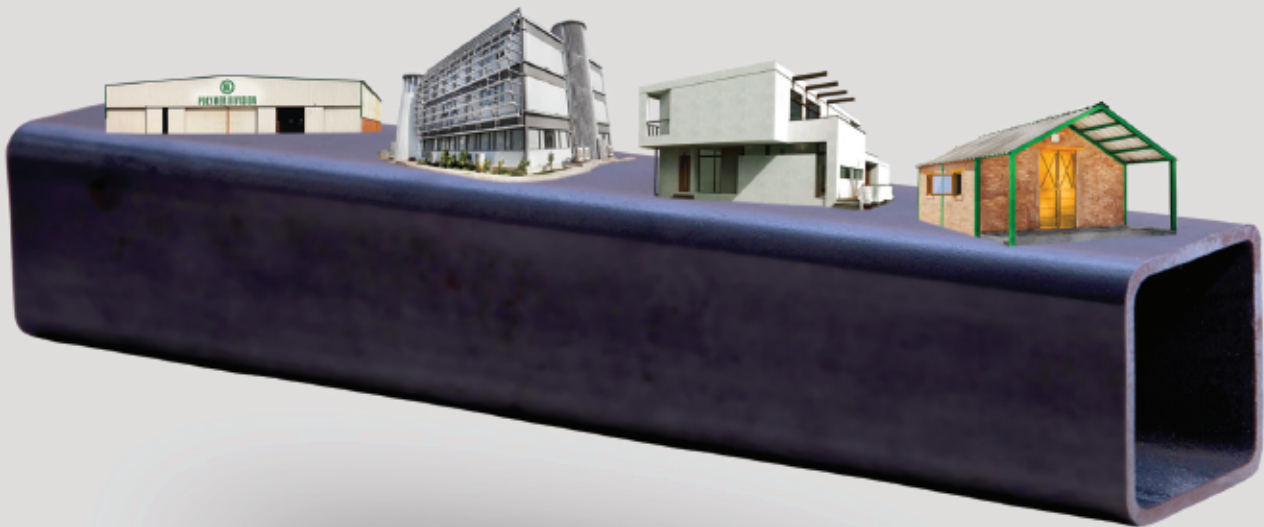




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Unaudited Financial Statements

for the six months ended 31st December 2019



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COMPANY INFORMATION

Chairman (Non-Executive)

Mr. Mustapha A. Chinoy

Independent Director

Mr. Adnan Afridi

Mr. Mansur Khan

Mr. Ehsan A. Malik

Mr. Jehangir Shah

Non-Executive Director

Mr. Kamal A. Chinoy

Mr. Azam Faruque

Mrs. Saadia S. Rashid

Chief Executive Officer

Mr. Riyaz T. Chinoy

Advisor

Mr. Towfiq H. Chinoy

Chief Financial Officer

Mr. Muhammad Akhtar

Company Secretary

Mr. Sunaib Barkat

Group Chief Internal Auditor

Ms. Asema Tapal

Internal Auditors

M/s EY Ford Rhodes

External Auditors

M/s KPMG Taseer Hadi & Co.

Bankers

Allied Bank Limited

Askari Bank Limited

Bank Al Habib Limited

Bank Alfalah Limited

Faysal Bank Limited

Habib Bank Limited

Industrial and Commercial Bank of China Limited

MCB Bank Limited

Meezan Bank Limited

Samba Bank Limited

Soneri Bank Limited

Standard Chartered Bank (Pakistan) Limited

United Bank Limited

Legal Advisor(s)

Ms. Sana Shaikh Fikree

Mr. Ameen Bandukda

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Karachi – 75530

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E-mail: factory@iil.com.pk

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Fax: +9221-35013108

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Telephone Nos: +9242-37190491-3

Website

www.iil.com.pk

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CDC Share Registrar Services Limited

CDC House, 99-B, Block "B", S.M.C.H.S.,
Shahrah-e-Faisal, Karachi.

Telephone Nos: +92-0800-23275

FAX: +9221-34326053

E-mail : info@cdcsrsl.com

Website: www.cdcsrsl.com

Directors' Report

For the period ended 31st December, 2019

The directors of your Company are pleased to present the financial statements for the six months ended 31st December, 2019.

The first half of the current year was negatively affected by the economic slowdown and Large-Scale Manufacturing (LSM) resultantly reported a decline of 5.93% in the July-Nov 2019 period compared to the same period last year. Automotive, construction, steel and other related capital-intensive industries continued to underperform the LSM index. As highlighted, higher costs of financing, gas input and freight due to implementation of axle load regime have continued to adversely impact business profitability over the period under review.

The company's net turnover at Rs. 10.4 billion was 9.8% lower compared to the corresponding period last year. Domestic sales of Steel pipes and tubes came under pressure resulting in volumetric decline of 12% over the same period last year; deteriorating demand from the automotive, construction, and institutional customers remain the primary reason for the underperformance. The decline in export business, primarily due to external factors, including imposition of anti-dumping duty last year and declining international steel prices, continued to significantly impact sales volumes, which declined by 54% as compared to the same period last year. The cumulative impact of lower domestic and export sales volumes has led to a decline in steel production volume by 29% and gross margins by 2%, thereby forcing management to take stringent cost cutting measures including efficient and effective management of the production facilities.

Our Polymer segment sales turnover at Rs. 940 million was up by a significant 74% over same period last year. Volumetric growth was also up 66% over the same period last year. Institutional sales performed well, reporting a 72% increase in volumes compared to the same period last year. The order book for our institutional product lines is fully booked, and we expect to run our plants at full capacity for the 2nd half of the year. Our line of PPRC pipes and fittings continues to exceed expectations and reported 47% growth in volumes over the same period last year. The Polymer segment's contribution in our turnover has doubled to 9% compared to the same period last year, and we look forward to a profitable year ahead for this growing business segment.

The company reported Profit before Tax (PBT) of Rs. 18 million, compared to PBT of Rs. 1,142 million during the corresponding period last year. PBT includes dividend income of Rs. 376 million from our subsidiary and associate companies. Loss after Tax (LAT) of Rs. 122 million (EPS -0.93) was reported for the half year on account of Rs. 140 million taxation which includes minimum taxation of Rs 148 million. It is encouraging however that our operating cash flow has rebounded to positive as we drew down inventory; this reflects our efforts to reorganize and optimize our business in line with changing business conditions.

Our subsidiary, International Steels Limited (ISL) reported Net Sales of Rs. 25.4 billion which was down 1.6% over the corresponding period last year. Profit after Tax (PAT) of Rs. 466 Mn (EPS 1.07) was down by 73% from Rs. 1,748 Mn (EPS 4.02) during the same period last year.

The Group P&L for the half year ended with LAT of Rs. - 122 million (EPS - 0.93) compared to PAT of Rs. 1,300 million (EPS 9.86) over the corresponding period last year.

Directors' Report

For the period ended 31st December, 2019

The year ahead will remain challenging for large scale manufacturing businesses that are tied to the economic fundamentals of Pakistan. The condition of CNIC disclosure on purchases of over Rs. 50,000 or more, to be implemented starting 1st February 2020, will pose significant challenges to all businesses, including ours, in the short-medium term. Furthermore, import of raw material continues to be significantly more economical than buying from local manufacturers with idle capacity. This anomaly, which is anti-industry and pro-trade, needs immediate attention and review by the Government as it goes against promoting import-substitution and the 'Make in Pakistan' initiative. Lastly, it is encouraging to see the Engineering Development Board (EDB) take notice of declining engineering sector exports and we are hopeful our concerns in this regard shall be addressed.

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

For & on behalf of
International Industries Limited



Mustapha A. Chinoy
Chairman

Karachi.
30 January 2020

اس ششماہی میں بعد از ٹیکس نقصان (LAT) 122 ملین روپے (EPS -0.93) ریکارڈ کیا گیا کیونکہ ٹیکس کی مد میں 140 ملین روپے بشمول 148 ملین روپے کم از کم ٹیکس کے طور پر ادا کئے گئے۔ تاہم یہ بات حوصلہ افزا ہے کہ ہمارا آپریٹنگ کیش فلو واپس مثبت پر آ گیا ہے کیونکہ ہم نے انونٹری کی مد میں کمی کی تھی۔ اس سے بدلتی ہوئی کاروباری صورتحال کے مطابق اپنے کاروبار کو دوبارہ منظم کرنے اور کمی لانے کی کاوشوں کا پتہ چلتا ہے۔

ہماری ذیلی کمپنی انٹرنیشنل اسٹیلو لمیٹڈ (ISL) کی خالص سیلز 25.4 ملین روپے رپورٹ کی گئی ہے جو گزشتہ سال کی اسی مدت سے 1.6% کم ہے۔ بعد از ٹیکس منافع (PAT) 466 ملین روپے (EPS 1.07) رہے جو کہ گزشتہ سال اسی مدت کے 1,748 ملین روپے (EPS 4.02) کے مقابلے میں 73% کم ہے۔

ختم ہونے والی ششماہی کے لئے گروپ P&L مع LAT 122 ملین روپے (EPS- 0.93) رہا جب کہ اس کے مقابلے میں گزشتہ سال کی اسی مدت میں PAT 1,300 ملین روپے (EPS-9.86) تھا۔

آنے والے سال میں بڑے پیمانے کے مینوفیکچرنگ کے کاروبار کو کئی طرح کے چیلنج کا سامنا ہوگا جو پاکستان کی معاشی بنیادوں سے جڑے ہیں۔ 50,000/- روپے یا اس سے زیادہ کی خریداری پر CNIC دکھانے کی شرط پر یکم فروری 2020 سے عمل درآمد ہو رہا ہے جو کم اوسط مدت کے تمام کاروباروں بشمول ہمارے لئے ایک نمایاں چیلنج ہے۔ اس کے علاوہ ملک میں محدود گنجائش میں تیار ہونے والے مال کی نسبت درآمد کئے جانے والے خام مال کی قیمت نمایاں طور پر کم ہے۔ یہ بے ضابطگی صنعت مخالف اور تجارت کے حق میں ہے جس پر حکومت کو فوری توجہ دینے اور جائزہ لینے کی ضرورت ہے کیونکہ یہ درآمدات کی جگہ میڈان پاکستان کے اقدام کے خلاف ہے۔ آخر میں، یہ بات حوصلہ افزا ہے کہ انجینئرنگ ڈیولپمنٹ بورڈ (EDB) نے انجینئرنگ کے شعبہ کی برآمدات میں کمی کا نوٹس لیا ہے اور ہمیں امید ہے کہ اس سلسلے میں ہمارے خدشات دور کرنے کی کوشش کی جائے گی۔

ہم اپنے تمام اسٹیک ہولڈرز کے مسلسل تعاون پر ان کے شکر گزار ہیں اور توقع کرتے ہیں کہ آنے والا سال خوش آئند ہوگا۔

برائے اور منجانب

انٹرنیشنل اسٹیلو لمیٹڈ



مصطفیٰ اے چنائے
چیرمین

کراچی

30 جنوری 2020

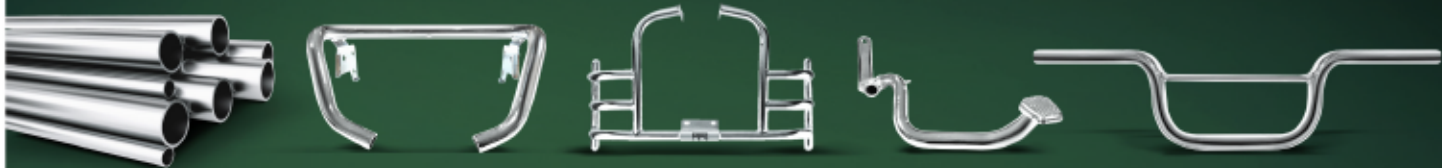
آپ کی کمپنی کے ڈائریکٹر نہایت مسرت کے ساتھ ششماہی مالیاتی گوشوارے برائے 31 دسمبر 2019 پیش کر رہے ہیں۔ موجودہ سال کی پہلی ششماہی منفی انداز کی رہی جس میں معاشی سست روی اور بڑے پیمانے کی مینوفیکچرنگ (LSM) شدید متاثر ہوئے جس کے نتیجے میں جولائی-نومبر 2019 کی مدت میں گزشتہ سال کی اسی مدت کے مقابلے میں 5.93% کی کمی واقع ہوئی۔ آٹوموٹیو، کنسٹرکشن، اسٹیل اور دوسری متعلقہ capital-intensive صنعتوں میں LSM انڈیکس کی کارکردگی بھی معمول سے کم رہی۔ زیر جائزہ مدت میں فنانسنگ لاگت، گیس کے استعمال اور ایکسل لوڈ کے نفاذ سے فریٹ کی قیمتوں میں اضافہ ہوا جس سے کاروباری منفعت پر منفی اثرات مرتب کئے۔

کمپنی کی خالص آمدنی 10.4 بلین روپے رہی جو گزشتہ سال کی اسی مدت کے مقابلے میں 9.8% کم ہے۔ ملک میں اسٹیل پائپس اور ٹیوبز کی سیلز دباؤ کی حالت میں رہی جس کے نتیجے میں گزشتہ سال کے اسی عرصے کے مقابلے میں حجم کے لحاظ سے 12% کمی آئی۔ کارکردگی کے معمول سے کم ہونے کی بنیادی وجہ آٹوموٹیو، کنسٹرکشن اور اداریاتی صارفین کی جانب سے طلب کا کم ہونا تھی۔ برآمدات کے کاروبار میں کمی کی بنیادی وجہ بیرونی عوامل تھے جس میں گزشتہ سال سے نافذ اینٹی ڈمپنگ ڈیوٹی اور بین الاقوامی اسٹیل کی قیمتوں میں کمی نے بھی سیلز کی ولیم پر مسلسل نمایاں اثر ڈالا جس میں گزشتہ سال کی اسی مدت کے مقابلے میں 54% کمی ہوئی۔ ملکی اور برآمدی سیلز میں کمی کے مجموعی اثر کے تحت اسٹیل پروڈکشن کے حجم میں 29% کم ہوئی اور مجموعی مارجن میں بھی 2% کمی آئی اور اس بناء پر منچمنٹ کو لاگت میں کمی کے لئے سخت اقدامات کرنے پڑے جس میں پروڈکشن کی فیسلٹیز میں مستعد اور موثر انتظامات کئے گئے۔

ہمارے پولیمر کے شعبہ کی سیلز کی آمدنی گزشتہ سال کی اسی مدت کی آمدنی سے نمایاں طور پر 74% اضافے کے ساتھ 940 ملین روپے ہوئی۔ اس لحاظ سے گزشتہ سال کے اسی عرصے کے حجم میں بھی 66% اضافہ ریکارڈ کیا گیا۔ اداریاتی سیلز کی کارکردگی بہت بہتر رہی جو گزشتہ سال کی اسی مدت کے مقابلے میں 72% زیادہ ہوئی۔ ہمارے اداریاتی پروڈکٹ کی آرڈر بک مکمل طور پر بک ہو چکی ہے اور ہمیں امید ہے کہ سال کی دوسری ششماہی میں ہمارے تمام پلانٹ اپنی پوری گنجائش کے ساتھ کام کریں گے۔ ہماری PPRC پائپس اور فٹنگز کی لائن کی کارکردگی میں مستقل طور پر ہماری توقع سے بڑھ کر اضافہ ہو رہا ہے اور گزشتہ سال کی اسی مدت کے مقابلے میں اس مرتبہ 47% اضافہ ہوا۔ پولیمر کے شعبہ کی وجہ سے ہماری مجموعی آمدنی گزشتہ سال کے اسی عرصے کے مقابلے میں 9% تک بڑھ گئی اور ہمیں توقع ہے کہ تیزی سے بڑھتے ہوئے کاروبار کی وجہ سے اگلا سال منافع کا سال ہوگا۔

کمپنی کا اس سال کا قبل از ٹیکس منافع (PBT) 18 ملین روپے رہا جب کہ گزشتہ سال اسی عرصے کا PBT 1,142 ملین روپے تھا۔ PBT میں 376 ملین روپے کی ڈیوڈنڈ کی آمدنی بھی شامل ہے جو ہماری ذیلی اور ایسوسی ایٹ کمپنیز سے حاصل ہوا۔

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111 019 019

Independent Auditors' Review Report

To the members of International Industries Limited



Report on review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of International Industries Limited ("the Company") as at 31 December 2019 and the related condensed interim unconsolidated statement of profit or loss, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of cash flows, and condensed interim unconsolidated statement of changes in equity, and notes to the condensed interim unconsolidated financial statements for the six-months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other matter

The figures for the quarter ended 31 December 2019 and 31 December 2018 in the interim financial statements have not been reviewed and we do not express a conclusion on them.

The engagement partner on the engagement resulting in this independent auditors' review report is Muhammad Taufiq.

Date: 19 February 2020
Karachi

A handwritten signature in black ink, appearing to read 'KPMG Taseer Hadi & Co.' with a stylized flourish at the end.

KPMG Taseer Hadi & Co.
Chartered Accountants

FINANCIAL **STATEMENTS**

Condensed Unconsolidated Statement of Financial Position

As at 31st December 2019

	Note	31 December 2019 (Un-audited) (Rupees in '000)	30 June 2019 (Audited) (Rupees in '000)
ASSETS			
Non-current assets			
Property, plant and equipment	5	7,218,581	7,360,485
Intangible assets		1,674	3,351
Investments	6	3,277,276	3,277,276
Long term deposits		3,519	3,519
		<u>10,501,050</u>	<u>10,644,631</u>
Current assets			
Stores and spares		233,341	215,528
Stock-in-trade	7	8,116,476	10,857,730
Trade debts - considered good	8	3,395,203	2,988,083
Advances, trade deposits and short-term prepayments	9	42,603	51,384
Receivable from K-Electric Limited (KE) - unsecured, considered good		28,156	30,124
Other receivables		23,992	9,523
Sales tax receivable		112,338	279,468
Cash and bank balances		289,445	250,700
		<u>12,241,554</u>	<u>14,682,540</u>
Total assets		<u>22,742,604</u>	<u>25,327,171</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital 200,000,000 (2019: 200,000,000) ordinary shares of Rs. 10 each		<u>2,000,000</u>	<u>2,000,000</u>
Share capital			
Issued, subscribed and paid-up capital		1,318,819	1,198,926
Revenue reserves			
General reserves		2,700,036	2,700,036
Un-appropriated profit		3,046,537	3,599,089
Capital reserve			
Revaluation surplus on property, plant and equipment		2,401,619	2,450,893
Total Shareholders' equity		<u>9,467,011</u>	<u>9,948,944</u>
LIABILITIES			
Non-current liabilities			
Long-term finance - secured	11	1,594,745	1,702,174
Staff retirement benefits		130,813	118,409
Deferred taxation - net		327,601	335,547
		<u>2,053,159</u>	<u>2,156,130</u>
Current liabilities			
Trade and other payables	12	2,026,523	2,764,019
Contract Liabilities		203,767	235,171
Short term borrowings - secured	13	8,147,750	9,425,130
Unpaid dividend		21,171	4,257
Unclaimed dividend		21,341	36,596
Current portion of long-term finance - secured		369,089	290,913
Taxation - net		314,495	322,545
Accrued mark-up		118,298	143,466
		<u>11,222,434</u>	<u>13,222,097</u>
Total liabilities		<u>13,275,593</u>	<u>15,378,227</u>
Contingencies and commitments	14		
Total equity and liabilities		<u>22,742,604</u>	<u>25,327,171</u>

The annexed notes 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.



Ehsan A. Malik
Director & Chairman
Board Audit Committee



Muhammad Akhtar
Chief Financial Officer



Riyaz T. Chinoy
Chief Executive Officer

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

For the six months ended 31st December 2019

		Six months ended		Three months ended	
	Note	31 December 2019	31 December 2018	31 December 2019	31 December 2018
		(Rupees in '000)			
Net sales	15	10,443,819	11,576,220	5,040,472	6,077,217
Cost of sales	16	(9,703,350)	(10,514,307)	(4,586,792)	(5,452,301)
Gross profit		740,469	1,061,913	453,680	624,916
Selling and distribution expenses	17	(377,633)	(431,415)	(169,930)	(259,157)
Administrative expenses	18	(151,743)	(154,090)	(73,694)	(83,123)
Impairment reversal on trade debts		14,072	10,902	14,072	1,935
		(515,304)	(574,603)	(229,552)	(340,345)
Finance cost	19	(585,531)	(399,377)	(256,227)	(231,788)
Other operating expenses	20	(15,112)	(43,124)	(9,880)	(28,532)
		(600,643)	(442,501)	(266,107)	(260,320)
Other income	21	393,518	1,097,300	58,947	235,274
Profit before taxation		18,040	1,142,109	16,968	259,525
Taxation	22	(140,295)	(221,197)	(19,795)	(68,980)
(Loss) / Profit after taxation		(122,255)	920,912	(2,827)	190,545
		(Rupees)			
		Restated		Restated	
(Loss) / Earnings per share - basic and diluted		(0.93)	6.98	(0.02)	1.44

The annexed notes 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.


Ehsan A. Malik
 Director & Chairman
 Board Audit Committee


Muhammad Akhtar
 Chief Financial Officer


Riyaz T. Chinoy
 Chief Executive Officer

Condensed Unconsolidated Statement of Comprehensive Income (Un-audited)

For the six months ended 31st December 2019

	Six months ended		Three months ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Rupees in '000)			
(Loss) / Profit for the period	(122,255)	920,912	(2,827)	190,545
Other comprehensive income				
<i>Items that are or may be reclassified to statement of profit or loss</i>				
Effective portion of changes in fair value of cash flow hedges	-	-	-	8,010
Related deferred tax charge	-	-	-	(1,739)
Total comprehensive income - net of tax	-	-	-	6,271
Total comprehensive income	(122,255)	920,912	(2,827)	196,816

The annexed notes 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.



Ehsan A. Malik
Director & Chairman
Board Audit Committee



Muhammad Akhtar
Chief Financial Officer



Riyaz T. Chinoy
Chief Executive Officer


Condensed Unconsolidated Statement of Cash Flows (Un-audited)

For the six months ended 31st December 2019

		Six months ended	
	Note	31 December 2019	31 December 2018
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		18,040	1,142,109
Adjustments for :			
Depreciation		267,209	213,325
Amortisation		1,677	2,642
Impairment reversal on trade debts		(14,072)	(10,902)
Income on bank deposits	21	(595)	(890)
Gain on disposal of property, plant and equipment	21	(38,679)	(70,873)
Dividend income	21	(376,351)	(756,490)
Provision for staff gratuity		24,804	23,766
Provision for compensated absences		-	2,750
Finance cost	19	585,531	399,377
		449,524	(197,295)
Changes in Working capital	23	1,729,704	(1,769,802)
Net cash generated from / (used in) operations		2,197,268	(824,988)
Finance cost paid		(610,699)	(319,220)
Staff gratuity paid		(12,400)	(23,766)
Compensated absences paid		(4,801)	(4,585)
Income tax paid		(156,291)	(128,736)
Net cash generated from / (used in) operating activities		1,413,077	(1,301,295)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(153,244)	(503,709)
Proceeds from disposal of property, plant and equipment		66,618	87,728
Dividend income received		376,351	21,323
Income on bank deposits received		595	890
Net cash generated from / (used in) investing activities		290,320	(393,768)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term finance		77,115	24,554
Repayment of long term finance		(106,368)	(77,581)
Repayments of / (proceeds from) short term borrowing - net		(200,978)	231,500
Dividend paid		(358,019)	(769,892)
Net cash used in financing activities		(588,250)	(591,419)
Net increase / (decrease) in cash and cash equivalents		1,115,147	(2,286,482)
Cash and cash equivalents at beginning of the period		(5,190,430)	(6,103,192)
Cash and cash equivalents at end of the period		(4,075,283)	(8,389,674)
CASH AND CASH EQUIVALENTS COMPRISE OF :			
Cash and bank balances		289,445	475,525
Short term borrowings - secured		(4,364,728)	(8,865,199)
	23.1	(4,075,283)	(8,389,674)

The annexed notes 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.


Ehsan A. Malik
 Director & Chairman
 Board Audit Committee


Muhammad Akhtar
 Chief Financial Officer


Riyaz T. Chinoy
 Chief Executive Officer

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

For the six months ended 31st December 2019

	Issued, subscribed and paid-up capital	Revenue Reserves General reserves	Un- appropriated profit / (loss)	Capital Reserve Revaluation surplus on property, plant and equipment	Total
	(Rupees in '000)				
Balance as at 1 July 2018	1,198,926	2,700,036	3,037,210	1,958,211	8,894,383
Total comprehensive income for the period					
Profit for the period	-	-	920,912	-	920,912
Effect of change in tax rate on revaluation surplus on of property, plant & equip.	-	-	-	18,700	18,700
Other Comprehensive income for the period	-	-	-	-	-
Total Comprehensive income for the period	-	-	920,912	18,700	939,612
Transactions with owners of the Company - distributions:					
- Final dividend @ 65% (Rs. 6.50 per share) for the year ended 30 June 2018	-	-	(779,302)	-	(779,302)
Total transactions with owners of the Company - distribution	-	-	(779,302)	-	(779,302)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	-	-	25,167	(25,167)	-
Transfer from surplus on revaluation on disposal of fixed assets - net of tax	-	-	7,313	(7,313)	-
Balance as at 31 December 2018	1,198,926	2,700,036	3,211,300	1,944,431	9,054,693
Balance as at 1 July 2019	1,198,926	2,700,036	3,599,089	2,450,893	9,948,944
Total comprehensive income for the period	-	-	(122,255)	-	(122,255)
Transactions with owners of the Company - distributions:					
- Final dividend @ 30% (Rs. 3.00 per share) for the year ended 30 June 2019	-	-	(359,678)	-	(359,678)
- Bonus shares @ 10% for the year ended 30 June 2019	119,893	-	(119,893)	-	-
Total transactions with owners of the Company - distribution	119,893	-	(479,571)	-	(359,678)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	-	-	45,016	(45,016)	-
Transfer from surplus on revaluation on disposal of fixed assets - net of tax	-	-	4,258	(4,258)	-
Balance as at 31 December 2019	1,318,819	2,700,036	3,046,537	2,401,619	9,467,011

The annexed notes 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.



Ehsan A. Malik
Director & Chairman
Board Audit Committee



Muhammad Akhtar
Chief Financial Officer



Riyaz T. Chinoy
Chief Executive Officer

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

For the six months ended 31st December 2019

1. STATUS AND NATURE OF BUSINESS

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

The manufacturing facilities of the Company are situated as follows:

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34 'Interim Financial Reporting issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34 the provisions of and directives issued under the Companies Act, 2017 have been followed.

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

2.1.3 The comparative condensed unconsolidated statement of financial position presented in these condensed interim unconsolidated financial statements have been extracted from the audited annual separate financial statements of the Company for the year ended 30 June 2019, whereas the comparative condensed unconsolidated statement of profit or loss, condensed unconsolidated statement of comprehensive income, condensed unconsolidated statement of cash flows and condensed unconsolidated statement of changes in equity are extracted from the unaudited condensed unconsolidated financial statements for the period ended 31 December 2018.

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

For the six months ended 31st December 2019

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These condensed interim financial statements are presented in Pakistani Rupees which is also the Company's functional currency and all financial information presented has been rounded-off to the nearest thousand Rupees except where stated otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

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

For the six months ended 31st December 2019

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Company's financial statements.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

- 4.1 The preparation of condensed interim unconsolidated financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.
- 4.2. The significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statement as at and for the year ended 30 June 2019.
- 4.3. The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2019.

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

For the six months ended 31st December 2019

5. PROPERTY, PLANT AND EQUIPMENT	Operating assets	Capital work-in-progress (incl., capital spares)	Total
	----- (Rupees in '000) -----		
Cost / revalued amount			
Opening balance	10,012,468	50,702	10,063,170
Additions	-	153,244	153,244
Transfers	110,026	(110,026)	-
Disposal	(101,866)	-	(101,866)
	<u>10,020,628</u>	<u>93,920</u>	<u>10,114,548</u>
Accumulated depreciation			
Opening balance	(2,702,685)	-	(2,702,685)
Charge for the period	(267,209)	-	(267,209)
Disposal	73,927	-	73,927
	<u>(2,895,967)</u>	<u>-</u>	<u>(2,895,967)</u>
Written down value as at 31 December 2019 (Un-audited)	<u><u>7,124,661</u></u>	<u><u>93,920</u></u>	<u><u>7,218,581</u></u>
Written down value as at 30 June 2019 (Audited)	<u>7,309,783</u>	<u>50,702</u>	<u>7,360,485</u>

6. INVESTMENTS

31 December 2019 (Un-audited) (Number of shares)	30 June 2019 (Audited)	Note	31 December 2019 (Un-audited) (Rupees in '000)	30 June 2019 (Audited)	
Quoted companies					
245,055,543	245,055,543	International Steels Limited (ISL) - subsidiary company at cost	6.1	2,450,555	2,450,555
6,092,470	6,092,470	Pakistan Cables Limited (PCL) - associate company at cost	6.2	817,553	817,553
Un-quoted company					
100,000	100,000	IIL Australia Pty Limited (IIL Australia) - subsidiary company at cost	6.3	9,168	9,168
				<u>3,277,276</u>	<u>3,277,276</u>

- 6.1** The Company holds 56.33% ownership interest in ISL. The Chief Executive of ISL is Mr. Yousuf H. Mirza.
- 6.1.1** The Company has pledged 500,000 shares of International Steels Limited in the Sindh High Court as explained in note 15.1.8.
- 6.2** The Company holds 17.124% ownership interest in PCL. The Chief Executive Officer of PCL is Mr. Fahd K.Chinoy.
- 6.3** The Company holds 100% ownership interest in IIL Australia. The Chief Executive Officer of IIL Australia is Mr.Sohail Raza Bhojani. The Company is incorporated in Victoria, Australia.
- 6.4** Market value of the aforementioned quoted investments is as follows:
- | | 31 December 2019
(Un-audited)
(Rupees in '000) | 30 June 2019
(Audited) |
|--|--|---------------------------|
| Quoted | | |
| International Steels Limited at Rs.57.89 (2019: Rs. 39.71) per share | 14,186,265 | 9,731,156 |
| Pakistan Cables Limited at Rs.130.00 (2019: Rs. 140.52) per share | 792,021 | 856,114 |
- 6.4.1** Market values of the investments disclosed above is categorised as Level 1 fair value measurement. No impairment loss has been recognized because the recoverable amount of the investment in associated company exceeds its carrying amount.
- 6.5** The book value of IIL Australia based on un-audited financial statements as at 31 December 2019 is AUD 95,811 (Rs.10.405 million). [2019: AUD 177,569 (Rs. 20.42 million)].

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

For the six months ended 31st December 2019

7. STOCK-IN-TRADE	31 December 2019 (Un-audited) (Rupees in '000)	30 June 2019 (Audited)
Raw materials- in hand - in transit	4,192,288 170,857 <u>4,363,145</u>	5,186,733 1,721,549 <u>6,908,282</u>
Work-in-process	1,425,924	1,516,682
Finished goods	2,327,407 <u>8,116,476</u>	2,432,766 <u>10,857,730</u>
7.1 Raw materials amounting to Rs. 2.5 million as at 31 December 2019 (30 June 2019: Rs. 4.9 million) was held at vendor premises for the production of pipe caps.		
8. TRADE DEBTS		
Considered good - secured - unsecured	111,261 3,283,942	86,154 2,901,929
Considered doubtful	131,695 <u>3,526,898</u>	145,767 <u>3,133,850</u>
Provision for impairment on trade debts	(131,695) <u>3,395,203</u>	(145,767) <u>2,988,083</u>
8.1 Related parties from whom debts are due are as under:		
IIL Australia Pty Limited	753,375	581,091
Pakistan Cables Limited	-	9,695
	<u>753,375</u>	<u>590,786</u>
9. ADVANCES, TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Considered good - unsecured		
- Suppliers	18,216	40,927
- Employees for business related expenses	1,348	440
Trade deposits	8,751	4,352
Short term prepayments	14,288 <u>42,603</u>	5,665 <u>51,384</u>
10. OTHER RECEIVABLES		
Considered good - unsecured		
- Insurance claim	15,884	9,341
- Others	8,108	182
Considered doubtful	<u>23,992</u>	9,523
- Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods	25,940 <u>49,932</u>	25,940 <u>35,463</u>
- Provision for receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in prior periods	(25,940) <u>23,992</u>	(25,940) <u>9,523</u>

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

For the six months ended 31st December 2019

11. LONG-TERM FINANCE - secured	Note	31 December 2019 (Un-audited) (Rupees in '000)	30 June 2019 (Audited)
Conventional			
Long Term Finance Facility (LTFF)	11.1	1,363,991	1,402,179
Islamic			
Diminishing Musharakah	11.2	599,843	590,908
		1,963,834	1,993,087
Current portion of long term finances shown under current liabilities			
Conventional			
Long Term Finance Facility (LTFF)		(232,725)	(154,549)
Islamic			
Diminishing Musharakah		(136,364)	(136,364)
		(369,089)	(290,913)
		<u>1,594,745</u>	<u>1,702,174</u>

11.1 Conventional

The Company has approved financing facilities of amounts aggregating to Rs.1,550 million. As at 31 December 2019 the Company has withdrawn Rs. 1,363.9 million (2019: Rs. 1,402.1 million) against these facilities. These facilities are secured by way of charge on all present and future land and buildings, plant and machinery located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate Karachi and Survey No.402, 405-406, Dehsharabi Landhi Town Karachi.

11.2 Islamic

The Company has approved financing facilities under Diminishing Musharakah of amounts aggregating to Rs.599.8 million (30 June 2019: Rs.590.9 million) which are fully utilised. These facilities are secured by way of a mortgage on all present and future land and buildings, plant and machinery located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate Karachi and Survey No.402,405-406, Dehsharabi, Landhi Town, Karachi.

12. TRADE AND OTHER PAYABLES	Note	31 December 2019 (Un-audited) (Rupees in '000)	30 June 2019 (Audited)
Trade creditors		215,721	125,238
Bills payable		126,802	1,003,235
Accrued expenses		1,020,411	999,177
Provision for Infrastructure Cess	12.1	510,091	477,586
Short-term compensated absences		1,799	6,600
Workers' Profit Participation Fund		(311)	5,171
Workers' Welfare Fund		121,155	121,155
Others		30,855	25,857
		<u>2,026,523</u>	<u>2,764,019</u>
12.1 Provision for Infrastructure Cess			
Opening balance		477,586	401,376
Provided during the year		32,505	76,210
Closing balance		<u>510,091</u>	<u>477,586</u>

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

For the six months ended 31st December 2019

13. SHORT TERM BORROWINGS - secured	Note	31 December 2019 (Un-audited) (Rupees in '000)	30 June 2019 (Audited)
Conventional			
Running finance under mark-up arrangement from banks	13.1	1,268,190	868,485
Short-term borrowing under Money Market scheme			
Maturing after three months		800,000	500,000
Maturing within three months		3,007,416	4,216,850
	13.2	3,807,416	4,716,850
Short-term borrowing under Export Refinance scheme	13.3	2,254,000	2,176,000
Running finance under FE-25 Export and Import Scheme		729,022	-
Islamic			
Short term borrowing under running Musharakah	13.5	89,122	355,795
Short term borrowing under term Murabaha	13.6	-	1,308,000
		<u>8,147,750</u>	<u>9,425,130</u>

- 13.1** The facilities for running finance available from various commercial banks amounted to Rs. 4,287.5 million (2019: Rs.3,342.5 million). The rates of mark-up on these finances range from 13.50% to 14.61% per annum (2019: 11.44% to 13.04% per annum). Unavailed facility as at the period end amounted to Rs. 3,019 million (2019: Rs. 2,474 million).
- 13.2** The facilities for short term borrowing under Money Market Scheme available from various commercial banks under mark-up arrangement amounted to Rs. 6,188 million (2019: Rs. 5,270 million). Unavailed facility as at the period end amounted to Rs. 2,381 million (2019: Rs. 553.1 million). The rates of mark-up on these finances range from 13.22% to 13.93% (2019: 11.04% to 13.06%) per annum.
- 13.3** The Company has borrowed short term finance under the Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 2,254 million (2019: Rs. 2,176 million). The rate of mark-up on this facility was 3.00% per annum (2019: 2.50% to 3.00% per annum).
- 13.4** The Company has borrowed short term finance under Foreign Exchange Circular No. 25 dated 20 June 1998 of the SBP for the purpose of meeting import requirements. The facilities availed is for an amounts aggregating of USD 4.7 million equivalent to Rs.729 million (30 June 2019: Nil). The rate of mark-up on these finance is 2.45% to 3.00% per annum (30 June 2019: per annum).
- 13.5** The facilities for running musharakah available from various banks amounted to Rs. 2,000 million (2019: Rs. 1,500 million). The rates of mark-up on these finance is 14.41% per annum (2019: 13.10% per annum). Unavailed facility as at the period end amounted to Rs. 1,911 million (2019: Rs. 1,144 million).
- 13.6** The Company obtained loan from Standard Chartered Bank, UK - Dubai International Finance Centre Branch through Standard Chartered Bank (Pakistan) Limited amounting to USD 8 million equivalent to fixed amount of Rs.1,308 million for meeting working capital requirement. The tenor of the loan was six months i.e from 26 June 2019 to 26 December 2019. The price of loan was six months KIBOR minus 0.28%. As per the term of agreement, Standard Chartered Bank (Pakistan) obtained forward cover on behalf of the Company to hedge foreign currency risk.
- 13.7** All running finance and short term borrowing facilities are secured by way of hypothecation of all present and future current and moveable assets.

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

For the six months ended 31st December 2019

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

Description of the factual basis of the proceeding and relief sought	Name of the court / institution	Principal parties	Date Instituted
<p>14.1.1 Customs duties amounting to Rs. 1.4 million as at 31 December 2019 (2019: Rs. 40.5 million) on import of raw material shall be payable by the Company in case of non-fulfilment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Company has provided post-dated cheques in favour of the Collector of Customs which are, in the normal course of business, to be returned to the Company after fulfilment of stipulated conditions. The Company has fulfilled the conditions for the aforementioned amounts and is making efforts to retrieve the associated post-dated cheques from the customs authorities.</p>	Customs	Collector of Customs / Federation of Pakistan	2005
<p>14.1.2 An amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Company filed a petition with the Honourable Sindh High Court in 2010 for an injunction and is awaiting the final judgement. The management is confident that the decision will be given in favour of the Company.</p>	Sindh High Court	Collector of Customs / Federation of Pakistan	15-01-2010
<p>14.1.3 The customs authorities have charged a redemption fine of Rs. 83 million on clearance of imported raw material consignments in 2006. The Company has filed an appeal before the Honourable Sindh High Court, which has set aside the examination reports including subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities had filed an application for leave to appeal against the order of the Honourable High Court. The management anticipates that the chances of admission of such appeal are remote.</p>	Sindh High Court	Collector of Customs / Federation of Pakistan	30-08-2007
<p>14.1.4 The Company filed a Suit before Honourable Sindh High Court (SHC) for declaration and permanent injunction in 2002 against Infrastructure Fee (levy) levied through Sindh Finance Act 1994. Single bench of SHC vide its order (order) declared the levy constitutional, which was challenged by the Company through filing an appeal against the said order in 2004. In the appeal proceedings, larger bench of SHC granted a relief in 2006, by allowing the clearance of imported goods subject to submission of security / bank guarantees. Company submitted guarantees amounting to Rs.115 million for release of goods attracting levy of Rs.107 million. The SHC decided the matter on 17 September 2008 declaring the levy before 28 December 2006 as void and invalid. Excise and Taxation Department filed an appeal before the Honourable Supreme Court of Pakistan (SCP) against the order dated 17 September 2008 hence the guarantees were not released as the matter was sub-judice.</p> <p>Subsequently, in May 2011, the SCP disposed-off the appeal by referring the matter back to the SHC. On 31 May 2011, the SHC ordered returning the bank guarantees in respect of the consignments released up to 27 December 2006. In respect of consignments to be released subsequent to 27 December 2006 SHC ordered to pay 50% of the amount and submit bank guarantees for the balance amount. Bank guarantees amounting to Rs. 625 million (2019: Rs. 595 million) which includes afore-mentioned bank guarantees of Rs. 115 million are outstanding as at 30 September 2019. As a matter of prudence, company is making provision for the balance amount, which as at 31 December, 2019 amounts to Rs. 510.1 million (2019: Rs.477.6m) as disclosed in note 12.1.</p> <p>Subsequently, in 2017 the Department vide Sindh Finance Act 2015 & 2016 enhanced the levy by 100%. On 24 October 2017 the Company has obtained stay from the SHC against the enhancement. The SHC has clubbed all the cases pertaining to the levy for final disposal.</p>	Sindh High Court	Secretary Exsice and Taxation / Federation of Pakistan	28-10-2002

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Description of the factual basis of the proceeding and relief sought	Name of the court / institution	Principal parties	Date Instituted
<p>14.1.5 The Gas Infrastructure Development Cess (GIDC) Act, 2011 was passed by the National Assembly on 25th November, 2011 as a Money Bill pursuant to Article 73 of the constitution of Pakistan 1973 for raising funds for development of infrastructure related to transnational gas pipelines and Liquefied Natural Gas (LNG) projects, which was challenged before the courts. The Act of 2011 was declared as ultra vires to the Constitution of Pakistan, 1973. The Federal Government filed an appeal in the Supreme Court of Pakistan which in its judgment dated 22.08.2014, held that since GIDC is a fee and not a 'Tax' and alternatively GIDC is also not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and on either counts it could not have been introduced through a money bill and the same was therefore not validly levied in accordance with the Constitution of Pakistan, 1973.</p>	Sindh High Court	OGRA / SSGC / Federation of Pakistan	08-01-2012
<p>On September 24, 2014, the government promulgated the GIDC Ordinance, 2014. However, this was also challenged in various courts of law. The government, with the approval of Parliament, in May, 2015 promulgated GIDC Act, 2015 after addressing the lacuna pointed out by the Supreme Court of Pakistan with specific reference to the laying of a bill under Article 70 of the Constitution of Pakistan 1973. Section 8 of the GIDC Act, 2015 provides validation of Cess levied, charged, collected or realized under the GIDC, Act, 2011 and GIDC Ordinance, 2014. By virtue of GIDC Act, 2015, all prior enactments have been declared infructuous and the said Act levies GIDC at Rs. 100 per MMBTU on industrial consumption and Rs. 200 per MMBTU on captive power consumption, effective 01 July 2011. Based on the recommendations of a special committee constituted by the senate, the GIDC Amendment Act, 2018 was approved by the Parliament in May, 2018. However the amendment was also challenged in various courts of Law by a specified sector. The Company has obtained a stay order on the retrospective imposition of the levy vide GIDC Act, 2015 from the Sindh High Court. The Company is confident of favourable outcome and therefore has not recorded, to the extent of self consumption, a provision of Rs. 95.1 million (from 01 July 2011 till 22 May 2015) in these financial information. However, the Company made a provision of GIDC to the extent of its self consumption from May 2015 onwards. On 26 October 2016, the High Court of Sindh held that enactment of GIDC Act, 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of Sindh High Court. This appeal filed before the Divisional Bench of High Court of Sindh was dismissed on the ground that Learned Single Judge while passing the impugned judgement has considered all the material facts and also the relevant provisions of Oil and Gas Regulatory Authority (OGRA) and has correctly applied the factual position. Such decision has been challenged in appeal before Supreme Court of Pakistan, wherein the Company is not the party and decision is pending. On 31 May 2017, separate petition filed by another company in the Peshawar High Court challenging the vires of the GIDC Act 2015 was dismissed for the reason that the Act has been passed by the Parliament strictly in accordance with the legislative procedure contained in the Constitution of Pakistan and therefore no procedural defect in the Act which could be made as a ground for its annulment. In light of the aforementioned developments, the Company on the prudent basis continue to recognise provision after the passage of the Act.</p>			
<p>Further the Company has not recognized GIDC amounting to Rs. 99.5 million (2019: Rs. 89.65 million) pertaining to period from 01 July 2011 to 31 December 2019 with respect to its captive power plant from which power generation is supplied to K-Electric Limited. Management considers that, in the event such levy is imposed, it shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).</p>			
<p>14.1.6 Sindh Revenue Board (SRB) issued a notice to the Company for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. The Company filed a constitutional petition in the Sindh High Court, challenging the said unlawful demand on the ground that the Company is a trans-provincial establishment operating industrial and commercial activities across Pakistan. The Sindh High Court granted stay order in favor of the Company declaring exemption on the basis that the Company being a trans-provincial establishment is liable to pay Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971. In a separate case, the Sindh High Court has dealt on the subject of trans-provincial establishment in its judgement with a conflicting view.</p>	Sindh High Court	SRB / Government of Sindh	06-09-2017

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Description of the factual basis of the proceeding and relief sought	Name of the court / institution	Principal parties	Date Instituted
<p>14.1.7 Oil and Gas Regulatory Authority (OGRA) revised the gas tariff to Rs.600/- MMBTU by increasing the gas tariff by Rs.112/- per MMBTU vide its notification dated 30 December 2016 disregarding the protocol laid down in OGRA Ordinance, 2002. The Company filed a suit before the Sindh High Court (the Court) challenging the increase in gas tariff. The Court granted a stay order subject to submission of security for the differential amount with the Nazir of the Court. The Company has issued cheques amounting to Rs 99.5 million (2019: Rs.99.5 million) in favour of Nazir of the court upto December</p>	Sindh High Court	OGRA / SSGC / Federation of Pakistan	19-01-2017
<p>OGRA has further revised the gas tariff to Rs.780/- per MMBTU by increasing the gas tariff by Rs.180/- vide its notification dated 4 October, 2018. The Company has filed a petition before the Court challenging such further revision and the matter is partially heard. Pending the decision on the matter Company is settling the bills at the revised rate.</p>			
<p>14.1.8 The Company filed the suit before the Sindh High Court (Court) challenging the chargeability of tax on inter corporate dividend in respect of dividend declared by its subsidiary, International Steels Limited. On 21 October 2016 Court granted stay against which 500,000 shares of subsidiary company were pledged as a security with Nazir of the Court. In one of the litigation to which Company is not a party, Supreme Court of Pakistan issued an order on 21 February 2018 whereby continuity of suits was made subject to depositing minimum 50% of the tax calculated by the tax authorities. A review petition has been filed against such order of the Supreme Court in which Company is not a party and the decision is awaited. In view of such developments the suit has been withdrawn and a petition has been filed before the Court, which is pending hearing. Application for release of pledged shares is in process.</p>	Sindh High Court	FBR / Commissioner Inland Revenue / Federation of Pakistan	11-01-2016
<p>On a separate application challenging the chargeability of tax on inter corporate dividend, stay is granted by the Court in respect of dividends declared by the subsidiary company on 02 June 2017, 26 September 2017 and 23 January 2018 against bank guarantees amounting to Rs.76.6 million, Rs.36.8 million and Rs.55.1 million respectively submitted to the Nazir of the Court. Furthermore, in separate petitions filed by the company on the same subject matter, stay is granted by the Court in respect of dividends declared by the subsidiary company on 25 September 2018, 25 January 2019 and 25 September 2019.</p>			
<p>14.1.9 International Industries Limited has filed Constitutional Petition No D-8449 of 2019 to challenge the impugned implementation of the excessive and retrospective amendment brought about in Section 65B of the Income Tax Ordinance 2001 via the Finance Act, 2019. The petition was heard and an interim stay was granted, wherein the Company is allowed to submit its returns manually or by making adjustment in e- portal / computer system as provisional interim arrangement as per un-amended provisions of 65B of the Income Tax Ordinance 2001 (prior to amendment through Finance Act 2019). Whereas the concerned authorities are instructed not to take any no coercive with regards to 65B.</p>	Sindh High Court	Federation of Pakistan / Federal Board of Revenue / Commissioner Inland Revenue	26-12-2019

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Description of the factual basis of the proceeding and relief sought	Name of the court / institution	Principal parties	Date Instituted
14.1.10 Guarantees issued in favour of Sui Northern Gas Pipe Lines Limited by banks on behalf of the Company amounted to Rs. 352.6 million (2019: Rs. 299.42 million) as performance security for goods to be supplied by the Company.			
14.1.11 Guarantees issued in favour of Sui Southern Gas Company Limited by banks on behalf of the Company to Rs. 35.3 million (2019: Rs. 97.36 Million) as performance security for goods to be supplied by the Company.			
14.1.12 Guarantee issued in favour of Sui Southern Gas Company Limited by bank on behalf of the Company amounted to Rs. 107.2 million (2019: Rs.94.94 million) as a security for supply of gas.			
14.1.13 Standby letter of credit issued in favour of Sui Northern Gas Pipe Lines Limited by bank on behalf of the Company amounted to Rs. 59.57 million (2019: Rs.59.57 million) as a security for supply of Regasified Liquefied Natural Gas (RLNG).			
14.1.14 Guarantee issued in favour of Lahore Electric Supply Company by bank on behalf of the Company amounted to Rs. 5.83 million (2019: Rs. 5.83 million) as a security for supply of electricity.			
14.1.15 Guarantee issued in favour of Pakistan State Oil Company Limited by bank on behalf of the Company amounted to Rs. 59.00 million (2019: Rs. 59.00 million) for supply of fuel and lubricants.			
14.1.16 Guarantee issued in favour of K-Electric by bank on behalf of the Company amounted to Rs. 0.83 million (2019: Rs.0.83 million) as performance security for goods to be supplied by the Company.			
14.1.17 Guarantee issued in favour of Aga Khan Planning & Building Service Pakistan by bank on behalf of the Company amounted to Rs.Nil (2019:Rs.2.00 million) as performance security for goods to be supplied by the Company.			
14.1.18 Guarantees issued in favour of Sui Northern Gas Pipe Lines Limited by the bank on behalf of the Company amounted to Rs. 18.1 million (2019: Rs.22.00 million) as security for holding the bids (bid bond) submitted in tenders.			
14.1.19 Guarantees issued in favour of Sui Southern Gas Company Limited by the bank on behalf of the Company amounted to Rs. 12.5 million (2019: 0.81million) as security for holding the bids (bid bond) submitted in tenders			
14.1.20 Guarantees issued in favour of Small Industrial Development Board Peshawar by the bank on behalf of the Company amounted to Rs. 5.0 million (2019: nil) as performance security for goods to be supplied by the Company.			
14.2 Commitments			
14.2.1 Capital expenditure commitments outstanding as at 31 December 2019 amounted to Rs. 35.2 million (2019: Rs. 23.6 million).			
14.2.2 Commitments under letters of credit for raw materials and stores and spares as at 31 December 2019 amounted to Rs. 1,798.7 million (2019: Rs. 875.7 million).			
14.2.3 Commitments under purchase contracts as at 31 December 2019 amounted to Rs. 509.9 million (2019: Rs. 243.5 million).			
14.2.4 Unavailed facilities for opening letters of credit and guarantees from banks as at 31 December 2019 amounted to Rs. 6,901 million (2019: Rs. 8,311 million) and Rs. 801 million (2019: Rs. 620 million) respectively.			
14.2.5 Postdated cheques issued in favour of Collector of Customs for imported items cleared under manufacturing bond amounted to Rs. 2,718.8 million (2019: 3,107.93 million).			
14.2.6 Postdated cheques issued in favour of Collector of Customs for differential of sales tax on imports of machinery amounted to Rs.9.3 million (2019: Rs.14.3 million).			
14.2.7 Postdated cheques issued in favour of Collector of Customs for various disputed claims amounted to Rs.166.83 million (2019: Rs. 166.83 million).			

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15. NET SALES

	Six months ended		Three months ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Un-audited)			
	(Rupees in '000)			
Local	11,512,392	11,110,814	5,522,364	6,023,593
Export	1,244,676	2,530,913	641,280	1,165,676
	12,757,068	13,641,727	6,163,644	7,189,269
Sales Tax	(1,697,534)	(1,580,154)	(805,293)	(848,161)
Domestic trade discounts	(603,164)	(471,054)	(311,144)	(258,761)
Export commission and discounts	(12,551)	(14,299)	(6,735)	(5,130)
	(2,313,249)	(2,065,507)	(1,123,172)	(1,112,052)
	10,443,819	11,576,220	5,040,472	6,077,217

15.1. DISAGGREGATION OF REVENUE

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

Primary geographical markets:

Local	9,211,694	9,059,606	4,405,927	4,916,671
Asia	541,950	746,179	330,637	394,084
Europe	144,836	437,836	28,690	144,816
Australia	527,714	745,279	270,489	301,731
Americas	17,625	587,320	4,729	319,915
	10,443,819	11,576,220	5,040,472	6,077,217

Major Product Lines:

Steel segment	9,503,421	11,036,812	4,546,870	5,817,194
Polymer segment	940,398	539,408	493,602	260,023
	10,443,819	11,576,220	5,040,472	6,077,217

16. COST OF SALES

Raw material consumed

Opening stock of raw material	5,186,733	4,384,947	4,823,857	4,290,958
Purchases	7,452,879	10,829,004	3,083,908	5,955,682
	12,639,612	15,213,951	7,907,765	10,246,640

Closing stock of raw material	(4,192,288)	(5,009,838)	(4,192,288)	(5,009,838)
	8,447,324	10,204,113	3,715,477	5,236,802

Manufacturing overheads

Salaries, wages and benefits	429,446	502,071	203,498	230,637
Rent, rates and taxes	210	392	60	293
Electricity, gas and water	212,921	174,664	100,935	93,935
Insurance	4,654	4,347	2,212	3,476
Security and janitorial	16,898	17,082	9,032	8,793
Depreciation and amortisation	247,036	196,422	123,990	100,939
Operational supplies & consumables	43,172	49,559	20,942	23,587
Repairs and maintenance	61,846	65,344	33,012	36,169
Postage, telephone and stationery	5,463	6,097	2,683	4,208
Vehicle, travel and conveyance	10,431	10,198	5,626	5,507
Internal material handling	19,329	19,845	8,568	9,978
Environment controlling expenses	198	138	77	68
Sundries	3,131	3,097	1,998	1,004
Toll manufacturing expenses	5,174	-	5,174	-
	1,059,909	1,049,256	517,807	518,594
	9,507,233	11,253,369	4,233,284	5,755,396

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	Six months ended		Three months ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Un-audited)			
	(Rupees in '000)			
Work-in-process				
Opening stock	1,516,682	1,409,862	1,687,338	1,191,450
Closing stock	(1,425,924)	(1,485,606)	(1,425,924)	(1,485,606)
	90,758	(75,744)	261,414	(294,156)
Cost of goods manufactured	9,597,991	11,177,625	4,494,698	5,461,240
Finished goods, by-products and scrap:				
- Opening stock	2,432,766	2,369,419	2,419,501	3,023,798
- Closing stock	(2,327,407)	(3,032,737)	(2,327,407)	(3,032,737)
	105,359	(663,318)	92,094	(8,939)
	9,703,350	10,514,307	4,586,792	5,452,301
17. SELLING AND DISTRIBUTION EXPENSES				
Freight and forwarding	233,802	265,220	96,923	161,172
Salaries, wages and benefits	84,198	88,204	41,157	45,244
Rent, rates and taxes	835	880	185	406
Electricity, gas and water	4,735	3,251	1,867	1,423
Insurance	519	3,060	248	2,915
Depreciation and amortisation	7,386	7,476	3,481	3,773
Repairs and maintenance	346	637	163	484
Advertising and sales promotion	19,324	41,057	8,819	30,316
Postage, telephone and stationery	3,408	3,211	1,784	1,942
Office supplies	11	121	5	65
Vehicle, travel and conveyance	12,877	12,573	7,136	7,464
Certification and registration charges	1,047	1,201	571	563
Others	9,145	4,524	7,591	3,390
	377,633	431,415	169,930	259,157
18. ADMINISTRATIVE EXPENSES				
Salaries, wages and benefits	96,253	107,168	48,287	59,547
Rent, rates and taxes	116	123	-	123
Electricity, gas and water	1,463	1,574	687	672
Insurance	904	860	346	830
Depreciation and amortisation	8,663	7,888	4,216	4,077
Repairs and maintenance	925	728	564	362
Postage, telephone and stationery	5,389	5,528	3,019	2,644
Office supplies	260	293	159	140
Vehicle, travel and conveyance	6,922	7,388	3,551	4,337
Legal and professional charges	8,611	5,517	3,587	3,817
Certification and registration charges	8,002	2,856	2,793	1,270
Directors' fees	3,675	3,225	1,275	1,050
Others	10,560	10,942	5,210	4,254
	151,743	154,090	73,694	83,123
19. FINANCE COST				
Conventional				
- Mark-up on long term finances	66,452	42,661	32,913	21,925
- Mark-up on short term borrowings	387,452	291,359	163,397	170,783
	453,904	334,020	196,310	192,708
Islamic				
- Profit on diminishing musharakah	37,492	25,448	17,817	12,775
- Profit on running murabaha	88,866	32,270	41,381	20,950
	126,358	57,718	59,198	33,725
Exchange loss and others	(2,408)	-	(2,408)	-
Interest on Workers' Profit Participation Fund	600	-	-	-
Bank charges	7,077	7,639	3,127	5,355
	585,531	399,377	256,227	231,788

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20.	OTHER OPERATING EXPENSES		Six months ended		Three months ended	
		Note	31 December 2019	31 December 2018	31 December 2019	31 December 2018
----- (Un-audited) -----						
----- (Rupees in '000) -----						
	Auditors' remuneration		2,052	1,763	1,037	881
	Donations		2,350	9,620	-	7,700
	Workers' Profit Participation Fund		-	19,281	-	12,502
	Workers' Welfare Fund		-	9,765	-	7,053
	Business development expense		10,710	2,695	8,843	396
			<u>15,112</u>	<u>43,124</u>	<u>9,880</u>	<u>28,532</u>
21.	OTHER INCOME					
	Income from financial assets					
	Income on bank deposits - conventional		595	890	250	304
	Exchange (loss) / gain		(34,642)	261,095	23,355	194,987
	Income from non-financial assets					
	Income from power generation	21.1	496	928	290	(571)
	Gain on disposal of property, plant and equipment		38,679	70,873	29,712	35,750
	Rental income from subsidiary company		11,925	7,841	2,550	5,621
	Dividend income from associated company		6,092	21,324	-	-
	Dividend income from subsidiary company		370,259	735,166	2,676	-
	Others		114	(817)	114	(817)
			<u>393,518</u>	<u>1,097,300</u>	<u>58,947</u>	<u>235,274</u>
21.1.	Income from power generation					
	Net sales		67,817	59,325	37,517	30,071
	Cost of electricity produced		(67,321)	(58,397)	(37,227)	(30,642)
			<u>496</u>	<u>928</u>	<u>290</u>	<u>(571)</u>
22	TAXATION					
	Current					
	- for the year		164,241	274,930	27,741	79,391
	- for prior years		(16,000)	-	-	-
			<u>148,241</u>	<u>274,930</u>	<u>27,741</u>	<u>79,391</u>
	Deferred		(7,946)	(53,733)	(7,946)	(10,411)
			<u>140,295</u>	<u>221,197</u>	<u>19,795</u>	<u>68,980</u>
23.	CHANGES IN WORKING CAPITAL					
	(Increase) / decrease in current assets:					
	Store and spares		(17,813)	(93,924)		
	Stock-in-trade		2,741,254	(2,280,291)		
	Trade debts		(393,048)	(1,351,369)		
	Advances, trade deposits and short term-prepayments		8,781	965,673		
	Receivable from K-Electric Limited (KE)		1,968	710		
	Other receivables		152,661	121,740		
			<u>2,493,803</u>	<u>(2,637,461)</u>		
	Increase / (decrease) in current liabilities:					
	Trade and other payables		(732,695)	951,024		
	Contract liabilities		(31,404)	(83,365)		
			<u>1,729,704</u>	<u>(1,769,802)</u>		
23.1	CASH AND CASH EQUIVALENTS	Note				
	Cash and bank balances		289,445	475,525		
	Running finance under mark-up arrangement from banks	13	(1,268,190)	(3,189,532)		
	Short-term borrowing under Money Market scheme maturing within three months	13	(3,007,416)	(4,205,000)		
	Short term borrowing under running Musharakah	13	(89,122)	(1,470,667)		
			<u>(4,075,283)</u>	<u>(8,389,674)</u>		

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24. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise the subsidiary companies, associated undertakings, directors of the Company, key management personnel and staff retirement funds. The Company continues to have a policy whereby all transactions with related parties are entered into at commercial terms, approved policy and at rate agreed under a contract / arrangement / agreement. The contributions to defined contribution plan (provident fund) are made as per the terms of employment and contributions to the defined benefit plan (gratuity fund) are made on the basis of latest actuarial advice. Remuneration of key management personnel are in accordance with their terms of engagements.

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.

24.1. Transactions with related parties

	Six months ended		Three months ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Rupees in '000)			
	Un-audited			
<i>Subsidiaries</i>				
Sales	660,145	776,593	295,166	301,516
Purchases	1,572,505	3,962,017	639,389	1,749,935
Cost of shared resources	30,270	40,960	15,485	20,861
Partial manufacturing - purchases (inclusive of sales tax)	6,053	54	6,053	-
Reimbursement of expenses incurred on behalf of the Company	13,052	3,457	7,046	55
Rental income	11,925	7,841	2,550	5,621
Dividend received	370,259	735,167	2,676	-
<i>Associated companies</i>				
Sales	4,627	-	3,593	-
Purchases	9,349	6,635	6,448	3,405
Reimbursement of expenses	205	1,304	46	-
Insurance premium	1,935	1,752	1,078	895
Insurance claim	606	3,944	606	2,831
Dividend received	6,092	21,324	-	-
Dividend paid	1,728	3,744	-	-
Bonus shares issued 57,600 shares	576	-	-	-
Subscription	2,177	-	77	-
Registration and training	273	490	273	245
<i>Key management personnel</i>				
Remuneration	136,704	145,710	69,963	70,745
<i>Staff retirement funds</i>				
Contribution paid	33,351	53,451	12,412	32,681
<i>Non-executive directors</i>				
Directors' fee	3,675	3,225	1,275	1,050
Reimbursement of Chairman's expenses	4,635	6,434	2,689	3,985

25. SEGMENT REPORTING

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

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

For the six months ended 31st December 2019

25.1 Segment Revenue and Results

Segment Revenue and Results	Steel segment	Polymer segment	Investments segment	Total
	----- (Rupees in '000) -----			
For the six months ended 31 December 2019				
Sales	9,503,421	940,398	-	10,443,819
Cost of sales	(8,844,002)	(859,348)	-	(9,703,350)
Gross Profit	659,419	81,050	-	740,469
Selling and distribution expenses	(346,892)	(30,741)	-	(377,633)
Administrative expenses	(140,148)	(11,595)	-	(151,743)
Reversal of impairment on trade debts	3,360	10,712	-	14,072
	(483,680)	(31,624)	-	(515,304)
Finance cost	(551,295)	(34,236)	-	(585,531)
Other operating charges	(14,930)	(182)	-	(15,112)
	(566,225)	(34,418)	-	(600,643)
Other income	17,167	-	376,351	393,518
(Loss) / profit before taxation	(373,319)	15,008	376,351	18,040
Taxation				(140,295)
Loss after taxation				(122,255)

For the six months ended 31 December 2018

Sales	11,036,812	539,408	-	11,576,220
Cost of sales	(10,027,474)	(486,833)	-	(10,514,307)
Gross Profit	1,009,338	52,575	-	1,061,913
Selling and distribution expenses	(403,533)	(27,882)	-	(431,415)
Administrative expenses	(146,444)	(7,646)	-	(154,090)
Impairment (reversal) on trade debts	10,902	-	-	10,902
	(539,075)	(35,528)	-	(574,603)
Finance cost	(382,850)	(16,527)	-	(399,377)
Other operating charges	(42,950)	(174)	-	(43,124)
	(425,800)	(16,701)	-	(442,501)
Other income	340,810	-	756,490	1,097,300
Profit before taxation	385,273	346	756,490	1,142,109
Taxation				(221,197)
Profit after taxation				920,912

25.2 SEGMENT ASSETS & LIABILITIES

SEGMENT ASSETS & LIABILITIES	Steel segment	Polymer segment	Investments segment	Total
	----- (Rupees in '000) -----			
As at 31 December 2019 - Un-audited				
Segment assets	16,468,813	1,859,264	3,277,276	21,605,353
Segment liabilities	9,189,189	987,140	-	10,176,329
As at 30 June 2019 - Audited				
Segment assets	18,725,225	2,139,907	3,277,276	24,142,408
Segment liabilities	11,108,390	1,226,029	-	12,334,419

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

	31 December 2019 (Un-audited) (Rupees in '000)	30 June 2019 (Audited)
Total reportable segments assets	21,605,353	24,142,408
Unallocated assets	1,137,251	1,184,763
Total assets as per Statement of financial position	22,742,604	25,327,171
Total reportable segments liabilities	10,176,329	12,334,419
Unallocated liabilities	3,099,264	3,043,808
Total liabilities as per Statement of financial position	13,275,593	15,378,227

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

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

For the six months ended 31st December 2019

26. MEASUREMENT OF FAIR VALUES

Management engages an independent external expert / valuer to carry out valuation of its non-financial assets (i.e. Land and Building) and obtains rate from financial institution to value derivative financial instruments. Involvement of external valuers is decided by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

When measuring the fair value of an asset or a liability, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

31 December 2019 (Un-audited)					
	Carrying amount			Fair value	
	Amortized cost	Other financial liabilities	Total	Level 1	Level 2 Level 3
----- (Rupees in '000) -----					
Financial assets not measured at fair value					
Long term deposits	3,519	-	3,519		
Trade debts - net of provision	3,395,203	-	3,395,203		
Trade deposits	8,751	-	8,751		
Receivable from K-Electric Limited	28,156	-	28,156		
Other receivables	23,992	-	23,992		
Cash and bank balances	289,445	-	289,445		
	3,749,066	-	3,749,066		
Financial liabilities not measured at fair value					
Long term financing	-	1,363,991	1,363,991		
Trade and other payables	-	1,364,733	1,364,733		
Accrued mark-up	-	118,298	118,298		
Short term borrowings	-	8,147,750	8,147,750		
Contract liabilities	-	203,767	203,767		
Unpaid dividend	-	21,171	21,171		
Unclaimed dividend	-	21,341	21,341		
	-	11,241,051	11,241,051		

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

For the six months ended 31st December 2019

30 June 2019 (Audited)						
	Carrying amount			Fair value		
	Amortized Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
----- (Rupees in '000) -----						
Financial assets not measured at fair value						
Long term deposits	3,519	-	3,519			
Trade debts - net of provision	2,988,083	-	2,988,083			
Trade deposits	4,352	-	4,352			
Receivable from K-Electric Limited	30,124	-	30,124			
Other receivables	9,523	-	9,523			
Cash and bank balances	250,700	-	250,700			
	<u>3,286,301</u>	<u>-</u>	<u>3,286,301</u>			
Financial liabilities not measured at fair value						
Long term financing	-	1,402,179	1,402,179			
Trade and other payables	-	2,134,250	2,134,250			
Accrued mark-up	-	143,466	143,466			
Short term borrowings	-	9,425,130	9,425,130			
Contract liabilities	-	235,171	235,171			
Unpaid dividend	-	4,257	4,257			
Unclaimed dividend	-	36,596	36,596			
	<u>-</u>	<u>13,381,049</u>	<u>13,381,049</u>			

The fair value of land and building on freehold land are determined by an independent valuer based on price per square meter and current replacement cost method adjusted for depreciation factor for existing assets in use. The resulting fair value is a level 3 fair value measurement.

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities measured at fair value:

Assets measured at fair value:	Date of valuation	Valuation approach and inputs used	Inter-relationship between significant unobservable inputs and fair value measurement
Revalued property, plant and equipment - Land and Building	30 June 2019	The valuation model is based on price per square meter and current replacement cost method adjusted for depreciation factor for the existing assets in use. In determining the valuations for land and buildings, the valuer refers to current market conditions, structure current replacement cost, sale prices of comparable land in similar location adjusted for differences in key attributes such as land size and inquires with numerous independent local estate agents / realtors in the vicinity to establish the present market value. The fair valuation of land and building are considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets.	The fair value are subject to change owing to changes in input. However, management does not expect material sensitivity to the fair values arising from the non-observable inputs.

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

For the six months ended 31st December 2019

Management assessed that the fair values of cash & cash equivalents, other receivable, receivables from K-Electric, trade deposits, trade receivables, short term borrowings, trade and other payables, accrued mark-up, contract liabilities and unpaid / unclaimed dividends approximate their carrying amounts largely due to short-term maturities of these instruments. For long term deposit and long term financing, management consider that their carrying values approximates fair value owing to credit standing of counterparties and interest payable on borrowings are market rates. Fair values of investment in quoted subsidiary and associate are disclosed in note 6.4 to these financial statements.

27. GENERAL

Date of authorization for issue

These condensed interim unconsolidated financial statements were authorised for issue by the Board of Directors on 30 January 2020.



Ehsan A. Malik
Director & Chairman
Board Audit Committee



Muhammad Akhtar
Chief Financial Officer



Riyaz T. Chinoy
Chief Executive Officer

A NEW **FUTURE** RISES



IIL Hollow Structural Sections

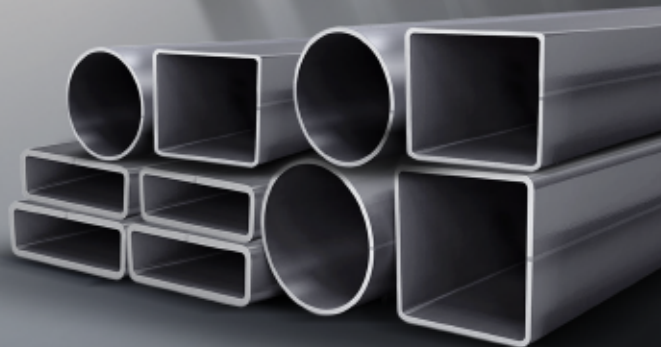
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CONSOLIDATED FINANCIAL **STATEMENTS**

Condensed Consolidated Statement of Financial Position

As at 31st December 2019

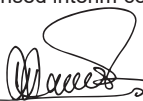
	Note	31 December 2019 (Un-audited)	30 June 2019 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	27,732,499	27,223,797
Intangible assets		3,586	6,087
Long-term deposits		3,619	3,619
Investment in equity accounted investee	7	1,097,664	1,014,685
		28,837,368	28,248,188
Current assets			
Stores and spares		939,303	826,502
Stock-in-trade	8	20,560,711	25,585,569
Trade debts	9	4,445,470	3,521,626
Advances, trade deposits and short-term prepayments	10	207,997	168,153
Receivable from K-Electric Limited (KE) - unsecured, considered good		88,134	69,121
Sales tax receivable		3,700,365	2,596,098
Other receivables	11	33,564	17,771
Taxation - net		1,211,810	895,642
Cash and bank balances		768,456	759,543
		31,955,810	34,440,025
Total assets		60,793,178	62,688,213
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital 200,000,000 (2019: 200,000,000) ordinary shares of Rs. 10 each		2,000,000	2,000,000
Share capital			
Issued, subscribed and paid-up capital		1,318,819	1,198,926
Revenue reserves			
General reserves		2,991,258	2,991,258
Unappropriated profit		6,803,943	7,343,772
Exchange translation reserve		3,406	4,658
Capital reserve			
Revaluation surplus on property, plant and equipment		3,654,502	3,624,344
Total equity		14,771,927	15,162,958
Non-controlling interest		5,470,674	5,462,651
		20,242,601	20,625,609
LIABILITIES			
Non-current liabilities			
Long-term financing - secured	12	7,655,967	8,069,315
Staff retirement benefits		130,813	118,409
Deferred taxation - net		2,330,304	2,591,517
Lease liabilities		-	-
		10,117,084	10,779,241
Current liabilities			
Trade and other payables	13	5,574,681	8,473,948
Contract liabilities	14	1,460,546	1,494,346
Short-term borrowings - secured	15	21,260,025	19,616,349
Unpaid dividend		21,171	6,642
Unpaid dividend attributable to non-controlling interest		5,788	-
Unclaimed dividend		21,341	36,596
Unclaimed dividend attributable to non-controlling interest		7,626	6,453
Current portion of long term finances - secured	12	1,571,907	1,200,856
Accrued markup		510,407	448,173
		30,433,492	31,283,363
Total liabilities		40,550,577	42,062,604
Total equity and liabilities		60,793,178	62,688,213

Contingencies and commitments

16 - -

The annexed notes 1 to 29 form an integral part of these condensed interim consolidated financial statements.


Ehsan A. Malik
 Director & Chairman
 Board Audit Committee


Muhammad Akhtar
 Chief Financial Officer


Riyaz T. Chinoy
 Chief Executive Officer

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

For the six months ended 31st December 2019

		Six months ended		Three months ended	
	Note	31 December 2019	31 December 2018	31 December 2019	31 December 2018
		(Rupees in '000)			
Net sales	17	34,285,359	34,214,147	18,271,642	18,998,253
Cost of sales	18	(31,312,004)	(30,017,826)	(16,838,689)	(16,787,124)
Gross profit		2,973,355	4,196,321	1,432,953	2,211,129
Selling and distribution expenses	19	(614,162)	(687,349)	(257,898)	(398,270)
Administrative expenses	20	(299,794)	(296,337)	(152,371)	(156,129)
Impairment reversal on trade debts		21,649	11,045	21,649	1,941
		(892,307)	(972,641)	(388,620)	(552,458)
Finance cost	21	(1,922,033)	(991,245)	(926,852)	(538,273)
Other operating expenses	22	(13,927)	(207,557)	15,674	(103,504)
		(1,935,960)	(1,198,802)	(911,178)	(641,777)
Other income	23	100,544	419,547	84,154	241,868
Share of (loss) / profit in equity-accounted investee		(3,485)	18,788	2,628	5,196
Profit before taxation		242,147	2,463,213	219,937	1,263,958
Taxation	24	(71,863)	(387,300)	2,973	(39,801)
Profit after taxation		170,284	2,075,913	222,910	1,224,157
(Loss) / Profit after taxation attributable to:					
Owners of Holding Company		(122,656)	1,300,440	139,317	777,009
Non-controlling interest		292,940	775,473	83,593	447,148
		170,284	2,075,913	222,910	1,224,157
				(Rupees)	
				Restated	
(Loss) / Earnings per share - basic and diluted		(0.93)	9.86	1.06	5.89

The annexed notes 1 to 29 form an integral part of these condensed interim consolidated financial statements.


Ehsan A. Malik
 Director & Chairman
 Board Audit Committee


Muhammad Akhtar
 Chief Financial Officer


Riyaz T. Chinoy
 Chief Executive Officer

Condensed Consolidated Statement of Comprehensive Income (Un-audited)

For the six months ended 31st December 2019

	Six months ended		Three months ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Rupees in '000)			
Profit for the period	170,284	2,075,913	222,910	1,224,157
Other comprehensive income				
<i>Items not to be reclassified to profit and loss account in subsequent periods</i>				
Foreign operation - foreign currency translation difference	(1,252)	1,672	454	1,742
Proportionate share of other comprehensive income of equity accounted investee	2,052	(4,386)	569	806
<i>Item to be reclassified to profit and loss account in subsequent periods</i>				
Effective portion of changes in fair value of cash flow hedge	-	-	-	8,010
Tax thereon	-	-	-	(1,739)
Other comprehensive income	800	(2,714)	1,023	8,819
Total comprehensive income	171,084	2,073,199	223,933	1,232,976
Total comprehensive income attributable to:				
Owners of the Holding Company	(121,856)	1,297,726	140,340	785,828
Non-controlling interest	292,940	775,473	83,593	447,148
Total comprehensive income	171,084	2,073,199	223,933	1,232,976

The annexed notes 1 to 29 form an integral part of these condensed interim consolidated financial statements.



Ehsan A. Malik
Director & Chairman
Board Audit Committee



Muhammad Akhtar
Chief Financial Officer



Riyaz T. Chinoy
Chief Executive Officer

Condensed Consolidated Cash Flow Statement (Un-audited)

For the six months ended 31st December 2019

	Note	31 December 2019 (Un-audited) (Rupees in '000)	31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		242,147	2,463,213
Adjustments for:			
Depreciation and amortization		952,383	715,200
Impairment reversal on trade debts		(21,649)	(10,902)
Income on bank deposits		(2,708)	(4,048)
Gain on disposal of property, plant and equipment	23	(40,318)	(72,456)
Provision for obsolescence against spares		15,419	8,878
Provision for staff gratuity		36,613	33,324
Provision for compensated absences		2,927	5,645
Share of loss / (profit) from associated company		3,485	(18,788)
Finance cost	21	1,922,033	991,245
		2,868,185	1,648,098
Changes in working capital		(107,489)	(1,022,017)
Net cash generated from operations		3,002,843	3,089,294
Translation reserve		(1,605)	1,909
Finance cost paid		(1,859,799)	(846,735)
Staff gratuity paid		(24,209)	(33,324)
Compensated absences paid		(12,980)	(10,371)
Income tax paid		(648,682)	(410,724)
Net cash generated from operating activities		455,569	1,790,049
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(1,502,119)	(1,728,431)
Dividend income received		6,091	21,324
Proceeds from disposal of property, plant and equipment		83,646	91,859
Income on bank deposits received		2,708	4,048
Net cash used in investing activities		(1,409,674)	(1,611,200)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term financing		551,872	374,554
Repayment of long-term financing		(594,169)	(684,688)
Proceed from / (repayments of) short term borrowing - net		(1,319,699)	218,244
Dividends paid to non controlling interest		(280,342)	(570,665)
Dividends paid to shareholders of the Holding Company		(358,019)	(769,892)
Net cash used in financing activities		(2,000,357)	(1,432,447)
Net decrease in cash and cash equivalents		(2,954,462)	(1,253,598)
Cash and cash equivalents at beginning of the period		(11,316,541)	(7,350,014)
Cash and cash equivalents at end of the period		(14,271,003)	(8,603,612)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances		768,456	1,169,433
Short-term borrowings - secured		(15,039,459)	(9,773,045)
Cash and cash equivalents	25	(14,271,003)	(8,603,612)

The annexed notes 1 to 29 form an integral part of these condensed interim consolidated financial statements.



Ehsan A. Malik
Director & Chairman
Board Audit Committee



Muhammad Akhtar
Chief Financial Officer



Riyaz T. Chinoy
Chief Executive Officer


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

For the six months ended 31st December 2019

	Attributable to owners of the Holding Company								Non-controlling interest	Total
	Issued, subscribed and paid-up capital	General reserves	Revenue Reserves		Total reserves	Capital Reserve		Total		
			Un-appropriated profit / (loss)	Exchange translation reserve		Revaluation surplus on property, plant & machinery				
(Rupees in '000)										
Balance as at 1 July 2018	1,198,926	2,991,258	6,170,136	305	9,161,699	3,348,391	13,709,016	4,655,410	18,364,426	
Total comprehensive income for the six months ended 31 December 2018										
Profit for the period	-	-	1,300,440	-	1,300,440		1,300,440	775,473	2,075,913	
Effect of change in tax rate on balance of revaluation of property, plant and equipments			-		-	18,700	18,700		18,700	
Other comprehensive income	-	-	(4,386)	1,672	(2,714)		(2,714)	-	(2,714)	
	-	-	1,296,054	1,672	1,297,726	18,700	1,316,426	775,473	2,091,899	
Transactions with owners recorded directly in equity										
Distribution to owners of the Holding Company:										
-Final dividend @ 65% (Rs. 6.50 per share) for the year ended 30 June 2018	-	-	(779,302)	-	(779,302)		(779,302)	-	(779,302)	
Total transactions with owners of the Holding Company	-	-	(779,302)	-	(779,302)		(779,302)	-	(779,302)	
Dividend to non-controlling interest	-	-		-	-		-	(569,833)	(569,833)	
Transfer from surplus on revaluation on disposal of fixed assets - net of tax	-	-	7,313		7,313	(7,313)	-	-	-	
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	-	-	30,920		30,920	(35,380)	(4,460)	4,460	-	
Proportionate share of surplus on revaluation of property, plant and equipment - PCL	-	-	-		-	1,139	1,139	-	1,139	
Proportionate share / reclassification of surplus on revaluation of property, plant and equipment - NCI						(407,001)	(407,001)	407,001	-	
Balance as at 31 December 2018	1,198,926	2,991,258	6,725,121	1,977	9,718,356	2,918,536	13,835,818	5,272,511	19,108,329	
Balance as at 1 July 2019	1,198,926	2,991,258	7,343,772	4,658	10,339,688	3,624,344	15,162,958	5,462,651	20,625,609	
Total comprehensive income for the six months ended 31 December 2019										
Profit for the period	-	-	(122,656)	-	(122,656)		(122,656)	292,940	170,284	
Other comprehensive income			2,052	(1,252)	800		800	-	800	
	-	-	(120,604)	(1,252)	(121,856)	-	(121,856)	292,940	171,084	
Transactions with owners recorded directly in equity										
-Final dividend @ 30% (Rs. 3.00 per share) for the year ended 30 June 2019	-	-	(359,678)	-	(359,678)		(359,678)	-	(359,678)	
-Bonus share @ 10% for the year ended 30 June 2019	119,893		(119,893)		(119,893)					
Total transactions with owners of the Holding Company	119,893	-	(479,571)	-	(479,571)	-	(359,678)	-	(359,678)	
Dividend to non-controlling interest	-	-	-	-	-		-	(284,917)	(284,917)	
Transfer from surplus on revaluation on disposal of fixed assets - net of tax			4,258		4,258	(4,258)	-	-	-	
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	-	-	56,088	-	56,088	(64,671)	(8,583)	8,583	-	
Proportionate share of surplus on revaluation of property, plant and equipment - PCL						90,504	90,504	-	90,504	
Proportionate share / reclassification of surplus on revaluation of property, plant and equipment - NCI						8,583	8,583	(8,583)	-	
Balance as at 31 December 2019	1,318,819	2,991,258	6,803,943	3,406	9,798,607	3,654,502	14,771,928	5,470,674	20,242,601	

The annexed notes 1 to 29 form an integral part of these condensed interim consolidated financial statements.


Ehsan A. Malik
Director & Chairman
Board Audit Committee


Muhammad Akhtar
Chief Financial Officer


Riyaz T. Chinoy
Chief Executive Officer

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

For the six months ended 31st December 2019

1. THE GROUP AND ITS OPERATIONS

- 1.1** The Group consists of International Industries Limited, (the Holding Company) and its 56.33% owned subsidiary International Steels Limited and its wholly owned foreign subsidiary IIL Australia PTY Limited [together referred to as "the Group" and individually as "Group entities"] and the Holding Company's 17.124% interest in equity accounted investee namely Pakistan Cables Limited (PCL).
- 1.2** International Industries Limited ("the Holding Company") was incorporated in Pakistan in 1948 and is quoted on the Pakistan Stock Exchange. The Holding Company is engaged in the business of manufacturing and marketing of galvanized steel pipes, precision steel tubes, API line pipes, polymer pipes and fittings. The registered office of the Holding Company is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.

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

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

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

- 1.3** International Steels Limited ("the Subsidiary Company") was incorporated on 03 September 2007 as a public unlisted company limited by shares under the repealed Companies Ordinance, 1984 and is domiciled in the province of Sindh. Subsequent to the sale of shares by the Holding Company to general public under Initial Public Offer, the Subsidiary Company was listed on the Pakistan Stock Exchange on 1 June 2011. The primary activities of the Subsidiary Company are business of manufacturing of cold rolled steel coils and galvanized sheets. The Subsidiary Company commenced commercial operations on 1 January 2011. The registered office of the Subsidiary Company is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530. The Holding Company has 56.33% ownership in International Steels Limited.

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

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

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

2. BASIS OF PREPARATION

- 2.1** These condensed interim consolidated financial statements have been prepared from the information available in the condensed un-audited separate financial statements of the Holding Company, the Subsidiary Company and foreign Subsidiary Company for the six months ended 31 December 2019.

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

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

For the six months ended 31st December 2019

2.2 Statement of Compliance

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

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

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

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

2.2.3 The comparative Balance Sheet presented in this condensed interim consolidated financial statements have been extracted from the audited annual consolidated financial statements for the year ended 30 June 2019, whereas the comparative condensed interim Profit and Loss Account, condensed interim Statement of Comprehensive Income, condensed interim Cash Flow Statement and condensed interim Statement of Changes in Equity are extracted from the unaudited condensed interim consolidated financial information for the period ended 31 December 2018.

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

2.3 Basis of measurement

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

2.4 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

For the six months ended 31st December 2019

3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of Group.

IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Group's financial statements.

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

For the six months ended 31st December 2019

4 ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

- 4.1** The preparation of condensed interim consolidated financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.
- 4.2.** The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statement as at and for the year ended 30 June 2019.
- 4.3.** The Group's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2019.

5 Basis of consolidation

5.1 Investment in subsidiaries

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

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

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

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

5.2 Investment in associates

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

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

The financial statements of associates used for equity-accounting are prepared with a difference of three months

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2019.

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

For the six months ended 31st December 2019

6. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work- in-progress (Incl., capital spares)	Total
	----- (Rupees in '000) -----		
Cost / revalued amount			
Opening balance	34,074,026	713,731	34,787,757
Additions	217,973	1,634,787	1,852,760
Translate reserve	(208)	-	(208)
Transfers	132,773	(483,414)	(350,641)
Disposal	(126,744)	-	(126,744)
	<u>34,297,820</u>	<u>1,865,104</u>	<u>36,162,924</u>
Accumulated depreciation			
Opening balance	(7,563,960)	-	(7,563,960)
Charge for the period	(949,881)	-	(949,881)
Disposal	83,416	-	83,416
	<u>(8,430,425)</u>	<u>-</u>	<u>(8,430,425)</u>
Written down value as at 31 December 2019 (Un-audited)	<u>25,867,395</u>	<u>1,865,104</u>	<u>27,732,499</u>
Written down value as at 30 June 2019 (Audited)	<u>26,510,066</u>	<u>713,731</u>	<u>27,223,797</u>

7. INVESTMENT IN EQUITY - ACCOUNTED INVESTEE

		31 December 2019 (Un-audited) (Rupees in '000)	30 June 2019 (Audited)
Pakistan Cables Limited - associate company	7.1	<u>1,097,664</u>	<u>1,014,685</u>

7.1 This represents investment in PCL, an Associated Company, on account of cross directorship. The Holding Company holds 17.124% of effective share of interest in PCL due to crossholding.

The Chief Executive Officer of PCL is Mr. Fahd K. Chinoy. The market value as at 31 December 2019 was Rs. 792.021 million (30 June 2019: Rs. 856.114 million) and is categorized as level 1 under the fair value hierarchy. The share of profit after acquisition is recognised based on unaudited financial statements as at 30 September 2019 as the latest financial statements as at 31 December 2019 are not presently available.

8. STOCK-IN-TRADE

	31 December 2019 (Un-audited) (Rupees in '000)	30 June 2019 (Audited)
Raw material - in hand	9,256,890	6,948,424
- in transit	267,643	6,532,832
	<u>9,524,533</u>	<u>13,481,256</u>
Work-in-process	3,988,754	3,458,783
Finished goods	7,047,424	8,645,530
	<u>20,560,711</u>	<u>25,585,569</u>

8.1 Raw material of amounting to Rs.2.5 million as at 31 December 2019 (2019: Rs.4.9 million) was held at vendor's premises for the production of pipe caps.

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

For the six months ended 31st December 2019

		31 December 2019 (Un-audited) (Rupees in '000)	30 June 2019 (Audited)
9. TRADE DEBTS			
Considered good - secured		500,525	238,086
- unsecured		3,944,945	3,283,540
		4,445,470	3,521,626
Considered doubtful		139,704	158,267
		4,585,174	3,679,893
Impairment of doubtful debts		(139,704)	(158,267)
		4,445,470	3,521,626
10. ADVANCES, TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Considered good			
- Suppliers		97,375	105,521
- Employees for business related expenses		1,348	440
- Trade deposits		22,312	18,969
- Margin against shipping guarantees		4,300	16,255
- Short term prepayments		82,662	26,968
		207,997	168,153
11. OTHER RECEIVABLES			
Considered good			
Insurance claim		17,663	9,341
Others		15,901	8,430
		33,564	17,771
Considered doubtful			
Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier period		25,940	25,940
		59,504	43,711
Provision for receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in prior period		(25,940)	(25,940)
		33,564	17,771
12. LONG-TERM FINANCING - secured			
Conventional			
Long Term Finance Facility (LTFF)	12.1	2,828,274	3,129,263
Islamic			
Diminishing Musharakah / Long term finance	12.2	6,399,600	6,140,908
		9,227,874	9,270,171
Current portion of long term finances shown under current liabilities			
Conventional			
Long Term Finance Facility (LTFF)		(620,543)	(614,492)
Islamic			
Diminishing Musharakah / Long term finance		(951,364)	(586,364)
		(1,571,907)	(1,200,856)
		7,655,967	8,069,315

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

For the six months ended 31st December 2019

Conventional

- 12.1** Approved financing facilities amounted in aggregate to Rs. 3,014.3 million. As at 31 December 2019 amounts withdrawn against approved financing facilities amounted to Rs.2,828.3 million (2019 Rs. 3,129.2 million). These facilities are secured by way of a mortgage on all present and future land and buildings of Holding Company located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate, Karachi and Survey No.402, 405-406, Dehsharabi, Landhi Town, Karachi and pari passu charge over fixed assets of the Subsidiary Company.

Islamic

- 12.2** Approved financing facilities amounted to Rs.6,399.6 million (2019: Rs. 6,140.9 million) which are fully utilized. These facilities are secured by way of mortgage on all present and future land and buildings of Holding Company located at plot no. LX-15&16 and H/X-7/4, Landhi Industrial Estate, Karachi and Survey no.402, 405-406, Dehsharabi, Landhi Town, Karachi and pari passu charge over fixed assets of the Subsidiary Company.

	Note	31 December 2019 (Un-audited) (Rupees in '000)	30 June 2019 (Audited)
13. TRADE AND OTHER PAYABLES			
Trade creditors	13.1	545,271	3,737,973
Bills payable		126,802	-
Provision for Government Levies		328	329
Accrued expenses		2,822,295	2,752,115
Provision for Infrastructure Cess	13.2	1,702,369	1,535,752
Short-term compensated absences		8,784	18,837
Workers' Profit Participation Fund		18,340	22,195
Workers' Welfare Fund		269,468	340,421
Others		81,023	66,326
		5,574,681	8,473,948
13.1	This includes an amount of Rs. 11.9 million (2019: Rs.Nil) payable to associated companies by Subsidiary Company (ISL).		
13.2	Provision for Infrastructure Cess		
Opening balance		1,535,752	1,176,189
Charge for the period		166,617	359,563
Closing balance		1,702,369	1,535,752
14. CONTRACT LIABILITIES			
Sales commission payable		6,229	50,183
Advance from customers		1,454,317	1,444,163
		1,460,546	1,494,346
15. SHORT-TERM BORROWINGS - secured			
CONVENTIONAL			
Running finance under mark-up arrangement from banks	15.1	11,441,844	7,249,569
Short-term borrowing under Money Market Scheme	15.2		
- maturing after 3 months		800,000	500,000
- maturing within 3 months		3,007,416	4,216,850
		3,807,416	4,716,850
Short-term borrowing under Export Refinance Scheme	15.3	3,276,590	4,160,265
Running finance under FE-25 Export and Import Scheme	15.4	1,224,120	-
ISLAMIC			
Short term borrowing under running Musharakah	15.5	590,199	609,665
Short-term borrowing under Export Refinance Scheme	15.6	919,856	-
Short term finance under term Murabaha	15.7	-	2,880,000
		21,260,025	19,616,349
15.1	The facilities for running finance available from various commercial banks amounted to Rs. 18,500 million (2019: Rs.16,507 million). The rates of mark-up on these finances range from 13.50% to 14.85% per annum (2019: 7.12% to 13.90% per annum). Unavailed facilities as at 31 December 2019 amounted to Rs.7,058 million (2019: Rs.9,257.4 million).		

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

For the six months ended 31st December 2019

- 15.2** Facilities for short-term borrowing under Money Market Scheme financing from various commercial banks under mark-up arrangements amounted to Rs. 6,188 million (2019: Rs. 5,140 million). Unavailed facilities as at 31 December 2019 amounted to Rs.2,381 million (2019: 423.1 million). The rate of markup on these finance ranges from 13.22% to 13.93% per annum (2019: 11.04% - 13.06%) per annum.
- 15.3** Facilities under the Export Refinance Scheme of the State Bank of Pakistan (SBP) available from various commercial banks amounted to Rs. 3,276.59 million (2019: Rs.4,160.2 million). The rates of mark-up on these facilities range from 2.75% to 3.00 % per annum (2019: 2.50% to 3.0% per annum).
- 15.4** Facilities for short-term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 of the SBP for the purpose of meeting import requirements. The facilities availed are for an amount aggregating to USD 7.9 million equivalent to Rs.1,224 million (2019: nil). The rate of markup on these finance is 2.45 % to 3.00% per annum.
- 15.5** Facilities under Running Musharakah arrangement amounted to Rs 5,000 million (2019: 6,728 million). The rate of profit on these finances range from 13.74% per annum to 14.61% per annum (2019: 7.12 to 13.10%) per annum. Unavailed facilities as at 31 December 2019 amounted to Rs.4,498.9 million (2019: Rs.6,118 million)
- 15.6** Facilities under Islamic Export Refinance Scheme of the State Bank of Pakistan (SBP) available from various commercial banks amounted to Rs. 919.86 million. (2019: nil). The rate of mark-up on these facilities is 3% per annum.
- 15.7** Loans amounting to USD 18 million equivalent to fixed amount of Rs.2,880 million was obtained from Standard Chartered Bank, UK - Dubai International Finance Centre Branch through Standard Chartered Bank (Pakistan) Limited for meeting working capital requirements. The tenor of the loans was six months i.e. from 26 June 2019 to 26 December 2019 and from 20 June 2019 to 19 December 2019. The price of loans was six months KIBOR minus 0.28% and six month KIBOR minus 0.08%. As per the terms of agreement, Standard Chartered Bank (Pakistan) obtained forward cover on behalf of the borrowers to hedge foreign currency risk.
- 15.8** All running finances and short-term borrowing facilities are secured by way of hypothecation of all present and future current and moveable assets.

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

Description of factual basis and relief sought	Name of the court / institution	Principal parties	Date instituted
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Holding Company and the Subsidiary Company (collectively referred as "Companies").

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

For the six months ended 31st December 2019

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

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

Further, the Companies have not recognized GIDC amounting to Rs. 1,085.5 million (2019: Rs.1,024.65 million) pertaining to period from 01 July 2011 to 31 December 2019 with respect to their captive power plants from which excess power generation is supplied to K-Electric Limited. The Companies consider that, in the event such levy is imposed, they shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).

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

For the six months ended 31st December 2019

16.1.2	<p>The Holding Company filed a Suit before Honorable Sindh High Court ('SHC') for declaration and permanent injunction in 2002 against Infrastructure Fee (levy) levied through Sindh Finance Act 1994. Single bench of SHC vide its order (order) declared the levy constitutional, which was challenged by the Holding Company through filing an appeal against the said order in 2004. In the appeal proceedings, larger bench of SHC granted a relief in 2006, by allowing the clearance of imported goods subject to submission of security / bank guarantees. Holding Company submitted guarantees amounting to Rs.115 million for release of goods attracting levy of Rs.107 million. The Court decided the matter on 17 September 2008 declaring the levy before 28 December 2006 as void and invalid. Excise and Taxation Department (Department) filed an appeal before the Honorable Supreme Court of Pakistan against the order dated 17 September 2008 hence the guarantees were not released as the matter was sub-judice.</p> <p>Subsequently, in May 2011, the SCP disposed-off the appeal by referring the matter back to the SHC. On 31 May 2011, the SHC ordered returning the bank guarantees in respect of the consignments released up to 27 December 2006. In respect of consignments to be released subsequent to 27 December 2006 SHC ordered to pay 50% of the amount and submit bank guarantees for the balance amount.</p> <p>Subsidiary Company, also joined the proceedings subsequent to its incorporation. Bank guarantees amounting to Rs. 1,736 million (2019: Rs. 1,707 million) issued on behalf of the Companies which includes afore-mentioned bank guarantees of Rs. 115 million issued by the Holding Company are outstanding as at 31 December 2019. As a matter of prudence, the Companies are making provisions for the balance amount, which as at 31 December 2019 amounts to Rs. 1,702.4 million (2019: 1,535.8million) as disclosed in note 13.2.</p> <p>Subsequently, in 2017 the Department vide Sindh Finance Act 2015 & 2016 enhanced the levy by 100%. On 24 October 2017 the Companies have obtained stay from the SHC against the enhancement. The SHC has clubbed all the cases pertaining to the levy for final disposal.</p>	Sindh High Court	Secretary Excise & Taxation / Federation of Pakistan	28-10-2002
16.1.3	<p>Oil and Gas Regulatory Authority (OGRA) revised the gas tariff to Rs.600/- per MMBTU by increasing the gas tariff by Rs.112/- per MMBTU vide its notification dated 30 December 2016 disregarding the protocol laid down in OGRA Ordinance, 2002. The Companies have filed a suit in the Sindh High Court (The Court) challenging the gas tariff increase. The Court granted a stay order subject to submission of security for the differential amount with the Nazir of the Court. The Companies have issued cheques amounting to Rs.524.3 million (2019: Rs. 524.3 million) in favour of Nazir of the court upto 30 September 2018. The Companies, on a prudent basis, have also accrued this amount in these consolidated financial statements.</p> <p>OGRA has further revised the gas tariff to Rs.780/- per MMBTU by increasing the gas tariff by Rs.180/- vide its notification dated 4 October, 2018. The Companies have filed a petition before the Court challenging such further revision and the matter is partially heard. Pending the decision on the matter Companies are settling the bills at the revised rate.</p>	Sindh High Court	OGRA / SSGC / Federation of Pakistan	19-01-2017

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

For the six months ended 31st December 2019

16.1.4	Sindh Revenue Board (SRB) issued notices to the Companies for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. The Companies filed a constitutional petition in the Sindh High Court, challenging the said unlawful demand on the ground that the Companies are trans-provincial establishment operating industrial and commercial activities across Pakistan. The Sindh High Court granted stay order in favor of the Companies by declaring exemption on the basis that the Companies being a trans-provincial establishment are paying Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971. In a separate case, the Sindh High Court has dealt on the subject of trans-provisional establishment in its judgement with a conflicting view.	Sindh High Court	SRB / Government of Sindh	09-06-2017
16.1.5	Guarantees issued in favour of Sui Southern Gas Company Limited by the bank on behalf of the Companies amounted to Rs. 511.9 million (2019: Rs.499.6 million) as a security for supply of gas.			
16.1.6	Guarantee issued in favour of Pakistan State Oil Company Limited by banks on behalf of the Companies amounted to Rs. 113 million (2019: Rs.112 million) for supply of fuel and lubricants.			
Holding Company				
16.1.7	Customs duties amounting to Rs. 1.4 million as at 31 December 2019 (2019: Rs. 40.5 million) on import of raw material shall be payable by the Company in case of non-fulfilment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Company has provided post-dated cheques in favour of the Collector of Customs which are, in the normal course of business, to be returned to the Company after fulfilment of stipulated conditions. The Company has fulfilled the conditions for the aforementioned amounts and is making efforts to retrieve the associated post-dated cheques from the customs authorities.	Customs	Collector of Customs/ Federation of Pakistan	2005
16.1.8	An amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Company filed a petition with the Honourable Sindh High Court in 2010 for an injunction and is awaiting the final judgement. The management is confident that the decision will be given in favour of the Company.	Sindh High Court	Collector of Customs / Federation of Pakistan	15-01-2010
16.1.9	The customs authorities have charged a redemption fine of Rs. 83 million on clearance of imported raw material consignments in 2006. The Company has filed an appeal before the Honourable Sindh High Court, which has set aside the examination reports including subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities had filed an application for leave to appeal against the order of the Honourable High Court. The management anticipates that the chances of admission of such appeal are remote.	Sindh High Court	Collector of Customs / Federation of Pakistan	30-08-2007

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16.1.10	<p>The Company filed the suit before the Sindh High Court (Court) challenging the chargeability of tax on inter corporate dividend in respect of dividend declared by its subsidiary, International Steels Limited. On 21 October 2016 Court granted stay order against which 500,000 shares of subsidiary company were pledged as a security with Nazir of the Court. In one of the litigation to which the Holding Company is not a party, SCP issued an order on 21 February 2018 whereby continuity of suits was made subject to depositing minimum 50% of the tax calculated by the tax authorities. A review petition has been filed against such order of the SCP in which Company is not a party and the decision is awaited. In view of such developments the suit has been withdrawn and a petition has been filed before the Court, which is pending hearing Application for release of pledged shares is in process.</p> <p>On a separate application challenging the chargeability of tax on inter corporate dividend, stay order is granted by the Court in respect of dividends declared by the subsidiary company on 02 June 2017, 26 September 2017 and 23 January 2018 against bank guarantees amounting to Rs.76.6 million, Rs.36.8 million and Rs.55.1 million respectively submitted to the Nazir of the Court. Furthermore, in separate petitions filed by the company on the same subject matter, stay is granted by the Court in respect of dividends declared by the subsidiary company on 25 September 2018, 25 January 2019 and 25 September 2019.</p>	Sindh High Court	FBR / Commissioner Inland Revenue / Federation of Pakistan	01-11-2016
16.1.11	<p>International Industries Limited has filed Constitutional Petition No D-8449 of 2019 to challenge the impugned implementation of the excessive and retrospective amendment brought about in Section 65B of the Income Tax Ordinance 2001 via the Finance Act, 2019. The petition was heard and an interim stay was granted, wherein the Company is allowed to submit its returns manually or by making adjustment in e- portal / computer system as provisional interim arrangement as per un-amended provisions of 65B of the Income Tax Ordinance 2001 (prior to amendment through Finance Act 2019). Whereas the concerned authorities are instructed not to take any no coercive with regards to 65B.</p>	Sindh High Court	Federation of Pakistan / Federal Board of Revenue / Commissioner Inland Revenue	26-12-2019
16.1.12	<p>The Company's share of contingent liabilities of its associated company is Rs. 90.5 million (2019: Rs. 66.9 million).</p>			
16.1.13	<p>Guarantees issued in favour of Sui Northern Gas Pipe Lines Limited by banks on behalf of the Company amounted to Rs. 352.6 million (2019: Rs. 299.42 million) as performance security for goods to be supplied by the Company.</p>			
16.1.14	<p>Guarantees issued in favour of Sui Southern Gas Company Limited by banks on behalf of the Company to Rs. 35.3 million (2019: Rs. 97.36 Million) as performance security for goods to be supplied by the Company.</p>			
16.1.15	<p>Standby letter of credit issued in favour of Sui Northern Gas Pipe Lines Limited by bank on behalf of the Company amounted to Rs. 59.57 million (2019: Rs.59.57 million) as a security for supply of Regasified Liquefied Natural Gas (RLNG).</p>			
16.1.16	<p>Guarantees issued in favour of Lahore Electric Supply Company by bank on behalf of the Company amounted to Rs. 5.83 million (2019: Rs. 5.83 million) as a security for supply of electricity.</p>			
16.1.17	<p>Guarantee issued in favour of Aga Khan Planning & Building Service Pakistan by bank on behalf of the Company amounted to Rs. Nil (2019: Rs.2.00 million) as performance security for goods to be supplied by the Company.</p>			
16.1.18	<p>Guarantees issued in favour of Sui Northern Gas Pipe Lines limited by bank on behalf of the Company amounted to Rs. 18.1 million (2019: 22 million) as security for holding the bids (bid bond) submitted in tenders.</p>			

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- 16.1.19** Guarantees issued in favour of Sui Southern Gas Company Limited by bank on behalf of the Company amounted to Rs. 12.5 million (2019: 0.81 million) as security for holding the bids (bid bond) submitted in tenders.
- 16.1.20** Guarantee issued in favour of K-Electric by bank on behalf of the Company amounted to Rs. 0.83 million (2019:Rs.0.83 million) as performance security for goods to be supplied by the Company.
- 16.1.21** Guarantee issued in favour of Small Industrial Development Board Peshawar by the bank on behalf of the Company amounted to Rs. 5.0 million (2019: nil) as performance security for goods to be supplied by the Company.

Subsidiary Company

- 16.1.22** Guarantees issued in favour of Wah Industries by bank on behalf of the Subsidiary Company amounted to Rs. 62.55 million (2019: Rs. 59.11 million)
- 16.1.23** Guarantees issued in favour of Collector of Custom by bank on behalf of the Subsidiary Company amounted to Rs. 1,654 million (2019: Rs. 4.39 million)
- 16.1.24** Guarantees issued in favour of K-Electric by bank on behalf of the Subsidiary Company amounted to Rs. 8.67 million (2019:Rs.8.67 million)

16.2 Commitments

Holding Company and the Subsidiary Company

- 16.2.1** Capital expenditure commitments outstanding as at 31 December 2019 amounted to Rs. 178 million (2019: Rs. 470 million).
- 16.2.2** Commitments under letters of credit for raw materials and stores and spares as at 31 December 2019 amounted to Rs. 9,361 million (2019: Rs. 12,719 million).
- 16.2.3** Unavailed facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 23.745 million (2019: Rs. 19,258 million) and Rs. 2,046 million (2019: Rs. 1,846 million) respectively.

Holding Company

- 16.2.4** Commitments under purchase contracts as at 31 December 2019 amounted to Rs. 509.9 million (2019: Rs.243.5 million).
- 16.2.5** Posdated cheques issued in favour of Collector of Customs for imported items cleared under manufacturing bond amounted to Rs. 2,718.8 million (2019:Rs. 3,107.93 million)
- 16.2.6** Posdated cheques issued in favour of Collector of Customs for differential of sales tax on imports of machinery amounted to Rs. 9.3 million (2019:Rs. 14.3 million)
- 16.2.7** Posdated cheques issued in favour of Collector of Customs for various disputed claims amounted to Rs. 166.83 million (2019: Rs. 166.83 million)

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For the six months ended 31st December 2019

17. NET SALES

	Six months ended		Three months ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Rupees in '000)			
Local	34,944,417	36,126,748	18,616,164	20,504,202
Export	5,489,473	4,115,009	2,956,107	1,901,119
	40,433,890	40,241,757	21,572,271	22,405,321
Sales Tax	(4,948,669)	(5,209,935)	(2,615,860)	(2,945,358)
Trade discounts & commission	(1,187,311)	(803,376)	(678,034)	(456,580)
Export commission and discounts	(12,551)	(14,299)	(6,735)	(5,130)
	(6,148,531)	(6,027,610)	(3,300,629)	(3,407,068)
	34,285,359	34,214,147	18,271,642	18,998,253

17.1. DISAGGREGATION OF REVENUE

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

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

Primary geographical markets:

Local	28,808,437	30,113,437	15,322,270	17,102,264
Asia	2,481,484	1,163,258	1,387,684	654,794
Europe	144,836	437,836	28,690	144,816
Australia	753,260	749,922	434,238	448,191
Africa	736,532	118,554	54,507	95,823
Americas	1,360,810	1,631,140	1,044,253	552,365
	34,285,359	34,214,147	18,271,642	18,998,253

Major product lines:

Steel segment	33,344,961	33,674,739	17,778,040	18,738,230
Polymer segment	940,398	539,408	493,602	260,023
	34,285,359	34,214,147	18,271,642	18,998,253

18. COST OF SALES

Raw material consumed

Opening stock of raw material	6,948,424	10,219,889	11,174,063	14,901,806
Purchases	29,646,856	30,837,759	10,443,512	11,729,617
	36,595,280	41,057,648	21,617,575	26,631,423
Closing stock of raw material	(9,256,890)	(8,465,926)	(9,256,890)	(8,465,926)
	27,338,390	32,591,722	12,360,686	18,165,497

Manufacturing overheads

Salaries, wages and benefits	715,330	777,402	333,406	354,384
Rent, rates and taxes	210	392	60	293
Electricity, gas and water	964,232	818,199	452,126	450,456
Insurance	16,622	21,092	7,485	13,028
Security and janitorial	32,958	31,058	17,425	16,691
Depreciation and amortization	865,364	642,400	443,727	328,625
Operational supplies and consumables	105,309	108,340	53,470	58,585
Stores and spares scrapped	15,419	8,878	6,907	8,878
Repairs and maintenance	105,654	113,368	55,684	61,095
Postage, telephone and stationery	12,505	13,352	5,782	8,323
Vehicle, travel and conveyance	30,156	29,250	17,076	17,741
Internal material handling	26,397	42,735	11,990	27,561
Environment controlling expense	1,657	1,441	1,019	809
Sundries	10,123	16,043	6,876	6,187
Toll manufacturing expenses	3,543	-	3,543	-
	2,905,479	2,623,950	1,416,576	1,352,656
	30,243,869	35,215,672	13,777,262	19,518,153

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For the six months ended 31st December 2019

	Six months ended		Three months ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Rupees in '000)			
<i>Work-in-process</i>				
Opening stock	3,458,783	2,597,105	3,587,051	2,652,836
Closing stock	(3,988,754)	(4,423,273)	(3,988,754)	(4,423,273)
	(529,971)	(1,826,168)	(401,703)	(1,770,437)
Cost of goods manufactured	29,713,898	33,389,504	13,375,559	17,747,716
<i>Finished goods, by-products and scrap:</i>				
Opening stock	8,645,530	5,052,820	10,510,555	7,463,906
Closing stock	(7,047,424)	(8,424,498)	(7,047,424)	(8,424,498)
	1,598,106	(3,371,678)	3,463,130	(960,592)
	31,312,004	30,017,826	16,838,689	16,787,124

19 SELLING & DISTRIBUTION EXPENSES

Freight and forwarding expenses	326,415	376,487	119,352	222,676
Salaries, wages and benefits	132,236	137,165	55,650	68,195
Rent, rates and taxes	24,182	4,143	23,180	2,054
Electricity, gas and water	6,370	4,760	2,613	2,123
Insurance	4,103	6,741	2,180	5,129
Depreciation and amortization	12,387	11,390	(3,228)	5,747
Repair and maintenance	346	637	163	484
Advertising and sales promotion	53,789	103,464	26,824	69,440
Postage, telephone and stationery	6,053	4,820	3,197	2,753
Office supplies	11	121	5	65
Vehicle, travel and conveyance	26,510	29,046	12,994	14,097
Certification and registration charges	1,047	1,201	571	563
Others	20,714	7,373	14,398	4,943
	614,162	687,349	257,898	398,270

20 ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	181,963	190,425	85,316	94,239
Rent, rates and taxes	958	3,026	579	1,482
Electricity, gas and water	2,912	2,851	1,431	1,291
Insurance	1,806	2,045	957	1,425
Depreciation and amortization	13,617	10,928	5,707	5,673
Repair and maintenance	925	1,015	564	506
Postage, telephone and stationery	9,000	10,736	5,496	6,307
Office supplies	260	293	159	140
Vehicle, travel and conveyance	12,211	12,174	6,442	7,130
Legal and professional charges	36,457	36,026	25,450	24,836
Certifications and registration charges	13,130	5,384	7,828	3,697
Directors' fees	6,900	5,400	2,575	2,400
Others	19,656	16,033	9,868	7,002
	299,794	296,337	152,371	156,129

21. FINANCE COST

Conventional

- Mark-up on long-term borrowings	120,911	162,587	59,535	129,382
- Mark-up on short-term borrowings	1,051,376	625,256	506,764	367,281
	1,172,287	787,843	566,299	496,663

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For the six months ended 31st December 2019

	Six months ended		Three months ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Rupees in '000)			
Islamic				
- Profit on diminishing musharakah	405,873	108,195	233,323	12,775
- Profit on running musharakah	328,238	79,697	124,116	20,950
Exchange loss and others	(2,408)		(2,408)	-
Interest on Workers' Profit Participation Fund	600	1,053	-	1,053
Interest on lease liabilities	-	-	(3,198)	-
Bank charges	17,443	14,457	8,720	6,832
	<u>1,922,033</u>	<u>991,245</u>	<u>926,852</u>	<u>538,273</u>
22. OTHER OPERATING EXPENSES				
Auditors' remuneration	4,129	3,660	2,429	1,773
Donations	3,350	20,344	(10)	10,524
Workers' Profit Participation Fund	19,651	127,718	3,455	59,560
Workers' Welfare Fund	(23,913)	53,140	(30,391)	25,876
Business development expenses	10,710	2,695	8,843	5,771
	<u>13,927</u>	<u>207,557</u>	<u>(15,674)</u>	<u>103,504</u>
23. OTHER INCOME				
Income from non-financial assets				
Income from power generation 23.1	17,229	10,949	13,343	2,517
Gain on disposal of property, plant and equipment	40,318	72,456	34,779	36,648
Rental income	1,617	974	1,130	487
Exchange gain / (loss) - net	26,566	316,982	25,588	194,987
Others	12,106	14,044	7,950	5,270
Income on financial assets				
Income on bank deposits	2,708	4,142	1,364	2,015
	<u>100,544</u>	<u>419,547</u>	<u>84,154</u>	<u>241,868</u>
23.1. Income from power generation				
Net sales	399,003	262,938	228,202	138,606
Cost of electricity produced	(381,774)	(251,989)	(214,859)	(136,089)
	<u>17,229</u>	<u>10,949</u>	<u>13,343</u>	<u>2,517</u>
24. TAXATION				
Current				
- for the year	349,074	543,743	95,680	84,299
- for prior years	(16,000)	-	-	-
Deferred	(261,211)	(156,443)	(98,653)	(44,498)
	<u>71,863</u>	<u>387,300</u>	<u>(2,973)</u>	<u>39,801</u>
25. CASH AND CASH EQUIVALENTS				
Cash and bank balances	768,456	1,169,433		
Running finance under mark-up arrangement from banks 15	(11,441,844)	(8,253,329)		
Short-term borrowing under Money Market scheme maturing within three months 15	(3,007,416)	-		
Short-term borrowing under Running Musharakah 15	(590,199)	(1,519,716)		
	<u>(14,271,003)</u>	<u>(8,603,612)</u>		

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26. TRANSACTIONS WITH RELATED PARTIES

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

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

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

	Six months ended		Three months ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	----- (Rupees in '000) -----			
Associated companies				
Sales	449,973	381,627	327,280	47,508
Purchases	9,760,551	22,600,881	657,200	10,062,448
Reimbursement of expenses	1,382	1,304	924	-
Insurance premium	1,935	49,841	1,078	44,161
Insurance claim	606	3,944	606	2,831
Rental income	2,195	1,691	830	1,204
Dividend paid	120,161	122,177	-	-
Bonus shares issued	576	-	-	-
Dividend received	6,092	21,324	-	-
Registration and training	273	490	-	245
Subscription	2,177	-	77	-
Services	53,925	-	38,634	-
Key management personnel				
Remuneration	254,437	278,743	124,993	129,384
Staff retirement funds				
Contribution paid	59,999	75,427	30,460	43,916
Non-executive directors				
Directors' fees	6,900	5,400	2,575	2,400
Reimbursement of Chairman's expenses	6,235	6,434	3,882	3,985

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For the six months ended 31st December 2019

27 SEGMENT REPORTING

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

27.1 SEGMENT REVENUE AND RESULTS

SEGMENTS	Steel Coils & Sheets	Steel Pipes	Polymer	Investment	Total
----- (Rupees in '000) -----					
For the six months ended 31 December 2019					
Sales	24,015,354	9,329,607	940,398	-	34,285,359
Cost of sales	(21,957,997)	(8,494,659)	(859,348)	-	(31,312,004)
Gross Profit	2,057,357	834,948	81,050	-	2,973,355
Selling and distribution expenses	(215,559)	(367,862)	(30,741)	-	(614,162)
Administrative expenses	(134,195)	(154,004)	(11,595)	-	(299,794)
Reversal of impairment on trade debts	-	10,937	10,712	-	21,649
	(349,754)	(510,929)	(31,624)	-	(892,307)
Financial charges	(1,336,464)	(551,333)	(34,236)	-	(1,922,033)
Other operating charges	1,611	(15,356)	(182)	-	(13,927)
	(1,334,853)	(566,689)	(34,418)	-	(1,935,960)
Other income	94,471	6,073	-	-	100,544
Share of loss in equity accounted investee - net of tax	-	-	-	(3,485)	(3,485)
Profit before taxation	467,221	(236,597)	15,008	(3,485)	242,147
Taxation	-	-	-	-	(71,863)
Profit after taxation	-	-	-	-	170,284
For the six months ended 31 December 2018					
Sales	21,394,901	12,279,838	539,408	-	34,214,147
Cost of sales	(18,747,129)	(10,783,864)	(486,833)	-	(30,017,826)
Gross Profit	2,647,772	1,495,974	52,575	-	4,196,321
Selling and distribution expenses	(235,042)	(424,425)	(27,882)	-	(687,349)
Administrative expenses	(135,185)	(153,506)	(7,646)	-	(296,337)
Impairment reversal on trade debts	-	11,045	-	-	11,045
	(370,227)	(566,886)	(35,528)	-	(972,641)
Financial charges	(591,843)	(382,875)	(16,527)	-	(991,245)
Other operating charges	(164,433)	(42,950)	(174)	-	(207,557)
	(756,276)	(425,825)	(16,701)	-	(1,198,802)
Other income	83,386	336,161	-	-	419,547
Share of profit in equity accounted investee - net of tax	-	-	-	18,788	18,788
Profit before taxation	1,604,655	839,424	346	18,788	2,463,213
Taxation	-	-	-	-	(387,300)
Profit after taxation	-	-	-	-	2,075,913

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27.2 SEGMENT ASSETS & LIABILITIES

SEGMENTS	Steel Coils & Sheets	Steel Pipes	Polymer	Investments	Total
----- (Rupees in '000) -----					
As at 31 December 2019 - Un-audited					
Segment assets	<u>34,008,420</u>	<u>16,468,813</u>	<u>1,859,264</u>	<u>1,097,664</u>	<u>53,434,161</u>
Segment liabilities	<u>20,241,427</u>	<u>9,789,032</u>	<u>987,140</u>	<u>-</u>	<u>31,017,599</u>
As at 30 June 2019 - Audited					
Segment assets	<u>35,124,694</u>	<u>18,725,225</u>	<u>2,139,907</u>	<u>1,014,685</u>	<u>57,004,511</u>
Segment liabilities	<u>24,604,478</u>	<u>11,699,298</u>	<u>1,226,029</u>	<u>-</u>	<u>37,529,805</u>

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

	31 December 2019 (Un-audited)	30 June 2019 (Audited)
Total reportable segments assets	<u>53,434,161</u>	57,004,511
Unallocated assets	<u>7,359,017</u>	5,683,702
Total assets as per Balance Sheet	<u>60,793,178</u>	<u>62,688,213</u>
Total reportable segments liabilities	<u>31,017,599</u>	37,529,805
Unallocated liabilities	<u>9,532,978</u>	4,532,799
Total liabilities as per Balance Sheet	<u>40,550,577</u>	<u>42,062,604</u>

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

28 MEASUREMENT OF FAIR VALUES

A number of the accounting policies require the measurement of fair values, for both financial and non-financial assets and liabilities.

An independent external expert / valuer is engaged with sufficient regularity to carry out valuation of group entities non-financial assets (i.e Land and Building) and rates are obtained from financial institution to value derivative financial instruments. Involvement of external valuers is decided upon by managements of the group entities. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

When measuring the fair value of an asset or a liability, an entity uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

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31 December 2019 (Un-audited)						
	Carrying amount			Fair value		
	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
----- (Rupees in '000) -----						
Financial assets not measured at fair value						
Long term deposits	3,619	-	3,619	-	-	-
Trade debts - net of provision	4,445,470	-	4,445,470	-	-	-
Trade deposits	22,312	-	22,312	-	-	-
Receivable from K-Electric Limited	88,134	-	88,134	-	-	-
Other receivables	33,564	-	33,564	-	-	-
Cash and bank balances	768,456	-	768,456	-	-	-
Total	5,361,555	-	5,361,555	-	-	-
Financial liabilities not measured at fair value						
Long term financing	-	9,227,874	9,227,874	-	-	-
Trade and other payables	-	3,503,153	3,503,153	-	-	-
Accrued mark-up	-	510,407	510,407	-	-	-
Short term borrowings	-	21,260,025	21,260,025	-	-	-
Contract liabilities	-	1,460,546	1,460,546	-	-	-
Unpaid dividend	-	21,171	21,171	-	-	-
Unclaimed dividend	-	34,755	34,755	-	-	-
Total	-	36,017,931	36,017,931	-	-	-
30 June 2019 (Audited)						
	Carrying amount			Fair value		
	Amortized Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
----- (Rupees in '000) -----						
Financial assets not measured at fair value						
Long term deposits	3,619	-	3,619	-	-	-
Trade debts - net of provision	3,521,626	-	3,521,626	-	-	-
Trade deposits	18,969	-	18,969	-	-	-
Receivable from K-Electric Limited	69,121	-	69,121	-	-	-
Other receivables	17,771	-	17,771	-	-	-
Cash and bank balances	759,543	-	759,543	-	-	-
Total	4,390,649	-	4,390,649	-	-	-
Financial liabilities not measured at fair value						
Long term financing	-	9,270,171	9,270,171	-	-	-
Trade and other payables	-	6,606,105	6,606,105	-	-	-
Accrued mark-up	-	448,173	448,173	-	-	-
Short term borrowings	-	19,616,349	19,616,349	-	-	-
Contract liabilities	-	1,494,346	1,494,346	-	-	-
Unpaid dividend	-	6,642	6,642	-	-	-
Unclaimed dividend	-	43,049	43,049	-	-	-
Total	-	37,484,835	37,484,835	-	-	-

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

For the six months ended 31st December 2019

The fair value of land and building on freehold land are determined by an independent valuer based on price per square meter and current replacement cost method adjusted for depreciation factor for existing assets in use. The resulting fair value is a level 3 fair value measurement.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value:

Assets measured at fair value:	Date of valuation	Valuation approach and inputs used	Inter-relationship between significant unobservable inputs and fair value measurement
<i>Revalued property, plant and equipment</i> - Land and Building	30 June 2019	The valuation model is based on price per square meter and current replacement cost method adjusted for depreciation factor for the existing assets in use. In determining the valuations for land and buildings, the valuer refers to current market conditions, structure, current replacement cost, sale prices of comparable land in similar location adjusted for differences in key attributes such as land size and inquires with numerous independent local estate agents / realtors in the vicinity to establish the present market value. The fair valuation of land and building are considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets.	The fair value are subject to change owing to changes in input. However, management does not expect material sensitivity to the fair values arising from the non-observable inputs.

Management assessed that the fair values of cash & cash equivalents, other receivable, receivables from K-Electric, trade deposits, trade receivables, short term borrowings, trade and other payables, accrued mark-up, contract liabilities and unpaid / unclaimed dividends approximate their carrying amounts largely due to short-term maturities of these instruments. For long term deposit and long term financing, management consider that their carrying values approximates fair value owing to credit standing of counterparties and interest payable on borrowings are market rates. Fair values of investment in equity accounted investee is disclosed in note 7.1 to these financial statements.

29 GENERAL

29.1 Date of authorization for issue

These condensed interim consolidated financial statements were authorised for issue on 30 January 2020 by the Board of Directors.



Ehsan A. Malik
Director & Chairman
Board Audit Committee



Muhammad Akhtar
Chief Financial Officer



Riyaz T. Chinoy
Chief Executive Officer



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