

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

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## Company Information

### Board of Directors

<b>Chairman</b>	Mr. Kemal Shoaib	Independent Chairman
<b>Managing Director &amp; CEO</b>	Mr. Towfiq H. Chinoy	Chief Executive Officer
<b>Directors</b>	Mr. Tariq Iqbal Khan	Independent Director
	Mr. Kamran Y. Mirza	Independent Director
	Syed Salim Raza	Independent Director
	Syed Hyder Ali	Independent Director
	Mr. Mustapha A. Chinoy	Non-Executive Director
	Mr. Kamal A. Chinoy	Non-Executive Director
	Mr. Otomichi Yano	Non-Executive Director

<b>Chief Financial Officer</b>	Mr. Alee Arsalan
<b>Company Secretary</b>	Ms. Neelofar Hameed
<b>External Auditors</b>	KPMG Taseer Hadi & Co.
<b>Internal Auditors</b>	Ernst & Young Ford Rhodes Sidat Hyder
<b>Bankers</b>	Allied Bank Ltd. Bank Al Habib Ltd. Bank Alfalah Ltd. Barclays Bank PLC Dubai Islamic Bank (Pak) Ltd. Faysal Bank Ltd. Habib Bank Ltd. Habib Metropolitan Bank Ltd. HSBC Bank Middle East Ltd. MCB Bank Ltd Meezan Bank Ltd. NIB Bank Ltd. Standard Chartered Bank (Pakistan) Ltd. United Bank Ltd.

<b>Legal Advisors</b>	Mrs. Sana Shaikh Fikree
<b>Registered Office</b>	101, Beaumont Plaza, 10, Beaumont Road, Karachi – 75530 Telephone Nos: 35680045-54 UAN: 111-019-019 Fax: +9221-35680373, E-mail: neelofar.hameed@isl.com.pk

<b>Branch Office</b>	<b>Lahore</b> Chinoy House, 6 Bank Square, Lahore-54000 Phone: +9242-37229752-55 UAN: 042-111-019-019 Fax: +9242-37249755 E-mail: lahore@isl.com.pk	<b>Islamabad</b> Office # 2, First Floor, Ahmed Centre, I-8 Markaz, Islamabad. Phone: +9251-2524650, 4864601-2
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<b>Website</b>	www.isl.com.pk
<b>Shares Registrar</b>	THK Associates (Pvt.) Ltd Ground Floor, State Life Building 3, Dr. Ziauddin Ahmed Road, Karachi-75530 Phone: +9221-111-000-322 Fax: +9221-35655595 Email: info@thk.com.pk



## Directors' Report

The directors of your company are pleased to present the interim financial statements for the quarter ended September 30, 2013.

Net Sales for the quarter ended September 30, 2013 at Rs. 4,397 million, registering a healthy growth of 36% compared to same period last year. This milestone was driven by higher sales volumes of both galvanized and cold rolled products, as the company's product acceptance based on high quality product on a consistent basis continues to engage customers and meet their requirements.

In line with higher sales coupled with operational efficiency in production and manufacturing, gross profit for the quarter ended September 30, 2013 at 9.5% resulting in a 40% increase in gross profit for the same period last year. Consequently, the company registered a pre-tax profit for the quarter of Rs. 107.1 million as opposed to loss of Rs. 10.9 million in same period last year. Similarly, EPS for the quarter was Rs. 0.27 as opposed to Rs. (0.03) in same period last year.

The first quarter's performance has set a higher responsibility to sustain growth momentum. Your company is geared to continue this performance given their high end manufacturing facility, consistent product quality, brand acceptance and strong customer service.

The outlook for the remaining year seems encouraging in terms of the market demand and supply position. However, the uncertainty in the country owing to law and order situation may affect the economic condition of your company.

In addition, the company continues to face challenges from imported products that are enjoying concession under China FTA, under invoiced and secondary material owing to incorrect low ITP values, import of carbon steel misdeclared as silicon or alloy steel. However, the company continues to take up these issues with Government authorities and is hopeful of a positive outcome.

We sincerely thank all our stakeholders for their continued support and in particular to the management and staff for their hard work.

We thank Almighty Allah for his benevolence to your company and pray to him for our continued success in times to come.

For & behalf of  
International Steels Limited



**Kemal Shoaib**  
Chairman

Karachi  
Dated: 22 October 2013

## Condensed Interim Balance Sheet

As at 30 September 2013

	Note	30 September 2013 (Un-audited) (Rupees in '000)	30 June 2013 (Audited)
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	4	9,822,743	9,905,282
Intangible assets		8,243	8,067
Long term deposit with Central Depository Company Pakistan Limited		100	100
<b>Total Non Current Assets</b>		<b>9,831,086</b>	<b>9,913,449</b>
<b>Current Assets</b>			
Stores and spares		374,047	370,320
Stock-in-trade	5	6,591,336	2,616,040
Receivable from Karachi Electric Supply - Company Limited (KESC) unsecured, considered good	6	85,691	35,743
Trade debts - secured, unsecured considered good	6	595,828	550,880
Advances - considered good	7	101,978	297,901
Trade deposits, short term prepayments and - others receivables	8	7,936	12,989
Sales tax receivable		413,353	165,678
Taxation - net		1,103,070	787,216
Cash and bank balances		7,234	13,694
<b>Total Current Assets</b>		<b>9,280,473</b>	<b>4,850,461</b>
<b>Total Assets</b>		<b>19,111,559</b>	<b>14,763,910</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorised Capital 500,000,000 (2013: 500,000,000) ordinary shares of Rs. 10 each		5,000,000	5,000,000
Issued, subscribed and paid up capital		4,350,000	4,350,000
Unappropriated profit		285,552	166,807
<b>Total shareholders' equity</b>		<b>4,635,552</b>	<b>4,516,807</b>
Surplus on revaluation of property, plant and equipment		569,989	572,886
<b>LIABILITIES</b>			
<b>Non Current Liabilities</b>			
Long term finances - secured	9	3,223,866	3,371,860
Deferred taxation - net		204,262	219,151
<b>Total Non Current Liabilities</b>		<b>3,428,128</b>	<b>3,591,011</b>
<b>Current Liabilities</b>			
Trade and other payables	10	2,303,129	1,021,318
Short term borrowings - secured	11	7,282,758	4,121,378
Current portion of long term finances	9	699,606	783,285
Accrued mark-up		192,397	157,225
<b>Total Current Liabilities</b>		<b>10,477,890</b>	<b>6,083,206</b>
<b>Contingencies and Commitments</b>	12		
<b>Total Equity and Liabilities</b>		<b>19,111,559</b>	<b>14,763,910</b>

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.



Tariq Iqbal Khan  
Director & Chairman  
Board Audit Committee



Alee Arsalan  
Chief Financial  
Officer



Towfiq H. Chinoy  
Managing Director &  
Chief Executive



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

For the quarter ended 30 September 2013

	Note	Quarter ended	
		30 September 2013	30 September 2012
(Rupees in '000)			
Net sales	13	4,396,541	3,228,788
Cost of sales	14	(3,978,318)	(2,929,919)
<b>Gross profit</b>		<b>418,223</b>	<b>298,869</b>
Administrative expenses	15	(33,207)	(28,094)
Selling and distribution expenses	16	(35,143)	(21,229)
		<b>(68,350)</b>	<b>(49,323)</b>
Financial charges	17	(265,668)	(269,354)
Other operating charges	18	(8,763)	(2,208)
		<b>(274,431)</b>	<b>(271,562)</b>
Other income	19	31,682	11,070
<b>Profit / (loss) before taxation</b>		<b>107,124</b>	<b>(10,946)</b>
Taxation - net		8,724	(1,690)
<b>Profit / (loss) for the period</b>		<b>115,848</b>	<b>(12,636)</b>
(Rupees)			
<b>Earnings / (loss) per share - basic and diluted</b>		<b>0.27</b>	<b>(0.03)</b>

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

For the quarter ended 30 September 2013

	Quarter ended	
	30 September 2013	30 September 2012
	(Rupees in '000)	
Profit / (loss) for the quarter ended	115,848	(12,636)
Other comprehensive income / (loss)	-	-
Total comprehensive income / (loss) for the quarter ended	<u>115,848</u>	<u>(12,636)</u>

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.



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Chief Executive



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

For the quarter ended 30 September 2013

Note	Quarter ended	
	30 September 2013	30 September 2012
(Rupees in '000)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	107,124	(10,946)
Adjustments for:		
Depreciation	124,688	102,637
Amortisation	1,474	1,337
Gain on sale of property, plant and equipment	(1,718)	(1,356)
Provision for staff gratuity	2,180	1,669
Provision for compensated absences	1,744	690
Financial charges	265,668	269,354
	394,036	374,331
Movement in working capital	20 (2,837,531)	520,978
<b>Net cash (used in) / generated from operations</b>	<b>(2,336,371)</b>	<b>884,363</b>
Financial charges paid	(230,496)	(255,242)
Gratuity paid	(2,180)	(1,669)
Compensated absences paid	(3,019)	(290)
Taxes paid / adjusted	(322,019)	21,404
	(557,714)	(235,797)
<b>Net cash (used in) / generated from operating activities</b>	<b>(2,894,086)</b>	<b>648,566</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(48,117)	(200,747)
Proceeds from sale of property, plant and equipment	6,036	3,233
Net cash used in investing activities	(42,081)	(197,514)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayments) / proceeds of long term finances - net	(231,673)	59,030
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(3,167,840)</b>	<b>510,082</b>
Cash and cash equivalents at beginning of the year	(4,107,684)	(6,443,865)
Cash and cash equivalents at end of the quarter	(7,275,524)	(5,933,783)
<b>CASH AND CASH EQUIVALENTS COMPRISE</b>		
Cash and bank balances	7,234	8,707
Short term borrowings	(7,282,758)	(5,942,490)
	(7,275,524)	(5,933,783)

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.

  
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Director & Chairman  
Board Audit Committee

  
Alee Arsalan  
Chief Financial  
Officer

  
Towfiq H. Chinoy  
Managing Director &  
Chief Executive

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

For the quarter ended 30 September 2013

	Issued, subscribed and Paid up capital	Unappropriated (Losses) / Profit	Total
	(Rupees in '000)		
<b>Balance as at 01 July 2012</b>	4,350,000	(196,657)	4,153,343
Total comprehensive loss for the period	-	(12,636)	(12,636)
<b>Balance as at 30 September 2012</b>	4,350,000	(209,293)	4,140,707
<b>Balance as at 01 July 2013</b>	<u>4,350,000</u>	<u>166,807</u>	<u>4,516,807</u>
Total comprehensive income for the period	-	115,848	115,848
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	2,897	2,897
<b>Balance as at 30 September 2013</b>	<u><b>4,350,000</b></u>	<u><b>285,552</b></u>	<u><b>4,635,552</b></u>

The annexed notes 1 to 22 form an integral part of this condensed interim financial information.



**Tariq Iqbal Khan**  
Director & Chairman  
Board Audit Committee



**Alee Arsalan**  
Chief Financial  
Officer



**Towfiq H. Chinoy**  
Managing Director &  
Chief Executive





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

For the quarter ended 30 September 2013

### 1 STATUS AND NATURE OF BUSINESS

International Steels Limited ("the Company") was incorporated on September 03, 2007 as a public unlisted company limited by shares under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. The Company was listed on the Karachi Stock Exchange on 01 June 2011 as a result of divestment of shares by International Industries Limited (the Holding Company) (IIL). The Company is in the business of manufacturing of Cold Rolled and Galvanised Steel Coils and Sheets. The Company commenced commercial operation on 01 January 2011. The Company is a subsidiary of International Industries Limited. The registered office of the Company is situated at 101, Beaumont Plaza, 10 Beaumont Road, Civil Line, Karachi.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

**2.1.1** This condensed interim 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 as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

**2.1.2** This condensed interim financial information is presented in Pakistan Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest thousand except otherwise stated.

#### 2.2 Estimates, judgments and financial risk management

The preparation of condensed interim financial information in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation applied in preparation of this condensed interim financial information are same as those applied in preparation of annual financial statements of the Company as at and for the year ended 30 June 2013. Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any significant impact on the accounting policies of the Company.

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

For the quarter ended 30 September 2013

4	<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>Operating Assets</b>	<b>Capital work in progress</b>	<b>Total</b>
		(Rupees in '000)		
	<b>Cost</b>			
	Opening balance	10,481,107	376,025	<b>10,857,132</b>
	Addition / (disposal) - net	94,798	(55,110)	<b>39,688</b>
		<u>10,575,905</u>	<u>320,915</u>	<u><b>10,896,820</b></u>
	<b>Accumulated depreciation</b>			
	Opening balance	951,850	-	<b>951,850</b>
	For the period - net of disposal	122,227	-	<b>122,227</b>
		<u>1,074,077</u>	<u>-</u>	<u><b>1,074,077</b></u>
	Written down value as at 30 September 2013 (Un-audited)	<u>9,501,828</u>	<u>320,915</u>	<u><b>9,822,743</b></u>
	Written down value as at 30 June 2013 (Audited)	<u>9,529,257</u>	<u>376,025</u>	<u>9,905,282</u>

5	<b>STOCK-IN-TRADE</b>	<b>Note</b>	<b>30 September 2013 (Un-audited)</b>	<b>30 June 2012 (Audited)</b>
			(Rupees in '000)	
	Raw material	5.1	<b>5,084,903</b>	1,410,479
	Work-in-process		<b>356,941</b>	360,724
	Finished goods		<b>1,148,966</b>	841,816
	Scrap Material		<b>526</b>	3,021
			<u><b>6,591,336</b></u>	<u>2,616,040</u>

5.1 This includes stock in transit amounting to Rs. 1,881.45 million (30 June 2013: Rs. 552.25 million).

### 6 TRADE DEBTS - secured, unsecured and considered good

- Secured	6.1	<b>580,486</b>	544,237
- Unsecured		<b>15,342</b>	6,643
		<u><b>595,828</b></u>	<u>550,880</u>

6.1 This represents trade debts arising on account of export sales of Rs. 551.17 million (30 June 2013: Rs. 521.26 million) which are secured by way of Export Letters of Credit and Documents of Acceptance. Rs. 29.32 million (30 June 2013: Rs. 22.98 million) arising on account of domestic sales which are secured by way of inland letter of credit and post dated cheques.



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

7	<b>ADVANCES - Considered good</b>	Note	30 September 2013 (Un-audited)	30 June 2012 (Audited)
(Rupees in '000)				
	Advances:			
	- to suppliers		95,822	204,288
	- against sales tax		-	85,000
	- to service providers		6,096	7,174
	- to employees		60	1,439
			<u>101,978</u>	<u>297,901</u>
8	<b>TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES</b>			
	Trade deposits		4,557	3,837
	Short term prepayments		3,377	8,625
	Others		2	527
			<u>7,936</u>	<u>12,989</u>
9	<b>LONG TERM FINANCES - secured</b>			
	Syndicated LTFF term finance	9.1	3,196,809	3,344,803
	Long Term Finance	9.2	726,663	810,342
			<u>3,923,472</u>	<u>4,155,145</u>
	Current maturity of long term financing		<u>(699,606)</u>	<u>(783,285)</u>
			<u>3,223,866</u>	<u>3,371,860</u>

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

**9.2** The term finance facility is secured by way of mortgage of land located at Survey No. 399-404, Landhi Town, Karachi and other fixed assets of the Company against ranking charge. It is repayable in eight half yearly instalments which commenced from December 2012. The rate of markup is 1.8% over 6 months KIBOR (30 June 2013: 1.8% over 6 months KIBOR).

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

10	TRADE AND OTHER PAYABLES	Note	30 September 2013 (Un-audited) (Rupees in '000)	30 June 2013 (Audited)
	Trade creditors		119,839	23,128
	Bills payable		1,723,818	573,830
	Payable to provident fund		261	1,237
	Sales commission payable		21,378	36,462
	Accrued expenses		93,018	84,244
	Advances from customers		151,562	146,911
	Provision for infrastructure cess	10.1	144,000	118,000
	Provision for government levies		947	947
	Short term compensated absences		306	1,582
	Workers' Profit Participation Fund		29,565	23,806
	Workers' Welfare Fund		11,826	9,522
	Others		6,609	1,649
			<u>2,303,129</u>	<u>1,021,318</u>

10.1 This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer.

### 11 SHORT TERM BORROWINGS - secured

Running finance under mark-up arrangement	11.1	5,987,749	2,626,159
Running finance under FE-25 Import Scheme	11.2	159,154	697,277
Running finance under Export Refinance Scheme	11.3	398,000	398,000
Short term finance under Murabaha and Istisna	11.4	737,855	399,942
		<u>7,282,758</u>	<u>4,121,378</u>

11.1 The facilities for running finance available from various commercial banks are for the purpose of meeting working capital requirements. The rates of mark-up on these finances range from KIBOR + 0.40% to KIBOR + 2.00% (30 June 2013: KIBOR+0.50% to KIBOR+ 2.00%) per annum. These facilities mature within twelve months and are renewable.

11.2 The facilities for short term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 available from various commercial banks are for the purpose of meeting import requirements. The rates of mark-up on these finances ranges from 1.25% to 1.78% (30 June 2013: 1.25% to 1.79%) per annum. These facilities mature within six months and are renewable. The facilities availed is for an amount of USD 1.50 million equivalent to Rs. 159.15 million (30 June 2013: USD 6.97 million equivalent to Rs. 697.27 million).

11.3 The Company has borrowed short term running finance under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. This facility is available as a sub limit of short term finance facility. The facility availed is for an amount of Rs. 398 million (30 June 2013: Rs. 398 million). The rate of mark-up on this facility is 8.88% per annum (30 June 2013: 8.88%). This facility matures within six months and is renewable.



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

- 11.4** The Company has obtained facilities for short term finance under Murabaha and Istisna under Islamic financing arrangement. The rate of profit is KIBOR + 0.44% (30 June 2013: KIBOR + 0.72%). This facility matures within six months and is renewable.
- 11.5** As at 30 September 2013, the unavailed facilities from the above borrowings amounted to Rs. 2,717.25 million.
- 11.6** The above facilities are secured by way of joint and first pari passu charges over current assets of the Company.

## **12 CONTINGENCIES AND COMMITMENTS**

### **12.1 Contingencies**

- 12.1.1** The Sindh Finance Act, 1994 prescribed in the position of an infrastructure fee at the rate of 0.50% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The High Court of Sindh has granted an interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignment released upto 27 December 2006 and any bank guarantee / security furnished for consignment released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of fifth version of the law and its retrospective application the authorities are entitled to claim the amounts due under the said law with the right to appeal available to petitioner.

The High Court on petition filed, passed an interim order directing that any bank guarantee / securities furnished for consignments cleared up to December 27, 2006 are to be returned and for the period there after guarantees and securities furnished for consignments cleared are to be in cash to the extent of 50% and the remaining balance is to be retained till the disposal of petitions. For future clearances, the Company is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / securities for the balance amount as directed by High Court. Bank guarantees issued as per the above mentioned interim order amount to Rs.146.50 million (30 June 2013: Rs. 126.50 million), have been provided to the Department. However, a provision to the extent of amount of guarantee has also been provided for by the Company on prudent basis.

- 12.1.2** As per the Gas infrastructure and Development Cess Act 2011 (the Act), certain companies as specified in the Act (including Sui Southern Gas Company) shall collect and pay Gas infrastructure and Development Cess (GID Cess) in such manner as the Federal Government may prescribe. As per the second schedule of the Act, GID Cess of Rs. 13 per MMBTU was applicable on International Steels Limited. Through Finance Bill 2012 – 2013, an amendment was made to the Act whereby the rate of GID Cess applicable on International Steels Limited was increased to Rs. 100 per MMBTU. On 1 August 2012, the Company filed a suit bearing number 859/2012 wherein it has impugned the Act on the ground that the rate of GID Cess has been enhanced without any lawful justification and authority. The Honourable High Court of Sindh at Karachi vide its ad-interim order dated 6 September 2012 has restrained Sui Southern Gas Company Limited (SSGC) from charging GID Cess above Rs. 13 per MMBTU. As a result, SSGC invoices to the Company at Rs. 13 per MMBTU which has been recorded. In view of above stated order of Honourable High Court of Sindh and opinion of legal advisor, the Company is confident of a favourable outcome and therefore has not recorded differential of GID Cess of Rs. 87 per MMBTU ( from October 2012 to September 2013) amounting to Rs. 108.10 million in this condensed interim financial information.

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

**12.1.3** 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 Company based on legal councils' 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 Company is confident that the ultimate outcome in this regard would be favourable. Hence no provision in this respect has been made in this condensed interim financial information.

**12.1.4** Guarantee issued by the Company to Sui Southern Gas Company Limited of Rs. 198.20 million (30 June 2013: Rs. 198.20 million) as a security for supply of gas.

**12.1.5** The company issued a bid bond guarantee to Jamshoro Power Company Limited amounting to Rs. 0.07 million (30 June 2013: Rs. 0.05 million).

### 12.2 Commitments

**12.2.1** Capital expenditures commitments outstanding as at 30 September 2013 amounted to Rs. Nil (30 June 2013: Rs.7.35 million).

**12.2.2** Commitments under letters of credit for raw materials and spares as at 30 September 2013 amounted to Rs 2,155.95 million ( 30 June 2013: Rs.4,792.22 million).

**12.2.3** The unavailed facilities for opening letters of credit and guarantees from banks as at 30 September 2013 amounted to Rs. 4,594.05 million (30 June 2013: Rs. 3,262.43 million) and Rs. 405.23 million (30 June 2013: Rs.425.25 million) respectively.

<b>Quarter ended</b>	
<b>30 September 2013</b>	<b>30 September 2012</b>
<b>(Rupees in '000)</b>	

### 13 NET SALES

Local	<b>4,530,390</b>	3,453,250
Export	<b>593,939</b>	288,235
	<b>5,124,329</b>	3,741,485
Sales tax and special excise duty	<b>681,951</b>	476,368
Trade discount	<b>1,563</b>	684
Sales commission	<b>44,274</b>	35,645
	<b>727,788</b>	512,697
	<b>4,396,541</b>	3,228,788



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

	Quarter ended	
	30 September 2013	30 September 2012
	(Rupees in '000)	
<b>14 COST OF SALES</b>		
Opening stock of raw material and work-in-process	1,218,957	2,773,910
Purchases	6,297,771	3,869,270
Salaries, wages and benefits	57,406	55,811
Electricity, gas and water	102,214	75,623
Insurance	5,132	4,945
Security and janitorial	4,721	2,849
Depreciation	106,646	85,081
Amortisation	1,474	1,337
Stores and spares consumed	33,247	24,312
Repairs and maintenance	24,245	14,888
Postage, telephone and stationery	998	1,071
Vehicle, travel and conveyance	3,321	2,468
Internal material handling	998	1,994
Environment controlling expense	323	423
Computer stationery and software support fees	740	1,357
Others	1,233	579
Recovery from sale of scrap	(13,568)	1,558
	<u>7,845,858</u>	<u>6,917,476</u>
Closing stock of raw material and work-in-process	<u>(3,560,390)</u>	<u>(3,468,758)</u>
Cost of goods manufactured	<u>4,285,468</u>	<u>3,448,718</u>
Finished goods:		
Opening stock	841,816	780,489
Closing stock	(1,148,966)	(1,299,289)
	<u>(307,150)</u>	<u>(518,799)</u>
	<u>3,978,318</u>	<u>2,929,919</u>
<b>15 ADMINISTRATIVE EXPENSES</b>		
Salaries, wages and benefits	23,054	20,011
Rent, rates and taxes	1,120	1,099
Electricity, gas and water	441	436
Insurance	184	160
Security and janitorial services	27	-
Depreciation	1,259	1,023
Printing and stationery	16	331
Postage and communication	162	96
Vehicle, travel and conveyance	811	1,200
Legal and professional charges	4,910	3,041
Certification and registration charges	101	84
Directors' fee	640	480
Others	482	133
	<u>33,207</u>	<u>28,094</u>

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

	Quarter ended	
	30 September 2013	30 September 2012
	(Rupees in '000)	
<b>16 SELLING AND DISTRIBUTION EXPENSES</b>		
Salaries, wages and benefits	13,440	8,956
Rent, rates and taxes	1,206	1,223
Electricity, gas and water	221	193
Insurance	319	99
Depreciation	569	568
Postage, telephone and stationery	215	136
Vehicle, travel and conveyance	1,054	642
Freight and forwarding charges	17,050	8,143
Advertising and sales promotion	344	920
Others	725	349
	<b>35,143</b>	<b>21,229</b>
<b>17 FINANCIAL CHARGES</b>		
Mark-up on:		
- long term finances	93,623	109,617
- short term borrowings	145,175	156,503
	<b>238,798</b>	<b>266,120</b>
Exchange loss on FE financing	26,238	1,231
Bank charges	632	2,003
	<b>265,668</b>	<b>269,354</b>
<b>18 OTHER OPERATING CHARGES</b>		
Auditors' remuneration	400	360
Donations	300	-
Workers' Profit Participation Fund	5,759	-
Workers' Welfare Fund	2,304	-
Provision for government levies	-	121
Exchange loss - net	-	1,727
	<b>8,763</b>	<b>2,208</b>





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

	Quarter ended	
	30 September 2013	30 September 2012
(Rupees in '000)		
<b>19 OTHER INCOME</b>		
<b>Income from non-financial assets</b>		
Income from power generation	19.1 5,377	7,693
Income on supply of utilities	6,450	-
Gain on sale of property, plant and equipment	1,718	1,356
Rent income	429	435
Exchange gain - net	16,199	-
Others	1,509	1,477
<b>Income / return on financial assets</b>		
Interest on bank deposit	-	109
	<u>31,682</u>	<u>11,070</u>
<b>19.1 Income from power generation</b>		
Net sales	109,882	119,226
Cost of electricity produced	(104,505)	(111,533)
Income from power generation	<u>5,377</u>	<u>7,693</u>
<b>20 MOVEMENT IN WORKING CAPITAL</b>		
(Increase) / decrease in current assets:		
Stores and spares	(3,727)	25,572
Stock-in-trade	(3,975,296)	419,361
Trade debts	(44,948)	94,200
Receivable from KESC	(49,948)	100,128
Advances	195,923	(24,963)
Trade deposits, short term prepayments and other receivables	5,053	(6,212)
Sales tax receivable	(247,675)	70,418
	<u>(4,120,618)</u>	<u>678,504</u>
Increase / (decrease) in current liabilities:		
Trade and other payables	1,283,087	(157,526)
	<u>(2,837,531)</u>	<u>520,978</u>

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

### 21 TRANSACTIONS WITH RELATED PARTIES

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

	Quarter ended	
	30 September 2013	30 September 2012
	(Rupees in '000)	
<b>Transactions</b>		
<b>Holding Company</b>		
Sales	151,658	346,831
Purchases	655	857
Office rent	2,181	1,993
Income on supply of utilities	6,450	-
IT services	-	1,125
Payroll services	-	170
Corporate & legal services	886	792
Sales of fixed assets	-	123
Purchase of fixed assets	-	72
Sale of stores and spares	-	123
<b>Associated Companies</b>		
<b>Transactions</b>		
Purchases	2,537,565	1,391,859
Insurance premium expense	6,599	18,117
Insurance claim received	-	8
Rent income	429	435
<b>Associated Person</b>		
<b>Transactions</b>		
Sales commission expense	1,622	-
<b>Key Management Personnel</b>		
Remuneration	37,894	30,563
Staff retirement benefits	1,108	538
<b>Staff Retirement Fund</b>		
Contribution paid - Provident Fund	1,931	1,536
Contribution paid - Gratuity Fund	2,180	1,669



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

	<b>30 September 2013 (Un-audited)</b>	<b>30 June 2013 (Audited)</b>
	—— (Rupees in '000) ——	
<b>Balances</b>		
<b>Holding Company</b>		
Trade Debts	-	1,237
<b>Associated Companies</b>		
Trade creditors	2,026	5
<b>Associated Person</b>		
Sales commission payable	1,622	2,440

### 22 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors on 22 October 2013



**Tariq Iqbal Khan**  
Director & Chairman  
Board Audit Committee



**Alee Arsalan**  
Chief Financial  
Officer



**Towfiq H. Chinoy**  
Managing Director &  
Chief Executive