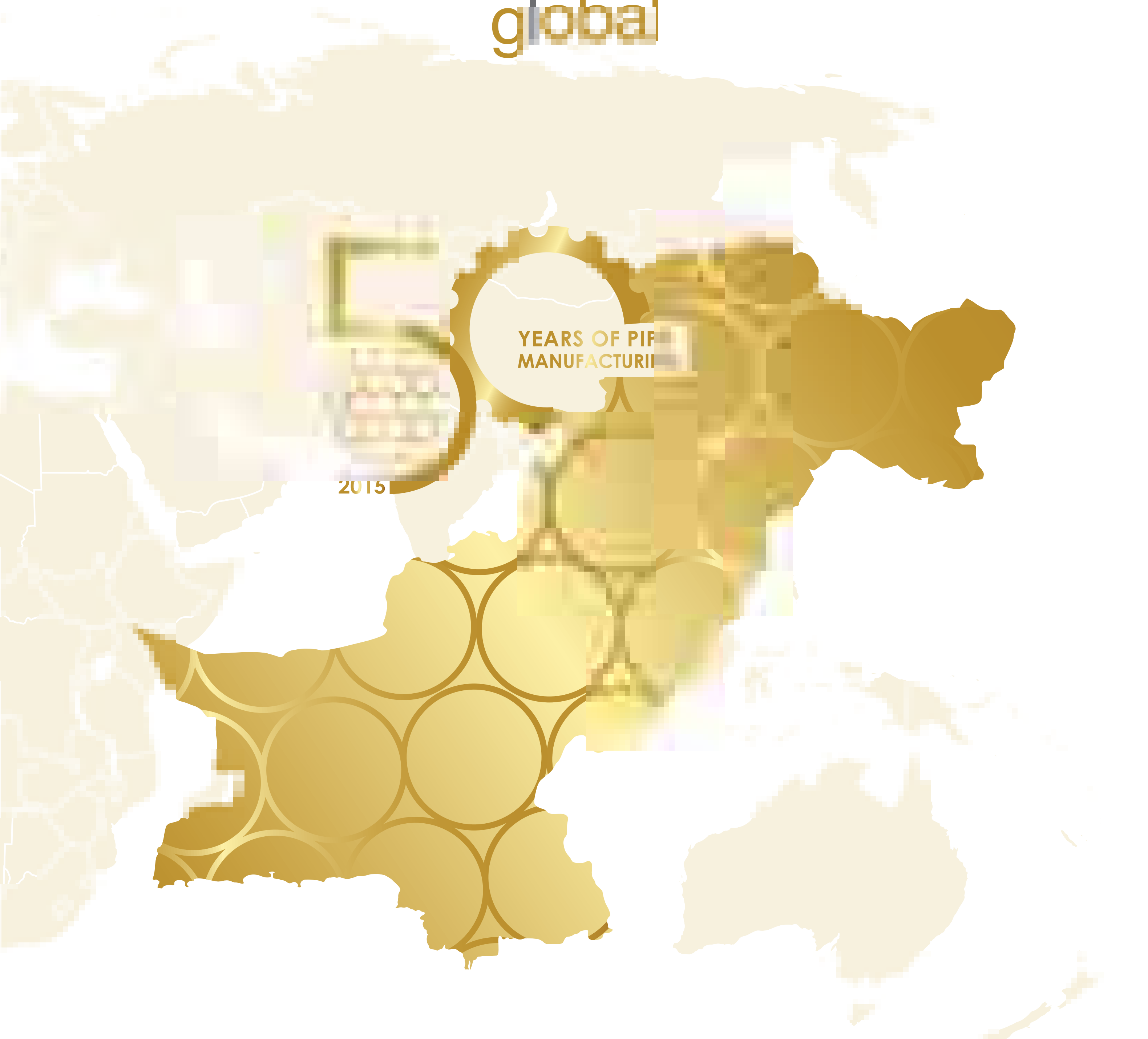
local
global



INTERNATIONAL INDUSTRIES LTD.

Promising Reliability, For Now and Tomorrow

Annual Report 2015

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

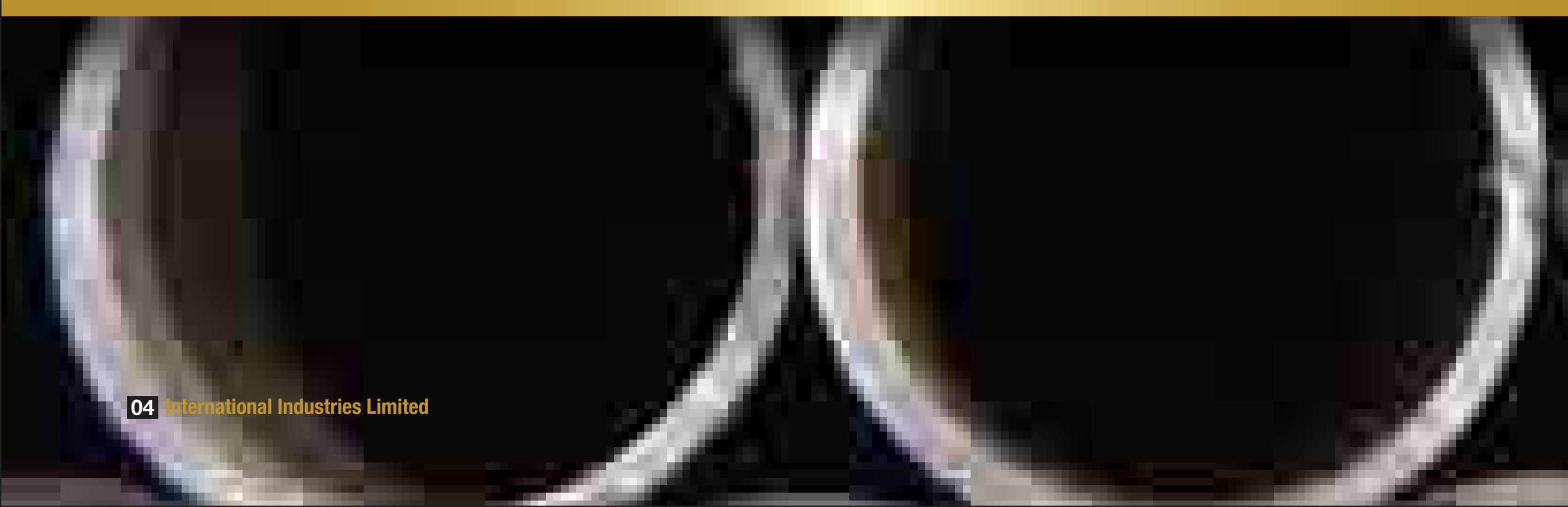
Contents

With 50 years of pipe production behind it, 2 billion km of pipe produced and a rapidly growing international footprint, IIL is proud to have a rich heritage and a bright future in the pipeline.

1965 50 YEARS OF PIPE MANUFACTURING 2015

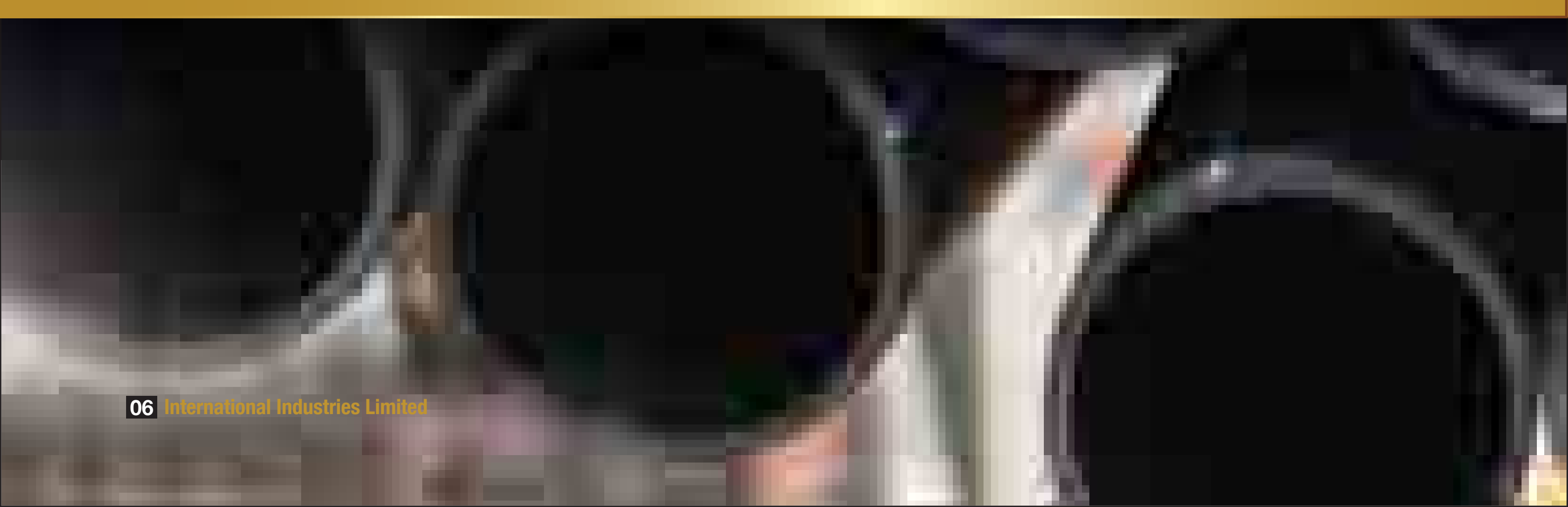
Having adopted an ethical approach to business and an immovable focus on quality since its inception, IIL is the hallmark of reliability and the undisputed market leader in Pakistan.

Our products have been used in projects across the country. Whether in small homes or large scale industrial & municipal projects, IIL is proud to have made an immeasurable contribution to the infrastructure development of Pakistan.

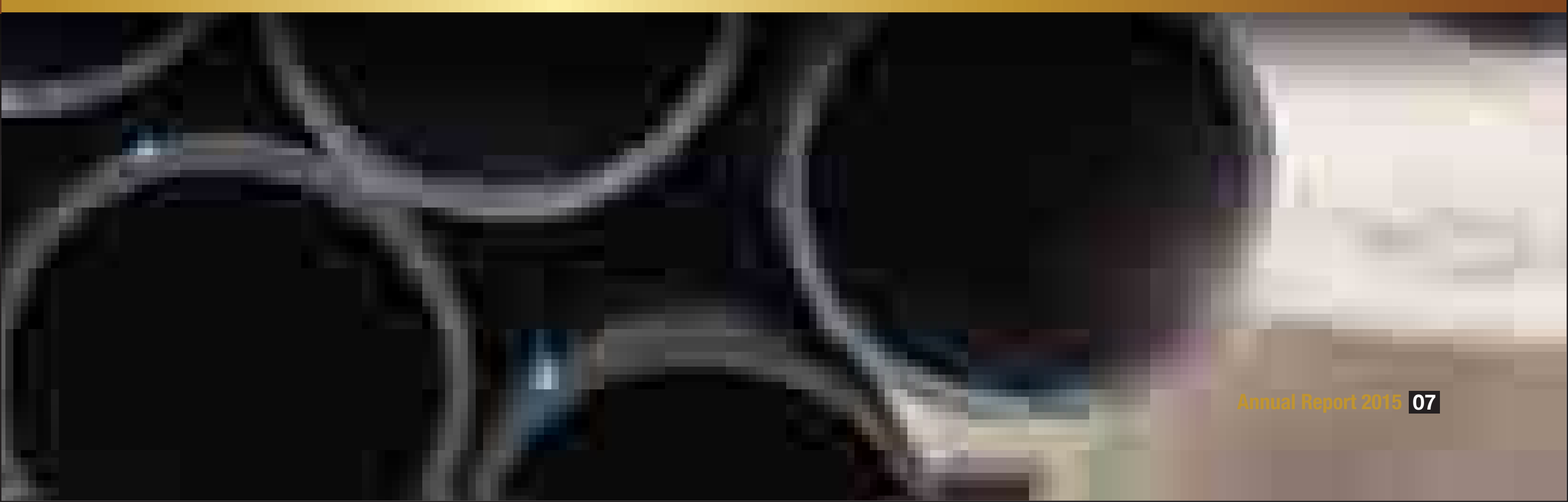


As our business continues to grow, so does our international presence. In a true testament to our quality, IIL has exported almost 750,000 tons of pipes & tubes to date and our export market now covers almost 50 countries across 6 continents.

Additionally, our wholly owned subsidiary, IIL Australia Pty Ltd has given us direct access to the highly developed Australian market and the Asia Pacific region. Our global network is stronger than ever and we will continue to pursue opportunities for worldwide growth.



As a truly innovative and international Company with a strong export footprint and a solid foothold in its home market, IIL continues to 'promise reliability for now and tomorrow'.



Company Profile

International Industries Limited (IIL) is the premium producer of steel tubing, galvanized iron pipes and plastic pipes in Pakistan.

International Industries Limited (IIL) was incorporated in Pakistan in 1948 and is quoted on the Karachi, Lahore and Islamabad Stock Exchanges. The Company has equity of over Rs. 4.7 billion with a turnover of more than Rs. 20 billion and has featured on the Karachi Stock Exchange's listing of the Top 25 Companies consecutively for 9 years.

IIL's production capacity of steel and plastic pipes is the highest in Pakistan. It is the market leader in all segments of pipes within the country and also has a significant export footprint. In 2014-15, IIL's gross sales volume was over 223,000 tons out of which over 88,000 tons were exported to various regions including Afghanistan, Sri Lanka, America, Europe, Middle East and Africa. The Company has been recognized as one of the best managed companies at various forums including the "Leading Exporter of Engineering Goods" for the last fourteen years and has been conferred with the Management Association of Pakistan's "Corporate Excellence Award" for the Industrial Metals & Mining Sector.

IIL was the first local private sector company to install cold rolling facilities in 1980s. Its 11 cold rolled tube mills and 3 cold rolled slitters have a capacity of over 120,000 tons per annum, with sizes ranging from 9.00 ~ 75.90 mm in round, 10 ~ 50 mm in square, 10x20 ~ 40x80 mm rectangular and 13x23 mm, 19x42 mm ~ 24x56 in elliptical tubes and 16x40, 30x50 oval tubes, with a thickness range from 0.60 ~2.00 mm.

To cater to the needs of the Galvanized Iron (GI) pipes market, the company has 5 hot rolled tube mills, 3 hot rolled slitters and 4 fully automatic hot dipped galvanizing plants with a capacity of 150,000 tons per annum. The GI product range varies from 1/2" ~ 6" with a thickness range from 1.80 mm ~ 6.00 mm.

A sizeable amount of Pakistan's API pipe demand is met by IIL with its 2", 4" and 6" pipes. All API pipes are produced with inline seam annealing and hydro-testing under API License # 5L-0391.

To conform to the highest quality, health and safety standards, IIL has obtained International Certifications of ISO 9001, ISO 14001, OHSAS 18001, PSQCA and CE Mark certification.

IIL widened its portfolio of products by installing four extrusion plants for high & medium density Polyethylene pipes for water, gas and duct pipe with standard diameters ranging from 12 mm ~ 630 mm. IIL is the pioneer in the manufacturing of IIL PLUMBO 300 (PEX) pipe in Pakistan, with standard diameters ranging from 20 mm ~ 32 mm. The company is also manufacturing MDPE gas pipe under API License # 15LE-0014.

IIL has recently introduced "IIL PLUMBO 200"- the finest PPRC pipe for hot and cold water transmission, with standard diameters ranging from 20 mm ~ 63 mm. The Company is also in the process of introducing "Large Dia structural pipes"- ideal for building structures and large dia water & gas lines.

IIL is also proud to offer high quality, locally manufactured Stainless Steel tubes. "IIL Stainless Steel Pvt. Ltd.", a wholly owned subsidiary, is the preferred choice for architectural, fabrication and hygiene intensive industries, all of which have seen an exponential growth rate in Pakistan. Initially, "IIL Stainless Steel" is introducing 3 brands – all made to international standards:

- IIL COSMO - for premium ornamental applications
- IIL FORZA - for automobile applications
- IIL HYDRA - for water distribution

Additionally, IIL owns 56.335% of its listed subsidiary, International Steels Limited (ISL), the largest manufacturer of cold rolled steel, hot dipped galvanized steel and color coated steel in Pakistan with annual production capacities of 500,000 tons, 400,000 tons and 84,000 tons respectively.

In order to achieve its long-term vision, IIL has been actively pursuing opportunities for worldwide growth. To this end, IIL is pleased to announce the incorporation of its wholly owned subsidiary in Australia – IIL Australia Pty Ltd., which enables IIL to service this developed market.

With a strong track record behind IIL and an exciting future in the pipeline, IIL is optimistic about its continued growth in the local and international markets.

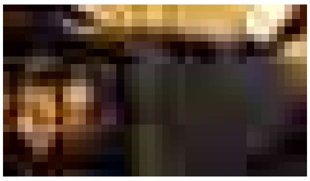
For further information please visit www.iil.com.pk

Business at a Glance

IIL, a top 25 KSE-listed company, was established in 1948 as Sultan Chinoy & Company and is in the business of manufacturing and marketing GI Pipe, CR Tube, Black Pipe, API Line Pipe and Plastic Pipe.

Products

IIL has a wide range of products:



IIL Cold Rolled Steel Tube

Ideal for chroming, bending & drawing

CR steel tubes are available in round, rectangle, oval, square and elliptical geometry and are predominantly used for automotive, motorcycle, bicycle, transformer, fans, furniture, tents and other mechanical and general engineering purposes. IIL premium quality steel tubes are available in standard manufacturing sizes in outside diameters from 9.00 mm to 75.90mm and in thicknesses from 0.60 to 2.00mm. The products are certified as European Conformity Standards–CE.

IIL API Line Pipe

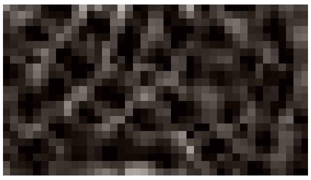
Ideal for natural gas and petroleum distribution

IIL's trusted welded line pipes are ideal for natural gas and petroleum distribution systems. These are manufactured as per PSL1 in accordance with API specifications.

IIL Galvanized Pipe

Ideal for water & gas transmission and fencing

GI pipes are ideal for the transmission of potable water, natural gas, oil and other fluids. They are also used in fencing, low cost shelters and fabrication industries. IIL's reliable GI pipes are available from nominal diameters of 15mm (1/2") to 150mm (6") and in thicknesses from 1.80mm to 6.00mm. The products are certified as European Conformity Standards –CE.



IIL Profile Tubes

Ideal for steel doors, windows & railings

Profiles in "L", "T" "D" and "Z" shapes are used in the making of furniture and low cost housing.

IIL Safescaf (Scaffolding Tubes)

Ideal for scaffolding projects

IIL also manufactures best quality scaffolding and black pipe which is high in strength yet light-weight.

IIL MS Schedule 40

Ideal for fire fighting and high pressure water transmission lines

Keeping in mind the needs of industrial sectors, such as Sugar Industry, Textile Industry, Pharma Industry, Power Industry and Food Industry, IIL has developed IIL MS Schedule 40 as per ASTM A53 standard available in Grade A & B, best for fire fighting, water distribution lines, high pressure lines, steam lines, hot/chill water lines and chemical liquid lines.

IIL Hot Dipped Galvanized Iron Pipe & Black Pipe (ASTM A53)

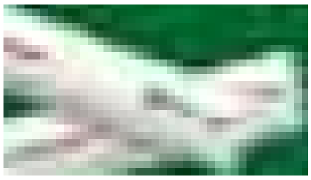
Best used for fencing applications and fluid transmission

IIL has also developed IIL Hot Dipped Galvanized Pipe & IIL Black Pipe as per ASTM A53 Schedule 40 & Schedule 10. These pipes are available from nominal diameters of 15mm (1/2”) to 150mm (6”)

IIL Flexflo (MDPE Gas) Pipe

Ideal for distribution of natural gas and LPG

IIL’s Polyethylene line pipes are manufactured on state-of-the-art German and Austrian equipment to meet the performance requirement of British Gas Technical Specification and American Petroleum Institute Specification for gaseous fuel. It is ideal for natural gas, liquefied petroleum gas (LPG) and other gaseous fuels. The nominal outside diameter of IIL polyethylene line pipes ranges from ¾” to 25” and 20 mm to 630mm.



IIL Plumbo 300 (PEX) Pipe

Ideal for hot & cold water transmission

IIL is the pioneer in the manufacturing of PEX (Cross Linked Polyethylene) pipe in Pakistan. IIL PEX Pipe is one of the most versatile, high-performance and cost efficient system for transmission of hot and cold water, under elevated pressure and temperature conditions. PEX pipe is a relatively low cost, technically advanced, easier to install, food grade and environmentally safe pipe for drinking water available from 16 mm to 50 mm.

IIL Megaflo (HDPE Water) Pipe

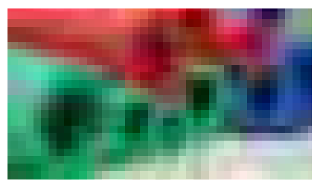
Ideal for water distribution lines

IIL’s Polyethylene water pipe (HDPE) is used for distribution of water supply, effluent and water discharge. The range of sizes produced is from 16 mm to 630 mm.

IIL Flexflo (Duct) Pipe

Ideal for fiber and cable ducting

IIL’s Polyethylene duct is used as casing for optic fiber cables and other telecommunication cables. The standard diameter range is from 12 mm to 630 mm (without internal solid lubrication and with internal ribs) and 12 mm to 250 mm (with internal solid lubrication).



IIL Plumbo 200 (PPRC Pipe)

Finest PPRC pipe for hot & cold water transmission

IIL has recently introduced IIL Plumbo, the finest PPRC Pipe and a comprehensive system for the distriubtion of Hot & Cold Potable Water. Plumbo is made from 100% prime food grade imported raw material. It is available in nominal diameter ranging from 20 mm to 63 mm.

Company Information

Chairman
Mr. Zaffar A. Khan
Independent Chairman

Directors

Mr. Mustapha A. Chinoy
Non-Executive Director

Mr. Kamal A. Chinoy
Non-Executive Director

Mr. Fuad Azim Hashimi
Non-Executive Director

Mr. Azam Faruque
Independent Director

Mr. Tariq Ikram
Independent Director

Mr. Aly Noormahomed Rattansey
Independent Director

Ms. Nargis Ghaloo
Non-Executive Director

Chief Excutive Officer
Mr. Riyaz T. Chinoy
Executive Director

Chief Financial Officer
Mr. Nadir Akbarali Jamal

Company Secretary
Mr. Yasir Ali Quraishi

External Auditor
M/s KPMG Taseer Hadi & Co.

Chief Internal Auditor
Mr. Talha Bin Hamid

Internal Auditors
Ernst & Young Ford Rhodes Sidat Hyder & Co.

Bankers
Bank Al Habib 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 Advisors
Mrs. Sana Shaikh Fikree and
Mr. Ameen Bandukda

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Fax: +9221-35680373,
E-mail: yasir.quraishi@iil.com.pk

Branch Office
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UAN: 042-111-019-019
Fax: +9242-37220384
E-Mail: lahore@iil.com.pk

Factories

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Fax: +9221-35082403
E-mail: factory@iil.com.pk

Factory 2
Survey # 405 & 406 Rehri Road, Landhi,
Karachi – 75160
Telephone Nos: +9221-35017027-28, 35017030
Fax: +9221-35013108

Factory 3
22 KM, Sheikhupura Road, Lahore
Telephone Nos: +9242-37190492-3

Website
www.iil.com.pk

Investors Contact
Shares Registrar
Central Depository Company of Pakistan Ltd.
CDC House, 99-B, Block "B", S.M.C.H.S,
Shahrah-e-Faisal, Karachi.
Telephone Nos: +9221-111-111-500
FAX: +9221-34326053
E-mail : info@cdcpak.com

Assistant Company Secretary
Mr. M. Irfan Bhatti
101 Beaumont Plaza, 10 Beaumont Road,
Karachi. Tel: +9221 111-019-019
Fax: +9221 35680373
E-mail: irfan.bhatti@iil.com.pk

Vision

To be an international, innovative, entrepreneurial, million ton steel processor by the year 2020

Mission

International Industries Limited is a quality conscious company committed to economies of scale.

It shall continually enhance the effectiveness of its quality, environmental, occupational health and safety management systems. IIL is committed to be an ethical company and shall conform to all applicable legal requirements, as well as fulfill and exceed the expectations of all stakeholders.

Team work, continual improvement, prevention of pollution, waste reduction, protection of environment, care for health and safety of people and equipment, reduction of accidents, improvement in safety practices, a fair return to shareholders and fulfillment of social responsibility shall be the hallmark of all activities.

Strategic Objectives

- To remain an ethical Company
- Ensure a fair return to shareholders
- Retain our reputation as the quality leader in our markets
- To remain the volume leader by maintaining quality and easy availability of diversified products
- To enhance market share by maintaining a fair price, ensuring availability and timely deliveries
- To enhance exports and leverage them to take advantage of economies of scale
- Focus on new ventures, especially M&A's and JV's in near home markets in order to capitalize on opportunities for inorganic growth
- Capitalize on traditionally strong engineering base and invest to expand / modernize production capability
- Maintain focus on CSR, environment and safety management in order to reap corporate benefits as good corporate citizen and employer
- Ensure aggressive training and development of personnel commensurate with strategic needs, of the company specially those who are key executives of the company

Our Values

At IIL we take pride in uncompromising integrity through each individual's effort towards a quality product for our customers and sizeable contributions to the National Exchequer.

Ethical: IIL is honest and ethical in its dealings at all times through compliance with the applicable laws & regulations.

Excellence: IIL endeavours to exceed the expectations of all stakeholders.

Innovation: IIL encourages its employees to be creative and seek innovative solutions.

Respect: IIL values the self-esteem of all stakeholders, be it employees, suppliers, customers or shareholders.

Fairness: IIL believes in fairness to all stakeholders.

Responsibility: IIL considers quality health, safety and the environment an integral part of its activities and way of life.

Reliablity: IIL has established itself as a reliable and dependable supplier.

Code of Conduct

This Code of Conduct is equally applicable to the Board of Directors as well as all the employees of the Company. The salient features of the Code are as follows:

A. BUSINESS ETHICS

i. The company's policy is to conduct its business with honesty & integrity and be ethical in its dealings, showing respect for the interest of all stakeholders including its shareholders, employees, customers, suppliers and the society.

ii. The company is dedicated towards providing a safe and non-discriminatory working environment for all employees.

iii. The company does not support any political party or contributes funds to such groups whose activities promote political interests.

iv. The company is committed towards providing products which consistently offer value in terms of price and quality and are safe for their intended use, to satisfy customer needs and expectations.

v. The Board of Directors and the Management provides a commitment that the company is a responsible corporate citizen and the business is conducted in a sustainable manner.

vi. All operations are carried out with minimum adverse effect towards the environment and the company is committed towards producing quality products in a healthy and safe working environment.

vii. We, as a responsible corporate citizen shall promote our role towards betterment of the society in health and education sectors.

viii. The company respects the privacy of its employees, contractors and consumers and it will exercise appropriate and due care to legally ensure that sensitive personal information about employees, contractors and customers is not publicly disclosed.

ix. The Board of Directors of International Industries Limited will not criticize management or any employee for any loss of business resulting from adherence to this code. The company undertakes that no employee or contractor will suffer as a consequence of bringing to the attention of the Board or Senior Management a known or suspected breach of this code nor will any employee, contractor or consumer suffer any adverse employment or contract decision for abiding by this code.

x. In employment related matters (including recruitment, access to training and promotion, transfers, employment termination, discipline, compensation and benefits), decisions are made on the basis of qualification, performance record and abilities needed for the work to be undertaken and relevant business circumstances. The company is committed to equal opportunities at work and in the work place. Employees should not engage in or support discrimination based on race, colour, language, caste, religion, gender, marital status, sexual orientation, union membership, political affiliation or age.

B. CONFLICTS OF INTEREST

i. Every employee should conduct his/ her personal and business affairs in a manner such that neither conflicts, nor appears to be in conflict, between his/ her personal interests and the interests of the company.

ii. An employee should avoid any situation in which he or she, or a family member, might profit personally (directly or indirectly) from the company's facilities, its products or company's relationships with its vendors or customers.

iii. An employee should not permit himself/ herself (or members of his/ her family) to be obligated (other than in the course of normal banking relationships) to any organization or individual with whom the company has a business relationship. However, business lunches, dinners or social invitations, nominal giveaways and attendance at conferences and seminars would not be considered a violation of this Code.

iv. In case an employee is offered or receives something of value which he/she believes may be impermissible under this Code, he /she should disclose the matter.

v. Conflict of interests shall be avoided at all times and promptly disclosed where it exists and guidance should be sought from superiors.

C. ACCOUNTING RECORDS, CONTROLS & STATEMENTS

i. All books, records, accounts and statements should conform to generally accepted and applicable accounting principles and to all applicable laws and regulations and should be maintained accurately.

ii. Employees are expected to sign only documents or records which they believe to be accurate and truthful.

iii. Employees are responsible for the proper use, protection and maintaining of company assets including intellectual property (e.g. patents, trademarks and designs). Company assets may only be used in relation to the Company's business.

D. ENVIRONMENT

i. The company is committed to carry its business in an environmentally sound and sustainable manner and promote preservation and sustainability of the environment.

ii. All employees are required to adhere strictly to all applicable environmental laws and regulations that impact the company's operations.

E. REGULATORY COMPLIANCE

i. The company is committed to make prompt public disclosure of "material information" regarding the company as prescribed in the Karachi Stock Exchange Regulations and/ or any other exchange where the company is listed.

ii. Where an employee is privy to any information, which is generally referred to as "material inside information", the same must be held in the strictest confidence by the employee involved until it is publicly released.

iii. The employees shall abide by the appropriate Competition Laws and shall not enter into understandings, arrangements or agreements with competitors which have the effect of fixing or controlling prices, dividing and allocating markets or territories, or boycotting suppliers or customers.

PERSONAL CONDUCT

i. All employees should conduct themselves with the highest degree of integrity and professionalism in the workplace or any other location while on company business.

ii. The employees shall be careful while dealing with personal or business associates and not disclose, divulge or provide any information regarding the company to anyone except where the same is used as a part of his/ her official obligations and as required for official purpose and shall abide by the Closed period announced by the company from time to time and also sign a Non- Disclosure Agreement if the need arises.

iii. All employees should avoid any kind of bribery, extortion and all other forms of corruption.

iv. Employees should always be cognizant of the need to adhere strictly to all safety policies and regulations.

v. Any legally prohibited or controlled substances if found in the possession of any employee will be confiscated and where appropriate, turned over to the authorities.

G. MISCELLANEOUS

i. All employees are required to comply with this code of conduct and are personally responsible for doing so. Employees must comply with any rules set out in this code of conduct. Breach of any principles within the code may result in disciplinary action and a serious breach – such as if any employee is found to be in wanton abuse of the code and their action cause reputational risk or damage or financial loss to the business – may amount to gross misconduct which may result in summary dismissal. Further, the company reserves the right to seek redress and damages from such individuals.

ii. Employees at all levels will be required to certify annually that they understand the code and that they are in full compliance with this code. On an annual basis, the Board monitors the findings of this certification.

iii. The Company has in place a confidential "'Speak Up" policy and process to encourage the reporting of any non-compliance with this code of conduct.

Key Operating Highlights

Rs. Million

FINANCIAL POSITION	2015	2014	2013	2012	2011	2010	2009	2008	2007
Balance sheet									
Property, plant and equipment	3,622	3,502	3,465	2,804	2,679	9,905	5,987	4,172	2,737
Investments	2,743	2,593	2,584	2,584	2,584	106	-	-	-
Other non current assets	21	18	18	14	26	18	24	15	9
Current assets	6,752	10,133	8,500	9,665	8,623	8,709	5,168	6,439	5,854
Total assets	13,138	16,247	14,566	15,066	13,911	18,738	11,179	10,626	8,600
Share capital	1,199	1,199	1,199	1,199	1,199	999	999	833	569
Reserves	3,583	3,224	3,140	2,976	3,065	2,305	1,661	1,565	1,257
Total equity	4,782	4,423	4,339	4,175	4,264	3,304	2,660	2,398	1,827
Surplus on revaluation of fixed assets	1,561	1,582	1,605	1,003	1,008	1,367	1,379	1,391	515
Non current liabilities	458	568	756	589	405	5,359	2,302	1,416	1,251
Current liabilities	6,337	9,674	7,866	9,299	8,234	8,709	4,838	5,421	5,007
Total liabilities	6,795	10,242	8,622	9,889	8,639	14,067	7,140	6,837	6,258
Total equity & liabilities	13,138	16,247	14,566	15,066	13,911	18,738	11,179	10,626	8,600
Net current assets	415	459	634	366	389	1	330	1,018	847
OPERATING AND FINANCIAL TRENDS									
Profit and Loss									
Net turnover	17,674	16,341	17,730	16,802	15,851	13,472	12,319	12,068	9,700
Gross profit	1,879	2,102	2,065	1,909	1,812	2,222	1,167	1,787	1,423
EBITDA	1,666	1,666	1,608	1,620	2,072	1,830	1,234	1,580	1,334
Operating profit	1,100	1,338	1,320	1,329	1,195	1,703	723	1,362	1,062
Profit before taxation	933	652	699	391	1,269	1,339	469	904	807
Profit after taxation	731	503	558	326	1,030	1,007	375	705	613
Cash dividend	480	390	390	240	600	400	225	201	213
Bonus share	-		-	-	-	200	-	242	188
Capital expenditure (addition during the year)	382	323	185	326	926	4,147	2,055	757	1,099
Cash Flows									
Operting activities	2,255	1,536	1,207	(249)	689	(3,490)	2,945	(597)	(590)
Investing activities	(215)	(172)	(169)	(313)	950	(4,222)	(2,039)	727	(2,339)
Financial activities	(475)	(417)	(646)	(155)	(1,371)	2,916	737	141	574
Cash & cash equivalents at the end of the year	(4,640)	(6,205)	(7,152)	(7,543)	(6,826)	(7,094)	(2,298)	(3,941)	(4,212)

KEY INDICATORS		2015	2014	2013	2012	2011	2010	2009	2008	2007
Profitability Ratios										
Gross profit ratio	%	10.6	12.9	11.6	11.4	11.4	16.5	9.5	14.8	14.7
Net profit to Sales	%	4.1	3.1	3.1	1.9	6.5	7.5	3.0	5.8	6.3
EBITDA Margin to Sales	%	9.4	10.2	9.1	9.6	13.1	13.6	10.0	13.1	13.8
Operating Leverage	%	0.0	(0.5)	(0.1)	(3.6)	0.7	5.2	(10.5)	0.8	0.9
Return on Shareholders' Equity with Surplus on revaluation of fixed assets	%	11.5	8.4	9.4	6.3	19.5	21.6	9.3	18.6	26.2
Return on Shareholders' Equity without Surplus on revaluation of fixed assets	%	15.3	11.4	12.9	7.8	24.2	30.5	14.1	29.4	33.6
Return on Capital Employed	%	18.8	20.8	16.9	18.0	32.4	15.8	15.6	25.8	31.5
Return on Total Assets	%	9.7	8.4	8.7	6.9	13.2	8.4	8.9	12.6	13.2

Rs. Million

		2015	2014	2013	2012	2011	2010	2009	2008	2007
Liquidity Ratios										
Current ratio	(x)	1.07	1.05	1.08	1.04	1.05	1.00	1.07	1.19	1.17
Quick / Acid test ratio	(x)	0.49	0.36	0.39	0.25	0.47	0.30	0.61	0.34	0.51
Cash to Current Liabilities	(x)	(0.73)	(0.64)	(0.91)	(0.81)	(0.83)	(0.81)	(0.47)	(0.73)	(0.84)
Cash flow from Operations to Sales	(x)	0.13	0.09	6.81	(1.48)	4.35	(25.91)	23.91	(4.95)	(6.08)
Activity / Turnover Ratios										
Inventory turnover ratio	times	4.3	2.1	2.9	2.0	3.0	1.8	5.0	2.2	2.5
Inventory turnover in days	days	84	171	126	179	124	198	73	163	146
Debtor turnover ratio	times	8.7	8.2	9.6	11.2	9.5	9.9	13.1	9.8	12.1
Debtor turnover in days	days	42	44	38	33	38	37	28	37	30
Creditor turnover ratio	times	7.9	4.5	20.4	11.0	11.9	13.8	10.0	9.8	15.9
Creditor turnover in days	days	46	82	18	33	31	26	37	37	23
Total assets turnover ratio	times	1.3	1.0	1.2	1.1	1.1	0.7	1.1	1.1	1.1
Fixed assets turnover ratio	times	4.9	4.7	5.1	6.0	5.9	1.4	2.1	2.9	3.5
Operating cycle in days	days	80	134	146	179	131	209	64	163	153
Capital employed turnover ratio	times	2.6	2.5	2.6	2.9	2.8	1.3	1.9	2.3	2.7
Investment / Market Ratios										
Earnings per share - basic and diluted	Rs.	6.1	4.2	4.7	2.7	8.6	8.4	3.8	7.1	7.4
Price earning ratio	times	11	11.8	9.7	10.4	5.8	6.7	12.3	17.1	20.1
Dividend Yield ratio	%	6.0	6.6	7.2	7.1	10.1	10.7	4.9	4.6	4.8
Dividend Payout ratio	%	65.7	77.6	69.8	73.6	58.2	59.5	60.0	62.8	65.5
Dividend per share - Cash	Rs.	4	3.25	3.25	2.00	5.00	4.00	2.25	2.50	3.75
Bonus shares	Rs.	-	-	-	-	-	2.00	-	3.00	3.30
Dividend Cover	times	1.52	1.29	1.43	1.36	1.72	2.10	1.67	2.82	1.96
Market value per share at the end of the year	Rs.	67	49	45	28	50	56	46	121	148
Market value per share high during the year	Rs.	87	61	49	52	71	72	57	173	168
Market value per share low during the year	Rs.	45	40	28	26	44	46	44	107	98
Break-up value per share with revaluation of fixed assets	Rs.	53	50	50	43	44	47	40	46	41
Break-up value per share without revaluation of fixed assets	Rs.	40	37	36	35	36	33	27	29	32
Capital Structure Ratios										
Financial leverage ratio	(x)	1.9	3.2	2.7	3.3	2.8	6.1	4.3	4.4	5.0
Weight avg: cost of debts	(x)	5.8	9.9	7.2	8.3	5.6	2.6	9.1	8.0	7.9
Total Debt : Equity ratio	(x)	52:48	63:37	66:34	70:30	67:33	81:19	64:36	64:36	73:27
Interest cover	times	2.3	1.7	1.9	1.3	2.0	6.6	1.4	3.0	3.2
Value Addition										
Employees as remuneration	Rs. in million	904	728	657	592	610	472	374	350	293
Government as taxes	Rs. in million	2,534	2,700	2,599	1,999	3,027	2,900	2,110	1,940	1,775
Shareholders as dividends	Rs. in million	480	390	390	240	600	600	225	443	401
Retained within the business	Rs. in million	251	113	168	86	430	427	163	275	225
Financial charges to providers of finance	Rs. in million	488	779	699	1,037	607	257	535	450	332

Vertical Analysis

Rs. Million

	2015	%	2014	%	2013	%	2012	%	2011	%	2010	%	2009	%
OPERATING RESULTS														
Sales - Net	17,674	100.0	16,341	100.0	17,730	100.0	16,802	100.0	15,851	100.0	13,472	100.0	12,319	100.0
Cost of sales	15,795	89.4	14,240	87.1	15,665	88.4	14,893	88.6	14,039	88.6	11,250	83.5	11,152	90.5
Gross profit	1,879	10.6	2,102	12.9	2,065	11.6	1,909	11.4	1,812	11.4	2,222	16.5	1,167	9.5
Administrative, Selling and Distribution expenses	778	4.4	764	4.7	744	4.2	580	3.5	617	3.9	519	3.9	427	3.5
Other operating expenses	82	0.5	73	0.4	71	0.4	41	0.2	192	1.2	227	1.7	6	0.0
Other operating income	402	2.3	166	1.0	149	0.8	140	0.8	872	5.5	121	0.9	267	2.2
Profit before finance costs	1,420	8.0	1,431	8.8	1,398	7.9	1,428	8.5	1,876	11.8	1,597	11.9	1,001	8.1
Finance costs	488	2.8	779	4.8	699	3.9	1,037	6.2	607	3.8	257	1.9	535	4.3
Profit before taxation	933	5.3	652	4.0	699	3.9	391	2.3	1,269	8.0	1,340	9.9	466	3.8
Taxation	202	1.1	149	0.9	141	0.8	65	0.4	239	1.5	333	2.5	94	0.8
Profit for the year	731	4.1	503	3.1	558	3.1	326	1.9	1,030	6.5	1,007	7.5	372	3.0
BALANCE SHEET														
Property, plant and equipment	3,622	27.6	3,502	21.6	3,465	23.8	2,804	18.6	2,679	19.3	9,905	52.9	5,987	53.6
Investments	2,743	20.9	2,593	16.0	2,584	17.7	2,584	17.1	2,584	18.6	106	0.6	-	-
Other non current assets	21	0.2	18	0.1	18	0.1	14	0.1	26	0.2	18	0.1	24	0.2
Current assets	6,752	51.4	10,133	62.4	8,500	58.4	9,665	64.2	8,623	62.0	8,709	46.5	5,168	46.2
Total assets	13,138	100.0	16,247	100.0	14,566	100.0	15,066	100.0	13,911	100.0	18,738	100.0	11,179	100.0
Shareholders' equity	4,782	36.4	4,423	27.2	4,339	29.8	4,175	27.7	4,264	30.7	3,304	17.6	2,660	23.8
Surplus on revaluation of fixed assets	1,561	11.9	1,582	9.7	1,605	11.0	1,003	6.7	1,008	7.2	1,367	7.3	1,379	12.3
Non current liabilities	458	3.5	568	3.5	756	5.2	589	3.9	405	2.9	5,359	28.6	2,302	20.6
Current portion of long term financing	150	-	150	0.9	-	0.0	321	2.1	238	1.7	600	3.2	408	3.6
Short term borrowings	4,664	35.5	6,277	38.6	7,158	49.1	7,564	50.2	6,839	49.2	7,116	38.0	3,533	31.6
Other current liabilities	1,522	11.6	3,247	20.0	708	4.9	1,414	9.4	1,157	8.3	992	5.3	896	8.0
Total equity and liabilities	13,138	100.0	16,247	100.0	14,566	100.0	15,066	100.0	13,911	100.0	18,738	100.0	11,179	100.0
CASH FLOWS														
Net cash generated from/ (used in) operating activities	2,255	144.1	1,536	162.2	1,207	308.2	(249)	34.7	689	257.1	(3,490)	72.8	2,945	179.2
Net cash inflows/(outflows) from investing activities	(215)	(13.7)	(172)	(18.2)	(169)	(43.1)	(313)	43.7	950	354.4	(4,222)	88.0	(2,039)	(124.1)
Net cash (outflows)/inflows from financing activities	(475)	(30.4)	(417)	(44.0)	(646)	(165.1)	(155)	21.6	(1,371)	(511.6)	2,915	(60.8)	737	44.9
Net increase/(decrease) in cash and cash equivalents	1,565	100.0	947	100.0	392	100.0	(717)	100.0	268	100.0	(4,797)	100.0	1,643	100.0

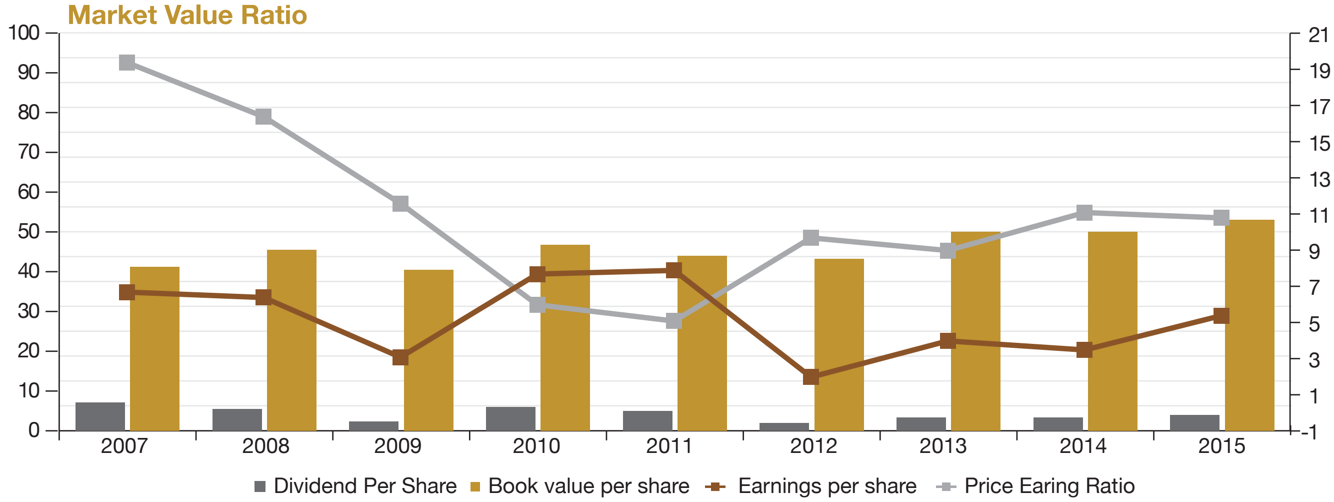
Horizontal Analysis

Rs. Million

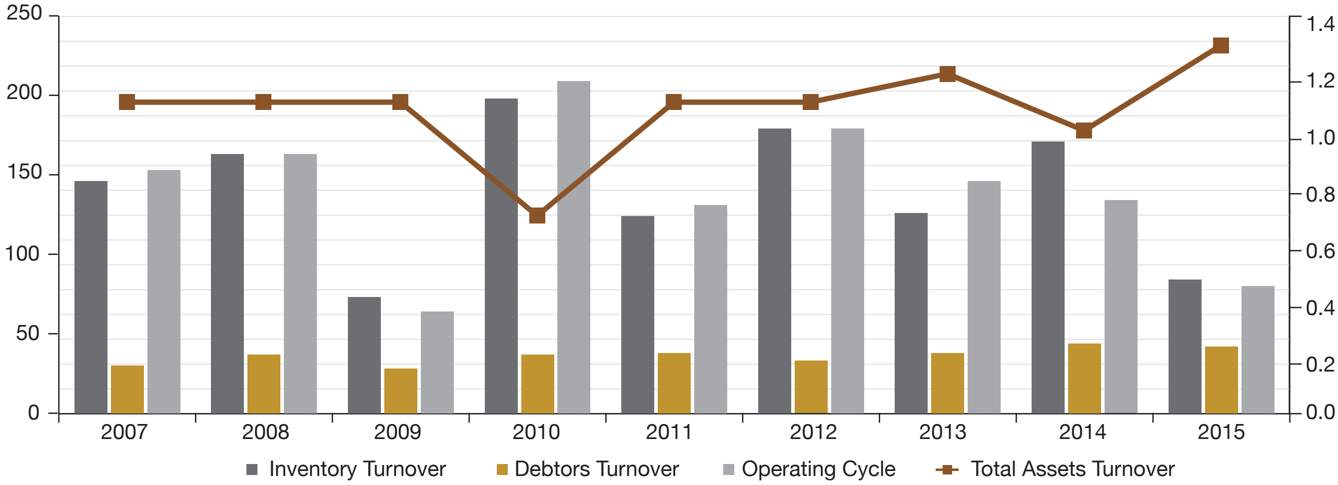
	2015	%	2014	%	2013	%	2012	%	2011	%	2010	%	2009	%
OPERATING RESULTS														
Sales - Net	17,674	8.2	16,341	(7.8)	17,730	5.5	16,802	6.0	15,851	17.7	13,472	9.4	12,319	2.1
Cost of sales	15,795	10.9	14,240	(9.1)	15,665	5.2	14,893	6.1	14,039	24.8	11,250	0.9	11,152	8.5
Gross profit	1,879	(10.6)	2,102	1.8	2,065	8.1	1,909	5.4	1,812	(18.5)	2,222	90.4	1,167	(34.7)
Administrative, Selling and Distribution expenses	778	1.9	764	2.6	744	28.3	580	(5.9)	617	18.8	519	21.5	427	4.1
Other operating expenses	82	12.0	73	2.1	71	74.8	41	(78.7)	192	(15.5)	227	3683.3	6	(97.1)
Other operating income	402	141.7	166	11.4	149	6.8	140	(84.0)	872	620.9	121	(54.7)	267	44.3
Operating profit/(loss) before finance costs	1,420	(0.7)	1,431	2.4	1,398	(2.1)	1,428	(23.9)	1,876	17.5	1,597	59.5	1,001	(26.1)
Finance costs	488	(37.4)	779	11.5	699	(32.6)	1,037	71.0	607	136.1	257	(52.0)	535	18.9
Profit/(loss) before taxation	933	43.1	652	(6.8)	699	79.0	391	(69.2)	1,269	(5.3)	1,340	187.5	466	(48.5)
Taxation	202	35.9	149	5.8	141	117.6	65	(72.9)	239	(28.2)	333	254.3	94	(52.8)
Profit for the year	731	45.3	503	(9.9)	558	71.3	326	(68.4)	1,030	2.3	1,007	170.6	372	(47.2)
BALANCE SHEET														
Property, plant and equipment	3,622	3.4	3,502	1.1	3,465	23.6	2,804	4.7	2,679	(73.0)	9,905	65.4	5,987	43.5
Investments	2,743	5.8	2,593	0.4	2,584	0.0	2,584	0.0	2,584	2337.3	106	100.0	-	-
Other non current assets	21	13.9	18	4.2	18	27.3	14	(46.5)	26	43.8	18	(25.0)	24	60.0
Current assets	6,752	(33.4)	10,133	19.2	8,500	(12.1)	9,665	12.1	8,623	(1.0)	8,709	68.5	5,168	(19.7)
Total assets	13,138	(19.1)	16,247	11.5	14,566	(3.3)	15,066	8.3	13,911	(25.8)	18,738	67.6	11,179	5.2
Shareholders' equity	4,782	8.1	4,423	1.9	4,339	3.9	4,175	(2.1)	4,264	29.1	3,304	24.2	2,660	10.9
Surplus on revaluation of fixed assets	1,561	(1.3)	1,582	(1.5)	1,605	60.0	1,003	(0.4)	1,008	(26.3)	1,367	(0.9)	1,379	(0.9)
Non current liabilities	458	(19.4)	568	(24.9)	756	28.3	589	45.3	405	(92.4)	5,359	132.8	2,302	62.6
Current portion of long term financing	150	100.0	150	100.0	-	(100.0)	321	35.1	238	(60.4)	600	47.1	408	(3.1)
Short term borrowings	4,664	(25.7)	6,277	(12.3)	7,158	(5.4)	7,564	10.6	6,839	(3.9)	7,116	101.4	3,533	(11.0)
Other current liabilities	1,522	(53.1)	3,247	358.9	708	(50.0)	1,414	22.2	1,157	16.7	992	10.7	896	(13.1)
Total equity and liabilities	13,138	(19.1)	16,247	11.5	14,566	(3.3)	15,066	8.3	13,911	(25.8)	18,738	67.6	11,179	5.2
CASH FLOWS														
Net cash generated from/ (used in) operating activities	2,255	46.8	1,536	27.3	1,207	(584.3)	(249)	(136.1)	689	(119.8)	(3,490)	(218.5)	2,945	(593.3)
Net cash inflows/(outflows) from investing activities	(215)	24.5	(172)	2.2	(169)	(46.1)	(313)	(132.9)	950	(122.5)	(4,222)	107.1	(2,039)	(380.5)
Net cash (outflows)/inflows from financing activities	(475)	14.0	(417)	(35.5)	(646)	317.4	(155)	(88.7)	(1,371)	(147.0)	2,915	295.5	737	422.7
Net increase/(decrease) in cash and cash equivalents	1,565	65.4	947	141.8	392	(154.6)	(717)	(367.5)	268	(105.6)	(4,797)	(392.0)	1,643	506.3

Key Operating Highlights

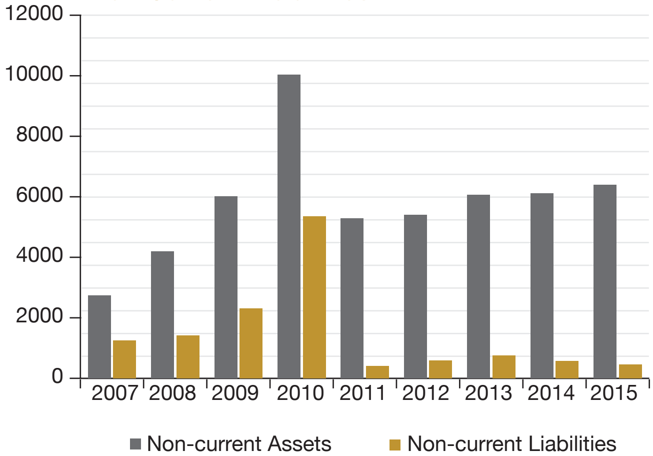
Market Value Ratio



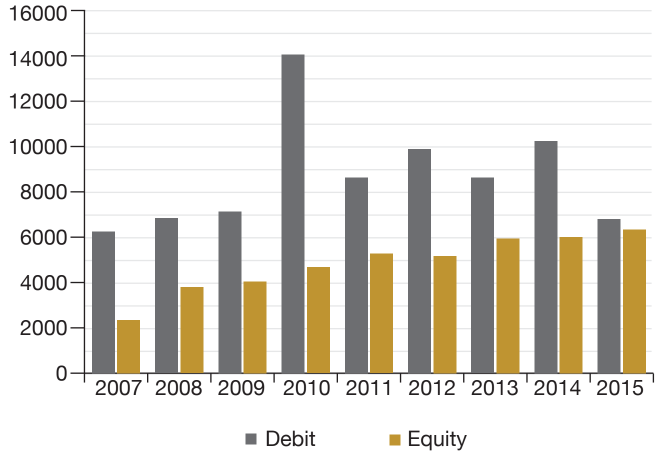
Asset Management Ratio



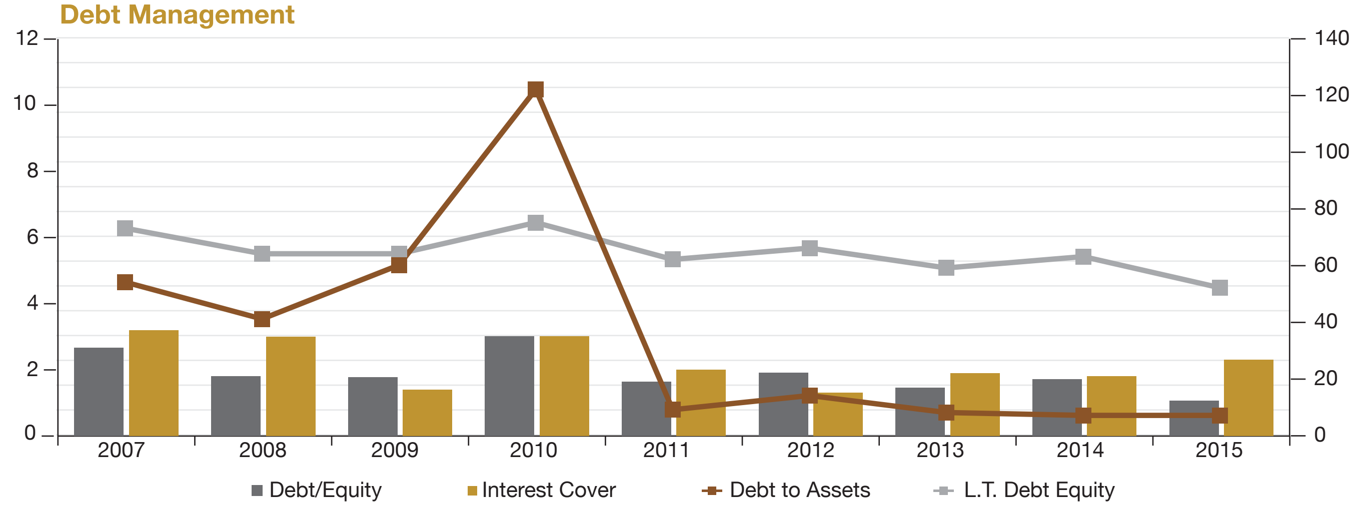
Non Current Assets and Non Current Liabilities



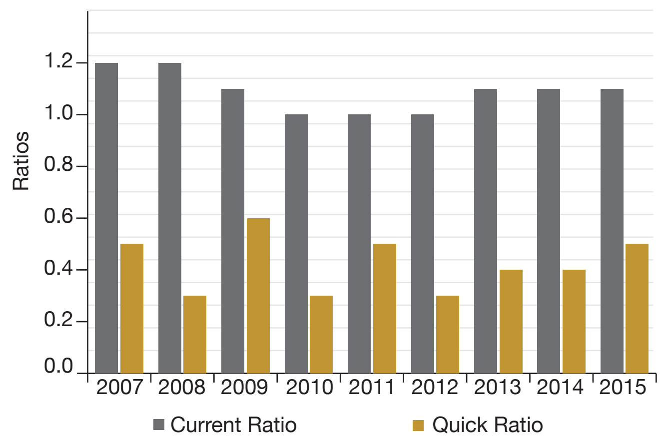
Debt and Equity Ratio



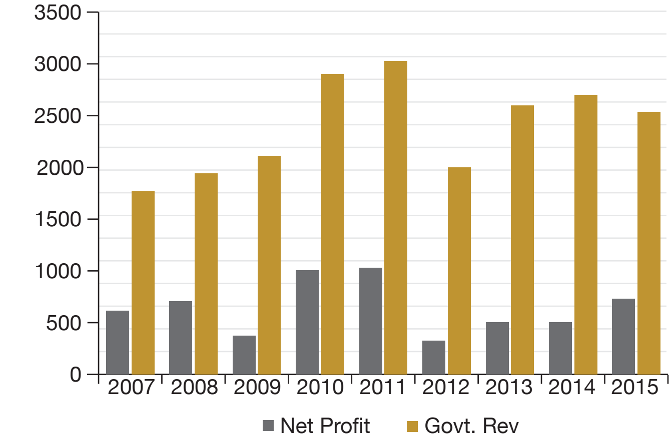
Debt Management



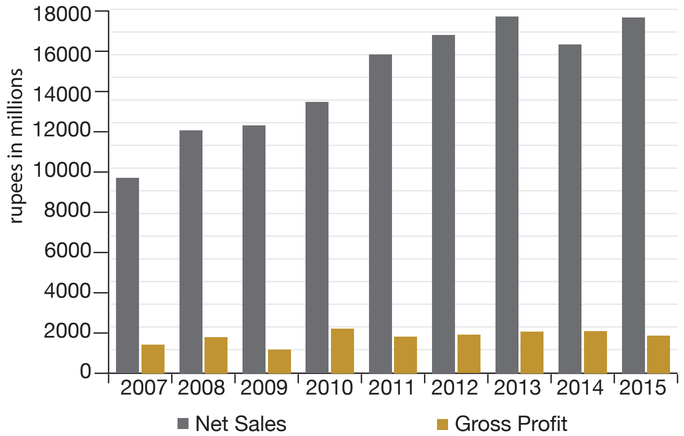
Liquidity



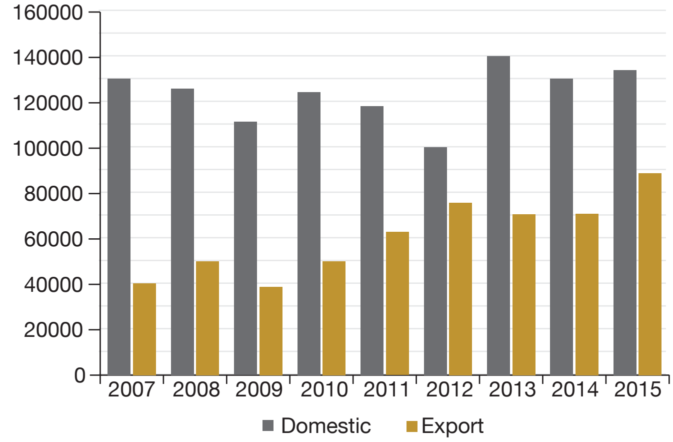
Net Profit and Government Revenue



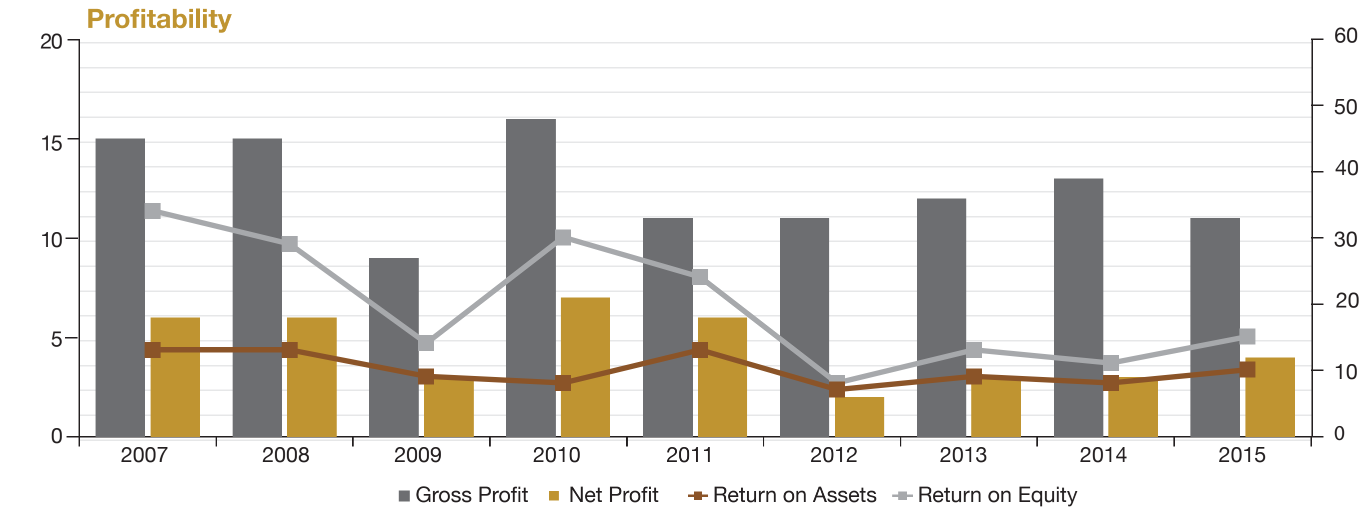
Net Sales and Gross Profit

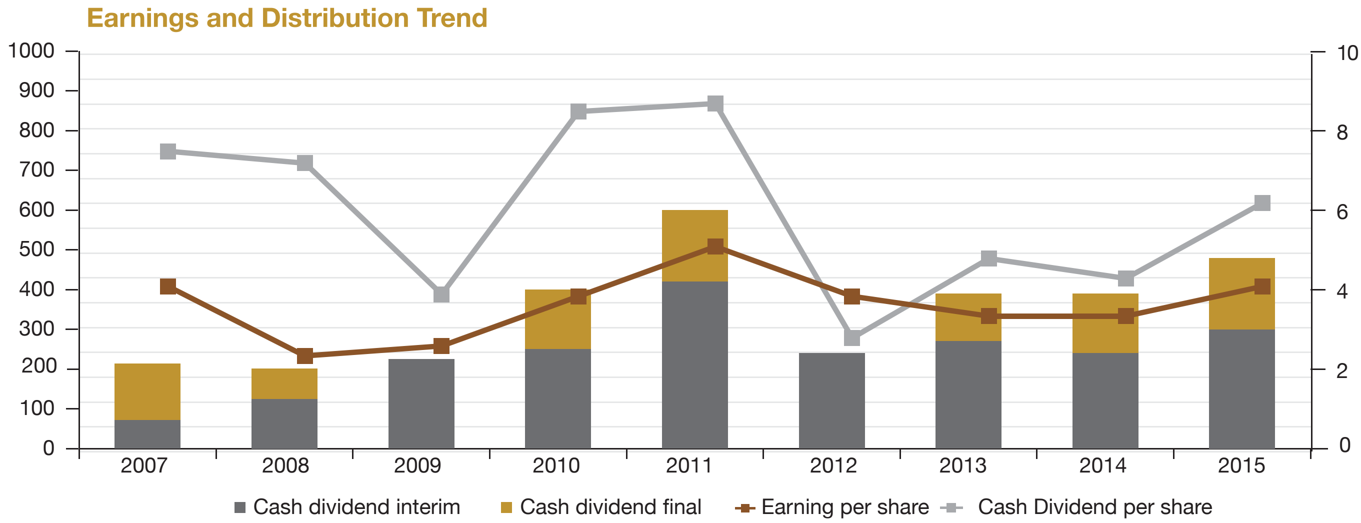


Sales Breakup



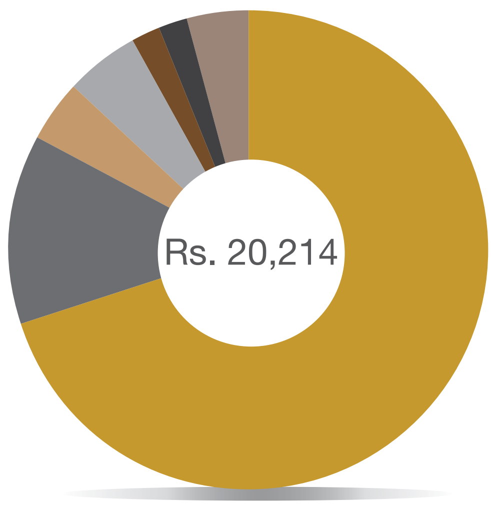
Key Operating Highlights

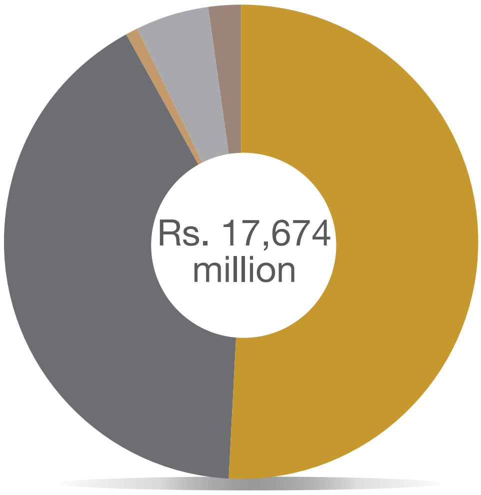




Application of Gross Revenue

Material	70%
Duties and taxes	13%
Manpower	4%
Factory and other cost	5%
Trade discounts and commission	2%
Financial charges	2%
Dividend and retention	4%
Society as donation	0%



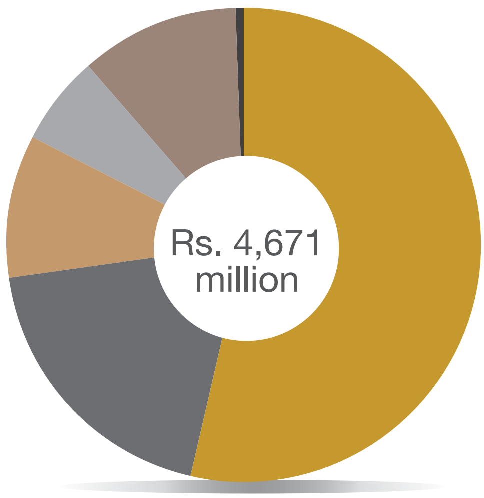


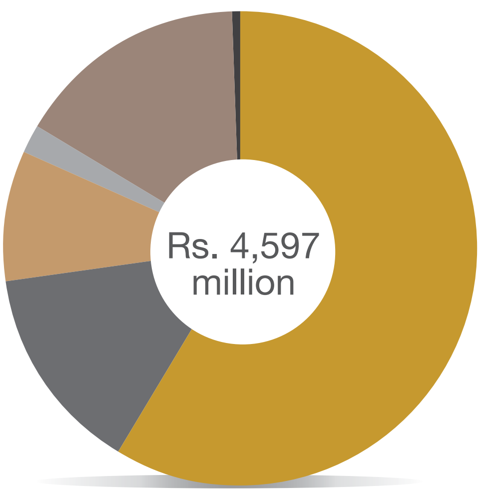
Product Wise Performance

Galvanised steel pipes	51
Precision steel tubes	41
API line pipes	1
Polyethylene pipes	5
Others	2

Value Addition and Distribution during 2015

Government as taxes	54
Employees as remuneration	19
Shareholders as dividends	10
Retained within the business	6
Financial charges	11
Society as donation	0.3





Value Addition and Distribution during 2014

Government as taxes	59
Employees as remuneration	14
Shareholders as dividends	9
Retained within the business	2
Financial charges	16
Society as donation	0.3

Profile of the Board of Directors

Mr. Zaffar A. Khan - Chairman
Director since: January 22, 2009
Chairman since: August 12, 2011

Mr. Zaffar A. Khan graduated as a Mechanical Engineer in 1967 and soon thereafter joined Exxon Chemical which, following an employee-led buyout, became Engro Chemical in Pakistan. He retired from the company in 2004 after serving for 35 years, the last 6 of which were as President & CEO. During the early years of his career, he served Exxon Chemical for 10 years in Hong Kong, Singapore and USA in the petrochemicals business. He has completed an Advanced Management Program from the University of Hawaii and has attended short courses at INSEAD and the Harvard Business School. Mr. Zaffar A. Khan has been a Director on a number of diverse boards both in the private and public sector. He has served as Chairman Engro Vopak, Engro Polymers, Pakistan Telecommunications Co., the Karachi Stock Exchange and Pakistan International Airlines. He has also served as President of the Overseas Chamber of Commerce and Industry and on several committees of the Government of Pakistan in an advisory capacity. He has been conferred the Sitara-e-Imtiaz. Currently he is an adjunct professor at the Institute of Business Administration and is also serving on the Boards of Shell Pakistan, Askari Bank Ltd., Privatization Commission of Pakistan, Acumen Pakistan and Pakistan Centre for Philanthropy.

Mr.Riyaz T. Chinoy
Chief Executive Officer
Director since: August 30, 2007

Mr. Riyaz T. Chinoy took over as CEO on August 12, 2011 after serving in the Company since 1992 and growing through various positions. A qualified engineer by profession with a BSc in Industrial Engineering from Case Western Reserve University, USA. He is also a certified ISO 9001 Lead Auditor and a Certified Director from the Pakistan Institute of Corporate Governance. He has had extensive experience of production operations, procurement and all project and development activity at IIL. He was previously employed by Pakistan Cables Limited as Commercial Projects Manager and prior to that, as Project Engineer. He has served as Chairman of the Landhi Association of Trade and Industry and Amir Sultan Chinoy Foundation and is a member of the Pakistan-India CEO's Business Forum, Pak-Australia Business Forum, The Institute of Industrial Engineers Pakistan and the Pakistan Engineering Council. He is also the Chairman of IIL Australia Pty Limited and IIL Stainless Steel (Pvt.) Limited, the two fully owned subsidiaries of IIL. Lastly, he also a director of the Citizens Trust against Crime (CTAC) and Pakistan Institute of Corporate Governance (PICG).

Mr. Azam Faruque
Director since: November 26, 2009

Mr. Azam Faruque is the CEO of Cherat Cement Co. Ltd, a Ghulam Faruque Group (GFG) company. He graduated in Electrical Engineering and Computer Science from Princeton University, USA, and also possesses an MBA (High Honors) from the University of Chicago Booth School of Business, USA. Apart from the 28 years he has spent in the cement industry and other GFG businesses, he has served as a member on the boards of State Bank of Pakistan, National Bank of Pakistan and Oil and Gas Development Corporation Ltd. He has also served as a member of the Board of Governors of GIK Institute and was a member of the National Commission of Science and Technology. He also served on the board of the Privatization Commission of the Government of Pakistan. Currently he is also a director of Atlas Asset Management Ltd, Cherat Packaging Ltd, Faruque (Pvt.) Ltd, Madian Hydro Power Ltd., and Greaves Pakistan (Pvt.) Ltd.

Mr. Fuad Azim Hashimi

Director since : June 22, 2005

Mr. Fuad Azim Hashimi is a Fellow Member of the Institute of Chartered Accountants in England & Wales. He has over 45 years of experience in public accounting and diversified business and commercial ventures in banking, sales and marketing, information technology and fund management. Mr. Hashimi is a member of the Private Sector Advisory Group of Global Corporate Governance Forum and currently heads the Pakistan Institute of Corporate Governance.

He was a partner at A.F. Ferguson & Co., a member firm of Price Waterhouse & Co. and Dubai, Bankers Equity Ltd., Gestetner Holdings PLC / Ricoh Company (Japan), Jaffer Group of Companies, Dawood Group and National Investment Trust Limited. From a Corporate Governance perspective, he has served as a non-executive director on the boards of Burj Bank Ltd., Crescent Commercial Bank Ltd., Clariant Pakistan Ltd., National Refinery Ltd., Pakistan Security Printing Corporation and Pakistan Cables Ltd.

Mr. Tariq Ikram

Director since: September 8, 2011

Mr. Tariq Ikram completed his Bachelor's in Sciences and Masters in English Literature in 1967 from the then Government College Lahore. He studied International Relations, US History and British History and then qualified the CSS exam in 1969-70. However he decided not to join government service and opted for the private sector. In 1970 joined Reckitt & Colman, presently Reckitt Benckiser (Pvt.) Ltd, where he rose to the level of CEO in 1983. Later, he was entrusted with larger responsibility as Regional Head and progressed to becoming responsible for a wide territory from Pakistan to North Africa, covering 31 countries.

His vast experience includes directorship on the Boards of Reckitt Benckiser, Reckitt and Colman Nigeria (Pvt.) Ltd., Robinsons Foods (Pvt.) Ltd., Bangladesh, Atlantis (Pvt.) Ltd., Egypt, Karachi Port Trust, K-Electric (formerly known as KESC) and Pakistan Petroleum Ltd (PPL). He has also been the Chairman of Reckitt & Colman Egypt (Pvt.) Ltd and Chairman & CEO of Expo Lahore (Pvt.) Ltd. Currently, in addition to International Industries, he serves on the Boards of Habib Metropolitan Bank Ltd. and Tasha Enterprises (Pvt.) Ltd. He is also the Chairman of, the Audit Committee of HMB Bank and of the HR Committee of International Industries Limited.

Mr. Ikram has served in prestigious positions as the elected President of the Overseas Chamber of Commerce and Industry, Management Association of Pakistan and Marketing Association of Pakistan. He founded the Pakistan Advertisers Society and Pakistan Research Society and was the founder President of both.

Mr. Ikram was invited by the President of Pakistan to join the government in year 2000 as a Federal Minister of State and Chairman of the then Export Promotion Bureau. Later he was appointed as the Chief Executive of Trade Development Authority of Pakistan, member of the Economic Co-ordination Committee of Pakistan and President of the Textile Institute of Pakistan, a prestigious institute offering five degree courses in textiles and apparel.

Mr. Ikram was awarded Sitara-e-Imtiaz by the President of Pakistan and received honourable mention in the book authored by General (R) Pervez Musharraf 'In the Line of fire'. He was awarded Gold medals for his services by the Federation of Chamber of Commerce and Industries and the Rice Exporters Association of Pakistan.

Presently, he is also a visiting faculty and speaker at Pakistan Institute of Corporate Governance, Institute of Business Administration Karachi, Lahore University of Management Sciences, Lahore National Management College, National Institute of Management, the National Defence University.

In pursuit of his philanthropic aims, Mr. Ikram has founded an orphanage in Jhelum, under the name of 'Saiya Homes', where he is now the Chairman of the Board.

Profile of the Board of Directors

Mr. Mustapha A. Chinoy
Director since: February 6, 1984

Mr. Mustapha A. Chinoy is a B.Sc in Economics from Wharton School of Finance, University of Pennsylvania, USA with majors in Industrial Management and Marketing. Upon return from United States, he took up the position of Marketing Manager at International Industries Ltd. He is currently the Chairman of Pakistan Cables Ltd., Security Papers Ltd. and a director on the Board of International Steels Ltd., Travel Solutions (Pvt) Ltd., Global E-Commerce Services (Pvt.) Ltd., Crea8ive Bench (Pvt.) Ltd., Universal Training & Development (Pvt.) Ltd. and Global Reservation (Pvt.) Ltd. He is the Chief Executive of Intermark (Pvt.) Ltd. He has previously served on the Board of Union Bank Ltd. until it was acquired by Standard Chartered Bank.

Mr. Kamal A. Chinoy
Director since: February 6, 1984

Mr. Kamal A. Chinoy is Chief Executive of Pakistan Cables Ltd. He graduated from the Wharton School, University of Pennsylvania, USA.

He serves on the Board of Directors of ICI Pakistan Ltd, International Industries Ltd., International Steels Ltd, NBP Fullerton Asset Management Ltd (NAFA), and Atlas Battery Ltd. & is Chairman of Jubilee Life Insurance. He is also Honorary Consul General of the Republic of Cyprus.

Mr. Kamal A. Chinoy is a member of the Executive Committee of the International Chamber of Commerce (ICC) Pakistan and Past President of the Management Association of Pakistan (MAP). He is also serving on the Board of Governors of Army Burn Hall Institutions.

He has previously served as the Chairman of the Aga Khan Foundation (Pakistan). He has also served as a Director of Pakistan Centre of Philanthropy, Pakistan Security Printing Corporation, Atlas Insurance & First International Investment Bank (an Amex JV). He has also served on the Undergraduate Admissions Committee of the Aga Khan University and the University of Pennsylvania Alumni Committee for Pakistan.

He is advisor to Tharpak, a consortium of international companies interested in developing the Thar coal field.

He is a “Certified Director” having been certified by the Pakistan Institute of Corporate Governance.

Mr. Aly Noormahomed Rattansey

Director since: October 4, 2013

Mr. Rattansey is a fellow member of the Institute of Chartered Accountants in England & Wales, and also a fellow member of the Institute of Chartered Accountants of Pakistan. He has over 40 years of experience in the fields of audit, accounting, taxation and corporate consultancy. He was associated with M/s A. F. Ferguson & Co. Chartered Accountants, (A member firm of PricewaterhouseCoopers in Pakistan) for 31 years, including 23 years working as a Partner.

He has significant exposure of the corporate sector in Pakistan, including subsidiaries of leading multinational companies operating in Pakistan and considerable liaison with related regulatory agencies & the government.

Mr. Rattansey is on the Board of Jubilee General Insurance Company Limited, Jubilee Life Insurance Company, Aga Khan Rural Support Program and Rural Support Program Network.

Ms. Nargis Ghaloo

Director since: December 3, 2015

Ms. Nargis Ghaloo is the Chairperson of State Life Insurance Corporation of Pakistan and is also on the Board of Public & Private sector companies as a shareholders representative.

She holds a Master's Degree in English from University of Sindh in the year 1981; subsequently she cleared the competitive examination in the year 1982.

During her service at leading position on various organizations she participated in prestige courses such as "Negotiation and Dispute Resolution Workshop" Singapore in 1992, "Executive Leadership Development Program" at John F. Kennedy School of Government, Harvard University in 2005, "National Manager Course" at National Management College Lahore in 2009, "Public Sector Administration and Financial Management" at Singapore in 2014.

She is an officer of Federal Government in BPS 22, has formerly held the positions of Additional Secretary Cabinet Division, Government of Pakistan, DG President Secretariat, Secretary Women Development, Executive Director State Life Insurance Corporation. In addition she had also various administrative assignments in Federal & Provincial Government.

She is a "Certified Director" having been certified by the Pakistan Institute of Corporate Governance.

From the Chairman's Desk

The Company achieved sales volume of 223,000 tons in the fiscal year under review which is a new record. The Profit after Tax (PAT) achieved is a healthy Rs 731 million which is 45% higher than the figure reported the previous year. The PAT figure received a boost due to the receipt of dividend income of Rs. 245 million from its subsidiary International Steel Limited (ISL). The profitability of the base business was Rs. 501 million compared to Rs. 496 million reported last year.

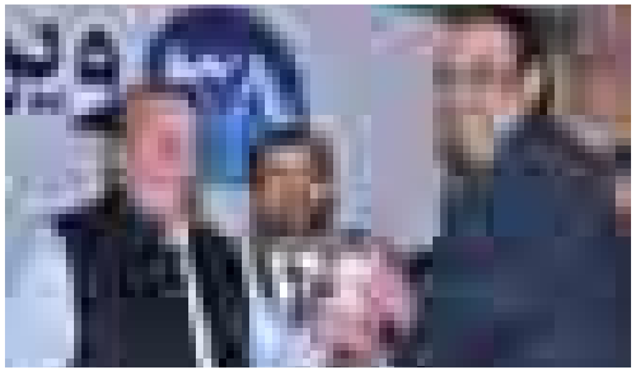
On the whole, it was a challenging year for the base business. The sharp declining trend in the global prices of commodities including the price of our primary raw material namely steel resulted in a drawdown of inventory by our customers in anticipation of cheaper purchases. This dampened ordering by our domestic dealers. The Company made special efforts to boost exports and succeeded in offsetting the shortfall in domestic sales. Further, protectionism in our traditional export markets caused overall export margins to decline.

There were other factors impacting our business which were linked with government policy. These were (i) the unwillingness of Customs authorities to recognise us as a Cold Roller thereby making our raw material import duty 17.5% otherwise importable @ 5% (ii) inability to process timely refunds which presently stand at Rs. 1.8 billion for the group (iii) the anomaly in tax structure which allows scrap importers to adjust input sales tax but does not allow local producers to do the same on the scrap generated.

The Board of Directors met 7 times during the year. Aside from dealing with the normal routine functions the Board focused on the future strategy to grow IIL's earnings. During the course of the year the Company's wholly-owned subsidiary IIL Australia Pty. Ltd became operational as did the new company IIL Stainless Steel (Pvt.) Ltd. Good progress has also been made in setting up the large diameter pipe project and the new warehouse in Sheikhupura. All these initiatives are expected to contribute appreciably to the longer term profitability of the Company. A sharper focus on the existing plastics pipes business of the Company has resulted in a turnaround with improved prospects going forward.

IIL's major subsidiary International Steel Limited (ISL) in which it has 56.33% shareholding has now been reporting its business results separately for 4 years. ISL reported PAT of Rs. 202 million for the outgoing year down from Rs. 690 million reported in the same period last year. The enhanced import duty tariff on raw material and product dumping by importers were the principal factors eroding the profitability. Efforts are in hand to address these issues with the authorities.

In keeping with tradition the Company received FPCCI's Best Export Performance Award for the 15th time. The Company also received the Top 25 Companies Award for 2013-14 and The Prime Minister's Export & Innovation Award.



The composition of the IIL Board is a good mix of experience, skill sets and sponsor and independent Directors thereby enabling healthy debates on business strategy and good corporate governance practices. All senior management positions are held by experienced and capable individuals. During the year Ms. Nargis Ghaloo, a nominee of State Life Insurance Co. was appointed as a Non-Executive Director on the Board replacing Mr. Muhammad Raeesuddin Paracha. The two Committees of the Board, namely, the Audit Committee and the Human Resources & Remuneration Committee met regularly and fully supported the functioning of the full Board.

Looking ahead, the immediate first quarter is expected to be lean primarily due to seasonality, however, the management is confident that it is well positioned to take advantage of the improved macro-economic environment in the country and benefit as the new strategic initiatives begin to bear fruit.

In closing, on behalf of the Board, I wish to acknowledge the contribution of all our employees to the success of the Company. I also wish to thank our shareholders, customers, suppliers, bankers and other business partners for their confidence and support.

Zaffar A. Khan
Chairman
August 17, 2015

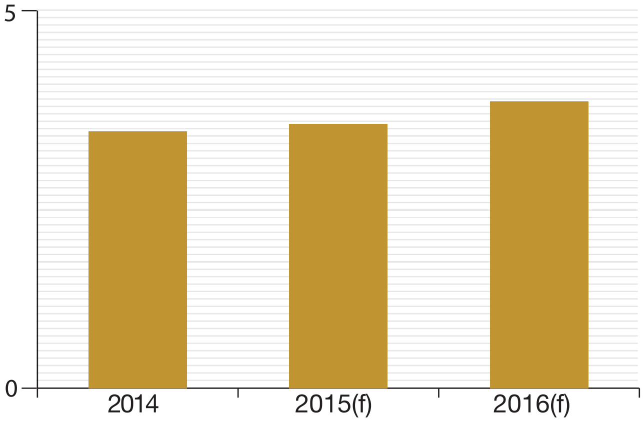
Directors' Report

We are pleased to present the CEO's Performance Review as part of our 67th Annual Report, along with the audited financial statements for the year ended June 30, 2015.

GLOBAL MACROECONOMIC OUTLOOK

The global economy grew by a modest 3.4% during 2014, roughly in line with the previous years reported growth figures. A number of factors weighed in on growth and recovery during this period, notably, declining commodity prices, geopolitical tensions in Ukraine and The Middle East and the sovereign debt crisis afflicting the Eurozone.

World GDP Growth
2014 - 2016(f)



Source: IMF World Economic Outlook, Apri¬l 2015

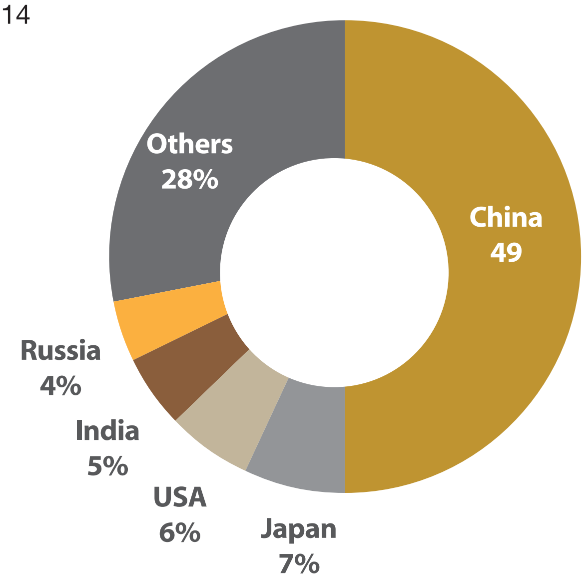
The growth prospects for emerging markets remain weak in light of recent economic developments. The oil price shock witnessed in late 2014 has resulted in downward revisions to growth forecasts for major oil exporters, structural changes in the Chinese economy that reflect a move away from investment to consumption led growth have adversely impacted growth and declining commodity prices are shaping expectations of slower growth in South America. In addition, the expected normalization of US monetary policy poses significant risk of capital flight for emerging markets, which could potentially result in currency crises and funding issues.

Developed market economies have fared relatively better than emerging markets, primarily on the back of stronger than expected growth in the United States, which saw growth averaging approximately 4% annualized in the last three quarters of 2014. The unemployment rate also witnessed a significant decline from the corresponding period last year. However, subpar inflation and the threat of stagnation and deflation in the Eurozone is a constant reminder that substantial risks still remain.

GLOBAL STEEL SCENARIO

World crude steel production touched 1.67 billion metric tons (MT) in 2014. Out of this the Chinese steel industry accounted for roughly 823 million MT, which is more than 50% of global crude steel output. Other major players include Japan 111 million MT, USA 88 million MT, India 83 million MT and Russia 71 million MT.

Share of Global Crude Steel Production
2014



Source: World Steel Association

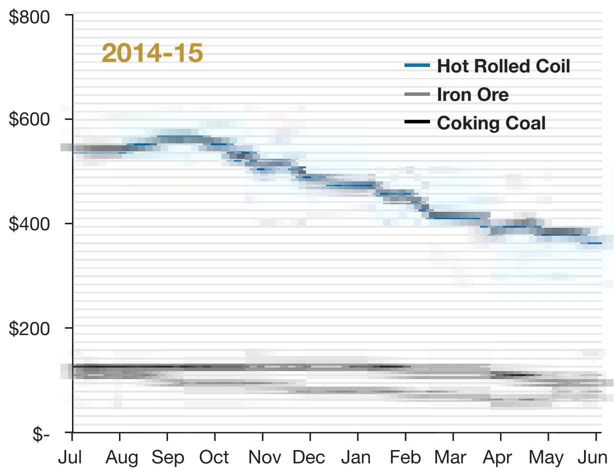
The global steelmaking industry faces a chronic problem of overcapacity, in part due to the diminishing demand for investment in infrastructure as the Chinese economy rebalances itself towards a more sustainable growth path. It is, however, encouraging to see that the Chinese government is actively planning to consolidate the fragmented Chinese steel industry through optimization of organizational structures and mergers and acquisitions (M&A) in the medium to long term. Furthermore, phasing out of obsolete technology is being carried out through tightened environmental laws and regulations. These measures are expected to reduce overcapacity and provide the industry with a greater degree of pricing power.

The price of steel witnessed a sharp decline during the year, driven by plummeting iron ore prices. Gross overcapacity in the iron ore mining industry has resulted in prices more than halving since January 2014. The impact on the steel industry has been significant and many steelmakers, downstream processors and traders have had to close down or reduce their exposure as a result.

Steel prices are by and large dictated by the price of iron ore, coking coal and various ferrous metals. **Prices of hot rolled steel coil fell continuously during the year 2014-15 from US$ 540 to US$ 365 per MT.**

Iron Ore, Coking Coal and Hot Rolled Steel Coil Price

USD Per Ton



Source: Metal Bulletin

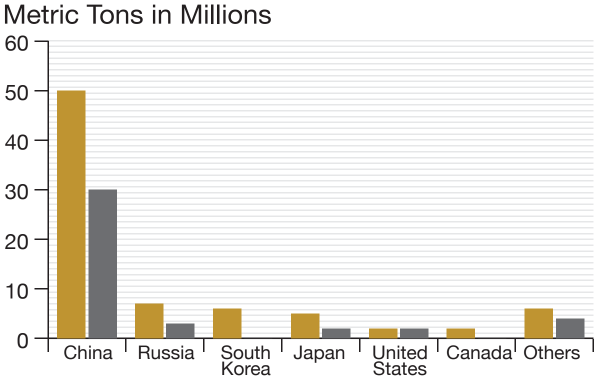
Steel Tube & Pipe Industry

The global steel tube and pipe industry manufactures a broad mix of welded and seamless pipes & tubes. The end use for steel pipes lies primarily in the oil & gas, water and sewage transmission and construction industries, whereas cold rolled steel tubing is used in automotive, home appliance manufacturing and various furniture and fabrication related applications.

World production of tubes and pipes was almost 123 million MT in 2014, approximately 7.5% of global crude steel production. Production of welded tubes and pipes was almost twice that of seamless tubes and pipes due to the limited end uses for seamless pipes, namely, drilling, exploration and other high end uses. Chinese production of steel tubes and pipes almost quadrupled between 2004 and 2014 and is currently 67% of world steel tube and pipe production.

World Steel Tube & Pipe Production

Metric Tons in Millions



Source: World Steel Association

Stainless Steel

Global production of stainless steel was approximately 42 million MT in 2014. The relative size of the industry is much smaller than that of carbon steel due to a narrower range of end uses for stainless steel products and a price that is roughly 6-7 times greater than that of carbon steel equivalents. The higher price is a direct result of greater nickel and chrome content.

Stainless steel pipes are typically suited for end uses that require high corrosion and temperature resistance, and aesthetic appeal. Major end uses of stainless steel pipes and tubes include:

- Chemical and petrochemical processing
- Liquid natural gas piping
- Automotive exhaust systems
- Construction - offshore and humid environments
- Food and pharmaceutical processing
- Desalination and wastewater projects

IIL STAINLESS STEEL PVT. LTD.

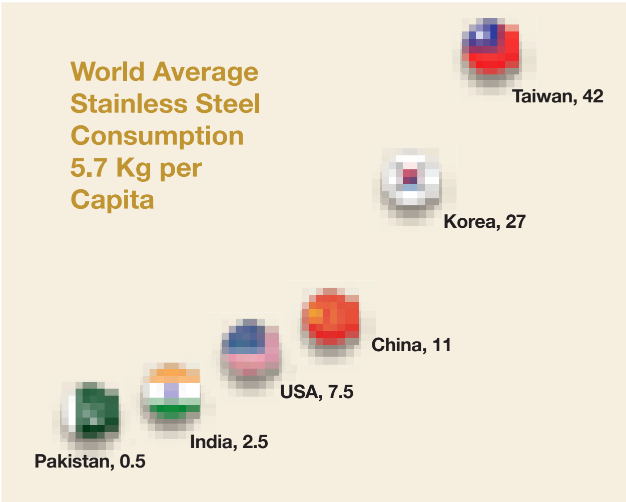
Stainless Reliability

IIL Stainless Steel (Pvt.) Limited was incorporated as a fully owned subsidiary of International Industries Limited (IIL) with capital of Rs. 150 million during the outgoing financial year. The company has commenced commercial production and is engaged in manufacturing and marketing high quality stainless steel pipes and tubes for automotive, industrial and ornamental applications.

The size of the domestic market for stainless steel products is approximately 95,000 MT per annum, out of which roughly 14% is comprised of stainless steel pipes & tubes. This lucrative domestic market for stainless steel pipes & tubes and the absence of large scale import substituting manufacturing has provided us with the opportunity to invest in this particular segment of the steel tube and pipe market.

Pakistan's average stainless steel consumption per capita is approximately 0.5 kg/capita relative to the world average of 5.7 kg/capita, which indicates massive potential for growth that this particular segment of the steel industry possesses.

Per Capita Stainless Steel Consumption
Kg per Capita



DOMESTIC ECONOMY

Pakistan achieved 4.24% GDP growth in fiscal year 2014-15 compared to 4.03% during the previous year.

Other broad macroeconomic indicators also point towards improving economic and financial health of the economy. Inflation rate at 4.8% during July-April 2014-15 remained well below the reported figure of 8.7% during the corresponding period last year. The State Bank of Pakistan also made the timely decision to reduce its policy rate, in line with lower than anticipated inflation. The move is expected to provide much needed relief to the corporate sector. The fiscal deficit for July-March 2014-15 was restricted to 3.8% of GDP, which is marginally lower than the figure of 3.9% reported for the corresponding period last year. The current account deficit for July-April 2014-15 recorded an improvement of 53.5% over the same period last year. It should however be noted that the external account situation is relatively better on account of exogenous factors, i.e. lower oil prices and higher remittances.

Large Scale Manufacturing (LSM) for July-March 2014-15 registered below par growth of 2.5% compared to 4.6% during the corresponding period last year. Growth remained anemic due to a wide range of factors including gas shortages and other industry specific issues. Growth in the iron & steel sector was substantially higher as a result of the bailout package given to Pakistan Steel Mills (PSM), however, the engineering goods sector registered -10.68% growth during the July-March 2014-15 period.

The Pak-China FTA remains an impediment to steel industry growth in the country as major steel products can be imported from China at concessionary duty rates under the current FTA regime, whereas goods from all other countries are importable at the higher rate of tariff. Given that China accounts for roughly 50% world crude steel production and the fact that there is massive overcapacity in the Chinese steel industry, the domestic industry will undoubtedly have to face cheap imports and unfair trade practices under the current tariff regime. It is also unlikely that Pakistan Steel Mills (PSM) can thrive in such an environment despite having received a sizeable bailout package from the government. Furthermore, the absence of a genuine cascading tariff structure inhibits the organic growth of the domestic steel industry.

The World Steel Association's assessment of per capita finished steel consumption for 2014 indicates a world average of approximately 217 kg/capita. Reported estimates of per capita steel consumption in Pakistan are in the range of 40-45 kg/capita, which is well below the world average and indicates immense potential for growth in the domestic steel manufacturing and processing industry.

COMPANY OPERATIONS

Market Share

Your company is the leading tube and pipe manufacturer in the domestic market for GI Pipes, CR Tubes and black & scaffolding pipe and has the largest product range in its relevant segments. It enjoys continuing loyalty from its customers, dealers and business partners.

The Company's Plastics segment caters to water & gas transmission and duct applications, and is continuously evolving to meet the demands of its customers.

Gross Sales

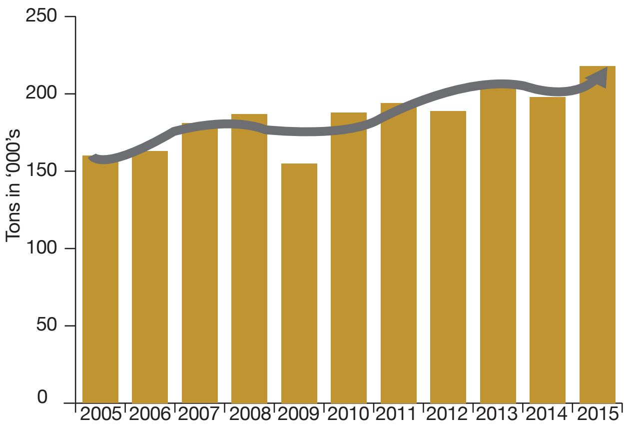
Your Company achieved record gross sales volume of 223,315 MT during the outgoing financial year, with gross turnover crossing Rs. 20 billion, which is 8.4 % higher than last year.

Steel Sales

Record steel sales of roughly 218,421 MT were realized during the outgoing financial year, which is 10% higher than last year. Domestic steel sales remained flat at roughly the same level as last year primarily due to sluggish demand for API Line Pipes from gas utility companies. The absence of growth from the domestic market was however offset by record breaking international sales.

Total Sales Volume, 2004-2015

Metric Tons in 000's



Domestic Steel Sales

Overall domestic sales volume increased by 2% from last year. Sales of GI pipe went up by 8% over previous year, however black and scaffolding pipe volume was up more than 130% over last year on strong demand from the building and construction industry. Sales of CR tubes were 1% less than the previous year.

International Steel Sales

The outgoing year saw **export sales volume** touch a historic high after achieving **growth of roughly 25%** year on year. Pickup in building and construction activity in key export markets propelled sales of GI and Scaffolding/Black pipes to 32% over last year's sales.

Our marketing strategy has allowed us to regain lost market share of CR tubes in our export markets. Sales volume increased by a healthy 10% over the same period last year.

The development of new export markets has finally begun to payoff and we expect the growth momentum to sustain itself in the medium term. The Company continues to explore and develop new markets for export. We currently export to more than 42 destinations worldwide covering 5 continents.

Polyethylene Sales

The Company's **Polyethylene segment registered sales growth of a healthy 42% over last year.** Sales of our MEGAFLO/TERRAFLO brand of water pipe achieved the highest year on year growth of 131%. Sales of our plastics r gas pipe fell by 30%, due to the chronic gas shortage and lack of new investment by gas utility companies in this sector. Sales of our FLEXFLO brand of duct pipe were slow during the year and ended at 44% behind last year.

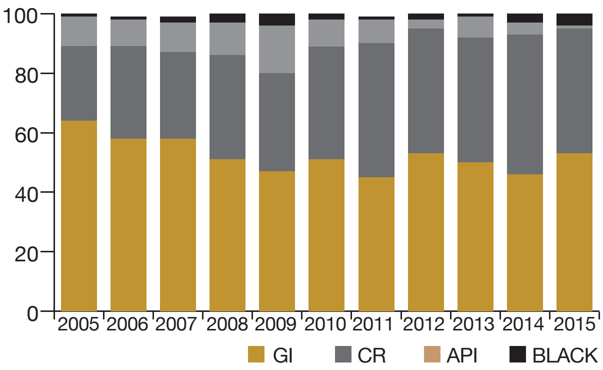
Proliferation of inferior quality products in Pakistan makes it very hard to market premium quality products to customers with little or no product knowledge. The management is making concerted efforts to create awareness about quality standards and the long-term implications of using sub-standard plastic pipe systems. We continue to supply key institutional clients with premium quality water and duct pipes; however the commercial market remains a challenge where cheap, substandard product is available in abundance.

PRODUCTION

Production-related challenges were faced primarily on account of gas shortages, especially at weekends, which resulted in production planning constraints and disruptions.

The IIL Stainless Steel (Pvt.) Limited facility was successfully commissioned during the year. The plant comprises of two state of the art tube mills and polishing machines. An in house team has been developed and is responsible for technical matters. The staff has been purpose trained at HOTO Malaysia.

Steel Product Mix- 2005-2015



FINANCIAL REVIEW

Company Results

The Company posted **Net Sales of Rs. 17,674 million,** which was 8.2% higher than last year, earning **Gross Profit of Rs. 1,879 million,** Profit Before Tax of Rs. 933 million and **Profit After Tax of Rs. 731 million.** The Board approved a 15% interim cash dividend and 25% final cash dividend for the year ended 30 June 2015, bringing the **total cash dividend** to **40% for the financial year.**

Profit Before Tax for the year increased by 43% over last year primarily due to dividend income from International Steels Limited.

Cost of Goods Sold for the year at Rs. 15,795 million was 10.9% higher than last year and in line with the turnover. Despite declining steel prices the Company was able to increase its volumes by reducing its inventory and financing cost.

Selling and Distribution Expenses of Rs. 590 million were 2.5% lower than last year as a result of better freight management and cost saving initiatives.

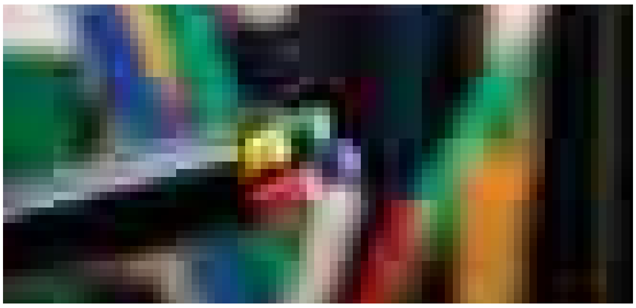
Administrative Expenses of Rs. 189 million were 18.6% higher than last year.

Other Operating Charges of Rs. 82 million were 12% higher than last year primarily on account of business development expenses. Other Income showed an increase of Rs. 236 million mainly due to dividend income from International Steels Limited.

Financial Charges during the year decreased by Rs. 292 million or 37% primarily due to lower stock holding and reduced borrowing rates.

Segment Results

Revenue from the Steel segment stood at Rs. 16,718 million, yielding Gross Profit of Rs. 1,779 million. Gross profit margin from the Steel segment decreased as compared to last year's level.



Revenue from the Plastic segment was Rs 956 million with a Gross Profit of Rs. 100 million.

Cash Flow Management & Borrowing Strategy

The Company's cash flows management system projects cash inflows and outflows on a regular basis as well as monitors the cash position on a daily basis. Keeping in view the saving in financial costs owing to a gap between KIBOR and LIBOR based borrowing and its aforementioned natural hedge on account of exports, the Company manages a portion of its working capital requirements through LIBOR based USD borrowings and the balance is arranged through an optimal mix of Export Refinance entitlements and running finance facilities.

During the year 2014-15, the weighted average cost of borrowings, including exchange losses, was 28% below last year's rate.

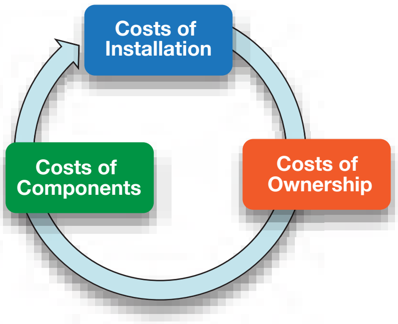
Capital Structure

Debt equity ratio on 30 June 2015 was **46:54** compared to 63:37 as on 30 June 2014. Interest cover and debt servicing ratios improved as compared to last year.

CORPORATE SUSTAINABILITY

Energy Conservation and Recycling

Steel is 100% recyclable, meaning it can be reprocessed into the same material multiple times. Recycling accounts for significant energy and raw materials savings. More than 1,400 kg of iron ore, 740 kg of coal and 120 kg of limestone are saved for every ton of steel scrap made into new steel.



When selecting piping systems, we encourage our customers to evaluate the 'Whole Life Cost' of alternative systems in order to arrive at the true cost to the user. The Whole Life Cost of a system includes cost of components, installation and ownership. Our HDPE water pipes, with low installation costs and leak-free life provide greater durability and true peace of mind to the system operator and end user.

Pursuing its commitment to the efficient use of resources, the Company utilizes all waste heat to generate chilled water, which in turn, fulfills the factory's water-cooling and air-conditioning requirements. Furthermore, IIL's recently commissioned Reverse Osmosis Plant helps meet additional water requirements at the factory premises.

IIL generates electricity though co-generation. Its own needs are met through this generation and excess electricity is transferred to the K Electric grid. Hence, there is full utilization of installed generation capacity and generation of additional revenues, whilst contributing to alleviate the chronic power shortage faced by the country.

Environmental Protection Measures

IIL has implemented the ISO 14001 Environment Management System and environmental protection remains one of the major priorities of the Company. IIL's environmental performance is managed through the implementation of its business planning process, compliance systems, risk management practices, governance programs and management review.

The Company neutralizes its emissions prior to discharge by using 100 feet high fume scrubbers. All effluent waste is treated at its Effluent Treatment Plant (ETP) prior to discharge, whereas sludge generated from the ETP is transferred responsibly to designated landfill sites for environment-friendly disposal.

During the year, two surveillance audits were conducted by M/S Lloyds (a UK-based certification body) to provide assurance that the Q&HSE Management System complies with ISO 9001, ISO-14001 & OHSAS 18001 global standards. No major non-conformities were observed.

Periodical testing of IIL's effluents and factory and vehicular emissions was carried out through third parties and recognized laboratories for compliance with the National Environmental Quality Standards (NEQS).

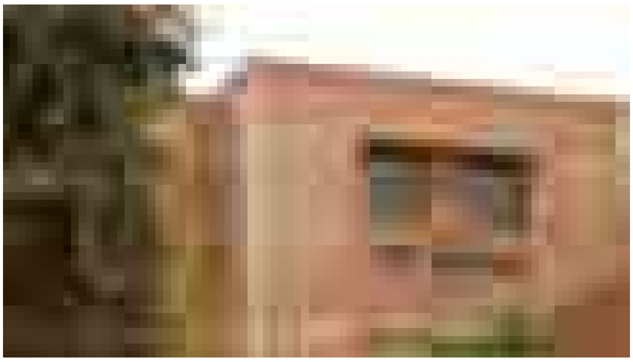
Controls were imposed on possible excess use of paper and a reduction of 38% was achieved in use of printing paper in computers and 12% in use of printing paper in photocopying through increased use of scanners, using both sides of a paper sheet, and shredding used paper and selling it for use in packing material.

Contribution to the National Exchequer

Your Company is registered with the Large Taxpayers Unit (LTU) and **contributed over Rs. 2.53 billion** towards the national exchequer in the form of Income Tax, Sales Tax, other taxes, duties and levies during the financial year

Corporate Social Responsibility (CSR) and Community Welfare Schemes

IIL contributes approximately 2.5% of its Profit after Tax towards CSR activities. The primary focus of IIL's CSR activities center around the arena of education and health for the underprivileged. To this end, IIL has linked up with The Citizens Foundation and continues to support all operating expenses for a TCF primary school in the vicinity of the IIL factory. The TCF-IIL Campus provides free/affordable education to almost 400 students. IIL has also funded the construction and operating expenses of a mosque in the Landhi area.



Additionally, IIL has taken the first step towards establishing a health clinic in Landhi in association with SINA Health, Education & Welfare Foundation. The IIL-SINA Clinic is expected to be operational by February 2016 and will provide free medical facilities to the community living in the vicinity of the factory. IIL will fund the land purchase, construction of the building, and part maintenance of the clinic.

IIL has also sponsored the Amir S Chinoy Amphitheatre at the IBA Main campus.

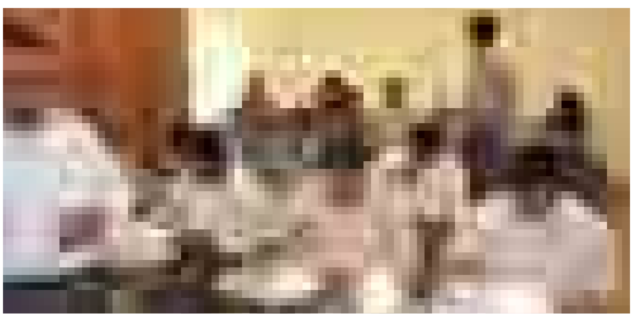
Health Safety & Environment

In an environment of increasing regulatory interest and awareness of safety hazards, IIL seeks to prevent injury and illness through the implementation and ongoing development of proactive work health and safety management systems, based on OHSAS-18001 & ISO-14001 International Standards.

IIL strives to fully integrate work health and safety into all aspects of its activities by:

- providing professional and technical safety advice
- continuous improvement and testing of emergency response procedures
- effective communication on development and implementation of OHS systems through an effective network of OHS committees, established specifically to assist in inculcating good OHS practices at all levels
- managing OHS risk by systematically identifying hazards and assessing and eliminating or controlling the associated risks
- providing training and awareness on an extensive array of OHSE issues

Basic safety training is imparted to all service contract and company workers upon induction.



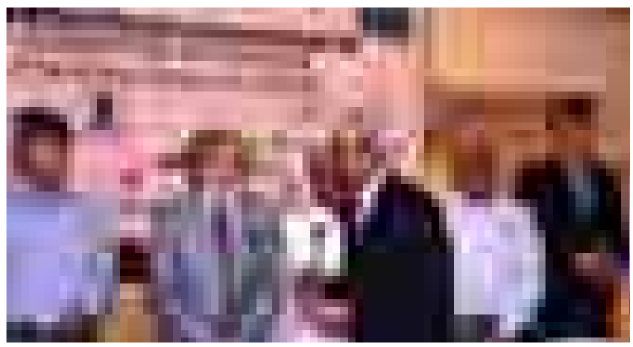
Relevant management staff is incentivized to achieve compliance through the inclusion of OHSE-related criteria in their performance appraisals. Accident prevention amongst contractual employees is made a priority by incentivizing employees through a system of quarterly safety performance-related awards and penalties.

Regular safety walkthroughs are used to keep a check on housekeeping, detailed risk assessment of cranes is carried out to ensure safe crane operations and monthly Joint Crane Inspections by OHSE, Engineering & Production staff are carried out to trace and rectify faults. All IIL locations are examined. These walkthroughs are conducted by senior managers and all observations are shared with respective department heads for corrective and preventive actions. A final report is presented in the monthly Q&HSE Trend Analysis meeting to the top management.

A Monthly Safety Trophy is awarded based on set criteria. Evaluation is done the monthly safety walkthroughs. The CEO presents trophies to winning departments and visuals of the event are displayed prominently.

During the year over 3,900 employees were imparted a total of 340 trainings. OHSE trainings included Safe Crane Operations, Hands Safety, Fire Fighting Operations, Permit to Work System, Industrial Hazards, First Aid & Rescue, Defensive Driving, Electric Safety and Working at Heights.

Through effective implementation of ISO-14001 & OHSAS-18001 OHSE management systems, the Company achieved a Lost Time Injury Frequency Rate (LTIFR) per million hours worked of 2.0 against the global industry average of 1.61 (2013).



As a result of its efforts, IIL was awarded the 2015 Environment Excellence Award by the National Forum for Environment & Health and the third position in a nationwide OHSE Best Practices 2014 competition organized by the Employers' Federation of Pakistan.

HUMAN RESOURCE MANAGEMENT

During the year 2014 – 2015, IIL focused on internal inspection with an emphasis on improvement in its HR management processes. One such measure was initiating a comprehensive review of the existing HR policies and procedures. This review is underway and is targeted for completion in the coming year.

Another was a substantial introspection on improving workforce efficiencies, and as a result, two areas of the Company were restructured to be operated on a multitasking basis so that the same workforce could be utilized for different functions that require similar skill sets. The results of this initiative will be apparent in the coming year.

Another measure was to create a specific grade for the special security manpower responsible for controlling entrances and exits of the factories. In addition to improved control on thefts and petty pilferages, this has resulted in significant reduction in the number of customer complaints.

The Company currently has a workforce of more than 1010 employees, 34% of which are in management grades.

Industrial Relations

The year 2014 – 2015 was relatively quiet in terms of the industrial relations aspect. Throughout the year routine operational matters related to workers were handled effectively. Overall industrial relations remained peaceful.

Gratuity Scheme and Provident Funds

The Company invests in plans that provide retirement benefits to its employees. These include a non-contributory defined benefit Gratuity Scheme for all employees and a contributory Provident Fund for all employees except unionized staff. Both plans are funded schemes recognized by tax authorities. The values of the Provident Fund and the Gratuity Scheme at the year-end were Rs. 254 million and Rs. 295 million respectively. The imposition of WHT on these funds has now become an issue.

Employment of Special Persons

Complying with the legal requirement to hire physically handicapped persons, IIL's workforce has 25 such special people.

Business Ethics and Anti-corruption Measures

IIL remains an active member of and signatory to the United Nations Global Compact and is thereby committed to adhering to the principles of human rights, labor standards and environmental protection. The Company's corporate success has been derived from strong and universal ethical and moral standards, professionalism and the fulfillment of fundamental duties towards current and prospective stakeholders in order to gain durable trust and respect.

The Company has an independent Internal Audit department and well-established controls. Parts of the internal audit function are outsourced to Ernst & Young Fords Rhodes Sidat Hyder, a prominent firm of Chartered Accountants. Internal Audit assesses the internal control systems on a regular basis and presents their view to the Board Audit Committee.

Trainings

During the year more than 3,900 employees were imparted a total of 340 internal trainings on various technical topics including manufacturing processes and OHSE. 48 employees attended external (local & foreign) programs arranged by various well-reputed institutes including PICG, LUMS, IBA, NED, ICAP, MAP, PSTD, PIMS and HIDA-Japan etc.

INFORMATION SYSTEMS AND RE-ENGINEERING

Continuing from last year's initiative to upgrade and enhance our Oracle ERP E-Business Suite, we are happy to report that the platform has now been upgraded to provide better performance and efficiencies to our business users. Users will also be able to take advantage of new automated processes and features built into the ERP system. We remain committed to the process of continuous improvements by reviewing new technology, its cost and the applicability of it to our business environment.

The company has also recently re-launched its website which has been rejuvenated taking the ease of site visitors into consideration.

FUTURE OUTLOOK

The company is focused on achieving more efficient and profitable utilization of installed manufacturing capacity through selection of an optimal product mix. We regularly engage our institutional customers for feedback in order to seek product improvement.

Continuing its drive to explore new avenues for growth opportunities, The Company was proud to see its wholly owned subsidiary, IIL Stainless Steel Ltd, start production in April 2015. The first reliable, large scale manufacturer of high quality stainless steel products in Pakistan, IIL Stainless Steel will cater to the fast growing architecture & interior design industries as well as to the auto industry.

IIL announced the incorporation of a wholly-owned subsidiary, IIL Australia Pty Limited (IILA), during the outgoing financial year. The company is set to make substantial inroads and develop this vast market in the years ahead.

The Company is set to manufacture pipes up to 12" diameter and ½" in wall thickness to cover up to X70 API grade for oil, gas and water distribution in the year ahead. This will open up a new segment of the market and qualify us as a manufacturer with a complete range of ERW pipes including API Gas pipe.

The Company is also in the process of constructing a warehouse/factory near the outskirts of Lahore to better serve its near home and international clients' requirements and be closer to its key domestic markets. The facility is already operational.

We have planned extensively to enhance its reach and expand its range of products in the coming years so as to cater to a wider customer base and achieve its vision, "To be an international, innovative, entrepreneurial, million ton steel processor by the year 2020".

BUSINESS RISKS

Steel, Zinc and Polyethylene are the primary raw materials consumed in the Company's manufacturing processes. The absence of a reliable and adequate domestic supply compels the Company to procure raw material from the international market. Importing large quantities of these raw materials exposes it to volatility in the international price of Steel and Zinc as well as exchange rate fluctuation. The key to profitability in such an environment is efficient inventory management and sales forecasting, as well as effective procurement and consistently strong sales.

Cost containment, well-managed operations and continuous modernization and upgrading are key components of your Company's business strategy employed to deliver healthy returns to stakeholders.

INVESTMENTS

The Company has a sizeable investment in its subsidiary, International Steels Limited (ISL), which is in the business of processing flat steel products. ISL ended the financial year with sales volume in excess of 239,000 tons, Gross Sales of over Rs 21 billion and PAT of Rs. 202 million.

The overwhelmingly positive response from the market has prompted ISL to fast-track its expansion plans. The Company has enhanced its cold-rolling capacity to 450,000 MT per annum while its Coil Galvanizing capacity has been doubled to 350,000 MT per annum by adding a second galvanizing line at an approximate cost of Rs. 3 billion.

The company owns 100% of IIL Australia Pty Ltd which ended the year with Sales of AUD 1.6 million and a nominal PAT of Rs. 92,000.

The company also owns 100% of its subsidiary IIL Stainless Steel Pvt. Ltd., which ended the financial year, after having started commercial production only during the last quarter of 2014-15, with sales volume of 40 MT, Gross Sales of Rs. 13.9 million and a minor Loss Before Tax of Rs. 6.3 million, as expected.

The outgoing year has seen the group post sales volume in excess of 463,000 MT, Gross Sales of Rs. 39.9 billion, Net Sales of Rs. 34,459 million, Gross Profit of Rs. 3,389 million, Profit Before Tax of Rs. 925 million, Profit After Tax of Rs. 1,191 million, Group EPS of Rs. 4.99 as profit attributable to shareholders of the Holding Company was Rs. 598.7 million.

The **manufacturing capacity of the group by the end of the year will Insh Allah cross the 1 million MT mark,** signifying that we are well on our way to achieve our vision - "To be an international, innovative, entrepreneurial, million ton steel processor by the year 2020".

Your Company also holds an 8.5% ownership interest in Pakistan Cables Limited (PCL), an associated company. PCL is in the business of manufacturing copper rods, wires and cables. In addition to being the country's foremost manufacturer of copper cables and wiring, PCL is affiliated with General Cable Limited, the biggest worldwide manufacturer of copper cables and a Fortune-500 company.

ACKNOWLEDGEMENT

I would like to extend my sincere gratitude to the entire IIL team and especially my management team, who have proved themselves capable of delivering strong results in the face of considerable internal and external challenges. The effort, which has helped the Company achieve a reasonably successful year, is deeply appreciated. I also thank all other stakeholders for their support and look forward to sharing more successes with them in the coming years.

For and on behalf of
the Board of Directors

Riyaz T. Chinoy
Chief Executive Officer

Karachi
Dated: August 17, 2015

Our Success Story - Gears in Motion

1948
Established as Sultan Chinoy & Company.

1949
Incorporated as International Industries Ltd. (IIL)

Sponsored Pak Chemicals Ltd.

1953
Sponsored Pakistan Cables Limited in a joint venture with BICC UK.

1984
IPO and listing on Karachi Stock Exchange.

1992
Turnover crossed Rs. 1 Billion

1995
Entered the international market with export of Galvanized Pipe.

2007
Incorporated International Steels Ltd. in cooperation with Sumitomo Corp. and IFC

2013
Turnover crossed Rs. 20 Billion

2014
Incorporated IIL Australia Pty Ltd.

2015
Incorporated IIL Stainless Steel Pvt. Ltd.

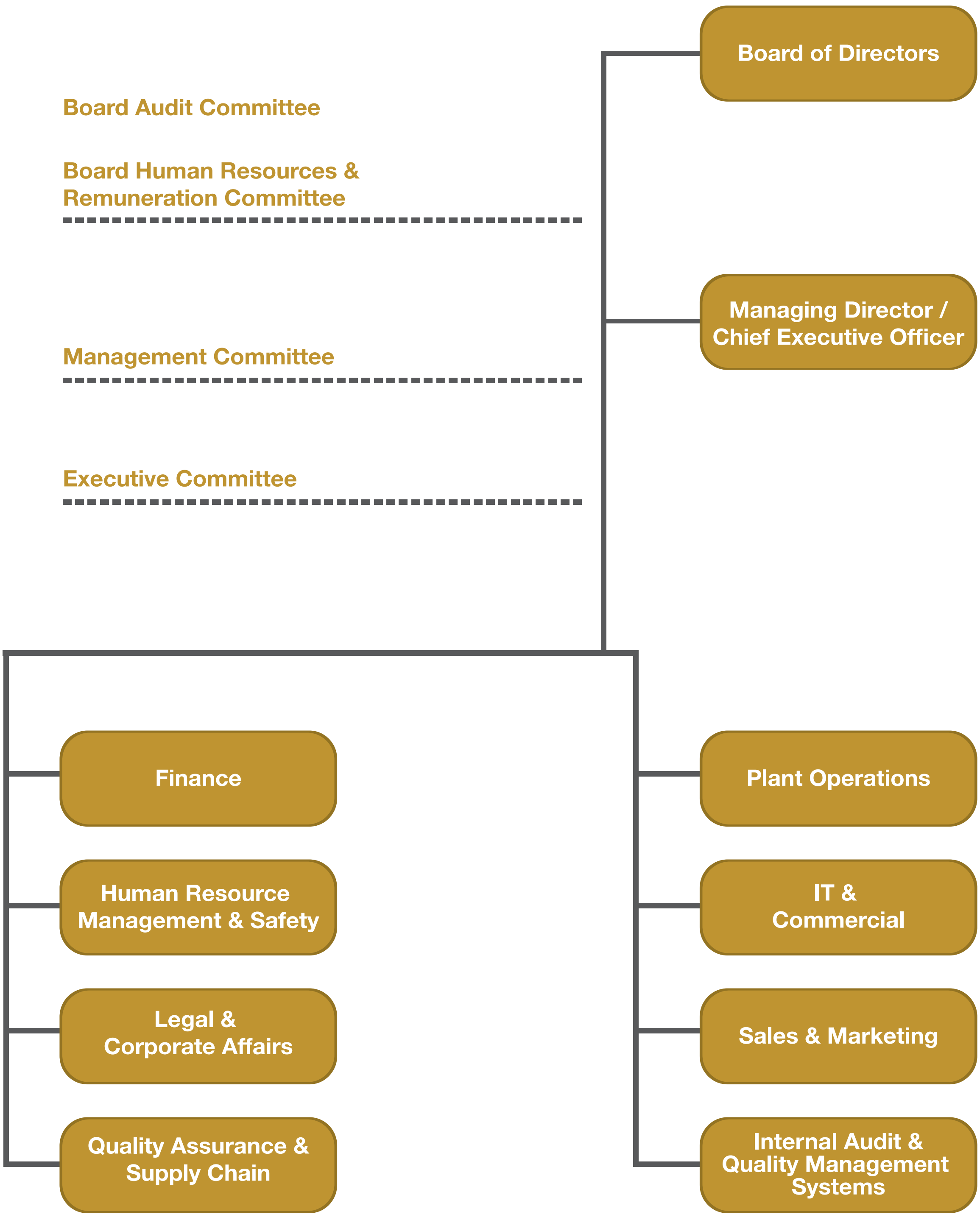
Completed 50 years of pipe manufacturing

International Certifications

IIL has the following International Certifications:

Standard	Description	Certified by	Certified since	License #
ISO 9001	Quality Management System	Lloyds Register Quality Assurance	1997	MEA 4105044
ISO 14001	Environment Management System		2000	MEA 4205044
OHSAS 18001	Occupational Health & Safety Management System		2007	MEA 4306044
API Specification Q1 ® & 5L	Manufacturing of Steel Line Pipe	American Petroleum Institute	2000	5L-0391
API Specification Q1 ® & 15LE	Manufacturing of Polyethylene Line Pipe		2006	15LE-0014
CE Mark	CE Mark for Hot Dip Galvanized ERW Carbon Steel Pipes	CNC Services (Germany)	October 2011	CNC/EEC/4112/11
	CE Mark for ERW Tubes from Cold Rolled Carbon Steel		October 2011	CNC/EEC/4113/11
Pakistan Standards	License for the use of Pakistan Standard Mark for IIL PLUMBO, IIL MEGAFLO, IIL TERRAFLO and IIL FLEXFLO	Pakistan Quality Control Authority (PSQCA)	February 2015	PS:4533/1999 & 4534/1999
				PS:3580-2014 (R)
				PS: ISO :15875-1 & 2 of 2003

Organization Structure



Governance Framework

The main philosophy of business followed by the sponsors of International Industries Limited for the last 66 years has been to create value for all stakeholders through fair and sound business practices, which translates into policies approved by the Board, implemented throughout the company to enhance the economic and social values of all stakeholders of the company.

Compliance Statement

Living up to its standards, the Board of Directors has throughout the year 2014-15, complied with the Code of Corporate Governance, the listing requirements of the Karachi, Lahore and Islamabad Stock Exchanges and the Financial Reporting framework of Securities & Exchange Commission of Pakistan (SECP).

The Directors confirm that the following has been complied with:

a) The financial statements have been prepared which fairly represents the state of affairs of the company, the result of its operations, cash flows and changes in equity.

b) Proper books of accounts of the company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent business judgment.

d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom have been adequately disclosed and explained.

e) The system of internal control is sound in design and has been affectively implemented and monitored. The Company has engaged the services of Ernst & Young Ford Rhodes Sidat Hyder & Co. as internal auditors for the last seven years, however since last two years the Internal Audit function was based on a hybrid system led by the Chief Internal Auditor supported by in-house staff as well as E&Y.

f) There are no significant doubts upon the company's ability to continue as a going concern.

g) There is no material departure from the best practices of corporate governance as per regulations.

The Board of Directors

The Board of Directors consists of qualified individuals possessing knowledge, experience and skills in various professions, with the leadership and vision to provide oversight to the company. The Board is headed by Mr. Zaffar A Khan, Non-Executive Chairman; out of 9 directors, 4 are independent directors, including the Chairman. The current Board composition reflects a good mix of experience, backgrounds, skills and qualifications.

To further its role of providing oversight and strategic guidelines to the company, the Board has formulated a Board Charter to define its role of strategic leadership and provide oversight to the management. The Board has constituted two Sub-Committees, namely Audit Committee and Human Resources & Remuneration Committee. The composition, role and responsibilities of the Committees are clearly defined in their terms of references.

The Board meets at least once after every quarter to review the financial performance and to provide oversight to the management to achieve key performance indicators. Additionally one Board meeting is held to discuss the budget for the following year, while one is focused on future strategy. However this year the company had two meetings to discuss the strategy. A Board Meeting Calendar is issued annually to reflect the dates planned for the Board, Audit Committee and Human Resources & Remuneration Committee meetings. All the Board members are given appropriate documents in advance of each meeting.

Role and Responsibilities of the Chairman and Chief Executive

The Chairman and the Chief Executive have separate and distinct roles. The Chairman has all the powers vested under the Code of Corporate Governance and presides over Board meetings. The Chief Executive performs his duties under the powers vested by the law and the Board and recommends and implements the business plans and is responsible for overall control and operation of the company.

Changes in the Board

Mr. Muhammad Raeesuddin Paracha, who represented NIT, resigned from the Board and Ms.

Nargis Ghaloo was co-opted on December 3, 2014 against the casual vacancy created.

No other change occurred in the Board of Directors except the above mentioned.

Best Corporate Practices

The Board has formulated a Board Charter to define the scope of its activities in setting the tone at the top, formulating strategies and providing oversight to the management for sustainable growth of the business.

All periodic financial statements and other working papers for the consideration of the Board/ Committees are circulated to the directors well before the meetings so as to give sufficient time to the directors to make decisions on an informed basis. This year the Board has held Seven (7) meetings, agendas of which were duly circulated at least a week before the Meetings.

The quarterly un-audited financial statements and the half-yearly financial statements (reviewed by the Auditors) were duly circulated within one month and two months respectively along with the Directors' Report. Annual financial statements, including consolidated financial statements, Board of Directors' Report, Auditors' Report and other statutory statements and information are being circulated for consideration and approval by the shareholders within reasonable time from the close of the financial year. Additionally all important disclosures, including the financial statement, were also made available on the company's website to keep the stakeholders duly informed.

The Board members actively participate in the meetings to provide guidance concerning the company's business activities, operational plans, reviewing corporate operations and formulating and reviewing all significant policies. The Board firmly adheres to the best ethical practices and fully recognizes its responsibilities for protection and efficient utilization of the company's assets for the legitimate business objectives and compliance with laws and regulations. The Chairman ensures that the discussions held during the board meetings and the consequent decisions arising are duly recorded and circulated to all the directors within 14 days. The CFO and the Company Secretary attended all the meetings of the Board as required by the Code of Corporate Governance.

Risk Management

Risk management is crucial to any business, which includes identification and assessment of various risks followed by coordinated application of resources, economically to minimize, monitor and control the impact of such risks and maximize the realization of opportunities. The management periodically reviews major financial and operating risks faced by the business.

Internal Control Framework

The company maintains an established control framework comprising of clear structures, authority limits, and accountabilities, as well as sound understanding of policies and procedures and budgetary review processes. All policies and control procedures are documented in manuals. The Board establishes corporate strategy and the Company's business objectives.

The Board Audit Committee has been entrusted with the main responsibility of Internal Controls. The Audit Committee receives the audit reports by the Internal and External auditors, and after detailed deliberations, and suggesting improvements, periodic reports are submitted to the ultimate authority, the Board of Directors. The company places a high value on transparency, both internally and externally, in its corporate management. It focuses consistently on the implementation of efficient management practices for the purpose of achieving clear and quantifiable commitments. The Company has a Chartered Accountant posted as Head of Internal Audit, who is being assisted by Ernst &Young Ford Rhodes Sidat Hyder & Co. and in-house executives to carry out the Internal Control Functions.

The management has placed an effective internal control framework with clear structures, authority limits, and accountabilities, well defined policies and detailed procedures, enabling the Audit Committee and the Board to have clear understanding of risk areas and to place effective controls to mitigate the risks, if so.

Risk and Opportunity

Pakistan's per capita steel consumption is still very low as per world standards; hence there is a potential for growth in domestic market as well as regional markets. During the year the Board focused on future business strategy to assess the opportunities and evaluated all significant risks attached with the business proposals and decided to move towards its newly revised vision statement of being a million tons steel processor by the year 2020.

The company has opted for a multi-pronged expansion program which includes but is not limited to incorporating fully-owned subsidiaries, namely IIL Australia Pty Ltd. and IIL Stainless Steel (Pvt.) Ltd. which were established to take advantage of international as well as domestic markets. Phenomenal growth is also expected from future expansion plans at Shaikhupura Road, Lahore which will mainly be focused on large diameter pipes and an expanded product range by adding PPRC pipes which already have a huge demand for cold/hot water transmission in domestic and commercial consumers.

The Company expects to see growth in domestic market, as all the provincial governments have earmarked significant amounts for public service development projects in 2015-16. The anti-dumping regulations in USA, Canada and Australia have also opened new vistas for exports in these non-traditional markets, and the management is geared to augment its presence in all such markets.

The energy crises, law and order situation and un-predictable exchange rate are factors which are significant risks for any manufacturing industry based on imported raw material as well as significant exports. The management is however confronting all these external challenges by trying to buy raw material at the right time and prices, keeping other costs low and improving operating efficiencies.

Disclosure and Transparency:

To bring an accurate understanding of the company's management policies and business activities to all its stakeholders, it strives to make full disclosure of all material information to stakeholders by various announcements on its website, to the Stock Exchanges and other sources available to help the investors to make informed decisions. It encourages full participation of the members in the General Meetings by sending corporate results and sufficient information following the prescribed time line so as to enable the shareholders to participate on an informed basis. While increasing management transparency, it aims to strengthen its relationships of trust with shareholders and investors.

SPEAK-UP POLICY

We are committed towards creating an atmosphere in which people can freely communicate their concerns to their supervisors and functional heads. Speak up Policy has been in place since last three years as IIL's 'whistle-blowing' system to report any corrupt or unethical behavior – if employees feel that they are not able to use the normal management routes.

INVESTOR RELATIONS POLICY

The Company has a policy which sets out the principles in providing the shareholders and prospective investors with necessary information to make well informed investment decisions and to ensure a level playing field.

BOARD EVALUATION

The Board of Directors has formulated a policy to evaluate its own performance, the salient features of which are as follows:

1. The Board Evaluation Methodology to be adopted as self-evaluation of the Board as a whole through an agreed questionnaire.
2. The evaluation exercise to be carried out every year.
3. The evaluation systems to address areas of critical importance and should include, but not be limited to, the following:

a) Appraising the basic organization of the Board of Directors;

b) The effectiveness and efficiency of the operation of the Board and its committees;

c) Assess the Board's overall scope of responsibilities;

d) Evaluate the flow of information; and

e) Validate the support and information provided by management.

4. The Board would review the results and suggest measures to improve such areas which are identified for improvement.

This was the third year when the Board carried out its Self-Evaluation for the third time, and identified areas for further improvement in line with global best practices. The main focus remained on strategic growth, business opportunities, risk management, Board composition and providing oversight to the management etc.

Sustainability Measures

We have laid the foundation of sustainable business. All aspects of sustainability including efficient operational procedures, effective internal controls, ethical behaviour, and energy conservation are integral part of our business model.

We also believe that employees are most critical in the progress, growth and sustainability of any organization.

With improved processes the company has been able to reduce the solid waste by 8.4% and liquid waste by 11% respectively as compared to previous year.

The flue gases are directed to waste heat recovery boilers, saving substantial input energy. We had commissioned 2.8 Tons/Hour capacity of boilers in 2005 and stopped the gas fired boilers. As a result there is an ongoing saving of natural gas by 220 M^3/Hour.

The processes are continuously improved to minimize any wastage or reducing the process time and this year we could achieve 0.87% reduction in scrap produced.

Corporate Responsibility

The company contributes approximately 2.5% of its Profit after Tax towards CSR activities especially in the field of education and health for the less fortunate. IIL continues to support a TCF primary school in Landhi, Karachi. A mosque in the vicinity of the production facilities, is also being managed by the company.

Additionally, IIL has taken the first step towards establishing a health clinic in Landhi in association with SINA Health, Education & Welfare Foundation. The IIL-SINA Clinic is expected to be operational by February 2016 and will provide free medical facilities to the community living in the vicinity of the factory. IIL will fund the land purchase, construction of the building, and part maintenance of the clinic.

Dividend to Shareholders

During the year, the Company paid an interim dividend of 15% per share to all eligible shareholders, and the Board of Directors is recommending a final dividend of 25% per share, making a total of 40% in respect of the financial year ended June 30, 2015 which is subject to shareholders approval.

Pattern of Shareholding

A statement on the pattern of shareholding along with categories of shareholders, where disclosure is required under the reporting framework and the statement of shares held by the directors and executives as on June 30, 2015 is placed on Page 161.

Board Committees

The Board is assisted by two Committees, namely the Audit Committee and the Human Resources & Remuneration Committee to support its decision-making in their respective domains:

Audit Committee

- Mr. Fuad A. Hashimi - Chairman
  Non -Executive Director
- Mr. Mustapha A. Chinoy - Member
  Non- Executive Director
- Mr. Azam Faruque - Member
  Independent Director
- Mr. Haseeb Hafeezuddeen - Secretary
  Chief Internal Auditor

The Audit Committee comprises of three Non-Executive directors, out of which one [01] is independent while the other two are Non -Executive directors. The Chairman of the Committee is a Fellow Member of the Institute of Chartered Accountants of Pakistan (ICAP) and England & Wales (ICAEW) as well as the CEO of PICG. The Chief Financial Officer and the Chief Internal Auditor attend the BAC meetings while the Chief Executive Officer is also invited to attend. The Audit Committee also separately meets the internal and external auditors at least once in a year without the presence of the management.

Meetings of the Audit Committee are held at least once every quarter, and also reviews annual financial statements before and after the Auditors review, the recommendations of the Audit Committee are then submitted for approval of financial results of the company by the Board. During the year 2014-15, the Audit Committee held Five [05] meetings. The Chief Internal Auditor is the Secretary of the Board Audit Committee. The minutes of the meetings of the Audit Committee are provided to all members, Directors and the Chief Financial Officer. The Chief Internal Auditor attends the Audit Committeee meetings regularly and meets the Audit Committee without the presence of the management, at least once a year, to point out various risks, their intensity and suggestions for mitigating risks and improvement areas. The business risks identified are then referred to the respective departments and corrective actions are implemented.

Terms of Reference of the Audit Committee

The Audit Committee is mainly responsible for reviewing the financial statements, ensuring proper internal controls to align operations in accordance with the mission, vision and business plans and monitoring compliance with all applicable laws and regulations and accounting and financial reporting standards. The salient features of terms of reference of the Audit Committee are as follows:

i) Recommending to the Board the appointment of internal and external auditors.

ii) Consideration of questions regarding resignation or removal of external auditors, audit fees and provision by the external auditors of any services to the company in addition to the audit of financial statements.

iii) Determination of appropriate measures to safeguard the company's assets.

iv) Review of preliminary announcements of results prior to publication.

v) Review of quarterly, half-yearly and annual financial statements of the company, prior to their approval by the Board, focusing on major areas of judgment, significant adjustments resulting from the audit, any changes in accounting policies and practices, compliance with applicable accounting standards and compliance with listing regulations and other statutory and regulatory requirements.

vi) Facilitating the external audit and discussion with external auditors on major observations arising from audit and any matter that the auditors may wish to highlight (without the presence of the management, where necessary).

vii) Review of the Management Letter issued by external auditors and the management's response thereto.

viii) Ensuring coordination between the internal and external auditors of the company.

ix) Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources.

x) Consideration of major findings of internal investigations and the management's response thereto.

xi) Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective.

xii) Review of company's statement on internal control systems prior to endorsement by the Board.

xiii) Instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body.

xiv) Determination of compliance with relevant statutory requirements.

xv) Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof.

xvi) Consideration of any other issue or matter as may be assigned by the Board.

HUMAN RESOURCES & REMUNERATION COMMITTEE

- Mr. Tariq Ikram – Chairman
  Independent Director
- Mr. Riyaz T. Chinoy – Member
  Chief Executive Officer
- Mr. Kamal A. Chinoy - Member
  Non- Executive Director
- Mr. Khalid Junejo - Secretary
  Head of Human Resources

The Human Resources & Remuneration Committee [HR&RC] comprises of three members. The Chairman is an independent director whereas the other two members are the Chief Executive Officer and a non-executive director. Meetings are conducted at least quarterly or at such other frequency as the Chairman may determine. Head of Human Resources is the Secretary of the HR&RC. The minutes of the meetings of the HR&RC meetings are provided to all members and directors. The Committee held seven (07) meetings during the year.

Terms of Reference of Human Resources & Remuneration Committee

The Committee defines the HR policy framework and makes recommendations to the Board in the evaluation and approval of employee benefit plans and succession planning.

The salient features of the Terms of Reference of HR&RC are as follows:

1. Major HR Policy / frameworks including compensation
2. Overall organizational structure
3. Organization model and periodically seek assessment.
4. Succession planning for key executives, including the CEO.
5. Recruitment, remuneration and evaluation of the CEO and his direct reports, including CFO, Chief Internal Auditor and the Company Secretary.
6. The CEO, being a member of the HR&RC shall not be a part of Committee meetings, if his / her compensation/ performance is being discussed / evaluated.
7. Charter of demands and negotiated settlements with CBA.
8. Compensation of the non-executives directors.

Board & Sub-Committee Meetings

Meetings of the Board of Directors, Audit Committee and Human Resources & Remuneration Committee are held according to an annual schedule circulated before each fiscal year to ensure maximum director participation.

During the year seven (07) Board meetings were held, five (05) Audit Committee meetings and seven (07) meetings of Human Resources & Remuneration Committee were held during the year. Attendance by each director in the meetings of the Board and its Sub-committees is as follows:

Board / Committee	Board	Audit	Human Resource
Meetings held during FY 2014-15	**7**	**5**	**7**
Mr. Zaffar A. Khan	6	-	-
Mr. Riyaz T. Chinoy	7	-	7
Mr. Kamal A. Chinoy	6	-	5
Mr. Mustapha A. Chinoy	5	3	-
Mr. Fuad Azim Hashimi	7	5	-
Mr. Azam Faruque	6	5	-
Mr. Tariq Ikram	6	-	7
Mr. Aly Noormahomed Rattansey	6	-	-
Mr. Raeesuddin Paracha	1	-	-
Ms. Nargis Ghaloo*	3	-	-

* Ms. Nargis Ghaloo is representing interests of NIT. Ms. Ghaloo was appointed by the Board of Directors to fill the casual vacancy created by the resignation of Mr. Muhammad Raeesuddin Paracha.

Engagement of Directors

Directors	Business occupation and directorships
Mr. Zaffar A. Khan	**International Industries Ltd.**
	Shell Pakistan Ltd.
	Acumen Fund Pakistan
	Askari Bank Ltd.
	Privatisation Commission of Pakistan
	Pakistan Centre for Philanthropy
Mr. Riyazali T. Chinoy	**International Industries Ltd.**
	Citizens Trust Against Crime (CTAC)
	IIL Stainless Steel (Pvt) Ltd.
	IIL Australia Pty Ltd.
	Pakistan Institute of Corporate Governance (PICG)
	Pak Australia Business Forum
Mr. Mustapha A. Chinoy	**International Industries Ltd.**
	Pakistan Cables Ltd.
	Intermark (Pvt.) Ltd.
	International Steels Ltd.
	Travel Solutions(Pvt) Ltd.
	Global E-Commerce Services (Pvt) Ltd.
	Crea8ive Bench (Pvt) Ltd.
	Universal Training & Development (Pvt) Ltd.
	Global Reservation (Pvt) Ltd.
Mr. Kamal A. Chinoy	**International Industries Ltd.**
	Pakistan Cables Ltd.
	International Steels Ltd.
	Atlas Battery Ltd.
	Jubilee Life Insurance Company Ltd.
	ICI Pakistan Ltd.
	NBP Fullerton Assets Mgmt. Ltd.
Mr. Fuad Azim Hashimi	**International Industries Ltd.**
	Pakistan Institute of Corporate Governance (PICG)
Mr. Azam Faruque	International Industries Ltd.
	Atlas Asset Management Ltd.
	Cherat Cement Company Ltd.
	Indus Motors Company Ltd.
	Greaves Pakistan Ltd.
	Faruque (Pvt) Ltd.
	Madian Hydro Power Ltd.
Mr. Tariq Ikram	**International Industries Ltd.**
	Habib Metropolitan Bank Ltd.
	Tasha Enterprises (Pvt) Ltd.
	Saiya Homes
Mr. Aly Noormahomed Rattansey	**International Industries Ltd.**
	Jubilee General Insurance Company Ltd.
	Jubilee Life Insurance Company Ltd.
	Aga Khan Rural Support Programme
	Rural Support Programme Network
	Pakistan Foundation Fighting Blindness
Ms. Nargis Ghaloo	**International Industries Ltd.**
	State Life Insurance Corporation
	Fauji Fertilizer Company Ltd.
	Orix Leasing Company Ltd.
	Sui Southern Gas Company Ltd.
	Sui Northern Gas Pipeline Ltd.
	Alpha Insurance Company Ltd.

Management Committee

The mission of the Management Committee [MC] is to support the Chief Executive Officer to determine and implement the business policies within the strategy approved by the Board of Directors. MC meetings are conducted on a monthly basis or more frequently as circumstances dictate. The Committee reviews all aspects of operational and financial performance, advises improvements to operational policies / procedures and monitors their implementation.

Management Committee Members		Attendance
Mr. Riyaz T. Chinoy Chairman	Chief Executive Officer	12/12
Mr. Nadir Akbarali Jamal Member	Chief Financial Officer	3/3
Mr. Mohsin Safdar Member	Head of Factory	12/12
Mr. Khawar Bari Member	Head of Marketing & Sales	12/12
Mr. Khalid Junejo Member	Head of Human Resources	12/12
Mr Perwaiz Ibrahim Member	Head of Quality Assurance	10/12
Mr. Sohail R. Bhojani Member	CEO-IIL Australia Pty Ltd.	6/12
Mr. Haseeb Hafeezuddeen Member	HOD Commercial	11/12
Mr. Talha Bin Hamid Secretary	Chief Internal Auditor	4/6

Role of the Committee

The Committee is responsible for the following:

a) Routine operational matters arising out of day-to-day business.

b) Review results of monthly operations, sales, production, expenses and comparison of same with the approved budgeted targets and analysis of observed variances.

c) Review of raw material prices with special reference to international markets.

d) Review of selling prices in view of changing market scenarios.

e) Review and finalization of budget for presentation to and approval by the Board.

f) Exploring new prospects for sustainable growth.

g) Review and set the objective for the organization in compliance with the approved strategy.

h) Accident prevention.

i) Set training needs.

j) Monitor Speak-up policy.

Executive Committee

The mission of the Executive Committee (EC) is to support the Management Committee [MC] in implementing the business policies within the strategy approved by the Board of Directors. EC meetings are conducted on a monthly basis or more frequently if needed.

Executive Committee Members	
Mr Khalid Junejo Chairman	Head of Human Resources
Mr Anwar Imam Member	Div. Manager Engineering
Mr Sheraz Khan Member	Div. Manager Sales, North
Mr Imran Siddiqui Member	Div. Manager HR Operations
Mr Riaz Moazzam Member	Div. Manager CR Operations
Mr Uzair Qureshi Member	Financial Controller
Mr Samar Abbas Member	Div. Manager International Sales
Syed Ghazanfar Ali Shah Member	Head of Supply Chain
Mr. Faiz Iqbal Mian Member	Head of Information Technology
Mr. Owais Ahmed Member	Business Unit Head IIL-SS
Mr Samiuddin Khan Member	Senior Manager Industrial Relations
Mr. Talha Bin Hamid Member	Chief Internal Auditor
Mr. Ayaz Ahmed Khan Member	Senior Manager QMS & Secretary

Role of the Executive Committee

The Committee is responsible for the following:

a) Review results of monthly operations, sales, production, expenses and comparison of same with the approved budgeted targets and provide variance reports to the MC.

b) Review of Annual budget and recommending the same to the MC.

c) Review the training needs / plans and implementation thereof.

d) Review of recruitment and organization's resource requirements.

e) Review and monitoring of accidents.

f) Review and monitoring of raw material prices and trends and recommending the need for any price reviews.

g) Review of customers' credit limits.

h) Review and monitoring of product yield and identification of means for improving the same.

i) Review and monitoring of raw material, work-in-process and finished goods inventory and taking timely action on controlling the same.

Report of the Board Audit Committee

on Adherence to the Code of Corporate Governance

The Board Audit Committee has concluded its annual review of the conduct and operations of the company for the year ended 30 June 2015 and reports that:

- The company has adhered in full, without any material departure, with both the mandatory and voluntary provisions of the Code of Corporate Governance as stated in the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan, Company's Code of Conduct and Values and the international best practices of governance throughout the year.
- The company has issued a "Statement of Compliance with the Code of Corporate Governance" which has also been reviewed and certified by the auditors of the company.
- Appropriate accounting policies have been consistently applied except those disclosed in financial statements. Applicable accounting standards were followed in preparation of the financial statements of the company on a going concern basis for the financial year ended 30 June 2015, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equity of the company for the year under review.
- The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the company and the Chairman and Board of Directors Report. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the company.
- Accounting estimates are based on reasonable and prudent judgment. Proper, accurate and adequate accounting records have been maintained by the company in accordance with the Companies Ordinance, 1984.
- The financial statements comply with the requirements of the Fourth Schedule to the Companies Ordinance, 1984, and applicable International Accounting Standards and International Financial Reporting Standards notified by the SECP.
- All direct and indirect trading in and holdings of the company's shares by Directors and executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction. All such holdings have been disclosed.

INTERNAL AUDIT FUNCTION

- The internal control framework was effectively implemented through outsourcing the internal audit function to Ernst & Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants, for the last 7 years. Presently the Company's Internal Audit function is being managed by the Chief Internal Auditor in compliance of the Code of Corporate Governance who is assisted by the internal auditors M/s Ernst & Young and Ford Rhodes Sidat Hyder & Co. The Chief Internal Auditor reports directly to the Chairman of the Board Audit Committee.
- The company's system of internal control is sound in design and has been continually evaluated for effectiveness and control.
- The Board Audit Committee has ensured the achievement of operational, compliance and financial reporting objectives, safeguarding of the assets of the company and the shareholders wealth through effective financial, operational and compliance controls and risk management at all levels within the company.
- Coordination between the external and internal auditors was facilitated to ensure efficiency and contribution to the company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

EXTERNAL AUDITORS

- The statutory auditors of the company, KPMG Taseer Hadi & Co., Chartered Accountants, have completed their audit assignment of the company's financial statements and the Statement of Compliance with the Code of Corporate Governance for the financial year ended 30 June 2015 and shall retire on the conclusion of the 67th Annual General Meeting.
- The Board Audit Committee has reviewed and discussed audit observations and the draft Management Letter with the external auditors. The final Management Letter is required to be submitted within 45 days of the date of the Auditors' Report on the financial statements under the listing regulations and shall therefore accordingly be discussed in the next Board Audit Committee meeting.
- The Audit firm has been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (ICAP) and is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by ICAP. The auditors have indicated their willingness to continue as auditors.
- Being eligible for reappointment under the listing regulations, the Board Audit Committee recommends their reappointment for the financial year ending 30 June 2016 on terms of remuneration negotiated by the Chief Executive Officer.

Karachi
Dated: 10 August 2015

Fuad Azim Hashimi
Chairman – Board Audit Committee

Statement of Compliance

with the Code of Corporate Governance

INTERNATIONAL INDUSTRIES LIMITED
June 30, 2015

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board constitutes of:

Category	Names
Independent Directors	Mr. Zaffar A. Khan
	Mr. Azam Faruque
	Mr. Tariq Ikram
	Mr. Aly Noormahomed Rattansey
Executive Directors	Mr. Riyaz T. Chinoy
Non-Executive Directors	Mr. Kamal A. Chinoy
	Mr. Mustapha A. Chinoy
	Mr. Fuad Azim Hashimi
	Ms. Nargis Ghaloo

The Independent Directors meet the criteria of independence under clause (i-b) of the CCG.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. There were changes in the Board during the year as Mr. Muhammad Raeesuddin Paracha resigned on November 10, 2014 and Ms. Nargis Ghaloo was co-opted by the Board in his place on December 3, 2014. The casual vacancy was filled, in compliance with section 35(ii) of the Code of Corporate Governance and was filled within 90 days.

5. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The Board has developed the Company's vision/mission statement, overall corporate strategy and significant policies. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions regarding material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors have been taken by the Board/shareholders.

8. All the meetings of the Board were presided over by the Chairman who is an Independent Non-Executive directors except one which was chaired by a Non-Executive director. The Board met seven (7) times this year. The Board normally meets at least once in every quarter to consider operational results, once a year to consider the budget for the following year while one meeting is focused on strategy, however, this year the Company had two meetings to discuss the Company's strategy. Written notices of board meetings, along with agenda and working papers, were circulated normally at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9 The directors have been provided with copies of Listing Regulations, Memorandum and Articles of Association of the Company and Code of Corporate Governance. Five (05) directors have the required certificate of Directors' Training course, two (02) are certified trainers on Corporate Governance at PICG, while the other two (02) qualify under the criteria described in clause (xi) of the Code of Corporate Governance. During the year there was no specific training arranged for the directors, however, the domestic and international business environment and regulatory changes were discussed in detail in each Board meeting.

10. The Company has complied with all the corporate and financial reporting requirements of the CCG and the Directors' report for this year, fully describes the salient matters required to be disclosed by the CCG except for:

    The Company has not disclosed the information as required under clause (xvi) and sub-clauses (J-iii) directors and their spouse(s) and minor children (name wise details), (j-iv) executives (name-wise), and clause (xvi)(l) all trade in the shares of the listed company, carried out by its directors, executives and their spouses and minor children as mentioned in the Code of Corporate Governance due to security reasons. The Company has applied for relaxation before Securities and Exchange Commission of Pakistan for the above on July 13, 2015. However, reply is yet to be received.

11. The Board has approved the appointment of the CEO, CFO, Company Secretary and the Chief Internal Auditor earlier, including their remuneration and terms and conditions of employment.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The Board has formed an Audit Committee. It comprises 3 members, two being Non Executive directors; while one member is independent director..

15. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the company as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

16. The Board has formed a Human Resources & Remuneration Committee. It comprises of 3 members, of whom one is a non-executive director, one is an executive director while the Chairman of the Committee is an independent director.

17. The Company has appointed a Chief Internal Auditor, who is assisted by Ernst & Young Ford Rhodes Sidat Hyder & Co in the internal audit function, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

18. The Statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) Guidelines on Code of Ethics as adopted by ICAP.

19. The Statutory Auditors or persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. The closed period, prior to the announcement of interim/final results, and business decisions which may materially affect the market price of company's securities, was determined and intimated to Directors, employees and stock exchanges.

21. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

22. We confirm that all other material principles enshrined in the CCG have been complied with.

23. The Company has documented the following policies and statements in compliance with the Code of Corporate Governance;

- Policy for Code of Conduct
- Mission Statement / Quality, Environmental, Health & Safety Policy
- Vision Statement
- Human Resources Policies
- Policy for Acquisition / Disposal of Fixed Assets
- Policy for Donations, Charities and Contributions
- Policy for Stores & Spares
- Policy for Write off Bad Debts, Advances & Receivables
- Investment Policy
- Budgetary Control Policy
- Policy for Delegation of Financial Powers
- Borrowing Policy for Determination of Level of Long Term Borrowings
- Related party Transactions & Transfer Pricing Policy
- Policy for Pricing, Credit & Discount
- Policy for Procurement of Goods & Services
- Risk Management Policy
- Policy for Profit Appropriation
- Roles & Responsibilities of The Chairman & Chief Executive
- Policy for Level of Materiality
- Speak-Up Policy
- Policy on Chief Executive Officer Evaluation
- Policy for Board Evaluation
- Policy for Review and Guidance on Litigation
- Directors' Remuneration Policy
- Investors Relations Policy

Fuad Azim Hashimi
Chairman – Board Audit Committee

Riyaz T. Chinoy
Chief Executive Officer

Review Report to the Members

on Statement of Compliance with the Best Practices of the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of International Industries Limited ("the Company") for the year ended 30 June 2015 to comply with the requirements of Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2015.

Further, we highlight below instance of non-compliance with the requirement of the Code as reflected in paragraph 10 in the Statement of Compliance with respect to non-disclosure of pattern of shareholding and non-disclosure of trades in the shares of the Company by certain persons respectively as required by clause (xvi) of the Code of Corporate Governance. The Company has applied to the Securities and Exchange Commission of Pakistan (SECP) for relaxation from such compliance and currently awaits their response in this regard.

Date: 17 August 2015
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Financial Statements

Contents

Auditors' Report to the Members

We have audited the annexed balance sheet of International Industries Limited ("the Company") as at 30 June 2015 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,

   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 2015 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: 17 August 2015
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Balance Sheet

As at 30 June 2015

	Note	2015	2014
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,622,157	3,502,052
Intangible assets	6	13,211	9,029
Investments	7	2,742,705	2,592,705
Long term deposits		6,867	4,488
Long term prepayments		833	4,835
		6,385,773	6,113,109
Current assets			
Stores and spares	8	138,375	135,137
Stock-in-trade	9	3,653,153	6,671,260
Trade debts	10	2,314,178	2,268,337
Advances	11	153,076	33,460
Trade deposits and short term prepayments	12	11,951	7,460
Other receivables	13	38,811	49,883
Sales tax refundable		-	318,123
Taxation-net	14	417,813	577,539
Bank balances	15	24,673	72,261
		6,752,030	10,133,460
Total assets		13,137,803	16,246,569
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
200,000,000 (2014: 200,000,000) ordinary shares of Rs.10 each		2,000,000	2,000,000
Issued, subscribed and paid-up capital	16	1,198,926	1,198,926
General reserve		2,700,036	2,700,036
Unappropriated profit		883,206	523,550
Total equity		4,782,168	4,422,512
Surplus on revaluation of property, plant and equipment	17	1,561,085	1,581,636
LIABILITIES			
Non-current liabilities			
Long term financing- secured	18	242,992	300,000
Staff retirement benefits	33.2	70,577	79,068
Deferred taxation-net	19	144,382	188,942
		457,951	568,010
Current liabilities			
Trade and other payables	20	1,375,318	3,160,417
Short term borrowings- secured	21	4,664,407	6,277,234
Current portion of long term financing- secured	18	150,000	150,000
Sales tax payable		87,689	-
Accrued markup		59,185	86,760
		6,336,599	9,674,411
Total liabilities		6,794,550	10,242,421
Total equity and liabilities		13,137,803	16,246,569
Contingencies and commitments	22		

The annexed notes 1 to 42 form an integral part of these financial statements.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Nadir Akbarali Jamal
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

Profit and Loss Account

For the year ended 30 June 2015

	Note	2015	2014
		(Rupees in '000)	
Net sales	23	17,673,799	16,341,306
Cost of sales	24	(15,795,133)	(14,239,770)
Gross profit		1,878,666	2,101,536
Selling and distribution expenses	25	(589,651)	(604,781)
Administrative expenses	26	(188,783)	(159,101)
		(778,434)	(763,882)
Financial and other charges	27	(487,514)	(779,295)
Other operating charges	28	(81,639)	(72,895)
		(569,153)	(852,190)
Other income	29	401,761	166,234
Profit before taxation		932,840	651,698
Taxation	30	(202,300)	(148,858)
Profit for the year		730,540	502,840
		(Rupees)	
Earnings per share - basic and diluted	31	6.09	4.19

The annexed notes 1 to 42 form an integral part of these financial statements.

Fuad Azim Hashimi	**Nadir Akbarali Jamal**	**Riyaz T. Chinoy**
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

Statement of Comprehensive Income

For the year ended 30 June 2015

	2015	2014
	(Rupees in '000)	
Profit for the year	730,540	502,840
Other Comprehensive Income		
Items that will never be reclassified to profit and loss account		
Remeasurements of defined benefit liability	16,734	(29,098)
Tax thereon	(3,263)	5,918
Other comprehensive income - net of tax	13,471	(23,180)
Total comprehensive income for the year	744,011	479,660

The annexed notes 1 to 42 form an integral part of these financial statements.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Nadir Akbarali Jamal
Chief Financial
Officer

Riyaz T. Chinoy
Chief Executive
Officer

Cash Flow Statement

For the year ended 30 June 2015

	Note	2015	2014
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		932,840	651,698
Adjustments for:			
Depreciation and amortisation	5.2 & 6.1	245,890	234,555
Provision for doubtful debts		(3,247)	3,076
Provision for staff gratuity		34,647	26,404
Interest on bank deposits	29	(2,674)	(2,542)
(Gain) / loss on disposal of property, plant and equipment	29	(30,894)	6,248
Dividend income		(255,972)	(9,704)
Financial charges	27	487,514	779,295
		1,408,104	1,689,030
Changes in:			
Working capital	32	1,462,660	1,009,064
Long term prepayments		4,002	(60)
Long term deposits		(2,379)	(4,835)
Net cash generated from operations		2,872,387	2,693,199
Financial charges paid		(515,089)	(821,127)
Payment for staff gratuity		(26,404)	(26,404)
Taxes paid		(75,680)	(309,820)
Net cash generated from operating activities		2,255,214	1,535,848
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(366,233)	(224,482)
Investment in subsidiary	7	(150,000)	(9,168)
Proceeds from sale of property, plant and equipment		43,061	48,973
Dividend income received		255,972	9,704
Interest received		2,674	2,670
Net cash used in investing activities		(214,526)	(172,303)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		92,992	-
Repayment of long term financing		(150,000)	-
Dividends paid		(418,441)	(416,950)
Net cash used in financing activities		(475,449)	(416,950)
Net increase in cash and cash equivalents		1,565,239	946,595
Cash and cash equivalents at beginning of the year		(6,204,973)	(7,151,568)
Cash and cash equivalents at end of the year		(4,639,734)	(6,204,973)
CASH AND CASH EQUIVALENTS COMPRISE OF:			
Bank balances	15	24,673	72,261
Short term borrowings- secured	21	(4,664,407)	(6,277,234)
		(4,639,734)	(6,204,973)

The annexed notes 1 to 42 form an integral part of these financial statements.

Fuad Azim Hashimi	Nadir Akbarali Jamal	Riyaz T. Chinoy
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

Statement of Changes in Equity

For the year ended 30 June 2015

	Issued, subscribed & paid up capital	Revenue reserves		Total reserves	Total
		General reserve	Un-appropriated profit		
	(Rupees in '000)				
Balance as at 1 July 2013	1,198,926	1,848,736	1,291,496	3,140,232	4,339,158
Profit for the year	-	-	502,840	502,840	502,840
Other comprehensive income for the year	-	-	(23,180)	(23,180)	(23,180)
Total comprehensive income for the year ended 30 June 2014	-	-	479,660	479,660	479,660
Transactions with owners recorded directly in equity - *distributions*					
- Final dividend at 22.5% (i.e. Rs.2.25 per share) for the year ended 30 June 2013	-	-	(269,758)	(269,758)	(269,758)
- Interim dividend at 12.50% (i.e. Rs. 1.25 per share) for the year ended 30 June 2014	-	-	(149,866)	(149,866)	(149,866)
Total transactions with owners - *distributions*	-	-	(419,624)	(419,624)	(419,624)
Transfer to general reserves	-	851,300	(851,300)	-	-
Transfer from surplus on revaluation on disposal of land	-	-	7,264	7,264	7,264
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	16,054	16,054	16,054
Balance as at 30 June 2014	1,198,926	2,700,036	523,550	3,223,586	4,422,512
Profit for the year	-	-	730,540	730,540	730,540
Other comprehensive income for the year	-	-	13,471	13,471	13,471
Total comprehensive income for the year ended 30 June 2015	-	-	744,011	744,011	744,011
Transactions with owners recorded directly in equity - *distributions*					
- Final dividend at 20% (i.e. Rs. 2.00 per share) for the year ended 30 June 2014	-	-	(239,785)	(239,785)	(239,785)
- Interim dividend at 15.00% (i.e. Rs. 1.50 per share) for the year ended 30 June 2015	-	-	(179,839)	(179,839)	(179,839)
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	-	-	35,269	35,269	35,269
Balance as at 30 June 2015	1,198,926	2,700,036	883,206	3,583,242	4,782,168

The annexed notes 1 to 42 form an integral part of these financial statements.

Fuad Azim Hashimi	**Nadir Akbarali Jamal**	**Riyaz T. Chinoy**
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

1. STATUS AND NATURE OF BUSINESS

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

Details of the Company's investment in subsidiaries and associated company are stated in note 7 to these financial statements.

2. BASIS OF PREPARATION

2.1 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 (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have 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 defined benefit plan (gratuity) is determined on the present value of defined benefit obligations as determined by an independent actuary.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have a significant effect on the financial statements and estimates with significant risk of material judgment in the next financial year are set forth below:

Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain matters in the past.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect the current and remeasurement gains and losses in those years.

Trade debts and other receivables

The Company's management reviews its trade debtors on a continuous basis to identify receivables where collection of an amount is no longer probable. These estimates are based on historical experience and are subject to changes in conditions at the time of actual recovery.

Property, plant and equipment

The Company reviews the rates of depreciation, useful lives, residual values and values of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

Stock-in-trade and stores and spares

The Company reviews the net realisable value of stock-in-trade and stores, spares parts and loose tools to assess any diminution in their respective carrying values and also review the inventories for obsolescence.

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS

3.1 Standards, amendments or interpretations which became effective during the year:

During the year certain amendments to standards or new interpretations became effective; however, the amendments or interpretation did not have any material effect on the financial statements of the Company.

3.2 Standards, amendments or interpretations not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2015 and the Company does not expect to have any material / significant changes in its accounting policy except for disclosures, where applicable:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments have no impact on Company's financial statements as the Company has the policy of depreciating / amortizing its property, plant and equipment and intangible assets based on the assessed useful lives.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 is not likely to have any impact on the financial statements of the Company.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. IFRS 11 is not likely to have any impact on the financial statements of the Company.

- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015). The adoption of this standard is not like to have an impact on Company's financial statements.

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015). The adoption of this standard is not like to have an impact on Company's financial statements.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). These amendments have no impact on the financial statements of the Company.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. These amendments are not likely to have any implication on the Company's Financial Statements.

- IFRS 7 'Financial Instruments- Disclosures'. These amendments are not likely to have any implication on the Company's Financial Statements.

- IAS 19 'Employee Benefits'. These amendments are not likely to have any implication on the Company's Financial Statements.

- IAS 34 'Interim Financial Reporting'. These amendments are not likely to have any implication on the Company's Financial Statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below and have been consistently applied to all the years presented.

4.1 Property, plant and equipment

Property, plant and equipment (except freehold and leasehold land and buildings) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold and leasehold land and buildings are stated at revalued amounts less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset including borrowing costs, if any. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The value assigned to leasehold lands is not amortized as the respective leases are expected to be renewed for further periods on payment of relevant rentals.

Subsequent cost

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be reliably measured. Cost incurred to replace a component of an item of property, plant and equipment is capitalised and the asset so replaced is derecognized. Normal repairs and maintenance are charged to the Profit and Loss Account during the period in which they are incurred.

Depreciation

Depreciation is charged to income on a straight line basis at rates specified in note 5.1 to these financial statements except for freehold and leasehold land. Depreciation on addition is charged from the month an asset is available for use upto the month prior to its disposal.

Depreciation methods, useful lives and residual values of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed and adjusted, if appropriate at each balance sheet date.

Revaluation surplus

Surplus on revaluation of land and buildings is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to retained earnings (Unappropriated Profit).

Disposal

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized in other income/other expenses in the Profit and Loss Account. When revalued assets are sold, any related amount included in the Revaluation Reserve is transferred to retained earnings (Unappropriated Profit).

Capital work in progress (CWIP)

Capital work in progress is stated at cost less impairment loss, if any and consists of expenditure incurred and advances made in the course of an assets's construction and installation. Transfers are made to relevant asset categories as and when assets are available for intended use.

4.2 Intangible assets

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the Company and the cost of such asset can be measured reliably.

Costs directly associated with identifiable software that will have probable economic benefits exceeding costs beyond one year, are recognized as an intangible asset. Direct costs include the purchase costs of software and other directly attributable costs of preparing the software for its intended use. An intangible asset is measured initially at cost and subsequently stated at cost less accumulated amortization and impairment losses, if any.

Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization

Amortization is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets (i.e. three years) unless such lives are indefinite. Amortization on additions to intangible assets is charged from the month in which an item is acquired or capitalized upto the month prior to their disposal.

4.3 Investments

Investments in subsidiaries

Investments in subsidiaries are initially recognized and carried at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the investment's recoverable amount is estimated which is the higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in Profit and Loss Account. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the Profit and Loss Account.

Investments in associates

Investments in associates are initially recognized and carried at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the investment's recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount.

Impairment losses are recognized in Profit and Loss Account. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the Profit and Loss Account.

4.4 Derivative financial instruments - other than hedging

Derivatives that do not qualify for hedge accounting are recognized in the Balance Sheet at estimated fair value with corresponding effect to Profit and Loss Account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

4.5 Derivative financial instruments - cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value of the derivative is recognised in other comprehensive income and accumulated in hedging reserve. Any ineffective portion of changes in fair value of derivative is recognised immediately in Profit and Loss Account. The amount accumulated in equity is removed therefrom and included in the initial carrying amount of non-financial asset upon recognition of non-financial asset.

The fair value of forward exchange contracts is estimated using appropriate valuation techniques. These are carried as assets when the fair value is positive and liabilities when the fair value is negative.

4.6 Borrowings costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date the respective assets are available for the intended use. All other mark-up, interest and other related charges are charged to the Profit and Loss Account currently.

4.7 Stores and spares

Stores and spares are stated at lower of weighted average cost and net realisable value, less provision for impairment, if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on the management's estimate regarding their future usability.

Net realisable value signifies the estimated selling price in the ordinary course of business less the net estimated costs necessary to be incurred to make the sale.

4.8 Stock-in-trade

These are valued at lower of cost and net realisable value less impairment loss, if any. Cost is determined under the weighted average basis. Cost comprises all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value signifies the estimated selling price in the ordinary course of the business less the net estimated cost of completion and selling expenses.

Scrap stocks are valued at estimated net realisable value.

4.9 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

4.10 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand and current and deposit accounts held with banks. Short term borrowings availed by the Company, which are payable on demand and form an integral part of the Company's cash management, are included as part of cash and cash equivalents for the purpose of the Cash Flow Statement.

4.11 Taxation

Income Tax expense comprises current and deferred tax. Income Tax expense is recognized in the Profit and Loss Account, except to the extent that it relates to items recognized directly in other comprehensive income or below equity, in which case it is recognized in other comprehensive income or below equity respectively.

Current tax

Provision for current taxation is based on taxability of certain income streams of the Company under final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account available tax credits and tax rebates, if any.

Deferred tax

Deferred tax is recognized using the balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date.

The Company recognizes a deferred tax asset to the extent that it is probable that taxable profits in the foreseeable future will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Further, the Company also recognizes deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

4.12 Employee benefits

Defined benefit plan

The Company operates an approved funded Gratuity Scheme (the Plan) for eligible employees of the Company. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income.

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense and current service cost are recognized in profit and loss account. The latest Actuarial valuation was conducted at the balance sheet date by a qualified professional firm of actuaries.

Defined contribution plan

The Company operates a recognized provident fund for all its employees except unionized staff. Equal monthly contributions are made by the Company and its employees to the fund at the rate of 8.33% of basic salary and cost of living allowance and the same is charged to the Profit and Loss Account.

Compensated absences

The liability for accumulated compensated absences of employees is recognized in the period in which employees render service that increases their entitlement to future compensated absences.

4.13 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost.

4.14 Foreign currency translation

Transactions in foreign currencies are translated into Pakistan Rupees at the rates of exchange approximating those prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing on the balance sheet date.

Exchange differences are included in the Profit and Loss Account currently.

4.15 Revenue recognition

- Domestic sales are recognized as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides with delivery.
- Export sales are recognised as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides either with date of shipping bill or upon delivery to customer or its representative, based on terms of arrangement.
- Interest income (including late payment surcharge) is recognized on a time-apportioned basis using the effective rate of return.
- Dividend income is recognized when the right to receive payment is established.
- Revenue from power generation plant on account of sale of surplus electricity is recognized on transmission of electricity to K-Electric Limited.
- Gains / losses arising on sale of investments are included in the Profit and Loss Account in the period in which they arise.
- Service income is recognized when related services are rendered.
- Rental income is recognized on straight line basis over the term of the respective lease agreement.
- Miscellaneous income is recognized on receipt basis.

4.16 Financial instruments

All financial assets and liabilities are initially measured at fair value, and subsequently measured at fair value or amortized cost as the case may be. The Company derecognizes financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instrument.

4.17 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.18 Impairment

Financial assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-Financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax asset, are reviewed at each balance sheet date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the Profit and Loss Account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.19 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognised in Profit and Loss Account over the period of borrowings on an effective interest basis.

4.20 Provisions

A provision is recognized in the Balance Sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. The management monitors the operating results of its products (i.e. Steel and Plastic Pipes) separately for the purpose of making decisions regarding resource allocation and performance assessment.

4.22 Dividend and appropriation to / from reserves

Dividend distribution to the Company's shareholders and appropriation to / from reserves are recognized in the period in which these are approved by the Members and Board of Directors respectively.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2015	2014
		(Rupees in '000)	
Operating assets	5.1	3,423,933	3,458,062
Capital work-in-progress (CWIP)	5.5	198,224	43,990
		3,622,157	3,502,052

5.1 Operating assets

	Land - revalued		Buildings - revalued		Plant and machinery *	Furniture, fixtures and office equipment	Vehicles	Total
	Freehold	Leasehold	Freehold land	Leasehold land				
	(Rupees in '000)							
Balance as at 1 July 2014								
Cost / revalued amount	484,274	1,100,044	164,562	727,594	2,686,154	83,212	96,246	5,342,086
Accumulated depreciation	-	-	(7,308)	(44,957)	(1,725,594)	(64,262)	(41,903)	(1,884,024)
Net book value (NBV)	484,274	1,100,044	157,254	682,637	960,560	18,950	54,343	3,458,062
Additions / transfer from CWIP	-	6,918	1,432	29,082	127,865	7,529	46,903	219,729
Disposals								
- Cost	-	-	-	-	(54,015)	(1,088)	(18,054)	(73,157)
- Accumulated depreciation	-	-	-	-	44,671	996	15,323	60,990
	-	-	-	-	(9,344)	(92)	(2,731)	(12,167)
Depreciation charge	-	-	(9,888)	(55,777)	(143,242)	(11,573)	(21,211)	(241,691)
Balance as at 30 June **2015 (NBV)**	484,274	1,106,962	148,798	655,942	935,839	14,814	77,304	3,423,933
Gross carrying value as **at 30 June 2015**								
Cost / revalued amount	484,274	1,106,962	165,994	756,676	2,760,004	89,653	125,095	5,488,658
Accumulated depreciation	-	-	(17,196)	(100,734)	(1,824,165)	(74,839)	(47,791)	(2,064,725)
Net book value	484,274	1,106,962	148,798	655,942	935,839	14,814	77,304	3,423,933
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	
Balance as at 1 July 2013								
Cost / revalued amount	484,274	988,354	164,562	724,149	2,675,642	78,208	87,862	5,203,051
Accumulated depreciation	-	-	-	-	(1,647,421)	(58,050)	(34,959)	(1,740,430)
Net book value (NBV)	484,274	988,354	164,562	724,149	1,028,221	20,158	52,903	3,462,621
Additions / transfer from CWIP	-	149,294	-	3,445	94,543	7,600	23,320	278,202
Disposals								
- Cost	-	(37,604)	-	-	(84,031)	(2,596)	(14,936)	(139,167)
- Accumulated depreciation	-	-	-	-	70,439	2,469	11,038	83,946
	-	(37,604)	-	-	(13,592)	(127)	(3,898)	(55,221)
Depreciation charge	-	-	(7,308)	(44,957)	(148,612)	(8,681)	(17,982)	(227,540)
Balance as at 30 June **2014 (NBV)**	484,274	1,100,044	157,254	682,637	960,560	18,950	54,343	3,458,062
Gross carrying value as **at 30 June 2014**								
Cost / revalued amount	484,274	1,100,044	164,562	727,594	2,686,154	83,212	96,246	5,342,086
Accumulated depreciation	-	-	(7,308)	(44,957)	(1,725,594)	(64,262)	(41,903)	(1,884,024)
Net book value	484,274	1,100,044	157,254	682,637	960,560	18,950	54,343	3,458,062
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	

* This includes capital spares with a net book value of Rs.6.8 million (2014: Rs.9.6 million).

5.2 The depreciation charge for the year has been allocated as follows:

	Note	2015	2014
		(Rupees in '000)	
Cost of sales	24	221,200	210,364
Selling and distribution expenses	25	7,073	7,048
Administrative expenses	26	13,418	10,127
		241,691	227,540

5.3 The revaluation of the freehold land, leasehold land and buildings thereon was carried out as of 30 June 2013 by Iqbal A. Nanjee (Private) Limited (an independent valuer who is located in Karachi) on the basis of their professional assessment of present market values based on enquiries made about the cost of land of similar nature, size and location including consideration of current cost of acquisition or construction, net of diminution owing to depreciation, keeping in view the current condition. The revaluation resulted in a surplus on revaluation amounting to Rs. 695.4 million which was incorporated in the books of the Company as at 30 June 2013.

The Company commissioned independent valuation of freehold land, leasehold land and buildings during the years / periods ended 30 June 1988, 30 June 1997, 30 June 2000, 30 June 2004, 31 December 2007 and 30 June 2013.

The carrying amount of the aforementioned assets as at 30 June 2015, if the said assets had been carried at historical cost, would have been as follows:

	Cost	Accumulated depreciation	Net book value
		(Rupees in '000)	
Freehold land	172,302	-	172,302
Leasehold land	313,517	-	313,517
Buildings	531,272	(293,701)	237,571
As at 30 June 2015	1,017,091	(293,701)	723,390
As at 30 June 2014	979,659	(274,442)	705,217

5.4 Details of property, plant and equipment disposed off / scrapped during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
		(Rupees in '000)				
Plant and machinery						
Furnace	10,318	10,018	300	10,195	Negotiation	M/s.Rahim Shah
Zinc kettle	10,288	10,188	100	9,355	Negotiation	M/s.Rahim Shah
1064 KW gas generator set	14,795	9,639	5,156	252	Negotiation	M/s.Ibrahim Steel Casting
Cutter trolley	3,000	744	2,256	2,204	Negotiation	M/s.Haji Akram Shah
Foundation of plant - K-76B	431	225	206	-	Demolished	Not applicable
Steam Daphram valve	2,445	1,989	456	1,162	Negotiation	M/s.Modilina Enterprises
Calibration Sleeves	1,181	645	536	532	Insurance claim	Jubilee General Insurance Co.- related party
Various items of book value up to Rs.50,000 each	11,557	11,223	334	6,651	Negotiation	Various
Furniture, fixtures and office equipment						
Laptop	71	12	59	55	Insurance claim	Jubilee General Insurance Co.- related party
Various items of book value up to Rs.50,000 each	1,017	984	33	183	Negotiation	Various
Vehicles						
Toyota Corolla	1,608	777	831	1,450	Insurance claim	Jubilee General Insurance Co.- related party
Suzuki Mehran	630	21	609	640	Insurance claim	Jubilee General Insurance Co.- related party
Suzuki Cultus	835	765	70	630	As per company's policy	Mr. Pervaz Alam Siddiqui
Honda Civic	1,719	1,604	115	1,105	As per company's policy	Mr. Mohsin Safdar
Suzuki Cultus	990	446	544	875	Negotiation	Mr.Asif Hussain
Suzuki Mehran	630	116	514	590	Insurance claim	Jubilee General Insurance Co.- related party
Suzuki Mehran	484	436	48	320	Negotiation	Mr.Farooq
Various vehicles of book value up to Rs.50,000 each	11,158	11,158	-	6,862	Negotiation	Various
	73,157	60,990	12,167	43,061		

5.5 Capital work-in-progress (CWIP)

	2015				2014			
	Cost				Cost			
	As at 1 July 2014	Additions	Transfers	As at 30 June 2015	As at 1 July 2013	Additions	Transfers	As at 30 June 2014
	(Rupees in '000)							
Buildings	15,249	67,682	(30,514)	52,417	413	18,281	(3,445)	15,249
Plant and machinery 5.5.1	28,741	251,604	(134,691)	145,654	1,632	128,733	(101,624)	28,741
Furniture, fixtures and office equipment	-	7,682	(7,529)	153	-	-	-	-
	43,990	326,968	(172,734)	198,224	2,045	147,014	(105,069)	43,990

5.5.1 Additions include borrowing cost capitalized amounting to Rs. 5.7 million.(2014: Nil). The effective rate for capitalization of borrowing cost ranges from 5.2% to 10.62%.

6. INTANGIBLE ASSETS

	Note	2015	2014
		(Rupees in '000)	
Operating intangible assets	6.1	2,630	6,829
Capital work-in-progress (CWIP)	6.2	10,581	2,200
		13,211	9,029

6.1 Operating intangible assets

	Note	2015	2014
Net book value as at 1 July		6,829	13,181
Additions		-	663
Amortisation	6.1.2	(4,199)	(7,015)
Net book value as at 30 June		2,630	6,829
Gross carrying value as at 30 June			
Cost		54,581	54,581
Accumulated amortization		(51,951)	(47,752)
Net book value		2,630	6,829
		Percent	
Amortisation rate (per annum)		33.33	33.33

6.1.1 Intangible assets comprise of computer software and licenses.

6.1.2 The amortisation expense for the year has been allocated as follows:

	Note	2015	2014
		(Rupees in '000)	
Cost of sales	24	2,014	3,548
Selling and distribution expenses	25	1,170	2,036
Administrative expenses	26	1,015	1,431
		4,199	7,015

6.2 This represents advance provided to ERP consultant on account of upgradation of ERP system.

7. INVESTMENTS

2015	2014		Note	2015	2014
(Number of shares)				(Rupees in '000)	
Quoted Companies					
245,055,543	245,055,543	International Steels Limited (ISL) - subsidiary company, at cost	7.1	2,450,555	2,450,555
2,425,913	2,425,913	Pakistan Cables Limited (PCL) - associated company, at cost	7.2	132,982	132,982
Un-quoted Companies					
100,000	100,000	IIL Australia Pty Limited (IIL Australia) - subsidiary company, at cost	7.3	9,168	9,168
15,000,000	-	IIL Stainless Steel (Private) Limited (IIL SS) - subsidiary company, at cost	7.4	150,000	-
				2,742,705	2,592,705

7.1 The Company holds 56.33% ownership interest in ISL. The Chief Executive Officer of ISL is Mr. Towfiq H. Chinoy.

7.2 The Company holds 8.52% ownership interest in PCL. The Chief Executive Officer of PCL is Mr. Kamal A. Chinoy.

7.3 The Company holds 100% ownership interest in IIL Australia Pty Limited. The Chief Executive Officer of IIL Australia Pty Limited is Mr. Sohail Raza Bhojani. The Company is incorporated in Victoria, Australia.

7.4 The Company holds 100% ownership interest in IIL Stainless Steel (Private) Limited. The Subsidiary Company was incorporated on 28 November, 2014. The Chief Executive Officer of IIL SS is Mr. Khawar Bari.

7.5 The market value of the aforementioned quoted investments is as follows:

	Note	2015	2014
		(Rupees in '000)	
International Steels Limited		6,886,061	5,648,530
Pakistan Cables Limited		403,915	241,985

7.6 The book value of IIL Australia based on the audited financial statements as at 30 June 2015 is Australian Dollars 103,069 (Rs. 8.03 million) [2014: AUD 100,000 (Rs. 9.3 million)].

7.7 The book value of IIL SS based on the audited financial statements as at 30 June 2015 is Rs. 143.68 million (2014: Nil)

8. STORES AND SPARES

	Note	2015	2014
		(Rupees in '000)	
Stores		40,541	37,604
Spares		95,994	96,130
Loose tools		1,840	1,403
		138,375	135,137

9. STOCK-IN-TRADE

	Note	2015	2014
		(Rupees in '000)	
Raw material - in hand	9.1	1,098,760	3,519,254
- in transit		474,753	595,652
		1,573,513	4,114,906
Work-in-process		590,344	1,102,542
Finished goods		1,426,328	1,414,234
By-products		62,406	26,835
Scrap material		562	12,743
		3,653,153	6,671,260

9.1 Raw material amounting to Rs. 6.4 million (2014: Rs. 5.2 million) as at 30 June 2015 was held at a vendor's premises for the production of pipe caps.

10. TRADE DEBTS

	Note	2015	2014
Considered good - secured	10.1	894,847	916,510
- unsecured		1,419,331	1,351,827
		2,314,178	2,268,337
Considered doubtful		37,530	40,777
		2,351,708	2,309,114
Provision for doubtful debts	10.3	(37,530)	(40,777)
		2,314,178	2,268,337

10.1 This represents trade debts arising on account of export sales of Rs. 843.6 million (2014: Rs. 895.1 million) which are secured by way of Export Letters of Credit and Document of Acceptance and Rs. 51.237 million (2014: Rs. 21.4 million) on account of domestic sales which are secured by way of Inland Letter of Credit.

10.2 Related parties from whom trade debts are due as at 30 June 2015 are as under:

	Note	2015	2014
		(Rupees in '000)	
Sui Southern Gas Company Limited		126	15,496
IIL Australia Pty Limited		84,947	6,944
Pakistan Cables Limited		830	-
	10.2.1	85,903	22,440

10.2.1 The ageing of the trade debts receivable from related parties as at the balance sheet date is as under:

	2015	2014
Not past due	68,535	22,315
Past due 1-60 days	16,501	-
Past due 61 days - 365 days	741	125
Past due over 1 year	126	-
Total	85,903	22,440

Out of the above receivable Rs 0.126 million (2014: Nil) are considered doubtful and are provided for.

10.3 Provision for doubtful debts

	Note	2015	2014
		(Rupees in '000)	
Balance as at 1 July		40,777	37,701
Charge for the year		8,781	7,564
Reversal during the year		(12,028)	(4,488)
	25	(3,247)	3,076
Balance as at 30 June		37,530	40,777

11. ADVANCES

	Note	2015	2014
Considered good- unsecured			
- Suppliers		126,320	16,964
- Employees for business related expenses		2,845	3,290
- Workers		23,911	13,206
		153,076	33,460

12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2015	2014
Trade deposits		6,928	3,278
Short term prepayments		5,023	4,182
		11,951	7,460

13. OTHER RECEIVABLES

	Note	2015	2014
Considered good:			
Receivable against sale of land		-	14,000
Receivable on transmission of electricity to K-Electric Limited		8,372	8,924
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		3,729	-
Others		770	1,019
		38,811	49,883
Receivable from foreign supplier on account of material		-	3,027
Less: Provision thereagainst		-	(3,027)
		-	-
		38,811	49,883

14. TAXATION - NET

	Note	2015	2014
Tax receivable as at 1 July		577,539	477,730
Tax payments / withheld during the year		141,769	309,912
Refund received during the year		(66,090)	-
		653,218	787,642
Less: Provision for tax	30	(235,405)	(210,103)
		417,813	577,539

15. BANK BALANCES

	Note	2015	2014
- Current accounts		24,673	58,604
- Saving accounts	15.1	-	13,657
		24,673	72,261

15.1 These carry interest ranging from 5% to 5.75% per annum (2014: 6.5% to 8% per annum).

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2015	2014		Note	2015	2014
(Number of shares)				(Rupees in '000)	
6,769,725	6,769,725	Fully paid ordinary shares of Rs. 10 each issued for cash		67,697	67,697
113,122,894	113,122,894	Fully paid ordinary shares of Rs. 10 each issued as bonus shares		1,131,229	1,131,229
119,892,619	119,892,619			1,198,926	1,198,926

16.1 Associated companies, due to common directors, held 5,936,560 (2014 : 6,333,560) ordinary shares of Rs. 10 each at the year end.

17. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	Note	2015	2014
		(Rupees in '000)	
Freehold land			
Balance as at 1 July		311,972	311,972
Surplus on revaluation of freehold land		-	-
Balance as at 30 June		311,972	311,972
Leasehold land			
Balance as at 1 July		793,445	800,709
Transfer to retained earnings (Unappropriated Profit) on Disposal of leasehold land		-	(7,264)
Balance as at 30 June		793,445	793,445
Buildings			
Balance as at 1 July		613,575	634,699
Transferred to retained earnings (Unappropriated Profit) in respect of incremental depreciation charged during the year		(46,406)	(21,124)
		567,169	613,575
Related deferred tax liability	17.1	(111,501)	(137,356)
Balance as at 30 June - net of deferred tax		455,668	476,219
		1,561,085	1,581,636

17.1 Movement in related deferred tax liability

	Note	2015	2014
Balance as at 1 July		137,356	142,426
Effect of change in tax rates		(14,718)	-
Tax effect on incremental depreciation transferred to retained earnings		(11,137)	(5,070)
Deferred tax liability as at 30 June	19	111,501	137,356

18. LONG TERM FINANCING - SECURED

Details of Long Term Financing are as follows:

	Sale price	Purchase price	Number of instalments and commencement date	Date of maturity	Rate of mark-up per annum	2015	2014
	(Rupees in '000)					(Rupees in '000)	
Meezan Bank Limited							
Local currency assistance of Rs.450 million for plant and machinery (Refer note 18.1)	450,000	570,874	6 half yearly 24 December 2014	24 June 2017	0.2 % over 6 months KIBOR	300,000	450,000
Financing under Long term Finance Facility for plant and machinery (Refer note 18.2)	550,000	906,963	34 quarterly 29 October 2016	28 March 2024	SBP+0.70%	92,992	-
Less: Current portion of long term finances shown under current liabilities						(150,000)	(150,000)
						242,992	300,000

18.1 The above long term financing utilized under mark-up 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.

18.2 The Company has an approved financing facility under Long Term Finance Facility of an amount aggregating Rs.550 million. As at June 30, 2015 the company has withdrawn Rs.92.3 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.

19. DEFERRED TAXATION - NET

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

	Note	2015	2014
		(Rupees in '000)	
Taxable temporary difference			
Accelerated tax depreciation		100,727	111,677
Surplus on revaluation of buildings	17	111,501	137,356
Deductible temporary differences			
Provision for infrastructure cess		(43,037)	(25,552)
Provision for doubtful debts		(9,876)	(14,272)
Provision for compensated absences		(1,170)	(1,241)
Staff retirement benefits		(13,763)	(17,967)
Provision against receivable from supplier on account of material		-	(1,059)
		144,382	188,942

20. TRADE AND OTHER PAYABLES

	Note	2015	2014
		(Rupees in '000)	
Trade creditors	20.1	39,049	2,008,073
Bills payable		474,753	581,252
Accrued expenses		462,741	212,328
Provision for Infrastructure Cess	20.2 & 22.1.5	220,702	172,781
Short term compensated absences		6,000	5,454
Advances from customers		108,073	45,607
Payable against purchase of land		16,111	98,528
Workers' Profit Participation Fund	20.3	13,900	10,300
Workers' Welfare Fund		14,550	12,880
Unclaimed dividend		14,386	13,203
Others		5,053	11
		1,375,318	3,160,417

20.1 This includes an amount of Rs.1.2 million (2014: 7.4 million) payable to Jubilee General Insurance Company Limited, a related party, on account of premium bills.

20.2 Provision for Infrastructure Cess

	2015	2014
Balance as at 1 July	172,781	114,825
Charge for the year	47,921	57,956
Balance as at 30 June	220,702	172,781

20.3 Workers' Profit Participation Fund

	Note	2015	2014
Balance as at 1 July		10,300	8,100
Interest on funds utilized in the Company's business at 15% (2014: 15%) per annum	27	317	360
		10,617	8,460
Allocation for the year		36,400	34,300
		47,017	42,760
Payments made during the year		(33,117)	(32,460)
Balance as at 30 June		13,900	10,300

21. SHORT TERM BORROWINGS- SECURED

	Note	2015	2014
Running finance under mark-up arrangement from banks	21.1	189,315	336,196
Short term borrowing under Money Market Scheme	21.2	-	2,840,000
Short term borrowing under Export Refinance Scheme	21.3	2,884,800	1,000,000
Running finance under FE-25 Export and Import Scheme	21.4	1,590,292	2,101,038
		4,664,407	6,277,234

21.1 The facilities for running finance available from various commercial banks amounted to Rs. 2,335 million (2014: Rs.1,732 million). The rates of mark-up on these finances range from 7.33% to 9.45% per annum (2014: 10.38% to 11.88% per annum). Unavailed facility as at the year end amounted to Rs. 2,146 million (2014: Rs. 1,396 million).

21.2 The facilities for short term borrowing under Money Market Scheme available from various commercial banks under mark-up arrangement amounted to Rs. 2,197 million (2014: Rs. 5,087 million). No facility was availed as at year end. The rates of markup on these finances range from 6.75% to 10.62% (2014: 10.10% to 10.39%).

21.3 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. 2,885 million (2014: Rs. 2,522 million). The rate of mark-up on this facility was 5.5% per annum (2014: 8.90% per annum).

21.4 The Company has also borrowed short term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 of the SBP for the purpose of meeting import requirements. The facility availed is for amounts aggregating of USD 15.6 million equivalent to Rs. 1,590 million (2014: USD 21.3 million equivalent to Rs. 2,101 million). The rates of mark-up on these finances range from 2.0% to 2.5% (2014: 1.5% to 2.59%).

21.5 All running finance and short term borrowing 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.

22. CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

22.1.1 Bank guarantees have been issued under certain supply contracts aggregating Rs. 125.6 million (2014: Rs. 137.5 million).

22.1.2 Customs duties amounting to Rs.156 million as at 30 June 2015 (2014: Rs. 713 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 favour of the Collector of Customs which are, in the normal course of business, to be returned to the Company after fullfilment of stipulated conditions. The Company has fulfilled the conditions for duties amounting to Rs. 156 million and is making efforts to retrieve the associated post-dated cheques from the customs authorities.

22.1.3 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 judgement.

22.1.4 The customs authorities have charged a redemption fine of Rs. 83 million on clearance of imported raw material consignments in 2006. The Company has filed an appeal before the Sindh High Court, which has set aside the examination reports including subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities had 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.

22.1.5 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. 338 million have been provided to the Department in this regard.

22.1.6 As per the Gas Infrastructure and Development Cess Act 2011 (the Act), certain companies as specified in the Act (including Sui Southern Gas Company) shall collect and pay Gas infrastructure and Development Cess (GID Cess) in such manner as the Federal Government may prescribe. As per the second schedule of the Act, GID Cess of Rs. 13 per MMBTU was applicable on the Company. Through Finance Bill 2012 – 2013, an amendment was made to the Act whereby the rate of GID Cess applicable on the Company was increased to Rs. 100 per MMBTU. On 1 August 2012, the Company filed a suit bearing number 859/2012 wherein it has impugned the Act on the ground that the rate of GID Cess has been enhanced without any lawful justification and authority. The Honourable High Court of Sindh at Karachi vide its ad-interim order dated 6 September 2012 has restrained Sui Southern Gas Company Limited (SSGC) from charging GID Cess above Rs. 13 per MMBTU. As a result, SSGC invoices to the Company at Rs. 13 per MMBTU which has been recorded.

Peshawar High Court vide order dated 13 June 2013 declared that the provisions of the Act, imposing, levying and recovering the impugned cess are absolutely expropriatory, exploitative and being constitutionally illegitimate having no sanction there for under the constitution. Accordingly it has been declared as such and set at naught. However, Supreme Court of Pakistan vide its order dated 30 December 2013 has suspended the judgment of Peshawar High Court. The management is of the view that the Supreme Court of Pakistan suspended the order of the Peshawar High Court and leave is granted to consider various other aspects stated in the order. Therefore, a final decision is pending for adjudication.

During the year, 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 Honourable High Court of Sindh. The Company is confident of favourable outcome and therefore has not recorded a provision of Rs. 103 million in these financial statements. However, the Company has recognised the cess after the passage of the Act. The Company has recognised charge against GID cess from the date (i.e. April 2015) of the passage of the Act.

22.1.7 The Company has received a demand from Deputy Collector (Manufacturing Bond) aggregating to Rs 82.9 million on account of sales tax, custom duty and withholding income tax in respect of wastage generated on raw material imported under manufacturing bond license and covers the period July 2007 to December 2010. The Company on the basis of an audit being duly completed till 31 March 2009 believes no further dues were liable to be paid. The Company has filed a Constitutional Petition in the Sindh High Court (SHC) which has granted interim stay on 9 December 2013. During the year ended 30 June 2015, the SHC heard the petition in length and remanded the case back to the Collector Adjudication II, for fresh examination strictly in accordance with the law. There has been hearings in this matter and the Company has submitted its written legal arguments and based on advice of legal counsel and merits of the case, is confident that the subject demand is unjustified and the matter will be decided in its favour.

22.1.8 Alloy steel being imported from China under FTA with HS Code 7225 was under dispute whereby that the Customs Authorities did not recognize the said alloy steel and cleared all such consignments under HS Code 7208 as being prime hot rolled steel coils which attracted 5% customs duty and 12.5% regulatory duty. A petition was filed in Sindh High Court for clarification of such anomaly and the Company had to submit bank guarantees worth Rs. 150.6 million for 5% customs duty and 12.5% regulatory duty as per the interim order of the Sindh High Court. Since then the Sindh High Court has decided this case in favour of the Petitioners on the basis that if any consignment contains more than 0.0008% boron as inherent part of steel that the same would qualify as alloy steel which would not attract payment of any duties. The return of our bank guarantees is awaited.

22.1.9 The Company has issued a corporate guarantee to a 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 fixed assets (excluding land and building) and present and future current and movebale assets.

22.2 Commitments

22.2.1 Capital expenditure commitments outstanding as at 30 June 2015 amounted to Rs. 437.5 million (2014: Rs.2.2 million).

22.2.2 Commitments under letters of credit for raw materials and stores and spares as at 30 June 2015 amounted to Rs. 1,656.5 million (2014: Rs. 1,010 million).

22.2.3 Commitments under purchase contracts as at 30 June 2015 amounted to Rs. 116.5 million (2014: Rs. 92.5 million)

22.2.4 Unavailed facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 7,734 million (2014: Rs. 8,818 million) and Rs. 107.9 million (2014: Rs. 95 million) respectively.

23. NET SALES

	Note	2015	2014
		(Rupees in '000)	
Local		13,271,393	12,831,498
Export		6,942,908	5,824,345
		20,214,301	18,655,843
Sales tax		(2,064,856)	(1,912,372)
Domestic trade discounts		(360,435)	(291,199)
Export commission		(115,211)	(110,966)
		(2,540,502)	(2,314,537)
		17,673,799	16,341,306

24. COST OF SALES

	Note	2015	2014
Opening stock of raw material and work-in-process		4,621,796	3,681,338
Purchases		11,998,568	14,487,175
Salaries, wages and benefits	24.1	671,221	538,672
Rent, rates and taxes		1,666	1,744
Electricity, gas and water		283,415	281,334
Insurance		7,417	11,127
Security and janitorial		23,657	17,702
Depreciation and amortisation	5.2 & 6.1.2	223,214	213,912
Operational supplies and consumables		66,178	61,309
Repairs and maintenance		102,110	102,118
Postage, telephone and stationery		9,393	9,217
Vehicle, travel and conveyance		14,778	12,360
Internal material handling		19,969	19,293
Toll manufacturing expenses		114,109	-
Environment controlling expense		466	178
Sundries		2,000	6,025
Stores and spares written off		1,539	-
Sale of scrap generated during production		(629,594)	(848,453)
		17,531,902	18,595,051
Closing stock of raw material and work-in-process	9	(1,689,104)	(4,621,796)
Cost of goods manufactured		15,842,798	13,973,255
Finished goods and by-product:			
Opening stock		1,441,069	1,707,584
Closing stock	9	(1,488,734)	(1,441,069)
		(47,665)	266,515
		15,795,133	14,239,770

24.1 Salaries, wages and benefits include Rs. 38.4 million for the year ended 30 June 2015 (2014: Rs. 31.7 million) in respect of staff retirement benefits.

25. SELLING AND DISTRIBUTION EXPENSES

	Note	2015	2014
		(Rupees in '000)	
Freight and forwarding		420,561	459,386
Salaries, wages and benefits	25.1	107,615	86,736
Rent, rates and taxes		251	230
Electricity, gas and water		4,682	4,265
Insurance		1,996	3,017
Depreciation and amortization	5.2 & 6.1.2	8,243	9,084
Repairs and maintenance		1,462	1,177
Advertising and sales promotion		21,354	15,440
Postage, telephone and stationery		5,916	5,172
Office supplies		64	61
Vehicle, travel and conveyance		14,601	13,988
Provision for doubtful debts - net	10.3	(3,247)	3,076
Certification and registration charges		3,635	65
Others		2,518	3,084
		589,651	604,781

25.1 Salaries, wages and benefits include Rs. 7.2 million for the year ended 30 June 2015 (2014: Rs. 7.2 million) in respect of staff retirement benefits.

26. ADMINISTRATIVE EXPENSES

	Note	2015	2014
Salaries, wages and benefits	26.1	125,115	102,729
Rent, rates and taxes		186	260
Electricity, gas and water		1,987	2,097
Insurance		279	321
Depreciation and amortisation	5.2 & 6.1.2	14,433	11,559
Repairs and maintenance		1,162	687
Postage, telephone and stationery		8,099	9,666
Office supplies		131	81
Vehicle, travel and conveyance		7,906	6,614
Legal and professional charges		14,075	8,518
Certification and registration charges		3,077	2,384
Others		12,333	14,185
		188,783	159,101

26.1 Salaries, wages and benefits include Rs. 8.9 million for the year ended 30 June 2015 (2014: Rs. 9.6 million) in respect of staff retirement benefits.

27. FINANCIAL AND OTHER CHARGES

	Note	2015	2014
Mark-up on:			
- long term financing		43,380	45,035
- short term borrowings		299,260	667,676
Exchange loss and others		130,315	55,364
Interest on Workers' Profit Participation Fund	20.3	317	360
Bank charges		14,242	10,860
		487,514	779,295

28. OTHER OPERATING CHARGES

	Note	2015	2014
		(Rupees in '000)	
Auditors' remuneration	28.1	2,175	2,047
Donations	28.2	14,350	13,315
Workers' Profit Participation Fund		36,400	34,300
Workers' Welfare Fund		14,550	13,304
Loss on disposal of property, plant and equipment		-	6,248
Business development expense		14,164	3,681
		81,639	72,895

28.1 Auditors' remuneration

	2015	2014
Audit fee	1,255	1,140
Half yearly review	360	325
Other services	435	410
Out of pocket expenses	125	172
	2,175	2,047

28.2 Donations to related party comprise of an amount of Rs. 1 million (2014: Nil) paid to Citizen Trust Against Crime, Karachi. Mr. Riyaz T. Chinoy, Chief Executive Officer, is a trustee of Citizen Trust Against Crime.

29. OTHER INCOME

	Note	2015	2014
Income / return on financial assets			
Interest on bank deposits		2,674	2,542
Exchange gain		35,853	80,672
Income from non-financial assets			
Income from power generation	29.1	57,204	57,429
Rental income from subsidiary company		10,287	8,725
Dividend income from associated company		10,916	9,704
Dividend income from subsidiary company		245,056	-
Gain on disposal of property, plant and equipment	5.4	30,894	-
Others		8,877	7,162
		401,761	166,234

29.1 This represents gross billing on account of sale of excess power generation of the 4MW plant to K-Electric Limited.

30. TAXATION

	Note	2015	2014
Current			
- for the year		235,405	173,327
- for prior years		-	36,776
	14	235,405	210,103
Deferred		(33,105)	(61,245)
		202,300	148,858

30.1 Relationship between income tax expense and accounting profit

	2015	2014	2015	2014
	(Effective tax rate %)		(Rupees in '000)	
Profit before taxation			932,840	651,698
Tax at the enacted tax rate	33.00	34.00	307,837	221,577
Tax effect of exempt income	(9.53)	-	(88,865)	-
Tax effect of income subject to lower tax	(0.27)	(0.61)	(2,509)	(3,986)
Tax effect of rebate / credits	(1.76)	(1.96)	(16,447)	(12,770)
Tax effect on exports under Final Tax Regime	(0.10)	(14.42)	(931)	(93,957)
Effect of change in prior years' tax	-	5.64	-	36,776
Others	0.34	0.19	3,215	1,218
	21.68	22.84	202,300	148,858

30.2 The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40 percent of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.

The Board of Directors in their meeting held on 17 August 2015 have recommended sufficient cash dividend for the year ended 30 June 2015 (refer note 41) which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these unconsolidated financial statements for the year ended 30 June 2015.

31. EARNINGS PER SHARE - BASIC AND DILUTED

	Note	2015	2014
		(Rupees in '000)	
Profit after taxation		730,540	502,840
		(Number)	
Weighted average number of ordinary shares in issue during the year	16	119,892,619	119,892,619
		(Rupees)	
Earnings per share		6.09	4.19

32. CHANGES IN WORKING CAPITAL

	Note	2015	2014
		(Rupees in '000)	
(Increase) / decrease in current assets:			
Stores and spares	8	(3,238)	(12,138)
Stock-in-trade	9	3,018,107	(1,255,990)
Trade debts		(42,593)	(190,634)
Advances	11	(119,616)	83,855
Trade deposits and short term prepayments	12	(4,491)	1,150
Other receivables		329,195	(97,364)
		3,177,364	(1,471,121)
Increase / (decrease) in current liabilities:			
Trade and other payables		(1,714,704)	2,480,185
		1,462,660	1,009,064

33. STAFF RETIREMENT BENEFITS

33.1 Defined contribution plan

Staff Provident Fund

Salaries, wages and benefits include Rs. 16.3 million (2014: Rs. 15.4 million) in respect of provident fund contribution.

The following information is based on the latest financial statements of the Fund:

	2015 (Unaudited)	2014 (Audited)
	(Rupees in '000)	
Size of the Fund- total assets	254,415	243,689
Cost of investments made	251,819	215,795
Percentage of investments made	93%	93%
Fair value of investments	236,704	226,252

The break-up of the fair value of investments is:

	2015 (Unaudited)	2014 (Audited)	2015 (Unaudited)	2014 (Audited)
	(Rupees in '000)		% of total investment	
Government securities	186,699	56,150	73%	23%
Debt securities	4,014	55,197	2%	23%
Mutual funds	-	114,905	-	47%
Equity	45,991	-	18%	-
Other assets	17,711	17,437	7%	7%
	254,415	243,689	100%	100%

Investments out of the provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

33.2 Defined benefit schemes

Staff Gratuity Fund

The actuarial valuation of gratuity was carried out at 30 June 2015. The projected unit credit method using the following significant assumptions, has been used for the actuarial valuation:

	2015	2014
	(% per annum)	
Financial assumptions		
Rate of discount	9.75%	13.25%
Expected rate of salary increase	8.75%	12.25%
Demographic assumptions		
Mortality rate	SLIC 2001-05-1 Heavy	SLIC 2001-05 Setback 1 Year
Rates of employee turnover	Moderate	Moderate
Post retirement mortality rates	N/A	N/A

The amounts recognised in balance sheet are as follows:

	Note	2015	2014
		(Rupees in '000)	
Present value of defined benefit obligation		366,025	340,671
Fair value of plan assets		(295,448)	(261,603)
Liability as at 30 June		70,577	79,068
Movements in the present value of defined benefit obligation			
Present value of defined benefit obligation - beginning of the year		340,671	275,466
Current service cost		27,615	22,777
Interest cost		42,321	28,128
Re-measurements : Actuarial (gains)/losses on obligation		(6,309)	29,450
Benefits paid		(38,273)	(15,150)
Present value of defined benefit obligation - closing date		366,025	340,671
Movements in the fair value of plan assets			
Fair value of plan assets - beginning of the year		261,603	225,588
Interest income on plan assets		35,289	24,502
Return on plan assets, excluding interest income		10,425	352
Benefits paid		(31,518)	(10,787)
Benefits due but not paid		(6,755)	(4,364)
Contribution to fund		26,404	26,312
Fair value of plan assets - closing date		295,448	261,603
Movement in the net defined benefit liability/(asset)			
Opening balance		79,068	49,878
Re-measurements recognized in other comprehensive income during the year		(16,734)	29,098
Expense chargeable to profit and loss account		34,647	26,404
Contribution paid during the year		(26,404)	(26,312)
Closing balance		70,577	79,068

Amounts recognized in total comprehensive income

The following amounts have been charged in respect of these benefits to profit and loss account and other comprehensive income:

		2015	2014
Component of defined benefit costs recognized in profit and loss account			
Current service cost		27,615	22,777
Net interest cost			
- Interest cost on defined benefit obligation		42,321	28,129
- Interest income on plan assets		(35,289)	(24,502)
		34,647	26,404
Component of defined benefit costs (re-measurement) recognized in other comprehensive income			
Re-measurements: Actuarial (gain)/loss on obligation			
- (Gain)/loss due to change in experience adjustments		(6,308)	29,450
Interest income on plan assets		(10,426)	(352)
Net re-measurement recognized in other comprehensive income		(16,734)	29,098
Total defined benefit cost recognized in profit and loss account and other comprehensive income		17,913	55,502

	Note	2015	2014
		(Rupees in '000)	
Actual return on plan assets		45,714	24,854
Expected contributions to funds in the following year		33,025	36,502
Expected benefit payments to retirees in the following year		42,317	25,588
Re-measurements: Accumulated actuarial (gains) / losses recognised in equity		(16,734)	29,098
Weighted average duration of the defined benefit obligation (years)		6.75	8.00

Maturity profile of the defined benefit obligation

Years		2015	2014
1		42,317	25,588
2		37,791	43,810
3		48,817	25,396
4		43,187	36,784
5		48,086	38,465
6 and onwards		386,825	5,703,455
Vested / Non-Vested			
- Vested benefits		364,175	336,929
- Non - vested benefits		1,850	3,742
		366,025	340,671

Disaggregation of fair value of plan assets

The fair value of the plan assets at balance sheet date for each category are as follows:

		2015	2014
Cash and cash equivalents (comprising bank balances and adjusted for current liabilities) - quoted		11,421	6,436
Debt instruments			
- AA+		-	19,977
- AA-		-	32,333
- A		-	5,632
		-	57,942
Equity instruments		83,735	-
Government securities		200,292	66,916
Mutual funds			
- NAFA Government Securities Liquid Fund		-	17,873
- NAFA Savings Plus Fund		-	14,439
- NAFA Asset Allocation Fund		-	97,997
		-	130,309
		295,448	261,603

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Note	2015	2014
		(Rupees in '000)	
Discount rate + 100 basis point		342,711	315,625
Discount rate - 100 basis point		392,325	369,377
Salary increase + 100 basis point		394,124	369,801
Salary decrease - 100 basis point		340,726	314,822

The sensitivity analysis prepared presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

34. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives		Total	
	2015	2014	2015	2014	2015	2014
	(Rupees in '000)					
Remuneration	29,521	25,017	194,207	156,948	223,728	181,965
Variable performance pay	5,074	-	33,653	-	38,727	-
Retirement benefits	1,844	1,563	10,778	9,467	12,622	11,030
Rent, utilities, leave encashment etc.	11,070	9,382	75,244	59,411	86,314	68,793
	47,509	35,962	313,882	225,826	361,391	261,788
Number of persons	1	1	96	75	97	76

34.1 In addition to the above, the Chief Executive and certain executives are provided with free use of Company maintained vehicles in accordance with the Company's policy .

34.2 Fees paid to non-executive directors was Rs. 4.75 million (2014: Rs. 3.6 million) on account of meetings attended by them.

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The Board of Directors ("the Board") of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks it faces, to set appropriate risk limits and controls and to monitor risks including adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Audit Committee ("the Committee") oversees how the management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Committee is assisted in its oversight role by the Internal Audit function. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

35.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation, without considering the fair value of the collateral available thereagainst.

Exposure to credit risk

The carrying amount of respective financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date is as follows:

	Note	2015	2014
		(Rupees in '000)	
- Long term deposit		6,867	4,488
- Trade debts - net of provision	10	2,314,178	2,268,337
- Trade deposits		6,928	3,278
- Other receivable		12,871	23,943
- Bank balances	15	24,673	72,261
		2,365,517	2,372,307

The Company does not take into consideration the value of collateral while testing financial assets for impairment. The Company considers the creditworthiness of counterparties as part of its risk management.

Long term deposits

These represent long term deposits with various parties for the purpose of securing supplies of raw materials and services. The Company does not foresee any credit exposure thereagainst as the amounts are paid to counterparties as per agreements and are refundable on termination of the agreements with respective counterparties.

Trade deposits

These represent deposits placed with various suppliers as per the terms of securing availability of services. The management does not expect to incur credit loss thereagainst.

Trade debts

The Company's exposure to credit risk arising from trade debtors is mainly influenced by the individual characteristics of each customer. The Company has no major concentration of credit risk with any single customer. The majority of the customers have been transacting with the Company for several years. The Company establishes an allowance for impairment that represents its estimate of incurred losses for balances above one year except for amounts due from government entities / public sector entities.

Receivable from K - Electric Limited

This represents receivable from K - Electric Limited on account of electricity provided to it from the 4 MW plant located at the factory site under an agreement. The Company does not expect to incur credit loss thereagainst.

Analysis of amounts receivable from K - Electric Limited, IIL SS and from local and foreign trade debtors are as follows:

	Note	2015	2014
		(Rupees in '000)	
Domestic		1,397,722	1,300,119
Export		928,557	977,142
	10 & 13	2,326,279	2,277,261

The majority of export debtors of the Company are situated in America, Australia, Sri Lanka, Europe and Middle East.

Impairment losses

The ageing of trade debtors and amounts receivable from K - Electric Limited and IIL SS at the balance sheet date was as follows:

	2015		2014	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Not past due	1,704,151	-	1,588,056	-
Past due 1-60 days	543,589	-	506,734	-
Past due 61 days -1 year	150,645	-	159,579	-
More than one year	37,529	37,529	63,669	40,777
Total	2,435,914	37,529	2,318,038	40,777

Based on an assessment conducted of individual customers, the management believes that receivables falling within the age bracket of upto one year do not require any impairment provision other than to the extent determined above. Further, the provision recognized against balances appearing over one year is without prejudice to other recourse the management has for recovery against outstanding balances. Movement in the provision has been stated elsewhere in these financial statements.

Other receivables

These comprise of other miscellaneous receivables and management does not expect to incur material losses against those balances.

Balances with bank

The Company places its surplus funds with banks carrying good credit standing assessed by reputable credit agencies. As at 30 June 2015 the Company has placed funds with banks having credit ratings as follows:

	Short term	Long term
Local banks	A1+ to A1	AAA to AA-
Foreign banks	F1+ / P1 to F1 / P1	AA- / A1 to A / A2

Concentration of credit risk

Concentration of credit risk arises 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 economics, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. At the reporting date, the Company has no major concentration of credit risk. However, the majority of debtors of the Company are domestic entities.

35.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or experience difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient liquidity including credit lines to meet expected working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments:

	2015						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long term financing	392,992	-	(535,183)	(95,250)	(95,250)	(253,988)	(90,695)
Trade and other payables	1,012,093	(19,439)	(992,654)	(992,654)	-	-	-
Accrued markup	59,185	-	(59,185)	(59,185)	-	-	-
Short-term borrowings	4,664,407	(4,664,407)	-	-	-	-	-
	6,128,677	(4,683,846)	(1,587,022)	(1,147,089)	(95,250)	(253,988)	(90,695)

	2014						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long term financing	450,000	-	(585,200)	(95,250)	(95,250)	(394,700)	-
Trade and other payables	2,913,395	(13,214)	(2,900,181)	(2,900,181)	-	-	-
Accrued markup	86,760	-	(86,760)	(86,760)	-	-	-
Short-term borrowings	6,277,234	(6,277,234)	-	-	-	-	-
	9,727,389	(6,290,448)	(3,572,141)	(3,082,191)	(95,250)	(394,700)	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June. The rates of mark-up have been disclosed in notes 18 and 21 to these financial statements.

35.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is exposed to currency risk and interest rate risk only.

Currency risk

Exposure to currency risk

The Company is exposed to currency risk on trade debts, borrowings, trade and other payables, bank balances and accrued markup that are denominated in a currency other than the functional currency of the Company. The Company's exposure to foreign currency risk is as follows:

	2015		2014	
	Rupees	US Dollars	Rupees	US Dollars
	(Amount in '000)			
Financial assets				
Trade debts and bank balances	907,426	9,400	994,728	10,087
Financial liabilities				
Running finance under FE-25 Export and Import Scheme	(1,590,292)	(15,174)	(2,101,038)	(21,265)
Trade and other payable	(474,753)	(4,316)	(2,579,618)	(26,109)
	(2,065,045)	(19,490)	(4,680,656)	(47,374)
Net exposure	(1,157,619)	(10,090)	(3,685,928)	(37,287)

The following significant exchange rates were applicable during the year:

	2015	2014	2015	2014
	Average Rates		Balance sheet date rate	
	Rupees			
US Dollars to Pakistan Rupee	102	103	101.69 / 101.88	98.61 / 98.80

Sensitivity analysis

A 10 percent strengthening / (weakening) of the Pak Rupee against the US Dollar at 30 June would have (decreased) / increased the profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2014.

	Effect on profit and loss (net of tax)	
	2015	2014
	(Rupees in '000)	
As at 30 June		
Effect in US Dollars	(77,560)	(239,585)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the interest rate exposure arises from short and long term borrowings from banks.

At the balance sheet date, the interest rate profile of the Company's interest-bearing financial instrument is:

	Note	Carrying amount	
		2015	2014
		(Rupees in '000)	
Fixed rate instruments			
Financial liabilities	21	(2,977,792)	(1,000,000)
Variable rate instruments			
Financial liabilities	21	(2,079,607)	(5,577,234)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through the Profit and Loss Account. Therefore a change in interest rates at the reporting date would not affect the Profit and Loss Account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and the profit by Rs. 20.7 million (2014: Rs. 55.7 million) with the corresponding effect on the carrying amount of the liability. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2014.

Other price risks

At present the Company is not exposed to any other price risks.

35.4 Fair value of financial assets and liabilities

The carrying values of financial assets and financial liabilities reported in the Balance Sheet approximate their fair values.

35.5 Financial instruments by categories

	Note	2015	2014
		(Rupees in '000)	
Financial assets			
Loans and receivables:			
- Long term deposit		6,867	4,488
- Trade debts - net of provision	10	2,314,178	2,268,337
- Trade deposits		6,928	3,278
- Other receivables		12,871	23,943
- Bank balances	15	24,673	72,261
		2,365,517	2,372,307
Financial liabilities			
Financial liabilities at amortized cost:			
- Long term financing	18	392,992	450,000
- Trade and other payables		1,012,093	2,913,395
- Accrued markup		59,185	86,760
- Short term borrowings	21	4,664,407	6,277,234
		6,128,677	9,727,389

35.6 Offsetting of financial assets and financial liabilities

None of the financial assets and financial liabilities are offset in the Balance Sheet except where legal right exist which are legally enforceable.

36. CAPITAL MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to operate as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

37. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated undertakings, directors of the Company and its subsidiary 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. Contribution to its defined contribution plan (Provident Fund) are made as per the terms of employment and contribution 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 and the 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 these financial statements, are as follows:

	2015	2014
	(Rupees in '000)	
Subsidiaries		
Sales	156,087	9,205
Purchases	1,209,080	1,756,899
Investment in IIL Australia Pty Limited	-	9,168
Investment in IIL Stainless Steel (Private) Limited	150,000	-
Sale proceeds from disposal of fixed assets	-	490
Toll manufacturing	133,507	12,822
Reimbursement of cost of shared resources by subsidiaries	6,718	4,380
Payment of cost of shared resources by subsidiary	23,444	21,237
Rental income	10,287	8,724
Dividend received	245,056	-
Sale of store items	1,619	-
Reimbursement of payments made on behalf of a subsidiary	65,093	-
Reimbursement of expenses made on behalf of a subsidiaries	23,259	-
Payment of expenses incurred by a subsidiary on behalf of Company	4,207	-
IT services	-	253
Others	-	66
Associated companies		
Sales	349,926	427,226
Purchases	263,692	203,676
Purchases of vehicles	8,621	-
Insurance premium expense	15,775	26,837
Insurance claims / adjustments	60,496	1,205
Donations	1,000	-
Dividend paid	21,177	8,241
Dividend received	10,916	9,704
Reimbursement of expenses	788	592
Others	316	544

	2015	2014
	(Rupees in '000)	
Key management personnel		
Remuneration	200,953	147,265
Staff retirement benefits	7,084	6,740
Non-executive directors		
Directors' fee	4,750	3,560
Staff retirement funds		
Contributions paid	43,421	43,416

38. PRODUCTION CAPACITY

Name-plate production capacity at the year end was as follows:

	2015	2014
	(Metric Tonnes)	
Pipe	340,000	340,000
Galvanizing	150,000	150,000
Cold rolled steel strip	70,000	70,000
Polyethylene pipe	15,000	15,000
The actual production for the year was:		
Pipe	205,777	176,536
Galvanizing	107,511	81,152
Cold rolled steel strip	18,042	50,489
Polyethylene pipe	4,869	3,611

Actual production during the year was sufficient to meet the market demand.

The name-plate capacities of the plants are determined based on a certain product mix. The actual production mix was different.

The shortfall in production of cold rolled steel strip is because the government has this year refused to acknowledge the Company as a cold roller as a result of which the duty on raw material is more than the duty on finished goods.

39. SEGMENT REPORTING

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

39.1 Segment revenue and results

	Steel segment	Plastic segment	Total
		(Rupees in '000)	
For the year ended 30 June 2015			
Sales	16,717,811	955,988	17,673,799
Cost of sales (excluding depreciation)	(14,742,634)	(829,285)	(15,571,919)
Depreciation	(196,241)	(26,973)	(223,214)
Gross profit	1,778,936	99,730	1,878,666
For the year ended 30 June 2014			
Sales	15,719,254	622,052	16,341,306
Cost of sales (excluding depreciation)	(13,409,596)	(616,262)	(14,025,858)
Depreciation	(188,937)	(24,975)	(213,912)
Gross profit	2,120,721	(19,185)	2,101,536

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

	Note	2015	2014
		(Rupees in '000)	
Total results for reportable segments		1,878,666	2,101,536
Selling, distribution and administrative expenses	25 & 26	(778,434)	(763,882)
Financial charges	27	(487,514)	(779,295)
Other operating expenses	28	(81,639)	(72,895)
Other income	29	401,761	166,234
Taxation	30	(202,300)	(148,858)
Profit for the year		730,540	502,840

39.2 Segment assets and liabilities

	Steel segment	Plastic segment	Total
	(Rupees in '000)		
As at 30 June 2015			
Segment assets	8,934,099	655,389	9,589,488
Segment liabilities	5,402,757	399,702	5,802,459
As at 30 June 2014			
Segment assets	11,936,143	505,506	12,441,649
Segment liabilities	9,156,191	427,657	9,583,848

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

	2015	2014
	(Rupees in '000)	
Total for reportable segments assets	9,589,488	12,441,649
Unallocated assets	3,548,315	3,804,920
Total assets as per balance sheet	13,137,803	16,246,569
Total for reportable segments liabilities	5,802,459	9,583,848
Unallocated liabilities	992,091	658,573
Total liabilities as per balance sheet	6,794,550	10,242,421

39.3 Segment revenues reported above are revenues generated from external customers. There were no inter-segment sales during the year.

39.4 Segment assets reported above comprise of property, plant and equipment, stock-in-trade and trade debts.

39.5 Information about major customers

Revenue from major customers of the Plastic segment was Rs. 275.770 million (2014: Rs. 93.9 million), where as in the Steel segment was Rs.2,333.621 million (2014: none), whose revenue accounts for more than 10% of the Segment's revenue.

39.6 Geographical information

The Company's gross revenue from external customers by geographical location is detailed below:

	Note	2015	2014
		(Rupees in '000)	
Domestic sales		13,271,393	12,831,498
Export sales		6,942,908	5,824,345
	23	20,214,301	18,655,843

The Company exports its products to Americas, Australia, Srilanka, Europe and Middle East.

39.7 As at 30 June 2015, all non-current assets of the Company are located in Pakistan with an exception of its investments in IIL-Australia Pty Limited which is domiciled in Victoria, Australia.

40. NUMBER OF EMPLOYEES

	2015	2014
	(Number)	
Average employees during the year	1,011	1,015
Employees as at 30 June	1,001	1,008

41. Non-adjusting events after balance sheet date

The Board of Directors of the Company in their meeting held on 17 August 2015 has proposed a final cash dividend of Rs. 2.5 per share amounting to Rs. 299.7 million. (2014: Rs. 2.00 per share amounting to Rs. 239.8 million) for the year ended 30 June 2015. The approval of the Members of the Company for the dividend shall be obtained at the Annual General Meeting to be held on 18th September 2015. The financial statements for the year ended 30 June 2015 do not include the effect of the proposed final cash dividend which will be accounted for in the period ending 30 June 2016.

42. GENERAL

42.1 Corresponding figures of sales discount amounting to Rs. 249.5 million has been reclassified to domestic trade discount and of loss on derivative amounting to Rs. 55.4 million has been reclassified to exchange loss and others for the purpose of better presentation.

42.2 These financial statements were authorized for issue on 17 August 2015 by the Board of Directors of the Company.

Fuad Azim Hashimi Director & Chairman Board Audit Committee	**Nadir Akbarali Jamal** Chief Financial Officer	**Riyaz T. Chinoy** Chief Executive Officer

Consolidated Financial Statement

Contents

Consolidated Key Operating Highlights

Rs. Million

	2015	2014	2013	2012	2011	2010	2009	2008	2007
FINANCIAL POSITION									
Balance sheet									
Property, plant and equipment	16,050	13,272	13,415	11,701	11,467	9,905	5,997	4,172	2,737
Investment in equity accounted investee	260	183	177	169	164	126	-	-	-
Other non current assets	22	22	26	27	41	18	24	15	9
Current assets	13,546	17,178	13,238	16,526	14,056	8,709	5,158	6,439	5,854
Total assets	29,877	30,655	26,856	28,423	25,728	18,758	11,179	10,626	8,600
Share capital	1,199	1,199	1,199	1,199	1,199	999	999	833	569
Reserves	3,558	3,329	2,851	2,483	2,627	2,324	1,661	1,565	1,257
Non-controlling interest	2,170	2,271	1,968	1,814	1,859	-	-	-	-
Total equity	6,927	6,799	6,018	5,496	5,685	3,324	2,660	2,398	1,827
Surplus on revaluation of fixed assets	2,537	2,502	2,533	1,358	1,362	1,367	1,379	1,391	515
Non current liabilities	6,598	3,952	4,358	4,504	4,838	5,359	2,302	1,416	1,251
Current liabilities	13,815	17,402	13,948	17,065	13,843	8,709	4,838	5,421	5,007
Total liabilities	20,414	21,354	18,305	21,569	18,680	14,068	7,140	6,837	6,258
Total equity & liabilities	29,877	30,655	26,856	28,423	25,728	18,758	11,179	10,626	8,600
	-	-	-	-	-	-	-	-	-
Net current assets	(270)	(224)	(710)	(539)	214	1	320	1,018	847
	-	-	-						
OPERATING AND FINANCIAL TRENDS									
Profit and Loss									
Net turnover	34,459	35,855	33,512	28,801	15,992	13,472	12,319	12,068	9,700
Gross profit	3,389	4,364	3,687	3,158	2,162	2,222	1,167	1,787	1,423
EBITDA	3,232	4,105	3,484	3,135	1,897	1,850	1,234	1,580	1,334
Operating profit	2,277	3,331	2,753	2,435	1,441	1,703	723	1,362	1,062
Profit before taxation	925	1,525	1,148	274	580	1,359	469	904	807
Profit after taxation	686	1,191	924	226	316	1,026	375	705	613
Profit atributable to owners of the Holding Company	599	893	766	271	282	1,026	375	705	613
Profit atributable to Non-controlling intrest	87	299	158	(46)	34	0	0	0	0
Cash dividend	480	390	390	240	599	400	225	201	213
Bonus share	-	-	-	-	-	200	0	242	188
Capital expenditure (addition during the year)	3,587	559	961	806	1,935	4,147	2,055	757	1,099
Cash Flows									
Operting activities	3,649	1,532	4,628	(1,312)	(4,033)	(3,490)	2,945	(597)	(590)
Investing activities	(3,504)	(487)	(924)	(785)	37	(4,222)	(2,039)	727	(2,339)
Financial activities	2,175	(821)	(977)	(268)	(532)	2,916	737	141	574
Cash & cash equivalents at the end of the year	(8,715)	(11,035)	(11,259)	(13,987)	(11,622)	(7,094)	(2,298)	(3,941)	(4,212)

KEY INDICATORS

		2015	2014	2013	2012	2011	2010	2009	2008	2007
Profitability Ratios										
Gross profit ratio	%	9.8	12.2	11.0	11.0	13.5	16.5	9.5	14.8	14.7
Net profit to Sales	%	2.0	3.3	2.8	0.8	2.0	7.6	3.0	5.8	6.3
EBITDA Margin to Sales	%	9.4	11.4	10.4	10.9	11.9	13.7	10.0	13.1	13.8
Operating Leverage	%	5.5	2.6	0.8	0.6	0.1	5.3	(10.5)	0.8	0.9
Return on Shareholders' Equity with Surplus on revaluation of fixed assets	%	16.9	16.9	14.0	4.5	6.1	21.9	9.3	18.6	26.2
Return on Shareholders' Equity without Surplus on revaluation of fixed assets	%	14.4	26.3	22.8	6.1	8.3	30.9	14.1	29.4	33.6
Return on Capital Employed	%	13.7	22.8	20.3	22.3	10.6	16.9	11.4	26.2	29.5
Return on Total Assets	%	2.3	3.9	3.4	0.8	1.2	5.5	3.4	6.6	7.1

Rs. Million

		2015	2014	2013	2012	2011	2010	2009	2008	2007
Liquidity Ratios										
Current ratio	(x)	0.98	0.99	0.95	0.97	1.02	1.00	1.07	1.19	1.17
Quick / Acid test ratio	(x)	0.39	0.39	0.37	0.23	0.40	0.30	0.61	0.34	0.51
Cash to Current Liabilities	(x)	(0.63)	(0.63)	(0.81)	(0.82)	(0.84)	(0.81)	(0.47)	(0.73)	(0.84)
Cash flow from Operations to Sales	(x)	10.6	4.3	13.8	(4.55)	4.31	(25.91)	23.91	(4.95)	(6.08)
Activity / Turnover Ratios										
Inventory turnover ratio	times	3.8	3.0	3.7	2.0	1.6	1.8	5.0	2.2	2.5
Inventory turnover in days	days	96	120	98	179	226	198	73	163	146
Debtor turnover ratio	times	15.0	12.1	14.7	16.9	10.0	9.9	13.1	9.8	12.1
Debtor turnover in days	days	24	30	25	22	36	37	28	37	30
Creditor turnover ratio	times	6.7	6.0	13.8	12.3	11.8	13.8	10.0	9.8	15.9
Creditor turnover in days	days	55	61	26	30	31	26	37	37	23
Total assets turnover ratio	times	1.2	1.2	1.2	1.0	0.6	0.7	1.1	1.1	1.1
Fixed assets turnover ratio	times	2.1	2.7	2.5	2.5	1.4	1.4	2.0	2.9	3.5
Operating cycle in days	days	66	89	97	171	232	209	64	163	153
Capital employed turnover ratio	times	2.1	2.7	2.6	2.5	1.3	1.3	1.9	2.3	2.7
Investment / Market Ratios										
Earnings per share - basic and diluted	Rs.	4.99	7.45	6.38	2.3	2.4	8.4	3.8	7.1	7.4
Price earning ratio	times	13.43	6.64	7.07	12.4	21.1	6.7	12.3	17.1	20.1
Dividend Yield ratio	%	4.85	6.57	7.20	7.1	10.1	10.7	4.9	4.6	4.8
Dividend Payout ratio	%	80.00	32.71	42.18	106.3	189.9	58.4	60.0	62.8	65.5
Dividend per share - Cash	Rs.	4.00	3.25	3.25	2.00	5.00	4.00	2.25	2.50	3.75
Bonus shares	Rs.	-	-	-	-	-	2.00	0.00	3.00	3.30
Dividend Cover	times	1.25	2.29	1.96	1.13	0.47	2.10	1.67	2.82	1.96
Market value per share at the end of the year	Rs.	67	49	45	28	50	56	46	121	148
Market value per share high during the year	Rs.	87	61	49	52	71	72	57	173	168
Market value per share low during the year	Rs.	45	40	28	26	44	46	44	107	98
Break-up value per share with revaluation of fixed assets	Rs.	61	59	55	42	43	47	40	46	41
Break-up value per share without revaluation of fixed assets	Rs.	40	38	34	31	32	33	27	29	32
Capital Structure Ratios										
Financial leverage ratio	(x)	2.9	3.1	3.0	3.9	3.3	4.2	2.7	2.9	3.4
Weight avg: cost of debts	(x)	7.7	10.5	9.2	10.4	7.6	2.6	9.1	8.0	7.9
Total Debt : Equity ratio	(x)	59:41	70:30	68:32	80:20	77:23	75:25	64:36	64:36	73:27
Interest cover	times	1.5	1.8	1.6	1.1	1.5	6.6	1.4	3.0	3.2
Value Addition										
Employees as remuneration	Rs. in million	1,345	1,111	973	891	737	472	374	350	293
Government as taxes	Rs. in million	6,394	6,606	6,067	5,091	4,459	2,900	2,110	1,940	1,775
Shareholders as dividends	Rs. in million	480	390	390	240	599	600	225	443	401
Retained within the business	Rs. in million	205	801	534	31	-	427	163	275	225
Financial charges to providers of finance	Rs. in million	1,517	1,832	1,692	2,310	949	257	535	450	332

Consolidated Vertical Analysis

Rs. Million

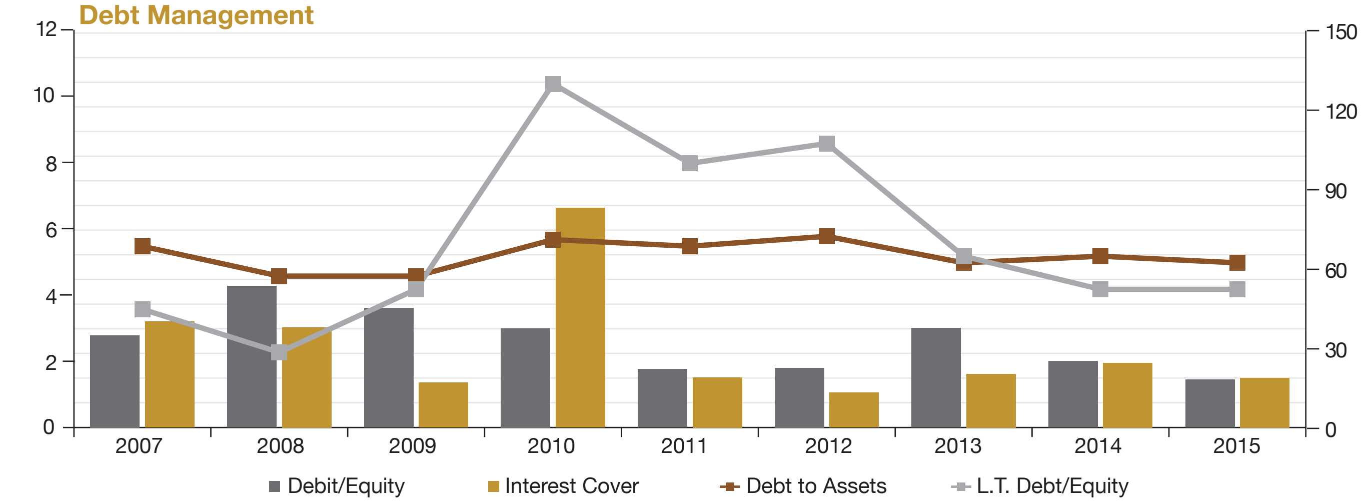
	2015	%	2014	%	2013	%	2012	%	2011	%	2010	%
OPERATING RESULTS												
Sales - Net	34,459	100.0	35,855	100.0	33,512	100.0	28,801	100.0	15,992	100.0	13,472	100.0
Cost of sales	31,070	90.2	31,492	87.8	29,825	89.0	25,643	89.0	13,830	86.5	11,250	83.5
Gross profit	3,389	9.8	4,364	12.2	3,687	11.0	3,158	11.0	2,162	13.5	2,222	16.5
Administrative, Selling and Distribution expenses	1,112	3.2	1,033	2.9	933	2.8	723	2.5	722	4.5	519	3.9
Other operating expenses	101	0.3	312	0.9	115	0.3	44	0.2	125	0.8	227	1.7
"Share of profit in equity - accounted investee"	20	0.1	16	0.0	16	0.0	10	0.0	2	0.0	5	0.0
Other operating income	246	0.7	196	0.5	186	0.6	184	0.6	212	1.3	135	1.0
Profit before finance costs	2,442	7.1	3,230	9.0	2,840	8.5	2,585	9.0	1,529	9.6	1,616	12.0
Finance costs	1,517	4.4	1,705	4.8	1,692	5.0	2,310	8.0	949	5.9	257	1.9
Profit before taxation	925	2.7	1,525	4.3	1,148	3.4	274	0.9	580	3.6	1,359	10.1
Taxation	239	0.7	333	0.9	224	0.7	49	0.2	265	1.7	333	2.5
Profit for the year	686	2.0	1,191	3.3	924	2.8	226	0.8	316	2.0	1,026	7.6
BALANCE SHEET												
Property, plant and equipment	16,050	53.7	13,272	43.3	13,415	50.0	11,701	41.2	11,467	44.6	9,905	52.8
Investments	260	0.9	183	0.6	177	0.7	169	0.6	164	0.6	126	0.7
Other non current assets	22	0.1	22	0.1	26	0.1	27	0.1	41	0.2	18	0.1
Current assets	13,546	45.3	17,178	56.0	13,238	49.3	16,526	58.1	14,056	54.6	8,709	46.4
Total assets	29,877	100.0	30,655	100.0	26,856	100.0	28,423	100.0	25,728	100.0	18,758	100.0
Shareholders' equity	6,927	23.2	6,799	22.2	6,018	22.4	5,496	19.3	5,685	22.1	3,323	17.7
Surplus on revaluation of fixed assets	2,537	8.5	2,502	8.2	2,533	9.4	1,358	4.8	1,362	5.3	1,367	7.3
Non current liabilities	6,598	22.1	3,952	12.9	4,358	16.2	4,504	15.8	4,838	18.8	5,359	28.6
Current portion of long term financing	1,000	3.3	900	2.9	783	2.9	960	3.4	501	1.9	600	3.2
Short term borrowings	8,780	29.4	11,154	36.4	11,280	42.0	14,012	49.3	11,897	46.2	7,116	37.9
Other current liabilities	4,035	13.5	5,349	17.4	1,885	7.0	2,094	7.4	1,445	5.6	992	5.3
Total equity and liabilities	29,877	100.0	30,655	100.0	26,856	100.0	28,423	100.0	25,728	100.0	18,758	100.0
CASH FLOWS												
Net cash generated from/(used in) operating activities	3,649	157.3	1,532	684.5	4,628	169.7	(1,312)	55.5	(4,033)	89.1	(3,490)	72.8
Net cash inflows/(outflows) from investing activities	(3,504)	(151.0)	(487)	(217.7)	(924)	(33.9)	(785)	33.2	37	(0.8)	(4,222)	88.0
Net cash (outflows)/inflows from financing activities	2,175	93.7	(821)	(366.9)	(977)	(35.8)	(268)	11.3	(532)	11.7	2,916	(60.8)
Net increase/(decrease) in cash and cash equivalents	2,320	100.0	224	100.0	2,728	100.0	(2,365)	100.0	(4,528)	100.0	(4,797)	100.0

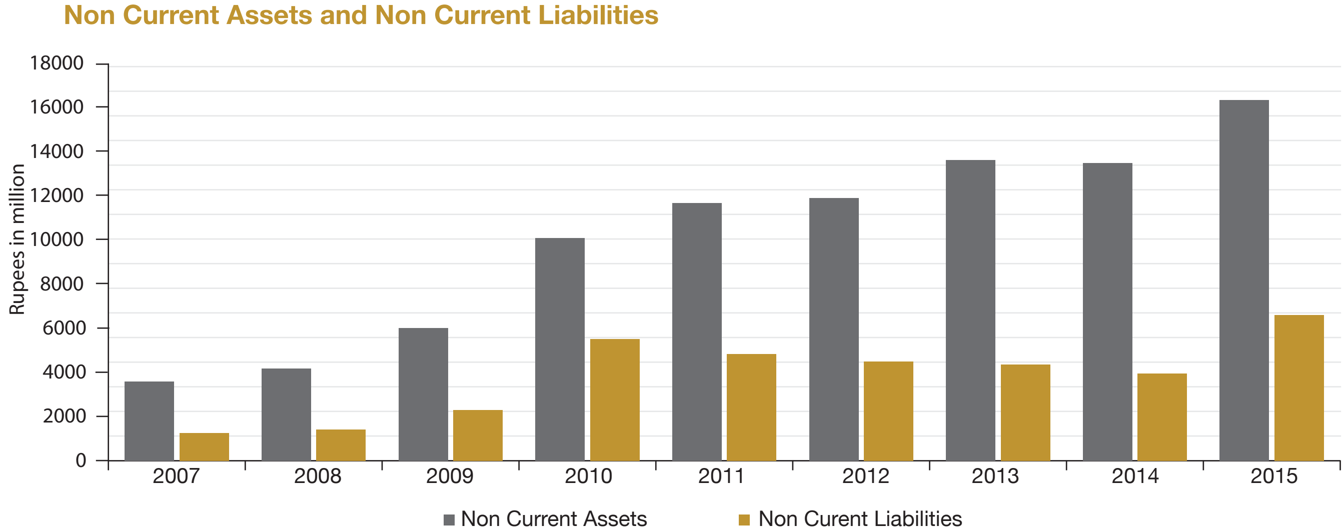
Consolidated Horizontal Analysis

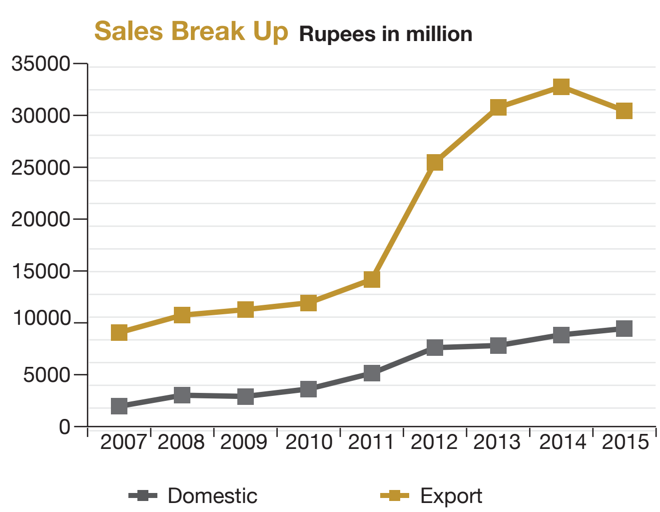
Rs. Million

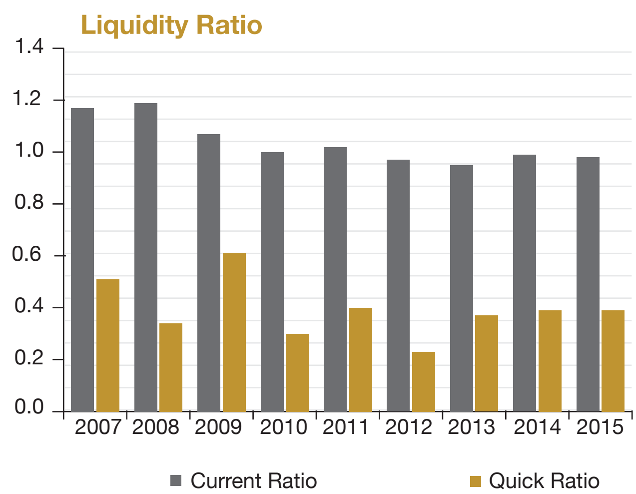
	2015	%	2014	%	2013	%	2012	%	2011	%	2010	%
OPERATING RESULTS												
Sales - Net	34,459	(3.9)	35,855	7.0	33,512	16.4	28,801	80.1	15,992	18.7	13,472	9.4
Cost of sales	31,070	(1.3)	31,492	5.6	29,825	16.3	25,643	85.4	13,830	22.9	11,250	0.9
Gross profit	3,389	(22.3)	4,364	18.4	3,687	16.7	3,158	46.1	2,162	(2.7)	2,222	90.4
Administrative, Selling and Distribution expenses	1,112	7.7	1,033	10.7	933	29.1	723	0.1	722	39.1	519	21.5
Other operating expenses	101	(67.7)	312	171.5	115	161.3	44	(64.8)	125	(45)	227	3683.3
"Share of profit in equity - accounted investee"	20	25.0	16	(0.7)	16	58.1	10	400.0	2	(60.0)	5	-
Other operating income	246	25.5	196	5.5	186	0.8	184	(13.2)	212	57.0	135	(49.4)
Operating profit/(loss) before finance costs	2,442	(24.4)	3,230	13.8	2,840	9.8	2,585	69.1	1,529	(5.4)	1,616	61.4
Finance costs	1,517	(11.1)	1,705	0.8	1,692	(26.7)	2,310	143.4	949	269.3	257	(52.0)
Profit/(loss) before taxation	925	(39.3)	1,525	32.8	1,148	319.7	274	(52.8)	580	(57.3)	1,359	191.5
Taxation	239	(28.3)	333	48.8	224	357.2	49	(81.5)	265	(20.6)	333	254.3
Profit for the year	686	(42.4)	1,191	29.0	924	309.6	226	(28.5)	316	(69.3)	1,026	175.7
BALANCE SHEET												
Property, plant and equipment	16,050	20.9	13,272	(1.1)	13,415	14.7	11,701	2.0	11,467	15.8	9,905	65.4
Investments	260	42.2	183	3.4	177	4.7	169	3.0	164	30.2	126	100.0
Other non current assets	22	(3.2)	22	(13.6)	26	(4.5)	27	(34.1)	41	127.8	18	(25.0)
Current assets	13,546	(21.1)	17,178	29.8	13,238	(19.9)	16,526	17.6	14,056	61.4	8,709	68.5
Total assets	29,877	(2.5)	30,655	14.1	26,856	(5.5)	28,423	10.5	25,728	37.2	18,758	67.8
Shareholders' equity	6,927	1.9	6,799	13.0	6,018	9.5	5,496	(3.3)	5,685	71.1	3,323	24.9
Surplus on revaluation of fixed assets	2,537	1.4	2,502	(1.2)	2,533	86.5	1,358	(0.3)	1,362	(0.4)	1,367	(0.9)
Non current liabilities	6,598	67.0	3,952	(9.3)	4,358	(3.3)	4,504	(6.9)	4,838	(9.7)	5,359	132.8
Current portion of long term financing	1,000	100.0	900	100.0	783	(18.4)	960	91.6	501	(16.5)	600	47.1
Short term borrowings	8,780	(21.3)	11,154	(1.1)	11,280	(19.5)	14,012	17.8	11,897	67.2	7,116	101.4
Other current liabilities	4,035	(24.6)	5,349	183.8	1,885	(10.0)	2,094	44.9	1,445	45.6	992	10.7
Total equity and liabilities	29,877	(2.5)	30,655	14.1	26,856	(5.5)	28,423	10.5	25,728	37.2	18,758	67.8
CASH FLOWS:												
Net cash generated from/(used in) operating activities	3,649	138.1	1,532	(66.9)	4,628	(452.8)	(1,312)	(67.5)	(4,033)	15.6	(3,490)	(218.5)
Net cash inflows/(outflows) from investing activities	(3,504)	619.1	(487)	(47.3)	(924)	17.7	(785)	(2221.6)	37	(100.9)	(4,222)	107.1
Net cash (outflows)/inflows from financing activities	2,175	(364.8)	(821)	(15.9)	(977)	264.5	(268)	(49.6)	(532)	(118.2)	2,916	295.7
Net increase/(decrease) in cash and cash equivalents	2,320	936.3	224	(91.8)	2,728	(215.3)	(2,365)	(47.8)	(4,528)	(5.6)	(4,797)	(392.0)

Consolidated Key Operating Highlights

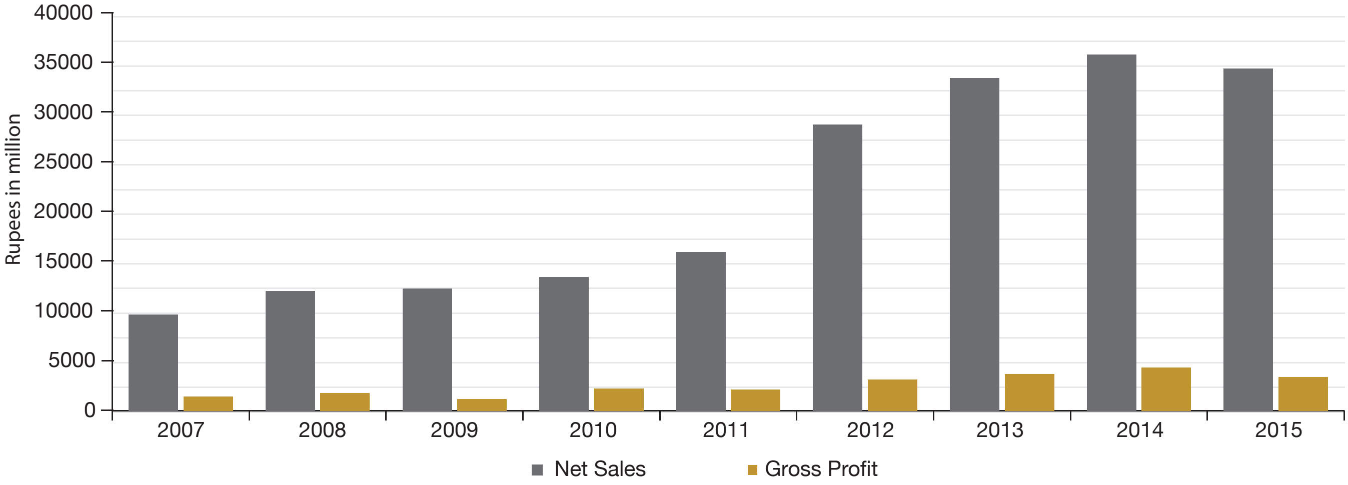




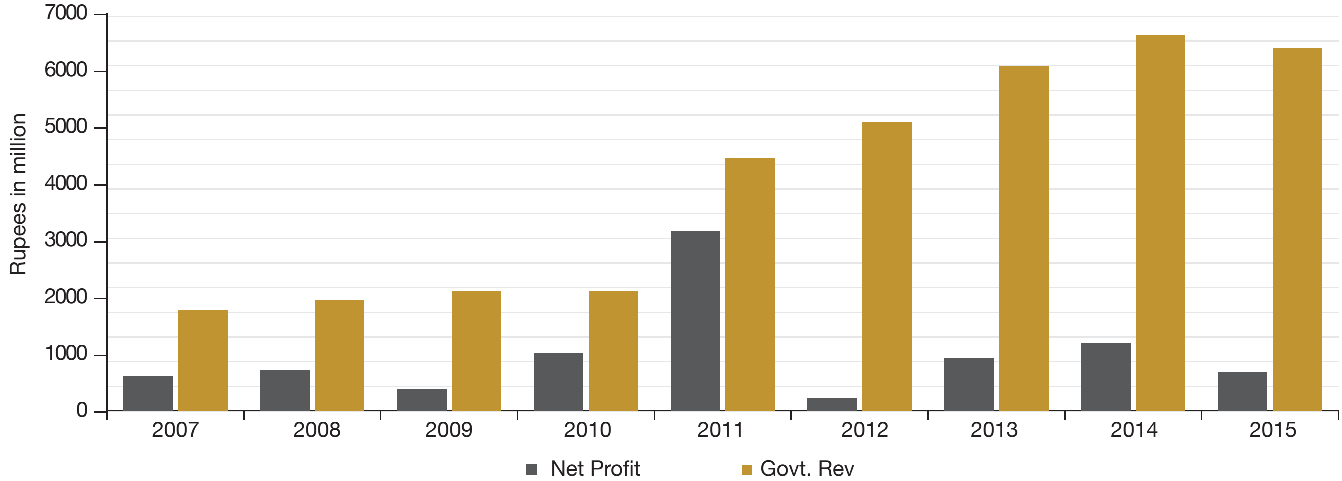


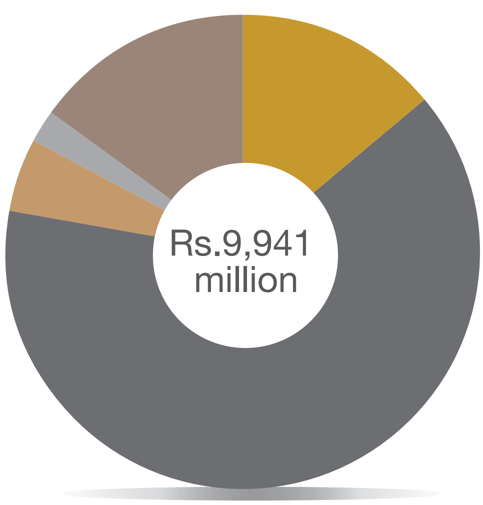


Net Sales to Gross Profit Ratio



Net Profit and Government Revenue





Value Addition and Distribution during 2015

	%
Employees as remuneration	14
Governmet as taxes	64
Shareholders as dividends	5
Retained within the business	2
Financial charges	15

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of International Industries Limited ("the Holding Company") and its subsidiary companies as at 30 June 2015 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the International Industries Limited and its subsidiary companies except for IIL Australia PTY Limited which was audited by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditor. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

The auditors of IIL Australia PTY Limited have qualified their opinion with respect to opening balances appearing in the financial statements of the said subsidiary as they were appointed during the year; therefore unable to satisfy themselves with respect to opening balances as at 1 July 2014.

In our opinion, except for the matter stated above, the consolidated financial statements present fairly the financial position of the International Industries Limited and its subsidiary companies as at 30 June 2015 and the results of their operations for the year then ended.

Date: 17 August 2015
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Consolidated Balance Sheet

As at 30 June 2015

	Note	2015	2014
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	5	16,049,995	13,271,729
Intangible assets	6	13,762	12,850
Investment in equity accounted investee	7	260,069	182,945
Long term deposits		6,967	4,588
Long term prepayments		833	4,835
		16,331,626	13,476,947
Current assets			
Stores and spares	8	487,952	454,459
Stock-in-trade	9	8,187,329	10,338,775
Trade debts	10	2,662,620	3,447,142
Advances	11	200,994	299,587
Trade deposits and short term prepayments	12	27,701	19,177
Other receivables	13	91,977	99,600
Sales tax refundable		59,031	752,503
Taxation-net	14	1,763,196	1,648,177
Cash and bank balances	15	64,853	118,148
		13,545,653	17,177,568
Total assets		29,877,279	30,654,515
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
200,000,000 (2014: 200,000,000) ordinary shares of Rs.10 each		2,000,000	2,000,000
Issued, subscribed and paid-up capital	16	1,198,926	1,198,926
General reserve		2,991,258	2,991,258
Unappropriated profit		567,749	337,882
Exchange Translation reserve		(1,216)	159
Total equity		4,756,717	4,528,225
Non - controlling interest		2,170,330	2,270,756
		6,927,047	6,798,981
Surplus on revaluation of property, plant and equipment	17	2,536,561	2,501,995
LIABILITIES			
Non-current liabilities			
Long term financing- secured	18	5,983,759	3,300,990
Staff retirement benefits		91,263	93,766
Deferred taxation-net	19	523,224	556,773
		6,598,246	3,951,529
Current liabilities			
Trade and other payables	20	3,675,367	5,116,283
Short term borrowings- secured	21	8,780,348	11,153,541
Current portion of long term financing- secured	18	999,878	899,877
Sales tax payable		87,878	-
Accrued markup		271,954	232,309
		13,815,425	17,402,010
Total liabilities		20,413,671	21,353,539
Total equity and liabilities		29,877,279	30,654,515
Contingencies and commitments	22		

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

Fuad Azim Hashimi	**Nadir Akbarali Jamal**	**Riyaz T. Chinoy**
Director & Chairman Board Audit Committee Holding Company	Chief Financial Officer Holding Company	Chief Executive Officer Holding Company

Consolidated Profit and Loss Account

For the year ended 30 June 2015

	Note	2015	2014
		(Rupees in '000)	
Net sales	23	34,458,808	35,855,357
Cost of sales	24	(31,069,717)	(31,491,708)
Gross profit		3,389,091	4,363,649
Selling and distribution expenses	25	(755,360)	(742,965)
Administrative expenses	26	(356,659)	(289,821)
		(1,112,019)	(1,032,786)
Financial charges	27	(1,516,705)	(1,832,473)
Other operating charges	28	(100,740)	(185,127)
		(1,617,445)	(2,017,600)
Other income	29	245,705	195,724
Share of profit in equity accounted investee - net of tax		19,891	15,703
Profit before taxation		925,223	1,524,690
Taxation	30	(239,132)	(333,289)
Profit for the year		686,091	1,191,401
Profit attributable to:			
- Owners of the Holding Company		598,761	892,831
- Non controlling interest		87,330	298,570
		686,091	1,191,401
		(Rupees)	
Earnings per share - basic and diluted	31	4.99	7.45

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

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee
Holding Company

Nadir Akbarali Jamal
Chief Financial Officer
Holding Company

Riyaz T. Chinoy
Chief Executive Officer
Holding Company

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

	2015	2014
	(Rupees in '000)	
Profit for the year	686,091	1,191,401
Other comprehensive income		
Item that will never be reclassified to profit and loss		
Remeasurements of defined benefit liability	7,060	(33,949)
Recognition of tax	(167)	7,519
	6,893	(26,430)
Item that will be classified to profit and loss account		
Foreign operations- foreign currency translation difference	(1,375)	159
Proportionate share of other comprehensive income of equity accounted investee	(831)	-
Total comprehensive income for the year	690,778	1,165,130
Total comprehensive income attributable to:		
- Owners of the Holding Company	606,320	867,979
- Non controlling interest	84,458	297,151
	690,778	1,165,130

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

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Director & Chairman
Board Audit Committee
Holding Company

Nadir Akbarali Jamal
Chief Financial Officer
Holding Company

Riyaz T. Chinoy
Chief Executive Officer
Holding Company

Consolidated Cash Flow Statement

For the year ended 30 June 2015

	Note	2015	2014
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		925,223	1,524,690
Adjustments for:			
Depreciation and amortisation		790,081	747,854
Provision / (reversal) for doubtful debts		(3,247)	3,076
Provision for staff gratuity		43,362	26,404
Provision for compensated absences		12,660	-
Interest on bank deposits		(3,014)	(4,066)
(Gain) / loss on disposal of property, plant and equipment		(35,178)	3,951
Share of profit from associated company		(19,891)	(15,703)
Financial charges		1,516,705	1,832,473
		3,226,701	4,118,679
Changes in:			
Working capital	32	2,316,059	15,975
Long term prepayments		4,002	(4,835)
Long term deposits		(2,379)	(60)
		5,544,383	4,129,759
Financial charges paid		(1,479,477)	(1,885,982)
Payment for staff gratuity		(38,805)	(26,404)
Payment of compensated absences		(1,512)	-
Taxes paid		(375,426)	(685,017)
Net cash generated from operating activities		3,649,163	1,532,356
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(3,587,150)	(559,076)
Dividend received		10,916	9,704
Proceeds from sale of property, plant and equipment		69,179	57,909
Interest received		3,014	4,194
Net cash used in investing activities		(3,504,041)	(487,269)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from / (repayment of) long term financing - net		2,782,770	(404,278)
Dividend paid to non controlling interest		(189,553)	-
Dividends paid to shareholders of the Holding Company		(418,441)	(416,950)
Net cash from / (used in) financing activities		2,174,776	(821,228)
Net increase in cash and cash equivalents		2,319,898	223,859
Cash and cash equivalents at beginning of the year		(11,035,393)	(11,259,252)
Cash and cash equivalents at end of the year		(8,715,495)	(11,035,393)
CASH AND CASH EQUIVALENTS COMPRISE OF:			
Cash and bank balances	15	64,853	118,148
Short term borrowings- secured	21	(8,780,348)	(11,153,541)
		(8,715,495)	(11,035,393)

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

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Holding Company

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

	Attributable to owners of the Holding Company						
	Issued, subscribed & paid-up capital	Revenue reserves: General reserve	Revenue reserves: Un-appropriated profit	Exchange translation reserves	Total	Non-controlling interest	Total equity
	(Rupees in '000)						
Balance as at 1 July 2013	1,198,926	2,139,958	711,050	-	4,049,934	1,968,476	6,018,410
Total comprehensive income for the year ended 30 June 2014							
- Profit for the year	-	-	892,831	-	892,831	298,570	1,191,401
- Other comprehensive income for the year	-	-	(25,011)	159	(24,852)	(1,419)	(26,271)
Total comprehensive income for the year			867,820	159	867,979	297,151	1,165,130
Transactions with owners recorded directly in equity : Distributions to owners of the Holding Company							
- Final dividend @ 22.50% (Rs. 2.25 per share) for the year ended 30 June 2013	-	-	(269,758)	-	(269,758)	-	(269,758)
- Interim dividend @ 12.50% (Rs. 1.25 per share) for the year ended 30 June 2014	-	-	(149,866)	-	(149,866)	-	(149,866)
Total transactions with owners of the Holding Company	-	-	(419,624)	-	(419,624)	-	(419,624)
Transfer from general reserves	-	851,300	(851,300)	-	-	-	-
Transfer from surplus on revaluation on disposal of land	-	-	7,264	-	7,264	-	7,264
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	22,672	-	22,672	5,129	27,801
Balance as at 30 June 2014	1,198,926	2,991,258	337,882	159	4,528,225	2,270,756	6,798,981
Total comprehensive income for the year ended 30 June 2015							
- Profit for the year	-	-	598,761	-	598,761	87,330	686,091
- Other comprehensive income for the year	-	-	8,934	(1,375)	7,559	(2,872)	4,687
Total comprehensive income for the year			607,695	(1,375)	606,320	84,458	690,778
Transactions with owners recorded directly in equity							
Distributions to owners of the Holding Company							
- Final dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2014	-	-	(239,785)	-	(239,785)	-	(239,785)
- Interim dividend @ 15% (Re. 1.50 per share) for the year ended 30 June 2015	-	-	(179,839)	-	(179,839)	-	(179,839)
Total transactions with owners of the Holding Company	-	-	(419,624)	-	(419,624)	-	(419,624)
Dividend to non-controlling interest	-	-	-	-	-	(189,944)	(189,944)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	41,796	-	41,796	5,060	46,856
Balance as at 30 June 2015	1,198,926	2,991,258	567,749	(1,216)	4,756,717	2,170,330	6,927,047

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

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Holding Company

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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 equity accounted investee namely; Pakistan Cables Limited.

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

1.3 International Steels Limited ("the Subsidiary Company") was incorporated on 03 September 2007 as a public unlisted company limited by shares under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. Subsequent to the sale of shares by the Holding Company to general public under Initial Public Offer, the Subsidiary Company was listed on the Karachi Stock Exchange on 1 June 2011. The primary activities of the Subsidiary Company are business of manufacturing of cold rolled steel coils and galvanized sheets. The Subsidiary Company commenced commercial operations on 1 January 2011. The registered office of the Subsidiary Company is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.

1.4 IIL Australia PTY Limited was incorporated in Australia on 02 May 2014. The Subsidiary Company is in the business of Distribution and marketing of galvanized steel pipes, precision steel tubes and Pre-Galvanized pipes. The registered office of the Company is situated at 101-103, Abbot Road, Hallam, Victoria 3803, Australia.

1.5 IIL Stainless Steel (Private) Limited was incorporated in Pakistan on 28 November 2014 and is in the business of manufacturing and marketing stainless steel pipe. The registered office of the subsidiary Company is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530. The Company commenced its commercial production on 01 April 2015.

1.6 Detail of Group's equity accounted investee is given in note 7 to these consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared from the information available in the audited separate financial statements of the Holding Company and the Subsidiary Companies for the year / period ended 30 June 2015. Details regarding the financial information of equity accounted investee used in the preparation of these consolidated financial statements are given in note 7 to these consolidated financial statements.

2.1 Statement of compliance

These consolidated 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 (IFRS) issued by the International Accounting Standards Board 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 provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except that land and buildings of the Holding and Subsidiary Company (ISL) that are stated at fair values determined by an independent valuer and the Group's liability under defined benefit plan (gratuity) that is determined on the present value of defined benefit obligation determined by an independent actuary.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees which is the Group's functional and presentation currency and have been rounded to the nearest thousand Rupee.

2.4 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the consolidated financial statements and estimates with significant risk of material judgment in the next financial year are set forth below.

Income taxes

In making the estimates for income taxes currently payable by the Group, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these consolidated financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognised gains and losses in those years.

Trade debts and other receivables

The Group reviews its trade debtors on a continuous basis to identify receivables where collection of an amount is no longer probable. These estimates are based on historical experience and are subject to changes in conditions at the time of actual recovery.

Property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its plant and equipment. The estimates for revalued amounts of different classes of property, plant and equipment, are based on valuation performed by and independent external professional valuer. Further, the Group reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

Stock-in-trade and stores and spares

The Group reviews the net realizable value of stock-in-trade and stores, spares parts and loose tools to assess any diminution in the respective carrying values and also reviews the inventories for obsolescence.

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS

3.1 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards or new interpretations became effective, however, the amendments or interpretation did not have any material effect on the consolidated financial statements of the Group.

3.2 Standards, amendments or interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2015 and the Group does not expect to have any material / significant changes in its accounting policy except for disclosures, where applicable:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments have no impact on Group's consolidated financial statements as the Group has the policy of depreciating / amortizing its property, plant and equipment and intangible assets based on the assessed useful lives.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 is not likely to have significant impact on the consolidated financial statements of the Group.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. IFRS 11 is not likely to have significant impact on the consolidated financial statements of the Group.

- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015). The adoption of this standard is not like to have significant impact on Group's consolidated financial statements.

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 1 January 2015). The adoption of this standard is not like to have significant impact on Group's consolidated financial statements.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). These amendments have no impact on the Group's consolidated financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are not likely to have any implication on the Group's Consolidated Financial Statements.

- IFRS 7 'Financial Instruments- Disclosures'. These amendments are not likely to have any implication on the Group's Consolidated Financial Statements.

- IAS 19 'Employee Benefits'. These amendments are not likely to have any implication on the Group's Consolidated Financial Statements.

- IAS 34 'Interim Financial Reporting'. These amendments are not likely to have any implication on the Group's Consolidated Financial Statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation these consolidated financial statements are set out below and have been consistently applied to all the periods presented.

4.1 Basis of consolidation

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 statements from the date that control commences until the date that control ceases.

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

The assets and liabilities of the subsidiary companies have been consolidated on a line by line basis. The carrying value of investment held by the Holding Company is eliminated against the subsidiary's shareholders' equity in the consolidated financial statements. All material intra-group balances, transactions, 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 consolidated financial statements.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investments in associates

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 or when the Group has significant influence through common directorship(s).

Investments in associates are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of its 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 the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. Dilution gains and losses arising on investments in associates are recognised in the consolidated profit and loss account.

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in equity accounted investee (which is higher of its value in use and its fair value less cost to sell) and its carrying value and recognises the amount in the profit and loss account. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount but limited to the carrying amount that would have been determined, if no impairment loss had been recognized. A reversal of impairment is recognized in the profit an loss account.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the equity accounted investee upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in consolidated profit and loss account.

Translation of the financial statements of foreign subsidiary

The financial statements of foreign subsidiary of which the functional currency is different from that used in the preparing the Group's consolidated financial statements are translated in functional currency of the Group. Balance Sheet items are translated at the exchange rate at the balance sheet date and profit and loss account items are converted at the average rate for the period. Any resulting translation differences are recognized under exchange translation reserve. When a foreign operation is disposed off in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified into profit and loss account as part of gain or loss on disposal. If the group disposes off part of its interest in a subsidiary but retains control, then the relevant portion of the cumulative amount is reattributed to non-controlling interest.

4.2 Property, plant and equipment

Property, plant and equipment (except freehold and leasehold land and buildings) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold and leasehold land and buildings are stated at revalued amounts less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset including borrowing costs, if any. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The value assigned to leasehold lands is not amortized as the respective leases are expected to be renewed for further periods on payment of relevant rentals.

Subsequent cost

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be reliably measured. Cost incurred to replace a component of an item of property, plant and equipment is capitalised and the asset so replaced is derecognized. Normal repairs and maintenance are charged to the consolidated profit and loss account during the period in which they are incurred.

Depreciation

Depreciation is charged to income on a straight line basis at rates specified in note 5.1 to these consolidated financial statements. Depreciation on additions to buildings and plant and machinery, furniture, fixtures and office equipment and vehicles is charged from the month an asset is available for use upto the month prior to its disposal.

Depreciation methods, useful lives and residual values of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed and adjusted, if appropriate at each balance sheet date.

Revaluation surplus

Surplus on revaluation of land and buildings is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to retained earnings (Unappropriated profit).

Disposal

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized in other income/other expenses in the consolidated profit and loss account. When revalued assets are sold, any related amount included in the Revaluation Reserve is transferred to retained earnings (Unappropriated profit).

Capital work in process (CWIP)

Capital work in progress is stated at cost less impairment loss, if any and consists of expenditure incurred and advances made in the course of an assets's construction and installation. Transfers are made to relevant asset categories as and when assets are available for intended use.

4.3 Intangible assets

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the Group and the cost of such asset can be measured reliably.

Costs directly associated with identifiable software that will have probable economic benefits exceeding costs beyond one year, are recognized as an intangible asset. Direct costs include the purchase costs of software and other directly attributable costs of preparing the software for its intended use. An intangible asset is measured initially at cost and subsequently stated at cost less accumulated amortization and impairment losses, if any.

Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization

Amortization is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets (i.e. three years) unless such lives are indefinite. Amortization on additions to intangible assets is charged from the month in which an item is acquired or capitalized upto the month prior to their disposal.

4.4 Derivative financial instruments - other than hedging

Derivatives that do not qualify for hedge accounting are recognized in the consolidated balance sheet at estimated fair value with corresponding effect to the consolidated profit and loss account. Derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

4.5 Derivative financial instruments - cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value of the derivative is recognised in consolidated other comprehensive income and accumulated in hedging reserve. Any ineffective portion of changes in fair value of derivative is recognised immediately in consolidated profit or loss. The amount accumulated in equity is removed therefrom and included in the initial carrying amount of non-financial asset upon recognition of non-financial asset.

The fair value of forward exchange contracts is estimated using appropriate valuation techniques. These are carried as assets when the fair value is positive and liabilities when the fair value is negative.

4.6 Borrowings costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date the respective assets are available for the intended use. All other mark-up, interest and other related charges are charged to the consolidated profit and loss account currently.

4.7 Stores and spares

Stores and spares are stated at lower of weighted average cost and net realizable value, less provision for impairment, if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Provision for obsolete and slow moving stores, spares and loose tools is determined based on the management's estimate regarding their future usability.

Net realizable value signifies the estimated selling price in the ordinary course of business less the net estimated costs necessary to be incurred to make the sale.

4.8 Stock-in-trade

These are valued at lower of cost and net realizable value less impairment loss, if any. Cost is determined under the weighted average basis. Cost comprises all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Scrap stocks are valued at estimated net realisable value.

Net realizable value signifies the estimated selling price in the ordinary course of the business less the net estimated cost of completion and selling expenses.

4.9 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

4.10 Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash in hand and current and deposit accounts held with banks. Short term borrowings availed by the Group, which are payable on demand and form an integral part of the Group's cash management are included as part of cash and cash equivalents for the purpose of consolidated cash flow statement.

4.11 Taxation

Income Tax expense comprises current and deferred tax. Income Tax expense is recognized in the consolidated profit and loss account, except to the extent that it relates to items recognized directly in the consolidated other comprehensive income or below equity, in which case it is recognized in the consolidated other comprehensive income or below equity respectively.

Current

Provision for current taxation is based on taxability of certain income streams of the Group under final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under the normal tax regime after taking into account tax credits and tax rebates available, if any. Provision of current tax is determined using the tax rate enacted at the balance sheet date.

Deferred tax

Deferred tax is recognized using the balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date.

The Group recognizes a deferred tax asset to the extent that it is probable that taxable profits in the foreseeable future will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Further, the Group also recognizes deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

Provision for income tax on the income of foreign subsidiary - IIL Australia PTY Limited, is computed in accordance with the tax legislation enforced in the country where the income is taxable.

4.12 Employee benefits

Defined benefit plan

The Holding Company operates an approved funded Gratuity Scheme (the Plan) for eligible employees of the Holding Company. The Holding Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income.

The Holding Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense and current service cost are recognized in the consolidated profit and loss account. The latest Actuarial valuation was conducted at the balance sheet date by a qualified professional firm of actuaries.

The Subsidiary Company, International Steels Limited (ISL), provides gratuity benefits to all its permanent employees who have completed their minimum qualifying period of service i.e. three years (except in case of workers where minimum qualifying period of service is six months). For executives and officers having total service of over twenty years, the benefit is available at 1 month's basic salary (eligible salary) for each completed year of service. For executives and officer having total service of less than twenty years, the benefit is available at half month's basic salary (eligible salary) for each completed year of service. For workers, the benefit is available at 1 month's gross salary less conditional allowances (eligible salary) for each completed year of service. The subsidiary Company's obligation is determined through acturial valuations carried out under the " Projected Unit Credit Method". Remeasurements which comprise acturial gains and losses and the return on the plan assets (excluding interest) are recognised immediately in other comprehensive income.

The Subsidiary Company determines the net interest expenses (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contribution and benefit payment. Net interest expense and current service cost are recognised in profit and loss account. The latest acturial valuation was conducted at the balance sheet date by a qualified professional firm of actuaries.

Defined contribution plan

The Holding Company and a Subsidiary Company, [International Steels Limited], operates a recognized provident fund for all employees of the respective Companies except unionized staff. Equal monthly contributions are made by them and their employees to the fund at the rate of 8.33% of basic salary and cost of living allowance and the same is charged to the consolidated profit and loss account.

Compensated absences

The liability for accumulated compensated absences of employees is recognized in the period in which employees render service that increases their entitlement to future compensated absences.

4.13 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost.

4.14 Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into Pakistani Rupees at the rates of exchange prevailing on the balance sheet date. Transactions in foreign currencies (except the results of foreign operation which are translated to Pakistani Rupees at the average rate of exchange for the year) are translated into Pakistani Rupees at the rates of exchange approximating those prevailing on the date of transactions. Exchange gains and losses are recorded in the consolidated profit and loss account.

4.15 Revenue recognition

- Domestic sales are recognized as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides with delivery.

- Export sales are recognised as revenue when invoiced with the transfer of significant risks and rewards of ownership, which coincides either with date of shipping bill or upon delivery to customer or its representative, based on terms of arrangement.

- Interest income (including late payment surcharge) is recognized on a time-apportioned basis using the effective rate of return.

- Dividend income is recognized when the right to receive payment is established.

- Revenue from power generation plant on account of sale of surplus electricity is recognized on transmission of electricity to K-Electric Limited.

- Toll manufacturing income is recognised when services are rendered.

- Gains / losses arising on sale of investments are included in the Profit and Loss Account in the period in which they arise.

- Service income is recognized when services are rendered.

- Rental income is recognized on straight line basis over the term of the respective lease agreement.

- Miscellaneous income is recognised on receipt basis.

4.16 Financial instruments

All financial assets and liabilities are initially measured at fair value, and subsequently measured at fair value or amortized cost as the case may be. The Group derecognizes financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instrument.

4.17 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated financial statements only when there is legally enforceable right to set-off the recognized amounts and the Group intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.18 Impairment

Financial assets

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-Financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax asset, are reviewed at each balance sheet date to ascertain whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. An impairment loss is recognized, as an expense in the Consolidated Profit and Loss Account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.19 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognised in the consolidated profit and loss account over the period of borrowings on an effective interest basis.

4.20 Provisions

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. The management monitors the operating results of its products (i.e. Steel Coils and Sheets, Steel Pipes and Plastic Pipes) separately for the purpose of making decisions regarding resource allocation and performance assessment.

4.22 Dividend and appropriation to / from reserves

Dividend distribution to the Holding Company's shareholders and appropriation to / from reserves are recognized in the period in which these are approved by the Members and Board of Directors of the Holding Company respectively as the case may be.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2015	2014
		(Rupees in '000)	
Operating assets	5.1	14,241,739	12,875,998
Capital work-in-progress (CWIP)	5.5	1,808,256	395,731
		16,049,995	13,271,729

5.1 Operating assets

	Land - revalued		Buildings - revalued		Plant and machinery *	Furniture, fixtures and office equipment	Vehicles	Total
	Freehold	Leasehold	Freehold land	Leasehold land				
	(Rupees in '000)							
Balance as at 1 July 2014								
Cost / revalued amount	1,701,149	1,100,044	1,334,314	727,594	11,069,382	118,987	166,104	16,217,574
Accumulated depreciation	-	-	(69,300)	(44,957)	(3,070,017)	(84,101)	(73,201)	(3,341,576)
Net Book value (NBV)	1,701,149	1,100,044	1,265,014	682,637	7,999,365	34,886	92,903	12,875,998
Additions / transfer from CWIP	-	6,918	33,583	29,082	2,015,507	11,493	88,811	2,185,394
Adjustments	-	-	-	-	(2,990)	-	(50)	(3,040)
Disposals								
- Cost	-	-	-	-	(54,015)	(1,187)	(49,020)	(104,222)
- Accumulated depreciation	-	-	-	-	44,671	1,095	24,455	70,221
	-	-	-	-	(9,344)	(92)	(24,565)	(34,001)
Depreciation charge	-	-	(71,969)	(55,777)	(598,554)	(18,305)	(38,007)	(782,612)
Balance as at 30 June 2015 (NBV)	1,701,149	1,106,962	1,226,628	655,942	9,403,984	27,982	119,092	14,241,739
Gross carrying value as at 30 June 2015								
Cost / revalued amount	1,701,149	1,106,962	1,367,897	756,676	13,027,884	129,293	205,845	18,295,706
Accumulated depreciation	-	-	(141,269)	(100,734)	(3,623,900)	(101,311)	(86,753)	(4,053,967)
Net book value	**1,701,149**	**1,106,962**	**1,226,628**	**655,942**	**9,403,984**	**27,982**	**119,092**	**14,241,739**
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	
Balance as at 1 July 2013								
Cost / revalued amount	1,701,149	988,354	1,334,314	724,149	9,393,665	68,291	133,632	14,343,554
Accumulated depreciation	-	-	-	-	(1,225,140)	(32,059)	(48,985)	(1,306,184)
Net Book value (NBV)	1,701,149	988,354	1,334,314	724,149	8,168,525	36,232	84,647	13,037,370
Additions / transfer from CWIP	-	149,294	-	3,445	427,815	13,924	49,802	644,280
Adjustments	-	-	-	-	(8,995)	19	125	(8,851)
Disposals								
- Cost	-	(37,604)	-	-	(84,031)	(2,486)	(25,694)	(149,815)
- Accumulated depreciation	-	-	-	-	70,439	2,433	15,084	87,956
	-	(37,604)	-	-	(13,592)	(53)	(10,610)	(61,859)
Depreciation charge	-	-	(69,300)	(44,957)	(574,388)	(15,236)	(31,061)	(734,942)
Balance as at 30 June 2014 (NBV)	1,701,149	1,100,044	1,265,014	682,637	7,999,365	34,886	92,903	12,875,998
Gross carrying value as at 30 June 2014								
Cost / revalued amount	1,701,149	1,100,044	1,334,314	727,594	9,728,454	79,748	157,865	14,829,168
Accumulated depreciation	-	-	(69,300)	(44,957)	(1,729,089)	(44,862)	(64,962)	(1,953,170)
Net book value	1,701,149	1,100,044	1,265,014	682,637	7,999,365	34,886	92,903	12,875,998
Depreciation rates (% per annum)	-	-	2 - 50	2 - 50	3 - 50	10 - 33.3	20	

* This includes capital spares with a net book value of Rs.122.8 million (2014: Rs.131.6 million).

5.2 The depreciation charge for the year has been allocated as follows:

	Note	2015	2014
		(Rupees in '000)	
Cost of sales	24	684,854	643,062
Selling and distribution expenses	25	9,859	9,301
Administrative expenses	26	20,271	15,572
Income from power generation	29.1	67,628	67,008
		782,612	734,943

5.3 The revaluation of the freehold land, leasehold land and buildings thereon of the Holding Company and Subsidiary Company was carried out as of 30 June 2013 by Iqbal A. Nanjee (Private) Limited (an independent valuer) on the basis of their professional assessment of present market values based on enquiries made about the cost of land of similar nature, size and location including consideration of current cost of acquisition or construction net of diminution owing to depreciation.

The Holding Company has carried out valuation of freehold land, leasehold land and buildings during the years ended / periods 30 June 1988, 30 June 1997, 30 June 2000, 30 June 2004, 31 December 2007 and 30 June 2013.

The resulting revaluation surplus has been disclosed in notes 5.1 and 17 to the consolidated financial statements and has been credited to revaluation surplus account net of related tax effect.

The carrying amount of the above mentioned assets as at 30 June 2015, if the said assets had been carried at historical cost would have been as follows:

	Cost	Accumulated depreciation	Net book value
	(Rupees in '000)		
Freehold land	654,233	-	654,233
Leasehold land	313,517	-	313,517
Buildings	1,572,007	(506,956)	1,065,051
As at 30 June 2015	2,539,757	(506,956)	2,032,801
As at 30 June 2014	2,470,174	(442,656)	2,027,518

5.4 Details of property, plant and equipment disposed off / scrapped during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
	(Rupees in '000)					
Computers						
Laptop	71	12	59	55	Insurance claim	Jubilee General Insurance Co.,
Laptop	99	99	0	43	Insurance claim	Jubilee General Insurance Co.,
Various items of book value up to Rs.50,000 each	1,017	984	33	183	Negotiation	Various
Plant and machinery						
Furnace	10,318	10,018	300	10,195	Negotiation	M/s.Rahim Shah
Zinc kettle	10,288	10,188	100	9,355	Negotiation	M/s.Rahim Shah
1064 kw gas generator set	14,795	9,639	5,156	252	Negotiation	M/s.Ibrahim Steels
Cutter trolley	3,000	744	2,256	2,204	Negotiation	Haji Akram Shah
Foundation K-76B	431	225	206	-	Demolished	Not applicable
Steam Daphram valve	2,445	1,989	456	1,162	Negotiation	M/s.Modilina Enterprises
Calibrator sleeves	1,181	645	536	532	Insurance claim	Jubilee General Insurance Co.,
Various items of book value up to Rs.50,000 each	11,557	11,223	334	6,651	Negotiation	Various
Vehicles						
Toyota Corolla	1,608	777	831	1,450	Insurance claim	Jubilee General Insurance Co.
Suzuki Mehran	630	21	609	640	Insurance claim	Jubilee General Insurance Co.
Suzuki Cultus	835	765	70	630	As per company's policy	Mr. Pervaiz Alam Siddiqui
Honda Civic	1,719	1,604	115	1,105	As per company's policy	Mr. Mohsin Safdar
Suzuki Cultus	990	446	544	875	Negotiation	Mr.Asif Hussain
Suzuki Mehran	630	116	514	590	Insurance claim	Jubilee General Insurance Co.
Suzuki Mehran	484	436	48	320	Negotiation	Mr.Farooq
Suzuki Mehran	667	111	556	617	Negotiation	Mr.S.Riaz Ahmed
Suzuki Cultus	990	314	676	925	Negotiation	Mr.S.Riaz Ahmed
Suzuki Cultus	868	694	174	800	Negotiation	Al-Ghani Motors
Suzuki Mehran	494	354	140	375	Negotiation	Mrs.Safiha Javed
Toyota Corolla	1,414	1,249	165	1,215	Negotiation	Mr.S.Riaz Ahmed
Toyota Land Crusier	21,603	2,160	19,443	18,800	Negotiation	Toyota Defence Motor
Suzuki Cultus	1,019	340	679	694	Insurance claim	Jubilee General Insurance Co.
Various vehicles of book value up to Rs.50,000 each	15,069	15,068	1	9,511	Negotiation	Various
	104,222	70,221	34,001	69,179		

5.5 Capital work-in-progress (CWIP)

	2015				2014			
	Cost				Cost			
	As at 1 July 2014	Additions	Transfers	As at 30 June 2015	As at 1 July 2013	Additions	Transfers	As at 30 June 2014
	(Rupees in '000)							
Buildings	15,249	99,833	(62,665)	52,417	413	18,281	(3,445)	15,249
Plant and machinery	380,482	3,396,844	(2,022,333)	1,754,993	377,657	437,721	(434,896)	380,482
Furniture, fixtures and office equipments	-	8,375	(7,529)	846	-	-	-	-
	395,731	3,505,052	(2,092,527)	1,808,256	378,070	456,002	(438,341)	395,731

6. INTANGIBLE ASSETS

	Note	2015	2014
		(Rupees in '000)	
Operating intangible assets		3,181	10,650
Capital work-in-progress (CWIP)		10,581	2,200
		13,762	12,850
Net book value as at 1st July		10,650	21,248
Additions		-	2,313
Amortisation	6.2	(7,469)	(12,911)
Net book value as at 30 June		3,181	10,650
Gross carrying value as at 30 June			
Cost		72,272	72,272
Accumulated amortisation		(69,091)	(61,622)
Net book value		3,181	10,650
		(Percent)	
Amortization rate (per annum)		33.33	33.33

6.1 Intangible assets comprise of computer software and licenses.

6.2 The amortization expense for the year has been allocated as follows:

	Note	2015	2014
Cost of sales	24	5,284	9,444
Selling and distribution expenses	25	1,170	2,036
Administrative expenses	26	1,015	1,431
		7,469	12,911

7. INVESTMENT IN EQUITY ACCOUNTED INVESTEE

2015	2014		2015	2014
(Rupees in '000)			(Rupees in '000)	
2,425,913	2,425,913	Pakistan Cables Limited (PCL) - associated company	260,069	182,945

7.1 This represents investment in PCL, an Associated Company, on account of cross directorship. The Holding Company holds 8.53% of effective share of interest in PCL due to crossholding.

7.2 The Chief Executive Officer of this company is Mr. Kamal A. Chinoy. The market value as at 30 June 2015 was Rs. 403.915 million (30 June 2014 Rs. 241.985 million). The share of profit after acquisition is recognised based on unaudited condensed interim financial information as at 31 March 2015 as the latest financial statements as at 30 June 2015 are not presently available. The summarised financial information of the equity accounted investee based on condensed interim financial information is as follows:

Summarised financial information of equity accounted investee:

	31 March 2015 (Unaudited)	30 June 2014 Audited
	(Rupees in '000)	
Assets	4,285,434	4,364,249
Liabilities	1,813,100	1,902,034

	For the period ended 31 March 2015	For the year ended 30 June 2014
	(Rupees in '000)	
Total revenue	5,131,608	6,599,512
Profit after taxation for the period / year	138,363	222,314

8. STORES AND SPARES

	Note	2015	2014
		(Rupees in '000)	
Stores		154,756	155,240
Spares		327,109	294,955
Loose tools		6,087	4,264
		487,952	454,459

9. STOCK-IN-TRADE

	2015	2014
Raw material - in hand	3,353,839	4,766,698
- in transit	773,716	595,652
	4,127,555	5,362,350
Work-in-process	962,394	2,236,965
Finished goods	3,019,255	2,698,961
By-products	62,406	26,835
Scrap material	15,719	13,664
	8,187,329	10,338,775

9.1 The stock in trade includes stock costing Rs. 103.9 million (2014: Nil) which has been carried at net realizable value of Rs. 99.7 million.

9.2 Raw material of Holding Company amounting to Rs. 6.4 million (2014: Rs. 5.2 million) is held at a vendor's premise for the production of pipe caps.

10. TRADE DEBTS

	Note	2015	2014
		(Rupees in '000)	
Considered good - secured	10.1	1,233,009	2,079,257
- unsecured		1,429,611	1,367,885
		2,662,620	3,447,142
Considered doubtful		37,529	40,777
		2,700,149	3,487,919
Provision for doubtful debts	10.3	(37,529)	(40,777)
		2,662,620	3,447,142

10.1 This represent trade debts arising on account of export sales of Rs.1,140.7 million (2014: Rs.2,040.9 million) which are secured by way of Export Letters of Credit and Documents of Acceptance and Rs.92.1 million (2014: Rs.45.5 million) on account of domestic sales which are secured by way of Inland Letter of Credit.

10.2 Related parties from whom trade debts are due are as under:

	Note	2015	2014
		(Rupees in '000)	
Sui Southern Gas Company Limited		126	15,496
Doogood Enterprise Pty Limited		37,254	-
Pakistan Cables Limited		830	-
		38,210	15,496

10.2.1 The ageing of the trade debts receivable from related parties as at the balance sheet date are as under:

Not past due	830	15,371
Past due 61 days - 365 days	37,254	125
Past due over 1 year	126	-
Total	38,210	15,496

10.2.2 Out of the above receivables Rs 0.126 million (2014: Nil) are considered doubtful and are provided for.

10.3 Provision for doubtful debts

Balance as at 1 July		40,776	37,700
Charge for the year		8,780	7,564
Reversal for the year		(12,027)	(4,488)
	25	(3,247)	3,076
Balance as at 30 June		37,529	40,776

11. ADVANCES

Considered good		
- Suppliers	174,238	139,103
- Clearing agent	-	143,488
- Employees for business related expenses	2,845	3,790
- Workers	23,911	13,206
	200,994	299,587

12. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2015	2014
		(Rupees in '000)	
Trade deposits		18,610	8,813
Short term prepayments		9,091	10,364
		27,701	19,177

13. OTHER RECEIVABLES

	2015	2014
Considered good		
Receivable against sale of land	-	14,000
Receivable on transmission of electricity to K- Electric	65,267	58,641
Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods	25,940	25,940
Others	770	1,019
Receivable from foreign supplier on account of material	-	3,027
Less: Provision thereagainst	-	(3,027)
	-	-
	91,977	99,600

14. TAXATION - NET

	Note	2015	2014
Tax receivable as at 1 July		1,648,177	1,203,451
Tax payments / withheld during the year		441,516	685,244
Refunds received during the year		(66,090)	-
		2,023,603	1,888,695
Less: Provision for tax	30	(260,407)	(240,518)
		1,763,196	1,648,177

15. CASH AND BANK BALANCES

	2015	2014
- Cash in hand	52	-
- Current accounts	32,040	102,223
- Profit and loss sharing accounts	32,761	15,925
	64,853	118,148

15.1 These carry interest ranging from 5% to 9% per annum. (2014: 7% to 9% per annum).

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2015	2014		2015	2014
(Number of shares)			(Rupees in '000)	
6,769,725	6,769,725	Fully paid ordinary shares of Rs. 10 each issued for cash	67,697	67,697
113,122,894	113,122,894	Fully paid ordinary shares of Rs. 10 each issued as bonus shares	1,131,229	1,131,229
119,892,619	119,892,619		1,198,926	1,198,926

16.1 Associated companies, due to common directors, held 5,936,560 (2014: 6,333,560) ordinary shares of Rs. 10 each at the year end.

17. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	Note	2015	2014
		(Rupees in '000)	
Freehold land			
Balance as at 1 July		1,046,916	1,046,916
Surplus on revaluation of freehold land		-	-
Balance as at 30 June		1,046,916	1,046,916
Leasehold land			
Balance as at 1 July		793,445	800,709
disposal of leasehold land		-	(7,264)
Balance as at 30 June		793,445	793,445
Buildings			
Balance as at 01 July		880,965	919,204
Transferred to retained earnings (Unappropriated Profit) in respect of incremental depreciation charged during the year - net of deferred tax		(63,446)	(38,239)
		817,519	880,965
Related deferred tax liability	17.1	(190,299)	(219,331)
Balance as at 30 June - net of deferred tax		627,220	661,634
		2,467,581	2,501,995
Proportionate share of surplus on revaluation of property, plant and equipment of equity accounted investee		68,980	-
		2,536,561	2,501,995

17.1 Movement in related deferred tax liability

	2015	2014
Balance as at 1 July	219,331	234,321
Effect of change in tax rate	(12,442)	(2,276)
Tax effect on incremental depreciation transferred to retained earnings	(16,590)	(12,714)
Deferred tax liability as at 30 June	190,299	219,331

18. LONG TERM FINANCING - SECURED

	Note	2015	2014
Long-term finances utilised under mark-up arrangements	18.1	6,983,637	4,200,867
Current portion of long term finances shown under current liabilities		(999,878)	(899,877)
		5,983,759	3,300,990

18.1 Long term finances utilized under mark-up arrangements

Details of long term financing are as follows:

		Sale price	Purchase price	Number of instalments and commencement date	Date of maturity	Rate of mark-up per annum	2015	2014
		(Rupees in '000)					(Rupees in '000)	
i)	**Meezan Bank Limited** Local currency assistance of Rs.450 million for plant and machinery (Refer note 18.1.1)	450,000	600,822	6 half yearly 24 December 2014	24 June 2017	0.65 % over 6 months KIBOR	300,000	450,000
ii)	**Syndicated Term Financing** under LTFF Scheme Local currency assistance for plant and machinery of Cold Rolled and Galvanized Sheet Project (note 18.1.2)	4,000,000	9,376,178	16 half yearly instalments 19-Mar-11	11-Jun-21	1.50% over SBP Refinance rate	2,341,715	2,842,684
iii)	**Faysal Bank Limited** Local currency assistance for Plant and Machinery (note 18.1.3)	900,000	1,263,602	8 half yearly 27-Dec-12	2-Oct-17	1.8% over 6 months KIBOR	383,183	608,183
iv)	**Long term finance** Local currency assistance of Rs.300 million for plant and machinery (note 18.1.4)	300,000	406,886	10 half yearly 27-Dec-13	18-Apr-19	1.25% over 6 months KIBOR	275,000	300,000
v)	**Financing under Long term** Finance Facility for Plant and Machinery (note 18.1.5)	550,000	906,963	34 quarterly 29-Oct-16	28-Mar-24	SBP +0.70%	92,992	-
vi)	**Long term finance** Local currency assistance for plant and machinery (note 18.1.6)	1,790,721	4,675,000	32 quarterly 16-Jul-14	22-Dec-24	1.00% over SBP Refinance rate	1,790,747	-
vii)	**Long term finance** Local currency assistance for plant and machinery (note 18.1.7)	800,000	1,580,037	20 quarterly 30-Nov-15	1-Aug-20	1.00% over 6 months KIBOR	800,000	-
viii)	**Long term finance** Local currency assistance for plant and machinery (note 18.1.8)	1,000,000	1,743,300	8 half yearly 26-Dec-16	26-Jun-20	0.20% over 6 months KIBOR	1,000,000	-
							6,983,637	4,200,867

18.1.1 The above long term financing utilised under mark-up 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.

18.1.2 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. 399-404, 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.

18.1.3 This finance is obtained by Subsidiary Company (ISL) for plant & machinery and is secured by way of first pari passu charge over fixed assets of the Subsidiary Company.

18.1.4 This finance is obtained by Subsidiary Company (ISL) from various banks for plant and machinery and is secured by way of first pari passu charge over fixed assets of the Subsidiary Company.

18.1.5 The Holding Company has an approved facility under Long term finance facility of an amount aggregating Rs. 550 million. As at June 30, 2015 the holding company has withdrawn Rs. 93 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.

18.1.6 This finance is obtained by Subsidiary Company (ISL) from United Bank Limited and Bank Al-Habib Limited and is secured by way of first pari passu charge over fixed assets of the Subsidiary Company.

18.1.7 This finance is obtained by Subsidiary Company (ISL) from MCB Bank Limited and is secured by way of pari passu charge over fixed assets of the Subsidiary Company.

18.1.8 This finance is obtained by Subsidiary Company (ISL) from Meezan Bank Limited and is secured by way of ranking charge over the fixed assets of the Subsidiary Company.

19. DEFERRED TAXATION - NET

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

	Note	2015	2014
		(Rupees in '000)	
Taxable temporary difference			
Accelerated tax depreciation		1,738,208	1,739,845
Share of profit from equity accounting investee		7,367	4,396
Surplus on revaluation of buildings		111,501	219,331
Deductible temporary differences			
Provision for infrastructure cess		(43,037)	(25,552)
Provision for doubtful debts		(9,876)	(14,272)
Unrealised exchange losses		(24)	(4,716)
Pre-commencement expenditure		-	(5,234)
Tax loss		(1,256,574)	(1,331,532)
Provision against receivable from supplier on account of material		-	(1,059)
Staff retirement benefits		(21,808)	(22,916)
Provision for compensated absences		(2,533)	(1,518)
		523,224	556,773

20. TRADE AND OTHER PAYABLES

	Note	2015	2014
		(Rupees in '000)	
Trade creditors	20.1	1,665,097	3,362,257
Bills payable		474,754	581,252
Accrued expenses	20.2	652,504	354,800
Provision for Infrastructure Cess	20.3 & 22.1.2	508,210	384,581
Provision for Government Levies	20.4	568	742
Short term compensated absences		18,759	7,065
Advances from customers		267,183	209,716
Payable against purchase of land		16,111	98,528
Workers' Profit Participation Fund	20.5	26,564	57,298
Workers' Welfare Fund		20,302	41,201
Unclaimed dividend		14,386	13,203
Unclaimed dividend attributable to minority interest		391	-
Others		10,538	5,640
		3,675,367	5,116,283

20.1 This includes an amount of Rs.1,197.9.million payable to Group's associated companies (2014: 1,359.8 million).

20.2 Sales commission payable include Rs. 1.16 million (2014 : Rs. 1.0 million) in respect of commission payable to an associated person / company.

20.3 Provision for Infrastructure Cess

	Note	2015	2014
		(Rupees in '000)	
Balance as at 1 July		384,581	232,825
Charge for the year		123,629	151,756
Balance as at 30 June		508,210	384,581

20.4 Provision for Government levies

Balance as at 1 July		742	947
Payment / adjustment during the year		(174)	(205)
Balance as at 30 June		568	742

20.5 Workers' Profit Participation Fund

Balance as at 1 July		57,298	31,906
Interest on funds utilised in the Company's business at 15% (2014: 15%) per annum	27	317	360
		57,615	32,266
Allocation for the year		49,064	81,298
		106,679	113,564
Payments made during the year		(80,115)	(56,266)
Balance as at 30 June		26,564	57,298

21. SHORT TERM BORROWINGS - SECURED

	Note	2015	2014
		(Rupees in '000)	
Running finance under mark-up arrangement from banks	21.1	239,820	1,315,734
Short term borrowing under Money Market Scheme	21.2	-	2,840,000
Short term borrowing under Export Refinance Scheme	21.3	4,109,800	1,612,000
Running finance under FE-25 Export and Import Scheme	21.4	3,181,016	4,194,907
Short term finance under Murabaha & Istisna	21.5	445,589	397,194
Short term finance under Musharakah	21.6	798,102	793,706
Short term finance under Running Musharakah	21.7	6,021	-
		8,780,348	11,153,541

21.1 The facilities for running finance available from various commercial banks amounted to Rs. 3,589 million (2014: Rs.9,462 million). The rates of mark-up on these finances obtained by Holding Company ranges from 7.33 % to 9.45% per annum (2014: 10.38% to 11.88 % per annum). The rates of markup on these finances obtained by Subsidiary Company ranges from KIBOR + 0.2% to KIBOR + 1.75% (2014: KIBOR + 0.3% to KIBOR + 1.75%).

21.2 The facilities for short term borrowing under Money Market Scheme financing available from various commercial banks under mark-up arrangement amounted to Rs. 2,197 million (2014: Rs. 5,087 million). The rate of mark-up on these finances obtained by Holding Company ranges from 6.75% to 10.62 % per annum (2014: 10.1% to 10.39% per annum).

21.3 The Group has borrowed short term running finance under the Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 4,110 million (2014: Rs. 3,134 million). The rates of mark-up on this facility ranges from 5.3% to 5.5% per annum (2014: 8.9% to 8.96 % per annum).

21.4 The facilities for short term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 from various commercial banks are for the purpose of meeting import requirements. The facilities availed is for an amount of Rs. 3,181 million (2014: Rs. 4,195 million). The rates of mark-up on these finances range from 2.0% to 4.00% (2014: 1.50% to 3.82%) per annum. These facilities mature within six months and are renewable.

21.4.1 This includes FE-25 borrowing of Rs. 354.3 million (2014: nil) from a Bank (related party) by Subsidiary Company.

21.5 The Subsidiary Company has obtained facilities for short term finance under Murabaha and Istisna from an Islamic Bank. The rate of profit is KIBOR + 0.2% (2014: KIBOR + 0.3%). The facility matures within six months and is renewable.

21.6 This represents Islamic Term Musharakah availed by Subsidiary Company from a commercial bank for the purposes of meeting working capital requirements. The facility is availed for an amount of Rs.798 million. It carries markup at the rate of 2.75% inclusive of 6 months LIBOR. (2014: 3 months KIBOR + 0.45%) per annum.

21.7 The Subsidiary Company has obtained facilities for short term finance under Running Musharakah. The rate of profit is KIBOR + 0.2% (2014: nil) per annum. This facility matures within twelve months and is renewable.

21.8 All running finance and short term borrowing 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.

21.9 The Holding Company has issued a corporate guarantee to a 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 fixed assets (excluding land and building) and present and future current and movebale assets.

21.10 As at 30 June 2015, the un-availed facilities from the above borrowings amounted to Rs.12,763.6 million (2014: 11,190.5 million).

22. CONTINGENCIES AND COMMITMENTS

22.1 Contingencies

22.1.1 As per the Gas Infrastructure and Development Cess Act 2011 (the Act), certain companies as specified in the Act (including Sui Southern Gas Company) shall collect and pay Gas infrastructure and Development Cess (GID Cess) in such manner as the Federal Government may prescribe. As per the second schedule of the Act, GID Cess of Rs. 13 per MMBTU was applicable. Through Finance Bill 2012 – 2013, an amendment was made to the Act whereby the rate of GID Cess was increased to Rs. 100 per MMBTU. On 1 August 2012, the Holding Company and Subsidiary Company (ISL), filed a suit bearing number 859/2012 wherein it has impugned the Act on the ground that the rate of GID Cess has been enhanced without any lawful justification and authority. The Honourable High Court of Sindh at Karachi vide its ad-interim order dated 6 September 2012 has restrained Sui Southern Gas Company Limited (SSGC) from charging GID Cess above Rs. 13 per MMBTU. As a result, SSGC invoices to the Holding Company and Subsidiary Company (ISL) at Rs. 13 per MMBTU which has been recorded.

Peshawar High Court vide order dated 13 June 2013 declared that the provisions of the Act, imposing, levying and recovering the impugned cess are absolutely expropriatory, exploitative and being constitutionally illegitimate having no sanction there for under the constitution. Accordingly it has been declared as such and set at naught. However, Supreme Court of Pakistan vide its order dated 30 December 2013 has suspended the judgment of Peshawar High Court. The management is of the view that the Supreme Court of Pakistan suspended the order of the Peshawar High Court and leave is granted to consider various other aspects stated in the order. Therefore, a final decision is pending for adjudication.

During the year, 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. 484 million in these financial statements. However, the applicable cess has been recognised after the passage of the Act.

22.1.2 The Holding Company and Subsidiary Company (ISL) have 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. 637 million have been provided to the Department in this regard by the Holding Company and Subsidiary Company (ISL).

22.1.3 Guarantees issued by the Holding Company and Subsidiary Company (ISL) to various service providers amounting to Rs. 350.8 million (2014: Rs. 310.1 million) as security for continued provision of services.

22.1.4 The Group's share of associate's contingent liability is Rs. 22.6 million. (2014: Rs. 22.6 million)

Holding Company

22.1.5 Customs duties amounting to Rs.156 million as at 30 June 2015 (2014: Rs. 713 million) on import of raw material shall be payable by the Holding Company in case of non-fulfillment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Holding Company has provided post-dated cheques in favour of the Collector of Customs which are, in the normal course of business, to be returned to the Holding Company after fullfilment of stipulated conditions. The Holding Company has fulfilled the conditions for duties amounting to Rs. 156 million and is making efforts to retrieve the associated post-dated cheques from the customs authorities.

22.1.6 The customs authorities have charged a redemption fine of Rs. 83 million on clearance of imported raw material consignments in 2006. The Holding Company has filed an appeal before the Sindh High Court, which has set aside the examination reports including subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities had 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.

22.1.7 The Holding Company has received a demand from Deputy Collector (Manufacturing Bond) aggregating to Rs 82.9 million on account of sales tax, custom duty and withholding income tax in respect of wastage generated on raw material imported under manufacturing bond license and covers the period July 2007 to December 2010. The Holding Company on the basis of an audit being duly completed till 31 March 2009 believes no further dues were liable to be paid. The Company has filed a Constitutional Petition in the Sindh High Court (SHC) which has granted interim stay on 9 December 2013. During the year ended 30 June 2015, the SHC heard the petition in length and remanded the case back to the Collector Adjudication II, for fresh examination strictly in accordance with the law. There has been hearings in this matter and the Holding Company has submitted its written legal arguments and based on advice of legal counsel and merits of the case, is confident that the subject demand is unjustified and the matter will be decided it its favour.

22.1.8 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 judgement.

22.1.9 Alloy steel being imported from China under FTA with HS Code 7225 was under dispute whereby that the Customs Authorities did not recognize the said alloy steel and cleared all such consignments under HS Code 7208 as being prime hot rolled steel coils which attracted 5% customs duty and 12.5% regulatory duty. A petition was filed in Sindh High Court for clarification of such anomaly and the Holding Company had to submit bank guarantees worth Rs. 150.6 million for 5% customs duty and 12.5% regulatory duty as per the interim order of the Sindh High Court. Since then the Sindh High Court has decided this case in favour of the Petitioners on the basis that if any consignment contains more than 0.0008% boron as inherent part of steel that the same would qualify as alloy steel which would not attract payment of any duties. The return of our bank guarantees is awaited.

Subsidiary Company, ISL

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

The Subsidiary Company based on legal councils' advices considered that certain strong grounds are available whereby the aforesaid decision can be challenged in a Larger Bench of the SHC or the Supreme Court of Pakistan. A leave to appeal against the aforesaid decision has already been filed before the Supreme Court of Pakistan by other companies which is pending for hearing. In view of above, the Subsidiary Company is confident that the ultimate outcome in this regard would be favorable. Accumulated minimum tax liability of Rs. 219.51 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. 568.06 million has not been recorded on the same basis in the financial statements for the year ended 30 June 2015.

22.2 Commitments

Group

22.2.1 Capital expenditure commitments outstanding as at 30 June 2015 amounted to Rs. 845 million (2014: Rs. 2,023 million).

22.2.2 Commitments under letters of credit for raw materials and stores and spares as at 30 June 2015 amounted to Rs. 4,209 million (2014: Rs. 3,987 million).

22.2.3 Unavailed facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 16,432 million (2014: Rs. 15,321 million) and Rs. 421 million (2014: Rs. 457 million) respectively.

Holding Company

22.2.4 Commitments under purchase contracts as at 30 June 2015 amounted to Rs. 117 million (2014: Rs. 92 million).

23. NET SALES

	2015	2014
	(Rupees in '000)	
Local	30,450,121	32,762,019
Export	9,447,692	8,843,646
	39,897,813	41,605,665
Toll Manufacturing	2,453	-
	39,900,266	41,605,665
Sales Tax	(4,597,786)	(5,066,798)
Trade discounts	(528,605)	(344,270)
Sales discounts and commission	(315,067)	(339,240)
	(5,441,458)	(5,750,308)
	34,458,808	35,855,357

24. COST OF SALES

	Note	2015	2014
		(Rupees in '000)	
Opening stock of raw material and work-in-process		7,003,663	4,900,295
Purchases		26,863,382	32,004,367
Salaries, wages and benefits	24.1	945,144	770,361
Rent, rates and taxes		1,688	1,744
Electricity, gas and water		715,917	705,445
Insurance		28,304	30,879
Security and janitorial		42,201	33,169
Depreciation and amortisation	5.2 & 6.2	690,138	652,506
Operational supplies and consumables		112,908	228,995
Repairs and maintenance		176,251	178,230
Postage, telephone and stationery		18,605	16,500
Vehicle, travel and conveyance		30,759	24,902
Internal material handling		26,223	24,751
Environment controlling expense		1,529	1,243
Sundries		9,478	11,638
Stores and spares written off		1,539	-
Sale of scrap generated during production		(925,914)	(913,258)
		35,741,815	38,671,767
Closing stock of raw material and work-in-process	9	(4,316,233)	(7,003,663)
Cost of goods manufactured		31,425,582	31,668,104
Finished goods and by-products:			
Opening stock		2,725,796	2,549,400
Closing stock	9	(3,081,661)	(2,725,796)
		(355,865)	(176,396)
		31,069,717	31,491,708

24.1 Salaries, wages and benefits include Rs. 52.886 million (2014: Rs. 42.7 million) in respect of staff retirement benefits.

25. SELLING AND DISTRIBUTION EXPENSES

	Note	2015	2014
Freight and forwarding expense		515,994	529,618
Salaries, wages and benefits	25.1	151,226	136,044
Rent, rates and taxes		2,094	790
Electricity, gas and water		5,313	4,916
Insurance		2,717	4,833
Depreciation and amortisation	5.2 & 6.2	11,029	11,337
Repairs and maintenance		1,462	1,177
Advertising and sales promotion		31,394	21,947
Postage, telephone and stationery		7,271	6,189
Office supplies		64	61
Vehicle, travel and conveyance		18,708	17,786
Provision / (reversal) for doubtful debts - net	10.3	(3,247)	3,076
Certification and registration charges		3,635	65
Others		7,700	5,126
		755,360	742,965

25.1 Salaries, wages and benefits include Rs. 10.3 million (2014: Rs. 9.6 million) in respect of staff retirement benefits.

26. ADMINISTRATIVE EXPENSES

	Note	2015	2014
		(Rupees in '000)	
Salaries, wages and benefits	26.1	248,809	199,036
Rent, rates and taxes		1,716	2,730
Electricity, gas and water		3,438	3,424
Insurance		1,000	1,073
Depreciation and amortisation	5.2 & 6.2	21,286	17,003
Repairs and maintenance		1,162	860
Postage, telephone and stationery		10,696	11,115
Office supplies		211	132
Vehicle, travel and conveyance		13,432	12,202
Legal and professional charges		34,197	19,559
Certification and registration charges		3,392	2,632
Others		17,320	20,055
		356,659	289,821

26.1 Salaries, wages and benefits include Rs. 10.78 million (2014: Rs. 11.54 million) in respect of staff retirement benefits.

27. FINANCIAL CHARGES

	Note	2015	2014
Mark-up on:			
- long term financing		364,952	395,244
- short term borrowings	27.1	838,353	1,250,308
Exchange loss and others		295,735	165,087
Interest on Workers' Profit Participation Fund	20.5	317	360
Bank charges		17,348	21,474
		1,516,705	1,832,473

27.1 Mark-up expenses of Rs.1.37 million (2014: Rs.0.82 million) pertain to FE borrowing from an associated company by Subsidiary Company.

28. OTHER OPERATING CHARGES

	Note	2015	2014
		(Rupees in '000)	
Auditors' remuneration	28.1	4,112	3,736
Donations	28.2	16,893	18,855
Exchange loss - net		-	32,508
Workers' Profit Participation Fund		49,064	81,298
Workers' Welfare Fund		19,615	32,103
Loss on disposal of property, plant and equipment - net		-	3,951
Pre-incorporation expenses of a subsidiary		624	-
Business development expenses		10,432	3,681
Others		-	8,995
		100,740	185,127

28.1 Auditors' remuneration

	2015	2014
Audit fee	2,584	2,280
Half yearly review	718	650
Other services (including consolidation charges)	560	510
Out of pocket expenses	250	296
	4,112	3,736

28.2 Donations

Donations to entities in which director(s) are interested are as follows:

Name of Director	Interest in donee	Name and address of donee	2015	2014
			(Rupees in '000)	
Holding Company				
Mr.Riyaz Chinoy	Trustee	Citizen Trust Against Crime Karachi.	1,000	-
Subsidiary Company				
Mr.Kamal A.Chinoy	Chairman of Board of Directors	Public Interest Law Association of Pakistan 7th floor, Adamjee House, I.I.Chundrigar Road, Karachi.	-	300

Donation other than those mentioned above, were not made to any donee in which a director or his spouse had any inerest at any time during the year.

29. OTHER INCOME

	Note	2015	2014
		(Rupees in '000)	
Income / return on financial assets			
Interest on bank deposits		3,014	4,066
Exchange gain		76,662	80,672
Income from non-financial assets			
Income from power generation 18MW	29.1	43,015	36,700
Income from power generation 4MW	29.2	57,204	57,429
Rental income		1,716	1,716
Gain on disposal of property, plant and equipment	5.4	35,178	-
Others		28,916	15,141
		245,705	195,724

29.1 Income from power generation 18MW

	Note	2015	2014
Net sales		479,986	479,660
Cost of electricity produced:			
Salaries, wages and benefits	29.1.1	(16,008)	(14,810)
Electricity, gas and water		(616,828)	(625,599)
Depreciation	5.2	(67,628)	(67,008)
Stores and spares consumed		(17,997)	(18,704)
Repairs and maintenance		(41,024)	(46,689)
Sundries		(1,566)	(1,359)
		(761,051)	(774,169)
Self consumption		324,080	331,209
Income from power generation		43,015	36,700

29.1.1 Salaries, wages and benefits include Rs.0.73 million (2014: Rs.0.57 million) in respect of staff retirement benefits.

29.1.2 The Subsidiary Company (ISL) has electricity power generation facilities at its premises. ISL has generated excess of its requirements which was supplied to K-Electric Limited under an agreement. The agreement is valid for period upto 20 years commencing 31st August 2007.

29.2 This represent gross billing on account of sale of excess power generation of the 4MW plant to K-Electric by the Holding Company.

30. TAXATION

	Note	2015	2014
		(Rupees in '000)	
Current			
- for the year		260,407	203,742
- for prior years		-	36,776
	14	260,407	240,518
Deferred		(21,275)	92,771
		239,132	333,289

30.1 Relationship between income tax expense and accounting profit

	2015	2014	2015	2014
	(Effective tax rate %)		(Rupees in '000)	
Profit before taxation			925,223	1,524,690
Tax at the enacted tax rate	33.00	34.00	305,324	518,926
Tax effect of income subject to lower tax	(0.27)	(0.26)	(2,509)	(3,986)
Tax effect of rebate / credits	(1.78)	(0.84)	(16,447)	(12,770)
Tax effect on exports under final tax regime	(2.19)	(7.53)	(20,224)	(114,755)
Tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes	(3.39)	(0.06)	(31,327)	(925)
Effect of adjustments on account of change in rates etc.		(6.00)		(91,481)
Effect of change in prior years' tax	-	2.41	-	36,776
Others	0.47	0.10	4,315	1,504
	25.84	21.85	239,132	333,289

31. EARNINGS PER SHARE - BASIC AND DILUTED

	Note	2015	2014
		(Rupees in '000)	
Profit after taxation for the year		598,761	892,831
		(Number)	
Weighted average number of ordinary shares in issue during the year	16	119,892,619	119,892,619
		(Rupees)	
Earnings per share		4.99	7.45

32. CHANGES IN WORKING CAPITAL

	2015	2014
Decrease / (increase) in current assets:		
Stores and spares	(33,493)	(10,769)
Stock-in-trade	2,445,614	(2,307,465)
Trade debts	787,770	(819,772)
Advances	(123,065)	115,629
Trade deposits and short term prepayments	213,103	1,895
Other receivables	701,126	(379,513)
	3,991,055	(3,399,995)
(Decrease) / increase in current liabilities:		
Trade and other payables	(1,674,996)	3,415,970
	2,316,059	15,975

33. STAFF RETIREMENT BENEFITS

33.1 Provident Fund

33.1.1 Holding Company

Salaries, wages and benefits include Rs. 16.3 million (2014: Rs. 15.4 million) in respect of provident fund contribution.

The following information is based on latest financial statements of the Fund:

	2015 (Unaudited)	2014 (Audited)
	(Rupees in '000)	
Size of the Fund - total assets	254,415	243,689
Cost of investments made	251,819	215,795
Percentage of investments made	93%	93%
Fair value of investments	236,704	226,252

The break-up of the fair value of investments is:

	2015 (Unaudited)	2014 (Audited)	2015 (Unaudited)	2014 (Audited)
	(Rupees in '000)		% of total investment	
Government securities	186,699	56,150	73%	23%
Debt securities	4,014	55,197	2%	23%
Mutual funds	-	114,905	0%	47%
Equity	45,991	-	18%	0%
Other assets	17,711	17,437	7%	7%
	254,415	243,689	100%	100%

33.1.2 Subsidiary Company (ISL)

Salaries, wages and benefits include Rs. 9.1 million (2014: Rs. 7.1 million) in respect of provident fund contribution.

The following information is based on latest unaudited financial statements of the Fund:

	Note	2015	2014
		(Rupees in '000)	
Size of the Fund - total assets		74,950	51,962
Cost of investments made		57,739	46,744
Percentage of investments made		93%	92%
Fair value of investments		69,800	47,873

The break-up of the fair value of investments is:

	2015	2014	2015	2014
	(Rupees in '000)		% of total investment	
Bank balances	8,063	2,322	12%	5%
Government securities	47,749	9,433	68%	20%
Debt securities	1,132	10,041	2%	21%
Mutual funds	-	26,077	0%	54%
Equity shares	12,856	-	18%	0%
	69,800	47,873	100%	100%

33.1.3 The investments out of provident funds of the Holding Company and Subsidiary Company have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

33.2 Gratuity Fund

The actuarial valuation of gratuity was carried out on 30 June 2015. The projected unit credit method using the following significant assumptions, has been used for the actuarial valuation:

	2015	2014
	(% per annum)	
Financial assumptions		
Holding Company		
Rate of discount	9.75 %	13.25%
Expected rate of salary increase	8.75 %	12.25%
Subsidiary Company		
Rate of discount	10.50 %	13.50%
Expected rate of salary increase	9.50 %	12.50%
Demographic assumption	SLIC	SLIC
Holding Company		
Mortality rate	2001-05-1 Heavy	2001-2005 Setback 1 Year
Rates of employee turnover	Moderate	Moderate
	SLIC	SLIC
Subsidiary Company		
Mortality rate	2001-2005	2001-2005
Rates of employee turnover	Moderate	Moderate
Retirement assumption	Age 60 years	Age 60 years

The amount recognised in the balance sheet is as follows:

	2015	2014
	(Rupees in '000)	
Present value of defined benefit obligation	424,701	382,279
Fair value of plan assets	(333,438)	(288,513)
Liability as at 30 June	91,263	93,766

Movement in the present value of defined benefit obligation	2015	2014
Present value of defined benefit obligation - beginning of the year	382,279	305,090
Current service cost	37,511	30,463
Interest cost	47,693	31,159
Re-measurement : Actuarial losses on obligation	(884)	32,239
Benefits paid	(41,898)	(16,673)
Present value of defined benefit obligation - closing	424,701	382,279

	2015	2014
	(Rupees in '000)	
Movement in the fair value of plan assets		
Fair value of plan assets - beginning of the year	288,513	245,365
Interest income on plan assets	39,764	26,842
Return on plan assets, excluding interest income	6,073	126
Benefits paid	(35,143)	(12,309)
Benefits due but not paid	(6,755)	(4,364)
Contribution to the Fund	40,986	32,853
Fair value of plan assets - closing	333,438	288,513
Movement in the net defined liability / (asset)		
Opening balance	93,765	59,725
Re-measurments recognized in other comprehensive income during the year	(7,060)	32,113
Expense chargeable to profit & loss account	45,543	34,780
Contribution paid during the year	(40,986)	(32,853)
Closing balance	91,262	93,765

Amounts recognized in total comprehensive income

The following amounts have been charged in respect of these benefits to profit and loss account and other comprehensive income:

Component of defined benefit costs recognized in profit and loss account current service cost	37,511	30,463
Net interests cost		
- Interest cost on defined benefits obligation	47,693	31,159
- Interest income on plan assets	(39,661)	(26,842)
	45,543	34,780
Component of defined benefit costs (re-measurement) recognized in profit and loss account		
Re-measurement : Actuarial loss on obligation		
- (Gain) / loss due to change in experience adjustment	(7,060)	32,239
Interest income on plan assets	-	(126)
Net re-measurement recognised in other income	(7,060)	32,113
Total defined benefit cost recognized in profit and loss account and other comprehensive income	38,483	66,893
Actual return on plan assets	45,837	26,968
Expected contributions to funds in the following year	46,995	48,903
Expected benefits payment to retires in the following year	42,317	29,730

	2015	2014
	(Rupees in '000)	
Re-measurements : Accumulated actuarial losses recognized in equity	(7,060)	32,113
Weighted average duration of the defined benefit obligation (years) of Holding Company	6.75	8
Weighted average duration of the defined benefit obligation (years) of Subsidiary Company	11	11
Vested / Non-vested		
- Vested benefits	364,175	378,537
- Non - vested benefits	1,850	3,742

Disaggregation of fair value of plan assets

The fair value of the plan assets at balance sheet date for each category are as follows:

	2015	2014
Cash and cash equivalents (comprising bank balances and adjusted for current liabilities)	15,402	9,554
Debt instruments		
- AA+	-	19,977
- AA	-	1,174
- AA-	-	34,233
- A	-	5,963
	-	61,347
Equity instruments	94,245	-
Government securities	223,791	73,707
Mutual funds		
- Money Market fund	-	20,051
- Income fund	-	113,658
- Asset allocation fund	-	10,125
- Stock fund	-	143,905

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumption constant, would have affected the defined benefit obligation by the amount shown below:

	2015	2014
	(Rupees in '000)	
Discount rate + 100 basis point	395,286	353,145
Discount rate - 100 basis point	458,297	415,846
Salary increase + 100 basis point	460,217	416,353
Salary decrease - 100 basis point	393,091	352,202

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Maturity profile of the defined benefit obligation	2015	2014
	(Rupees in '000)	
Years		
1	42,317	29,730
2	37,791	48,401
3	48,817	29,926
4	43,187	41,354
5	48,086	43,412
6 and onwards	386,825	8,463,425

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Executives		Total	
	2015	2014	2015	2014	2015	2014
	(Rupees in '000)					
Remuneration	29,521	25,017	321,220	267,992	350,741	293,009
Variable performance pay	5,074	-	75,396	27,509	80,470	27,509
Retirement benefits	1,844	1,563	20,786	18,533	22,630	20,096
Rent, utilities, leave encashment etc.	11,070	9,382	138,750	117,954	149,820	127,336
	47,509	35,962	556,152	431,988	603,661	467,950
Number of persons	1	1	188	124	189	125

34.1 In addition to the above, the Chief Executive, directors and certain executives are provided with free use of Company maintained vehicles in accordance with the Holding Company's policy.

34.2 Fees paid to non-executive directors of Holding Company is Rs. 4.7 million (2014: Rs. 3.6 million) on account of meetings attended by them.

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial risk management

The Board of Directors of the Group ("the Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Board meets frequently throughout the year for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks including adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Audit Committee ("the Committee") oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

35.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation without considering fair value of collateral available thereagainst.

Exposure to credit risk

The carrying amount of respective financial assets represent the maximum credit exposure. The maximum exposure to credit risk at balance sheet date is as follows:

	2015	2014
	(Rupees in '000)	
- Long term deposit	6,967	4,588
- Trade debts - net of provision	2,662,620	3,447,142
- Trade deposits	18,610	8,813
- Other receivable (excluding receivable from K-Electric Ltd)	770	15,019
- Receivable on transmission of electricity to K-Electric Ltd	65,267	58,641
- Cash and bank balances	64,853	118,148
	2,819,087	3,652,351

The Group does not take into consideration the value of collateral while testing financial assets for impairment. The Group considers the credit worthiness of counter parties as part of its risk management.

Long term deposits

These represent long term deposits with various parties for the purpose of securing supplies of raw materials and services. The Group does not foresee any credit exposure there against as the amounts are paid to counter parties as per the agreement and are refundable on termination of agreement with respective counterparties.

Trade deposit

These represent deposits placed with various suppliers as per the terms of securing availability of services. The management does not expect to incur credit loss thereagainst.

Trade debts

The Group's exposure to credit risk arising from trade debtors is mainly influenced by the individual characteristics of each customer. The Group has no major concentration of credit risk with any single customer. The majority of the Group's customers have been transacting with the Group for several years. The Holding Company establishes an allowance for impairment that represents its estimate of incurred losses for balances above one year except for amounts due from government / public sector entities.

Receivable from K-Electric Limited

This represents receivable from KE on account of electricity provided to it from the 4 MW and 18 MW plant located at factory sites of the Holding Company and Subsidiary Company respectively under an agreement. The Group does not expect to incur credit loss thereagainst.

Analysis of amounts receivable from KE and from local and foreign trade debtors are as follows:

	2015	2014
	(Rupees in '000)	
Domestic	1,494,878	1,426,526
Export	1,233,009	2,079,257
	2,727,887	3,505,783

The majority of export debtors of the Holding Company are situated in America, Australia, Sri Lanka, Europe and Middle East.

Impairment losses

The aging of trade debtors and amounts receivable from K-Electric Limited at the balance sheet date was as follows:

	2015		2014	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Not past due	2,123,510	-	2,815,940	-
Past due 1-60 days	475,884	-	506,734	-
Past due 61 days -1 year	134,144	-	160,217	-
More than one year	36,788	37,529	63,669	40,777
Total	2,770,326	37,529	3,546,560	40,777

Based on an assessment conducted of individual customers, the management believes that receivable falling within the age bracket of upto one year do not require any impairment provision other than to the extent determined above. Further, provision recognized against balances appearing over one year is without prejudice to other recourse the management has for recovery against outstanding balances. Movement in provision has been stated elsewhere in these consolidated financial statements.

Other receivables

These comprise of interest receivable and other miscellaneous receivables and management does not expect to incur material losses against those balances.

Balances with bank

The Group places its surplus funds with banks carrying good credit standing assessed by reputable credit agencies. As at 30 June 2014 the Group has placed funds with banks having credit ratings as follows:

	Short term	Long term
Local banks	A1+ to A1	AAA to AA-
Foreign banks	F1+ / P1 to F1 / P1	AA- / A1 to A / A2

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties 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 economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. At the reporting date, the Group has no major concentration of credit risk. The majority of debtors of the Group are domestic entities.

35.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group ensures that it has sufficient liquidity including credit lines to meet expected working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments:

	2015						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long term financing	6,983,637	-	(8,825,623)	(758,224)	(844,341)	(5,855,813)	(1,367,245)
Trade and other payables	2,833,781	(24,924)	(2,808,857)	(2,808,857)	-	-	-
Accrued markup	271,954	-	(271,954)	(271,954)	-	-	-
Short-term borrowings	8,780,348	(8,780,348)	-	-	-	-	-
	18,869,720	(8,805,272)	(11,906,434)	(3,839,035)	(844,341)	(5,855,813)	(1,367,245)

	2014						
	Carrying amount	On demand	Contractual cash flows	Six months or less	Six to twelve months	Two to five years	More than five years
	(Rupees in '000)						
Non-derivative financial liabilities							
Long term financing	4,200,867	-	(5,307,587)	(629,101)	(627,342)	(3,682,934)	(368,210)
Trade and other payables	4,415,680	(18,843)	(4,396,837)	(4,396,837)	-	-	-
Accrued markup	232,309	-	(232,309)	(232,309)	-	-	-
Short-term borrowings	11,153,541	(11,153,541)	-	-	-	-	-
	20,002,397	(11,172,384)	(9,936,733)	(5,258,247)	(627,342)	(3,682,934)	(368,210)

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June. The rates of mark-up have been disclosed in notes 18.1 and 21 to these financial statements.

35.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group is exposed to currency risk and interest rate risk only.

Currency risk

Exposure to currency risk

The Group is exposed to currency risk on trade debts, borrowings, trade and other payables, bank balances and accrued markup that are denominated in a currency other than the functional currency of the Group. The Group's exposure to foreign currency risk is as follows:

	2015			2014		
	Rupees	US Dollars	Australian Dollars	Rupees	US Dollars	Australian Dollars
	(Amount in '000)					
Financial assets						
Trade debts and bank balance in foreign currency	1,233,009	12,125	927	2,090,852	21,202	100
Financial liabilities						
Running finance under FE-25 Export and Import Scheme	(3,181,016)	(31,223)	-	(4,194,907)	(42,458)	-
Trade and other payable	(474,754)	(4,660)	(1,160)	(581,252)	(5,883)	-
Accrued markup on running finance under FE-25 Export and Import Scheme	(15,879)	(156)	-	(10,373)	(105)	-
	(3,671,649)	(36,039)	(1,160)	(4,786,532)	(48,446)	-
Net exposure	(2,438,640)	(23,914)	(233)	(2,695,680)	(27,244)	100

The following significant exchange rates were applicable during the year:

	2015	2014	2015	2014
	Average Rates		Balance sheet date rate	
	Rupees			
US Dollars to PKR	102	103	101.69 / 101.88	98.61 / 98.80
Australian Dollars to PKR	85	93	77.99 / 78.14	93.27 / 93.44

Sensitivity analysis

A 10 percent strengthening / (weakening) of the Pak Rupee against the US Dollar at 30 June would have (decreased) / increased profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2014.

	Effect on profit and loss (net of tax)	
	2015	2014
	(Rupees in '000)	
As at 30 June		
Effect - US Dollars	(163,389)	177,915
Effect - Australian Dollars	(1,602)	(267)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the interest rate exposure arises from short and long term borrowings from banks.

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instrument is:

	Carrying amount	
	2015	2014
	(Rupees in '000)	
Fixed rate instruments		
Financial liabilities	(4,109,800)	(1,612,000)
Variable rate instruments		
Financial liabilities	(11,654,185)	(13,742,408)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through the profit and loss account. Therefore a change in interest rates at the reporting date would not affect the profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit and loss account by Rs. 20.7 million (2014: Rs. 55.7 million) with corresponding effect on the carrying amount of the liability. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2014.

Other price risks

At present the Group is not exposed to any other price risks.

35.4 Fair value of financial assets and liabilities

The carrying values of financial assets and financial liabilities reported in the balance sheet approximate their fair values.

35.5 Financial instruments by categories

	2015	2014
Financial assets	(Rupees in '000)	
Loans and Receivables		
- Long term deposit	6,967	4,588
- Trade debts - net of provision	2,662,620	3,447,142
- Trade deposits	18,610	8,813
- Other receivables	66,037	73,660
- Cash and Bank balances	64,853	118,148
	2,819,087	3,652,351
Financial liabilities		
Financial liabilities at amortized cost		
- Long term financing	6,983,637	4,200,867
- Trade and other payables	2,833,781	4,415,680
- Accrued markup	271,954	232,309
- Short-term borrowings	8,780,348	11,153,541
	18,869,720	20,002,397

35.6 None of the financial assets and liabilities are offset in the Consolidated Balance Sheet.

36. CAPITAL MANAGEMENT

The objective of the Group when managing capital is to safeguard its ability to operate as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders and to maintain a strong capital base to support the sustained development of its businesses. The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

37. 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. Contribution to its defined contribution plan (Provident Fund) are made as per the terms of employment and contribution 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 and 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 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 these financial statements, are as follows:

	2015	2014
	(Rupees in '000)	
Associated companies		
Sales	432,894	427,226
Purchases	11,162,080	11,707,384
Purchase of vehicles	8,621	-
Insurance premium expense	62,316	89,806
Insurance claim / adjustments	113,821	1,641
Rent income	1,716	1,716
Donations	1,000	300
Dividend paid	61,817	8,241
Dividend received	10,916	9,704
Utility expenses	2,078	-
Financial charges	1,373	-
Reimbursement of expenses	788	592
Others	316	544
Associated Person / company		
Sales Commission	6,537	8,060
Key management personnel		
Remuneration	330,722	283,717
Staff retirement benefits	12,502	12,065
Non executive directors		
Directors' fee	7,870	5,840
Staff retirement funds		
Contributions paid	64,935	59,267

38. PRODUCTION CAPACITY

Actual production capacity at the year end was as follows:

	2015	2014
	(Metric Tonnes)	
Holding company		
Pipe	340,000	340,000
Galvanising	150,000	150,000
Cold rolled steel strip	70,000	70,000
Polyethylene pipe	15,000	15,000
Subsidiary company - International Steels Limited		
Galvanising	150,000	150,000
Cold rolled steel strip	250,000	250,000
Subsidiary company - IIL Stainless Steel (Private) Limited		
Pipe	1,450	-
Polishing	900	-

The actual production for the year was:

	2015	2014
Holding company		
Pipe	205,777	176,536
Galvanising	107,511	81,152
Cold rolled steel strip	18,042	50,489
Polyethylene pipe	4,869	3,611
Subsidiary company - International Steels Limited		
Galvanising	169,167	158,949
Cold rolled steel strip	238,640	281,772
Subsidiary company - IIL Stainless Steel (Private) Limited		
Pipe	95	-
Polishing	81	-

Actual production during the year was sufficient to meet the market demand.

The name-plate capacities of the plants are determined based on a certain product mix. The actual production mix was different.

The shortfall in production of cold rolled steel strip of the Holding Company is because the government has this year refused to acknowledge the Company as a cold roller as a result of which the duty on raw material is more than the duty on finished goods.

The Subsidiary Company, IIL Stainless Steels (Private) Limited, has commenced its production from 1 April 2015.

39. SEGMENT REPORTING

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

39.1 Segment revenue and results

	Steel coils & sheets	Steel pipes	Plastic pipes	Total
	(Rupees in '000)			
For the year ended 30 June 2015				
Sales	16,595,490	16,907,330	955,988	34,458,808
Cost of sales (Excluding depreciation)	(14,760,542)	(14,794,719)	(829,285)	(30,384,546)
Depreciation	(461,957)	(196,241)	(26,973)	(685,171)
Gross profit	1,372,991	1,916,370	99,730	3,389,091
For the year ended 30 June 2014				
Sales	19,514,051	15,719,254	622,052	35,855,357
Cost of sales (Excluding depreciation)	(16,844,637)	(13,384,199)	(616,262)	(30,845,098)
Depreciation	(432,698)	(188,937)	(24,975)	(646,610)
Gross profit	2,236,716	2,146,118	(19,185)	4,363,649

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

	2015	2014
	(Rupees in '000)	
Total results for reportable segments	3,389,091	4,363,649
Selling and distribution expenses	(755,360)	(742,965)
Administrative expenses	(356,659)	(289,821)
Financial charges	(1,516,705)	(1,832,473)
Other operating charges	(100,740)	(185,127)
Share of profit from an associated company	19,891	15,703
Other income	245,705	195,724
Taxation	(239,132)	(333,289)
Profit for the year	686,091	1,191,401

39.2 Segment assets and liabilities

	Steel coils & sheets	Steel pipes	Plastic pipes	Total
	(Rupees in '000)			
As at 30 June 2015				
Segment assets	17,310,456	8,934,099	655,389	26,899,944
Segment liabilities	12,728,415	5,402,757	399,702	18,530,874
As at 30 June 2014				
Segment assets	14,615,997	11,936,143	505,506	27,057,646
Segment liabilities	10,371,964	9,156,191	427,657	19,955,812

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

	2015	2014
	(Rupees in '000)	
Total for reportable segments assets	26,899,944	27,057,646
Unallocated assets	2,977,335	3,596,869
Total assets as per balance sheet	29,877,279	30,654,515
Total for reportable segments liabilities	18,530,874	19,955,812
Unallocated liabilities	1,882,797	1,397,727
Total liabilities as per balance sheet	20,413,671	21,353,539

39.3 Segment revenues reported above are revenues generated from external customers.

39.4 Segment assets reported above comprise of property, plant and equipment, stock-in-trade and trade debts.

39.5 Information about major customers

Revenue from major customer of Plastic Segment is Rs. 275.770 million (2014: Rs. 93.9 million), where as in the Steel segment was Rs.2,333.621 million (2014: none) whose revenue accounts for more than 10% of segment's revenue.

39.6 Geographical information

The Group's gross revenue from external customers by geographical location is detailed below:

	2015	2014
	(Rupees in '000)	
Domestic sales	30,450,121	32,762,019
Export sales	9,447,692	8,843,646
	39,897,813	41,605,665

The Group exports its products to Americas, Australia, Europe and the Middle East.

39.7 As at 30 June 2015, all non current assets of the Group are located in Pakistan except for furniture and fixtures costing Rs. 0.217 million which is located in Australia.

40. NUMBER OF EMPLOYEES

	2015	2014
	(Number)	
Holding company		
Average number of employees during the year	1,011	1,015
Number of employees as at 30 June	1,001	1,008
Subsidiary company		
Average number of employees during the year	490	444
Number of employees as at 30 June	532	447

41. GENERAL

41.1 Sales discounts and commission have been reclassified as trade discounts amounting to Rs. 249.5 million for the purpose of better presentation.

Loss on derivative financial instruments have been reclassified into exchange loss and others amouting to Rs. 127 million for the purpose of better presentation.

41.2 Non-adjusting events after the balance sheet date

The Board of Directors of the Holding Company in their meeting held on 17 August 2015 has proposed a final cash dividend of Rs. 2.50 per share amounting to Rs. 299.7 million (2014: Rs 2.00 per share amounting to Rs. 239.8 million) for the year ended 30 June 2015. The approval of the Members of the Holding Company for the dividend shall be obtained at the Annual General Meeting to be held on 18 September 2015. The consolidated financial statements for the year ended 30 June 2015 do not include the effect of the proposed final cash dividend which will be accounted for in the period ending 30 June 2016.

41.3 These consolidated financial statements were authorized for issue on 17 August 2015 by the Board of Directors.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee
Holding Company

Nadir Akbarali Jamal
Chief Financial Officer
Holding Company

Riyaz T. Chinoy
Chief Executive Officer
Holding Company

Stakeholders' Information

OWNERSHIP

On June 30, 2015 there were 2852 members on the record of the company's ordinary shares.

DIVIDEND PAYMENT

The Board of Directors of the company has recommended 25% final dividend for the year as per the Profit Appropriation Policy. The proposal shall be placed before the shareholders of the company in the Annual General Meeting for their consideration and approval on 18th September 2015. The dividend warrants, if approved by the shareholders, shall be dispatched to the shareholders listed in the company's share register at the close of business on 8th September 2015 and shall be subject to the Zakat and Tax deductions as per law.

Financial Calendar

RESULTS		
First quarter ended September 30, 2014	Approved on	Oct. 24, 2014
	Announced on	Oct. 27, 2014
Half year ended December 31, 2014	Approved and Announced on	Jan. 23, 2015
Third quarter ended March 31, 2015	Approved on	Apr. 25, 2015
	Announced on	Apr. 27, 2015
Year ended June 30, 2015	Approved and Announced on	Aug. 17, 2015
DIVIDENDS		
Interim – Cash (2013-14)	Approved on	Jan. 28, 2014
	Entitlement date	Feb. 13, 2014
	Statutory limit upto which payable	Mar. 14, 2014
	Paid on	Feb. 21, 2014
Final – Cash (2013-14)	Approved on	Aug. 13, 2014
	Entitlement date	Sep. 5, 2014
	Statutory limit upto which payable	Oct. 14, 2014
	Paid on	Oct. 10, 2014
Interim – Cash (2014-15)	Approved on	Jan. 23, 2015
	Entitlement date	Feb. 9, 2015
	Statutory limit upto which payable	Mar. 10, 2015
LAST ANNUAL REPORT ISSUED ON		Aug. 27, 2015
67TH ANNUAL GENERAL MEETING TO BE HELD ON		Sep. 18, 2015

TENTATIVE DATES OF FINANCIAL RESULTS OF 2015-16

For the period	To be announced
1st Quarter	22-10-2015
2nd Quarter	27-01-2016
3rd Quarter	25-04-2016
Annual Accounts	15-08-2016

Pattern of Shareholding

As at 30 June 2015

Number of shareholders	Having shares		Shares held	Percentage
	From	To		
726	1	100	14,995	0.0125
495	101	500	161,873	0.1350
357	501	1,000	303,308	0.2530
693	1,001	5,000	1,768,422	1.4750
174	5,001	10,000	1,284,696	1.0715
83	10,001	15,000	1,063,780	0.8873
53	15,001	20,000	955,331	0.7968
32	20,001	25,000	736,884	0.6146
26	25,001	30,000	728,924	0.6080
31	30,001	40,000	1,098,282	0.9161
29	40,001	50,000	1,352,717	1.1283
21	50,001	60,000	1,178,994	0.9834
12	60,001	70,000	782,105	0.6523
13	70,001	80,000	990,646	0.8263
6	80,001	90,000	516,228	0.4306
11	90,001	100,000	1,066,998	0.8900
15	100,001	125,000	1,700,969	1.4187
10	125,001	150,000	1,384,895	1.1551
4	150,001	170,000	649,544	0.5418
7	180,001	200,000	1,351,057	1.1269
4	205,001	235,000	897,100	0.7483
5	255,001	300,000	1,453,500	1.2123
3	305,001	345,000	975,500	0.8136
2	375,001	400,000	780,000	0.6506
2	435,001	460,000	897,015	0.7482
2	475,001	500,000	978,363	0.8160
5	510,001	580,000	2,779,302	2.3182
2	655,001	675,000	1,330,705	1.1099
1	770,001	775,000	775,000	0.6464
3	805,001	825,000	2,446,651	2.0407
1	900,001	905,000	903,000	0.7532
4	1,045,001	1,100,000	4,302,500	3.5886
2	1,115,001	1,150,000	2,265,976	1.8900
1	1,240,001	1,245,000	1,242,240	1.0361
1	1,370,001	1,375,000	1,370,080	1.1428
1	1,435,001	1,440,000	1,438,567	1.1999
1	1,440,001	1,445,000	1,441,776	1.2026
2	1,445,001	1,450,000	2,891,749	2.4119
1	1,565,001	1,570,000	1,568,650	1.3084
1	2,065,001	2,070,000	2,067,529	1.7245
1	2,425,001	2,430,000	2,425,191	2.0228
1	2,515,001	2,520,000	2,515,706	2.0983
1	3,320,001	3,325,000	3,321,435	2.7703
1	5,375,001	5,380,000	5,379,347	4.4868
1	5,540,001	5,545,000	5,542,017	4.6225
1	6,310,001	6,315,000	6,312,636	5.2652
1	6,645,001	6,650,000	6,649,473	5.5462
1	10,405,001	10,410,000	10,406,133	8.6795
1	11,245,001	11,250,000	11,249,078	9.3826
1	14,195,001	14,200,000	14,195,752	11.8404
2,852			119,892,619	100.0000

Categories of Shareholders

As at 30 June 2015

Particulars	Number of shareholders	Number of shares held	Percentage
Directors, CEO, Sponsors and Family Members	25	60,632,197	50.5721
Associated Companies	5	5,936,560	4.9516
Govt. Financial Institutions	5	11,224,648	9.3623
Banks, DFI & NBFI	5	6,773,553	5.6497
Insurance Companies	3	2,522,851	2.1043
Mutual Funds	6	2,517,000	2.0994
Foreign Companies	4	1,053,735	0.8789
Welfare Trusts / Provident Funds/Others	64	5,291,761	4.4138
General Public	2,735	23,940,314	19.9681
TOTAL	2,852	119,892,619	100.0000

Key Shareholding and Shares Traded

As at 30 June 2015

Information on shareholding required under reporting framework is as follows:

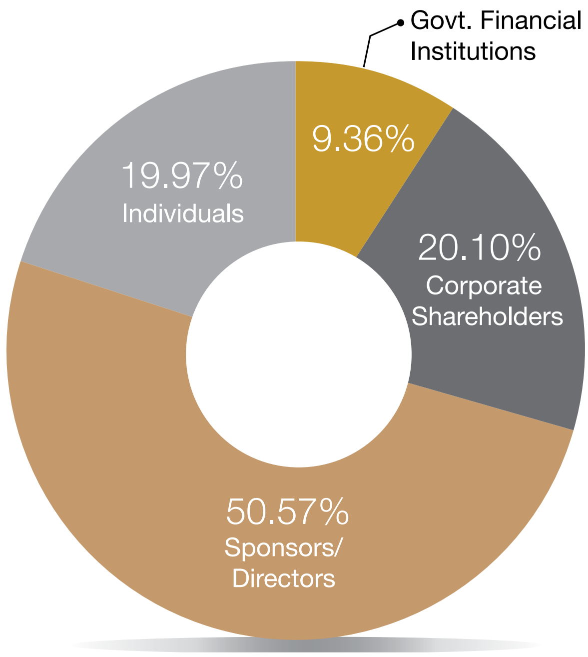
	No. of shares	Percentage
Directors & Spouses (Only)	33,950,192	28.3172
Executives	177,512	0.148
Associated Companies		
Jubilee General Insurance Company Ltd.	2,515,706	2.098
Jubilee Life Insurance Company Ltd.	2,067,529	1.724
Pakistan Cables Ltd.	576,000	0.480
Pakistan Cables Limited Employees Provident Fund	544,725	0.454
Trustees Pakistan Cables Limited Management Staff Pension Fund	232,600	0.194
	5,936,560	**4.952**
Government Institutions	11,224,648	9.362
CDC-Trustee National Investment (Unit) Trust	10,406,133	8.680
State Life Insurance Corp. of Pakistan	656,019	0.547
National Investment Trust Limited - Administration Fund	160,023	0.133
IDBL (ICP Unit)	2,053	0.002
Investment Corp. of Pakistan	420	0.000
	11,224,648	**9.362**

Members having 5% or more of voting rights

Name of Shareholder	Shares held	Percentage
National Bank of Pakistan	6,312,636	5.2652

During the financial year July 01, 2014 to June 30, 2015 the Directors / Executives of the Company bought 10,000 shares and sold 2 shares.

Shareholders' Composition



Notice of Annual General Meeting

For the year ended 30 June 2015

Notice is hereby given to the Members that the 67th Annual General Meeting of the Company will be held on September 18, 2015 at 11.00 a.m. at the Jasmine Hall, Beach Luxury Hotel, Off; M.T. Khan Road, Karachi to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2015 and the Directors' Report and Auditors' Report thereon.
2. To Consider and approve payment of Rs. 2.50 (25%) per share as final cash dividend in addition to 15% interim cash dividend announced and paid, making a total dividend of Rs.4.00 (40%) per share for the financial year ended June 30, 2015 as recommended by the Board of Directors.
3. To appoint auditors for the year 2015-2016 and fix their remuneration.
4. To transact with the permission of the Chair any other business which may be transacted at an Annual General Meeting.

By Order of the Board

Yasir A. Quraishi
Company Secretary

Dated: August 17, 2015
Karachi

Notes:

1. The Share Transfer Books of the Company shall remain closed from September 9, 2015 to September 18, 2015 (both days inclusive).
2. A Member entitled to attend, speak and vote at the General Meeting is entitled to appoint another member as his/her proxy to attend, speak and vote on his/her behalf.
3. An Instrument appointing proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power or authority must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. Form of Proxy is enclosed.

   CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan:

a) For Attending AGM

- In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the Regulations, shall produce proof of his / her identity by showing original Computerized National Identity Card (CNIC) at the time of attending the meeting.
- In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

b) For Appointing Proxy

- In case of individuals, the account holder or sub-account holder whose securities and their registration details are uploaded as per the regulations shall submit the proxy form as per the above requirement.
- Attested copies of CNIC of the beneficial owners and the proxy shall be furnished with the proxy form.

The proxy shall produce his original CNIC at the time of the meeting.

c) For CNIC & Zakat

4. Members are requested to submit a copy of the Computerized National Identity Card (CNIC) to update our records. In case of non-submission of CNIC (copy), all future dividend warrants may be withheld.

5. Members are requested to submit declaration as par Zakat & Ushr Ordinance 1980 for Zakat exemption and to advise change in address, if any.

e-dividend

In compliance of Securities and Exchange Circular No.8(4) SM/CDC 2008 dated April 5, 2013 shareholders are informed that to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged whereby shareholders can get the amount of dividend credited into their respective bank accounts electronically without any delay. In addition, by this way, dividends may be instantly credited to respective accounts.

The shareholders can avail the benefit of e-dividend mechanism by providing a dividend mandate in their CDS accounts through their participants or to the respective listed companies / Share Registrar.

CIRCULATION OF NOTICE OF MEETING & ANNUAL ACCOUNTS

With reference to SRO 787(I/2014 dated September 8, 2014 issued by SECP, shareholders have option to receive Annual Audited Financial Statement and Notice of General Meeting through email. Shareholders of the Company are requested to give their consent on prescribed format to our Shares Registrar, M/s CDC Pakistan Ltd. at CDC House, 99-B, Block-B, S.M.C.H.S, Shahrah-e-Faisal, Karachi to update our record if they wish to receive Annual Audited Financial Statement and Notice of General Meeting through email. However, if a shareholder, in addition, request for hard copy of Audited Financial Statements the same shall be provided free of cost within seven days of receipt of such request. Consent letter is attached.

FILER AND NON FILER STATUS

i) The Government of Pakistan through Finance Act, 2015 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

a) For filers of income tax returns	12.5%
b) For non-filers of income tax returns	17.5%

To enable the Company to make tax deduction on the amount of cash dividend @ 12.5% instead of 17.5%, all the shareholders whose names are not entered into the Active Tax payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of approval of the cash dividend at the annual general meeting on 18th September 2015 otherwise @ 17.5% tax on their cash dividend will be deducted instead of @ 12.5%.

ii) For any query / problem / information , the investors may contact the Company and / or the Share Registrar at the following phone Numbers, email addressed:

IIL Shares Department
Mr. Mohammad Irfan Bhatti
021-35680045 – 54
irfan.bhatti@iil.com.pk

IIL Shares Registrar
Central Depository Company of Pak. Ltd.
021-111-111-500
info@cdcpak.com

iii) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or its Share Registrar i.e. CDC Pakistan Ltd. the shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

INTERNATIONAL INDUSTRIES LTD.

Promising Reliability, For Now and Tomorrow

1965 YEARS OF PIPE MANUFACTURING 2015

Proxy Form

I / We____

of ____

being a member of INTERNATIONAL INDUSTRIES LIMITED and holder of ______________________

ordinary shares as per Share Register Folio No.______________or CDC Participant I.D. _______________

No. ____________________________ and Sub Account No.______________________________

hereby appoint ____ of _________________

____________________________ or failing him ____________________________________

of ____

as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on September 18, 2015 and at any adjournment thereof.

Signed this ___________________ day of ___________________ 2015

WITNESS:

1 Signature ____________________________

Name ____________________________

Address ____________________________

NIC or ____________________________

Passport No. ____________________________

Signature

Revenue Stamp

(Signature should agree with the specimen signature registered with the Company)

2 Signature ____________________________

Name ____________________________

Address ____________________________

NIC or ____________________________

Passport No. ____________________________

Note: Proxies, in order to be effective, must be received by the Company not less than 48 hours before the Meeting. A proxy must be a Member of the Company.

CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerised National Identity Card or passport with this Proxy Form before submission to the Company.

INTERNATIONAL INDUSTRIES LTD.
Promising Reliability, For Now and Tomorrow

CONSENT FOR ANNUAL REPORT THROUGH EMAILS

Dear Shareholder(s)

The securities & Exchange Commission of Pakistan (SECP) through its Notification (SRO 787(I) 2014) dated 8 September 2014 has allowed the circulation of Company's annual balance sheet and profit and loss account, auditor's report and directors' report etc. (Audited Annual Financial Statements) to shareholders along with notice of Annual General Meeting (AGM) through e-mail.

Therefore, if you wish to receive company's (Audited Annual Financial Statements) along with notice of (AGM) via - email, you are requested to provide this letter duly filled and signed to us or our Share Registrar at their below address:

E – Mail Address: ______________________________

CNIC Number: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

FOLIO / CDS ACCOUNT # ______________________

____
SIGNATURE OF SHAREHOLDER

Share Registrar:
Central Depository Company of Pakistan Limited
CDC House, 99- B, Block - B, S.M.C.H.S.,
Main Shahra-e-Faisal
Karachi.
Customer Support Service: 0800-CDCPL (23275) & 021- 111-111-500
Email: info@cdcpak.com
Website: www.cdcpakistan.com

Yours faithfully,
For INTERNATIONAL INDUSTRIES LTD.,
YASIR ALI QURAISHI
Company Secretary

HEAD OFFICE
101 Beaumont Plaza,
10 Beaumont Road,
Karachi - 75530
Tel: (92 21) 35680045-54
Fax: (92 21) 35680373
UAN: (92 21) 111-019-019
Email: inquiries@iil.com.pk

REGIONAL OFFICE
Chinoy House,
6-Bank Square,
Lahore - 54000
Tel: (92 42) 37229752-55
UAN: (92 42) 111-019-019
Fax: (92 42) 37220384
Email: lahore@iil.com.pk

DISPLAY OUTLET
Shop # 225, 2nd Floor,
IBL Building Center,
Tipu Sultan Road,
Off Shahrah-e-Faisal, Karachi
Tel: (92 21) 32368019

FACTORY 1
LX 15-16,
Landhi Industrial Area,
Karachi - 75120
Tel: (92 21) 35080451-55
Fax: (92 21) 35082403
Email: factory@iil.com.pk

FACTORY [illegible]
Survey # 4[illegible]
Rehri Roa[illegible],
K[illegible]
Te[illegible]27-28,
3[illegible]
Fax: (92 2[illegible]

FACTORY [illegible]
22 KM, Sheikhupur[illegible]
Lahore
Tel: (92 42) 371904[illegible]

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International Client[illegible]
inquiries@iil.com.p[illegible]

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ThinkTank