Vision

“To be an international, innovative entrepreneurial, million tons steel processor by the year 2020.”

بسم الله الرحمن الرحيم

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

Contents

Comany Information

Board of Directors

Chairman	Mr. Zaffar A. Khan	Independent Chairman
Directors	Mr. Mustapha A. Chinoy	Non- executive Director
	Mr. Kamal A. Chinoy	Non- executive Director
	Mr. Fuad Azim Hashimi	Independent Director
	Mr. Azam Faruque	Independent Director
	Mr. Tariq Ikram	Independent Director
	Mr. Aly Noormahomed Rattansey	Independent Director
	Mr. Alamuddin Bullo	Non-executive Director
Chief Executive Officer	Mr. Riyaz T. Chinoy	Executive Director
Chief Financial Officer	Mr. Sohail R. Bhojani, FCA	
Company Secretary	Ms. Neelofar Hameed	
External Auditors	KPMG Taseer Hadi & Co	
Internal Auditors	Ernst &Young Ford Rhodes Sidat Hyder & Co	

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 Ltd
United Bank Ltd

Legal Advisor

Mrs. Sana Shaikh Fikri

Registered Office

101 Beaumont Plaza, 10 Beaumont Road, Karachi-75530
Phone: +9221-35680045-54 / UAN: 021-111 019 019
Fax: +9221-35680373 / Email: neelofar.hameed@iil.com.pk

Branch Office

Chinoy House, 6 Bank Square, Lahore-54000
Phone: +9242-37229752-55 / UAN: 042-111 019 019
Fax: +9242-37220384 / Email: lahore@iil.com.pk

Factory

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

PE Plant
Survey # 405 to 406, Rehri Road, Landhi,
Karachi – 75160
Telephone Nos: 35017027-28, 35017030
Fax: 9221 35013108

Website

Share Registrar

Central Depository Company of Pakistan Ltd.
CDC House, 99-B, Block B, S.M.C.H.S,
Shahra-e-Faisal, Karachi
Phone: +9221-111 111 500 Fax: +9221-34326053
Email: info@cdcpak.com

Directors' Report

The Directors are pleased to present the condensed interim financial information for the half year ended December 31, 2013.

The Company's gross sales turnover for the quarter at approximately Rs. 8.6 billion was 9% below the corresponding period last year, primarily as a result of lower sales volume. Volume remained depressed on account of delays in government funding, seasonality factors and slack demand from the commercial sector. Export volume also remained under pressure as a result of stiff competition and sustained protectionism in some of our export markets. Volume off-take in the Polyethylene pipe segment, though small, improved by almost 27% over the corresponding period last year.

Your Company continues to maintain its strong position in the domestic market. Gross profit percentage for the period under review improved versus corresponding period last year and more than offset the impact of lower sales volume.The Company's Profit After Tax for the period ended December 31, 2013 stood at Rs. 224 million, almost 11% higher than the same period last year.The periods profit translates into an EPS of Rs. 1.86 which compares favourably to an EPS of Rs.1.69 for the corresponding period last year. Based on the review of the half year results, the Board of Directors are pleased to announce an interim cash dividend of 12.5% i.e. Rs. 1.25 per share viz a viz interim dividend of 10% declared for the same period last year.

The Company's 56% owned subsidiary, International Steels Ltd. (ISL), registered a sales volume of 119,500 tons representing an increase of 39% in sales turnover compared to the same period last year. ISL's Profit After Tax for the quarter grew to Rs.375 million,which compares with a loss of Rs.69 million recorded for the same period last year.

The Group's strength is underpinned by the combined sales volume of 209,500 tons resulting in net sales of Rs. 16.6 billion, PAT of Rs. 596 million and EPS of Rs. 2.96 for the half year under review.

The outlook for the next quarter is encouraging on account of strong demand from the international market and firming steel prices. We have taken adequate measures and built up our inventory in order to cater to this expected increase in demand. Domestic commercial business conditions may, however, be adversely affected by the continuing depreciation of the Rupee, the likelihood of inflation and interest rate increases and the volatile domestic security situation.

We take this opportunity to urge the government to facilitate the growth, if not the survival of large scale manufacturing in the country by protecting key industries such as steel, through elimination of SRO's that favour imports at the expense of indigenous production.

To promote sustainable growth, your Company is on continuous lookout for diverse, profitable opportunities with a suitable strategic fit with its vision. To this end, your Board of Directors have approved an investment of Rs. 110 million to set up a Stainless Steel tube production line.The project is being fast tracked and it is envisaged that the project will be commissioned during 2014.

We extend our gratitude to all our stakeholders for their continued support and thank the management and staff for their dedication and hard work.

For & on behalf of
International Industries Limited

Zaffar.A.Khan
Chairman

Date: 28 January, 2014

Karachi

Independent Auditors' Report to the Members on Review of Condensed Interim Unconsolidated Financial Information

Introduction

We have reviewed the accompanying condensed interim unconsolidated balance sheet of **International Industries Limited** ("the Company") as at 31 December 2013 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement, condensed interim unconsolidated statement of changes in equity and notes to the condensed interim unconsolidated financial information for the six months period then ended (here-in-after referred to as the "condensed interim unconsolidated financial information"). Management is responsible for the preparation and presentation of this condensed interim unconsolidated financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim unconsolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim unconsolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim unconsolidated financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matters

The figures for the quarter ended 31 December 2013 and 31 December 2012 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been reviewed by us and we do not express a conclusion on them.

KPMG Taseer Hadi & Co.

Date: 28 January, 2014

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Karachi

Condensed Interim Unconsolidated Balance Sheet (Un-audited)

As at 31 December 2013

	Note	(Un-audited) 31 December 2013	(Audited) 30 June 2013 Restated
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	**3,442,610**	3,464,666
Intangible assets		**9,530**	13,181
Long-term deposits		**4,428**	4,428
Investments	6	**2,583,537**	2,583,537
Long-term prepayments		**6,000**	-
		6,046,105	6,065,812
Current assets			
Stores and spares		**139,259**	122,999
Stock-in-trade	7	**7,392,341**	5,415,270
Trade debts	8	**2,133,991**	2,080,779
Advances	9	**166,899**	117,315
Trade deposits and short-term prepayments	10	**17,694**	8,610
Other receivables	11	**54,259**	29,876
Sales Tax refundable		**277,038**	240,894
Taxation - net		**637,591**	477,730
Bank balances		**49,856**	6,568
		10,868,928	8,500,041
Total assets		**16,915,033**	14,565,853
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
Issued, subscribed and paid-up capital		**1,198,926**	1,198,926
Reserves	12	**3,063,328**	3,140,232
Total equity		**4,262,254**	4,339,158
Surplus on revaluation of property, plant and equipment		**1,596,927**	1,604,954
LIABILITIES			
Non-current liabilities			
Long-term financing-secured	14	**375,000**	450,000
Staff retirement benefits	3.3	**49,878**	49,878
Deferred taxation-net	13	**197,498**	256,105
		622,376	755,983
Current liabilities			
Trade and other payables	15	**1,824,452**	579,030
Derivative financial instruments			
- designated as hedging instrument	16	**51,487**	-
Short-term borrowings-secured	17	**8,340,188**	7,158,136
Current portion of long term financing	14	**75,000**	-
Accrued mark-up		**142,349**	128,592
		10,433,476	7,865,758
Total liabilities		**11,055,852**	8,621,741
Contingencies and commitments	18	**-**	-
Total equity and liabilities		**16,915,033**	14,565,853

The annexed notes 1 to 27 form an integral part of this condensed interim unconsolidated financial information.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

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

For the six months and quarter ended 31 December 2013

	Note	Six months period ended 31 December 2013	31 December 2012	Quarter ended 31 December 2013	31 December 2012
		(Rupees in '000)			
Net sales	19	**7,542,109**	8,426,850	**3,993,159**	4,338,651
Cost of sales	20	**(6,573,452)**	(7,452,930)	**(3,470,964)**	(3,843,635)
Gross profit		**968,657**	973,920	**522,195**	495,016
Selling and distribution expenses		**(294,794)**	(268,981)	**(156,821)**	(146,036)
Administrative expenses		**(89,080)**	(66,416)	**(42,471)**	(33,205)
		(383,874)	(335,397)	**(199,292)**	(179,241)
Financial charges	21	**(359,679)**	(387,463)	**(183,262)**	(237,269)
Other operating charges	22	**(33,924)**	(36,900)	**(18,721)**	(18,988)
		(393,603)	(424,363)	**(201,983)**	(256,257)
Other income	23	**94,594**	62,545	**20,188**	44,556
Profit before taxation		**285,774**	276,705	**141,108**	104,074
Taxation		(62,191)	(74,560)	**(29,291)**	(39,660)
Profit after taxation		**223,583**	202,145	**111,817**	64,414
		-------- (Rupees) --------		-------- (Rupee) --------	
Earnings per share - basic and diluted		**1.86**	1.69	**0.93**	0.54

The annexed notes 1 to 27 form an integral part of this condensed interim unconsolidated financial information.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

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

	Six months period ended		Quarter ended	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	(Rupees in '000)			
Profit after taxation	223,583	202,145	111,817	64,414
Items to be reclassified to profit and loss accounts in subsequent periods				
Loss on derivative financial instruments-cash flow hedge	(50,411)	-	(50,411)	-
Tax thereon	11,655	-	11,655	-
	(38,756)	-	(38,756)	-
Total comprehensive income	184,827	202,145	73,061	64,414

The annexed notes 1 to 27 form an integral part of this condensed interim unconsolidated financial information.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)

For the six months period ended 31 December 2013

	Note	**31 December 2013**	31 December 2012
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**285,774**	276,705
Adjustments for :			
Depreciation and amortisation		**106,806**	100,994
Provision for doubtful debts		**7,563**	3,446
Interest on bank deposits	23	**(838)**	(1,255)
Gain on disposal of property, plant and equipment	23	**(3,559)**	(4,286)
Financial charges	21	**359,679**	387,463
		755,425	763,067
Changes in:			
Working capital	24	**(928,732)**	276,198
Long-term deposits		**-**	785
Long-term prepayments		**(6,000)**	-
Net cash (used in) / generated from operations		**(179,307)**	1,040,050
Financial charges paid		**(345,922)**	(357,877)
Taxes paid		**(269,004)**	(139,757)
Net cash (used in) / generated from operating activities		**(794,233)**	542,416
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		**(85,604)**	(125,674)
Proceeds from disposal of property, plant and equipment		**8,064**	6,191
Interest income received		**966**	1,321
Net cash used in investing activities		**(76,574)**	(118,162)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		**-**	(237,500)
Dividends paid		**(267,957)**	(238,415)
Net cash used in financing activities		**(267,957)**	(475,915)
Net decrease in cash and cash equivalents		**(1,138,764)**	(51,661)
Cash and cash equivalents at beginning of the period		**(7,151,568)**	(7,543,112)
Cash and cash equivalents at end of the period		**(8,290,332)**	(7,594,773)
Cash and cash equivalents comprise:			
Bank balances		**49,856**	14,860
Short term borrowings-secured	17	**(8,340,188)**	(7,609,633)
		(8,290,332)	(7,594,773)

The annexed notes 1 to 27 form an integral part of this condensed interim unconsolidated financial information.

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

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

For the six months and quarter ended 31 December 2013

	Issued, subscribed and paid-up capital	Reserves: General reserves	Reserves: Hedging reserves	Reserves: Un-appropriated profit/(loss)	Total reserves	Total
	(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 3.3	-	-	-	(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
Total comprehensive income for the six months period ended 31 December 2012						
Profit for the period	-	-	-	202,145	202,145	202,145
Transactions with owners recorded directly in equity-distributions						
- Final dividend @ 20% (i.e. Rs. 2.00 per share) for the year ended 30 June 2012	-	-	-	(239,785)	(239,785)	(239,785)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	2,260	2,260	2,260
Balance as at 31 December 2012	1,198,926	1,848,736	-	1,089,785	2,938,521	4,137,447
Balance as at 1 July 2013 - as previously reported	1,198,926	1,848,736	-	1,329,843	3,178,579	4,377,505
Effect of change in accounting policy - note 3.3	-	-	-	(38,347)	(38,347)	(38,347)
Balance as at 1 July 2013 - restated	1,198,926	1,848,736	-	1,291,496	3,140,232	4,339,158
Total comprehensive income for the six months period ended 31 December 2013						
Profit for the period	-	-	-	223,583	223,583	223,583
Other comprehensive income for the period	-	-	(38,756)	-	(38,756)	(38,756)
Total comprehensive income for the six months period ended 31 December 2013	-	-	(38,756)	223,583	184,827	184,827
Transactions with owners recorded directly in equity-distributions						
- Final dividend @ 22.50% (Rs. 2.25 per share) for the year ended 30 June 2013	-	-	-	(269,758)	(269,758)	(269,758)
Transfer to general reserves	-	851,300	-	(851,300)	-	-
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	8,027	8,027	8,027
Balance as at 31 December 2013	1,198,926	2,700,036	(38,756)	402,048	3,063,328	4,262,254

The annexed notes 1 to 27 form an integral part of this condensed interim unconsolidated financial information.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

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

For the six months period ended 31 December 2013

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim unconsolidated financial information of the Company for the six months ended 31 December 2013 has been prepared in accordance with the requirements of International Accounting Standards 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In instances where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, have been followed.

This condensed interim unconsolidated financial information does not include all the information required for full annual financial statements and should be read in conjunction with the audited annual separate financial statements of the Company as at and for the year ended 30 June 2013.

The comparative Balance Sheet presented in this condensed interim unconsolidated financial information has been extracted from the audited annual separate financial statements of the Company for the year ended 30 June 2013, whereas the comparative condensed interim Profit and Loss Account, condensed interim Statement of Comprehensive Income, condensed interim Cash Flow Statement and condensed interim Statement of Changes in Equity are extracted from the unaudited condensed interim unconsolidated financial information for the period ended 31 December 2012.

This condensed interim financial information is un-audited and is being submitted to the shareholders as required by listing regulations of Karachi Stock Exchange vide section 245 of the Companies Ordinance, 1984. The figures for the six months period ended 31 December 2013 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.

2.2 Basis of measurement

This condensed interim unconsolidated financial information has been prepared under the historical cost convention except that land and buildings are stated at fair values determined by an independent valuer, derivative financial instruments which are measured at fair value and the Company's liability under its 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

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

3. ACCOUNTING POLICIES

3.1. The accounting policies and methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in the preparation of audited annual separate financial statements of the Company as at and for the year ended 30 June 2013 except as described in note 3.2 and 3.3 below.

3.2 Adoption of accounting policy for fair value and cash flow hedges

During the six months ended 31 December 2013, the Company has entered into forward exchange contracts (derivative financial instruments) with various banks to hedge its foreign currency exposure on firm commitment of raw material. Based on the formal designation and documentation of the hedging relationship purchase of and the Company's risk management objective and strategy, the following accounting policy have been adopted for these contracts:

Derivative financial instruments, including hedge accounting

Derivative financial instruments are initially measured at fair value and subsequently, if not designated as a qualifying hedge relationship, remeasured at fair value with changes in fair value recognised in Profit and Loss Account. Subsequent to initial recognition, derivatives designated as hedge instruments are remeasured at fair value and changes therein are accounted for as described below:

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 recognised in other comprehensive income and presented in hedging reserve. Ineffective portion, if any, of changes in fair value of derivative is recognised immediately in the Profit and Loss Account. The amount recognised in other comprehensive income and presented in hedging reserve is transferred to the carrying amount of the non-financial asset (inventory) upon initial recognition of non-financial asset (inventory).

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Profit and Loss Account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

These are carried as assets when the fair value is positive and liabilities when the fair value is negative.

There is no effect on the prior period's financial statements as a result of adoption of these accounting policies as all contracts have been made and entered during six monthsended 31 December 2013.

3.3 Change in accounting policy for employee benefits-defined benefit plan

IAS 19 (revised)' Employee benefits' amends the accounting for employment benefits which became effective for the Company from 1 July 2013. The changes introduced by the IAS 19 (revised) are as follows:

(a) The standard requires past service cost to be recognised immediately in profit or loss;

(b) The standard 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;

(c) There is a new term "remeasurement". This is made up of actuarial gains and losses, the differences between actual investment returns and return implied by the net interest cost; and

(d) The amendment requires an entity to recognise remeasurements immediately in other comprehensive income. Actuarial gains or losses beyond corridor limits were previously amortised over the expected future services of the employees.

The revised accounting policy as a result of the amendment to IAS 19 is as follows:

Defined benefit plan

The Company operates an approved funded gratuity scheme for eligible employees of the Company. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised 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 contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in Profit and Loss Account.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in Profit and Loss Account. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The management believes that the effects of these changes would not have significant effect on this condensed interim unconsolidated financial information except for the changes referred in (d) above that has been accounted for retrospectively in accordance with the requirement of International Accounting Standard (IAS) 8 'Accounting Policies, Changes in Accounting Estimates and Errors' resulting in restatement of financial statements of the prior period.

The effect of the above change in accounting policy has been demonstrated below :

	30 June 2013	1 July 2012
	(Rupees in '000)	
Effect on Balance Sheet		
Unappropriated profit:		
As previously reported	**1,329,843**	1,126,858
Effect of change in accounting policy - net of tax	**(38,347)**	(1,693)
As restated	**1,291,496**	1,125,165

	30 June 2013	1 July 2012
	(Rupees in '000)	
Staff retirement benefits:		
As previously reported	**-**	-
Effect of change in accounting policy	**49,878**	2,202
As restated	**49,878**	2,202
Deferred taxation:		
As previously stated	**267,636**	172,606
Effect of change in accounting policy	**(11,531)**	(509)
As restated	**256,105**	172,097

The effect of the change on total comprehensive income was Rs. 38.3 million and Rs. 1.7 million, net of tax, respectively for the year ended June 2013 and June 2012 and presented in Statement of Changes in Equity.

The Company follows a consistent practice to conduct actuarial valuations annually at the year end. Hence, the impact on this and comparative condensed interim financial information are not quantifiable and are considered immaterial.

This change in accounting policy has no impact on the statement of cash flows and on earnings per share.

3.4 Amendments and interpretation to approved accounting standards effective during the period

Apart from the aforementioned change in policy, amendments and interpretation to approved accounting standards became effective during the period were not relevant to the Company's operation and do not have which any impact on the accounting policies of the Company.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

4.1 The preparation of condensed interim unconsolidated financial information requires management to make judgment ,estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

4.2 The significant judgments made by the Management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2013 except for the estimation of fair value of forward exchange contracts entered in to during the six months ended 31 December 2013 that are derived from inputs other than quoted prices (i.e. categorised under level 2 of fair value hierarchy).

4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2013.

5. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work in progress	Total
		(Rupees in '000)	
Cost / revalued amount			
Opening balance as at 1 July 2013	5,203,051	2,045	5,205,096
Additions during the period	74,924	82,624	157,548
Disposals/transfers during the period	(35,574)	(71,944)	(107,518)
	5,242,401	12,725	5,255,126
Accumulated depreciation			
Opening balance as at 1 July 2013	(1,740,430)	-	(1,740,430)
Disposals during the period	31,069	-	31,069
Charge for the period	(103,155)	-	(103,155)
	(1,812,516)	-	(1,812,516)
Written down value as at 31 December 2013 (Unaudited)	3,429,885	12,725	3,442,610
Written down value as at 30 June 2013 (Audited)	3,462,621	2,045	3,464,666

6. INVESTMENTS

31 December 2013 (Un-audited)	30 June 2013 (Audited)			31 December 2013 (Un-audited)	30 June 2013 (Audited)
Number of shares				(Rupees in '000)	
245,055,543	245,055,543	International Steels Limited (ISL)			
		- subsidiary company at cost	6.1	2,450,555	2,450,555
2,425,913	2,425,913	Pakistan Cables Limited (PCL) - associate company			
		at cost	6.2	132,982	132,982
				2,583,537	2,583,537

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

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

6.3 Market value of the above investments is as follows:

Quoted	**31 December 2013 (Un-audited)**	30 June 2013 (Audited)
	(Rupees in '000)	
International Steels Limited	**4,219,856**	4,335,033
Pakistan Cables Limited	**217,774**	157,199

7. STOCK-IN-TRADE	**31 December 2013 (Un-audited)**	30 June 2013 (Audited)
	(Rupees in '000)	
Raw materials- in hand	**3,024,204**	2,763,419
- in transit	**1,584,702**	18,616
	4,608,906	2,782,035
Work-in-process	**1,159,701**	917,919
Finished goods	**1,615,113**	1,664,729
By-product	**2,050**	42,855
Scrap material	**6,571**	7,732
	7,392,341	5,415,270

7.1 Raw material amounting to Rs.5.60 million (30 June 2013:Rs.6.0 million) is held at vendor premises for the production of pipe caps.

8. TRADE DEBTS	**31 December 2013 (Un-audited)**	30 June 2013 (Audited)
	(Rupees in '000)	
Considered good :		
- Secured	**780,897**	845,060
- Unsecured	**1,353,094**	1,235,719
	2,133,991	2,080,779
Considered doubtful	**45,264**	37,701
	2,179,255	2,118,480
Provision for doubtful debts	**(45,264)**	(37,701)
	2,133,991	2,080,779

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

Sui Southern Gas Company Limited	**220,054**	530
Sui Northern Gas Pipelines Limited	**53,392**	97,579
	273,446	98,109

9. ADVANCES

Considered good:			
- Suppliers	9.1	**138,438**	15,939
- Collector of Customs for clearance of goods		**13,571**	100,000
- Employees		**14,890**	1,376
		166,899	117,315

9.1. This includes contractual deposit paid to Subsidiary Company amounting to Rs. 45.825 million (30 June 2013: Nil) for the purpose of purchase of raw material.

10. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS	**31 December 2013 (Un-audited)**	30 June 2013 (Audited)
	(Rupees in '000)	
Trade deposits	**4,283**	4,178
Short term prepayments	**13,411**	4,432
	17,694	8,610

	31 December 2013 (Un-audited)	30 June 2013 (Audited)
	(Rupees in '000)	
Considered good:		
- Interest income receivable	-	128
- Receivable for transmission of electricity to Karachi Electric Supply Company (KESC)	11,477	2,796
- Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods	25,940	25,940
- Claim receivable from supplier	15,838	-
- Others	1,004	1,012
	54,259	29,876

	31 December 2013 (Un-audited)	30 June 2013 (Audited) Restated
	(Rupees in '000)	
12 RESERVES		
General reserves	2,700,036	1,848,736
Hedging reserve-net of tax	(38,756)	-
Unappropriated profit	402,048	1,291,496
	3,063,328	3,140,232

13 DEFERRED TAXATION-net

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

Taxable temporary difference:		
Accelerated tax depreciation	115,253	140,952
Surplus on revaluation of buildings	141,158	142,426
	256,411	283,378
Deductible temporary difference:		
Provision for doubtful debts	(15,390)	(12,818)
Provision for compensated absences	(457)	(1,895)
Provision for infrastructure cess	(18,851)	-
Provision against receivable from supplier on account of material	(1,029)	(1,029)
Derivative financial instrument	(11,655)	-
Staff retirement benefits	(11,531)	(11,531)
	(58,913)	(27,273)
	197,498	256,105

14. LONG TERM FINANCING

Long term finances utilised under mark-up arrangements14.1	450,000	450,000
Current portion of long term finances shown under current liabilities	(75,000)	-
	375,000	450,000

15. TRADE AND OTHER PAYABLES

	Note	31 December 2013 (Un-audited)	30 June 2013 (Audited)
		(Rupees in '000)	
Trade creditors		**190,384**	168,917
Bills payable		**1,153,075**	18,616
Accrued expenses		**183,265**	179,341
Provision for infrastructure cess		**142,000**	114,825
Short term compensated absences		**1,978**	5,574
Advance from customers		**96,631**	50,849
Advance against sale of land	15.1	**10,000**	-
Workers' Profit Participation Fund		**14,850**	8,100
Workers' Welfare Fund		**19,926**	22,276
Unclaimed dividends		**10,253**	9,412
Dividend payable		**2,077**	1,117
Others		**13**	3
		1,824,452	579,030

15.1 This represents advance received from sale of land situated in Lahore. The title of the land is currently with the Company and will transfer to the purchaser upon full and final payment of the consideration.

16 DERIVATIVE FINANCIAL INSTRUMENTS - designated as hedging instruments

The Company has entered into forward exchange contract for USD 34.802 million (30 June 2013: Nil) to hedge its foreign currency exposure arising on firm commitments for purchase of inventory (raw material). These contracts are designated as cash flow hedging instruments. At 31 December 2013, the fair value of these contract is negative Rs. 51.487 million resulting in recognition of liability. The Company has recognised loss on hedge amounting to Rs. 1.076 million in profit and loss account in the current period in respect of ineffective portion of hedge arise on settlement.

17. SHORT TERM BORROWINGS - secured

	Note	31 December 2013 (Un-audited)	30 June 2013 (Audited)
		(Rupees in '000)	
Running finance under mark-up arrangements	17.1	442,641	326,031
Short term borrowing under Money Market scheme	17.2	4,836,547	3,670,605
Short term borrowing under Export Refinance Scheme	17.3	3,061,000	3,161,500
		8,340,188	7,158,136

17.1 The facilities for running finance available from various commercial banks under mark up arrangement amounting to Rs.3,339 million (30 June 2013: Rs.3,585 million). The rates of mark-up on these finances range from 9.81% to 11.71% per annum (30 June 2013: 10.01% to 11.41%). The facilities for short term finance mature within twelve months. Unavailed facility as at 31 December 2013 is Rs. 4,003 million (30 June 2013: Rs. 3,259 million).

17.2 The facilities for short-term borrowing through Money Market Scheme available from various commercial banks under mark-up arrangements amounts to Rs. 5,944 million (30 June 2013: Rs.4,000 million). The rates of mark-up on these finances range from 9.58% to 10.26% per annum (30 June 2013: 9.57% to 10.02% per annum). Unavailed facility as at 31 December 2013 is Rs. 1,107.453 million (30 June 2013: Rs. 329.4 million).

17.3 The Company has borrowed short-term running finance under the Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 3,061 million (30 June 2013: Rs.3,161.5 million). The rates of mark-up on this facility is 8.90% per annum (30 June 2013: 8.70% to 8.90% per annum).

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

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 Bank guarantees have been issued under certain supply contracts and to the Collector of Customs aggregating Rs.168.672 million (30 June 2013: Rs.178.6 million).

18.1.2 Custom duties amounting to Rs.680 million (30 June 2013: Rs. 1,174 million) on import of raw material shall be payable by the Company in case of non-fulfilment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Company has provided post dated cheques in favour of the Collector of Customs which are, in the normal course of business, to be returned to the Company after fulfilment of stipulated conditions. The Company has fulfilled the conditions for duties amounting to Rs. 654 million and is making efforts to retrieve the associated post-dated cheques from the customs authorities. Further, an amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Company filed a petition with the Sindh High Court in 2010 for an injunction and is awaiting the final judgment.

18.1.3 The customs authorities have charged a redemption fine of Rs. 83 million on clearance of imported raw material consignments in 2006. The Company has filed an appeal before the Sindh High Court, which has set aside the examination reports including the subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities have filed an application for leave to appeal against the order of the High Court. The management anticipates that the chances of admission of such appeal are remote.

18.1.4 The Company has reversed the provision for the levy of infrastructure fee amounting to Rs.107 million in 2009 on the basis of a decision of the Sindh High Court which declared the levy of Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court against the order. In May 2011, the Supreme Court disposed off the appeal with a joint statement of the parties that, during the pendency of the appeal, another law i.e. the Fifth Version, came into existence which was not the subject matter of the appeal; hence the case was referred back to the High Court with the right to appeal to the Supreme Court. On 31 May 2011, the High Court has granted an interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignments released up to 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. 257.500 million have been provided to the Department in this regard.

18.1.5 As per the Gas Infrastructure and Development Cess Act 2011 (the Act), certain companies as specified in the Act (including Sui Southern Gas Company) shall collect and pay Gas Infrastructure and Development Cess (GID Cess) in such manner as the Federal Government may prescribe. As per the second schedule of the Act, GID Cess of Rs.13 per MMBTU was payable by the Company. Through Finance Bill 2012-13, an amendment was made to the Act whereby the rate of GID Cess applicable on the Company was increased to Rs.100 per MMBTU. 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 MMBTU.

The matter of applicability of the differential of Rs.87 per MMBTU is pending with the High Court. If the aforementioned matter is not decided in the favour of the Company, it may be required to pay Rs.56.610 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.

18.2 Commitments

18.2.1 Capital expenditure commitments outstanding as at 31 December 2013 amounted to Rs.15.121 million (30 June 2013: Rs.42.5 million).

18.2.2 Commitments under letters of credit for raw materials and stores and spares as at 31 December 2013 amounted to Rs.2,238.102 million (30 June 2013: Rs.2,666 million).

18.2.3 Commitments under purchase contracts as at 31 December 2013 amounted to Rs.10.149 million (30 June 2013: Rs.880.2 million).

18.2.4 Unavailed facilities for opening letters of credit and guarantees from banks as at 31 December 2013 amounted to Rs.7,589.380 million (30 June 2013: 7,107 million) and Rs.143.830 million (30 June 2013: 366 million) respectively.

19. NET SALE

	Six months period ended		**Quarter ended**	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
Local	**6,159,206**	6,538,711	**3,276,863**	3,560,156
Export	**2,492,143**	2,962,817	**1,316,553**	1,361,195
	8,651,349	9,501,528	**4,593,416**	4,921,351
Sales Tax	**(916,425)**	(899,987)	**(488,032)**	(489,313)
Trade discounts	**(19,888)**	(10,607)	**(13,343)**	(10,112)
Sales discount and commission	**(172,927)**	(164,084)	**(98,882)**	(83,275)
	(1,109,240)	(1,074,678)	**(600,257)**	(582,700)
	7,542,109	8,426,850	**3,993,159**	4,338,651

20. COST OF SALES

Opening stock of raw material and work-in-process	**3,681,338**	3,968,132	**3,729,222**	5,598,261
Purchases	**6,712,561**	7,368,572	**3,924,157**	1,705,491
Salaries, wages and benefits	**268,139**	228,380	**137,327**	109,062
Rent, rates and taxes	**648**	1,459	**448**	1,289
Electricity, gas and water	**138,581**	124,118	**67,852**	61,766
Insurance	**5,808**	6,625	**3,306**	4,979
Security and janitorial	**7,955**	7,774	**4,627**	4,332
Depreciation and amortisation	**97,869**	92,603	**47,882**	47,835
Stores and spares consumed	**29,854**	34,585	**14,841**	21,386
Repairs and maintenance	**48,918**	50,986	**27,438**	26,006
Postage, telephone and stationery	**3,588**	4,391	**1,914**	2,209
Vehicle, travel and conveyance	**5,931**	6,657	**3,090**	3,990
Internal material handling	**9,434**	8,080	**6,117**	4,285
Environment controlling expenses	**97**	79	**71**	39
Sundries	**1,141**	1,367	**549**	909

	Six months period ended 31 December 2013	Six months period ended 31 December 2012	Quarter ended 31 December 2013	Quarter ended 31 December 2012
Sale of scrap generated during production	**(344,926)**	(94,559)	**(191,618)**	(37,329)
Closing stock of raw materials and work-in-process	**(4,183,905)**	(4,015,547)	**(4,183,905)**	(4,015,547)
Cost of goods manufactured	**6,483,031**	7,793,702	**3,593,318**	3,538,963
Finished goods and by-products:				
- Opening stock	**1,707,584**	1,705,218	**1,494,809**	2,350,662
- Closing stock	**(1,617,163)**	(2,045,990)	**(1,617,163)**	(2,045,990)
	90,421	(340,772)	**(122,354)**	304,672
	6,573,452	7,452,930	**3,470,964**	3,843,635

21. FINANCIAL CHARGES

	Six months 2013	Six months 2012	Quarter 2013	Quarter 2012
Mark-up on:				
- Long term financing	**22,251**	37,910	**11,169**	14,045
- Short term borrowings	**322,281**	239,262	**169,188**	128,929
Exchange loss	**9,916**	102,030	-	89,665
Interest on Workers' Profit Participation Fund	**360**	146	-	-
Bank charges	**4,871**	8,115	**2,905**	4,630
	359,679	387,463	**183,262**	237,269

22. OTHER OPERATING CHARGES

	Six months 2013	Six months 2012	Quarter 2013	Quarter 2012
Auditors' remuneration	**1,158**	1,250	**579**	488
Loss on derivative Financial instrument	**1,076**	-	**1,076**	-
Donations	**10,065**	15,250	**5,800**	11,100
Workers' Profit Participation Fund	**14,850**	14,600	**7,550**	5,300
Workers' Welfare Fund	**5,950**	5,800	**3,050**	2,100
Others	**825**	-	**666**	-
	33,924	36,900	**18,721**	18,988

23. OTHER INCOME

	Six months 2013	Six months 2012	Quarter 2013	Quarter 2012
Income / return on financial assets				
Interest on bank deposits	**838**	1,255	**606**	928
Income from non-financial assets				
Income from power generation	**26,491**	17,655	**14,530**	8,439
Gain on disposal of property, plant and equipment	**3,559**	4,286	**2,941**	1,482
Rental income	**4,362**	3,987	**2,181**	1,994
IT services reimbursed by subsidiary	-	2,250	**-**	1,125
Dividend income from associate	**9,704**	7,884	**-**	7,884
Exchange gain / (loss)	**45,156**	23,257	**(2,351)**	22,543
Others	**4,484**	1,971	**2,281**	161
	94,594	62,545	**20,188**	44,556

24. CHANGES IN WORKING CAPITAL

	31 December 2013	31 December 2012
	(Rupees in '000)	
Decrease/(increase) in current assets:		
Store and spares	(16,260)	1,314
Stock-in-trade	(1,977,071)	1,212,914
Trade debts	(60,775)	135,436
Advances	(49,584)	(427,938)
Trade deposit and short term prepayments	(9,084)	(9,043)
Other receivables	(60,655)	63,787
	(2,173,429)	976,470
Increase/(decrease) in current liabilities:		
Trade and other payables	1,244,697	(700,272)
	(928,732)	276,198

25. TRANSACTIONS WITH RELATED PARTIES

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

Key management personnel are those persons having authoity and responsibility for planning, directing and controlling the activities of the Company. The Company considers its Non-executive Directors, Chief Executive Officer, Company Secretary and Departmental Heads 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 this condensed interim unconsolidated financial information, are as follows:

	Six months period ended		Quarter ended	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
Subsidiary company				
Sales	**1,468**	1,326	**813**	469
Purchases	**885,341**	576,708	**733,683**	229,877
Sale proceeds from disposal of fixed assets	-	72	-	-
Payment for purchase of fixed assets	-	1,423	-	1,300
Purchase of store items	-	123	-	-
Supply of chilled water and electrical consultancy	**10,450**	2,150	**4,000**	2,150
Reimbursement of payroll management expenses	-	435	-	266
Reimbursement of corporate affairs management expenses	**1,904**	1,587	**1,018**	795
Reimbursement of IT services	-	2,250	-	1,125
Rental income (office rent)	**4,362**	3,987	**2,181**	1,993
Associate companies				
Sales	**315,257**	487,338	**144,710**	332,726
Purchases	**91,326**	91,785	**22,465**	45,138

	Six months period ended		Quarter ended	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
Insurance premium expense	**10,727**	-	**10,727**	-
Insurance claims received	**1,205**	-	**1,205**	-
Donations	-	2,125	-	1,000
Dividend paid	**1,296**	-	-	-
Dividend received	**9,704**	-	-	-
Reimbursement of payments made on behalf of associated company	**592**	1,751	-	841
Subscriptions paid	**111**	94	**99**	94
Key management personnel Remuneration	**75,478**	71,490	**37,452**	33,360
Staff retirement benefits Contribution paid	**21,607**	16,183	**10,787**	8,240
Non-executive directors Directors' fee	**1,720**	1,320	**1,040**	320

26. SEGMENT REPORTING

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

26.1 Segment revenue and results

	Steel segment	Plastic segment	Total
		(Rupees in '000)	
For the period ended 31 December 2013			
Sales	7,215,652	326,457	7,542,109
Less: Cost of Sales	6,233,913	339,539	6,573,452
Gross Profit	981,739	(13,082)	968,657
For the period ended 31 December 2012			
Sales	8,169,240	257,610	8,426,850
Less: Cost of Sales	7,216,707	236,223	7,452,930
Gross Profit	952,533	21,387	973,920

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Revenue reported above represents revenue generated from external customers.

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

	Six months period ended	
	31 December 2013	31 December 2012
	(Rupees in '000)	
Total results for reportable segments	**968,657**	973,920
Selling, distribution and administrative expenses	**(383,874)**	(335,397)
Financial charges	**(360,755)**	(387,463)
Other operating expenses	**(32,848)**	(36,900)
Other operating income	**94,594**	62,545
Taxation	**(62,191)**	(74,560)
Profit after tax	**223,583**	202,145

26.3 Segment assets and liabilities

	Steel segment	Plastic segment	Total
		(Rupees in '000)	
As at 31 December 2013 - Un-audited			
Segment assets	12,386,396	628,371	13,014,767
Segment liabilities	1,259,706	-	1,259,706
As at 30 June 2013 - Audited			
Segment assets	10,298,087	662,628	10,960,715
Segment liabilities	50,849	-	50,849

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

	31 December 2013 (Un-audited)	30 June 2013 (Audited)
	(Rupees in '000)	
Total reportable segments assets	**13,014,767**	10,960,715
Unallocated assets	**3,900,266**	3,605,138
Total assets as per balance sheet	**16,915,033**	14,565,853
Total reportable segments liabilities	**1,259,706**	50,849
Unallocated liabilities	**9,796,146**	8,570,892
Total liabilities as per balance sheet	**11,055,852**	8,621,741

27. General

27.1 The Board of Directors of the Company in their meeting held on 28 January 2014 have declared an interim cash dividend of Rs. 1.25 per share (12.5%) for the year ending 30 June 2014 amounting to Rs. 150 million. This condensed interim unconsolidated finanical information does not include effect of an interim cash dividend which will be accounted for in the financial statements for the year ending 30 June 2014.

27.2 These financial statements were authorised for issue by the Board of Directors on 28 January 2014.

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

Promising Reliability, For Now and Tomorrow

Condensed Interim Consolidated Financial Information (Un-audited)
31 December 2013

Condensed Interim Consolidated Balance Sheet

As at 31 December 2013

	Note	(Un-audited) 31 December 2013	(Audited) 30 June 2013 Restated
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	**13,178,086**	13,368,488
Intangible assets		**16,299**	21,248
Long-term deposits		**4,528**	4,528
Investment in equity-accounted investee	6	**175,255**	176,946
Long-term prepayments		**6,000**	-
		13,380,168	13,571,210
Current assets			
Stores and spares		**514,481**	493,319
Stock-in-trade	7	**11,530,365**	8,031,310
Trade debts	8	**2,689,767**	2,630,422
Advances	9	**176,193**	415,216
Trade deposits and short term prepayments	10	**40,280**	21,072
Sales Tax refundable		**593,928**	406,572
Other receivables	11	**149,956**	66,146
Taxation - net		**1,692,494**	1,203,451
Bank balances		**161,414**	20,262
		17,548,878	13,287,770
Total assets		**30,929,046**	26,858,980
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
200,000,000 (30 June 2013: 200,000,000) ordinary shares of Rs. 10 each		**2,000,000**	2,000,000
Issued, subscribed and paid up capital		**1,198,926**	1,198,926
Reserves	12	**2,948,686**	2,852,254
Total equity		**4,147,612**	4,051,180
Non-controlling interest		**2,105,109**	1,969,445
		6,252,721	6,020,625
Surplus on revaluation of property, plant and equipment		**2,518,688**	2,532,508
LIABILITIES			
Non-current liabilities			
Long term financing-secured	14	**3,592,903**	3,821,860
Staff retirement benefits		**59,725**	59,725
Deferred taxation-net	13	**440,827**	476,535
		4,093,455	4,358,120
Current liabilities			
Trade and other payables	15	**3,894,321**	1,599,111
Derivative financial instruments- designated as hedging instrument	16	**156,995**	-
Short term borrowings-secured	17	**12,779,276**	11,279,514
Current portion of long term financing	14	**881,347**	783,285
Accrued markup		**352,243**	285,817
		18,064,182	13,947,727
Total liabilities		**22,157,637**	18,305,847
Contingencies and commitments	18	-	-
Total equity and liabilities		**30,929,046**	26,858,980

The annexed notes 1 to 25 form an integral part of this condensed interim consolidated financial information.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

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

For the six months and quarter ended 31 December 2013

	Note	Six months ended 31 December 2013	Six months ended 31 December 2012	Quarter ended 31 December 2013	Quarter ended 31 December 2012
		(Rupees in '000)			
Net sales	19	**16,647,946**	14,905,158	**8,854,768**	7,935,858
Cost of sales	20	**(14,559,501)**	(13,392,806)	**(7,637,458)**	(7,202,528)
Gross profit		**2,088,445**	1,512,352	**1,217,310**	733,330
Selling and distribution expenses		**(353,419)**	(306,260)	**(181,385)**	(162,086)
Administrative expenses		**(156,854)**	(118,927)	**(78,137)**	(59,615)
		(510,273)	(425,187)	**(259,522)**	(221,701)
Financial charges	21	**(904,445)**	(932,441)	**(462,360)**	(511,880)
Other operating charges	22	**(69,073)**	(38,065)	**(45,107)**	(19,672)
		(973,518)	(970,506)	**(507,467)**	(531,552)
Other income	23	**116,236**	54,669	**28,483**	29,614
Share of profit in equity - accounted investee - net of tax		**8,013**	8,322	**3,162**	2,745
Profit before taxation		**728,903**	179,650	**481,966**	12,436
Taxation		**(132,478)**	(46,413)	**(108,302)**	(9,823)
Profit after taxation		**596,425**	133,237	**373,664**	2,613
		(Rupees)			
Earnings per share - basic and diluted		**2.96**	1.36	**1.52**	0.07

The annexed notes 1 to 25 form an integral part of this condensed interim consolidated financial information.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

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

For the six months and quarter ended 31 December 2013

	Six months ended		Quarter ended	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	(Rupees in '000)			
Profit after taxation	**596,425**	133,237	**373,664**	2,613
Other comprehensive income				
Items to be reclassified to profit and loss account in subsequent periods				
Loss on derivative financial instruments-cash flow hedge	**(155,919)**	-	**(155,919)**	-
Tax thereon	**47,528**	-	**47,528**	-
	(108,391)	-	**(108,391)**	-
Total comprehensive income	**488,034**	133,237	**265,273**	2,613
Total comprehensive income attributable to:				
Owners of Holding Company	**354,900**	163,324	**182,724**	8,131
Non-controlling interest	**133,134**	(30,087)	**82,549**	(5,518)
Total comprehensive income for the period	**488,034**	133,237	**265,273**	2,613

The annexed notes 1 to 25 form an integral part of this condensed interim consolidated financial information.

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Chief Financial Officer

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Chief Executive Officer

Condensed Interim Consolidated Cash Flow Statement (Un-audited)

For the six months period ended 31 December 2013

	Note	**31 December 2013**	31 December 2012
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**728,903**	179,650
Adjustments for:			
Depreciation and amortisation		**360,122**	305,327
Provision for doubtful debts		**7,563**	3,446
Interest on bank deposits		**(838)**	(1,472)
Gain on disposal of property, plant and equipment		**(6,155)**	(6,912)
Share of profit from an associated entity		**(8,013)**	(8,322)
Financial charges		**904,445**	932,441
		1,986,027	1,404,158
Changes in:			
Working capital		**(1,344,118)**	1,591,834
Long term deposits		**-**	785
Long term prepayments		**(6,000)**	-
Net cash generated from operations		**635,909**	2,996,777
Financial charges paid		**(838,019)**	(967,848)
Taxes paid		**(609,702)**	(296,523)
Net cash (used in) / generated from operating activities		**(811,812)**	1,732,407
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		**(174,734)**	(540,780)
Dividend income received		**9,704**	7,884
Proceeds from disposal of property, plant and equipment		**16,118**	13,021
Interest income received		**966**	1,472
Net cash used in investing activities		**(147,946)**	(518,403)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayment of long term financing		**(130,895)**	(325,982)
Dividends paid		**(267,957)**	(238,415)
Net cash used in financing activities		**(398,852)**	(564,397)
Net decrease/increase in cash and cash equivalents		**(1,358,610)**	649,607
Cash and cash equivalents at beginning of the period		**(11,259,252)**	(13,986,977)
Cash and cash equivalents at end of the period		**(12,617,862)**	(13,337,370)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances		**161,414**	24,697
Short-term borrowings - secured		**(12,779,276)**	(13,362,067)
		(12,617,862)	(13,337,370)

The annexed notes 1 to 25 form an integral part of this condensed interim consolidated financial information.

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Chief Executive Officer

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

For the six months and quarter ended 31 December 2013

	Issued, subscribed and paid-up capital	General reserves	Hedging reserves	Un-appropriated profit/(loss)	Total reserves	Total	Non-Controlling Interest	Total
	(Rupees in '000)							
Balance as at 1 July 2012								
- as previously reported	1,198,926	2,139,958	-	343,515	2,483,473	3,682,399	1,813,573	5,495,972
Effect of change in accounting policy note - 3.3	-	-	-	(3,687)	(3,687)	(3,687)	(1,545)	(5,232)
Balance as at 1 July 2012 - restated	1,198,926	2,139,958	-	339,828	2,479,786	3,678,712	1,812,028	5,490,740
Total comprehensive income for the six months period ended 31 December 2012:								
Profit / (loss) for the period	-	-	-	163,324	163,324	163,324	(30,087)	133,237
Distribution to owners of the Holding Company								
Final dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2012	-	-	-	(239,785)	(239,785)	(239,785)	-	(239,785)
Total transactions with owners of the Holding Company	-	-	-	(239,785)	(239,785)	(239,785)	-	(239,785)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	2,260	2,260	2,260	-	2,260
Balance as at 31 December 2012	1,198,926	2,139,958	-	265,627	2,405,585	3,604,511	1,781,941	5,386,452
Balance as at 1 July 2013								
- as previously reported	1,198,926	2,139,958	-	754,306	2,894,264	4,093,190	1,972,281	6,065,471
Effect of change in accounting policy note - 3.3	-	-	-	(42,010)	(42,010)	(42,010)	(2,836)	(44,846)
Balance as at 1 July 2013 - restated	1,198,926	2,139,958	-	712,296	2,852,254	4,051,180	1,969,445	6,020,625
Total comprehensive income for the six months period ended 31 December 2013:								
Profit for the period	-	-	-	432,884	432,884	432,884	163,541	596,425
Other comprehensive income	-	-	(77,984)	-	(77,984)	(77,984)	(30,407)	(108,391)
	-	-	(77,984)	432,884	354,900	354,900	133,134	488,034
Distribution to owners of the Holding Company								
Final dividend @ 22.50% (Rs. 2.25 per share) for the year ended 30 June 2013	-	-	-	(269,758)	(269,758)	(269,758)	-	(269,758)
Total transactions with owners of the Holding Company	-	-	-	(269,758)	(269,758)	(269,758)	-	(269,758)
Transfer to general reserves	-	851,300	-	(851,300)	-	-	-	-
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	11,290	11,290	11,290	2,530	13,820
Balance as at 31 December 2013	1,198,926	2,991,258	(77,984)	35,412	2,948,686	4,147,612	2,105,109	6,252,721

The annexed notes 1 to 25 form an integral part of this condensed interim consolidated financial information.

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

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

For the six months ended 31 December 2013

1. THE GROUP AND ITS OPERATIONS

1.1 The Group consists of International Industries Limited, the Holding Company, and International Steels Limited, the Subsidiary Company (together referred to as "the Group" and individually as "Group Entities") and the Group's interest in its equity-accounted investee, Pakistan Cables Limited.

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

1.3 International Steels Limited was incorporated in Pakistan in 2007 as an unlisted company limited by shares under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. Subsequent to the sale of shares by the Holding Company to the general public under an Initial Public Offer, it was listed on the Karachi Stock Exchange on 1 June 2011. Its primary activity is the manufacturing of cold rolled steel coils and galvanized sheets. It commenced commercial operations on 1 January 2011. Its registered office is situated at 101 Beaumont Plaza, 10 Beaumont Road, Karachi - 75530.

1.4 Details of the Group's equity-accounted investee are given in note 6 to this condensed interim consolidated financial information.

2. BASIS OF PREPARATION

2.1 This condensed interim consolidated financial information has been prepared from the information available in the condensed un-audited separate financial information of the Holding Company for the six months ended 31 December 2013 and the condensed un-audited financial information of the Subsidiary Company for the six month period ended ended 31 December 2013.

Detail regarding the financial information of the equity-accounted investee used in the preparation of this condensed interim consolidated financial information is given in note 6.

2.2 Statement of Compliance

This interim consolidated financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984 and the provisions of and directives issued under the Ordinance. In case requirements differ, the provisions of, or directive issued, under the Ordinance shall prevail.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

3.1.1 Investment in subsidiaries

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

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

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

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

3.1.2 Investment in associate

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

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

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

3.2 Adoption of accounting policy for fair value and cash flow hedges

During the six months ended 31 December 2013, the Holding Company has entered into forward exchange contracts (derivative financial instruments) with various banks to hedge its foreign currency exposure on firm commitment for purchase of raw material. Based on the formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy, the following accounting policies have been adopted for these contracts:

Derivatives financial instruments and hedging activities

Derivative financial instruments are initially measured at fair value and subsequently, if not designated as a qualifying hedge relationship, remeasured at fair vlaue with changes in fair value recognised in Profit and Loss Account.

Subsequent to initial recognition, derivatives designated as hedge instruments are remeasured at fair value and changes therein are accounted for as described below:

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 recognised in other comprehensive income and presented in hedging reserves. The ineffective portion, if any, of changes in fair value of derivative is recognised immediately in the Profit and Loss Account. The amount recognised in other comprehensive income and presented in hedging reserve is transferred to the carrying amount of the non-financial asset (inventory) upon initial recognitions of non-financial asset (inventory).

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Profit and Loss Account, together with any changes in the fair value of the hedged asset or liability that are attributable to hedged risk.

These are carried as assets when the fair value is positive and liabilities when the fair value is negative.

There is no effect on the prior period's financial statements as a result of adoption of these accounting policies as all contracts have been made and entered into during six months ended 31 December 2013.

3.3 Change in accounting policy for employee benefits - defined benefit plan

IAS 19 (revised) ' Employee Benefits' amends the accounting for employment benefits which became effective for the Company from 1 July 2013. The changes introduced by the IAS 19 (revised) are as follows:

(a) The standard requires past service cost to be recognised immediately in profit or loss;
(b) The standard 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;
(c) There is a new term " remeasurement ". This is made up of acturial gains and losses, the differences between actual investment returns and return implied by the net interest cost; and
(d) The amendent requires an entity to recognise remeasurements immediately in other comprehensive income. Actuarial gains or losses beyond corridor limits were previously amortised over the expected future services of the employees.

The revised accounting policy as a result of the amendment to IAS 19 is as follows:

Defined benefit plan

The Group entities operate an approved funded gratuity scheme for eligible employees of the Group. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised 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 contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Profit and Loss Account.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the Profit and Loss Account. The Group Entities recognise gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The management believes that the effects of these changes would not have significant effect on this condensed interim consolidated financial information except for the changes referred in (d) above that has been accounted for retrospectively in accordance with the requirement of International Accounting Standard (IAS) 8 Accounting Policies, Changes in Accounting Estimates and Errors' resulting in restatement of financial statements of the prior period.

The effect of the change in accounting policy has been demonstrated below :

	30 June 2013	1 July 2012
	(Rupees in '000)	
Effect on Balance Sheet		
Unappropriated profit - as previously reported	**754,306**	343,515
Effect of change in accounting policy - net of tax	**(42,010)**	(3,687)
As restated	**712,296**	339,828
Non-controlling interest as previously reported	**1,972,281**	1,813,573
Effect of change in accounting policy	**(2,836)**	(1,545)
As restated	**1,969,445**	1,812,028
Staff retirement benefits - as previously reported	**-**	-
Effect of change in accounting policy	**59,725**	7,646
As restated	**59,725**	7,646
Deferred taxation:		
Deferred taxaion - as previously reported	**491,414**	240,473
Effect of change in accounting policy	**(14,879)**	(2,414)
As restated	**476,535**	238,059

The effect of the change on total comprehensive income attributable to the owners of the Holding Company was Rs. 44.8 million and Rs. 5.2 million, net of tax, respectively for the year ended June 2013 and June 2012 and presented in the Statement of Changes in Equity.

The Group follows a consistent practice to conduct actuarial valuations annually at each year end. Hence, the impact on this and comparative condensed interim financial information are not quantifiable and are considered immaterial.

This change in accounting policy has no impact on the Cash Flow Statement and on Earnings per Share.

3.4 Amendments and interpretation to approved accounting standards effective during the period

Apart from the aforementioned change in policy, amendments and interpretation to approved accounting standards which became effective during the period were not relevant to the Group's operations and do not have any impact on the accounting policies of the Group.

4 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of condensed interim unconsolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimating uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2013 except for the estimation of fair value of forward exchange contracts entered into during the six months ended 31 December 2013 that are derived from inputs other than quoted prices (i.e. categorised under level 2 of fair value hierarchy).

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2013.

5. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work in progress	Total
		(Rupees in '000)	
Cost / revalued amount			
Opening balance	14,293,925	378,070	14,671,995
Additions	354,699	173,084	527,783
Disposal / transfers	(45,122)	(354,699)	(399,821)
	14,603,502	196,455	14,799,957
Accumulated depreciation			
Opening balance	(1,303,507)	-	(1,303,507)
Disposal	35,159	-	35,159
Charge for the period	(353,523)	-	(353,523)
	(1,621,871)	-	(1,621,871)
Written down value as at 31 December 2013	12,981,631	196,455	13,178,086
Written down value as at 30 June 2013 (Audited)	12,990,418	378,070	13,368,488

6. INVESTMENT IN EQUITY - ACCOUNTED INVESTEE

	Note	31 December 2013 (Un-audited)	30 June 2013 (Audited)
		(Rupees in '000)	
Pakistan Cables Limited - associated company	6.1	**175,255**	176,946

6.1 This represents the Holding Company's investment in Pakistan Cables Limited (PCL), a company incorporated in Pakistan. The Holding Company has invested in 2,425,913 shares (30 June 2013: 2,425,913 shares) of the Associate Company and holds 8.52% (30 June 2013: 8.52 %) ownership interest in PCL. The Chief Executive Officer of PCL is Mr. Kamal A. Chinoy. The market value as at 31 December 2013 was Rs. 217.774 million (30 June 2013: 157.2 million). The share of profit after acquisition is recognised based on PCL's unaudited financial statements as at 30 September 2013. The latest financial statements of the Associated Compay as at 31 December 2013 are not presently available.

7. STOCK- IN- TRADE

	31 December 2013 (Un-audited)	30 June 2013 (Audited)
	(Rupees in '000)	
Raw material - in hand	**5,276,157**	3,621,652
- in transit	**1,584,702**	570,862
	6,860,859	4,192,514
Work-in-process	**1,680,064**	1,278,643
Finished goods	**2,980,261**	2,506,545
By-products	**2,050**	42,855
Scrap material	**7,131**	10,753
	11,530,365	8,031,310

7.1 Raw materials amounting to Rs.5.6 million (30 June 2013: Rs.6 million) is held at vedor premises for the production of pipe caps.

8. TRADE DEBTS

	31 December 2013 (Un-audited)	30 June 2013 (Audited)
	(Rupees in '000)	
Considered good:		
- secured	**1,332,051**	1,389,297
- unsecured	**1,357,716**	1,241,125
	2,689,767	2,630,422
Considered doubtful	**45,264**	37,701
	2,735,031	2,668,123
Provision for doubtful debts	**(45,264)**	(37,701)
	2,689,767	2,630,422

		31 December 2013 (Un-audited)	30 June 2013 (Audited)
9.	**ADVANCES**	(Rupees in '000)	
	Considered good:		
	- Suppliers and service providers	**147,114**	227,401
	- Collector of Customs for clearance of goods	**13,571**	100,000
	- Sales tax	**-**	85,000
	- Employees	**15,508**	2,815
		176,193	415,216
10.	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**		
	Trade deposits	**9,676**	8,015
	Short term prepayments	**30,604**	13,057
		40,280	21,072
11.	**OTHER RECEIVABLES**		
	Considered good:		
	- Interest income receivable	**-**	128
	- Receivable for transmission of electricity to Karachi Electric Supply Company (KESC)	**102,911**	38,539
	- Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods	**25,940**	25,940
	- Claim receivable from supplier	**15,838**	-
	- Others	**5,267**	1,539
		149,956	66,146

		31 December 2013 (Un-audited)	30 June 2013 (Audited) Restated
12	**RESERVES**	(Rupees in '000)	
	General Reserves	**2,991,258**	2,139,958
	Hedging reserve - net of tax	**(77,984)**	-
	Unappropriated profit	**35,412**	712,296
		2,948,686	2,852,254

13 DEFERRED TAXATION - NET

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

Taxable temporary differences:		
Accelerated tax depreciation	**1,710,163**	1,800,134
Share of profit from associate	**4,396**	4,396
Surplus on revaluation of buildings	**230,379**	234,411
	1,944,938	2,038,941

	31 December 2013 (Un-audited)	30 June 2013 (Audited) Restated
	(Rupees in '000)	
Deductible temporary differences:		
Provision for doubtful debts	**(15,390)**	(12,818)
Provision for compensated absences	**(459)**	(2,151)
Provision for infrastructure cess	**(18,851)**	-
Provision against receivable from supplier on account of material	**(1,029)**	(1,029)
Staff retirement benefits	**(14,879)**	(14,879)
Unrealised exchanges losses	**-**	(2,371)
Derivative financial instruments	**(47,528)**	-
Pre-commencement expenditure	**(7,838)**	(10,650)
Tax loss	**(1,398,137)**	(1,518,508)
	(1,504,111)	(1,562,406)
	440,827	476,535

14. LONG TERM FINANCING

	Note	**31 December 2013 (Un-audited)**	30 June 2013 (Audited)
		(Rupees in '000)	
Long term finances utilised under mark-up arrangements	14.1	**450,000**	450,000
Syndicated LTFF term finance	14.2	**3,103,567**	3,344,803
Long term finance	14.3	**920,683**	810,342
		4,474,250	4,605,145
Current portion of long term financing shown under current liabilities		**(881,347)**	(783,285)
		3,592,903	3,821,860

14.1 All long term finances, except for all term financing mentioned above, utilised under mark-up arrangements, are obtained by the Holding Company and secured by way of a joint equitable mortgage on all present and future lands and buildings located at Plot Number LX-15 &16 and HX-7/4, Landhi Industrial Estate, Karachi and Survey No. 402,405-406, Dehsharabi, Landhi Town, Karachi.

14.2 The Syndicated term financing is secured by way of mortgage of land located at Survey No.399 - 404, Landhi Town, Karachi by the Subsidiary Company and joint hypothecation of all present and future fixed assets (excluding land and building), as per the terms of syndicated term financing agreement. It is repayable in sixteen half yearly instalments which commenced from March 2011. The rate of markup on these finances 1.5% over SBP refinance rate (30 June 2013: 1.5% over SBP refinance rate).

14.3 The term finance facilities are secured by the Subsidary Company by way of mortgage of land located at Survey No. 399-404, Landhi Town, Karachi and other fixed assets of the Subsidiary Company against ranking charge. It is repayable in eight half yearly instalments which commenced from December 2012. The rate of markup ranges from 1.25% to 1.80% over 6 months KIBOR (30 June 2013: 1.80% over 6 months KIBOR). During the period ended 31 December 2013 the Company has obtained long term finance from banks having limit of Rs. 300 million and out of which Rs. 200 million was availed as at 31 December 2013.

15. TRADE AND OTHER PAYABLES

	Note	31 December 2013 (Un-audited)	30 June 2013 (Audited)
		(Rupees in '000)	
Trade creditors		**1,718,612**	190,808
Bills payable		**1,153,075**	592,446
Accrued expenses		**302,223**	302,231
Provision for infrastructure cess		**304,500**	232,825
Short term compensated absences		**2,749**	7,156
Advances from customers		**287,476**	197,760
Advance against sale of land	15.1	**10,000**	-
Workers' Profit Participation Fund		**62,571**	31,906
Workers' Welfare Fund		**39,014**	31,798
Unclaimed dividends		**12,330**	10,529
Others		**1,771**	1,652
		3,894,321	1,599,111

15.1 This represent advance received from sale of land situated at Lahore by the Holding Company. The title of the land is currently with the Holding Company and will be transfer to the purchaser upon full and final payment of the consideration.

16. DERIVATIVE FINANCIAL INSTRUMENTS

The Group has entered into forward exchange contracts for USD 93.592 million to hedge its foreign currency exposure arising on firm commitments for purchase of inventory (raw material). These contracts are designated as cash flow hedging instruments. As at 31 December 2013, the fair value of these contract is negative Rs. 156.997 million resulting in recognition of liability.

These represent forward currency contracts designated as cash flow hedges for the currency risk of the firm commitment to purchase raw material. Ineffective portion amounting to Rs. 1.076 million has been recorded in the profit and loss for the current period by the Holding Company in respect of ineffective portion of hedge.

17. SHORT TERM BORROWINGS

	Note	31 December 2013 (Un-audited)	30 June 2013 (Audited)
		(Rupees in '000)	
Running finance under mark-up arrangement	17.1	**3,368,305**	2,952,190
Short term borrowing under Money Market Scheme	17.2	**4,836,547**	3,670,605
Short term running finance under Export Refinance Scheme	17.3	**3,673,000**	3,559,500
Running finance under FE-25 Import Scheme	17.4	**158,657**	697,277
Short term finance under Murabaha and Istisna	17.5	**742,767**	399,942
		12,779,276	11,279,514

17.1 The facilities for running finance under mark-up arrangements, available to the Group Entities from various commercial banks, amounted to Rs. 11,480 million . (30 June 2013: Rs.11,602 million) and are for the purpose of meeting working capital requirements. The rate of mark-up on these finances obtained by the Holding Company range from 9.81% to 11.71% per annum (2013: 10.01% to 11.41% per annum). The rate of mark-up on these finances obtained by Subsidiary Company range from KIBOR+0.8% to KIBOR +1.75%(2013: KIBOR+0.5% to KIBOR+2% per annum).

17.2 The Holding Company has obtained facilities for short term borrowing under Money Market Scheme financing from various commercial banks under mark-up arrangements amounted to Rs. 5,944 million (30 June 2013: Rs. 4,000 million). The rate of mark-up on these facilities range from 9.58% to 10.26% per annum (30 June 2013: 9.57% to 10.02% per annum).

17.3 The Group Entities have borrowed short term running finance under Export Refinance Scheme offered by the State Bank of Pakistan. The facilities availed is for an amount of Rs. 3,673 million (30 June 2013: Rs.3,559.5 million). The rates of mark-up on these facilities range from 8.88% to 8.90 % per annum (30 June 2013: 8.70% to 8.90% per annum).

17.4 The Subsidiary Company has also borrowed short term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 from various commercial banks are for the purpose of meeting import requirements. The facilities availed are for an amount of USD 1.5 million equivalent to Rs.158.65 million (30 June 2013: USD 6.99 million equivalent to Rs. 697.27 million). The rates of markup on these facilities range from 1.34% to 3.00% per annum (30 June 2013: 1.25% to 1.79% per annum). The facilities mature within six months and are renewable.

17.5 The Subsidiary Company has obtained facilities for short term finance under Murahaba and Istisna under Islamic financing arrangement. The rate of profit is KIBOR + 0.25% to KIBOR + 0.50% (30 June 2013: KIBOR+0.72%). The facilities mature within six months and are renewable.

17.6 All running finances and short term borrowing facilities availed by the Holding Company are secured by way of hypothecation of all its present and future fixed assets (excluding lands and buildings) and present and future current and movebale assets.

17.7 The aforementioned facilities of the Subsidiary Company are secured by way of joint and first pari passu charges over current assets of the Subsidiary Company.

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

18.1.1 Bank guarantees have been issued by the Holding Company under certain supply contracts and to the Collector of Customs aggregating Rs. 168.672 million (30 June 2013: Rs.178.6 million).

18.1.2 Bank guarantees have been issued by the Subsidiary Company to Sui Southern Gas Company Limited and Excise & Taxation Officer aggregating Rs. 198.2 million (30 June 2013: Rs. 198.2 million).

18.1.3 Bank guarantee has been issued by the Subsidiary Company to Jamshoro Power Company Limited (Bid Bond Guarantee) amounting to Rs.0.07 million (30 June 2013: Rs.0.05 million).

18.1.4 Custom duties amounting to Rs.680 million (30 June 2013: Rs. 1,174 million) on import of raw material shall be payable by the Holding Company in case of non-fulfillment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Holding Company has provided post-dated cheques in favour of Collector of Customs which are, in the normal course of business, to be returned to the Holding Company after fulfilment of the stipulated conditions. The Holding Company has fulfilled the conditions for duties amounting to Rs. 654 million and is making continuous efforts to retrieve the associated post-dated cheques from the customs authorities.

Further, an amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made by the Holding Company during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomoly 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.

18.1.5 The customs authorities have charged a redemption fine of Rs. 83 million on clearance of an imported raw material consignment in 2006 by the Holding Company. It has filed an appeal before the Sindh High Court, which has set aside the examination reports including subsequent order produced by customs authorities, and ordered the authorities to re-examine the matter afresh. However, the customs authorities have filed an application for leave to appeal against the order of the High Court. The management anticipates that the chances of admission of such appeal are remote.

18.1.6 The Holding Company has reversed the provision for the levy of infrastructure fee amounting to Rs.107 million in 2009 on the basis of the decision of the Sindh High Court which declared the levy of Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court of Pakistan against such order. In May 2011, the Supreme Court of Pakistan disposed off the appeal with a joint statement of the parties that, during the pendency of the appeal, another law i.e Fifth Version came into existence which was not the subject matter of the appeal. Hence the case was referred back to High Court with the right to appeal to the Supreme Court. On 31 May 2011, the High Court granted interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignments released upto 27 December 2006 and any bank guarantee / security furnished for consignments released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with the balance kept intact till the disposal of the petition. In case the High Court upholds the applicability of Fifth Version of the law and its retrospective application, the authorities are entitled to claim the amounts due under the said law with the right to appeal available to the petitioner. Bank guarantees amounting to Rs. 257.500 million have been provided to the Department in this regard.

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

The matter of applicability of receiving the differential of Rs.87 per MMBTU is pending with the High Court If the aforementioned matter is not decided in the favour of the Group, it may be required to pay Rs.193.4 million as additional amount in respect of GID Cess. However, the Group is confident that the matter will be decided in the favour of Group.

18.1.8 Section 113(2)(c) was interpreted by a Divisional Bench of the Sindh High Court (SHC) in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 7 May 2013, whereby it was held that the benefit of carry forward of Minimum Tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than Minimum Tax. Therefore, where there is no tax payable due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability.

The Subsidiary Company based on legal counsel's advices considered that certain strong grounds are available whereby the aforesaid decision can be challenged in a Larger Bench of the SHC or the Supreme Court of Pakistan. A leave to appeal against the aforesaid decision has already been filed before the Supreme Court of Pakistan by other companies which is pending for hearing. In view of above, the Subsidiary Company is confident that the ultimate outcome in this regard would be favourable. Accumulated minimum tax liability of Rs.219.26 million was determined for the tax year 2012 and 2013. However based on the assessment and estimation for availability of sufficient taxable profit on the basis of 5 years projection approved by the Board, the same was not recognised in the financial statements for the year ended 30 June 2013. Therefore, accumulated minimum tax liability amounting to Rs.298.10 million has not been recorded on the same basis in the condensed interim financial information for the six month period ended 31 December 2013.

18.2 Commitments

18.2.1 Capital expenditure commitments of the Group Entities outstanding as at 31 December 2013 amounted to Rs.63.5 million (30 June 2013: Rs.49.9 million).

18.2.2 Commitments under letters of credit established by the Group Entities for raw material and spares as at 31 December 2013 to Rs. 7,100 million (30 June 2013: Rs.7,458.6 million).

18.2.3 Commitments under purchase contracts entered into by the Holding Company as at 31 December 2013 amounted to Rs. 10.15 million (30 June 2013: Rs.880.2 million).

18.2.4 The unavailed facilities of the Group Entities for opening letters of credit and guarantees from banks as at 31 December 2013 amounted to Rs. 11,342.380 million (30 June 2013: 10,369.4 million) and Rs. 583.63 million (30 June 2013: 791.3 million) respectively.

19. NET SALES	**Six months period ended**		**Quarter ended**	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	(Rupees in '000)			
Local	**15,782,958**	13,713,806	**8,522,538**	7,629,689
Export	**3,658,393**	3,420,909	**1,888,864**	1,531,052
	19,441,351	17,134,715	**10,411,402**	9,160,741
Sales Tax	**(2,486,194)**	(1,968,684)	**(1,375,850)**	(1,081,642)
Trade discounts	**(29,265)**	(11,290)	**(21,157)**	(10,112)
Sales discount and commission	**(277,946)**	(249,583)	**(159,627)**	(133,129)
	(2,793,405)	(2,229,557)	**(1,556,634)**	(1,224,883)
	16,647,946	14,905,158	**8,854,768**	7,935,858

20. COST OF SALES				
Opening stock of raw material and work -in-process	**4,900,295**	6,770,224	**7,289,612**	9,067,019
Purchases	**16,132,349**	13,840,437	**7,187,471**	4,644,941
Salaries, wages and benefits	**382,521**	329,300	**194,303**	154,171
Rates and taxes	**648**	1,459	**448**	1,289
Electricity, gas and water	**341,967**	275,399	**175,474**	137,424
Insurance	**16,223**	17,352	**8,589**	10,761
Security and janitorial	**16,700**	13,339	**8,651**	7,048
Depreciation and amortisation	**314,172**	269,068	**156,065**	137,882
Stores and spares consumed	**103,162**	73,126	**54,902**	46,571
Repairs and maintenance	**74,312**	69,520	**39,493**	29,652

	Six months period ended		Quarter ended	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
Postage, telephone and stationery	**7,121**	6,866	**3,709**	3,381
Vehicle, travel and conveyance	**13,144**	11,973	**6,982**	6,838
Internal material handling	**11,336**	10,536	**7,021**	4,747
Environment controlling expense	**667**	652	**318**	189
Sundries	**5,903**	4,872	**4,188**	3,835
Sale of scrap generated during production	**(371,887)**	(98,565)	**(205,011)**	(42,893)
	21,948,633	21,595,558	**14,932,215**	14,212,855
Closing stock of raw material and work-in-process	**(6,956,221)**	(7,049,813)	**(6,956,221)**	(7,049,813)
Cost of goods manufactured	**14,992,412**	14,545,745	**7,975,994**	7,163,042
Finished goods and by-products:				
Opening stock	**2,549,400**	2,457,525	**2,643,775**	3,649,950
Closing stock	**(2,982,311)**	(3,610,464)	**(2,982,311)**	(3,610,464)
	(432,911)	(1,152,939)	**(338,536)**	39,486
	14,559,501	13,392,806	**7,637,458**	7,202,528

21. FINANCIAL CHARGES

Mark-up on:				
- Long term financing	**202,164**	257,821	**97,459**	124,339
- Short-term borrowings	**659,915**	535,669	**361,647**	268,833
	862,079	793,490	**459,106**	393,172
Exchange loss	**35,293**	128,034	**(861)**	113,425
Interest on Workers' Profit Participation Fund	**360**	146	**-**	-
Bank charges	**6,713**	10,771	**4,115**	5,283
	904,445	932,441	**462,360**	511,880

22. OTHER OPERATING CHARGES

Auditors' remuneration	**2,226**	2,100	**1,247**	978
Loss on derivative financial instrument	**1,076**	-	**1,076**	-
Donations	**10,665**	15,250	**6,100**	11,100
Workers' Profit Participation Fund	**38,765**	14,600	**25,706**	5,300
Workers' Welfare Fund	**15,516**	5,800	**10,312**	2,100
Others	**825**	315	**666**	194
	69,073	38,065	**45,107**	19,672

23. OTHER INCOME	**Six months period ended**		**Quarter ended**	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
Income / return on financial assets				
Interest on bank deposits	**838**	1,472	**606**	1,036
Income from non-financial assets				
Income from power generation - 18MW	**13,286**	23,458	**7,909**	15,765
Income from power generation - 4MW	**26,491**	17,655	**14,530**	8,439
Gain on disposal of property, plant and equipment	**6,155**	6,912	**3,819**	2,801
Rental income	**858**	871	**429**	436
Exchange gain/(loss)-net	**61,409**	-	**(2,297)**	-
Others	**7,199**	4,301	**3,487**	1,137
	116,236	54,669	**28,483**	29,614

24. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associate entities, directors of the Holding Company and its Subsidiary, key management employees and staff retirement funds. The Group Entities continues to have a policy whereby all transactions with related parties are entered into at commerical terms and conditions. Contributions to the defined contribution plan (Provident Fund) are made as per the terms of employment and contributions to the defined benefit plan (Gratuity Scheme) are in accordance with acturial advice.

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

	Six months period ended		**Quarter ended**	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	(Rupees in '000)			
Transactions with related parties				
Associated companies				
Sales	**315,257**	487,338	**144,710**	332,726
Purchases	**5,838,950**	3,100,214	**3,232,524**	1,661,708
Insurance premium expense	**38,025**	31,780	**31,426**	13,663
Insurance claims received	**1,205**	1,087	**1,205**	1,079
Rental income	**858**	870	**429**	435
Donations paid	**300**	2,125	**300**	1,000
Dividend paid	**1,296**	-	-	-
Dividend received	**9,704**	-	-	-

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

For the six months period ended 31 December 2013

	Six months period ended		Quarter ended	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
Reimbusement of payments made on behalf of associated company	**592**	1,751	-	841
Subscriptions paid	**111**	94	**99**	94
Key management personnel and their spouses				
Remuneration	**145,995**	133,941	**70,075**	65,248
Sales commission expense	**2,542**	-	**920**	-
Staff retirement benefits	**2,717**	1,015	**1,609**	477
Staff retirement benefit plans				
Contribution paid	**29,627**	22,851	**14,696**	11,703
Non- executive directors' Fees	**2,960**	2,240	**1,640**	760

Balances with related parties

	31 December 2013	30 June 2013
	(Rupees in '000)	
Trade debts		
Receivable from Sui Southern Gas Company Limited	**220,054**	530
Receivable from Sui Northern Gas Pipelines Limited	**53,392**	97,579

25. GENERAL

25.1 The Board of Directors of the Holding Company in their meeting held on 28 January 2014 has declard an interim cash dividend of 12.50% (Rs.1.25 per share) for the year ending 30 June 2014 amounting to Rs. 150 million. These condensed interim consolidated financial information does not include the effect of interim cash dividend, which will be accounted for in the financial statements for the year ending 30 June 2014.

25.2 These condensed interim Consolidated financial statements were authorised for issue by the Board of Directors of the Holding Company on 28 January 2014.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Sohail R. Bhojani
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer