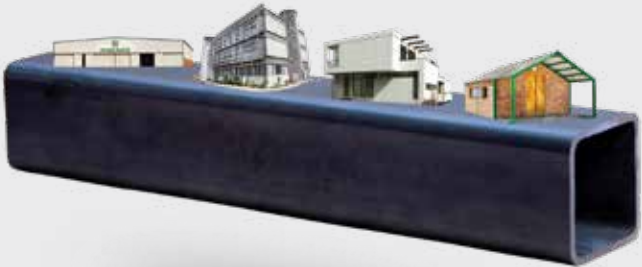




**MADE IN
PAKISTAN**

R E D E F I N I N G CONSTRUCTION IN PAKISTAN



Unaudited Financial Statements for the three months ended September 30, 2019



Promising Reliability, For Now and Tomorrow

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

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Company Information

Chairman (Non-Executive)

Mr. Mustapha A. Chinoy

Independent Director

Mr. Adnan Afridi
Mr. Mansur Khan
Mr. Ehsan A. Malik
Mr. Jehangir Shah

Non-Executive Director

Mr. Kamal A. Chinoy
Mr. Azam Faruque
Mrs. Saadia S. Rashid

Chief Executive Officer

Mr. Riyaz T. Chinoy

Advisor

Mr. Towfiq H. Chinoy

Chief Financial Officer

Mr. Muhammad Hanif Idrees

Company Secretary

Mr. Sunaib Barkat

Group Chief Internal Auditor

Ms. Asema Tapal

Internal Auditors

M/s EY Ford Rhodes

External Auditors

M/s KPMG Taseer Hadi & Co.

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Faysal Bank Limited
Habib Bank Limited
Industrial and Commercial Bank of China Limited
MCB Bank Limited
Meezan Bank Limited
Samba Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Legal Advisor(s)

Ms. Sana Shaikh Fikree
Mr. Ameen Bandukda

Registered Office

101, Beaumont Plaza, 10, Beaumont Road,
Karachi – 75530
Telephone Nos: +9221-35680045-54,
UAN: 021-111-019-019
Fax: +9221-35680373,
E-mail: sunaib.barkat@iil.com.pk

02 International Industries Limited

Lahore Office

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Telephone Nos: +9242-37229752-55,
UAN: +9242-111-019-019
Fax: 9242 37220384 E-Mail: lahore@iil.com.pk

Islamabad Office

3rd Floor, Evacuee Trust,
Plot No. 4, Aga Khan Road, F-5/1, Islamabad
Telephone Nos: +9251-2524650, +9251-4864601-2

Multan Office

1592, 2nd Floor, Quaid-e-Azam Shopping Centre No.1,
Multan Cantt.
Telephone : +9261-4583332

Faisalabad Office

Office No.1/1, Wahab Centre, Electrocitiy Plaza,
Susan Road, Faisalabad.
Telephone : +9241-8720037

Peshawar Office

Office No.1 & 2, First Floor, Hurmaz Plaza, Opp. Airport,
Main University Road, Peshawar.
Telephone Nos: +9291-5845068

Factories

Factory 1

LX 15-16, Landhi Industrial Area, Karachi – 75120
Telephone Nos: +9221-35080451-55, Fax: +9221-35082403
E-mail: factory@iil.com.pk

Factory 2

Survey # 405 & 406, Rehri Road, Landhi, Karachi – 75160
Telephone Nos: +9221-35017026-28, 35017030
Fax: +9221-35013108

Factory 3

22 KM, Sheikhpura Road, Lahore
Telephone Nos: +9242-37190491-3

Website

www.iil.com.pk

Shares Registrar

CDC Share Registrar Services Limited
CDC House, 99-B, Block "B", S.M.C.H.S.,
Shahrah-e-Faisal, Karachi.
Telephone Nos: +92-0800-23275
FAX: +9221-34326053
E-mail : info@cdcsrsl.com
Website: www.cdcsrsl.com

Directors' Report

The directors of your Company are pleased to present the financial statements for the first quarter ended September 30, 2019.

Following the tone set last financial year, the first quarter of the current year continued to be adversely affected by slowing to stagnant demand for steel products from construction, automotive and other key downstream industries. The existing set of challenges being faced by the large-scale steel manufacturing industry, includes higher costs of financing, gas input and freight due to implementation of axle load regime.

Although Domestic volumes remained at the same level, margins came under extreme pressure, compared to the corresponding period last year due to the huge increase in interest rates and doubling of freight cost due to new axle load restrictions. Export volumes were however significantly lower as importing countries continued to take actions to protect their local markets from imports. Furthermore, the sudden decline in International Steel prices that started in August also forced international customers to delay their orders. The company's total net sales turnover at Rs. 5.4 billion was down 1.7% compared to the same period last year.

Our Polymer segment sales volume had improved significantly over the same period last year. Institutional sales performed well in both Water and Duct segments. We expect further improvement as we prepare for completion of existing orders in hand. Our line of PPRC pipes and fittings continues to outperform other product lines, and witnessed high growth in volumes over the same period last year.

The company reported Profit before Tax (PBT) of Rs. 1.07 million, as compared to PBT of Rs. 883 million during the corresponding period last year. PBT for the period includes exchange loss of Rs 58 million, dividend income of Rs. 374 million from our subsidiary and associate companies and Rs. 19 million from other items. Loss after Tax (LAT) of Rs. 119 million (EPS -0.91) was reported for the quarter mainly on account of Rs. 120 million taxation which includes minimum taxation of Rs. 80 million.

Our subsidiary, International Steel Limited (ISL) reported Net Sales of Rs. 11.5 billion which was down by 0.7% over the corresponding period last year. ISL reported Profit before Tax (PBT) of Rs. 301.2 million as compared to PBT of Rs. 1,141.6 million during the corresponding period last year. ISL's PBT for the period includes exchange gain of Rs. 59 million and other items having net impact of Rs. 5 million. Profit after Tax (PAT) of Rs. 348 million (EPS 0.8) was down by 59% from Rs. 841 million (EPS 1.93) during the same period last year.

The Group P&L for the quarter ended with LAT of Rs. 52.6 million (EPS -1.87) compared to PAT of Rs. 851.7 million (EPS 3.97) over the corresponding period last year.

We expect the negative impact of the sharp decline in steel prices to spill over in to the next quarter and affect our margins. The full impact of the gas price increase, and axle load restrictions are yet to be fully factored in to our pricing, and will reflect gradually in our results. However, we do expect volumes to be better next quarter as we are prepared to fulfill key institutional orders for both polymer and steel product lines. **Due to prevailing policies of the Government, import of raw material is becoming more economical than buying from local manufacturers having idle capacity. This anomaly, which is anti-industry and pro-trade, needs immediate attention and review by the Government.**

Change in Directors

Mr. Fuad Azim Hashimi retired from the Board of Directors on September 29, 2019, at the conclusion of his term. Mr. Hashmi joined the Board in 2005 and served on the Board Audit Committee for 15 years with 8 years as its Chairman. Mr. Tariq Ikram also retired at the conclusion of his term as an Independent Director after having served on the IIL Board since 2011 including having served as the Chairman of the Board Human Resource & Remuneration Committee. The Board wishes to place on record its deepest appreciation for the contribution and wise counsel of Mr. Hashimi and Mr. Ikram.

Directors' Report

On September 30, 2019, the remaining seven retiring Directors along with Mr. Mansur Khan and Mrs. Saadia S. Rashid were elected to a new three-year term on the Board of IIL. The Board welcomes Mr. Khan and Mrs. Rashid and looks forward to their contribution.

We extend our gratitude to all our stakeholders for their continued support and look forward to a productive year ahead.

For and on behalf of
International Industries Limited



Mustapha A. Chinoy
Chairman

Condensed Interim Unconsolidated Statement of Financial Position

As at 30 September 2019

	Note	30 September 2019 (Un-audited) ------(Rupees in '000)-----	30 June 2019 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	7,304,889	7,360,485
Intangible assets		2,030	3,351
Investments	6	3,277,276	3,277,276
Long term deposits		3,519	3,519
		10,587,714	10,644,631
Current assets			
Stores and spares		229,453	215,528
Stock-in-trade	7	9,305,892	10,857,730
Trade debts - considered good	8	3,376,200	2,988,083
Advances, trade deposits and short-term prepayments	9	34,432	51,384
Receivable from K-Electric Limited (KE) - unsecured, considered good		19,330	30,124
Other receivables		381,055	9,523
Sales tax receivable		176,286	279,468
Cash and bank balances		266,340	250,700
		13,788,988	14,682,540
Total assets		24,376,702	25,327,171
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
200,000,000 (2019: 200,000,000) ordinary shares of Rs. 10 each		2,000,000	2,000,000
Share capital			
Issued, subscribed and paid-up capital		1,318,819	1,198,926
Revenue reserves			
General reserves	11	2,700,036	2,700,036
Un-appropriated profit	11	3,022,630	3,599,089
Capital reserve			
Revaluation surplus on property, plant and equipment		2,428,353	2,450,893
Total Shareholders' equity		9,469,838	9,948,944
LIABILITIES			
Non-current liabilities			
Long-term financing - secured	11	1,757,472	1,702,174
Staff retirement benefits		118,409	118,409
Deferred taxation - net		335,547	335,547
		2,211,428	2,156,130
Current liabilities			
Trade and other payables	12	2,258,781	2,764,019
Contract Liabilities		123,050	235,171
Short term borrowings - secured	13	9,006,616	9,425,130
Unpaid dividend		359,678	4,257
Unclaimed dividend		40,112	36,596
Current portion of long-term financing - secured	14	293,638	290,913
Taxation - net		405,553	322,545
Accrued mark-up		208,008	143,466
		12,695,436	13,222,097
Total liabilities		14,906,864	15,378,227
Contingencies and commitments	15		
Total equity and liabilities		24,376,702	25,327,171

The annexed notes 1 to 28 form an integral part of these condensed interim unconsolidated financial statements.

Ehsan A. Malik
Director & Chairman
Board Audit Committee

M. Hanif Idrees
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer


Condensed Interim Unconsolidated Statement of Profit or Loss (Un-audited)

For the three months ended 30 September 2019

	Note	Three months ended	
		30 September 2019	30 September 2018
		----- (Rupees in '000) -----	
Net sales	16	5,403,347	5,499,003
Cost of sales	17	(5,116,558)	(5,062,006)
Gross profit		286,789	436,997
Selling and distribution expenses	18	(207,703)	(172,258)
Administrative expenses	19	(78,049)	(70,967)
Impairment reversal on trade debts		-	8,967
		(285,752)	(234,258)
Finance cost	20	(329,304)	(167,589)
Other operating charges	21	(5,232)	(14,592)
		(334,536)	(182,181)
Other income	22	334,571	862,026
Profit before taxation		1,072	882,584
Taxation	23	(120,500)	(152,217)
(Loss) / profit after taxation		(119,428)	730,367
		----- (Rupees) -----	
(Loss) / earnings per share - basic and diluted		(0.91)	5.54

The annexed notes 1 to 28 form an integral part of these condensed interim unconsolidated financial statements.


Ehsan A. Malik
Director & Chairman
Board Audit Committee


M. Hanif Idrees
Chief Financial Officer


Riyaz T. Chinoy
Chief Executive Officer

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

For the three months ended 30 September 2019

	Three months ended	
	30 September 2019	30 September 2018
	----- (Rupees in '000) -----	
Profit after taxation for the period	(119,428)	730,367
Other comprehensive income		
<i>Items that are or may be reclassified to profit or loss</i>		
Effective portion of changes in fair value of cash flow hedges	-	(8,010)
Related deferred tax charge	-	1,739
Total comprehensive income - net of tax	-	(6,271)
Total comprehensive income	<u>(119,428)</u>	<u>724,096</u>

The annexed notes 1 to 28 form an integral part of these condensed interim unconsolidated financial statements.



Ehsan A. Malik
Director & Chairman
Board Audit Committee



M. Hanif Idrees
Chief Financial Officer



Riyaz T. Chinoy
Chief Executive Officer


Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)

For the three months ended 30 September 2019

Note	Three months ended	
	30 September 2019	30 September 2018
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,072	882,584
Adjustments for :		
Depreciation	132,972	103,814
Amortization	1,321	1,321
Impairment reversal on trade debts	-	(8,967)
Income on bank deposits	(345)	(586)
Gain on disposal of property, plant and equipment	(8,967)	(35,123)
Dividend income	(373,675)	(756,490)
Provision for staff gratuity	12,402	11,883
Provision for compensated absences	6,600	11,153
Finance cost	329,304	167,589
	99,612	(505,406)
Changes in working capital	663,709	(1,732,244)
Long term deposits	-	-
Net cash generated / (used in) operations	764,393	(1,355,066)
Finance cost paid	(264,762)	(132,150)
Payment for staff gratuity	(12,402)	(11,883)
Compensated absences paid	(4,801)	(4,585)
Income tax paid	(37,492)	(27,467)
Net cash generated / (used in) operating activities	444,936	(1,531,151)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(77,698)	(223,190)
Proceeds from disposal of property, plant and equipment	9,289	47,935
Income on bank deposits received	345	586
Net cash (used in) investing activities	(68,064)	(174,669)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term financing	77,115	24,554
Repayment of long term financing	(19,092)	(16,063)
Repayments of / (proceeds from) short term borrowing - net	(422,000)	231,500
Dividends paid	(741)	(8,067)
Net cash (used in) / generated from financing activities	(364,718)	231,924
Net (decrease) / increase in cash and cash equivalents	12,154	(1,473,896)
Cash and cash equivalents at beginning of the period	(5,190,430)	(6,103,192)
Cash and cash equivalents at end of the period	(5,178,276)	(7,577,088)
Cash and bank balances	266,340	357,611
Short term borrowings - secured	(5,444,616)	(7,934,699)
Cash and cash equivalents	(5,178,276)	(7,577,088)

The annexed notes 1 to 28 form an integral part of these condensed interim unconsolidated financial statements.


Ehsan A. Malik
Director & Chairman
Board Audit Committee


M. Hanif Idrees
Chief Financial Officer


Riyaz T. Chinoy
Chief Executive Officer

For the three months ended 30 September 2019

The annexed notes 1 to 28 form an integral part of these condensed interim unconsolidated financial statements.


Riyaz T. Chinoy
Chief Executive Officer

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

For the three months ended 30 September 2019

1. STATUS AND NATURE OF BUSINESS

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

The manufacturing facilities of the Company are situated as follows:

- a) LX 15-16, Landhi Industrial Area, Karachi
- b) Survey # 402,405-406, Dehshrahi Landhi Town, Karachi
- c) 22 KM, Sheikhpura Road, Lahore

Sales offices are located at Lahore, Islamabad, Faisalabad, Peshawar and Multan.

Details of the Company's investment in subsidiaries and associated company are stated in note 6 to these financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 These condensed interim unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act 2017.

Where the provisions of and directives issued under the Companies Act 2017 differ with the requirements of IFRS Standards, the provisions of and directives issued under the Companies Act 2017 have been followed.

2.1.2 These condensed interim unconsolidated financial statements does not include all the information required for full annual financial statements and should be read in conjunction with the audited annual separate financial statements of the Company as at and for the year ended 30 June 2019.

2.1.3 The comparative condensed interim unconsolidated statement of financial position presented in these condensed interim unconsolidated financial statements have been extracted from the audited annual separate financial statements of the Company for the year ended 30 June 2019, whereas the comparative condensed interim unconsolidated statement of profit or loss, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of cash flows and condensed interim unconsolidated statement of changes in equity are extracted from the unaudited condensed interim unconsolidated financial statements for the period ended 30 September 2018.

2.1.4 These condensed interim unconsolidated financial statements are un-audited and are being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017.

2.2 Basis of measurement

These condensed interim unconsolidated financial statements have been prepared under the historical cost convention except for the Company's liability defined benefit plan (gratuity) which is determined on the present value of defined benefit obligations less fair value of plan assets determined by an independent actuary, land & buildings at revalued amounts assessed by an independent valuer and derivative financial instruments which are stated at fair value.

2.3 Functional and presentation currency

These condensed interim unconsolidated financial statements are presented in Pakistan Rupees, which is also the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. The accounting policies and methods of computation adopted in the preparation of this condensed interim unconsolidated financial statements are the same as those applied in the preparation of audited annual separate financial statements of the Company as at and for the year ended 30 June 2019.

Certain amendment and interpretation to approved accounting standards became effective during the period were not relevant to the Company's operation and do not have any impact on the accounting policies of the Company.

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

For the three months ended 30 September 2019

4. USE OF ESTIMATES AND JUDGEMENTS

- 4.1 The preparation of condensed interim unconsolidated financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of the accounting 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.
- 4.2 The significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statement as at and for the year ended 30 June 2019.
- 4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2019.

	Operating assets	Capital work - - in - progress (incl., capital spares)	Total
	----- (Rupees in '000) -----		
5. PROPERTY, PLANT AND EQUIPMENT			
Cost / revalued amount			
Opening balance	10,012,468	50,702	10,063,170
Additions	-	82,957	82,957
Transfers	31,836	(31,836)	-
Disposal	(14,420)	-	(14,420)
	<u>10,029,884</u>	<u>101,823</u>	<u>10,131,707</u>
Accumulated depreciation			
Opening balance	(2,702,685)	-	(2,702,685)
Charge for the period	(132,973)	-	(132,973)
Disposal	8,840	-	8,840
	<u>(2,826,818)</u>	<u>-</u>	<u>(2,826,818)</u>
Written down value as at 30 September 2019 (Un-audited)	<u>7,203,066</u>	<u>101,823</u>	<u>7,304,889</u>
Written down value as at 30 June 2019 (Audited)	<u>7,309,783</u>	<u>50,702</u>	<u>7,360,485</u>

6. INVESTMENTS

30 September 2019 (Un-audited)	30 June 2019 (Audited)		Note	30 September 2019 (Un-audited)	30 June 2019 (Audited)
		(Number of shares)			
		Quoted companies			
245,055,543	245,055,543	International Steels Limited (ISL) - subsidiary company at cost	6.1	2,450,555	2,450,555
6,092,470	6,092,470	Pakistan Cables Limited (PCL) - associate company at cost	6.2	817,553	817,553
		Un-quoted company			
100,000	100,000	IIL Australia Pty Limited (IIL Australia) - subsidiary company at cost	6.3	9,168	9,168
				<u>3,277,276</u>	<u>3,277,276</u>

- 6.1 The Company holds 56.33% ownership interest in ISL. The Chief Executive of ISL is Mr. Yousuf H. Mirza.
- 6.1.1 The Company has pledged 500,000 shares of International Steels Limited in the Sindh High Court as explained in note 14.1.8.
- 6.2 The Company holds 17.124% ownership interest in PCL. The Chief Executive Officer of PCL is Mr. Fahd K.Chinoy.
- 6.3 The Company holds 100% ownership interest in IIL Australia. The Chief Executive Officer of IIL Australia is Mr.Sohail Raza Bhojani. The Company is incorporated in Victoria, Australia.
- 6.4 Market value of the aforementioned quoted investments is as follows:

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

For the three months ended 30 September 2019

	30 September 2019 (Un-audited) ------(Rupees in '000)-----	30 June 2019 (Audited)
Quoted		
International Steels Limited at Rs.39.74 (2019: Rs. 39.71) per share	9,738,507	9,731,156
Pakistan Cables Limited at Rs.101.00 (2019: Rs. 140.52) per share	615,339	856,114
6.4.1 Market values of the investments disclosed above is categorised as Level 1 fair value measurement. No impairment loss has been recognized because the recoverable amount of the investment in associated company exceeds its carrying amount.		
6.5 The book value of IIL Australia based on un-audited financial statements as at 30 September 2019 is AUD 185,346 (Rs.19.54 million). [2019: AUD 177,569 (Rs. 20.42 million)].		
	30 September 2019 (Un-audited) ------(Rupees in '000)-----	30 June 2019 (Audited)
7. STOCK-IN-TRADE		
Raw materials- in hand	4,823,857	5,186,733
- in transit	375,196	1,721,549
	5,199,053	6,908,282
Work-in-process	1,687,338	1,516,682
Finished goods	2,419,501	2,432,766
	9,305,892	10,857,730
7.1 Raw materials amounting to Rs. 4.0 million as at 30 September 2019 (30 June 2019: Rs. 4.9 million) was held at vendor premises for the production of pipe caps.		
	30 September 2019 (Un-audited) ------(Rupees in '000)-----	30 June 2019 (Audited)
8. TRADE DEBTS		
Considered good - secured	77,324	86,154
- unsecured	3,298,876	2,901,929
Considered doubtful	145,767	145,767
	3,521,967	3,133,850
Impairment of doubtful debts	(145,767)	(145,767)
	3,376,200	2,988,083
8.1 Related parties from whom debts are due are as under:		
IIL Australia Pty Limited	659,841	581,091
Pakistan Cables Limited	-	9,695
	659,841	590,786
9. ADVANCES, TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Considered good - unsecured		
- Suppliers	24,612	40,927
- Employees for business related expenses	2,264	440
Trade deposits	3,996	4,352
Short term prepayments	3,560	5,665
	34,432	51,384

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

For the three months ended 30 September 2019

		30 September 2019 (Un-audited) ------(Rupees in '000)-----	30 June 2019 (Audited)
10. OTHER RECEIVABLES			
Considered good - unsecured			
- Insurance claim		-	9,341
- Dividend receivable from associated company		6,092	-
- Dividend receivable from subsidiary company - International Steels Limited		367,583	-
- Others		7,380	182
		381,055	9,523
Considered doubtful			
- Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier period		25,940	25,940
		406,995	35,463
- Provision for receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier period		(25,940)	(25,940)
		381,055	9,523
11. LONG-TERM FINANCING - secured	<i>Note</i>		
Conventional			
Long Term Finance Facility (LTFF)	11.1	1,460,202	1,402,179
Less : Current portion		(157,274)	(154,549)
		1,302,928	1,247,630
Islamic			
Diminishing Musharakah	11.2	590,908	590,908
Less : Current portion		(136,364)	(136,364)
		454,544	454,544
		1,757,472	1,702,174
Conventional			
11.1			
The Company has approved financing facilities of amounts aggregating to Rs.1,550 million. As at 30 September 2019 the Company has withdrawn Rs. 1,460.2 million (2019: Rs. 1,402.1 million) against these facilities. These facilities are secured by way of charge on all present and future land and buildings, plant and machinery 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.			
Islamic			
11.2			
The Company has approved financing facilities under Diminishing Musharakah of amounts aggregating to Rs.590.908 million (30 June 2019: Rs.590.908 million) which are fully utilised. These facilities are secured by way of a mortgage on all present and future land and buildings, plant and machinery 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.			
	<i>Note</i>	30 September 2019 (Un-audited) ------(Rupees in '000)-----	30 June 2019 (Audited)
12. TRADE AND OTHER PAYABLES			
Trade creditors		131,517	125,238
Bills payable		371,143	1,003,235
Accrued expenses		1,106,339	999,177
Provision for Infrastructure Cess	12.1	496,496	477,586
Short-term compensated absences		1,799	6,600
Workers' Profit Participation Fund		(311)	5,171
Workers' Welfare Fund		121,155	121,155
Others		30,643	25,857
		2,258,781	2,764,019

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

For the three months ended 30 September 2019

	Note	30 September 2019 (Un-audited) ------(Rupees in '000)-----	30 June 2019 (Audited)
12.1 Provision for Infrastructure Cess			
Opening balance		477,586	401,376
Provided for the period		18,910	76,210
Closing balance		496,496	477,586
13. SHORT TERM BORROWINGS - secured			
Conventional			
Running finance under mark-up arrangement from banks	13.1	1,228,608	868,485
Short-term borrowing under Money Market scheme			
Maturing after three months		-	500,000
Maturing within three months		4,125,000	4,216,850
	13.2	4,125,000	4,716,850
Short-term borrowing under Export Refinance scheme	13.3	2,254,000	2,176,000
Islamic			
Short term borrowing under running Musharakah	13.4	91,008	355,795
Short term borrowing under term Murabaha	13.5	1,308,000	1,308,000
		9,006,616	9,425,130
13.1	The facilities for running finance available from various commercial banks amounted to Rs. 3,322.5 million (2019: Rs.3,342.5 million). The rates of mark-up on these finances range from 13.46% to 14.56% per annum (2019: 11.44% to 13.04% per annum). Unavailed facility as at the period end amounted to Rs. 2,094 million (2019: Rs. 2,474 million).		
13.2	The facilities for short term borrowing under Money Market Scheme available from various commercial banks under mark-up arrangement amounted to Rs. 5,280 million (2019: Rs. 5,270 million).Unavailed facility as at the period end amounted to Rs. 1,155 million (2019: Rs. 553.1 million). The rates of mark-up on these finances range from 13.22% to 14.05% (2019: 11.04% to 13.06%) per annum		
13.3	The Company 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. 2,254 million (2019: Rs. 2,176.0 million). The rate of mark-up on this facility was 2.50% to 3.00% per annum (2019: 2.50% to 3.00% per annum).		
13.4	The facilities for running musharakah available from various banks amounted to Rs. 1,500 million (2019: Rs. 1,500 million). The rates of mark-up on these finance is 14.30% per annum (2019: 13.10% per annum). Unavailed facility as at the period end amounted to Rs. 1,408.9 million (2019: Rs. 1,144.2 million).		
13.5	The Company has obtained loan from Standard Chartered Bank, UK - Dubai International Finance Centre Branch through Standard Chartered Bank (Pakistan) Limited amounting to USD 8 million equivalent to fixed amount of Rs.1,308 million for meeting working capital requirement. The tenor of the loan is six months i.e from 26 June 2019 to 26 December 2019. The price of loan is six months KIBOR minus 0.28%. As per the term of agreement, Standard Chartered Bank (Pakistan) has obtained forward cover on behalf of the Company to hedge foreign currency risk.		
13.6	All running finance and short term borrowing facilities are secured by way of hypothecation of all present and future current and moveable assets.		
	Note	30 September 2019 (Un-audited) ------(Rupees in '000)-----	30 June 2019 (Audited)
14 CURRENT PORTION OF LONG-TERM FINANCING - secured			
Conventional	11	157,274	154,549
Islamic	11	136,364	136,364
		293,638	290,913

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

For the three months ended 30 September 2019

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

	Description of the factual basis of the proceeding and relief sought	Name of court	Principal parties	Date instituted
15.1.1	Customs duties amounting to Rs. 1.4 million as at 30 September 2019 (2019: Rs. 40.5 million) on import of raw material shall be payable by the Company in case of non-fulfilment 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 fulfilment of stipulated conditions. The Company has fulfilled the conditions for the aforementioned amounts and is making efforts to retrieve the associated post-dated cheques from the customs authorities.	Collector Customs	Collector of Customs / Federation of Pakistan	2005
15.1.2	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 Honourable Sindh High Court in 2010 for an injunction and is awaiting the final judgement. The management is confident that the decision will be given in favour of the Company.	Sindh High Court	Collector of Customs / Federation of Pakistan	15-01-2010
15.1.3	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 Honourable 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 Honourable High Court. The management anticipates that the chances of admission of such appeal are remote.	Sindh High Court	Collector of Customs / Federation of Pakistan	30-08-2007
15.1.4	The Company filed a Suit before Honourable Sindh High Court (SHC) for declaration and permanent injunction in 2002 against Infrastructure Fee (levy) levied through Sindh Finance Act 1994. Single bench of SHC vide its order (order) declared the levy constitutional, which was challenged by the Company through filing an appeal against the said order in 2004. In the appeal proceedings, larger bench of SHC granted a relief in 2006, by allowing the clearance of imported goods subject to submission of security / bank guarantees. Company submitted guarantees amounting to Rs.115 million for release of goods attracting levy of Rs.107 million. The SHC decided the matter on 17 September 2008 declaring the levy before 28 December 2006 as void and invalid. Excise and Taxation Department filed an appeal before the Honourable Supreme Court of Pakistan (SCP) against the order dated 17 September 2008 hence the guarantees were not released as the matter was sub-judice.	Sindh High Court	Secretary Exsise and Taxation / Federation of Pakistan	28-10-2002

Subsequently, in May 2011, the SCP disposed-off the appeal by referring the matter back to the SHC. On 31 May 2011, the SHC ordered returning the bank guarantees in respect of the consignments released up to 27 December 2006.

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

For the three months ended 30 September 2019

Description of the factual basis of the proceeding and relief sought	Name of court	Principal parties	Date instituted
<p>In respect of consignments to be released subsequent to 27 December 2006 SHC ordered to pay 50% of the amount and submit bank guarantees for the balance amount. Bank guarantees amounting to Rs. 611 million (2019: Rs. 595 million) which includes afore-mentioned bank guarantees of Rs. 115 million are outstanding as at 30 September 2019. As a matter of prudence, company is making provision for the balance amount, which as at 30 September, 2019 amounts to Rs. 496.5 million (2019: Rs.477.6m) as disclosed in note 13.1.</p> <p>Subsequently, in 2017 the Department vide Sindh Finance Act 2015 & 2016 enhanced the levy by 100%. On 24 October 2017 the Company has obtained stay from the SHC against the enhancement. The SHC has clubbed all the cases pertaining to the levy for final disposal.</p>			
<p>15.1.5 The Gas Infrastructure Development Cess (GIDC) Act, 2011 was passed by the National Assembly on 25th November, 2011 as a Money Bill pursuant to Article 73 of the constitution of Pakistan 1973 for raising funds for development of infrastructure related to transnational gas pipelines and Liquefied Natural Gas (LNG) projects, which was challenged before the courts. The Act of 2011 was declared as ultra vires to the Constitution of Pakistan, 1973. The Federal Government filed an appeal in the Supreme Court of Pakistan which in its judgment dated 22.08.2014, held that since GIDC is a fee and not a 'Tax' and alternatively GIDC is also not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and on either counts it could not have been introduced through a money bill and the same was therefore not validly levied in accordance with the Constitution of Pakistan, 1973.</p> <p>On September 24, 2014, the government promulgated the GIDC Ordinance, 2014. However, this was also challenged in various courts of law. The government, with the approval of Parliament, in May, 2015 promulgated GIDC Act, 2015 after addressing the lacuna pointed out by the Supreme Court of Pakistan with specific reference to the laying of a bill under Article 70 of the Constitution of Pakistan 1973. Section 8 of the GIDC Act, 2015 provides validation of Cess levied, charged, collected or realized under the GIDC, Act, 2011 and GIDC Ordinance, 2014. By virtue of GIDC Act, 2015, all prior enactments have been declared infructuous and the said Act levies GIDC at Rs. 100 per MMBTU on industrial consumption and Rs. 200 per MMBTU on captive power consumption, effective 01 July 2011. Based on the recommendations of a special committee constituted by the senate, the GIDC Amendment Act, 2018 was approved by the Parliament in May, 2018. However the amendment was also challenged in various courts of Law by a specified sector. The Company has obtained a stay order on the retrospective imposition of the levy vide GIDC Act, 2015 from the Sindh High Court. The Company is confident of favourable outcome and therefore has not recorded, to the extent of self consumption, a provision of Rs. 95.1 million (from 01 July 2011 till 22 May 2015) in these financial</p>	Sindh High Court	OGRA / SSGC / Federation of Pakistan	08-01-2012

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

For the three months ended 30 September 2019

Description of the factual basis of the proceeding and relief sought	Name of court	Principal parties	Date instituted
<p>information. However, the Company made a provision of GIDC to the extent of its self consumption from May 2015 onwards. On 26 October 2016, the High Court of Sindh held that enactment of GIDC Act, 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of Sindh High Court. This appeal filed before the Divisional Bench of High Court of Sindh was dismissed on the ground that Learned Single Judge while passing the impugned judgement has considered all the material facts and also the relevant provisions of Oil and Gas Regulatory Authority (OGRA) and has correctly applied the factual position. Such decision has been challenged in appeal before Supreme Court of Pakistan, wherein the Company is not the party and decision is pending. On 31 May 2017, separate petition filed by another company in the Peshawar High Court challenging the vires of the GIDC Act 2015 was dismissed for the reason that the Act has been passed by the Parliament strictly in accordance with the legislative procedure contained in the Constitution of Pakistan and therefore no procedural defect in the Act which could be made as a ground for its annulment. In light of the aforementioned developments, the Company on the prudent basis continue to recognise provision after the passage of the Act.</p> <p>Further the Company has not recognized GIDC amounting to Rs. 94.05 million (2019: Rs. 89.65 million) pertaining to period from 01 July 2011 to 30 September 2019 with respect to its captive power plant from which power generation is supplied to K-Electric Limited. Management considers that, in the event such levy is imposed, it shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).</p>			
<p>15.1.6 Sindh Revenue Board (SRB) issued a notice to the Company for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. The Company filed a constitutional petition in the Sindh High Court, challenging the said unlawful demand on the ground that the Company is a trans-provincial establishment operating industrial and commercial activities across Pakistan. The Sindh High Court granted stay order in favor of the Company declaring exemption on the basis that the Company being a trans-provincial establishment is liable to pay Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971. In a separate case, the Sindh High Court has dealt on the subject of trans-provincial establishment in its judgement with a conflicting view.</p>	Sindh High Court	SRB / Government of Sindh	06-09-2017
<p>15.1.7 Oil and Gas Regulatory Authority (OGRA) revised the gas tariff to Rs.600/- MMBTU by increasing the gas tariff by Rs.112/- per MMBTU vide its notification dated 30 December 2016 disregarding the protocol laid down in OGRA Ordinance, 2002. The Company filed a suit before the Sindh High Court (the Court) challenging the increase in gas tariff. The Court granted a stay order subject to submission of security for the differential amount</p>	Sindh High Court	OGRA / SSGC / Federation of Pakistan	19-01-2017

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

For the three months ended 30 September 2019

Description of the factual basis of the proceeding and relief sought	Name of court	Principal parties	Date instituted
<p>with the Nazir of the Court. The Company has issued cheques amounting to Rs 99.5 million (2019: Rs.99.5 million) in favour of Nazir of the court upto September</p>			
<p>OGRA has further revised the gas tariff to Rs.780/- per MMBTU by increasing the gas tariff by Rs.180/- vide its notification dated 4 October, 2018. The Company has filed a petition before the Court challenging such further revision and the matter is partially heard. Pending the decision on the matter Company is settling the bills at the revised rate.</p>			
<p>15.1.8 The Company filed the suit before the Sindh High Court (Court) challenging the chargeability of tax on inter corporate dividend in respect of dividend declared by its subsidiary, International Steels Limited. On 21 October 2016 Court granted stay against which 500,000 shares of subsidiary company were pledged as a security with Nazir of the Court. In one of the litigation to which Company is not a party, Supreme Court of Pakistan issued an order on 21 February 2018 whereby continuity of suits was made subject to depositing minimum 50% of the tax calculated by the tax authorities. A review petition has been filed against such order of the Supreme Court in which Company is not a party and the decision is awaited. In view of such developments the suit has been withdrawn and a petition has been filed before the Court, which is pending hearing. Application for release of pledged shares is in process.</p>	Sindh High Court	FBR / Commissioner Inland Revenue / Federation of Pakistan	11-01-2016
<p>On a separate application challenging the chargeability of tax on inter corporate dividend, stay is granted by the Court in respect of dividends declared by the subsidiary company on 02 June 2017, 26 September 2017 and 23 January 2018 against bank guarantees amounting to Rs.76.6 million, Rs.36.8 million and Rs.55.1 million respectively submitted to the Nazir of the Court. Furthermore, in separate petitions filed by the company on the same subject matter, stay is granted by the Court in respect of dividends declared by the subsidiary company on 25 September 2018, 25 January 2019 and 25 September 2019.</p>			
<p>15.1.9 Guarantees issued in favour of Sui Northern Gas Pipe Lines Limited by banks on behalf of the Company amounted to Rs. 346.7 million (2019: Rs. 299.42 million) as performance security for goods to be supplied by the Company.</p>			
<p>15.1.10 Guarantees issued in favour of Sui Southern Gas Company Limited by banks on behalf of the Company to Rs. 89.6 million (2019: Rs. 97.36 Million) as performance security for goods to be supplied by the Company.</p>			
<p>15.1.11 Guarantee issued in favour of Sui Southern Gas Company Limited by bank on behalf of the Company amounted to Rs. 94.94 million (2019: Rs.94.94 million) as a security for supply of gas.</p>			
<p>15.1.12 Standby letter of credit issued in favour of Sui Northern Gas Pipe Lines Limited by bank on behalf of the Company amounted to Rs. 59.57 million (2019: Rs.59.57 million) as a security for supply of Regasified Liquefied Natural Gas (RLNG).</p>			
<p>15.1.13 Guarantee issued in favour of Lahore Electric Supply Company by bank on behalf of the Company amounted to Rs. 5.83 million (2019: Rs. 5.83 million) as a security for supply of electricity.</p>			
<p>15.1.14 Guarantee issued in favour of Pakistan State Oil Company Limited by bank on behalf of the Company amounted to Rs. 59.00 million (2019: Rs. 59.00 million) for supply of fuel and lubricants.</p>			

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

For the three months ended 30 September 2019

15.1.15 Guarantee issued in favour of K-Electric by bank on behalf of the Company amounted to Rs. 0.83 million (2019: Rs.0.83 million) as performance security for goods to be supplied by the Company.

15.1.16 Guarantee issued in favour of Aga Khan Planning & Building Service Pakistan by bank on behalf of the Company amounted to Rs.Nil (2019:Rs.2.00 million) as performance security for goods to be supplied by the Company.

15.1.17 Guarantees issued in favour of Sui Northern Gas Pipe Lines Limited by the bank on behalf of the Company amounted to Rs. 5.15 million (2019: Rs.22.00 million) as security for holding the bids (bid bond) submitted in tenders.

15.1.18 Guarantees issued in favour of Sui Southern Gas Company Limited by the bank on behalf of the Company amounted to Rs. 13.3 million (2019: 0.81million) as security for holding the bids (bid bond) submitted in tenders

15.2 Commitments

15.2.1 Capital expenditure commitments outstanding as at 30 September 2019 amounted to Rs. 13.6 million (2019: Rs. 23.6 million).

15.2.2 Commitments under letters of credit for raw materials and stores and spares as at 30 September 2019 amounted to Rs. 1,597.5 million (2019: Rs. 875.7 million).

15.2.3 Commitments under purchase contracts as at 30 September 2019 amounted to Rs. 701.2 million (2019: Rs. 243.5 million).

15.2.4 Unavailed facilities for opening letters of credit and guarantees from banks as at 30 September 2019 amounted to Rs. 7,090 million (2019: Rs. 8,311 million) and Rs. 571 million (2019: Rs. 620 million) respectively.

15.2.5 Postdated cheques issued in favour of Collector of Customs for imported items cleared under manufacturing bond amounted to Rs. 2,881.3 million (2019: 3,107.93 million)

15.2.6 Postdated cheques issued in favour of Collector of Customs for differential of sales tax on imports of machinery amounted to Rs.10.7 million (2019: Rs.14.3 million)

15.2.7 Postdated cheques issued in favour of Collector of Customs for various disputed claims amounted to Rs.166.83 million (2019: 166.83 million)

	Three months ended	
	30 September 2019	30 September 2018
	(Un-audited)	
	------(Rupees in '000)-----	
16. NET SALES		
Local	5,990,028	5,087,221
Export	603,396	1,365,237
	6,593,424	6,452,458
Sales Tax	(892,241)	(731,993)
Domestic trade discounts	(292,020)	(212,293)
Export commission and discounts	(5,816)	(9,169)
	(1,190,077)	(953,455)
	5,403,347	5,499,003

16.1. DISAGGREGATION OF REVENUE

In the following table, revenue is disaggregated by primary geographical markets and major product lines:

Primary geographical markets:

Local	4,805,767	4,142,935
Asia	211,313	352,095
Europe	116,146	293,020
Australia	257,225	443,548
Americas	12,896	267,405
	5,403,347	5,499,003

Major Product Lines:

Steel segment	4,956,551	5,219,618
Polymer segment	446,796	279,385
	5,403,347	5,499,003

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For the three months ended 30 September 2019

	Three months ended	
	30 September 2019	30 September 2018
	(Un-audited)	
	------(Rupees in '000)-----	
17. COST OF SALES		
Raw material consumed		
Opening stock of raw material	5,186,733	4,384,947
Purchases	4,368,971	4,873,322
	9,555,704	9,258,269
Closing stock of raw material	(4,823,857)	(4,290,958)
	4,731,847	4,967,311
Manufacturing overheads		
Salaries, wages and benefits	225,948	271,434
Rent, rates and taxes	150	99
Electricity, gas and water	111,986	80,729
Insurance	2,442	871
Security and janitorial	7,866	8,289
Depreciation and amortisation	123,046	95,483
Operational supplies & consumables	22,230	25,972
Repairs and maintenance	28,834	29,175
Postage, telephone and stationery	2,780	1,889
Vehicle, travel and conveyance	4,805	4,691
Internal material handling	10,761	9,867
Environment controlling expenses	121	70
Sundries	1,133	2,093
	542,102	530,662
	5,273,949	5,497,973
Work-in-process		
Opening stock	1,516,682	1,409,862
Closing stock	(1,687,338)	(1,191,450)
	(170,656)	218,412
Cost of goods manufactured	5,103,293	5,716,385
Finished goods, by-products and scrap:		
- Opening stock	2,432,766	2,369,419
- Closing stock	(2,419,501)	(3,023,798)
	13,265	(654,379)
	5,116,558	5,062,006
18. SELLING AND DISTRIBUTION EXPENSES		
Freight and forwarding	136,879	104,048
Salaries, wages and benefits	43,041	42,960
Rent, rates and taxes	650	474
Electricity, gas and water	2,868	1,828
Insurance	271	145
Depreciation and amortisation	3,905	3,703
Repairs and maintenance	183	153
Advertising and sales promotion	10,505	10,741
Postage, telephone and stationery	1,624	1,269
Office supplies	6	56
Vehicle, travel and conveyance	5,741	5,109
Certification and registration charges	476	638
Others	1,554	1,134
	207,703	172,258

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

For the three months ended 30 September 2019

		Three months ended	
		30 September 2019	30 September 2018
		(Un-audited)	
		----- (Rupees in '000) -----	
19. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits		47,966	47,621
Rent, rates and taxes		116	-
Electricity, gas and water		776	902
Insurance		558	30
Depreciation and amortisation		4,447	3,811
Repairs and maintenance		361	366
Postage, telephone and stationery		2,370	2,884
Office supplies		101	153
Vehicle, travel and conveyance		3,371	3,051
Legal and professional charges		5,024	1,700
Certification and registration charges		5,209	1,586
Directors' fees		2,400	2,175
Others		5,350	6,688
		78,049	70,967
20. FINANCE COST			
Mark-up on:			
- long term financing		33,539	20,736
- short term borrowings		224,055	120,576
- running musharakah		19,675	12,673
- term murabaha		47,485	11,320
Interest on Workers' Profit Participation Fund		600	-
Bank charges		3,950	2,284
		329,304	167,589
21. OTHER OPERATING CHARGES			
Auditors' remuneration		1,015	882
Donations		2,350	1,920
Workers' Profit Participation Fund		-	6,779
Workers' Welfare Fund		-	2,712
Business development expense		1,867	2,299
		5,232	14,592
22. OTHER INCOME			
Income / return on financial assets			
Income on bank deposits - conventional		345	586
Exchange (loss) / gain		(57,997)	66,108
Income from non-financial assets			
Income from power generation	22.1	206	1,499
Gain on disposal of property, plant and equipment		8,967	35,123
Rental income from subsidiary company		9,375	2,220
Dividend income from associated company		6,092	21,324
Dividend income from subsidiary company		367,583	735,166
		373,675	756,490
		334,571	862,026
22.1. Income from power generation			
Net sales		30,300	29,254
Cost of electricity produced		(30,094)	(27,755)
		206	1,499

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

For the three months ended 30 September 2019

		Three months ended	
		30 September 2019	30 September 2018
		(Un-audited)	(Un-audited)
		----- (Rupees in '000) -----	
23	TAXATION		
	Current		
	- for the year	136,500	195,539
	- for prior years	(16,000)	-
		120,500	195,539
	Deferred	-	(43,322)
		120,500	152,217
24.	CHANGES IN WORKING CAPITAL		
	(Increase) / decrease in current assets:		
	Store and spares	(13,925)	(28,987)
	Stock-in-trade	1,551,838	(1,242,332)
	Trade debts	(388,117)	(717,894)
	Advances, trade deposits and short term-prepayments	16,952	213,193
	Receivable from K-Electric Limited (KE)	10,794	(2,502)
	Other receivables	105,325	24,025
		1,282,867	(1,754,497)
	Increase / (decrease) in current liabilities:		
	Trade and other payables	(507,037)	82,910
	Cash flow hedge reserve	-	(8,010)
	Contract liabilities	(112,121)	(52,647)
		663,709	(1,732,244)
24.1	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	266,340	357,611
	Running finance under mark-up arrangement from banks	13 (1,228,608)	(2,697,712)
	Short-term borrowing under Money Market scheme maturing within three months	13 (4,125,000)	(3,736,987)
	Short term borrowing under running Musharakah	13 (91,008)	(1,500,000)
		(5,178,276)	(7,577,088)

25. TRANSACTIONS WITH RELATED PARTIES

The 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. Contributions to its defined contribution plan (Provident Fund) are made as per the terms of employment and contributions to its defined benefit plan (Gratuity Fund) are in accordance with actuarial advice. Remuneration of key management personnel is in accordance with their terms of employment and Company's policy.

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

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

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

For the three months ended 30 September 2019

	Three months ended	
	30 September 2019	30 September 2018
	----- (Rupees in '000) -----	
Subsidiaries		
Sales	364,979	475,077
Purchases	933,116	2,212,082
Cost of shared resources	14,785	20,099
Partial manufacturing - purchases (inclusive of sales tax)	-	54
Reimbursement of expenses incurred on behalf of the Company	6,006	3,402
Rental income	9,375	2,220
Dividend income	367,583	735,167
Associated companies		
Sales	1,034	-
Purchases	2,901	3,230
Reimbursement of expenses	159	1,304
Insurance premium	857	857
Insurance claim	-	1,113
Dividend income	6,092	21,324
Dividend distribution	1,728	3,744
Bonus shares issued 57,600 shares	576	-
Subscription	2,100	-
Registration and training		245
Key management personnel		
Remuneration	66,741	74,965
Staff retirement funds		
Contribution paid	36,939	20,770
Non-executive directors		
Directors' fee	2,400	2,175
Reimbursement of Chairman's expenses	1,946	2,449

26. SEGMENT REPORTING

The Company has identified Steel, Polymer and Investments as reportable segments. Performance is measured based on respective segments results. Information regarding the Company's reportable segments are presented below.

26.1 SEGMENT REVENUE AND RESULTS	Steel segment	Polymer segment	Investments segment	Total
	----- (Rupees in '000) -----			
For the period ended 30 September 2019				
Sales	4,956,551	446,796	-	5,403,347
Cost of sales	(4,704,391)	(412,167)	-	(5,116,558)
Gross Profit	252,160	34,629	-	286,789
Selling and distribution expenses	(191,550)	(16,153)	-	(207,703)
Administrative expenses	(72,424)	(5,625)	-	(78,049)
	(263,974)	(21,778)	-	(285,752)
Finance cost	(299,785)	(29,519)	-	(329,304)
Other operating charges	(6,217)	985	-	(5,232)
	(306,002)	(28,534)	-	(334,536)
Other income	(39,104)	-	373,675	334,571
Profit before taxation	(356,920)	(15,683)	373,675	1,072
Taxation				(120,500)
Loss after taxation				(119,428)

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

For the three months ended 30 September 2019

	Steel segment	Polymer segment	Investments segment	Total
For the period ended 30 September 2018	(Rupees in '000)			
Sales	5,219,618	279,385	-	5,499,003
Cost of sales	(4,808,817)	(253,189)	-	(5,062,006)
Gross Profit	410,801	26,196	-	436,997
Selling and distribution expenses	(167,659)	(4,599)	-	(172,258)
Administrative expenses	(67,120)	(3,847)	-	(70,967)
Impairment reversal on trade debts	8,967	-	-	8,967
	(225,812)	(8,446)	-	(234,258)
Finance cost	(150,023)	(17,566)	-	(167,589)
Other operating charges	(14,480)	(112)	-	(14,592)
	(164,503)	(17,678)	-	(182,181)
Other income	105,536	-	756,490	862,026
Profit before taxation	126,022	72	756,490	882,584
Taxation				(152,217)
Profit after taxation				730,367

26.2 SEGMENT ASSETS & LIABILITIES

	Steel segment	Polymer segment	Investments segment	Total
	(Rupees in '000)			
As at 30 September 2019 - Un-audited				
Segment assets	17,541,070	2,008,480	3,277,276	22,826,826
Segment liabilities	9,178,577	1,116,301	-	10,294,878
As at 30 June 2019 - Audited				
Segment assets	18,725,225	2,139,907	3,277,276	24,142,408
Segment liabilities	10,160,755	1,226,029	-	11,386,784

Reconciliation of segment assets and liabilities with total assets and liabilities in the Statement of financial position is as follows :

	30 September 2019 (Un-audited) ----- (Rupees in '000) -----	30 June 2019 (Audited)
Total reportable segments assets	22,826,826	24,142,408
Unallocated assets	1,549,876	1,184,763
Total assets as per Statement of financial position	24,376,702	25,327,171
Total reportable segments liabilities	10,294,878	11,386,784
Unallocated liabilities	4,611,986	3,991,443
Total liabilities as per Statement of financial position	14,906,864	15,378,227

26.3 The Company does not consider sale of electricity to KE as separate reportable segment as the power plant of the Company is installed primarily to supply power to its own manufacturing facilities and any excess electricity is sold to KE.

27 MEASUREMENT OF FAIR VALUES

The following table shows the carrying amounts and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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

For the three months ended 30 September 2019

30 September 2019 (Un-audited)								
	Carrying amount				Total	Fair Value		
	Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities		Level 1	Level 2	Level 3
----- (Rupees in '000) -----								
Financial assets measured at fair value								
Investments								
- quoted Companies	-	3,268,108	-	-	3,268,108	10,353,846	-	-
<hr/>								
30 June 2019 (Audited)								
	Carrying amount				Total	Fair Value		
	Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities		Level 1	Level 2	Level 3
----- (Rupees in '000) -----								
Financial assets measured at fair value								
Investments								
- quoted Companies	-	3,268,108	-	-	3,268,108	10,587,270	-	-

Management assessed that the fair values of cash & cash equivalent and short-term deposits, other receivable, trade receivables, trade payables, short term borrowing and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. For long term deposit assets and long term liabilities management consider that their carrying values approximates fair value.

28 GENERAL


28.1 Corresponding figures

Corresponding figures have been reclassified for the purposes of comparison and better presentation. These reclassifications have no impact on previously reported profit or equity. Earnings per share for the corresponding period without considering the impact of bonus shares declared for the year ended 30th June 2019 was Rs 6.09.

28.2 Date of authorization for issue

These condensed interim unconsolidated financial statements were authorised for issue on 18 October 2019 by the Board of Directors of the Company.


Ehsan A. Malik
 Director & Chairman
 Board Audit Committee


M. Hanif Idrees
 Chief Financial Officer



Riyaz T. Chinoy
 Chief Executive Officer

**Condensed Interim Consolidated
Statement of Financial Position**
As at 30 September 2019

		30 September 2019 (Un-audited)	30 June 2019 (Audited)
	Note		
----- (Rupees in '000) -----			
ASSETS			
Non-current assets			
Property, plant and equipment	6	27,741,364	27,223,797
Intangible assets		4,354	6,087
Long-term deposits		3,619	3,619
Investment in equity accounted investee	7	1,094,528	1,014,685
		28,843,865	28,248,188
Current assets			
Stores and spares		976,044	826,502
Stock-in-trade	8	32,692,518	25,585,569
Trade debts	9	4,365,423	3,521,626
Advances, trade deposits and short-term prepayments	10	117,551	168,153
Receivable from K-Electric Limited (KE) - unsecured, considered good		61,354	69,121
Sales tax receivable		3,626,030	2,596,098
Other receivables		14,944	17,771
Taxation - net		762,959	895,642
Cash and bank balances		377,942	759,543
		42,994,764	34,440,025
Total assets		71,838,628	62,688,213
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
200,000,000 (2019: 200,000,000) ordinary shares of Rs. 10 each		2,000,000	2,000,000
Share capital			
Issued, subscribed and paid-up capital		1,318,819	1,198,926
Revenue reserves			
General reserves		2,991,258	2,991,258
Unappropriated profit		6,646,492	7,343,772
Exchange translation reserve		2,952	4,658
Capital reserve			
Revaluation surplus on property, plant and equipment		3,686,832	3,624,344
Total equity		14,646,353	15,162,958
Non-controlling interest		5,372,377	5,462,651
		20,018,729	20,625,609
LIABILITIES			
Non-current liabilities			
Long-term financing - secured	11	7,774,393	8,069,315
Staff retirement benefits		118,409	118,409
Deferred taxation - net		2,428,957	2,591,517
Lease liabilities		6,284	-
		10,328,043	10,779,241
Current liabilities			
Trade and other payables	12	9,864,667	8,473,948
Contract liabilities		845,124	1,494,346
Short-term borrowings - secured	13	27,888,272	19,616,349
Unpaid dividend		359,678	6,642
Unpaid dividend attributable to non-controlling interest		281,210	-
Unclaimed dividend		40,112	36,596
Unclaimed dividend attributable to non-controlling interest		6,452	6,453
Current portion of long term finances - secured	14	1,586,636	1,200,856
Current portion of lease liabilities		34,065	-
Accrued markup		585,638	448,173
		41,491,855	31,283,363
Total liabilities		51,819,899	42,062,604
Total equity and liabilities		71,838,628	62,688,213
Contingencies and commitments	15	-	-

The annexed notes 1 to 28 form an integral part of these condensed interim consolidated financial statements.


Ehsan A. Malik
Director & Chairman
Board Audit Committee


M. Hanif Idrees
Chief Financial Officer


Riyaz T. Chinoy
Chief Executive Officer

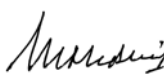
Condensed Interim Consolidated Statement of Profit or Loss (Un-audited)

For the three months ended 30 September 2019

		Three months ended	
	Note	30 September 2019	30 September 2018
		------(Rupees in '000)-----	
Net sales	16	16,013,717	15,215,894
Cost of sales	17	(14,473,315)	(13,230,702)
Gross profit		1,540,402	1,985,192
Selling and distribution expenses	18	(356,264)	(289,079)
Administrative expenses	19	(147,423)	(140,208)
Impairment reversal on trade debts		-	9,104
		(503,687)	(420,183)
Finance cost	20	(995,181)	(452,972)
Other operating expenses	21	(29,601)	(109,428)
		(1,024,782)	(562,400)
Other income	22	16,390	183,054
Share of (loss) / profit in equity accounted investee		(6,113)	13,592
Profit before taxation		22,210	1,199,255
Taxation	23	(74,836)	(347,499)
(Loss) / profit after taxation		(52,626)	851,756
(Loss) / profit after taxation attributable to:			
Owners of Holding Company		(247,268)	523,431
Non-controlling interest		194,642	328,325
		(52,626)	851,756
		------(Rupees)-----	
(Loss) / Earnings per share - basic and diluted		(1.87)	3.97

The annexed notes 1 to 28 form an integral part of these condensed interim consolidated financial statements.


Ehsan A. Malik
Director & Chairman
Board Audit Committee


M. Hanif Idrees
Chief Financial Officer


Riyaz T. Chinoy
Chief Executive Officer


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

For the three months ended 30 September 2019

	Three months ended	
	30 September 2019	30 September 2018
	----- (Rupees in '000) -----	
(Loss) / Profit for the period	(52,626)	851,756
Other comprehensive income		
Items not to be reclassified to profit and loss account in subsequent periods		
Foreign operation - foreign currency translation difference	(1,706)	(70)
Proportionate share of other comprehensive income of equity accounted investee	1,483	(5,192)
Item to be reclassified to profit and loss account in subsequent periods		
Effective portion of changes in fair value of cash flow hedge	-	(8,010)
Tax thereon	-	1,739
Other comprehensive income	(223)	(11,533)
Total comprehensive income	(52,849)	840,223
Total comprehensive income attributable to:		
Owners of the Holding Company	(247,491)	511,898
Non-controlling interest	194,642	328,325
Total comprehensive income	(52,849)	840,223

The annexed notes 1 to 28 form an integral part of these condensed interim consolidated financial statements.


Ehsan A. Malik
Director & Chairman
Board Audit Committee


M. Hanif Idrees
Chief Financial Officer


Riyaz T. Chinoy
Chief Executive Officer


Condensed Interim Consolidated Cash Flow Statement (Un-audited)

For the three months ended 30 September 2019

	Note	30 September 2019	30 September 2018
		(Un-audited)	
		------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		22,210	1,199,255
Adjustments for:			
Depreciation and amortization		579,575	349,531
Impairment reversal on trade debts		-	(9,104)
Income on bank deposits		(1,344)	(1,484)
Gain on disposal of property, plant and equipment	22	(5,539)	(35,808)
Provision for obsolescence against spares		8,512	-
Provision for staff gratuity		18,307	16,662
Provision for compensated absences		8,011	13,453
Share of loss / (profit) from associated company		6,113	(13,592)
Finance cost	20	995,181	452,972
		1,608,816	772,630
Changes in working capital		(8,332,586)	(7,925,446)
Net cash used in operations		(6,701,560)	(5,953,561)
Translation reserve		(1,591)	(193)
Finance cost paid		(857,716)	(290,773)
Payment for staff gratuity		(18,307)	(16,662)
Compensated absences paid		(11,464)	(10,176)
Income tax paid		(104,532)	(61,003)
Net cash used in operating activities		(7,695,170)	(6,332,368)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(1,102,655)	(606,325)
Proceeds from disposal of property, plant and equipment		12,491	50,217
Income on bank deposits received		1,344	1,484
Net cash used in investing activities		(1,088,820)	(554,624)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term financing		109,950	374,554
Repayment of long-term financing		(19,092)	(335,735)
Proceed from / (repayments of) short term borrowing - net		(464,256)	1,281,043
Lease liabilities		40,350	-
Dividends paid to non controlling interest		-	(1,360)
Dividends paid to shareholders of the Holding Company		(742)	(8,067)
Net cash (used in) / generated from financing activities		(333,790)	1,310,435
Net decrease in cash and cash equivalents		(9,117,780)	(5,576,557)
Cash and cash equivalents at beginning of the period		(11,316,541)	(7,341,418)
Cash and cash equivalents at end of the period		(20,434,321)	(12,917,975)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances		377,942	725,181
Short-term borrowings - secured		(20,812,263)	(13,643,156)
Cash and cash equivalents	24	(20,434,321)	(12,917,975)

The annexed notes 1 to 28 form an integral part of these condensed interim consolidated financial statements.


Ehsan A. Malik
Director & Chairman
Board Audit Committee


M. Hanif Idrees
Chief Financial Officer


Riyaz T. Chinoy
Chief Executive Officer

**Condensed Interim Consolidated
Statement of Changes in Equity (Un-audited)**
For the three months ended 30 September 2019

	Attributable to owners of the Holding Company							Non- controlling interest	Total	
	Issued, subscribed and paid-up capital	Revenue Reserves			Capital Reserve		Total			
		General reserves	Un- appropriated profit / (loss)	Exchange translation reserve	Total reserves	Revaluation surplus on property, plant & machinery				
(Rupees in '000)										
Balance as at 1 July 2018	1,198,926	2,991,258	6,170,136	305	9,161,699	3,348,391	13,709,016	4,655,410	18,364,426	
Total comprehensive income for the period ended 30 September 2018										
Profit for the period	-	-	523,431	-	523,431	523,431	328,325	851,756		
Effect of change in tax rate on balance of revaluation of property, plant and equipments	-	-	-	-	-	18,700	18,700	18,700		
Other comprehensive income	-	-	(11,463)	(70)	(11,533)	(11,533)	-	(11,533)		
	-	-	511,968	(70)	511,898	18,700	530,598	328,325	858,923	
Transactions with owners recorded directly in equity										
Distribution to owners of the Holding Company:										
-Final dividend @ 65% (Rs. 6.50 per share) for the year ended 30 June 2018	-	-	(779,302)	-	(779,302)	(779,302)	-	(779,302)		
Total transactions with owners of the Holding Company										
Dividend to non-controlling interest	-	-	(779,302)	-	(779,302)	(779,302)	-	(779,302)		
Transfer from surplus on revaluation on disposal of fixed assets - net of deferred tax	-	-	-	-	-	-	-	(569,833)		
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	5,781	-	5,781	(5,781)	-	-		
Proportionate share of surplus on revaluation of property, plant and equipment - PCL	-	-	-	-	-	1,619	1,619	-	1,619	
Proportionate share / reclassification of surplus on revaluation of property, plant and equipment - NCI	-	-	-	-	-	-	-	-	-	
Balance as at 30 September 2018	1,198,926	2,991,258	5,923,333	235	8,914,826	2,936,718	13,050,470	4,825,363	17,875,833	

Transactions with owners recorded directly in equity

Distribution to owners of the Holding Company:

-Final dividend @ 65% (Rs. 6.50 per share) for the year ended 30 June 2018

Total transactions with owners of the Holding Company

Dividend to non-controlling interest

Transfer from surplus on revaluation on disposal of fixed assets - net of deferred tax

Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax

Proportionate share of surplus on revaluation of property, plant and equipment - PCL

Proportionate share / reclassification of surplus on revaluation of property, plant and equipment - NCI

Balance as at 30 September 2018

**Condensed Interim Consolidated
Statement of Changes in Equity (Un-audited)**
For the three months ended 30 September 2019

	Attributable to owners of the Holding Company							Non-controlling interest	Total
	Issued, subscribed and paid-up capital	General reserves	Revenue Reserves			Capital Reserve			
			Un-appropriated profit / (loss)	Exchange translation reserve	Total reserves	Revaluation surplus on property, plant & machinery			
(Rupees in '000)									
Balance as at 1 July 2019	1,198,926	2,991,258	7,343,772	4,658	10,339,688	3,624,344	15,162,958	5,462,651	20,625,609
Total comprehensive income for the period ended 30 September 2019									
Profit for the period	-	-	(247,268)	-	(247,268)	(247,268)	(247,268)	194,642	(52,626)
Other comprehensive income	-	-	1,483	(1,706)	(223)	(223)	(223)	-	(223)
Transactions with owners recorded directly in equity									
-Final dividend @ 30% (Rs. 3.00 per share) for the year ended 30 June 2019	-	-	(245,785)	(1,706)	(247,491)	-	(247,491)	194,642	(52,849)
-Bonus share @ 10% for the year ended 30 June 2019	119,893	-	(359,678)	-	(359,678)	(359,678)	(359,678)	-	(359,678)
Total transactions with owners of the Holding Company									
Dividend to non-controlling interest	119,893	-	(479,571)	-	(479,571)	-	(359,678)	-	(359,678)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	-	-	-	-	-	(284,917)	(284,917)
Proportionate share of surplus on revaluation of property, plant and equipment - PCL	-	-	28,076	-	28,076	(32,368)	(4,292)	4,292	-
Proportionate share of surplus on revaluation of property, plant and equipment - PCL	-	-	-	-	-	90,565	90,565	-	90,565
Proportionate share / reclassification of surplus on revaluation of property, plant and equipment - NCI	-	-	-	-	-	4,292	4,292	(4,292)	-
Balance as at 30 September 2019	1,318,819	2,991,258	6,646,492	2,952	9,640,702	3,686,832	14,646,353	5,372,377	20,018,729

The annexed notes 1 to 28 form an integral part of these condensed interim consolidated financial statements.


Ehsan A. Malik
Director & Chairman
Board Audit Committee


M. Hanif Idrees
Chief Financial Officer


Riyaz T. Chinoy
Chief Executive Officer

For the three months ended 30 September 2019 31

Notes to the Condensed Interim Consolidated Financial Statements (Un-audited)
For the three months ended 30 September 2019

1. THE GROUP AND ITS OPERATIONS

1.1 The Group consists of International Industries Limited, (the Holding Company) and its 56.33% owned subsidiary International Steels Limited and its wholly owned foreign subsidiary IIL Australia PTY Limited [together referred to as "the Group" and individually as "Group entities"] and the Holding Company's 17.124% interest in equity accounted investee namely Pakistan Cables Limited (PCL).

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

The manufacturing facilities of the Holding Company are situated as follows:

- a) - LX 15-16, Landhi Industrial Area, Karachi
- b) - Survey # 402,405-406, Dehshrahi Landhi Town, Karachi
- c) - 22 KM, Sheikhpura Road, Lahore

Sales office are located at Lahore, Islamabad, Faisalabad, Peshawar and Multan.

1.3 International Steels Limited ("the Subsidiary Company") was incorporated on 03 September 2007 as a public unlisted company limited by shares under the repealed 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 Pakistan 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. The Holding Company has 56.33% ownership in International Steels Limited.

The manufacturing facilities of the Subsidiary Company is situated at 399-405, Rehri Road, Landhi Industrial Area, Karachi and having sales offices located at Lahore, Islamabad and Multan.

1.4 IIL Australia PTY Limited ("the foreign Subsidiary") was incorporated in Australia on 02 May 2014. It is engaged in the business of distribution and marketing of galvanized steel pipes, precision steel tubes and pre-galvanized pipes. The registered office and sales office of the foreign Subsidiary Company is situated at 101-103, Abbot Road, Hallam, Victoria 3803, Australia. IIL Australia PTY Limited is a wholly owned foreign subsidiary of the Holding Company.

1.5 Details of the equity accounted investee is given in note 7 to these condensed interim consolidated financial statements.

2. BASIS OF PREPARATION

2.1 These condensed interim consolidated financial statements have been prepared from the information available in the condensed un-audited separate financial statements of the Holding Company, the Subsidiary Company and foreign Subsidiary Company for the three months ended 30 September 2019.

Detail of equity accounted investee is given in note 7 to these interim consolidated financial statements.

2.2 Statement of Compliance

2.2.1 These condensed interim consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan for these interim financial reporting comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act 2017.

Where the provisions of and directives issued under the Companies Act 2017 differ with the requirements of IFRS, the provisions of and directives issued under the Companies Act 2017 have been followed.

2.2.2 These condensed interim consolidated financial statement does not include all the information required for full annual financial statements and should be read in conjunction with the audited annual consolidated financial statements as at and for the year ended 30 June 2019.

2.2.3 The comparative Balance Sheet presented in this condensed interim consolidated financial statements have been extracted from the audited annual consolidated financial statements for the year ended 30 June 2019, whereas the comparative condensed interim Profit and Loss Account, condensed interim Statement of Comprehensive Income, condensed interim Cash Flow Statement and condensed interim Statement of Changes in Equity are extracted from the unaudited condensed interim consolidated financial information for the period ended 30 September 2018.

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

For the three months ended 30 September 2019

2.2.4 These condensed interim consolidated financial statements are un-audited and are being submitted to the shareholders as required by listing regulations of the Pakistan Stock Exchange and Section 237 of the Companies Act 2017.

2.3 Basis of measurement

These condensed interim consolidated financial statements have been prepared under the historical cost convention except for the liabilities under defined benefit plan (gratuity) that is determined based on the present value of defined benefit obligations less fair value of plan assets, land & buildings thereon that are stated at fair value determined by an independent valuer and derivative financial instruments which are stated at fair value.

2.4 Functional and presentation currency

These condensed interim consolidated financial statements are presented in Pakistani Rupees which is the Holding Company's functional and presentation currency and have been rounded to the nearest thousand rupee, unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. The accounting policies and methods of computation adopted in the preparation of these condensed interim consolidated financial statements are the same as those applied in the preparation of audited annual financial statements as at and for the year ended 30 June 2019.

Certain amendment and interpretation to approved accounting standards became effective during the period were not relevant to the Group's operation and do not have any impact on the accounting policies of the Group.

3.2 Changes in accounting policies

The below explains the impact of the adoption of IFRS 16 'Leases' on these condensed interim financial statements different to those applied in prior periods.

3.2.1 IFRS 16 'Leases'

IFRS 16 'Leases' from 01 July 2019 which is effective for annual periods beginning on or after 01 January 2019 has been adopted. IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset, representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

Rent agreements/contracts entered for a few properties convey the right to control the use of these properties for a period of time in exchange of the rentals, both explicitly mentioned in the contracts. Therefore treatment required by IFRS 16 has been adopted for the lease of such properties.

i) Recognition and initial measurement

At the commencement date i.e., 01 July 2019, the Company has recognized a right-of-use asset at cost, disclosed separately within the Property, Plant and Equipment in the Statement of Financial Position. Similarly, lease liability has been recognized at the present value of the rentals/lease payments to be paid according to the contracts. The lease liability has been disclosed in the Statement of Financial Position under Liabilities, disclosing separately the current portion of the lease liability. The rentals/lease payments have been discounted using the Company's incremental borrowing rate.

ii) Subsequent measurement

At each reporting date, the right-of-use asset is continued to be carried at cost less accumulated depreciation charged on straight line basis. The depreciation charge is disclosed in the Selling and distribution expenses and Administrative expenses in the Statement of Profit or Loss.

The carrying amount of the lease liability is increased by the interest on the lease liability and reduced by the rentals/lease payments. The interest on lease liability is charged in the Finance cost in the Statement of Profit or Loss.

4. USE OF ESTIMATES AND JUDGEMENTS

4.1 The preparation of condensed interim consolidated financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of the accounting 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.

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- 4.2. The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statement as at and for the year ended 30 June 2019.
- 4.3. The Group's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2019.

5 Basis of consolidation

5.1 Investment in subsidiaries

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

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

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

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

5.2 Investment 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.

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

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

6. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work- in-progress (Incl., capital spares)	Right-of-use assets	Total
	----- (Rupees in '000) -----			
Cost / revalued amount				
Opening balance	34,074,370	713,731	-	34,788,101
Additions	28,524	1,133,304	39,427	1,201,255
Translate reserve	(294)	-	-	(294)
Transfers	6,446	(203,699)	-	(197,253)
Disposal / transfers / adjustments	(22,893)	-	-	(22,893)
	34,086,153	1,643,336	39,427	35,768,916
Accumulated depreciation				
Opening balance	(7,564,304)	-	-	(7,564,304)
Charge for the period	(471,693)	-	(2,238)	(473,931)
Disposal / transfers / adjustments	10,683	-	-	10,683
	3,025,314	-	(2,238)	(8,027,552)
Written down value as at 30 September 2019 (Un-audited)	<u>26,060,839</u>	<u>1,643,336</u>	<u>37,189</u>	<u>27,741,364</u>
Written down value as at 30 June 2019 (Audited)	<u>26,510,066</u>	<u>713,731</u>	<u>-</u>	<u>27,223,797</u>

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7. INVESTMENT IN EQUITY - ACCOUNTED INVESTEE	30 September 2019 (Un-audited)	30 June 2019 (Audited)
	----- (Rupees in '000) -----	
Pakistan Cables Limited - associate company	7.1	1,014,685
	1,094,528	
7.1 This represents investment in PCL, an Associated Company, on account of cross directorship. The Holding Company holds 17.124% of effective share of interest in PCL due to crossholding.		
The Chief Executive Officer of PCL is Mr. Fahd K. Chinoy. The market value as at 30 September 2019 was Rs. 615.339 million @ 101.00 per share (30 June 2019: Rs. 856.114 million @ 140.52 per share) and is categorized as level 1 under the fair value hierarchy. The share of profit after acquisition is recognised based on audited financial statements as at 30 June 2019 as the latest financial statements as at 30 September 2019 are not presently available.		
	30 September 2019 (Un-audited)	30 June 2019 (Audited)
	----- (Rupees in '000) -----	
8. STOCK-IN-TRADE		
Raw material - in hand	11,174,063	6,948,424
- in transit	7,420,849	6,532,832
	18,594,912	13,481,256
Work-in-process	3,587,051	3,458,783
Finished goods	10,510,555	8,645,530
	32,692,518	25,585,569
8.1 Raw material amounting to Rs.4.0 million as at 30 September 2019 (2019: Rs.4.9 million) was held at vendor's premises for the production of pipe caps.		
	30 September 2019 (Un-audited)	30 June 2019 (Audited)
	----- (Rupees in '000) -----	
9. TRADE DEBTS		
Considered good - secured	277,775	238,086
- unsecured	4,087,648	3,283,540
	4,365,423	3,521,626
Considered doubtful	160,895	158,267
	4,526,318	3,679,893
Impairment of doubtful debts	(160,895)	(158,267)
	4,365,423	3,521,626
10. ADVANCES, TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Considered good		
- Suppliers	77,160	105,521
- Employees for business related expenses	2,264	440
- Trade deposits	18,242	18,969
- Margin against shipping guarantees	8,986	16,255
- Short term prepayments	10,899	26,968
	117,551	168,153
OTHER RECEIVABLES		
Considered good		
Insurance claim	-	9,341
Others	14,944	8,430
	14,944	17,771
Considered doubtful		
Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in prior period	25,940	25,940
	40,884	43,711
Provision for receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in prior period	(25,940)	(25,940)
	14,944	17,771

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	Note	30 September 2019 (Un-audited) ------(Rupees in '000)-----	30 June 2019 (Audited)
11. LONG-TERM FINANCING - secured			
Conventional			
Long Term Finance Facility	11.1	3,332,621	3,129,263
Less: Current portion		(572,772)	(614,492)
		<u>2,759,849</u>	<u>2,514,771</u>
Islamic			
Diminishing Musharakah / Long term finance	11.2	6,028,408	6,140,908
Less: Current portion		(1,013,864)	(586,364)
		<u>5,014,544</u>	<u>5,554,544</u>
		<u>7,774,393</u>	<u>8,069,315</u>
Conventional			
11.1	Approved financing facilities amounted in aggregate to Rs. 3,422.4 million. As at 30 September 2019 amounts withdrawn against approved financing facilities amounted to Rs.3,332.6 million (2019 Rs. 3,129.2 million). These facilities are secured by way of a mortgage on all present and future land and buildings of Holding Company 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 and pari passu charge over fixed assets of the Subsidiary Company.		
Islamic			
11.2	Approved financing facilities amounted to Rs.6,028.4 million (2019: Rs. 6,140.9 million which are fully utilized. These facilities are secured by way of mortgage on all present and future land and buildings of Holding Company located at plot no. LX-15&16 and H/X-7/4, Landhi Industrial Estate, Karachi and Survey no.402, 405-406, Dehsharabi, Landhi Town, Karachi and pari passu charge over fixed assets of the Subsidiary Company.		
	Note	30 September 2019 (Un-audited) ------(Rupees in '000)-----	30 June 2019 (Audited)
12. TRADE AND OTHER PAYABLES			
Trade creditors	12.1	4,890,709	3,737,973
Provision for Government Levies		328	329
Accrued expenses		2,890,544	2,752,115
Provision for Infrastructure Cess	12.2	1,639,744	1,535,752
Short-term compensated absences		8,784	18,837
Workers' Profit Participation Fund		14,885	22,195
Workers' Welfare Fund		346,899	340,421
Others		72,775	66,326
		<u>9,864,667</u>	<u>8,473,948</u>
12.1	This includes an amount of Rs. 3,729.7 million (2019: Rs.Nil) payable to associated companies by Subsidiary Company (ISL).		
12.2	Provision for Infrastructure Cess		
Opening balance		1,535,752	1,176,189
Charge for the period		103,992	359,563
Closing balance		<u>1,639,744</u>	<u>1,535,752</u>
13. SHORT-TERM BORROWINGS - secured			
CONVENTIONAL			
Running finance under mark-up arrangement from banks	13.1	13,301,846	7,249,569
Short-term borrowing under Money Market Scheme	13.2	-	500,000
- maturing after 3 months		4,125,000	4,216,850
- maturing within 3 months		4,125,000	4,716,850
Short-term borrowing under Export Refinance Scheme	13.3	4,196,446	4,160,265
ISLAMIC			
Short term borrowing under running Musharakah	13.4	3,385,417	609,665
Short term finance under term Murabaha	13.5	2,879,563	2,880,000
		<u>27,888,272</u>	<u>19,616,349</u>

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- 13.1** The facilities for running finance available from various commercial banks amounted to Rs. 16,130.5 million (2019: Rs.16,507 million). The rates of mark-up on these finances range from 13.46% to 14.90% per annum (2019: 7.12% to 13.90% per annum). Unavailed facilities as at 30 September 2019 amounted to Rs.2,829.70 million (2019: Rs.9,257.4 million).
- 13.2** Facilities for short-term borrowing under Money Market Scheme financing from various commercial banks under mark-up arrangements amounted to Rs. 5,280 million (2019: Rs. 5,140 million). Unavailed facilities as at 30 September 2019 amounted to Rs.1,155 million (2019: 423.1 million). The rate of markup on these finance ranges from 13.22% to 14.05% per annum (2019: 11.04% - 13.06%) per annum.
- 13.3** Facilities under the Export Refinance Scheme of the State Bank of Pakistan (SBP) available from various commercial banks amounted to Rs. 4,196.4 million (2019: Rs.4,160.2 million). The rates of mark-up on these facilities range from 2.50% to 3.00 % per annum (2019: 2.50% to 3.0% per annum).
- 13.4** Facilities under Running Musharakah arrangement amounted to Rs 5,900 million (2019: 6,728 million). The rate of profit on these finances range from 13.97% per annum to 14.30% per annum (2019: 7.12 to 13.10%) per annum. Unavailed facilities as at 30 September 2019 amounted to Rs.2,515 million (2019: Rs.6,118 million)
- 13.5** Loans amounting to USD 18 million equivalent to fixed amount of Rs.2,880 million has been obtained loan from Standard Chartered Bank, UK - Dubai International Finance Centre Branch through Standard Chartered Bank (Pakistan) Limited for meeting working capital requirements. The tenor of the loans is six months i.e. from 26 June 2019 to 26 December 2019 and from 20 June 2019 to 19 December 2019. The price of loans is six months KIBOR minus 0.28% and six month KIBOR minus 0.08%. As per the terms of agreement, Standard Chartered Bank (Pakistan) has obtained forward cover on behalf of the borrowers to hedge foreign currency risk.
- 13.6** All running finances and short-term borrowing facilities are secured by way of hypothecation of all present and future current and moveable assets.

14. CURRENT PORTION OF LONG-TERM FINANCING - secured

	30 September 2019	30 June 2019
	------(Rupees in '000)-----	
Conventional	572,772	614,492
Islamic	1,013,864	586,364
	1,586,636	1,200,856

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

Description of factual basis and relief sought Holding Company and the Subsidiary Company (collectively referred as "Companies").	Name of court	Principal parties	Date instituted
15.1.1 The Gas Infrastructure Development Cess (GIDC) Act, 2011 was passed by the National Assembly on 25th November, 2011 as a Money Bill pursuant to Article 73 of the constitution of Pakistan 1973 for raising funds for development of infrastructure related to transnational gas pipelines and Liquefied Natural Gas (LNG) projects, which was challenged before the courts. The Act of 2011 was declared as ultra vires to the Constitution of Pakistan, 1973. The Federal Government filed an appeal in the Supreme Court of Pakistan which in its judgment dated 22.08.2014, held that since GIDC is a fee and not a 'Tax' and alternatively GIDC is also not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and on either counts it could not have been introduced through a money bill and the same was therefore not validly levied in accordance with the Constitution of Pakistan, 1973.	Sindh High Court	OGRA / SSGC / Federation of Pakistan	01-08-2012

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Description of factual basis and relief sought Holding Company and the Subsidiary Company (collectively referred as "Companies").	Name of court	Principal parties	Date instituted
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On September 24, 2014, the government promulgated the GIDC Ordinance, 2014, however, this was also challenged in various courts of law. The government, with the approval of Parliament, in May, 2015 promulgated GIDC Act, 2015 after addressing the lacuna pointed out by the Honorable Supreme Court of Pakistan ('SCP') with specific reference to the laying of a bill under Article 70 of the Constitution of Pakistan 1973. Section 8 of the GIDC Act, 2015 provides validation of Cess levied, charged, collected or realized under the GIDC, Act, 2011 and GIDC Ordinance, 2014. By virtue of GIDC Act, 2015, all prior enactments have been declared infructuous and the said Act levies GIDC at Rs. 100 per MMBTU on industrial consumption and Rs. 200 per MMBTU on captive power consumption, effective 01 July 2011. Based on the recommendations of a special committee constituted by the senate, the GIDC Amendment Act, 2018 was approved by the Parliament in May, 2018. However the amendment was also challenged in various courts of Law by a specified sector.

The Companies have obtained a stay order on the retrospective application of the Act from the Honorable High Court of Sindh. The Companies are confident of favourable outcome and therefore have not recorded, to the extent of self consumption, a provision of Rs. 475.9 million (from 01 July 2011 till 22 May 2015) in these consolidated financial statements. However, the Companies have made a provision of GIDC to the extent of their self consumption from May 2015 onwards. On 26 October 2016, the High Court of Sindh held that enactment of GIDC Act 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of High Court of Sindh and is pending for adjudication. On 31 May 2017, separate petition filed by another company in the Peshawar High Court challenging the vires of the GIDC Act 2015 was dismissed for the reason that the Act has been passed by the Parliament strictly in accordance with the legislative procedures contained in the Constitution of Pakistan and therefore no procedural defect in the Act which could be made as a ground for its annulment. In view of aforementioned developments, the Companies on prudent basis, continue to recognise provision after the passage of the Act.

Further, the Companies have not recognized GIDC amounting to Rs. 1,052.05 million (2019: Rs.1,024.65 million) pertaining to period from 01 July 2011 to 30 September 2019 with respect to their captive power plants from which excess power generation is supplied to K-Electric Limited. The Companies consider that, in the event such levy is imposed, they shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).

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Description of factual basis and relief sought Holding Company and the Subsidiary Company (collectively referred as "Companies").	Name of court	Principal parties	Date instituted
<p>15.1.2 The Holding Company filed a Suit before Honorable Sindh High Court ('SHC') for declaration and permanent injunction in 2002 against Infrastructure Fee (levy) levied through Sindh Finance Act 1994. Single bench of SHC vide its order (order) declared the levy constitutional, which was challenged by the Holding Company through filing an appeal against the said order in 2004. In the appeal proceedings, larger bench of SHC granted a relief in 2006, by allowing the clearance of imported goods subject to submission of security / bank guarantees. Holding Company submitted guarantees amounting to Rs.115 million for release of goods attracting levy of Rs.107 million. The Court decided the matter on 17 September 2008 declaring the levy before 28 December 2006 as void and invalid. Excise and Taxation Department (Department) filed an appeal before the Honorable Supreme Court of Pakistan against the order dated 17 September 2008 hence the guarantees were not released as the matter was sub-judice.</p> <p>"Subsequently, in May 2011, the SCP disposed-off the appeal by referring the matter back to the SHC. On 31 May 2011, the SHC ordered returning the bank guarantees in respect of the consignments released up to 27 December 2006. In respect of consignments to be released subsequent to 27 December 2006 SHC ordered to pay 50% of the amount and submit bank guarantees for the balance amount.</p> <p>Subsidiary Company, also joined the proceedings subsequent to its incorporation. Bank guarantees amounting to Rs. 1,723 million (2019: Rs. 1,707 million) issued on behalf of the Companies which includes afore-mentioned bank guarantees of Rs. 115 million issued by the Holding Company are outstanding as at 30 September 2019. As a matter of prudence, the Companies are making provisions for the balance amount, which as at 30 June 2019 amounts to Rs. 1,639.8 million (2019: 1,535.8million) as disclosed in note 13.2."</p> <p>Subsequently, in 2017 the Department vide Sindh Finance Act 2015 & 2016 enhanced the levy by 100%. . On 24 October 2017 the Companies have obtained stay from the SHC against the enhancement. The SHC has clubbed all the cases pertaining to the levy for final disposal.</p>	Sindh High Court	Secretary Excise & Taxation / Federation of Pakistan	28-10-2002
<p>15.1.3 Oil and Gas Regulatory Authority (OGRA) revised the gas tariff to Rs.600/- per MMBTU by increasing the gas tariff by Rs.112/- per MMBTU vide its notification dated 30 December 2016 disregarding the protocol laid down in OGRA Ordinance, 2002. The Companies have filed a suit in the Sindh High Court (The Court) challenging the gas tariff increase. The Court granted a stay order subject to submission of security for the differential amount with the Nazir of the Court. The Companies have issued cheques amounting to Rs.524.3 million (2019: Rs. 524.3 million) in favour of Nazir of the court upto 30 September 2018. The Companies, on a prudent basis, have also accrued this amount in these consolidated financial statements.</p>	Sindh High Court	OGRA / SSGC / Federation of Pakistan	19-01-2017

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Description of factual basis and relief sought Holding Company and the Subsidiary Company (collectively referred as "Companies").	Name of court	Principal parties	Date instituted
<p>OGRA has further revised the gas tariff to Rs.780/- per MMBTU by increasing the gas tariff by Rs.180/- vide its notification dated 4 October, 2018. The Companies have filed a petition before the Court challenging such further revision and the matter is partially heard. Pending the decision on the matter Companies are settling the bills at the revised rate.</p>			
<p>15.1.4 Sindh Revenue Board (SRB) issued notices to the Companies for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. The Companies filed a constitutional petition in the Sindh High Court, challenging the said unlawful demand on the ground that the Companies are trans-provincial establishment operating industrial and commercial activities across Pakistan. The Sindh High Court granted stay order in favor of the Companies by declaring exemption on the basis that the Companies being a trans-provincial establishment are paying Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971. In a separate case, the Sindh High Court has dealt on the subject of trans-provisional establishment in its judgement with a conflicting view.</p>	Sindh High Court	"SRB / Government of Sindh"	09-06-2017
<p>15.1.5 Guarantees issued in favour of Sui Southern Gas Company Limited by the bank on behalf of the Companies amounted to Rs. 499.6 million (2019: Rs.499.6 million) as a security for supply of gas.</p>			
<p>15.1.6 Guarantee issued in favour of Pakistan State Oil Company Limited by banks on behalf of the Companies amounted to Rs. 112 million (2019: Rs.112 million) for supply of fuel and lubricants.</p>			
Holding Company			
<p>15.1.7 Customs duties amounting to Rs. 1.4 million as at 30 September 2019 (2019: Rs. 40.5 million) on import of raw material shall be payable by the Company in case of non-fulfilment 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 fulfilment of stipulated conditions. The Company has fulfilled the conditions for the aforementioned amounts and is making efforts to retrieve the associated post-dated cheques from the customs authorities.</p>	Collector Customs	Collector of Customs/ Federation of Pakistan	2005
<p>15.1.8 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 Honourable Sindh High Court in 2010 for an injunction and is awaiting the final judgement. The management is confident that the decision will be given in favour of the Company.</p>	Sindh High Court	Collector of Customs / Federation of Pakistan	15-01-2010

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Description of factual basis and relief sought Holding Company and the Subsidiary Company (collectively referred as "Companies").	Name of court	Principal parties	Date instituted
<p>15.1.9 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 Honourable 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 Honourable High Court. The management anticipates that the chances of admission of such appeal are remote.</p>	Sindh High Court	Collector of Customs / Federation of Pakistan	30-08-2007
<p>15.1.10 The Company filed the suit before the Sindh High Court (Court) challenging the chargeability of tax on inter corporate dividend in respect of dividend declared by its subsidiary, International Steels Limited. On 21 October 2016 Court granted stay order against which 500,000 shares of subsidiary company were pledged as a security with Nazir of the Court. In one of the litigation to which the Holding Company is not a party, SCP issued an order on 21 February 2018 whereby continuity of suits was made subject to depositing minimum 50% of the tax calculated by the tax authorities. A review petition has been filed against such order of the SCP in which Company is not a party and the decision is awaited. In view of such developments the suit has been withdrawn and a petition has been filed before the Court, which is pending hearing Application for release of pledged shares is in process.</p> <p>On a separate application challenging the chargeability of tax on inter corporate dividend, stay order is granted by the Court in respect of dividends declared by the subsidiary company on 02 June 2017, 26 September 2017 and 23 January 2018 against bank guarantees amounting to Rs.76.6 million, Rs.36.8 million and Rs.55.1 million respectively submitted to the Nazir of the Court. Furthermore, in separate petitions filed by the company on the same subject matter, stay is granted by the Court in respect of dividends declared by the subsidiary company on 25 September 2018, 25 January 2019 and 25 September 2019.</p>	Sindh High Court	FBR / Commissioner Inland Revenue / Federation of Pakistan	01-11-2016
<p>15.1.11 The Company's share of contingent liabilities of its associated company is Rs. 85.1 million (2019: Rs. 66.9 million).</p>			
<p>15.1.12 Guarantees issued in favour of Sui Northern Gas Pipe Lines Limited by banks on behalf of the Company amounted to Rs. 346.7 million (2019: Rs. 299.42 million) as performance security for goods to be supplied by the Company.</p>			
<p>15.1.13 Guarantees issued in favour of Sui Southern Gas Company Limited by banks on behalf of the Company to Rs. 89.6 million (2019: Rs. 97.36 Million) as performance security for goods to be supplied by the Company.</p>			
<p>15.1.14 Standby letter of credit issued in favour of Sui Northern Gas Pipe Lines Limited by bank on behalf of the Company amounted to Rs. 59.57 million (2019: Rs.59.57 million) as a security for supply of Regasified Liquefied Natural Gas (RLNG).</p>			
<p>15.1.15 Guarantees issued in favour of Lahore Electric Supply Company by bank on behalf of the Company amounted to Rs. 5.83 million (2019: Rs. 5.83 million) as a security for supply of electricity.</p>			
<p>15.1.16 Guarantee issued in favour of Aga Khan Planning & Building Service Pakistan by bank on behalf of the Company amounted to Rs. Nil (2019: Rs.2.00 million) as performance security for goods to be supplied by the Company.</p>			

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15.1.17 Guarantees issued in favour of Sui Nothern Gas Pipe Lines limited by bank on behalf of the Company amounted to Rs. 5.15 million (2019: 22 million) as security for holding the bids (bid bond) submitted in tenders.

15.1.18 Guarantees issued in favour of Sui Southern Gas Company Limited by bank on behalf of the Company amounted to Rs. 13.3 million (2019: 0.81m) as security for holding the bids (bid bond) submitted in tenders.

15.1.19 Guarantee issued in favour of K-Electric by bank on behalf of the Company amounted to Rs. 0.83 million (2019:Rs.0.83 million) as performance security for goods to be supplied by the Company.

Subsidiary Company

15.1.20 Guarantees issued in favour of Wah Industries by bank on behalf of the Subsidiary Company amounted to Rs. 62.55 million (2019: Rs. 59.11 million)

15.1.21 Guarantees issued in favour of Collector of Custom by bank on behalf of the Subsidiary Company amounted to Rs. 3.55 million (2019: Rs. 4.39 million)

15.1.22 Guarantees issued in favour of K-Electric by bank on behalf of the Subsidiary Company amounted to Rs. 8.67 million (2019:Rs.8.67 million)

15.2 Commitments

Holding Company and the Subsidiary Company

15.2.1 Capital expenditure commitments outstanding as at 30 June 2019 amounted to Rs. 306 million (2019: Rs. 470 million).

15.2.2 Commitments under letters of credit for raw materials and stores and spares as at 30 September amounted to Rs. 6,530 million (2019: Rs. 12,719 million).

15.2.3 Unavailed facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 24,642 million (2019: Rs. 19,258 million) and Rs. 1,724 million (2019: Rs. 1,846 million) respectively.

Holding Company

15.2.4 Commitments under purchase contracts as at 30 June 2019 amounted to Rs. 701.2 million (2019: Rs.243.5 million).

15.2.5 Posdated cheques issued in favour of Collector of Customs for imported items cleared under manufacturing bond amounted to Rs. 2,881.3 million (2019:Rs. 3,107.93 million)

15.2.6 Posdated cheques issued in favour of Collector of Customs for differential of sales tax on imports of machinery amounted to Rs. 10.7 million (2019:Rs. 14.3 million)

15.2.7 Posdated cheques issued in favour of Collector of Customs for various disputed claims amounted to Rs. 166.83 million (2019: Rs. 166.83 million)

16. NET SALES

	Three months ended	
	30 September 2019	30 September 2018
	------(Rupees in '000)-----	
Local	16,328,253	15,622,546
Export	2,533,366	2,213,890
	18,861,619	17,836,436
Sales Tax	(2,332,809)	(2,264,577)
Trade discounts & commission	(509,277)	(219,930)
Export commission and discounts	(5,816)	(136,035)
	(2,847,902)	(2,620,542)
	16,013,717	15,215,894

16.1. DISAGGREGATION OF REVENUE

As required for the condensed interim financial statements, the Company disaggregation revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

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In the following table revenue is disaggregated by primary geographical markets and major product lines:

	Three months ended	
	30 September 2019	30 September 2018
	----- (Rupees in '000) -----	
Primary geographical markets:		
Local	13,486,167	13,221,934
Asia	1,028,808	537,344
Europe	556,995	376,850
Africa	287,124	22,731
Americas	762,933	1,057,035
	16,122,027	15,215,894
Major product lines:		
Steel segment	15,566,921	14,936,509
Polymer segment	446,796	279,385
	16,013,717	15,215,894
17. COST OF SALES		
<i>Raw material consumed</i>		
Opening stock of raw material	6,948,424	10,219,889
Purchases	19,203,344	19,108,142
	26,151,768	29,328,031
Closing stock of raw material	(11,174,063)	(14,901,806)
	14,977,705	14,426,225
<i>Manufacturing overheads</i>		
Salaries, wages and benefits	381,924	423,018
Rent, rates and taxes	150	99
Electricity, gas and water	512,106	367,743
Insurance	9,137	8,064
Security and janitorial	15,533	14,367
Depreciation and amortization	421,637	313,775
Operational supplies and consumables	51,839	49,755
Provision for obsolescence against spares	8,512	-
Repairs and maintenance	49,970	52,273
Postage, telephone and stationery	6,723	5,029
Vehicle, travel and conveyance	13,080	11,509
Internal material handling	14,407	15,174
Environment controlling expense	638	632
Sundries	3,247	9,856
	1,488,903	1,271,294
	16,466,608	15,697,519
<i>Work-in-process</i>		
Opening stock	3,458,783	2,597,105
Closing stock	(3,587,051)	(2,652,836)
	(128,268)	(55,731)
Cost of goods manufactured	16,338,340	15,641,788
<i>Finished goods, by-products and scrap:</i>		
Opening stock	8,645,530	5,052,820
Closing stock	(10,510,555)	(7,463,906)
	(1,865,025)	(2,411,086)
	14,473,315	13,230,702

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		Three months ended	
		30 September 2019	30 September 2018
		----- (Rupees in '000) -----	
18	SELLING & DISTRIBUTION EXPENSES		
	Freight and forwarding expenses	207,063	153,811
	Salaries, wages and benefits	76,586	68,970
	Rent, rates and taxes	1,002	2,089
	Electricity, gas and water	3,757	2,637
	Insurance	1,923	1,612
	Depreciation and amortization	15,615	5,643
	Repair and maintenance	183	153
	Advertising and sales promotion	26,965	34,024
	Postage, telephone and stationery	2,856	2,067
	Office supplies	6	56
	Vehicle, travel and conveyance	13,516	14,949
	Certification and registration charges	476	638
	Others	6,316	2,430
		356,264	289,079
19	ADMINISTRATIVE EXPENSES		
	Salaries, wages and benefits	96,647	96,186
	Rent, rates and taxes	379	1,544
	Electricity, gas and water	1,481	1,560
	Insurance	849	620
	Depreciation and amortization	7,910	5,255
	Repair and maintenance	361	509
	Postage, telephone and stationery	3,504	4,429
	Office supplies	101	153
	Vehicle, travel and conveyance	5,769	5,044
	Legal and professional charges	11,007	11,190
	Certifications and registration charges	5,302	1,687
	Directors' fees	4,325	3,000
	Others	9,788	9,031
		147,423	140,208
20.	FINANCE COST		
	Mark-up on:		
	- long-term borrowings	61,376	33,205
	- short-term borrowings	544,612	257,975
	- diminishing musharakah	172,550	95,420
	- running musharakah	156,637	58,747
	- term murabaha	47,485	-
	Interest on Workers' Profit Participation Fund	600	-
	Interest on lease liabilities	3,198	-
	Bank charges	8,723	7,625
		995,181	452,972
21.	OTHER OPERATING EXPENSES		
	Auditors' remuneration	1,700	1,887
	Donations	3,360	9,820
	Workers' Profit Participation Fund	16,196	68,158
	Workers' Welfare Fund	6,478	27,264
	Business development expenses	1,867	2,299
		29,601	109,428

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		Three months ended	
		30 September 2019	30 September 2018
		----- (Rupees in '000) -----	
22. OTHER INCOME			
Income from non-financial assets			
Income from power generation	22.1	3,886	8,432
Recovery of shared cost		-	56
Gain on disposal of property, plant and equipment		5,539	35,808
Rental income		487	487
Exchange gain / (loss) - net		978	127,370
Others		4,156	8,774
Income on financial assets			
Interest on bank deposits		1,344	2,127
		16,390	183,054
22.1. Income from power generation			
Net sales		170,801	124,332
Cost of electricity produced		(166,915)	(115,900)
		3,886	8,432
23. TAXATION			
Current			
- for the year		253,394	459,444
- for prior years		(16,000)	
Deferred		(162,558)	(111,945)
		74,836	347,499
24. CASH AND CASH EQUIVALENTS			
Cash and bank balances		377,942	725,181
Running finance under mark-up arrangement from banks	13	(13,301,846)	(10,089,435)
Short-term borrowing under Money Market scheme maturing within three months		(4,125,000)	-
Short-term borrowing under Running Musharakah	13	(3,385,417)	(3,553,721)
		(20,434,321)	(12,917,975)

25. TRANSACTIONS WITH RELATED PARTIES

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

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

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

**Notes to the Condensed Interim
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	Three months ended	
	30 September 2019	30 September 2018
	----- (Rupees in '000) -----	
Associated companies		
Sales	122,693	334,119
Purchases	9,103,351	12,538,353
Reimbursement of expenses	458	1,304
Insurance premium	857	-
Insurance claim	-	5,680
Rental income	1,365	487
Dividend distribution	120,161	122,177
Bonus shares issued	576	-
Dividend income	6,092	21,324
Registration and training	-	245
Subscription	2,100	-
Services	15,581	-
Key management personnel		
Remuneration	129,444	133,534
Staff retirement funds		
Contribution paid	47,144	31,511
Non-executive directors		
Directors' fees	4,325	3,000
Reimbursement of Chairman's expenses	2,353	2,449

26 SEGMENT REPORTING

The Group has identified steel coils & sheets, steel pipes, polymer and investments as reportable segments.

26.1 SEGMENT REVENUE AND RESULTS

SEGMENTS	Steel Coils & Sheets	Steel Pipes	Polymer	Investment	Total
	----- (Rupees in '000) -----				
For the three month ended 30 September 2019					
Sales	10,747,814	4,819,107	446,796	-	16,013,717
Cost of sales	(9,598,865)	(4,462,283)	(412,167)	-	(14,473,315)
Gross Profit	1,148,949	356,824	34,629	-	1,540,402
Selling and distribution expenses	(139,083)	(201,028)	(16,153)	-	(356,264)
Administrative expenses	(61,760)	(80,038)	(5,625)	-	(147,423)
	(200,843)	(281,066)	(21,778)	-	(503,687)
Financial charges	(667,214)	(298,448)	(29,519)	-	(995,181)
Other operating charges	(24,369)	(6,217)	985	-	(29,601)
	(691,583)	(304,665)	(28,534)	-	(1,024,782)
Other income	64,533	(48,143)	-	-	16,390
Share of loss in equity accounted investee - net of tax	-	-	-	(6,113)	(6,113)
Profit before taxation	321,056	(277,050)	(15,683)	(6,113)	22,210
Taxation	-	-	-	-	(74,836)
Loss after taxation	-	-	-	-	(52,626)

Notes to the Condensed Interim Consolidated Financial Statements (Un-audited)
For the three months ended 30 September 2019

	Steel Coils & Sheets	Steel Pipes	Polymer	Investment	Total
	----- (Rupees in '000) -----				
For the three month ended 30 September 2018					
Sales	9,340,881	5,595,628	279,385	-	15,215,894
Cost of sales	(7,994,342)	(4,983,171)	(253,189)	-	(13,230,702)
Gross Profit	1,346,539	612,457	26,196	-	1,985,192
Selling and distribution expenses	(107,409)	(177,071)	(4,599)	-	(289,079)
Administrative expenses	(65,870)	(70,491)	(3,847)	-	(140,208)
Impairment reversal on trade debts	9,104				9,104
	(173,279)	(238,458)	(8,446)	-	(420,183)
Financial charges	(285,357)	(150,049)	(17,566)	-	(452,972)
Other operating charges	(94,836)	(14,480)	(112)	-	(109,428)
	(380,192)	(164,530)	(17,678)	-	(562,400)
Other income	78,196	104,858	-	-	183,054
Share of profit in equity accounted investee - net of tax				13,592	13,592
Profit before taxation	871,264	314,327	72	13,592	1,199,255
Taxation					(347,499)
Profit after taxation					851,756

26.2 SEGMENT ASSETS & LIABILITIES

SEGMENTS	Steel Coils & Sheets	Steel Pipes	Polymer	Investments	Total
	----- (Rupees in '000) -----				
As at 30 September 2019 - Un-audited					
Segment assets	44,843,082	17,541,070	2,008,480	1,094,528	65,487,159
Segment liabilities	29,998,693	9,178,577	1,116,301	-	40,293,571
As at 30 June 2019 - Audited					
Segment assets	35,124,694	18,725,225	2,139,907	1,014,685	57,004,511
Segment liabilities	24,604,478	10,160,755	1,226,029	-	35,991,262

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

	30 September 2019 (Un-audited)	30 June 2019 (Audited)
Total reportable segments assets	65,487,159	57,004,511
Unallocated assets	6,351,469	5,683,702
Total assets as per Balance Sheet	71,838,628	62,688,213
Total reportable segments liabilities	40,293,571	35,991,262
Unallocated liabilities	11,526,328	6,071,342
Total liabilities as per Balance Sheet	51,819,899	42,062,604

26.3 The Group does not consider sale of electricity to KE as separate reportable segment as the power plants of the Group are installed primarily to supply power to its own manufacturing facilities and any excess electricity is sold to KE.

**Notes to the Condensed Interim
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27 MEASUREMENT OF FAIR VALUES

The following table shows the carrying amounts and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

30 September 2019								
	Carrying amount				Total	Fair Value		
	Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities		Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets								
Investment - quoted Company	-	1,094,528	-	-	1,094,528	714,098	-	-
30 June 2019								
	Carrying amount				Total	Fair Value		
	Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities		Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets								
Investment - quoted Company	-	1,014,685	-	-	1,014,685	1,138,987	-	-

Management assessed that the fair values of cash & cash equivalent and short-term deposits, other receivable, trade receivables, trade payables, short term borrowing and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. For long term deposit assets and long term liabilities management consider that their carrying values approximates fair value.

28 GENERAL

28.1 Corresponding figures

Corresponding figures have been reclassified for the purposes of comparison and better presentation. These reclassifications have no impact on previously reported profit or equity of the Group. Earnings per share for the corresponding period without considering the impact of bonus shares declared for the year ended 30 June 2019 was Rs.4.37.

28.2 Date of authorization for issue

This consolidated financial information was authorized for issue by the Board of Directors on 18 October 2019.


Ehsan A. Malik
Director & Chairman
Board Audit Committee


M. Hanif Idrees
Chief Financial Officer


Riyaz T. Chinoy
Chief Executive Officer



Promising Reliability, For Now and Tomorrow

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Centre No.1 Multan Cantt, Multan
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Main University Road, Peshawar
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