

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

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Company Information

Chairman

Mr. Mustapha A. Chinoy
Non-Executive Chairman

Chief Executive Officer

Mr. Riyaz T. Chinoy
Executive Director

Mr. Kamal A. Chinoy
Non-Executive Director

Mr. Fuad Azim Hashimi
Non-Executive Director

Mr. Azam Faruque
Non-Executive Director

Mr. Tariq Ikram
Independent Director

Ms. Nargis Ghaloo
Non-Executive Director

Mr. Ehsan A. Malik
Independent Director

Mr. Jehangir Shah
Independent Director

Chief Financial Officer

Mr. Nadir Akbarli Jamal

Company Secretary

Mr. Yasir Ali Quraishi

Chief Internal Auditor

Mr. Haseeb Hafeezuddeen

External Auditors

M/s KPMG Taseer Hadi & Co.

Internal Auditors

Ernst & Young Ford Rhodes Sidat Hyder

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.
NIB Bank Ltd.
Samba Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
United Bank Ltd.

Legal Advisor

Mrs. Sana Shaikh Fikree
Mr. Amin Bandukda

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Assistant Company Secretary

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Directors' Report

The Directors of your Company are pleased to present the half yearly financial statements for the period ended December 31, 2016.

In terms of value, the Company's gross sales turnover of Rs.8.9 bn was 5% higher than the same period last year; however, sales volume at 98,570 tons was 7% higher than the same period last year. Domestic sales volume was 9% higher and exports 4% higher than same period last year.

The Plastics Division posted a gross profit of Rs.58m as compared to Rs.119m during the same period last year.

International steel prices were very volatile during the period under review despite this, your Company achieved a gross margin of 19% as compared to 12% for the same period last year.

Profit after Tax is Rs.806mn as compared to Rs.198mn last year. This Half Year's profit includes an amount of Rs.307mn of Dividend from ISL bringing the operational profit before tax to a record high to Rs.768mn. In the half year the Company was able to post 160% higher operational profit before tax as compared to last year on account of better sales and better gross margins. This profit translates into earnings per share of Rs.6.72 per share (Same period Last Year Rs.1.65 per share).

ISL registered sales volume of 245,000 metric tons (same period last year 149,000 metric tons - with corresponding gross sales turnover of Rs.15.2bn compared to Rs. 8.4bn same period last year. ISL's Profit after Tax for the half year was Rs. 1,160mn compared to a Loss after Tax of Rs. 78.2mn same period last year.

The Company's other subsidiaries, IIL Australia (Pty) Ltd. and IIL Stainless Steel (Pvt)Limited posted sales turnover of Rs.558mn and Rs.115mn respectively. Both entities posted profit of about Rs.1.3mn and Rs.4.6mn respectively during the period under review. This is the first time that both the entities posted a better sales and profit as compared to same period last year. The Group P&L shows a Profit after Taxation of Rs.1,699 mn during the half year.

Based on the review of half year end results, the Board of Directors are pleased to announce an interim cash dividend of 25% i.e. Rs. 2.50 per share. It may be noted that the interim cash dividend paid last year was 10%.

We are also pleased to report that JCR – VIS Credit Rating Company has assigned initial entity ratings of 'AA- / A-1' (Double A Minus / A-One) to IIL while ISL has received an initial entity rating of 'A+ / A1'.

Outlook for the 3rd quarter is reasonably positive and is expected to be driven by growing sales and better performance of ISL.

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

Dated: 25 January 2017
Karachi

For & on behalf of
International Industries Limited


Mustapha A. Chinoy
Chairman



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 2016, 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 2016 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.

Dated: 25 January 2017
Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

Condensed Interim Unconsolidated Balance Sheet (Un-audited)

As at 31 December 2016

Note (Un-audited) (Audited)
31 December 30 June
2016 2016

ASSETS

Non-current assets

	Note	(Un-audited) 31 December 2016	(Audited) 30 June 2016
Property, plant and equipment	5	5,040,290	4,852,292
Intangible assets		14,115	13,141
Investments	6	2,742,705	2,742,705
Long-term deposits		45,775	46,166
		7,842,885	7,654,304

Current assets

Stores and spares		112,941	132,502
Stock-in-trade	7	3,605,953	4,058,092
Trade debts	8	2,122,049	1,624,603
Advances	9	76,803	157,738
Trade deposits and short-term prepayments	10	15,857	8,906
Other receivables	11	8,667	37,051
Taxation - net		100,591	287,663
Bank balances		1,214	15,822
		6,044,075	6,322,377

Total assets

13,886,960 **13,976,681**

EQUITY AND LIABILITIES

Share capital and reserves

Authorised capital 200,000,000 (2016: 200,000,000) ordinary shares of Rs. 10 each		2,000,000	2,000,000
Issued, subscribed and paid-up capital		1,198,926	1,198,926
Reserves	12	4,438,695	4,003,569
		5,637,621	5,202,495

Total equity

5,637,621 **5,202,495**

Surplus on revaluation of property, plant and equipment

2,055,445 **2,104,009**

LIABILITIES

Non-current liabilities

Long-term financing - secured	13	1,005,928	1,038,054
Staff retirement benefits		44,835	44,835
Deferred taxation - net		252,011	249,261
		1,302,774	1,332,150

Current liabilities

Trade and other payables	14	1,723,113	1,858,904
Short-term borrowings - secured	15	2,897,117	3,243,249
Current portion of long-term financing	13	112,596	158,205
Sales tax payable		109,929	37,213
Accrued mark-up		48,365	40,456
		4,891,120	5,338,027

Total liabilities

6,193,894 **6,670,177**

Contingencies and commitments

16 - -

Total equity and liabilities

13,886,960 **13,976,681**

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 2016

	Note	Six months period ended		Quarter ended	
		31 December 2016 (Rupees in '000)	31 December 2015	31 December 2016 (Rupees in '000)	31 December 2015
Net sales	17	7,504,316	7,131,118	4,434,646	3,840,432
Cost of sales	18	(6,083,140)	(6,257,070)	(3,575,219)	(3,384,715)
Gross profit		1,421,176	874,048	859,427	455,717
Selling and distribution expenses	19	(397,922)	(347,858)	(235,521)	(206,043)
Administrative expenses	20	(127,856)	(115,483)	(63,672)	(59,260)
		(525,778)	(463,341)	(299,193)	(265,303)
Financial charges	21	(93,262)	(187,076)	(42,804)	(69,695)
Other operating charges	22	(117,636)	(28,233)	(96,344)	(15,931)
		(210,898)	(215,309)	(139,148)	(85,626)
Other income	23	390,986	99,620	43,587	50,176
Profit before taxation		1,075,486	295,018	464,673	154,964
Taxation	24	(269,300)	(97,000)	(132,000)	(52,000)
Profit after taxation for the period		806,186	198,018	332,673	102,964
------(Rupees)-----					
Earnings per share - basic and diluted		6.72	1.65	2.77	0.86

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 2016

	<u>Six months period ended</u>		<u>Quarter ended</u>	
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	2016	2015	2016	2015
	(Rupees in '000)		(Rupees in '000)	
Profit after taxation for the period	806,186	198,018	332,673	102,964
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	806,186	198,018	332,673	102,964

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 2016

	Note	31 December 2016	31 December 2015
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,075,486	295,018
Adjustments for :			
Depreciation and amortisation		190,671	122,597
Provision for doubtful debts		33,400	13,570
Interest on bank deposits	23	(577)	(442)
Gain on disposal of property, plant and equipment	23	(3,873)	(23,484)
Dividend income	23	(317,236)	(7,278)
Amortisation of long-term prepayments		-	833
Provision for staff gratuity		14,444	18,600
Financial charges	21	93,262	187,076
		1,085,577	606,490
Movement in:			
Working capital	25	(14,596)	380,063
Long-term deposits		391	(16,349)
Net cash generated in operations		1,071,372	970,204
Financial charges paid		(85,353)	(207,285)
Payment of staff gratuity		(22,000)	(14,727)
Taxes paid		(79,478)	(77,768)
Net cash generated in operating activities		884,541	670,424
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(388,371)	(644,613)
Proceeds from disposal of property, plant and equipment		12,601	24,826
Dividend income received		317,236	7,278
Interest income received		577	442
Net cash used in investing activities		(57,957)	(612,067)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		-	453,267
Repayment of long-term financing		(77,735)	(75,000)
Dividends paid		(417,325)	(297,742)
Net cash (used in) / generated from financing activities		(495,060)	80,525
Net increase in cash and cash equivalents		331,524	138,882
Cash and cash equivalents at beginning of the period		(3,227,427)	(4,639,734)
Cash and cash equivalents at end of the period		(2,895,903)	(4,500,852)
Cash and cash equivalents comprise:			
Bank balances		1,214	6,178
Short term borrowings	15	(2,897,117)	(4,507,030)
		(2,895,903)	(4,500,852)

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 2016

	Issued, subscribed and paid-up capital	Revenue General reserves	Reserves Un- appropriated profit	Total reserves	Total
----- (Rupees in '000) -----					
Balance as at 1 July 2015	1,198,926	2,700,036	883,206	3,583,242	4,782,168
Changes in equity for the period ended 31 December 2015:					
Total comprehensive income for the period ended 31 December 2015					
Profit for the period	-	-	198,018	198,018	198,018
Other Comprehensive income for the period	-	-	-	-	-
Total Comprehensive income for the period	-	-	198,018	198,018	198,018
Transactions with owners recorded directly in equity - distributions:					
Dividend					
-Final dividend @ 25% (Rs. 2.50 per share) for the year ended 30 June 2015	-	-	(299,732)	(299,732)	(299,732)
Total transactions with owners - distributions	-	-	(299,732)	(299,732)	(299,732)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	16,706	16,706	16,706
Balance as at 31 December 2015	1,198,926	2,700,036	798,198	3,498,234	4,697,160
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 recorded directly in equity - distributions:					
Dividend					
-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 - distributions	-	-	(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	1,198,926	2,700,036	1,738,659	4,438,695	5,637,621

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 2016

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 and polyethylene pipes. Its registered office is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi-75530.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim unconsolidated financial information of the Company for six months period ended 31 December 2016 has been prepared in accordance with the requirements of International Accounting Standards 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, have been followed.

This condensed interim unconsolidated financial information does not include all the information required for full annual financial statements and should be read in conjunction with the audited annual separate financial statements of the Company as at and for the year ended 30 June 2016.

The comparative Balance Sheet presented in this condensed interim unconsolidated financial information has been extracted from the audited annual separate financial statements of the Company for the year ended 30 June 2016, 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 2015.

This 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 Companies Ordinance, 1984. The figures for the six months period ended 31 December 2016 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3. ACCOUNTING POLICIES

- 3.1. The accounting policies and the methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in the preparation of audited annual separate financial statements of the Company as at and for the year ended 30 June 2016.
- 3.2. Amendment and interpretation to approved accounting standards effective during the period 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 reporting amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
- 4.2. The significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual separate financial statements as at and for the year ended 30 June 2016.
- 4.3. The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual separate financial statements as at and for the year ended 30 June 2016.

5. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work - - in - progress	Total
	----- (Rupees in '000) -----		
Cost / revalued amount			
Opening balance	6,888,967	65,029	6,953,996
Additions	5.1 396,298	385,560	781,858
Deletions / transfers	(39,783)	(396,298)	(436,081)
	<u>7,245,482</u>	<u>54,291</u>	<u>7,299,773</u>
Accumulated depreciation			
Opening balance	(2,101,704)	-	(2,101,704)
Disposal / adjustments	31,403	-	31,403
Charge for the period	(189,182)	-	(189,182)
	<u>(2,259,483)</u>	<u>-</u>	<u>(2,259,483)</u>
Written down value as at			
31 December 2016 (Un-audited)	<u>4,985,999</u>	<u>54,291</u>	<u>5,040,290</u>
Written down value as at 30 June 2016 (Audited)	<u>4,787,263</u>	<u>65,029</u>	<u>4,852,292</u>

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

	Six months period ended	
	(Un-audited)	
	31 December	31 December
	2016	2015
	(Rupees in '000)	
Building- Freehold	32,052	19,757
- Leasehold	6,587	47,401
Plant and Machinery	340,845	146,467
Furniture, fixture and office equipment	2,942	2,280
Vehicles	13,872	12,674
	<u>396,298</u>	<u>228,579</u>



6. INVESTMENTS

(Un-audited) 31 December 2016	(Audited) 30 June 2016		Note	(Un-audited) 31 December 2016	(Audited) 30 June 2016
Number of shares Quoted companies				(Rupees in '000)	
245,055,543	245,055,543	International Steels Limited (ISL) - subsidiary company at cost	6.1	2,450,555	2,450,555
2,425,913	2,425,913	Pakistan Cables Limited (PCL) - associate company at cost	6.2	132,982	132,982
Un-quoted company					
100,000	100,000	IIL Australia Pty Limited (IIL Australia) - subsidiary company at cost	6.3	9,168	9,168
15,000,000	15,000,000	IIL Stainless Steel (Pvt.) Limited (IIL SS) - subsidiary company at cost	6.4	150,000	150,000
				<u>2,742,705</u>	<u>2,742,705</u>

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

6.1.1 The Company has filed the petition in the Honourable Sindh High Court against the deletion of the clause 103A of the second schedule of the Income Tax Ordinance, 2001 and obtained stay order on the deduction of withholding tax on the inter corporate dividend. As per the requirement of the stay order, the Company has pledged 465,136 shares of International Steels Limited in the Honourable Sindh High Court as a security against the tax on dividend declared by the International Steels Limited on 21 October 2016.

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

6.3 The Company holds 100% ownership interest in IIL Australia. 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 of IIL SS is Mr. Khawar Bari.

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

	(Un-audited) 31 December 2016	(Audited) 30 June 2016
Quoted	(Rupees in '000)	
International Steels Limited	23,949,278	8,728,878
Pakistan Cables Limited	848,924	413,667

6.6 The book value of IIL Australia based on un-audited financial statements as at 31 December 2016 is AUD 120,030 (Rs. 9 million). [30 June 2016: AUD 103,572 (Rs. 8 million)].

6.7 The book value of IIL SS based on un-audited financial statements as at 31 December 2016 is Rs. 126 million (30 June 2016: 121 million). The Company is incorporated in Pakistan.

7. STOCK-IN-TRADE	(Un-audited) 31 December 2016 (Rupees in '000)	(Audited) 30 June 2016
Raw materials - in hand	1,710,892	1,612,610
- in transit	247,172	569,459
	<u>1,958,064</u>	<u>2,182,069</u>
Work-in-process	627,721	577,901
Finished goods	974,862	1,244,339
By-product	25,340	28,108
Scrap material	19,966	25,675
	<u>3,605,953</u>	<u>4,058,092</u>

7.1 Raw materials amounting to Rs. 2.7 million (30 June 2016: Rs. 2.7 million) as at 31 December 2016 was held at vendor premises for the production of pipe caps.

8. TRADE DEBTS		
Considered good - secured	420,419	472,576
- unsecured	1,701,630	1,152,027
Considered doubtful	138,969	105,569
	<u>2,261,018</u>	<u>1,730,172</u>
Provision for doubtful debts	(138,969)	(105,569)
	<u>2,122,049</u>	<u>1,624,603</u>

8.1 Related parties from whom debts are due are as under:

IIL Australia Pty Limited	565,848	241,482
Pakistan Cables Limited	329	272
IIL Stainless Steel (Private) Limited	14,042	45,717
	<u>580,219</u>	<u>287,471</u>

9. ADVANCES		
Considered good:		
- Suppliers	73,478	156,453
- Employees for business related expenses	3,325	1,285
	<u>76,803</u>	<u>157,738</u>



10. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS	<i>Note</i>	(Un-audited) 31 December 2016	(Audited) 30 June 2016
(Rupees in '000)			
Trade deposits		4,614	5,540
Short-term prepayments		11,243	3,366
		15,857	8,906
11. OTHER RECEIVABLES			
Considered good:			
- Receivable for transmission of electricity to K-Electric		8,667	8,498
- Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods		25,940	25,940
- Receivable from IIL Stainless Steel (Private) Limited - a related concern		-	2,613
		34,607	37,051
- Provision for receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods		(25,940)	-
		8,667	37,051
12. RESERVES			
General reserves		2,700,036	2,700,036
Un-appropriated profit		1,738,659	1,303,533
		4,438,695	4,003,569
13. LONG-TERM FINANCING - secured			
Conventional	13.1	543,524	546,259
Islamic	13.2	575,000	650,000
		1,118,524	1,196,259
Current portion of long-term finances shown under current liabilities - Conventional	13.1	(37,596)	(8,205)
- Islamic	13.2	(75,000)	(150,000)
		1,005,928	1,038,054

13.1 The Company has an approved financing facility under long term finance facility of an amount aggregating Rs.550 million. As at 31 December 2016 the Company has withdrawn Rs. 543.5 million (30 June 2016: Rs. 546.3 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.

14. TRADE AND OTHER PAYABLES	<i>Note</i>	(Un-audited) 31 December 2016	(Audited) 30 June 2016
(Rupees in '000)			
Trade creditors		171,032	117,586
Bills payable		117,265	480,618
Accrued expenses		807,178	789,314
Provision for Infrastructure Cess	14.1	288,553	267,980
Short-term compensated absences		6,763	9,000
Advance from customers		106,629	72,098
Workers' Profit Participation Fund		40,800	9,300
Workers' Welfare Fund		54,550	38,250
Unclaimed dividends		19,332	17,033
Others		111,011	57,725
		<u>1,723,113</u>	<u>1,858,904</u>
14.1 Provision for Infrastructure Cess (Refer note 16.1.5)			
Opening balance		267,980	220,702
Charge for the period		20,573	47,278
Closing balance		<u>288,553</u>	<u>267,980</u>
15. SHORT-TERM BORROWINGS - secured			
Conventional			
Running finance under mark-up arrangement	15.1	104,999	156,079
Short-term borrowing under Money Market scheme	15.2	77,541	243,223
Short-term borrowing under Export Refinance Scheme	15.3	2,353,000	2,000,000
Running finance under FE-25 Export and Import Scherr		-	166,248
Book overdraft		13,293	30,611
Islamic			
Short-term borrowing under running musharakah	15.4	348,284	647,088
		<u>2,897,117</u>	<u>3,243,249</u>

15.1 The facilities for running finance available from various commercial banks amounted to Rs. 1,193 million (30 June 2016: Rs. 1,193 million). The rates of mark-up on these finances range from 6.54% to 7.54% per annum (30 June 2016: 6.75% to 7.89% per annum). Unavailed facility as at 31 December 2016 is Rs. 1,087 million (30 June 2016: Rs. 1,036 million).

15.2 The facilities for short-term borrowing under Money Market Scheme available from various commercial banks under mark-up arrangements amounted to Rs. 4,414 million (30 June 2016: Rs. 4,414 million). Unavailed facility as at 31 December 2016 is Rs. 4,336 million (30 June 2016: Rs. 4,171 million). The rate of mark-up on these finance ranges from 6.08% to 6.15% per annum (30 June 2016: 6.16% to 6.55% per annum).



- 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. 2,353 million (30 June 2016: Rs. 2,000 million). The rates of mark-up on this facility are 2.15% to 2.20% per annum (30 June 2016: 3.80% to 4.00% per annum).
- 15.4** The facilities under running musharakah from various banks amounted to Rs. 1,000 million (30 June 2016: 1,000 million). The rate of mark-up on these finances is 6.08% per annum (30 June 2016: 6.16% per annum. Unavailed facility as at the period end amounted to Rs. 652 million (30 June 2016: Rs. 353 million).
- 15.5** All running finance and short-term borrowing facilities are secured by way of hypothecation of all present and future fixed assets (excluding lands and buildings) and present and future current and moveable assets.

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

- 16.1.1** Bank guarantees have been issued under certain supply contracts and to the Collector of Customs aggregating Rs. 167.9 million (30 June 2016: Rs. 186.9 million).
- 16.1.2** Custom duties amounting to Rs. 51 million (30 June 2016: Rs. 52 million) on import of raw material shall be payable by the Company in case of non-fulfilment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Company has provided post-dated cheques in favour of the Collector of Customs which are, in normal course of business, to be returned to the Company after fulfilment of stipulated conditions. The Company has fulfilled the condition for the aforementioned amounts and is making efforts to retrieve the associated post-dated cheques from the customs authorities.
- 16.1.3** An amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Company filed a petition with the Sindh High Court in 2010 for an injunction and is awaiting the final judgment.
- 16.1.4** The customs authorities have charged a redemption fine of Rs. 83 million on the clearance of imported raw material consignments in 2006. The Company has filed an appeal before the Sindh High Court, which has set aside the examination reports including the subsequent order produced by the custom authorities, and ordered the authorities to re-examine the matter afresh. However, the custom authorities have filed an application for leave to appeal against the order of the High Court. The management anticipates that the chances of admission of such appeal are remote.
- 16.1.5** The Company has reversed the provision for the levy of Infrastructure Cess amounting to Rs. 107 million in 2009 on the basis of a decision of the Sindh High Court which declared the levy of Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court 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 High Court. On 31 May 2011, the 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. If the Court upholds the applicability of Fifth Version of the law and its retrospective effect, the authorities will be entitled to claim the amounts due. Bank guarantees amounting to Rs. 404 million (30 June 2016: Rs. 383 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 (Refer note 14.1).

16.1.6 During the year 2015, Government passed a new law "Gas Infrastructure Development Cess Act 2015" by virtue of which all prior enactments have been declared infructuous. The said Act levies GID Cess at Rs. 200/MMBTU on captive power consumption effective 1 July 2011 and at Rs. 100/MMBTU on industrial connection from the date of passing of that Act. The Company has obtained a stay order on the retrospective application of the Act from the Honourable High Court of Sindh. The Company is confident of favourable outcome and therefore has not recorded provision of Rs. 95.1 million in these financial statements. However, the Company has recognised the cess after the passage of the Act.

Further management has not recognized GIDC amounting to Rs.36.65 million pertaining to period from 01 July 2011 to 31 December 2016 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). However, on 26 October 2016, High Court of Sindh vide its judgement dated 26 October 2016 held GIDC Act 2015 ultra vires the Constitution. Management on prudent basis maintained the provision recognized under GIDC Act 2015.

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 (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. 6.2 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.

16.1.8 The Company has issued a corporate guarantee to a commercial bank for securing funded and unfunded facilities of Rs. 125 million each by its wholly owned Subsidiary Company 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.

16.2 Commitments

16.2.1 Capital expenditure commitments outstanding as at 31 December 2016 amounted to Rs. 106.3 million (30 June 2016: Rs. 122.7 million).

16.2.2 Commitments under Letters of Credit for raw materials and stores and spares as at 31 December 2016 amounted to Rs. 2,669.5 million (30 June 2016: Rs. 97.9 million).

16.2.3 Commitments under purchase contracts as at 31 December 2016 amounted to Rs. 160.7 million (30 June 2016: Rs. 558.2 million).

16.2.4 Unavailed facilities for opening letters of credit and guarantees from banks as at 31 December 2016 amounted to Rs. 4,923 million (30 June 2016: Rs. 7,757 million) and Rs. 344 million (30 June 2016: Rs. 346 million) respectively.



(Un-audited)

17. NET SALES

	Six months period ended		Quarter ended	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	(Rupees in '000)		(Rupees in '000)	
Local	6,632,070	6,426,208	3,898,916	3,475,635
Export	2,278,344	2,065,187	1,347,571	1,126,393
	8,910,414	8,491,395	5,246,487	4,602,028
Sales tax	(962,787)	(939,057)	(564,648)	(504,339)
Trade discounts	(262,166)	(242,592)	(144,076)	(157,848)
Sales discount and commission	(181,145)	(178,628)	(103,117)	(99,409)
	(1,406,098)	(1,360,277)	(811,841)	(761,596)
	7,504,316	7,131,118	4,434,646	3,840,432

18. COST OF SALES

Opening stock of raw material and work-in-process	2,190,511	1,689,104	2,454,724	2,178,519
Purchases	5,293,964	5,444,683	3,076,383	2,363,331
Salaries, wages and benefits	362,310	399,585	186,066	223,431
Rent, rates and taxes	1,182	869	647	408
Electricity, gas and water	189,460	171,499	96,786	89,952
Insurance	3,097	5,289	259	3,215
Security and janitorial	12,136	13,572	6,455	8,033
Depreciation and amortisation	175,316	108,466	83,609	54,233
Stores and spares consumed	32,054	32,640	19,058	20,649
Provision for stores and spares obsolescence	24,631	-	24,631	-
Repairs and maintenance	49,304	52,601	26,710	28,263
Postage, telephone and stationery	4,171	4,507	1,206	2,458
Vehicle, travel and conveyance	7,417	7,877	3,435	4,305
Internal material handling	11,636	13,607	6,382	8,955
Environment controlling expenses	119	115	59	59
Sundries	1,499	2,047	743	1,765
Toll manufacturing charges	3,465	6,979	1,941	1,684
Sale of scrap generated during production	(212,764)	(218,104)	(129,588)	(120,439)
Closing stock of raw materials and work-in-process	(2,338,613)	(1,664,679)	(2,338,613)	(1,664,679)
Cost of goods manufactured	5,810,895	6,070,657	3,520,893	3,204,142
Finished goods and by-products:				
- Opening stock	1,272,447	1,488,734	1,054,528	1,482,894
- Closing stock	(1,000,202)	(1,302,321)	(1,000,202)	(1,302,321)
	272,245	186,413	54,326	180,573
	6,083,140	6,257,070	3,575,219	3,384,715

19. SELLING AND DISTRIBUTION EXPENSES

Freight and forwarding	239,526	218,527	142,071	126,963
Salaries, wages and benefits	71,600	62,258	34,858	32,563
Rent, rates and taxes	443	171	224	44
Electricity, gas and water	2,474	2,690	1,111	1,131
Insurance	573	779	333	563
Depreciation and amortisation	6,868	5,790	3,539	3,142
Repairs and maintenance	892	385	634	282
Advertising and sales promotion	23,858	13,504	17,932	11,167
Postage, telephone and stationery	3,270	3,053	1,611	1,606
Office supplies	62	33	36	20
Vehicle, travel and conveyance	7,299	8,963	4,268	4,644
Provision for doubtful debts / write off	33,400	13,570	23,179	9,500
Certification and registration charges	1,607	5,683	966	2,585
Others	6,050	12,452	4,759	11,833
	397,922	347,858	235,521	206,043

20. ADMINISTRATIVE EXPENSES	Six months period ended		Quarter ended	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	(Rupees in '000)		(Rupees in '000)	
Salaries, wages and benefits	92,668	80,814	46,050	41,445
Rent, rates and taxes	117	123	(11)	-
Electricity, gas and water	1,915	1,353	1,204	600
Insurance	1,237	391	1,007	184
Depreciation and amortisation	8,487	8,341	4,320	4,125
Repairs and maintenance	622	515	315	297
Postage, telephone and stationery	4,797	4,687	2,000	2,423
Office supplies	94	40	67	25
Vehicle, travel and conveyance	4,114	2,454	3,212	1,548
Legal and professional charges	7,575	9,079	4,244	5,295
Certification and registration charges	2,473	1,965	268	878
Others	3,757	5,721	996	2,440
	127,856	115,483	63,672	59,260
21. FINANCIAL CHARGES				
Mark-up on:				
- long-term financing	10,856	6,757	3,989	5,463
- short-term borrowings	32,164	94,411	12,166	47,791
- running musharakah	14,834	196	11,203	47
- diminishing musharakah	20,348	10,677	11,605	5,278
Exchange (gain)/loss on FE borrowing	3,854	68,185	(426)	7,310
Interest on Workers' Profit Participation Fund	421	560	-	-
Bank charges	10,785	6,290	4,267	3,806
	93,262	187,076	42,804	69,695
22. OTHER OPERATING CHARGES				
Auditors' remuneration	1,367	1,365	734	666
Exchange loss	14,661	-	25,088	-
Donations	13,176	4,700	7,776	3,400
Provision for receivable from WPPF in prior period	25,940	-	25,940	-
Workers' Profit Participation Fund	40,800	16,000	24,300	8,850
Workers' Welfare Fund	16,300	6,300	9,800	3,450
Project development expenses	5,392	(132)	2,706	(435)
	117,636	28,233	96,344	15,931
23. OTHER INCOME				
Income / return on financial assets				
Interest on bank deposits	577	442	302	249
Income from non-financial assets				
Income from power generation	55,516	36,913	25,056	19,476
Gain on disposal of property, plant and equipment	3,873	23,484	183	15,058
Rental income	7,151	6,838	3,522	3,509
Dividend income from associate / subsidiary	317,236	7,278	10,917	-
Exchange gain	-	17,732	-	8,681
Others	6,633	6,933	3,607	3,203
	390,986	99,620	43,587	50,176
24 TAXATION				
Current	266,550	102,356	130,850	54,639
Deferred	2,750	(5,356)	1,150	(2,639)
	269,300	97,000	132,000	52,000



24.1 The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40 percent of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.

The Company intends to distribute sufficient cash dividend for the year ending 30 June 2017 to comply with the above stated requirement. Accordingly, no provision for tax on undistributed reserves has been recognized in these condensed unconsolidated interim financial information.

25. MOVEMENT IN WORKING CAPITAL	(Un-audited)	
	31 December 2016	31 December 2015
	(Rupees in '000)	
Decrease in current assets:		
Store and spares	19,561	(8,942)
Stock-in-trade	452,139	440,732
Trade debts	(530,846)	221,843
Advances	80,935	(65,235)
Trade deposit and short-term prepayments	(6,951)	(4,124)
Other receivables	28,384	(45,404)
(Decrease) in current liabilities:	43,222	538,870
Trade and other payables	(57,818)	(158,807)
	(14,596)	380,063

26. TRANSACTIONS WITH RELATED PARTIES

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

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

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

	(Un-audited)			
	Six months period ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	(Rupees in '000)			
Subsidiary companies				
Sale of material, stores and capital items	619,512	183,978	352,353	110,092
Purchase of raw material, stores and capital items	1,981,374	1,315,708	1,338,748	1,006,038
Cost of shared resources	30,566	25,181	16,810	13,619
Toll manufacturing (inclusive of sales tax)	1,783	18,704	730	12,654
Reimbursement of expenses	1,503	5,354	988	5,013
Rental income	6,658	6,658	3,329	3,329
Dividend received	306,319	-	306,319	-

	(Un-audited)			
	Six months period ended		Quarter ended	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Associated companies				
Sales	461	1,302	242	1,302
Purchases	4,648	5,831	877	5,098
Dividend paid	2,016	1,440	2,016	1,440
Dividend received	10,917	7,278	10,917	7,278
Key management personnel				
Remuneration	105,679	101,357	56,371	48,800
Staff retirement benefits				
Contribution paid	44,401	30,229	9,467	1,159
Non-executive directors				
Directors' fee	2,880	1,860	1,260	690

27. SEGMENT REPORTING

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

27.1 Segment revenue and results	(Un-audited)		
	Steel Segment	Plastic Segment	Total
	----- (Rupees in '000) -----		
For the period ended 31 December 2016			
Sales	7,013,586	490,730	7,504,316
Cost of sales	5,650,855	432,285	6,083,140
Gross profit	<u>1,362,731</u>	<u>58,445</u>	<u>1,421,176</u>
For the period ended 31 December 2015			
Sales	6,332,764	798,354	7,131,118
Cost of sales	5,577,222	679,848	6,257,070
Gross profit	<u>755,542</u>	<u>118,506</u>	<u>874,048</u>

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

	Un-audited	
	Six months period ended	
	31 December	31 December
	2016	2015
	(Rupees in '000)	
Total results for reportable segments	1,421,176	874,048
Selling, distribution and administrative expenses	(525,778)	(463,341)
Financial charges	(93,262)	(187,076)
Other operating expenses	(117,636)	(28,233)
Other operating income	390,986	99,620
Taxation	(269,300)	(97,000)
Profit after tax	<u>806,186</u>	<u>198,018</u>



27.2 SEGMENT ASSETS & LIABILITIES

	Steel Segment	Plastic Segment	Total
	(Rupees in '000)		
As at 31 December 2016 - Un-audited			
Segment assets	<u>9,512,358</u>	<u>1,255,934</u>	<u>10,768,292</u>
Segment liabilities	<u>3,938,294</u>	<u>746,331</u>	<u>4,684,625</u>
As at 30 June 2016 - Audited			
Segment assets	<u>9,778,071</u>	<u>756,916</u>	<u>10,534,987</u>
Segment liabilities	<u>4,874,698</u>	<u>397,876</u>	<u>5,272,574</u>

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

	31 December 2016 (Un-audited) (Rupees in '000)	30 June 2016 (Audited)
Total reportable segments assets	<u>10,768,292</u>	10,534,987
Unallocated assets	<u>3,118,668</u>	3,441,694
Total assets as per Balance Sheet	<u>13,886,960</u>	<u>13,976,681</u>
Total reportable segments liabilities	<u>4,684,625</u>	5,272,574
Unallocated liabilities	<u>1,509,269</u>	1,397,603
Total liabilities as per Balance Sheet	<u>6,193,894</u>	<u>6,670,177</u>

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 2016							
	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								
Investments								
- quoted Companies	-	2,583,537	-	-	2,583,537	24,798,202	-	-

30 June 2016

Carrying amount					Fair Value		
Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3
----- (Rupees in '000) -----							

Financial assets

Investments

- quoted Companies	-	2,583,537	-	-	2,583,537	9,142,545	-	-
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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 Corresponding Figures

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

29.2 Date of Authorisation for Issue

These financial statements were authorised for issue by the Board of Directors on 25 January 2017.



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)
December 31, 2016**

Condensed Interim Consolidated Balance Sheet


As at 31 December 2016

	Note	(Un-audited) 31 December 2016	(Audited) 30 June 2016
ASSETS			
Non-current assets			
Property, plant and equipment	4	17,867,785	17,564,795
Intangible assets		14,403	13,429
Long-term deposits		45,875	46,266
Investment in equity-accounted investee	5	300,223	270,097
		18,228,286	17,894,587
Current assets			
Stores and spares		602,622	575,099
Stock-in-trade	6	11,968,441	9,489,551
Trade debts	7	2,694,873	2,036,714
Advances	8	132,005	192,807
Trade deposits and short-term prepayments	9	49,258	19,163
Sales Tax refundable		448,925	423,422
Other receivables	10	49,950	77,047
Taxation - net		1,186,622	1,792,532
Bank balances		56,139	70,405
		17,188,835	14,676,740
Total assets		35,417,121	32,571,327
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital 200,000,000 (2016: 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	2,475,955	1,644,740
Translation reserve		(1,508)	(1,251)
Total equity		6,664,631	5,833,673
Non-controlling interest		2,962,374	2,692,184
		9,627,006	8,525,857
Surplus on revaluation of property, plant and equipment		3,468,932	3,502,736
LIABILITIES			
Non-current liabilities			
Long-term financing - secured	12	5,231,042	5,083,027
Staff retirement benefits		69,331	69,331
Deferred taxation - net		1,638,986	1,068,925
		6,939,359	6,221,283
Current liabilities			
Trade and other payables	13	8,020,213	6,571,242
Short-term borrowings - secured	14	5,888,871	6,767,004
Current portion of long-term financing	12	1,239,693	857,221
Accrued markup		123,118	84,170
Sales tax payable		109,929	41,814
		15,381,824	14,321,451
Total liabilities		22,321,183	20,542,734
Contingencies and commitments	15	-	-
Total equity and liabilities		35,417,121	32,571,327

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

Half Year ended
December 31, 2016



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

For the six months period and quarter ended 31 December 2016

	Note	Six months period ended		Quarter ended	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
----- (Rupees in '000) -----					
Net sales	16	21,105,224	14,409,273	12,047,494	8,471,865
Cost of sales	17	(16,800,595)	(13,186,870)	(9,383,593)	(7,815,308)
Gross profit		4,304,629	1,222,403	2,663,901	656,557
Selling and distribution expenses	18	(564,706)	(422,626)	(331,065)	(246,495)
Administrative expenses	19	(219,265)	(197,111)	(109,453)	(100,815)
		(783,971)	(619,737)	(440,518)	(347,310)
Financial charges	20	(330,054)	(611,727)	(156,817)	(267,830)
Other operating charges	21	(321,531)	(113,791)	(213,507)	(31,122)
		(651,585)	(725,518)	(370,324)	(298,952)
Other income	22	95,196	116,313	37,131	56,927
Share of profit in equity- accounted investee		15,841	7,767	6,783	3,426
Profit before taxation		2,980,110	1,228	1,896,973	70,648
Taxation	23	(1,280,655)	114,636	(969,796)	156,376
Profit after taxation		1,699,455	115,864	927,177	227,024
Profit after taxation attributable to:					
Owners of Holding Company		1,196,294	147,134	669,006	134,382
Non-controlling interest		503,161	(31,270)	258,171	92,642
		1,699,455	115,864	927,177	227,024
----- (Rupees) -----					
Earnings per share - basic and diluted		9.98	1.23	5.58	1.12

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

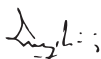
Riyaz T. Chinoy
Chief Executive Officer

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

For the six months period and quarter ended 31 December 2016

	Six months period ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	----- (Rupees in '000) -----			
Profit after taxation	1,699,455	115,864	927,177	227,024
Other comprehensive income				
Item to be reclassified to profit and loss accounts in subsequent periods				
Foreign operation - foreign currency translation difference	(257)	(198)	(468)	(198)
Proportionate share of other comprehensive income of equity accounted investee	228	(1,284)	228	(1,284)
Other comprehensive income	(29)	(1,482)	(240)	(1,482)
Total comprehensive income	1,699,426	114,382	926,937	225,542
Total comprehensive income attributable to:				
Owners of Holding Company	1,196,265	145,652	668,766	132,900
Non-controlling interest	503,161	(31,270)	258,171	92,642
Total comprehensive income	1,699,426	114,382	926,937	225,542

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 2016

	(Un-audited) 31 December 2016	(Un-audited) 31 December 2015
------(Rupees in '000)-----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,980,110	1,228
Adjustments for:		
Depreciation and amortisation	586,145	461,692
Provision for doubtful debts	33,400	13,570
Interest on bank deposits	(662)	(935)
(Gain) / loss on disposal of property, plant and equipment	22 (5,617)	(26,424)
Provision for staff gratuity	23,839	24,048
Share of profit from associated company	(15,841)	(7,767)
Translation reserve	(282)	(275)
Amortisation of long term prepayments	-	833
Financial charges	20 330,054	611,727
Movement in:	3,931,146	1,077,697
Working capital	(1,643,976)	226,826
Long-term deposits	391	(16,349)
Net cash generated from operations	2,287,561	1,288,174
Financial charges paid	(291,106)	(740,344)
Gratuity paid	(31,395)	(20,175)
Taxes paid	(104,626)	(67,325)
Net cash generated from operating activities	1,860,434	460,330
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(906,448)	(983,761)
Dividend income received	10,917	7,278
Proceeds from disposal of property, plant and equipment	21,922	30,000
Interest income received	662	935
Net cash used in investing activities	(872,947)	(945,548)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowing / (repayment) of long-term financing - secured	530,487	24,876
Dividends paid to non controlling interest	(236,782)	(2)
Dividends paid	(417,325)	(297,742)
Net cash used in financing activities	(123,620)	(272,868)
Net increase / (decrease) in cash and cash equivalents	863,867	(758,086)
Cash and cash equivalents at beginning of the period	(6,696,599)	(8,715,495)
Cash and cash equivalents at end of the period	(5,832,732)	(9,473,581)
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	56,139	55,560
Short-term borrowings - secured	14 (5,888,871)	(9,529,141)
	(5,832,732)	(9,473,581)

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 2016

	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 2015	1,198,926	2,991,258	567,749	(1,216)	3,557,791	4,756,717	2,170,330	6,927,047
Total comprehensive income for the period ended 31 December 2015	-	-	147,134	-	147,134	147,134	(31,270)	115,864
Profit for the period	-	-	(1,284)	(198)	(1,482)	(1,482)	-	(1,482)
Other comprehensive income	-	-	145,850	(198)	145,652	145,652	(31,270)	114,382
Transactions with owners recorded directly in equity								
Distribution to owners of the Holding Company:								
-Final dividend @ 25.00% (Rs. 2.50 per share) for the year ended 30 June 2015	-	-	(299,732)	-	(299,732)	(299,732)	-	(299,732)
Total transactions with owners of the Holding Company	-	-	(299,732)	-	(299,732)	(299,732)	-	(299,732)
Re-translate to reserves	-	-	-	-	-	-	-	-
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	20,215	-	20,215	20,215	2,530	22,745
Balance as at 31 December 2015	1,198,926	2,991,258	434,082	(1,414)	3,423,926	4,622,852	2,141,590	6,764,442
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	-	-	1,196,294	-	1,196,294	1,196,294	503,161	1,699,455
Profit for the period	-	-	228	(257)	(29)	(29)	-	(29)
Other comprehensive income	-	-	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% (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)
Final dividend @ 10% (Re. 1.25 per share) attributable 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

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

Half Year ended
December 31, 2016



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

For the six months period ended 31 December 2016

1. THE GROUP AND ITS OPERATIONS

- 1.1 The Group consists of International Industries Limited, the Holding Company, and International Steels Limited, IIL Australia PTY Limited and IIL Stainless Steel (Private) Limited (the Subsidiary Companies) (together referred to as "the Group" and individually as "Group Entities") and the Group's interest in its equity-accounted investee namely Pakistan Cables Limited.
- 1.2 International Industries Limited was incorporated in Pakistan in 1948 and is quoted on the Pakistan Stock Exchange. It is in the business of manufacturing and marketing galvanized steel pipes, precision steel tubes, API line pipes and polyethylene pipes. Its registered office is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.
- 1.3 International Steels Limited was incorporated in Pakistan in 2007 as an unlisted company under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. Subsequent to the sale of shares by the Holding Company to the general public under an Initial Public Offer, it was listed on the Pakistan Stock Exchange on 1 June 2011. Its primary activity is the manufacturing of cold rolled steel coils and galvanized sheets. It commenced commercial operations on 1 January 2011. Its registered office is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.
- 1.4 IIL Australia PTY Limited (IIL Australia) was incorporated in Victoria, Australia on 2 May 2014 and is in the business of distribution and marketing of galvanized steel pipes, precision steel tubes and pre-galvanized pipes. The registered office is situated at 101 - 103, Abbot Road, Hallam, Victoria 3803 Australia.
- 1.5 IIL Stainless Steel (Private) Limited (IIL-SS) was incorporated in Pakistan on 28 November 2014 and is in the business of manufacturing and marketing stainless steel pipe. The registered office is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.
- 1.6 Details of the Group's equity-accounted investee are given in note 5 to this condensed interim consolidated financial information.

2. BASIS OF PREPARATION

- 2.1 This condensed interim consolidated financial information has been prepared from the information available in the condensed un-audited separate financial information of the Holding Company for the six month period ended 31 December 2016 and the condensed un-audited financial information of the Subsidiary Companies for the six month period ended 31 December 2016.

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

2.2 Statement of Compliance

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

- 2.3** This condensed interim consolidated financial information is presented in Pakistan Rupees which is also the Group's functional currency. All financial information presented has been rounded off to the nearest thousand Rupee.
- 2.4** This condensed interim consolidated financial information is being submitted to the shareholders as required by listing regulations of the Pakistan Stock Exchange and Section 245 of the Companies Ordinance, 1984.
- 2.5** Estimates and judgements made by the Group in the preparation of this condensed interim consolidated financial information are the same as those that were applied to the audited annual separate financial statements of the Group Entities as at and for the year ended 30 June 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

3.1.1 Investment in subsidiaries

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

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

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

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

3.1.2 Investment in associate

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

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

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



4. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work- in-progress	Total
	(Rupees in '000)		
Cost / revalued amount			
Opening balance	21,926,842	238,670	22,165,512
Additions	476,920	903,637	1,380,557
Translate reserve	(33)	-	(33)
Disposal / transfers / adjustments	(66,846)	(476,920)	(543,766)
	<u>22,336,883</u>	<u>665,387</u>	<u>23,002,270</u>
Accumulated depreciation			
Opening balance	(4,600,717)	-	(4,600,717)
Disposal / adjustments	50,889	-	50,889
Charge for the period	(584,657)	-	(584,657)
	<u>(5,134,485)</u>	<u>-</u>	<u>(5,134,485)</u>
Written down value as at			
31 December 2016 (Un-audited)	<u>17,202,398</u>	<u>665,387</u>	<u>17,867,785</u>
Written down value as at 30 June 2016 (Audited)	<u>17,326,125</u>	<u>238,670</u>	<u>17,564,795</u>

5. INVESTMENT IN EQUITY - ACCOUNTED INVESTEE

		(Un-audited) 31 December 2016	(Audited) 30 June 2016
		(Rupees in '000)	
Pakistan Cables Limited - associate company	5.1	<u>300,223</u>	<u>270,097</u>

- 5.1 This represents the Holding Company's investment in Pakistan Cables Limited (PCL), a company incorporated in Pakistan. The Holding Company has invested in 2,425,913 shares (30 June 2016: 2,425,913 shares) of the Associate Company and holds 8.52% (30 June 2016: 8.52%) ownership interest in PCL.

The Chief Executive Officer of PCL is Mr. Kamal A. Chinoy. The market value as at 31 December 2016 was Rs. 848.924 million (30 June 2016: Rs. 413.667 million). The share of profit after acquisition is recognised based on PCL's unaudited financial statements as at 30 September 2016. The latest financial statements of the Associated Company as at 31 December 2016 are not presently available.

6. STOCK-IN-TRADE

	(Un-audited) 31 December 2016	(Audited) 30 June 2016
	(Rupees in '000)	
Raw material - in hand	5,526,500	3,802,345
- in transit	2,829,701	1,501,737
	<u>8,356,201</u>	<u>5,304,082</u>
Work-in-process	1,174,128	1,128,175
Finished goods	2,375,728	2,963,371
By-products	25,340	28,108
Scrap material	37,044	65,815
	<u>11,968,441</u>	<u>9,489,551</u>

- 6.1 Raw material of Holding Company amounting to Rs.2.7 million (30 June 2016: Rs.2.7 million) as at 31 December 2016 was held at vendor premises for the production of pipe caps.

(Un-audited) (Audited)
31 December 30 June
2016 2016

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

7. TRADE DEBTS

Considered good:

- secured	1,199,993	990,548
- unsecured	1,494,880	1,046,166

Considered doubtful

Provision for doubtful debts

	2,694,873	2,036,714
	142,529	109,142
	2,837,402	2,145,856
	(142,529)	(109,142)
	<u>2,694,873</u>	<u>2,036,714</u>

8. ADVANCES

Considered good:

- Suppliers and service providers	128,564	191,512
- Employees for business related expenses	3,441	1,295
	<u>132,005</u>	<u>192,807</u>

9. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Trade deposits

Short-term prepayments

	10,510	9,488
	38,748	9,675
	<u>49,258</u>	<u>19,163</u>

10. OTHER RECEIVABLES

Considered good:

- Receivable for transmission of electricity to K- Electric Limited - unsecured	49,898	49,011
- Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods	25,940	25,940
- Others	52	2,096
	75,890	77,047
- Provision for receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier periods	(25,940)	-

11. RESERVES

General Reserves

Unappropriated profit

	49,950	77,047
	2,991,258	2,991,258
	2,475,955	1,644,740
	<u>5,467,213</u>	<u>4,635,998</u>



12. LONG-TERM FINANCING - secured

		(Un-audited) 31 December 2016	(Audited) 30 June 2016
(Rupees in '000)			
Long-term finances utilised under mark-up arrangements - Conventional	12.1 - 12.4	4,104,068	4,290,248
- Islamic	12.5 - 12.7	2,366,667	1,650,000
		6,470,735	5,940,248
Current portion of long-term financing shown under current liabilities - Conventional	12.1 - 12.4	(581,369)	(457,221)
- Islamic	12.5 - 12.7	(658,324)	(400,000)
		5,231,042	5,083,027

12.1 The Holding Company has an approved facility under long term finance facility of an amount aggregating Rs. 550 million. As at December 31, 2016 the holding company has withdrawn Rs. 543.5 million (30 June 2016: Rs. 546.3 million) from 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.

12.2 Long term finance amounting to Rs. 1,993.9 million (30 June 2016: 1,988.4 million) has obtained from commercial banks by Subsidiary Company (ISL) and is secured by way of first pari passu charge over fixed assets of the Subsidiary Company.

12.3 Long term finance amounting to Rs 666.7 million (30 June 2016: Rs. 755.6 million) has been obtained by Subsidiary Company (ISL) from commercial bank and is secured by way of first pari passu charge over fixed assets of the Subsidiary Company.

12.4 Long term finance amounting to Rs. 900 million (30 June 2016: 1,000 million) has been obtained by Subsidiary Company (ISL) from commercial bank and is secured by way of first pari passu charge over fixed assets of the Subsidiary Company.

Islamic

12.5 This long term financing utilised under diminishing musharakah arrangement is secured 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 Long term finance amounting to Rs 875 million (30 June 2016: 1000 million) has been obtained by Subsidiary Company (ISL) from Islamic financial institution and is secured way of first pari passu charge over fixed assets of the Subsidiary Company.

12.7 Long term finance amounting to Rs. 916.7 million (30 June 2016: nil) has been obtained by Subsidiary Company (ISL) from Islamic financial institution and is secured way of first pari passu charge over fixed assets of the Subsidiary Company.

	Note	(Un-audited) 31 December 2016	(Audited) 30 June 2016
13. TRADE AND OTHER PAYABLES		(Rupees in '000)	
Trade creditors	13.1	4,561,003	3,751,982
Bills payable		117,265	480,618
Derivative financial liabilities		-	8,286
Sales commission payable		48,892	34,653
Provision for Government Levies		257	409
Accrued expenses		1,488,528	1,219,967
Provision for Infrastructure Cess	13.2	722,370	630,056
Short-term compensated absences		9,991	13,000
Advances from customers		626,865	250,855
Workers' Profit Participation Fund		159,405	23,117
Workers' Welfare Fund		143,329	79,587
Unclaimed dividends		19,332	17,033
Dividend payable		649	-
Unclaimed dividend attributable to non controlling interest		384	384
Others		121,943	61,295
		8,020,213	6,571,242
13.1	This includes an amount of Rs. 2,623.6 million payable to Groups's associated companies (2016: 3,299.7 million)		
13.2	Provision for Infrastructure Cess (Refer note 15.1.2)		
Opening balance		630,056	508,210
Charge for the period		92,314	121,846
Closing balance		722,370	630,056
14. SHORT-TERM BORROWINGS - secured CONVENTIONAL			
Running finance under mark-up arrangement from bank	14.1	1,171,013	2,819,923
Short-term borrowing under Money Market Scheme	14.2	77,541	243,223
Short-term running finance under Export Refinance Scheme	14.3	3,471,500	2,000,000
Running finance under FE-25 Import Scheme		-	166,248
Book overdraft		13,293	30,611
ISLAMIC			
Short-term finance under Running Musharakah	14.4	418,724	686,190
Short-term finance under Term Musharaka	14.5	736,800	820,809
		5,888,871	6,767,004



- 14.1** The facilities for running finance under mark-up arrangements, available to the Group Entities from various commercial banks, amounted to Rs. 8,875 million (30 June 2016: Rs.8,993 million) and are for the purpose of meeting working capital requirements. The rates of mark-up on these finances obtained by the Holding company range from 6.54% to 7.54% per annum (2016: 6.75% to 7.89% per annum). The rates of mark-up on these finances obtained by Subsidiary Company (ISL) ranges from 5.09% to 7.97% per annum (2016: 6.04% to 9.68% 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. 4,414 million (30 June 2016: Rs. 4,414 million). The rate of markup on these finance ranges from 6.08% to 6.15% per annum (30 June 2016: 6.16% - 6.55%) per annum.
- 14.3** The Group Entities have borrowed short-term running finance under Export Refinance Scheme offered by the State Bank of Pakistan. The facilities availed are for an amount of Rs. 3,471.5 (30 June 2016: Rs.2,000 million). The rates of mark-up on these facilities range from 2.15% to 2.20 % per annum (30 June 2016: 3.80% to 4.00% per annum).
- 14.4** 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 6.09% per annum (2016: 6.16%) per annum. The rate of profit on these finance obtained by the Subsidiary Company is 6.08% per annum (2016: 6.55% to 7.18%) per annum. The facility matures within twelve months and is renewable.
- 14.5** The Subsidiary Company has obtained facilities for short term finance under Term Musharakah arrangement. The rate of profit is 5.89% to 5.95% (30 June 2016: 6.07% to 6.58%) per annum. This 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** The Holding Company has issued a corporate guarantee to commercial bank for securing funded and unfunded facilities of Rs.125 million each for its wholly owned Subsidiary Company IIL Stainless Steels (Private) Limited. The facilities are secured by way of hypothecation of all present and future current and moveable assets.
- 14.8** As at 31 December 2016, the unavailed facilities from the above borrowings amounted to Rs.16,994 million. (30 June 2016: Rs 15,702 million).

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

- 15.1.1** During the year 2015, Government passed a new law "Gas Infrastructure Development Cess Act 2015" by virtue of which all prior enactments have been declared infructuous. The said Act levies GIDC at Rs 200/MMBTU on captive power consumption effective 1 July 2011 and at Rs.100/MMBTU on industrial connection from the date of passing of that Act. The Holding Company and Subsidiary Company (ISL) have obtained a stay order on the retrospective application of the Act from The Honourable High Court of Sindh. The management is confident of favourable outcome and therefore has not recorded a provision of Rs. 475.9 million in these financial statements. However, the applicable cess has been recognised after the passage of the Act.

Further, the Holding Company and the Subsidiary Company (ISL) have not recognized GIDC amounting to Rs. 722 million pertaining to period from 01 July 2011 to 31 December 2016 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). However, on 26 October 2016 High Court of Sindh vide its judgement dated 26 October 2016 held that GIDC Act 2015 ultra vires the Constitution. Management on prudent basis maintained the provision recognized under GIDC Act 2015.

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. If the Court upholds the applicability of Fifth Version of the law and its retrospective effect, the authorities will be entitled to claim the amounts due. Bank guarantees amounting to Rs. 840 million (30 June 2016: Rs. 760 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).

15.1.3 Guarantees issued by the Holding Company and Subsidiary Company (ISL) to various service providers amounting to Rs.451 million (30 June 2016: Rs.464 million) as security for continued provision of services.

15.1.4 The Group's share of associate's contingent liability is Rs.48.99 million (30 June 2016: Rs.46.5 million).

Holding Company

15.1.5 Custom duties amounting to Rs.51 million (30 June 2016: 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 fulfilment 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.

15.1.6 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.

15.1.7 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.



15.1.8 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. 6.2 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.

Subsidiary Company (ISL)

15.1.9 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. 157 million has not been recorded in this condensed interim financial information for the period ended 31 December 2016.

Additionally, during the period, provision for taxation has been made based on the income for the period determined in accordance with the prevailing law for taxation of income. The charge for tax is calculated using prevailing tax rates.

15.1.10 Guarantees issued in the favour of Nazir High Court issued by bank on behalf of the Subsidiary Company (ISL) amounting to Rs. 2.65 million (2016: Rs.2.65 million).

15.2 Commitments Group

15.2.1 Capital expenditure commitments of the Group Entities outstanding as at 31 December 2016 amounted to Rs.280.1 million (30 June 2016: Rs.442.77 million).

15.2.2 Commitments under letters of credit established by the Group Entities for raw material and spares as at 31 December 2016 to Rs. 10,554 million (30 June 2016: Rs.6,676 million).

15.2.3 The unavailed facilities for opening letters of credit and guarantees from banks as at 31 December 2016 amounted to Rs. 11,889 million (30 June 2016: 15,817 million) and Rs. 554 million (30 June 2016: 560 million) respectively.

Holding Company

15.2.4 Commitments under purchase contracts as at 31 December 2016 amounted to Rs. 160.7 million (30 June 2016: Rs.558.2 million).

16. NET SALES	Six months period ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
----- (Rupees in '000)-----				
Local	20,962,219	13,987,893	11,812,471	8,588,370
Export	3,802,625	3,063,982	2,279,567	1,499,348
	24,764,844	17,051,875	14,092,038	10,087,718
Toll Manufacturing	808	2,042	396	2,395
Sales Tax	(3,051,363)	(2,122,187)	(1,708,020)	(1,298,725)
Trade discounts	(266,527)	(255,274)	(144,564)	(158,163)
Sales discount and commission	(342,538)	(267,183)	(192,356)	(161,360)
	(3,660,428)	(2,644,644)	(2,044,940)	(1,618,248)
	21,105,224	14,409,273	12,047,494	8,471,865
17. COST OF SALES				
Opening stock of raw material and work-in-process	4,930,520	4,316,233	6,263,490	6,666,796
Purchases	16,831,236	10,254,368	8,670,040	3,515,337
Salaries, wages and benefits	548,501	553,923	280,738	300,104
Rent, rates and taxes	1,220	871	159	410
Electricity, gas and water	651,878	518,396	323,854	265,920
Insurance	12,402	13,421	4,561	9,338
Security and janitorial	21,569	23,847	11,267	13,593
Depreciation and amortisation	539,507	409,341	261,571	216,279
Stores and spares consumed	74,095	76,993	43,164	49,098
Stores and spares scrapped	24,631	-	24,631	-
Repairs and maintenance	83,639	86,728	42,778	49,892
Postage, telephone and stationery	10,657	8,303	4,885	4,379
Vehicle, travel and conveyance	15,156	15,790	7,506	8,726
Internal material handling	19,177	16,695	9,600	10,782
Environment controlling expense	1,005	835	450	419
Sundries	7,991	5,239	4,072	1,885
Toll manufacturing charges	1,941	1,761	1,317	1,761
Sale of scrap generated during production	(679,195)	(496,070)	(400,370)	(331,628)
	23,095,930	15,806,674	15,553,713	10,783,091
Closing stock of raw material and work-in-process	(6,700,628)	(3,194,047)	(6,700,628)	(3,194,047)
Cost of goods manufactured	16,395,302	12,612,627	8,853,085	7,589,044
Finished goods and by-products :				
Opening stock	2,941,351	3,081,662	3,066,566	2,733,683
Closing stock	(2,536,058)	(2,507,419)	(2,536,058)	(2,507,419)
	405,293	574,243	530,508	226,264
	16,800,595	13,186,870	9,383,593	7,815,308



18 SELLING & DISTRIBUTION EXPENSES	Six months period ended		Quarter ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	----- (Rupees in '000)-----			
Freight and forwarding expenses	336,050	254,212	202,351	150,236
Salaries, wages and benefits	102,853	85,048	50,248	44,417
Rent, rates and taxes	3,100	1,375	1,602	1,020
Electricity, gas and water	3,601	3,217	1,787	1,381
Insurance	3,407	971	3,051	673
Depreciation and amortisation	8,727	7,452	4,496	4,000
Repair and maintenance	1,278	709	1,020	606
Advertising and sales promotion	41,415	16,372	26,398	10,450
Postage, telephone and stationery	4,364	3,827	2,069	1,997
Office supplies	62	33	36	20
Vehicle, travel and conveyance	12,847	15,062	7,266	6,842
Provision for doubtful debts-net	33,400	13,570	23,179	9,500
Certification and registration charges	1,607	5,683	966	2,585
Others	11,995	15,095	6,596	12,768
	564,706	422,626	331,065	246,495
19 ADMINISTRATIVE EXPENSES				
Salaries, wages and benefits	153,489	136,908	77,654	69,222
Rent, rates and taxes	1,753	1,316	494	253
Electricity, gas and water	3,109	1,952	1,971	889
Insurance	2,142	1,219	1,438	880
Depreciation and amortisation	11,414	11,065	5,601	5,549
Repair and maintenance	656	583	207	365
Postage, telephone and stationery	6,680	6,406	2,482	2,790
Office supplies	94	40	67	25
Vehicle, travel and conveyance	7,786	4,971	4,966	2,487
Legal and professional charges	16,657	20,571	7,070	13,010
Certifications and registration charges	3,132	2,285	824	1,130
Directors' fees	4,080	3,360	1,920	1,350
Others	8,274	6,435	4,760	2,865
	219,265	197,111	109,453	100,815
20. FINANCIAL CHARGES				
Mark-up on:				
- Long-term financing	134,586	222,926	76,767	119,167
- Short-term borrowings	87,367	185,370	31,892	109,917
- Running musharakah	27,087	34,751	12,138	12,603
- Diminishing musharakah	62,144	18,957	30,530	13,558
	311,184	462,004	151,327	255,245
Exchange loss on FE borrowing	3,854	137,274	(426)	7,643
Interest on Workers' Profit Participation Fund	506	560	-	-
Bank charges	14,510	11,889	5,916	4,942
	330,054	611,727	156,817	267,830

21. OTHER OPERATING CHARGES

Auditors' remuneration	2,692	2,620	1,430	1,237
Loss on derivative financial instruments	31,483	-	4,138	-
Donations	18,216	6,890	12,466	3,590
Exchange loss	14,661	82,113	25,088	14,430
Provision for receivable from WPPF in prior periods	25,940	-	25,940	-
Workers' Profit Participation Fund	159,405	16,000	126,217	8,850
Workers' Welfare Fund	63,742	6,300	15,522	3,450
Project development expenses	5,392	(132)	2,706	(435)
	<u>321,531</u>	<u>113,791</u>	<u>213,507</u>	<u>31,122</u>

22. OTHER INCOME

Income / return on financial assets

Interest on bank deposits	1,148	935	825	615
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Income from non-financial assets

Income from power generation - 18MW	19,624	19,865	10,287	7,025
Income from power generation - 4MW	55,516	36,913	25,056	19,476
Gain on disposal of property, plant and equipment	5,617	26,424	1,214	17,507
Rental income	1,463	1,038	789	609
Exchange gain / (loss) - net	6,427	17,732	(5,376)	8,681
Others	5,401	13,406	4,336	3,014
	<u>95,196</u>	<u>116,313</u>	<u>37,131</u>	<u>56,927</u>

23. TAXATION

Current	574,274	112,089	468,032	58,179
Prior	136,320	-	136,320	-
Deferred	570,061	(226,725)	365,444	(214,555)
	<u>1,280,655</u>	<u>(114,636)</u>	<u>969,796</u>	<u>(156,376)</u>

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:



<u>Six months period ended</u>		<u>Quarter ended</u>	
<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>

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

Transactions with related parties

Associated companies

Sales	325,641	678,508	152,801	505,107
Purchases	6,396,137	3,852,169	1,480,454	1,788,810
Rental income	970	858	596	429
Dividend paid	2,016	-	2,016	-
Dividend received	60,264	7,278	60,264	7,278

Associated person

Sales commission expense	-	446	-	-
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Key management personnel

Remuneration & staff retirement benefits	187,481	164,629	98,220	81,525
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Staff retirement funds

Contribution paid	66,864	48,100	21,278	10,244
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Non- executive directors' fees	4,080	3,360	1,920	1,350
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Balances with related parties

	(Un-audited)	(Audited)
	31 December	30 June
	2016	2016

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

Trade debts

Pakistan Cables Limited.	329	272
Sumitomo Corporation	42,470	91,400

Trade creditor

Sumitomo Corporation	2,623,630	3,299,720
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25 SEGMENT REPORTING

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

SEGMENT REVENUE AND RESULTS

	Steel Coils & Sheets	Steel Pipes	Plastic Pipes	Total
For the six months period ended 31 December 2016	----- (Rupees in '000) -----			
Sales	13,573,997	7,040,497	490,730	21,105,224
Cost of sales	11,046,443	5,321,867	432,285	16,800,595
Gross Profit	<u>2,527,554</u>	<u>1,718,630</u>	<u>58,445</u>	<u>4,304,629</u>
For the six months period ended 31 December 2015				
Sales	7,108,222	6,502,697	798,354	14,409,273
Cost of sales	6,779,456	5,727,566	679,848	13,186,870
Gross Profit	<u>328,766</u>	<u>775,131</u>	<u>118,506</u>	<u>1,222,403</u>

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

	Six months period ended	
	31 December 2016	31 December 2015
	------(Rupees in '000)-----	
Total results for reportable segments	4,304,629	1,222,403
Selling, distribution and administrative expenses	(783,971)	(619,737)
Financial charges	(330,054)	(611,727)
Other operating expenses	(321,531)	(113,791)
Other operating income	95,196	116,313
Share of profit in equity-accounted investee - net of tax	15,841	7,767
Taxation	(1,280,655)	114,636
Profit after tax	1,699,455	115,864

SEGMENT ASSETS & LIABILITIES

	Steel Coils & Sheets	Steel Pipes	Plastic Pipes	Total
	----- (Rupees in '000) -----			
As at 31 December 2016 - Un-audited				
Segment assets	<u>21,678,354</u>	<u>9,596,811</u>	<u>1,255,934</u>	<u>32,531,099</u>
Segment liabilities	<u>13,544,314</u>	<u>3,942,254</u>	<u>746,331</u>	<u>18,232,899</u>
As at 30 June 2016 - Audited				
Segment assets	<u>18,475,088</u>	<u>9,859,056</u>	<u>756,916</u>	<u>29,091,060</u>
Segment liabilities	<u>12,183,336</u>	<u>4,874,697</u>	<u>397,876</u>	<u>17,455,909</u>

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

	(Un-audited) 31 December 2016	(Audited) 30 June 2016
Total reportable segments assets	32,531,099	29,091,060
Unallocated assets	2,886,022	3,480,267
Total assets as per Balance Sheet	35,417,121	32,571,327
Total reportable segments liabilities	18,232,899	17,455,909
Unallocated liabilities	4,088,284	3,086,825
Total liabilities as per Balance Sheet	22,321,183	20,542,734



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 2016							
	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
Financial assets								
Investment - quoted Company	-	300,223	-	-	300,223	848,924	-	-

	30 June 2016							
	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
Financial assets								
Investment - quoted Company	-	270,097	-	-	270,097	413,667	-	-

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.

26.1 DATE OF AUTHORISATION FOR ISSUE

This condensed interim consolidated financial information was authorised for issue by the Board of Directors of the Holding Company on 25 January 2017.

Fuad Azim Hashimi
Director & Chairman
Board Audit Committee

Nadir Akbarali Jamal
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer