Finance Bill 2012-2013, an amendment was made to the Act whereby the rate of GID Cess applicable on the Company was increased to Rs. 100 per MMBTU. During the year, the Company filed a suit wherein it has impugned the Act on the ground that the rate of GID Cess has been enhanced without any lawful justification and authority. The Sindh High Court vide its ad-interim order dated 1 August 2012 has restrained SSGC from charging GID Cess above Rs. 13 per MMBTU. Consequently, on account of High Court order, SSGC invoices the Company at Rs. 13 per MMBTU and accordingly the Company continues to record GID Cess at Rs. 13 per MMBTU.

The Peshawar High Court vide its order dated 13 June 2013 declared that the provisions of the Act, imposing, levying and recovering the impugned Cess, are absolutely expropriatory and exploitative and being constitutionally illegitimate, therefore having no sanction under the Constitution, hence, are declared as such and set at naught. However, the Supreme Court of Pakistan vide its order dated 30 December 2013 has suspended the judgment of the Peshawar High Court. The management is of the view that the Supreme Court of Pakistan suspended the order of the Peshawar High Court and leave is granted to consider various other aspects stated in the order. Therefore, a final decision is pending for adjudication.

The matter of applicability of receiving the differential of Rs. 87 per MMBTU is pending with the High Court. If the aforementioned matter is not decided in the Company's favour, it may be required to pay Rs. 74.4 million as additional amount in respect of GID Cess. However, the management is confident that the matter will be decided in the Company's favour. Additionally the Government, through Finance Act 2014, has increased the amount of GID Cess for both captive power and industrial consumption effective 1 July 2014.

22.2 Commitments

22.2.1 Capital expenditure commitments outstanding as at 30 June 2014 amounted to Rs. 2.2 million (2013: Rs. 42.5 million).

22.2.2 Commitments under letters of credit for raw materials and stores and spares as at 30 June 2014 amounted to Rs. 1,010 million (2013: Rs. 2,666 million).

22.2.3 Commitments under purchase contracts as at 30 June 2014 amounted to Rs. 92.5 million (2013: Rs. 880.2 million)

22.2.4 Unavailed facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 8,818 million (2013: Rs. 7,107 million) and Rs. 95 million (2013: Rs. 366 million) respectively.

23. NET SALES

	2014	2013
	(Rupees in '000)	
Local	12,831,498	13,912,711
Export	5,824,345	6,090,026
	18,655,843	20,002,737
Sales Tax	(1,912,372)	(1,930,884)
Trade discounts	(41,732)	(26,457)
Sales discounts and export commission	(360,433)	(315,652)
	(2,314,537)	(2,272,993)
	16,341,306	17,729,744

24. COST OF SALES

	Note	2014	2013
		(Rupees in '000)	
Opening stock of raw material and work-in-process		3,681,338	3,968,132
Purchases		14,487,175	14,447,040
Salaries, wages and benefits	24.1	538,672	485,294
Rent, rates and taxes		1,744	1,169
Electricity, gas and water		281,334	264,844
Insurance		11,127	12,720
Security and janitorial		17,702	13,291
Depreciation and amortization	5.2 & 6.1.2	213,912	192,326
Stores and spares consumed		61,309	66,954
Repairs and maintenance		102,118	100,385
Postage, telephone and stationery		9,217	9,969
Vehicle, travel and conveyance		12,360	11,502
Internal material handling		19,293	17,029
Environment controlling expense		178	162
Sundries		6,025	3,581
Sale of scrap generated during production		(848,453)	(245,573)
		18,595,051	19,348,825
Closing stock of raw material and work-in-process	9	(4,621,796)	(3,681,338)
Cost of goods manufactured		13,973,255	15,667,487
Finished goods and by-products:			
Opening stock		1,707,584	1,705,218
Closing stock	9	(1,441,069)	(1,707,584)
		266,515	(2,366)
		14,239,770	15,665,121

24.1 Salaries, wages and benefits include Rs. 31.7 million for the year ended 30 June 2014 (2013: Rs. 17.6 million) in respect of staff retirement benefits.

25. SELLING AND DISTRIBUTION EXPENSES

	Note	2014	2013
Freight and forwarding		459,386	458,834
Salaries, wages and benefits	25.1	86,736	73,484
Rent, rates and taxes		230	104
Electricity, gas and water		4,265	3,182
Insurance		3,017	1,601
Depreciation and amortization	5.2 & 6.1.2	9,084	6,718
Repairs and maintenance		1,177	726
Advertising and sales promotion		15,440	18,241
Postage, telephone and stationery		5,172	4,315
Office supplies		61	22
Vehicle, travel and conveyance		13,988	16,092
Provision for doubtful debts - net	10.3	3,076	3,150
Certification and registration charges		65	4,188
Others		3,084	2,123
		604,781	592,780

25.1 Salaries, wages and benefits include Rs. 7.2 million for the year ended 30 June 2014 (2013: Rs. 5.9 million) in respect of staff retirement benefits.

26. ADMINISTRATIVE EXPENSES

	Note	2014	2013
		(Rupees in '000)	
Salaries, wages and benefits	26.1	102,729	98,046
Rent, rates and taxes		260	226
Electricity, gas and water		2,097	2,551
Insurance		321	260
Depreciation and amortization	5.2 & 6.1.2	11,559	10,864
Repairs and maintenance		687	785
Postage, telephone and stationery		9,666	7,855
Office supplies		81	81
Vehicle, travel and conveyance		6,614	7,692
Legal and professional charges		8,518	10,237
Certification and registration charges		2,384	2,589
Others		14,185	10,373
		159,101	151,559

26.1 Salaries, wages and benefits include Rs. 9.6 million for the year ended 30 June 2014 (2013: Rs. 9.2 million) in respect of staff retirement benefits.

27. FINANCIAL CHARGES

	Note	2014	2013
Mark-up on:			
- long term financing		45,035	53,946
- short term borrowings		667,676	517,833
Exchange loss		-	112,193
Interest on Workers' Profit Participation Fund	20.3	360	146
Bank charges		10,860	15,013
		723,931	699,131

28. OTHER OPERATING CHARGES

	Note	2014	2013
Auditors' remuneration	28.1	2,047	2,035
Donations	28.2	13,315	15,850
Workers' Profit Participation Fund		34,300	36,100
Workers' Welfare Fund		13,304	14,400
Loss on disposal of property, plant and equipment		6,248	-
Loss on derivative financial instruments - net	28.3	55,364	-
Business development expense	28.4	3,681	-
Provision against claim due from foreign supplier		-	3,027
		128,259	71,412

28.1 Auditors' remuneration

	2014	2013
Audit fee	1,140	1,015
Half yearly review	325	265
Other services	410	645
Out of pocket expenses	172	110
	2,047	2,035

28.2 Donations

Donations to related party comprise of an amount of Nil (2013: Rs. 2.1 million) paid to Amir Sultan Chinoy Foundation, Karachi. Mr. Riyaz T. Chinoy, Chief Executive Officer, was the Chairman of the Foundation during the year ended 30 June 2013.

28.3 This includes Rs. 42.1 million as ineffective portion of cash flow hedges and Rs. 13.3 million loss arising on settlement of forward exchange contracts that were entered into during the year by the Company to hedge its foreign currency exposure arising on firm commitments for purchase of inventory (raw material). The total contracts entered into were of USD 35 million and Euro 0.94 million and there are no forward exchange contracts outstanding as at 30 June 2014.

28.4 This represents pre-incorporation expenses in relation to IIL Australia Pty Limited, a wholly owned subsidiary.

29. OTHER INCOME

	Note	2014	2013
		(Rupees in '000)	
Income / return on financial assets			
Interest on bank deposits		2,542	2,366
Exchange gain		80,672	46,154
Income from non-financial assets			
Income from power generation	29.1	57,429	33,483
Late payment surcharge		-	-
Rental income from subsidiary company		8,725	7,973
Dividend income from associated company		9,704	7,884
Gain on disposal of property, plant and equipment		-	9,255
Reversal on account of excess allocation of Workers' Profit Participation Fund in earlier periods		-	25,940
Others		7,162	16,110
		166,234	149,165

29.1 This represents gross billing on account of sale of excess power generation of the 4MW plant to K-Electric Limited (formerly Karachi Electric Supply Company Limited).

30. TAXATION

	Note	2014	2013
Current			
- for the year		173,327	134,812
- for prior years		36,776	-
	14	210,103	134,812
Deferred		(61,245)	5,951
		148,858	140,763

30.1 Relationship between income tax expense and accounting profit

	2014	2013	2014	2013
	(Effective tax rate %)		Rupees	
Profit before taxation			651,698	698,906
Tax at the enacted tax rate	34.00	35.00	221,577	244,617
Tax effect of income subject to lower tax	(0.61)	(0.57)	(3,986)	(3,999)
Tax effect of rebate / credits	(1.96)	(2.48)	(12,770)	(17,308)
Tax effect on exports under Final Tax Regime	(14.42)	(12.46)	(93,957)	(87,064)
Tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes	(0.14)	1.01	(925)	7,060
Effect of change in prior years' tax	5.64	0.00	36,776	-
Others	0.31	(0.36)	2,143	(2,543)
	22.82	20.14	148,858	140,763

30.2 Income tax assessments of the Company have been finalized upto and including tax year 2013 by the income tax assesing officer.

31. EARNINGS PER SHARE - BASIC AND DILUTED

	Note	2014	2013
		(Rupees in '000)	
Profit after taxation		502,840	558,143
		(Number)	
Weighted average number of ordinary shares in issue during the year	16	119,892,619	119,892,619
		(Rupees)	
Earnings per share		4.19	4.66

32. CHANGES IN WORKING CAPITAL

	Note	2014	2013
		(Rupees in '000)	
(Increase) / decrease in current assets:			
Stores and spares	8	(12,138)	14,076
Stock-in-trade	9	(1,255,990)	1,907,647
Trade debts		(190,634)	(410,703)
Advances	11	83,855	(95,277)
Trade deposits and short term prepayments	12	1,150	(55)
Other receivables		(97,364)	(153,687)
		(1,471,121)	1,262,001
Increase / (decrease) in current liabilities:			
Trade and other payables		2,480,185	(713,762)
		1,009,064	548,239

33. STAFF RETIREMENT BENEFITS

33.1 Defined contribution plan

Staff Provident Fund

Salaries, wages and benefits include Rs. 15.4 million (2013: Rs. 9.7 million) in respect of Provident Fund contribution.

The following information is based on the latest financial statements of the Fund:

	(Unaudited)	(Audited)
Size of the Fund- total assets	229,631	202,144
Cost of investments made	221,416	125,149
Percentage of investments made	98%	93%
Fair value of investments	225,489	187,101

The break-up of the fair value of investments is:

	2014	2013	2014	2013
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	(Rupees in '000)		% of total investment	
Government securities	55,373	43,639	25%	23%
Debt securities	55,211	48,386	24%	26%
Mutual funds	114,905	95,076	51%	51%
	225,489	187,101	100%	100%

Investments out of the Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

33.2 Defined benefit scheme

Staff Gratuity Fund

The actuarial valuation of the Fund was carried out at 30 June 2014. The projected unit credit method, using the following significant assumptions, has been used for the valuation:

	2014	2013
	(% per annum)	
Financial assumptions:		
Rate of discount	13.25%	10.50%
Expected rate of salary increase	12.25%	9.50%
Demographic assumptions:		
Mortality rate	**SLIC 2001-2005 Setback 1 Year**	EFU 61-66
Rates of employee turnover	Moderate	Moderate

The amounts recognized in the balance sheet are as follows:

	2014	2013 Restated
	(Rupees in '000)	
Present value of defined benefit obligation	340,671	275,466
Fair value of plan assets	(261,603)	(225,588)
Liability as at 30 June	79,068	49,878
Movements in the present value of defined benefit obligation		
Present value of defined benefit obligation - beginning of the year	275,466	192,900
Current service cost	22,777	19,070
Interest cost	28,128	25,077
Re-measurements : actuarial losses on obligation	29,450	48,278
Benefits paid	(15,150)	(9,859)
Present value of defined benefit obligation - closing	340,671	275,466
Movements in the fair value of plan assets		
Fair value of plan assets - beginning of the year	225,588	190,698
Interest income on plan assets	24,502	24,791
Return on plan assets, excluding interest income	352	602
Benefits paid	(10,787)	(9,859)
Benefits due but not paid	(4,364)	-
Contribution to Fund	26,312	19,356
Fair value of plan assets - closing	261,603	225,588
Movements in the net defined benefit liability/(asset)		
Opening balance	49,878	2,202
Re-measurements recognized in other comprehensive income during the year	29,098	47,676
Expense chargeable to profit and loss account	26,404	19,356
Contribution paid during the year	(26,312)	(19,356)
Closing balance	79,068	49,878

Amounts recognized in total comprehensive income

The following amounts have been charged in respect of these benefits to the profit and loss account and other comprehensive income:

	Note	2014	2013
		(Rupees in '000)	
Component of defined benefit costs recognized in the profit and loss account:			
Current service cost		22,777	19,070
Net interest cost			
- Interest cost on defined benefit obligation		28,129	25,077
- Interest income on plan assets		(24,502)	(24,791)
		26,404	19,356
Component of defined benefit costs (re-measurement) recognized in other comprehensive income:			
Re-measurements: actuarial loss on obligation			
- Loss due to change in experience adjustments		29,450	48,278
Interest income on plan assets		(352)	(602)
Net re-measurement recognized in other comprehensive income		29,098	47,676
Total defined benefit cost recognized in profit and loss account and other comprehensive income		55,502	67,032
Actual return on plan assets		24,854	25,393
Expected contributions to Fund in the following year		36,502	28,232
Expected benefit payments to retirees in the following year		25,588	
Re-measurements: accumulated actuarial losses recognized in equity		29,098	47,676
Weighted average duration of the defined benefit obligation (years)		8	-
Vested / non-vested:			
- Vested benefits		336,929	272,995
- Non - vested benefits		3,742	2,471

Disaggregation of fair value of plan assets

The fair values of the plan assets at the balance sheet date for each category are as follows:

	2014	2013
Cash and cash equivalents (comprising bank balances and adjusted for current liabilities)	6,436	16,763
Debt instruments		
- AA+	19,977	46,733
- AA-	32,333	20,187
- A	5,632	8,630
	57,942	75,550
Government securities	66,916	22,604
Mutual funds:		
- Money market fund	17,873	55,138
- Debt fund	112,436	55,533
	130,309	110,671

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below;

	2014
	(Rupees in '000)
Discount rate + 100 basis point	315,625
Discount rate - 100 basis point	369,377
Salary increase + 100 basis point	369,801
Salary decrease - 100 basis point	314,822

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Maturity profile of the defined benefit obligation

Years	
1	25,588
2	43,810
3	25,396
4	36,784
5	38,465
6 and onwards	5,703,455

34. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives		Total	
	2014	2013	2014	2013	2014	2013
	(Rupees in '000)					
Remuneration	25,017	20,676	203,616	165,231	228,633	185,907
Variable performance pay	-	2,585	-	20,654	-	23,238
Retirement benefits	1,563	1,292	12,730	10,322	14,293	11,614
Rent, utilities, leave encashment etc.	9,382	7,753	88,815	62,229	98,197	69,982
	35,962	32,306	305,161	258,436	341,123	290,741
Number of persons	1	1	165	132	166	133

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

34.2 Fees paid to non-executive directors was Rs. 3.6 million (2013: Rs. 2.8 million) on account of meetings attended by them.

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The Board of Directors ("the Board") 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 to develop and monitor the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks it faces, to set appropriate risk limits and controls and to monitor risks including 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 Board Audit Committee ("the Committee") oversees how the 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 Committee is assisted in its oversight role by the Internal Audit function. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

35.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation, without considering the fair value of the collateral available thereagainst.

Exposure to credit risk

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

	Note	2014	2013
		(Rupees in '000)	
Long term deposit		4,488	4,428
Trade debts - net of provision	10	2,268,337	2,080,779
Trade deposits		3,278	4,178
Other receivable		23,943	3,936
Bank balances	15	72,261	6,568
		2,372,307	2,099,889

The Company does not take into consideration the value of collateral while testing financial assets for impairment. The Company considers the creditworthiness of counterparties as part of its risk management.

Long term deposits

These represent long term deposits with various parties for the purpose of securing supplies of raw materials and services. The Company does not foresee any credit exposure thereagainst as the amounts are paid to counterparties as per agreements and are refundable on termination of the agreements with respective counterparties.

Trade deposits

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

Trade debts

The Company's exposure to credit risk arising from trade debtors is mainly influenced by the individual characteristics of each customer. The Company has no major concentration of credit risk with any single customer. The majority of the customers have been transacting with the Company for several years. The Company establishes an allowance for impairment that represents its estimate of incurred losses for balances above one year except for amounts due from government / public sector entities.

Receivable from K - Electric Limited (formerly Karachi Electric Supply Company Limited)

This represents amounts receivable from K - Electric Limited on account of electricity provided to it from the 4 MW plant located at the factory site under an agreement. The Company does not expect to incur credit loss thereagainst.

Analysis of amounts receivable from K - Electric Limited and from local and foreign trade debtors are as follows:

	Note	2014	2013
		(Rupees in '000)	
Domestic		1,300,119	1,238,515
Export		977,142	845,060
	10 & 13	2,277,261	2,083,575

Impairment losses

The ageing of trade debtors and amounts receivable from K - Electric Limited (formerly Karachi Electric Supply Company Limited) at the balance sheet date was as follows:

	2014		2013	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Not past due	1,588,056	-	1,784,565	-
Past due 1-60 days	506,734	-	193,285	-
Past due 61 days -1 year	159,579	-	79,838	-
More than one year	63,669	40,777	63,588	37,701
Total	2,318,038	40,777	2,121,276	37,701

Based on an assessment conducted of individual customers, the management believes that receivables falling within the age bracket of upto one year do not require any impairment provision other than to the extent determined above. Further, the provision recognized against balances appearing over one year is without prejudice to other recourse the management has for recovery against outstanding balances. Movement in the provision has been stated elsewhere in these financial statements.

Other receivables

These comprise of interest receivable and other miscellaneous receivables and management does not expect to incur material losses against those balances.

Balances with bank

The Company deposits its funds with banks carring good credit standings assessed by reputable credit agencies. The banks are credit rated as follows:

	Short term	Long term
Local banks	AAA to AA-	A1+ to A1
Foreign banks	F1+ / P1 to F1 / P1	AA- / A1 to A / A2

Concentration of credit risk

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. At the reporting date, the Company has no major concentration of credit risk. The majority of debtors of the Company are domestic entities.

35.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or experience 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 liquidity including credit lines to meet expected working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments:

	2014						
	Carrying amount	"On demand"	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long term financing	450,000	-	(585,200)	(95,250)	(95,250)	(394,700)	-
Trade and other payables	2,913,395	(13,214)	(2,900,181)	(2,900,181)	-	-	-
Accrued markup	86,760	-	(86,760)	(86,760)	-	-	-
Short term borrowings	6,277,234	(6,277,234)	-	-	-	-	-
	9,727,389	(6,290,448)	(3,572,141)	(3,082,191)	(95,250)	(394,700)	-

	2013						
	Carrying amount	"On demand"	Contractual cash flows	Six months or less	Six to twelve months	One to five years	More than five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long term financing	450,000	-	(569,903)	(21,255)	(21,855)	(526,793)	-
Trade and payables	377,406	(10,532)	(366,874)	(366,874)	-	-	-
Accrued markup	128,592	-	(128,592)	(128,592)	-	-	-
Short term borrowings	7,158,136	(7,158,136)	-	-	-	-	-
	8,114,134	(7,168,668)	(1,065,369)	(516,721)	(21,855)	(526,793)	-

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 notes 18 and 21 to these financial statements.

35.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing 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, trade and other payables, bank balances and accrued markup that are denominated in a currency other than the functional currency of the Company. The Company's exposure to foreign currency risk is as follows:

	2014		2013	
	Rupees	US Dollars	Rupees	US Dollars
	(Amount in '000)			
Financial assets				
Trade debts and bank balances	994,728	10,087	854,468	8,629
Financial liabilities				
Running finance under FE-25 Export and Import Schemes	(2,101,038)	(21,265)	-	-
Trade and other payable	(2,579,618)	(26,109)	(57,359)	(578)
	(4,680,656)	(47,374)	(57,359)	(578)
Net exposure	(3,685,928)	(37,287)	797,109	8,051

The following significant exchange rates were applicable during the year:

	2014	2013	2014	2013
	Average rates		Balance sheet date rate	
	Rupees			
US Dollars to PKR	103	97	98.61 / 98.80	99.02 / 99.20

Sensitivity analysis

A 10 percent strengthening / (weakening) of the Pak Rupee against the US Dollar at 30 June would have (decreased) / increased the profit 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 as for 2013.

	Effect on profit and loss (net of tax)	
	2014	2013
	(Rupees in '000)	
As at 30 June		
Effect in US Dollars	(239,585)	51,812

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. The majority of the interest rate exposure arises from short and long term borrowings from banks.

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

	Note	Carrying amount	
		2014	2013
		(Rupees in '000)	
Fixed rate instruments			
Financial liabilities	21	(1,000,000)	(3,161,500)
Variable rate instruments			
Financial liabilities	21	(5,577,234)	(4,446,636)

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 the Profit and Loss Account. Therefore a change in interest rates at the reporting date would not affect the 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 the profit by Rs. 55.7 million (2013: Rs. 44.5 million) with the corresponding effect on the carrying amount of the liability. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2013.

Other price risks

At present the Company is not exposed to any other price risks.

35.4 Fair value of financial assets and liabilities

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

35.5 Financial instruments by categories

		2014	2013
		(Rupees in '000)	
Financial assets			
Loans and receivables:			
- Long term deposit		4,488	4,428
- Trade debts - net of provision	10	2,268,337	2,080,779
- Trade deposits		3,278	4,178
- Other receivables		23,943	3,936
- Bank balances	15	72,261	6,568
		2,372,307	2,099,889
Financial liabilities			
Financial liabilities at amortized cost:			
- Long term financing	18	450,000	450,000
- Trade and other payables		2,913,395	377,406
- Accrued markup		86,760	128,592
- Short term borrowings	21	6,277,234	7,158,136
		9,727,389	8,114,134

35.6 Offsetting of financial assets and financial liabilities

None of the financial assets and financial liabilities are offset in the balance sheet.

36 CAPITAL MANAGEMENT

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

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

37. TRANSACTIONS WITH RELATED PARTIES

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

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

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements, are as follows:

	2014	2013
	(Rupees in '000)	
Subsidiaries		
Sales	9,205	3,308
Purchases	1,756,899	1,817,390
Investment in IIL Australia Pty Limited	9,168	-
Sale proceeds from disposal of fixed assets	490	157
Payments for purchase of fixed assets	-	1,423
Sourcing of chilled water and electrical consultancy	21,237	12,145
Reimbursement of payroll management expenses	-	633
Reimbursement of corporate affairs management expenses	4,380	3,169
Rental income	8,724	7,973
Sale of store items	-	30
Purchase of store items	-	722
Toll manufacturing	12,822	-
IT services	253	3,375
Others	66	-
Trade payable	-	1,237
Associated companies		
Sales	427,226	1,206,826
Purchases	203,676	226,961
Insurance premium expense	26,837	-
Insurance claim	1,205	-
Donations	-	2,125
Dividend paid	8,241	1,728
Dividend received	9,704	7,884
Reimbursement of expenses	592	2,665
Receivable from related parties	-	98,109
Others	544	691
Key management personnel		
Remuneration	147,265	153,035
Staff retirement benefits	6,740	8,218
Sale proceeds from disposal of vehicles	-	1,936
Non-executive directors		
Directors' fee	3,560	2,800
Staff retirement funds		
Contributions paid	43,416	32,625

38. PRODUCTION CAPACITY

	2014	2013
	(Metric Tonnes)	
Name-plate production capacity at the year end was as follows:		
Pipe	340,000	340,000
Galvanizing	150,000	150,000
Cold rolled steel strip	70,000	70,000
Polyethylene pipe	15,000	15,000
The actual production for the year was:		
Pipe	176,536	192,942
Galvanizing	81,152	94,003
Cold rolled steel strip	50,489	44,328
Polyethylene pipe	3,611	3,139

Actual production during the year was sufficient to meet the market demand.

The name-plate capacities of the plants are determined on the basis of certain product mix. The actual production mix was different.

39. SEGMENT REPORTING

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

39.1 Segment revenue and results

	Steel segment	Plastic Pipe segment	Total
	(Rupees in '000)		
For the year ended 30 June 2014			
Sales	15,719,254	622,052	16,341,306
Cost of sales	(13,598,533)	(641,237)	(14,239,770)
Gross profit	2,120,721	(19,185)	2,101,536
For the year ended 30 June 2013			
Sales	17,151,976	577,768	17,729,744
Cost of sales	(15,121,487)	(543,634)	(15,665,121)
Gross profit	2,030,489	34,134	2,064,623

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

	Note	2014	2013
		(Rupees in '000)	
Total results for reportable segments		2,101,536	2,064,623
Selling, distribution and administrative expenses	25 & 26	(763,882)	(744,339)
Financial charges	27	(723,931)	(699,131)
Other operating expenses	28	(128,259)	(71,412)
Other income	29	166,234	149,165
Taxation	30	(148,858)	(140,763)
Profit for the year		502,840	558,143

39.2 Segment assets and liabilities

	Steel segment	Plastic pipes segment	Total
	(Rupees in '000)		
As at 30 June 2014			
Segment assets	11,936,143	505,506	12,441,649
Segment liabilities	9,156,191	427,657	9,583,848
As at 30 June 2013			
Segment assets	10,298,087	662,628	10,960,715
Segment liabilities	7,441,179	574,839	8,016,018

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

	2014	2013
	(Rupees in '000)	
Total reportable segments assets	12,441,649	10,960,715
Unallocated assets	3,804,920	3,605,138
Total assets as per balance sheet	16,246,569	14,565,853
Total reportable segments liabilities	9,583,848	8,016,018
Unallocated liabilities	658,573	605,723
Total liabilities as per balance sheet	10,242,421	8,621,741

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

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

39.5 Information about major customers

Revenue from major customers of the Plastic pipes segment was Rs. 93.9 million (2013: Rs. Nil), whereas in the Steel segment, there was no major customer whose revenue accounted for more than 10% of the Segment's revenue.

39.6 Geographical information

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

	Note	2014	2013
		(Rupees in '000)	
Domestic sales		12,831,498	13,912,711
Export sales		5,824,345	6,090,026
	23	18,655,843	20,002,737

The Company exports its products to numerous countries.

39.7 As at 30 June 2014, all non-current assets of the Company are located in Pakistan except investment in foreign subsidiary (IIL Australia Pty Ltd).

40. NUMBER OF EMPLOYEES

	2014	2013
	(Number)	
Average employees during the year	1,015	1,038
Employees as at 30 June	1,008	1,020

41. GENERAL

41.1 Non-adjusting events after balance sheet date

The Board of Directors of the Company in their meeting held on 13 August 2014 has proposed a final cash dividend of Rs. 2.00 per share amounting to Rs. 239.8 million (2013: Rs 2.25 per share amounting to Rs. 269.8 million) for the year ended 30 June 2014. In addition, the Board of Directors has also approved an appropriation of Rs. Nil million (2013: Rs. 851.3 million) from Unappropriated Profit to General Reserve. The approval of the Members of the Company for the dividend shall be obtained at the Annual General Meeting to be held on 15 September 2014. The financial statements for the year ended 30 June 2014 do not include the effect of the proposed final cash dividend which will be accounted for in the period ending 30 June 2015.

41.2 Date of authorization for issue

These financial statements were authorized for issue on 13 August 2014 by the Board of Directors of the Company.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial
Officer

Riyaz T. Chinoy
Chief Executive
Officer

Consolidated Financial Statement

Contents

Consolidated Key Operating Highlights

Rs. Million

	Restated								
	2014	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
FINANCIAL POSITION									
Balance sheet									
Property, plant and equipment	13,272	13,415	11,701	11,467	9,905	5,997	4,172	2,737	1,837
Investment in equity accounted investee	183	177	169	164	126	-	-	-	-
Other non current assets	22	26	27	41	18	24	15	9	9
Current assets	17,178	13,238	16,526	14,056	8,709	5,158	6,439	5,854	3,401
Total assets	30,655	26,856	28,423	25,728	18,758	11,179	10,626	8,600	5,247
Share capital	1,199	1,199	1,199	1,199	999	999	833	569	428
Reserves	3,329	2,851	2,483	2,627	2,324	1,661	1,565	1,257	1,043
Non-controlling interest	2,271	1,968	1,814	1,859	-	-	-	-	-
Total equity	6,799	6,018	5,496	5,685	3,324	2,660	2,398	1,827	1,471
Surplus on revaluation of fixed assets	2,502	2,533	1,358	1,362	1,367	1,379	1,391	515	529
Non current liabilities	3,952	4,358	4,504	4,838	5,359	2,302	1,416	1,251	436
Current liabilities	17,402	13,948	17,065	13,843	8,709	4,838	5,421	5,007	2,812
Total liabilities	21,354	18,305	21,569	18,680	14,068	7,140	6,837	6,258	3,248
Total equity & liabilities	30,655	26,856	28,423	25,728	18,758	11,179	10,626	8,600	5,247
Net current assets	(224)	(710)	(539)	214	1	320	1,018	847	589
OPERATING AND FINANCIAL TRENDS									
Profit and Loss									
Net turnover	35,855	33,512	28,801	15,992	13,472	12,319	12,068	9,700	7,674
Gross profit	4,364	3,687	3,158	2,162	2,222	1,167	1,787	1,423	1,241
EBITDA	3,978	3,484	3,135	1,897	1,850	1,234	1,580	1,334	1,082
Operating profit	3,331	2,753	2,435	1,441	1,703	723	1,362	1,062	903
Profit before taxation	1,525	1,148	274	580	1,359	469	904	807	726
Profit after taxation	1,191	924	226	316	1,026	375	705	613	534
Profit atributable to owners of the Holding Company	893	766	271	282	1,026	375	705	613	534
Profit atributable to Non-controlling intrest	299	158	(46)	34	-	-	-	-	-
Cash dividend	390	390	240	599	400	225	201	213	214
Bonus share	-	-	-	-	200	0	242	188	141
Capital expenditure (addition during the year)	666	961	806	1,935	4,147	2,055	757	1,099	360
Cash Flows									
Operting activities	1,532	4,628	(1,312)	(4,033)	(3,490)	2,945	(597)	(590)	1,072
Investing activities	(487)	(924)	(785)	37	(4,222)	(2,039)	727	(2,339)	(303)
Financial activities	(821)	(977)	(268)	(532)	2,916	737	141	574	(275)
Cash & cash equivalents at the end of the year	(11,035)	(11,259)	(13,987)	(11,622)	(7,094)	(2,298)	(3,941)	(4,212)	(1,858)

		2014	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
KEY INDICATORS										
Gross profit ratio	%	12.2	11.0	11.0	13.5	16.5	9.5	14.8	14.7	16.2
Net profit to Sales	%	3.3	2.8	0.8	2.0	7.6	3.0	5.8	6.3	7.0
EBITDA Margin to Sales	%	11.1	10.4	10.9	11.9	13.7	10.0	13.1	13.8	14.1
Operating Leverage	%	2.0	0.8	0.6	0.1	5.3	(10.5)	0.8	0.9	5.4
Return on Shareholders' Equity with Surplus on revaluation of fixed assets	%	16.9	14.0	4.5	6.1	21.9	9.3	18.6	26.2	26.7
Return on Shareholders' Equity without Surplus on revaluation of fixed assets	%	26.3	22.8	6.1	8.3	30.9	14.1	29.4	33.6	36.3
Return on Capital Employed	%	21.9	20.3	22.3	10.6	16.9	11.4	26.2	29.5	37.1
Return on Total Assets	%	3.9	3.4	0.8	1.2	5.5	3.4	6.6	7.1	10.2

Restated Rs. Million

		2014	2013	2012	2011	2010	2009	2008	2007	2006
Liquidity Ratios										
Current ratio	(x)	0.99	0.95	0.97	1.02	1.00	1.07	1.19	1.17	1.21
Quick / Acid test ratio	(x)	0.39	0.37	0.23	0.40	0.30	0.61	0.34	0.51	0.49
Cash to Current Liabilities	(x)	(0.63)	(0.81)	(0.82)	(0.84)	(0.81)	(0.47)	(0.73)	(0.84)	(0.66)
Cash flow from Operations to Sales	(x)	4.3	13.8	(4.55)	4.31	(25.91)	23.91	(4.95)	(6.08)	13.97
Activity / Turnover Ratios										
Inventory turnover ratio	times	3.0	3.7	2.0	1.6	1.8	5.0	2.2	2.5	3.2
Inventory turnover in days	days	120	98	179	226	198	73	163	146	115
Debtor turnover ratio	times	12.1	14.7	16.9	10.0	9.9	13.1	9.8	12.1	14.6
Debtor turnover in days	days	30	25	22	36	37	28	37	30	25
Creditor turnover ratio	times	6.0	13.8	12.3	11.8	13.8	10.0	9.8	15.9	15.9
Creditor turnover in days	days	61	26	30	31	26	37	37	23	23
Total assets turnover ratio	times	1.2	1.2	1.0	0.6	0.7	1.1	1.1	1.1	1.5
Fixed assets turnover ratio	times	2.7	2.5	2.5	1.4	1.4	2.0	2.9	3.5	4.2
Operating cycle in days	days	89	97	171	232	209	64	163	153	117
Capital employed turnover ratio	times	2.7	2.6	2.5	1.3	1.3	1.9	2.3	2.7	3.2
Investment / Market Ratios										
Earnings per share - basic and diluted	Rs.	7.45	6.38	2.3	2.4	8.4	3.8	7.1	7.4	9.4
Price earning ratio	times	6.64	7.07	12.4	21.1	6.7	12.3	17.1	20.1	12.6
Dividend Yield ratio	%	6.57	7.20	7.1	10.1	10.7	4.9	4.6	4.8	7.0
Dividend Payout ratio	%	32.71	42.18	106.3	189.9	58.4	60.0	62.8	65.5	66.6
Dividend per share - Cash	Rs.	3.25	3.25	2.00	5.00	4.00	2.25	2.50	3.75	5.00
Bonus shares	Rs.	-	-	-	-	2.00	0.00	3.00	3.30	3.30
Dividend Cover	times	2.29	1.96	1.13	0.47	2.10	1.67	2.82	1.96	1.88
Market value per share at the end of the year	Rs.	49	45	28	50	56	46	121	148	118
Market value per share high during the year	Rs.	61	49	52	71	72	57	173	168	177
Market value per share low during the year	Rs.	40	28	26	44	46	44	107	98	88
Break-up value per share with revaluation of fixed assets	Rs.	59	55	42	43	47	40	46	41	47
Break-up value per share without revaluation of fixed assets	Rs.	38	34	31	32	33	27	29	32	34
Capital Structure Ratios										
Financial leverage ratio	(x)	3.1	3.0	3.9	3.3	4.2	2.7	2.9	3.4	2.2
Weight avg: cost of debts	(x)	10.5	9.2	10.4	7.6	2.6	9.1	8.0	7.9	6.3
Total Debt : Equity ratio	(x)	70:30	68:32	80:20	77:23	75:25	64:36	64:36	73:27	62:38
Interest cover	times	2.0	1.6	1.1	1.5	6.6	1.4	3.0	3.2	5.0
Value Addition										
Employees as remuneration	Rs. in million	1,111	973	891	737	472	374	350	293	254
Government as taxes	Rs. in million	6,606	6,067	5,091	4,459	2,900	2,110	1,940	1,775	1,526
Shareholders as dividends	Rs. in million	390	390	240	599	600	225	443	401	355
Retained within the business	Rs. in million	801	534	31	-	427	163	275	225	193
Financial charges to providers of finance	Rs. in million	1,705	1,692	2,310	949	257	535	450	332	180

Consolidated Vertical Analysis

	2014	%	2013 Restated	%	2012	%	2011	%	2010	%	2009	%
											Rs. Million	
OPERATING RESULTS												
Sales - Net	35,855	100.0	33,512	100.0	28,801	100.0	15,992	100.0	13,472	100.0	12,319	100.0
Cost of sales	31,492	87.8	29,825	89.0	25,643	89.0	13,830	86.5	11,250	83.5	11,152	90.5
Gross profit	4,364	12.2	3,687	11.0	3,158	11.0	2,162	13.5	2,222	16.5	1,167	9.5
Administrative, Selling and Distribution expenses	1,033	2.9	933	2.8	723	2.5	722	4.5	519	3.9	427	3.5
Other operating expenses	312	0.9	115	0.3	44	0.2	125	0.8	227	1.7	6	0.0
"Share of profit in equity - accounted investee"	16	0.0	16	0.0	10	0.0	2	0.0	5	0.0	-	0.0
Other operating income	196	0.5	186	0.6	184	0.6	212	1.3	135	1.0	267	2.2
Profit before finance costs	3,230	9.0	2,840	8.5	2,585	9.0	1,529	9.6	1,616	12.0	1,001	8.1
Finance costs	1,705	4.8	1,692	5.0	2,310	8.0	949	5.9	257	1.9	535	4.3
Profit before taxation	1,525	4.3	1,148	3.4	274	0.9	580	3.6	1,359	10.1	466	3.8
Taxation	333	0.9	224	0.7	49	0.2	265	1.7	333	2.5	94	0.8
Profit for the year	1,191	3.3	924	2.8	226	0.8	316	2.0	1,026	7.6	372	3.0
BALANCE SHEET												
Property, plant and equipment	13,272	43.3	13,415	50.0	11,701	41.2	11,467	44.6	9,905	52.8	5,987	53.6
Investments	183	0.6	177	0.7	169	0.6	164	0.6	126	0.7	-	-
Other non current assets	22	0.1	26	0.1	27	0.1	41	0.2	18	0.1	24	0.2
Current assets	17,178	56.0	13,238	49.3	16,526	58.1	14,056	54.6	8,709	46.4	5,168	46.2
Total assets	30,655	100.0	26,856	100.0	28,423	100.0	25,728	100.0	18,758	100.0	11,179	100.0
Shareholders' equity	6,799	22.2	6,018	22.4	5,496	19.3	5,685	22.1	3,323	17.7	2,660	23.8
Surplus on revaluation of fixed assets	2,502	8.2	2,533	9.4	1,358	4.8	1,362	5.3	1,367	7.3	1,379	12.3
Non current liabilities	3,952	12.9	4,358	16.2	4,504	15.8	4,838	18.8	5,359	28.6	2,302	20.6
Current portion of long term financing	900	2.9	783	2.9	960	3.4	501	1.9	600	3.2	408	3.6
Short term borrowings	11,154	36.4	11,280	42.0	14,012	49.3	11,897	46.2	7,116	37.9	3,533	31.6
Other current liabilities	5,349	17.4	1,885	7.0	2,094	7.4	1,445	5.6	992	5.3	896	8.0
Total equity and liabilities	30,655	100.0	26,856	100.0	28,423	100.0	25,728	100.0	18,758	100.0	11,179	100.0
CASH FLOWS												
Net cash generated from/(used in) operating activities	1,532	684.5	4,628	169.7	(1,312)	55.5	(4,033)	89.1	(3,490)	72.8	2,945	179.2
Net cash inflows/(outflows) from investing activities	(487)	(217.7)	(924)	(33.9)	(785)	33.2	37	(0.8)	(4,222)	88.0	(2,039)	(124.1)
Net cash (outflows)/inflows from financing activities	(821)	(366.9)	(977)	(35.8)	(268)	11.3	(532)	11.7	2,916	(60.8)	737	44.9
Net increase/(decrease) in cash and cash equivalents	224	100.0	2,728	100.0	(2,365)	100.0	(4,528)	100.0	(4,797)	100.0	1,643	100.0

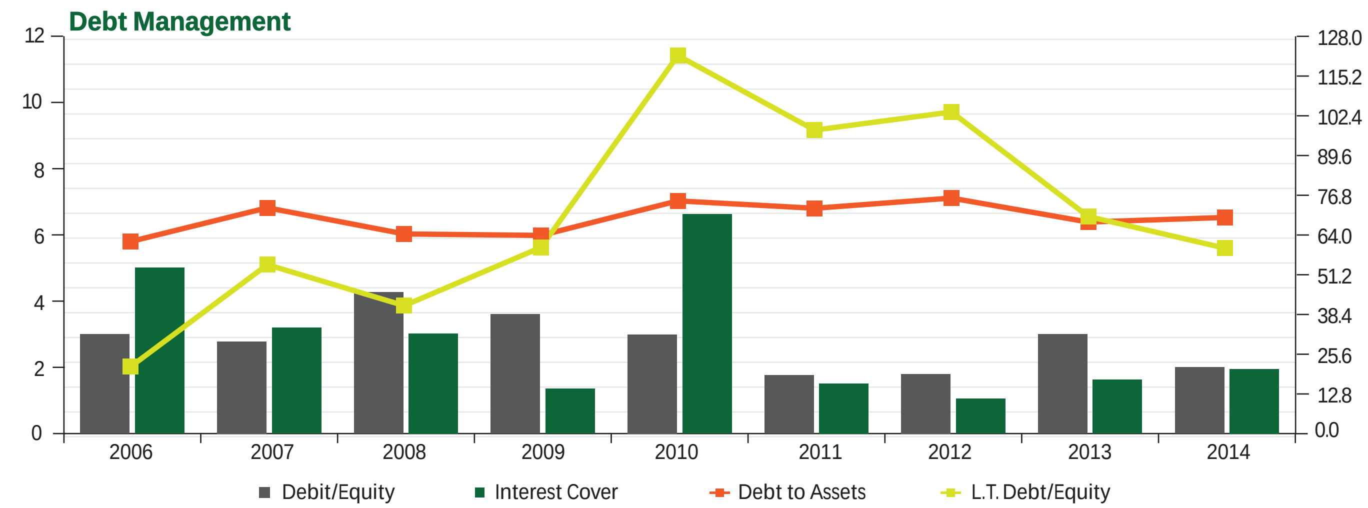
Consolidated Horizontal Analysis

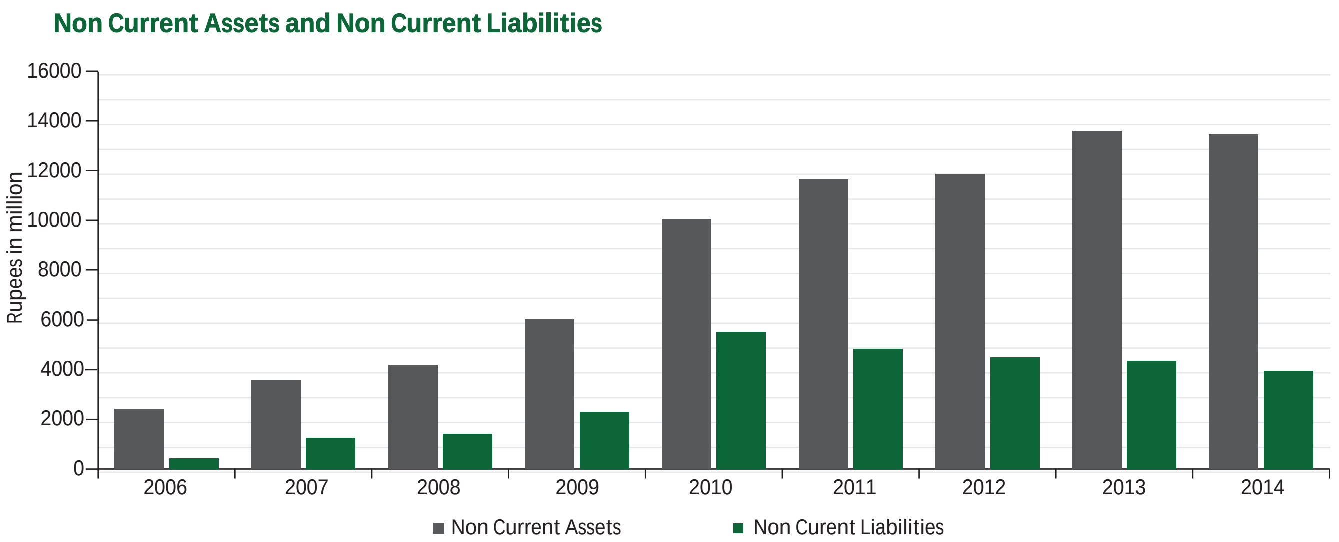
Restated

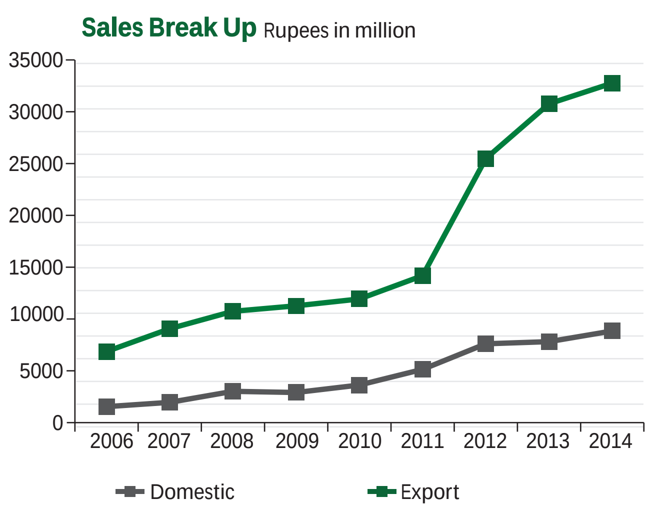
Rs. Million

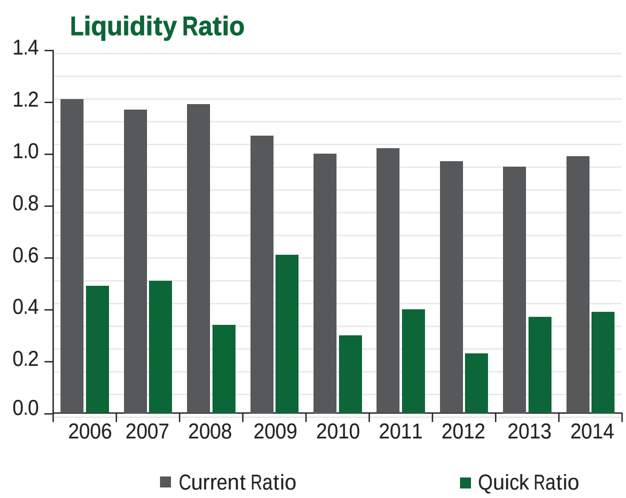
	2014	%	2013	%	2012	%	2011	%	2010	%	2009	%
OPERATING RESULTS												
Sales - Net	35,855	7.0	33,512	16.4	28,801	80.1	15,992	18.7	13,472	9.4	12,319	2.1
Cost of sales	31,492	5.6	29,825	16.3	25,643	85.4	13,830	22.9	11,250	0.9	11,152	8.5
Gross profit	4,364	18.4	3,687	16.7	3,158	46.1	2,162	(2.7)	2,222	90.4	1,167	(34.7)
Administrative, Selling and Distribution expenses	1,033	10.7	933	29.1	723	0.1	722	39.1	519	21.5	427	4.1
Other operating expenses	312	171.5	115	161.3	44	(64.8)	125	(45)	227	3683.3	6	(97.1)
"Share of profit in equity - accounted investee"	16	(0.7)	16	58.1	10	400	2	(60)	5	-	-	-
Other operating income	196	5.5	186	0.8	184	(13.2)	212	57.0	135	(49.4)	267	44.3
Operating profit/(loss) before finance costs	3,230	13.8	2,840	9.8	2,585	69.1	1,529	(5.4)	1,616	61.4	1,001	(26.1)
Finance costs	1,705	0.8	1,692	(26.7)	2,310	143.4	949	269.3	257	(52.0)	535	18.9
Profit/(loss) before taxation	1,525	32.8	1,148	319.7	274	(52.8)	580	(57.3)	1,359	191.5	466	(48.5)
Taxation	333	48.8	224	357.2	49	(81.5)	265	(20.6)	333	254.3	94	(52.8)
Profit for the year	1,191	29.0	924	309.6	226	(28.5)	316	(69.3)	1,026	175.7	372	(47.2)
BALANCE SHEET												
Property, plant and equipment	13,272	(1.1)	13,415	14.7	11,701	2.0	11,467	15.8	9,905	65.4	5,987	43.5
Investments	183	3.4	177	4.7	169	3.0	164	30.2	126	100.0	-	-
Other non current assets	22	(13.6)	26	(4.5)	27	(34.1)	41	127.8	18	(25.0)	24	60.0
Current assets	17,178	29.8	13,238	(19.9)	16,526	17.6	14,056	61.4	8,709	68.5	5,168	(19.7)
Total assets	30,655	14.1	26,856	(5.5)	28,423	10.5	25,728	37.2	18,758	67.8	11,179	5.2
Shareholders' equity	6,799	13.0	6,018	9.5	5,496	(3.3)	5,685	71.1	3,323	24.9	2,660	10.9
Surplus on revaluation of fixed assets	2,502	(1.2)	2,533	86.5	1,358	(0.3)	1,362	(0.4)	1,367	(0.9)	1,379	(0.9)
Non current liabilities	3,952	(9.3)	4,358	(3.3)	4,504	(6.9)	4,838	(9.7)	5,359	132.8	2,302	62.6
Current portion of long term financing	900	100.0	783	(18.4)	960	91.6	501	(16.5)	600	47.1	408	(3.1)
Short term borrowings	11,154	(1.1)	11,280	(19.5)	14,012	17.8	11,897	67.2	7,116	101.4	3,533	(11.0)
Other current liabilities	5,349	183.8	1,885	(10.0)	2,094	44.9	1,445	45.6	992	10.7	896	(13.1)
Total equity and liabilities	30,655	14.1	26,856	(5.5)	28,423	10.5	25,728	37.2	18,758	67.8	11,179	5.2
CASH FLOWS												
Net cash generated from/(used in) operating activities	1,532	(66.9)	4,628	(452.8)	(1,312)	(67.5)	(4,033)	15.6	(3,490)	(218.5)	2,945	(593.3)
Net cash inflows/(outflows) from investing activities	(487)	(47.3)	(924)	17.7	(785)	(2221.6)	37	(100.9)	(4,222)	107.1	(2,039)	(380.5)
Net cash (outflows)/inflows from financing activities	(821)	(15.9)	(977)	264.5	(268)	(49.6)	(532)	(118.2)	2,916	295.7	737	422.7
Net increase/(decrease) in cash and cash equivalents	224	(91.8)	2,728	(215.3)	(2,365)	(47.8)	(4,528)	(5.6)	(4,797)	(392.0)	1,643	506.3

Consolidated Key Operating Highlights

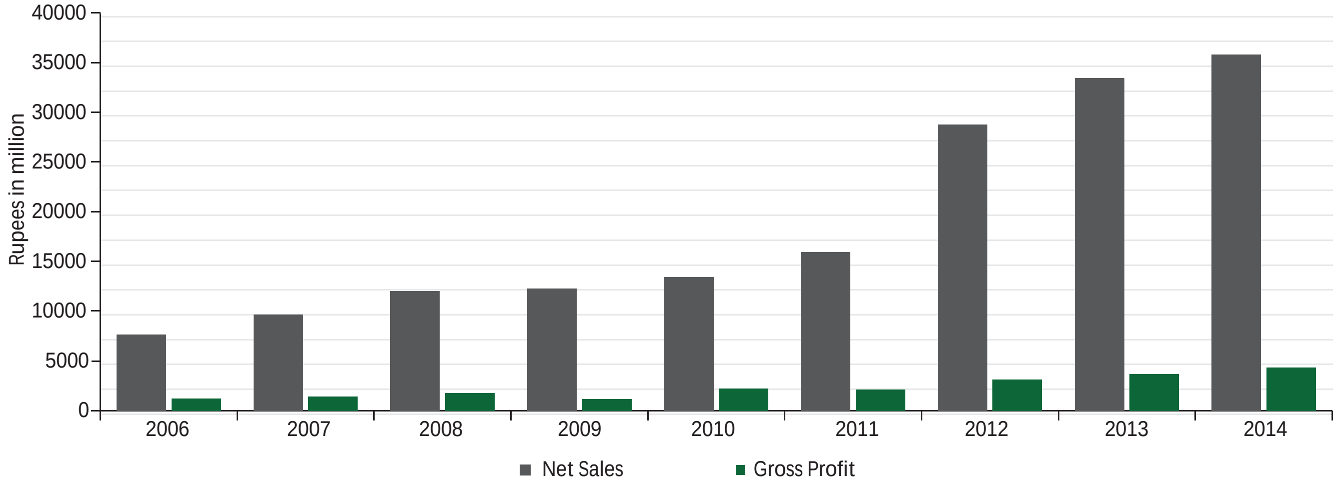




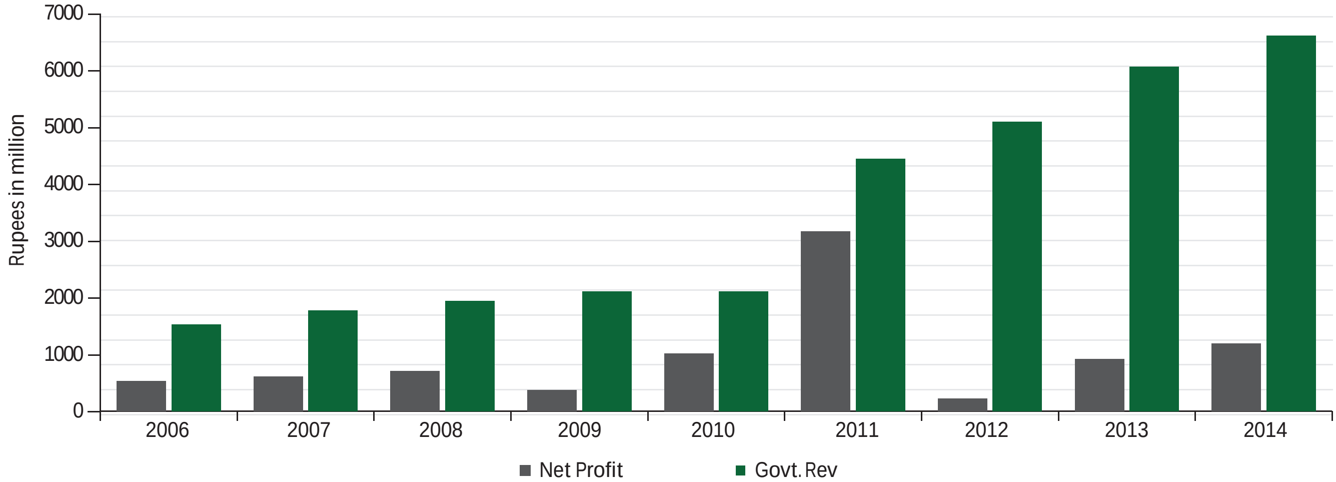


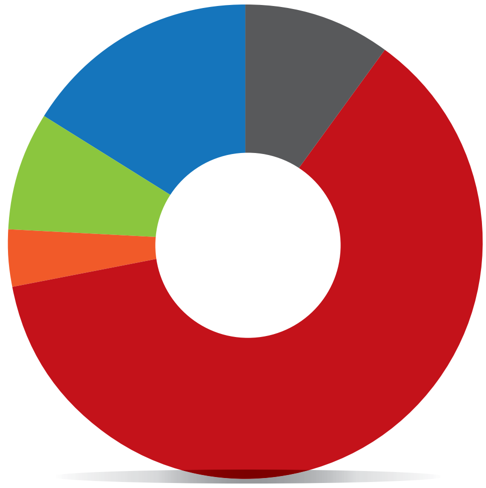


Net Sales to Gross Profit Ratio



Net Profit and Government Revenue





Value Addition and Distribution during 2014 Rs.10,613 Million	%
Employees as remuneration	10
Governmet as taxes	62
Shareholders as dividends	4
Retained within the business	8
Financial charges	16

KPMG

Auditors' Report on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of International Industries Limited ("the Holding Company") and its subsidiary companies as at 30 June 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the International Industries Limited and its subsidiary company, International Steels Limited. These consolidated financial statements also include unaudited financial statements of subsidiary company namely IIL Austalia PTY Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the International Industries Limited and its subsidiary companies as at 30 June 2014 and the results of their operations for the year then ended.

We draw attention to Note 2 to the consolidated financial statements which more fully explain that financial statements of subsidiary company, IIL Australia PTY Limited for the period from 2 May 2014 to 30 June 2014 are unaudited and no substantial business activity was carried out by it. Our opinion is not qualified in this respect.

KPMG Taseer Hadi & Co.

Date: 13 August, 2014

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Consolidated Balance Sheet

As at 30 June 2014

	Note	2014	2013 (Restated)	1 July 2012 (Restated)
		(Rupees in '000)		
ASSETS				
Non-current assets				
Property, plant and equipment	5	13,271,729	13,415,440	11,730,216
Intangible assets	6	12,850	21,248	22,033
Investment in equity accounted investee	7	182,945	176,946	169,018
Long term deposits		4,588	4,528	5,313
Long term prepayments		4,835	-	-
		13,476,947	13,618,162	11,926,580
Current assets				
Stores and spares	8	454,459	443,690	479,393
Stock-in-trade	9	10,338,775	8,031,310	12,596,684
Trade debts	10	3,447,142	2,630,422	1,960,724
Advances	11	299,587	415,216	40,730
Trade deposits and short term prepayments	12	19,177	21,072	19,889
Other receivables	13	99,600	66,146	256,565
Sales Tax refundable		752,503	406,572	371,436
Taxation - net	14	1,648,177	1,203,451	745,133
Bank balances	15	118,148	20,262	24,865
		17,177,568	13,238,141	16,495,419
Total assets		30,654,515	26,856,303	28,421,999
EQUITY AND LIABILITIES				
Share capital and reserves				
Authorised capital				
200,000,000 (2013: 200,000,000) ordinary shares of Rs.10 each		2,000,000	2,000,000	2,000,000
Issued, subscribed and paid-up capital	16	1,198,926	1,198,926	1,198,926
General reserve		2,991,258	2,139,958	2,139,958
Unappropriated profit		337,882	711,050	339,327
Translation reserve		159	-	-
Equity attributable to owners of the Holding Company		4,528,225	4,049,934	3,678,211
Non-controlling interest		2,270,756	1,968,476	1,811,581
Total equity		6,798,981	6,018,410	5,489,792
Surplus on revaluation of property, plant and equipment	17	2,501,995	2,532,508	1,357,823
LIABILITIES				
Non-current liabilities				
Long term financing - secured	18	3,300,990	3,821,860	4,263,550
Staff retirement benefits	33.2	93,766	59,725	7,646
Deferred taxation - net	19	556,773	476,073	238,216
		3,951,529	4,357,658	4,509,412
Current liabilities				
Trade and other payables	20	5,116,283	1,599,111	1,760,083
Short term borrowings - secured	21	11,153,541	11,279,514	14,011,842
Current portion of long term financing - secured	18	899,877	783,285	959,608
Accrued markup		232,309	285,817	333,439
		17,402,010	13,947,727	17,064,972
Total liabilities		21,353,539	18,305,385	21,574,384
Contingencies and commitments	22			
Total equity and liabilities		30,654,515	26,856,303	28,421,999

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Fuad Azim Hashimi	Sohail R. Bhojani	Riyaz T. Chinoy
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

Consolidated Profit and Loss Account For the year ended 30 June 2014

	Note	2014	2013 (Restated)
		(Rupees in '000)	
Net sales	23	35,855,357	33,511,717
Cost of sales	24	(31,491,708)	(29,825,177)
Gross profit		4,363,649	3,686,540
Selling and distribution expenses	25	(742,965)	(671,500)
Administrative expenses	26	(289,821)	(261,809)
		(1,032,786)	(933,309)
Financial charges	27	(1,705,461)	(1,691,826)
Other operating charges	28	(312,139)	(114,958)
		(2,017,600)	(1,806,784)
Other income	29	195,724	185,524
Share of profit of equity accounted investee - net of tax		15,703	15,812
Profit before taxation		1,524,690	1,147,783
Taxation	30	(333,289)	(224,024)
Profit for the year		1,191,401	923,759
Profit attributable to:			
-Owners of the Holding Company		892,831	765,443
-Non-controlling interest		298,570	158,316
		1,191,401	923,759
		(Rupees)	
Earnings per share - basic and diluted	31	7.45	6.38

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial
Officer

Riyaz T. Chinoy
Chief Executive
Officer

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

	Note	2014	2013 (Restated)
		(Rupees in '000)	
Profit for the year		1,191,401	923,759
Other comprehensive income			
Items that will never be reclassified to profit and loss account:			
Remeasurements of defined benefit liability		(33,949)	(52,644)
Related tax		7,519	12,661
		(26,430)	(39,983)
Items that will be reclassified to profit and loss account:			
Foreign operations - foreign currency translation difference		159	-
Other comprehensive income		(26,271)	(39,983)
Total comprehensive income for the year		1,165,130	883,776
Total comprehensive income attributable to:			
- Owners of the Holding Company		867,979	726,881
- Non-controlling interest		297,151	156,895
		1,165,130	883,776

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Fuad Azim Hashimi	**Sohail R. Bhojani**	**Riyaz T. Chinoy**
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

Consolidated Cash Flow Statement

For the year ended 30 June 2014

	Note	2014	2013 (Restated)
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,524,690	1,147,783
Adjustments for:			
Depreciation and amortisation		747,854	643,498
Provision for doubtful debts		3,076	3,150
Provision against claim due from foreign supplier		-	3,027
Interest on bank deposits		(4,066)	(2,731)
Loss / (gain) on disposal of property, plant and equipment		3,951	(14,495)
Share of profit of equity accounted investee - net of tax		(15,703)	(15,812)
Financial charges		1,705,461	1,691,826
		3,965,263	3,456,246
Changes in:			
Working capital	32	15,975	3,524,102
Long term prepayments		(4,835)	-
Long term deposits		(60)	785
Net cash generated from operations		3,976,343	6,981,133
Financial charges paid		(1,758,970)	(1,739,448)
Taxes paid		(685,017)	(613,363)
Net cash generated from operating activities		1,532,356	4,628,322
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(559,076)	(961,446)
Dividend received		9,704	7,884
Proceeds from sale of property, plant and equipment		57,909	27,148
Interest received		4,194	2,669
Net cash used in investing activities		(487,269)	(923,745)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing - net		(404,278)	(618,013)
Dividends paid		(416,950)	(358,839)
Net cash used in financing activities		(821,228)	(976,852)
Net increase in cash and cash equivalents		223,859	2,727,725
Cash and cash equivalents at beginning of the year		(11,259,252)	(13,986,977)
Cash and cash equivalents at end of the year		(11,035,393)	(11,259,252)
CASH AND CASH EQUIVALENTS COMPRISE OF:			
Bank balances	15	118,148	20,262
Short term borrowings - secured	21	(11,153,541)	(11,279,514)
		(11,035,393)	(11,259,252)

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Fuad Azim Hashimi	**Sohail R. Bhojani**	**Riyaz T. Chinoy**
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Attributable to owners of the Holding Company						
	Issued, subscribed & paid-up capital	Revenue reserves: General reserve	Revenue reserves: Un-appropriated profit	Exchange translation reserves	Total	Non-controlling interest	Total equity
	(Rupees in '000)						
Balance as at 1 July 2012 - as previously reported	1,198,926	2,139,958	343,515	-	3,682,399	1,813,573	5,495,972
Effect of change in accounting policy (refer note 3.1.1)	-	-	(4,188)	-	(4,188)	(1,992)	(6,180)
Balance as at 1 July 2012 - as restated	1,198,926	2,139,958	339,327	-	3,678,211	1,811,581	5,489,792
Total comprehensive income for the year ended 30 June 2013 - restated:							
- Profit for the year	-	-	765,443	-	765,443	158,316	923,759
- Other comprehensive income	-	-	(38,562)	-	(38,562)	(1,421)	(39,983)
Total comprehensive income (restated)	-	-	726,881	-	726,881	156,895	883,776
Transactions with owners recorded directly in equity: Distributions to owners of the Holding Company							
- Final dividend at 20% (Rs. 2 per share) for the year ended 30 June 2012	-	-	(239,785)	-	(239,785)	-	(239,785)
- Interim dividend at 10% (Re. 1 per share) for the year ended 30 June 2013	-	-	(119,893)	-	(119,893)	-	(119,893)
Total transactions with owners of the Holding Company	-	-	(359,678)	-	(359,678)	-	(359,678)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	4,520	-	4,520	-	4,520
Balance as at 30 June 2013 (restated)	1,198,926	2,139,958	711,050	-	4,049,934	1,968,476	6,018,410
Total comprehensive income for the year ended 30 June 2014:							
- Profit for the year	-	-	892,831	-	892,831	298,570	1,191,401
- Other comprehensive income	-	-	(25,011)	159	(24,852)	(1,419)	(26,271)
Total comprehensive income	-	-	867,820	159	867,979	297,151	1,165,130
Transactions with owners recorded directly in equity: Distributions to owners of the Holding Company							
- Final dividend at 22.50% (Rs. 2.25 per share) for the year ended 30 June 2013	-	-	(269,758)	-	(269,758)	-	(269,758)
- Interim dividend at 12.50% (Rs. 1.25 per share) for the year ended 30 June 2014	-	-	(149,866)	-	(149,866)	-	(149,866)
Total transactions with owners of the Holding Company	-	-	(419,624)	-	(419,624)	-	(419,624)
Transfer from general reserves	-	851,300	(851,300)	-	-	-	-
Transfer from surplus on revaluation on disposal of land	-	-	7,264	-	7,264	-	7,264
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	22,672	-	22,672	5,129	27,801
Balance as at 30 June 2014	1,198,926	2,991,258	337,882	159	4,528,225	2,270,756	6,798,981

The annexed notes 1 to 41 form an integral part of these consolidated financial statements.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

1. THE GROUP AND ITS OPERATIONS

1.1 The Group consists of International Industries Limited (the Holding Company), International Steels Limited (ISL) and IIL Australia PTY Limited (the Subsidiary Companies) (together referred to as "the Group" and individually as "Group entities") and the Group's interest in its equity accounted investee namely, Pakistan Cables Limited.

1.2 International Industries Limited was incorporated in Pakistan in 1948 and is quoted on the Karachi, Lahore and Islamabad Stock Exchanges. The Holding Company is in the business of manufacturing and marketing 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 was incorporated on 3 September 2007 as a public unlisted company limited by shares under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. Subsequent to the sale of shares by the Holding Company to the general public under an Initial Public Offer, ISL was listed on the Karachi Stock Exchange on 1 June 2011. The primary activity of ISL is business of manufacturing of cold rolled steel coils and galvanized sheets. ISL commenced commercial operations on 1 January 2011. The registered office of ISL is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.

1.4 IIL Australia PTY Limited (IIL Australia) was incorporated in Victoria, Australia on 2 May 2014 and is in the business of distribution and marketing of galvanized steel pipes, precision steel tubes and pre-galvanized pipes. The registered office is situated at 101-103, Abbot Road, Hallam, Victoria 3803, Australia. As at 30 June 2014, no substantial business activity has been carried out by IIL Australia.

1.5 Detail of the Group's equity accounted investee is given in note 7 to these consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company for the year ended 30 June 2014 and the audited financial statements of ISL for the year ended 30 June 2014. No substantial business activity was carried out by IIL Australia other than purchase of inventory from the Holding Company which is eliminated in these consolidated financial statements. The unaudited financial statements of IIL Australia have been used for the period from 2 May 2014 to 30 June 2014. Detail regarding the financial information of the equity accounted investee used in the preparation of these consolidated financial statements is given in note 7 to these consolidated financial statements.

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984 and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of 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 land and buildings of the Holding Company and ISL are stated at fair values determined by an independent valuer and the Group's liability under defined benefit plans are determined based on the present value of defined benefit obligation ascertained by independent actuaries.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees which is the Group's functional and presentation currency and have been rounded to the nearest thousand Rupee.

2.4 Use of estimates and judgments

The preparation of the 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 a significant effect on the consolidated financial statements and estimates with significant risk of material judgment in the next financial year are stated 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 from 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 unrecognized gains and losses in those years.

Trade debts and other receivables

The Group 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 valuations performed by an independent external professional valuer. 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 impact on the depreciation charge and impairment.

Stock-in-trade and stores and spares

The Group 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 reviews the inventories for obsolescence.

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

During the year certain amendments to standards or new interpretations became effective; however the amendments or interpretations did not have any material effect on the consolidated financial statements of the Group except for the revised IAS 19 'Employees Benefits'. In addition, the amendments to IAS 16 'Property, Plant and Equipment' has an impact on ISL which has been incorporated in these consolidated financial statements. Details of these amendments are stated below:

3.1.1 Changes in accounting policies

Employee benefits

With effect from 1 January 2013, the revised IAS 19 'Employee Benefits' became effective. The revised IAS 19 requires actuarial gains and losses to be recognized immediately in other comprehensive income. Previously, actuarial gains and losses over and above the corridor limit were amortized over the expected average remaining working lives of employees. Further, any past service cost is now recognized immediately in the Profit and Loss Account as soon as the changes in the benefit plans are made and previously, only vested past service cost was recognized immediately in the Profit and Loss Account and non-vested cost was amortized to the consolidated Profit and Loss Account over the vesting period. The Standard also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit assets or liability and the discount rate, measured at the beginning of the year. Refer note 4.12 for the revised accounting policy.

Capital spares

Annual improvements to IFRS 2009-2011 amended International Accounting Standard (IAS) 16 'Property, Plant and Equipment' to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of property, plant and equipment as in IAS 16 is now considered in determining whether these items should be accounted under IAS 2 'Inventories'. The change became effective for the Group from 1 July 2013 and is to be applied retrospectively. Previously spares were classified by the ISL as stores and spares as the amount was immaterial and were recognized in the Profit and Loss Account when consumed.

However, as per the revised accounting policy of ISL, such spare parts, stand-by equipment and servicing equipment which qualify as property, plant and equipment are classified as property, plant and equipment and carried at cost less accumulated depreciation and accumulated impairment, if any.

Effect of changes

The effects of the aforementioned changes have been accounted for retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

	30 June 2013			1 July 2012		
	As previously reported	Impact due to changes in policies	As restated	As previously reported	Impact due to changes in policies	As restated
	(Rupees in '000)					
Effect on consolidated Balance Sheet						
Staff retirement benefit	-	59,725	59,725	-	7,646	7,646
Deferred taxation	491,414	(15,341)	476,073	240,704	(2,488)	238,216
Property, plant and equipment	13,368,488	46,952	13,415,440	11,700,574	29,642	11,730,216
Stores and spares	493,319	(49,629)	443,690	510,057	(30,664)	479,393
Unappropriated profit - attributable to owners of the Holding Company	754,306	(43,256)	711,050	343,515	(4,188)	339,327
Non-controlling interest	1,972,281	(3,805)	1,968,476	1,813,573	(1,992)	1,811,581

	2013
	(Rupees in '000)
Effect on consolidated Profit and Loss Account	
Decrease in consolidated profit before tax due to remeasurement of defined liability and depreciation on stores and spares capitilised	(1,360)
Taxation	462
	(898)
Effect on consolidated Statement of Comprehensive Income	
Remeasurement of defined benefit liability	(52,644)
Tax thereon	12,661
	(39,983)

This change in accounting policy has no impact on the Consolidated Statement of Cash Flows and has an immaterial effect on earnings per share.

3.2 Standards, interpretations and amendments not yet effective

The following new standards, amendments to existing standards and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2014 and the Group does not expect to have any material / significant changes in its accounting policy except for disclosures, where applicable:

- IFRIC 21- Levies 'an Interpretation on the Accounting for Levies Imposed by Governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 'Financial Instruments: Presentation'. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

- Amendment to IAS 36 'Impairment of Assets' Recoverable Amount Disclosures for Non-Financial Assets' (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 'Impairment of Assets' address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' - Continuing Hedge Accounting after Derivative Novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39 to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 'Employee Benefits Employee contributions – a Practical Approach' (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- Amendments to IAS 38 'Intangible Assets' and IAS 16 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets are inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 'Property, Plant and Equipment' for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 'Agriculture'. A bearer plant is a plant that is used in the supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further, IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision-maker. This change aligns the disclosure requirements with those for segment liabilities.

- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies as set out below are consistently applied for all periods presented in these consolidated financial statements except for changes in accounting policies as stated in note 3.1.1 and also the adoption of derivative financial instruments cash flow hedge policy as stated in note 4.5 to these consolidated financial statements.

4.1 Basis of consolidation

Subsidiaries

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

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

The assets and liabilities of the subsidiary companies have been consolidated on a line by line basis. The carrying value of investment held by the Holding Company is eliminated against subsidiaries 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 interest is presented as a separate item in the consolidated financial statements.

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

Upon the loss of control, the Group derecognizes the assets and liabilities of subsidiaries, any 'non-controlling interest and the other components of equity related to subsidiaries. Any surplus or deficit arising on the loss of control is recognized 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 or when the Group has significant influence through common directorship(s).

Investments in associates are accounted for using the equity method (equity-accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of its associates' 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 recognized directly in the equity of associates, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated 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 on investments in associates are recognized in the consolidated Profit and Loss Account.

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 recognize an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in an equity accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in the equity-accounted investee (which is higher of its value in use and its fair value less cost to sell) and its carrying value and recognizes the amount in the Profit and Loss Account. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount but limited to the carrying amount that would be have been determined, if no impairment loss had been recognized. A reversal of impairment is recognized in the consolidated Profit and Loss Account.

Upon loss of significant influence over an associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the equity accounted investee upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in consolidated Profit and Loss Account.

4.2 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 and buildings are stated at revalued amounts less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset including borrowing costs, if any. 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. The value assigned to leasehold lands is not amortized as the respective leases are expected to be renewed for further periods on payment of relevant rentals.

Subsequent cost

Subsequent costs are included in an 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 derecognized. Normal repairs and maintenance are charged to the consolidated Profit and Loss Account during the period in which they are incurred.

Depreciation

Depreciation is charged to income on a straight line basis at rates specified in note 5.1 to these consolidated financial statements except for freehold and leasehold land. Depreciation on additions is charged from the month an asset is available for use upto the month prior to its disposal.

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

Revaluation surplus

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

Disposal

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized in other income/ other expenses in the consolidated Profit and Loss Account. When revalued assets are sold, any related amount included in the Surplus on Revaluation is transferred to retained earnings (Unappropriated profit).

Capital work-in-progress (CWIP)

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 an assets's construction and installation. Transfers are made to relevant asset categories as and when assets are available for intended use.

4.3 Intangible assets

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

Costs directly associated with identifiable intangible asset 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. An intangible asset is measured initially at cost and subsequently stated at cost less accumulated amortization and impairment losses, if any.

Subsequent expenditure

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

Amortization

Amortization is charged to the consolidated Profit and Loss Account on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Amortization on additions to intangible assets is charged from the month in which an item is acquired or capitalized upto the month prior to its disposal.

4.4 Derivative financial instruments - other than hedging

Derivatives that do not qualify for hedge accounting are recognized in the consolidated Balance Sheet at estimated fair value with a corresponding effect to the consolidated Profit and Loss Account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

4.5 Derivative financial instruments - cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value of the derivative is recognized in consolidated other comprehensive income and accumulated in hedging reserve. Any ineffective portion of changes in fair value of derivative is recognized immediately in the consolidated Profit or Loss Account. The amount accumulated in equity is removed therefrom and included in the initial carrying amount of non-financial asset upon recognition of non-financial asset.

The fair value of forward exchange contracts is estimated using appropriate valuation techniques. These are carried as assets when the fair value is positive and liabilities when the fair value is negative.

4.6 Borrowings costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date the respective assets are available for their intended use. All other markup, interest and other related charges are charged to the consolidated Profit and Loss Account currently.

4.7 Stores and spares

Stores and spares are stated at lower of weighted average cost and net realizable 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 the management's estimate regarding their future usability.

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

4.8 Stock-in-trade

These are valued at lower of cost and net realizable 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 realizable value signifies the estimated selling price in the ordinary course of the business less the net estimated cost of completion and selling expenses.

Scrap stocks are valued at estimated net realizable value.

4.9 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 objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

4.10 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand and 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 the consolidated cash flow statement.

4.11 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated Profit and Loss Account, except to the extent that it relates to items recognized directly in the consolidated statement of comprehensive income or below equity, in which case it is recognized in the consolidated statement of comprehensive income or below equity respectively.

Current

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

Deferred tax

Deferred tax is recognized using the 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 utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

4.12 Employee benefits

Defined benefit plan

The Holding Company and ISL operate approved funded gratuity schemes for eligible employees of the respective companies. The Holding Company operates an approved funded Gratuity Scheme (the Fund) for its eligible employees. The Subsidiary Company, ISL provides gratuity benefits to all its permanent employees who have completed their minimum qualifying period of service i.e. three year (except in the case of workers where the 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 obligations under the schemes are determined through an actuarial valuation carried out at each year end under the Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in the consolidated Statement of Comprehensive Income.

The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense and current service cost are recognized in the consolidated Profit and Loss Account. The latest actuarial valuation was conducted at the balance sheet date by a qualified professional firm of actuaries.

Defined contribution plan

The Holding Company and ISL operate recognized provident funds for all their respective employees except unionized staff. Equal monthly contributions are made by the respective companies and their employees to the funds at the rate of 8.33% of basic salary and cost of living allowance and the same is charged to the consolidated Profit and Loss Account.

Compensated absences

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

4.13 Trade and other payables

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

4.14 Foreign currency translations

All monetary assets and liabilities denominated in foreign currencies are translated into Pakistani Rupees at the rates of exchange prevailing on the balance sheet date. Transactions in foreign currencies (except the results of foreign operation which are translated to Pakistan Rupees at the average rate of exchange for the year) are translated into Pakistan Rupees at the rates of exchange approximating those prevailing on the date of transactions. Exchange gains and losses are recorded in the consolidated Profit and Loss Account.

The prevailing assets and liabilities of foreign operations are translated into Pakistan Rupees at the exchange rates at the balance sheet date. The income and expenses of foreign operations are translated into Pakistan Rupees at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in the consolidated Statement of Comprehensive Income and accumulated in the Translation reserve except to the extent that the translation difference is allocated to non-controlling interest.

When a foreign operation is disposed of such that control is lost, the cumulative amount in the Translation reserve related to that foreign operation is reclassified to consolidated Profit and Loss Account as part of the gain or loss on disposal. If the Group disposes off only part of its interest in a subsidiary while retaining control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

4.15 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 either with the date of shipping bill or upon delivery to their customers or its representative(s), based on the terms of arrangement.
- 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 the power generation plant on account of sale of surplus electricity is recognized on transmission of electricity to K-Electric Limited (formerly Karachi Electric Supply Company Limited).
- Gains / losses arising on sale of investments are included in the Consolidated Profit and Loss Account in the period in which they arise.
- Service income is recognized when the related services are rendered.
- Rental income is recognized on a straight line basis over the term of the respective lease agreement.
- Miscellaneous income is recognized on a receipt basis.

4.16 Financial instruments

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

4.17 Offsetting of financial assets and financial liabilities

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

4.18 Impairment

Financial assets

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

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

4.19 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 the Consolidated Profit and Loss Account over the period of borrowings on an effective interest basis.

4.20 Provisions

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

4.21 Segment reporting

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

4.22 Dividend and appropriation to / from reserves

Dividend distribution to the Holding Company's shareholders and appropriation to / from reserves are recognized in the period in which these are approved by the Members and Board of Directors of the Holding Company respectively.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2014	2013 (Restated)
		(Rupees in '000)	
Operating assets	5.1	12,875,998	13,037,370
Capital work-in-progress (CWIP)	5.5	395,731	378,070
		13,271,729	13,415,440

5.1 Operating assets

	Land - revalued		Buildings - revalued		Plant and machinery *	Furniture, fixtures and office equipment	Vehicles	Total
	Freehold	Leasehold	Freehold land	Leasehold land				
	(Rupees in '000)							
Balance as at 1 July 2013								
Cost / revalued amount	1,701,149	988,354	1,334,314	724,149	9,393,665	68,291	133,632	14,343,554
Accumulated depreciation	-	-	-	-	(1,225,140)	(32,059)	(48,985)	(1,306,184)
Net book value (NBV)	1,701,149	988,354	1,334,314	724,149	8,168,525	36,232	84,647	13,037,370
Additions / transfer from CWIP	-	149,294	-	3,445	427,815	13,924	49,802	644,280
Adjustments (refer to note 28.5)	-	-	-	-	(8,995)	19	125	(8,851)
Disposals								
- Cost	-	(37,604)	-	-	(84,031)	(2,486)	(25,694)	(149,815)
- Accumulated depreciation	-	-	-	-	70,439	2,433	15,084	87,956
	-	(37,604)	-	-	(13,592)	(53)	(10,610)	(61,859)
Depreciation charge	-	-	(69,300)	(44,957)	(574,388)	(15,236)	(31,061)	(734,942)
Balance as at 30 June 2014 (NBV)	1,701,149	1,100,044	1,265,014	682,637	7,999,365	34,886	92,903	12,875,998
Gross carrying value as at 30 June 2014								
Cost / revalued amount	1,701,149	1,100,044	1,334,314	727,594	9,728,454	79,748	157,865	14,829,168
Accumulated depreciation	-	-	(69,300)	(44,957)	(1,729,089)	(44,862)	(64,962)	(1,953,170)
Net book value	1,701,149	1,100,044	1,265,014	682,637	7,999,365	34,886	92,903	12,875,998
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	
Balance as at 1 July 2012								
Cost / revalued amount	1,138,669	917,830	1,071,268	534,315	8,522,618	48,897	122,923	12,356,520
Accumulated depreciation	-	-	(72,440)	(139,882)	(723,934)	(20,451)	(43,588)	(1,000,295)
Net book value (NBV)	1,138,669	917,830	998,828	394,433	7,798,684	28,446	79,335	11,356,225
Additions / transfer from CWIP	-	-	420	8,883	872,876	22,341	43,356	947,876
Other adjustments								
Cost	-	-	-	-	18,965	-	-	18,965
Accumulated depreciation	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	18,965	-	-	18,965
Surplus on revaluation	562,480	70,524	383,602	343,573	-	-	-	1,360,179
Disposals								
- Cost	-	-	-	-	(20,794)	(2,947)	(32,647)	(56,388)
- Accumulated depreciation	-	-	-	-	19,556	2,903	21,276	43,735
	-	-	-	-	(1,238)	(44)	(11,371)	(12,653)
Depreciation charge	-	-	(48,536)	(22,740)	(520,762)	(14,511)	(26,673)	(633,222)
Balance as at 30 June 2013 (NBV)	1,701,149	988,354	1,334,314	724,149	8,168,525	36,232	84,647	13,037,370
Gross carrying value as at 30 June 2013								
Cost / revalued amount	1,701,149	988,354	1,334,314	724,149	9,393,665	68,291	133,632	14,343,554
Accumulated depreciation	-	-	-	-	(1,225,140)	(32,059)	(48,985)	(1,306,184)
Net book value	1,701,149	988,354	1,334,314	724,149	8,168,525	36,232	84,647	13,037,370
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	

* This includes capital spares with a net book value of Rs. 131.6 million (2013: Rs. 69 million), out of which cost of Rs. 122 million (2013: Rs. 50 million) with net book value of Rs. 111 million (2013: Rs. 47 million) have been capitalized due to a change in accounting policy of ISL, a subsidiary company.

5.1.1 Addition in leasehold land during the year represents land purchased by the Holding Company on Main Shaikupura Road for which title will be transferred upon payment of the outstanding amount as shown in note 20.

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

	Note	2014	2013 (Restated)
		(Rupees in '000)	
Cost of sales	24	643,062	548,403
Selling and distribution expenses	25	9,301	7,479
Administrative expenses	26	15,572	14,159
Cost of power generation	29.1	67,008	63,181
		734,943	633,222

5.3 The revaluation of the freehold and leasehold land, buildings thereon of the Holding Company and ISL was carried out as of 30 June 2013 by Iqbal A. Nanjee (Private) Limited (an independent valuer) on the basis of their professional assessment of present market values based on enquiries made about the cost of land of similar nature, size and location including consideration of current cost of acquisition or construction net of diminution owing to depreciation. The revaluation has resulted in surplus on revaluation amounting to Rs. 1,360.2 million which has been incorporated in the books of the Holding Company and ISL as at 30 June 2013.

The Holding Company has carried out valuation of freehold and leasehold land and buildings thereon during the years / periods ended 30 June 1988, 30 June 1997, 30 June 2000, 30 June 2004 and 31 December 2007. The resulting revaluation surpluses have been disclosed in notes 5.1 and 17 to the consolidated financial statements and have been credited to the revaluation surplus accounts net of related tax effect.

The carrying amount of the aforementioned assets as at 30 June 2014, if the said assets had been carried at historical cost, would have been as follows:

	Cost	Accumulated depreciation	Net book value
	(Rupees in '000)		
Freehold land	654,233	-	654,233
Leasehold land	306,599	-	306,599
Buildings	1,509,342	(442,656)	1,066,686
As at 30 June 2014	2,470,174	(442,656)	2,027,518
As at 30 June 2013	2,347,775	(366,638)	1,981,137

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

Description	Revalued amount	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
	(Rupees in '000)						
Land	37,604	30,340	-	37,604	30,000	Negotiation *	M/s. Fareed & Sons
Computers							
Laptop	-	55	11	44	32	Insurance claim	Jubilee General Insurance - related party
Plant and machinery							
1064 KW gas generator set	-	39,000	30,103	8,897	205	Negotiation	M/s. Prime Power
Cutter trolley	-	2,727	894	1,833	2,639	Negotiation	M/s. Rahim Shah
Foundation - K32-A	-	332	217	115	-	Demolished	Not applicable
Various items of book value up to Rs. 50,000 each	-	41,972	39,225	2,747	7,245	Negotiation	Various
Furniture, fixtures and office equipment							
Various items of book value up to Rs. 50,000 each	-	2,430	2,422	8	98	Negotiation	Various
Vehicles							
Suzuki Cultus	-	970	178	792	-	Retirement gift	Mr. Pervaiz Iqbal Abid, employee of Holding Company
Suzuki Cultus	-	795	623	172	625	Insurance claim	Jubilee General Insurance Co. - related party
Toyota Corolla	-	1,414	966	448	975	Negotiation	Mr. Farooq Ehsun, consultant
Suzuki Mehran	-	580	97	483	580	Insurance claim	Jubilee General Insurance Co. - related party
Toyota Hilux	-	1,814	726	1,088	900	Negotiation	Mr. Adnan
Honda Civic	-	1,879	1,409	470	400	Negotiation	Mr. Adnan
Suzuki Mehran	-	580	135	445	525	Insurance claim	Jubilee General Insurance Co. - related party
Suzuki Mehran	-	581	194	387	456	Negotiation	Mr. Hafiz Saeed Mubashir Ahmed
Suzuki Mehran	-	560	187	373	505	Negotiation	Mr. S.Riaz Ahmed
Suzuki Mehran	-	560	84	476	530	Negotiation	Mr. Kashif Muhammad Hashmi
Honda City	-	847	847	-	645	As per company policy	Mr. Zafar Majeed, employee of ISL
Honda City	-	1,049	1,049	-	570	As per company policy	Mr. Irshad Rizvi, employee of ISL
Suzuki Mehran	-	484	298	186	401	Negotiation	Mr. Syed Riaz Ahmed
Suzuki Mehran	-	663	99	564	595	Negotiation	Mr. Mohsin Abbas
Suzuki Mehran	-	504	269	235	450	Negotiation	Mr. Gulbaz
Suzuki Cultus	-	824	567	257	680	Negotiation	Mr. Shaikh Muhammad Sajid
Toyota Corolla	-	1,673	307	1,366	1,480	Negotiation	Mr. Syed Riaz Ahmed
Suzuki Mehran	-	580	106	474	510	Negotiation	Mr. Asif Moten, employee of ISL
Suzuki Mehran	-	362	-	362	272	As per company policy	Mr. Mairaj Zia, employee of ISL
Honda Civic	-	2,392	359	2,033	2,300	As per company policy	Mr. Hasan Ansari, employee of ISL
Various vehicles of book value up to Rs. 50,000 each	-	6,585	6,584	1	4,291	Negotiation	Various
	37,604	142,552	87,956	61,860	57,909		

* During the year one of the Holding Company's leasehold properties in Lahore was sold at an amount approximately equal to its cost; however the property was revalued to Rs. 37.6 million in 2013 which did not take into account the National Highway Authority's (NHA) directive to extend the open area facing Grand Trunk (GT) Road in excess of the mandatory requirements stipulated by the Lahore Development Authority (LDA) which resulted in a reduction in the area available for construction.

5.5 Capital work-in-progress (CWIP)

	Cost			
	As at 1 July 2013	Additions	Transfers	As at 30 June 2014
	(Rupees in '000)			
Buildings	413	18,281	(3,445)	15,249
Plant and machinery	377,657	437,721	(434,896)	380,482
	378,070	456,002	(438,341)	395,731

	Cost			
	As at 1 July 2012	Additions	Transfers	As at 30 June 2013
	(Rupees in '000)			
Buildings	1,297	8,419	(9,303)	413
Plant and machinery	372,694	880,226	(875,263)	377,657
	373,991	888,645	(884,566)	378,070

6. INTANGIBLE ASSETS

	Note	2014	2013
		(Rupees in '000)	
Operating intangible assets	6.1	10,650	21,248
Capital work-in-progress (CWIP)	6.3	2,200	-
		12,850	21,248

6.1 Operating intangible assets

	Note	2014	2013
Net book value as at 1st July		21,248	22,033
Addition		2,313	9,491
Amortization	6.2	(12,911)	(10,276)
Net book value as at 30 June		10,650	21,248
Gross carrying value as at 30 June			
Cost		72,272	69,959
Accumulated amortization		(61,622)	(48,711)
Net book value		10,650	21,248
		Percent	
Amortization rate (per annum)		33.33	33.33

6.1.1 Intangible assets comprise of computer software and licenses.

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

	Note	2014	2013
Cost of sales	24	9,444	7,847
Selling and distribution expenses	25	2,036	1,457
Administrative expenses	26	1,431	972
		12,911	10,276

6.3 This represents an advance provided by the Holding Company to an ERP consultant on account of upgradation of the ERP system.

7. INVESTMENT IN EQUITY-ACCOUNTED INVESTEE

2014	2013		Note	2014	2013
(Number of Shares)				(Rupees in '000)	
2,425,913	2,425,913	Pakistan Cables Limited (PCL) - associated company		182,945	176,946

7.1 This represents investment in Pakistan Cables Limited, a company incorporated in Pakistan. The Holding 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.

7.2 The Chief Executive Officer of PCL is Mr. Kamal A. Chinoy. The market value as at 30 June 2014 was Rs. 241.99 million (30 June 2013: Rs. 157.20 million). The share of profit after acquisition is recognized based on the unaudited condensed interim financial information as at and for the period ended 31 March 2014 as the latest financial statements as at 30 June 2014 are not presently available. The summarized financial information of the equity accounted investee based on condensed interim financial information is as follows:

Summarized financial information of equity accounted investee:

	Note	31 March 2014 (Unaudited)	30 June 2013 Audited
Assets		4,310,361	3,592,066
Liabilities		2,058,542	1,353,712
Total revenue		4,577,000	6,164,555
Profit after taxation for the period / year		127,314	176,982

8. STORES AND SPARES

	2014	2013 (Restated)
	(Rupees in '000)	
Stores	155,240	78,580
Spares - in hand	294,955	284,004
- in transit	-	21,584
	294,955	305,588
Loose tools	4,264	59,522
	454,459	443,690

9. STOCK-IN-TRADE

	2014	2013 (Restated)
Raw material - in hand	4,766,698	3,621,652
- in transit	595,652	570,862
	5,362,350	4,192,514
Work-in-process	2,236,965	1,278,643
Finished goods	2,698,961	2,506,545
By-products	26,835	42,855
Scrap material	13,664	10,753
	10,338,775	8,031,310

9.1 Raw material of the Holding Company amounting to Rs. 5.2 million (2013: Rs. 6 million) is held at a vendor's premise for the production of pipe caps.

10. TRADE DEBTS

	Note	2014	2013 (Restated)
Considered good			
- secured	10.1	2,079,257	1,389,273
- unsecured		1,367,885	1,241,149
		3,447,142	2,630,422
Considered doubtful		40,777	37,701
		3,487,919	2,668,123
Provision for doubtful debts	10.3	(40,777)	(37,701)
		3,447,142	2,630,422

10.1 This represents trade debts arising on account of export sales of Rs. 2,040.9 million (2013: Rs. 1,317.9 million which are secured by way of Export Letters of Credit and Document of Acceptance and Rs. 45.5 million (2013: Rs. 12,498 million) arising on account of domestic sales which are secured by way of Inland Letters of Credit.

10.2 Related parties from whom trade debts are due are as under:

	Note	2014	2013
		(Rupees in '000)	
Sui Southern Gas Company Limited		15,496	530
Sui Northern Gas Pipelines Limited		-	97,579
IIL Australia Pty Limited		6,944	-
		22,440	98,109

10.2.1 The ageing of the trade debts receivable from related parties as at the balance sheet date are as under:

Not past due		22,315	97,292
Past due 1-60 days		-	338
Past due 61 days - 365 days		125	479
Total		22,440	98,109

10.2.2 None of the trade debts receivable from related parties are considered doubtful.

10.3 Provision for doubtful debts

Balance as at 1 July		37,701	34,508
Charge for the year		7,564	11,087
Reversal for the year		(4,488)	(7,937)
	25	3,076	3,150
Debtors written back into the provision		-	43
Balance as at 30 June		40,777	37,701

11. ADVANCES - considered good, unsecured

- Suppliers		139,103	227,401
- Clearing agent		143,488	-
- Collector of Customs		-	100,000
- Sales Tax		-	85,000
- Employees for business related expenses		3,790	2,815
- Workers		13,206	-
		299,587	415,216

12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits		8,813	8,015
Short term prepayments		10,364	13,057
		19,177	21,072

13. OTHER RECEIVABLES

Considered good			
Interest income receivable		-	128
Receivable against sale of land		14,000	-
Receivable on transmission of electricity to K- Electric Limited (formerly Karachi Electric Supply Company Limited)		58,641	38,539
Receivable from Workers' Welfare Fund on account of excess allocation by Holding Company of Workers' Profit Participation Fund in earlier periods		25,940	25,940
Others		1,019	1,539
Claim due from foreign supplier		3,027	3,027
Less: Provision thereagainst		(3,027)	(3,027)
		-	-
		99,600	66,146

14. TAXATION - NET

Tax receivable as at 1 July		1,203,451	745,133
Tax payments / withheld during the year		685,244	1,071,171
Refunds received during the year		-	(458,103)
		1,888,695	1,358,201
Less: Provision for tax	30	(240,518)	(154,750)
		1,648,177	1,203,451

	Note	2014	2013
		(Rupees in '000)	

15. BANK BALANCES

	Note	2014	2013
Cash at bank			
- Current accounts (including foreign currency accounts)		102,223	19,383
- Savings accounts (including foreign currency accounts)	15.1	15,925	879
		118,148	20,262

15.1 These carry interest ranging from 6.5% to 8% per annum (2013: 5% to 8% per annum).

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2014	2013		2014	2013
(Number of Shares)				
6,769,725	6,769,725	Fully paid ordinary shares of Rs. 10 each issued for cash	67,697	67,697
113,122,894	113,122,894	Fully paid ordinary shares of Rs. 10 each issued as bonus shares	1,131,229	1,131,229
119,892,619	119,892,619		1,198,926	1,198,926

16.1 Associated companies, due to common directors, held 6,333,560 (2013 : 1,353,325) ordinary shares of Rs. 10 each at the year end.

17. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	Note	2014	2013
Freehold land			
Balance as at 1 July		1,046,916	484,436
Surplus on revaluation of freehold land	5.1	-	562,480
Balance as at 30 June		1,046,916	1,046,916
Leasehold land			
Balance as at 1 July		800,709	730,185
Surplus on revaluation of leasehold land	5.1	-	70,524
Transfer to retained earnings (Unappropriated Profit) on disposal of leasehold land		(7,264)	-
Balance as at 30 June		793,445	800,709
Buildings			
Balance as at 1 July		919,204	198,327
Surplus on revaluation of buildings	5.1	-	727,175
Transferred to retained earnings (Unappropriated Profit) in respect of incremental depreciation charged during the year - net of deferred tax		(38,239)	(6,298)
		880,965	919,204
Related deferred tax liability	17.1	(219,331)	(234,321)
Balance as at 30 June - net of deferred tax		661,634	684,883
		2,501,995	2,532,508

17.1 Movement in related deferred tax liability

	Note	2014	2013
Balance as at 1 July		234,321	55,125
Surplus on revaluation of buildings		-	191,229
Effect of change in tax rate and recognized temporary differences		(2,276)	(10,255)
Tax effect on incremental depreciation transferred to retained earnings (Unappropriated Profit)		(12,714)	(1,778)
Deferred tax liability as at 30 June		219,331	234,321

18. LONG TERM FINANCING - secured

	Note	2014	2013
Long-term finances utilized under mark-up arrangements	18.1	4,200,867	4,605,145
Current portion of long term finances shown under current liabilities		(899,877)	(783,285)
		3,300,990	3,821,860

18.1 Long term finances utilized under mark-up arrangements

Details of long term financing are as follows:

		Sale price	Purchase price	Number of instalments and commencement date	Date of maturity	Rate of mark-up per annum	2014	2013
		(Rupees in '000)					(Rupees in '000)	
i)	**Meezan Bank Limited** Local currency assistance of Rs. 450 million for plant and machinery (Refer note 18.1.1)	450,000	600,822	6 half yearly 24 Dec 2014	24 June 2017	0.65 % over 6 months KIBOR	450,000	450,000
ii)	**Syndicated Term Financing under LTFF Scheme** Local currency assistance for plant and machinery of Cold Rolled and Galvanized Sheet Project (note 18.1.2)	4,000,000	9,376,178	16 half yearly instalments 19-Mar-11	11-Jun-21	1.50% over SBP refinance rate	2,842,684	3,344,803
iii)	**Faysal Bank Limited** Local currency assistance for plant and machinery (note 18.1.3)	900,000	1,263,602	8 half yearly 27-Dec-12	2-Oct-17	1.8% over 6 months KIBOR	608,183	810,342
iv)	**Long Term Finance Local currency** Local currency assistance of Rs. 300 million for plant and machinery (note 18.1.4)	300,000	406,886	8 half yearly 27-Dec-13	18-Apr-19	1.25% over 6 months KIBOR	300,000	-
							4,200,867	4,605,145

18.1.1 The aforementioned long term financing utilized by the Holding Company under mark-up arrangement is secured by way of a mortgage on all present and future land and buildings, located at Plot Number LX-15 & 16 and HX-7/4, Landhi Industrial Estate, Karachi, and Survey No. 402, 405-406, Dehsharabi, Landhi Town, Karachi.

18.1.2 The syndicated term financing is obtained by ISL, a subsidiary company, for plant and machinery of Cold Rolling Mill and Galvanizing Plant and is secured by way of mortgage of land located at Survey No. 399-404, Landhi Town, Karachi and joint hypothecation of all present and future fixed assets (excluding land and building), as per the terms of the syndicated term financing agreement.

18.1.3 This finance is obtained by ISL, from a commercial bank for plant & machinery and is secured by way of first pari passu charge over its fixed assets.

18.1.4 This financing is obtained by ISL, from various banks for plant & machinery and is secured by way of first pari passu charge over its fixed assets.

18.1.5 ISL has obtained LTFF with a commercial bank having a limit of Rs. 2,000 million. It carries markup at the rate of the SBP refinance rate plus 100 basis points and is secured by way of equitable mortgage of land and building and hypothecation charge over plant and machinery ranking first pari passu with existing charge holders. The loan amount will be repayable in 10 years with a 2 years grace/moratorium period in 16 equal semi- annual instalments where markup is payable on a quarterly basis. This facility remained unavailed as at 30 June 2014.

19. DEFERRED TAXATION - NET

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

	Note	2014	2013 (Restated)
		(Rupees in '000)	
Taxable temporary difference:			
Accelerated tax depreciation		1,739,845	1,800,134
Share of profit from equity accounted investee		4,396	4,396
Surplus on revaluation of buildings		219,331	234,411
Deductible temporary differences:			
Provision for infrastructure cess		(25,552)	-
Provision for doubtful debts		(14,272)	(12,818)
Unrealized exchange losses		(4,716)	(2,371)
Pre-commencement expenditure		(5,234)	(10,650)
Tax losses		(1,331,532)	(1,518,970)
Provision against claim due from foreign supplier		(1,059)	(1,029)
Staff retirement benefits		(22,916)	(14,879)
Provision for compensated absences		(1,518)	(2,151)
		556,773	476,073

20. TRADE AND OTHER PAYABLES

	Note	2014	2013
Trade creditors	20.1	3,362,257	190,808
Bills payable		581,252	592,446
Accrued expenses	20.2	354,800	301,284
Provision for Infrastructure cess	20.3, 22.1.5 & 22.1.10	384,581	232,825
Provision for government levies	20.4	742	947
Short term compensated absences		7,065	7,156
Advances from customers		209,716	197,760
Payable against purchase of land	5.1.1	98,528	-
Workers' Profit Participation Fund	20.5	57,298	31,906
Workers' Welfare Fund		41,201	31,798
Unclaimed dividend		13,203	10,529
Others		5,640	1,652
		5,116,283	1,599,111

20.1 This includes an amount of Rs. 1,359.8 million (2013: Rs. 0.005 million) payable to the Group's associated companies.

20.2 Accrued expenses include Rs. 1.0 million (2013 : Rs. 2.4 million) in respect of commission payable to an associated person.

20.3 Provision for Infrastructure Cess

	2014	2013
Balance as at 1 July	232,825	115,463
Charge for the year	151,756	117,362
Balance as at 30 June	384,581	232,825

20.4 Provision for government levies

	2014	2013
Balance as at 1 July	947	811
Charge for the year	-	315
	947	1,126
Payment / adjustment during the year	(205)	(179)
Balance as at 30 June	742	947

		Note	2014	2013
			(Rupees in '000)	
20.5	**Workers' Profit Participation Fund**			
	Balance as at 1 July		31,906	6,000
	Interest on funds utilized at 15% (2013: 15%) per annum	27	360	146
			32,266	6,146
	Allocation for the year		81,298	59,906
			113,564	66,052
	Payments made during the year		(56,266)	(34,146)
	Balance as at 30 June		57,298	31,906

21. SHORT TERM BORROWINGS - secured

	Note	2014	2013
Running finance under mark-up arrangement from banks	21.1	1,315,734	2,952,190
Short term borrowing under Money Market Scheme	21.2	2,840,000	3,670,605
Short term borrowing under Export Refinance Scheme	21.3	1,612,000	3,559,500
Running finance under FE-25 Export and Import Scheme	21.4	4,194,907	697,277
Short term finance under Murabaha and Istisna	21.5	397,194	399,942
Short term finance under Musharakah	21.6	793,706	-
		11,153,541	11,279,514

21.1 The facilities for running finance available from various commercial banks amounted to Rs. 9,462 million (2013: Rs.11,602 million). The rates of mark-up on these finances obtained by Holding Company range from 10.38% to 11.88% per annum (2013: 10.01% to 11.41 % per annum). The rates of markup on these finances obtained by ISL, a subsidiary company, range from KIBOR + 0.3% to KIBOR + 1.75% (2013: KIBOR + 0.5% to KIBOR + 2%).

21.2 The facilities for short term borrowing under Money Market Scheme financing available from various commercial banks under mark-up arrangement amounted to Rs. 5,087 million (2013: Rs. 4,000 million). The rates of mark-up on these finances obtained by Holding Company range from 10.10% to 10.39% per annum (2013: 9.57% to 10.02% per annum).

21.3 The Group has borrowed short term running finance under the Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 3,134 million (2013: Rs. 3,559 million). The rates of mark-up on this facility ranges from 8.9% to 8.96% per annum (2013: 8.7% to 8.9 % per annum).

21.4 The facilities for short term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 availed by the Group from various commercial banks are for the purpose of meeting import requirements. The facilities availed are for an amount of Rs. 4,195 million (2013: Rs. 697 million). The rates of mark-up on these finances range from 1.5% to 3.82% (2013: 1.25% to 1.79%) per annum. These facilities mature within six months and are renewable.

21.5 ISL has obtained facilities for short term finance under Murahaba and Istisna from an Islamic Bank. The rate of profit is KIBOR + 0.3% (2013: KIBOR + 1%). The facility matures within six months and is renewable.

21.6 This represents Islamic Term Musharak availed by ISL from a commercial bank for the purpose of meeting working capital requirements. The facility is availed for an amount of Rs. 794 million. It carries markup at the rate of 3 months KIBOR plus 0.45%. This facility matures within one year and is renewable.

21.7 All running finance and short term borrowing facilities are secured by way of hypothecation of all present and future fixed assets (excluding land and building) and present and future current and moveable assets.

21.8 As at 30 June 2014, the unavailed facilities from the aforementioned borrowings amounted to Rs. 11,190.5 million (2013: Rs. 8,978.9 million).

22. CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

Group

22.1.1 As per the Gas Infrastructure and Development Cess Act 2011 (the Act), certain companies as specified in the Act (including Sui Southern Gas Company) shall collect and pay Gas infrastructure and Development Cess (GID Cess) in such manner as the Federal Government may prescribe. As per the Second Schedule of the Act, GID Cess of Rs. 13 per MMBTU was applicable on the Group entities. Through the Finance Bill 2012 - 2013, an amendment was made to the Act whereby the rate of GID Cess applicable on the Group entities was increased to Rs. 100 per MMBTU. During the year, the Group filed a suit wherein it has impugned the Act on the ground that the rate of GID Cess has been enhanced without any lawful justification and authority. The Honourable High Court of Sindh at Karachi vide its ad-interim order dated 1 August 2012 has restrained SSGC from charging GID Cess above Rs. 13 per MMBTU. Consequently, on account of the High Court order, SSGC invoices the Group at Rs. 13 per MMBTU and accordingly the Group continues to record GID Cess at Rs. 13 per MMBTU.

The Peshawar High Court vide order dated 13 June 2013 declared that the provisions of the Act, imposing, levying and recovering the impugned Cess, are absolutely expropriatory and exploitative and being constitutionally illegitimate, therefore having no sanction under the Constitution, hence, are declared as such and set at naught. However, The Supreme Court of Pakistan vide its order dated 30 December 2013 has suspended the judgment of the Peshawar High Court. The management is of the view that the Supreme Court of Pakistan suspended the order of the Peshawar High Court and leave is granted to consider various other aspects stated in the order. Therefore, a final decision is pending for adjudication.

The matter of applicability of receiving Rs. 87 per MMBTU is pending with the competent court. If the aforementioned matter is not decided in favour of the Group , it may be required to pay the additional amount in respect of GID Cess amounting to Rs. 268.6 million (2013: Rs. 120.7 million). However, the Group is confident that the matter will eventually be decided in favour of the Group.

Holding Company

22.1.2 Guarantees issued by the Holding Company to various service providers amounting to Rs. 137.5 million (2013: Rs. 178.6 million) as security for continued provision of services.

22.1.3 Customs duties amounting to Rs. 713 million (30 June 2013: Rs. 1,174 million) on import of raw material shall be payable by the Holding Company in case of non-fulfilment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Holding Company has provided post-dated cheques in favour of the Collector of Customs which are, in the normal course of business, to be returned to the Holding Company after fulfilment of stipulated conditions. The Holding Company has fulfilled the conditions for the aforementioned amount and is making efforts to retrieve the associated post-dated cheques from the customs authorities. Further, an amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Holding Company filed a petition with the Sindh High Court in 2010 for an injunction and is awaiting the final judgement.

22.1.4 The customs authorities have charged a redemption fine of Rs. 83 million on clearance of imported raw material consignments in 2006. The Holding Company has filed an appeal before the Sindh High Court, which has set aside the examination reports including subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities have filed an application for leave to appeal against the order of the High Court. The Supreme Court of Pakistan has referred the case back to the High Court with instructions to decide the matter in accordance with law. The management is confident that the matter will be decided in its favour.

22.1.5 The Holding Company has reversed the provision for the levy of Infrastructure Cess amounting to Rs.107 million in 2009 on the basis of a decision of the Sindh High Court which declared the levy of Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court of Pakistan against such order. In May 2011, the Supreme Court disposed of the appeal with a joint statement of the parties that, during the pendency of the appeal, another law i.e the Fifth Version, came into existence which was not the subject matter of the appeal. Hence the case was referred back to the High Court with the right to appeal to the Supreme Court. On 31 May 2011, the High Court has granted an interim relief on an application of petitioners on certain terms including the discharge and return of bank guarantees / security furnished on consignments released upto 27 December 2006 and any bank guarantee / security furnished for consignments released after 27 December 2006 shall be encashed to extent of only 50% of the guaranteed or secured amount with the balance kept intact till the disposal of petition. In case the High Court upholds the applicability of the Fifth Version of the law and its retrospective application, the authorities are entitled to claim the amounts due under the said law with the right to appeal available to the petitioner. Bank guarantees amounting to Rs. 288 million (2013: Rs. 356.5 million) have been provided by the Holding Company to the Department in this regard.

22.1.6 The Holding Company has received a demand from the Deputy Collector (Manufacturing Bond), Model Collectorate of Customs (Port Muhammad Bin Qasim) aggregating Rs. 82.9 million. The demand has been raised on account of Sales Tax, customs duty and withholding Income Tax in respect of wastage generated on raw material imported under manufacturing bond license and covers the period from July 2007 to December 2010. The Holding Company believes that it has discharged its liability towards all applicable taxes and duties. Further, Model Customs Collectorate (Exports) has already completed its audit upto 31 March 2009 and no further dues were liable to be paid as a result of this audit. The Holding Company has filed a Constitutional Petition in the Honourable High Court of Sindh which has granted interim stay as the matter requires further consideration by the High Court. The Holding Company, based on the advice of its legal counsel, is confident that the subject demand is unjustified and the matter will be decided in its favour.

ISL, Subsidiary Company

22.1.7 Section 113(2)(c) was interpreted by a Divisional Bench of the Sindh High Court in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 7 May 2013, whereby it was held that the benefit of carry forward of Minimum Tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than Minimum Tax. Therefore, where there is no tax payable due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability. As per the provisions of Income Tax Ordinance 2001, minimum tax charge of ISL for the year ended 2012 is Rs 128.3 million and for the year ended 2013 Rs 91.3 million and for the year 2014 Rs. 189.6 million has not been recorded.

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

22.1.8 Bank guarantees have been issued by ISL to Sui Southern Gas Company Limited and Excise and Taxation Officer aggregating Rs. 177.2 million (2013: Rs. 198.2 million).

22.1.9 Guarantees issued by ISL to Jamshoro Power Company Limited (Bid Bond Guarantee) of Rs. nil million (2013: Rs. 0.05 million).

22.1.10 The Sindh Finance Act, 1994 prescribed in the position of an Infrastructure Fee at the rate of 0.50% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The High Court, on petition filed, passed an interim order directing that every company subsequent to 27 December 2006 is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / securities for the balance amount as directed. Bank guarantees issued as per the aforementioned interim order amount to Rs. 216.5 million (2013: Rs. 126.5 million), have been provided to the relevant authorities. However, a provision to the extent of the amount utilized from the limit of the guarantee has also been provided for by ISL on a prudent basis.

22.2 Commitments

Group

22.2.1 Capital expenditure commitments outstanding as at 30 June 2014 amounted to Rs. 2,023 million (2013: Rs. 50 million).

22.2.2 Commitments under letters of credit for raw materials and stores and spares as at 30 June 2014 amounted to Rs. 3,987 million (2013: Rs. 7,459 million).

22.2.3 Unavailed facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 15,321 million (2013: Rs. 10,369 million) and Rs. 457 million (2013: Rs. 791 million) respectively.

Holding Company

22.2.4 Commitments under purchase contracts as at 30 June 2014 amounted to Rs. 92 million (2013: Rs. 880 million)

ISL, Subsidiary Company

22.2.5 ISL had obtained facilities for short term finance from a commercial bank under a Murabaha Master Agreement having limit of Rs. 1,600 million for the purchase of raw material (asset). The rate of profit was KIBOR plus 0.70%. The facility matured in 2014. Significant terms of the agreement with the bank were that ISL purchased the assets on behalf of the bank as agent and gave an irrevocable, unconditional and absolute undertaking for purchase of assets from the bank at agreed terms and made a down payment of 20% of the amount. The bank was entitled to recover any actual loss that may arise in case the Company did not purchase such assets. Actual loss was to be calculated as the difference between sale of assets in the market and the relevant cost price paid by the bank.

23. NET SALES

	2014	2013
	(Rupees in '000)	
Local	32,762,019	30,767,904
Export	8,843,646	7,814,484
	41,605,665	38,582,388
Sales Tax	(5,066,798)	(4,513,768)
Trade discounts	(94,803)	(40,157)
Sales discounts and commission	(588,707)	(516,746)
	(5,750,308)	(5,070,671)
	35,855,357	33,511,717

24. COST OF SALES

	Note	2014	2013 (Restated)
		(Rupees in '000)	
Opening stock of raw material and work-in-process		4,900,295	6,770,224
Purchases		32,004,367	26,009,085
Salaries, wages and benefits	24.1	770,361	685,004
Rent, rates and taxes		1,744	1,169
Electricity, gas and water		705,445	582,218
Insurance		30,879	33,991
Security and janitorial		33,169	24,797
Depreciation and amortization	5.2 & 6.2	652,506	556,250
Stores and spares consumed		228,995	205,666
Repairs and maintenance		178,230	160,842
Postage, telephone and stationery		16,500	15,507
Vehicle, travel and conveyance		24,902	22,607
Internal material handling		24,751	21,218
Environment controlling expense		1,243	1,312
Freight and forwarding expenses		-	-
Sundries	24.2	11,638	4,470
Sale of scrap generated during production		(913,258)	(277,013)
		38,671,767	34,817,347
Closing stock of raw material and work-in-process	9	(7,003,663)	(4,900,295)
Cost of goods manufactured		31,668,104	29,917,052
Finished goods and by-products:			
Opening stock		2,549,400	2,457,525
Closing stock	9	(2,725,796)	(2,549,400)
		(176,396)	(91,875)
		31,491,708	29,825,177

24.1 Salaries, wages and benefits include Rs. 42.7 million (2013: Rs. 27.1 million) in respect of staff retirement benefits.

24.2 Corresponding amount of Rs. 3.7 million has been reclassified by ISL, a subsidiary company, as rent, rates and taxes in Administrative Expenses for more appropriate presentation.

25. SELLING AND DISTRIBUTION EXPENSES

	Note	2014	2013
Freight and forwarding expense		529,618	491,367
Salaries, wages and benefits	25.1	136,044	107,893
Rent, rates and taxes		790	783
Electricity, gas and water		4,916	3,904
Insurance		4,833	2,011
Depreciation and amortization	5.2 & 6.2	11,337	8,936
Repairs and maintenance		1,177	726
Advertising and sales promotion		21,947	20,505
Postage, telephone and stationery		6,189	4,889
Office supplies		61	22
Vehicle, travel and conveyance		17,786	19,445
Provision for doubtful debts - net	10.3	3,076	3,150
Certification and registration charges		65	4,188
Others		5,126	3,681
		742,965	671,500

25.1 Salaries, wages and benefits include Rs. 9.6 million (2013: Rs. 7.6 million) in respect of staff retirement benefits.

26. ADMINISTRATIVE EXPENSES

	Note	2014	2013
		(Rupees in '000)	
Salaries, wages and benefits	26.1	199,036	179,501
Rent, rates and taxes		2,730	3,926
Electricity, gas and water		3,424	4,160
Insurance		1,073	831
Depreciation and amortization	5.2 & 6.2	17,003	15,131
Repairs and maintenance		860	831
Postage, telephone and stationery		11,115	9,206
Office supplies		132	87
Vehicle, travel and conveyance		12,202	14,633
Legal and professional charges		19,559	16,872
Certification and registration charges		2,632	3,026
Others		20,055	13,605
		289,821	261,809

26.1 Salaries, wages and benefits include Rs. 11.5 million (2013: Rs. 10.6 million) in respect of staff retirement benefits.

27. FINANCIAL CHARGES

	Note	2014	2013
Mark-up on:			
- long term financing		395,244	470,029
- short term borrowings		1,250,308	1,045,490
Exchange loss on FE financing		38,075	156,829
Interest on Workers' Profit Participation Fund	20.5	360	146
Bank charges		21,474	19,332
		1,705,461	1,691,826

28. OTHER OPERATING CHARGES

	Note	2014	2013
Auditors' remuneration	28.1	3,736	3,560
Donations	28.2	18,855	15,975
Exchange loss - net		32,508	8,253
Workers' Profit Participation Fund		81,298	59,906
Workers' Welfare Fund		32,103	23,922
Loss on disposal of property, plant and equipment - net		3,951	-
Provision for government levies		-	315
Provision against claim due from foreign supplier		-	3,027
Business development expense	28.3	3,681	-
Loss on derivative financial instruments	28.4	127,012	-
Others	28.5	8,995	-
		312,139	114,958

28.1 Auditors' remuneration

	2014	2013
Audit fee	2,280	2,085
Half-yearly review	650	590
Other services (including consolidation charges)	510	740
Out of pocket expenses	296	145
	3,736	3,560

28.2 Donations

Donations to entities in which director(s) are interested are as follows:

Name of director	Interest in donee	Name and address of donee	Amount donated 2014 (Rupees in '000)	Amount donated 2013 (Rupees in '000)
Holding Company				
Mr. Riyaz Chinoy	Chairman	Amir Sultan Chinoy Foundation, 101 Beaumont Plaza, 10 Beaumont Road, Karachi	-	2,125
ISL				
Mr. Kamal A. Chinoy	Chairman of Board of Directors	Public Interest Law Association of Pakistan 7th Floor, Adamjee House, I.I. Chundrigar Road, Karachi, Pakistan	300	-

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.

28.3 This represents pre- incorporation expenses in relation to IIL Australia, a wholly owned subsidiary.

28.4 This includes Rs. 63.4 million as ineffective portion of cash flow hedge and Rs. 63.6 million loss arising on settlement of forward exchange contracts that were entered into during the year by the Group to hedge its foreign currency exposure arising on firm commitments for purchase of inventory (raw material). Total contracts entered in to were of USD 93.5 million and Euro 0.94 million and there are no forward exchange contracts outstanding as at 30 June 2014.

28.5 These represent plant and machinery charged off during the year by ISL, a subsidiary company.

29. OTHER INCOME

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
Income / return on financial assets			
Interest on bank deposits		4,066	2,731
Exchange gain-net		80,672	46,154
Income from non-financial assets			
Income from power generation-18MW	29.1	36,700	43,617
Income from power generation-4MW	29.2	57,429	33,483
Rental income		1,716	1,735
Gain on disposal of property, plant and equipment	5.4	-	14,495
Reversal on account of excess allocation of Workers' Profit Participation Fund in earlier periods		-	25,940
Others		15,141	17,369
		195,724	185,524

29.1 Income from power generation-18MW

	Note	2014	2013
Net sales		479,660	452,404
Cost of electricity produced:			
Salaries, wages and benefits	29.1.1	(14,810)	(12,642)
Electricity, gas and water		(625,599)	(532,191)
Depreciation	5.2	(67,008)	(63,181)
Stores and spares consumed		(18,704)	(19,090)
Repairs and maintenance		(46,689)	(26,620)
Sundries		(1,359)	(913)
		(774,169)	(654,636)
Self consumption		331,209	245,839
Income from power generation		36,700	43,606

29.1.1 Salaries, wages and benefits include Rs. 0.6 million (2013: Rs. 0.5 million) in respect of staff retirement benefits.

29.1.2 ISL has electricity power generation facility at its premises. ISL has generated electricity in excess of its requirements which was supplied to K-Electric Limited (formerly Karachi Electric Supply Company (Limited) under an agreement. The agreement is valid for period upto 20 years commencing 31st August 2007.

29.2 This represents gross billing on account of sale of excess power generation of the 4MW plant to K-Electric Limited (formerly Karachi Electric Supply Company Limited) by the Holding Company.

30. TAXATION

	Note	2014	2013 (Restated)
		(Rupees in '000)	
Current			
- for the year		203,742	152,864
- for prior years		36,776	1,886
	14	240,518	154,750
Deferred		92,771	69,274
		333,289	224,024

30.1 Relationship between income tax expense and accounting profit

	2014	2013	2014	2013
	(Effective tax rate %)		(Rupees in '000)	
Profit before taxation			1,524,690	1,147,783
Tax at the enacted tax rate of 34% (2013: 35%)	34.00	35.00	518,926	401,738
Tax effect of income subject to lower tax	(0.26)	(0.35)	(3,986)	(3,999)
Tax effect of rebate / credits	(0.84)	(1.51)	(12,770)	(17,308)
Tax effect on exports under final tax regime	(7.53)	(7.85)	(114,755)	(90,251)
Tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes	(0.06)	0.61	(925)	7,060
Effect of adjustments on account of change in rates etc.	(6.00)	(6.82)	(91,481)	(78,392)
Effect of change in prior years' tax	2.41	0.16	36,776	1,886
Others	0.10	0.29	1,504	3,290
	21.85	17.74	333,289	224,024

30.2 Income tax assessments of the Holding Company have been finalized upto and including tax year 2013 by the assessing office while income tax assesments of ISL have been finalized upto and including tax year 2013 on the basis of the tax returns filed under section 120 of the Income Tax Ordinance 2001. However, the returns 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 such audits.

31. EARNINGS PER SHARE - BASIC AND DILUTED

	Note	2014	2013 (Restated)
		(Rupees in '000)	
Profit after taxation for the year -attributable to owners of the Holding Company		892,831	765,443
		(Number)	
Weighted average number of ordinary shares in issue during the year	16	119,892,619	119,892,619
		(Rupees)	
Earnings per share		7.45	6.38

32. CHANGES IN WORKING CAPITAL

	2014	2013
Decrease / (increase) in current assets:		
Stores and spares	(10,769)	16,738
Stock-in-trade	(2,307,465)	4,565,374
Trade debts	(819,772)	(672,848)
Advances	115,629	(374,486)
Trade deposits and short term prepayments	1,895	(1,183)
Other receivables	(379,513)	152,318
	(3,399,995)	3,685,913
Increase / (decrease) in current liabilities:		
Trade and other payables	3,415,970	(161,811)
	15,975	3,524,102

33. STAFF RETIREMENT BENEFITS

33.1 Defined Contribution Plan

Holding Company

Salaries, wages and benefits include Rs. 15.4 million (2013: Rs. 9.7 million) in respect of Provident Fund contributions by the Holding Company.

The following information is based on the latest financial statements of the Fund:

	2014 (Unaudited)	2013 (Audited)
	(Rupees in '000)	
Size of the Fund - total assets	229,631	202,144
Cost of investments made	221,416	125,149
Percentage of investments made	98%	93%
Fair value of investments	225,489	187,101

The break-up of the fair value of investments is:	2014 (Unaudited)	2013 (Audited)	2014 (Unaudited)	2013 (Audited)
	(Rupees in '000)		% of total investment	
Government securities	55,373	43,639	25%	23%
Debt securities	55,211	48,386	24%	26%
Mutual funds	114,905	95,076	51%	51%
	225,489	187,101	100%	100%

Subsidiary Company, ISL

Salaries, wages and benefits include Rs. 7.1 million (2013: Rs. 6.4 million) in respect of Provident Fund contributions by ISL.

The following information is based on the latest unaudited financial statements of the Fund:

	2014	2013
	(Rupees in '000)	
Size of the Fund - total assets	51,962	43,978
Cost of investments made	46,744	38,978
Percentage of investments made	92%	96%
Fair value of investments	47,873	42,225

The break-up of the fair value of investments is:

	2014	2013	2014	2013
	(Rupees in '000)		% of total investment	
Bank balances	2,322	1,526	4.85%	3.61%
Government securities	9,433	8,955	19.70%	21.21%
Debt securities	10,041	11,252	20.98%	26.65%
Mutual funds	26,077	20,492	54.47%	48.53%
	47,873	42,225	100%	100%

The investments out of the Provident Funds of the Holding Company and ISL have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

33.2 Gratuity Fund

The actuarial valuation of the Gratuity Fund was carried out at 30 June 2014. The projected unit credit method using the following significant assumptions has been used for the actuarial valuation:

	2014	2013
	(% per annum)	
Financial assumptions		
Holding Company:		
Rate of discount	13.25%	10.50%
Expected rate of salary increase	12.25%	9.50%
ISL, Subsdiary Company:		
Rate of discount	13.50%	10.50%
Expected rate of salary increase	12.50%	9.50%

Demographic assumptions

	2014	2013
Holding Company:		
Mortality rate	SLIC 2001-2005 Setback 1 Year	EFU 61-66
Rates of employee turnover	Moderate	Moderate
Retirement age assumption	60 years	60 years
ISL, Subsidiary Company:		
Mortality rate	SLIC 2001-2005 Setback 1 Year	EFU 61-66
Rates of employee turnover	Moderate	Moderate
Retirement age assumption	60 years	60 years

The amounts recognized in Balance Sheet are as follows:	2014	2013 (Restated)
	(Rupees in '000)	
Present value of defined benefit obligation	382,279	305,090
Fair value of plan assets	(288,512)	(245,365)
Liability as at 30 June	93,767	59,725
Movements in the present value of defined benefit obligation		
Present value of defined benefit obligation - beginning of the year	305,090	214,918
Current service cost	30,463	24,744
Interest cost	31,159	27,939
Re-measurements : actuarial losses on obligation	32,239	55,911
Benefits paid	(16,672)	(18,422)
Present value of defined benefit obligation - closing	382,279	305,090
Movements in the fair value of plan assets		
Fair value of plan assets - beginning of the year	245,365	207,273
Interest income on plan assets	26,842	26,946
Return on plan assets, excluding interest income	126	3,537
Benefits paid	(12,309)	(18,422)
Benefits due but not paid	(4,364)	-
Contribution to the Fund	32,852	26,031
Fair value of plan assets - closing	288,512	245,365

Movement in the net defined benefit liability/(asset)	2014	2013 (Restated)
	(Rupees in '000)	
Opening balance	59,725	7,646
Re-measurements recognized in other comprehensive income during the year	32,113	52,374
Expense chargeable to Profit and Loss Account	34,780	25,737
Contribution paid during the year	(32,852)	(26,032)
Closing balance	93,766	59,725

Amounts recognized in Total Comprehensive Income

The following amounts have been charged in respect of these benefits to the Profit and Loss Account and Other Comprehensive Income:

	2014	2013
	(Rupees in '000)	
Component of defined benefit costs recognized in Profit and Loss Account:		
Current service cost	30,463	24,744
Net interest cost		
- Interest cost on defined benefit obligation	31,159	27,939
- Interest income on plan assets	(26,842)	(26,946)
	34,780	25,737
Component of defined benefit costs (re-measurement) recognized in Other Comprehensive Income:		
Re-measurements: actuarial loss on obligation		
Loss due to change in experience adjustments	32,239	55,911
Interest income on plan assets	(126)	(3,537)
Net re-measurement recognized in Other Comprehensive Income	32,113	52,374
Total defined benefit cost recognized in profit and Loss Account and Other Comprehensive Income	66,893	78,111
Actual return on plan assets	26,968	30,483
Expected contributions to the Funds in the following year	48,903	36,952
Expected benefit payments to retirees in the following year	29,730	-
Re-measurements: accumulated actuarial losses recognized in equity	32,113	52,374
Weighted average duration of the defined benefit obligation (years) of Holding Company	8	-
Weighted average duration of the defined benefit obligation (years) of ISL, subsidiary company	11	-
Vested / non-vested:		
- Vested benefits	378,537	302,619
- Non - vested benefits	3,742	2,471

Disaggregation of fair value of plan assets

The fair value of the plan assets at the balance sheet date for each category is as follows:

	2014	2013 (Restated)
	(Rupees in '000)	
Cash and cash equivalents (comprising bank balances and adjusted for current liabilities)	9,554	18,190
Debt instruments:		
- AA+	19,977	47,533
- AA	1,174	1,852
- AA-	34,233	20,987
- A	5,963	8,972
	61,347	79,344
Government securities:	73,707	27,088
Mutual funds		
- Money market fund	20,051	60,184
- Income fund	113,658	60,560
- Asset allocation fund	10,125	-
- Stock fund	71	-
	143,905	120,744

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2014
	(Rupees in '000)
Discount rate + 100 basis point	353,145
Discount rate - 100 basis point	415,846
Salary increase + 100 basis point	416,353
Salary decrease - 100 basis point	352,202

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Maturity profile of the defined benefit obligation

Years	2014
	(Rupees in '000)
1	29,730
2	48,401
3	29,926
4	41,354
5	43,412
6 and onwards	8,463,425

34. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

34.1 Holding Company

	Chief Executive		Executives		Total	
	2014	2013	2014	2013	2014	2013
	(Rupees in '000)					
Remuneration	25,017	20,676	203,616	165,231	228,633	185,907
Variable performance pay	-	2,585	-	20,654	-	23,238
Retirement benefits	1,563	1,292	12,730	10,322	14,293	11,614
Rent, utilities, leave encashment etc.	9,382	7,753	88,815	62,229	98,197	69,982
	35,962	32,306	305,161	258,436	341,123	290,741
Number of persons	1	1	165	132	166	133

34.1.1 In addition to the above, the Chief Executive, directors and certain executives are provided with free use of Holding Company maintained vehicles in accordance with its policy .

34.1.2 Fees paid to non-executive directors of the Holding Company is Rs. 3.6 million (2013: Rs. 2.8 million) on account of meetings of attended by them.

34.2 Subsiding Company ISL

	Chief Executive		Executives		Total	
	2014	2013	2014	2013	2014	2013
	(Rupees in '000)					
Remuneration	28,519	28,524	110,034	136,439	138,553	164,963
Retirement benefits	-	-	9,066	7,020	9,066	7,020
Rent, utilities, leave encashment etc.	14,259	14,256	44,284	34,110	58,543	48,366
	42,778	42,780	163,384	177,569	206,162	220,349
Number of persons	1	1	48	37	49	38

34.2.1 In addition to the above, the Chief Executive, directors and certain executives are provided with free use of ISL maintained vehicles in accordance with its policy .

34.2.2 Fees paid to non-executive directors of ISL is Rs. 2.3 million (2013: Rs. 2 million) on account of meetings of attended by them.

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The Board of Directors of the Group ("the Board") has overall responsibility for the establishment and oversight of the Group's 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 for developing and monitoring the Group's risk management policies.The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks including adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Audit Committee ("the Committee") oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The 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 Committee.

35.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation without considering fair value of collateral available thereagainst.

Exposure to credit risk

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

	Note	2014	2013
		(Rupees in '000)	
- Long term deposits		4,588	4,528
- Trade debts - net of provision		3,447,142	2,630,422
- Trade deposits		8,813	8,015
- Other receivables [excluding receivable from K - Electric Limited (formerly Karachi Electric Supply Company Limited)]		15,019	1,667
- Receivable on transmission of electricity to K - Electric Limited		58,641	38,539
- Cash and bank balances		118,148	20,262
		3,652,351	2,703,433

The Group does not take into consideration the value of collateral while testing financial assets for impairment. The Group considers the credit worthiness of counter parties as part of its risk management.

Long term deposits

These represent long term deposits with various parties for the purpose of securing supplies of raw materials and services. The Group does not foresee any credit exposure thereagainst as the amounts are paid to counter parties as per agreements and are refundable on termination of the agreements with respective counterparties.

Trade deposits

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

Trade debts

The Group's exposure to credit risk arising from trade debtors is mainly influenced by the individual characteristics of each customer. The Group has no major concentration of credit risk with any single customer. The majority of the Group's customers have been transacting with the Group for several years. The Holding Company establishes an allowance for impairment that represents its estimate of incurred losses for balances above one year except for amounts due from government / public sector entities.

Receivable from K - Electric Limited (formerly Karachi Electric Supply Company Limited)

This represents amounts receivable from K - Electric Limited on account of electricity provided to it from the 4 MW and 18 MW plants located at factory sites of the Holding Company and ISL respectively under an agreement. The Group does not expect to incur credit loss thereagainst.

Analysis of amounts receivable from K - Electric Limited and from local and foreign trade debtors are as follows:

	Note	2014	2013
		(Rupees in '000)	
Domestic		1,426,526	1,279,664
Export		2,079,257	1,389,297
		3,505,783	2,668,961

Impairment losses

The ageing of trade debtors and amounts receivable from K - Electric Limited at the balance sheet date was as follows:

	2014		2013	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Not past due	2,815,940	-	2,342,367	-
Past due 1-60 days	506,734	-	217,880	-
Past due 61 days -1 year	160,217	-	82,827	-
More than one year	63,669	40,777	63,588	37,701
Total	3,546,560	40,777	2,706,662	37,701

Based on an assessment conducted of individual customers, the management believes that receivables falling within the age bracket of upto one year do not require any impairment provision other than to the extent determined above. Further, provision recognized against balances appearing over one year is without prejudice to other recourse the management has for recovery against outstanding balances. The movement in provision has been stated elsewhere in these consolidated financial statements.

Other receivables

These comprise of interest receivable and other miscellaneous receivables and management does not expect to incur material losses against those balances.

Balances with bank

The Group deposits its funds with banks demonstrating good credit standings assessed by reputable credit agencies. The banks are credit rated as follows:

	Short term	Long term
Local banks	AAA to AA-	A1+ to A1
Foreign banks	F1+ / P1 to F1 / P1	AA- / A1 to A / A2

Concentration of credit risk

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. At the reporting date, the Company has no major concentration of credit risk. The majority of debtors of the Group are domestic entities.

35.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected or experience difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Group 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 liquidity including credit lines to meet expected working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments:

	2014						
	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	4,200,867	-	(5,307,587)	(629,101)	(627,342)	(3,682,934)	(368,210)
Trade and other payables	4,415,680	(18,843)	(4,396,837)	(4,396,837)	-	-	-
Accrued markup	232,309	-	(232,309)	(232,309)	-	-	-
Short term borrowings	11,153,541	(11,153,541)	-	-	-	-	-
	20,002,397	(11,172,384)	(9,936,733)	(5,258,247)	(627,342)	(3,682,934)	(368,210)

	2013						
	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	4,605,145	-	(5,940,718)	(540,728)	(663,165)	(3,817,292)	(919,533)
Trade and other payables	1,096,719	(12,181)	(1,084,538)	(1,084,538)	-	-	-
Accrued markup	285,817	-	(285,817)	(285,817)	-	-	-
Short term borrowings	11,279,514	(11,279,514)	-	-	-	-	-
	17,267,195	(11,291,695)	(7,311,073)	(1,911,083)	(663,165)	(3,817,292)	(919,533)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at 30 June. The rates of mark-up have been disclosed in notes 18 and 21 to these consolidated financial statements.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Exposure to currency risk

The Group is exposed to currency risk on trade debts, borrowings, trade and other payables, bank balances and accrued markup that are denominated in a currency other than the functional currency of the Group. The Group's exposure to foreign currency risk is as follows:

	2014			2013		
	Rupees	US Dollars	Australian Dollars	Rupees	US Dollars	Australian Dollars
Financial assets	(Amount in '000)					
Trade debts and bank balance denominated in foreign currency	2,090,852	21,202	100	1,398,770	14,126	-
Financial liabilities						
Running finance under FE-25 Export and Import Schemes	(4,194,907)	(42,458)	-	(697,277)	(7,029)	-
Trade and other payable	(581,252)	(5,883)	-	(57,359)	(578)	-
Accrued markup	(10,373)	(105)	-	(1,405)	(10)	-
	(4,786,532)	(48,446)	-	(756,041)	(7,617)	-
Net exposure	(2,695,680)	(27,244)	100	642,729	6,509	-

The following significant exchange rates applied during the year:

	2014	2013	2014	2013
	Average Rates		Balance sheet date rate	
US Dollars to PKR	103	97	98.61 / 98.80	99.02 / 99.20
Australian Dollar to PKR	93	-	93.27 / 93.44	-

Sensitivity analysis:

A 10 percent strengthening / (weakening) of the Pak Rupee against the US Dollar and the Australian Dollar at 30 June would have (decreased) / increased 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 as for 2013.

	Effect on profit and loss (net of tax)	
	2014	2013
As at 30 June	(Rupees in '000)	
Effect - US Dollars	(177,915)	41,777
Effect - Australian Dollars	(267)	-

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. The majority of the interest rate exposure arises from short and long term borrowings from banks.

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

	Carrying amount	
	2014	2013
	(Rupees in '000)	
Fixed rate instruments		
Financial liabilities	(1,612,000)	(3,559,500)
Variable rate instruments		
Financial liabilities	(13,742,408)	(12,325,159)

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 the Profit and Loss Account. Therefore a change in interest rates at the reporting date would not affect the 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 the profit by Rs. 55.7 million (2013: Rs. 44.5 million) with a corresponding effect on the carrying amount of the liability. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2013.

Other price risks

At present the Group is not exposed to any other price risks.

35.4 Fair value of financial assets and liabilities

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

35.5 Financial instruments by categories

	2014	2013
	(Rupees in '000)	
Financial assets		
Loans and receivables:		
- Long term deposit	4,588	4,528
- Trade debts - net of provision	3,447,142	2,630,422
- Trade deposits	8,813	8,015
- Other receivables	73,660	40,206
- Bank balances	118,148	20,262
	3,652,351	2,703,433
Financial liabilities		
Financial liabilities at amortized cost:		
- Long term financing	4,200,867	4,605,145
- Trade and other payables	4,415,680	1,096,719
- Accrued markup	232,309	285,817
- Short term borrowings	11,153,541	11,279,514
	20,002,397	17,267,195

35.6 Offsetting of financial assets and financial liabilities

None of the financial assets and liabilities are offset in the Consolidated Balance Sheet.

36 CAPITAL MANAGEMENT

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

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

37. TRANSACTIONS WITH RELATED PARTIES

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

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

	2014	2013
	(Rupees in '000)	
Associated companies		
Sales	427,226	1,206,826
Purchases	11,707,384	8,648,999
Insurance premium expense	89,806	51,213
Insurance claim received	1,641	1,630
Rent income	1,716	1,735
Donations	300	2,125
Dividend paid	8,241	1,728
Dividend received	9,704	7,884
Reimbursement of expenses	592	2,665
Others	544	691
Associated Person		
Sales commission	8,060	2,440
Key management personnel		
Remuneration	283,717	278,306
Staff retirement benefits	12,065	12,075
Sales proceeds from disposal of vehicle	-	1,936
Non-executive directors		
Directors' fee	5,840	4,760
Staff retirement funds		
Contributions paid	59,267	45,722

38. PRODUCTION CAPACITY

Actual production capacity at the year end was as follows:

	2014	2013
	(Metric tonnes)	
Holding Company:		
Pipe	340,000	340,000
Galvanizing	150,000	150,000
Cold rolled steel strip	70,000	70,000
Polyethylene pipe	15,000	15,000
Subsidiary Company, ISL:		
Galvanizing	150,000	150,000
Cold rolled steel strip	250,000	250,000

Actual production for the year was:

	2014	2013
	(Metric tonnes)	
Holding Company:		
Pipe	176,536	192,942
Galvanizing	81,152	94,003
Cold rolled steel strip	50,489	44,328
Polyethylene pipe	3,611	3,139
Subsidiary Company, ISL:		
Galvanizing	158,949	143,424
Cold rolled steel strip	281,772	221,859

Actual production during the year was sufficient to meet market demand.

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

39. SEGMENT REPORTING

The Group has identified steel coils and sheets, steel pipes and plastic pipes as three reportable segments. Performance is measured based on respective segment results. During the year results of the subsidiary company, ISL has been moved under steel coils and sheets and comparative has been reported as well. Information regarding the Group's reportable segments is presented below:

39.1 Segment revenue and results

	Steel Coils and Sheets	Steel Pipes	Plastic Pipes	Total
	(Rupees in '000)			
For the year ended 30 June 2014				
Sales	19,514,051	15,719,254	622,052	35,855,357
Cost of sales	(17,277,335)	(13,573,136)	(641,237)	(31,491,708)
Gross profit	2,236,716	2,146,118	(19,185)	4,363,649
For the year ended 30 June 2013				
Sales	15,785,280	17,148,669	577,768	33,511,717
Cost of sales	(14,178,552)	(15,102,991)	(543,634)	(29,825,177)
Gross profit	1,606,728	2,045,678	34,134	3,686,540

Reconciliation of segment results with Profit After Tax is as follows:

	2014	2013
	(Rupees in '000)	
Total results for reportable segments	4,363,649	3,686,540
Selling and distribution expenses	(742,965)	(671,500)
Administrative expenses	(289,821)	(261,809)
Financial charges	(1,705,461)	(1,691,826)
Other operating charges	(312,139)	(114,958)
Share of profit of equity accounted investee, net of tax	15,703	15,812
Other income	195,724	185,524
Taxation	(333,289)	(224,024)
Profit for the year	1,191,401	923,759

39.2 Segment revenue and results

	Steel Coils and Sheets	Steel Pipes	Plastic Pipes	Total
As at 30 June 2014	(Rupees in '000)			
Segment assets	14,615,997	11,936,143	505,506	27,057,646
Segment liabilities	10,371,964	9,156,191	427,657	19,955,812
As at 30 June 2013				
Segment assets	13,116,457	10,298,087	662,628	24,077,172
Segment liabilities	9,211,357	7,441,179	574,839	17,227,375

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

	2014	2013
	(Rupees in '000)	
Total reportable segments assets	27,057,646	24,077,172
Unallocated assets	3,596,869	2,779,131
Total assets as per consolidated Balance Sheet	30,654,515	26,856,303
Total reportable segments liabilities	19,955,812	17,227,375
Unallocated liabilities	1,397,727	1,078,010
Total liabilities as per consolidated Balance Sheet	21,353,539	18,305,385

39.3 Segment revenues reported above are revenues generated from external customers.

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

39.5 Information about major customers

Revenue from major customers of the Plastic pipes segment was Rs. 93.9 million (2013: Rs. Nil), whereas in the other segments, there was no major customer whose revenue accounted for more than 10% of the Segment's revenue.

39.6 Geographical information

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

Domestic sales	32,762,019	30,767,904
Export sales	8,843,646	7,814,484
	41,605,665	38,582,388

The Group exports its products to numerous countries.

39.7 As at 30 June 2014, all non-current assets of the Group are located in Pakistan.

40. NUMBER OF EMPLOYEES

	2014	2013
	(Number)	
Holding Company:		
Average number of employees during the year	1,015	1,038
Number of employees as at 30 June	1,008	1,020
Subsidiary Company, ISL:		
Average number of employees during the year	444	428
Number of employees as at 30 June	447	441

41. GENERAL

41.1 Non-adjusting events after the balance sheet date

The Board of Directors of the Holding Company in their meeting held on 13 August 2014 has proposed a final cash dividend of Rs. 2.00 per share amounting to Rs. 239.8 million (2013: Rs 2.25 per share amounting to Rs. 269.8 million) for the year ended 30 June 2014. In addition , the Board has also approved an appropriation of Rs. Nil million (2013: Rs. 851.3 million) from Unappropriated Profit to General Reserve. The approval of the Members of the Holding Company for the dividend shall be obtained at the Annual General Meeting to be held on 15 September 2014. The consolidated financial statements for the year ended 30 June 2014 do not include the effect of the proposed final cash dividend which will be accounted for in the period ending 30 June 2015.

41.2 Date of authorization for issue

These consolidated financial statements were authorized for issue on 13 August 2014 by the Board of Directors.

Fuad Azim Hashimi	Sohail R. Bhojani	Riyaz T. Chinoy
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

Stakeholders' Information

OWNERSHIP

On June 30, 2014 there were 2,826 members on the record of the Company's ordinary shares register.

DIVIDEND PAYMENT

The Board of Directors of the Company has recommended a 20% final dividend for the year as per the Company's Profit Appropriation Policy. The proposal shall be placed before the shareholders of the Company in the Annual General Meeting for their consideration and approval on 15th September 2014. If approved by the shareholders, the dividend warrants, shall be dispatched to the shareholders listed in the Company's share register at the close of business on 4th September 2014 and shall be subject to Zakat and tax deductions as per law.

Financial Calendar

RESULTS

First quarter ended September 30, 2013	Approved on	Oct. 25, 2013
	Announced on	Oct. 28, 2013
Half-year ended December 31, 2013	Approved and announced on	Jan. 28, 2014
Third quarter ended March 31, 2014	Approved and announced on	Apr. 22, 2014
Year ended June 30, 2014	Approved and announced on	Aug. 13, 2014

DIVIDENDS

Final – cash (2013)	Approved on	Aug. 30, 2013
	Entitlement date	Oct. 4, 2013
	Statutory limit upto which payable	Nov. 2, 2013
	Paid on	Oct. 10, 2013
Interim – cash (2014)	Approved on	Jan. 28, 2014
	Entitlement date	Feb. 13, 2014
	Statutory limit upto which payable	Mar. 14, 2014
	Paid on	Feb. 21, 2014

LAST ANNUAL REPORT ISSUED ON	Aug. 23, 2014
66TH ANNUAL GENERAL MEETING TO BE HELD ON	Sep. 15, 2014

TENTATIVE DATES OF FINANCIAL RESULTS

For the period	To be announced on
1st Quarter	Oct. 24, 2014
2nd Quarter	Jan. 23, 2015
3rd Quarter	Apr. 22, 2015
Annual Accounts	Aug. 17, 2015

Investor Relations Contact

Mr. M. Irfan Bhatti (Assistant Company Secretary)
Email: irfan.bhatti@iil.com.pk UAN: +9221 111 019 019 Fax: +9221 3568 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:

Central Depository Company of Pakistan Ltd.
CDC House, 99-B, Block "B", S.M.C.H.S, Shahrah-e-Faisal, Karachi.
Telephone Nos: +9221-111-111-500 FAX: +9221-34326053
E-mail : info@cdcpak.com

Pattern of Shareholding

As at 30 June 2014

Number of shareholders	Having shares From	Having shares To	Shares held	Percentage
766	1	100	16,220	0.0135
477	101	500	145,311	0.1212
315	501	1,000	255,278	0.2129
698	1,001	5,000	1,760,124	1.4681
193	5,001	10,000	1,460,072	1.2178
83	10,001	15,000	1,038,624	0.8663
52	15,001	20,000	932,852	0.7781
33	20,001	25,000	760,738	0.6345
22	25,001	30,000	593,912	0.4954
29	30,001	40,000	1,021,616	0.8521
17	40,001	50,000	766,428	0.6393
19	50,001	60,000	1,064,780	0.8881
20	60,001	75,000	1,351,696	1.1274
27	75,001	100,000	2,418,760	2.0174
10	100,001	125,000	1,111,410	0.9270
5	125,001	150,000	701,009	0.5847
4	155,001	170,000	650,380	0.5425
4	180,001	200,000	768,812	0.6413
6	205,001	300,000	1,571,855	1.3111
3	325,001	400,000	1,080,000	0.9008
6	435,001	500,000	2,868,494	2.3926
4	540,001	600,000	2,295,301	1.9145
5	640,001	785,000	3,470,961	2.8951
4	805,001	905,000	3,427,651	2.8589
1	1,010,001	1,015,000	1,014,000	0.8458
1	1,070,001	1,075,000	1,074,500	0.8962
1	1,095,001	1,100,000	1,100,000	0.9175
1	1,115,001	1,120,000	1,115,976	0.9308
1	1,225,001	1,230,000	1,226,500	1.0230
1	1,240,001	1,245,000	1,242,240	1.0361
1	1,370,001	1,375,000	1,370,080	1.1428
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	1,495,001	1,500,000	1,500,000	1.2511
1	1,565,001	1,570,000	1,568,650	1.3084
1	2,065,001	2,070,000	2,067,529	1.7245
1	2,425,001	2,430,000	2,425,191	2.0228
1	2,910,001	2,915,000	2,912,706	2.4294
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	6,310,001	6,315,000	6,312,636	5.2652
1	6,645,001	6,650,000	6,649,473	5.5462
1	11,245,001	11,250,000	11,249,078	9.3826
1	11,340,001	11,345,000	11,341,133	9.4594
1	14,175,001	14,180,000	14,175,752	11.8237
2,826			119,892,619	100

Categories of Shareholders

As at 30 June 2014

Particulars	Number of shareholders	Number of shares held	Percentage
Directors, CEO, sponsors and family members	25	60,727,199	50.6513
Associated companies	5	6,333,560	5.2827
Govt. financial institutions	5	12,160,148	10.1425
Banks, DFI & NBFI	7	7,223,809	6.0252
Insurance companies	4	2,052,751	1.7122
Modarabas & mutual funds	8	2,921,609	2.4369
Foreign companies	3	623,735	0.5202
Welfare trusts / provident funds/others	51	5,980,613	4.9883
General public	2,718	21,869,495	18.2406
TOTAL	2,826	119,892,919	100

Key Shareholding and Shares Traded

As at 30 June 2014

Information on shareholding required under the reporting framework is as follows:

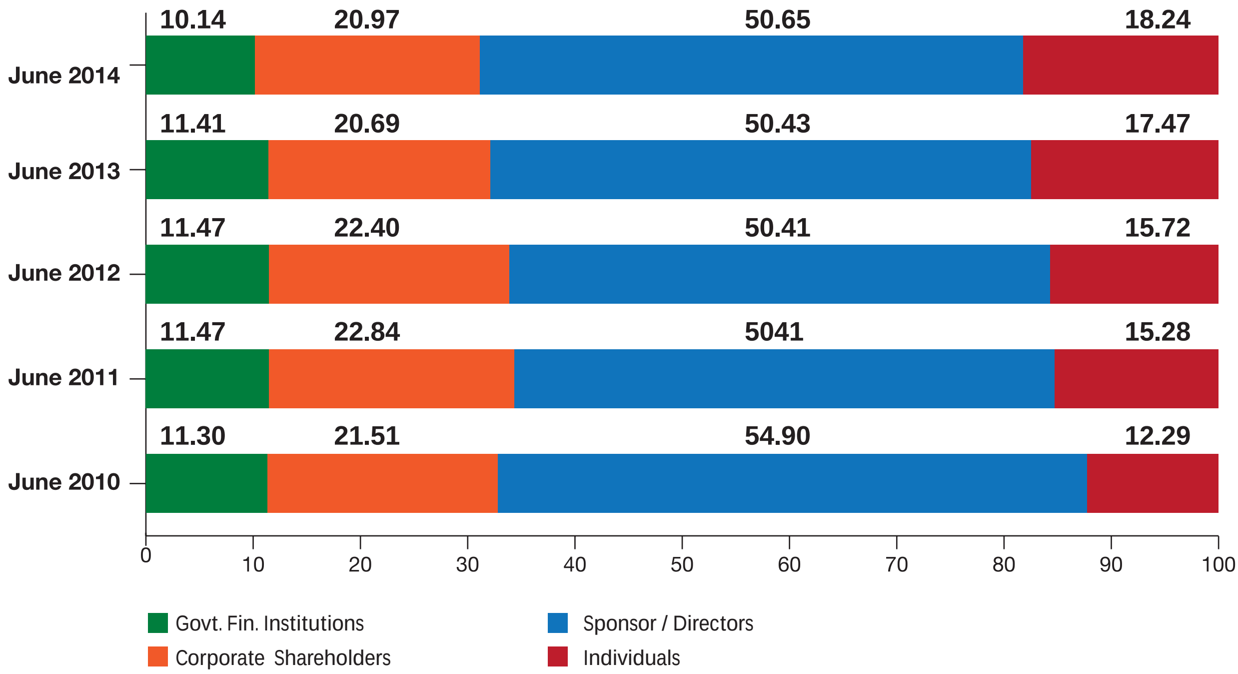
	No. of shares	Percentage
Directors & spouses	33,940,194	28.3088
Executives	182,712	0.152
Associated companies		
Jubilee Insurance Company Ltd.	2,912,706	2.429
Jubilee Life Insurance Company Ltd.	2,067,529	1.724
Pakistan Cables Ltd.	576,000	0.480
Pakistan Cables Limited Employees Provident Fund	544,725	0.454
Trustees Pakistan Cables Limited Management Staff Pension Fund	232,600	0.194
	6,333,560	5.283
Government institutions		
CDC-Trustee National Investment (Unit) Trust	11,341,133	9.459
State Life Insurance Corp. of Pakistan	656,019	0.547
National Investment Trust Limited - Administration Fund	160,023	0.133
IDBP (ICP Unit)	2,553	0.002
Investment Corp. of Pakistan	420	0.000
	12,160,148	10.143

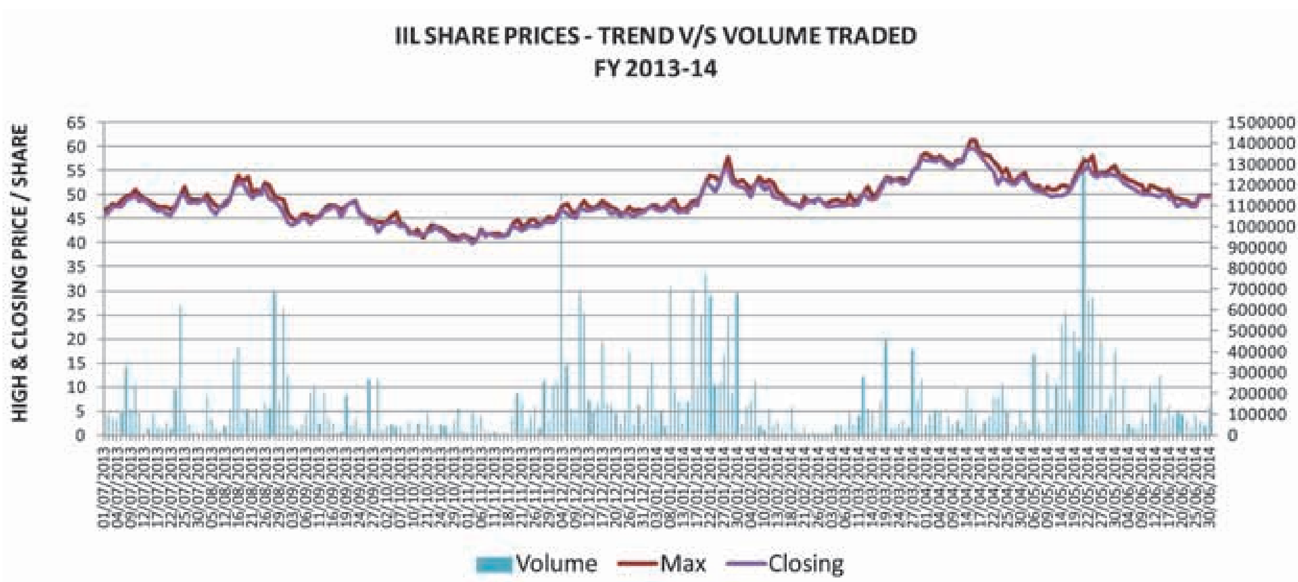
Members having 5% or more of voting rights

Name of Shareholder	Shares held	Percentage
National Bank of Pakistan	6,312,636	5.2652

89,300 shares of International Industries Ltd. were traded by directors / executives and their spouses / minor children during the financial year July 1, 2013 to June 30, 2014.

Shareholders' Composition





Notice of Annual General Meeting For the year ended 30 June 2014

Notice is hereby given to the Members that the 66th Annual General Meeting of the Company will be held on September 15, 2014 at 10.30 a.m. at the Jasmine Hall, Beach Luxury Hotel, Off. M.T. Khan Road, Karachi to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2014 and the Directors' Report and Auditors' Report thereon.
2. To consider and approve payment of Rs. 2.00 (20%) per share as final cash dividend in addition to 12.5% interim cash dividend announced and paid, making a total dividend of Rs. 3.25 (32.5%) per share for the financial year ended June 30, 2014 as recommended by the Board of Directors.
3. To appoint the auditors for the year 2014-2015 and fix their remuneration.
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

Dated: August 13, 2014

Karachi

NEELOFAR HAMEED

Company Secretary

Notes:

1. The Share Transfer Books of the Company shall remain closed from September 5, 2014 to September 15, 2014 (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. An 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 guidelines 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 Computerised National Identity Card (CNIC) 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 the CNIC of the beneficial owners and the proxy shall be furnished with the Proxy Form.
- The proxy shall produce his / her original CNIC 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 their CNIC to update our records.

e-dividend

In compliance of Securities and Exchange Circular No.8(4) SM/CDC 2008 dated April 5, 2013 shareholders are informed that, to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged whereby shareholders can get the amount of dividend credited into their respective bank accounts electronically without any delay. In addition, by this way, dividends may be instantly credited to respective accounts.

The Shareholders can avail the benefit of e-dividend mechanism by providing a dividend mandate in their CDS accounts through their participants or to the respective listed companies / Share Registrars.

INTERNATIONAL INDUSTRIES LTD.

Promising Reliability, For Now and Tomorrow

Proxy Form

I / We ____

of ____

being a member of INTERNATIONAL INTERNATIONAL 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, 2014 and at any adjournment thereof.

Signed this ____________ day of ____________ 2014

WITNESS:

1 Signature ____________________

Name ____________________

Address ____________________

NIC or ____________________

Passport No. ____________________

Signature

Revenue Stamp

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

2 Signature ____________________

Name ____________________

Address ____________________

NIC or ____________________

Passport No. ____________________

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 Computerised National Identity Card or passport with this Proxy Form before submission to the Company.

Registered Office:
101, Beaumont Plaza,
10 Beaumont Road,
Karachi-75530, Pakistan.
For Local Inquiries:
sales@iil.com.pk
For International Sales Inquiries:
inquiries@iil.com.pk

Factory:
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Karachi-75120, Pakistan.
Email: factory@iil.com.pk

33 Production lines

8 locations

PE Factory:
Survey # 405 - 406, Rehri Road,
Landhi, Karachi-75160, Pakistan.
Email: pe.sales@iil.com.pk

Branch Office:
Chinoy House, 6-Bank Square,
Lahore, Pakistan.
Email: lahore@iil.com.pk

UAN: +92 111 019 019

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