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AMRELI STEELS LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

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 2013 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 4.1 to the accompanying financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of the profit, its comprehensive income, its 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: 07 November 2013

Karachi

AMRELI STEELS LIMITED

**BALANCE SHEET
AS AT 30 JUNE 2013**

ASSETS	Note	30 June 2013	30 June 2012
		----- (Rupees) -----	
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	6	7,778,648,365	7,926,234,183
Intangibles	7	727,903	1,053,334
		<u>7,779,376,268</u>	<u>7,927,287,517</u>
Long-term investment		-	1,000,000
Long-term deposits	8	217,520,512	210,062,322
		<u>7,996,896,780</u>	<u>8,138,349,839</u>
CURRENT ASSETS			
Stores and spares		395,659,737	337,745,941
Stock-in-trade	9	2,053,547,359	1,650,401,675
Trade debts	10	571,582,407	379,227,552
Loans and advances	11	59,440,872	37,668,147
Trade deposits and short-term prepayments	12	75,553,959	76,040,660
Other receivables	13	398,480,153	144,782,308
Short-term investments	14	31,000,000	-
Tax refunds due from the Government		140,384,772	71,551,706
Cash and bank balances	15	77,465,117	36,262,589
		<u>3,803,114,376</u>	<u>2,733,680,578</u>
TOTAL ASSETS		<u>11,800,011,156</u>	<u>10,872,030,417</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	16	2,227,585,700	2,227,585,700
Reserves		292,754,350	145,671,291
		<u>2,520,340,050</u>	<u>2,373,256,991</u>
Surplus on revaluation of property, plant and equipment	17	2,085,149,461	2,134,451,645
NON-CURRENT LIABILITIES			
Long-term financing	18	1,584,051,443	2,020,022,967
Liabilities against assets subject to finance lease	19	182,331,541	288,841,913
Deferred taxation	20	826,833,199	816,948,126
Deferred liability	21	29,419,297	23,300,114
Other financial liabilities	22	15,247,401	-
		<u>2,637,882,881</u>	<u>3,149,113,120</u>
CURRENT LIABILITIES			
Trade and other payables	23	769,282,298	807,359,341
Interest / markup accrued	24	93,405,029	85,688,268
Short-term borrowings	25	3,093,642,740	1,894,292,091
Current portion of long-term financing	19	493,397,620	333,902,140
Current portion of liabilities against assets subject to finance lease	20	106,911,077	93,966,821
		<u>4,556,638,764</u>	<u>3,215,208,661</u>
CONTINGENCIES AND COMMITMENTS	26		
TOTAL EQUITY AND LIABILITIES		<u>11,800,011,156</u>	<u>10,872,030,417</u>

The annexed notes 1 to 43 form an integral part of these financial statements.


Chief Executive

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Director

AMRELI STEELS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2013**

	Note	30 June 2013 ----- (Rupees) -----	30 June 2012 -----
Turnover – net	27	10,621,857,713	7,208,886,336
Cost of sales	28	(9,459,635,559)	(6,227,902,882)
Gross profit		<u>1,162,222,154</u>	<u>980,983,454</u>
Trading income	29	<u>1,297,677</u> 1,163,519,831	<u>1,032,087</u> 982,015,541
Distribution costs	30	(169,629,100)	(109,319,884)
Administrative expenses	31	(153,834,463)	(154,363,751)
Other operating income	32	2,135,239	13,955,956
Operating profit		<u>842,191,507</u>	<u>732,287,862</u>
Finance costs	33	<u>(652,256,356)</u>	<u>(589,063,488)</u>
Other charges	34	<u>(15,580,300)</u> <u>(667,836,656)</u>	<u>(12,899,985)</u> <u>(601,963,473)</u>
Profit before taxation		<u>174,354,851</u>	<u>130,324,389</u>
Taxation	35	(66,663,165)	(40,274,552)
Profit after taxation		<u>107,691,686</u>	<u>90,049,837</u>

The annexed notes 1 to 43 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 30 JUNE 2013**

	30 June 2013	30 June 2012
	----- (Rupees) -----	-----
Profit for the year	107,691,686	90,049,837
Other comprehensive income to be reclassified to profit and loss in the subsequent periods:		
Unrealised loss on hedging instruments	(15,247,401)	-
Unrealised tax relating to hedging instruments - net	5,336,590	-
	(9,910,811)	-
Total comprehensive income for the year	<u>97,780,875</u>	<u>90,049,837</u>

The annexed notes 1 to 43 form an integral part of these financial statements.


Chief Executive

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Director

AMRELI STEELS LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013**

	Note	30 June 2013	30 June 2012
		----- (Rupees) -----	-----
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		174,354,851	130,324,389
Adjustments for:			
Depreciation		306,867,712	229,311,379
Amortization		325,431	325,431
Provision for doubtful trade debts and other receivables		7,325,629	2,806,875
Accrual for gratuity		7,924,757	6,775,802
Gain on disposal of operating assets		105,514	(8,141,884)
Finance costs		559,817,883	481,038,590
Finance income		(349,147)	(490,725)
Trial production cost capitalized		-	(162,908,223)
		882,017,779	548,717,245
Operating profit before working capital changes		1,056,372,630	679,041,634
(Increase) / decrease in current assets:			
Stores and spare parts		(57,913,796)	(142,097,728)
Stock-in-trade		(403,145,684)	(759,580,862)
Trade debts		(199,680,484)	(23,257,569)
Loans and advances		(21,772,725)	65,253,215
Trade deposits and short-term prepayments		486,701	(35,488,826)
Other receivables		(253,697,845)	(123,139,279)
		(935,723,833)	(1,018,311,049)
(Decrease) / increase in current liability:			
Trade and other payables		(67,172,640)	156,823,165
Cash generated from / (used in) operations		53,476,157	(182,446,250)
Gratuity paid		(1,805,574)	(1,266,142)
Long-term deposits – net		(7,458,190)	(99,767,216)
Income taxes paid		(120,274,568)	(13,952,370)
Net cash used in operating activities		(76,062,175)	(297,431,978)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(166,704,194)	(770,616,195)
Proceeds from disposal of operating assets		7,316,786	33,755,000
Interest income received		349,147	490,725
Short-term investments		(30,000,000)	-
Net cash used in investing activities		(189,038,261)	(736,370,470)
CASH FLOWS FROM FINANCING ACTIVITIES			
Liabilities against assets subject to finance lease – net		(93,566,116)	330,437,354
Short-term borrowings received – net		1,228,446,246	912,226,529
Long-term financings – net		(276,476,044)	264,953,551
Finance costs paid		(552,101,122)	(455,089,899)
Net cash inflow from financing activities		306,302,964	1,052,527,535
Net increase in cash and cash equivalents		41,202,528	18,725,087
Cash and cash equivalents at the beginning of the year		36,262,589	17,537,502
Cash and cash equivalents at the end of the year	15	77,465,117	36,262,589

The annexed notes 1 to 43 form an integral part of these financial statements.


Chief Executive

Eufina


Director

AMRELI STEELS LIMITED


**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013**

Note	Share capital	RESERVES		Sub-total	Total
		Unappropriated profit	Cash flow hedge reserve (Rupees)		
Balance as at 30 June 2011	2,227,585,700	37,585,006	-	37,585,006	2,265,170,706
Net profit for the year	-	90,049,837	-	90,049,837	90,049,837
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	90,049,837	-	90,049,837	90,049,837
Transfer from surplus on revaluation of property, plant and equipment – net of tax	15	-	18,036,448	-	18,036,448
Balance as at 30 June 2012	2,227,585,700	145,671,291	-	145,671,291	2,373,256,991
Net profit for the year	-	107,691,686	-	107,691,686	107,691,686
Other comprehensive income	-	-	(9,910,811)	(9,910,811)	(9,910,811)
Total comprehensive income	-	107,691,686	(9,910,811)	97,780,875	97,780,875
Transfer from surplus on revaluation of property, plant and equipment – net of tax	15	-	49,302,184	-	49,302,184
Balance as at 30 June 2013	<u>2,227,585,700</u>	<u>302,665,161</u>	<u>(9,910,811)</u>	<u>292,754,350</u>	<u>2,520,340,050</u>

The annexed notes 1 to 43 form an integral part of these financial statements.


Chief Executive

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Director

AMRELI STEELS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

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 and derivative financial instruments that have been measured at fair value.

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 Standards, amendments and interpretations adopted during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

New and amended standards and interpretations

The Company has adopted the following amendments to IFRSs which became effective for the current year:

IAS 1 – Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (Amendment)

IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any effect on the financial statements.

4.2 Standards, amendments and interpretations that are not yet effective

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 (annual periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures (Amendments) - Amendments Enhancing Disclosures about offsetting of financial assets and financial liabilities	01 January 2013

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Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS 19 - Employee Benefits (Revised)	01 January 2013
IAS 32 - Offsetting Financial Assets and Financial liabilities (Amendment)	01 January 2014
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	01 January 2013

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application except for adoption of IAS 19 – Employee Benefits (Revised) which requires actuarial gains and losses to be recognized in other comprehensive income as they occur. Further, amounts recorded in profit and loss account are limited to current and past service costs, gains or losses on settlements and net interest income (expense). Furthermore, all other changes in the net defined benefit asset (liability) are recognized in other comprehensive income with no subsequent recycling to profit and loss account.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2013. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, 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: Classification and Measurement	01 January 2015
IFRS 10 - Consolidated Financial Statements	01 January 2013
IFRS 11 - Joint Arrangements	01 January 2013
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 - Fair Value Measurement	01 January 2013

4.3 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 less impairment losses, if any.

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.

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.

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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.

4.4 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 13 January 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 unappropriated profits through "Statement of Changes in Equity" to record realization of surplus to the extent of the incremental depreciation charge for the year.

4.5 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.

4.6 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.

4.7 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.

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4.8 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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains or losses recognised directly in the profit and loss account. Transaction costs are charged to profit and loss account when incurred.

4.9 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.

4.10 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.

4.11 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.

4.12 Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

The fair values of the interest rate swaps represent the discounted value of the future cash flows estimated based on relevant economic assumptions for the period till the maturity of the swap contracts.

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At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedge risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges

Cash flow hedges are when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with an recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement as other operating expenses.

The Company uses interest rate swaps for its exposure to volatility of cash flows resulting from the changes in the interest rates. The ineffective portion relating to interest rate swaps is recognised in finance costs (refer to Note 9 for more details).

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transactions or firm commitment affects profit or loss.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

4.13 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.

4.14 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.

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4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 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.

4.20 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.

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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. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirements of Accounting Technical Release – 27 of the Institute of Chartered Accountants of Pakistan, if considered material.

Deferred tax relating to items, recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

4.21 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, depreciation method, 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. Any change in the judgment in future might affect the profit and loss account of that year.

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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.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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.

Deferred tax debits include minimum tax credits carried forward by the Company against tax years whereby it incurred a tax loss. Such deferred tax debits amounting to Rs. 172.583 million have been recognized on the advice of the Company's tax advisors. Any eventuality against such advice may result in loss of said amount in future. Additionally, recoverability of such debits and tax losses carried forward are subject to projection of future taxable profits.

6. PROPERTY, PLANT AND EQUIPMENT

	Note	30 June 2013	30 June 2012
----- (Rupees) -----			
Operating assets	6.1	7,607,145,230	7,829,626,354
Capital work-in-progress	6.2	114,479,499	57,716,488
Stores held for capital expenditure	6.3	57,023,636	38,891,341
		<u>7,778,648,365</u>	<u>7,926,234,183</u>

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6.1 Operating fixed

6.1.1 Following is a statement of operating assets:

	2013		ASSETS SUBJECT TO FINANCE LEASE										Total		
	Owned		Leasehold Land	Buildings on leasehold land	Plant and machinery	Furniture and fittings	Office equipment	Vehicles	Crane	Computers	Total	Vehicles		Plant and machinery	Total
Cost / revalued as at															
01 July 2012	6.1.2	6.1.2	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
Additions			-	34,650,844	11,415,863	469,154	119,000	4,620,868	-	4,041,695	55,317,424	-	-	-	55,317,424
Disposals			-	-	-	-	-	(13,324,527)	-	-	(13,324,527)	(2,112,000)	-	(2,112,000)	(15,436,527)
Transfers from CWIP	6.2		-	1,530,210	2,694,557	-	-	-	-	-	4,224,767	-	-	-	4,224,767
Transfers from capital stores			-	-	34,378,697	-	-	-	-	-	34,378,697	-	-	-	34,378,697
Revaluation surplus / (deficit)			-	-	-	-	-	-	-	-	-	-	-	-	-
Cost / revalued as at			751,236,600	1,356,273,880	5,364,869,896	15,282,761	14,035,161	13,191,565	5,595,855	17,787,873	7,538,273,591	-	417,403,925	417,403,925	7,955,677,516
Accumulated depreciation as at 01 July 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
Depreciation charge for the year			-	135,627,388	152,898,792	1,175,165	777,761	1,515,885	373,057	2,783,355	295,151,403	-	11,716,309	11,716,309	306,867,712
Disposals			-	-	-	-	-	(4,770,243)	-	-	(4,770,243)	(1,131,984)	-	(1,131,984)	(5,902,227)
Revaluation surplus / (deficit)			-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2013			-	135,627,388	152,898,792	4,706,271	7,035,310	7,128,025	2,238,342	11,293,378	320,927,506	-	27,604,780	27,604,780	348,532,286
Net book value as at 30 June 2013			751,236,600	1,220,646,492	5,211,971,104	10,576,490	6,999,851	6,063,540	3,357,513	6,494,495	7,217,346,085	-	389,799,145	389,799,145	7,607,145,230
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.

6.1.1.1 Include assets under common ownership obtained through Diminishing Musharaka Sukuk as explained in note 18.3.

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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					
	Note	6.1.2	6.1.2	6.1.2													
Cost / revalued as at																	
01 July 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)	-	-	-	-	(9,653,600)	-	-	(51,481,738)	-	-	-	(51,481,738)			
Transfers from CWIP	6.2	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)	17.1	(43,009,564)	345,676,998	1,174,850,108	-	-	-	-	-	1,477,517,542	-	-	-	1,477,517,542			
Cost / revalued as at																	
30 June 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 01 July 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)	17.1	-	(144,277,764)	(242,957,818)	-	-	-	-	-	(387,235,582)	-	-	-	(387,235,582)			
Accumulated depreciation as at 30 June 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 30 June 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.

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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 30 June 2012	409,137,444	822,180,501	3,056,827,736	4,288,145,681
Additions / transfers from capital work-in-progress during the year	-	36,181,054	48,489,117	84,670,171
	409,137,444	858,361,555	3,105,316,853	4,372,815,852
Depreciation for the year	-	(95,836,155)	(116,840,510)	(212,676,665)
Net book value as at 30 June 2013	409,137,444	762,525,400	2,988,476,343	4,160,139,187
Net book value as at 30 June 2011	411,858,015	138,864,925	776,340,734	1,327,063,674
Additions / transfers from capital work-in-progress 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 30 June 2012	409,137,444	822,180,501	3,056,827,736	4,288,145,681

	Note	30 June 2013	30 June 2012
		----- (Rupees) -----	
6.1.3 Depreciation charge for the year has been allocated as under:			
Manufacturing costs – production of bars	29	69,648,676	55,371,098
Manufacturing costs – production of billets	29.1	216,510,960	153,941,657
Distribution costs	31	4,912,107	4,308,779
Administrative expenses	32	15,795,969	15,689,845
		306,867,712	229,311,379

	Civil Works	Plant and machinery	Advance to contractors / supplies	Total
	----- (Rupees) -----			
6.2 Capital work-in-progress				
Opening balance	32,409,715	18,500	25,288,273	57,716,488
Additions during the year	15,622,035	-	52,066,905	67,688,940
	48,031,750	18,500	77,355,178	125,405,428
Transfer to operating assets	(523,070)	-	(3,701,697)	(4,224,767)
Intra-transfer of capital work- in-progress	13,906,577	-	(13,906,577)	-
Charged to profit and loss account	(887,212)	(18,500)	(5,795,450)	(6,701,162)
2013	60,528,045	-	53,951,454	114,479,499
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 capital work- in-progress	(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

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Note	30 June 2013 ----- (Rupees) -----	30 June 2012 -----
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6.3 Stores held for capital expenditure

Opening balance	38,891,341	21,349,935
Additions during the year	54,073,702	43,485,382
Transfers to operating assets	(34,378,697)	(25,943,976)
Charged to profit and loss	(1,562,711)	-
Closing balance	<u>57,023,635</u>	<u>38,891,341</u>

7. INTANGIBLES**Computer software****Net carrying value**

Balance at the beginning of the year	1,053,334	993,556
Additions / transfers from capital work-in-progress during the year	-	385,209
Amortization for the year	31 (325,431)	(325,431)
Balance at the end of the year	<u>727,903</u>	<u>1,053,334</u>

Gross carrying value

Cost	1,053,334	1,627,154
Accumulated amortization	(325,431)	(573,820)
Balance at the end of the year	<u>727,903</u>	<u>1,053,334</u>

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

8. LONG-TERM DEPOSITS

Margin against guarantees	8.1	30,413,336	30,413,336
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Security deposits

Utilities	74,124,666	73,669,596
Finance lease	74,959,075	74,959,075
Ijarah	37,276,435	30,401,315
Others	747,000	619,000
	187,107,176	179,648,986
	<u>217,520,512</u>	<u>210,062,322</u>

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

9. STOCK-IN-TRADE**Raw materials**

- In hand	676,091,894	847,273,634
- In transit	342,073,197	371,432,867
	<u>1,018,165,091</u>	<u>1,218,706,501</u>

Work-in-process	468,231,471	171,634,418
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Finished goods

- Manufactured	564,846,871	260,060,756
- Trading	2,303,926	-
	567,150,797	260,060,756

	<u>2,053,547,359</u>	<u>1,650,401,675</u>
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	Note	30 June 2013	30 June 2012
----- (Rupees) -----			
10. TRADE DEBTS			
Considered good		571,582,407	379,227,552
Considered doubtful		50,087,864	42,762,235
	10.1	621,670,271	421,989,787
Provision for doubtful debts	10.2	(50,087,864)	(42,762,235)
		<u>571,582,407</u>	<u>379,227,552</u>
10.1 Aging of trade debts is as follows:			
Neither past due nor impaired		385,967,024	354,252,847
Past due but not impaired			
- within 90 days		95,346,732	4,360,391
- 91 to 180 days		15,218,741	2,571,409
- over 180 days		75,049,910	18,042,905
		<u>185,615,383</u>	<u>24,974,705</u>
		<u>571,582,407</u>	<u>379,227,552</u>
10.2 Movement of provision for doubtful debts			
Opening balance		42,762,235	40,210,562
Provided during the year	30	7,325,629	2,806,875
		<u>50,087,864</u>	<u>43,017,437</u>
Written-off during the year		-	(255,202)
Closing balance		<u>50,087,864</u>	<u>42,762,235</u>

11. LOANS AND ADVANCES – unsecured, considered good

Loans			
Employees	11.1	1,944,186	1,154,846
Advances			
Suppliers		57,302,045	34,357,444
Employees		194,641	2,155,857
		<u>57,496,686</u>	<u>36,513,301</u>
		<u>59,440,872</u>	<u>37,668,147</u>

11.1 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.

12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Deposits			
Security deposits		25,735,000	12,786,000
Surety deposit	12.1	12,750,000	12,750,000
Margins against letters of credit		32,905,271	42,828,768
Margins against letters of guarantee		3,261,700	6,180,000
Others		100,000	-
		<u>74,751,971</u>	<u>74,544,768</u>
Prepayments			
		801,988	1,495,892
		<u>75,553,959</u>	<u>76,040,660</u>

12.1 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 19 April 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.

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	Note	30 June 2013	30 June 2012
----- (Rupees) -----			
13. OTHER RECEIVABLES			
Sales tax refundable		192,356,532	23,984,549
Provision for doubtful sales tax refundable		(2,316,197)	(2,316,195)
		<u>190,040,335</u>	<u>21,668,354</u>
Discounts receivable	13.1	208,419,812	123,091,507
Others		20,006	22,447
		<u>398,480,153</u>	<u>144,782,308</u>

13.1 Represents purchase discount receivable by the Company from its suppliers on early payment made during the year.

14. SHORT-TERM INVESTMENTS

Current maturity of long-term investment		1,000,000	-
Others	14.1	30,000,000	-
		<u>31,000,000</u>	<u>-</u>

14.1 Represents investment of 283,121.1654 units in Namco Income Fund which has credit rating of AA.

15. CASH AND BANK BALANCES

Cash in hand		6,940,695	3,322,282
Cash at bank in:			
Current accounts		62,270,746	14,910,559
Saving accounts	15.1	8,253,676	18,029,748
		<u>70,524,422</u>	<u>32,940,307</u>
		<u>77,465,117</u>	<u>36,262,589</u>

15.1 These carry profit at the rate of 8% (2012: 8%) per annum.

16. SHARE CAPITAL

16.1 Authorized capital

Number of shares				
2013	2012			
270,000,000	270,000,000	Ordinary shares of Rs. 10/- each	2,700,000,000	2,700,000,000
80,000,000	80,000,000	Cumulative preference shares of Rs. 10/- each	800,000,000	800,000,000
<u>350,00,000</u>	<u>350,000,000</u>		<u>3,500,000,000</u>	<u>3,500,000,000</u>

16.2 Issued, subscribed and paid-up capital

		Ordinary of shares of Rs. 10/- each		
189,631,073	189,631,073	Issued for cash	1,896,310,730	1,896,310,730
33,127,497	33,127,497	Issued for consideration other than cash	331,274,970	331,274,970
<u>222,758,570</u>	<u>222,758,570</u>		<u>2,227,585,700</u>	<u>2,227,585,700</u>

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	Note	30 June 2013	30 June 2012
----- (Rupees) -----			
17. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT – net of deferred tax			
Opening balance		3,099,564,524	1,282,169,906
Revaluation surplus - net adjustment as at 30 June 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		(75,849,513)	(27,748,381)
		<u>3,023,715,011</u>	<u>3,099,564,524</u>
Related deferred tax liability			
Opening balance		(965,112,879)	(307,107,871)
Revaluation surplus – adjusted during the year		-	(667,716,941)
Incremental depreciation charged during the year		26,547,329	9,711,933
		<u>(938,565,550)</u>	<u>(965,112,879)</u>
		<u>2,085,149,461</u>	<u>2,134,451,645</u>

17.1 The Company carries its leasehold land, buildings on leasehold land, and plant and machinery on revalued amount. The latest revaluation was conducted on 30 June 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.

17.2 Breakup of revaluation surplus net of deferred tax as at 30 June is as follows:

Leasehold land	342,099,156	342,099,156
Buildings on leasehold land	291,278,709	323,643,011
Plant and machinery	1,451,771,596	1,468,709,478
	<u>2,085,149,461</u>	<u>2,134,451,645</u>

18. LONG-TERM FINANCING

Loans from banking companies and other financial institutions

	Note	30 June 2013			30 June 2012		
		Total	Current portion	Long-term	Total	Current portion	Long-term
----- (Rupees) -----							
Syndicated term finance	18.1	-	-	-	110,000,000	110,000,000	-
Term finance facilities	18.2	496,866,467	95,743,479	401,122,988	485,866,468	-	485,866,468
Sukuk financing	18.3	774,400,000	70,400,000	704,000,000	844,800,000	70,400,000	774,400,000
Foreign currency financing	18.4	806,182,596	327,254,141	478,928,455	913,258,639	153,502,140	759,756,499
Total		<u>2,077,449,063</u>	<u>493,397,620</u>	<u>1,584,051,443</u>	<u>2,353,925,107</u>	<u>333,902,140</u>	<u>2,020,022,967</u>

18.1 Represents long-term financing obtained from various banking companies / financial institutions against syndicated term facility to finance the capacity expansion project. These finances were repayable in 10 equal semi-annual installments commencing from December 2008 and were subject to markup at the rate of 6 months' KIBOR plus 2.5% (2012: 6 months' KIBOR plus 2.5%) per annum. These finances were 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. The financing was completely paid off during the year.

18.2 Represents term finance facilities obtained from Habib Bank Limited. These are secured by way of lien over land, building, plant and machinery at Dhabeji. 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.

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- 18.3** Represents long-term financing obtained through issuance of privately placed Sukus 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% (2012: 3 months' KIBOR plus 2.5%) per annum. These are secured by proportionate and ownership through 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.
- 18.4** Represents financing obtained in foreign currency amounting to US\$ 8.160 (2012: 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. The current portion includes an overdue amount of Rs. 7.970 million (2012: Nil).

19. 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 January 2016. 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 11.83% to 12.82% (2012: 14.86% 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. Break-up of finance lease liability is as follows:

	30 June 2013		30 June 2012	
	Minimum lease payment	Present value	Minimum lease payment	Present value
	----- (Rupees) -----			
Within one year	127,276,170	106,911,077	133,927,709	93,966,821
After one year but not more than five years	188,473,820	182,331,541	322,043,122	288,841,913
Total minimum lease payments	315,749,990	289,242,618	455,970,831	382,808,734
Amount representing finance costs	(26,507,372)	-	(73,162,097)	-
Present value of minimum lease payments	289,242,618	289,242,618	382,808,734	382,808,734
Current portion	(106,911,077)	(106,911,077)	(93,966,821)	(93,966,821)
	182,331,541	182,331,541	288,841,913	288,841,913

20. DEFERRED TAXATION

Represents tax effects of temporary differences relating to:

	Note	30 June 2013	30 June 2012
		----- (Rupees) -----	
Accelerated tax depreciation allowance		815,351,725	798,319,565
Assets subject to finance lease		35,194,784	6,890,358
Surplus on revaluation of property, plant and equipment		938,565,550	965,112,879
Provision for doubtful debts and receivables		(17,530,752)	(15,777,451)
Deferred liability – gratuity		(10,296,754)	(8,155,040)
Unabsorbed tax losses carried forward		(722,446,641)	(785,303,715)
Available tax credits for minimum tax	20.1	(172,583,033)	(119,437,430)
Unrealised exchange loss		(34,085,090)	(24,701,040)
		832,169,789	816,948,126
Unrealized fair value losses on derivative financial instruments		(5,336,590)	-
		826,883,199	816,948,126

- 20.1** 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.

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	Note	30 June 2013	30 June 2012			
		----- (Rupees) -----				
21. DEFERRED LIABILITY						
Staff gratuity	21.1	<u>29,419,297</u>	<u>23,300,114</u>			
21.1 Staff gratuity						
Opening balance		23,300,114	17,790,454			
Charge for the year		7,924,757	6,775,802			
Benefits paid		<u>(1,805,574)</u>	<u>(1,266,142)</u>			
		<u>29,419,297</u>	<u>23,300,114</u>			
21.2 Recognition of defined benefit plan						
Present value of defined benefit obligations		40,629,917	25,224,226			
Unrecognized actuarial losses		<u>(11,210,620)</u>	<u>(1,924,112)</u>			
		<u>29,419,297</u>	<u>23,300,114</u>			
21.3 Movement in present value of defined benefit obligations						
Opening balance		25,224,226	20,998,307			
Current service cost		4,645,608	3,743,704			
Interest cost		3,279,149	2,939,763			
Actuarial (gain) / loss		9,286,508	(1,191,406)			
Benefits paid		<u>(1,805,574)</u>	<u>(1,266,142)</u>			
		<u>40,629,917</u>	<u>25,224,226</u>			
21.4 Amounts charged to profit and loss account						
Current service cost		4,645,608	3,743,704			
Interest cost		3,279,149	2,939,763			
Actuarial (gain) / loss charge		-	92,335			
		<u>7,924,757</u>	<u>6,775,802</u>			
21.5 Movement in actuarial loss						
Opening balance		(1,924,112)	(3,207,853)			
Actuarial gain / (loss) during the year		(9,286,508)	1,191,406			
Actuarial (gain) / loss charged to profit and loss during the year		-	(92,335)			
		<u>(11,210,620)</u>	<u>(1,924,112)</u>			
21.6 Historical information for defined benefit plans						
As at 30 June		2013	2012	2011	2010	2009
		----- (Rupees) -----				
Present value of defined benefit obligation		<u>40,629,917</u>	<u>25,224,226</u>	<u>20,998,307</u>	<u>14,575,560</u>	<u>12,551,847</u>
Experience adjustment on plan liabilities		<u>9,286,508</u>	<u>(1,191,406)</u>	<u>3,157,494</u>	<u>(643,631)</u>	<u>1,126,481</u>
21.7	The latest actuarial valuation of the scheme was carried out on 30 June 2013. Principal actuarial assumptions used in the valuation are as follows:					
		30 June 2013	30 June 2012			
Expected rate of increase in salary level		11%	12%			
Valuation discount rate		12%	13%			
Average expected remaining working life of employees		11 years	12 years			

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22. OTHER FINANCIAL LIABILITIES

The Company has entered into interest swap arrangements with commercial banks against the cash flow risk of interest rate fluctuations with respect to future financial cost on term finance facilities and sukuk financing as referred to in note 18. These swaps are considered to be hedging instruments for the same items and are considered to be an effective hedge.

Following are the details and fair values of such derivative financial instruments:

Hedged item	Pay	Receive	Notional Amount	2013 Derivative liability - fair value	2012 Derivative liability - fair value
Term finance facility	10.94%	6 months KIBOR	150,000,000	3,636,422	-
Term finance facility	10.94%	6 months KIBOR	95,000,000	2,304,954	-
Sukuks	10.83%	6 months KIBOR	396,000,000	9,306,025	-
				<u>15,247,401</u>	<u>-</u>

Note	30 June 2013	30 June 2012
	----- (Rupees) -----	

23. TRADE AND OTHER PAYABLES

Creditors		81,997,433	150,381,211
Murabaha	23.1	310,824,714	281,729,117
Accrued liabilities		180,790,113	199,913,939
Advances from customers		166,180,325	90,870,105
Retention money payable		-	5,438,409
Related parties loan		740,179	55,542,880
Ijarah rentals payable		11,238,804	11,027,611
Workers' Profits Participation Fund	23.2	9,363,848	7,014,230
Workers' welfare fund		3,558,262	2,945,977
Withholding tax payable		2,088,620	2,495,862
Others		2,500,000	-
		<u>769,282,298</u>	<u>807,359,341</u>

23.1 Represents Murabaha facilities amounting to Rs. 600 (2012: Rs. 650) million obtained from Islamic banks for purchase of raw material. These carry profit at the rate of 6 months' KIBOR plus 1.5% - 2% (2012: 6 months' KIBOR plus 1.5% - 2%). These are secured by way of pledge of raw materials purchased through letters of credit.

23.2 Workers' Profits Participation Fund

Balance at the beginning of the year		7,014,230	3,337,940
Mark-up on funds utilized in the Company's business	33	651,585	356,112
		<u>7,665,815</u>	<u>3,694,052</u>
Allocation for the year	34	9,363,848	7,014,230
		<u>17,029,663</u>	<u>10,708,282</u>
Paid during the year		(7,665,815)	(3,694,052)
		<u>9,363,848</u>	<u>7,014,230</u>

24. INTEREST / MARK-UP ACCRUED

Long-term financings	29,936,659	36,098,721
Short-term borrowings	63,468,370	49,589,547
	<u>93,405,029</u>	<u>85,688,268</u>

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Note	30 June 2013	30 June 2012
	----- (Rupees) -----	

25. SHORT-TERM BORROWINGS – secured

From financial institutions

Running finance	25.1	653,606,275	810,814,332
Demand finance	25.2	199,997,935	199,997,313
Cash finance	25.3	86,887,057	105,163,025
Finance against import merchandise	25.4	530,638,953	778,317,421
Finance against trust receipts	25.5	1,622,512,520	-
		<u>3,093,642,740</u>	<u>1,894,292,091</u>

25.1 Running finance

Habib Bank Limited	Represents facility of Rs. 100 (2012: 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 1.75% (2012: 1 month KIBOR plus 2.5%) per annum payable on quarterly basis.	35,678,698	97,752,610
Soneri Bank Limited	Represents facility of Rs. 400 (2012: Rs. 400) million 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 1.75% per annum payable on quarterly basis. This is a special purpose running finance to procure local raw material.	251,783,337	393,590,197
Summit Bank Limited	Represents facility of Rs. 100 (2012: Rs. 300) million 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 2.5% per annum.	9,934,142	319,471,525
Habib Metropolitan Bank Limited	Represents facility of Rs. 50 million secured by hypothecation charge over fixed assets. This facility carries markup at the rate of 3 months KIBOR plus 2% per annum payable on quarterly basis.	14,867,769	-
Bank of Khyber Limited	Represents facility of Rs. 200 million secured by hypothecation charge over present and future fixed assets. This facility carries markup at the rate of 3 months KIBOR plus 1.75% per annum payable on quarterly basis.	171,141,145	-
NIB Bank Limited	Represents facility of Rs. 200 million secured by hypothecation charge over present and future fixed assets. This facility carries markup at the rate of 3 months KIBOR plus 1.75% per annum payable on semi-annual basis.	170,201,185	-
		<u>653,606,276</u>	<u>810,814,332</u>

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		30 June 2013	30 June 2012
		----- (Rupees) -----	
25.2 Demand finance			
Habib Bank Limited	Represents facility of Rs. 200 (2012: 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 1.75% (2012: 1 month KIBOR plus 2.5%) per annum payable on quarterly basis.	199,997,935	199,997,313
25.3 Cash finance			
Habib Bank Limited	Represents facility of Rs. 400 (2012: Rs. 400) million secured by pledge over raw material. This facility carries markup at the rate of 1 month KIBOR plus 1.75% (2012: 1 month KIBOR plus 2%) per annum.	86,887,057	68,553,255
Askari Bank Limited	Pledge of consignment purchased through LCs under bank's approved Mucaddum with 10% margin. This facility carried markup at the rate of 3 months KIBOR plus 1.75% per annum payable on quarterly basis.	-	36,609,770
		86,887,057	105,163,025
25.4 Finance against imported merchandise			
Faysal Bank Limited	Represents facility of Rs. 350 (2012: Rs. 350) million secured by pledge over raw material with 15% margin. This facility carries markup at the rate of 6 months KIBOR plus 1.5% (2012: 6 months KIBOR plus 2.5%) per annum payable at maturity.	-	231,528,944
Habib Bank Limited	Represents facility of Rs. 400 (2012: Rs. 400) million 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 + 1.75% per annum.	104,550,350	167,796,591
Askari Bank Limited	Represents facility of Rs. 200 (2012: Rs. 200) million 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 1.75% per annum payable on quarterly basis.	75,174,972	88,624,205
Standard Chartered Bank (Pakistan) Limited	Represents facility of Rs. 500 million (2012: 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.	-	231,009,602
Summit Bank Limited	Represents facility of Rs. 350 (2012: Rs. 150) million 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 2.5% per annum with a floor of 15% per annum payable on quarterly basis.	180,833,631	59,358,079
Silk Bank Limited	Represents facility of Rs. 300 million (2012: Rs. Nil) secured by lien over import documents. This facility carries markup at the rate of 3 months KIBOR plus 1.75% per annum payable at the time of settlement.	170,080,000	-
		530,638,953	778,317,421

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	Note	30 June 2013	30 June 2012
		----- (Rupees) -----	
25.5 Finance against trust receipt			
Bank Al-Falah Limited	Represents facility of Rs. 500 million (2012: Nil) secured by hypothecation charge on all fixed and current assets of the Company. This facility carries markup at the rate of 3 months KIBOR plus 1.75% per annum payable on quarterly basis.	382,525,277	-
Habib Metropolitan Bank Limited	Represents facility of Rs. 250 million (2012: Nil) secured by hypothecation charge on fixed assets of the Company. This facility carries markup at the rate of 3 months KIBOR plus 1.75% per annum payable on quarterly basis.	110,427,438	-
Soneri Bank Limited	Represents facility of Rs. 400 million (2012: Nil) secured by hypothecation charge on present and future assets of the Company. This facility carries markup at the rate of 3 months KIBOR plus 1.75% per annum payable on quarterly basis.	133,468,504	-
Dubai Islamic Bank Limited	Represents facility of Rs. 400 million (2012: Nil) secured by hypothecation charge on the assets of the Company. This facility carries markup at the rate of 3 months KIBOR plus 1.75% per annum payable on quarterly basis.	301,505,369	-
NIB Bank Limited	Represents facility of Rs. 500 million (2012: Nil) secured by the lien over import documents for SLC. This facility carries markup at the rate of 3 months KIBOR plus 1.75% per annum payable on quarterly basis.	315,924,108	-
Standard Chartered Bank (Pakistan) Limited	Represents facility of Rs. 500 million (2012: Nil) secured by hypothecation charge on fixed assets of the Company. This facility carries markup at the rate of relevant KIBOR plus 1.75% per annum payable on quarterly basis.	378,661,824	-
		<u>1,662,512,520</u>	<u>-</u>

26. CONTINGENCIES AND COMMITMENTS

Outstanding letters of credit		<u>617,271,667</u>	<u>863,771,439</u>
Outstanding letters of guarantee	26.1	<u>37,145,086</u>	<u>278,663,486</u>

26.1 Margins have been provided against outstanding letters of guarantee as disclosed in note 8.

26.2 Commitments for rentals payable under ljarah contracts in respect of vehicles, and plant and machinery are as follows:

Not later than one year		<u>75,643,640</u>	<u>78,973,969</u>
Later than one year but not later than five years		<u>96,668,805</u>	<u>114,187,292</u>

26.3 Refer note 13.1 for significant litigation.

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	Note	30 June 2013	30 June 2012
----- (Rupees) -----			
27. TURNOVER - net			
Sales – local		10,718,133,079	7,095,173,088
Less: Sales return		108,789,142	32,168,374
Sales discount		3,122,624	449,260
		111,911,766	32,617,634
		10,606,221,313	7,062,555,454
Sales – export		15,636,400	-
Toll manufacturing		-	146,330,882
		10,621,857,713	7,208,886,336
28. COST OF SALES			
Billets consumed			
Opening stock	9	171,634,418	369,103,355
Purchases – net		-	715,327,992
Cost of billets manufactured internally	28.1	9,432,272,589	5,036,796,321
		9,603,907,007	6,121,227,668
Closing stock	9	(468,231,471)	(171,634,418)
		9,135,675,536	5,949,593,250
Manufacturing overheads			
Stores and spare parts consumed		34,742,793	26,418,234
Salaries, wages and other benefits	28.2	60,775,558	38,742,922
Fuel, power and water		367,480,257	286,626,694
Depreciation	6.1.3	69,648,676	55,371,098
Ijarah rentals		37,895,839	34,593,748
Repairs and maintenance		39,308,619	29,438,876
Cartage – godown		2,398,128	9,039,843
Oil and lubricants		9,099,458	8,243,608
Insurance		6,149,095	4,458,531
Rent, rates and taxes		671,631	67,050
Others		576,084	724,000
		628,746,138	493,724,604
Cost of goods manufactured		9,764,421,674	6,443,317,854
Finished goods			
Opening stock	9	260,060,756	44,645,784
Closing stock	9	(564,846,871)	(260,060,756)
		(304,786,115)	(215,414,972)
		9,459,635,559	6,227,902,882
28.1 Cost of billets manufactured internally			
Raw material consumed – scrap			
Opening stock	9	847,273,634	375,654,238
Purchases – net		6,724,190,617	4,156,183,921
Additives consumed		494,959,641	293,158,457
		8,066,423,892	4,824,996,616
	9	(676,091,894)	(847,273,634)
		7,390,331,998	3,977,722,982
Manufacturing overheads			
Stores and spare parts consumed		116,782,936	46,728,808
Salaries, wages and other benefits	28.2	101,221,103	81,808,586
Depreciation	6.1.3	216,510,960	153,941,657
Fuel and power		1,526,440,104	866,781,495
Ijarah rentals		36,183,823	33,382,197
Repairs and maintenance		23,891,260	14,763,891
Cartage – godown		12,040,307	8,957,551
Consultancy charges		1,556,629	7,433,730
Rent, rates and taxes		459,517	869,545
Insurance		2,479,063	675,000
Oil and lubricants		1,581,377	88,406
Others		2,793,512	6,550,696
		2,041,940,591	1,221,981,562
		-	(162,908,223)
		2,041,940,591	1,059,073,339
		9,432,272,589	5,036,796,321

28.2 Includes Rs. 5.40 (2012: Rs. 3.98) million in respect of gratuity expense.

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	Note	30 June 2013 ----- (Rupees) -----	30 June 2012 -----
29. TRADING INCOME			
Sales		21,113,215	15,458,978
Cost of sales	29.1	<u>(19,815,538)</u>	<u>(14,426,891)</u>
Trading income		<u>1,297,677</u>	<u>1,032,087</u>
29.1 Cost of sales			
Opening stock	9	-	1,854,120
Purchases		<u>22,119,464</u>	<u>12,572,771</u>
		<u>22,119,464</u>	<u>14,426,891</u>
Closing stock	9	<u>(2,303,926)</u>	-
		<u>19,815,538</u>	<u>14,426,891</u>
30. DISTRIBUTION COSTS			
Salaries, allowances and other benefits	30.1	17,278,484	13,178,698
Carriage and transport		99,049,106	53,780,446
Advertisement and sales promotion		11,016,555	11,870,046
Packing material		5,294,800	4,308,875
Depreciation	6.1.3	4,912,107	4,308,779
Provision for doubtful debts		7,325,629	2,806,875
Shop expenses		2,040,469	1,931,225
Utilities		1,040,106	1,372,336
Bundling and special order charges		18,956,570	14,785,043
Rent expense		2,424,000	533,500
Testing charges		291,274	444,061
		<u>169,629,100</u>	<u>109,319,884</u>
30.1 Includes Rs. 0.689 (2012: Rs. 0.423) million in respect of gratuity expense.			
31. ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	31.1	64,054,821	78,569,219
Depreciation	6.1.3	15,795,969	15,689,845
Travelling and conveyance		18,754,623	14,367,043
Legal and professional charges		4,048,734	7,829,929
Vehicles running expenses		9,245,516	7,683,518
Entertainment		7,623,585	5,171,047
Security guard expenses		9,314,511	5,094,920
Insurance		1,644,181	4,910,114
Computer consumables		3,084,024	3,363,433
Rent, rates and taxes		2,528,732	2,318,716
Communication charges		1,804,072	1,797,171
Printing and stationery		2,603,186	1,508,640
Utilities		866,408	1,006,485
Auditors' remuneration		1,025,000	960,000
Repairs and maintenance		1,000,697	577,278
Amortization expense		325,431	325,431
Ijarah rentals		7,206,083	271,977
Membership and subscription		59,675	49,300
Others		2,849,215	2,869,685
		<u>153,834,463</u>	<u>154,363,751</u>
31.1 Includes Rs. 1.800 (2012: Rs. 3.982) million in respect of gratuity expense.			

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Note	30 June 2013	30 June 2012
	----- (Rupees) -----	
32. OTHER OPERATING INCOME		
Income from financial assets		
Return on deposit accounts / term deposit receipts	349,147	490,725
Income from non-financial assets		
(Loss) / gain on disposal of property, plant and equipment	-	8,141,884
Scrap sales	1,786,092	5,323,347
	<u>1,786,092</u>	<u>13,465,231</u>
	<u>2,135,239</u>	<u>13,955,956</u>

33. FINANCE COSTS**Markup / profit on:**

Long-term financing	200,744,056	230,653,142
Short-term borrowings	273,583,462	209,869,013
Cash flow hedges	1,228,961	-
Murabaha	84,261,404	40,516,435
Finance leases	36,415,285	28,954,538
	<u>596,233,168</u>	<u>509,993,128</u>
Bank charges	10,238,155	8,139,847
Exchange loss	45,133,448	70,574,401
Workers' Profits Participation Fund	651,585	356,112
	<u>652,256,356</u>	<u>589,063,488</u>

34. OTHER CHARGES

Loss on disposal of property, plant and equipment	105,514	-
Workers' Profits Participation Fund	9,363,848	7,014,230
Workers' Welfare Fund	3,558,262	4,465,258
Donations	2,552,676	1,420,497
	<u>15,580,300</u>	<u>12,899,985</u>

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

35. TAXATION

Current tax		
- for the year	53,300,272	72,243,453
- for prior years	(1,858,770)	(30,108,849)
	<u>51,441,502</u>	<u>42,134,604</u>
Deferred tax	15,221,663	(1,860,052)
	<u>66,663,165</u>	<u>40,274,552</u>

35.1 Relationship between tax expense and accounting profit

Profit before taxation	174,354,851	130,324,389
Tax at the rate of 35%	61,024,198	45,613,536
Tax effects of:		
Expenses inadmissible for tax purpose	893,437	497,174
Capital receipt / gain not subject to income tax	-	(1,393,695)
Assessments made / returns deemed assessed during the year – related to prior year – effect on current tax	(1,858,770)	(30,108,849)
– effect on deferred tax	6,604,300	25,666,386
	<u>66,663,165</u>	<u>40,274,552</u>

35.2 The Company has filed income tax returns up to the tax year 2012. Appeals have been filed by the Company with Commissioner Inland revenue Appeals against the assessment orders passed by the tax department for the tax year 2009 to 2012.

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36. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	2013		2012	
	Chief Executive	Directors	Chief Executive	Directors
	(Rupees)			
Managerial remuneration	4,026,000	401,500	4,026,000	5,227,750
Housing allowance	1,811,700	180,674	1,811,700	2,352,482
Utilities & conveyance	402,600	40,150	1,187,700	1,482,993
Medical	402,600	40,150	402,600	522,775
Others	785,100	67,526	-	-
	7,428,000	730,000	7,428,000	9,586,000
Number	1	1	1	2

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. 93.907 (2012: Rs. 43.52) 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. 59.776 (2012: Rs. 79.043) 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.

37.1.4 Equity risk

Equity price risk is the risk of volatility in unit prices resulting from their dependence on market sentiments, speculative activities, supply and demand for units and liquidity in the market.

As of 30 June 2013, the exposure to unlisted equity securities at fair value was Rs. 30,000,000. An increase or decrease of 10% in the overall earnings stream of the valuations performed could have an impact of approximately Rs. 3,000,000 on the profit and loss before tax.

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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:

	30 June 2013	30 June 2012
	----- (Rupees) -----	
Long-term investment	-	1,000,000
Trade debts	571,582,407	379,227,552
Loans and advances	59,440,872	37,668,147
Deposits - Margin against letters of credit	32,905,271	42,828,768
Other receivables	208,419,812	123,113,954
Bank balances	70,524,422	32,940,307
	<u>942,872,784</u>	<u>616,778,728</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:

Trade debts

Customers with no defaults in the past one year	179,476,144	54,986,356
Customers with some defaults in past one year which have been fully recovered	40,354,479	102,920,379
	<u>219,830,623</u>	<u>157,906,735</u>

Bank balances

Ratings		
A1+	68,975,665	14,387,514
A1	1,359,683	1,199,553
A2	177,837	17,353,240
A3	11,237	-
	<u>70,524,422</u>	<u>32,940,307</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.

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

2013	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	1,584,051,443	493,397,620	-	2,077,449,063	-	2,077,449,063
Liabilities against assets subject to finance lease	182,331,541	106,911,077	-	289,242,618	-	289,242,618
Deferred liability	-	-	-	-	29,419,297	29,419,297
Trade and other payables	310,824,714	-	-	310,824,714	458,457,584	769,282,298
Accrued mark-up	-	-	-	-	93,405,029	93,405,029
Short-term borrowings	3,093,642,740	-	-	3,093,642,740	-	3,093,642,740
	<u>5,170,850,438</u>	<u>600,308,697</u>	<u>-</u>	<u>5,771,159,135</u>	<u>581,281,910</u>	<u>6,352,441,045</u>

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
	<u>2,603,890,169</u>	<u>2,308,864,680</u>	<u>-</u>	<u>4,912,755,049</u>	<u>634,618,606</u>	<u>5,547,373,655</u>

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 30 June 2013 are as follows:

	30 June 2013	30 June 2012
	----- (Rupees) -----	
Long-term financing	2,077,449,063	2,353,925,107
Liabilities against asset subject to finance lease	289,242,618	382,808,734
Other financial liabilities	15,247,401	-
Trade and other payables	769,282,298	807,359,341
Accrued mark-up	93,405,029	85,688,268
Short-term borrowings	3,093,642,740	1,894,292,091
Total debt	<u>6,338,269,149</u>	<u>5,524,073,541</u>
Cash and cash equivalents	(107,465,117)	(36,262,589)
Net debt	<u>6,230,804,032</u>	<u>5,487,810,952</u>
Share capital	2,227,585,700	2,227,585,700
Reserves	292,754,350	145,671,291
Surplus on revaluation of property, plant and equipment	2,085,149,461	2,134,451,645
Total equity	<u>4,605,489,511</u>	<u>4,507,708,636</u>
Equity and net debt	<u>10,836,293,543</u>	<u>9,995,519,588</u>
Gearing ratio		
- Including surplus on revaluation of property, plant and equipment	<u>57%</u>	<u>55%</u>
- Excluding surplus on revaluation of property, plant and equipment	<u>71%</u>	<u>70%</u>

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.

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37.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction

The following table shows financial instruments recognized at fair value, analyzed between those whose fair value is based on:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	------(Rupees)-----			
Financial assets measured at fair value				
30 June 2013				
Short-term investment	<u>30,000,000</u>	-	-	<u>30,000,000</u>
30 June 2012				
Cross currency swap - hedged	-	-	-	-
Financial liabilities measured at fair value				
30 June 2013				
Interest rate swaps – hedged	-	<u>15,247,401</u>	-	<u>15,247,401</u>
30 June 2012				
Interest rate swaps – hedged	-	-	-	-

During the year ended 30 June 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

37.6 Hedging activities

Cash flow hedges

As at 30 June 2013 the Company held interest rate swaps with commercial banks, designated as cash flow hedges interest payments in accordance with the policy stated in note 4.12 to these financial statements. The interest rate swaps are being used to hedge the interest rate risk in respect of long-term financing as stated in note 18.2 and 18.3 to these financial statements.

	30 June 2013	30 June 2012
	----- (Rupees) -----	
Interest rate swaps		
Fair value - liability	<u>15,247,401</u>	-

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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:

	Note	30 June 2013 ----- (Rupees) -----	30 June 2012 -----
Paramount Steels - Director			
Purchase of bars		-	1,843,170
Sale of bars		-	1,312,220
Mr. Abbas Akber Ali – Director	38.1		
Loan provided to the company		-	147,885,291
Loan repayment made during the year		(42,297,850)	(105,587,441)
Mr. Badruddin A.Ali – Director			
Loan provided to the company		-	3,600,000
Loan repayment made during the year		3,547,021	-
Mr. Shabbir Badruddin – Director			
Loan provided to the company		1,405,195	3,000,000
Loan repayment made during the year		(4,117,995)	-
Mr. Shayan A. Ali – Director			
Loan provided to the company		-	11,769,100
Loan repayment made during the year		(2,719,100)	(9,050,000)
Mrs. Kinza Shayan – Spouse of Director			
Loan provided to the company		2,500,000	-
Loan repayment made during the year		(2,100,000)	-
Mr. Hadi Akbar Ali – Son of Director			
Loan provided to the company		-	11,800,980
Loan repayment made during the year		(2,770,980)	(9,030,000)
Mr. Ali Badruddin – Shareholder			
Loan provided to the company		-	1,204,950
Loan repayment made during the year		(1,154,950)	(50,000)
38.1	Loan provided by Mr. Abbas Akber Ali carries interest rate 1 M KIBOR + 2% (2012: 1 M KIBOR + 2%). During the year mark up paid amounted to Rs. 497,850 (2012: 5,387,441).		

39. PLANT CAPACITY AND ACTUAL PRODUCTION

39.1 Billets

Plant capacity – estimated

200,000

200,000

Actual production

151,272

83,881

39.2 Bars

Plant capacity – estimated

180,000

180,000

Actual production

138,551

93,645

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39.3 The capacity utilization at the two plants of the Company namely "Rolling Mill" and the "Steel Melt Shop" recorded a healthy increase from 52% to 77% and from 42% to 76%, during the year 2012-13 as compared to year 2011-12. However, despite the increase, like last year, due to market conditions, the Company produced only that much billets and re-bars which it could sell in the market without taking too much credit risk.

40. NUMBER OF EMPLOYEES

Total number of employees at year end are 311 (2012: 285) and average number of employees during the year were 300 (2012: 263).

41. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified for the purpose of better presentation and comparison. Significant changes made during the year are as follows:

From	To	Rupees
Cost of sales	Distribution costs	
Bundling and special order charges	Bundling and special order charges	14,785,043

42. DATE OF AUTHORIZATION

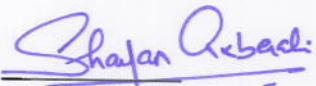
These financial statements were authorized for issue on 07 NOV 2013 by the Board of Directors of the Company.

43. GENERAL

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


Chief Executive

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Director