



AMRELI STEELS LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Amreli Steels Limited (the Company) as at 30 June 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.5 to the accompanying financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2012 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Omar Mustafa Ansari

Date: 14 November 2012

Karachi

AMRELI STEELS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2012

	Note	2012 ----- (Rupees) -----	2011
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	7,926,234,183	5,402,876,470
Intangibles	7	1,053,334	993,556
Long-term investment	8	1,000,000	1,000,000
Long-term deposits	9	<u>210,062,322</u>	<u>110,295,106</u>
		8,138,349,839	5,515,165,132
CURRENT ASSETS			
Stores and spare parts	10	<u>337,745,941</u>	<u>195,648,213</u>
Stock-in-trade	11	<u>1,650,401,675</u>	<u>890,820,813</u>
Trade debts	12	<u>379,227,552</u>	<u>358,776,858</u>
Loans and advances	13	<u>37,668,147</u>	<u>102,921,362</u>
Trade deposits and short-term prepayments	14	<u>76,040,660</u>	<u>40,551,834</u>
Other receivables	15	<u>144,782,308</u>	<u>21,643,029</u>
Tax refunds due from the Government		<u>71,551,706</u>	<u>99,733,940</u>
Cash and bank balances	16	<u>36,262,589</u>	<u>17,537,502</u>
		2,733,680,578	1,727,633,551
TOTAL ASSETS		<u>10,872,030,417</u>	<u>7,242,798,683</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	17	2,227,585,700	2,227,585,700
Unappropriated profits		<u>145,671,291</u>	<u>37,585,006</u>
		2,373,256,991	2,265,170,706
Surplus on revaluation of property, plant and equipment	18	2,134,451,645	975,062,035
NON-CURRENT LIABILITIES			
Long-term financing	19	<u>2,020,022,967</u>	<u>1,941,911,748</u>
Liabilities against assets subject to finance lease	20	<u>288,841,913</u>	<u>40,380,263</u>
Deferred taxation	21	<u>816,948,126</u>	<u>151,091,237</u>
Deferred liability	22	<u>23,300,114</u>	<u>17,790,454</u>
		3,149,113,120	2,151,173,702
CURRENT LIABILITIES			
Trade and other payables	23	<u>807,359,341</u>	<u>650,536,176</u>
Interest / markup accrued	24	<u>85,688,268</u>	<u>59,739,577</u>
Short-term borrowings	25	<u>1,894,292,091</u>	<u>982,065,562</u>
Current portion of:			
Long-term financing	19	<u>333,902,140</u>	<u>147,059,808</u>
Liabilities against assets subject to finance lease	20	<u>93,966,821</u>	<u>11,991,117</u>
		3,215,208,661	1,851,392,240
CONTINGENCIES AND COMMITMENTS	26		
TOTAL EQUITY AND LIABILITIES		<u>10,872,030,417</u>	<u>7,242,798,683</u>

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


CHIEF EXECUTIVE


DIRECTOR

AMRELI STEELS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 ----- (Rupees) -----	2011 -----
Turnover – net	27	7,208,886,336	5,431,687,003
Cost of sales	28	6,242,687,925	4,959,106,462
Gross profit		966,198,411	472,580,541
Trading income	29	1,032,087 967,230,498	1,693,638 474,274,179
Distribution costs	30	94,534,841	53,783,137
Administrative expenses	31	154,363,751 248,898,592	112,823,092 166,606,229
Other operating income	32	13,955,956	18,663,773
Operating profit		732,287,862	326,331,723
Finance costs	33	589,063,488	256,440,196
Other charges	34	12,899,985 601,963,473	8,131,393 264,571,589
Profit before taxation		130,324,389	61,760,134
Taxation	35	(40,274,552)	(59,716,905)
Profit after taxation		90,049,837	2,043,229

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

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CHIEF EXECUTIVE


DIRECTOR

AMRELI STEELS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
	----- (Rupees) -----	
Profit for the year	90,049,837	2,043,229
Other comprehensive income	-	-
Total comprehensive income for the year	<u>90,049,837</u>	<u>2,043,229</u>

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

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CHIEF EXECUTIVE



DIRECTOR

AMRELI STEELS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011
Note	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	130,324,389	61,760,134
Adjustments for:		
Depreciation	229,311,379	74,131,643
Amortization	325,431	248,389
Provision for doubtful trade debts and other receivables	2,806,875	13,733,512
Accrual for gratuity	6,775,802	4,670,788
Gain on disposal of operating assets	(8,141,884)	(386,342)
Liability no longer payable	-	(3,262,153)
Finance costs	481,038,590	256,440,196
Interest income	(490,725)	(4,305,844)
Trial production cost capitalized	(162,908,223)	-
	548,717,245	341,270,189
Operating profit before working capital changes	679,041,634	403,030,323
(Increase) / decrease in current assets:		
Stores and spare parts	(142,097,728)	(97,328,959)
Stock-in-trade	(759,580,862)	(131,576,288)
Trade debts	(23,257,569)	(30,816,803)
Loans and advances	65,253,215	57,176,302
Trade deposits and short-term prepayments	(35,488,826)	(14,329,078)
Other receivables	(123,139,279)	45,364
	(1,018,311,049)	(216,829,462)
Increase in current liability:		
Trade and other payables	156,823,165	133,626,897
Cash (used in) / generated from operations	(182,446,250)	319,827,758
Gratuity paid	(1,266,142)	(1,405,535)
Long-term deposits – net	(99,767,216)	(101,550,106)
Income taxes paid	(13,952,370)	(43,498,111)
Net cash used in from operating activities	(297,431,978)	(173,374,006)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(770,616,195)	(1,475,136,929)
Proceeds from disposal of operating assets	33,755,000	3,130,998
Interest income received	490,725	18,425,903
Loans to related parties	-	29,680,382
Net cash used in investing activities	(736,370,470)	(1,423,899,646)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of right shares	-	668,071,800
Liabilities against assets subject to finance lease – net	330,437,354	(20,179,538)
Short-term borrowings received	912,226,529	15,678,871
Long-term financings – net	264,953,551	868,024,318
Finance costs paid	(455,089,899)	(378,716,695)
Net cash inflow from financing activities	1,052,527,535	1,152,878,756
Net increase / (decrease) in cash and cash equivalents	18,725,087	(97,646,884)
Cash and cash equivalents at the beginning of the year	17,537,502	115,184,386
Cash and cash equivalents at the end of the year	36,262,589	17,537,502

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


CHIEF EXECUTIVE


DIRECTOR

AMRELI STEELS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

	Note	Share capital	Unappropriated profits (Rupees)	Total
Balance as at June 30, 2010		1,434,256,400	17,441,473	1,451,697,873
Net profit for the year		-	2,043,229	2,043,229
Other comprehensive income		-	-	-
Total comprehensive income		-	2,043,229	2,043,229
Transfer from surplus on revaluation of property, plant and equipment – net of tax	18	-	18,100,304	18,100,304
Issuance of right shares		793,329,300	-	793,329,300
Balance as at June 30, 2011		<u>2,227,585,700</u>	<u>37,585,006</u>	<u>2,265,170,706</u>
Net profit for the year		-	90,049,837	90,049,837
Other comprehensive income		-	-	-
Total comprehensive income		-	90,049,837	90,049,837
Transfer from surplus on revaluation of property, plant and equipment – net of tax	18	-	18,036,448	18,036,448
Balance as at June 30, 2012		<u>2,227,585,700</u>	<u>145,671,291</u>	<u>2,373,256,991</u>

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

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CHIEF EXECUTIVE


DIRECTOR

AMRELI STEELS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. THE COMPANY AND ITS OPERATIONS

Amreli Steels Limited (the Company) was incorporated in 1975 under the Companies Act, 1913 (now the Companies Ordinance, 1984) as a private limited company and converted into a public unquoted company in 2009. The Company is mainly engaged in manufacture and sale of steel bars and billets. The registered office of the Company is situated at Plot No. D-89, Shershah Road, S.I.T.E., Karachi.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

- 3.1** These financial statements have been prepared under the historical cost convention except for certain classes of property, plant and equipment that have been measured at revalued amounts.
- 3.2** These financial statements are prepared in Pak Rupees, which is the Company's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 4.1** The accounting policies adopted in preparation of these financial statements are consistent with those of the previous financial year.
- 4.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective**
- 4.2.1** The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

	Standard or Interpretation	Effective Date (accounting periods beginning on or after)
IAS 1	Presentation of Financial Statements – Presentation of items of comprehensive income	July 01, 2012
IFRS 7	Financial Instruments: Disclosures – (Amendments) – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 12	Income Tax (Amendment) – Recovery of underlying assets	January 01, 2012
IAS 19	Employee Benefits – Amendments	January 01, 2013
IAS 32	Offsetting Financial Assets and Financial Liabilities – (Amendment)	January 01, 2014

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have material affect on the Company's financial statements in the period of initial application, except for the following:

IAS19 – Employee Benefits (Revised) requires actuarial gains and losses to be recognized in other comprehensive income as they occur. Further, amounts recorded in profit and loss account will be limited to current and past service costs, gains or losses on settlements and net interest income (expense). Furthermore, all other charges in the net defined benefit asset (liability) will be recognized in other comprehensive income with no subsequent recycling to profit and loss account.

This will accordingly result in change in accounting policy as disclosed in note 2.20 and eventual effect on the financial statements in the period of such standard getting effective.

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- 4.3 In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard		IASB Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments	January 01, 2015
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have material affect on the Company's financial statements in the period of initial application.

- 4.4 The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

4.5 Standards, amendments and interpretations adopted during the year

New and amended standards and interpretations

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 7	Financial Instruments: Disclosures (Amendment)
IAS 24	Related Party Disclosures (Revised)
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)

Amendments to standards and interpretations

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wordings. These improvements are listed below which became effective during the current year:

IFRS 7	Financial Instruments: Disclosures – Clarification of Disclosures
IAS 1	Presentation of Financial Statements – Clarification of Statement of Changes in Equity
IAS 34	Interim Financial Reporting – Significant Events and Transactions
IFRIC 13	Customer Loyalty Programmes – Fair Value of Award Credits

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on these financial statements or the accounting policies of the Company.

4.6 Property, plant and equipment

Owned assets

These except for leasehold land, capital work-in-progress and stores held for capital expenditure are stated at cost / revalued amount less accumulated depreciation and impairment losses, if any. Buildings on leasehold land, and plant and machinery are carried at revalued amount less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Capital work-in-progress and stores held for capital expenditure are stated at cost.

Depreciation is charged to profit and loss account applying the reducing balance method, except for depreciation on plant and machinery, and cranes which are charged on a straight line basis. Full year's depreciation is charged in the year in which addition occurs, while no depreciation is charged in the year in which an asset is disposed off.

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Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements which increase the asset's remaining useful economic life or performance beyond the current estimated levels are capitalized and the assets so replaced, if any, are retired.

Gains or losses on disposal of property, plant and equipment, if any, are recognized in the profit and loss account currently.

The carrying values of property, plant and equipment are reviewed at each balance sheet date for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts.

Assets subject to finance lease

Finance lease, which transfers to the Company substantially all the risks and benefits incidental to ownership of leased items are capitalized at the inception of lease. Assets subject to finance lease are stated at the lower of the present value of the minimum lease payments under the lease agreements and their fair value. Depreciation is charged using the same basis and rates used for similar owned assets whereby the cost of assets less residual value is written off over their estimated useful lives. Lease payments are apportioned between the financial charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financial charges are charged directly to profit and loss account.

4.7 Surplus on revaluation of property, plant and equipment

The surplus arising on revaluation of property, plant and equipment net off deferred tax is credited to "Surplus on revaluation of property, plant and equipment" shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984 as amended through the Companies (Amendment) Ordinance, 2002, and the Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated January 13, 2003.

Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account.

An amount equal to incremental depreciation for the year net of deferred tax is transferred from "Surplus on Revaluation of Property, Plant and Equipment account" to accumulated profits through "Statement of Changes in Equity" to record realization of surplus to the extent of the incremental depreciation charge for the year.

4.8 Stores and spare parts

These are valued at lower of moving average cost and Net Realizable Value (NRV) except for items in transit which are stated at invoice amount plus other charges paid thereon to the balance sheet date.

Provision is made for slow moving and obsolete items on annual basis.

4.9 Stock-in-trade

These are valued at the lower of NRV and cost determined as follows:

Raw and packing materials	- First-In-First-Out (FIFO)
Work-in-process	- Cost of direct materials plus other attributable overheads
Finished goods – Manufactured	- Cost of direct materials plus other attributable overheads
– Trading	- First-In-First-Out (FIFO)

NRV signifies the estimated selling price in the ordinary course of business less the estimated cost of completion and estimated cost necessary to make the sale.

4.10 Trade debts and other receivables

These are recognized at invoice amount less provision for any uncollectible amounts. Other receivables are carried at cost less provision for impairment. Provision for impairment is based on the management's assessment of customers' / parties' outstanding balances and creditworthiness. Trade debts and other receivables are classified as bad debts / receivable and are written-off when there is no realistic prospect of recovery.

4.11 Investments

Held-to-maturity investments

These represent financial assets with fixed or determinable payments and fixed maturities in respect of which the Company has positive intent and ability to hold till maturity. These are recognized initially at fair value plus directly attributable transaction costs. After initial measurement, these investments are measured at amortized cost using effective interest rate method. Gains and losses are recognized in profit and loss account when the investments are derecognized or impaired.

4.12 Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using effective interest rate method. Gains or losses are recognized in profit and loss account when the liabilities are derecognized.

4.13 Trade and other payables

Liabilities for trade and amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

4.14 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provisions of the instrument and are derecognized in case of assets, when the contractual rights under the instrument are realized, expired or surrendered and in case of a liability, when the obligation is discharged, cancelled or expired. Any gain or loss on recognition and de-recognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

4.15 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and if only, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle liabilities simultaneously. Corresponding income and expenditure is also netted off and recorded on net basis in the profit and loss account.

4.16 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the entity incurs in connection with the borrowing of funds.

4.18 Foreign currency transactions and translations

Transactions in foreign currencies are translated into Pak Rupees (functional currency) at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated into Pak Rupees at the foreign exchange rate ruling at that date. Exchange differences are recognized in the profit and loss account currently.

4.19 Staff retirement benefits

The Company operates an unapproved and unfunded defined benefit gratuity scheme for all permanent employees who have completed the minimum qualifying period of service. The scheme provides gratuity based on the employee's last drawn salary as payable at the time of retirement. Contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit method.

Actuarial gains and losses are recognized in profit and loss account when the cumulative unrecognized actuarial gains or losses exceed 10% of the defined benefit obligation as of the end of previous reporting period. These gains or losses are recognized over the expected remaining working life of employees participating in the scheme.

Past service cost is recognized as an expense on straight line basis over the average period until the benefit becomes vested. If benefit has already vested, immediately following the introduction of, or change to the scheme, past service cost is recognized immediately.

The amount recognized in balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses.

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4.20 Revenue recognition

Sales are recognized upon passage of title to the customers which generally coincides with physical delivery.

Income on bank deposits / term deposit receipts is recognized on time proportion basis.

Other revenues are accounted for on accrual basis.

4.21 Ijarah contracts

Leases under Shariah compliant Ijarah contracts, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as Ijarah. Rentals under these arrangements are charged to profit and loss account on straight line basis over the lease term.

4.22 Taxation**Current**

Provision for current tax is based on the taxable income for the year determined in accordance with prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, unused tax losses and tax credits, if any, to the extent that it is probable that taxable profits will be available against which such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

4.23 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates, judgments and assumptions which are significant to the financial statements:

Residual values and useful life of property, plant and equipment

The Company reviews the appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in estimates in future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effect on the depreciation charge and impairment.

Surplus on revaluation of property, plant and equipment

The Company reviews the appropriateness of the revaluation of lease hold land, buildings on lease hold land, and plant and machinery periodically for the purpose of ensuring that the carrying amount of the same does not differ materially from its fair value. In making this assessment, the Company uses the technical resources available with the Company. Any change in assessment in future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effect on revaluation surplus of property, plant and equipment.

Borrowings costs capitalized

The Company reviews the appropriateness of the borrowing costs capitalized to items of property, plant and equipment at each year end (refer note 6.2.1). Any change in the judgment in future might affect the profit and loss account of that year.

Provision for impairment of trade debts and other receivables

The Company assesses recoverability of its trade debts and other receivable balances at each year end for the purpose of evaluating doubtful trade debts and other receivable balances keeping in view the aging analysis. Any change in the estimate in future might affect the profit and loss account of that year.

Staff retirement benefits

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rate, expected rate of return on assets and future salary increases. Due to long term nature of these plans, such estimates are subject to significant uncertainty.

Deferred taxation

Deferred tax assets are recognised for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against which the losses can be utilized or credits can be availed. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies and capital expenditure planning. Any change in estimates in future years might affect the remaining amounts of respective items of deferred taxation with a corresponding effect on the taxation charge.

	Note	2012 ----- (Rupees) -----	2011 -----
6. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	6.1	7,829,626,354	2,675,904,454
Capital work-in-progress	6.2	57,716,488	2,705,622,081
Stores held for capital expenditures	6.4	38,891,341	21,349,935
		<u>7,926,234,183</u>	<u>5,402,876,470</u>

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6.1 Operating assets

6.1.1 Following is a statement of operating assets:

2012	OWNED										ASSETS SUBJECT TO FINANCE LEASE			Total					
	Leasehold Land	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Office equipment	Vehicles	Crane	Computers	Total	Vehicles	Plant and machinery	Total							
	6.1.2	6.1.2	6.1.2																
Cost / revalued as at																			
July 01, 2011	816,576,860	199,746,863	1,770,827,043	4,511,608	11,763,679	28,877,324	5,595,855	10,238,798	2,848,138,030	2,112,000	37,403,925	39,515,925	2,887,653,955						
Additions	2,916,438	285,348	16,602,736	9,567,364	1,299,728	2,871,500	-	2,318,105	35,861,219	-	-	-	35,861,219						
Disposals	(41,628,138)	-	-	-	-	(9,853,600)	-	-	(51,481,738)	-	-	-	(51,481,738)						
Transfers from CWIP	16,381,004	774,383,617	2,328,156,916**	734,635	852,754	-	-	1,189,275	3,121,698,201	-	380,000,000	380,000,000**	3,501,698,201						
Transfers from capital stores	-	-	25,943,976	-	-	-	-	-	25,943,976	-	-	-	25,943,976						
Revaluation surplus / (deficit)	(43,009,564)	345,676,998	1,174,850,108	-	-	-	-	-	1,477,517,542	-	-	-	1,477,517,542						
June 30, 2012	751,236,600	1,320,092,826	5,316,380,779	14,813,607	13,916,161	21,895,224	5,595,855	13,746,178	7,457,677,230	2,112,000	417,403,925	419,515,925	7,877,193,155						
Accumulated depreciation as at July 01, 2011	-	52,040,201	125,876,984	2,277,495	5,406,592	13,762,670	1,492,228	6,265,957	207,122,127	886,981	3,740,393	4,627,374	211,749,501						
Depreciation charge for the year	-	92,237,563	117,080,834	1,253,611	850,957	2,878,210	373,057	2,244,066	216,918,298	245,003	12,148,078	12,393,081	229,311,379						
Disposals	-	-	-	-	-	(6,258,497)	-	-	(6,258,497)	-	-	-	(6,258,497)						
Revaluation surplus / (deficit)	-	(144,277,764)	(242,957,818)	-	-	-	-	-	(387,235,582)	-	-	-	(387,235,582)						
June 30, 2012	-	-	-	3,531,106	6,257,549	10,382,383	1,865,285	8,510,023	30,546,346	1,131,984	15,888,471	17,020,455	47,566,801						
Net book value as at June 30, 2012	751,236,600	1,320,092,826	5,316,380,779	11,282,501	7,658,612	11,512,841	3,730,570	5,236,155	7,427,130,884	980,016	401,515,454	402,495,470	7,829,626,354						
Annual rate of depreciation (%)	-	10	3*	10	10	20	6.67*	30	-	20	2 & 3*	-	-						
Residual value (%)	-	-	5	-	-	-	-	-	-	-	-	-	-						

* Depreciation is calculated on straight line basis.

** Includes transfer from CWP of plant and machinery at a total cost of Rs. 452.683 million of which Rs. 380.0 million comprise of leased portion of asset.

CHFLM

2011

	OWNED										ASSETS SUBJECT TO FINANCE LEASE				Total
	Leasehold land	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Office equipment	Vehicles	Crane	Computers	Total	Vehicles	Crane	Plant and machinery	Total		
Cost / revalued as at July 01, 2010	811,878,900	199,746,863	1,744,001,019	3,205,484	10,339,585	22,801,324	-	5,822,707	2,797,795,882	2,961,000	5,595,855	37,403,925	45,960,780	2,843,756,662	
Additions	3,500,000	-	23,687,336	1,306,124	1,424,094	2,325,000	-	4,416,091	36,658,645	-	-	-	-	36,658,645	
Disposals	-	-	(1,253,000)	-	-	(3,404,000)	-	-	(4,657,000)	-	-	-	-	(4,657,000)	
Transfers from CWIP	1,197,960	-	-	-	-	6,306,000	-	-	7,503,960	-	-	-	-	7,503,960	
Transfers from capital stores	-	-	4,391,688	-	-	-	-	-	4,391,688	-	-	-	-	4,391,688	
Transfers from leased assets	-	-	-	-	-	849,000	5,595,855	-	6,444,855	(849,000)	(5,595,855)	-	(6,444,855)	-	
Cost / revalued as at June 30, 2011	816,576,860	199,746,863	1,770,827,043	4,511,608	11,763,679	28,877,324	5,595,855	10,238,798	2,848,138,030	2,112,000	-	37,403,925	39,515,925	2,887,653,955	
Accumulated depreciation as at July 01, 2010	-	35,628,351	75,595,404	2,029,261	4,700,250	11,820,163	-	4,563,311	134,336,740	1,081,976	1,119,171	2,992,315	5,193,462	139,530,202	
Depreciation charge for the year	-	16,411,850	50,468,571	248,234	706,342	3,166,611	373,057	1,702,646	73,077,311	306,254	-	748,078	1,054,332	74,131,643	
Disposal	-	-	(186,991)	-	-	(1,725,353)	-	-	(1,912,344)	-	-	-	-	(1,912,344)	
Transfers from leased assets	-	-	-	-	-	501,249	1,119,171	-	1,620,420	(501,249)	(1,119,171)	-	(1,620,420)	-	
Accumulated depreciation as at June 30, 2011	-	52,040,201	125,876,984	2,277,495	5,406,592	13,762,670	1,492,228	6,265,957	207,122,127	886,981	-	3,740,393	4,627,374	211,749,501	
Net book value as at June 30, 2011	816,576,860	147,706,662	1,644,950,059	2,234,113	6,357,087	15,114,654	4,103,627	3,972,841	2,641,015,903	1,225,019	-	33,663,532	34,888,551	2,675,904,454	
Annual rate of depreciation (%)	-	10	3*	10	10	20	6.67*	30	-	20	6.67*	2*	-	-	
Residual value (%)	-	-	5	-	-	-	-	-	-	-	-	-	-	-	

* Depreciation is calculated on straight line basis.

GAJRA

6.1.2 Had these assets not been revalued, net book values of such assets would amount to:

	Leasehold land	Buildings on leasehold land	Plant and machinery	Total
	----- (Rupees) -----			
Net book value as at June 30, 2011	411,858,015	138,864,925	776,340,734	1,327,063,674
Additions / transfers from CWIP during the year	19,297,442	774,668,965	2,370,703,628	3,164,670,035
Disposals during the year	(22,018,013)	-	-	(22,018,013)
	409,137,444	913,533,890	3,147,044,362	4,469,715,696
Depreciation for the year	-	(91,353,389)	(90,216,626)	(181,570,015)
Net book value as at June 30, 2012	409,137,444	822,180,501	3,056,827,736	4,288,145,681

	Leasehold land	Buildings on leasehold land	Plant and machinery	Total
	----- (Rupees) -----			
Net book value as at June 30, 2010	407,160,055	154,294,360	772,932,087	1,334,386,502
Additions / transfers from CWIP during the year	4,697,960	-	28,079,024	32,776,984
Disposals during the year	-	-	(1,066,012)	(1,066,012)
	411,858,015	154,294,360	799,945,099	1,366,097,474
Depreciation for the year	-	(15,429,435)	(23,604,365)	(39,033,800)
Net book value as at June 30, 2011	411,858,015	138,864,925	776,340,734	1,327,063,674

	Note	2012 ----- (Rupees) -----	2011 ----- (Rupees) -----
6.1.3 Depreciation charge for the year has been allocated as under:			
Manufacturing costs – production of bars	28	55,371,098	53,905,996
Manufacturing costs – production of billets	28.1	153,941,657	-
Distribution costs	30	4,308,779	3,466,998
Administrative expenses	31	15,689,845	16,758,649
		<u>229,311,379</u>	<u>74,131,643</u>

6.2 Capital work-in-progress

	Civil works	Plant and machinery	Advance to contractors / suppliers	Total
	----- (Rupees) -----			
Note				
Opening balance	1,042,986,788	1,599,544,703	63,090,590	2,705,622,081
Additions during the year	129,432,433	698,219,973	57,098,423	884,750,829
	1,172,419,221	2,297,764,676	120,189,013	3,590,372,910
Transfer to operating assets	(790,764,621)	(2,710,933,580)	-	(3,501,698,201)
Intra-transfer of CWIP	(347,499,766)	437,971,480	(90,471,714)	-
Charged to profit and loss account	(1,745,119)	(24,784,076)	(4,429,026)	(30,958,221)
2012	32,409,715	18,500	25,288,273	57,716,488

	Civil works	Plant and machinery	Advance to contractors / suppliers	Total
	----- (Rupees) -----			
Note				
Opening balance	855,258,228	279,788,617	12,241,082	1,147,287,927
Additions during the year	154,730,017	1,280,838,220	130,269,877	1,565,838,114
	1,009,988,245	1,560,626,837	142,510,959	2,713,126,041
Transfers to operating assets	(1,197,960)	-	(6,306,000)	(7,503,960)
Inter-transfer of CWIP	34,196,503	38,917,866	(73,114,369)	-
2011	1,042,986,788	1,599,544,703	63,090,590	2,705,622,081

6.2.1 Includes borrowing costs of Rs. 65.189 million (2011: Rs. 144.468 million) capitalized during the year by applying specific borrowing costs and using weighted average capitalization rate of 15.94% (2011: 15.27%) per annum on general borrowings attributable to these assets, and trial production costs capitalized amounting to Rs. 162,908,223/- (2011: Rs. Nil) during the year.

BIFWA

- 6.3 Includes title of 32 acres leasehold land at Dhabeji allotted by the Government of Sindh been transferred in the Company's name during the year. Suits were filed by certain individuals claiming its ownership during the year. However, subsequent to the year end, same has been decided in favour of the Company by the Honourable Supreme Court of Pakistan.

	Note	2012 ----- (Rupees) -----	2011 -----
6.4 Stores held for capital expenditures			
Opening balance		21,349,935	9,875,745
Additions during the year		43,485,382	15,865,878
Transfers to operating assets		(25,943,976)	(4,391,688)
Closing balance		<u>38,891,341</u>	<u>21,349,935</u>

7. INTANGIBLES

Computer software

Net carrying value

Balance at the beginning of the year		993,556	-
Additions / transfers from CWIP during the year		385,209	1,241,945
Amortization for the year	31	(325,431)	(248,389)
Balance at the end of the year		<u>1,053,334</u>	<u>993,556</u>

Gross carrying value

Cost		1,627,154	1,241,945
Accumulated amortization		(573,820)	(248,389)
Balance at the end of the year		<u>1,053,334</u>	<u>993,556</u>

- 7.1 The cost is being amortized over a period of 5 years.

8. LONG-TERM INVESTMENT – held to maturity

Represents term deposit receipt with a commercial bank carrying profit at the rate of 4% (2011: 4%) per annum and having maturity in November 2013.

	Note	2012 ----- (Rupees) -----	2011 -----
9. LONG-TERM DEPOSITS			
Margin against guarantees	9.1	30,413,336	27,096,836
Security deposits			
- Utilities		73,669,596	60,877,596
- Finance lease		74,959,075	959,075
- Ijarah		30,401,315	20,554,599
- Others		619,000	807,000
		<u>179,648,986</u>	<u>83,198,270</u>
		<u>210,062,322</u>	<u>110,295,106</u>

- 9.1 Represents margin against guarantees given to Sui Southern Gas Company Limited for gas connections.

10. STORES AND SPARE PARTS

Includes stores and spare parts in transit amounting to Rs. Nil (2011: Rs. 6,904,528/-).

	2012 ----- (Rupees) -----	2011 -----
11. STOCK-IN-TRADE		
Raw materials – including stock in transit Rs. 371,432,867/- (2011: Rs. 99,563,316/-)	1,218,706,501	475,217,554
Work-in-process	171,634,418	369,103,355
Finished goods		
- Manufactured	260,060,756	44,645,784
- Trading	-	1,854,120
	<u>260,060,756</u>	<u>46,499,904</u>
	<u>1,650,401,675</u>	<u>890,820,813</u>

EAFM

	Note	2012 ----- (Rupees) -----	2011 ----- (Rupees) -----
12. TRADE DEBTS			
Considered good		379,227,552	358,776,858
Considered doubtful		42,762,235	40,210,562
	12.1 & 12.2	421,989,787	398,987,420
Provision for doubtful debts	12.3	(42,762,235)	(40,210,562)
		<u>379,227,552</u>	<u>358,776,858</u>
12.1 Aging of trade debts is as follows:			
Neither past due nor impaired		354,252,847	184,886,848
Past due but not impaired			
- within 90 days		4,360,391	5,569,071
- 91 to 180 days		2,571,409	85,625,163
- over 180 days		18,042,905	82,695,777
		24,974,705	173,890,011
		<u>379,227,552</u>	<u>358,776,858</u>
12.2 Includes Rs. Nil (2011: Rs. 2,106,940/-) receivable from a related party.			

	Note	2012 ----- (Rupees) -----	2011 ----- (Rupees) -----
12.3 Movement of provision for doubtful debts:			
Opening balance		40,210,562	28,803,290
Provided during the year	30	2,806,875	11,417,317
		43,017,437	40,220,607
Written-off during the year		(255,202)	(10,045)
Closing balance		<u>42,762,235</u>	<u>40,210,562</u>

13. LOANS AND ADVANCES – unsecured, considered good

Loans to			
- Employees	13.1	1,154,846	1,995,031
- Related party	13.2	-	6,842,900
		<u>1,154,846</u>	<u>8,837,931</u>
Advances			
- Suppliers		34,357,444	89,617,085
- Expenses		-	984,908
- Employees		2,155,857	3,481,438
		<u>36,513,301</u>	<u>94,083,431</u>
		<u>37,668,147</u>	<u>102,921,362</u>
13.1 Represents interest free loans to employees in accordance with Company policy. These are recoverable in twelve equal monthly installments. Fair value of the loans is approximately equal to the carrying value of loans as at the year end.			
13.2 Represented loan to Mr. Shayan Akberali, a related party, amounting to Rs. 6,842,900/-. The amount has been received during the year.			

	Note	2012 ----- (Rupees) -----	2011 ----- (Rupees) -----
14. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Deposits			
Security deposits		12,786,000	7,035,000
Surety deposit	14.1	12,750,000	12,750,000
Margins against letters of credit		42,828,768	18,246,948
Margins against letters of guarantee		6,180,000	-
		<u>74,544,768</u>	<u>38,031,948</u>
Prepayments		<u>1,495,892</u>	<u>2,519,886</u>
		<u>76,040,660</u>	<u>40,551,834</u>

14.1 Represents amount given to Pakistan Steel Mills Corporation (Private) Limited (PASMIC) in connection with case filed by the Federal Investigation Agency (FIA) against the Company alleging undue advantage taken by the Company under a scheme of PASMIC. The Honorable High Court of Sindh, while allowing the bail application of the Chief Executive in the said case vide its order dated April 19, 2010, has directed PASMIC to invest the money in Government's profit bearing securities on behalf of the Company. The management, based on the legal advice, is confident for a favorable outcome in this respect.

	Note	2012 ----- (Rupees) -----	2011 ----- (Rupees) -----
15. OTHER RECEIVABLES			
Sales tax refundable		23,984,549	23,956,724
Provision for doubtful sales tax refundable		<u>(2,316,195)</u>	<u>(2,316,195)</u>
		21,668,354	21,640,529
Discounts receivable	15.1	123,091,507	-
Others		<u>22,447</u>	<u>2,500</u>
		<u>144,782,308</u>	<u>21,643,029</u>
15.1	Represents purchase discount receivable by the Company from its suppliers on early payment made during the year.		
	Note	2012 ----- (Rupees) -----	2011 ----- (Rupees) -----
16. CASH AND BANK BALANCES			
Cash in hand		3,322,282	2,495,058
Cash at bank			
Current accounts		<u>14,910,559</u>	<u>15,042,444</u>
Saving accounts	16.1	<u>18,029,748</u>	-
	16.2	<u>32,940,307</u>	<u>15,042,444</u>
		<u>36,262,589</u>	<u>17,537,502</u>
16.1	These carry profit at the rate of 8% (2011: 8%) per annum.		
16.2	Includes cheques in hand amounting to Rs. 3,347,349/- (2011: Rs. Nil) as at the year end.		
17. SHARE CAPITAL			
17.1 Authorized capital			
		<u>2012</u>	<u>2011</u>
		<u>Number of shares</u>	
270,000,000	270,000,000	Ordinary shares of Rs. 10/- each	2,700,000,000
		Cumulative preference	
<u>80,000,000</u>	<u>80,000,000</u>	shares of Rs. 10/- each	<u>800,000,000</u>
<u>350,000,000</u>	<u>350,000,000</u>		<u>3,500,000,000</u>
17.2 Issued, subscribed and paid-up capital			
		Ordinary of shares of Rs. 10/- each	
		Issued for cash	
189,631,073	110,298,143	- At the beginning of the year	1,896,310,730
-	79,332,930	- Issued during the year	793,329,300
<u>189,631,073</u>	<u>189,631,073</u>		<u>1,896,310,730</u>
		Issued for consideration other than	
		cash	
<u>33,127,497</u>	<u>33,127,497</u>		<u>331,274,970</u>
<u>222,758,570</u>	<u>222,758,570</u>		<u>2,227,585,700</u>
18. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT – net of deferred tax			
Opening balance		1,282,169,906	1,310,016,527
Revaluation surplus - net adjustment as at June 30, 2012		1,864,753,124	-
Adjustment of surplus on revaluation of property, plant and equipment on disposal of leasehold land		(19,610,125)	-
Transfer to unappropriated profits in respect of incremental depreciation charged during the year		<u>(27,748,381)</u>	<u>(27,846,621)</u>
		3,099,564,524	1,282,169,906
Related deferred tax liability			
Opening balance		<u>(307,107,871)</u>	<u>(316,854,189)</u>
Revaluation surplus – adjusted during the year		<u>(667,716,941)</u>	-
Incremental depreciation charged during the year		<u>9,711,933</u>	<u>9,746,318</u>
		965,112,879	(307,107,871)
Closing balance		<u>2,134,451,645</u>	<u>975,062,035</u>

- 18.1 The Company carries its leasehold land, buildings on leasehold land, and plant and machinery on revalued amount. The latest revaluation was conducted on June 30, 2012. The revaluation resulted in deficit on leasehold land of Rs. 43.010 million over the net book value of Rs. 794.246 million, surplus on buildings on leasehold land of Rs. 489.955 million over the net book value of Rs. 830.138 million, and surplus on plant and machinery of Rs. 1,417.808 million over the net book value of Rs. 3,898.573 million.

	2012	2011
	----- (Rupees) -----	-----
18.2 Breakup of revaluation surplus net of deferred tax as at June 30 is as follows:		
Leasehold land	342,099,156	404,718,845
Buildings on leasehold land	323,643,011	5,747,129
Plant and machinery	1,468,709,478	564,596,061
	<u>2,134,451,645</u>	<u>975,062,035</u>

19. LONG-TERM FINANCING – secured

Loans from banking companies and other financial institutions

	Note	2012			2011		
		Total	Current portion	Long-term	Total	Current portion	Long-term
Syndicated term finance	19.1	110,000,000	110,000,000	-	220,000,000	110,000,000	110,000,000
Term finance facilities	19.2	485,866,468	-	485,866,468	154,726,271	1,859,808	152,866,463
Sukuk financing	19.3	844,800,000	70,400,000	774,400,000	880,000,000	35,200,000	844,800,000
Foreign currency financing	19.4	913,258,639	153,502,140	759,756,499	834,245,285	-	834,245,285
Total		<u>2,353,925,107</u>	<u>333,902,140</u>	<u>2,020,022,967</u>	<u>2,088,971,556</u>	<u>147,059,808</u>	<u>1,941,911,748</u>

- 19.1 Represents long-term financing obtained from various banking companies / financial institutions against syndicated term facility to finance the capacity expansion project. These finances are repayable in 10 equal semi-annual installments commencing from December 2008 and are subject to markup at the rate of 6 months' KIBOR plus 2.5% (2011: 6 months' KIBOR plus 2.5%) per annum. These finances are secured by way of first hypothecation charge on all present and future movable assets with 25% margin, equitable mortgage charge over present and future immovable assets with 25% margin and personal guarantees of all the directors.

		2012	2011
		----- (Rupees) -----	-----
19.2 Term finance facilities			
Habib Bank Limited	These are secured by lien over imported documents of plant and machinery for the installation of new melt-shop project. These carry markup at the rate of 6 months' KIBOR plus 2.65% per annum and are repayable in 6 semi-annual installments commencing from July 2013.	485,866,468	152,866,463
Bank Alfalah Limited	These were secured by an equitable mortgage charge over the Company's land at Port Qasim. These were repayable in 60 monthly installments commencing from April 2004 and May 2006, and were subject to markup at the rate of 6 months' KIBOR plus 2.5% (2011: 6 months' KIBOR plus 2.5%) per annum.	-	1,859,808
		<u>485,866,468</u>	<u>154,726,271</u>

- 19.3 Represents long-term financing obtained through issuance of privately placed Sukuks based on Diminishing Musharaka. The Musharaka units are to be purchased during a period of 7 years time including 2 years grace period which is allowed from the date of first drawdown i.e December 2009. 24% of the units will be purchased during the period of three years starting after the expiry of grace period and the remaining units will be purchased in sixth and seven years in 8 equal quarterly installments. These carry profit rate at the rate of 3 months' KIBOR plus 2.5% (2011: 3 months' KIBOR plus 2.5%) per annum. These are secured by first pari passu charge on all present and future fixed assets of the Company to cover the Musharaka amount whereas the 25% margin amount shall be covered through charge on current assets.

EMFMM

19.4 Represents financing obtained in foreign currency amounting to US\$ 10 million (2011: US\$ 10 million) out of total facility of US\$ 20 million from a foreign bank. These are repayable in 12 equal quarterly installments commencing from February 2013 and are subject to interest at the rate of 3 Months' USD LIBOR plus 1.50% per annum payable on quarterly basis. These are secured by floating charge on all current, movable and future property, plant and equipment at Melt Shop excluding land and building.

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Represents finance leases entered into with various financial institutions for vehicles, and plant and machinery. Lease rentals are payable in equal monthly and quarterly installments latest by December 2015. Taxes, repairs, replacement and insurance costs are to be borne by the lessee. In case of termination of agreements, the lessee has to pay entire rent for the unexpired period. Financing rates of approximately 14.86% to 16.99% (2011: 15.19% to 16.99%) per annum have been used as discounting factor. Purchase option can be exercised by the lessee in accordance with respective lease agreements. Movement in finance lease liability is as follows:

	2012		2011	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	----- (Rupees) -----			
Within one year	133,927,709	93,966,821	19,736,640	11,991,117
After one year but not more than five years	322,043,122	288,841,913	50,708,360	40,380,263
Total minimum lease payments	455,970,831	382,808,734	70,445,000	52,371,380
Less: Amount representing finance costs	73,162,097	-	18,073,620	-
Present value of minimum lease payments	382,808,734	382,808,734	52,371,380	52,371,380
Less: Current portion	93,966,821	93,966,821	11,991,117	11,991,117
	288,841,913	288,841,913	40,380,263	40,380,263

Note	2012	2011
	----- (Rupees) -----	

21. DEFERRED TAXATION

Represents tax effects of temporary differences relating to:

- Accelerated tax depreciation allowance		798,319,565	221,979,665
- Finance lease		6,890,358	(6,118,990)
- Surplus on revaluation of property, plant and equipment		965,112,879	307,107,872
- Provision for doubtful debts and receivables		(15,777,451)	(14,884,366)
- Deferred liability – gratuity		(8,155,040)	(6,226,659)
- Unabsorbed tax losses carried forward		(785,303,715)	(275,286,878)
- Available tax credits for minimum tax	21.1	(119,437,430)	(75,479,407)
- Exchange loss on foreign currency loan		(24,701,040)	-
		816,948,126	151,091,237

21.1 Represents deferred tax recognized on minimum tax paid / payable under section 113 of the Income Tax Ordinance, 2001. The management based on the interpretation of its tax advisor, considers the same to be claimable.

Note	2012	2011
	----- (Rupees) -----	

22. DEFERRED LIABILITY

Staff gratuity	22.1	23,300,114	17,790,454
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22.1 Staff gratuity

Opening balance	17,790,454	14,525,201
Charge for the year	6,775,802	4,670,788
Benefits paid	(1,266,142)	(1,405,535)
Closing balance	23,300,114	17,790,454

22.2 Recognition of defined benefit plan

Present value of defined benefit obligations	25,224,226	20,998,307
Unrecognized actuarial losses	(1,924,112)	(3,207,853)
	23,300,114	17,790,454

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	Note	2012 ----- (Rupees) -----	2011 ----- (Rupees) -----			
22.3 Movement in present value of defined benefit obligations						
Opening balance		20,998,307	14,575,560			
Current service cost		3,743,704	2,921,721			
Interest cost		2,939,763	1,749,067			
Actuarial (gain) / loss		(1,191,406)	3,157,494			
Benefits paid		(1,266,142)	(1,405,535)			
Closing balance		<u>25,224,226</u>	<u>20,998,307</u>			
22.4 Amounts charged to profit and loss account						
Current service cost		3,743,704	2,921,721			
Interest cost		2,939,763	1,749,067			
Actuarial (gain) / loss charge		92,335	-			
		<u>6,775,802</u>	<u>4,670,788</u>			
22.5 Movement in actuarial loss						
Opening balance		(3,207,853)	(50,359)			
Actuarial gain / (loss) during the year		1,191,406	(3,157,494)			
Actuarial (gain) / loss charged to profit and loss during the year		92,335	-			
Closing balance		<u>(1,924,112)</u>	<u>(3,207,853)</u>			
22.6 Historical information for defined benefit plans						
As at June 30,		2012	2011	2010	2009	2008
		----- (Rupees) -----				
Present value of defined benefit obligation		25,224,226	20,998,307	14,575,560	12,511,847	10,036,881
Experience adjustment on plan liabilities		(1,191,406)	3,157,494	(643,631)	1,126,481	(432,491)
22.7 The latest actuarial valuation of the scheme was carried out on June 30, 2012. Principal actuarial assumptions used in the valuation are as follows:						
		2012	2011			
Expected rate of increase in salary level		12%	13%			
Valuation discount rate		13%	14%			
Average expected remaining working life of employees		12 years	12 years			
23. TRADE AND OTHER PAYABLES						
	Note	2012 ----- (Rupees) -----	2011 ----- (Rupees) -----			
Creditors	23.1	150,381,211	53,880,090			
Murabaha	23.2, 23.3	281,729,117	418,557,761			
Accrued liabilities		199,913,939	20,557,692			
Advance from customers		90,870,105	130,851,379			
Retention money payable		5,438,409	8,082,842			
Related parties loan		55,542,880	-			
Ijarah rentals payable		11,027,611	7,422,949			
Workers' profits participation fund (WPPF)	23.4	7,014,230	3,337,940			
Workers' welfare fund		2,945,977	1,660,719			
Withholding tax payable		2,495,862	2,532,580			
Others		-	3,652,224			
		<u>807,359,341</u>	<u>650,536,176</u>			
23.1 Includes Rs. Nil (2011: Rs. 3,038,030/-) payable to a related party.						
23.2 Represents Murabaha facilities amounting to Rs. 650 million (2011: Rs. 650 million) obtained from commercial banks for purchase of raw material. These carry profit at the rate of 6 months' KIBOR plus 1.5% - 2% (2011: 6 months' KIBOR plus 1.5% - 2%). These are secured by way of pledge of raw materials purchased through letters of credit.						
23.3 Includes Rs. 50 million (2011: Rs. 49.123 million) being Finance Against Imported Merchandise – Murabaha obtained from Meezan Bank Limited, secured by equitable mortgage of director's property.						

	Note	2012 ----- (Rupees) -----	2011 -----
23.4 Workers' profits participation fund			
Balance at the beginning of the year		3,337,940	-
Mark-up on funds utilized in the Company's business	33	356,112	-
		<u>3,694,052</u>	<u>-</u>
Allocation for the year	34	7,014,230	3,337,940
		<u>10,708,282</u>	<u>3,337,940</u>
Less: Paid during the year		3,694,052	-
Balance at the end of the year		<u>7,014,230</u>	<u>3,337,940</u>
24. INTEREST / MARK-UP ACCRUED			
Long-term financing		36,098,721	20,295,084
Short-term borrowings		49,589,547	39,444,493
		<u>85,688,268</u>	<u>59,739,577</u>
25. SHORT-TERM BORROWINGS – secured			
From financial institutions			
Running finance	25.1	810,814,332	343,448,768
Demand finance	25.2	199,997,313	199,893,375
Bridge finance	25.3	-	150,000,000
Cash finance	25.4	105,163,025	255,918,916
Finance against import merchandise	25.5	778,317,421	32,804,503
		<u>1,894,292,091</u>	<u>982,065,562</u>
25.1 Running finance			
Habib Bank Limited	Represents facility of Rs. 100 million (2011: Rs. 100 million) secured by hypothecation over present and future current / fixed assets. This facility carries markup at the rate of 1 month KIBOR plus 2% (2011: 1 month KIBOR plus 2.5%) per annum payable on quarterly basis.	97,752,610	44,889,465
Soneri Bank Limited	Represents facility of Rs. 400 million (2011: Rs. Nil) secured by hypothecation charge over stock and trade debts, and mortgage charge over Company's property. This facility carries markup at the rate of 3 months KIBOR plus 2% per annum payable on quarterly basis. This is a special purpose running finance to procure local raw material.	393,590,197	-
Summit Bank Limited	Represents facility of Rs. 300 million (2011: Rs. Nil) secured over current assets and charge over Company's fixed assets. The excess amount utilized is in accordance with the terms of the arrangement. This facility carries markup at the rate of 3 months KIBOR plus 3% per annum with a floor of 15% per annum payable on quarterly basis.	319,471,525	-
Summit Bank Limited	Represented facility of Rs. 200 million secured by hypothecation charge over stock and trade debts, and mortgage charge over Company's property. This facility carried markup at the rate of 6 months KIBOR plus 3% per annum payable on monthly basis.	-	199,900,853
Summit Bank Limited	Represented facility of Rs. 100 million secured over current assets and charge over Company's fixed assets. This facility carried markup at the rate of 3 months KIBOR plus 3.5% per annum with a floor of 15% per annum payable on quarterly basis.	-	98,658,450
		<u>810,814,332</u>	<u>343,448,768</u>

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		2012	2011
		----- (Rupees) -----	-----
25.2 Demand finance			
Habib Bank Limited	Represents facility of Rs. 200 million (2011: Rs. 200 million) secured by charge of over present and future trade debts, mortgage charge over Company's property and lien on TDR. This facility carries markup at the rate of 1 month KIBOR plus 2% (2011: 1 month KIBOR plus 2.5%) per annum payable on quarterly basis.	<u>199,997,313</u>	<u>199,893,375</u>
25.3 Bridge finance			
Habib Bank Limited	Represented facility of Rs. 150 million secured by charge over Company's property and plant including 25% margin. This facility carried markup at the rate of 1 month KIBOR plus 2.5% per annum.	<u>-</u>	<u>150,000,000</u>
25.4 Cash finance			
Habib Bank Limited	Represents facility of Rs. 400 million (2011: Rs. 400 million) secured by pledge over raw material. This facility carries markup at the rate of 1 month KIBOR plus 2% (2011: 1 month KIBOR plus 2.5%) per annum.	<u>68,553,255</u>	<u>255,918,916</u>
Askari Bank Limited	Pledge of consignment purchased through LCs under bank's approved Mucaddum with 10% margin. This facility carries markup at the rate of 3 months KIBOR plus 2% per annum payable on quarterly basis.	<u>36,609,770</u>	<u>-</u>
		<u>105,163,025</u>	<u>255,918,916</u>
25.5 Finance against imported merchandise			
Faysal Bank Limited	Represents facility of Rs. 350 million (2011: Rs. 350 million) secured by pledge over raw material with 15% margin. This facility carries markup at the rate of 6 months KIBOR plus 2.5% (2011: 6 months KIBOR plus 2.5%) per annum payable at maturity.	<u>231,528,944</u>	<u>32,804,503</u>
Habib Bank Limited	Represents facility of Rs. 400 million (2011: Rs. Nil) secured by pledge over raw imported mild steel bars / billets / scrap with 10% margin over CFR value. This facility carries markup at the rate of matching tenor KIBOR + 2% per annum.	<u>167,796,591</u>	<u>-</u>
Askari Bank Limited	Represents facility of Rs. 200 million (2011: Rs. Nil) secured by pledge of consignment purchased through LCs under bank's approved Mucaddum with 10% margin. This facility carries markup at the rate of 3 months KIBOR plus 2% per annum payable on quarterly basis.	<u>88,624,205</u>	<u>-</u>
Standard Chartered Bank (Pakistan) Limited	Represents facility of Rs. 500 million (2011: Rs. Nil) secured by pledge over raw materials with 25% margin. This facility carries markup which is to be transacted at the time of transaction.	<u>231,009,602</u>	<u>-</u>
Summit Bank Limited	Represents facility of Rs. 150 million (2011: Rs. Nil) secured by pledge over imported merchandise under bank's appointed Mucadum at customer's premises. This facility carries markup at the rate of 3 months KIBOR plus 3% per annum with a floor of 15% per annum payable on quarterly basis.	<u>59,358,079</u>	<u>-</u>
		<u>778,317,421</u>	<u>32,804,503</u>

EUFUM

	Note	2012 ----- (Rupees) -----	2011 ----- (Rupees) -----
26. CONTINGENCIES AND COMMITMENTS			
Outstanding letters of credit		<u>863,771,439</u>	<u>731,012,803</u>
Outstanding letters of guarantee	26.1	<u>278,663,486</u>	<u>32,351,086</u>
Commitments for capital expenditures		<u>-</u>	<u>722,000,000</u>
26.1 Margins have been provided against outstanding letters of guarantee as disclosed in note 9.			
26.2 Commitments for rentals payable under Ijarah contracts in respect of vehicles, and plant and machinery are as follows:			
	Note	2012 ----- (Rupees) -----	2011 ----- (Rupees) -----
Not later than one year		<u>78,973,969</u>	<u>64,142,370</u>
Later than one year but not later than five years		<u>114,187,292</u>	<u>156,542,747</u>
26.3 Refer note 14.1 for significant pending litigation.			
27. TURNOVER - net			
Sales		7,095,173,088	5,408,726,905
Less:			
Sales return		<u>32,168,374</u>	<u>7,816,829</u>
Sales discount		<u>449,260</u>	<u>236,123</u>
		32,617,634	8,052,952
Toll manufacturing		146,330,882	31,013,050
		<u>7,208,886,336</u>	<u>5,431,687,003</u>
28. COST OF SALES			
Billets consumed			
Opening stock	11	369,103,355	421,723,189
Purchases – net		715,327,992	4,613,230,467
Cost of billets manufactured internally	28.1	<u>5,036,796,321</u>	<u>-</u>
		6,121,227,668	5,034,953,656
Closing stock	11	<u>(171,634,418)</u>	<u>(744,757,593)</u>
		5,949,593,250	4,290,196,063
Manufacturing overheads			
Stores and spare parts consumed		<u>26,418,234</u>	<u>13,639,389</u>
Salaries, wages and other benefits	28.2	<u>38,742,922</u>	<u>35,346,917</u>
Fuel and power		<u>286,626,694</u>	<u>215,506,689</u>
Depreciation	6.1.3	<u>55,371,098</u>	<u>53,905,996</u>
Ijarahjarah rentals		<u>34,593,748</u>	<u>14,986,651</u>
Repairs and maintenance		<u>29,438,876</u>	<u>9,372,709</u>
Twisting and other charges		<u>14,785,043</u>	<u>17,970,762</u>
Cartage – godown		<u>9,039,843</u>	<u>6,294,794</u>
Oil and lubricants		<u>8,243,608</u>	<u>3,706,182</u>
Insurance		<u>4,458,531</u>	<u>3,486,414</u>
Rent, rates and taxes		<u>67,050</u>	<u>558,565</u>
Others		<u>724,000</u>	<u>1,650,627</u>
		<u>508,509,647</u>	<u>376,425,695</u>
Cost of goods manufactured		6,458,102,897	4,666,621,758
Finished goods			
Opening stock	11	<u>44,645,784</u>	<u>337,130,488</u>
Closing stock	11	<u>(260,060,756)</u>	<u>(44,645,784)</u>
		<u>(215,414,972)</u>	<u>292,484,704</u>
		<u>6,242,687,925</u>	<u>4,959,106,462</u>

EY/MA

	Note	2012 ----- (Rupees) -----	2011 ----- (Rupees) -----
28.1			
Cost of billets manufactured internally			
Raw material consumed – scrap			
Opening stock	11	375,654,238	-
Purchases – net		4,156,183,921	375,654,238
Additives consumed		293,158,457	-
		<u>4,824,996,616</u>	<u>375,654,238</u>
Closing stock	11	(847,273,634)	(375,654,238)
		<u>3,977,722,982</u>	-
Manufacturing overheads			
Stores and spare parts consumed		46,728,808	-
Salaries, wages and other benefits	28.2	81,808,586	-
Depreciation	6.1.3	153,941,657	-
Fuel and power		866,781,495	-
Ijarah rentals		33,382,197	-
Repairs and maintenance		14,763,891	-
Cartage – godown		8,957,551	-
Consultancy charges		7,433,730	-
Rent, rates and taxes		869,545	-
Insurance		675,000	-
Oil and lubricants		88,406	-
Others		6,550,696	-
		<u>1,221,981,562</u>	-
Less: Trial production cost capitalized	28.3	(162,908,223)	-
		<u>1,059,073,339</u>	-
Cost of goods manufactured – billets		<u>5,036,796,321</u>	-

28.2 Includes Rs. 3.98 million (2011: Rs. 1.63 million) in respect of gratuity expense.

28.3 Represents trial production cost capitalized on new plant being constructed upto 30 September 2011 (refer note 6.2.1)

	Note	2012 ----- (Rupees) -----	2011 ----- (Rupees) -----
29. TRADING INCOME			
Sales		15,458,978	27,541,578
Cost of sales	29.1	(14,426,891)	(25,847,940)
Trading income		<u>1,032,087</u>	<u>1,693,638</u>
29.1 Cost of sales			
Opening stock	11	1,854,120	390,848
Purchases		12,572,771	27,311,212
		<u>14,426,891</u>	<u>27,702,060</u>
Closing stock	11	-	(1,854,120)
		<u>14,426,891</u>	<u>25,847,940</u>
30. DISTRIBUTION COSTS			
Salaries, allowances and other benefits	30.1	13,178,698	9,844,399
Carriage and transport		53,780,446	17,441,436
Advertisement and sales promotion		11,870,046	6,261,972
Packing material		4,308,875	3,557,118
Depreciation	6.1.3	4,308,779	3,466,998
Provision for doubtful debts		2,806,875	11,417,317
Shop expenses		1,931,225	-
Utilities		1,372,336	1,200,918
Rent expense		533,500	258,000
Testing charges		444,061	334,979
		<u>94,534,841</u>	<u>53,783,137</u>

30.1 Includes Rs. 0.423 million (2011: Rs. 0.373 million) in respect of gratuity expense.

EXTRA

	Note	2012 ----- (Rupees) -----	2011
31. ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	31.1	78,569,219	53,777,271
Depreciation	6.1.3	15,689,845	16,758,649
Travelling and conveyance		14,367,043	2,151,349
Legal and professional charges		7,829,929	16,060,396
Vehicles running expenses		7,683,518	6,031,830
Entertainment		5,171,047	2,363,809
Security guard expenses		5,094,920	2,779,984
Insurance		4,910,114	821,786
Computer consumables		3,363,433	2,300,297
Rent, rates and taxes		2,318,716	1,284,013
Communication charges		1,797,171	1,224,528
Printing and stationery		1,508,640	910,764
Utilities		1,006,485	1,410,097
Auditors' remuneration		960,000	825,000
Repairs and maintenance		577,278	443,681
Amortization expense	7	325,431	248,389
Ijarah rentals		271,977	109,248
Membership and subscription		49,300	106,827
Provision for doubtful other receivables		-	2,316,195
Others		2,869,685	898,979
		<u>154,363,751</u>	<u>112,823,092</u>

31.1 Includes Rs. 3.982 million (2011: Rs. 2.662 million) in respect of gratuity expense.

	Note	2012 ----- (Rupees) -----	2011
32. OTHER OPERATING INCOME			
Income from financial assets			
Return on			
Loans to related parties		-	3,376,830
Deposit accounts / term deposit receipts		490,725	929,014
		<u>490,725</u>	<u>4,305,844</u>
Income from non-financial assets			
Gain on disposal of property, plant and equipment		8,141,884	386,342
Scrap sales		5,323,347	9,720,949
Liability no longer payable		-	3,262,153
Others		-	988,485
		<u>13,465,231</u>	<u>14,357,929</u>
		<u>13,955,956</u>	<u>18,663,773</u>

33. FINANCE COSTS

Markup / profit on:			
Long-term financing		230,653,142	184,264,418
Short-term borrowings		209,869,013	47,326,240
Murabaha		40,516,435	7,784,026
Finance leases		28,954,538	9,249,690
		<u>509,993,128</u>	<u>248,624,374</u>
Bank charges		8,139,847	4,199,219
Exchange loss		70,574,401	3,616,603
Workers' profits participation fund		356,112	-
		<u>589,063,488</u>	<u>256,440,196</u>

34. OTHER CHARGES

Workers' profits participation fund		7,014,230	3,337,940
Workers' welfare fund		4,465,258	1,660,719
Donations	34.1	1,420,497	3,132,734
		<u>12,899,985</u>	<u>8,131,393</u>

34.1 Recipients of donations do not include any donee in which any Director or his spouse had any interest.

EYF/MA

	2012 ----- (Rupees) -----	2011 ----- (Rupees) -----
35. TAXATION		
Current tax		
- for the year	72,243,453	58,654,784
- for prior years	<u>(30,108,849)</u>	<u>45,872</u>
	42,134,604	58,700,656
Deferred tax		
	<u>(1,860,052)</u>	<u>1,016,249</u>
	<u>40,274,552</u>	<u>59,716,905</u>
35.1 Profit before taxation	<u>130,324,389</u>	<u>61,760,134</u>
Tax at the rate of 35%	45,613,536	21,616,047
Tax effects of:		
Expenses inadmissible for tax purpose	497,174	1,096,456
Capital receipt / gain not subject to income tax	<u>(1,393,695)</u>	-
Differences in carrying value for tax purposes in prior years	-	34,499,946
Assessments made / returns deemed assessed during the year – related to prior year – effect on current tax	<u>(30,108,849)</u>	45,872
– effect on deferred tax	<u>25,666,386</u>	-
Additional tax surcharge	-	2,458,584
	<u>40,274,552</u>	<u>59,716,905</u>

35.2 The return of income filed by the Company for the tax year 2009 and 2010 has been selected for tax audit under Section 177 of the Ordinance. The audit proceedings have been initiated by the Department and the same are yet to be completed.

36. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	2012		2011	
	Chief Executive	Directors	Chief Executive	Directors
	----- (Rupees) -----			
Managerial remuneration	4,026,000	5,227,750	2,763,300	3,843,300
Housing allowance	1,811,700	2,352,482	1,541,304	2,027,304
Utilities & conveyance	1,187,700	1,482,993	471,600	897,600
Medical	402,600	522,775	276,336	384,336
Ex-gartia	-	-	780,500	786,000
	<u>7,428,000</u>	<u>9,586,000</u>	<u>5,833,040</u>	<u>7,938,540</u>
Number	<u>1</u>	<u>2</u>	<u>1</u>	<u>2</u>

36.1 In addition, the Chief Executive and Directors are provided with free use of Company maintained cars and club memberships with certain reimbursements pertaining to business purposes.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

37.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as commodity price risk.

37.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in the market interest rates. The Company interest rate risk arises from long-term financing and short-term borrowings obtained with floating rates. Change in benchmark interest rate by 2% may have a positive or negative impact of approximately Rs. 43.52 million (2011: Rs. 50.166 million) in profit and loss account before taxation. The analysis is made based on the assumption that all other variables remain constant.

37.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the Company's functional currency) and financing activities which includes finance obtained in foreign currency. Change in exchange rate by 10% may have a positive or negative impact of approximately Rs. 79.043 million (2011: 83.425 million) in profit and loss account before taxation. The analysis is made based on the assumption that all other variables remain constant.

37.1.3 Commodity risk

The Company purchases scrap on an ongoing basis, as its operating activities require a continuous supply of raw material for the production. The Company has not hedged itself from the variation in commodity prices through any forward contract and purchase commitments but the management negotiates the price with the suppliers as part of its risk management policy.

37.2 Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	2012	2011
	----- (Rupees) -----	
Long-term investment	1,000,000	1,000,000
Trade debts	379,227,552	358,776,858
Loans and advances	37,668,147	102,921,362
Deposits - Margin against letters of credit	42,828,768	18,246,948
Other receivables	123,113,954	2,501
Bank balances	32,940,307	15,042,444
	<u>616,778,728</u>	<u>495,990,113</u>

37.2.1 Credit quality of financial assets

The credit quality of financial assets that are neither past nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates as shown below:

	2012	2011
	----- (Rupees) -----	
Trade debts		
Customers with no defaults in the past one year	54,986,356	188,170,747
Customers with some defaults in past one year which have been fully recovered	102,920,379	17,079,586
	<u>157,906,735</u>	<u>205,250,333</u>
Bank balances		
Ratings		
A1+	14,387,514	9,759,889
A1	1,199,553	5,260,539
A2	17,353,240	22,016
	<u>32,940,307</u>	<u>15,042,444</u>

37.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with the financial instruments. To guard against the risk, the Company has diversified funding sources and the assets are managed with liquidity in mind. The maturity profile is monitored to ensure that adequate liquidity is maintained.

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Table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

2012	Interest / Markup / Profit bearing				Non-interest bearing	Total
	Less than one year	One to five years	More than five years	Total		
	----- (Rupees) -----					
Long-term financings	333,902,140	2,020,022,967	-	2,353,925,107	-	2,353,925,107
Liabilities against assets subject to finance lease	93,966,821	288,841,913	-	382,808,734	-	382,808,734
Deferred liability	-	-	-	-	23,300,114	23,300,114
Trade and other payables	281,729,117	-	-	281,729,117	525,630,224	807,359,341
Accrued mark-up	-	-	-	-	85,688,268	85,688,268
Short-term borrowings	1,894,292,091	-	-	1,894,292,091	-	1,894,292,091
	2,603,890,169	2,308,864,880	-	4,912,755,049	634,618,606	5,547,373,655
	----- (Rupees) -----					
2011	Interest / Markup / Profit bearing				Non-interest bearing	Total
	Less than one year	One to five years	More than five years	Total		
	----- (Rupees) -----					
Long-term financings	147,059,808	1,774,711,751	167,200,000	2,088,971,559	-	2,088,971,559
Liabilities against assets subject to finance lease	11,991,117	40,380,263	-	52,371,380	-	52,371,380
Deferred liability	-	-	-	-	17,790,454	17,790,454
Trade and other payables	418,557,761	-	-	418,557,761	231,978,415	650,536,176
Accrued mark-up	-	-	-	-	59,739,577	59,739,577
Short-term borrowings	982,065,562	-	-	982,065,562	-	982,065,562
	1,559,674,248	1,815,092,014	167,200,000	3,541,966,262	309,508,446	3,851,474,708

Effective interest / markup / profit rates for the financing liabilities are mentioned in the respective notes to the financial statements.

37.4 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximize shareholders value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may return capital to shareholders or issue new shares.

The gearing ratios as at June 30, 2012 are as follows:

	2012	2011
	----- (Rupees) -----	
Long-term financing	2,353,925,107	2,088,971,556
Liabilities against asset subject to finance lease	382,808,734	52,371,380
Trade and other payables	807,359,341	650,536,176
Accrued mark-up	85,688,268	59,739,577
Short-term borrowings	1,894,292,091	982,065,562
Total debt	5,524,073,541	3,833,684,251
Cash and bank balances	(36,262,589)	(17,537,502)
Net debt	5,487,810,952	3,816,146,749
Share capital	2,227,585,700	2,227,585,700
Unappropriated profit	145,671,291	37,585,006
Total equity	2,373,256,991	2,265,170,706
Equity and net debt	7,861,067,943	6,081,317,455
Gearing ratio	70%	62.75%

The Company finances its expansion projects through equity, borrowings and management of its working capital with a view to maintaining an appropriated mix between various sources of finance to minimize risk.

37.5 Fair value of financial instruments

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

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38. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of Directors, companies / entities with common directorship / ownership and key management personnel. Amounts due from and to related parties are disclosed in the relevant notes. Transactions with related parties other than remuneration and other benefits to employees under the terms of the employment are as under:

Name	Relationship	Nature of transactions	2012	2011
			----- (Rupees) -----	
Paramount Steels	Sole proprietorship of a director	Purchase of bars	<u>1,843,170</u>	<u>13,787,039</u>
Paramount Steels	Sole proprietorship of a director	Sale of bars	<u>1,312,220</u>	<u>10,381,400</u>
Abbas Akbarali	Director	Sale of bars	<u>-</u>	<u>2,270</u>

39. CORRESPONDING FIGURES

There were no material reclassifications that could affect the financial statements. However, presentation of finance costs paid has been changed in the cash flow statement from operating to financing activities for improved presentation.

40. DATE OF AUTHORIZATION

These financial statements were authorized for issue on 14 November '12 by the Board of Directors of the Company.

41. GENERAL

Figures have been rounded off to the nearest Rupee, unless otherwise stated.


CHIEF EXECUTIVE

EUFMA

DIRECTOR