



**INTERNATIONAL
INDUSTRIES LTD.**

Promising Reliability, For Now and Tomorrow

**Unaudited Financial Statements
First Quarter ended September 30, 2016**

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

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Company Information

Chairman

Mr. Mustapha A. Chinoy
Non-Executive Chairman

Managing Director & CEO

Mr. Riyaz T. Chinoy
Executive Director

Mr. Kamal A. Chinoy
Non-Executive Director

Mr. Fuad Azim Hashimi
Non-Executive Director

Mr. Azam Faruque
Independent Director

Mr. Tariq Ikram
Independent Director

Ms. Nargis Ghaloo
Non-Executive Director

Mr. Ehsan A. Malik
Independent Director

Mr. Jehangir Shah
Independent Director

Chief Financial Officer

Mr. Nadir Akbarli Jamal

Company Secretary

Mr. Yasir Ali Quraishi

Chief Internal Auditor

Mr. Haseeb Hafeezuddeen

External Auditors

M/s KPMG Taseer Hadi & Co.

Internal Auditors

Ernst & Young Ford Rhodes Sidat Hyder

Bankers

Allied Bank Ltd.
Askari Bank Ltd.
Bank Al Habib Ltd.
Bank Alfalah Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
MCB Bank Ltd.
Meezan Bank Ltd.
NIB Bank Ltd.
Samba Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
United Bank Ltd.

Legal Advisor

Mrs. Sana Shaikh Fikree

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Factory 2

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Factory 3

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Directors' Report

The Directors of your Company are pleased to present the condensed interim financial information for the first quarter ended September 30, 2016.

In terms of value, the Company's sales turnover of Rs. 3.1bn was 7% lower than the same period last year. The sale of steel, both domestic and export, was at almost the same level as last year as your Company has made up the lost sales to USA in other alternative markets. The Plastics Division posted a gross profit of Rs. 27mn for the quarter.

Your Company's Profit after Tax for the quarter ended was Rs.474mn. This year's profit includes an amount of Rs.268mn of dividend from ISL. As such IIL's operational profit for the quarter at Rs. 206mn was 117% more than the SPLY. This profit translates into earnings per share of Rs.3.95 per share (September 2015 Rs.0.79 per share) with Dividend Income and Rs.1.71 per share (September 2015 Rs.0.73 per share) without Dividend income.

ISL sales volume of 112K metric tons was 134% higher than SPLY while ISL's Profit after Tax for the quarter was Rs. 566mn compared to a Loss after Tax of Rs.203mn same period last year.

The Company's fully owned subsidiaries, IIL Australia (Pty) Ltd. and IIL Stainless Steel (Pvt.) Limited posted a sales turnover of Rs.193mn and Rs.19mn respectively. IIL Australia (Pty) Ltd. posted a profit of Rs. 0.3mn, whereas IIL Stainless Steel (Pvt.) Limited posted a loss of Rs.0.2mn. IIL Australia (Pty) Ltd. volumes in particular have shown a significant improvement.


The Group P&L shows a Profit after Taxation of Rs. 772mn during the first quarter of the fiscal year as compared to a loss of Rs.111mn during the same period last year.

Outlook for the full year is positive and is expected to be driven by sales in the domestic market supported by export market sales and continuously improved performance from our subsidiaries.

As disclosed in our Annual Report 2016, Mr Zaffar A. Khan has retired from the Board as Chairman. Mr. Mustapha A. Chinoy was elected as Chairman of the Board in his place. Mr. Aly N. Rattansey has also retired from the Board. On behalf of the Board, I would like to record our appreciation for the immense contributions of both out-going Directors. The Board would also like to welcome Mr. Ehsan Malik and Mr. Jehangir Shah to the Board and look forward to gain from their valuable experience.

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

For & on behalf of
International Industries Limited



Mustapha A. Chinoy
Chairman

Dated: October 20, 2016
Karachi




Condensed Interim Unconsolidated Balance Sheet (Un-audited)

As at 30 September 2016

	Note	(Un-audited) 30 September 2016	(Audited) 30 June 2016
----- (Rupees in '000) -----			
ASSETS			
Non-current assets			
Property, plant and equipment	5	4,951,625	4,852,292
Intangible assets		14,453	13,141
Investments	6	2,742,705	2,742,705
Long-term deposits		46,166	46,166
		7,754,949	7,654,304
Current assets			
Stores and spares		136,495	132,502
Stock-in-trade	7	3,918,202	4,058,092
Trade debts	8	1,501,067	1,624,603
Advances	9	165,202	157,738
Trade deposits and short-term prepayments	10	12,790	8,906
Other receivables	11	344,700	37,051
Sales Tax refundable		38,018	-
Taxation - net		217,093	287,663
Bank balances		8,365	15,822
		6,341,932	6,322,377
Total assets		14,096,881	13,976,681
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital 200,000,000 (2016: 200,000,000) ordinary shares of Rs. 10 each		2,000,000	2,000,000
Issued, subscribed and paid-up capital		1,198,926	1,198,926
Reserves	12	4,084,603	4,003,569
Total equity		5,283,529	5,202,495
Surplus on revaluation of property, plant and equipment		2,076,864	2,104,009
LIABILITIES			
Non-current liabilities			
Long-term financing - secured	13	1,021,991	1,038,054
Staff retirement benefits		30,056	44,835
Deferred taxation - net		250,861	249,261
		1,302,908	1,332,150
Current liabilities			
Trade and other payables	14	1,936,722	1,858,904
Short-term borrowings - secured	15	3,283,424	3,243,249
Current portion of long-term financing	13	174,268	158,205
Sales tax payable		-	37,213
Accrued mark-up		39,166	40,456
		5,433,580	5,338,027
Total liabilities		6,736,488	6,670,177
Contingencies and commitments	16	-	-
Total equity and liabilities		14,096,881	13,976,681

The annexed notes 1 to 30 form an integral part of this condensed interim unconsolidated financial information.


Fuad Azim Hashimi
Director & Chairman
Board Audit Committee


Nadir Akbarali Jamal
Chief Financial Officer


Riyaz T. Chinoy
Chief Executive Officer

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

For the quarter ended 30 September 2016

	Note	Quarter ended	
		30 September 2016	30 September 2015
----- (Rupees in '000) -----			
Net sales	17	3,069,670	3,290,686
Cost of sales	18	(2,507,921)	(2,872,355)
Gross profit		561,749	418,331
Selling and distribution expenses	19	(162,401)	(141,815)
Administrative expenses	20	(64,184)	(56,223)
		(226,585)	(198,038)
Financial charges	21	(50,458)	(117,381)
Other operating charges	22	(31,719)	(12,302)
		(82,177)	(129,683)
Other income	23	357,826	49,444
Profit before taxation		610,813	140,054
Taxation	24	(137,300)	(45,000)
Profit after taxation for the period		473,513	95,054
----- (Rupees) -----			
Earnings per share - basic and diluted		3.95	0.79

The annexed notes 1 to 30 form an integral part of this condensed interim unconsolidated financial information.


Fuad Azim Hashimi
Director & Chairman
Board Audit Committee


Nadir Akbarali Jamal
Chief Financial Officer


Riyaz T. Chinoy
Chief Executive Officer



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

For the quarter ended 30 September 2016

	Quarter ended	
	30 September 2016	30 September 2015
	----- (Rupees in '000) -----	
Profit after taxation for the period	473,513	95,054
Other comprehensive income	-	-
Total comprehensive income for the period	473,513	95,054

The annexed notes 1 to 30 form an integral part of this condensed interim unconsolidated financial information.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Nadir Akbarali Jamal
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)


For the quarter ended 30 September 2016

Note

	Note	Quarter ended	
		30 September 2016	30 September 2015
		----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		610,813	140,054
Adjustments for :			
Depreciation and amortisation		99,203	61,113
Provision for doubtful debts		10,221	4,070
Interest on bank deposits	23	(275)	(193)
Gain on disposal of property, plant and equipment	23	(3,690)	(8,426)
Dividend income	23	(306,319)	(7,278)
Amortisation of long-term prepayments		-	500
Provision for staff gratuity		7,221	9,300
Financial charges	21	50,458	117,381
		467,632	316,521
Movement in:			
Working capital	25	(180,159)	(723,712)
Long-term deposits		-	(5,549)
		287,473	(412,740)
Financial charges paid		(51,748)	(138,262)
Payment of staff gratuity		(22,000)	(14,578)
Taxes paid		(65,130)	(100,606)
Net cash generated / (used) in operating activities		148,595	(666,186)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(200,995)	(171,454)
Proceeds from disposal of property, plant and equipment		4,837	8,476
Interest income received		275	193
Net cash used in investing activities		(195,883)	(162,785)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(344)	(116)
Net cash used in financing activities		(344)	(116)
Net increase in cash and cash equivalents		(47,632)	(829,087)
Cash and cash equivalents at beginning of the period		(3,227,427)	(4,639,734)
Cash and cash equivalents at end of the period		(3,275,059)	(5,468,821)
Cash and cash equivalents comprise:			
Bank balances		8,365	7,589
Short term borrowings	15	(3,283,424)	(5,476,410)
		(3,275,059)	(5,468,821)

The annexed notes 1 to 30 form an integral part of this condensed interim unconsolidated financial information.


Fuad Azim Hashimi
Director & Chairman
Board Audit Committee


Nadir Akbarali Jamal
Chief Financial Officer


Riyaz T. Chinoy
Chief Executive Officer



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

For the quarter ended 30 September 2016

	Issued, subscribed and paid-up capital	Revenue Reserves		Total reserves	Total
		General reserves	Un- appropriated profit		
----- (Rupees in '000) -----					
Balance as at 1 July 2015	1,198,926	2,700,036	883,206	3,583,242	4,782,168
Changes in equity for the period ended 30 September 2015:					
Total comprehensive income for the period ended 30 September 2015					
Profit for the period	-	-	95,054	95,054	95,054
Other Comprehensive income for the period	-	-	-	-	-
Total Comprehensive income for the period	-	-	95,054	95,054	95,054
Transactions with owners recorded directly in equity - distributions:					
Dividend					
-Final dividend @ 25% (Rs. 2.50 per share) for the year ended 30 June 2015	-	-	(299,732)	(299,732)	(299,732)
Total transactions with owners - distributions	-	-	(299,732)	(299,732)	(299,732)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	8,353	8,353	8,353
Balance as at 30 September 2015	<u>1,198,926</u>	<u>2,700,036</u>	<u>686,881</u>	<u>3,386,917</u>	<u>4,585,843</u>
Balance as at 1 July 2016	1,198,926	2,700,036	1,303,533	4,003,569	5,202,495
Changes in equity for the period ended 30 September 2016:					
Total comprehensive income for the period ended 30 September 2016					
Profit for the period	-	-	473,513	473,513	473,513
Other Comprehensive income for the period	-	-	-	-	-
Total Comprehensive income for the period	-	-	473,513	473,513	473,513
Transactions with owners recorded directly in equity - distributions:					
Dividend					
-Final dividend @ 35% (Rs. 3.50 per share) for the year ended 30 June 2016	-	-	(419,624)	(419,624)	(419,624)
Total transactions with owners - distributions	-	-	(419,624)	(419,624)	(419,624)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	27,145	27,145	27,145
Balance as at 30 September 2016	<u>1,198,926</u>	<u>2,700,036</u>	<u>1,384,567</u>	<u>4,084,603</u>	<u>5,283,529</u>

The annexed notes 1 to 30 form an integral part of this condensed interim unconsolidated financial information.


Fuad Azim Hashimi
Director & Chairman
Board Audit Committee


Nadir Akbarali Jamal
Chief Financial Officer


Riyaz T. Chinoy
Chief Executive Officer

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

For the quarter ended 30 September 2016

1. STATUS AND NATURE OF BUSINESS

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

Details of the Company's investment in subsidiaries and associated company are disclosed in note 6 to this condensed interim unconsolidated financial information.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim unconsolidated financial information for the quarter ended 30 September 2016 has been prepared in accordance with the requirements of International Accounting Standards 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, have been followed.

This condensed interim unconsolidated financial information does not include all the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements of the Company as at and for the year ended 30 June 2016.

The comparative Balance Sheet presented in this condensed interim unconsolidated financial information has been extracted from the audited annual financial statements of the Company for the year ended 30 June 2016, whereas the comparative condensed interim Profit and Loss Account, condensed interim Statement of Comprehensive Income, condensed interim Cash Flow Statement and condensed interim Statement of Changes in Equity are extracted from the unaudited condensed interim unconsolidated financial information for the quarter ended 30 September 2015.

This condensed interim financial information is un-audited and is being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 245 of the Companies Ordinance, 1984.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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



3. ACCOUNTING POLICIES

3.1. The accounting policies and methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in the preparation of audited annual financial statements of the Company as at and for the year ended 30 June 2016.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

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

4.2. The significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation were the same as those that applied to the annual financial statement as at and for the year ended 30 June 2016.

4.3. The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2016.

5. PROPERTY, PLANT AND EQUIPMENT

	Operating Assets	Capital work in progress	Total
	----- (Rupees in '000) -----		
Cost / revalued amount			
Opening balance	6,888,967	65,029	6,953,996
Additions	35,399	200,018	235,417
Deletions / transfers	(16,873)	(35,399)	(52,272)
	<u>6,907,493</u>	<u>229,648</u>	<u>7,137,141</u>
Accumulated depreciation			
Opening balance	(2,101,704)	-	(2,101,704)
Disposal / adjustments	14,957	-	14,957
Charge for the period	(98,769)	-	(98,769)
	<u>(2,185,516)</u>	<u>-</u>	<u>(2,185,516)</u>
Written down value as at 30 September 2016 (Un-audited)	<u><u>4,721,977</u></u>	<u><u>229,648</u></u>	<u><u>4,951,625</u></u>
Written down value as at 30 June 2016 (Audited)	<u><u>4,787,263</u></u>	<u><u>65,029</u></u>	<u><u>4,852,292</u></u>

6. INVESTMENTS

(Un-audited) 30 September 2016	(Audited) 30 June 2016		Note	(Un-audited) 30 September 2016	(Audited) 30 June 2016
Number of shares				(Rupees in '000)	
Quoted companies					
245,055,543	245,055,543	International Steels Limited (ISL) - subsidiary company at cost	6.1	2,450,555	2,450,555
2,425,913	2,425,913	Pakistan Cables Limited (PCL) - associate company at cost	6.2	132,982	132,982
Un-quoted company					
100,000	100,000	IIL Australia Pty Limited (IIL Australia) - subsidiary company at cost	6.3	9,168	9,168
15,000,000	15,000,000	IIL Stainless Steel (Pvt.) Limited (IIL SS) - subsidiary company at cost	6.4	150,000	150,000
				2,742,705	2,742,705

- 6.1** The Company holds 56.33% ownership interest in ISL. The Chief Executive Officer of ISL is Mr. Yousuf H. Mirza.
- 6.2** The Company holds 8.52% ownership interest in PCL. The Chief Executive Officer of PCL is Mr. Kamal A. Chinoy.
- 6.3** The Company holds 100% ownership interest in IIL Australia. The Chief Executive Officer of IIL Australia is Mr. Sohail Raza Bhojani. The Company is incorporated in Victoria, Australia.
- 6.4** The Company holds 100% ownership interest in IIL SS. The Chief Executive Officer of IIL SS is Mr. Khawar Bari.
- 6.5** Market value of the aforementioned quoted investments is as follows:

	(Un-audited) 30 September 2016	(Audited) 30 June 2016
Quoted	(Rupees in '000)	
International Steels Limited	14,887,124	8,728,878
Pakistan Cable Limited	623,144	413,667



- 6.6** The book value of IIL Australia based on un-audited financial statements as at 30 September 2016 is AUD 107,279 (Rs. 8.557 million). [30 June 2016: AUD 103,572 (Rs. 8.05 million)].
- 6.7** The book value of IIL SS based on un-audited financial statements as at 30 September 2016 is Rs.121 million (30 June 2016: 121 million). The Company is incorporated in Pakistan.

7. STOCK-IN-TRADE	(Un-audited) 30 September 2016	(Audited) 30 June 2016
Raw material- in hand	1,836,960	1,612,610
- in transit	384,222	569,459
	2,221,182	2,182,069
Work-in-process	617,764	577,901
Finished goods	1,034,722	1,244,339
By-product	19,806	28,108
Scrap material	24,728	25,675
	3,918,202	4,058,092

- 7.1** Raw material amounting to Rs. 2.7 million as at 30 September 2016 (30 June 2016: Rs. 2.7 million) was held at vendor premises for the production of pipe caps.

8. TRADE DEBTS	(Un-audited) 30 September 2016	(Audited) 30 June 2016
	(Rupees in '000)	
Considered good - secured	681,350	472,576
- unsecured	819,717	1,152,027
Considered doubtful	115,790	105,569
	1,616,857	1,730,172
Provision for doubtful debts	(115,790)	(105,569)
	1,501,067	1,624,603

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

IIL Australia Pty Limited	375,772	241,482
Pakistan Cables Limited	-	272
IIL Stainless Steel (Private) Limited	57,435	45,717
	433,207	287,471

9. ADVANCES	<i>Note</i>	(Un-audited) 30 September 2016	(Audited) 30 June 2016
(Rupees in '000)			
Considered good:			
- Suppliers		161,109	156,453
- Employees for business related expenses		4,093	1,285
		165,202	157,738
10. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposits		10,075	5,540
Short-term prepayments		2,715	3,366
		12,790	8,906
11. OTHER RECEIVABLES			
Considered good:			
- Receivable for transmission of electricity to K-Electric		9,828	8,498
- Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods		25,940	25,940
- Receivable from IIL Stainless Steel (Private) Limited - a related concern		2,613	2,613
- Dividend receivable from subsidiary		306,319	-
		344,700	37,051
12. RESERVES			
General reserves		2,700,036	2,700,036
Un-appropriated profit		1,384,567	1,303,533
		4,084,603	4,003,569
13. LONG-TERM FINANCING - secured			
- Conventional	<i>13.1</i>	546,259	546,259
- Islamic	<i>13.2</i>	650,000	650,000
		1,196,259	1,196,259
Current portion of long-term finances shown under current liabilities - Conventional	<i>13.1</i>	(24,268)	(8,205)
- Islamic	<i>13.2</i>	(150,000)	(150,000)
		1,021,991	1,038,054



13.1 The Company has an approved financing facility under long term finance facility of an amount aggregating Rs.550 million. As at 30 September 2016 the Company has withdrawn Rs.546.3 million (30 June 2016: Rs. 546.3 million) from a commercial bank. The facility is secured by way of a mortgage on all present and future land and buildings, located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate Karachi and Survey No.402,405-406, Dehsharabi, Landhi Town, Karachi.

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

14. TRADE AND OTHER PAYABLES	<i>Note</i>	(Un-audited) 30 September 2016	(Audited) 30 June 2016
(Rupees in '000)			
Trade creditors	14.1	156,898	117,586
Bills payable		-	480,618
Accrued expenses		776,986	789,314
Provision for Infrastructure Cess	16.1.5 & 14.2	279,624	267,980
Short-term compensated absences		5,263	9,000
Advance from customers		118,957	72,098
Workers' Profit Participation Fund		16,500	9,300
Workers' Welfare Fund		44,750	38,250
Unclaimed dividends		16,689	17,033
Dividend payable		419,624	-
Others		101,431	57,725
		1,936,722	1,858,904
14.1 Related parties to whom payments are due are as under:			
Pakistan Cables Limited		707	-
		707	-
14.2 Provision for Infrastructure Cess (Refer note 16.1.5)			
Opening balance		267,980	220,702
Charge for the period		11,644	47,278
Closing balance		279,624	267,980
15. SHORT-TERM BORROWINGS - secured			
Conventional			
Running finance under mark-up arrangement	15.1	135,738	156,079
Short-term borrowing under Money Market scheme	15.2	77,541	243,223
Short-term borrowing under Export Refinance Scheme	15.3	2,229,000	2,000,000
Running finance under FE-25 Export and Import Scheme	15.4	36,911	166,248
Book overdraft		19,857	30,611
Islamic			
Short-term borrowing under running musharakah	15.5	784,377	647,088
		3,283,424	3,243,249

- 15.1** The facilities for running finance available from various commercial banks amounted to Rs. 1,193 million (30 June 2016: Rs. 1,193 million). The rates of mark-up on these finances range from 6.55% to 7.57% per annum (30 June 2016: 6.75% to 7.89% per annum). Unavailed facility as at 30 September 2016 is Rs. 1,057 million (30 June 2016: Rs. 1,036 million).
- 15.2** The facilities for short-term borrowing under Money Market Scheme available from various commercial banks under mark-up arrangements amounted to Rs. 4,414 million (30 June 2016: Rs. 4,414 million). Unavailed facility as at 30 September 2016 is Rs. 4,336 million (30 June 2016: 4,171 million). The rate of markup on these finance is 6.09% per annum (30 June 2016: 6.16% to 6.55% per annum).
- 15.3** The Company has borrowed short-term running finance under the Export Refinance Scheme of the State Bank of Pakistan (SBP). The facility availed is for an amount of Rs. 2,229 million (30 June 2016: Rs. 2,000 million). The rates of mark-up on this facility are 2.15% to 2.20% per annum (30 June 2016: 3.80% to 4.00% per annum).
- 15.4** The Company has borrowed short-term running finance under Foreign Exchange Circular No. 25 dated 20 June 1998 from certain banks for the purpose of meeting import requirements. The facilities availed are for an amount of USD 0.4 million equivalent to Rs. 37 million (30 June 2016: USD 1.6 million equivalent to Rs. 166 million). The rate of mark-up on these facilities is 4% per annum (30 June 2016: 2 % to 4% per annum).
- 15.5** The facilities under running musharakah from various banks amounted to Rs. 1,000 million (30 June 2016: 1,000 million). The rate of mark-up on these finances is 6.09% per annum (30 June 2016: 6.16% per annum). Unavailed facility as at the period end amounted to Rs 216 million (30 June 2016: Rs.353 million).
- 15.6** All running finance and short-term borrowing facilities are secured by way of hypothecation of all present and future fixed assets (excluding lands and buildings) and present and future current and moveable assets.

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

- 16.1.1** Bank guarantees have been issued under certain supply contracts and to the Collector of Customs aggregating Rs. 148.1 million (30 June 2016: Rs. 186.9 million).
- 16.1.2** Custom duties amounting to Rs. 52 million as at 30 September 2016 (30 June 2016: Rs. 52 million) on import of raw material shall be payable by the Company in case of non-fulfillment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Company has provided post-dated cheques in favor of the Collector of Customs which are, in normal course of business, to be returned to the Company after fulfillment of stipulated conditions. The Company has fulfilled the conditions for the aforementioned duties and is making efforts to retrieve the associated post-dated cheques from the customs authorities.
- 16.1.3** An amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Company filed a petition with the Sindh High Court in 2010 for an injunction and is awaiting the final judgment.



- 16.1.4** The customs authorities have charged a redemption fine of Rs. 83 million on the clearance of imported raw material consignments in 2006. The Company has filed an appeal before the Sindh High Court, which has set aside the examination reports including the subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities have filed an application for leave to appeal against the order of the High Court. The management anticipates that the chances of admission of such appeal are remote.
- 16.1.5** The Company has reversed the provision for the levy of Infrastructure Cess amounting to Rs. 107 million in 2009 on the basis of a decision of the Sindh High Court which declared the levy of Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court of Pakistan against such order. In May 2011, the Supreme Court disposed off the appeal with a joint statement of the parties that, during the pendency of the appeal, another law i.e the Fifth Version, came into existence which was not the subject matter of the appeal. Hence the case was referred back to the High Court with the right to appeal to the Supreme Court. On 31 May 2011, the High Court has granted an interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignments released upto 27 December 2006 and any bank guarantee / security furnished for consignments released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of the Fifth Version of the law and its retrospective application, the authorities are entitled to claim the amounts due under the said law with the right to appeal available to the petitioner. Bank guarantees amounting to Rs. 395 million (30 June 2016: Rs. 383 million) which includes Rs. 107 million mentioned above have been provided to the Department in this regard. However, a provision to the extent of amount utilised from the limit of guarantee has also been provided for by the Company on prudent basis (note 14.2).
- 16.1.6** During the year 2015, Government passed a new law "Gas Infrastructure Development Cess Act 2015" by virtue of which all prior enactments have been declared infructuous. The said Act levies GIDC at Rs. 200/MMBTU on captive power consumption effective 1 July 2011 and at Rs. 100/MMBTU on industrial connection from the date of passing of that Act. The Company has obtained a stay order on the retrospective application of the Act from the Honorable High Court of Sindh. The Company is confident of favorable outcome and therefore has not recorded to the extent of self-consumption a provision of Rs. 95.1 (from July 1, 2011 till May 22, 2015) in these financial statements. However, the Company has recognised the cess after the passage of the Act.
- Further management has not recognized GIDC amounting to Rs.31.25 million pertaining to period from 01 July 2011 to 30 September 2016 with respect to its captive power plant from which power generation is supplied to K-Electric Limited. Management considers that, in the event such levy is imposed, it shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).
- 16.1.7** Relying upon the judgment by Peshawar High Court, Model Collectorate of Customs (MCC), Peshawar stopped exports of the Company goods to Afghanistan under the pretext that SRO 190(I) / 2002 dated 2 April 2002 attracts a levy of sales tax at the rate of 17%. Subsequently the goods already in transit were held at Torkham Boarder by MCC Peshawar on the account of non-payment of 17% Sales Tax. A Constitutional Petition in the Sindh High Court (SHC) on 1 October 2015 arguing that there is no sales tax on exports to Afghanistan as the same is exempted under the manufacturing bond rules SRO 450(I) / 2015. Secondly, SRO 190 was issued in 2002 and was never implemented, therefore under Section 65 of the

Sales Tax Act 1990 no such liability could be raised at this stage. The SHC granted stay order whereby the Company was allowed to export its goods to Afghanistan subject to depositing bank guarantees worth Rs. 6.2 million (i.e. value of disputed sales tax amount) before the Nazir of the SHC. On 30 October 2015 FBR issued a clarification as to the applicability of SRO 190(I) / 2002 and stated that exports made to Afghanistan does not attract the levy of sales tax. The said clarification has already been filed before the SHC and disposal of the case along with return of the said bank guarantees is awaited.

16.1.8 The Company has issued a corporate guarantee to a commercial bank for securing funded and unfunded facilities of Rs. 125 million each by its wholly owned Subsidiary Company IIL Stainless Steels (Private) Limited. The facilities are secured by way of hypothecation of all present and future fixed assets (excluding land and building) and present and future current and moveable assets.

16.2 Commitments

16.2.1 Capital expenditure commitments outstanding as at 30 September 2016 amounted to Rs. 84.4 million (30 June 2016: Rs. 122.7 million).

16.2.2 Commitments under Letters of Credit for raw materials and stores and spares as at 30 September 2016 amounted to Rs. 454.9 million (30 June 2016: Rs. 97.9 million).

16.2.3 Commitments under purchase contracts as at 30 September 2016 amounted to Rs. 7.8 million (30 June 2016: Rs. 558.2 million).

16.2.4 Unavailed facilities for opening letters of credit and guarantees from banks as at 30 September 2016 amounted to Rs. 7,441 million (30 June 2016: Rs. 7,757 million) and Rs. 373 million (30 June 2016: Rs. 346 million) respectively.

17. NET SALES

	Quarter ended	
	30 September 2016	30 September 2015
	(Rupees in '000)	
Local	2,733,154	2,950,573
Export	930,773	938,794
	3,663,927	3,889,367
Sales Tax	(398,139)	(434,718)
Trade discounts	(118,090)	(84,744)
Sales discount and commission	(78,028)	(79,219)
	(594,257)	(598,681)
	3,069,670	3,290,686



18. COST OF SALES

	Quarter ended	
	30 September 2016	30 September 2015
(Rupees in '000)		
Opening stock of raw material and work-in-process	2,190,511	1,689,104
Purchases	2,217,581	3,081,352
Salaries, wages and benefits	176,244	176,154
Rent, rates and taxes	535	461
Electricity, gas and water	92,674	81,547
Insurance	2,838	2,074
Security and janitorial	5,681	5,539
Depreciation and amortisation	91,707	54,233
Stores and spares consumed	12,996	11,991
Repairs and maintenance	22,594	24,338
Postage, telephone and stationery	2,965	2,049
Vehicle, travel and conveyance	3,982	3,572
Internal material handling	5,254	4,652
Environment controlling expenses	60	56
Sundries	756	282
Toll manufacturing charges	1,524	5,295
Sale of scrap generated during production	(83,176)	(97,665)
Closing stock of raw materials and work-in-process	(2,454,724)	(2,178,519)
Cost of goods manufactured	<u>2,290,002</u>	<u>2,866,515</u>
Finished goods and by-products:		
- Opening stock	1,272,447	1,488,734
- Closing stock	(1,054,528)	(1,482,894)
	<u>217,919</u>	<u>5,840</u>
	<u>2,507,921</u>	<u>2,872,355</u>

19. SELLING AND DISTRIBUTION EXPENSES

Freight and forwarding	97,455	91,564
Salaries, wages and benefits	36,742	29,695
Rent, rates and taxes	219	127
Electricity, gas and water	1,363	1,559
Insurance	240	216
Depreciation and amortisation	3,329	2,648
Repairs and maintenance	258	103
Advertising and sales promotion	5,926	2,337
Postage, telephone and stationery	1,659	1,447
Office supplies	26	13
Vehicle, travel and conveyance	3,031	4,319
Provision for doubtful debts / write off	10,221	4,070
Certification and registration charges	641	3,098
Others	1,291	619
	<u>162,401</u>	<u>141,815</u>

20. ADMINISTRATIVE EXPENSES	Quarter ended	
	30 September 2016	30 September 2015
	(Rupees in '000)	
Salaries, wages and benefits	46,618	39,369
Rent, rates and taxes	128	123
Electricity, gas and water	711	753
Insurance	230	207
Depreciation and amortisation	4,167	4,216
Repairs and maintenance	307	218
Postage, telephone and stationery	2,797	2,264
Office supplies	27	15
Vehicle, travel and conveyance	902	906
Legal and professional charges	3,331	3,784
Certification and registration charges	2,205	1,087
Others	2,761	3,281
	64,184	56,223
21. FINANCIAL CHARGES		
Mark-up on:		
- long-term financing	6,867	1,294
- short-term borrowings	19,998	46,620
- running musharakah	8,743	149
- diminishing musharakah	3,631	5,399
Exchange loss on FE borrowing	4,280	60,875
Interest on Workers' Profit Participation Fund	421	560
Bank charges	6,518	2,484
	50,458	117,381
22. OTHER OPERATING CHARGES		
Auditors' remuneration	633	699
Donations	5,400	1,300
Workers' Profit Participation Fund	16,500	7,150
Workers' Welfare Fund	6,500	2,850
Project development expenses	2,686	303
	31,719	12,302
23. OTHER INCOME		
Income / return on financial assets		
Interest on bank deposits - conventional	275	193
Income from non-financial assets		
Income from power generation	30,460	17,437
Gain on disposal of property, plant and equipment	3,690	8,426
Rental income	3,629	3,329
Dividend income from subsidiary / associate	306,319	7,278
Exchange gain	10,427	9,051
Others	3,026	3,730
	357,826	49,444



24 TAXATION

Quarter ended
30 September 2016 **30 September 2015**
(Rupees in '000)

Current	135,700	47,717
Deferred	1,600	(2,717)
	<u>137,300</u>	<u>45,000</u>

25. MOVEMENT IN WORKING CAPITAL

30 September 2016 **30 September 2015**
(Rupees in '000)

(Increase) / decrease in current assets:		
Store and spares	(3,993)	(347)
Stock-in-trade	139,890	(376,751)
Trade debts	113,315	203,130
Advances	(7,464)	(32,933)
Trade deposit and short-term prepayments	(3,884)	(56)
Other receivables	(39,348)	(152)
	<u>198,516</u>	<u>(207,109)</u>
(Decrease) in current liabilities:		
Trade and other payables	(378,675)	(516,603)
	<u>(180,159)</u>	<u>(723,712)</u>

26. TRANSACTIONS WITH RELATED PARTIES

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

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

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in this condensed interim unconsolidated financial information, are as follows:

	Quarter ended	
	30 September 2016	30 September 2015
	----- (Rupees in '000) -----	
Subsidiary companies		
Sales	264,809	71,631
Purchase of raw material, stores & capital items	642,626	309,670
Sales of store items	2,350	2,255
Cost of shared resources	8,721	8,078
Toll manufacturing (inclusive of sales tax)	1,053	6,050
Reimbursement of cost of shared resources	5,035	3,484
Reimbursement of expenses	515	341
Rental income	3,329	3,329
Associate companies		
Sales	219	-
Purchases	3,771	733
Key management personnel		
Remuneration	49,308	52,557
Staff retirement benefits		
Contribution paid	34,934	29,070
Non-executive directors		
Directors' fee	1,620	1,170

27. SEGMENT REPORTING

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

27.1 SEGMENT REVENUE AND RESULTS

	Steel Segment	Plastic Segment	Total
	----- (Rupees in '000) -----		
For the period ended 30 September 2016			
Sales	2,879,206	190,464	3,069,670
Cost of sales	2,344,105	163,816	2,507,921
Gross Profit	<u>535,101</u>	<u>26,648</u>	<u>561,749</u>
For the period ended 30 September 2015			
Sales	2,989,514	301,172	3,290,686
Cost of sales	2,614,606	257,749	2,872,355
Gross Profit	<u>374,908</u>	<u>43,423</u>	<u>418,331</u>



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

	Quarter ended	
	30 September 2016	30 September 2015
(Rupees in '000)		
Total results for reportable segments	561,749	418,331
Selling, distribution and administrative expenses	(226,585)	(198,038)
Financial charges	(50,458)	(117,381)
Other operating expenses	(31,719)	(12,302)
Other operating income	357,826	49,444
Taxation	(137,300)	(45,000)
Profit after tax	473,513	95,054

27.2 SEGMENT ASSETS & LIABILITIES

	Steel Segment	Plastic Segment	Total
----- (Rupees in '000) -----			
As at 30 September 2016 - Un-audited			
Segment assets	9,421,693	949,201	10,370,894
Segment liabilities	4,814,317	579,381	5,393,698
As at 30 June 2016 - Audited			
Segment assets	9,778,071	756,916	10,534,987
Segment liabilities	4,874,698	397,876	5,272,574

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

	30 September 2016 (Un-audited)	30 June 2016 (Audited)
(Rupees in '000)		
Total reportable segments assets	10,370,894	10,534,987
Unallocated assets	3,725,987	3,441,694
Total assets as per Balance Sheet	14,096,881	13,976,681
Total reportable segments liabilities	5,393,698	5,272,574
Unallocated liabilities	1,342,790	1,397,603
Total liabilities as per Balance Sheet	6,736,488	6,670,177

28. CORRESPONDING FIGURES

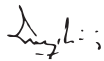
Corresponding figures have been rearranged for the purposes of comparison and better presentation. The effect of rearrangement is not material.

29. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors on 20 October 2016.

30. GENERAL

30.1 All financial information has been rounded off to the nearest thousand Rupee.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Nadir Akbarali Jamal
Chief Financial Officer



Riyaz T. Chinoy
Chief Executive Officer



Promising Reliability, For Now and Tomorrow

**Condensed Interim Consolidated
Financial Information (Un-audited)
September 30, 2016**

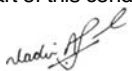
Condensed Interim Consolidated Balance Sheet

As at 30 September 2016

	Note	(Un-audited) 30 September 2016	(Audited) 30 June 2016
ASSETS			
Non-current assets			
Property, plant and equipment	4	17,640,975	17,564,795
Intangible assets		14,741	13,429
Long-term deposits		46,266	46,266
Investment in equity-accounted investee	5	304,357	270,097
		18,006,339	17,894,587
Current assets			
Stores and spares		835,062	575,099
Stock-in-trade	6	11,996,470	9,489,551
Trade debts	7	1,830,749	2,036,714
Advances	8	232,028	192,807
Trade deposits and short-term prepayments	9	43,495	19,163
Sales Tax refundable		420,178	423,422
Other receivables	10	75,772	77,047
Taxation - net		1,860,761	1,792,532
Bank balances		67,962	70,405
		17,362,477	14,676,740
Total assets		35,368,816	32,571,327
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital 200,000,000 (2016: 200,000,000) ordinary shares of Rs. 10 each		2,000,000	2,000,000
Issued, subscribed and paid-up capital		1,198,926	1,198,926
General reserves		2,991,258	2,991,258
Unappropriated profit	11	1,782,426	1,644,740
Translation reserve		(1,040)	(1,251)
Total equity		5,971,570	5,833,673
Non-controlling interest		2,701,973	2,692,184
		8,673,544	8,525,857
Surplus on revaluation of property, plant and equipment		3,495,685	3,502,736
LIABILITIES			
Non-current liabilities			
Long-term financing - secured	12	5,631,951	5,083,027
Staff retirement benefits		54,552	69,331
Deferred taxation - net		1,273,542	1,068,925
		6,960,045	6,221,283
Current liabilities			
Trade and other payables	13	9,789,038	6,571,242
Short-term borrowings - secured	14	5,106,619	6,767,004
Current portion of long-term financing	12	1,225,445	857,221
Accrued markup		118,440	84,170
Sales tax payable		-	41,814
		16,239,542	14,321,451
Total liabilities		23,199,587	20,542,734
Contingencies and commitments	15	-	-
Total equity and liabilities		35,368,816	32,571,327

The annexed notes 1 to 26 form an integral part of this condensed interim consolidated financial information.


Fuad Azim Hashimi
Director & Chairman
Board Audit Committee


Nadir Akbarali Jamal
Chief Financial Officer


Riyaz T. Chinoy
Chief Executive Officer

1st Quarter Ended
September 30, 2016 | 25



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

For the quarter ended 30 September 2016

	Note	Quarter ended	
		30 September 2016	30 September 2015
----- (Rupees in '000) -----			
Net sales	16	9,057,730	5,937,408
Cost of sales	17	(7,417,002)	(5,371,562)
Gross profit		1,640,728	565,847
Selling and distribution expenses	18	(233,641)	(176,131)
Administrative expenses	19	(109,812)	(96,296)
		(343,453)	(272,427)
Financial charges	20	(173,237)	(343,897)
Other operating charges	21	(118,451)	(82,669)
		(291,688)	(426,566)
Other income	22	68,492	59,386
Share of profit in equity-accounted investee		9,058	4,341
Profit before taxation		1,083,137	(69,419)
Taxation	23	(310,859)	(41,740)
Profit after taxation		772,278	(111,159)
Profit after taxation attributable to:			
Owners of Holding Company		527,288	(26,083)
Non-controlling interest		244,990	(85,076)
		772,278	(111,159)
----- (Rupees) -----			
Earnings per share - basic and diluted		4.40	(0.22)

The annexed notes 1 to 26 form an integral part of this condensed interim consolidated financial information.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Nadir Akbarali Jamal
Chief Financial Officer

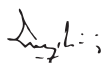
Riyaz T. Chinoy
Chief Executive Officer

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

For the quarter ended 30 September 2016

	<u>Quarter ended</u>	
	<u>30 September 2016</u>	<u>30 September 2015</u>
	----- (Rupees in '000) -----	
Profit after taxation	772,278	(111,159)
Other comprehensive income	211	-
Total comprehensive income	<u>772,489</u>	<u>(111,159)</u>
Total comprehensive income attributable to:		
Owners of Holding Company	527,499	(26,083)
Non-controlling interest	<u>244,990</u>	<u>(85,076)</u>
Total comprehensive income	<u>772,489</u>	<u>(111,159)</u>

The annexed notes 1 to 26 form an integral part of this condensed interim consolidated financial information.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Nadir Akbarali Jamal
Chief Financial Officer



Riyaz T. Chinoy
Chief Executive Officer



Condensed Interim Consolidated Cash Flow Statement (Un-audited)


For the quarter ended 30 September 2016

	Note	Quarter ended	
		30 September 2016	30 September 2015
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,121,402	(69,419)
Adjustments for:			
Depreciation and amortisation		305,506	218,950
Provision for doubtful debts		10,221	4,070
Interest on bank deposits	22	(323)	(193)
(Gain) / loss on disposal of property, plant and equipment	22	(4,403)	(8,917)
Provision for staff gratuity		11,361	12,024
Share of profit from associated company		(9,058)	(4,341)
Translation reserve		174	(432)
Amortisation of long term prepayments		-	500
Financial charges	20	173,237	343,897
		1,608,117	496,139
Movement in:			
Working capital		(110,901)	(1,013,765)
Long-term deposits		-	(5,549)
Net cash generated from / (used in) operations		1,497,216	(523,175)
Financial charges paid		(138,967)	(449,229)
Gratuity paid		(26,140)	(17,302)
Taxes paid		(212,740)	74,416
Net cash generated from / (used in) operating activities		1,119,369	(915,290)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(385,978)	(402,011)
Proceeds from disposal of property, plant and equipment		7,424	8,989
Interest income received		323	193
Net cash used in investing activities		(378,231)	(392,829)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net borrowing / (repayment) of long-term financing - secured		917,148	(203,192)
Dividends paid to non controlling interest		-	(1)
Dividends paid		(344)	(116)
Net cash generated from / (used in) financing activities		916,804	(203,309)
Net decrease in cash and cash equivalents		1,657,942	(1,511,428)
Cash and cash equivalents at beginning of the period		(6,696,599)	(8,715,495)
Cash and cash equivalents at end of the period		(5,038,657)	(10,226,923)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances		67,962	60,950
Short-term borrowings - secured	14	(5,106,619)	(10,287,873)
		(5,038,657)	(10,226,923)

The annexed notes 1 to 26 form an integral part of this condensed interim consolidated financial information.


Fuad Azim Hashimi
 Director & Chairman
 Board Audit Committee


Nadir Akbarali Jamal
 Chief Financial Officer


Riyaz T. Chinoy
 Chief Executive Officer

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

For the quarter ended 30 September 2016

	Attributable to owners of the Holding Company				Total	Non-controlling interest	Total	
	Issued, subscribed and paid-up capital	General reserves	Un-appropriated profit / (loss)	Revenue Reserves Exchange translation reserve				Total reserves
	(Rupees in '000)							
Balance as at 1 July 2015	1,198,926	2,991,258	567,749	(1,216)	3,557,791	4,756,717	2,170,330	6,927,047
Total comprehensive income for the quarter ended 30 September 2015								
Profit for the period	-	-	(26,083)	-	(26,083)	(26,083)	(85,076)	(111,159)
Other comprehensive income	-	-	-	-	-	-	-	-
	-	-	(26,083)	-	(26,083)	(26,083)	(85,076)	(111,159)
Transactions with owners recorded directly in equity								
Distribution to owners of the Holding Company:								
-Final dividend @ 25.00% (Rs. 2.50 per share) for the year ended 30 June 2015	-	-	(299,732)	-	(299,732)	(299,732)	-	(299,732)
Total transactions with owners of the Holding Company	-	-	(299,732)	-	(299,732)	(299,732)	-	(299,732)
Re-translate to reserves	-	-	-	(444)	(444)	(444)	-	(444)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	9,983	-	9,983	9,983	1,264	11,247
Balance as at 30 September 2015	<u>1,198,926</u>	<u>2,991,258</u>	<u>251,917</u>	<u>(1,660)</u>	<u>3,241,515</u>	<u>4,440,441</u>	<u>2,086,518</u>	<u>6,526,959</u>
Balance as at 1 July 2016	1,198,926	2,991,258	1,644,740	(1,251)	4,634,747	5,833,673	2,692,184	8,525,857
Total comprehensive income for the quarter ended 30 September 2016								
Profit for the period	-	-	527,288	-	527,288	527,288	244,990	772,278
Other comprehensive income	-	-	-	211	211	211	-	211
	-	-	527,288	211	527,499	527,499	244,990	772,489
Distribution to owners of the Holding Company:								
-Final dividend @ 35% (Rs. 3.50 per share) for the year ended 30 June 2016	-	-	(419,624)	-	(419,624)	(419,624)	-	(419,624)
Total transactions with owners of the Holding Company	-	-	(419,624)	-	(419,624)	(419,624)	-	(419,624)
Final dividend @ 10% (Re. 1.25 per share) attributable to non controlling interest	-	-	-	-	-	-	(237,431)	(237,431)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	30,023	-	30,023	30,023	2,230	32,253
Balance as at 30 September 2016	<u>1,198,926</u>	<u>2,991,258</u>	<u>1,782,427</u>	<u>(1,040)</u>	<u>4,772,645</u>	<u>5,971,571</u>	<u>2,701,973</u>	<u>8,673,544</u>

The annexed notes 1 to 26 form an integral part of this condensed interim consolidated financial information.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Nadir Akbarali Jamal
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer



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

For the quarter ended 30 September 2016

1. THE GROUP AND ITS OPERATIONS

- 1.1 The Group consists of International Industries Limited, the Holding Company, and International Steels Limited, IIL Australia PTY Limited and IIL Stainless Steel (Private) Limited (the Subsidiary Companies) (together referred to as "the Group" and individually as "Group Entities") and the Group's interest in its equity-accounted investee namely Pakistan Cables Limited.
- 1.2 International Industries Limited was incorporated in Pakistan in 1948 and is quoted on the Pakistan Stock Exchange. It is in the business of manufacturing and marketing galvanized steel pipes, precision steel tubes, API line pipes and polyethylene pipes. Its registered office is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.
- 1.3 International Steels Limited was incorporated in Pakistan in 2007 as an unlisted company under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. Subsequent to the sale of shares by the Holding Company to the general public under an Initial Public Offer, it was listed on the Pakistan Stock Exchange on 1 June 2011. Its primary activity is the manufacturing of cold rolled steel coils and galvanized sheets. It commenced commercial operations on 1 January 2011. Its registered office is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.
- 1.4 IIL Australia PTY Limited (IIL Australia) was incorporated in Victoria, Australia on 2 May 2014 and is in the business of distribution and marketing of galvanized steel pipes, precision steel tubes and pre-galvanized pipes. The registered office is situated at 101 - 103, Abbot Road, Hallam, Victoria 3803 Australia.
- 1.5 IIL Stainless Steel (Private) Limited (IIL-SS) was incorporated in Pakistan on 28 November 2014 and is in the business of manufacturing and marketing stainless steel pipe. The registered office is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.
- 1.6 Details of the Group's equity-accounted investee are given in note 5 to this condensed interim consolidated financial information.

2. BASIS OF PREPARATION

- 2.1 This condensed interim consolidated financial information has been prepared from the information available in the condensed un-audited separate financial information of the Holding Company for the quarter ended 30 September 2016 and the condensed un-audited financial information of the Subsidiary Companies for the quarter ended 30 September 2016.

Detail regarding the financial information of the equity-accounted investee used in the preparation of this condensed interim consolidated financial information is given in note 5.

2.2 Statement of Compliance

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

- 2.3** This condensed interim consolidated financial information is presented in Pakistan Rupees which is also the Group's functional currency. All financial information presented has been rounded off to the nearest thousand Rupee.
- 2.4** This condensed interim consolidated financial information is being submitted to the shareholders as required by listing regulations of the Pakistan Stock Exchange and Section 245 of the Companies Ordinance, 1984.
- 2.5** Estimates and judgements made by the Group in the preparation of this condensed interim consolidated financial information are the same as those that were applied to the audited annual separate financial statements of the Group Entities as at and for the year ended 30 June 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

3.1.1 Investment in subsidiaries

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

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

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

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

3.1.2 Investment in associate

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

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

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



4. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work- in-progress (Rupees in '000)	Total
Cost / revalued amount			
Opening balance	21,926,842	238,670	22,165,512
Additions	38,632	380,238	418,870
Translate reserve	41	-	41
Disposal / transfers	<u>(15,295)</u>	<u>(38,632)</u>	<u>(53,927)</u>
	21,950,220	580,276	22,530,496
Accumulated depreciation			
Opening balance	<u>(4,600,717)</u>	-	<u>(4,600,717)</u>
Disposal / adjustments	16,268	-	16,268
Charge for the period	<u>(305,072)</u>	-	<u>(305,072)</u>
	(4,889,521)	-	(4,889,521)
Written down value as at 30 September 2016 (Un-audited)	<u>17,060,699</u>	<u>580,276</u>	<u>17,640,975</u>
Written down value as at 30 June 2016 (Audited)	<u>17,326,125</u>	<u>238,670</u>	<u>17,564,795</u>

5. INVESTMENT IN EQUITY - ACCOUNTED INVESTEE		(Un-audited) 30 September 2016	(Audited) 30 June 2016
	<i>Note</i>		
		(Rupees in '000)	
Pakistan Cables Limited - associate company	5.1	<u>304,357</u>	<u>270,097</u>

5.1 This represents the Holding Company's investment in Pakistan Cables Limited (PCL), a company incorporated in Pakistan. The Holding Company has invested in 2,425,913 shares (30 June 2016: 2,425,913 shares) of the Associate Company and holds 8.52% (30 June 2016: 8.52%) ownership interest in PCL.

The Chief Executive Officer of PCL is Mr. Kamal A. Chinoy. The market value as at 30 September 2016 was Rs. 623.144 million (30 June 2016: Rs. 413.667 million). The share of profit after acquisition is recognised based on PCL's unaudited financial statements as at 30 June 2016. The latest financial statements of the Associated Company as at 30 September 2016 are not presently available.

6. STOCK-IN-TRADE	(Un-audited) 30 September 2016	(Audited) 30 June 2016
	----- (Rupees in '000) -----	
Raw material - in hand	4,899,550	3,802,345
- in transit	<u>2,758,178</u>	<u>1,501,737</u>
	7,657,728	5,304,082
Work-in-process	1,363,940	1,128,175
Finished goods	2,887,878	2,963,371
By-products	19,806	28,108
Scrap material	<u>67,118</u>	<u>65,815</u>
	<u>11,996,470</u>	<u>9,489,551</u>

- 6.1 Raw material of Holding Company amounting to Rs.2.7 million (30 June 2016: Rs.2.7 million) as at 30 September 2016 was held at vendor premises for the production of pipe caps.

	Note	(Un-audited) 30 September 2016	(Audited) 30 June 2016
7. TRADE DEBTS			
------(Rupees in '000)-----			
Considered good:			
- secured		1,192,770	990,548
- unsecured		637,979	1,046,166
		<u>1,830,749</u>	<u>2,036,714</u>
Considered doubtful		119,539	109,142
		<u>1,950,288</u>	<u>2,145,856</u>
Provision for doubtful debts		(119,539)	(109,142)
		<u>1,830,749</u>	<u>2,036,714</u>
8. ADVANCES			
Considered good:			
- Suppliers and service providers		227,767	191,512
- Employees for business related expenses		4,261	1,295
		<u>232,028</u>	<u>192,807</u>
9. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposits		16,822	9,488
Short-term prepayments		26,673	9,675
		<u>43,495</u>	<u>19,163</u>
10. OTHER RECEIVABLES			
Considered good:			
- Receivable for transmission of electricity to K- Electric Limited		49,499	49,011
- Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods		25,940	25,940
- Others		333	2,096
		<u>75,772</u>	<u>77,047</u>
11. RESERVES			
General Reserves		2,991,258	2,991,258
Unappropriated profit		1,782,426	1,644,740
		<u>4,773,684</u>	<u>4,635,998</u>
12. LONG-TERM FINANCING - secured			
Long-term finances utilised under			
mark-up arrangements - Conventional	12.1 - 12.7	4,207,396	4,290,248
- Islamic	12.8 - 12.10	2,650,000	1,650,000
		<u>6,857,396</u>	<u>5,940,248</u>
Current portion of long-term financing shown under			
current liabilities - Conventional	12.1 - 12.7	(492,112)	(457,221)
- Islamic	12.8 - 12.10	(733,333)	(400,000)
		<u>5,631,951</u>	<u>5,083,027</u>



- 12.1** The Holding Company has an approved facility under long term finance facility of an amount aggregating Rs. 550 million. As at September 30, 2016 the holding company has withdrawn Rs. 546.3 million from commercial bank. The facility is secured by way of a mortgage on all present and future land and buildings, located at plot number LX-15 &16 and HX-7/4, Landhi Industrial Estate, Karachi and Survey No.402, 405-406, Dehsharabi, Landhi Town, Karachi.
- 12.2** The Syndicated term financing is obtained for plant and machinery of Cold Rolling Mill and Galvanising Plant by Subsidiary Company (ISL) and is secured by way of mortgage of land located at Survey No. 399-401 and 403-404 Landhi Town, Karachi, and joint hypothecation of all present and future fixed assets (excluding land and building) as per the terms of syndicated term financing agreement.
- 12.3** This finance is obtained from Faysal Bank Limited by Subsidiary Company (ISL) for plant and machinery and is secured by way of first pari passu charge over fixed assets of the Subsidiary Company.
- 12.4** This finance is obtained by Subsidiary Company (ISL) from various banks for plant and machinery and is secured way of first pari passu charge over fixed assets of the Subsidiary Company.
- 12.5** This finance is obtained by Subsidiary Company (ISL) from United Bank Limited and Bank Al-Habib Limited and is secured way of first pari passu charge over fixed assets of the Subsidiary Company.
- 12.6** This finance is obtained by Subsidiary Company (ISL) from MCB Bank Limited and is secured way of first pari passu charge over fixed assets of the Subsidiary Company.
- 12.7** This finance is obtained by Subsidiary Company (ISL) from Bank Al-Habib Limited and is secured way of first pari passu charge over fixed assets of the Subsidiary Company.
- Islamic***
- 12.8** This long term financing utilised under diminishing musharakah arrangement is secured way of mortgage on all present and future land and buildings, located at plot no. LX-15&16 and H/X-7/4, Landhi Industrial Estate, Karachi and Survey no.402, 405-406, Dehsharabi, Landhi Town, Karachi.
- 12.9** This finance is obtained by Subsidiary Company (ISL) from Meezan Bank Limited and is secured way of first pari passu charge over fixed assets of the Subsidiary Company.
- 12.10** This finance is obtained by Subsidiary Company (ISL) from Standard Chartered Bank (Pakistan) Limited and is secured way of first pari passu charge over fixed assets of the Subsidiary Company.

	Note	(Un-audited) 30 September 2016	(Audited) 30 June 2016
13. TRADE AND OTHER PAYABLES			
------(Rupees in '000)-----			
Trade creditors	13.1	6,106,155	3,751,982
Bills payable		-	480,618
Derivative financial liabilities		7,993	8,286
Sales commission payable		44,736	34,653
Provision for Government Levies		409	409
Accrued expenses		1,360,640	1,219,967
Provision for Infrastructure Cess	13.2	679,848	630,056
Short-term compensated absences		7,141	13,000
Advances from customers		637,685	250,855
Workers' Profit Participation Fund		58,220	23,117
Workers' Welfare Fund		102,775	79,587
Unclaimed dividends		16,689	17,033
Dividend payable		657,055	-
Unclaimed dividend attributable to non controlling interest		384	384
Others		109,308	61,295
		9,789,038	6,571,242

13.1 This includes an amount of Rs. 4,570.6 million payable to Groups's associated companies (2016: 3,299.7 million)

13.2 Provision for Infrastructure Cess (Refer note 15.1.2)

Opening balance	630,056	508,210
Charge for the period	49,792	121,846
Closing balance	679,848	630,056

14. SHORT-TERM BORROWINGS - secured CONVENTIONAL

Running finance under mark-up arrangement from bank	14.1	142,944	2,819,923
Short-term borrowing under Money Market Scheme	14.2	77,541	243,223
Short-term running finance under Export Refinance Scheme	14.3	3,334,000	2,000,000
Running finance under FE-25 Import Scheme	14.4	36,911	166,248
Book overdraft		19,857	30,611
ISLAMIC			
Short-term finance under running Musharakah	14.5	1,319,595	686,190
Short-term finance under Musharaka	14.6	175,771	820,809
		5,106,619	6,767,004



- 14.1** The facilities for running finance under mark-up arrangements, available to the Group Entities from various commercial banks, amounted to Rs. 9,888 million (30 June 2016: Rs.8,993 million) and are for the purpose of meeting working capital requirements. The rates of mark-up on these finances obtained by the Holding company range from 6.75% to 7.89% per annum (2016: 6.75% to 7.89% per annum). The rates of mark-up on these finances obtained by Subsidiary Company (ISL) ranges from 6.06% to 7.97% per annum (2016: 6.04% to 9.68% per annum).
- 14.2** The Holding Company has obtained facilities for short-term borrowing under Money Market Scheme financing from various commercial banks under mark-up arrangements amounted to Rs. 4,414 million (30 June 2016: Rs. 4,414 million). The rate of markup on these finance is 6.09% per annum (30 June 2016: 6.16% - 6.55%) per annum.
- 14.3** The Group Entities have borrowed short-term running finance under Export Refinance Scheme offered by the State Bank of Pakistan. The facilities availed are for an amount of Rs. 3,334 (30 June 2016: Rs.2,000 million). The rates of mark-up on these facilities range from 2.15% to 2.23 % per annum (30 June 2016: 3.80% to 4.00% per annum).
- 14.4** The Holding Company has borrowed short-term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 from various commercial banks for the purpose of meeting import requirements. The facilities availed is for an amount of Rs.37 million (30 June 2016: Rs. 166 million). The rates of markup on these facilities range from 4.0% per annum. (30 June 2016: 2.0% to 4.0% per annum). The facilities mature within six months and are renewable.
- 14.5** The Group has obtained facilities for short term finance under Running Musharakah. The rate of profit on these finances obtained by the Holding Company is 6.09% per annum (2016: 6.16%) per annum. The rate of profit on these finance obtained by the Subsidiary Company ranges from 6.55% to 7.18% per annum (2016: 6.55% to 7.18%) per annum. The facility matures within twelve months and is renewable.
- 14.6** This represents Islamic Term Musharakah availed by Subsidiary Company. The rate of profit range from 6.07% to 6.58% per annum (2016: 6.07% to 6.58%) per annum. The facility matures within twelve months and is renewable.
- 14.7** The Subsidiary Company has obtained facilities for short term financing under Istisna under Islamic financing arrangement. The rate of profit is nil (2016: nil). The facility matures within six months and is renewable. The facility was not utilized during the period.
- 14.8** All running finances and short-term borrowing facilities are secured by way of hypothecation of all present and future fixed assets (excluding lands and building) and present and future current and moveable assets.
- 14.9** The Holding Company has issued a corporate guarantee to commercial bank for securing funded and unfunded facilities of Rs.125 million each for its wholly owned Subsidiary Company IIL Stainless Steels (Private) Limited. The facilities are secured by way of hypothecation of all present and future current and moveable assets.
- 14.10** As at 30 September 2016, the unavailed facilities from the above borrowings amounted to Rs.17,783 million. (30 June 2016: Rs 15,702 million).

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

15.1.1 During the year 2015, Government passed a new law "Gas Infrastructure Development Cess Act 2015" by virtue of which all prior enactments have been declared infructuous. The said Act levies GIDC at Rs 200/MMBTU on captive power consumption effective 1 July 2011 and at Rs.100/MMBTU on industrial connection from the date of passing of that Act. The Holding Company and Subsidiary Company (ISL) have obtained a stay order on the retrospective application of the Act from The Honourable High Court of Sindh. The management is confident of favourable outcome and therefore has not recorded a provision of Rs. 475.9 million in these financial statements. However, the applicable cess has been recognised after the passage of the Act.

Further, the Holding Company and the Subsidiary Company (ISL) have not recognized GIDC amounting to Rs. 689 million pertaining to period from 01 July 2011 to 30 September 2016 with respect to its captive power plant from which power generation is supplied to K-Electric Limited. The Holding Company and the Subsidiary Company (ISL) consider that, in the event such levy is imposed, they shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).

15.1.2 The Holding Company has reversed the provision for the levy of Infrastructure Cess amounting to Rs.107 million in 2009 on the basis of a decision of the Sindh High Court which declared the levy of Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court of Pakistan against such order. In May 2011, the Supreme Court disposed off the appeal with a joint statement of the parties that, during the pendency of the appeal, another law i.e. the Fifth Version, came into existence which was not the subject matter of the appeal. Hence the case was referred back to the High Court with the right to appeal to the Supreme Court. On 31 May 2011, the High Court has granted an interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignments released upto 27 December 2006 and any bank guarantee / security furnished for consignments released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of the Fifth Version of the law and its retrospective application, the authorities are entitled to claim the amounts due under the said law with the right to appeal available to the petitioner. Bank guarantees amounting to Rs. 812 million (30 June 2016: 760 million) which include Rs. 107 million above have been provided to the Department in this regard by the Holding Company and Subsidiary Company (ISL). However, a provision to the extent of amount utilized from limit of guarantee has also been provided for by the Holding Company and Subsidiary Company on prudent basis (note: 13.2).

15.1.3 Guarantees issued by the Holding Company and Subsidiary Company (ISL) to various service providers amounting to Rs.425 million (30 June 2016: Rs.464 million) as security for continued provision of services.

15.1.4 The Group's share of associate's contingent liability is Rs.51.01 million (30 June 2016: Rs.46.5 million).



Holding Company

- 15.1.5** Custom duties amounting to Rs.52 million (30 June 2016: Rs. 52 million) on import of raw material shall be payable by the Holding Company in case of non-fulfillment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Holding Company has provided post-dated cheques in favor of the Collector of Customs which are, in normal course of business, to be returned to the Holding Company after fulfilment of stipulated conditions. The Holding Company has fulfilled the conditions for the aforementioned duties and is making effort to retrieve the associated post-dated cheques from the custom authorities.
- 15.1.6** An amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made by the Holding Company during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Holding Company filed a petition with the Sindh High Court in 2010 for an injunction and as is awaiting the final judgement.
- 15.1.7** The customs authorities have charged a redemption fine of Rs. 83 million on the clearance of an imported raw material consignment in 2006. The Holding Company has filed an appeal before the Sindh High Court, which has set aside the examination reports including the subsequent order produced by the customs authorities, and ordered the authorities to re-examine the matter afresh. However, the customs authorities have filed an application for leave to appeal against the order of the High Court. The management anticipates that the chances of admission of such appeal are remote.
- 15.1.8** Relying upon the judgment by Peshawar High Court, Model Collectorate of Customs (MCC), Peshawar stopped exports of the Holding Company goods to Afghanistan under the pretext that SRO 190(I) / 2002 dated 2 April 2002 attracts a levy of sales tax at the rate of 17%. Subsequently the goods already in transit were held at Torkham Boarder by MCC Peshawar on the account of non-payment of 17% Sales Tax. A Constitutional Petition in the Sindh High Court (SHC) on 1 October 2015 arguing that there is no sales tax on exports to Afghanistan as the same is exempted under the manufacturing bond rules SRO 450(I) / 2015. Secondly, SRO 190 was issued in 2002 and was never implemented, therefore under Section 65 of the Sales Tax Act 1990 no such liability could be raised at this stage. The SHC granted stay order whereby the Holding Company was allowed to export its goods to Afghanistan subject to depositing bank guarantees worth Rs. 6.2 million (i.e. value of disputed sales tax amount) before the Nazir of the SHC. On 30 October 2015 FBR issued a clarification as to the applicability of SRO 190(I) / 2002 and stated that exports made to Afghanistan does not attract the levy of sales tax. The said clarification has already been filed before the SHC and disposal of the case along with return of the said bank guarantees is awaited.

Subsidiary Company (ISL)

- 15.1.9** Section 113(2)(c) of the Income Tax Ordinance, 2001 was interpreted by a Divisional Bench of the High Court of Sindh in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 07 May 2013, whereby it was held that the benefit of carry forward of Minimum Tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than Minimum Tax. Therefore, where there is no tax payable due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability.

The Subsidiary Company based on legal counsel advice considered that certain strong grounds are available whereby the aforesaid decision can be challenged in a Larger Bench of the SHC or the Supreme Court of Pakistan. A leave to appeal against the aforesaid decision has already been filed before the Supreme Court of Pakistan by other companies which is pending for hearing. In view of above, the Subsidiary Company is confident that the ultimate outcome in this regard would be favorable. Accumulated minimum tax liability of Rs. 219.2 million was determined for the tax year 2012 and 2013. However, based on the assessment and estimation for availability of sufficient taxable profit on the basis of 5 year projection and tax credits available to the Subsidiary Company under section 65 B of the Income Tax Ordinance, 2001, accumulated minimum tax liability amounting to Rs. 917 million has not been recorded on the same basis in this condensed interim financial information for the period ended 30 September 2016.

15.1.10 Guarantees issued in the favour of Nazir High Court issued by bank on behalf of the Subsidiary Company (ISL) amounting to Rs. 2.65 million (2016: Rs.2.65 million).

15.2 Commitments

Group

15.2.1 Capital expenditure commitments of the Group Entities outstanding as at 30 September 2016 amounted to Rs.498.3 million (30 June 2016: Rs.442.77 million).

15.2.2 Commitments under letters of credit established by the Group Entities for raw material and spares as at 30 September 2016 to Rs. 9,447 million (30 June 2016: Rs.6,676 million).

15.2.3 The unavailed facilities for opening letters of credit and guarantees from banks as at 30 September 2016 amounted to Rs. 13,263 million (30 June 2016: 15,817 million) and Rs. 595 million (30 June 2016: 560 million) respectively.

Holding Company

15.2.4 Commitments under purchase contracts as at 30 September 2016 amounted to Rs. 7.8 million (30 June 2016: Rs.558.2 million).

16. NET SALES

	<u>Quarter ended</u>	
	<u>30 September 2016</u>	<u>30 September 2015</u>
------(Rupees in '000)-----		
Local	9,149,748	5,399,523
Export	1,523,058	1,564,634
	10,672,806	6,964,157
Toll Manufacturing	412	(353)
Sales Tax	(1,343,343)	(823,462)
Trade discounts	(121,963)	(97,111)
Sales discount and commission	(150,182)	(105,823)
	(1,615,488)	(1,026,396)
	9,057,730	5,937,408



17. COST OF SALES

	Quarter ended	
	30 September 2016	30 September 2015
	----- (Rupees in '000) -----	
Opening stock of raw material and work-in-process	4,930,520	4,316,233
Purchases	8,161,196	6,739,031
Salaries, wages and benefits	267,763	253,819
Rent, rates and taxes	1,061	461
Electricity, gas and water	328,024	252,476
Insurance	7,841	4,083
Security and janitorial	10,302	10,254
Depreciation and amortisation	277,936	193,062
Stores and spares consumed	30,931	27,895
Repairs and maintenance	40,861	36,836
Postage, telephone and stationery	5,772	3,924
Vehicle, travel and conveyance	7,650	7,064
Internal material handling	9,577	5,913
Environment controlling expense	555	416
Sundries	3,919	3,354
Toll manufacturing charges	624	-
Sale of scrap generated during production	(278,825)	(164,442)
	<u>13,805,707</u>	<u>11,690,379</u>
Closing stock of raw material and work-in-process	(6,263,490)	(6,666,796)
Cost of goods manufactured	<u>7,542,217</u>	<u>5,023,583</u>
Finished goods and by-products :		
Opening stock	2,941,351	3,081,662
Closing stock	(3,066,566)	(2,733,684)
	<u>(125,215)</u>	<u>347,978</u>
	<u>7,417,002</u>	<u>5,371,562</u>

18 SELLING & DISTRIBUTION EXPENSES

	Quarter ended	
	30 September 2016	30 September 2015
	----- (Rupees in '000) -----	
Freight and forwarding expenses	133,699	103,976
Salaries, wages and benefits	52,605	40,631
Rent, rates and taxes	1,498	355
Electricity, gas and water	1,814	1,836
Insurance	356	298
Depreciation and amortisation	4,231	3,452
Repair and maintenance	258	103
Advertising and sales promotion	15,017	5,922
Postage, telephone and stationery	2,295	1,830
Office supplies	26	13
Vehicle, travel and conveyance	5,581	8,220
Provision for doubtful debts-net	10,221	4,070
Certification and registration charges	641	3,098
Others	5,399	2,327
	<u>233,641</u>	<u>176,131</u>

19 ADMINISTRATIVE EXPENSES

Quarter ended
30 September 30 September
2016 2015
----- (Rupees in '000) -----

Salaries, wages and benefits	75,835	67,686
Rent, rates and taxes	1,259	1,063
Electricity, gas and water	1,138	1,063
Insurance	704	339
Depreciation and amortisation	5,813	5,516
Repair and maintenance	449	218
Postage, telephone and stationery	4,198	3,616
Office supplies	27	15
Vehicle, travel and conveyance	2,820	2,484
Legal and professional charges	9,587	7,561
Certifications and registration charges	2,308	1,155
Directors' fees	2,160	2,010
Others	3,514	3,570
	109,812	96,296
20. FINANCIAL CHARGES		
Mark-up on:		
- Long-term financing	57,819	103,759
- Short-term borrowings	55,475	75,453
- Running musharakah	14,949	22,148
- Diminishing musharakah	31,614	5,399
	159,857	206,759
Exchange loss on FE borrowing	4,280	129,631
Interest on Workers' Profit Participation Fund	506	560
Bank charges	8,594	6,947
	173,237	343,897
21. OTHER OPERATING CHARGES		
Auditors' remuneration	1,262	1,383
Loss on derivative financial instruments	27,345	-
Donations	5,750	3,300
Exchange loss	-	67,683
Workers' Profit Participation Fund	33,188	7,150
Workers' Welfare Fund	48,220	2,850
Project development expenses	2,686	303
	118,451	82,669
22. OTHER INCOME		
Income / return on financial assets		
Interest on bank deposits	323	320
Income from non-financial assets		
Income from power generation - 18MW	9,337	12,840
Income from power generation - 4MW	30,460	17,437
Gain on disposal of property, plant and equipment	4,403	8,917
Rental income	674	429
Exchange gain / (loss) - net	22,230	9,051
Others	1,065	10,392
	68,492	59,386



23. TAXATION

Current

for the year

Deferred

Quarter ended	
30 September 2016	30 September 2015
----- (Rupees in '000)-----	
106,242	53,910
204,617	(12,170)
310,859	41,740

24. TRANSACTIONS WITH RELATED PARTIES

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

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

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in this condensed interim consolidated financial information, are as follows:

		Quarter ended	
		30 September 2016	30 September 2015
		----- (Rupees in '000) -----	
Transactions with related parties			
Associated companies			
Sales		172,840	176,644
Purchases		4,915,683	2,063,360
Rental income		374	429
Dividend received		-	7,278
Associated person			
Sales commission expense		-	446
Key management personnel and their spouses			
Remuneration & staff retirement benefits		89,261	83,104
Staff retirement benefit plans			
Contribution paid		45,586	37,856
Non- executive directors' fees			
		2,160	2,010
		(Un-audited)	(Audited)
Balances with related parties		30 September 2016	30 June 2016
		----- (Rupees in '000) -----	
Trade debts			
Pakistan Cables Limited		-	272
Doogood Enterprises (Pty) Limited		-	59,799
Intermark (Pvt) Limited		201	-
Sumitomo Corporation		29,851	91,400

25 SEGMENT REPORTING

The Group Entities have identified Steel Coils & Sheets, Steel Pipes and Plastic Pipes as three reportable segments. Performance is measured based on respective segment results. Information regarding the Group Entities' segments is presented below.

SEGMENT REVENUE AND RESULTS

	Steel Coils & Sheets	Steel Pipes	Plastic Pipes	Total
For the quarter ended 30 September 2016	----- (Rupees in '000) -----			
Sales	6,038,884	2,828,382	190,464	9,057,730
Cost of sales (excluding depreciation)	4,879,413	2,102,143	157,510	7,139,066
Depreciation	<u>183,889</u>	<u>87,741</u>	<u>6,306</u>	<u>277,936</u>
Gross Profit	<u><u>975,582</u></u>	<u><u>638,498</u></u>	<u><u>26,648</u></u>	<u><u>1,640,728</u></u>

For the quarter ended 30 September 2015

Sales	2,857,097	2,779,139	301,172	5,937,408
Cost of sales (excluding depreciation)	2,594,911	2,332,723	250,866	5,178,500
Depreciation	<u>137,129</u>	<u>49,050</u>	<u>6,883</u>	<u>193,062</u>
Gross Profit	<u><u>125,057</u></u>	<u><u>397,367</u></u>	<u><u>43,423</u></u>	<u><u>565,847</u></u>

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

	<u>Quarter ended</u>	
	<u>30 September</u>	<u>30 September</u>
	<u>2016</u>	<u>2015</u>
	----- (Rupees in '000) -----	
Total results for reportable segments	1,640,728	565,847
Selling, distribution and administrative expenses	(343,453)	(272,427)
Financial charges	(173,237)	(343,897)
Other operating expenses	(118,451)	(82,669)
Other operating income	68,492	59,386
Share of profit in equity-accounted investee	9,058	4,341
Taxation	(310,859)	(41,740)
Profit after tax	<u>772,278</u>	<u>(111,159)</u>



SEGMENT ASSETS & LIABILITIES

	Steel Coils & Sheets	Steel Pipes	Plastic Pipes	Total
----- (Rupees in '000) -----				
As at 30 September 2016 - Un-audited				
Segment assets	<u>21,003,755</u>	<u>9,515,238</u>	<u>949,201</u>	<u>31,468,194</u>
Segment liabilities	<u>12,200,253</u>	<u>6,334,738</u>	<u>578,680</u>	<u>19,113,671</u>
As at 30 June 2016 - Audited				
Segment assets	<u>18,475,088</u>	<u>9,859,056</u>	<u>756,916</u>	<u>29,091,060</u>
Segment liabilities	<u>12,183,336</u>	<u>4,874,697</u>	<u>397,876</u>	<u>17,455,909</u>

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

	(Un-audited) 30 September 2016	(Audited) 30 June 2016
Total reportable segments assets	31,468,194	29,091,060
Unallocated assets	<u>3,900,622</u>	<u>3,480,267</u>
Total assets as per Balance Sheet	<u>35,368,816</u>	<u>32,571,327</u>
Total reportable segments liabilities	19,113,671	17,455,909
Unallocated liabilities	<u>4,085,916</u>	<u>3,086,825</u>
Total liabilities as per Balance Sheet	<u>23,199,587</u>	<u>20,542,734</u>

26. GENERAL

26.1 This condensed interim consolidated financial information was authorised for issue by the Board of Directors of the Holding Company on 20 October 2016.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Nadir Akbarali Jamal
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer



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