

Vision

“To be an international, innovative, entrepreneurial, million tons steel processor by the year 2020.”



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

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Company Information

Board of Directors

Chairman	Mr. Zaffar A. Khan	Independent Chairman
Directors	Mr. Mustapha A. Chinoy Mr. Kamal A. Chinoy Mr. Fuad Azim Hashimi Mr. Azam Faruque Mr. Tariq Ikram Mr. Aly Noormahomed Rattansey Mr. Muhammad Raeesuddin Paracha	Non-executive Director Non-executive Director Non-executive Director Independent Director Independent Director Independent Director Non-executive Director

Chief Executive Officer Mr. Riyaz T. Chinoy Executive Director

Chief Financial Officer Mr. Haseeb Hafeezuddeen

Company Secretary Ms. Neelofar Hameed

External Auditors KPMG Taseer Hadi & Co

Internal Auditors Ernst & Young Ford Rhodes Sidat Hyder & Co

Bankers
Bank AL Habib Ltd
Barclays Bank PLC
Faysal Bank Ltd
Habib Bank Ltd
HSBC Bank Middle East Ltd
MCB Bank Ltd
Meezan Bank Ltd
NIB Bank Ltd
Samba Bank Ltd
Soneri Bank Ltd
Standard Chartered Bank Ltd
United Bank Ltd

Legal Advisor Mrs. Sana Shaikh Fikri

Registered Office
101 Beaumont Plaza, 10 Beaumont Road, Karachi-75530
Phone: +9221-35680045-54 / UAN: 021-111 019 019
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Phone: +9242-37229752-55 / UAN: 042-111 019 019
Fax: +9242-37220384 / Email: lahore@iil.com.pk

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

Website

Share Registrar

Central Depository Company of Pakistan Ltd.
CDC House, 99-B, Block B, S.M.C.H.S,
Shahra-e-Faisal, Karachi
Phone: +9221-111 111 500 Fax: +9221-34326053
Email: info@cdcpak.com

PE Plant
Survey # 405 to 406, Rehri Road, Landhi,
Karachi – 75160
Telephone Nos: +9221 35017027-28,
35017030
Fax: 9221 35013108



Directors' Report

The Directors of your Company are pleased to present 1st quarter financial statements for the period ended September 30, 2014.

The Company's gross sales turnover of Rs. 4.5 billion was 10.9% higher than same period last year mainly due to 53% higher export volumes. Domestic volumes, however, did not increase from last year's level due to floods in the Northern regions of the country, Ramadan and ensuing Eid holidays.

The Company achieved a gross margin of 7%, a deterioration over same period last year as we had entered this financial year with higher priced stocks resulting from the strengthening of the Rupee in April 2014. A 4% depreciation of the Rupee against the US Dollar was witnessed during the quarter, resulting in significant loss on US Dollar based borrowings. This loss is however expected to be recouped upon realization of export proceeds within the current financial year provided the Rupee does not strengthen against the US Dollar.

Profit after Tax (PAT) for the period was Rs. 145.25 million, 30% higher than the same period last year. The PAT includes the dividend of Rs. 245 million from The Company's subsidiary International Steels Limited (ISL). This profit translates into an EPS of Rs. 1.21 against reported EPS of Rs. 0.93 for the corresponding period last year.

International Steels Ltd. (ISL), in the quarter under review, registered sales volume of 49,100 metric tons with corresponding gross sales turnover of Rs 3,997 million. ISL's Profit after Tax for the quarter was Rs. 2.3 million.

The Company's other subsidiary, IIL Australia (Pty) Ltd. is continuing to progress, achieving sales of Rs. 10.7 million during the quarter.

The Group P&L shows a loss of approximately Rs. 82 million during the quarter, after adjusting intercompany transactions including dividend income, which is removed in consolidation.

Outlook for 2nd quarter is positive and is expected to be driven by growing export sales. Growth in the domestic market, however, will remain dependent on government and gas sector spending.

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

For & on behalf of
International Industries Limited



Zaffar.A.Khan
Chairman

Date: 24 October, 2014

Karachi

Condensed Interim Unconsolidated Balance Sheet (Un-audited)

As at 30 September 2014

	Note	(Un-audited) 30 September 2014	(Audited) 30 June 2014
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,593,887	3,502,052
Intangible assets		10,706	9,029
Investments	6	2,592,705	2,592,705
Long-term deposits		4,968	4,488
Long-term prepayments		3,833	4,835
		<u>6,206,099</u>	<u>6,113,109</u>
Current assets			
Stores and spares		132,639	135,137
Stock-in-trade	7	4,827,631	6,671,260
Trade debts	8	2,164,743	2,268,337
Advances	9	120,823	33,460
Trade deposits and short-term prepayments	10	14,406	7,460
Other receivables	11	287,392	49,883
Sales Tax refundable		3,035	318,123
Taxation - net		593,053	577,539
Bank balances		57,980	72,261
		<u>8,201,702</u>	<u>10,133,460</u>
Total assets		<u>14,407,801</u>	<u>16,246,569</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital 200,000,000 (2014: 200,000,000) ordinary shares of Rs. 10 each		<u>2,000,000</u>	<u>2,000,000</u>
Issued, subscribed and paid-up capital		1,198,926	1,198,926
Reserves	12	3,133,070	3,223,586
Total equity		<u>4,331,996</u>	<u>4,422,512</u>
Surplus on revaluation of property, plant and equipment		1,577,622	1,581,636
LIABILITIES			
Non-current liabilities			
Long-term financing - secured	14	300,000	300,000
Staff retirement benefits		79,068	79,068
Deferred taxation - net	13	148,164	188,942
		<u>527,232</u>	<u>568,010</u>
Current liabilities			
Trade and other payables	15	1,513,021	3,160,417
Short-term borrowings - secured	16	6,257,783	6,277,234
Current portion of long-term financing	14	150,000	150,000
Accrued mark-up		50,147	86,760
		<u>7,970,951</u>	<u>9,674,411</u>
Total liabilities		<u>8,498,183</u>	<u>10,242,421</u>
Contingencies and commitments	17	-	-
Total equity and liabilities		<u>14,407,801</u>	<u>16,246,569</u>

The annexed notes 1 to 29 form an integral part of this condensed interim unconsolidated financial information.


Fuad Azim Hashimi
Director & Chairman
Board Audit Committee


Haseeb Hafeezuddeen
Chief Financial Officer


Riyaz T Chinoy
Chief Executive Officer

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

For the quarter ended 30 September 2014

	Note	Quarter ended	
		30 September 2014	30 September 2013
(Rupees in '000)			
Net sales	18	3,961,704	3,548,950
Cost of sales	19	(3,685,617)	(3,102,488)
Gross profit		<u>276,087</u>	<u>446,462</u>
Selling and distribution expenses		(139,549)	(137,973)
Administrative expenses		(40,688)	(46,609)
		<u>(180,237)</u>	<u>(184,582)</u>
Financial charges	20	(243,849)	(176,417)
Other operating charges	21	(34,314)	(15,203)
		<u>(278,163)</u>	<u>(191,620)</u>
Other income	22	306,913	74,406
Profit before taxation		<u>124,600</u>	<u>144,666</u>
Taxation	23	20,655	(32,900)
Profit after taxation for the period		<u>145,255</u>	<u>111,766</u>
----- (Rupees) -----			
Earnings per share - basic and diluted		<u>1.21</u>	<u>0.93</u>

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Fuad Azim Hashimi
Director & Chairman
Board Audit Committee


Haseeb Hafeezuddeen
Chief Financial Officer


Riyaz T Chinoy
Chief Executive Officer

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

For the quarter ended 30 September 2014

Note	Quarter ended	
	30 September 2014	30 September 2013
	(Rupees in '000)	
Profit after taxation for the period	145,255	111,766
Other comprehensive income	-	-
Total comprehensive income for the period	<u>145,255</u>	<u>111,766</u>

The annexed notes 1 to 29 form an integral part of this condensed interim unconsolidated financial information.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Haseeb Hafeezuddeen
Chief Financial Officer



Riyaz T Chinoy
Chief Executive Officer

Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)

For the quarter ended 30 September 2014

	Note	Quarter ended	
		30 September 2014	30 September 2013
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		124,600	144,666
Adjustments for :			
Depreciation and amortisation		59,979	54,908
(Reversal) / provision for doubtful debts		(2,356)	7,554
Interest on bank deposits	22	(470)	(232)
(Gain) on disposal of property, plant and equipment	22	(2,341)	(618)
Amortisation of long-term prepayments		1,002	-
Dividend income		(245,056)	-
Financial charges	20	243,849	176,417
		179,207	382,695
Movement in:			
Working capital	24	267,925	389,072
Long-term deposits		(480)	-
Net cash generated from operations		446,652	771,767
Financial charges paid		(280,462)	(216,574)
Taxes paid		(35,637)	(97,789)
Net cash generated from operating activities		130,553	457,404
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(127,534)	(42,753)
Proceeds from disposal of property, plant and equipment		2,500	1,410
Interest income received		470	360
Net cash used in investing activities		(124,564)	(40,983)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(819)	(122)
Net cash used in financing activities		(819)	(122)
Net increase in cash and cash equivalents		5,170	416,299
Cash and cash equivalents at beginning of the period		(6,204,973)	(7,151,568)
Cash and cash equivalents at end of the period		(6,199,803)	(6,735,269)
Cash and cash equivalents comprise:			
Bank balances		57,980	76,444
Short term borrowings	16	(6,257,783)	(6,811,713)
		(6,199,803)	(6,735,269)

The annexed notes 1 to 29 form an integral part of this condensed interim unconsolidated financial information.


Fuad Azim Hashimi
Director & Chairman
Board Audit Committee


Haseeb Hafeezuddeen
Chief Financial Officer


Riyaz T Chinoy
Chief Executive Officer

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

For the quarter ended 30 September 2014

	Issued, subscribed and paid-up capital	Revenue Reserves		Total reserves	Total
		General reserves	Un- appropriated profit/(loss)		
(Rupees in '000)					
Balance as at 1 July 2013	1,198,926	1,848,736	1,291,496	3,140,232	4,339,158
Changes in equity for the period ended 30 September 2013:					
Total comprehensive income for the year ended 30 September 2013					
Profit for the period	-	-	111,766	111,766	111,766
Transactions with owners recorded directly in equity - distributions:					
Dividend					
-Final dividend @ 22.50% (Rs. 2.25 per share) for the year ended 30 June 2013	-	-	(269,758)	(269,758)	(269,758)
Total transactions with owners - distributions	-	-	(269,758)	(269,758)	(269,758)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax					
	-	-	4,014	4,014	4,014
Balance as at 30 September 2013	<u>1,198,926</u>	<u>2,700,036</u>	<u>286,218</u>	<u>2,986,254</u>	<u>4,185,180</u>
Balance as at 1 July 2014	1,198,926	2,700,036	523,550	3,223,586	4,422,512
Changes in equity for the year ended 30 June 2014:					
Total comprehensive income for the year ended 30 September 2014					
Profit for the period	-	-	145,255	145,255	145,255
Transactions with owners recorded directly in equity - distributions:					
Dividend					
-Final dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2014	-	-	(239,785)	(239,785)	(239,785)
Total transactions with owners - distributions	-	-	(239,785)	(239,785)	(239,785)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax					
	-	-	4,014	4,014	4,014
Balance as at 30 September 2014	<u>1,198,926</u>	<u>2,700,036</u>	<u>433,034</u>	<u>3,133,070</u>	<u>4,331,996</u>

The annexed notes 1 to 29 form an integral part of this condensed interim unconsolidated financial information.


Fuad Azim Hashimi
Director & Chairman
Board Audit Committee


Haseeb Hafeezuddeen
Chief Financial Officer


Riyaz T Chinoy
Chief Executive Officer

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

For the quarter ended 30 September 2014

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim unconsolidated financial information for the quarter ended 30 September 2014 has been prepared in accordance with the requirements of International Accounting Standards 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In instances where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, have been followed.

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

The comparative Balance Sheet presented in this condensed interim unconsolidated financial information has been extracted from the audited annual separate financial statements of the Company for the year ended 30 June 2014, whereas the comparative condensed interim Profit and Loss Account, condensed interim Statement of Comprehensive Income, condensed interim Cash Flow Statement and condensed interim Statement of Changes in Equity are extracted from the unaudited condensed interim unconsolidated financial information for the period ended 30 September 2013.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3. ACCOUNTING POLICIES

3.1

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

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

For the quarter ended 30 September 2014

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

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

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

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

4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2014.

5. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work - in progress (Rupees in '000)	Total
Cost / revalued amount			
Opening balance	5,342,086	43,990	5,386,076
Additions	44,740	161,715	206,455
Deletions / transfers	(16,142)	(44,740)	(60,882)
	<u>5,370,684</u>	<u>160,965</u>	<u>5,531,649</u>
Accumulated depreciation			
Opening balance	(1,884,024)	-	(1,884,024)
Disposal	5,138	-	5,138
Charge for the period	(58,876)	-	(58,876)
	<u>(1,937,762)</u>	<u>-</u>	<u>(1,937,762)</u>
Written down value as at 30 September 2014 (Un-audited)	<u>3,432,922</u>	<u>160,965</u>	<u>3,593,887</u>
Written down value as at 30 June 2014 (Audited)	<u>3,458,062</u>	<u>43,990</u>	<u>3,502,052</u>

6. INVESTMENTS

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



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

For the quarter ended 30 September 2014

- 6.1** The Company holds 56.33% ownership interest in ISL. The Chief Executive of ISL is Mr. Towfiq H. Chinoy.
- 6.2** The Company holds 8.52% ownership interest in PCL. The Chief Executive of PCL is Mr. Kamal A. Chinoy.
- 6.3** The Company holds 100% ownership interest in IIL Australia Pty Limited. Corporation Act 2001, Australia, does not require a proprietary company registered in Australia to appoint a Chief Executive Officer. The Chairman of IIL Australia Pty Limited is Mr. Riyaz T. Chinoy.

6.4 Market value of the above investments is as follows:

	30 September 2014 (Un-audited)	30 June 2014 (Audited)
	(Rupees in '000)	

Quoted

International Steels Limited	6,278,323	5,648,530
Pakistan Cables Limited	263,211	241,985

- 6.5** The book value of IIL Australia as at 30 September 2014 was Australia Dollars 100,000 (Rs. 9.2 million). The Company is incorporated in Victoria, Australia.

7. STOCK-IN-TRADE

Raw materials - in hand	2,081,770	3,519,254
- in transit	63,955	595,652
	<u>2,145,725</u>	<u>4,114,906</u>
Work-in-process	936,322	1,102,542
Finished goods	1,704,387	1,414,234
By-product	36,471	26,835
Scrap material	4,725	12,743
	<u>4,827,631</u>	<u>6,671,260</u>

- 7.1** Raw materials amounting to Rs. 5.2 million (30 June 2014: Rs. 5.20 million) was held at vendor premises for the production of pipe caps.

8. TRADE DEBTS

Considered good :		
- Secured	863,402	977,142
- Unsecured	1,301,341	1,291,195
Considered doubtful	38,421	40,777
	<u>2,203,164</u>	<u>2,309,114</u>
Provision for doubtful debts	(38,421)	(40,777)
	<u>2,164,743</u>	<u>2,268,337</u>

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

For the quarter ended 30 September 2014

	30 September 2014 (Un-audited)	30 June 2014 (Audited)
	(Rupees in '000)	
8.1	Related parties from whom debts are due are as under:	
	40,609	15,496
	24,855	-
	23,192	6,944
	<u>88,656</u>	<u>22,440</u>
9.	ADVANCES	
	Considered good:	
	94,246	16,964
	26,577	16,496
	<u>120,823</u>	<u>33,460</u>
10.	TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS	
	5,035	3,278
	9,371	4,182
	<u>14,406</u>	<u>7,460</u>
11.	OTHER RECEIVABLES	
	Considered good:	
	4,379	8,924
	25,940	25,940
	11,000	14,000
	245,056	-
	1,017	1,019
	<u>287,392</u>	<u>49,883</u>
12	Reserves	
	2,700,036	2,700,036
	433,034	523,550
	<u>3,133,070</u>	<u>3,223,586</u>
13	Deferred taxation - net	
	Deferred tax liability comprises of taxable/ (deductible) temporary differences in respect of the following:	
	Taxable temporary difference:	
	69,033	111,677
	136,088	137,356
	<u>205,121</u>	<u>249,033</u>
	Deductible temporary difference:	
	(13,456)	(14,272)
	(1,205)	(1,241)
	(24,834)	(25,552)
	-	(1,059)
	(17,462)	(17,967)
	<u>148,164</u>	<u>188,942</u>

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

For the quarter ended 30 September 2014

		30 September 2014 (Un-audited)	30 June 2014 (Audited)
(Rupees in '000)			
14. LONG-TERM FINANCING - secured			
Long-term finances utilised under mark-up arrangements	14.1	450,000	450,000
Current portion of long-term finances shown under current liabilities		(150,000)	(150,000)
		<u>300,000</u>	<u>300,000</u>
14.1	All long-term financing utilized under mark-up arrangements is secured by way of a joint equitable mortgage on all present and future lands and buildings located at Plot Number LX-15 & 16 and HX-7/4, Landhi Industrial Estate, Karachi and Survey No. 402, 405-406, Dehsharabi, Landhi Town, Karachi.		
15. TRADE AND OTHER PAYABLES			
Trade creditors		680,252	2,008,073
Bills payable		-	581,252
Accrued expenses		286,749	217,782
Provision for Infrastructure Cess		182,003	172,781
Advance from customers		72,842	45,607
Payable against purchase of land		26,116	98,528
Workers' Profit Participation Fund & Workers Welfare Fund		12,880	23,180
Unclaimed dividends		12,384	13,203
Dividend payable		239,785	-
Others		10	11
		<u>1,513,021</u>	<u>3,160,417</u>
15.1	This includes amount payable to Associated Company amounting to Rs. 8.1 million (30 June 2014: Rs. 7.4 million) on account of insurance premium.		
16. SHORT-TERM BORROWINGS - secured			
Running finance under mark-up arrangement	16.1	169,636	336,196
Short-term borrowing under Money Market scheme	16.2	220,000	2,840,000
Short-term borrowing under Export Refinance Scheme	16.3	2,872,300	1,000,000
Running finance under FE-25 Export and Import Scheme	16.4	2,995,847	2,101,038
		<u>6,257,783</u>	<u>6,277,234</u>
16.1	The facilities for running finance available from various commercial banks amounted to Rs. 2,738 million (30 June 2014: Rs.1,732 million). The rates of mark-up on these finances range from 10.38% to 11.77% per annum (30 June 2014: 10.38% to 11.88%). The facilities for short-term finance mature within twelve months. Unavailed facility as at 30 September is Rs 2,568 million (30 June 2014: 1,396 million).		
16.2	The facilities for short-term borrowing through Money Market Scheme available from various commercial banks under mark-up arrangements amounted to Rs. 2,272 million (30 June 2014: Rs.5,087 million). The rates of mark-up on these finances range from 9.81% to 10.62% per annum (30 June 2014: 10.10% to 10.39% per annum). Unavailed facility as at 30 September 2014 is Rs.2,052 million (30 June 2014: Rs 2,247 million).		

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

For the quarter ended 30 September 2014

- 16.3** The Company has borrowed short-term running finance under the Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 2,872.3 million (30 June 2014: Rs.2,522 million). The rates of mark-up on this facility are 7.00% per annum (30 June 2014: 8.90% per annum).
- 16.4** The Company has borrowed short-term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 from certain banks for the purpose of meeting import requirements. The facilities availed are for an amount USD 29.6 million equivalent to Rs. 2,996 million (30 June 2014: USD 21.3 million equivalent to Rs. 2,101 million). The rate of mark-up on these facilities is 1.63% - 2.78 % per annum.(30 June 2014: 1.50 % to 2.58%).
- 16.5** All running finance and short-term borrowing facilities are secured by way of hypothecation of all present and future fixed assets (excluding lands and buildings) and present and future current and moveable assets.

17. CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

- 17.1.1** Bank guarantees have been issued under certain supply contracts and to the Collector of Customs aggregating Rs. 140.998 million (30 June 2014: Rs.137.5 million).
- 17.1.2** Custom duties amounting to Rs.704 million (30 June 2014: 713 million) on import of raw material shall be payable by the Company in case of non-fulfillment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Company has provided post-dated cheques in favour of the Collector of Customs which are, in the normal course of business, to be returned to the Company after fulfillment 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. Further, an amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Company filed a petition with the Sindh High Court in 2010 for an injunction and is awaiting the final judgement.
- 17.1.3** The customs authorities have charged a redemption fine of Rs. 83 million on the clearance of imported raw material consignments in 2006. The Company has filed an appeal before the Sindh High Court, which has set aside the examination reports including the subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities have filed an application for leave to appeal against the order of the High Court. The management anticipates that the chances of admission of such appeal are remote.
- 17.1.4** The Company has reversed the provision for the levy of Infrastructure Cess amounting to Rs.107 million in 2009 on the basis of a decision of the Sindh High Court which declared the levy of Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court against the order. In May 2011, the Supreme Court disposed off the appeal with a joint statement of the parties that, during the pendency of the appeal, another law i.e the Fifth Version, came into existence which was not the subject matter of the appeal; hence the case was referred back to the High Court with the right to appeal to the Supreme Court. On 31 May 2011, the High Court has granted an interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignments released upto 27 December 2006 and any bank guarantee / security furnished for consignments released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with balance kept intact till the disposal of petition. In case the High Court upholds the applicability of the Fifth Version of the law and its retrospective application, the authorities are entitled to claim the amounts due under the said law with the right to appeal available to the petitioner. Bank guarantees amounting to Rs. 299.5 million have been provided to the Department in this regard.

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

For the quarter ended 30 September 2014

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

Peshawar High Court vide order dated 13 June 2013 declared that the provisions of the Act, imposing, laying and recovering the impugned cess, are absolutely expropriatory and exploitative and being constitutionally illegitimate, having no sanction therefore under the constitution, hence are declared as such and set at naught. The judgement was referred in the Supreme Court and Supreme Court of Pakistan vide its order dated 22 August 2014 has held the GID Cess Act 2011 to be unconstitutional and ultra vires.

During the quarter the Federal Government promulgated GID Cess Ordinance 2014 imposing GID at Rs. 200 per MMBTU for captive power plants and Rs. 150 per MMBTU for industrial units. The Company has filed a constitutional petition against the Ordinance on the plea that GID Cess Act 2011 is held unconstitutional and ultra vires by the Supreme Court of Pakistan and therefore the said Ordinance should also be dealt in a similar manner. The Ordinance included the application of GID Cess as defined in the Act. In view of Supreme Court's order declaring the application of the Act as unconstitutional and ultra vires, the company has not recorded the differential of GID Cess at the stipulated rate per MMBTU amounting to Rs. 74.4 million in these condensed interim financial information.

17.1.6 The Company has received a demand from Deputy Collector (Manufacturing Bond), Model Collectorate of Customs (Port Muhammad Bin Qasim) aggregating Rs. 82.9 million. The demand has been raised on account of Sales Tax, custom duty and withholding income tax in respect of wastage generated on raw material imported under manufacturing bond license and covers the period July 2007 to December 2010. The Company believes that it has discharged its liability towards all applicable taxes and duties. Further, Model Customs Collectorate (Exports) has already completed its audit up to the period of 31 March 2009 and no further dues were liable to be paid as a result of this audit.

The Company has filed a Constitutional Petition in the Sindh High Court which has granted interim stay as the matter requires further consideration by the High Court. The Company, based on the advice of its legal counsel, is confident that the subject demand is unjustified and the matter will be decided in its favour.

17.2 Commitments

17.2.1 Capital expenditure commitments outstanding as at 30 September 2014 amounted to Rs.441.5 million (30 June 2014: Rs.2.2 million).

17.2.2 Commitments under letters of credit for raw materials and stores and spares as at 30 September 2014 amounted to Rs. 3,160.6 million (30 June 2014: Rs.1,010 million).

17.2.3 Commitments under purchase contracts as at 30 September 2014 amounted to Rs. 130.3 million (30 June 2014: Rs.92.5 million).

17.2.4 Unavailed facilities for opening letters of credit and guarantees from banks as at 30 September 2014 amounted to Rs. 6,626 million (30 June 2014: 8,818 million) and Rs. 81million (30 June 2014: 95 million) respectively.

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

For the quarter ended 30 September 2014

18. NET SALES

Quarter ended
30 September 2014 30 September 2013
(Rupees in '000)

Local	2,831,218	2,882,343
Export	1,667,745	1,175,590
	<u>4,498,963</u>	<u>4,057,933</u>
Sales Tax	(442,643)	(428,393)
Trade discounts	(13,952)	(6,545)
Sales discount and commission	(80,664)	(74,045)
	<u>(537,259)</u>	<u>(508,983)</u>
	<u>3,961,704</u>	<u>3,548,950</u>

19. COST OF SALES

Opening stock of raw material and work-in-process	4,621,796	3,681,338
Purchases	2,120,443	2,788,404
Salaries, wages and benefits	152,551	130,812
Rent, rates and taxes	200	200
Electricity, gas and water	83,856	70,729
Insurance	1,316	2,502
Security and janitorial	5,497	3,328
Depreciation and amortisation	54,792	49,987
Stores and spares consumed	19,553	15,013
Repairs and maintenance	24,266	21,480
Postage, telephone and stationery	2,034	1,674
Vehicle, travel and conveyance	3,234	2,841
Internal material handling	6,974	3,317
Environment controlling expenses	50	26
Sundries	531	592
Toll manufacturing charges	63,061	-
Sale of scrap generated during production	(156,656)	(153,308)
Closing stock of raw materials and work-in-process	<u>(3,018,092)</u>	<u>(3,729,222)</u>
Cost of goods manufactured	<u>3,985,407</u>	<u>2,889,713</u>
Finished goods and by-products:		
- Opening stock	1,441,069	1,707,584
- Closing stock	<u>(1,740,859)</u>	<u>(1,494,809)</u>
	<u>(299,790)</u>	<u>212,775</u>
	<u>3,685,617</u>	<u>3,102,488</u>

20. FINANCIAL CHARGES

Mark-up on:		
- Long-term financing	12,273	11,082
- Short-term borrowings	92,098	153,093
Exchange loss on FE borrowing	136,322	9,916
Interest on Workers' Profit Participation Fund	317	360
Bank charges	2,839	1,966
	<u>243,849</u>	<u>176,417</u>

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

For the quarter ended 30 September 2014

21. OTHER OPERATING CHARGES	Quarter ended	
	30 September 2014	30 September 2013
	(Rupees in '000)	
Auditors' remuneration	574	579
Donations	3,500	4,265
Exchange loss	29,908	-
Workers' Profit Participation Fund	-	7,300
Workers' Welfare Fund	-	2,900
Project development expenses	332	159
	<u>34,314</u>	<u>15,203</u>
22. OTHER INCOME		
Income / return on financial assets		
Interest on bank deposits	470	232
Income from non-financial assets		
Income from power generation	13,517	11,961
Gain on disposal of property, plant and equipment	2,341	618
Rental income	2,399	2,181
Dividend income from subsidiary / associate	245,056	9,704
Exchange gain	36,781	47,507
Others	6,349	2,203
	<u>306,913</u>	<u>74,406</u>
23. TAXATION		
Current		
for the year	20,123	42,355
Deferred	(40,778)	(9,455)
	<u>(20,655)</u>	<u>32,900</u>

Relationship between income tax expenses and accounting profit

	Effective tax rate %	Quarter ended	
		30 September 2014	30 September 2013
		(Rupees in '000)	
Profit before taxation		124,600	144,666
Tax at the enacted tax rate	33.00	41,118	49,186
Tax effect of exempt income	(59.33)	(73,920)	-
Tax effect of income subject to lower tax	(0.32)	(395)	(2,743)
Tax effect of rebate / credits	(4.02)	(5,004)	(1,548)
Tax effect on export under final tax regime	15.91	19,826	(14,438)
Others	(1.83)	(2,280)	2,442
	<u>(16.58)</u>	<u>(20,655)</u>	<u>32,900</u>
	<u>22.74</u>		

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

For the quarter ended 30 September 2014

24. MOVEMENT IN WORKING CAPITAL

	Quarter ended	
	30 September 2014	30 September 2013
	(Rupees in '000)	
(Increase) / decrease in current assets:		
Store and spares	2,498	(15,238)
Stock-in-trade	1,843,629	185,358
Trade debts	105,950	185,066
Advances	(87,363)	98,471
Trade deposit and short-term prepayments	(6,946)	(8,457)
Other receivables	322,635	96,251
	<u>2,180,403</u>	<u>541,451</u>
(Decrease) in current liabilities:		
Trade and other payables	(1,912,478)	(152,379)
	<u>267,925</u>	<u>389,072</u>

25. TRANSACTIONS WITH RELATED PARTIES

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

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

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

	Quarter ended	
	30 September 2014	30 September 2013
	(Rupees in '000)	
Subsidiary company		
Sales	21,127	655
Purchases	84,945	151,658
Cost of shared resources	4,830	-
Toll manufacturing	72,782	-
Reimbursement of corporate affairs management expenses	1,121	7,336
Rental income	2,399	2,181
Associate companies		
Sales	76,207	170,547
Purchases	67,885	68,861
Insurance premium expense	5,792	-
Insurance claims received	13,267	-
Donations	1,000	-
Dividend paid	-	1,296
Dividend received	-	9,704
Reimbursement of payments made on behalf of associated company	-	592
Subscriptions paid	-	12
Key management personnel		
Remuneration	46,546	38,026
Staff retirement benefits		
Contribution paid	10,855	10,820
Non-executive directors		
Directors' fee	680	680

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

For the quarter ended 30 September 2014

26. SEGMENT REPORTING

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

26.1 SEGMENT REVENUE AND RESULTS

	Steel Segment	Plastic Segment	Total
	----- (Rupees in '000) -----		
For the period ended 30 September 2014			
Sales	3,830,234	131,470	3,961,704
Cost of sales	<u>3,557,935</u>	<u>127,682</u>	<u>3,685,617</u>
Gross Profit	<u>272,299</u>	<u>3,788</u>	<u>276,087</u>
For the period ended 30 September 2013			
Sales	3,336,888	212,062	3,548,950
Cost of sales	<u>2,891,974</u>	<u>210,514</u>	<u>3,102,488</u>
Gross Profit	<u>444,914</u>	<u>1,548</u>	<u>446,462</u>

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

	Quarter ended	
	30 September 2014	30 September 2013
	(Rupees in '000)	
Total results for reportable segments	276,087	446,462
Selling, distribution and administrative expenses	(180,237)	(184,582)
Financial charges	(243,849)	(176,417)
Other operating expenses	(34,314)	(15,203)
Other operating income	306,913	74,406
Taxation	20,655	(32,900)
Profit after tax	<u>145,255</u>	<u>111,766</u>

26.2 SEGMENT ASSETS & LIABILITIES

	Steel Segment	Plastic Segment	Total
	----- (Rupees in '000) -----		
As at 30 September 2014 - Un-audited			
Segment assets	<u>10,048,317</u>	<u>537,944</u>	<u>10,586,261</u>
Segment liabilities	<u>7,335,851</u>	<u>466,348</u>	<u>7,802,199</u>
As at 30 June 2014 - Audited			
Segment assets	<u>11,936,143</u>	<u>505,506</u>	<u>12,441,649</u>
Segment liabilities	<u>9,156,191</u>	<u>427,657</u>	<u>9,583,848</u>

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

For the quarter ended 30 September 2014

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

	Quarter ended	
	30 September 2014 (Un-audited)	30 June 2014 (Audited)
	(Rupees in '000)	
Total reportable segments assets	10,586,261	12,441,649
Unallocated assets	3,821,540	3,804,920
Total assets as per Balance Sheet	<u>14,407,801</u>	<u>16,246,569</u>
Total reportable segments liabilities	7,802,199	9,583,848
Unallocated liabilities	695,984	658,573
Total liabilities as per Balance Sheet	<u>8,498,183</u>	<u>10,242,421</u>

27. CORRESPONDING FIGURES

Corresponding figures have been rearranged for the purposes of comparison and better presentation.

28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors on 24 October 2014.

29. GENERAL

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



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Haseeb Hafeezuddeen
Chief Financial Officer



Riyaz T Chinoy
Chief Executive Officer



Promising Reliability, For Now and Tomorrow

**Condensed Interim Consolidated
Financial Information (Un-audited)
30 September 2014**

Condensed Interim Consolidated Balance Sheet

As at 30 September 2014

	Note	(Un-audited) 30 September 2014	(Audited) 30 June 2014
ASSETS			
Non-current assets			
Property, plant and equipment	4	13,859,045	13,271,729
Intangible assets		13,053	12,850
Long-term deposits		5,068	4,588
Investment in equity-accounted investee	5	191,042	182,945
Long-term prepayments		3,833	4,835
		<u>14,072,042</u>	<u>13,476,947</u>
Current assets			
Stores and spares		447,480	454,459
Stock-in-trade	6	10,085,850	10,338,775
Trade debts	7	3,031,654	3,447,142
Advances	8	326,988	299,587
Trade deposits and short-term prepayments	9	36,747	19,177
Sales Tax refundable		352,427	752,503
Other receivables	10	90,609	99,600
Taxation - net		1,828,773	1,648,177
Bank balances		153,661	118,148
		<u>16,354,189</u>	<u>17,177,568</u>
Total assets		<u><u>30,426,231</u></u>	<u><u>30,654,515</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
200,000,000 (2014: 200,000,000)			
ordinary shares of Rs. 10 each		<u>2,000,000</u>	<u>2,000,000</u>
Issued, subscribed and paid-up capital		1,198,926	1,198,926
Reserves	11	3,009,005	3,329,140
Translation reserve		(196)	159
Total equity		<u>4,207,735</u>	<u>4,528,225</u>
Non-controlling interest		2,085,708	2,270,756
		<u>6,293,443</u>	<u>6,798,981</u>
Surplus on revaluation of property, plant and equipment		2,492,809	2,501,995
LIABILITIES			
Non-current liabilities			
Long-term financing - secured	12	3,755,509	3,300,990
Staff retirement benefits		93,766	93,766
Deferred taxation - net		492,379	556,773
		<u>4,341,654</u>	<u>3,951,529</u>
Current liabilities			
Trade and other payables	13	2,234,601	5,116,283
Short-term borrowings - secured	14	13,977,817	11,153,541
Current portion of long-term financing	12	899,877	899,877
Accrued markup		186,030	232,309
		<u>17,298,325</u>	<u>17,402,010</u>
Total liabilities		<u>21,639,979</u>	<u>21,353,539</u>
Contingencies and commitments	15	-	-
Total equity and liabilities		<u><u>30,426,231</u></u>	<u><u>30,654,515</u></u>

The annexed notes 1 to 23 form an integral part of this condensed interim consolidated financial information.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Haseeb Hafeezuddeen
Chief Financial Officer



Riyaz T. Chinoy
Chief Executive Officer

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

For the period ended 30 September 2014

	Note	Quarter ended	
		30 September 2014	30 September 2013
(Rupees in '000)			
Net sales	16	7,790,548	7,793,178
Cost of sales	17	(7,152,259)	(6,922,043)
Gross profit		638,289	871,135
Selling and distribution expenses		(183,827)	(172,034)
Administrative expenses		(75,204)	(78,717)
		(259,031)	(250,751)
Financial charges	18	(603,454)	(442,085)
Other operating charges	19	(35,141)	(23,966)
		(638,595)	(466,051)
Other income	20	128,139	87,753
Share of profit in equity-accounted investee - net of tax		8,097	4,851
(Loss) / Profit before taxation		(123,101)	246,937
Taxation	21	40,736	(24,176)
(Loss) / Profit after taxation		(82,365)	222,761
----- (Rupees) -----			
Earnings per share - basic and diluted		(0.72)	1.44

The annexed notes 1 to 23 form an integral part of this condensed interim consolidated financial information.


Fuad Azim Hashimi
Director & Chairman
Board Audit Committee


Haseeb Hafeezuddeen
Chief Financial Officer


Riyaz T Chinoy
Chief Executive Officer

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

For the period ended 30 September 2014

Note	Quarter ended	
	30 September 2014	30 September 2013
	(Rupees in '000)	
(Loss) / Profit after taxation	(82,365)	222,761
Other comprehensive income	-	-
Total comprehensive (loss) / income	<u>(82,365)</u>	<u>222,761</u>
Total comprehensive income attributable to:		
Owners of Holding Company	(85,996)	172,176
Non-controlling interest	3,631	50,585
Total comprehensive (loss) / income	<u>(82,365)</u>	<u>222,761</u>

The annexed notes 1 to 23 form an integral part of this condensed interim consolidated financial information.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Haseeb Hafeezuddeen
Chief Financial Officer



Riyaz T Chinoy
Chief Executive Officer

Condensed Interim Consolidated Cash Flow Statement (Un-audited)

For the quarter ended 30 September 2014

	Note	Quarter ended	
		30 September 2014	30 September 2013
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		(123,101)	246,937
Adjustments for:			
Depreciation and amortisation		190,570	178,609
Provision for doubtful debts		(2,356)	7,554
Interest on bank deposits	20	(470)	(232)
(Gain) on disposal of property, plant and equipment	20	(4,542)	(2,336)
Share of profit from associated entity		(8,097)	(4,851)
Amortisation of long term prepayments		1,002	-
Financial charges	18	603,454	442,085
		<u>656,460</u>	<u>867,766</u>
Movement in:			
Working capital		(2,269,103)	(2,449,735)
Long-term deposits		(480)	-
Net cash generated from operations		<u>(1,613,124)</u>	<u>(1,581,969)</u>
Financial charges paid		(649,733)	(447,070)
Taxes paid		(206,529)	(419,808)
Net cash used in from operating activities		<u>(2,469,386)</u>	<u>(2,448,847)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(779,654)	(88,468)
Dividend income received		-	9,704
Proceeds from disposal of property, plant and equipment		6,107	7,505
Interest income received		470	360
Net cash used in investing activities		<u>(773,077)</u>	<u>(70,899)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayment of long-term financing - secured		454,519	(231,673)
Dividends paid		(819)	(122)
Net cash generated / (used in) financing activities		<u>453,700</u>	<u>(231,795)</u>
Net decrease in cash and cash equivalents		<u>(2,788,763)</u>	<u>(2,751,541)</u>
Cash and cash equivalents at beginning of the period		(11,035,393)	(11,259,252)
Cash and cash equivalents at end of the period		<u>(13,824,156)</u>	<u>(14,010,793)</u>
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances		153,661	83,678
Short-term borrowings - secured	14	(13,977,817)	(14,094,471)
		<u>(13,824,156)</u>	<u>(14,010,793)</u>

The annexed notes 1 to 23 form an integral part of this condensed interim consolidated financial information.


Fuad Azim Hashimi
Director & Chairman
Board Audit Committee


Haseeb Hafeezuddeen
Chief Financial Officer


Riyaz T Chinoy
Chief Executive Officer

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

For the quarter ended 30 September 2014

	Attributable to owners of the Holding Company				Total	Non-controlling interest	Total	
	Issued, subscribed and paid-up capital	General reserves	Un-appropriated profit / (loss)	Exchange translation reserve				
	Revenue Reserves				Total reserves			
	(Rupees in '000)							
Balance as at 1 July 2013	1,198,926	2,139,958	711,050		2,851,008	4,049,934	1,968,476	6,018,410
Total comprehensive income for the period ended 30 September 2013								
Profit for the period	-	-	172,176		172,176	172,176	50,585	222,761
Distribution to owners of the Holding Company:								
-Final dividend @ 22.50% (Rs. 2.25 per share) for the year ended 30 June 2013	-	-	(269,758)		(269,758)	(269,758)	-	(269,758)
Total transactions with owners of the Holding Company	-	-	(269,758)		(269,758)	(269,758)	-	(269,758)
Transfer to general reserves	-	851,300	(851,300)		-	-	-	-
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	5,646		5,646	5,646	1,265	6,911
Balance as at 30 September 2013	1,198,926	2,991,258	(232,186)		2,759,072	3,957,998	2,020,326	5,978,324
Balance as at 1 July 2014	1,198,926	2,991,258	337,882	159	3,329,299	4,528,225	2,270,756	6,798,981
Total comprehensive (loss) / income for the year ended 30 September 2014								
Loss for the period	-	-	(85,996)	-	(85,996)	(85,996)	3,631	(82,365)
-	-	(85,996)	-	(85,996)	(85,996)	3,631	(82,365)	
Distribution to owners of the Holding Company:								
Final dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2014	-	-	(239,785)	-	(239,785)	(239,785)	-	(239,785)
Total transactions with owners of the Holding Company	-	-	(239,785)	-	(239,785)	(239,785)	-	(239,785)
Transfer to general reserves	-	-	-	-	-	-	-	-
Re-translate to reserve	-	-	-	(355)	(355)	(355)	-	(355)
Final dividend @ 10% (Rs. 1.00 per share) attributable to non controlling interest	-	-	-	-	-	-	(189,943)	(189,943)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	5,645	-	5,645	5,645	1,265	6,910
Balance as at 30 September 2014	1,198,926	2,991,258	17,747	(196)	3,008,809	4,207,735	2,085,708	6,293,443

The annexed notes 1 to 23 form an integral part of this condensed interim consolidated financial information.


Fuad Azim Hashimi
 Director & Chairman
 Board Audit Committee


Haseeb Hafeezuddeen
 Chief Financial Officer


Riyaz T Chinoy
 Chief Executive Officer

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

For the quarter ended 30 September 2014

1. THE GROUP AND ITS OPERATIONS

- 1.1 The Group consists of International Industries Limited, the Holding Company, and International Steels Limited and IIL Australia PTY Limited, (the Subsidiary Companies) (together referred to as "the Group" and individually as "Group Entities") and the Group's interest in its equity-accounted investee namely Pakistan Cables Limited.
- 1.2 International Industries Limited was incorporated in Pakistan in 1948 and is quoted on the Karachi, Lahore and Islamabad Stock Exchanges. It is in the business of manufacturing and marketing galvanized steel pipes, precision steel tubes, API line pipes and polyethylene pipes. Its registered office is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.
- 1.3 International Steels Limited was incorporated in Pakistan in 2007 as an unlisted company under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. Subsequent to the sale of shares by the Holding Company to the general public under an Initial Public Offer, it was listed on the Karachi Stock Exchange on 1 June 2011. Its primary activity is the manufacturing of cold rolled steel coils and galvanized sheets. It commenced commercial operations on 1 January 2011. Its registered office is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.
- 1.4 IIL Australia PTY Limited (IIL Australia) was incorporated in Victoria, Australia on 2 May 2014 and is in the business of distribution and marketing of galvanized steel pipes, precision steel tubes and pre-galvanized pipes. The registered office is situated at 101 - 103, Abbot Road, Hallam, Victoria 3803 Australia. As at 30 September, no substantial business activity has been carried out by IIL Australia.
- 1.5 Details of the Group's equity-accounted investee are given in note 5 to this condensed interim consolidated financial information.

2. BASIS OF PREPARATION

- 2.1 This condensed interim consolidated financial information has been prepared from the information available in the condensed un-audited separate financial information of the Holding Company for quarter ended 30 September 2014 and the condensed un-audited financial information of the Subsidiary Companies for the quarter ended 30 September 2014.

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

2.2 Statement of Compliance

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

- 2.3 This condensed interim consolidated financial information is presented in Pakistan Rupees which is also the Group's functional currency. All financial information presented has been rounded off to the nearest thousand Rupee.
- 2.4 This condensed interim consolidated financial information is being submitted to the shareholders as required by listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges and Section 245 of the Companies Ordinance, 1984.

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

For the quarter ended 30 September 2014

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

3.1.1 Investment in subsidiaries

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

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

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

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

3.1.2 Investment in associate

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

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

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

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

For the quarter ended 30 September 2014

4. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work - in - progress (Rupees in '000)	Total
Cost / revalued amount			
Opening balance	14,829,168	395,731	15,224,899
Additions	52,596	787,719	840,315
Disposal / transfers	(20,555)	(52,596)	(73,151)
	<u>14,861,209</u>	<u>1,130,854</u>	<u>15,992,063</u>
Accumulated depreciation			
Opening balance	(1,953,170)	-	(1,953,170)
Disposal	8,145	-	8,145
Charge for the period	(187,993)	-	(187,993)
	<u>(2,133,018)</u>	<u>-</u>	<u>(2,133,018)</u>
Written down value as at 30 September 2014 (Un-audited)	<u>12,728,191</u>	<u>1,130,854</u>	<u>13,859,045</u>
Written down value as at 30 June 2014 (Audited)	<u>12,875,998</u>	<u>395,731</u>	<u>13,271,729</u>
		30 September 2014 (Un-audited) (Rupees in '000)	30 June 2014 (Audited)

5. INVESTMENT IN EQUITY - ACCOUNTED INVESTEE

Pakistan Cables Limited - associate company	5.1	<u>191,042</u>	<u>182,945</u>
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- 5.1 This represents the Holding Company's investment in Pakistan Cables Limited (PCL), a company incorporated in Pakistan. The Holding Company has invested in 2,425,913 shares (30 June 2014: 2,425,913 shares) of the Associate Company and holds 8.52% (30 June 2014: 8.52%) ownership interest in PCL.

The Chief Executive Officer of PCL is Mr. Kamal A. Chinoy. The market value as at 30 September 2014 was Rs. 263.211 million (30 June 2014: Rs. 241.985 million). The share of profit after acquisition is recognised based on PCL's audited financial statements as at 30 June 2014. The latest financial statements of the Associated Company as at 30 September 2014 are not presently available.

	30 September 2014 (Un-audited) (Rupees in '000)	30 June 2014 (Audited)
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6. STOCK-IN-TRADE

Raw material - in hand	3,914,402	4,766,698
- in transit	<u>1,563,669</u>	<u>595,652</u>
	<u>5,478,071</u>	<u>5,362,350</u>
Work-in-process	1,732,543	2,236,965
Finished goods	2,831,282	2,698,961
By-products	36,471	26,835
Scrap material	<u>7,483</u>	<u>13,664</u>
	<u>10,085,850</u>	<u>10,338,775</u>

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

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

For the quarter ended 30 September 2014

	30 September 2014	30 June 2014
	(Un-audited)	(Audited)
	(Rupees in '000)	
7. TRADE DEBTS		
Considered good:		
- secured	1,728,213	2,079,257
- unsecured	1,303,441	1,367,885
	<u>3,031,654</u>	<u>3,447,142</u>
Considered doubtful	38,421	40,777
	<u>3,070,075</u>	<u>3,487,919</u>
Provision for doubtful debts	(38,421)	(40,777)
	<u>3,031,654</u>	<u>3,447,142</u>
8. ADVANCES		
Considered good:		
- Suppliers and service providers	300,190	282,591
- Employees	26,798	16,996
	<u>326,988</u>	<u>299,587</u>
9. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Trade deposits	13,624	8,813
Short-term prepayments	23,123	10,364
	<u>36,747</u>	<u>19,177</u>
10. OTHER RECEIVABLES		
Considered good:		
- Receivable against sale of land	11,000	14,000
- Receivable for transmission of electricity to K- Electric Limited	52,652	58,641
- Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods	25,940	25,940
- Others	1,017	1,019
	<u>90,609</u>	<u>99,600</u>
11. RESERVES		
General Reserves	2,991,258	2,991,258
Unappropriated profit	17,747	337,882
	<u>3,009,005</u>	<u>3,329,140</u>
12. LONG-TERM FINANCING - secured		
Long-term finances utilised under mark-up arrangements	12.1 450,000	450,000
Syndicated LTFF term finance	12.2 3,099,462	2,842,684
Long-term finance	12.3 1,105,924	908,183
	<u>4,655,386</u>	<u>4,200,867</u>
Current portion of long-term financing shown under current liabilities	(899,877)	(899,877)
	<u>3,755,509</u>	<u>3,300,990</u>

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

For the quarter ended 30 September 2014

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

12.2 The Syndicated LTF amounting to Rs. 2,699.1 million (30 June 2014: Rs.2,842.7 million) is secured by way of mortgage of land located at Survey No. 399-400, Landhi Town, Karachi, and joint hypothecation of all present and future fixed assets (excluding land and building), as per the terms of syndicated term financing agreement. It is repayable in sixteen half yearly instalments which commenced from March 2011. The rate of mark-up on these finance is 1.5% over SBP rate (30 June 2014: 1.5% over SBP rate).

During the quarter first tranche of a new bilateral LTF amounting to Rs. 400.3 million for expansion project by the Subsidiary Company is obtained from participating banks and is secured by way of mortgage of land located at Survey No. 399-400, Landhi Town, Karachi, and joint hypothecation of all present and future fixed assets (excluding land and building), as per the terms of syndicated term financing agreement. It is repayable in sixteen half yearly instalments which will commence from December 2016. The rate of mark-up on these finance is 1% over SBP rate the remaining portion of LTF will be drawn at the time against plant and machinery.

12.3 The long term finance facilities are secured by the Subsidiary Company amounting to Rs. 505.9 million (30 June 2014: 608.2 million) by way of mortgage of land located at Survey No.399 - 400, Landhi Town, Karachi, and other fixed assets of the Company against ranking charge. It is repayable in eight half-yearly instalments which commenced from December 2012. The rate of markup ranges is 1.25% 6 months KIBOR (30 June 2014: 1.25% over 6 months KIBOR).

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

During the quarter additional long term finance facility of Rs. 300 million for expansion project is obtained by the Subsidiary Company from a bank for plant and machinery and is secured by way of first pari passu charge over the fixed assets of the Company. It is repayable in ten half-yearly instalments which will commence from March 2016. The rate of markup ranges is 1.0 % over 6 months KIBOR.

	30 September 2014 (Un-audited)	30 June 2014 (Audited)
	(Rupees in '000)	
13. TRADE AND OTHER PAYABLES		
Trade creditors	714,733	3,362,257
Bills payable	-	581,252
Accrued expenses	451,020	355,542
Provision for Infrastructure Cess	410,128	384,581
Short-term compensated absences	2,345	7,065
Advances from customers	145,272	209,716
Payable against purchase of land	26,116	98,528
Workers' Profit Participation Fund & Workers Welfare Fund	41,222	98,499
Unclaimed dividends	12,384	13,203
Dividend payable	239,785	-
Dividend payable by subsidiary company attributable to non controlling interest	189,944	-
Others	1,652	5,640
	<u>2,234,601</u>	<u>5,116,283</u>

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

For the quarter ended 30 September 2014

13.1 This includes amount payable to Associated Companies amounting to Rs. 10.1 million (30 June 2014: 1,359.8 million)

13.2 This includes commission payable to Associated Persons amounting to Rs. 3.383 million (30 June 2014: 1.0 million)

14. SHORT-TERM BORROWINGS - secured

Running finance under mark-up arrangement	14.1	4,055,877	1,315,734
Short-term borrowing under Money Market Scheme	14.2	220,000	2,840,000
Short-term running finance under Export Refinance Scheme	14.3	4,097,300	1,612,000
Running finance under FE-25 Import Scheme	14.4	5,205,188	4,194,907
Short-term finance under Murabaha and Istisna	14.5	399,452	1,190,900
		<u>13,977,817</u>	<u>11,153,541</u>

14.1 The facilities for running finance under mark-up arrangements, available to the Group Entities from various commercial banks, amounted to Rs. 10,759 million (30 June 2014: Rs.9,462 million) and are for the purpose of meeting working capital requirements. The rates of mark-up on these finances obtained by the Holding company range from 10.38% to 11.77% per annum (2014: 10.38% to 11.88% per annum). The rates of mark-up on these finances obtained by Subsidiary Company range from KIBOR +0.3% to KIBOR 1.75% (2014: KIBOR+0.3% to KIBOR+2% per annum).

14.2 The Holding Company has obtained facilities for short-term borrowing under Money Market Scheme financing from various commercial banks under mark-up arrangements amounted to Rs. 2,272 million (30 June 2014: Rs. 5,087 million). The rates of mark-up on these facilities range from 9.81% to 10.62% per annum (30 June 2014: 10.10% to 10.39% per annum).

14.3 The Group Entities have borrowed short-term running finance under Export Refinance Scheme offered by the State Bank of Pakistan. The facilities availed are for an amount of Rs. 4,097.3 (30 June 2014: Rs.3,134 million). The rates of mark-up on these facilities range from 7.0% to 7.10 % per annum (30 June 2014: 8.90% to 8.96% per annum).

14.4 The Group Entities have borrowed short-term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 from various commercial banks for the purpose of meeting import requirements. The facilities availed are for an amount of USD 51.4 million equivalent to Rs.5,205 million (30 June 2014: USD 42.5 million equivalent to Rs. 4,195 million). The rates of markup on these facilities range from 1.63% to 3.50% per annum (30 June 2014: 1.50% to 3.82% per annum). The facilities mature within six months and are renewable.

14.5 The Subsidiary Company has obtained facilities for short-term finance under Murahaba and Istisna under Islamic financing arrangement. The rate of profit is KIBOR + 0.30% (30 June 2014: KIBOR+0.30%). The facilities mature within six months and are renewable.

14.6 All running finances and short-term borrowing facilities availed by the Holding Company are secured by way of hypothecation of all its present and future fixed assets (excluding lands and buildings) and present and future current and moveable assets.

14.7 The aforementioned facilities of the Subsidiary Company are secured by way of joint and first pari passu charges over its current assets.

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

15.1.1 Bank guarantees have been issued by the Holding Company under certain supply contracts and to the Collector of Customs aggregating Rs. 140.998 million (30 June 2014: Rs.137.5 million).

15.1.2 Bank guarantees have been issued by the Subsidiary Company to Sui Southern Gas Company Limited and Excise & Taxation Officer aggregating Rs. 177.2 million (30 June 2013: Rs. 177.2 million).

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

For the quarter ended 30 September 2014

- 15.1.3** Custom duties amounting to Rs.704 million (30 June 2014: Rs. 713 million) on import of raw material shall be payable by the Holding Company in case of non-fulfillment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Holding Company has provided post-dated cheques in favour of Collector of Customs which are, in the normal course of business, to be returned to the Holding Company after fulfilment of the stipulated conditions. The Holding Company has fulfilled the conditions for the aforementioned amounts and is making efforts to retrieve the associated post-dated cheques from the customs authorities.
- 15.1.4** Further, an amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made by the Holding Company during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Holding Company filed a petition with the Sindh High Court in 2010 for an injunction and is awaiting the final judgement.
- 15.1.5** The customs authorities have charged a redemption fine of Rs. 83 million on the clearance of an imported raw material consignment in 2006 by the Holding Company. It has filed an appeal before the Sindh High Court, which has set aside the examination reports including the subsequent order produced by customs authorities, and ordered the authorities to re-examine the matter afresh. However, the customs authorities have filed an application for leave to appeal against the order of the High Court. The management anticipates that the chances of admission of such appeal are remote.
- 15.1.6** The Holding Company has reversed a provision for the levy of Infrastructure Cess amounting to Rs.107 million in 2009 on the basis of a decision of the Sindh High Court which declared the levy of Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court of Pakistan against such order. In May 2011, the Supreme Court disposed off the appeal with a joint statement of the parties that, during the pendency of the appeal, another law i.e Fifth Version came into existence which was not the subject matter of the appeal. Hence the case was referred back to the High Court with the right to appeal to the Supreme Court. On 31 May 2011, the High Court granted interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignments released upto 27 December 2006 and any bank guarantee / security furnished for consignments released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with the balance kept intact till the disposal of the petition. In case the High Court upholds the applicability of Fifth Version of the law and its retrospective application, the authorities are entitled to claim the amounts due under the said law with the right to appeal available to the petitioner. Bank guarantees amounting to Rs. 299.5 million have been provided to the Department in this regard.
- 15.1.7** As per the Gas Infrastructure and Development Cess Act 2011 (the Act), certain companies as specified in the Act (including Sui Southern Gas Company) shall collect and pay Gas Infrastructure and Development Cess (GID Cess) in such manner as the Federal Government may prescribe. As per the second schedule of the Act, GID Cess of Rs.13 per MMBTU was payable by the Group entities. Through Finance Bill 2012-13, an amendment was made to the Act whereby the rate of GID Cess applicable on the Group entities was increased to Rs. 100 per MMBTU. The Group filed a suit wherein it has impugned the Act on the ground that the rate of GID Cess has been enhanced without any lawful justification and authority.

The Sindh High Court vide its ad-interim order dated 1 August 2012 has restrained SSGC from charging GID Cess above Rs. 13 per MMBTU. Consequently, on account of the High Court order, SSGC invoices the Company at Rs.13 per MMBTU and accordingly the Group continues to record GID Cess at Rs.13 per MMBTU.

Peshawar High Court vide order dated 13 June 2013 declared that the provisions of the Act, imposing, levying and recovering the impugned cess, are absolutely expropriatory and exploitative and being constitutionally illegitimate, having no sanction therefore under the constitution, hence are declared as such and set at naught.

The judgement was referred in the Supreme Court and Supreme Court of Pakistan vide its order dated 22 August 2014 has held the GID Cess Act 2011 to be unconstitutional and ultra vires.

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

For the quarter ended 30 September 2014

During the quarter the Federal Government promulgated GID Cess Ordinance 2014 imposing GID at Rs. 200 per MMBTU for captive power plants and Rs. 150 per MMBTU for industrial units. The Group Entities have filed a constitutional petition against the Ordinance on the plea that GID Cess Act 2011 is held unconstitutional and ultra vires by the Supreme Court of Pakistan and therefore the said Ordinance should also be dealt in a similar manner. The Ordinance included the application of GID Cess as defined in the Act. In view of Supreme Court's order declaring the application of the Act as unconstitutional and ultra vires, the Group Entities have not recorded the differential of GID Cess at the stipulated rate per MMBTU amounting to Rs. 268 million in these condensed interim financial information.

- 15.1.8** The Holding Company has received a demand from Deputy Collector (Manufacturing Bond), Model Collectorate of Customs (Port Muhammad Bin Qasim) aggregating Rs. 82.9 million. The demand has been raised on account of Sales Tax, custom duty and withholding income tax in respect of wastage generated on raw material imported under manufacturing bond license and covers the period July 2007 to December 2010. The Holding Company believes that it has discharged its liability towards all applicable taxes and duties. Further, Model Customs Collectorate (Exports) has already completed its audit up to the period of 31 March 2009 and no further dues were liable to be paid as a result of this audit.

The Holding Company has filed a Constitutional Petition in the Sindh High Court which has granted interim stay as the matter requires further consideration by the High Court. The Holding Company, based on the advice of its legal counsel, is confident that the subject demand is unjustified and the matter will be decided in its favour.

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

The Subsidiary Company, based on legal counsel's advice considers that certain strong grounds are available whereby the aforesaid decision can be challenged in a Larger Bench of the Sindh High Court or the Supreme Court of Pakistan. A leave to appeal against the aforesaid decision has already been filed before the Supreme Court by other companies which is pending for hearing. In view of above, the Subsidiary Company is confident that the ultimate outcome in this regard would be favourable. Accumulated minimum tax liability of Rs. 219.51 million was determined for the tax year 2012 and 2013. However based on the assessment and estimation for availability of sufficient taxable profits on the basis of 5 years projection and tax credits available to the Subsidiary Company under section 65B of the Income Tax Ordinance 2001. Accordingly, accumulated minimum tax liability amounting to Rs.445.12 million has not been recorded on the same basis in these condensed interim financial information.

15.2 Commitments

- 15.2.1** Capital expenditure commitments of the Group Entities outstanding as at 30 September 2014 amounted to Rs.2,646 million (30 June 2014: Rs.2,023 million).
- 15.2.2** Commitments under letters of credit established by the Group Entities for raw material and spares as at 30 September 2014 to Rs. 3,835 million (30 June 2014: Rs.3,987 million).
- 15.2.3** Commitments under purchase contracts entered into by the Holding Company as at 30 September 2014 amounted to Rs. 130.3 million (30 June 2014: Rs.92.5 million).
- 15.2.4** The unavailed facilities of the Group Entities for opening letters of credit and guarantees from banks as at 30 September 2014 amounted to Rs. 19,398 million (30 June 2014: 15,321 million) and Rs. 395 million (30 June 2014: 457 million) respectively.

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

For the quarter ended 30 September 2014

	Note	Quarter ended	
		30 September 2014	30 September 2013
(Rupees in '000)			
16. NET SALES			
Local		6,789,762	7,260,420
Export		2,224,372	1,769,529
		<u>9,014,134</u>	<u>9,029,949</u>
Sales Tax		(1,041,962)	(1,110,344)
Trade discounts		(55,852)	(8,108)
Sales discount and commission		(125,772)	(118,319)
		<u>(1,223,586)</u>	<u>(1,236,771)</u>
		<u>7,790,548</u>	<u>7,793,178</u>
17. COST OF SALES			
Opening stock of raw material and work-in-process		7,003,663	4,900,295
Purchases		5,408,301	8,933,862
Salaries, wages and benefits		214,561	188,218
Rates and taxes		200	200
Electricity, gas and water		207,843	166,493
Insurance		5,857	7,634
Security and janitorial		9,763	8,049
Depreciation and amortisation		166,679	158,107
Stores and spares consumed		31,011	48,260
Repairs and maintenance		42,507	45,725
Postage, telephone and stationery		4,549	3,412
Vehicle, travel and conveyance		6,547	6,162
Internal material handling		7,541	4,315
Environment controlling expense		222	349
Sundries		1,911	1,825
Sale of scrap generated during production		(169,994)	(166,876)
		<u>12,941,161</u>	<u>14,306,030</u>
Closing stock of raw material and work-in-process		(5,646,945)	(7,289,612)
Cost of goods manufactured		<u>7,294,216</u>	<u>7,016,418</u>
Finished goods and by-products :			
Opening stock		2,725,796	2,549,400
Closing stock		(2,867,753)	(2,643,775)
		<u>(141,957)</u>	<u>(94,375)</u>
		<u>7,152,259</u>	<u>6,922,043</u>
18. FINANCIAL CHARGES			
Mark-up on:			
- Long-term financing		98,771	104,705
- Short-term borrowings		205,026	298,268
		<u>303,797</u>	<u>402,973</u>
Exchange loss on FE borrowing		293,071	36,154
Interest on Workers' Profit Participation Fund		317	360
Bank charges		6,269	2,598
		<u>603,454</u>	<u>442,085</u>

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

For the quarter ended 30 September 2014

	Note	Quarter ended	
		30 September 2014	30 September 2013
(Rupees in '000)			
19. OTHER OPERATING CHARGES			
Auditors' remuneration		1,125	979
Donations		3,775	4,565
Exchange loss		29,908	-
Workers' Profit Participation Fund		-	13,059
Workers' Welfare Fund		-	5,204
Others		332	159
		<u>35,141</u>	<u>23,966</u>
20. OTHER INCOME			
Income / return on financial assets			
Interest on bank deposits		470	232
Income from non-financial assets			
Income from power generation - 18MW		12,325	5,377
Income from power generation - 4MW		13,517	11,961
Gain on disposal of property, plant and equipment		4,542	2,336
Rental income		429	429
Exchange gain / (loss) - net		76,419	63,706
Others		20,437	3,712
		<u>128,139</u>	<u>87,753</u>
21. TAXATION			
Current			
- for the year		25,933	48,520
- for the prior years		-	-
for the year		<u>25,933</u>	<u>48,520</u>
Deferred		(66,669)	(24,344)
		<u>(40,736)</u>	<u>24,176</u>

Relationship between income tax expenses and accounting profit

	Effective tax rate %		Quarter ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
(Rupees in '000)				
(Loss) / profit before taxation			(123,101)	246,937
Tax at the enacted tax rate	(33.00)	34.00	(40,623)	83,959
Tax effect of income subject to lower tax	(0.35)	(1.11)	(432)	(2,743)
Tax effect of rebate / credits	(4.45)	(0.63)	(5,474)	(1,548)
Tax effect on export under final tax regime	16.02	(9.06)	19,716	(22,381)
Effect of change in rates and proportionate etc	(8.83)	(15.08)	(10,873)	(37,235)
Others	(2.48)	1.67	(3,050)	4,124
	<u>(33.09)</u>	<u>9.79</u>	<u>(40,736)</u>	<u>24,176</u>

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

For the quarter ended 30 September 2014

22. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associate entities, directors of the Holding Company and its Subsidiary companies, key management employees and staff retirement funds. The Group Entities continues to have a policy whereby all transactions with related parties are entered into at commercial terms and conditions. Contributions to the defined contribution plan (Provident Fund) are made as per the terms of employment and contributions to the defined benefit plan (Gratuity Scheme) are in accordance with actuarial advice. Remuneration of key management personnel is in accordance with their terms of engagement and company policy. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in this condensed interim consolidated financial information, are as follows:

	Note	Quarter ended	
		30 September 2014	30 September 2013
(Rupees in '000)			
Transactions with related parties			
Associated companies			
Sales		76,207	170,547
Purchases		4,340,141	2,606,426
Insurance premium expense		11,366	6,599
Insurance claims received		13,267	-
Rental income		429	429
Donations paid		1,000	-
Dividend paid		-	1,296
Dividend received		-	9,704
Reimbursement of payments made on behalf of associated company		-	592
Subscriptions paid		-	12
Key management personnel and their spouses			
Remuneration		79,290	75,920
Sales commission expense		987	1,622
Staff retirement benefits		1,077	1,108
Staff retirement benefit plans			
Contribution paid		16,090	14,931
Non- executive directors' fees			
		1,400	1,320
Balances with related parties			
		30 September 2014	30 June 2014
		----- (Rupees in '000) -----	
Trade debts			
Receivable from Sui Southern Gas Company Limited		40,609	15,496
Receivable from Sui Northern Gas Pipelines Limited		24,855	-

SEGMENT REPORTING

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

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

For the quarter ended 30 September 2014

SEGMENT REVENUE AND RESULTS

	Steel Coils & Sheets	Steel Pipes	Plastic Pipes	Total
(Rupees in '000)				
For the period ended 30 September 2014				
Sales	3,839,423	3,819,655	131,470	7,790,548
Cost of sales	3,482,560	3,542,017	127,682	7,152,259
Gross Profit	<u>356,863</u>	<u>277,638</u>	<u>3,788</u>	<u>638,289</u>
For the period ended 30 September 2013				
Sales	4,244,883	3,336,233	212,062	7,793,178
Cost of sales	3,826,005	2,885,524	210,514	6,922,043
Gross Profit	<u>418,878</u>	<u>450,709</u>	<u>1,548</u>	<u>871,135</u>

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

Note	Quarter ended 30 September 2014	30 September 2013
(Rupees in '000)		
Total results for reportable segments	638,289	871,135
Selling, distribution and administrative expenses	(259,031)	(250,751)
Financial charges	(603,454)	(442,085)
Other operating expenses	(35,141)	(23,966)
Other operating income	128,139	87,753
Share of profit in equity-accounted investee - net of tax	8,097	4,851
Taxation	40,736	(24,176)
Profit after tax	<u>(82,365)</u>	<u>222,761</u>

SEGMENT REVENUE AND RESULTS

	Steel Coils & Sheets	Steel Pipes	Plastic Pipes	Total
(Rupees in '000)				
As at 30 September 2014 - Un-audited				
Segment assets	<u>16,390,016</u>	<u>10,048,589</u>	<u>537,944</u>	<u>26,976,549</u>
Segment liabilities	<u>12,202,730</u>	<u>7,331,319</u>	<u>466,348</u>	<u>20,000,397</u>
As at 30 June 2014 - Audited				
Segment assets	<u>14,615,997</u>	<u>11,936,143</u>	<u>505,506</u>	<u>27,057,646</u>
Segment liabilities	<u>10,371,964</u>	<u>9,156,191</u>	<u>427,657</u>	<u>19,955,812</u>

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

For the quarter ended 30 September 2014

Reconciliation of segment assets & liabilities with total assets & liabilities in the balance sheet is as follows:

	Note	Quarter ended	
		30 September 2014 (Un-audited)	30 June 2014 (Audited)
		(Rupees in '000)	
Total reportable segments assets		26,976,549	27,057,646
Unallocated assets		3,449,682	3,596,869
Total assets as per Balance Sheet		<u>30,426,231</u>	<u>30,654,515</u>
Total reportable segments liabilities		20,000,397	19,955,812
Unallocated liabilities		1,639,582	1,397,727
Total liabilities as per Balance Sheet		<u>21,639,979</u>	<u>21,353,539</u>

23. GENERAL

- 23.1 This condensed interim consolidated financial information was authorised for issue by the Board of Directors of the Holding Company on 24 October 2014.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Haseeb Hafeezuddeen
Chief Financial Officer



Riyaz T Chinoy
Chief Executive Officer