



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

Non-executive Director

Mr. Kamal A. Chinoy

Non-executive Director

Mr. Fuad Azim Hashimi

Non-executive Director

Mr. Azam Faruque

Independent Director

Mr. Tariq Ikram

Independent Director

Mr. Aly Noormahomed Rattansey

Independent Director

Ms. Nargis Ghaloo

Non-executive Director

### Chief Executive Officer

Mr. Riyaz T. Chinoy

Executive Director

### Chief Financial Officer

Mr. Haseeb Hafeezuddeen

### Company Secretary

Mr. Yasir Ali Quraishi

### External Auditors

KPMG Taseer Hadi & Co

### Chief Internal Auditor

Mr. Talha Bin Hamid

### Internal Auditors

Ernst & Young Ford Rhodes Sidat Hyder & Co

### Bankers

Bank AL Habib Ltd

Barclays Bank PLC

Faysal Bank Ltd

Habib Bank Ltd

MCB Bank Ltd

Meezan Bank Ltd

NIB Bank Ltd

Samba Bank Ltd

Soneri Bank Ltd

Standard Chartered Bank Ltd

United Bank Ltd

### Legal Advisor

Mrs. Sana Shaikh Fikri and Mr. Ameen Bandukda

### Registered Office

101 Beaumont Plaza, 10 Beaumont Road, Karachi-75530

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

Fax: +9221-35680373 / Email: yasir.quraishi@iil.com.pk

### Branch Office

Chinoy House, 6 Bank Square, Lahore-54000

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

Fax: +9242-37220384 / Email: lahore@iil.com.pk

### Factories

#### Factory 1

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

Phone: +9221 35080451-55

Fax: +9221 35082403

E-mail: factory@iil.com.pk

#### Factory 2

Survey # 405 to 406, Rehri Road, Landhi, Karachi – 75160

Phone: +9221 35017027-28, 35017030

Fax: 9221 35013108

#### Factory 3

23 KM, Sheikhpura Road, Lahore

### Website

www.iil.com.pk

### Share Registrar

Central Depository Company of Pakistan Ltd.

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

Shahra-e-Faisal, Karachi

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

Email: info@cdcpak.com



## Directors' Report

The Directors are pleased to present the interim financial statements for the half-year ended December 31, 2014.

Your company achieved gross sales of Rs. 9.4 billion which was 8.1% higher than the corresponding period last year. Domestic steel sales volume remained unchanged from the same period last year however, export sales volumes grew by more than 41%. The plastics business of the Company showed signs of improvement and achieved an operating profit for the first 6 months of Rs.11.6 million as compared to a loss of Rs. 33.7 million during the same period last year. An augmented range of products combined with re-branding has started to yield results.

Profit after tax for the half year ended December 31, 2014 was Rs. 348 million, which is 55% higher than the same period last year. The boost in earnings is primarily due to receipt of a dividend from International Steels Limited (ISL) of Rs. 245 Million in the second quarter. IIL's overall earning per share stands at Rs. 2.90 against a reported EPS of Rs. 1.86 for the same period last year. Based on the review of the half year results, the Board of Directors are pleased to announce an interim cash dividend of 15% i.e. Rs. 1.50 per share. It may be noted that the interim dividend paid last year was 12.5%.

In November 2014, your company incorporated another fully owned subsidiary IIL Stainless Steel (Private) Limited. This company will, inshallah commence commercial production during the next quarter and be engaged in the manufacturing and marketing of high quality stainless steel pipes and tubes for automotive, industrial as well as ornamental use.

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

The Company's 56.33% owned subsidiary, International Steels Ltd. (ISL), ended the half year with gross sales of Rs. 9.7 billion, a decrease of 16% over the same period last year. ISL's Profit After Tax for the half year was Rs.42.2 million.

We are encouraged to learn of the federal government's decision to facilitate local cold rolling and coil galvanizing industry through the imposition of regulatory duty on cheap imported finished products. Following this decision we are hopeful that in the spirit of maintaining a reasonably cascaded tariff structure, the Government of Pakistan (GOP) gives due consideration to the domestic tube & pipe manufacturing industry such that the interests of the industry continue to be safeguarded in the present fragile macroeconomic environment that has seen steel, iron ore and other general commodity prices touch historic lows.

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: 23 January, 2015**

**Karachi**



## **Independent Auditors' Report to the Members on Review of Condensed Interim Unconsolidated Financial Information**

### Introduction

We have reviewed the accompanying condensed interim unconsolidated balance sheet of International Industries Limited ("the Company") as at 31 December 2014 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement, condensed interim unconsolidated statement of changes in equity and notes to the condensed interim unconsolidated financial information for the six months period then ended (here-in-after referred to as the "condensed interim unconsolidated financial information"). Management is responsible for the preparation and presentation of this condensed interim unconsolidated financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim unconsolidated financial information 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 condensed interim unconsolidated financial information 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 condensed interim unconsolidated financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### Other matters

The figures for the quarters ended 31 December 2014 and 31 December 2013 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been reviewed by us and we do not express a conclusion on them.

**Date: 23 January 2015**

**Karachi**

*KPMG Taseer Hadi & Co.*

**KPMG Taseer Hadi & Co.  
Karachi Moneeza Usman Butt  
Chartered Accountants**

# Condensed Interim Unconsolidated Balance Sheet (Un-audited)

As at 31 December 2014

	Note	(Un-audited) 31 December 2014	(Audited) 30 June 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	3,578,778	3,502,052
Intangible assets		10,075	9,029
Investments	6	2,667,805	2,592,705
Long-term deposits		7,208	4,488
Long-term prepayments		3,833	4,835
		<u>6,267,699</u>	<u>6,113,109</u>
<b>Current assets</b>			
Stores and spares		145,216	135,137
Stock-in-trade	7	6,290,335	6,671,260
Trade debts	8	2,315,796	2,268,337
Advances	9	105,630	33,460
Trade deposits and short-term prepayments	10	11,729	7,460
Other receivables	11	50,006	49,883
Sales tax refundable		-	318,123
Taxation - net		521,669	577,539
Bank balances		77,449	72,261
		<u>9,517,830</u>	<u>10,133,460</u>
<b>Total assets</b>		<u>15,785,529</u>	<u>16,246,569</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital 200,000,000 (2014: 200,000,000) ordinary shares of Rs. 10 each		2,000,000	2,000,000
Issued, subscribed and paid-up capital		1,198,926	1,198,926
Reserves	12	3,328,669	3,223,586
<b>Total equity</b>		<u>4,527,595</u>	<u>4,422,512</u>
<b>Surplus on revaluation of property, plant and equipment</b>		1,573,608	1,581,636
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term financing - secured	13	225,000	300,000
Staff retirement benefits		64,260	79,068
Deferred taxation - net	14	175,345	188,942
		<u>464,605</u>	<u>568,010</u>
<b>Current liabilities</b>			
Trade and other payables	15	3,055,831	3,160,417
Derivative financial instruments - designated as hedging instruments	16	13,686	-
Short-term borrowings - secured	17	5,913,441	6,277,234
Current portion of long-term financing	13	150,000	150,000
Sales tax payable		12,188	-
Accrued mark-up		74,575	86,760
		<u>9,219,721</u>	<u>9,674,411</u>
<b>Total liabilities</b>		<u>9,684,326</u>	<u>10,242,421</u>
<b>Contingencies and commitments</b>	18	-	-
<b>Total equity and liabilities</b>		<u>15,785,529</u>	<u>16,246,569</u>

The annexed notes 1 to 32 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 six months and quarter ended 31 December 2014

	Note	Six months period ended		Quarter ended	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
----- (Rupees in '000) -----					
Net sales	19	8,203,643	7,542,109	4,241,939	3,993,159
Cost of sales	20	(7,473,398)	(6,573,452)	(3,789,864)	(3,470,964)
Gross profit		730,245	968,657	452,075	522,195
Selling and distribution expenses	21	(283,965)	(294,794)	(144,416)	(156,821)
Administrative expenses	22	(81,614)	(89,080)	(40,926)	(42,471)
		(365,579)	(383,874)	(185,342)	(199,292)
Financial charges	23	(244,205)	(359,679)	(356)	(183,262)
Other operating charges	24	(52,137)	(33,924)	(17,823)	(18,721)
		(296,342)	(393,603)	(18,179)	(201,983)
Other income	25	328,492	94,594	23,662	20,188
Profit before taxation		396,816	285,774	272,216	141,108
Taxation	26	(49,300)	(62,191)	(69,955)	(29,291)
Profit after taxation for the period		347,516	223,583	202,261	111,817
----- (Rupees) -----					
Earnings per share - basic and diluted		2.90	1.86	1.69	0.93

The annexed notes 1 to 32 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 Comprehensive Income (Un-audited)

For the six months and quarter ended 31 December 2014

Note	Six months period ended		Quarter ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	----- (Rupees in '000) -----			
Profit after taxation for the period	347,516	223,583	202,261	111,817
Item to be reclassified to profit and loss account in subsequent periods				
Cash flow hedge	(13,686)	(50,411)	(13,686)	(50,411)
Tax thereon	3,011	11,655	3,011	11,655
Other comprehensive income	(10,675)	(38,756)	(10,675)	(38,756)
Total comprehensive income for the period	<u>336,841</u>	<u>184,827</u>	<u>191,586</u>	<u>73,061</u>

The annexed notes 1 to 32 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 six months period ended 31 December 2014

	Note	Six months period ended	
		31 December 2014	31 December 2013
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		396,816	285,774
Adjustments for:			
Depreciation and amortisation		120,780	106,806
Provision for doubtful debts		5,442	7,563
Interest on bank deposits	25	(1,166)	(838)
(Gain) on disposal of property, plant and equipment	25	(9,316)	(3,559)
Dividend income		(255,972)	(9,704)
Amortisation of long-term prepayments		1,002	(6,000)
Financial charges	23	244,205	359,679
		501,791	739,721
Changes in:			
Working capital	27	449,829	(928,732)
Long-term deposits		(2,720)	-
<b>Net cash generated from / (used in) operations</b>		<b>948,900</b>	<b>(189,011)</b>
Financial charges paid		(256,390)	(345,922)
Taxes paid		(4,016)	(269,004)
Net cash generated from / (used in) operating activities		688,494	(803,937)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(184,549)	(85,604)
Payment of gratuity		(14,808)	-
Investment in subsidiary company		(75,100)	-
Proceeds from disposal of property, plant and equipment		11,423	8,064
Dividend received		255,972	9,704
Interest income received		1,166	966
<b>Net cash used in investing activities</b>		<b>(5,896)</b>	<b>(66,870)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long-term financing		(75,000)	-
Dividend paid		(238,617)	(267,957)
<b>Net cash used in financing activities</b>		<b>(313,617)</b>	<b>(267,957)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>368,981</b>	<b>(1,138,764)</b>
Cash and cash equivalents at beginning of the period		(6,204,973)	(7,151,568)
Cash and cash equivalents at end of the period		<u>(5,835,992)</u>	<u>(8,290,332)</u>
<b>Cash and cash equivalents comprise:</b>			
Bank balances		77,449	49,856
Short term borrowings	17	(5,913,441)	(8,340,188)
		<u>(5,835,992)</u>	<u>(8,290,332)</u>

The annexed notes 1 to 32 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 six months period ended 31 December 2014

	Issued, subscribed and paid-up capital	Reserves			Un-appropriated profit	Total reserves	Total
		General reserves	Remeasurement gains and losses on retirement benefit plan	Hedging reserves			
<b>Balance as at 1 July 2013</b>	1,198,926	1,848,736	-	-	1,291,496	3,140,232	4,339,158
Total comprehensive income for the six months period ended 31 December 2013							
Profit for the period	-	-	-	-	223,583	223,583	223,583
Other Comprehensive income for the period	-	-	-	(38,756)	-	(38,756)	(38,756)
Total Comprehensive income for the period	-	-	-	(38,756)	223,583	184,827	184,827
<b>Transactions with owners of the Company - Distribution</b>							
Dividend							
- Final dividend @ 22.50% (Rs. 2.25 per share) for the year ended 30 June 2013	-	-	-	-	(269,758)	(269,758)	(269,758)
Transfer from general reserves	-	851,300	-	-	(851,300)	-	-
Total transactions with owners - distributions	-	851,300	-	-	(1,121,058)	(269,758)	(269,758)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax							
	-	-	-	-	8,027	8,027	8,027
<b>Balance as at 31 December 2013</b>	1,198,926	2,700,036	-	(38,756)	402,048	3,063,328	4,262,254
<b>Balance as at 1 July 2014</b>	1,198,926	2,700,036	-	-	523,550	3,223,586	4,422,512
Total comprehensive income for the six months period ended 31 December 2014							
Profit for the period	-	-	-	-	347,516	347,516	347,516
Other Comprehensive income for the period	-	-	-	(10,675)	-	(10,675)	(10,675)
Total Comprehensive income for the period	-	-	-	(10,675)	347,516	336,841	336,841
<b>Transactions with owners of the Company - Distribution</b>							
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							
	-	-	-	-	8,027	8,027	8,027
<b>Balance as at 31 December 2014</b>	1,198,926	2,700,036	-	(10,675)	639,308	3,328,669	4,527,595

The annexed notes 1 to 32 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 six months period ended 31 December 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.

Details of the Company's investment in subsidiaries and associated company are disclosed in note 6 to this condensed interim unconsolidated financial information.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

This condensed interim unconsolidated financial information for the six months period ended 31 December 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 case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, have been followed.

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

The comparative Balance Sheet presented in this condensed interim unconsolidated financial information has been extracted from the audited annual separate financial statements of the Company for the year ended 30 June 2014, whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are extracted from the unaudited condensed interim unconsolidated financial information for the period ended 31 December 2013.

This condensed interim financial information is un-audited and is being submitted to the shareholders as required by listing regulations of Karachi Stock Exchange vide section 245 of the Companies Ordinance, 1984. The figures for the six months period ended 31 December 2014 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.

### 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.

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

For the six months period ended 31 December 2014

## 3. ACCOUNTING POLICIES

3.1 The accounting policies and the 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.

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

## 4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

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

4.2 The significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual separate financial statements 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 separate 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
<b>Cost / revalued amount</b>			
Opening balance	5,342,086	43,990	5,386,076
Additions	91,763	206,680	298,443
Deletions / transfers	(37,728)	(91,763)	(129,491)
	<u>5,396,121</u>	<u>158,907</u>	<u>5,555,028</u>
<b>Accumulated depreciation</b>			
Opening balance	(1,884,024)	-	(1,884,024)
Disposal	26,347	-	26,347
Charge for the period	(118,573)	-	(118,573)
	<u>(1,976,250)</u>	<u>-</u>	<u>(1,976,250)</u>
<b>Written down value as at 31 December 2014 (Un-audited)</b>	<u>3,419,871</u>	<u>158,907</u>	<u>3,578,778</u>
Written down value as at 30 June 2014 (Audited)	<u>3,458,062</u>	<u>43,990</u>	<u>3,502,052</u>

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

For the six months period ended 31 December 2014

### 6. INVESTMENTS

31 December 2014 (Un-audited)	30 June 2014 (Audited)		31 December 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
		IIL Stainless Steel (Private) Limited (IIL SS) - subsidiary company at cost (refer note 6.4)	75,100	-
			<u>2,667,805</u>	<u>2,592,705</u>

- 6.1** The Company holds 56.33% ownership interest in ISL. The Chief Executive Officer of ISL is Mr. Towfiq H. Chinoy.
- 6.2** The Company holds 8.52% ownership interest in PCL. The Chief Executive Officer of PCL is Mr. Kamal A. Chinoy.
- 6.3** The Company holds 100% ownership interest in IIL Australia (Pty) Limited. The Chief Executive Officer of IIL Australia Pty Limited is Mr. Sohail Raza Bhojani.
- 6.4** The Company holds 100% ownership interest in IIL SS. The Subsidiary Company was incorporated on 28 November 2014 and is in the process of issuing shares. The Board of Directors have approved investment of Rs. 150 million in ordinary shares of IIL SS. The Chief Executive Officer of IIL SS is Mr. Khawar Bari. During the period, owing to the pending completion of the formalities for opening of bank account of IIL SS, certain payments were made by the Company which were later settled accordingly.
- 6.5** Market value of the aforementioned quoted investments is as follows:

	31 December 2014 (Un-audited)	30 June 2014 (Audited)
	(Rupees in '000)	
<b>Quoted</b>		
International Steels Limited	6,236,664	5,648,530
Pakistan Cables Limited	388,146	241,985

- 6.6** The book value of IIL Australia as at 31 December 2014 was Australian Dollars 105,601 [i.e. Rs. 9.3 million] (30 June 2014: Rs. 9.2 million). The Company is incorporated in Victoria, Australia.

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

For the six months period ended 31 December 2014

- 6.7 The book value of IIL Stainless Steel (Private) Limited as at 31 December 2014 was Rs. 75.1 million. The Company is incorporated in Pakistan.

	31 December 2014 (Un-audited)	30 June 2014 (Audited)
	(Rupees in '000)	
<b>7. STOCK-IN-TRADE</b>		
Raw materials- in hand	1,650,306	3,519,254
- in transit	1,907,109	595,652
	<u>3,557,415</u>	<u>4,114,906</u>
Work-in-process	781,545	1,102,542
Finished goods	1,885,807	1,414,234
By-product	53,316	26,835
Scrap material	12,252	12,743
	<u>6,290,335</u>	<u>6,671,260</u>
7.1 Raw materials amounting to Rs. 6.27 million (30 June 2014: Rs. 5.20 million) was held at vendor premises for the production of pipe caps.		
<b>8. TRADE DEBTS</b>		
Considered good :		
- Secured	769,950	977,142
- Unsecured	1,545,846	1,291,195
Considered doubtful	46,219	40,777
	<u>2,362,015</u>	<u>2,309,114</u>
Provision for doubtful debts	(46,219)	(40,777)
	<u>2,315,796</u>	<u>2,268,337</u>
8.1 Related parties from whom debts are due are as under:		
Sui Southern Gas Company Limited	110,007	15,496
Sui Northern Gas Pipelines Limited	45,031	-
Pakistan Cables Limited	35	-
IIL Australia (Pty) Limited	65,458	6,944
	<u>220,531</u>	<u>22,440</u>
<b>9. ADVANCES</b>		
Considered good:		
- Suppliers	72,448	16,964
- Employees	33,182	16,496
	<u>105,630</u>	<u>33,460</u>
<b>10. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>		
Trade deposits	5,033	3,278
Short-term prepayments	6,696	4,182
	<u>11,729</u>	<u>7,460</u>

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

For the six months period ended 31 December 2014

	Note	31 December 2014 (Un-audited)	30 June 2014 (Audited) (Rupees in '000)
<b>11. OTHER RECEIVABLES</b>			
Considered good:			
- Receivable for transmission of electricity to K-Electric Limited		6,309	8,924
- Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods		25,940	25,940
- Receivable against sale of land		8,171	14,000
- Insurance claim	11.1	8,556	-
- Others		1,030	1,019
		<u>50,006</u>	<u>49,883</u>
<b>11.1</b>	This represents an amount receivable from an associated company		
<b>12. RESERVES</b>			
General reserves		2,700,036	2,700,036
Unappropriated profit		628,633	523,550
		<u>3,328,669</u>	<u>3,223,586</u>
<b>13. LONG-TERM FINANCING - secured</b>			
Long-term finances utilised under mark-up arrangements	13.1	375,000	450,000
Current portion of long-term finances shown under current liabilities		(150,000)	(150,000)
		<u>225,000</u>	<u>300,000</u>
<b>13.1</b>	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.		
<b>14. DEFERRED TAXATION - net</b>			
Deferred tax liability comprises of taxable/ (deductible) temporary differences in respect of the following:			
<b>Taxable temporary difference:</b>			
Accelerated tax depreciation		106,331	111,677
Surplus on revaluation of buildings		134,820	137,356
		<u>241,151</u>	<u>249,033</u>
<b>Deductible temporary difference:</b>			
Provision for doubtful debts		(15,252)	(14,272)
Provision for compensated absences		(442)	(1,241)
Provision for Infrastructure Cess		(29,640)	(25,552)
Provision against receivable		-	(1,059)
Staff retirement benefits		(17,461)	(17,967)
Derivative financial instrument		(3,011)	-
		<u>175,345</u>	<u>188,942</u>

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

For the six months period ended 31 December 2014

	Note	31 December 2014 (Un-audited)	30 June 2014 (Audited) (Rupees in '000)
<b>15. TRADE AND OTHER PAYABLES</b>			
Trade creditors	15.1	667,233	2,008,073
Bills payable		1,856,889	581,252
Accrued expenses		223,819	212,328
Provision for Infrastructure Cess		194,519	172,781
Short-term compensated absences		2,000	5,454
Advance from customers		70,372	45,607
Payable against purchase of land		16,111	98,528
Workers' Profit Participation Fund and Workers Welfare Fund		10,500	23,180
Unclaimed dividends		14,371	13,203
Others		17	11
		<u>3,055,831</u>	<u>3,160,417</u>

**15.1** This includes amount payable to associated company amounting to Rs. 0.7 million (30 June 2014 : Rs. 7.4 million) on account of insurance premium.

### 16. DERIVATIVE FINANCIAL INSTRUMENTS - designated as hedging instruments

The Company has entered into forward exchange contract for USD 3.64 million (30 June 2014: Nil) to hedge its foreign currency exposure arising on firm commitments for purchase of machinery. The contract is designated as cash flow hedging instrument. At 31 December 2014, the fair value of the contract is negative Rs. 13.686 million resulting in recognition of liability.

### 17. SHORT-TERM BORROWINGS - secured

Running finance under mark-up arrangement	17.1	108,483	336,196
Short-term borrowing under Money Market Scheme	17.2	167,993	2,840,000
Short-term borrowing under Export Refinance Scheme	17.3	2,884,800	1,000,000
Running finance under FE-25 Export and Import Scheme	17.4	2,752,165	2,101,038
		<u>5,913,441</u>	<u>6,277,234</u>

**17.1** The facilities for running finance available from various commercial banks amounted to Rs. 1,915 million (30 June 2014: Rs. 1,732 million). The rates of mark-up on these finances range from 10.38% to 11.87% per annum (30 June 2014: 10.38% to 11.88%). The facilities for short-term finance mature within twelve months. Unavailed facility as at 31 December 2014 is Rs. 1,806.517 million (30 June 2014: Rs. 1,395.804 million).

**17.2** The facilities for short-term borrowing through Money Market Scheme available from various commercial banks under mark-up arrangements amounted to Rs. 3,122 million (30 June 2014: Rs. 5,087 million). The rates of mark-up on these finances range from 10.05% to 10.39% per annum (30 June 2014: 10.10% to 10.39% per annum). Unavailed facility as at 31 December 2014 is Rs.2,954 million (30 June 2014: Rs. 2,247 million).

**17.3** The Company has borrowed short-term running finance under the Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 2,885 million (30 June 2014: Rs. 2,522 million). The rates of mark-up on this facility are 7.00% per annum (30 June 2014: 8.90% per annum).

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

For the six months period ended 31 December 2014

- 17.4** 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 33.4 million equivalent to Rs. 2,752 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% to 2.78% per annum (30 June 2014: 1.50% to 2.59%).
- 17.5** 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.
- 18. CONTINGENCIES AND COMMITMENTS**
- 18.1 Contingencies**
- 18.1.1** Bank guarantees have been issued under certain supply contracts and to the Collector of Customs aggregating Rs. 154.043 million (30 June 2014: Rs. 137.5 million).
- 18.1.2** Custom duties amounting to Rs. 601 million (30 June 2014: Rs. 713 million) on import of raw material shall be payable by the Company in case of non-fulfillment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006 Serial No. 91. The Company has provided post-dated cheques to Collector of Customs as per the normal practice and these will be returned once the stipulated conditions are fulfilled. As Serial No. 91 is abolished, disposal of this case on merits is awaited from the High Court of Sindh to recover post-dated cheques and applications for return of the same have been applied to Customs Department. 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. A Constitutional Petition was filed in the Sindh High Court in 2010 for an injunction and as the said anomaly is removed, the final decision is awaited on the merits of the case.
- 18.1.3** 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 appeal against the order of the High Court in the Supreme Court of Pakistan remanded the case to the High Court for hearing of the case on merits. As the case after being remanded is pending in the Sindh High Court, based on the advice of its legal counsel the chances of success of the Company in the appeal are fair.
- 18.1.4** 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 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 guarantee 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. 313.5 million (30 June 2014: Rs. 288 million) have been provided to the Department in this regard. However, a provision to the extent of amount utilised from the limit of guarantee has also been provided for by the company on prudent basis (note 15).



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

For the six months period ended 31 December 2014

**18.1.5** As per the Gas Infrastructure and Development Cess Act 2011 (the Act), certain companies as specified in the Act (including SSGC) were allowed to collect and pay GID Cess as prescribed by the Federal Government may prescribe. As per the second schedule of the Act, GID Cess of Rs. 13 per MMBTU was payable by the Company. Through Finance Bill 2012-13, an amendment was made to the Act whereby the rate of GID Cess applicable on the Company was increased to Rs. 100 per MMBTU. On 1 August 2012, a suit was filed challenging the Act for its legality. The Sindh High Court vide its ad-interim order dated 6 September 2012 restrained SSGC from charging GID Cess above Rs. 13 per MMBTU. Hence, SSGC invoiced and the Company continues to record GID Cess at Rs. 13 per MMBTU. The Peshawar High Court vide order dated 13 June 2013 declared that the provisions of the Act imposing, the impugned cess, ultra vires and unconstitutional and the same position was upheld by the Supreme Court of Pakistan vide its order dated 22 August 2014.

During the six months period ended 31 December 2014, the Federal Government promulgated GID Cess Ordinance 2014 imposing GID Cess at Rs. 200 per MMBTU for captive power plants and Rs. 150 per MMBTU for industrial units. The Company filed a constitutional petition on the basis that GID Cess Act 2011 should be dealt in accordance with the decision of Supreme Court. The Ordinance included the application of GID Cess as defined in the Act. In view of Supreme Court's order declaring the application of the Act as unconstitutional and ultra vires, the Company has not recorded the differential of GID Cess at the stipulated rate per MMBTU amounting to Rs. 97.7 million in these condensed interim financial information.

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

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

During the six months period ended 31 December 2014, the Sindh High Court heard the petition in length and remanded the case back to the Collector Adjudication II, for fresh examination strictly in accordance with the law. There has been two hearing in this matter so far and the Company has submitted its written legal arguments. Based on advice of legal counsel and merits of the case, Company is confident that the subject demand is unjustified and the matter will be decided in its favour.

## **18.2 Commitments**

**18.2.1** Capital expenditure commitments outstanding as at 31 December 2014 amounted to Rs. 395.308 million (30 June 2014: Rs. 2.2 million).

**18.2.2** Commitments under letters of credit for raw materials and stores and spares as at 31 December 2014 amounted to Rs. 1,603.7 million (30 June 2014: Rs. 1,010 million).

**18.2.3** Commitments under purchase contracts as at 31 December 2014 amounted to Rs. 13.4 million (30 June 2014: Rs. 92.5 million).

**18.2.4** Unavailed facilities for opening letters of credit and guarantees from banks as at 31 December 2014 amounted to Rs. 7,829 million (30 June 2014: Rs. 8,818 million) and Rs. 84 million (30 June 2014: Rs. 95.1 million) respectively.

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

For the six months period ended 31 December 2014

	Six months period ended		Quarter ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
<b>19. NET SALES</b>	----- (Rupees in '000) -----			
Local	6,050,265	6,159,206	3,219,047	3,276,863
Export	3,305,275	2,492,143	1,637,530	1,316,553
	<u>9,355,540</u>	<u>8,651,349</u>	<u>4,856,577</u>	<u>4,593,416</u>
Sales Tax	(945,412)	(916,425)	(502,769)	(488,032)
Trade discounts	(44,918)	(19,888)	(30,966)	(13,343)
Sales discount and commission	(161,567)	(172,927)	(80,903)	(98,882)
	<u>(1,151,897)</u>	<u>(1,109,240)</u>	<u>(614,638)</u>	<u>(600,257)</u>
	<u>8,203,643</u>	<u>7,542,109</u>	<u>4,241,939</u>	<u>3,993,159</u>
<b>20. COST OF SALES</b>				
Opening stock of raw material and work-in-process	4,621,796	3,681,338	3,018,092	3,729,222
Purchases	5,371,001	6,712,561	3,252,640	3,924,157
Salaries, wages and benefits	304,669	268,139	152,118	137,327
Rent, rates and taxes	430	648	230	448
Electricity, gas and water	137,333	138,581	53,477	67,852
Insurance	3,382	5,808	2,066	3,306
Security and janitorial	11,435	7,955	5,938	4,627
Depreciation and amortisation	110,356	97,869	55,564	47,882
Stores and spares consumed	34,047	29,854	14,494	14,841
Repairs and maintenance	52,736	48,918	28,470	27,438
Postage, telephone and stationery	3,633	3,588	1,599	1,914
Vehicle, travel and conveyance	5,961	5,931	2,727	3,090
Internal material handling	9,196	9,434	2,222	6,117
Environment controlling expenses	99	97	49	71
Sundries	865	1,141	334	549
Toll manufacturing charges	83,501	-	20,440	-
Sale of scrap generated during production	(347,137)	(344,926)	(190,481)	(191,618)
Closing stock of raw materials and work-in-process	<u>(2,431,851)</u>	<u>(4,183,905)</u>	<u>(2,431,851)</u>	<u>(4,183,905)</u>
Cost of goods manufactured	<u>7,971,452</u>	<u>6,483,031</u>	<u>3,988,128</u>	<u>3,593,318</u>
Finished goods and by-products:				
- Opening stock	1,441,069	1,707,584	1,740,859	1,494,809
- Closing stock	<u>(1,939,123)</u>	<u>(1,617,163)</u>	<u>(1,939,123)</u>	<u>(1,617,163)</u>
	<u>(498,054)</u>	<u>90,421</u>	<u>(198,264)</u>	<u>(122,354)</u>
	<u>7,473,398</u>	<u>6,573,452</u>	<u>3,789,864</u>	<u>3,470,964</u>

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

For the six months period ended 31 December 2014

	Six months period ended		Quarter ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
----- (Rupees in '000) -----				
<b>21. SELLING AND DISTRIBUTION EXPENSES</b>				
Freight and forwarding	205,288	216,539	98,139	125,133
Salaries, wages and benefits	44,027	46,988	21,667	23,198
Rent, rates and taxes	161	144	37	48
Electricity, gas and water	2,587	1,752	1,103	837
Insurance	1,486	1,505	771	753
Depreciation and amortisation	3,920	3,660	1,954	1,866
Repairs and maintenance	782	623	231	367
Advertising and sales promotion	6,319	6,327	4,600	(1,084)
Postage, telephone and stationery	2,401	1,897	1,109	947
Office supplies	18	14	17	10
Vehicle, travel and conveyance	6,838	6,813	3,255	4,003
Provision for doubtful debts / write off	5,442	7,588	7,798	9
Certification and registration charges	3,568	54	3,566	45
Others	1,128	890	169	689
	<u>283,965</u>	<u>294,794</u>	<u>144,416</u>	<u>156,821</u>
<b>22. ADMINISTRATIVE EXPENSES</b>				
Salaries, wages and benefits	53,035	62,585	26,722	30,080
Rent, rates and taxes	136	81	(6)	39
Electricity, gas and water	1,073	1,025	472	455
Insurance	167	128	97	70
Depreciation and amortisation	6,488	5,278	3,268	2,153
Repairs and maintenance	328	347	145	160
Postage, telephone and stationery	3,213	3,950	1,329	2,128
Office supplies	14	51	6	20
Vehicle, travel and conveyance	2,956	3,706	2,083	1,821
Legal and professional charges	6,851	4,245	2,960	1,789
Certification and registration charges	1,019	832	608	622
Others	6,334	6,852	3,242	3,134
	<u>81,614</u>	<u>89,080</u>	<u>40,926</u>	<u>42,471</u>
<b>23. FINANCIAL CHARGES</b>				
Mark-up on:				
- Long-term financing	24,351	22,251	12,078	11,169
- Short-term borrowings	169,634	322,281	77,536	169,188
Exchange loss on FE borrowing	44,415	9,916	(91,907)	-
Interest on Workers' Profit Participation Fund	317	360	-	-
Bank charges	5,488	4,871	2,649	2,905
	<u>244,205</u>	<u>359,679</u>	<u>356</u>	<u>183,262</u>

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

For the six months period ended 31 December 2014

	Six months period ended		Quarter ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
----- (Rupees in '000) -----				
<b>24. OTHER OPERATING CHARGES</b>				
Auditors' remuneration	1,232	1,158	658	579
Loss on derivative financial instruments	-	1,076	-	1,076
Donations	7,650	10,065	4,150	5,800
Exchange loss	29,908	-	-	-
Workers' Profit Participation Fund	7,500	14,850	7,500	7,550
Workers' Welfare Fund	3,000	5,950	3,000	3,050
Project development expenses	2,847	825	2,515	666
	<u>52,137</u>	<u>33,924</u>	<u>17,823</u>	<u>18,721</u>
<b>25. OTHER INCOME</b>				
<b>Income / return on financial assets</b>				
Interest on bank deposits	1,166	838	696	606
<b>Income from non-financial assets</b>				
Income from power generation	29,264	26,491	15,747	14,530
Gain on disposal of property, plant and equipment	9,316	3,559	6,975	2,941
Rental income	4,799	4,362	2,400	2,181
Dividend income from associate / subsidiary	255,972	9,704	10,916	-
Exchange gain	22,273	45,156	(14,508)	(2,351)
Others	5,702	4,484	1,436	2,281
	<u>328,492</u>	<u>94,594</u>	<u>23,662</u>	<u>20,188</u>
<b>26. TAXATION</b>				
Current				
- for the half year	59,886	79,617	39,763	37,262
- prior years	-	29,526	-	29,526
	<u>59,886</u>	<u>109,143</u>	<u>39,763</u>	<u>66,788</u>
Deferred	(10,586)	(46,952)	30,192	(37,497)
	<u>49,300</u>	<u>62,191</u>	<u>69,955</u>	<u>29,291</u>

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

For the six months period ended 31 December 2014

Relationship between income tax expenses and accounting profit

	Effective tax rate %		Six months period ended	
			31 December 2014	31 December 2013
			(Rupees in '000)	
Profit before taxation			396,816	285,774
Tax at the enacted tax rate	33.00	34.00	130,949	97,163
Tax effect of exempt income	(20.38)	(0.98)	(80,868)	(2,800)
Tax effect of income subject to lower tax	(0.51)	(1.90)	(2,025)	(5,418)
Tax effect of rebate / credits	(0.66)	(1.07)	(2,615)	(3,058)
Tax effect on export under final tax regime	(2.22)	(9.98)	(8,810)	(28,520)
Others	3.19	1.69	12,669	4,824
	12.42	21.76	49,300	62,191

27. CHANGES IN WORKING CAPITAL	31 December 2014	31 December 2013
	----- (Rupees in '000) -----	
Decrease/ (Increase) in current assets:		
Store and spares	(10,079)	(16,260)
Stock-in-trade	380,925	(1,977,071)
Trade debts	(52,901)	(60,775)
Advances	(72,170)	(49,584)
Trade deposit and short-term prepayments	(4,269)	(9,084)
Other receivables	318,000	(60,655)
	559,506	(2,173,429)
(Decrease)/ Increase in current liabilities:		
Trade and other payables	(109,677)	1,244,697
	449,829	(928,732)

## 28. TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

For the six months period ended 31 December 2014

	Six months period ended		Quarter ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	----- (Rupees in '000) -----			
<b>Subsidiary companies</b>				
Sales	69,419	1,468	48,292	813
Purchases	479,376	885,341	394,431	733,683
Cost of shared resources	9,880	10,450	5,050	4,000
Toll manufacturing (inclusive of sales tax)	97,696	-	24,914	-
Reimbursement of corporate affairs management expenses	2,104	1,904	983	1,018
Rental income	4,798	4,362	2,399	2,181
Dividend received	245,056	-	245,056	-
Investment in IIL Stainless Steel (Private) Limited	75,100	-	75,100	-
<b>Associate companies</b>				
Sales	273,658	315,257	197,451	144,710
Purchases	132,410	91,326	64,525	22,465
Purchase of vehicle	1,783	-	-	-
Insurance premium expense	10,088	10,727	4,296	10,727
Insurance claims/adjustments	39,130	1,205	23,780	1,205
Donations	1,000	-	-	-
Dividend paid	12,424	1,296	12,424	-
Dividend received	10,917	9,704	10,917	-
Reimbursement of payments made on behalf of associated company	-	592	-	-
Subscriptions paid	-	111	-	99
Participation fee	99	-	99	-
<b>Key management personnel</b>				
Remuneration	93,060	75,478	46,514	37,452
<b>Staff retirement benefits</b>				
Contribution paid	35,008	21,607	24,153	10,78
<b>Non-executive directors</b>				
Directors' fee	2,110	1,720	1,430	1,040

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

For the six months period ended 31 December 2014

## 29. SEGMENT REPORTING

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

	Steel Segment	Plastic Pipe Segment	Total
	----- (Rupees in '000) -----		
<b>29.1 SEGMENT REVENUE AND RESULTS</b>			
<b>For the period ended 31 December 2014</b>			
Sales	7,897,101	306,542	8,203,643
Cost of sales	<u>7,183,888</u>	<u>289,510</u>	<u>7,473,398</u>
Gross profit	<u>713,213</u>	<u>17,032</u>	<u>730,245</u>
<b>For the period ended 31 December 2013</b>			
Sales	7,215,652	326,457	7,542,109
Cost of sales	<u>6,233,913</u>	<u>339,539</u>	<u>6,573,452</u>
Gross Profit / (loss)	<u>981,739</u>	<u>(13,082)</u>	<u>968,657</u>

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

	<b>Six months period ended</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>
	----- (Rupees in '000) -----	
Total results for reportable segments	730,245	968,657
Selling, distribution and administrative expenses	(365,579)	(383,874)
Financial charges	(244,205)	(359,679)
Other operating expenses	(52,137)	(33,924)
Other income	328,492	94,594
Taxation	(49,300)	(62,191)
<b>Profit after tax</b>	<u>347,516</u>	<u>223,583</u>

	Steel Segment	Plastic Pipe Segment	Total
	----- (Rupees in '000) -----		
<b>29.2 SEGMENT ASSETS AND LIABILITIES</b>			
<b>As at 31 December 2014 - Un-audited</b>			
Segment assets	<u>11,652,184</u>	<u>532,725</u>	<u>12,184,909</u>
Segment liabilities	<u>8,545,401</u>	<u>453,108</u>	<u>8,998,509</u>
<b>As at 30 June 2014 - Audited</b>			
Segment assets	<u>11,936,143</u>	<u>505,506</u>	<u>12,441,649</u>
Segment liabilities	<u>9,157,184</u>	<u>426,664</u>	<u>9,583,848</u>

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

For the six months period ended 31 December 2014

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

	31 December 2014 (Unaudited)	30 June 2014 (Audited)
	----- (Rupees in 000) -----	
Total reportable segments assets	12,184,909	12,441,649
Unallocated assets	3,600,620	3,804,920
<b>Total assets as per Balance Sheet</b>	<u>15,785,529</u>	<u>16,246,569</u>
Total reportable segments liabilities	8,998,509	9,583,848
Unallocated liabilities	685,817	658,573
<b>Total liabilities as per Balance Sheet</b>	<u>9,684,326</u>	<u>10,242,421</u>

## 29.3 Geographical information

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

Note	Six months period ended		Quarter ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	----- (Rupees in 000) -----			
Domestic sales	6,050,265	6,159,206	3,219,047	3,276,863
Export sales	3,305,275	2,492,143	1,637,530	1,316,553
	<u>9,355,540</u>	<u>8,651,349</u>	<u>4,856,577</u>	<u>4,593,416</u>

29.3.1 The Company exports its products to numerous countries.

## 30. CORRESPONDING FIGURES

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

## 31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors on 23 January 2015.

## 32. GENERAL

32.1 The Board of Directors of the Company in their meeting hold on 23 January 2015 have declared an interim cash dividend of Rs. 1.5 per share (15%) for the year ending 30 June 2015 amounting to Rs. 179.84 million. The condensed interim unconsolidated financial information does not include effect of the interim cash dividend which will be accounted for in the financial statements for the year ending 30 June 2015.

32.2 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)  
31 December 2014**

# Condensed Interim Consolidated Balance Sheet

As at 31 December 2014

	Note	(Un-audited) 31 December 2014	(Audited) 30 June 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	14,419,549	13,271,729
Intangible assets		10,947	12,850
Long-term deposits		7,308	4,588
Investment in equity-accounted investee	5	184,236	182,945
Long-term prepayments		3,833	4,835
		<u>14,625,873</u>	<u>13,476,947</u>
<b>Current assets</b>			
Stores and spares		548,408	454,459
Stock-in-trade	6	11,780,766	10,338,775
Trade debts	7	3,334,417	3,447,142
Advances	8	169,898	299,587
Trade deposits and short-term prepayments	9	36,546	19,177
Sales Tax refundable		98,679	752,503
Other receivables	10	99,751	99,600
Taxation - net		1,772,208	1,648,177
Bank balances		170,832	118,148
		<u>18,011,505</u>	<u>17,177,568</u>
<b>Total assets</b>		<u><b>32,637,378</b></u>	<u><b>30,654,515</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital 200,000,000 (2014: 200,000,000) ordinary shares of Rs. 10 each		2,000,000	2,000,000
Issued, subscribed and paid-up capital		1,198,926	1,198,926
Reserves	11	3,215,214	3,329,140
Translation reserve		(929)	159
Total equity		4,413,211	4,528,225
Non-controlling interest		2,103,013	2,270,756
		<u>6,516,224</u>	<u>6,798,981</u>
<b>Surplus on revaluation of property, plant and equipment</b>		2,485,896	2,501,995
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term financing - secured	12	4,105,404	3,300,990
Staff retirement benefits		78,958	93,766
Deferred taxation - net		523,615	556,773
		<u>4,707,977</u>	<u>3,951,529</u>
<b>Current liabilities</b>			
Trade and other payables	13	5,305,135	5,116,283
Derivative financial instruments - designated as hedging instruments	14	13,686	-
Short-term borrowings - secured	15	12,411,771	11,153,541
Current portion of long-term financing	12	937,377	899,877
Accrued markup		247,124	232,309
Sales tax payable		12,188	-
		<u>18,927,281</u>	<u>17,402,010</u>
<b>Total liabilities</b>		<u><b>23,635,258</b></u>	<u><b>21,353,539</b></u>
<b>Contingencies and commitments</b>	16	-	-
<b>Total equity and liabilities</b>		<u><b>32,637,378</b></u>	<u><b>30,654,515</b></u>

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



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**Haseeb Hafeezuddeen**  
Chief Financial Officer



**Riyaz T. Chinoy**  
Chief Executive Officer

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

For the six months period ended 31 December 2014

	Note	Half year ended		Quarter ended	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
----- (Rupees in '000) -----					
Net sales	17	16,156,664	16,647,946	8,366,116	8,854,768
Cost of sales	18	(14,706,870)	(14,559,501)	(7,554,611)	(7,637,458)
<b>Gross profit</b>		<b>1,449,794</b>	<b>2,088,445</b>	<b>811,505</b>	<b>1,217,310</b>
Selling and distribution expenses	19	(381,263)	(353,419)	(197,436)	(181,385)
Administrative expenses	20	(152,911)	(156,854)	(77,707)	(78,137)
		(534,174)	(510,273)	(275,143)	(259,522)
Financial charges	21	(819,723)	(904,445)	(216,269)	(462,360)
Other operating charges	22	(56,295)	(69,073)	(21,155)	(45,107)
		(876,018)	(973,518)	(237,424)	(507,467)
Other income	23	137,415	116,236	9,276	28,483
Share of profit in equity -accounted investee - net of tax		12,207	8,013	4,110	3,162
<b>Profit before taxation</b>		<b>189,224</b>	<b>728,903</b>	<b>312,324</b>	<b>481,966</b>
Taxation	24	(44,310)	(132,478)	(85,046)	(108,302)
<b>Profit after taxation</b>		<b>144,914</b>	<b>596,425</b>	<b>227,278</b>	<b>373,664</b>
----- (Rupees) -----					
<b>Earnings per share - basic and diluted</b>		<b>0.96</b>	<b>2.96</b>	<b>1.66</b>	<b>1.52</b>

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

  
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Chief Executive Officer

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

For the six months period ended 31 December 2014

Note	Half year ended		Quarter ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	----- (Rupees in '000) -----			
<b>Profit after taxation</b>	144,914	596,425	227,278	373,664
<b>Other comprehensive income</b>				
Item to be reclassified to profit and loss accounts in subsequent periods				
Cash flow hedge	(13,686)	(155,919)	(13,686)	(155,919)
Tax thereon	3,011	47,528	3,011	47,528
<b>Other comprehensive income</b>	(10,675)	(108,391)	(10,675)	(108,391)
<b>Total comprehensive income</b>	<u>134,239</u>	<u>488,034</u>	<u>216,603</u>	<u>265,273</u>
<b>Total comprehensive income attributable to:</b>				
Owners of Holding Company	114,568	354,899	199,198	182,724
Non-controlling interest	19,671	133,135	17,405	82,549
<b>Total comprehensive income</b>	<u>134,239</u>	<u>488,034</u>	<u>216,603</u>	<u>265,273</u>

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



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Chief Executive Officer

# Condensed Interim Consolidated Cash Flow Statement (Un-audited)

For the six months period ended 31 December 2014

	Note	Quarter ended	
		31 December 2014	31 December 2013
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		189,224	728,903
Adjustments for:			
Depreciation and amortisation		386,416	360,122
Provision for doubtful debts		5,442	7,563
Interest on bank deposits	23	(1,166)	(838)
(Gain) on disposal of property, plant and equipment	23	(13,136)	(6,155)
Share of profit from associated entity		(12,207)	(8,013)
Translation reserve		(1,088)	-
Amortisation of long term prepayments		1,002	-
Financial charges	21	819,723	904,445
		<u>1,374,210</u>	<u>1,986,027</u>
Movement in:			
Working capital		(520,268)	(1,344,118)
Long-term deposits		(2,720)	-
Long-term prepayments		-	(6,000)
<b>Net cash generated from operations</b>		<u>851,222</u>	<u>635,909</u>
Financial charges paid		(804,907)	(838,019)
Gratuity paid		(14,808)	-
Taxes paid		(200,767)	(609,702)
<b>Net cash used in from operating activities</b>		<u>(169,260)</u>	<u>(811,812)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(1,519,876)	(174,734)
Dividend income received		10,916	9,704
Proceeds from disposal of property, plant and equipment		16,789	16,118
Interest income received		1,166	966
<b>Net cash used in investing activities</b>		<u>(1,491,005)</u>	<u>(147,946)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net repayment of long-term financing - secured		841,914	(130,895)
Dividends paid to non controlling interest		(148,578)	-
Dividends paid		(238,617)	(267,957)
<b>Net cash generated / (used in) financing activities</b>		<u>454,719</u>	<u>(398,852)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(1,205,546)</u>	<u>(1,358,610)</u>
Cash and cash equivalents at beginning of the period		(11,035,393)	(11,259,252)
Cash and cash equivalents at end of the period		<u>(12,240,939)</u>	<u>(12,617,862)</u>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>			
Cash and bank balances		170,832	161,414
Short-term borrowings - secured	15	(12,411,771)	(12,779,276)
		<u>(12,240,939)</u>	<u>(12,617,862)</u>

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

  
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Board Audit Committee

  
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Chief Executive Officer

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

For the six months period ended 31 December 2014

	Attributable to owners of the Holding Company							Non-controlling interest	Total
	Issued, subscribed and paid-up capital	General reserves	Un-appropriated profit / (loss)	Exchange translation reserve	Total reserves	Total			
	(Rupees in '000)								
<b>Balance as at 1 July 2013</b>	1,198,926	2,139,958	711,050	-	2,851,008	4,049,934	1,968,476	6,018,410	
Total comprehensive income for the period ended 31 December 2013									
Profit for the period	-	-	463,290	-	463,290	463,290	133,135	596,425	
<b>Distribution to owners of the Holding Company:</b>									
-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	
<b>Balance as at 31 December 2013</b>	<u>1,198,926</u>	<u>2,991,258</u>	<u>58,928</u>	<u>-</u>	<u>3,050,186</u>	<u>4,249,112</u>	<u>2,102,876</u>	<u>6,351,988</u>	
<b>Balance as at 1 July 2014</b>	1,198,926	2,991,258	337,882	159	3,329,299	4,528,225	2,270,756	6,798,981	
Total comprehensive income for the period ended 31 December 2014									
Profit for the period	-	-	125,243	-	125,243	125,243	19,671	144,914	
Other comprehensive income	-	-	(10,675)	-	(10,675)	(10,675)	-	(10,675)	
	-	-	114,568	-	114,568	114,568	19,671	134,239	
<b>Distribution to owners of the Holding Company:</b>									
-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)	
Re-translate to reserve	-	-	-	(1,088)	(1,088)	(1,088)	-	(1,088)	
Final dividend @ 10% (Re. 1.00 per share) attributable to non controlling interest	-	-	-	-	-	-	(189,944)	(189,944)	
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	11,292	-	11,292	11,292	2,530	13,822	
<b>Balance as at 31 December 2014</b>	<u>1,198,926</u>	<u>2,991,258</u>	<u>223,956</u>	<u>(929)</u>	<u>3,214,285</u>	<u>4,413,211</u>	<u>2,103,013</u>	<u>6,516,224</u>	

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



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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 six months period ended 31 December 2014

## 1. THE GROUP AND ITS OPERATIONS

- 1.1 The Group consists of International Industries Limited, the Holding Company, and International Steels Limited, IIL Australia PTY Limited and IIL Stainless Steel (Private) Limited (the Subsidiary Companies) (together referred to as "the Group" and individually as "Group Entities") and the Group's interest in its equity-accounted investee namely Pakistan Cables Limited.
- 1.2 International Industries Limited was incorporated in Pakistan in 1948 and is quoted on the Karachi, Lahore and Islamabad Stock Exchanges. It is in the business of manufacturing and marketing galvanized steel pipes, precision steel tubes, API line pipes and polyethylene pipes. Its registered office is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.
- 1.3 International Steels Limited was incorporated in Pakistan in 2007 as an unlisted company under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. Subsequent to the sale of shares by the Holding Company to the general public under an Initial Public Offer, it was listed on the Karachi Stock Exchange on 1 June 2011. Its primary activity is the manufacturing of cold rolled steel coils and galvanized sheets. It commenced commercial operations on 1 January 2011. Its registered office is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.
- 1.4 IIL Australia PTY Limited (IIL Australia) was incorporated in Victoria, Australia on 2 May 2014 and is in the business of distribution and marketing of galvanized steel pipes, precision steel tubes and pre-galvanized pipes. The registered office is situated at 101 - 103, Abbot Road, Hallam, Victoria 3803 Australia.
- 1.5 IIL Stainless Steel (Private) Limited was incorporated in Pakistan on 28 November 2014 and is in the business of manufacturing and marketing stainless steel pipe. The registered office is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530. As at 31 December, no substantial business activity has been carried out by IIL Stainless Steel (Private) Limited.
- 1.6 Details of the Group's equity-accounted investee are given in note 5 to this condensed interim consolidated financial information.

## 2. BASIS OF PREPARATION

- 2.1 This condensed interim consolidated financial information has been prepared from the information available in the condensed un-audited separate financial information of the Holding Company for six months period ended 31 December 2014 and the condensed un-audited financial information of the Subsidiary Companies for the period ended 31 December 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.

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

For the six months period ended 31 December 2014

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

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

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **3.1 Basis of consolidation**

#### **3.1.1 Investment in subsidiaries**

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

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

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

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

#### **3.1.2 Investment in associate**

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

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

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



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

For the six months period ended 31 December 2014

## 4. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work - in - progress (Rupees in '000)	Total
<b>Cost / revalued amount</b>			
Opening balance	16,217,574	395,731	16,613,305
Additions	360,235	1,266,606	1,626,841
Disposal / transfers	(37,728)	(91,763)	(129,491)
	<u>16,540,081</u>	<u>1,570,574</u>	<u>18,110,655</u>
<b>Accumulated depreciation</b>			
Opening balance	(3,341,576)	-	(3,341,576)
Disposal	(230,957)	-	(230,957)
Charge for the period	(118,573)	-	(118,573)
	<u>(3,691,106)</u>	<u>-</u>	<u>(3,691,106)</u>
<b>Written down value as at 31 December 2014 (Un-audited)</b>	<u>12,848,975</u>	<u>1,570,574</u>	<u>14,419,549</u>
Written down value as at 30 June 2014 (Audited)	<u>12,875,998</u>	<u>395,731</u>	<u>13,271,729</u>
		<b>31 December 2014</b> (Un-audited) (Rupees in '000)	<b>30 June 2014</b> (Audited)

## 5. INVESTMENT IN EQUITY - ACCOUNTED INVESTEE

Pakistan Cables Limited - associate company	5.1	<u>184,236</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 31 December 2014 was Rs. 388.146 million (30 June 2014: Rs. 241.985 million). The share of profit after acquisition is recognised based on PCL's unaudited financial statements as at 30 September 2014. The latest financial statements of the Associated Company as at 31 December 2014 are not presently available.

	<b>31 December 2014</b> (Un-audited) (Rupees in '000)	<b>30 June 2014</b> (Audited)
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## 6. STOCK-IN-TRADE

Raw material - in hand	2,786,578	4,766,698
- in transit	<u>3,652,409</u>	<u>595,652</u>
	<u>6,438,987</u>	<u>5,362,350</u>
Work-in-process	1,539,528	2,236,965
Finished goods	3,588,274	2,698,961
By-products	53,316	26,835
Scrap material	160,661	13,664
	<u>11,780,766</u>	<u>10,338,775</u>

- 6.1 Raw material amounting to Rs.6.27 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 six months period ended 31 December 2014

		31 December 2014 (Un-audited)	30 June 2014 (Audited)
		(Rupees in '000)	
<b>7. TRADE DEBTS</b>			
Considered good:			
- secured		1,782,610	2,079,257
- unsecured		1,551,807	1,367,885
		<u>3,334,417</u>	<u>3,447,142</u>
Considered doubtful		46,219	40,777
		<u>3,380,636</u>	<u>3,487,919</u>
Provision for doubtful debts		(46,219)	(40,777)
		<u>3,334,417</u>	<u>3,447,142</u>
<b>8. ADVANCES</b>			
Considered good:			
- Suppliers and service providers		135,306	282,591
- Employees		34,592	16,996
		<u>169,898</u>	<u>299,587</u>
<b>9. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Trade deposits		18,523	8,813
Short-term prepayments		18,023	10,364
		<u>36,546</u>	<u>19,177</u>
<b>10. OTHER RECEIVABLES</b>			
Considered good:			
- Receivable against sale of land		8,171	14,000
- Receivable for transmission of electricity to K- Electric Limited		50,773	58,641
- Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods		25,940	25,940
- Insurance Claim receivable	10.1	13,837	-
- Others		1,030	1,019
		<u>99,751</u>	<u>99,600</u>
<b>10.1</b>	This represents an amount receivable from an associated company		
<b>11. RESERVES</b>			
General Reserves		2,991,258	2,991,258
Unappropriated profit		223,956	337,882
		<u>3,215,214</u>	<u>3,329,140</u>
<b>12. LONG-TERM FINANCING - secured</b>			
Long-term finances utilised under mark-up arrangements	12.1	375,000	450,000
Syndicated LTFF term finance	12.2	3,372,098	2,842,684
Long-term finance	12.3	1,295,683	908,183
		<u>5,042,781</u>	<u>4,200,867</u>
Current portion of long-term financing shown under current liabilities		(937,377)	(899,877)
		<u>4,105,404</u>	<u>3,300,990</u>

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

For the six months period ended 31 December 2014

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

**12.2** The Syndicated LTFF amounting to Rs. 2,592 million (30 June 2014: Rs.2,842.7 million) is obtained by the subsidiary Company (ISL) is secured by way of mortgage of land located at Survey No. 399-401 and 403-404, Landhi Town, Karachi, and joint hypothecation of all present and future fixed assets (excluding land and building) as per the terms of syndicated term financing agreement. It is repayable in sixteen half yearly instalments which commenced from March 2011. The rate of mark-up on these finance is 1.5% over SBP rate (30 June 2014: 1.5% over SBP rate).

During the quarter first tranche of a new bilateral LTFF amounting to Rs. 780 million for expansion project by the Subsidiary Company is obtained from participating banks and is secured by way of mortgage of land located at Survey No. 399-400 and 403-404, Landhi Town, Karachi, and joint hypothecation of all present and future fixed assets (excluding land and building), as per the terms of syndicated term financing agreement. It is repayable in sixteen half yearly instalments which will commence from December 2016. The rate of mark-up on these finance is 1% over SBP rate the remaining portion of LTFF will be drawn at the time against plant and machinery.

**12.3** The long term finance facilities are secured by (ISL, subsidiary company) amounting to Rs. 495.68 million (30 June 2014: 608.2 million) by way of mortgage of land located at Survey No.399 - 400 and 403-404, Landhi Town, Karachi, and other fixed assets of the Company against ranking charge. It is repayable in eight half-yearly instalments which commenced from December 2012. The rate of markup ranges is 1.25% over 6 months KIBOR (30 June 2014: 1.25% over 6 months KIBOR).

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

During the six months period ended December 31, 2014 additional long term finance facility of Rs. 500 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.

		<b>31 December 2014</b>	30 June 2014
		(Un-audited)	(Audited)
	Note	(Rupees in '000)	
<b>13. TRADE AND OTHER PAYABLES</b>			
Trade creditors	13.1	2,448,066	3,362,257
Bills payable		1,856,889	581,252
Payable to provident fund		1,593	-
Accrued expenses	13.1	379,697	355,542
Provision for Infrastructure Cess	16.1.6	435,769	384,581
Short-term compensated absences		4,972	7,065
Advances from customers		86,798	209,716
Payable against purchase of land		16,111	98,528
Workers' Profit Participation Fund		9,486	57,298
Workers' Welfare Fund		4,481	41,201
Unclaimed dividends		14,371	13,203
Dividend payable by subsidiary company attributable to non controlling interest		41,366	-
Others		5,536	5,640
		<u>5,305,135</u>	<u>5,116,283</u>

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

For the six months period ended 31 December 2014

- 13.1** This includes amount payable to Associated Companies / Persons amounting to Rs. 4.643 million (30 June 2014: Rs. 1,360.8 million).

**14 DERIVATIVE FINANCIAL INSTRUMENTS - designated as hedging instruments**

The Holding Company has entered into forward exchange contract for USD 3.64 million (30 June 2014: Nil) to hedge its foreign currency exposure arising on firm commitments for purchase of machinery. The contract is designated as cash flow hedging instrument. At 31 December 2014, the fair value of the contract is Rs. 13.686 million resulting in recognition of liability.

**15. SHORT-TERM BORROWINGS - secured**

Running finance under mark-up arrangement	15.1	1,973,429	1,315,734
Short-term borrowing under Money Market Scheme	15.2	167,993	2,840,000
Short-term running finance under Export Refinance Scheme	15.3	4,109,800	1,612,000
Running finance under FE-25 Import Scheme	15.4	4,782,227	4,194,907
Short-term finance under running Musharaka	15.5	928,877	397,194
Short-term finance under Murabaha and Istisna	15.6	449,445	793,706
		<u>12,411,771</u>	<u>11,153,541</u>

- 15.1** The facilities for running finance under mark-up arrangements, available to the Group Entities from various commercial banks, amounted to Rs. 7,860 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 11.87% 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 +0.18% to KIBOR +1.75% (2014: KIBOR+0.3% to KIBOR+2% per annum).
- 15.2** The Holding Company has obtained facilities for short-term borrowing under Money Market Scheme financing from various commercial banks under mark-up arrangements amounted to Rs. 3,122 million (30 June 2014: Rs. 5,087 million). The rates of mark-up on these facilities range from 10.05% to 10.39% per annum (30 June 2014: 10.10% to 10.39% per annum).
- 15.3** The Group Entities have borrowed short-term running finance under Export Refinance Scheme offered by the State Bank of Pakistan. The facilities availed are for an amount of Rs. 4,109.8 (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).
- 15.4** The Group Entities have borrowed short-term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 from various commercial banks for the purpose of meeting import requirements. The facilities availed are for an amount of USD 58 million equivalent to Rs.4,782 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 4.00% per annum (30 June 2014: 1.50% to 3.82% per annum). The facilities mature within six months and are renewable.
- 15.5** This represents Islamic Term Musharakah available from commercial bank by Subsidiary Company for the purpose of meeting working capital requirements. The facility is availed for an amount of Rs 928.8 million. (30 June 2014: Rs. 794 million). It carries mark-up at the of 3 months KIBOR + 0.20% (30 June 2014: KIBOR + 0.45%). The facility matures within one year and are renewable.
- 15.6** The Subsidiary Company has obtained facilities for short-term finance under Murahaba and Istisna under Islamic financing arrangement. The rate of profit is KIBOR + 0.25% (30 June 2014: KIBOR+0.30%). The facilities mature within six months and are renewable.

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

For the six months period ended 31 December 2014

- 15.7** All running finances and short-term borrowing facilities availed by the Holding Company are secured by way of hypothecation of all its present and future fixed assets (excluding lands and buildings) and present and future current and moveable assets.
- 15.8** As at 31 December 2014, the unavailed facilities of the Holding Company and the Subsidiary Company (ISL) amounted to Rs 6,430.5 million (30 June 2014: Rs 6,065.8 million) and Rs 3,855 million (30 June 2014: Rs 5,123.69 million) respectively.
- 15.9** The aforementioned facilities of the Subsidiary Company (ISL) are secured by way of joint and first pari passu charges over its current assets.

## **16. CONTINGENCIES AND COMMITMENTS**

### **16.1 Contingencies**

- 16.1.1** Bank guarantees have been issued by the Holding Company under certain supply contracts and to the Collector of Customs aggregating Rs. 154.043 million (30 June 2014: Rs.137.5 million).
- 16.1.2** Bank guarantees have been issued by the Subsidiary Company (ISL) to Sui Southern Gas Company Limited of Rs. 201.65 million (30 June 2013: Rs. 177.2 million) as a security for supply of gas.
- 16.1.3** Custom duties amounting to Rs.601 million (30 June 2014: Rs. 713 million) on import of raw material shall be payable by the Holding Company in case of non-fulfillment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006 Serial No. 91. The Holding Company has provided post-dated cheques to Collector of Customs as per normal practice and these will be returned once the stipulated conditions are fulfilled. As Serial No. 91 is abolished, disposal of this case on merits is awaited from the High Court of Sindh to recover post-dated cheques and application for return of the same have been applied to Customs Department.
- 16.1.4** 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 constitutional petition in the Sindh High Court in 2010 for an injunction and as the said anomaly is removed, the final decision is awaited on the merits of the case.
- 16.1.5** The customs authorities have charged a redemption fine of Rs. 83 million on the clearance of an imported raw material consignment in 2006 by the Holding Company. It has filed an appeal before the Sindh High Court, which has set aside the examination reports including the subsequent order produced by 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 in the Supreme Court of Pakistan, which has remanded the case to the High Court for hearing of the case on merits. As the case after being remanded is pending in the Sindh High Court, based on the advice of its legal counsel the chances of success of the Holding Company in the appeal are fair.
- 16.1.6** The Holding Company has reversed a provision for the levy of Infrastructure Cess amounting to Rs.107 million in 2009 on the basis of a decision of the Sindh High Court which declared the levy of Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court of Pakistan against such order. In May 2011, the Supreme Court disposed off the appeal with a joint statement of the parties that, during the pendency of the appeal, another law i.e Fifth Version came into existence which was not the subject matter of the appeal. Hence the case was referred back to the High Court with the right to appeal to the Supreme Court. On 31 May 2011, the High Court granted interim relief on an application of petitioners on certain terms including discharge and return of bank guarantees / security furnished on consignments released upto 27 December 2006 and any bank guarantee / security furnished for consignments released after 27 December 2006 shall be encashed to extent of 50% of the guaranteed or secured amount only with the balance kept intact till the disposal of the petition. In case the High Court upholds the applicability of Fifth Version of the law and its retrospective application, the authorities are entitled to claim the amounts due under the said law with the right to appeal available to the petitioner. Bank guarantees amounting to Rs. 570 million (30 June 2014: Rs. 504.5 million) have been provided to the Department in this regard by the Group. However, a provision to the extent of amount utilised from the limit of guarantee has also been provided for by the Group on prudent basis (note 13).

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

For the six months period ended 31 December 2014

**16.1.7** As per the Gas Infrastructure and Development Cess Act 2011 (the Act), certain companies as specified in the Act (including SSGC) were allowed to collect and pay GID Cess as the Federal Government may prescribe. As per the second schedule of the Act, GID Cess of Rs. 13 per MMBTU was payable by the Group entities. Through Finance Bill 2012-13, an amendment was made to the Act whereby the rate of GID Cess applicable on the Group entities was increased to Rs. 100 per MMBTU. On 1 August 2012 a suit was filed challenging the Act for its legality. The Sindh High Court vide its ad-interim order dated 6 September 2012 restrained SSGC from charging GID Cess above Rs. 13 per MMBTU. Hence SSGC invoiced and the Company continues to record GID Cess at Rs. 13 per MMBTU. The Peshawar High Court vide order dated 13 June 2013 declared that the provisions of the Act imposing, the impugned cess, ultra vires and unconstitutional and the same position was upheld by the Supreme Court of Pakistan vide its order dated 22 August 2014.

During the six months period ended 31 Dec 2014, the Federal Government promulgated GID Cess Ordinance 2014 imposing GID at Rs. 200 per MMBTU for captive power plants and Rs. 150 per MMBTU for industrial units. The Group Entities filed a constitutional petition on the basis that GID Cess Act 2011 should be dealt in accordance with the decision of Supreme Court. The Ordinance included the application of GID Cess as defined in the Act. In view of Supreme Court's order declaring the application of the Act as unconstitutional and ultra vires, the Group Entities have not recorded the differential of GID Cess at the stipulated rate per MMBTU amounting to Rs. 347 million in these condensed interim consolidated financial information.

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

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

During the six months period ended 31 December 2014, the SHC heard the petition in length and remanded the case back to the Collector Adjudication II, for fresh examination strictly in accordance with the law. There has been two hearing in this matter so far and the Holding Company has submitted its written legal arguments. Based on the advice of legal counsel and merits of the case, the Holding Company is confident that the subject demand is unjustified and the matter will be decided in its favour.

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

The Subsidiary Company, based on legal counsel's advice considers that certain strong grounds are available whereby the aforesaid decision can be challenged in a Larger Bench of the Sindh High Court or the Supreme Court of Pakistan. A leave to appeal against the aforesaid decision has already been filed before the Supreme Court by other companies which is pending for hearing. In view of above, the Subsidiary Company is confident that the ultimate outcome in this regard would be favourable. Accumulated minimum tax liability of Rs. 408.8 million was determined for the tax years 2012, 2013 and 2014. However based on the assessment and estimation for availability of sufficient taxable profits on the basis of 5 years projection and tax credits available to the Subsidiary Company under section 65B of the Income Tax Ordinance 2001. Accordingly, accumulated minimum tax liability amounting to Rs.479.69 million has not been recorded on the same basis in these condensed interim financial information.

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

For the six months period ended 31 December 2014

## 16.2 Commitments

- 16.2.1** Capital expenditure commitments of the Group Entities outstanding as at 31 December 2014 amounted to Rs.2,435 million (30 June 2014: Rs.2023 million).
- 16.2.2** Commitments under letters of credit established by the Group Entities for raw material and spares as at 31 December 2014 to Rs. 5,253 million (30 June 2014: Rs.3,987 million).
- 16.2.3** Commitments under purchase contracts entered into by the Holding Company as at 31 December 2014 amounted to Rs. 13 million (30 June 2014: Rs.92.5 million).
- 16.2.4** The unavailed facilities of the Group Entities for opening letters of credit and guarantees from banks as at 31 December 2014 amounted to Rs. 16,740 million (30 June 2014: 15,321 million) and Rs. 377 million (30 June 2014: 457 million) respectively.

	Half year ended		Quarter ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
<b>17. NET SALES</b>	----- (Rupees in '000) -----			
Local	13,647,756	15,782,958	6,857,994	8,522,538
Export	4,923,333	3,658,393	2,698,961	1,888,864
	<u>18,571,089</u>	<u>19,441,351</u>	<u>9,556,955</u>	<u>10,411,402</u>
Sales Tax	(2,051,854)	(2,486,194)	(1,009,892)	(1,375,850)
Trade discounts	(107,627)	(29,265)	(51,775)	(21,157)
Sales discount and commission	(254,944)	(277,946)	(129,172)	(159,627)
	<u>(2,414,425)</u>	<u>(2,793,405)</u>	<u>(1,190,839)</u>	<u>(1,556,634)</u>
	<u>16,156,664</u>	<u>16,647,946</u>	<u>8,366,116</u>	<u>8,854,768</u>
<b>18. COST OF SALES</b>				
Opening stock of raw material and work-in-process	7,003,663	4,900,295	5,646,945	7,289,612
Purchases	12,033,207	16,132,349	6,624,906	7,198,487
Salaries, wages and benefits	434,869	382,521	220,308	194,303
Rates and taxes	430	648	230	448
Electricity, gas and water	349,610	341,967	141,767	175,474
Insurance	12,607	16,223	6,750	8,589
Security and janitorial	20,339	16,700	10,576	8,651
Depreciation and amortisation	338,550	314,172	171,046	156,065
Stores and spares consumed	53,585	103,162	22,574	54,902
Repairs and maintenance	86,606	74,312	44,099	28,587
Postage, telephone and stationery	8,249	7,121	3,700	3,709
Vehicle, travel and conveyance	14,880	13,144	8,333	6,982
Internal material handling	12,348	11,336	4,807	7,021
Environment controlling expense	627	667	405	318
Sundries	3,673	5,903	1,762	4,078
Sale of scrap generated during production	(423,622)	(371,887)	(253,628)	(205,011)
	<u>19,949,621</u>	<u>21,948,633</u>	<u>12,654,580</u>	<u>14,932,215</u>
Closing stock of raw material and work-in-process	(4,326,132)	(6,956,221)	(4,326,132)	(6,956,221)
Cost of goods manufactured	<u>15,623,489</u>	<u>14,992,412</u>	<u>8,328,448</u>	<u>7,975,994</u>
Finished goods and by-products :				
Opening stock	2,724,971	2,549,400	2,867,753	2,643,775
Closing stock	(3,641,590)	(2,982,311)	(3,641,590)	(2,982,311)
	<u>(916,619)</u>	<u>(432,911)</u>	<u>(773,837)</u>	<u>(338,536)</u>
	<u>14,706,870</u>	<u>14,559,501</u>	<u>7,554,611</u>	<u>7,637,458</u>



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

For the six months period ended 31 December 2014

## 19 SELLING & DISTRIBUTION EXPENSES

	Half year ended		Quarter ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	----- (Rupees in '000) -----			
Freight and forwarding expenses	268,308	242,157	133,233	133,701
Salaries, wages and benefits	68,321	72,455	33,421	35,225
Rent, rates and taxes	161	409	(157)	205
Electricity, gas and water	2,932	2,108	1,268	972
Insurance	1,907	2,124	1,021	1,053
Depreciation and amortisation	5,171	4,786	2,615	2,423
Repair and maintenance	782	623	231	367
Advertising and sales promotion	9,478	7,558	7,635	(197)
Postage, telephone and stationery	2,941	2,270	1,649	1,105
Office supplies	18	14	17	10
Vehicle, travel and conveyance	9,174	9,028	4,522	5,164
Provision for doubtful debts-net	5,442	7,588	7,798	9
Certification and registration charges	3,568	54	1,123	45
Others	3,060	2,245	3,060	1,303
	<u>381,263</u>	<u>353,419</u>	<u>197,436</u>	<u>181,385</u>

## 20 ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	105,976	110,487	54,098	54,928
Rent, rates and taxes	521	102	350	23
Electricity, gas and water	1,913	1,775	845	764
Insurance	587	549	223	307
Depreciation and amortisation	8,861	8,015	4,438	3,631
Repair and maintenance	328	347	145	160
Postage, telephone and stationery	4,470	4,877	1,583	2,893
Office supplies	14	51	6	20
Vehicle, travel and conveyance	5,886	5,722	3,947	3,026
Legal and professional charges	12,724	13,639	5,462	6,273
Certifications and registration charges	1,199	1,038	675	727
Directors' fees	3,550	2,960	1,400	1,640
Others	6,882	7,292	4,535	3,745
	<u>152,911</u>	<u>156,854</u>	<u>77,707</u>	<u>78,137</u>

## 21. FINANCIAL CHARGES

Mark-up on:				
- Long-term financing	199,453	202,164	100,682	97,459
- Short-term borrowings	430,012	659,915	224,986	361,647
	<u>629,465</u>	<u>862,079</u>	<u>325,668</u>	<u>459,106</u>
Exchange loss on FE borrowing	180,068	35,293	(113,003)	(861)
Interest on Workers' Profit Participation Fund	317	360	-	-
Bank charges	9,873	6,713	3,604	4,115
	<u>819,723</u>	<u>904,445</u>	<u>216,269</u>	<u>462,360</u>



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

For the six months period ended 31 December 2014

## 22. OTHER OPERATING CHARGES

	Half year ended		Quarter ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	(Rupees in '000)			
Auditors' remuneration	2,335	2,226	1,210	1,247
Loss on derivative financial instruments	-	1,076	-	1,076
Donations	7,925	10,665	4,150	6,100
Exchange loss	29,908	-	-	-
Workers' Profit Participation Fund	9,486	38,765	9,486	25,706
Workers' Welfare Fund	3,794	15,516	3,794	10,312
Project development expenses	2,847	-	2,847	-
Others	-	825	(332)	666
	<u>56,295</u>	<u>69,073</u>	<u>21,155</u>	<u>45,107</u>

## 23. OTHER INCOME

<b>Income / return on financial assets</b>				
Interest on bank deposits	1,166	838	696	606
<b>Income from non-financial assets</b>				
Income from power generation - 18MW	20,072	13,286	7,747	7,909
Income from power generation - 4MW	29,264	26,491	15,747	14,530
Gain on disposal of property, plant and equipment	13,136	6,155	8,594	3,819
Rental income	858	858	429	429
Exchange gain / (loss) - net	53,129	61,409	(23,290)	(2,297)
Others	19,790	7,199	(647)	3,487
	<u>137,415</u>	<u>116,236</u>	<u>9,276</u>	<u>28,483</u>

## 24. TAXATION

Current for the year	73,764	156,822	47,831	108,302
Deferred	(29,454)	(24,344)	37,215	-
	<u>44,310</u>	<u>132,478</u>	<u>85,046</u>	<u>108,302</u>

Relationship between income tax expenses and accounting profit

	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	Effective tax rate %		Rupees in 000	
Profit before taxation			189,224	728,903
Tax at the enacted tax rate	33.00	34.00	62,444	247,827
Tax effect of income subject to lower tax	(1.23)	(0.38)	(2,327)	(2,743)
Tax effect of rebate / credits	(3.29)	(1.04)	(6,224)	(7,548)
Tax effect on export under final tax regime	(6.55)	(3.07)	(12,400)	(22,381)
Effect of change in rates and proportionate etc	(4.87)	(4.29)	(9,214)	(31,235)
Others	6.36	0.57	12,031	4,124
	<u>23.42</u>	<u>18.17</u>	<u>44,310</u>	<u>132,478</u>

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

For the six months period ended 31 December 2014

## 25. TRANSACTIONS WITH RELATED PARTIES

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

	Half year ended		Quarter ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Transactions with related parties	----- (Rupees in '000) -----			
<b>Associated companies</b>				
Sales	297,648	315,257	221,441	144,710
Purchases	6,309,061	5,838,950	1,968,191	3,232,524
Purchase of vehicle	1,783	-	-	-
Insurance premium expense	26,174	38,025	14,778	31,426
Insurance claim / adjustments	72,421	1,205	57,071	1,205
Rental income	858	858	429	429
Donations paid	1,000	300	-	300
Dividend paid	12,424	1,296	12,424	-
Dividend received	10,917	9,704	10,917	-
Reimbursement of payments made on behalf of associated company	-	592	-	-
Subscriptions paid	-	111	-	99
Participation fee	99	-	99	-
Sales commission	924	-	924	-
<b>Key management personnel and their spouses</b>				
Remuneration	158,014	145,995	78,724	70,075
Sales commission expense	1,962	2,542	975	920
Staff retirement benefits	2,752	2,717	1,675	1,609
<b>Staff retirement benefit plans</b>				
Contribution paid	45,531	29,627	29,441	14,696
<b>Non- executive directors' fees</b>	3,550	2,960	2,150	1,640

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

### Balances with related parties

#### Trade debts

Sui Southern Gas Company Limited	110,007	15,496
Sui Northern Gas Pipelines Limited	45,031	-
Pakistan Cables Limited	35	-
Doogood Enterprises (Pty) Limited	13,090	-

## 26. SEGMENT REPORTING

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

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

For the six months period ended 31 December 2014

## SEGMENT REVENUE AND RESULTS

	Steel Coils & Sheets	Steel Pipes	Plastic Pipes	Total
----- (Rupees in '000) -----				
<b>For the period ended 31 December 2014</b>				
Sales				
External Customers	7,998,450	7,851,672	306,542	16,156,664
Inter Segment revenue	493,221	69,419	-	562,640
	<u>8,491,671</u>	<u>7,921,091</u>	<u>306,542</u>	<u>16,719,304</u>
Cost of sales	7,778,888	7,201,112	289,510	15,269,510
Gross Profit	<u>712,783</u>	<u>719,979</u>	<u>17,032</u>	<u>1,449,794</u>

## For the period ended 31 December 2013

Sales				
External Customers	9,107,305	7,214,184	326,457	16,647,946
Inter Segment revenue	885,341	1,468	-	886,809
	<u>9,992,646</u>	<u>7,215,652</u>	<u>326,457</u>	<u>17,534,755</u>
Cost of sales	8,883,308	6,223,463	339,539	15,446,310
Gross Profit / (loss)	<u>1,109,338</u>	<u>992,189</u>	<u>(13,082)</u>	<u>2,088,445</u>

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

	Half year ended	
	31 December 2014	31 December 2013
	(Rupees in '000)	
<b>Total results for reportable segments</b>	1,449,794	2,088,445
Selling, distribution and administrative expenses	(534,174)	(510,273)
Financial charges	(819,723)	(904,445)
Other operating expenses	(56,295)	(69,073)
Other operating income	137,415	116,236
Share of profit in equity		
-accounted investee - net of tax	12,207	8,013
Taxation	(44,310)	(132,478)
<b>Profit after tax</b>	<u>144,914</u>	<u>596,425</u>

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

For the six months period ended 31 December 2014

## SEGMENT ASSETS & LIABILITIES

	Steel Coils & Sheets	Steel Pipes	Plastic Pipes	Total
------(Rupees in '000)-----				
<b>As at 31 December 2014 - Un-audited</b>				
Segment assets	<u>17,340,823</u>	<u>11,661,184</u>	<u>532,725</u>	<u>29,534,732</u>
Segment liabilities	<u>13,070,328</u>	<u>8,619,978</u>	<u>453,108</u>	<u>22,143,414</u>
<b>As at 30 June 2014 - Audited</b>				
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>

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

	31 December 2014 (Un-audited)	30 June 2014 (Audited)
(Rupees in '000)		
Total reportable segments assets	29,534,732	27,057,646
Unallocated assets	3,102,646	3,596,869
<b>Total assets as per Balance Sheet</b>	<u>32,637,378</u>	<u>30,654,515</u>
Total reportable segments liabilities	22,143,414	19,955,812
Unallocated liabilities	1,491,844	1,397,727
<b>Total liabilities as per Balance Sheet</b>	<u>23,635,258</u>	<u>21,353,539</u>

## 27. GENERAL

**27.1** The Board of Directors of the Holding Company in their meeting held on 23 January 2015 have declared an interim cash dividend of Rs. 1.50 per share (15%) for the year ending 30 June 2015 amounting to Rs. 179.84 million. This condensed interim consolidated financial information does not include effect of the interim cash dividend which will be accounted for in the financial statements for the year ending 30 June 2015.

**27.2** This condensed interim consolidated financial information was authorised for issue by the Board of Directors of the Holding Company on 23 January 2015.

  
**Fuad Azim Hashimi**  
 Director & Chairman  
 Board Audit Committee

  
**Haseeb Hafeezuddeen**  
 Chief Financial Officer

  
**Riyaz T Chinoy**  
 Chief Executive Officer