

**A part of
our lives**

Unaudited Financial Statements
Half Year ended December 31, 2017

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

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Company Information

Chairman (Non-Executive)

Mr. Mustapha A. Chinoy

Independent Director

Mr. Tariq Ikram
Mr. Ehsan A. Malik
Mr. Jehangir Shah

Non-Executive Director

Mr. Kamal A. Chinoy
Mr. Fuad Azim Hashimi
Mr. Azam Faruque

Managing Director & Chief Executive Officer

Mr. Riyaz T. Chinoy

Advisor

Mr. Tawfiq H. Chinoy

Chief Financial Officer

Mr. Nadir Akbarali Jamal

Company Secretary

Ms. Uzma Amjad Ali

Chief Internal Auditor

Ms. Asema Tapal

Internal Auditors

M/s EY Ford Rhodes

External Auditors

M/s KPMG Taseer Hadi & Co.

Bankers

Allied Bank Ltd.
Askari Bank Ltd.
Bank Al Habib Ltd.
Bank Alfalah Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
MCB Bank Ltd.
Meezan Bank Ltd.
Samba Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
United Bank Ltd.

Legal Advisor

Mrs. Sana Shaikh Fikree
Mr. Ameen Bandukda

Registered Office

101, Beaumont Plaza, 10, Beaumont Road,
Karachi - 75530
Telephone Nos: +9221-35680045-54,
UAN: 021-111-019-019
Fax: +9221-35680373,
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Telephone Nos: +9251-4864601-2

Multan Office

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Peshawar Office

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Telephone Nos: +9291-5845068

Factories

Factory 1

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Telephone Nos: +9221-35080451-55,
Fax: +9221-35082403
E-mail: factory@iil.com.pk

Factory 2

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

Factory 3

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

Website

www.iil.com.pk

Investor Relations Contact

Shares Registrar

Central Depository Company of Pakistan Ltd.
CDC House, 99-B, Block "B", S.M.C.H.S.,
Shahrah-e-Faisal, Karachi.
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Assistant Company Secretary

Mr. Mohammad Irfan Bhatti
101 Beaumont Plaza, 10 Beaumont Road,
Karachi. Tel: +9221-111-019-019,
Fax: +9221-35680373
E-mail : irfan.bhatti@iil.com.pk

Directors' Report

The Directors of your Company are pleased to present the half yearly financial statements for the period ended December 31, 2017.

In terms of value, the Company's gross sales turnover of Rs.14.5bn was 63% higher than the same period last year, however, in terms of volume, the turnover was 37% higher than the same period last year. In spite of shortfall in export sales, the company was not just able to recoup those sales but also show a substantial growth as compared to last year. This was possible by increase in domestic sales and substantial increase in tender business.

The performance of Plastics Division also showed substantial growth during this period. The sale of Plastics was 108% higher than same period last year in terms of value and 95% higher in terms of volume. As a result, the Plastics Division posted a gross profit of Rs.102m as compared to Rs.58m during the same period last year. The PPRC business commenced during this quarter and is showing encouraging signs for the future.

The Company achieved a gross margin of 14% as compared to 20% for the same period last year. The lower gross margin was compensated by volume growth which the company achieved.

Profit Before Tax is Rs.990mn as compared to Rs.1,075mn last year. This Year's profit included an amount of Rs.249mn of Dividend bringing the operational profit to Rs.741mn as compared to Rs.758mn for the same period last year. This profit translates into earnings per share of Rs.6.00 per share (Same period Last Year Rs6.72 per share).

ISL registered a sales volume of 268,000 metric tons (same period last year 245,000 metric tons) with corresponding gross sales turnover of Rs.22.2bn compared to Rs. 15.2bn same period last year. ISL's Profit after Tax for the half year was Rs. 2,093mn compared to Rs.1,160mn for the same period last year registering a growth of 80%.

The Company's other subsidiaries, IIL Australia (Pty) Ltd. and IIL Stainless Steel Private Limited posted sales turnover of Rs.656mn and Rs.96mn respectively. Both entities posted profit of about Rs.0.831mn and Rs.4.2mn respectively during the period under review.

The Group P&L shows a Profit after Taxation of Rs.2,574mn during the half year as compared to Rs.1,699mn for the same period last year.

Outlook for the 3rd quarter is positive and is expected to be driven by growing sales.

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



Mustapha A. Chinoy
Chairman

Date: 25 January 2018
Karachi.



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 2017, 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 quarter ended 31 December 2017 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Date: 25 January 2018
Karachi

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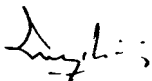
KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

Condensed Interim Unconsolidated Balance Sheet

As at 31 December 2017

	Note	31 December 2017 (Un-audited)	30 June 2017 (Audited)
(Rupees in '000)			
ASSETS			
Non current assets			
Property, plant and equipment	5	5,461,222	5,088,085
Intangible assets		12,071	15,509
Investments	6	2,742,705	2,742,705
Long term deposits		63,226	51,475
		8,279,224	7,897,774
Current assets			
Stores and spares		132,538	107,381
Stock-in-trade	7	8,036,794	8,164,856
Trade debts	8	3,045,397	1,981,679
Advances	9	79,249	59,014
Trade deposits and short term prepayments	10	20,472	13,032
Other receivables	11	17,415	18,446
Sales tax receivable		77,120	266,817
Cash and bank balances		98,307	7,279
		11,507,292	10,618,504
Total assets		19,786,516	18,516,278
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital		2,000,000	2,000,000
200,000,000 (2017: 200,000,000) ordinary shares of Rs. 10 each			
Issued, subscribed and paid-up capital		1,198,926	1,198,926
Reserves	12	5,146,619	4,642,511
Total equity		6,345,545	5,841,437
Surplus on revaluation of property, plant and equipment		1,992,943	2,017,384
LIABILITIES			
Non-current liabilities			
Long-term financing - secured	13	1,203,803	1,178,347
Staff retirement benefits		85,121	85,121
Deferred taxation - net		228,958	230,208
		1,517,882	1,493,676
Current liabilities			
Trade and other payables	14	2,984,864	2,995,759
Short term borrowings - secured	15	6,433,835	5,899,407
Current portion of long-term finances	13	155,162	109,707
Taxation		282,143	96,337
Accrued mark-up		74,142	62,571
		9,930,146	9,163,781
Total liabilities		11,448,028	10,657,457
Total equity and liabilities		19,786,516	18,516,278
Contingencies and commitments	16	-	-

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



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Nadir Akbarali Jamal
Chief Financial Officer



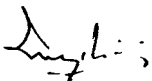
Riyaz T. Chinoy
Chief Executive Officer

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

For the six months and quarter ended 31 December 2017

Note	Six months period ended		Quarter ended		
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	
----- (Rupees in '000) -----					
Net sales	17	12,168,289	7,504,316	6,772,003	4,434,646
Cost of sales	18	(10,518,189)	(6,030,862)	(5,815,069)	(3,551,860)
Gross profit		1,650,100	1,473,454	956,934	882,786
Selling and distribution expenses	19	(561,924)	(397,922)	(316,916)	(235,521)
Administrative expenses	20	(150,159)	(127,856)	(83,336)	(63,672)
		(712,083)	(525,778)	(400,252)	(299,193)
Financial charges	21	(232,503)	(93,262)	(117,262)	(42,804)
Other operating charges	22	(71,068)	(117,636)	(44,073)	(96,344)
		(303,571)	(210,898)	(161,335)	(139,148)
Other income	23	355,571	338,708	72,382	20,228
Profit before taxation		990,017	1,075,486	467,729	464,673
Taxation	24	(270,565)	(269,300)	(151,370)	(132,000)
Profit after taxation for the period		719,452	806,186	316,359	332,673
----- (Rupees) -----					
Earnings per share - basic and diluted		6.00	6.72	2.64	2.77

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



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Nadir Akbarali Jamal
Chief Financial Officer



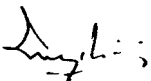
Riyaz T. Chinoy
Chief Executive Officer

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

For the six months and quarter ended 31 December 2017

	Six months period ended		Quarter ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	----- (Rupees in '000) -----			
Profit after taxation for the period	719,452	806,186	316,359	332,673
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	719,452	806,186	316,359	332,673

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



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Nadir Akbarali Jamal
Chief Financial Officer



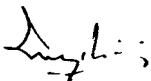
Riyaz T. Chinoy
Chief Executive Officer

Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)

For the six months period ended 31 December 2017

	Note	Six months period ended	
		31 December 2017	31 December 2016
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		990,017	1,075,486
Adjustments for :			
Depreciation and amortisation		182,915	190,671
Provision for doubtful debts		-	33,400
Interest on bank deposits	23	(858)	(577)
Gain on disposal of property, plant and equipment	23	(36,648)	(3,873)
Dividend income	23	(249,907)	(317,236)
Provision for staff gratuity		17,596	14,444
Financial charges	21	232,503	93,262
		1,135,618	1,085,577
Changes in:			
Working capital	25	(570,188)	(14,596)
Long term deposits		(11,751)	391
Net cash generated from operations		553,679	1,071,372
Financial charges paid		(220,932)	(85,353)
Payment of staff gratuity		(17,000)	(22,000)
Taxes paid		(86,009)	(79,478)
Net cash generated from operating activities		229,738	884,541
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(557,335)	(388,371)
Proceeds from disposal of property, plant and equipment		41,369	12,601
Dividend income received		249,907	317,236
Interest income received		858	577
Net cash used in investing activities		(265,201)	(57,957)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		103,037	-
Repayment of long term financing		(32,126)	(77,735)
Dividends paid		(478,848)	(417,325)
Net cash used in financing activities		(407,937)	(495,060)
Net (decrease) / increase in cash and cash equivalents		(443,400)	331,524
Cash and cash equivalents at beginning of the period		(5,892,128)	(3,227,427)
Cash and cash equivalents at end of the period		(6,335,528)	(2,895,903)
Cash and cash equivalents comprise:			
Cash and bank balances		98,307	1,214
Short term borrowings - secured	15	(6,433,835)	(2,897,117)
		(6,335,528)	(2,895,903)

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



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Nadir Akbarali Jamal
Chief Financial Officer



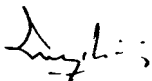
Riyaz T. Chinoy
Chief Executive Officer

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

For the six months period ended 31 December 2017

	Issued, subscribed and paid-up capital	Revenue Reserves		Total reserves	Total
		General reserves	Un- appropriated profit		
----- (Rupees in '000) -----					
Balance as at 1 July 2016	1,198,926	2,700,036	1,303,533	4,003,569	5,202,495
Changes in equity for the period ended 31 December 2016:					
Total comprehensive income for the period ended 31 December 2016					
Profit for the period	-	-	806,186	806,186	806,186
Other Comprehensive income for the period	-	-	-	-	-
Total Comprehensive income for the period	-	-	806,186	806,186	806,186
Transactions with owners of the Company - distributions:					
-Final dividend @ 35% (Rs. 3.50 per share) for the year ended 30 June 2016	-	-	(419,624)	(419,624)	(419,624)
Total transactions with owners of the Company - distribution	-	-	(419,624)	(419,624)	(419,624)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	44,625	44,625	44,625
Transfer from surplus on revaluation on disposal of fixed assets - net of deferred tax	-	-	3,939	3,939	3,939
Balance as at 31 December 2016	<u>1,198,926</u>	<u>2,700,036</u>	<u>1,738,659</u>	<u>4,438,695</u>	<u>5,637,621</u>
Balance as at 1 July 2017	1,198,926	2,700,036	1,942,475	4,642,511	5,841,437
Changes in equity for the period ended 31 December 2017:					
Total comprehensive income for the period ended 31 December 2017					
Profit for the period	-	-	719,452	719,452	719,452
Other Comprehensive income for the period	-	-	-	-	-
Total Comprehensive income for the period	-	-	719,452	719,452	719,452
Transactions with owners of the Company - distributions:					
-Final dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2017	-	-	(239,785)	(239,785)	(239,785)
Total transactions with owners of the Company - distribution	-	-	(239,785)	(239,785)	(239,785)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	23,691	23,691	23,691
Transfer from surplus on revaluation on disposal of fixed assets - net of deferred tax	-	-	750	750	750
Balance as at 31 December 2017	<u>1,198,926</u>	<u>2,700,036</u>	<u>2,446,583</u>	<u>5,146,619</u>	<u>6,345,545</u>

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



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Nadir Akbarali Jamal
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 2017

1. STATUS AND NATURE OF BUSINESS

International Industries Limited ("the Company") was incorporated in Pakistan in 1948 and is quoted on the Pakistan Stock Exchange. The Company is in the business of manufacturing and marketing galvanized steel pipes, precision steel tubes, API line pipes, polyethylene pipes and PPRC pipes & fittings. 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

2.1.1 This condensed interim unconsolidated financial information of the Company for the six months period ended 31 December 2017 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance 1984 have been followed.

2.1.2 The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its circular no.23/2017 dated 04 October 2017, further clarification issued by the Institute of Chartered Accountants of Pakistan vide its circular no.17/2017 dated 06 October 2017 financial information have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

2.1.3 These 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 unconsolidated financial statements of the Company as at and for the year ended 30 June 2017.

2.1.4 The comparative Balance Sheet presented in this condensed interim unconsolidated financial information has been extracted from the audited annual unconsolidated financial statements of the Company for the year ended 30 June 2017, 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 2016.

2.1.5 These condensed interim financial information is un-audited and is being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 245 of the repealed Companies Ordinance, 1984. The figures for the six months period ended 31 December 2017 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.

2.2 Basis of measurement

These 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

These 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 to the nearest thousand except where stated otherwise.

3. ACCOUNTING POLICIES

3.1. The accounting policies and methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in the preparation of audited annual unconsolidated financial statements of the Company as at and for the year ended 30 June 2017.

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

For the six months period ended 31 December 2017

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

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 reported 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 unconsolidated financial statement as at and for the year ended 30 June 2017.

4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual unconsolidated financial statements as at and for the year ended 30 June 2017.

5. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work - - in - progress	Total
	----- (Rupees in '000) -----		
Cost / revalued amount			
Opening balance	7,423,720	82,931	7,506,651
Additions	459,199	557,335	1,016,534
Disposal / transfers / adjustment	(45,767)	(459,199)	(504,966)
	<u>7,837,152</u>	<u>181,067</u>	<u>8,018,219</u>
Accumulated depreciation			
Opening balance	(2,418,566)	-	(2,418,566)
Charge for the period	(179,477)	-	(179,477)
Disposal / transfers / adjustment	41,046	-	41,046
	<u>(2,556,997)</u>	<u>-</u>	<u>(2,556,997)</u>
Written down value as at			
31 December 2017 (Un-audited)	<u>5,280,155</u>	<u>181,067</u>	<u>5,461,222</u>
Written down value as at 30 June 2017 (Audited)	<u>5,005,154</u>	<u>82,931</u>	<u>5,088,085</u>

5.1 The cost of additions in operating assets during the period are as under:

	Six months period ended (Un-audited)	
	31 December 2017	31 December 2016
	(Rupees in '000)	
Land-Leasehold	156,612	-
Building-Freehold	-	32,052
-Leasehold	18,118	6,587
Plant and Machinery	256,446	340,845
Furniture, fixture and office equipments	4,391	2,942
Vehicles	23,632	13,872
	<u>459,199</u>	<u>396,298</u>

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

For the six months period ended 31 December 2017

6. INVESTMENTS

(Un-audited) 31 December 2017	(Audited) 30 June 2017		Note	(Un-audited) 31 December 2017	(Audited) 30 June 2017
Number of shares				(Rupees in '000)	
Quoted companies					
245,055,534	245,055,534	International Steels Limited (ISL) - subsidiary company at cost	6.1	2,450,555	2,450,555
2,425,913	2,425,913	Pakistan Cables Limited (PCL) - associate company at cost	6.2	132,982	132,982
Un-quoted company					
100,000	100,000	IIL Australia Pty Limited (IIL Australia) - subsidiary company at cost	6.3	9,168	9,168
15,000,000	15,000,000	IIL Stainless Steel (Pvt.) Limited (IIL SS) - subsidiary company at cost	6.4	150,000	150,000
				2,742,705	2,742,705

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

6.1.1 The Company has filed the petition in the Sindh High Court against the deletion of clause 103A of the second schedule of the Income Tax Ordinance, 2001 and obtained a stay order on the deduction of withholding tax on the inter corporate dividend. As per the requirement of the stay order, the Company has pledge 500,000 shares of International Steels Limited in the Sindh High Court as a security against the tax payable on dividend declared by the International Steels Limited on 21 October 2016. Further, bank guarantees amounting to Rs.76.6 and Rs.36.8 million have also been given to Nazir of the Sindh High Court as a security against tax payable on dividend declared by the International Steels Limited on 02 June 2017 and 26 September 2017.

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

6.2.1 On 28 September 2017, at the Annual General Meeting, the shareholders passed a resolution that subject to the applicable regulatory approvals from Competition Commission of Pakistan (CCP), the Company is authorized to make further investment not exceeding Rs. 600 million in fully paid up 3,000,000 ordinary shares of the face value of Rs. 10 per share of Pakistan Cables Limited at a price not exceeding Rs. 200 per share. Currently, the Company is waiting for the regulatory approvals from CCP. As soon as the approval is received, the investment will be made. The Company's total equity investment in PCL stocks would after this purchase increase to 19.06%.

6.3 The Company holds 100% ownership interest in IIL Australia. The Chief Executive Officer of IIL Australia is Mr. Sohail Raza Bhojani. The Company is incorporated in Victoria, Australia.

6.4 The Company holds 100% ownership interest in IIL SS. The Chief Executive Officer of IIL SS is Mr. Khawar Bari.

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

	(Un-audited) 31 December 2017	(Audited) 30 June 2017
Quoted	(Rupees in '000)	
International Steels Limited	26,066,558	31,340,153
Pakistan Cables Limited	517,908	776,292

6.6 The book value of IIL Australia based on un-audited financial statements as at 31 December 2017 is AUD 120,297 (Rs.10.35 million). [2017: AUD 110,245 (Rs. 8.89 million)].

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For the six months period ended 31 December 2017

- 6.7 The book value of ILL SS based on un-audited financial statements as at 31 December 2017 is Rs.139 million (2017: 135 million).

	(Un-audited) 31 December 2017	(Audited) 30 June 2017
	(Rupees in '000)	
Raw materials- in hand	4,083,246	3,763,291
- in transit	767,587	1,735,143
	4,850,833	5,498,434
Work-in-process	1,334,937	984,857
Finished goods	1,773,245	1,591,908
By-product	21,045	2,686
Scrap material	56,734	86,971
	8,036,794	8,164,856

- 7.1 Raw materials amounting to Rs. 4.3 million (2017: Rs. 1.7 million) as at 31 December 2017 was held at vendor premises for the production of pipe caps.

	(Un-audited) 31 December 2017	(Audited) 30 June 2017
	(Rupees in '000)	
Considered good - secured	409,349	354,178
- unsecured	2,636,048	1,627,501
Considered doubtful	150,000	150,000
	3,195,397	2,131,679
Provision for doubtful debts	(150,000)	(150,000)
	3,045,397	1,981,679
8.1 Related parties from whom debts are due are as under:		
ILL Australia Pty Limited	754,984	527,805
Pakistan Cables Limited	-	11
	754,984	527,816

	(Un-audited) 31 December 2017	(Audited) 30 June 2017
9. ADVANCES		
Considered good		
- Suppliers	77,518	53,941
- Employees for business related expenses	1,731	5,073
	79,249	59,014
10. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Trade deposits	8,920	6,900
Short term prepayments	11,552	6,132
	20,472	13,032

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

For the six months period ended 31 December 2017

	Note	(Un-audited) 31 December 2017	(Audited) 30 June 2017
11. OTHER RECEIVABLES			
		(Rupees in '000)	
Considered good			
- Receivable on transmission of electricity to K-Electric Limited		16,655	18,102
- Others		760	344
		<u>17,415</u>	<u>18,446</u>
Considered doubtful			
- Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier period		25,940	25,940
		<u>43,355</u>	<u>44,386</u>
- Provision for receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier period		(25,940)	(25,940)
		<u>17,415</u>	<u>18,446</u>
12. RESERVES			
General reserves		2,700,036	2,700,036
Un-appropriated profit		2,446,583	1,942,475
		<u>5,146,619</u>	<u>4,642,511</u>
13. LONG-TERM FINANCES - secured			
- Conventional	13.1	608,965	538,054
- Islamic	13.2	750,000	750,000
		<u>1,358,965</u>	<u>1,288,054</u>
Current portion of long term finances shown under current liabilities:			
- Conventional		(64,252)	(64,252)
- Islamic		(90,910)	(45,455)
		<u>1,203,803</u>	<u>1,178,347</u>

13.1 The Company has an approved financing facility under long term finance facility of an amount aggregating Rs.650 million. (30 June 2017: Rs. 550 million) As at 31 December 2017 the Company has outstanding of Rs.609 million (30 June 2017: Rs.538.1 million) from a commercial bank. The facility is secured by way of a mortgage on all present and future land 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.

13.2 The above long term financing utilized under diminishing musharakah arrangement is secured by way of a mortgage on all present and future land 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.

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

For the six months period ended 31 December 2017

14. TRADE AND OTHER PAYABLES	Note	(Un-audited) 31 December 2017	(Audited) 30 June 2017
		(Rupees in '000)	
Trade creditors	14.1	196,720	169,995
Bills payable		642,349	878,486
Derivative financial liability		-	4,768
Accrued expenses		1,195,753	955,281
Provision for Infrastructure Cess	14.2	361,657	322,537
Short-term compensated absences		6,776	9,763
Advance from customers		240,307	169,328
Workers' Profit Participation Fund		39,792	2,576
Workers' Welfare Fund		85,198	69,281
Unclaimed dividends		24,237	263,300
Others		192,075	150,444
		<u>2,984,864</u>	<u>2,995,759</u>
14.1 Related parties to whom payments are due are as under:			
IIL Stainless Steel (Private) Limited		20,972	10,234
		<u>20,972</u>	<u>10,234</u>
14.2 Provision for Infrastructure Cess			
Opening balance		322,537	267,980
Charge for the period		39,120	54,557
Closing balance		<u>361,657</u>	<u>322,537</u>
15. SHORT TERM BORROWINGS - secured			
Conventional			
Running finance under mark-up arrangement from banks	15.1	289,692	290,264
Short-term borrowing under Money Market scheme	15.2	3,736,987	2,736,526
Short-term borrowing under Export Refinance Scheme	15.3	2,284,500	2,100,000
Running finance under FE-25 Export and Import Scheme	15.4	38,846	527,320
Book overdraft		23,076	8,691
Islamic			
Short-term borrowing under Running Musharakah	15.5	60,734	236,606
		<u>6,433,835</u>	<u>5,899,407</u>
15.1 The facilities for running finance available from various commercial banks amounted to Rs. 1,930 million (2017: Rs. 1,358 million). The rates of mark-up on these finances range from 6.25% to 7.63% per annum (2017: 6.21% to 7.60% per annum).			
15.2 The facilities for short-term borrowing under Money Market Scheme available from various commercial banks under mark-up arrangements amounted to Rs. 5,464 million (2017: Rs. 4,417 million). Unavailed facilities as at 31 December 2017 is Rs. 1,727 million (30 June 2017: Rs. 1,680 million) The rate of markup on these finance ranges from 6.12% to 6.20% (2017: 6.05% to 6.20%).			
15.3 The Company has borrowed short-term running finance under the Export Refinance Scheme of the State Bank of Pakistan (SBP). The facility availed is for an amount of Rs. 2,285 million (2017: Rs. 2,100 million). The rates of mark-up on this facility are 2.10% to 2.15% per annum (2017: 2.10% to 2.20% per annum).			
15.4 The Company has borrowed short-term running finance under Foreign Exchange Circular No. 25 dated 20 June 1998 of the SBP for the purpose of meeting import requirements. The facilities availed are for an amounts aggregating of USD 0.4 million equivalent to Rs. 39 million (30 June 2017: USD 5.0 million equivalent to Rs. 527 million). The rate of mark-up on these finance is 2.00% per annum (30 June 2017: 1.70 % to 2.10% per annum).			
15.5 The facilities under running musharakah from various banks amounted to Rs. 1,500 million (2017: 1,500 million). The rate of profit on these finances is 6.35% per annum (2017: 6.34% per annum). Unavailed facilities as at 31 December 2017 is Rs. 1,439 million (30 June 2017: Rs. 1,263 million).			
15.6 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.			

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

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15.7 As at 31 December 2017, the unavailed facilities from the above borrowings amounted to Rs. 4,933 million (2017: Rs.4,898 million)

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

16.1.1 Custom duties amounting to Rs. 52 million (30 June 2017: Rs. 52 million) on import of raw material shall be payable by the Company in case of non-fulfillment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Company has provided post-dated cheques in favor of the Collector of Customs which are, in normal course of business, to be returned to the Company after fulfillment of stipulated conditions. The Company has fulfilled the condition for the aforementioned amounts and is making efforts to retrieve the associated post-dated cheques from the customs authorities.

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

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

16.1.4 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 of Pakistan against such order. As such the guarantee against this amount has not yet been returned. In May 2011, the Supreme Court disposed-off the appeal with a joint statement of the parties and hence the matter was referred back to Sindh High Court. On 31 May 2011, the Sindh High Court has granted an interim relief for return of Bank Guarantees (BG) on the consignment released upto 27 December 2006 and any BG submitted after 27 December 2006 shall be encashed to the extent of 50% of the guarantee amount only with balance kept intact till the disposal of petition. All future consignments after this order would be cleared by paying 50% of the fee amount involved and furnishing a guarantee / security for the balance amount. Bank guarantees amounting to Rs. 478 million (30 June 2017: Rs. 440 million) which includes Rs. 107 million mentioned above 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 14.2).

Subsequently through Sindh Finance Act 2015 & 2016, the legislation has doubled the rate of Sindh Cess. The Company has obtained stay against these and the ultimate disposal of this has been linked with the previous Infrastructure Cess case.

16.1.5 In 2011, the Gas Infrastructure Development Cess was levied via GIDC Act 2011 and further the rate of cess was amended via Finance Bill 2012 - 2013 which was challenged in the Supreme Court of Pakistan. The Supreme Court of Pakistan declared GIDC Act 2011 to be unconstitutional and ultra vires on the grounds that GIDC is a 'Fee' and not a 'Tax' and in the alternative it is not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and on either counts the 'cess' could not have been introduced through a money bill under the Constitution.

During 2015, Government passed a new law 'Gas Infrastructure Development Cess Act 2015' ('the Act') by virtue of which all prior enactments have been declared infructuous. The said Act levies GID Cess at Rs. 100 per MMBTU on industrial consumption and Rs. 200 per MMBTU on Captive power consumption effective 1 July 2011. The Company has obtained a stay order on the retrospective application of the Act from the Sindh High Court. The Company is confident of favorable outcome and therefore has not recorded, to the extent of self consumption, a provision of Rs. 95.1 million (from 01 July 2011 till 22 May 2015) in this unconsolidated interim financial information. However, the Company made a provision of GIDC to the extent of its self consumption from May 2015 onwards. On 26th October 2016, the Sindh High Court held that enactment of GIDC Act 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of the Sindh High Court. This appeal filed before the Divisional Bench of Sindh High Court was dismissed on the ground that Learned Single Judge

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

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while passing the impugned judgement has considered all the material facts and also the relevant provisions of Oil and Gas Regulatory Authority (OGRA) and has correctly applied the factual position. On 31 May 2017, separate petition filed by another company in the by Peshawar High Court challenging the vires of the Act was dismissed for the reason that the Act has been passed by the Parliament strictly in accordance with the legislative procedures contained in the Constitution of Pakistan and therefore no procedural defect in the Act which could be made as a ground for its annulment. In light of the aforementioned developments, the Company on prudent basis, continue to recognise provision after the passage of the Act.

Further the Company has not recognized GIDC amounting to Rs.57.27 million (2017: Rs. 46.84 million) pertaining to period from 01 July 2011 to 31 December 2017 with respect to its captive power plant from which power generation is supplied to K-Electric Limited. Management considers that, in the event such levy is imposed, it shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).

- 16.1.6** Sindh Revenue Board (SRB) issued a notice to the Company for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. The Company filed a constitutional petition in the Sindh High Court, challenging the said unlawful demand on the ground that the Company is a trans-provincial establishment operating industrial and commercial activities across Pakistan. The Sindh High Court granted stay order in favor of the Company declaring exemption on the basis that ILL the company being a trans-provincial establishment is paying Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971.
- 16.1.7** The Model Collectorate of Customs (MCC), Peshawar stopped the exports of the Company goods to Afghanistan under the pretext that SRO 190(I) / 2002 dated 2 April 2002 on the account of non-payment of 17% Sales Tax. A Constitutional Petition in the Sindh High Court on 1 October 2015 arguing that there is no sales tax on exports to Afghanistan as per manufacturing bond rules SRO 450(I) / 2015 and that SRO 190 issued in 2002 was never implemented and hence under the Sales Tax Act 1990 no such liability could be raised at this stage. The Sindh High Court granted a stay order by allowing our exports to Afghanistan subject to depositing bank guarantees worth Rs. 6.2 million (i.e. value of disputed sales tax amount) before the Nazir of the Sindh High Court. On 30 October 2015 FBR issued a clarification as to the applicability of SRO 190(I) / 2002 and stated that exports made to Afghanistan does not attract the levy of sales tax. The same has already been filed before the Sindh High Court and disposal of the case along with return of the said bank guarantees is awaited.
- 16.1.8** Oil and Gas Regulatory Authority (OGRA) has issued notification for increase in gas tariff disregarding the protocol laid down in OGRA Ordinance, 2002. The Company has filed a suit in the Sindh High Court challenging the gas tariff increase. The Sindh High Court has granted a stay order, subject to security deposit of the differential amount with the Nazir of the Sindh High Court. The Company has deposited amount of Rs 53.6 million (2017: 25.9 million) as Cheques with the Nazir. The Company, on a prudent basis, has also accrued this amount in these financial statements.
- 16.1.9** The Company has filed the petition in the Sindh High Court against the deletion of clause 103A of the second schedule of the Income Tax Ordinance, 2001 and obtained a stay order on the deduction of withholding tax on the inter corporate dividend. As per the requirement of the stay order, the Company has pledge 500,000 shares of International Steels Limited in the Sindh High Court as a security against the tax payable on dividend declared by the International Steels Limited on 21 October 2016. Further, bank guarantees amounting to Rs.76.6 and Rs.36.8 million have also been given to Nazir of Sindh High Court as a security against tax payable on dividend declared by the International Steels Limited on 02 June 2017 and 26 September 2017.
- 16.1.10** The Company has issued a corporate guarantee to a commercial bank for securing funded and unfunded facilities of Rs. 125 million each by its wholly owned Subsidiary Company ILL Stainless Steels (Private) Limited. The facilities are secured by way of hypothecation of all present and future fixed assets (excluding land and building) and present and future current and moveable assets.
- 16.1.11** Bank guarantees have been issued under certain supply contracts and for supply of utilities aggregating Rs. 626.7 million (30 June 2017: Rs. 491.6 million).

16.2 Commitments

- 16.2.1** Capital expenditure commitments outstanding as at 31 December 2017 amounted to Rs. 53.2 million (2017: Rs. 89.1 million).

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

For the six months and quarter ended 31 December 2017

- 16.2.2** Commitments under Letters of Credit for raw materials and stores and spares as at 31 December 2017 amounted to Rs. 948.1 million (2017: Rs. 1,285.1 million).
- 16.2.3** Commitments under purchase contracts as at 31 December 2017 amounted to Rs. 141.2 million (2017: Rs. 306.9 million).
- 16.2.4** Unavailed facilities for opening Letters of Credit and Guarantees from banks as at 31 December 2017 amounted to Rs. 6,716 million (2017: Rs. 6,625 million) and Rs. 222 million (2017: Rs. 162 million) respectively.

17. NET SALES

	Six months period ended		Quarter ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Un-audited				
----- (Rupees in '000) -----				

Local	12,508,549	6,632,070	6,979,835	3,898,916
Export	2,030,848	2,278,344	1,105,473	1,347,571
	14,539,397	8,910,414	8,085,308	5,246,487

Sales Tax	(1,840,919)	(962,787)	(1,025,537)	(564,648)
Domestic trade discounts	(498,948)	(359,406)	(271,000)	(201,001)
Export commission and discounts	(31,241)	(83,905)	(16,768)	(46,192)
	(2,371,108)	(1,406,098)	(1,313,305)	(811,841)

	12,168,289	7,504,316	6,772,003	4,434,646
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18. COST OF SALES

Opening stock of raw material and work-in-process	4,748,148	2,190,511	6,419,470	2,454,724
Purchases	10,831,567	5,293,964	4,421,848	3,076,383
Salaries, wages and benefits	458,657	359,679	242,364	184,859
Rent, rates and taxes	822	1,182	180	647
Electricity, gas and water	170,743	147,046	87,918	77,565
Insurance	7,070	3,070	4,200	232
Security and janitorial	12,344	12,136	5,856	6,455
Depreciation and amortisation	166,271	172,761	84,670	82,434
Operational supplies & consumables	41,082	29,136	19,679	17,983
Provision for stores and spares obsolescence	-	24631	-	24631
Repairs and maintenance	58,156	47,571	29,309	26,056
Postage, telephone and stationery	4,793	4,171	3,011	1,206
Vehicle, travel and conveyance	8,056	7,417	4,424	3,435
Internal material handling	17,797	11,636	10,849	6,382
Environment controlling expenses	131	119	68	59
Sundries	2,259	1,499	977	743
Partial manufacturing charges	4,914	3,465	1,680	1,941
Sale of scrap generated during production	(396,742)	(212,764)	(234,842)	(129,588)
Closing stock of raw materials and work-in-process	(5,418,183)	(2,338,613)	(5,418,183)	(2,338,613)
Cost of goods manufactured	10,717,885	5,758,617	5,683,478	3,497,534

Finished goods and by-products:

- Opening stock	1,594,594	1,272,447	1,925,881	1,054,528
- Closing stock	(1,794,290)	(1,000,202)	(1,794,290)	(1,000,202)
	(199,696)	272,245	131,591	54,326
	10,518,189	6,030,862	5,815,069	3,551,860

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For the six months and quarter ended 31 December 2017

Six months period ended		Quarter ended	
31 December 2017	31 December 2016	31 December 2017	31 December 2016

----- (Rupees in '000) -----

19. SELLING AND DISTRIBUTION EXPENSES

Freight and forwarding	406,655	239,526	217,835	142,071
Salaries, wages and benefits	87,109	71,600	48,557	34,858
Rent, rates and taxes	613	443	310	224
Electricity, gas and water	3,754	2,474	2,468	1,111
Insurance	425	573	133	333
Depreciation and amortisation	6,098	6,868	3,184	3,539
Repairs and maintenance	406	892	201	634
Advertising and sales promotion	33,549	23,858	27,861	17,932
Postage, telephone and stationery	3,104	3,270	1,690	1,611
Office supplies	225	62	15	36
Vehicle, travel and conveyance	10,128	7,299	7,592	4,268
Provision for doubtful debts - net	-	33,400	-	23,179
Certification and registration charges	1,103	1,607	301	966
Others	8,755	6,050	6,769	4,759
	561,924	397,922	316,916	235,521

20. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	109,070	92,668	60,101	46,050
Rent, rates and taxes	117	117	-	(11)
Electricity, gas and water	1,054	1,915	467	1,204
Insurance	192	1,237	51	1,007
Depreciation and amortisation	8,014	8,487	4,013	4,320
Repairs and maintenance	1,252	622	241	315
Postage, telephone and stationery	7,144	4,797	5,149	2,000
Office supplies	130	94	40	67
Vehicle, travel and conveyance	3,764	4,114	1,643	3,212
Legal and professional charges	8,334	4,695	4,447	2,984
Certification and registration charges	1,981	2,473	827	268
Directors' fees	1,650	2,880	750	1,260
Others	7,457	3,757	5,607	996
	150,159	127,856	83,336	63,672

21. FINANCIAL CHARGES

Conventional				
- Interest on Long term finances	11,654	10,856	6,002	3,989
- Interest on Short term borrowings	171,391	32,164	92,678	12,166
	183,045	43,020	98,680	16,155
Islamic				
- Mark-up on Long term finances	23,616	20,348	11,801	11,605
- Mark-up on Short term borrowings	13,836	14,834	3,903	11,203
	37,452	35,182	15,704	22,808
	220,497	78,202	114,384	38,963
Exchange loss / (gain)	3,045	3,854	(22)	(426)
Interest on Workers' Profit Participation Fund	247	421	-	-
Bank charges	8,714	10,785	2,900	4,267
	232,503	93,262	117,262	42,804

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For the six months and quarter ended 31 December 2017

	Six months period ended		Quarter ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
22. OTHER OPERATING CHARGES	----- (Rupees in '000) -----			
Auditors' remuneration	1,603	1,367	823	734
Exchange loss	-	14,661	-	25,088
Donations	10,480	13,176	5,460	7,776
Provision for receivable from WPPF in prior period	-	25,940	-	25,940
Workers' Profit Participation Fund	39,792	40,800	25,149	24,300
Workers' Welfare Fund	15,917	16,300	10,060	9,800
Business development expenses	3,276	5,392	2,581	2,706
	71,068	117,636	44,073	96,344
23. OTHER INCOME				
Income from non-financial assets				
Income from power generation	23.1 3,181	3,238	1,573	1,697
Gain on disposal of property, plant and equipment	36,648	3,873	24,214	183
Rental income	5,451	7,151	2,550	3,522
Dividend income from associate / subsidiary company	249,907	317,236	-	10,917
Exchange gain	54,766	-	43,360	-
Others	4,760	6,633	65	3,607
Income on financial assets				
Interest on bank deposits - conventional	858	577	620	302
	355,571	338,708	72,382	20,228
23.1. Income from power generation				
Net sales	45,072	55,516	22,171	25,056
Cost of electricity produced	(41,891)	(52,278)	(20,598)	(23,359)
	3,181	3,238	1,573	1,697
24. TAXATION				
Current	271,815	266,550	132,693	130,850
Deferred	(1,250)	2,750	18,677	1,150
	270,565	269,300	151,370	132,000
24.1	Under section 5A of the Income Tax Ordinance 2001 a tax shall be imposed at the rate of 7.5% of the accounting profit before tax on every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute atleast 40% of its after tax profit within six months of the end of the tax year through cash or bonus shares. However, no provision has been made for tax on undistributed profit as the Board of Directors of the Company intend to distribute sufficient dividend for the year ending 30 June 2018, so that such tax is not required to be paid.			
25. CHANGES IN WORKING CAPITAL	Six months period ended			
	31 December 2017	31 December 2016		
	(Rupees in '000)			
(Increase) / decrease in current assets:				
Store and spares	(25,157)	19,561		
Stock-in-trade	128,062	452,139		
Trade debts	(1,063,718)	(530,846)		
Advances	(20,235)	80,935		
Trade deposit and short-term prepayments	(7,440)	(6,951)		
Other receivables	190,728	28,384		
	(797,760)	43,222		
Increase / (decrease) in current liabilities:				
Trade and other payables	227,572	(57,818)		
	(570,188)	(14,596)		

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

For the six months and quarter ended 31 December 2017

26. TRANSACTIONS WITH RELATED PARTIES

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

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

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

	Six months period ended		Quarter ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
----- (Rupees in '000) -----				
Subsidiaries				
Sale	896,721	619,512	571,292	352,353
Purchases	3,634,567	1,981,374	1,368,275	1,338,748
Shared resources	41,117	30,566	22,581	16,810
Partial manufacturing	2,292	1,783	23	730
Reimbursement of expenses	3,808	1,503	1,882	988
Rental income	5,418	6,658	2,709	3,329
Dividend received	245,056	306,319	245,056	306,319
Associated companies				
Sales	-	461	-	242
Purchases	5,188	4,648	4,516	877
Reimbursement of expenses	169	-	116	-
Dividend paid	1,152	2,016	1,152	2,016
Dividend received	4,852	10,917	4,852	10,917
Key management personnel				
Remuneration	128,997	105,679	70,075	56,371
Staff retirement funds				
Contribution paid	41,982	44,401	14,503	9,467
Non-executive directors				
Directors' fee	1,650	2,880	750	1,260
Reimbursement of Chairman's expenses	956	-	956	-

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

For the six months period ended 31 December 2017

27. SEGMENT REPORTING

The Company has identified Steel Pipes, Plastic Pipes and Investments as reportable segments.

27.1 SEGMENT REVENUE AND RESULTS

	Steel Pipes Segment	Plastic Pipes Segment	Investment Segment	Total
	----- (Rupees in '000) -----			
For the period ended 31 December 2017				
Sales	11,148,795	1,019,494		12,168,289
Cost of sales	(9,601,052)	(917,137)		(10,518,189)
Gross Profit	1,547,743	102,357	-	1,650,100
Selling and distribution expenses	(504,329)	(57,595)		(561,924)
Administrative expenses	(137,620)	(12,539)		(150,159)
	(641,949)	(70,134)	-	(712,083)
Financial and other charges	(214,068)	(18,435)		(232,503)
Other operating charges	(70,033)	(1,035)	-	(71,068)
	(284,101)	(19,470)	-	(303,571)
Other income	105,664	-	249,907	355,571
Profit before taxation	727,357	12,753	249,907	990,017
Taxation				(270,565)
Profit after taxation				719,452

For the period ended 31 December 2016

Sales	7,013,586	490,730	-	7,504,316
Cost of sales	(5,598,577)	(432,285)	-	(6,030,862)
Gross Profit	1,415,009	58,445	-	1,473,454
Selling and distribution expenses	(375,959)	(21,963)		(397,922)
Administrative expenses	(119,495)	(8,361)		(127,856)
	(495,454)	(30,324)	-	(525,778)
Financial and other charges	(82,385)	(10,877)		(93,262)
Other operating charges	(116,194)	(1,442)	-	(117,636)
	(198,579)	(12,319)	-	(210,898)
Other income	21,472	-	317,236	338,708
Profit before taxation	742,448	15,802	317,236	1,075,486
Taxation				(269,300)
Profit after taxation				806,186

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

For the six months period ended 31 December 2017

27.2 SEGMENT ASSETS & LIABILITIES

	Steel Pipes Segment	Plastic Pipes Segment	Investment Segment	Total
	----- (Rupees in '000) -----			
As at 31 December 2017 - Un-audited				
Segment assets	14,435,263	1,758,551	2,742,705	18,936,519
Segment liabilities	8,342,994	603,324	-	8,946,318
As at 30 June 2017 - Audited				
Segment assets	13,540,885	1,345,368	2,742,705	17,628,958
Segment liabilities	7,963,492	504,349	-	8,467,841

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

	31 December 2017 (Un-audited) (Rupees in '000)	30 June 2017 (Audited) (Rupees in '000)
Total reportable segments assets	18,936,519	17,628,958
Unallocated assets	849,997	887,320
Total assets as per Balance Sheet	19,786,516	18,516,278
Total reportable segments liabilities	8,946,318	8,467,841
Unallocated liabilities	2,501,710	2,189,616
Total liabilities as per Balance Sheet	11,448,028	10,657,457

28 MEASUREMENT OF FAIR VALUES

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

	31 December 2017								
	Carrying amount				Total	Fair Value			Total
	Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities		Level 1	Level 2	Level 3	
----- (Rupees in '000) -----									
Financial assets measured at fair value									
Investments - quoted Companies	-	2,583,537	-	-	2,583,537	26,584,466	-	-	26,584,466
----- (Rupees in '000) -----									
	30 June 2017								
	Carrying amount				Total	Fair Value			Total
	Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities		Level 1	Level 2	Level 3	

Financial assets measured at fair value

Investments - quoted Companies

- 2,583,537

-

-

2,583,537

32,116,445

-

-

32,116,445

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

For the six months period ended 31 December 2017

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

29 GENERAL

29.1 Non-adjusting event after balance sheet date

29.1.1 On 25 January 2018, the Board of Directors of the Company passed a resolution approving a scheme of amalgamation under sub Section 1 of 284 of the Companies Act, 2017, to amalgamate its wholly owned subsidiary, ILLSS (Pvt) Ltd with and into the Company. As such, as of the Completion Date of 31 March 2018, the entire undertaking of ILL Stainless Steel (Private) Limited will stand merged with and into the Company.

29.1.2 The Board of Directors has declared an interim cash dividend of Rs.2.00 per share for the year ending 30 June 2018, amounting to Rs.239.785 million in their meeting held on 25 January 2018. These condensed interim financial information does not include the effect of interim cash dividend announced on 25 January 2018, which will be accounted for in the financial statements for the year ending 30 June 2018.

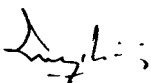
29.2 Corresponding figures

Corresponding figures have been reclassified for the purposes of comparison and better presentation. These reclassifications have no impact on previously reported profit or equity.

Reclassification from component	Reclassification to component	Six months	Quarter
		period ended	ended
		31 December	31 December
		2016	2016
		(Rupees in '000)	
COST OF SALES	} OTHER INCOME Income from power generation Cost of electricity produced		
Salaries, wages and benefits		2,631	1,207
Electricity, gas and water		42,414	19,221
Insurance		27	27
Depreciation and amortisation		2,555	1,175
Operational supplies & consumables		2,918	1,075
Repairs and maintenance	1,733	654	
		52,278	23,359

29.3 Date of authorization for issue

These condensed interim unconsolidated financial information was authorised for issue by the Board of Directors on 25 January 2018.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Nadir Akbarali Jamal
Chief Financial Officer



Riyaz T. Chinoy
Chief Executive Officer



Promising Reliability, For Now and Tomorrow

**Condensed Interim Consolidated
Financial Information (Un-audited)
31 December 2017**

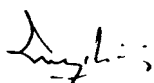
Condensed Interim Consolidated

Balance Sheet

As at 31 December 2017

	Note	31 December 2017 (Un-audited)	30 June 2017 (Audited)
(Rupees in '000)			
ASSETS			
Non-current assets			
Property, plant and equipment	4	20,325,990	18,813,976
Intangible assets		15,697	19,894
Long-term deposits		63,326	51,575
Investment in equity-accounted investee	5	318,179	299,503
		20,723,192	19,184,948
Current assets			
Stores and spares		733,809	615,077
Stock-in-trade	6	20,285,271	17,857,450
Trade debts	7	3,043,254	2,582,530
Advances	8	109,716	107,477
Trade deposits and short-term prepayments	9	67,259	36,970
Sales tax receivable		756,471	1,405,171
Other receivables	10	63,101	68,222
Taxation		-	588,108
Cash and bank balances		261,254	106,657
		25,320,135	23,367,662
Total assets		46,043,327	42,552,610
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
200,000,000 (2017: 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
General reserves		2,991,258	2,991,258
Unappropriated profit	11	4,675,493	3,198,995
Exchange translation reserve		(309)	(942)
Total equity		8,865,368	7,388,237
Non-controlling interest		4,011,763	3,307,196
		12,877,131	10,695,433
Surplus on revaluation of property, plant and equipment		3,385,060	3,420,204
LIABILITIES			
Non-current liabilities			
Long-term financing - secured	12	4,212,096	4,799,619
Staff retirement benefits		85,121	108,699
Deferred taxation - net		1,841,756	1,700,014
		6,138,973	6,608,332
Current liabilities			
Trade and other payables	13	13,516,359	9,450,721
Short-term borrowings - secured	14	8,555,541	10,938,643
Current portion of long term finances - secured	12	1,368,902	1,306,780
Accrued markup		118,555	131,711
Taxation		82,807	-
Sales tax payable		-	786
		23,642,164	21,828,641
Total liabilities		29,781,137	28,436,973
Total equity and liabilities		46,043,327	42,552,610
Contingencies and commitments	15	-	-

The annexed notes 1 to 26 form an integral part of this condensed interim consolidated financial information.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Nadir Akbarali Jamal
Chief Financial Officer



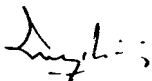
Riyaz T. Chinoy
Chief Executive Officer

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

For the six months and quarter ended 31 December 2017

Note	Six months period ended		Quarter ended		
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	
----- (Rupees in '000) -----					
Net sales	16	31,151,679	21,105,224	16,948,370	12,047,494
Cost of sales	17	(25,809,178)	(16,748,317)	(13,892,912)	(9,360,234)
Gross profit		5,342,501	4,356,907	3,055,458	2,687,260
Selling and distribution expenses	18	(782,588)	(564,706)	(427,239)	(331,065)
Administrative expenses	19	(273,473)	(219,265)	(149,349)	(109,453)
		(1,056,061)	(783,971)	(576,588)	(440,518)
Financial charges	20	(464,844)	(330,054)	(236,704)	(156,817)
Other operating charges	21	(323,135)	(321,531)	(178,857)	(213,507)
		(787,979)	(651,585)	(415,561)	(370,324)
Other income	22	149,173	42,918	113,557	13,772
Share of profit in equity-accounted investee		21,642	15,841	7,555	6,783
Profit before taxation		3,669,276	2,980,110	2,184,421	1,896,973
Taxation	23	(1,095,511)	(1,280,655)	(617,133)	(969,796)
Profit after taxation		2,573,765	1,699,455	1,567,288	927,177
Profit after taxation attributable to:					
Owners of Holding Company		1,683,714	1,196,294	1,024,456	669,006
Non-controlling interest		890,051	503,161	542,832	258,171
		2,573,765	1,699,455	1,567,288	927,177
----- (Rupees) -----					
Earnings per share - basic and diluted		14.04	9.98	8.54	5.58

The annexed notes 1 to 26 form an integral part of this condensed interim consolidated financial information.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Nadir Akbarali Jamal
Chief Financial Officer



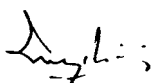
Riyaz T. Chinoy
Chief Executive Officer

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

For the six months and quarter ended 31 December 2017

	Six months period ended		Quarter ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	----- (Rupees in '000) -----			
Profit for the year	2,573,765	1,699,455	1,567,288	927,177
Other comprehensive income				
Item to be reclassified to profit and loss accounts in subsequent periods				
Foreign operation - foreign currency translation difference	633	(257)	421	(468)
Proportionate share of other comprehensive income of equity accounted investee	2,375	228	215	228
Other comprehensive income	3,008	(29)	636	(240)
Total comprehensive income	2,576,773	1,699,426	1,567,924	926,937
Total comprehensive income attributable to:				
Owners of the Holding Company	1,686,722	1,196,265	1,025,092	668,766
Non-controlling interest	890,051	503,161	542,832	258,171
Total comprehensive income	2,576,773	1,699,426	1,567,924	926,937

The annexed notes 1 to 26 form an integral part of this condensed interim consolidated financial information.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Nadir Akbarali Jamal
Chief Financial Officer



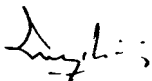
Riyaz T. Chinoy
Chief Executive Officer

Condensed Interim Consolidated Cash Flow Statement (Un-audited)

For the six months period ended 31 December 2017

	Note	Six months period ended	
		31 December 2017	31 December 2016
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		3,669,276	2,980,110
Adjustments for:			
Depreciation and amortisation		608,119	586,145
Provision for doubtful debts		-	33,400
Interest on bank deposits		(1,047)	(662)
Gain on disposal of property, plant and equipment	22	(39,072)	(5,617)
Provision for staff gratuity		28,078	23,839
Share of profit from associated company		(21,642)	(15,841)
Financial charges	20	464,845	330,054
		<u>4,708,557</u>	<u>3,931,428</u>
Changes in:			
Working capital		2,189,930	(1,643,976)
Long-term deposits		(11,751)	391
Net cash generated from operations		<u>6,886,736</u>	<u>2,287,843</u>
Translation reserve		471	(282)
Financial charges paid		(478,001)	(291,106)
Payment for staff gratuity		(51,060)	(31,395)
Taxes paid		(282,773)	(104,626)
Net cash generated from operating activities		<u>6,075,373</u>	<u>1,860,434</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(2,126,523)	(906,448)
Dividend income received		4,852	10,917
Proceeds from disposal of property, plant and equipment		49,741	21,922
Interest income received		1,047	662
Net cash used in investing activities		<u>(2,070,883)</u>	<u>(872,947)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term financing		103,037	530,487
Repayment of long-term financing		(628,438)	-
Dividends paid to non controlling interest		(462,541)	(236,782)
Dividends paid to shareholders of the Holding Company		(478,848)	(417,325)
Net cash used in financing activities		<u>(1,466,790)</u>	<u>(123,620)</u>
Net increase in cash and cash equivalents		<u>2,537,700</u>	<u>863,867</u>
Cash and cash equivalents at beginning of the period		(10,831,987)	(6,696,599)
Cash and cash equivalents at end of the period		<u>(8,294,287)</u>	<u>(5,832,732)</u>
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances		261,254	56,139
Short-term borrowings - secured	14	(8,555,541)	(5,888,871)
		<u>(8,294,287)</u>	<u>(5,832,732)</u>

The annexed notes 1 to 26 form an integral part of this condensed interim consolidated financial information.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Nadir Akbarali Jamal
Chief Financial Officer



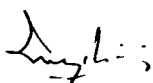
Riyaz T. Chinoy
Chief Executive Officer

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

For the six months period ended 31 December 2017

	Attributable to owners of the Holding Company					Total	Non- controlling interest	Total
	Issued, subscribed and paid-up capital	Revenue Reserves			Total reserves			
		General reserves	Un- appropriated profit / (loss)	Exchange translation reserve				
	----- (Rupees in '000) -----							
Balance as at 1 July 2016	1,198,926	2,991,258	1,644,740	(1,251)	4,634,747	5,833,673	2,692,184	8,525,857
Total comprehensive income for the period ended 31 December 2016								
Profit for the period	-	-	1,196,294	-	1,196,294	1,196,294	503,161	1,699,455
Other comprehensive income	-	-	228	(257)	(29)	(29)	-	(29)
Transactions with owners recorded directly in equity	-	-	1,196,522	(257)	1,196,265	1,196,265	503,161	1,699,426
Distribution to owners of the Holding Company:								
-Final dividend @ 35.00% (Rs. 3.50 per share) for the year ended 30 June 2016	-	-	(419,624)	-	(419,624)	(419,624)	-	(419,624)
Total transactions with owners of the Holding Company	-	-	(419,624)	-	(419,624)	(419,624)	-	(419,624)
Dividend to non-controlling interest	-	-	-	-	-	-	(237,431)	(237,431)
Transfer from surplus on revaluation on disposal of fixed assets - net of deferred tax	-	-	3,939	-	3,939	3,939	-	3,939
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	50,379	-	50,379	50,379	4,460	54,839
Balance as at 31 December 2016	1,198,926	2,991,258	2,475,956	(1,508)	5,465,706	6,664,632	2,962,374	9,627,006
Balance as at 1 July 2017	1,198,926	2,991,258	3,198,995	(942)	6,189,311	7,388,237	3,307,196	10,695,433
Total comprehensive income for the period ended 31 December 2017								
Profit for the period	-	-	1,683,714	-	1,683,714	1,683,714	890,051	2,573,765
Other comprehensive income	-	-	2,375	633	3,008	3,008	-	3,008
Distribution to owners of the Holding Company:	-	-	1,686,089	633	1,686,722	1,686,722	890,051	2,576,773
-Final dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2017	-	-	(239,785)	-	(239,785)	(239,785)	-	(239,785)
Total transactions with owners of the Holding Company	-	-	(239,785)	-	(239,785)	(239,785)	-	(239,785)
Dividend to non-controlling interest	-	-	-	-	-	-	(189,944)	(189,944)
Transfer from surplus on revaluation on disposal of fixed assets - net of deferred tax	-	-	750	-	750	750	-	750
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	29,444	-	29,444	29,444	4,460	33,904
Balance as at 31 December 2017	1,198,926	2,991,258	4,675,493	(309)	7,666,442	8,865,368	4,011,763	12,877,131

The annexed notes 1 to 26 form an integral part of this condensed interim consolidated financial information.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Nadir Akbarali Jamal
Chief Financial Officer



Riyaz T. Chinoy
Chief Executive Officer

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

For the six months period ended 31 December 2017

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 ("the Holding Company") was incorporated in Pakistan in 1948 and is quoted on the Pakistan Stock Exchange. The Holding Company is in the business of manufacturing and marketing galvanized steel pipes, precision steel tubes, API line pipes, polyethylene pipes and PPRC pipes and fittings. The registered office of the Holding Company is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.
- 1.3 International Steels Limited ("the Subsidiary Company") was incorporated in Pakistan on 03 September 2007 as a public unlisted company limited by shares 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, the Subsidiary Company was listed on the Pakistan Stock Exchange on 1 June 2011. The primary activities of the Subsidiary Company are business of manufacturing of cold rolled steel coils and galvanized sheets. The Subsidiary Company commenced commercial operations on 1 January 2011. The registered office of the Subsidiary Company is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530. The Holding Company has 56.33% ownership in International Steels Limited.
- 1.4 IIL Australia PTY Limited was incorporated in Victoria, Australia on 2 May 2014. The Subsidiary Company is in the business of distribution and marketing of galvanized steel pipes, precision steel tubes and pre-galvanized pipes. The registered office of the Company is situated at 101 - 103, Abbot Road, Hallam, Victoria 3803 Australia. IIL Australia PTY Limited is a wholly owned subsidiary of the Holding Company.
- 1.5 IIL Stainless Steel (Private) Limited was incorporated in Pakistan on 28 November 2014. The Subsidiary Company is in the business of manufacturing and marketing stainless steel pipe. The registered office of the Subsidiary Company is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530. The Company commence its commercial production on 01 April 2015. IIL Stainless Steel (Private) Limited is a wholly owned subsidiary of the Holding Company.
- 1.6 Details of the Group's equity-accounted investee is given in note 5 to these condensed interim consolidated financial information.

2. BASIS OF PREPARATION

- 2.1 These condensed interim consolidated financial information have been prepared from the information available in the condensed un-audited separate financial information of the Holding Company and Subsidiary Companies for the six months period ended 31 December 2017.

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

2.2 Statement of Compliance

These interim consolidated financial information have 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 as are notified under the repealed Companies Ordinance, 1984 and provisions of and directives issued under the repealed Company Ordinance 1984.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its circular no.23/2017 dated 04 October 2017, further clarification issued by the Institute of Chartered Accountants of Pakistan vide its circular no. 17/2017 dated 06 October 2017 these condensed interim consolidated financial information have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

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

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

For the six months period ended 31 December 2017

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 2017.

3. 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 associates

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

Investments in associates are accounted for by using the equity method (equity-accounted investees) and are 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.

4. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work - in - progress	Total
 (Rupees in '000)		
Cost / revalued amount			
Opening balance	23,308,075	1,173,025	24,481,100
Additions	528,791	2,101,572	2,630,363
Translate reserve	81	-	81
Disposal / transfers / adjustments	(31,345)	(528,791)	(560,136)
	<u>23,805,602</u>	<u>2,745,806</u>	<u>26,551,408</u>
Accumulated depreciation			
Opening balance	(5,667,124)	-	(5,667,124)
Charge for the period	(603,923)	-	(603,923)
Disposal / transfers / adjustments	45,629	-	45,629
	<u>(6,225,418)</u>	<u>-</u>	<u>(6,225,418)</u>
Written down value as at			
31 December 2017 (Un-audited)	<u>17,580,184</u>	<u>2,745,806</u>	<u>20,325,990</u>
Written down value			
as at 30 June 2017 (Audited)	<u>17,640,951</u>	<u>1,173,025</u>	<u>18,813,976</u>

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

For the six months period ended 31 December 2017

5. INVESTMENT IN EQUITY - ACCOUNTED INVESTEE	Note	31 December 2017 (Un-audited) (Rupees in '000)	31 December 2016 (Audited) (Rupees in '000)
Pakistan Cables Limited - associate company	5.1	<u>318,179</u>	<u>299,503</u>
<p>5.1 This represents investment in PCL, an Associated Company, on account of cross directorship. The Holding Company holds 8.53% of effective share of interest in PCL due to crossholding.</p> <p>The Chief Executive Officer of PCL is Mr. Kamal A. Chinoy. The market value as at 31 December 2017 was Rs. 517.908 million (30 June 2017: Rs. 776.292 million) and is categorised as level 1 under the fair value hierarchy. The share of profit after acquisition is recognised based on PCL's un-audited financial statements as at 30 September 2017 as the latest financial statements as at 31 December 2017 are not presently available</p>			
<p>5.1.1 On 28 September 2017, at the Annual General Meeting, the shareholders passed a resolution that subject to the applicable regulatory approvals from CCP, the Holding Company is authorized to make further investment not exceeding Rs. 600 million in fully paid up 3,000,000 ordinary shares of the face value of Rs. 10 per share of Pakistan Cables Limited at a price not exceeding Rs. 200 per share. Currently, the Holding Company is waiting for the regulatory approvals from CCP. As soon as the approval is received, the investment will be made. The Holding Company's total equity investment in PCL stocks would after this purchase increase to 19.06%.</p>			
6. STOCK-IN-TRADE		31 December 2017 (Un-audited) (Rupees in '000)	31 December 2016 (Audited) (Rupees in '000)
Raw material - in hand		5,784,442	6,765,072
- in transit		7,784,640	3,548,336
		<u>13,569,082</u>	<u>10,313,408</u>
Work-in-process		2,782,230	2,188,580
Finished goods		3,856,180	5,265,805
By-products		21,045	2,686
Scrap material		56,734	86,971
		<u>20,285,271</u>	<u>17,857,450</u>
<p>6.1 Raw material of Holding Company amounting to Rs.4.3 million (2017: Rs.1.7 million) as at 31 December 2017 was held at vendor's premises for the production of pipe caps.</p>			
		31 December 2017 (Un-audited) (Rupees in '000)	31 December 2016 (Audited) (Rupees in '000)
7. TRADE DEBTS			
Considered good - secured		612,352	628,346
- unsecured		2,430,902	1,954,184
		<u>3,043,254</u>	<u>2,582,530</u>
Considered doubtful		162,610	163,579
		<u>3,205,864</u>	<u>2,746,109</u>
Provision for doubtful debts		(162,610)	(163,579)
		<u>3,043,254</u>	<u>2,582,530</u>
8. ADVANCES			
Considered good			
- Suppliers		107,985	102,404
- Employees for business related expenses		1,731	5,073
		<u>109,716</u>	<u>107,477</u>

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

For the six months period ended 31 December 2017

	Note	31 December 2017 (Un-audited)	31 December 2016 (Audited)
(Rupees in '000)			
9. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Trade deposits		20,654	14,794
Short term prepayments		46,605	22,176
		<u>67,259</u>	<u>36,970</u>
10. OTHER RECEIVABLES			
Considered good			
Receivable on transmission of electricity to K-Electric Limited		56,036	61,089
Others		7,065	7,133
		<u>63,101</u>	<u>68,222</u>
Considered doubtful			
Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in prior period		25,940	25,940
		<u>89,041</u>	<u>94,162</u>
Provision for receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in prior period		(25,940)	(25,940)
		<u>63,101</u>	<u>68,222</u>
11. RESERVES			
General Reserves		2,991,258	2,991,258
Unappropriated profit		4,675,493	3,198,995
		<u>7,666,751</u>	<u>6,190,253</u>
12. LONG-TERM FINANCING - secured			
Conventional			
Long Term Finance Facility (LTFF)	12.1-12.2	2,433,776	2,478,621
Long Term Finance	12.3-12.4	688,889	1,377,778
Islamic			
Long Term Finance	12.5-12.7	2,458,333	2,250,000
		<u>5,580,998</u>	<u>6,106,399</u>
Current portion of long-term finances shown under current liabilities			
Conventional			
Long Term Finance Facility (LTFF)	12.1-12.2	(300,214)	(300,214)
Long Term Finance	12.3-12.4	(377,778)	(450,000)
Islamic			
Long Term Finance	12.5-12.7	(690,910)	(556,566)
		<u>(1,368,902)</u>	<u>(1,306,780)</u>
		<u>4,212,096</u>	<u>4,799,619</u>
12.1	The Holding Company has an approved facility under long term finance facility of an amount aggregating Rs. 650 million. As at December 31, 2017 the holding company has outstanding of Rs. 608.9 million from commercial bank (30 June 2017: Rs. 538.1 million). The facility is secured by way of a mortgage on all present and future land and buildings, located at plot number LX-15 &16 and HX-7/4, Landhi Industrial Estate, Karachi and Survey No.402, 405-406, Dehsharabi, Landhi Town, Karachi.		
12.2	This finance is obtained by Subsidiary Company (ISL) from a commercial bank and is secured by way of pari passu charge over fixed assets of the Subsidiary Company.		
12.3	This finance is obtained by Subsidiary Company (ISL) amounting to Rs.489 million (2017: 578 million) from a commercial bank and is secured way of pari passu charge over fixed assets of the Subsidiary Company.		
12.4	This finance is obtained by Subsidiary Company (ISL) amounting to Rs.200 million (2017: Rs.800 million) from a commercial bank and is secured way of pari passu charge over fixed assets of the Subsidiary Company.		

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

For the six months period ended 31 December 2017

Islamic

- 12.5** The Holding Company has obtained long term financing utilised under diminishing musharakah arrangement and is secured by way of mortgage on all present and future land and buildings, located at plot no. LX-15&16 and H/X-7/4, Landhi Industrial Estate, Karachi and Survey no.402, 405-406, Dehsharabi, Landhi Town, Karachi.
- 12.6** This finance is obtained by Subsidiary Company (ISL) amounting to Rs.625 million (2017: Rs.750 million) from Islamic window of a commercial bank and is secured way of pari passu charge over the fixed assets of the Subsidiary Company.
- 12.7** This finance is obtained by Subsidiary Company (ISL) amounting to Rs.583 million (2017: Rs.750 million) from Islamic window of a commercial bank and is secured way of pari passu charge over fixed assets of the Subsidiary Company.
- 12.8** During the period, Subsidiary Company (ISL) converted its long term loan (conventional) amounting to Rs.500 million to long term loan (Islamic) under Diminishing Musharakah which is secured by pari passu charge over the fixed assets of the Subsidiary Company.

		31 December 2017	31 December 2016
	Note	(Un-audited)	(Audited)
(Rupees in '000)			
13. TRADE AND OTHER PAYABLES			
Trade creditors	13.1	7,553,648	4,210,803
Bills payable		642,349	952,646
Derivative financial liabilities		-	4,768
Sales commission payable		81,197	52,509
Provision for Government Levies		257	257
Accrued expenses		2,323,579	1,899,203
Provision for Infrastructure Cess	13.2	971,704	841,741
Short-term compensated absences		15,704	15,691
Advances from customers		1,192,446	562,356
Workers' Profit Participation Fund		203,239	2,576
Workers' Welfare Fund		291,029	209,733
Dividend payable		26,807	538,466
Dividend payable attributable to non controlling interest		656	656
Others		213,744	159,316
		<u>13,516,359</u>	<u>9,450,721</u>

- 13.1** This includes an amount of Rs. 4,259.2 million payable to associated companies by Subsidiary Company (ISL) (2017: 3,011.9 million).

		31 December 2017	31 December 2016
	Note	(Un-audited)	(Audited)
(Rupees in '000)			
13.2 Provision for Infrastructure Cess			
Opening balance		841,741	630,056
Charge for the period		129,963	211,685
Closing balance		<u>971,704</u>	<u>841,741</u>

14. SHORT-TERM BORROWINGS - secured CONVENTIONAL

Running finance under mark-up arrangement from banks	14.1	504,723	1,861,128
Short-term borrowing under Money Market Scheme	14.2	3,736,987	2,736,526
Short-term borrowing under Export Refinance Scheme	14.3	4,146,175	3,218,500
Running finance under FE-25 Export and Import Scheme	14.4	38,846	527,320
Book overdraft		23,076	8,691
ISLAMIC			
Short-term borrowing under Running Musharakah	14.5	105,734	1,096,975
Short-term finance under Term Musharakah		-	1,489,503
		<u>8,555,541</u>	<u>10,938,643</u>

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

For the six months period ended 31 December 2017

- 14.1 The facilities for running finance available from various commercial banks amounted to Rs. 10,668 million (30 June 2017: Rs.9,039 million). The rates of mark-up on these finances obtained by the Holding company ranges from 6.25% to 7.63% per annum (2017: 6.21% to 7.60% per annum). The rates of mark-up on these finances obtained by the Subsidiary Company ranges from 6.08% to 8.00% per annum (2017: 6.08% to 8.00% per annum).
- 14.2 The Holding Company has obtained facilities for short-term borrowing under Money Market Scheme financing from various commercial banks under mark-up arrangements amounted to Rs. 5,464 million (2017: Rs. 4,417 million). The rate of mark-up on these finance ranges from 6.12% to 6.20% per annum (2017: 6.05% - 6.20%) per annum.
- 14.3 The Group has obtained short-term running finance under the Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 4,146.2 million (2017: Rs.3,218.5 million). The rates of mark-up on this facility ranges from 2.10% to 2.20 % per annum (2017: 2.10% to 2.20% per annum).
- 14.4 The Holding Company has borrowed short-term running finance under Foreign Exchange Circular No.25 dated 20 June 1998 of the SBP for the purpose of meeting import requirements. The facilities availed are for an amount aggregating to USD 0.4 million equivalent to Rs.39 million (2017: USD 5 million; Rs. 527 million). The rate of markup on these finance is 2.00% per annum. (2017: 1.70% to 2.10%) per annum.
- 14.5 The Group has obtained facilities for short term finance under Running Musharakah. The rate of profit on these finances obtained by the Holding Company is 6.35% per annum (2017: 6.32%) per annum. The rate of profit on these finance obtained by the Subsidiary Company is 6.34% - 6.36% per annum (2017: 6.33% to 6.53%) per annum. The facility matures within twelve months and is renewable.
- 14.6 All running finances and short-term borrowing facilities are secured by way of hypothecation of all present and future fixed assets (excluding lands and building) and present and future current and moveable assets.
- 14.7 As at 31 December 2017, the unavailed facilities from the above borrowings amounted to Rs.14,537 million. (2017: Rs 12,143 million).

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

- 15.1.1 In 2011, the Gas Infrastructure Development Cess was levied via GIDC Act 2011 and further the rate of cess was amended via Finance Bill 2012 - 2013 which was challenged in the Supreme Court of Pakistan. The Supreme Court of Pakistan declared GIDC Act 2011 to be unconstitutional and ultra vires on the grounds that GIDC is a 'Fee' and not a 'Tax' and in the alternative it is not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and on either counts the 'cess' could not have been introduced through a money bill under the Constitution.

During 2015, Government passed a new law 'Gas Infrastructure Development Cess Act 2015' ('the Act') by virtue of which all prior enactments have been declared infructuous. The said Act levies GID Cess at Rs. 100 per MMBTU on industrial consumption and Rs. 200 per MMBTU on Captive power consumption effective 1 July 2011. The Company has obtained a stay order on the retrospective application of the Act from the Honorable High Court of Sindh. The Company is confident of favorable outcome and therefore has not recorded, to the extent of self consumption, a provision of Rs. 476 million (from 01 July 2011 till 22 May 2015) in these unconsolidated interim financial information. However, the Company made a provision of GIDC to the extent of its self consumption from May 2015 onwards. On 26th October 2016, the High Court of Sindh held that enactment of GIDC Act 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of High Court of Sindh. This appeal filed before the Divisional Bench of High Court of Sindh was dismissed on the ground that Learned Single Judge while passing the impugned judgement has considered all the material facts and also the relevant provisions of Oil and Gas regulatory authority (OGRA) and has correctly applied the factual position. On 31 May 2017, separate petition filed by another company in the High Court of Peshawar challenging the vires of the GIDC Act 2015 was dismissed for the reason that the Act has been passed by the Parliament strictly in accordance with the legislative procedures contained in the Constitution of Pakistan and therefore no procedural defect in the Act which could be made as a ground for its annulment. In light of the aforementioned developments, the Company on prudent basis, continue to recognise provision after the passage of the Act.

Further, the Holding Company and the Subsidiary Company (ISL) have not recognized GIDC amounting to Rs. 852.3 million (2017: Rs. 785.84 million) pertaining to period from 01 July 2011 to 30 September 2017 with respect to its captive power plant from which power generation is supplied to K-Electric Limited. The Holding Company and the Subsidiary Company (ISL) consider that, in the event such levy is imposed, they shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).

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

For the six months period ended 31 December 2017

15.1.2 The Holding 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 of Pakistan against such order. As such the guarantee against this amount has not yet been returned. In May 2011, the Supreme Court disposed-off the appeal with a joint statement of the parties and hence the case was referred back to the High Court. On 31 May 2011, the High Court has granted an interim relief for return of Bank Guarantees (BG) on the consignments released upto 27 December 2006 and any BG submitted after 27 December 2006 shall be encashed to the extent of 50% of the guarantee amount only with balance kept intact till the disposal of petition. All future consignments after order would be cleared by by paying 50% of the fee amount involved and furnishing a guarantee / security for the balance amount. Bank guarantees amounting to Rs. 1,095 million (2017: Rs. 977 million) which includes Rs. 107 million mentioned above have been provided to the Department in this regard by the Holding Company and Subsidiary Company (ISL). However, a provision to the extent of amount utilized from the limit of guarantee has also been provided for by the Holding Company and Subsidiary Company on prudent basis (note: 13.2).

Subsequently through Sindh Finance Act 2015 & 2016, the legislation has doubled the rate of Sindh Cess. The Holding Company and the Subsidiary Company (ISL) have obtained stay against these and the ultimate disposal of this has been linked with the previous Infrastructure Cess case.

15.1.3 Guarantees issued by the Holding Company and Subsidiary Company (ISL) to various service providers amounting to Rs.971.3 million (2017: Rs.774.5 million) as security for continued provision of services.

15.1.4 Oil and Gas Regulatory Authority (OGRA) has issued notification for increase in the gas tariff disregarding the protocol laid down in OGRA Ordinance, 2002. The Group has filed a suit in the Sindh High Court (The Court) challenging the gas tariff increase. The Court has granted a stay order, subject to security deposit of the different amount with the Nazir of the Court. The Group has deposited amount of Rs.277.3 million (2017: Rs. 133.6 million) as cheques with the Nazir. The Group, on a prudent basis, has also accrued this amount in these financial statements.

15.1.5 Sindh Revenue Board (SRB) issued notices to the Holding Company and Subsidiary Company (ISL) for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. The Holding Company and Subsidiary Company (ISL) filed constitutional petition in the High Court of Sindh, challenging the said unlawful demand on the ground that the Holding Company and Subsidiary Company (ISL) are trans-provincial establishments operating industrial and commercial activities across Pakistan. The High Court of Sindh granted stay order in favor of the Holding Company and Subsidiary Company (ISL) declaring exemption on the basis that Holding Company and Subsidiary Company (ISL) being trans-provincial establishments are paying Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971.

15.1.6 The Model Collectorate of Customs (MCC), Peshawar stopped the exports of the Company goods to Afghanistan under the pretext that SRO 190(I) / 2002 dated 2 April 2002 on the account of non-payment of 17% Sales Tax. A Constitutional Petition in the Sindh High Court (SHC) on 1 October 2015 arguing that there is no sales tax on exports to Afghanistan as per manufacturing bond rules SRO 450(I) / 2015 and that SRO 190 issued in 2002 was never implemented and hence under the Sales Tax Act 1990 no such liability could be raised at this stage. The SHC granted a stay order by allowing our exports to Afghanistan subject to depositing bank guarantees worth Rs. 8.9 million (i.e. value of disputed sales tax amount) before the Nazir of the SHC. On 30 October 2015 FBR issued a clarification as to the applicability of SRO 190(I) / 2002 and stated that exports made to Afghanistan does not attract the levy of sales tax. The same has already been filed before the SHC and disposal of the case along with return of the said bank guarantees is awaited.

15.1.7 The Group's share of associate's contingent liability is Rs.25.8 million (30 June 2017: Rs.51.8 million).

Holding Company

15.1.8 Custom duties amounting to Rs.52 million (2017: Rs. 52 million) on import of raw material shall be payable by the Holding Company in case of non-fulfillment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Holding Company has provided post-dated cheques in favor of the Collector of Customs which are, in normal course of business, to be returned to the Holding Company after fulfillment of stipulated conditions. The Holding Company has fulfilled the conditions for the aforementioned duties and is making effort to retrieve the associated post-dated cheques from the custom authorities.

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

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

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- 15.1.10** The customs authorities have charged a redemption fine of Rs. 83 million on the clearance of an imported raw material consignment in 2006. The Holding Company has filed an appeal before the Sindh High Court, which has set aside the examination reports including the subsequent order produced by the customs authorities, and ordered the authorities to re-examine the matter afresh. However, the customs authorities have filed an application for leave to appeal against the order of the High Court. The management anticipates that the chances of admission of such appeal are remote.
- 15.1.11** The Holding Company has filed the petition in the Sindh High Court against the deletion of clause 103A of the second schedule of the Income Tax Ordinance, 2001 and obtained a stay order on the deduction of withholding tax on the inter corporate dividend. As per the requirement of the stay order, the Holding Company has pledge 500,000 shares of International Steels Limited in the Honourable Sindh High Court as a security against the tax payable on dividend declared by the International Steels Limited on 21 October 2016. Further, bank guarantees amounting to Rs.76.6 million and 36.8 million have also been given to Nazir High Court as a security against tax payable on dividend declared by the International Steels Limited on 02 June 2017 and 26 September 2017.
- 15.1.12** The Holding Company has issued a corporate guarantee to a commercial bank for securing funded and unfunded facilities of Rs. 125 million each by its wholly owned Subsidiary Company IIL Stainless Steels (Private) Limited. The facilities are secured by way of hypothecation of all present and future fixed assets (excluding land and building) and present and future current and moveable assets.

Subsidiary Company (ISL)

- 15.1.13** Section 113(2)(c) of the Income Tax Ordinance, 2001 was interpreted by a Divisional Bench of the High Court of Sindh in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 07 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 counsels' advice considered that certain strong grounds are available whereby the aforesaid decision can be challenged in a Larger Bench of the High Court of Sindh or the Supreme Court of Pakistan. A leave to appeal against the aforesaid decision has already been filed before the Supreme Court of Pakistan 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.

Further, based on the tax expert's advice obtained during the quarter, accumulated minimum tax liability under section 113 of the Income Tax Ordinance, 2001 (the Ordinance) of Rs. 431 million was determined from the tax year 2013 till 2015 and an amount of Rs. 248 million on account of Alternate Corporate Tax (ACT) for the tax year 2016 under section 113(C) of the Ordinance. However, based on the assessment and estimation for availability of sufficient taxable profits on the basis of 5 years projections and tax credits available to the Company under section 65(B) of the Income Tax Ordinance, 2001, accumulated minimum tax liability and alternate corporate tax net of tax credit under section 65(B) amounting to Rs. 151 million (2017: 157 million) has not been recorded in this condensed interim financial information.

- 15.1.14** Sindh Revenue Board (SRB) issued notices to the Company for payment of Sindh Workers' Participation Fund. The Company filed a constitutional petition in the High Court of Sindh, challenging the said unlawful demand on the grounds that the Company is a trans-provincial establishment operating industrial and commercial establishments across Pakistan. The High Court of Sindh accepting the arguments, granted stay order in favour of the Company.

15.2 Commitments

Group

- 15.2.1** Capital expenditure commitments of the Group outstanding as at 31 December 2017 amounted to Rs.2,936 million (2017: Rs.3,105 million).
- 15.2.2** Commitments under letters of credit established by the Group for raw material and stores and spares as at 31 December 2017 to Rs. 15,831 million (2017: Rs.5,902 million).
- 15.2.3** The unavailed facilities for opening letters of credit and guarantees from banks as at 31 December 2017 amounted to Rs. 11,511 million (2017: 21,384 million) and Rs. 347 million (2017: 372 million) respectively.

Holding Company

- 15.2.4** Commitments under purchase contracts as at 31 December 2017 amounted to Rs. 141 million (2017: Rs.307 million).

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

For the six months and quarter ended 31 December 2017

	Six months period ended		Quarter ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
16. NET SALES	----- (Rupees in '000) -----			
Local	32,359,346	20,962,219	17,786,395	11,812,471
Export	4,287,565	3,802,625	2,110,382	2,279,567
	36,646,911	24,764,844	19,896,777	14,092,038
Partial Manufacturing	-	808	-	396
Sales Tax	(4,867,962)	(3,051,363)	(2,681,502)	(1,708,020)
Trade discounts & commission	(596,029)	(363,767)	(250,137)	(201,489)
Export commission and discounts	(31,241)	(245,298)	(16,768)	(135,431)
	(5,495,232)	(3,660,428)	(2,948,407)	(2,044,940)
	31,151,679	21,105,224	16,948,370	12,047,494
17. COST OF SALES				
Opening stock of raw material and work-in-process	8,953,652	4,930,520	9,938,239	6,263,490
Purchases	23,072,877	16,831,236	11,475,832	8,670,040
Salaries, wages and benefits	689,198	545,871	358,230	279,531
Rent, rates and taxes	822	1,220	180	159
Electricity, gas and water	653,808	609,463	338,379	304,633
Insurance	17,878	12,375	9,475	4,534
Security and janitorial	23,578	21,569	10,624	11,267
Depreciation and amortisation	544,369	536,952	273,240	260,396
Operational supplies and consumables	93,080	71,177	42,923	42,089
Stores and spares scrapped	-	24,631	-	24,631
Repairs and maintenance	102,383	81,906	54,319	42,124
Postage, telephone and stationery	10,404	10,657	5,908	4,885
Vehicle, travel and conveyance	13,759	15,156	7,406	7,506
Internal material handling	26,758	19,177	18,333	9,600
Environment controlling expense	1,085	1,005	494	450
Sundries	7,612	7,991	4,585	4,072
Partial manufacturing	2,955	1,941	1,660	1,317
Sale of scrap generated during production	(1,132,155)	(679,195)	(628,753)	(400,370)
	33,082,063	23,043,652	21,911,074	15,530,354
Closing stock of raw material and work-in-process	(8,566,672)	(6,700,628)	(8,566,672)	(6,700,628)
Cost of goods manufactured	24,515,391	16,343,024	13,344,402	8,829,726
Finished goods and by-products :				
Opening stock	5,171,013	2,941,351	4,425,736	3,066,566
Closing stock	(3,877,225)	(2,536,058)	(3,877,225)	(2,536,058)
	1,293,788	405,293	548,511	530,508
	25,809,178	16,748,317	13,892,912	9,360,234

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

For the six months and quarter ended 31 December 2017

	Six months period ended		Quarter ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
18 SELLING & DISTRIBUTION EXPENSES	----- (Rupees in '000) -----			
Freight and forwarding expenses	533,730	336,050	277,497	202,351
Salaries, wages and benefits	133,790	102,853	71,694	50,248
Rent, rates and taxes	2,667	3,100	1,356	1,602
Electricity, gas and water	5,179	3,601	3,145	1,787
Insurance	5,078	3,407	2,069	3,051
Depreciation and amortisation	9,298	8,727	4,819	4,496
Repair and maintenance	406	1,278	201	1,020
Advertising and sales promotion	57,175	41,415	42,433	26,398
Postage, telephone and stationery	4,134	4,364	2,225	2,069
Office supplies	225	62	15	36
Vehicle, travel and conveyance	17,451	12,847	12,582	7,266
Provision for doubtful debts-net	(905)	33,400	(205)	23,179
Certification and registration charges	1,103	1,607	301	966
Others	13,257	11,995	9,107	6,596
	782,588	564,706	427,239	331,065
19 ADMINISTRATIVE EXPENSES				
Salaries, wages and benefits	185,729	153,489	99,327	77,654
Rent, rates and taxes	2,986	1,753	1,325	494
Electricity, gas and water	2,316	3,109	1,063	1,971
Insurance	1,138	2,142	543	1,438
Depreciation and amortisation	11,122	11,414	5,602	5,601
Repair and maintenance	1,533	656	394	207
Postage, telephone and stationery	12,624	6,680	7,517	2,482
Office supplies	130	94	40	67
Vehicle, travel and conveyance	7,611	7,786	3,584	4,966
Legal and professional charges	27,344	16,657	15,503	7,070
Certifications and registration charges	5,639	3,132	3,938	824
Directors' fees	3,750	4,080	2,250	1,920
Others	11,552	8,274	8,264	4,760
	273,473	219,265	149,349	109,453
20. FINANCIAL CHARGES				
Conventional				
- Interest on long-term finances	96,400	134,586	53,214	76,767
- Interest on short-term borrowings	231,021	87,367	133,850	31,892
Islamic				
- Mark-up on long-term finances	79,517	27,087	35,001	12,138
- Mark-up on short term borrowings	43,540	62,144	10,074	30,530
	450,478	311,184	232,139	151,327
Exchange loss and others	3,045	3,854	(22)	(426)
Interest on Workers' Profit Participation Fund	247	506	-	-
Bank charges	11,074	14,510	4,587	5,916
	464,844	330,054	236,704	156,817
21. OTHER OPERATING CHARGES				
Auditors' remuneration	2,990	2,692	1,524	1,430
Loss on derivative financial instruments	2,054	31,483	12	4,138
Donations	30,280	18,216	15,860	12,466
Exchange loss	-	14,661	-	25,088
Provision for receivable from WPPF in prior periods	-	25,940	-	25,940
Workers' Profit Participation Fund	203,239	159,405	113,485	126,217
Workers' Welfare Fund	81,296	63,742	45,395	15,522
Business development expenses	3,276	5,392	2,581	2,706
	323,135	321,531	178,857	213,507

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

For the six months and quarter ended 31 December 2017

	Six months period ended		Quarter ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
22. OTHER INCOME	----- (Rupees in '000) -----			
Income from non-financial assets				
Income from power generation	22,421	22,862	9,118	11,984
Gain on disposal of property, plant and equipment	39,072	5,617	26,370	1,214
Rental income	1,004	1,463	331	789
Exchange gain / (loss) - net	71,521	6,427	70,140	(5,376)
Others	14,096	5,401	6,822	4,336
Income on financial assets				
Interest on bank deposits	1,059	1,148	776	825
	149,173	42,918	113,557	13,772
22.1. Income from power generation				
Net sales	263,439	261,791	125,777	132,010
Cost of electricity produced	(241,018)	(238,929)	(116,659)	(120,026)
	22,421	22,862	9,118	11,984
23. TAXATION				
Current	945,919	574,274	504,015	468,032
Prior	7,850	136,320	4,850	136,320
Deferred	141,742	570,061	108,268	365,444
	1,095,511	1,280,655	617,133	969,796

24. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated undertakings, Directors of the Group Companies, key management employees and staff retirement funds. The Group 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 Group policy.

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

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

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

For the six months and quarter ended 31 December 2017

	Six months period ended		Quarter ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
----- (Rupees in '000) -----				
Associated companies				
Sales	722,149	325,641	292,677	152,801
Purchases	9,688,557	6,396,137	4,698,236	1,480,454
Reimbursement of expenses	169	-	116	-
Rent income	971	970	490	596
Donations	1,500	-	1,500	-
Dividend paid	40,630	2,016	40,630	2,016
Dividend received	4,852	60,264	4,852	60,264
Key management personnel				
Remuneration	262,282	187,481	139,542	98,220
Staff retirement funds				
Contribution paid	62,204	66,864	21,169	21,278
Directors' fees				
Reimbursement of Chairman's expenses	956	-	956	-
			31 December 2017	30 June 2017
Balances with related parties			(Un-audited)	(Audited)
(Rupees in '000)				
Trade debts				
Pakistan Cables Limited.			-	11
Sumitomo Corporation			-	9,560
Trade creditor				
Sumitomo Corporation			4,259,172	3,011,900

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

For the six months period ended 31 December 2017

25 SEGMENT REPORTING

The Group has identified steel coils & sheets, steel pipes, plastic pipes and investment as reportable segments.

SEGMENT REVENUE AND RESULTS

	Steel Coils & Sheets Segments	Steel Pipes Segments	Plastic Pipes Segments	Investment Segments	Total
(Rupees in '000)					
For the quarter ended 31 December 2017					
Sales	19,177,090	10,955,095	1,019,494	-	31,151,679
Cost of sales	15,886,911	9,005,130	917,137	-	25,809,178
Gross Profit	3,290,179	1,949,965	102,357	-	5,342,501
Selling and distribution expenses	(202,169)	(522,824)	(57,595)		(782,588)
Administrative expenses	(116,879)	(144,055)	(12,539)		(273,473)
	(319,048)	(666,879)	(70,134)	-	(1,056,061)
Financial charges	(232,316)	(214,093)	(18,435)		(464,844)
Other operating charges	(252,028)	(70,072)	(1,035)	-	(323,135)
	(484,344)	(284,165)	(19,470)	-	(787,979)
Other income	48,726	100,447	-	-	149,173
Share of profit in equity accounted investee - net of tax	-			21,642	21,642
Profit before taxation	2,535,513	1,099,368	12,753	21,642	3,669,276
Taxation					(1,095,511)
Profit after taxation					2,573,765
For the quarter ended 31 December 2016					
Sales	13,573,997	7,040,497	490,730	-	21,105,224
Cost of sales	11,046,443	5,269,589	432,285	-	16,748,317
Gross Profit	2,527,554	1,770,908	58,445	-	4,356,907
Selling and distribution expenses	(152,043)	(390,700)	(21,963)		(564,706)
Administrative expenses	(88,725)	(122,179)	(8,361)		(219,265)
	(240,768)	(512,879)	(30,324)	-	(783,971)
Financial charges	(236,759)	(82,418)	(10,877)		(330,054)
Other operating charges	(203,845)	(116,244)	(1,442)	-	(321,531)
	(440,604)	(198,662)	(12,319)	-	(651,585)
Other income	33,891	9,027	-	-	42,918
Share of profit in equity accounted investee - net of tax	-			15,841	15,841
Profit before taxation	1,880,073	1,068,394	15,802	15,841	2,980,110
Taxation					(1,280,655)
Profit after taxation					1,699,455

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

For the six months period ended 31 December 2017

SEGMENT ASSETS & LIABILITIES

	Steel Coils & Sheets Segments	Steel Pipes Segments	Plastic Pipes Segments	Investment Segments	Total
	----- (Rupees in '000) -----				
As at 31 December 2017 - Un-audited					
Segment assets	<u>28,703,485</u>	<u>14,298,484</u>	<u>1,758,551</u>	<u>318,179</u>	<u>45,078,699</u>
Segment liabilities	<u>18,402,695</u>	<u>8,350,848</u>	<u>603,324</u>	<u>-</u>	<u>27,356,867</u>
As at 30 June 2017 - Audited					
Segment assets	<u>24,020,336</u>	<u>13,540,885</u>	<u>1,345,368</u>	<u>299,503</u>	<u>39,206,092</u>
Segment liabilities	<u>16,381,683</u>	<u>7,963,492</u>	<u>504,349</u>	<u>-</u>	<u>24,849,524</u>

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

	31 December 2017 (Un-audited)	30 June 2017 (Audited)
Total reportable segments assets	<u>45,078,699</u>	39,206,092
Unallocated assets	<u>964,628</u>	3,346,518
Total assets as per Balance Sheet	<u>46,043,327</u>	<u>42,552,610</u>
Total reportable segments liabilities	<u>27,356,867</u>	24,849,524
Unallocated liabilities	<u>2,424,270</u>	3,587,449
Total liabilities as per Balance Sheet	<u>29,781,137</u>	<u>28,436,973</u>

26 MEASUREMENT OF FAIR VALUES

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

	31 December 2017							
	Carrying amount				Total	Fair Value		
	Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities		Level 1	Level 2	Level 3
----- (Rupees in '000) -----								
Financial assets								
Investment - quoted Company	-	318,179	-	-	318,179	517,908	-	-
----- (Rupees in '000) -----								
	30 June 2017							
	Carrying amount				Total	Fair Value		
	Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities		Level 1	Level 2	Level 3
----- (Rupees in '000) -----								
Financial assets								
Investment - quoted Company	-	299,503	-	-	299,503	776,292	-	-

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

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

For the six months period ended 31 December 2017

26.1 GENERAL

26.1.1 Non-adjusting event after balance sheet date

The Board of Directors of both the Companies have passed a resolution approving a scheme of amalgamation under Section 284(1) of the Companies Act, 2017, to amalgamate ILLSS (Pvt) Ltd with and into the Holding Company. As such, as of the Completion Date of 31 March 2018, the entire undertaking of ILLSS (Pvt) Ltd will stand merged with and into the Holding Company.

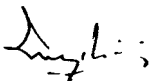
26.1.2 The Board of Directors of the Holding Company has declared an interim cash dividend of Rs.2.00 per share for the year ending 30 June 2018, amounting to Rs.239.785 million in their meeting held on 25 January 2018. These condensed interim consolidated financial information does not include the effect of interim cash dividend announced on 25 January 2018, which will be accounted for in the financial statements for the year ending 30 June 2018.

26.2 Corresponding figures

Corresponding figures have been reclassified for the purposes of comparison and better presentation. These reclassifications have no impact on previously reported profit or equity of the Group.

26.3 Date of authorization for issue

These consolidated financial information were authorised for issue by the Board of Directors on 25 January 2018.



Fuad Azim Hashimi
Director & Chairman
Board Audit Committee



Nadir Akbarali Jamal
Chief Financial Officer



Riyaz T. Chinoy
Chief Executive Officer



Promising Reliability, For Now and Tomorrow



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