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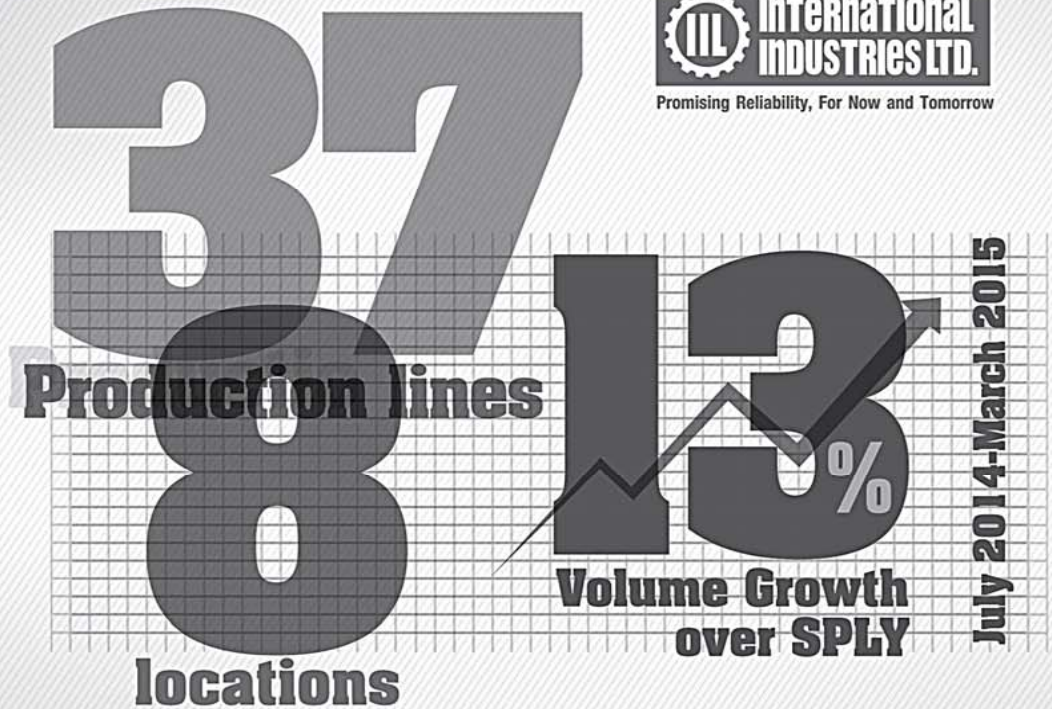
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Promising Reliability, For Now and Tomorrow



**Unaudited Financial Statements
Third Quarter Ended March 31, 2015**



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

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VISION

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

III. MANUFACTURING RANGE

STEEL PIPE

IIL KARACHI - GI PIPE (GALVANIZED IRON PIPE AND BLACK PIPE)

Diameters: 15mm (½"), 20mm (¾"), 25mm (1"), 40mm (1 ¼"), 40mm (1 ½"), 50mm (2"), 65mm (2 ½"), 80mm (3"), 100mm (4"), 125mm (5") and 150mm (6")
Wall Thickness: From 1.80mm to 5.40mm
Standards: ASTM A53, SLS 829, BS EN 10255, BS EN 39, DIN 2440 & 2441, BS EN 10226-1, BS EN 10240, ISO 65, CE Marked

IIL KARACHI - STEEL TUBE (COLD ROLLED STEEL TUBE)

Sizes: Round: 9mm to 75.90mm | Square: 10mm to 50mm | Rectangle: 10x20, 12x38, 15x30, 20x40, 25x40, 25x50, 30x50, 30x60, 40x80 (in mm) | Elliptical: 13x23, 19x42, 24x56 (in mm) | Oval: 16x30, 16x40, 30x50 (in mm)
Wall thickness: From 0.60mm to 2.00mm
Standards: BS 1717, BS EN 10296-1, BS EN 10305-3, BS EN 10305-5 and others upon request.

CR 1B TUBE (HIGH TENSILE STEEL TUBE)

Diameters: 10mm to 60.30mm
Wall thickness: From 0.60mm to 2.60mm

API LINE PIPE (FOR GAS DISTRIBUTION, UNDER API LICENSE 5L-0391)

Diameters: 26.7mm (¾"), 33.4mm (1"), 60.30mm (2 3/8"), 114.30mm (4") and 168.30mm (6")
Wall Thickness: From 2.87mm to 4.78mm
Standards: API 5L, ASTM A53 and others upon request

COLD ROLLED STRIPS & COILS

Thickness: From 0.60mm to 2.60mm
Standards: JIS G3141 and others upon request

L, T & Z PROFILES (FOR DOOR AND WINDOW FRAMES AND 'D' PROFILE FOR RAILINGS)

Shape/Size: L-40, L-48, L-55, T-48, T-60, Z-48, Z-60 and D-60
Thickness: From 0.70mm to 0.90mm (Except D-60 which is upto 1.20mm)

SAFESCAPE (SCAFFOLDING TUBE)

Diameter: 48.3 mm (1 ½")
Thickness: 2.90mm, 3.00mm, 3.2mm and 4.0mm
Standards: 2.90mm and 3.00mm are as per guide lines of EN39, whereas 3.2mm and 4.0mm are as per EN39 standard

POLYETHYLENE PIPE

PLUMBO (THE FINEST PPRC PIPE FOR HOT AND COLD WATER DISTRIBUTION)

Diameters: 20mm to 110mm
Standards: DIN 8077, DIN 8078 standard

MEGAFLOW (HDPE WATER PIPE)

Diameters: 16mm to 630mm
Standards: ISO 4427, DIN 8074, DIN 8075

TERRAFLOW (HDPE WATER PIPE)

Diameters: 16mm to 630mm
Standards: DIN 8074, DIN 8075

HDPE DUCT PIPE

Diameters: 12mm to 630mm (without internal solid lubrication)
12mm to 630mm (with internal ribs)
12mm to 125mm (with internal solid lubrication)
Standards: ASTM F-2160, National, International and IIL Standards

MDPE/HDPE GAS PIPE (FOR GAS DISTRIBUTION UNDER API LICENSE 15LE 0014)

Diameters: ¾" to 25" and 20mm to 630mm
Standards: ISO 4437, ASTM D-2513, API 15LE, BGC/PS/PL2: Part-I, SSGC & SNGPL Specification

FLEXFLO (FOR HOT AND COLD WATER DISTRIBUTION)

Diameters: 16mm to 50mm
Standards: ISO 15875

IIL STAINLESS STEEL TUBE

IIL COSMO (PREMIUM STAINLESS STEEL TUBING)

Diameters: 12.7mm (½"), 25.4mm (1"), 31.8mm (1 ¼"), 38.1mm (1 ½") and 50.8mm (2")
Standards: ASTM A240 & A554, JIS G-4305

IIL FORZA (AUTOMOTIVE STAINLESS STEEL TUBING)

Diameters: 12.7mm (½"), 22.2mm (7/8"), 25.4mm (1"), 31.8mm (1 ¼"), 38.1mm (1 ½") and 50.8mm (2")
Standards: ASTM A240 & A554

IIL HYDRA (PREMIUM STAINLESS STEEL WATER TUBING)

Diameters: 9.52mm (3/8"), 12.70mm (½"), 15.88mm (5/8"), 22.20mm (7/8"), 25.40mm (1"), 28.58mm (1 1/8"), 31.80mm (1 ¼"), 34.00mm (1 3/8"), 38.00mm (1 ½"), 42.70mm (1 5/8"), 48.60mm (1 7/8"), 50.80mm (2") and 60.50mm (2 3/8")
Standards: JIS G-3448, also manufactured as per standard BS EN 10312

Company Information

Board of Directors

Chairman

Mr. Zaffar A. Khan

Independent Chairman

Directors

Mr. Mustapha A. Chinoy

Non-executive Director

Mr. Kamal A. Chinoy

Non-executive Director

Mr. Fuad Azim Hashimi

Non-executive Director

Mr. Azam Faruque

Independent Director

Mr. Tariq Ikram

Independent Director

Mr. Aly Noormahomed Rattansey

Independent Director

Ms. Nargis Ghaloo

Non-executive Director

Chief Executive Officer

Mr. Riyaz T. Chinoy

Executive Director

Chief Financial Officer

Mr. Nadir Akbarali Jamal

Company Secretary

Mr. Yasir Ali Quraishi

External Auditors

KPMG Taseer Hadi & Co

Chief Internal Auditor

Mr. Talha Bin Hamid

Internal Auditors

Ernst & Young Ford Rhodes Sidat Hyder & Co

Bankers

Bank AL Habib Ltd

Barclays Bank PLC

Faysal Bank Ltd

Habib Bank Ltd

MCB Bank Ltd

Meezan Bank Ltd

NIB Bank Ltd

Samba Bank Ltd

Soneri Bank Ltd

Standard Chartered Bank Ltd

United Bank Ltd

Legal Advisor

Mrs. Sana Shaikh Fikri and Mr. Ameen Bandukda

Registered Office

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Phone: +9221-35680045-54 / UAN: 021-111 019 019

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Phone: +9242-37229752-55 / UAN: 042-111 019 019

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Factories

Factory 1

LX 15-16, Landhi Industrial Area, Karachi – 75120

Phone: +9221 35080451-55

Fax: +9221 35082403

E-mail: factory@iil.com.pk

Factory 2

Survey # 405 to 406, Rehri Road, Landhi,

Karachi – 75160

Phone: +9221 35017027-28, 35017030

Fax: 9221 35013108

Factory 3

22 KM, Sheikhpura Road, Lahore

Website

www.iil.com.pk

Share Registrar

Central Depository Company of Pakistan Ltd.

CDC House, 99-B, Block B, S.M.C.H.S,

Shahra-e-Faisal, Karachi

Phone: +9221-111 111 500 Fax: +9221-34326053

Email: info@cdcpak.com

Directors' Report

The Directors are pleased to present the condensed interim financial information for the nine month period ended March 31, 2015.

Your company achieved gross sales of Rs. 14.5 billion which is 8.9% higher than the corresponding period last year. Domestic steel sales volume remained roughly unchanged from the same period last year. However, export sales volumes grew by almost 40% as compared to the corresponding period last year.

The plastics segment of the Company achieved a year on year growth in volumes of approximately 20%, making this segment profitable as compared to having reported a loss last year.

Profit after tax for the period ended March 31, 2015 was Rs. 413 million, which is 54.6% higher than the same period last year. The boost in earnings is primarily due to receipt of a dividend from International Steels Limited (ISL) of Rs. 245 million in the second quarter. Thus IIL's overall earnings per share stands at Rs. 3.44 against a reported EPS of Rs. 2.23 for the corresponding period last year.

International Steels Ltd. (ISL), which we own 56.33%, ended the period with gross sales of Rs. 14.8 billion, a decrease of 16.1% over the same period last year. ISL's Loss After Tax for nine months period ended March 31, 2015 was Rs. 0.9 million against Profit After Tax of Rs. 546 million in the same period last year.

IIL Australia Pty Limited recorded a sale of Rs.81.8m with a profit after taxation of Rs.1.1m for the period under review which has been a challenging period for the steel industry globally.

The Steel prices have witnessed a sharp decline of roughly 30% year to date. The global steel industry is in gross oversupply due to idle capacity. On the domestic front, the Government of Pakistan (GOP) has levied a regulatory duty (RD) on HR coil, our basic raw material, whereby the duty of HR coil is now 17.5% whereas duty on Cold rolled coil (CRC) remains at 10%. By not following the cascading principle the Government of Pakistan has forced the closure of our Cold rolling mill as it is now cheaper to buy CRC than to buy HRC and roll CRC from it.

Looking ahead, the Company is hopeful that the demand for steel in the domestic market will pick up in the last quarter of this financial year. Similarly, the demand for our products in the export markets is also expected to hold out despite falling steel prices. However, the decline in price of steel and other commodities may squeeze the profit margins.

IIL Stainless Steel (Private) Limited, which was incorporated in November 2014 as a fully owned subsidiary, commenced commercial production on 1st April 2015. The company is now engaged in the manufacturing and marketing of high quality stainless steel pipes and tubes for automotive, industrial as well as ornamental uses.

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

For & on behalf of
International Industries Limited



Zaffar A. Khan
Chairman

Date: 25 April, 2015

Karachi

Condensed Interim Unconsolidated Balance Sheet (Un-audited)

As at 31 March 2015

| | Note | (Un-audited) 31 March 2015 | (Audited) 30 June 2014 |
|-----------------------------------------------------------------------------------------|------|----------------------------------|------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 3,623,127 | 3,502,052 |
| Intangible assets | | 11,260 | 9,029 |
| Investments | 6 | 2,742,705 | 2,592,705 |
| Long-term deposits | | 7,233 | 4,488 |
| Long-term prepayments | | 3,333 | 4,835 |
| | | <u>6,387,658</u> | <u>6,113,109</u> |
| Current assets | | | |
| Stores and spares | | 148,772 | 135,137 |
| Stock-in-trade | 7 | 4,589,323 | 6,671,260 |
| Trade debts | 8 | 2,493,282 | 2,268,337 |
| Advances | 9 | 162,420 | 33,460 |
| Trade deposits and short-term prepayments | 10 | 8,943 | 7,460 |
| Other receivables | 11 | 38,836 | 49,883 |
| Sales Tax refundable | | - | 318,123 |
| Taxation - net | | 485,391 | 577,539 |
| Bank balances | | 36,380 | 72,261 |
| | | <u>7,963,347</u> | <u>10,133,460</u> |
| Total assets | | <u>14,351,005</u> | <u>16,246,569</u> |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Authorised capital 200,000,000 (2014: 200,000,000) ordinary shares of Rs. 10 each | | <u>2,000,000</u> | <u>2,000,000</u> |
| Issued, subscribed and paid-up capital | | 1,198,926 | 1,198,926 |
| Reserves | 12 | 3,228,971 | 3,223,586 |
| Total equity | | <u>4,427,897</u> | <u>4,422,512</u> |
| Surplus on revaluation of property, plant and equipment | | 1,569,595 | 1,581,636 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long-term financing - secured | 13 | 317,992 | 300,000 |
| Staff retirement benefits | | 79,068 | 79,068 |
| Deferred taxation - net | 14 | 155,131 | 188,942 |
| | | <u>552,191</u> | <u>568,010</u> |
| Current liabilities | | | |
| Trade and other payables | 15 | 859,100 | 3,160,417 |
| Short-term borrowings - secured | 16 | 6,469,077 | 6,277,234 |
| Current portion of long-term financing | 13 | 150,000 | 150,000 |
| Sales tax payable | | 264,160 | - |
| Accrued mark-up | | 58,985 | 86,760 |
| | | <u>7,801,322</u> | <u>9,674,411</u> |
| Total liabilities | | <u>8,353,513</u> | <u>10,242,421</u> |
| Contingencies and commitments | 17 | - | - |
| Total equity and liabilities | | <u>14,351,005</u> | <u>16,246,569</u> |

The annexed notes 1 to 31 form an integral part of this condensed interim unconsolidated financial information.


Fuad Azim Hashimi
Director & Chairman
Board Audit Committee


Nadir Akbarali Jamal
Chief Financial Officer


Riyaz T. Chinoy
Chief Executive Officer

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


For the nine months period ended 31 March 2015

| | Note | Nine months period ended | | Quarter ended | |
|-----------------------------------------------|------|--------------------------|------------------|------------------|------------------|
| | | 31 March 2015 | 31 March 2014 | 31 March 2015 | 31 March 2014 |
| ----- (Rupees in '000) ----- | | | | | |
| Net sales | 18 | 12,762,331 | 11,667,422 | 4,558,688 | 4,125,313 |
| Cost of sales | 19 | (11,648,128) | (10,233,657) | (4,174,730) | (3,660,205) |
| Gross profit | | 1,114,203 | 1,433,765 | 383,958 | 465,108 |
| Selling and distribution expenses | 20 | (425,146) | (454,481) | (141,181) | (159,687) |
| Administrative expenses | 21 | (127,086) | (136,875) | (45,472) | (47,795) |
| | | (552,232) | (591,356) | (186,653) | (207,482) |
| Financial charges | 22 | (390,745) | (517,132) | (146,540) | (157,453) |
| Other operating charges | 23 | (61,888) | (86,805) | (9,751) | (56,440) |
| | | (452,633) | (603,937) | (156,291) | (213,893) |
| Other income | 24 | 367,775 | 102,826 | 39,283 | 11,791 |
| Profit before taxation | | 477,113 | 341,298 | 80,297 | 55,524 |
| Taxation | 25 | (64,145) | (74,300) | (14,845) | (12,109) |
| Profit after taxation for the period | | 412,968 | 266,998 | 65,452 | 43,415 |
| ----- (Rupees) ----- | | | | | |
| Earnings per share - basic and diluted | | 3.44 | 2.23 | 0.55 | 0.36 |

The annexed notes 1 to 31 form an integral part of this condensed interim unconsolidated financial information.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Nadir Akbarali Jamal
Chief Financial Officer



Riyaz T Chinoy
Chief Executive Officer

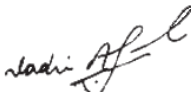
Condensed Interim Unconsolidated Statement of Comprehensive Income (Un-audited)

For the nine months period ended 31 March 2015

| Note | Nine months period ended | | Quarter ended | |
|-------------------------------------------|-----------------------------|------------------|------------------|------------------|
| | 31 March 2015 | 31 March 2014 | 31 March 2015 | 31 March 2014 |
| | ------(Rupees in '000)----- | | | |
| Profit after taxation for the period | 412,968 | 266,998 | 65,452 | 43,415 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the period | <u>412,968</u> | <u>266,998</u> | <u>65,452</u> | <u>43,415</u> |

The annexed notes 1 to 31 form an integral part of this condensed interim unconsolidated financial information.


Fuad Azim Hashimi
Director & Chairman
Board Audit Committee


Nadir Akbarali Jamal
Chief Financial Officer


Riyaz T Chinoy
Chief Executive Officer

Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)


For the nine months period ended 31 March 2015

| | Note | Nine months period ended | |
|------------------------------------------------------------|------|--------------------------|--------------------|
| | | 31 March 2015 | 31 March 2014 |
| (Rupees in '000) | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 477,113 | 341,298 |
| Adjustments for: | | | |
| Depreciation and amortisation | | 186,995 | 171,911 |
| Provision for doubtful debts | | 6,644 | 7,564 |
| Interest on bank deposits | 24 | (1,921) | (1,572) |
| (Gain) / loss on disposal of property, plant and equipment | 24 | (17,299) | 3,009 |
| Dividend income | | (255,972) | (9,704) |
| Amortisation of long-term prepayments | | 1,502 | (6,000) |
| Financial charges | 22 | 390,745 | 517,132 |
| | | <u>787,807</u> | <u>1,023,638</u> |
| Movement in: | | | |
| Working capital | 26 | (29,491) | (558,830) |
| Long-term deposits | | (2,745) | (60) |
| | | <u>755,571</u> | <u>464,748</u> |
| Net cash generated in operations | | | |
| Financial charges paid | | (418,520) | (302,150) |
| Taxes paid | | (5,808) | (514,864) |
| Net cash generated / (used) in operating activities | | <u>331,243</u> | <u>(352,266)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure incurred | | (306,302) | (150,276) |
| Investment in subsidiary company | | (150,000) | - |
| Proceeds from disposal of property, plant and equipment | | 29,411 | 14,436 |
| Dividend income received | | 255,972 | 9,704 |
| Interest income received | | 1,921 | 1,700 |
| Net cash used in investing activities | | <u>(168,998)</u> | <u>(124,436)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of long-term financing | | 17,992 | - |
| Dividends paid | | (407,961) | (416,626) |
| Net cash used in financing activities | | <u>(389,969)</u> | <u>(416,626)</u> |
| Net increase in cash and cash equivalents | | <u>(227,724)</u> | <u>(893,328)</u> |
| Cash and cash equivalents at beginning of the period | | (6,204,973) | (7,151,568) |
| Cash and cash equivalents at end of the period | | <u>(6,432,697)</u> | <u>(8,044,896)</u> |
| Cash and cash equivalents comprise: | | | |
| Bank balances | | 36,380 | 88,230 |
| Short term borrowings | 16 | (6,469,077) | (8,133,126) |
| | | <u>(6,432,697)</u> | <u>(8,044,896)</u> |

The annexed notes 1 to 31 form an integral part of this condensed interim unconsolidated financial information.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Nadir Akbarali Jamal
Chief Financial Officer



Riyaz T Chinoy
Chief Executive Officer

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

For the nine months period ended 31 March 2015

| | Issued, subscribed and paid-up capital | Reserves | | Total reserves | Total |
|---------------------------------------------------------------------------------------------|-------------------------------------------------|---------------------|-------------------------------|-------------------|------------------|
| | | General reserves | Un- appropriated profit | | |
| (Rupees in '000) | | | | | |
| Balance as at 1 July 2013 | 1,198,926 | 1,848,736 | 1,291,496 | 3,140,232 | 4,339,158 |
| Changes in equity for the nine months period ended 31 March 2014: | | | | | |
| Total comprehensive income for the nine months period ended 31 March 2014 | | | | | |
| Profit for the period | - | - | 266,998 | 266,998 | 266,998 |
| Other Comprehensive income for the period | - | - | - | - | - |
| Total Comprehensive income for the period | - | - | 266,998 | 266,998 | 266,998 |
| Dividend | | | | | |
| -Final dividend @ 22.50% (Rs. 2.25 per share) for the year ended 30 June 2013 | - | - | (269,758) | (269,758) | (269,758) |
| -Interim dividend @ 12.50 % (Rs. 1.25 per share) for the year ended 30 June 2014 | - | - | (149,866) | (149,866) | (149,866) |
| Total transactions with owners - distributions | - | - | (419,624) | (419,624) | (419,624) |
| Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax | - | - | 12,041 | 12,041 | 12,041 |
| Balance as at 31 March 2014 | <u>1,198,926</u> | <u>2,700,036</u> | <u>299,611</u> | <u>2,999,647</u> | <u>4,198,573</u> |
| Balance as at 1 July 2014 | 1,198,926 | 2,700,036 | 523,550 | 3,223,586 | 4,422,512 |
| Changes in equity for the nine months period ended 31 March 2015: | | | | | |
| Total comprehensive income for the nine months period ended 31 March 2015 | | | | | |
| Profit for the period | - | - | 412,968 | 412,968 | 412,968 |
| Other Comprehensive income for the period | - | - | - | - | - |
| Total Comprehensive income for the period | - | - | 412,968 | 412,968 | 412,968 |
| Transactions with owners recorded directly in equity - distributions: | | | | | |
| Dividend | | | | | |
| -Final dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2014 | - | - | (239,785) | (239,785) | (239,785) |
| -Interim dividend @ 15.00% (Rs. 1.50 per share) for the year ending 30 June 2015 | - | - | (179,839) | (179,839) | (179,839) |
| Total transactions with owners - distributions | - | - | (419,624) | (419,624) | (419,624) |
| Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax | - | - | 12,041 | 12,041 | 12,041 |
| Balance as at 31 March 2015 | <u>1,198,926</u> | <u>2,700,036</u> | <u>528,935</u> | <u>3,228,971</u> | <u>4,427,897</u> |

The annexed notes 1 to 31 form an integral part of this condensed interim unconsolidated financial information.


Fuad Azim Hashimi
Director & Chairman
Board Audit Committee


Nadir Akbarali Jamal
Chief Financial Officer


Riyaz T Chinoy
Chief Executive Officer

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

For the nine months period ended 31 March 2015

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim unconsolidated financial information for the nine months ended 31 March 2015 has been prepared in accordance with the requirements of International Accounting Standards 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In instances where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, have been followed.

This condensed interim unconsolidated financial information does not include all the information required for full annual financial statements and should be read in conjunction with the audited annual separate financial statements of the Company as at and for the year ended 30 June 2014.

The comparative Balance Sheet presented in this condensed interim unconsolidated financial information has been extracted from the audited annual separate financial statements of the Company for the year ended 30 June 2014, whereas the comparative condensed interim Profit and Loss Account, condensed interim Statement of Comprehensive Income, condensed interim Cash Flow Statement and condensed interim Statement of Changes in Equity are extracted from the unaudited condensed interim unconsolidated financial information for the period ended 31 March 2014.

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3. ACCOUNTING POLICIES

- 3.1. The accounting policies and methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in the preparation of audited annual separate financial statements of the Company as at and for the year ended 30 June 2014.

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

For the nine months period ended 31 March 2015

3.2 Amendments and interpretation to approved accounting standards effective during the period
Certain amendments 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.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

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

4.2. The significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statement as at and for the year ended 30 June 2014.

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 2014.

5. PROPERTY, PLANT AND EQUIPMENT

| | Operating assets | Capital work - - in - progress (Rupees in '000) | Total |
|----------------------------------------------------------------|---------------------|-------------------------------------------------------|--------------------|
| Cost / revalued amount | | | |
| Opening balance | 5,342,086 | 43,990 | 5,386,076 |
| Additions | 163,427 | 320,807 | 484,234 |
| Deletions / transfers | (65,691) | (163,427) | (229,118) |
| | <u>5,439,822</u> | <u>201,370</u> | <u>5,641,192</u> |
| Accumulated depreciation | | | |
| Opening balance | (1,884,024) | - | (1,884,024) |
| Disposal | 49,644 | - | 49,644 |
| Charge for the period | (183,685) | - | (183,685) |
| | <u>(2,018,065)</u> | <u>-</u> | <u>(2,018,065)</u> |
| Written down value as at 31 March 2015 (Un-audited) | <u>3,421,757</u> | <u>201,370</u> | <u>3,623,127</u> |
| Written down value as at 30 June 2014 (Audited) | <u>3,458,062</u> | <u>43,990</u> | <u>3,502,052</u> |

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

For the nine months period ended 31 March 2015

6. INVESTMENTS

| 31 March 2015 (Un-audited) | 30 June 2014 (Audited) | | 31 March 2015 (Un-audited) | 30 June 2014 (Audited) |
|----------------------------------|------------------------------|-----------------------------------------------------------------------------|----------------------------------|------------------------------|
| Number of shares | | | (Rupees in '000) | |
| Quoted Companies | | | | |
| 245,055,543 | 245,055,543 | International Steels Limited (ISL) - subsidiary company at cost | 6.1 2,450,555 | 2,450,555 |
| 2,425,913 | 2,425,913 | Pakistan Cables Limited (PCL) - associate company at cost | 6.2 132,982 | 132,982 |
| Un-quoted company | | | | |
| 100,000 | 100,000 | IIL Australia (Pty) Limited (IIL Australia) - subsidiary company at cost | 6.3 9,168 | 9,168 |
| 15,000,000 | - | IIL Stainless Steel (Pvt.) Limited (IIL SS) - subsidiary company at cost | 6.4 150,000 | - |
| | | | <u>2,742,705</u> | <u>2,592,705</u> |

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

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

6.3 The Company holds 100% ownership interest in IIL Australia Pty Limited. The Chief Executive Officer of IIL Australia Pty Ltd is Mr. Sohail Raza Bhojani.

6.4 The Company holds 100% ownership interest in IIL Stainless Steel (Pvt.) Limited. The Subsidiary Company was incorporated on 28 November, 2014. The Chief Executive of IIL SS is Mr. Khawar Bari. During the period, owing to the pending completion of the formalities for opening of bank account of IIL SS, certain payments were made by the Company which were later settled accordingly.

6.5 Market value of the aforementioned quoted investments is as follows:

| | 31 March 2015 (Un-audited) | 30 June 2014 (Audited) |
|------------------------------|----------------------------------|------------------------------|
| Quoted | | |
| International Steels Limited | 5,886,234 | 5,648,530 |
| Pakistan Cables Limited | 319,662 | 241,985 |

6.6 The book value of IIL Australia based on un-audited financial statements as at 31 March 2015 was Australia Dollars 121,000 (Rs. 9.4 million). [30 June 2014: AUD 100,000 (Rs. 9.3 million)]. The difference between the book value and our investment is represented by AUD 21,000 profit earned by IIL Australia Pty Ltd and exchange loss on the investment. The Company is incorporated in Victoria, Australia.

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

For the nine months period ended 31 March 2015

- 6.7 The book value of IIL SS based on un-audited financial statements as at 31 March 2015 was Rs.148.9 million. The Company is incorporated in Pakistan.

| | 31 March 2015 (Un-audited) | 30 June 2014 (Audited) |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------|
| | (Rupees in '000) | |
| 7. STOCK-IN-TRADE | | |
| Raw materials - in hand | 1,943,275 | 3,519,254 |
| - in transit | - | 595,652 |
| | <u>1,943,275</u> | <u>4,114,906</u> |
| Work-in-process | 646,942 | 1,102,542 |
| Finished goods | 1,908,525 | 1,414,234 |
| By-product | 88,632 | 26,835 |
| Scrap material | 1,949 | 12,743 |
| | <u>4,589,323</u> | <u>6,671,260</u> |
| 7.1 Raw materials amounting to Rs. 6.55 million (30 June 2014: Rs. 5.20 million) was held at vendor premises for the production of pipe caps. | | |
| 8. TRADE DEBTS | | |
| Considered good : | | |
| - Secured | 891,697 | 977,142 |
| - Unsecured | 1,601,585 | 1,291,195 |
| Considered doubtful | 47,421 | 40,777 |
| | <u>2,540,703</u> | <u>2,309,114</u> |
| Provision for doubtful debts | (47,421) | (40,777) |
| | <u>2,493,282</u> | <u>2,268,337</u> |
| 8.1 Related parties from whom debts are due are as under: | | |
| Sui Southern Gas Company Limited | 71,335 | 15,496 |
| Pakistan Cables Limited | 261 | - |
| Fauji Fertilizer Company Limited | 72 | - |
| IIL Australia Pty Limited | 95,553 | 6,944 |
| | <u>167,221</u> | <u>22,440</u> |
| 9. ADVANCES | | |
| Considered good: | | |
| - Suppliers | 136,859 | 16,964 |
| - Employees | 25,561 | 16,496 |
| | <u>162,420</u> | <u>33,460</u> |
| 10. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS | | |
| Trade deposits | 3,937 | 3,278 |
| Short-term prepayments | 5,006 | 4,182 |
| | <u>8,943</u> | <u>7,460</u> |

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

For the nine months period ended 31 March 2015

| | Note | 31 March 2015 (Un-audited) | 30 June 2014 (Audited) |
|----------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|------------------------------|
| (Rupees in '000) | | | |
| 11. OTHER RECEIVABLES | | | |
| Considered good: | | | |
| - Receivable for transmission of electricity to K-Electric | | 5,408 | 8,924 |
| - Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods | | 25,940 | 25,940 |
| - Receivable against sale of land | | 5,000 | 14,000 |
| - Others | | 2,488 | 1,019 |
| | | <u>38,836</u> | <u>49,883</u> |
| 12 Reserves | | | |
| General reserves | | 2,700,036 | 2,700,036 |
| Unappropriated profit | | 528,935 | 523,550 |
| | | <u>3,228,971</u> | <u>3,223,586</u> |
| 13. LONG-TERM FINANCING - secured | | | |
| Long-term finances utilised under mark-up arrangements | 13.1 | 467,992 | 450,000 |
| Current portion of long-term finances shown under current liabilities | | (150,000) | (150,000) |
| | | <u>317,992</u> | <u>300,000</u> |
| 13.1 | All long-term financing utilized under mark-up arrangements is secured by way of a joint equitable mortgage on all present and future lands and buildings located at Plot Number LX-15 & 16 and HX-7/4, Landhi Industrial Estate, Karachi and Survey No. 402, 405-406, Dehsharabi, Landhi Town, Karachi. | | |
| 14 Deferred taxation - net | | | |
| Deferred tax liability comprises of taxable/ (deductible) temporary differences in respect of the following: | | | |
| Taxable temporary difference: | | | |
| Accelerated tax depreciation | | 105,947 | 111,677 |
| Surplus on revaluation of buildings | | 133,552 | 137,356 |
| | | <u>239,499</u> | <u>249,033</u> |
| Deductible temporary difference: | | | |
| Provision for doubtful debts | | (15,649) | (14,272) |
| Provision for compensated absences | | (4,170) | (1,241) |
| Provision for Infrastructure Cess | | (47,088) | (25,552) |
| Provision against receivable from supplier on account of material | | - | (1,059) |
| Staff retirement benefits | | (17,461) | (17,967) |
| | | <u>155,131</u> | <u>188,942</u> |

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

For the nine months period ended 31 March 2015

| | Note | 31 March 2015 (Un-audited) | 30 June 2014 (Audited) |
|-----------------------------------------------------------|------|----------------------------------|------------------------------|
| (Rupees in '000) | | | |
| 15. TRADE AND OTHER PAYABLES | | | |
| Trade creditors | | 235,621 | 2,008,073 |
| Bills payable | | - | 581,252 |
| Accrued expenses | | 290,527 | 212,328 |
| Provision for Infrastructure Cess | | 212,974 | 172,781 |
| Short-term compensated absences | | 3,000 | 5,454 |
| Advance from customers | | 56,572 | 45,607 |
| Payable against purchase of land | | 16,111 | 98,528 |
| Workers' Profit Participation Fund & Workers Welfare Fund | | 16,650 | 23,180 |
| Unclaimed dividends | | 24,866 | 13,203 |
| Others | | 2,779 | 11 |
| | | <u>859,100</u> | <u>3,160,417</u> |

15.1 This includes amount payable to Associated Companies amounting to Rs.3.4 million (30 June 2014: 7.4 million)

16. SHORT-TERM BORROWINGS - secured

| | | | |
|------------------------------------------------------|------|------------------|------------------|
| Running finance under mark-up arrangement | 16.1 | 244,471 | 336,196 |
| Short-term borrowing under Money Market scheme | 16.2 | - | 2,840,000 |
| Short-term borrowing under Export Refinance Scheme | 16.3 | 2,884,800 | 1,000,000 |
| Running finance under FE-25 Export and Import Scheme | 16.4 | 3,339,806 | 2,101,038 |
| | | <u>6,469,077</u> | <u>6,277,234</u> |

16.1 The facilities for running finance available from various commercial banks amounted to Rs.2,282 million (30 June 2014: Rs.1,732 million). The rates of mark-up on these finances range from 8.99% to 11.13% per annum (30 June 2014: 10.38% to 11.88%). The facilities for short-term finance mature within twelve months. Unavailed facility as at 31 March 2015 is Rs 2,037.529 million (30 June 2014: 1,395.804 million).

16.2 The facilities for short-term borrowing through Money Market Scheme available from various commercial banks under mark-up arrangements amounted to Rs. 4,732 million (30 June 2014: Rs.5,087 million). These facilities are unavailed as at 31 March 2015 (30 June 2014: Rs 2,247 million).

16.3 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. 2,885 million (30 June 2014: Rs.2,522 million). The rates of mark-up on this facility are 5.50% per annum (30 June 2014: 8.90% per annum).

16.4 The Company has borrowed short-term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 from certain banks for the purpose of meeting import requirements. The facilities availed are for an amount USD 32.7 million equivalent to Rs. 3,340 million (30 June 2014: USD 21.3 million equivalent to Rs. 2,101 million). The rate of mark-up on these facilities is 2.26% - 3.20 % per annum (30 June 2014: 1.50 % to 2.58%).

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For the nine months period ended 31 March 2015

16.5 All running finance and short-term borrowing facilities are secured by way of hypothecation of all present and future fixed assets (excluding lands and buildings) and present and future current and moveable assets.

17. CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

17.1.1 Bank guarantees have been issued under certain supply contracts and to the Collector of Customs aggregating Rs.135.125 million (30 June 2014: Rs.137.5 million).

17.1.2 Custom duties amounting to Rs.357 million (30 June 2014: 713 million) on import of raw material shall be payable by the Company in case of non-fulfillment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Company has provided post-dated cheques in favour of the Collector of Customs which are, in normal course of business, to be returned to the Company after fulfilment of stipulated conditions. The Company has fulfilled the condition for the aforementioned amounts and is making efforts to retrieve the associated post-dated cheques from the customs authorities.

17.1.3 An amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Company filed a petition with the Sindh High Court in 2010 for an injunction and is awaiting the final judgement.

17.1.4 The customs authorities have charged a redemption fine of Rs. 83 million on the clearance of imported raw material consignments in 2006. The Company has filed an appeal before the Sindh High Court, which has set aside the examination reports including the subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities have filed an application for leave to appeal against the order of the High Court. The management anticipates that the chances of admission of such appeal are remote.

17.1.5 The Company has reversed the provision for the levy of Infrastructure Cess amounting to Rs.107 million in 2009 on the basis of a decision of the Sindh High Court which declared the levy of Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court against the order. In May 2011, the Supreme Court disposed off the appeal with a joint statement of the parties that, during the pendency of the appeal, another law i.e the Fifth Version, came into existence which was not the subject matter of the appeal; hence the case was referred back to the High Court with the right to appeal to the Supreme Court. On 31 May 2011, the High Court has granted an interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignments released upto 27 December 2006 and any bank guarantee / security furnished for consignments released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of the Fifth Version of the law and its retrospective application, the authorities are entitled to claim the amounts due under the said law with the right to appeal available to the petitioner. Bank guarantees amounting to Rs. 329 million have been provided to the Department in this regard.

17.1.6 As per the Gas Infrastructure and Development Cess Act 2011 (the Act), certain companies as specified in the Act (including SSGC) were allowed to collect and pay GID Cess as prescribed by the Federal Government may prescribe. As per the second schedule of the Act, GID Cess of Rs. 13 per MMBTU was payable by the Company. Through Finance Bill 2012-13, an amendment was made to the Act whereby the rate of GID Cess applicable on the Company was increased to Rs. 100 per MMBTU. On 1 August 2012, a suit was filed challenging the Act for its legality. The Sindh High Court vide its ad-interim order dated 6 September 2012 has restrained SSGC from charging GID Cess

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

For the nine months period ended 31 March 2015

above Rs. 13 per MMBTU. SSGC invoices and the Company continues to record GID Cess at Rs. 13 per MMBTU. The Peshawar High Court vide order dated 13 June 2013 declared that the provisions of the Act imposing, the impunged cess ultra vires and unconstitutional and the same position was upheld by the Supreme Court of Pakistan vide its order dated 22 August 2014.

During the nine months period ended 31 March, 2015, the Federal Government promulgated GID Cess Ordinance 2014 imposing GID at Rs. 200 per MMBTU for captive power plants and Rs. 150 per MMBTU for industrial units. The Company has filed a constitutional petition on the basis that the GID Cess Act 2011 should be dealt in accordance with the decision of Supreme Court. The Ordinance included the application of GID Cess as defined in the Act. In view of Supreme Court's order declaring the application of the Act as unconstitutional and ultra vires, the company has not recorded the differential of GID Cess at the stipulated rate per MMBTU amounting to Rs.108.9 million in these condensed interim financial information.

- 17.1.7** The Company has received a demand from Deputy Collector (Manufacturing Bond) aggregating Rs 82.9 million on account of Sales Tax, custom duty and withholding income tax in respect of wastage generated on raw material imported under manufacturing bond license and covers the period July 2007 to December 2010. The Company on the basis of an audit being duly completed til 31 March 2009 believes no further dues were liable to be paid .

The Company has filed a Constitutional Petition in the Sindh High Court (SHC) which has granted interim stay on 9 December 2013.

During the nine months period ended 31 March 2015, The SHC heard the petition in length and remanded the case back to the Collector Adjudication II, for fresh examination strictly in accordance with the law. There has been hearings in this matter and the Company has submitted its written legal arguments. Based on advice of legal counsel and merits of the case, the Company is confident that the subject demand is unjustified and the matter will be decided in its favour.

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

17.2 Commitments

- 17.2.1** Capital expenditure commitments outstanding as at 31 March 2015 amounted to Rs.418.451 million (30 June 2014: Rs.2.2 million).
- 17.2.2** Commitments under letters of credit for raw materials and stores and spares as at 31 March 2015 amounted to Rs. 1,288.465 million (30 June 2014: Rs.1,010 million).
- 17.2.3** Commitments under purchase contracts as at 31 March 2015 amounted to Rs. 54.559 million (30 June 2014: Rs.92.5 million).
- 17.2.4** Unavailed facilities for opening letters of credit and guarantees from banks as at 31 March 2015 amounted to Rs. 8,121 million (30 June 2014: 8,818 million) and Rs. 57 million (30 June 2014: 95 million) respectively.

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

For the nine months period ended 31 March 2015

| | Nine months period ended | | Quarter ended | |
|-------------------------------------------------------|------------------------------|--------------------|------------------|------------------|
| | 31 March 2015 | 31 March 2014 | 31 March 2015 | 31 March 2014 |
| 18. NET SALES | ----- (Rupees in '000) ----- | | | |
| Local | 9,573,930 | 9,544,622 | 3,523,665 | 3,385,416 |
| Export | 5,019,133 | 3,850,353 | 1,713,858 | 1,358,210 |
| | <u>14,593,063</u> | <u>13,394,975</u> | <u>5,237,523</u> | <u>4,743,626</u> |
| Sales Tax | (1,501,955) | (1,424,736) | (556,543) | (508,311) |
| Trade discounts | (77,024) | (30,270) | (32,106) | (10,382) |
| Sales discount and commission | (251,753) | (272,547) | (90,186) | (99,620) |
| | <u>(1,830,732)</u> | <u>(1,727,553)</u> | <u>(678,835)</u> | <u>(618,313)</u> |
| | <u>12,762,331</u> | <u>11,667,422</u> | <u>4,558,688</u> | <u>4,125,313</u> |
| 19. COST OF SALES | | | | |
| Opening stock of raw material and work-in-process | 4,621,796 | 3,681,338 | 2,431,851 | 4,183,905 |
| Purchases | 9,542,181 | 10,656,006 | 4,171,180 | 3,943,445 |
| Salaries, wages and benefits | 459,798 | 421,933 | 155,129 | 153,794 |
| Rent, rates and taxes | 1,167 | 1,233 | 737 | 585 |
| Electricity, gas and water | 203,074 | 208,742 | 65,741 | 70,161 |
| Insurance | 5,550 | 8,593 | 2,168 | 2,785 |
| Security and janitorial | 17,769 | 12,698 | 6,334 | 4,743 |
| Depreciation and amortisation | 170,703 | 157,063 | 60,347 | 59,194 |
| Stores and spares consumed | 51,865 | 44,678 | 17,818 | 14,824 |
| Repairs and maintenance | 79,331 | 75,846 | 26,595 | 26,928 |
| Postage, telephone and stationery | 6,526 | 6,942 | 2,893 | 3,354 |
| Vehicle, travel and conveyance | 10,343 | 9,122 | 4,382 | 3,191 |
| Internal material handling | 14,808 | 13,739 | 5,612 | 4,305 |
| Environment controlling expenses | 418 | 132 | 319 | 35 |
| Sundries | 1,520 | 1,913 | 655 | 772 |
| Toll manufacturing charges | 103,359 | - | 19,858 | - |
| Sale of scrap generated during production | (495,775) | (558,323) | (148,638) | (213,397) |
| Closing stock of raw materials and work-in-process | (2,590,217) | (4,408,106) | (2,590,217) | (4,408,106) |
| Cost of goods manufactured | <u>12,204,216</u> | <u>10,333,549</u> | <u>4,232,764</u> | <u>3,850,518</u> |
| Finished goods and by-products: | | | | |
| - Opening stock | 1,441,069 | 1,707,584 | 1,939,123 | 1,617,163 |
| - Closing stock | (1,997,157) | (1,807,476) | (1,997,157) | (1,807,476) |
| | <u>(556,088)</u> | <u>(99,892)</u> | <u>(58,034)</u> | <u>(190,313)</u> |
| | <u>11,648,128</u> | <u>10,233,657</u> | <u>4,174,730</u> | <u>3,660,205</u> |

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

For the nine months period ended 31 March 2015

| | Nine months period ended | | Quarter ended | |
|---------------------------------------------------|------------------------------|------------------|------------------|------------------|
| | 31 March 2015 | 31 March 2014 | 31 March 2015 | 31 March 2014 |
| | ----- (Rupees in '000) ----- | | | |
| 20. Selling and distribution expenses | | | | |
| Freight and forwarding | 305,014 | 333,804 | 99,726 | 117,265 |
| Salaries, wages and benefits | 69,501 | 72,585 | 25,474 | 25,597 |
| Rent, rates and taxes | 186 | 181 | 25 | 37 |
| Electricity, gas and water | 3,417 | 2,346 | 830 | 594 |
| Insurance | 1,836 | 2,255 | 350 | 750 |
| Depreciation and amortisation | 5,977 | 6,506 | 2,057 | 2,846 |
| Repairs and maintenance | 1,172 | 959 | 390 | 336 |
| Advertising and sales promotion | 12,418 | 10,974 | 6,099 | 4,647 |
| Postage, telephone and stationery | 3,983 | 3,930 | 1,582 | 2,033 |
| Office supplies | 41 | 21 | 23 | 7 |
| Vehicle, travel and conveyance | 9,538 | 11,466 | 2,700 | 4,653 |
| Provision for doubtful debts / write off | 6,644 | 7,588 | 1,202 | - |
| Certification and registration charges | 3,625 | 65 | 57 | 11 |
| Others | 1,794 | 1,801 | 666 | 911 |
| | <u>425,146</u> | <u>454,481</u> | <u>141,181</u> | <u>159,687</u> |
| 21 Administratvie expenses | | | | |
| Salaries, wages and benefits | 81,635 | 93,006 | 28,600 | 30,421 |
| Rent, rates and taxes | 171 | 92 | 35 | 11 |
| Electricity, gas and water | 1,390 | 1,392 | 317 | 367 |
| Insurance | 203 | 186 | 36 | 58 |
| Depreciation and amortisation | 10,194 | 8,344 | 3,706 | 3,066 |
| Repairs and maintenance | 504 | 468 | 176 | 121 |
| Postage, telephone and stationery | 5,108 | 7,778 | 1,895 | 3,828 |
| Office supplies | 37 | 59 | 23 | 8 |
| Vehicle, travel and conveyance | 5,147 | 5,705 | 2,191 | 1,999 |
| Legal and professional charges | 10,481 | 8,339 | 3,630 | 4,094 |
| Certification and registration charges | 2,366 | 1,104 | 1,347 | 272 |
| Others | 9,850 | 10,402 | 3,516 | 3,550 |
| | <u>127,086</u> | <u>136,875</u> | <u>45,472</u> | <u>47,795</u> |
| 22. FINANCIAL CHARGES | | | | |
| Mark-up on: | | | | |
| - Long-term financing | 34,451 | 34,224 | 10,100 | 11,973 |
| - Short-term borrowings | 244,850 | 517,692 | 75,216 | 195,411 |
| Exchange loss on FE borrowing | 102,453 | (43,144) | 58,038 | (53,060) |
| Interest on Workers' Profit Participation Fund | 317 | 360 | - | - |
| Bank charges | 8,674 | 8,000 | 3,186 | 3,129 |
| | <u>390,745</u> | <u>517,132</u> | <u>146,540</u> | <u>157,453</u> |

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

For the nine months period ended 31 March 2015

| | Nine months period ended | | Quarter ended | |
|---------------------------------------------------|--------------------------|------------------|------------------|------------------|
| | 31 March 2015 | 31 March 2014 | 31 March 2015 | 31 March 2014 |
| ----- (Rupees in '000) ----- | | | | |
| 23. OTHER OPERATING CHARGES | | | | |
| Auditors' remuneration | 1,639 | 1,645 | 407 | 487 |
| Loss on derivative financial instruments | - | 42,052 | - | 40,976 |
| Donations | 8,075 | 10,165 | 425 | 100 |
| Exchange loss | 29,908 | - | - | - |
| Loss on disposal of property, plant and equipment | - | 3,009 | - | 6,568 |
| Workers' Profit Participation Fund | 11,900 | 17,830 | 4,400 | 2,980 |
| Workers' Welfare Fund | 4,750 | 7,130 | 1,750 | 1,180 |
| Project development expenses | 5,616 | 4,974 | 2,769 | 4,149 |
| | <u>61,888</u> | <u>86,805</u> | <u>9,751</u> | <u>56,440</u> |
| 24. OTHER INCOME | | | | |
| Income / return on financial assets | | | | |
| Interest on bank deposits | 1,921 | 1,572 | 755 | 734 |
| Income from non-financial assets | | | | |
| Income from power generation | 44,184 | 42,928 | 14,920 | 16,437 |
| Gain on disposal of property, plant and equipment | 17,299 | - | 7,983 | - |
| Rental income | 7,198 | 6,543 | 2,399 | 2,181 |
| Dividend income from associate / subsidiary | 255,972 | 9,704 | - | - |
| Exchange gain | 33,762 | 37,188 | 11,489 | (7,968) |
| Others | 7,439 | 4,891 | 1,737 | 407 |
| | <u>367,775</u> | <u>102,826</u> | <u>39,283</u> | <u>11,791</u> |
| 25. TAXATION | | | | |
| Current | | | | |
| - for the year | 97,956 | 104,759 | 38,070 | 25,142 |
| - for the prior years | - | 29,526 | - | - |
| | <u>97,956</u> | <u>134,285</u> | <u>38,070</u> | <u>25,142</u> |
| Deferred | (33,811) | (59,985) | (23,225) | (13,033) |
| | <u>64,145</u> | <u>74,300</u> | <u>14,845</u> | <u>12,109</u> |

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

For the nine months period ended 31 March 2015

Relationship between income tax expenses and accounting profit

| | Effective tax rate % | | Nine months period ended | |
|---------------------------------------------|----------------------|--------------|--------------------------|------------------|
| | | | 31 March 2015 | 31 March 2014 |
| | | | (Rupees in '000) | |
| Profit before taxation | | | 477,113 | 341,298 |
| Tax at the enacted tax rate | 33.00 | 34.00 | 157,447 | 116,041 |
| Tax effect of exempt income | (16.95) | 0.00 | (80,868) | - |
| Tax effect of income subject to lower tax | (0.42) | (0.58) | (2,025) | (1,982) |
| Tax effect of rebate / credits | (1.82) | (1.83) | (8,686) | (6,250) |
| Tax effect on export under final tax regime | (1.23) | (10.19) | (5,848) | (34,763) |
| Others | 0.86 | 0.37 | 4,125 | 1,254 |
| | <u>13.44</u> | <u>21.77</u> | <u>64,145</u> | <u>74,300</u> |

26. MOVEMENT IN WORKING CAPITAL

| | 31 March 2015 | 31 March 2014 |
|-----------------------------------------------|------------------------------|--------------------|
| | ----- (Rupees in '000) ----- | |
| (Increase) / decrease in current assets: | | |
| Store and spares | (13,635) | (12,360) |
| Stock-in-trade | 2,081,937 | (1,800,993) |
| Trade debts | (231,589) | (14,103) |
| Advances | (128,960) | 4,879 |
| Trade deposit and short-term prepayments | (1,483) | (7,189) |
| Other receivables | 329,170 | (220,361) |
| | <u>2,035,440</u> | <u>(2,050,127)</u> |
| (Decrease) / increase in current liabilities: | | |
| Trade and other payables | (2,064,931) | 1,491,297 |
| | <u>(29,491)</u> | <u>(558,830)</u> |

27. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated undertakings, directors of the Company and its subsidiary company, key management personnel and staff retirement funds. The Company continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions. 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 this condensed interim unconsolidated financial information, are as follows:

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

For the nine months period ended 31 March 2015

| | Nine months period ended | | Quarter ended | |
|-------------------------------------------------------------------|------------------------------|------------------|------------------|------------------|
| | 31 March 2015 | 31 March 2014 | 31 March 2015 | 31 March 2014 |
| | ----- (Rupees in '000) ----- | | | |
| Subsidiary companies | | | | |
| Sales | 113,798 | 1,831 | 44,379 | 363 |
| Purchases | 489,603 | 1,251,955 | 10,227 | 366,614 |
| Sale proceeds from disposal of fixed assets | - | 490 | - | 490 |
| Sales of store items | 1,099 | - | 1,099 | - |
| Cost of shared resources | 16,240 | 15,610 | 6,360 | 5,160 |
| Toll manufacturing (inclusive of sales tax) | 120,930 | - | 23,234 | - |
| Reimbursement of corporate affairs management expenses | 2,439 | 3,325 | 335 | 1,421 |
| Reimbursement of IT services | - | 253 | - | 253 |
| Reimbursement of payments made on behalf of a subsidiary | 78,330 | - | 22,848 | - |
| Rental income | 7,197 | 6,543 | 2,399 | 2,181 |
| Dividend received | 245,056 | - | - | - |
| Investment in IIL Stainless Steel (Pvt) Ltd | 150,000 | - | 74,900 | - |
| Associate companies | | | | |
| Sales | 345,200 | 412,535 | 71,542 | 97,278 |
| Purchases | 197,076 | 137,512 | 64,666 | 46,186 |
| Purchase of vehicle | 8,621 | - | 6,838 | - |
| Insurance premium expense | 12,397 | 18,054 | 2,309 | 7,327 |
| Insurance claims / adjustments | 40,836 | 1,205 | 1,706 | - |
| Donations | 1,000 | - | - | - |
| Dividend paid | 21,177 | 8,241 | 8,753 | 6,945 |
| Dividend received | 10,917 | 9,704 | - | - |
| Reimbursement of payments made on behalf of associated company | - | 592 | - | - |
| Subscriptions paid | - | 327 | - | 216 |
| Participation fee | 216 | - | 117 | - |
| Key management personnel | | | | |
| Remuneration | 140,767 | 114,679 | 47,707 | 39,538 |
| Staff retirement benefits | | | | |
| Contribution paid | 32,727 | 32,513 | 10,920 | 10,908 |
| Non-executive directors | | | | |
| Directors' fee | 3,490 | 2,560 | 1,380 | 840 |

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

For the nine months period ended 31 March 2015

28. SEGMENT REPORTING

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

| 28.1 SEGMENT REVENUE AND RESULTS | Steel Segment | Plastic Pipe Segment | Total |
|-------------------------------------------|------------------------------|----------------------|------------------|
| | ----- (Rupees in '000) ----- | | |
| For the period ended 31 March 2015 | | | |
| Sales | 12,154,712 | 607,619 | 12,762,331 |
| Cost of sales | 11,085,542 | 562,586 | 11,648,128 |
| Gross Profit | <u>1,069,170</u> | <u>45,033</u> | <u>1,114,203</u> |
| For the period ended 31 March 2014 | | | |
| Sales | 11,217,370 | 450,052 | 11,667,422 |
| Cost of sales | 9,763,955 | 469,702 | 10,233,657 |
| Gross Profit | <u>1,453,415</u> | <u>(19,650)</u> | <u>1,433,765</u> |

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

| | Nine months period ended | |
|---------------------------------------------------|------------------------------|-----------------------|
| | 31 March 2015 | 31 March 2014 |
| | ----- (Rupees in '000) ----- | |
| Total results for reportable segments | 1,114,203 | 1,433,765 |
| Selling, distribution and administrative expenses | (552,232) | (591,356) |
| Financial charges | (390,745) | (517,132) |
| Other operating expenses | (61,888) | (86,805) |
| Other operating income | 367,775 | 102,826 |
| Taxation | (64,145) | (74,300) |
| Profit after tax | <u>412,968</u> | <u>266,998</u> |

| 28.2 SEGMENT ASSETS & LIABILITIES | Steel Segment | Plastic Pipe Segment | Total |
|-----------------------------------------|------------------------------|----------------------|-------------------|
| | ----- (Rupees in '000) ----- | | |
| As at 31 March 2015 - Un-audited | | | |
| Segment asset | <u>10,126,656</u> | <u>579,076</u> | <u>10,705,732</u> |
| Segment liabilities | <u>6,833,932</u> | <u>514,721</u> | <u>7,348,653</u> |
| As at 30 June 2014 - Audited | | | |
| Segment assets | <u>11,936,143</u> | <u>505,506</u> | <u>12,441,649</u> |
| Segment liabilities | <u>9,157,600</u> | <u>426,248</u> | <u>9,583,848</u> |

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

For the nine months period ended 31 March 2015

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

| | 31 March 2015 (Unaudited) | 30 June 2014 (Audited) |
|-----------------------------------------------|---------------------------------|------------------------------|
| | ----- (Rupees in 000) ----- | |
| Total reportable segments assets | 10,705,732 | 12,441,649 |
| Unallocated assets | 3,645,273 | 3,804,920 |
| Total assets as per Balance Sheet | 14,351,005 | 16,246,569 |
| Total reportable segments liabilities | 7,348,653 | 9,583,848 |
| Unallocated liabilities | 1,004,860 | 658,573 |
| Total liabilities as per Balance Sheet | 8,353,513 | 10,242,421 |

29. CORRESPONDING FIGURES

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

30. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors on 25 April 2015.

31. GENERAL

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


Fuad Azim Hashimi
Director & Chairman
Board Audit Committee


Nadir Akbarali Jamal
Chief Financial Officer


Riyaz T Chinoy
Chief Executive Officer



Promising Reliability, For Now and Tomorrow

**Condensed Interim Consolidated
Financial Information (Un-audited)
31 March 2015**

Condensed Interim Consolidated Balance Sheet (Un-audited)

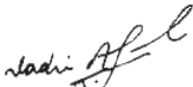
As at 31 March 2015

| | Note | (Un-audited) 31 March 2015 | (Audited) 30 June 2014 |
|-----------------------------------------------------------------------------------------|------|----------------------------------|------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 4 | 15,733,697 | 13,271,729 |
| Intangible assets | | 11,948 | 12,850 |
| Long-term deposits | | 7,333 | 4,588 |
| Investment in equity-accounted investee | 5 | 187,559 | 182,945 |
| Long-term prepayments | | 3,333 | 4,835 |
| | | <u>15,943,870</u> | <u>13,476,947</u> |
| Current assets | | | |
| Stores and spares | | 527,827 | 454,459 |
| Stock-in-trade | 6 | 12,549,435 | 10,338,775 |
| Trade debts | 7 | 3,373,485 | 3,447,142 |
| Advances | 8 | 245,740 | 299,587 |
| Trade deposits and short-term prepayments | 9 | 38,694 | 19,177 |
| Sales Tax refundable | | 131,741 | 752,503 |
| Other receivables | 10 | 83,659 | 99,600 |
| Taxation - net | | 1,820,954 | 1,648,177 |
| Bank balances | | 91,491 | 118,148 |
| | | <u>18,863,026</u> | <u>17,177,568</u> |
| Total assets | | <u><u>34,806,896</u></u> | <u><u>30,654,515</u></u> |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Authorised capital 200,000,000 (2014: 200,000,000) ordinary shares of Rs. 10 each | | <u>2,000,000</u> | <u>2,000,000</u> |
| Issued, subscribed and paid-up capital | | 1,198,926 | 1,198,926 |
| Reserves | 11 | 3,096,459 | 3,329,140 |
| Translation reserve | | (1,401) | 159 |
| Total equity | | <u>4,293,984</u> | <u>4,528,225</u> |
| Non-controlling interest | | 2,086,777 | 2,270,756 |
| | | <u>6,380,761</u> | <u>6,798,981</u> |
| Surplus on revaluation of property, plant and equipment | | 2,478,989 | 2,501,995 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long-term financing - secured | 12 | 5,136,975 | 3,300,990 |
| Staff retirement benefits | | 93,766 | 93,766 |
| Deferred taxation - net | 13 | 486,763 | 556,773 |
| | | <u>5,717,504</u> | <u>3,951,529</u> |
| Current liabilities | | | |
| Trade and other payables | 14 | 5,767,495 | 5,116,283 |
| Short-term borrowings - secured | 15 | 12,987,647 | 11,153,541 |
| Current portion of long-term financing | 12 | 987,377 | 899,877 |
| Accrued markup | | 222,369 | 232,309 |
| Tax payable | | 482 | - |
| Sales tax payable | | 264,272 | - |
| | | <u>20,229,642</u> | <u>17,402,010</u> |
| Total liabilities | | <u>25,947,146</u> | <u>21,353,539</u> |
| Contingencies and commitments | 16 | - | - |
| Total equity and liabilities | | <u><u>34,806,896</u></u> | <u><u>30,654,515</u></u> |

The annexed notes 1 to 27 form an integral part of this condensed interim consolidated financial information.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Nadir Akbarali Jamal
Chief Financial Officer



Riyaz T Chinoy
Chief Executive Officer

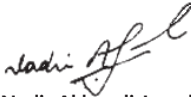
Condensed Interim Consolidated Profit and Loss Account (Un-audited)

For the nine months period ended 31 March 2015

| | Note | Nine months period ended | | Quarter ended | |
|---------------------------------------------------------------|------|--------------------------|------------------|------------------|------------------|
| | | 31 March 2015 | 31 March 2014 | 31 March 2015 | 31 March 2014 |
| ----- (Rupees in '000) ----- | | | | | |
| Net sales | 17 | 25,037,148 | 25,583,102 | 8,880,484 | 8,935,156 |
| Cost of sales | 18 | (22,952,206) | (22,491,109) | (8,245,335) | (7,931,608) |
| Gross profit | | 2,084,942 | 3,091,993 | 635,149 | 1,003,548 |
| Selling and distribution expenses | 19 | (558,628) | (555,336) | (177,365) | (201,917) |
| Administrative expenses | 20 | (237,538) | (235,414) | (84,627) | (78,560) |
| | | (796,166) | (790,750) | (261,992) | (280,477) |
| Financial charges | 21 | (1,221,534) | (1,253,807) | (401,811) | (349,362) |
| Other operating charges | 22 | (64,517) | (144,388) | (8,222) | (81,470) |
| | | (1,286,051) | (1,398,195) | (410,033) | (430,832) |
| Other income | 23 | 202,224 | 82,906 | 64,809 | (27,175) |
| Share of profit in equity -accounted investee - net of tax | | 15,530 | 10,599 | 3,323 | 2,586 |
| Profit before taxation | | 220,479 | 996,553 | 31,256 | 267,650 |
| Taxation | 24 | (48,301) | (183,014) | (3,991) | (50,536) |
| Profit after taxation | | 172,178 | 813,539 | 27,264 | 217,114 |
| ----- (Rupees) ----- | | | | | |
| Earnings per share - basic and diluted | | 1.42 | 4.80 | 0.38 | 1.19 |

The annexed notes 1 to 27 form an integral part of this condensed interim consolidated financial information.


Fuad Azim Hashimi
Director & Chairman
Board Audit Committee


Nadir Akbarali Jamal
Chief Financial Officer


Riyaz T Chinoy
Chief Executive Officer

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

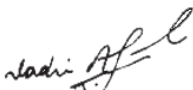
For the nine months period ended 31 March 2015

| | Nine months period ended | | Quarter ended | |
|------------------------------------------------|------------------------------|------------------|------------------|------------------|
| | 31 March 2015 | 31 March 2014 | 31 March 2015 | 31 March 2014 |
| | ----- (Rupees in '000) ----- | | | |
| Profit after taxation | 172,178 | 813,539 | 27,264 | 217,114 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | <u>172,178</u> | <u>813,539</u> | <u>27,264</u> | <u>217,114</u> |
| Total comprehensive income attributable to: | | | | |
| Owners of Holding Company | 170,006 | 575,119 | 46,130 | 142,234 |
| Non-controlling interest | 2,172 | 238,420 | (18,866) | 74,880 |
| Total comprehensive income | <u>172,178</u> | <u>813,539</u> | <u>27,264</u> | <u>217,114</u> |

The annexed notes 1 to 27 form an integral part of this condensed interim consolidated financial information.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Nadir Akbarali Jamal
Chief Financial Officer



Riyaz T Chinoy
Chief Executive Officer

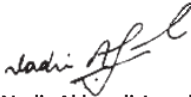
Condensed Interim Consolidated Cash Flow Statement (Un-audited)

For the nine months period ended 31 March 2015

| | Note | Nine months period ended | |
|------------------------------------------------------------|------|--------------------------|---------------------|
| | | 31 March 2015 | 31 March 2014 |
| (Rupees in '000) | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 220,479 | 996,553 |
| Adjustments for: | | | |
| Depreciation and amortisation | | 588,739 | 553,781 |
| Provision for doubtful debts | | 6,644 | 7,563 |
| Interest on bank deposits | 23 | (1,973) | (1,572) |
| (Gain) / loss on disposal of property, plant and equipment | 23 | (21,568) | 744 |
| Share of profit from associated entity | | (15,530) | (10,599) |
| Translation reserve | | (1,560) | - |
| Amortisation of long term prepayments | | 1,502 | - |
| Financial charges | 21 | 1,221,534 | 1,253,807 |
| | | <u>1,998,267</u> | <u>2,800,277</u> |
| Movement in: | | | |
| Working capital | | (658,679) | (2,469,268) |
| Long-term deposits | | (2,745) | (60) |
| Long-term prepayments | | - | (6,000) |
| Net cash generated from operations | | <u>1,336,843</u> | <u>324,949</u> |
| Financial charges paid | | (1,231,473) | (1,253,598) |
| Taxes paid | | (292,883) | (657,201) |
| Net cash used in from operating activities | | <u>(187,513)</u> | <u>(1,585,850)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure incurred | | (3,066,961) | (306,313) |
| Dividend income received | | 10,916 | 9,704 |
| Proceeds from disposal of property, plant and equipment | | 54,835 | 23,211 |
| Interest income received | | 1,973 | 1,700 |
| Short term investments - net | | - | - |
| Net cash used in investing activities | | <u>(2,999,237)</u> | <u>(271,698)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net repayment of long-term financing - secured | | 1,923,485 | (391,013) |
| Dividends paid to non controlling interest | | (189,537) | - |
| Dividends paid | | (407,961) | (416,626) |
| Net cash generated / (used in) financing activities | | <u>1,325,987</u> | <u>(807,639)</u> |
| Net decrease in cash and cash equivalents | | <u>(1,860,763)</u> | <u>(2,665,187)</u> |
| Cash and cash equivalents at beginning of the period | | (11,035,393) | (11,259,252) |
| Cash and cash equivalents at end of the period | | <u>(12,896,156)</u> | <u>(13,924,439)</u> |
| CASH AND CASH EQUIVALENTS COMPRISE: | | | |
| Cash and bank balances | | 91,491 | 125,741 |
| Short-term borrowings - secured | 15 | (12,987,647) | (14,050,180) |
| | | <u>(12,896,156)</u> | <u>(13,924,439)</u> |

The annexed notes 1 to 27 form an integral part of this condensed interim consolidated financial information.


Fuad Azim Hashimi
Director & Chairman
Board Audit Committee


Nadir Akbarali Jamal
Chief Financial Officer


Riyaz T Chinoy
Chief Executive Officer

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

For the nine months period ended 31 March 2015

| | Attributable to owners of the Holding Company | | | | | Total | Non-controlling interest | Total |
|---------------------------------------------------------------------------------------------|-----------------------------------------------|-------------------------------|------------------------------|----------------|------------------|------------------|--------------------------|------------------|
| | Issued, subscribed and paid-up capital | Revenue Reserves | | | Total reserves | | | |
| General reserves | | Un-appropriated profit/(loss) | Exchange translation reserve | | | | | |
| | (Rupees in '000) | | | | | | | |
| Balance as at 1 July 2013 | 1,198,926 | 2,139,958 | 711,050 | | 2,851,008 | 4,049,934 | 1,968,476 | 6,018,410 |
| Effect of change in accounting policy note - 3.3 | | | | | - | | - | |
| Balance as at 1 July 2013 | 1,198,926 | 2,139,958 | 711,050 | | 2,851,008 | 4,049,934 | 1,968,476 | 6,018,410 |
| Total comprehensive income for the period ended 31 March 2014 | | | | | | | | |
| Profit for the period | - | - | 575,119 | | 575,119 | 575,119 | 238,420 | 813,539 |
| Distribution to owners of the Holding Company: | | | | | | | | |
| -Final dividend @ 22.50% (Rs. 2.25 per share) for the year ended 30 June 2013 | - | - | (269,758) | | (269,758) | (269,758) | - | (269,758) |
| -Interim dividend @ 12.50% (Rs. 1.25 per share) for the year ended 30 June 2014 | - | - | (149,866) | | (149,866) | (149,866) | - | (149,866) |
| Total transactions with owners of the Holding Company | - | - | (419,624) | | (419,624) | (419,624) | - | (419,624) |
| Transfer to general reserves | - | 851,300 | (851,300) | | - | - | - | - |
| Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax | - | - | 16,936 | | 16,936 | 16,936 | 3,795 | 20,731 |
| Balance as at 31 March 2014 | <u>1,198,926</u> | <u>2,991,258</u> | <u>32,181</u> | | <u>3,023,439</u> | <u>4,222,365</u> | <u>2,210,691</u> | <u>6,433,056</u> |
| Balance as at 1 July 2014 | 1,198,926 | 2,991,258 | 337,882 | 159 | 3,329,299 | 4,528,225 | 2,270,756 | 6,798,981 |
| Total comprehensive income for the period ended 31 March 2015 | | | | | | | | |
| Profit for the period | - | - | 170,006 | - | 170,006 | 170,006 | 2,172 | 172,178 |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| Distribution to owners of the Holding Company: | | | | | | | | |
| -Final dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2014 | - | - | (239,785) | - | (239,785) | (239,785) | - | (239,785) |
| -Interim dividend @ 15% (Rs. 1.50 per share) for the year ending 30 June 2015 | - | - | (179,839) | - | (179,839) | (179,839) | - | (179,839) |
| Total transactions with owners of the Holding Company | - | - | (419,624) | - | (419,624) | (419,624) | - | (419,624) |
| Re-translate to reserve | - | - | - | (1,560) | (1,560) | (1,560) | - | (1,560) |
| Final dividend @ 10% (Re. 1.00 per share) attributable to non controlling interest | - | - | - | - | - | - | (189,944) | (189,944) |
| Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax | - | - | 16,936 | - | 16,936 | 16,936 | 3,794 | 20,730 |
| Balance as at 31 March 2015 | <u>1,198,926</u> | <u>2,991,258</u> | <u>105,201</u> | <u>(1,401)</u> | <u>3,095,058</u> | <u>4,293,984</u> | <u>2,086,777</u> | <u>6,380,761</u> |

The annexed notes 1 to 27 form an integral part of this condensed interim consolidated financial information.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Nadir Akbarali Jamal
Chief Financial Officer



Riyaz T Chinoy
Chief Executive Officer

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

For the nine months period ended 31 March 2015

1. THE GROUP AND ITS OPERATIONS

- 1.1 The Group consists of International Industries Limited, the Holding Company, and International Steels Limited, IIL Australia PTY Limited and IIL Stainless Steel (Private) Limited (the Subsidiary Companies) (together referred to as "the Group" and individually as "Group Entities") and the Group's interest in its equity-accounted investee namely Pakistan Cables Limited.
- 1.2 International Industries Limited was incorporated in Pakistan in 1948 and is quoted on the Karachi, Lahore and Islamabad Stock Exchanges. It is in the business of manufacturing and marketing galvanized steel pipes, precision steel tubes, API line pipes and polyethylene pipes. Its registered office is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.
- 1.3 International Steels Limited was incorporated in Pakistan in 2007 as an unlisted company under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. Subsequent to the sale of shares by the Holding Company to the general public under an Initial Public Offer, it was listed on the Karachi Stock Exchange on 1 June 2011. Its primary activity is the manufacturing of cold rolled steel coils and galvanized sheets. It commenced commercial operations on 1 January 2011. Its registered office is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.
- 1.4 IIL Australia PTY Limited (IIL Australia) was incorporated in Victoria, Australia on 2 May 2014 and is in the business of distribution and marketing of galvanized steel pipes, precision steel tubes and pre-galvanized pipes. The registered office is situated at 101 - 103, Abbot Road, Hallam, Victoria 3803 Australia.
- 1.5 IIL Stainless Steel (Private) Limited (IIL-SS) was incorporated in Pakistan on 28 November 2014 and is in the business of manufacturing and marketing stainless steel pipe. The registered office is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530. The Company has not yet commenced commercial production.
- 1.6 Details of the Group's equity-accounted investee are given in note 5 to this condensed interim consolidated financial information.

2. BASIS OF PREPARATION

- 2.1 This condensed interim consolidated financial information has been prepared from the information available in the condensed un-audited separate financial information of the Holding Company for nine months period ended 31 March 2015 and the condensed un-audited financial information of the Subsidiary Companies for the period ended 31 March 2015.

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

2.2 Statement of Compliance

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

- 2.3 This condensed interim consolidated financial information is presented in Pakistan Rupees which is also the Group's functional currency. All financial information presented has been rounded off to the nearest thousand Rupee.

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

For the nine months period ended 31 March 2015

2.4 This condensed interim consolidated financial information is being submitted to the shareholders as required by listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges and Section 245 of the Companies Ordinance, 1984.

2.5 Estimates and judgements made by the Group in the preparation of this condensed interim consolidated financial information are the same as those that were applied to the audited annual separate financial statements of the Group Entities as at and for the year ended 30 June 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

3.1.1 Investment in subsidiaries

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

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

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

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

3.1.2 Investment in associate

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

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

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

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

For the nine months period ended 31 March 2015

4. PROPERTY, PLANT AND EQUIPMENT

| | Operating assets | Capital work - in - progress (Rupees in '000) | Total |
|------------------------------------------------------------|--------------------|--------------------------------------------------|--------------------|
| Cost / revalued amount | | | |
| Opening balance | 16,217,574 | 395,731 | 16,613,305 |
| Additions | 465,626 | 3,081,466 | 3,547,092 |
| Disposal / transfers | (95,736) | (465,626) | (561,362) |
| | <u>16,587,464</u> | <u>3,011,571</u> | <u>19,599,035</u> |
| Accumulated depreciation | | | |
| Opening balance | (3,341,576) | - | (3,341,576) |
| Disposal | 58,534 | - | 58,534 |
| Charge for the period | (582,296) | - | (582,296) |
| | <u>(3,865,338)</u> | <u>-</u> | <u>(3,865,338)</u> |
| Written down value as at 31 March 2015 (Un-audited) | <u>12,722,126</u> | <u>3,011,571</u> | <u>15,733,697</u> |
| Written down value as at 30 June 2014 (Audited) | <u>12,875,998</u> | <u>395,731</u> | <u>13,271,729</u> |

31 March 2015
(Un-audited)
(Rupees in '000)

30 June 2014
(Audited)

5. INVESTMENT IN EQUITY - ACCOUNTED INVESTEE

| | | | |
|---------------------------------------------|-----|----------------|----------------|
| Pakistan Cables Limited - associate company | 5.1 | <u>187,559</u> | <u>182,945</u> |
|---------------------------------------------|-----|----------------|----------------|

- 5.1 This represents the Holding Company's investment in Pakistan Cables Limited (PCL), a company incorporated in Pakistan. The Holding Company has invested in 2,425,913 shares (30 June 2014: 2,425,913 shares) of the Associate Company and holds 8.52% (30 June 2014: 8.52%) ownership interest in PCL.

The Chief Executive Officer of PCL is Mr. Kamal A. Chinoy. The market value as at 31 March 2015 was Rs. 319.662 million (30 June 2014: Rs. 241.985 million). The share of profit after acquisition is recognised based on PCL's unaudited financial statements as at 31 December 2014. The latest financial statements of the Associated Company as at 31 March 2015 are not presently available.

6. STOCK-IN-TRADE

| | | |
|------------------------|-------------------|-------------------|
| Raw material - in hand | 3,656,555 | 4,766,698 |
| - in transit | <u>3,125,728</u> | <u>595,652</u> |
| | <u>6,782,283</u> | <u>5,362,350</u> |
| Work-in-process | 1,673,821 | 2,236,965 |
| Finished goods | 3,982,592 | 2,698,961 |
| By-products | 88,632 | 26,835 |
| Scrap material | 22,107 | 13,664 |
| | <u>12,549,435</u> | <u>10,338,775</u> |

- 6.1 Raw material amounting to Rs.6.55 million (30 June 2014: Rs.5.2 million) was held at vendor premises for the production of pipe caps.

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

For the nine months period ended 31 March 2015

| | 31 March 2015 (Un-audited) | 30 June 2014 (Audited) |
|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------|
| | (Rupees in '000) | |
| 7. TRADE DEBTS | | |
| Considered good: | | |
| - secured | 1,762,424 | 2,079,257 |
| - unsecured | 1,611,061 | 1,367,885 |
| | <u>3,373,485</u> | <u>3,447,142</u> |
| Considered doubtful | 47,421 | 40,777 |
| | <u>3,420,906</u> | <u>3,487,919</u> |
| Provision for doubtful debts | (47,421) | (40,777) |
| | <u>3,373,485</u> | <u>3,447,142</u> |
| 8. ADVANCES | | |
| Considered good: | | |
| - Suppliers and service providers | 219,583 | 282,591 |
| - Employees | 26,157 | 16,996 |
| | <u>245,740</u> | <u>299,587</u> |
| 9. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS | | |
| Trade deposits | 29,867 | 8,813 |
| Short-term prepayments | 8,827 | 10,364 |
| | <u>38,694</u> | <u>19,177</u> |
| 10. OTHER RECEIVABLES | | |
| Considered good: | | |
| - Receivable against sale of land | 5,000 | 14,000 |
| - Receivable for transmission of electricity to K- Electric Limited | 50,231 | 58,641 |
| - Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods | 25,940 | 25,940 |
| - Others | 2,488 | 1,019 |
| | <u>83,659</u> | <u>99,600</u> |
| 11. RESERVES | | |
| General Reserves | 2,991,258 | 2,991,258 |
| Unappropriated profit | 105,201 | 337,882 |
| | <u>3,096,459</u> | <u>3,329,140</u> |
| 12. LONG-TERM FINANCING - secured | | |
| Long-term finances utilised under mark-up arrangements | 12.1 467,992 | 450,000 |
| Syndicated Term Financing under LTFF Scheme | 12.2 4,162,936 | 2,842,684 |
| Long-term finance | 12.3 1,493,424 | 908,183 |
| | <u>6,124,352</u> | <u>4,200,867</u> |
| Current portion of long-term financing shown under current liabilities | (987,377) | (899,877) |
| | <u>5,136,975</u> | <u>3,300,990</u> |

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

For the nine months period ended 31 March 2015

12.1 Long term finances utilised under mark-up arrangements, are obtained by the Holding Company and secured by way of a joint equitable mortgage on all present and future lands and buildings located at Plot Number LX-15 &16 and HX-7/4, Landhi Industrial Estate, Karachi and Survey No.402,405-406, Dehsharabi, Landhi Town, Karachi.

12.2 The Syndicated LTFF amounting to Rs. 2,438.6 million (30 June 2014: Rs.2,842.7 million) is obtained by the Subsidiary Company (ISL) is secured by way of mortgage of land located at Survey No. 399-401 and 403-404 Landhi Town, Karachi, and joint hypothecation of all present and future fixed assets (excluding land and building) as per the terms of syndicated term financing agreement. It is repayable in sixteen half yearly instalments which commenced from March 2011. The rate of mark-up on these finance is 1.5% over SBP rate (30 June 2014: 1.5% over SBP rate).

During the period two tranches of a new bilateral LTFF amounting to Rs. 1,724.3 million for expansion project by the Subsidiary Company is obtained from participating banks and is secured by way of mortgage of land located at Survey No. 399-400 and 403-404 Landhi Town, Karachi, and joint hypothecation of all present and future fixed assets (excluding land and building), as per the terms of syndicated term financing agreement. It is repayable in sixteen half yearly instalments which will commence from December 2016. The rate of mark-up on these finance is 1% over SBP rate the remaining portion of LTFF will be drawn at the time against plant and machinery.

12.3 The long term finance facilities are secured by (ISL, subsidiary company) amounting to Rs. 393.4 million (30 June 2014: Rs.608.2 million) by way of mortgage of land located at Survey No.399-400 and 403-404 Landhi Town, Karachi, and other fixed assets of the Company against ranking charge. It is repayable in eight half-yearly instalments which commenced from December 2012. The rate of markup ranges is 1.25% over 6 months KIBOR (30 June 2014: 1.25% over 6 months KIBOR).

The long term finance facilities are secured by (ISL, subsidiary company) amounting to Rs. 300 million (30 June 2014: 300 million) from various bank for plant and machinery and is secured by way of first pari passu charge over the fixed assets of the Company. It is repayable in eight half-yearly instalments which will commence from June 2015. The rate of markup ranges is 1.25% over 6 months KIBOR (30 June 2014: 1.25% over 6 months KIBOR).

During the period ended March 31, 2015 additional long term finance facility of Rs. 800 million for expansion project is obtained by Subsidiary Company (ISL) from a bank for plant and machinery and is secured by way of first pari passu charge over the fixed assets of the Company. It is repayable in ten half-yearly instalments which will commence from March 2016. The rate of markup ranges is 1.0 % over 6 months KIBOR.

| 31 March 2015 | 30 June 2014 |
|--------------------------|-------------------------|
| (Un-audited) | (Audited) |
| (Rupees in '000) | |

13 Deferred taxation - net

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

Taxable temporary difference:

| | | |
|------------------------------------------------|------------------|------------------|
| Accelerated tax depreciation | 1,787,372 | 1,739,845 |
| Share of profit from equity accounted investee | 5,457 | 4,396 |
| Surplus on revaluation of buildings | 133,552 | 219,331 |
| | <u>1,926,381</u> | <u>1,963,572</u> |

Deductible temporary difference:

| | | |
|-------------------------------------------------------------------|--------------------|--------------------|
| Provision for doubtful debts | (15,649) | (14,272) |
| Provision for compensated absences | (5,041) | (1,518) |
| Unrealised exchange gain/ (losses) | 2,105 | (4,716) |
| Provision for Infrastructure Cess | (47,088) | (25,552) |
| Provision against receivable from supplier on account of material | - | (1,059) |
| Staff retirement benefits | (22,410) | (22,916) |
| Pre-commencement expenditure | (1,307) | (5,234) |
| Tax loss | <u>(1,350,228)</u> | <u>(1,331,532)</u> |
| | <u>486,763</u> | <u>556,773</u> |

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

For the nine months period ended 31 March 2015

31 March
2015
(Un-audited)
(Rupees in '000)

30 June
2014
(Audited)

14. TRADE AND OTHER PAYABLES

| | | | |
|---------------------------------------------------------------------------------|--------|------------------|------------------|
| Trade creditors | 14.1 | 4,618,504 | 3,362,257 |
| Bills payable | | - | 581,252 |
| Accrued expenses | 14.1 | 463,833 | 355,542 |
| Provision for Infrastructure Cess | 16.1.6 | 482,551 | 384,581 |
| Short-term compensated absences | | 6,536 | 7,065 |
| Advances from customers | | 128,502 | 209,716 |
| Payable against purchase of land | | 16,111 | 98,528 |
| Workers' Profit Participation Fund | | 11,900 | 57,298 |
| Workers' Welfare Fund | | 5,437 | 41,201 |
| Unclaimed dividends | | 24,866 | 13,203 |
| Dividend payable by subsidiary company attributable to non controlling interest | | 407 | - |
| Others | | 8,848 | 5,640 |
| | | <u>5,767,495</u> | <u>5,116,283</u> |

14.1 This includes amount payable to Associated Companies / Persons amounting to Rs. 2,337.569 million (30 June 2014: 1,360.8 million).

15. SHORT-TERM BORROWINGS - secured

| | | | |
|----------------------------------------------------------|------|-------------------|-------------------|
| Running finance under mark-up arrangement | 15.1 | 3,635,247 | 1,315,734 |
| Short-term borrowing under Money Market Scheme | 15.2 | - | 2,840,000 |
| Short-term running finance under Export Refinance Scheme | 15.3 | 4,109,800 | 1,612,000 |
| Running finance under FE-25 Import Scheme | 15.4 | 4,660,866 | 4,194,907 |
| Short-term finance under running Musharaka | 15.5 | 183,725 | 397,194 |
| Short-term finance under Murabaha and Istisna | 15.6 | 398,009 | 793,706 |
| | | <u>12,987,647</u> | <u>11,153,541</u> |

15.1 The facilities for running finance under mark-up arrangements, available to the Group Entities from various commercial banks, amounted to Rs. 9,061 million (30 June 2014: Rs.9,462 million) and are for the purpose of meeting working capital requirements. The rates of mark-up on these finances obtained by the Holding company range from 8.99% to 11.13% per annum (2014: 10.38% to 11.88% per annum). The rates of mark-up on these finances obtained by Subsidiary Company (ISL) range from KIBOR +0.20% to KIBOR +1.75% (2014: KIBOR+0.3% to KIBOR+1.75% per annum).

15.2 The Holding Company has obtained facilities for short-term borrowing under Money Market Scheme financing from various commercial banks under mark-up arrangements amounted to Rs. 4,732 million (30 June 2014: Rs. 5,087 million). These facilities are unavailed as at 31 March 2015.

15.3 The Group Entities have borrowed short-term running finance under Export Refinance Scheme offered by the State Bank of Pakistan. The facilities availed are for an amount of Rs. 4,109.8 million (30 June 2014: Rs.3,134 million). The rates of mark-up on these facilities range from 5.5% to 5.60% per annum (30 June 2014: 8.90% to 8.96% per annum).

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

For the nine months period ended 31 March 2015

- 15.4** The Group Entities have borrowed short-term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 from various commercial banks for the purpose of meeting import requirements. The facilities availed are for an amount of USD 45.7 million equivalent to Rs.4,660.90 million (30 June 2014: USD 42.5 million equivalent to Rs. 4,195 million). The rates of markup on these facilities range from 2.26% to 3.85% per annum (30 June 2014: 1.50% to 3.82% per annum). The facilities mature within six months and are renewable.
- 15.5** This represents Islamic Term Musharakah available from commercial bank by Subsidiary Company for the purpose of meeting working capital requirements. The facility is availed for an amount of Rs 183.7 million. (30 June 2014: Rs. 794 million). It carries mark-up at 3 months KIBOR + 0.20% (30 June 2014: KIBOR + 0.45%). The facility matures within one year and are renewable.
- 15.6** The Subsidiary Company has obtained facilities for short-term finance under Murahaba and Istisna under Islamic financing arrangement. The rate of profit is KIBOR + 0.25% (30 June 2014: KIBOR+0.30%). The facilities mature within six months and are renewable.
- 15.7** All running finances and short-term borrowing facilities availed by the Holding Company are secured by way of hypothecation of all its present and future fixed assets (excluding lands and buildings) and present and future current and movable assets.
- 15.8** As at 31 March 2015, the unavailed facilities of the Holding Company and the Subsidiary Company (ISL) amounted to Rs 8,157 million (30 June 2014: Rs 6,065.8 million) and Rs 3,870 million (30 June 2014: Rs 5,123.69 million) respectively.
- 15.9** The aforementioned facilities of the Subsidiary Company (ISL) are secured by way of joint and first pari passu charges over its current assets.
- 15.10** The Subsidiary Company (IIL-SS) has a short term finance facility from a Commercial Bank amounting to Rs 125 million. The facility is secured by hypothecation of plant and machinery, stocks and trade debtors in addition to corporate guarantee issued by the Holding Company. The funded facility was unavailed as at March 31, 2015.

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

- 16.1.1** Bank guarantees have been issued by the Holding Company under certain supply contracts and to the Collector of Customs aggregating Rs. 135.1 million (30 June 2014: Rs.137.5 million).
- 16.1.2** Bank guarantees have been issued by the Subsidiary Company (ISL) to Sui Southern Gas Company Limited of Rs. 201.7 million (30 June 2013: Rs. 177.2 million) as a security for supply of gas.
- 16.1.3** Custom duties amounting to Rs.357 million (30 June 2014: Rs. 713 million) on import of raw material shall be payable by the Holding Company in case of non-fulfillment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006 Serial No. 91. The Holding Company has provided post-dated cheques to Collector of Customs which are, in normal course of business, to be returned to the Company after fulfilment of stipulated conditions. The Holding Company has fulfilled the conditions for the aforementioned amounts and is making effort to retrieve the associated post-dated cheques from the custom authorities.
- 16.1.4** An amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made by the Holding Company during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Holding Company filed a petition with the Sindh High Court in 2010 for an injunction and as is awaiting the final judgement.

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

For the nine months period ended 31 March 2015

- 16.1.5** The customs authorities have charged a redemption fine of Rs. 83 million on the clearance of an imported raw material consignment in 2006 by the Holding Company. It has filed an appeal before the Sindh High Court, which has set aside the examination reports including the subsequent order produced by the customs authorities, and ordered the authorities to re-examine the matter afresh. However, the customs authorities have filed an application for leave to appeal against the order of the High Court. The management anticipates that the chances of admission of such appeal are remote.
- 16.1.6** The Holding Company has reversed a provision for the levy of Infrastructure Cess amounting to Rs.107 million in 2009 on the basis of a decision of the Sindh High Court which declared the levy of Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court of Pakistan against such order. In May 2011, the Supreme Court disposed off the appeal with a joint statement of the parties that, during the pendency of the appeal, another law i.e Fifth Version came into existence which was not the subject matter of the appeal. Hence the case was referred back to the High Court with the right to appeal to the Supreme Court. On 31 May 2011, the High Court granted interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignments released upto 27 December 2006 and any bank guarantee / security furnished for consignments released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with the balance kept intact till the disposal of the petition. In case the High Court upholds the applicability of Fifth Version of the law and its retrospective application, the authorities are entitled to claim the amounts due under the said law with the right to appeal available to the petitioner. Bank guarantees amounting to Rs. 605.5 million (30 June 2014: Rs. 504.5 million) have been provided to the Department in this regard by the Group. However, a provision to the extent of amount utilised from the limit of guarantee has also been provided for by the Group on prudent basis (note.13).
- 16.1.7** As per the Gas Infrastructure and Development Cess Act 2011 (the Act), certain companies as specified in the Act (including SSGC) were allowed to collect and pay GID Cess as the Federal Government may prescribe. As per the second schedule of the Act, GID Cess of Rs. 13 per MMBTU was payable by the Group entities. Through Finance Bill 2012-13, an amendment was made to the Act whereby the rate of GID Cess applicable on the Group entities was increased to Rs. 100 per MMBTU. On 1 August 2012 a suit was filed challenging the Act for its legality. The Sindh High Court vide its ad-interim order dated 6 September 2012 restrained SSGC from charging GID Cess above Rs. 13 per MMBTU. Hence SSGC invoiced and the Company continues to record GID Cess at Rs. 13 per MMBTU. The Peshawar High Court vide order dated 13 June 2013 declared that the provisions of the Act imposing, the impugned cess, ultra vires and unconstitutional and the same position was upheld by the Supreme Court of Pakistan vide its order dated 22 August 2014.

During the nine months period ended 31 March 2015, the Federal Government promulgated GID Cess Ordinance 2014 imposing GID at Rs. 200 per MMBTU for captive power plants and Rs. 150 per MMBTU for industrial units. The Group Entities filed a constitutional petition on the basis that GID Cess Act 2011 should be dealt in accordance with the decision of Supreme Court. The Ordinance included the application of GID Cess as defined in the Act. In view of Supreme Court's order declaring the application of the Act as unconstitutional and ultra vires, the Group Entities have not recorded the differential of GID Cess at the stipulated rate per MMBTU amounting to Rs. 395.6 million in these condensed interim consolidated financial information.

- 16.1.8** The Holding Company has received a demand from Deputy Collector (Manufacturing Bond) aggregating Rs.82.9 million raised on account of Sales Tax, custom duty and withholding income tax in respect of wastage generated on raw material imported under manufacturing bond license and covers the period July 2007 to December 2010. The Holding Company on the basis of an audit being duly completed till 31 March 2009 believes no further dues were liable to be paid.

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

For the nine months period ended 31 March 2015

The Holding Company has filed a Constitutional Petition in the Sindh High Court (SHC) which has granted interim stay on 9 December 2013.

During the nine months period ended 31 March 2015, the SHC heard the petition in length and remanded the case back to the Collector Adjudication II, for fresh examination strictly in accordance with the law. There has been hearings in this matter so far and the Holding Company has submitted its written legal arguments. Based on the advice of legal counsel and merits of the case, the Holding Company is confident that the subject demand is unjustified and the matter will be decided in its favour.

- 16.1.9** Section 113(2)(c) was interpreted by a Divisional Bench of the Sindh High Court (SHC) in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 7 May 2013, whereby it was held that the benefit of carry forward of Minimum Tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than Minimum Tax. Therefore, where there is no tax payable due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability.

The Subsidiary Company (ISL), based on legal counsel's advice considers that certain strong grounds are available whereby the aforesaid decision can be challenged in a Larger Bench of the Sindh High Court or the Supreme Court of Pakistan. A leave to appeal against the aforesaid decision has already been filed before the Supreme Court by other companies which is pending for hearing. In view of above, the Subsidiary Company is confident that the ultimate outcome in this regard would be favourable. Accumulated minimum tax liability of Rs. 408.8 million was determined for the tax years 2012, 2013 and 2014. However based on the assessment and estimation for availability of sufficient taxable profits on the basis of 5 years projection and tax credits available to the Subsidiary Company under section 65B of the Income Tax Ordinance 2001. Accordingly, accumulated minimum tax liability amounting to Rs.520.01 million has not been recorded on the same basis in these condensed interim financial information.

16.2 Commitments

- 16.2.1** Capital expenditure commitments of the Group Entities outstanding as at 31 March 2015 amounted to Rs.685 million (30 June 2014: Rs.2023 million).
- 16.2.2** Commitments under letters of credit established by the Group Entities for raw material and spares as at 31 March 2015 to Rs. 5,600 million (30 June 2014: Rs.3,987 million).
- 16.2.3** Commitments under purchase contracts entered into by the Holding Company as at 31 March 2015 amounted to Rs. 55 million (30 June 2014: Rs.92.5 million).
- 16.2.4** The unavailed facilities of the Group Entities for opening letters of credit and guarantees from banks as at 31 March 2015 amounted to Rs. 14,885 million (30 June 2014: 15,321 million) and Rs. 330 million (30 June 2014: 457 million) respectively.

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

For the nine months period ended 31 March 2015

| | Nine month priod ended | | Quarter ended | |
|---------------------------------------------------|------------------------|--------------------|--------------------|--------------------|
| | 31 March 2015 | 31 March 2014 | 31 March 2015 | 31 March 2014 |
| | (Rupees in '000) | | | |
| 17. NET SALES | | | | |
| Local | 21,745,061 | 23,834,560 | 8,097,305 | 8,051,602 |
| Export | 7,143,935 | 5,987,160 | 2,220,602 | 2,328,767 |
| | <u>28,888,996</u> | <u>29,821,720</u> | <u>10,317,907</u> | <u>10,380,369</u> |
| Toll Manufacturing | 523 | - | 523 | - |
| Sales Tax | (3,268,102) | (3,739,578) | (1,216,248) | (1,253,384) |
| Trade discounts | (225,117) | (65,402) | (117,490) | (36,137) |
| Sales discount and commission | (359,152) | (433,638) | (104,208) | (155,692) |
| | <u>(3,852,371)</u> | <u>(4,238,618)</u> | <u>(1,437,946)</u> | <u>(1,445,213)</u> |
| | <u>25,037,148</u> | <u>25,583,102</u> | <u>8,880,484</u> | <u>8,935,156</u> |
| 18. COST OF SALES | | | | |
| Opening stock of raw material and work-in-process | 7,003,663 | 4,900,295 | 4,326,132 | 6,956,221 |
| Purchases | 21,366,474 | 24,827,907 | 9,333,267 | 8,695,558 |
| Salaries, wages and benefits | 665,292 | 596,892 | 230,423 | 214,371 |
| Rates and taxes | 1,167 | 1,233 | 737 | 585 |
| Electricity, gas and water | 523,022 | 526,122 | 173,412 | 184,155 |
| Insurance | 19,756 | 23,809 | 7,149 | 7,586 |
| Security and janitorial | 31,801 | 24,858 | 11,462 | 8,158 |
| Depreciation and amortisation | 514,019 | 483,073 | 175,469 | 168,901 |
| Stores and spares consumed | 85,398 | 167,546 | 31,813 | 64,384 |
| Repairs and maintenance | 131,597 | 126,663 | 44,991 | 52,351 |
| Postage, telephone and stationery | 12,947 | 12,415 | 4,698 | 5,294 |
| Vehicle, travel and conveyance | 22,994 | 20,891 | 8,114 | 7,747 |
| Internal material handling | 19,699 | 16,910 | 7,351 | 5,574 |
| Environment controlling expense | 1,213 | 950 | 586 | 283 |
| Sundries | 6,471 | 8,261 | 2,798 | 2,358 |
| Sale of scrap generated during production | (740,697) | (604,643) | (317,075) | (232,756) |
| | <u>29,664,816</u> | <u>31,133,182</u> | <u>14,041,327</u> | <u>16,140,770</u> |
| Closing stock of raw material and work-in-process | (5,366,357) | (7,210,376) | (5,366,357) | (7,210,376) |
| Cost of goods manufactured | <u>24,298,459</u> | <u>23,922,806</u> | <u>8,674,970</u> | <u>8,930,394</u> |
| Finished goods and by-products : | | | | |
| Opening stock | 2,724,971 | 2,549,400 | 3,641,590 | 2,982,311 |
| Closing stock | (4,071,224) | (3,981,097) | (4,071,224) | (3,981,097) |
| | <u>(1,346,253)</u> | <u>(1,431,697)</u> | <u>(429,635)</u> | <u>(998,786)</u> |
| | <u>22,952,206</u> | <u>22,491,109</u> | <u>8,245,335</u> | <u>7,931,608</u> |

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

For the nine months period ended 31 March 2015

19 SELLING & DISTRIBUTION EXPENSES

| | Nine month priod ended | | Quarter ended | |
|----------------------------------------|-------------------------------------|------------------|------------------|------------------|
| | 31 March 2015 | 31 March 2014 | 31 March 2015 | 31 March 2014 |
| | ----- (Rupees in '000) ----- | | | |
| Freight and forwarding expenses | 386,629 | 385,776 | 118,321 | 143,619 |
| Salaries, wages and benefits | 103,390 | 110,174 | 35,069 | 37,719 |
| Rent, rates and taxes | 310 | 576 | 149 | 167 |
| Electricity, gas and water | 3,877 | 2,822 | 945 | 714 |
| Insurance | 2,401 | 3,507 | 494 | 1,383 |
| Depreciation and amortisation | 7,986 | 8,204 | 2,815 | 3,418 |
| Repair and maintenance | 1,172 | 959 | 390 | 336 |
| Advertising and sales promotion | 19,457 | 13,351 | 9,979 | 5,793 |
| Postage, telephone and stationery | 4,962 | 4,303 | 2,021 | 2,033 |
| Office supplies | 41 | 21 | 23 | 7 |
| Vehicle, travel and conveyance | 12,693 | 14,431 | 3,519 | 5,403 |
| Provision for doubtful debts-net | 6,644 | 7,588 | 1,202 | - |
| Certification and registration charges | 3,625 | 65 | 57 | 11 |
| Others | 5,441 | 3,559 | 2,381 | 1,314 |
| | <u>558,628</u> | <u>555,336</u> | <u>177,365</u> | <u>201,917</u> |

20 ADMINISTRATIVE EXPENSES

| | | | | |
|-----------------------------------------|----------------|----------------|---------------|---------------|
| Salaries, wages and benefits | 161,147 | 165,023 | 55,171 | 54,536 |
| Rent, rates and taxes | 993 | 241 | 472 | 139 |
| Electricity, gas and water | 2,468 | 2,368 | 555 | 593 |
| Insurance | 789 | 772 | 202 | 223 |
| Depreciation and amortisation | 15,888 | 12,433 | 7,027 | 4,418 |
| Repair and maintenance | 504 | 468 | 176 | 121 |
| Postage, telephone and stationery | 6,662 | 8,998 | 2,192 | 4,121 |
| Office supplies | 37 | 59 | 23 | 8 |
| Vehicle, travel and conveyance | 9,373 | 9,687 | 3,487 | 3,965 |
| Legal and professional charges | 21,756 | 19,010 | 9,032 | 5,371 |
| Certifications and registration charges | 2,784 | 1,526 | 1,585 | 488 |
| Directors' fees | 5,290 | 4,200 | 1,740 | 1,240 |
| Others | 9,847 | 10,629 | 2,965 | 3,337 |
| | <u>237,538</u> | <u>235,414</u> | <u>84,627</u> | <u>78,560</u> |

21. FINANCIAL CHARGES

| | | | | |
|------------------------------------------------|------------------|------------------|----------------|----------------|
| Mark-up on: | | | | |
| - Long-term financing | 301,120 | 300,861 | 101,667 | 98,697 |
| - Short-term borrowings | 632,763 | 965,066 | 202,751 | 305,151 |
| | <u>933,883</u> | <u>1,265,927</u> | <u>304,418</u> | <u>403,848</u> |
| Exchange loss on FE borrowing | 272,568 | (23,424) | 92,500 | (58,717) |
| Interest on Workers' Profit Participation Fund | 317 | 360 | - | - |
| Bank charges | 14,766 | 10,944 | 4,893 | 4,231 |
| | <u>1,221,534</u> | <u>1,253,807</u> | <u>401,811</u> | <u>349,362</u> |

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

For the nine months period ended 31 March 2015

| | Nine month priod ended | | Quarter ended | |
|---------------------------------------------------|------------------------------|------------------|------------------|------------------|
| | 31 March 2015 | 31 March 2014 | 31 March 2015 | 31 March 2014 |
| | ----- (Rupees in '000) ----- | | | |
| 22. OTHER OPERATING CHARGES | | | | |
| Auditors' remuneration | 3,132 | 3,554 | 797 | 1,328 |
| Loss on derivative financial instruments | - | 48,470 | - | 47,394 |
| Donations | 8,400 | 12,405 | 475 | 1,740 |
| Exchange loss | 30,095 | - | 187 | - |
| Loss on disposal of property, plant and equipment | - | 744 | - | 6,899 |
| Workers' Profit Participation Fund | 11,900 | 53,031 | 2,414 | 14,266 |
| Workers' Welfare Fund | 4,750 | 21,210 | 956 | 5,694 |
| Project development expenses | 5,616 | - | 2,769 | - |
| Pre incorporation expenses | | | | |
| - subsidiary | 624 | - | 624 | - |
| Others | - | 4,974 | - | 4,149 |
| | <u>64,517</u> | <u>144,388</u> | <u>8,222</u> | <u>81,470</u> |
| 23. OTHER INCOME | | | | |
| Income / return on financial assets | | | | |
| Interest on bank deposits | 1,973 | 1,572 | 807 | 734 |
| Income from non-financial assets | | | | |
| Income from power generation-18MW | 34,881 | 22,408 | 14,809 | 9,122 |
| Income from power generation- 4MW | 44,184 | 42,928 | 14,920 | 16,437 |
| Gain on disposal of property, plant and equipment | 21,568 | - | 8,432 | - |
| Rental income | 1,287 | 1,287 | 429 | 429 |
| Exchange gain / (loss) - net | 75,629 | 4,477 | 22,500 | (56,932) |
| Others | 22,702 | 10,234 | 2,912 | 3,035 |
| | <u>202,224</u> | <u>82,906</u> | <u>64,809</u> | <u>(27,175)</u> |
| 24. TAXATION | | | | |
| Current for the year | 120,588 | 220,391 | 46,824 | 63,569 |
| Deferred | (72,287) | (37,377) | (42,833) | (24,344) |
| | <u>48,301</u> | <u>183,014</u> | <u>3,991</u> | <u>50,536</u> |

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

For the nine months period ended 31 March 2015

Relationship between income tax expenses and accounting profit

| | Effective tax rate % | | Nine months period ended | |
|-------------------------------------------------|----------------------|--------|--------------------------|------------------|
| | | | 31 March 2015 | 31 March 2014 |
| | | | (Rupees in '000) | |
| Profit before taxation | | | 220,479 | 996,553 |
| Tax at the enacted tax rate | 33.00 | 34.00 | 72,758 | 338,828 |
| Tax effect of income subject to lower tax | (0.92) | (0.20) | (2,025) | (1,982) |
| Tax effect of rebate / credits | (3.94) | (0.63) | (8,686) | (6,250) |
| Tax effect on export under final tax regime | (2.65) | (5.20) | (5,848) | (51,777) |
| Effect of change in rates and proportionate etc | (6.08) | (4.40) | (13,415) | (43,893) |
| Others | 2.50 | 0.37 | 5,517 | 3,654 |
| | 21.91 | 18.36 | 48,301 | 183,014 |

25. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associate entities, directors of the Holding Company and its Subsidiary companies, key management employees and staff retirement funds. The Group Entities continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions. Contributions to the defined contribution plan (Provident Fund) are made as per the terms of employment and contributions to the defined benefit plan (Gratuity Scheme) are in accordance with actuarial advice. Remuneration of key management personnel is in accordance with their terms of engagement and company policy. 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 Consolidated Financial Information (Un-audited)

For the nine months period ended 31 March 2015

| | Nine month period ended | | Quarter ended | |
|----------------------------------------------------------------|-------------------------|------------------|------------------|------------------|
| | 31 March 2015 | 31 March 2014 | 31 March 2015 | 31 March 2014 |
| ----- (Rupees in '000) ----- | | | | |
| Transactions with related parties | | | | |
| Associated companies | | | | |
| Sales | 422,043 | 412,535 | 124,395 | 97,278 |
| Purchases | 9,891,283 | 8,952,065 | 3,582,222 | 3,113,703 |
| Purchase of vehicle | 8,621 | - | 6,838 | - |
| Insurance premium expense | 34,195 | 46,014 | 8,021 | 7,989 |
| Insurance claim / adjustments | 74,127 | 1,205 | 1,706 | - |
| Rental income | 1,287 | 1,287 | 429 | 429 |
| Donations paid | 1,000 | 300 | - | - |
| Dividend paid | 21,177 | 8,241 | 8,753 | 6,945 |
| Dividend received | 10,917 | 9,704 | - | - |
| Reimbursement of payments made on behalf of associated company | - | 592 | - | - |
| Subscriptions paid | - | 327 | - | 216 |
| Participation fee | 216 | - | 117 | - |
| Sales commission | 1,680 | - | 756 | - |
| Key management personnel and their spouses | | | | |
| Remuneration | 238,566 | 218,164 | 80,552 | 72,506 |
| Sales commission expense | 3,725 | 5,590 | 1,763 | 3,048 |
| Staff retirement benefits | 4,205 | 4,037 | 1,453 | 1,320 |
| Staff retirement benefit plans | | | | |
| Contribution paid | 48,676 | 44,529 | 16,346 | 14,904 |
| Non- executive directors' fees | | | | |
| | 5,290 | 4,200 | 1,740 | 1,240 |

31 March
2015
(Un-audited)
(Rupees in '000)

30 June
2014
(Audited)

Balances with related parties

Trade debts

| | | |
|-----------------------------------|--------|--------|
| Sui Southern Gas Company Limited | 71,335 | 15,496 |
| Pakistan Cables Limited | 261 | - |
| Fauji Fertilizer Company Limited | 72 | - |
| Doogood Enterprises (Pty) Limited | 54,674 | - |

26 SEGMENT REPORTING

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

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

For the nine months period ended 31 March 2015

SEGMENT REVENUE AND RESULTS

| | Steel Coils & Sheets | Steel Pipes | Plastic Pipes | Total |
|-------------------------------------------|-------------------------|------------------|------------------|------------------|
| ----- (Rupees in 000) ----- | | | | |
| For the period ended 31 March 2015 | | | | |
| Sales | 12,312,151 | 12,117,378 | 607,619 | 25,037,148 |
| Cost of sales | 11,363,004 | 11,026,616 | 562,586 | 22,952,206 |
| Gross Profit | <u>949,147</u> | <u>1,090,762</u> | <u>45,033</u> | <u>2,084,942</u> |
| For the period ended 31 March 2014 | | | | |
| Sales | 15,169,465 | 9,963,585 | 450,052 | 25,583,102 |
| Cost of sales | 13,526,847 | 8,510,170 | 454,092 | 22,491,109 |
| Gross Profit | <u>1,642,618</u> | <u>1,453,415</u> | <u>(4,040)</u> | <u>3,091,993</u> |

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

| | Nine months period ended | |
|-----------------------------------------------------------|--------------------------|------------------|
| | 31 March 2015 | 31 March 2014 |
| | (Rupees in '000) | |
| Total results for reportable segments | 2,084,942 | 3,091,993 |
| Selling, distribution and administrative expenses | (796,166) | (790,750) |
| Financial charges | (1,221,534) | (1,253,807) |
| Other operating expenses | (64,517) | (144,388) |
| Other operating income | 202,224 | 82,906 |
| Share of profit in equity-accounted investee - net of tax | 15,530 | 10,599 |
| Taxation | (48,301) | (183,014) |
| Profit after tax | <u>172,178</u> | <u>813,539</u> |

SEGMENT ASSETS & LIABILITIES

| | Steel Coils & Sheets | Steel Pipes | Plastic Pipes | Total |
|-----------------------------------------|-------------------------|-------------------|------------------|-------------------|
| ----- (Rupees in 000) ----- | | | | |
| As at 31 March 2015 - Un-audited | | | | |
| Segment assets | <u>20,801,674</u> | <u>10,275,867</u> | <u>579,076</u> | <u>31,656,617</u> |
| Segment liabilities | <u>15,023,729</u> | <u>8,619,978</u> | <u>504,829</u> | <u>24,148,536</u> |
| As at 30 June 2014 - Audited | | | | |
| Segment assets | <u>14,615,997</u> | <u>11,936,143</u> | <u>505,506</u> | <u>27,057,646</u> |
| Segment liabilities | <u>10,371,964</u> | <u>9,156,191</u> | <u>427,657</u> | <u>19,955,812</u> |

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

For the nine months period ended 31 March 2015

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

| | 31 March 2015 | 30 June 2014 |
|-----------------------------------------------|-------------------|-------------------|
| | (Rupees in '000) | |
| Total reportable segments assets | 31,656,617 | 27,057,646 |
| Unallocated assets | 3,150,279 | 3,596,869 |
| Total assets as per Balance Sheet | <u>34,806,896</u> | <u>30,654,515</u> |
| Total reportable segments liabilities | 24,148,536 | 19,955,812 |
| Unallocated liabilities | 1,798,610 | 1,397,727 |
| Total liabilities as per Balance Sheet | <u>25,947,146</u> | <u>21,353,539</u> |

27. GENERAL

- 27.1 This condensed interim consolidated financial information was authorised for issue by the Board of Directors of the Holding Company on 25 April 2015.


Fuad Azim Hashimi
Director & Chairman
Board Audit Committee


Nadir Akbarali Jamal
Chief Financial Officer


Riyaz T Chinoy
Chief Executive Officer