



**Head Office**  
101 Beaumont Plaza,  
10 Beaumont Road,  
Karachi - 75530  
UAN: (92 21) 111 019 019

**Lahore Office**  
Chinoy House,  
6-Bank Square,  
Lahore - 54000  
UAN: (92 42) 111 019 019

**Islamabad Office**  
Office No. 2, First Floor,  
Ahmed Centre,  
I-8 Markaz, Islamabad  
Tel: (92 51) 4864601-2

**Faisalabad Office**  
Office No. 1/1 Wahab  
Centre, Electrocity Plaza  
Susan Road, Faisalabad  
Tel: (92 41) 872 0037

**Multan Office**  
1692, 2nd Floor  
Qasid-e-Azam Shopping  
Centre No.1 Multan Cantt, Multan  
Tel: (92 61) 458 3332

**Peshawar Office**  
Office No.1 & 2, First Floor,  
Humaz Plaza  
Opposite Airport Runway  
Main University Road, Peshawar  
Tel: (92 91) 5645088

**A part of  
our lives**

**FACTORY 1**

LX 15-16,  
Landhi Industrial Area,  
Karachi - 75120  
Tel: (92 21) 3508 0451-55

**FACTORY 2**

Survey # 405-406  
Flehti Road, Landhi,  
Karachi - 75160  
Tel: (92 21) 3501 7027-28

**FACTORY 3**

22 KM, Sheikhpura Road  
Lahore  
Tel: (92 42) 8719 0482-3

**SALES INQUIRIES**

*Domestic Clients: [sales@iil.com.pk](mailto:sales@iil.com.pk)  
International Clients: [inquiries@iil.com.pk](mailto:inquiries@iil.com.pk)*

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

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## Company Information

### Chairman (Non-Executive)

Mr. Mustapha A. Chinoy  
Independent Director  
Mr. Tariq Ikram  
Mr. Ehsan A. Malik  
Mr. Jehangir Shah

### Non-Executive Director

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

### Managing Director & Chief Executive Officer

Mr. Riyaz T. Chinoy

### Advisor

Mr. Towfiq H. Chinoy

### Chief Financial Officer

Mr. Nadir Akbarali Jamal

### Company Secretary

Ms. Uzma Amjad Ali

### Chief Internal Auditor

Ms. Asema Tapal

### Internal Auditors

EY Ford Rhodes

### External Auditors

M/s KPMG Taseer Hadi & Co.

### Bankers

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

### Legal Advisor(s)

Mrs. Sana Shaikh Fikree  
Mr. Ameen Bandukda

### Registered Office

101, Beaumont Plaza, 10, Beaumont Road,  
Karachi – 75530  
Telephone Nos: +9221-35680045-54,  
UAN: 021-111-019-019  
Fax: +9221-35680373,  
E-mail: uzma.amjad@iil.com.pk

### Lahore Office

Chinoy House, 6 Bank Square, Lahore - 54000  
Telephone Nos:+9242-37229752-55,  
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### Islamabad Office

Office #.2, First Floor, Ahmed Centre,  
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Telephone Nos: +9251-4864601-2

### Multan Office

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Multan Cantt.  
Telephone : +9261-4583332

### Faisalabad Office

Office No.1/1, Wahab Centre, Electrocitiy Plaza,  
Susan Road, Faisalabad.  
Telephone : +9241-8720037

### Peshawar Office

Office No.1 & 2, First Floor, Hurmaz Plaza, Opp. Airport,  
Main University Road, Peshawar.  
Telephone Nos: +9291-5845068

### Factories

#### Factory 1

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

#### Factory 2

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

#### Factory 3

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

### Website

www.iil.com.pk

### Investor Relations Contact

Shares Registrar  
Central Depository Company of Pakistan Ltd.  
CDC House, 99-B, Block "B", S.M.C.H.S.,  
Shahrah-e-Faisal, Karachi.  
Telephone Nos: +9221-111-111-500  
FAX: +9221-34326053  
E-mail : info@cdcpak.com

### Assistant Company Secretary

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

## Directors' Report

The directors of your Company are pleased to present the financial statements for the period ended 31 March, 2018.

Despite the fact that the economy faced considerable economic and political challenges during the period under review domestic demand for your product grew in double digits. However, in order to sustain this momentum, one expects that the government will continue to take pro Industry measures which will allow the domestic industry to remain competitive vis-à-vis imports allowing further Industrial growth which will result in the steel industry becoming self-sufficient.

The Company's gross sales turnover for the period under review was Rs. 22.8 billion, which is 63% higher than the same period last year. Nine months Sales volume surpassed the annual sales volume of the last financial year indicating robust underlying Domestic demand for our products. Global sales Volume has remained subdued over the period, however after the recent devaluation of the rupee, export sales are expected to pick up.

The Polymer division continued to perform well, with sales turnover increasing 116% over the corresponding period last year. Gross profit was also up from Rs. 72.3 million last year to Rs. 169.7 million during the current year.

Profit after Tax (PAT) for the period under review was Rs. 1.39 billion (EPS 11.6), which is 21% higher than the corresponding period last year. This period's profit is inclusive of an amount of Rs. 629.7 million of dividend received from subsidiary and associate. This brings the PAT excluding dividend income for the period to Rs. 887 million as compared to Rs. 869 million for the same period last year.

International Steels Limited (ISL) reported Net Sales Revenue of Rs. 34.8 billion which was up 40% from Rs. 24.8 billion over the corresponding period last year. Profit after Tax (PAT) of Rs. 3.2 billion (EPS 7.43) was up 60% from Rs. 2 billion (EPS 4.64) during the same period last year.

The Group P&L ended the period with PAT of Rs. 3.9 billion (EPS 21.69) compared to Rs. 2.8 billion (EPS 16.59) over the corresponding period last year.

Although steel prices showed strong upward momentum during the quarter, rising threat of protectionism following the imposition of Section 232 on steel imports by USA may lead to softening of international prices in the coming months.

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

For & on behalf of  
International Industries Limited

Mustapha A. Chinoy  
Chairman



# Condensed Interim Unconsolidated Balance Sheet

As at 31 March 2018

	Note	31 March 2018 (Un-audited)	30 June 2017 (Audited) (Restated)
(Rupees in '000)			
<b>ASSETS</b>			
Non current assets			
Property, plant and equipment	5	5,637,956	5,088,085
Intangible assets		10,353	15,509
Investments	6	3,082,317	2,742,705
Long term deposits		63,254	51,475
		<u>8,793,880</u>	<u>7,897,774</u>
Current assets			
Stores and spares		138,740	107,381
Stock-in-trade	7	8,429,673	8,164,856
Trade debts	8	3,158,135	1,981,679
Advances	9	126,381	59,014
Trade deposits and short term prepayments	10	22,117	13,032
Other receivables	11	385,222	18,446
Sales tax receivable		98,248	266,817
Cash and bank balances		144,786	7,279
		<u>12,503,302</u>	<u>10,618,504</u>
<b>Total assets</b>		<u><b>21,297,182</b></u>	<u><b>18,516,278</b></u>
<b>EQUITY AND LIABILITIES</b>			
Share capital and reserves			
Authorised capital			
200,000,000 (2017: 200,000,000) ordinary shares of Rs. 10 each		2,000,000	2,000,000
Issued, subscribed and paid-up capital			
Reserves	12	1,198,926	1,198,926
Surplus on revaluation of property, plant and equipment		5,576,143	4,642,511
		1,981,068	2,017,384
<b>Total equity</b>		<u><b>8,756,137</b></u>	<u><b>7,858,821</b></u>
<b>LIABILITIES</b>			
Non-current liabilities			
Long-term financing - secured	13	1,187,740	1,178,347
Staff retirement benefits		85,515	85,121
Deferred taxation - net		224,837	230,208
		<u>1,498,092</u>	<u>1,493,676</u>
Current liabilities			
Trade and other payables	14	3,323,539	2,995,759
Short term borrowings - secured	15	7,075,609	5,899,407
Current portion of long-term finances	13	155,162	109,707
Taxation		415,155	96,337
Accrued mark-up		73,488	62,571
		<u>11,042,953</u>	<u>9,163,781</u>
<b>Total liabilities</b>		<u><b>12,541,045</b></u>	<u><b>10,657,457</b></u>
<b>Total equity and liabilities</b>		<u><b>21,297,182</b></u>	<u><b>18,516,278</b></u>
Contingencies and commitments	16	-	-

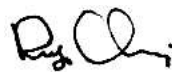
The annexed notes 1 to 29 form an integral part of this condensed interim unconsolidated financial information.



Ehsan A. Malik  
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 nine months period and quarter ended 31 March 2018

	Note	Nine months period ended		Quarter ended	
		31 March 2018	31 March 2017	31 March 2018	31 March 2017
------(Rupees in '000)-----					
Net sales	17	19,077,718	11,804,102	6,909,429	4,299,786
Cost of sales	18	(16,450,515)	(9,477,159)	(5,932,326)	(3,446,297)
Gross profit		2,627,203	2,326,943	977,103	853,489
Selling and distribution expenses	19	(885,009)	(625,057)	(323,085)	(227,135)
Administrative expenses	20	(229,957)	(232,136)	(79,798)	(104,280)
		(1,114,966)	(857,193)	(402,883)	(331,415)
Financial charges	21	(329,910)	(135,861)	(97,407)	(42,599)
Other operating charges	22	(116,142)	(154,359)	(45,074)	(51,384)
		(446,052)	(290,220)	(142,481)	(93,983)
Other income	23	809,333	379,617	453,762	55,570
Profit before taxation		1,875,518	1,559,147	885,501	483,661
Taxation	24	(485,250)	(409,000)	(214,685)	(139,700)
Profit after taxation for the period		1,390,268	1,150,147	670,816	343,961
------(Rupees)-----					
Earnings per share - basic and diluted		11.60	9.59	5.60	2.87

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



Ehsan A. Malik  
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 nine months period and quarter ended 31 March 2018

	Nine months period ended		Quarter ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	----- (Rupees in '000) -----			
Profit after taxation for the period	1,390,268	1,150,147	670,816	343,961
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>1,390,268</u>	<u>1,150,147</u>	<u>670,816</u>	<u>343,961</u>

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



Ehsan A. Malik  
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 nine months period ended 31 March 2018

Note	Nine months period ended	
	31 March 2018	31 March 2017
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	1,875,518	1,559,147
Profit before taxation		
Adjustments for :		
	282,695	284,295
	(5,000)	44,431
	(1,056)	(836)
23	(49,507)	(3,655)
23	(629,676)	(320,875)
	26,394	21,666
21	329,910	135,861
	1,829,278	1,720,034
Changes in:		
25	(1,047,266)	(3,534,472)
	(11,779)	(6,309)
	770,233	(1,820,747)
	(318,993)	(122,538)
	(26,000)	(22,000)
	(171,806)	(105,115)
	253,434	(2,070,400)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	(832,648)	(458,511)
	(489,612)	-
	150,000	-
	54,745	20,350
	262,093	320,875
	1,056	836
	(854,366)	(116,450)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	103,037	-
	(48,189)	(80,470)
	(479,229)	(715,477)
	(424,381)	(795,947)
	(1,025,313)	(2,982,797)
	(5,892,128)	(3,227,427)
	(13,382)	-
	(6,930,823)	(6,210,224)
Cash and cash equivalents comprise:		
	144,786	169
15	(7,075,609)	(6,210,393)
	(6,930,823)	(6,210,224)

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



Ehsan A. Malik  
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 nine months period ended 31 March 2018

Note	Issued, subscribed and paid-up capital	Revenue Reserves		Capital Reserves	Total reserves	Total
		General reserves	Un- appropriated profit	surplus on Revaluation of property, plant & equipment		
------(Rupees in '000)-----						
Balance as at 30 June 2016 as previously reported	1,198,926	2,700,036	1,303,533	-	4,003,569	5,202,495
Effect of change in accounting policy	3.3.1	-	-	2,104,009	2,104,009	2,104,009
Balance as at 1 July 2016 - as restated	1,198,926	2,700,036	1,303,533	2,104,009	6,107,578	7,306,504
Changes in equity for the period ended 31 March 2017:						
Total comprehensive income for the period ended 31 March 2017						
Profit for the period	-	-	1,150,147	-	1,150,147	1,150,147
Other Comprehensive income for the period	-	-	-	-	-	-
Total Comprehensive income for the period	-	-	1,150,147	-	1,150,147	1,150,147
Transactions with owners of the Company - distributions:						
-Final dividend @ 35% (Rs. 3.50 per share) for the year ended 30 June 2016	-	-	(419,624)	-	(419,624)	(419,624)
-Interim dividend @ 25% (Rs. 2.50 per share) for the year ended 30 June 2017	-	-	(299,732)	-	(299,732)	(299,732)
Total transactions with owners of the Company - distribution	-	-	(719,356)	-	(719,356)	(719,356)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	61,510	(61,510)	-	-
Transfer from surplus on revaluation on disposal of fixed assets - net of deferred tax	-	-	8,321	(8,321)	-	-
Balance as at 31 March 2017 - as restated	1,198,926	2,700,036	1,804,155	2,034,178	6,538,369	7,737,295
Balance as at 30 June 2017 as previously reported	1,198,926	2,700,036	1,942,475	-	4,842,511	5,841,437
Effect of change in accounting policy	3.3.1	-	-	2,017,384	2,017,384	2,017,384
Balance as at 1 July 2017 - as restated	1,198,926	2,700,036	1,942,475	2,017,384	6,659,895	7,858,821
Changes in equity for the period ended 31 March 2018:						
Total comprehensive income for the period ended 31 March 2018						
Profit for the period	-	-	1,390,268	-	1,390,268	1,390,268
Transfer upon merger	1.2	-	(13,382)	-	(13,382)	(13,382)
Other Comprehensive income for the period	-	-	-	-	-	-
Total Comprehensive income for the period	-	-	1,376,886	-	1,376,886	1,376,886
Transactions with owners of the Company - distributions:						
-Final dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2017	-	-	(239,785)	-	(239,785)	(239,785)
-Interim dividend @ 20% (Rs. 2.00 per share) for the year ending 30 June 2018	-	-	(239,785)	-	(239,785)	(239,785)
Total transactions with owners of the Company - distribution	-	-	(479,570)	-	(479,570)	(479,570)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	35,566	(35,566)	-	-
Transfer from surplus on revaluation on disposal of fixed assets - net of deferred tax	-	-	750	(750)	-	-
Balance as at 31 March 2018	1,198,926	2,700,036	2,876,107	1,981,068	7,557,211	8,756,137

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



Ehsan A. Malik  
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 nine months period ended 31 March 2018

## 1. STATUS AND NATURE OF BUSINESS

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

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

- 1.2 On 25 January 2018, the Board of Directors of the Company passed a resolution approving a Scheme of Amalgamation under Section 284(1) of the Companies Act, 2017, to amalgamate its wholly owned subsidiary, IIL Stainless Steels (Private) Limited with and into the Company. As such, as of the Completion Date of 31 March 2018, the entire undertaking of IIL Stainless Steels (Private) Limited will stand merged with and into the Company. As a result as on 31 March 2018, the entire business of IIL Stainless Steels (Private) Limited including its properties, assets, liabilities and rights and obligations vested into the Company. Since IIL Stainless Steels (Private) Limited is a group company under common control, the merger has been accounted for as a common control transaction and predecessor accounting has been applied. Under predecessor accounting, the acquired net assets of IIL Stainless Steels (Private) Limited are included in the financial statements of the Company at the same carrying values as recorded in IIL Stainless Steels (Private) Limited's own financial statements as on 1 March 2018. The results and balance sheet of IIL Stainless Steels (Private) Limited are consolidated prospectively from the date of merger.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

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

- Provisions of and directives issued under the Companies Act 2017.

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

- 2.1.2 These condensed interim unconsolidated financial 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 2017.
- 2.1.3 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 2017, whereas the comparative condensed interim Profit and Loss Account, condensed interim Statement of Comprehensive Income, condensed interim Cash Flow Statement and condensed interim Statement of Changes in Equity are extracted from the unaudited condensed interim unconsolidated financial information for the period ended 31 March 2017.
- 2.1.4 These condensed interim financial information is un-audited and is being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

- 3.1. The accounting policies and methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in the preparation of audited annual separate financial statements of the Company as at and for the year ended 30 June 2017 except as disclosed in note 3.3.1

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

For the nine months period ended 31 March 2018

- 3.2 Certain amendment and interpretation to approved accounting standards became effective during the period were not relevant to the Company's operation and do not have any impact on the accounting policies of the Company.
- 3.3 Effective 30 May 2017, the Companies Act, 2017 (the Act) was enacted which replaced and repealed the previous Companies Ordinance, 1984 (the repealed Ordinance).
- 3.3.1 Section 235 of the repealed Ordinance relating to treatment of surplus arising on revaluation of property, plant and equipment has not been carried forward in the Act. The said section of the repealed Ordinance specified presentation and accounting treatment relating to the revaluation of property, plant and equipment which was not in accordance with the requirement of IAS 16 'Property, Plant and Equipment'. Consequent to deletion of said section from the Act, the Company has changed its accounting policy with respect to surplus arising on revaluation of property, plant and equipment to conform it with the requirement of IAS 16. Previously, the Company used to transfer such surplus to an account called 'Surplus on revaluation of fixed assets' which was shown separately in statement of financial position after Capital and Reserves (i.e. Equity). Further the surplus on revaluation of fixed assets was allowed to be applied by the Company in setting off or in diminution of any deficit arising from the revaluation of any other fixed assets of the Company. The said change in accounting policy has been made in accordance with the requirement of IAS 8 'Accounting Policies, Change in Accounting Estimates and Errors' and accordingly 'Surplus on revaluation of fixed assets' is now part of Equity. However there was no change in the reported amounts of financial statements of the Company due to the change in accounting policy.
4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT
- 4.1 The preparation of condensed interim unconsolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
- 4.2. The significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statement as at and for the year ended 30 June 2017.
- 4.3. The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2017.

## 5. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work - - in - progress (Rupees in '000)	Total
Cost / revalued amount			
Opening balance	7,423,720	82,931	7,506,651
Additions	515,384	750,357	1,265,741
Transfer upon merger	104,118		104,118
Disposal / transfers / adjustment	(58,199)	(515,384)	(573,583)
	<u>7,985,023</u>	<u>317,904</u>	<u>8,302,927</u>
Accumulated depreciation			
Opening balance	(2,418,566)	-	(2,418,566)
Transfer upon merger	(21,839)	-	(21,839)
Charge for the period	(277,527)	-	(277,527)
Disposal / transfers / adjustment	52,961	-	52,961
	<u>(2,664,971)</u>	<u>-</u>	<u>(2,664,971)</u>
Written down value as at 31 March 2018 (Un-audited)	<u>5,320,052</u>	<u>317,904</u>	<u>5,637,956</u>
Written down value as at 30 June 2017 (Audited)	<u>5,005,154</u>	<u>82,931</u>	<u>5,088,085</u>

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

For the nine months period ended 31 March 2018

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

	Nine months period ended	
	31 March 2018 (Un-audited)	31 March 2017 (Audited)
Land-Leasehold	156,612	-
Building-Freehold	10,209	32,210
-Leasehold	18,175	16,574
Plant and Machinery	291,215	361,227
Furniture, fixture and office equipments	4,792	3,236
Vehicles	34,381	24,215
	<u>515,384</u>	<u>437,462</u>

## 6. INVESTMENTS

31 March 2018 (Un-audited)	30 June 2017 (Audited)		Note	31 March 2018 (Un-audited)	30 June 2017 (Audited)
Number of shares					
Quoted companies					
245,055,543	245,055,543	International Steels Limited (ISL)			
		- subsidiary company at cost	6.1	2,450,555	2,450,555
4,873,976	2,425,913	Pakistan Cables Limited (PCL)			
		- associate company at cost	6.2	622,594	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	IIL Stainless Steel (Pvt.) Limited (IIL SS)1.2			
		- subsidiary company at cost		-	150,000
				<u>3,082,317</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 pledged 500,000 shares of International Steels Limited in the Sindh High Court as explained in note 16.1.9

6.2 The Company holds 17.124% ownership interest in PCL. The Chief Executive Officer of PCL is Mr. Kamal A. Chinoy.

6.2.1 In line with the resolution passed at the Annual General Meeting dated 28 September 2017, and approval of Competition Commission of Pakistan, 2,448,063 ordinary shares of Pakistan Cables Limited were purchased. The Company total equity investments in PCL stocks after this purchase increase to 17.124%.

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

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

	31 March 2018 (Un-audited)	30 June 2017 (Audited)
Quoted	(Rupees in '000)	
International Steels Limited	28,404,388	31,340,153
Pakistan Cables Limited	1,369,587	776,292

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

For the nine months period ended 31 March 2018

- 6.5 The book value of IIL Australia based on un-audited financial statements as at 31 March 2018 is AUD 111,596 (Rs.9.9 million). [2017: AUD 110,245 (Rs. 8.89 million)].

	31 March 2018 (Un-audited)	30 June 2017 (Audited)
	(Rupees in '000)	
7. STOCK-IN-TRADE		
Raw materials- in hand	3,783,648	3,763,291
- in transit	1,055,103	1,735,143
	<u>4,838,751</u>	<u>5,498,434</u>
Work-in-process	1,372,176	984,857
Finished goods	2,126,413	1,591,908
By-product	37,283	2,686
Scrap material	55,050	86,971
	<u>8,429,673</u>	<u>8,164,856</u>

- 7.1 Raw materials amounting to Rs. 4.1 million (2017: Rs. 1.7 million) as at 31 March 2018 was held at vendor premises for the production of pipe caps.

	31 March 2018 (Un-audited)	30 June 2017 (Audited)
	(Rupees in '000)	
8. TRADE DEBTS		
Considered good - secured	266,437	354,178
- unsecured	2,891,698	1,627,501
Considered doubtful	145,000	150,000
	<u>3,303,135</u>	<u>2,131,679</u>
Provision for doubtful debts	(145,000)	(150,000)
	<u>3,158,135</u>	<u>1,981,679</u>

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

IIL Australia Pty Limited	773,785	527,805
Pakistan Cables Limited	-	11
	<u>773,785</u>	<u>527,816</u>

9. ADVANCES

Considered good		
- Suppliers	124,628	53,941
- Employees for business related expenses	1,753	5,073
	<u>126,381</u>	<u>59,014</u>

10. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits	12,846	6,900
Short term prepayments	9,271	6,132
	<u>22,117</u>	<u>13,032</u>

11. OTHER RECEIVABLES

Considered good		
- Receivable on transmission of electricity to K-Electric Limited	17,232	18,102
- Dividend receivable from subsidiary company	367,583	-
- Others	407	344
	<u>385,222</u>	<u>18,446</u>

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

For the nine months period ended 31 March 2018

		31 March 2018 (Un-audited)	30 June 2017 (Audited)
(Rupees in '000)			
Considered doubtful			
- Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier period		25,940	25,940
		411,162	44,386
- Provision for receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in earlier period		(25,940)	(25,940)
		385,222	18,446
<b>12. RESERVES</b>			
General reserves		2,700,036	2,700,036
Un-appropriated profit		2,876,107	1,942,475
		5,576,143	4,642,511
<b>13. LONG-TERM FINANCES - secured</b>			
Conventional			
Long Term Finance Facility (LTFF)	13.1	592,902	538,054
- Islamic			
Long term finance	13.2	750,000	750,000
		1,342,902	1,288,054
Current portion of long term finances shown under current liabilities:			
Conventional			
Long Term Finance Facility (LTFF)		(64,252)	(64,252)
Islamic			
Long term finance		(90,910)	(45,455)
		1,187,740	1,178,347

13.1 The Company has an approved financing facility under long term finance facility of an amount aggregating Rs.650 million. As at 31 March 2018 the Company has outstanding of Rs.592.9 million (30 June 2017: Rs.538.1 million) from a commercial bank. The facility is secured by way of a mortgage on all present and future land and buildings, located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate Karachi and Survey No.402,405-406, Dehsharabi, Landhi Town, Karachi.

13.2 The above long term financing utilized under diminishing musharakah arrangement is secured by way of a mortgage on all present and future land and buildings, located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate Karachi and Survey No.402,405-406, Dehsharabi, Landhi Town, Karachi.

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

For the nine months period ended 31 March 2018

	Note	31 March 2018 (Un-audited)	30 June 2017 (Audited)
14. TRADE AND OTHER PAYABLES			(Rupees in '000)
Trade creditors	14.1	83,928	169,995
Bills payable		596,101	878,486
Derivative financial liability		-	4,768
Accrued expenses		1,288,815	955,281
Provision for Infrastructure Cess	14.2	380,167	322,537
Short-term compensated absences		8,426	9,763
Advance from customers		265,248	169,328
Workers' Profit Participation Fund		66,981	2,576
Workers' Welfare Fund		96,073	69,281
Unclaimed dividends		23,856	17,168
Unpaid dividend		239,785	246,132
Others		274,159	150,444
		<u>3,323,539</u>	<u>2,995,759</u>
14.1 Related parties to whom payments are due are as under:			
IIL Stainless Steel (Private) Limited		-	10,234
		-	<u>10,234</u>
14.2 Provision for Infrastructure Cess			
Opening balance		322,537	267,980
Provided for the period		57,630	54,557
Closing balance		<u>380,167</u>	<u>322,537</u>
15. SHORT TERM BORROWINGS - secured			
Conventional			
Running finance under mark-up arrangement from banks	15.1	502,921	290,264
Short-term borrowing under Money Market scheme	15.2	3,736,987	2,736,526
Short-term borrowing under Export Refinance Scheme	15.3	2,284,500	2,100,000
Running finance under FE-25 Export and Import Scheme		-	527,320
Book overdraft		126,133	8,691
Islamic			
Short-term borrowing under Running Musharakah	15.4	425,068	236,606
		<u>7,075,609</u>	<u>5,899,407</u>
15.1 The facilities for running finance available from various commercial banks amounted to Rs. 1,710 million (2017: Rs. 1,358 million). The rates of mark-up on these finances range from 6.23% to 7.73% per annum (2017: 6.21% to 7.60% per annum).			
15.2 The facilities for short-term borrowing under Money Market Scheme available from various commercial banks under mark-up arrangements amounted to Rs. 5,940 million (2017: Rs. 4,417 million). The rate of markup on finance ranges from 6.13% to 6.57% (2017: 6.05% to 6.20%).			

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

For the nine months period ended 31 March 2018

- 15.3 The Company has borrowed short-term running finance under the Export Refinance Scheme of the State Bank of Pakistan (SBP). The facility availed is for an amount of Rs. 2,285 million (2017: Rs. 2,100 million). The rates of mark-up on this facility are 2.10% to 2.15% per annum (2017: 2.10% to 2.20% per annum).
- 15.4 The facilities under running musharakah from various banks amounted to Rs. 1,500 million (2017: 1,500 million). The rate of profit on these finances is 6.36% per annum (2017: 6.34% per annum).
- 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.
- 15.6 As at 31 March 2018, the unavailed facilities from the above borrowings amounted to Rs. 4,651 million (2017: Rs.4,898 million)

## 16. CONTINGENCIES AND COMMITMENTS

### 16.1 Contingencies

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

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

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

16.1.4 The Company has reversed the provision for the levy of Infrastructure Cess amounting to Rs. 107 million in 2009 on the basis of a decision of the Sindh High Court which declared the levy of Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court of Pakistan against such order. As such the guarantee against this amount has not yet been returned. In May 2011, the Supreme Court disposed-off the appeal with a joint statement of the parties and hence the matter was referred back to 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. All future consignments after this order would be cleared by paying 50% of the fee amount involved and furnishing a guarantee / security for the balance amount. Bank guarantees amounting to Rs. 495 million (30 June 2017: Rs. 440 million) which includes Rs. 107 million mentioned above have been provided to the Department in this regard. However, a provision to the extent of amount utilised from the limit of guarantee has also been provided for by the Company on prudent basis (note 14.2).

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

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



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

For the nine months period ended 31 March 2018

During 2015, Government passed a new law 'Gas Infrastructure Development Cess Act 2015' (the Act) by virtue of which all prior enactments have been declared infructuous. The said Act levies GID Cess at Rs. 100 per MMBTU on industrial consumption and Rs. 200 per MMBTU on Captive power consumption effective 1 July 2011. The Company has obtained a stay order on the retrospective application of the Act from the Sindh High Court. The Company is confident of favorable outcome and therefore has not recorded, to the extent of self consumption, a provision of Rs. 95.1 million (from 01 July 2011 till 22 May 2015) in these unconsolidated interim financial information. However, the Company made a provision of GIDC to the extent of its self consumption from May 2015 onwards. On 26th October 2016, the High Court of Sindh held that enactment of GIDC Act 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of Sindh High Court. This appeal filed before the Divisional Bench of High Court of Sindh was dismissed on the ground that Learned Single Judge while passing the impugned judgement has considered all the material facts and also the relevant provisions of Oil and Gas Regulatory Authority (OGRA) and has correctly applied the factual position. On 31 May 2017, separate petition filed by another company in the Peshawar High Court challenging the vires of the GIDC Act 2015 was dismissed on the reason that the Act has been passed by the Parliament strictly in accordance with the legislative procedures contained in the Constitution of Pakistan and therefore no procedural defect in the Act which could be made as a ground for its annulment. In light of the aforementioned developments, the Company on prudent basis, continue to recognise provision after the passage of the Act.

Further the Company has not recognized GIDC amounting to Rs.62.17 million (2017: Rs. 46.84 million) pertaining to period from 01 July 2011 to 31 March 2018 with respect to its captive power plant from which power generation is supplied to K-Electric Limited. Management considers that, in the event such levy is imposed, it shall recover GIDC from K-Electric Limited through fuel adjustments after getting requisite approval from National Electric Power Regulatory Authority (NEPRA).

- 16.1.6 Sindh Revenue Board (SRB) issued a notice to the Company for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. The Company filed a constitutional petition in the Sindh High Court, challenging the said unlawful demand on the ground that the Company is a trans-provincial establishment operating industrial and commercial activities across Pakistan. The Sindh High Court granted stay order in favor of the Company declaring exemption on the basis that the Company being a trans-provincial establishment is paying Workers Welfare Fund under Federal Workers Welfare Fund Ordinance, 1971. In a separate case, the Sindh High Court has dealt on the subject of trans-provisional establishment in its judgement. A similar view is likely to be taken in this case as well where the liability will have to be discharged in the respective province.
- 16.1.7 Oil and Gas Regulatory Authority (OGRA) has issued notification for increase in gas tariff disregarding the protocol laid down in OGRA Ordinance, 2002. The Company has filed a suit in the Sindh High Court challenging the gas tariff increase. The Sindh High Court has granted a stay order, subject to security deposit of the differential amount with the Nazir of the Sindh High Court. The Company has deposited amount of Rs 67.6 million (2017: 25.9 million) as Cheques with the Nazir. The Company, on a prudent basis, has also accrued this amount in this condensed interim financial information.
- 16.1.8 The Company has filed the petition in the Sindh High Court and obtained a stay order on the deduction of withholding tax on the inter corporate dividend. As per the requirement of the stay order, the Company has pledged 500,000 shares of International Steels Limited in the Sindh High Court as a security against the tax demand on dividend declared by the International Steels Limited on 21 October 2016. Further, bank guarantees amounting to Rs.76.6, Rs.36.8 million and Rs.55.1 million have also been given to Nazir of the Sindh High Court as a security against tax demand on dividend declared by the International Steels Limited on 02 June 2017, 26 September 2017 and 23 January 2018.
- 16.1.9 Bank guarantees have been issued under certain supply contracts and for supply of utilities aggregating Rs. 759.0 million (30 June 2017: Rs. 491.6 million).
- 16.2 Commitments
- 16.2.1 Capital expenditure commitments outstanding as at 31 March 2018 amounted to Rs. 75.6 million (2017: Rs. 89.1 million).
- 16.2.2 Commitments under Letters of Credit for raw materials and stores and spares as at 31 March 2018 amounted to Rs. 1,013.2 million (2017: Rs. 1,285.1 million).

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

For the nine months period and quarter ended 31 March 2018

16.2.3 Commitments under purchase contracts as at 31 March 2018 amounted to Rs. 537.7 million (2017: Rs. 306.9 million).

16.2.4 Unavailed facilities for opening Letters of Credit and Guarantees from banks as at 31 March 2018 amounted to Rs. 6,591 million (2017: Rs. 6,625 million) and Rs. 98 million (2017: Rs. 162 million) respectively.

16.2.5 Bank guarantees amounting to Rs.6.2 million deposited with the Nazir of Sindh High Court in respect of disputed sales tax amount on exports by the Company to Afghanistan which have been released subsequent to 31 March 2018 as a consequence of decision by Sindh High Court in favour of the Company.

	Nine months period ended		Quarter ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
<b>17. NET SALES</b>	(Rupees in '000)			
Local	19,759,878	10,734,844	7,251,329	4,102,774
Export	3,031,608	3,283,991	1,000,760	1,005,647
	<u>22,791,486</u>	<u>14,018,835</u>	<u>8,252,089</u>	<u>5,108,421</u>
Sales Tax	(2,907,398)	(1,583,651)	(1,066,479)	(620,864)
Domestic trade discounts	(765,642)	(533,474)	(266,694)	(174,068)
Export commission and discounts	(40,728)	(97,608)	(9,487)	(13,703)
	<u>(3,713,768)</u>	<u>(2,214,733)</u>	<u>(1,342,660)</u>	<u>(808,635)</u>
	<u>19,077,718</u>	<u>11,804,102</u>	<u>6,909,429</u>	<u>4,299,786</u>
<b>18. COST OF SALES</b>				
Opening stock of raw material and work-in-process	4,748,148	2,190,511	5,418,183	2,338,613
Purchases	16,563,850	11,588,507	5,732,283	6,294,543
Salaries, wages and benefits	708,622	566,948	249,965	207,269
Rent, rates and taxes	3,435	1,530	2,613	348
Electricity, gas and water	265,929	220,721	95,186	73,675
Insurance	8,783	4,656	1,711	1,586
Security and janitorial	20,751	19,083	8,407	6,947
Depreciation and amortisation	257,077	258,351	90,808	85,590
Operational supplies & consumables	67,599	45,324	26,517	16,188
Provision for stores and spares obsolescence	-	24,631	-	-
Repairs and maintenance	95,455	77,039	37,299	29,468
Postage, telephone and stationery	6,742	5,866	1,949	1,695
Vehicle, travel and conveyance	12,554	11,498	4,498	4,081
Internal material handling	27,217	20,847	9,420	9,211
Environment controlling expenses	196	182	65	63
Sundries	3,048	2,104	789	605
Partial manufacturing charges	12,072	5,493	7,158	2,028
Partial manufacturing	-	(101,249)	-	(101,249)
Sale of scrap generated during production	(623,376)	(460,568)	(226,634)	(247,804)
Closing stock of raw materials and work-in-process	(5,155,824)	(4,792,765)	(5,155,824)	(4,792,765)
Cost of goods manufactured	<u>17,022,278</u>	<u>9,688,709</u>	<u>6,304,393</u>	<u>3,930,092</u>
Finished goods and by-products:				
- Opening stock	1,594,594	1,272,447	1,794,290	1,000,202
- Closing stock	(2,166,357)	(1,483,997)	(2,166,357)	(1,483,997)
	<u>(571,763)</u>	<u>(211,550)</u>	<u>(372,067)</u>	<u>(483,795)</u>
	<u>16,450,515</u>	<u>9,477,159</u>	<u>5,932,326</u>	<u>3,446,297</u>

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

For the nine months period and quarter ended 31 March 2018

	Nine months period ended		Quarter ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	(Rupees in '000)			
<b>19. SELLING AND DISTRIBUTION EXPENSES</b>				
Freight and forwarding	628,563	382,450	221,908	142,924
Salaries, wages and benefits	134,814	111,585	47,705	39,985
Rent, rates and taxes	838	496	225	53
Electricity, gas and water	7,814	3,532	4,060	1,058
Insurance	831	1,006	406	433
Depreciation and amortisation	9,476	9,499	3,378	2,631
Repairs and maintenance	631	1,594	225	702
Advertising and sales promotion	72,134	30,239	38,585	6,381
Postage, telephone and stationery	5,207	5,457	2,103	2,187
Office supplies	335	77	110	15
Vehicle, travel and conveyance	17,425	12,266	7,297	4,967
Provision for doubtful debts - net	(5,000)	48,354	(5,000)	14,954
Certification and registration charges	1,282	2,158	179	551
Others	10,659	16,344	1,904	10,294
	<u>885,009</u>	<u>625,057</u>	<u>323,085</u>	<u>227,135</u>
<b>20. ADMINISTRATIVE EXPENSES</b>				
Salaries, wages and benefits	162,457	142,067	53,387	49,399
Rent, rates and taxes	244	117	127	-
Electricity, gas and water	1,613	2,521	559	606
Insurance	260	1,947	68	710
Depreciation and amortisation	12,058	12,696	4,044	4,209
Repairs and maintenance	1,620	908	368	286
Postage, telephone and stationery	10,820	6,696	3,676	1,899
Office supplies	214	118	84	24
Vehicle, travel and conveyance	6,540	5,397	2,776	1,283
Legal and professional charges	14,664	46,314	6,330	40,359
Certification and registration charges	4,496	4,026	2,515	1,553
Directors' fees	3,450	2,880	1,800	1,260
Others	11,521	6,449	4,064	2,692
	<u>229,957</u>	<u>232,136</u>	<u>79,798</u>	<u>104,280</u>
<b>21. FINANCIAL CHARGES</b>				
Conventional				
- Interest on Long term borrowings	17,382	16,283	5,728	5,427
- Interest on Short term borrowings	240,131	59,301	68,740	27,137
	257,513	75,584	74,468	32,564
Islamic				
- Mark-up on Long term borrowings	35,285	29,071	11,669	8,723
- Mark-up on Short term borrowings	20,098	15,237	6,262	403
	55,383	44,308	17,931	9,126
	312,896	119,892	92,399	41,690
Exchange loss and others	3,074	3,854	29	-
Interest on Workers' Profit Participation Fund	247	421	-	-
Bank charges	13,693	11,694	4,979	909
	<u>329,910</u>	<u>135,861</u>	<u>97,407</u>	<u>42,599</u>

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

For the nine months period and quarter ended 31 March 2018

22. OTHER OPERATING CHARGES	Note	Nine months period ended		Quarter ended	
		31 March 2018	31 March 2017	31 March 2018	31 March 2017
				(Rupees in '000)	
Auditors' remuneration		2,175	1,970	572	603
Donations		16,530	23,413	6,050	10,237
Provision for receivable from WPPF in prior period		-	25,940	-	-
Workers' Profit Participation Fund		66,981	66,600	27,189	25,800
Workers' Welfare Fund		26,792	26,700	10,875	10,400
Business development expenses		3,664	9,736	388	4,344
		<u>116,142</u>	<u>154,359</u>	<u>45,074</u>	<u>51,384</u>
<b>23. OTHER INCOME</b>					
Income from non-financial assets					
Income from power generation	23.1	4,547	3,620	1,366	382
Gain on disposal of property, plant and equipment		49,507	3,655	12,859	(218)
Rental income		8,160	9,972	2,709	2,821
Dividend income from associate / subsidiary company		629,676	320,875	379,769	3,639
Exchange gain		111,884	30,984	57,118	45,645
Others		4,503	9,675	(257)	3,042
Income on financial assets					
Interest on bank deposits - conventional		1,056	836	198	259
		<u>809,333</u>	<u>379,617</u>	<u>453,762</u>	<u>55,570</u>
<b>23.1 Income from power generation</b>					
Net sales		67,280	80,330	22,208	24,814
Cost of electricity produced		(62,733)	(76,710)	(20,842)	(24,432)
		<u>4,547</u>	<u>3,620</u>	<u>1,366</u>	<u>382</u>
<b>24 TAXATION</b>					
Current		490,624	404,471	218,809	137,921
Deferred		(5,374)	4,529	(4,124)	1,779
		<u>485,250</u>	<u>409,000</u>	<u>214,685</u>	<u>139,700</u>

24.1 Under section 5A of the Income Tax Ordinance 2001 a tax shall be imposed at the rate of 7.5% of the accounting profit before tax on every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute atleast 40% of its after tax profit within six months of the end of the tax year through cash or bonus shares. However, no provision has been made for tax on undistributed profit as the Board of Directors of the Company intend to distribute sufficient dividend for the year ending 30 June 2018, so that such tax is not required to be paid.

25. CHANGES IN WORKING CAPITAL	31 March	31 March
	2018	2017
	(Rupees in '000)	
(Increase) / decrease in current assets:	(31,359)	20,120
Store and spares	(264,817)	(2,782,509)
Stock-in-trade	(1,171,456)	(702,079)
Trade debts	(67,367)	14,970
Advances	(9,085)	(7,011)
Trade deposit and short-term prepayments	169,376	(44,694)
Other receivables	(1,374,708)	(3,501,203)
Increase / (decrease) in current liabilities:	327,442	(33,269)
Trade and other payables	(1,047,266)	(3,534,472)

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

For the nine months period and quarter ended 31 March 2018

## 26. TRANSACTIONS WITH RELATED PARTIES

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

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

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

	Nine months period ended		Quarter ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	(Rupees in '000)			
<b>Subsidiaries</b>				
Sale	1,270,919	965,883	374,198	346,371
Purchases	6,726,794	4,797,896	3,092,227	2,816,522
Shared resources	69,944	45,727	28,827	15,161
Partial manufacturing	2,292	121,374	-	119,591
Reimbursement of expenses	6,491	1,589	2,683	86
Rental income	8,127	9,287	2,709	2,629
Dividend received	245,056	306,319	-	-
<b>Associated companies</b>				
Sales	14	461	14	-
Purchases	6,116	6,321	1,028	2,309
Reimbursement of expenses	406	789	137	153
Dividend paid	1,152	3,456	-	1,440
Dividend received	17,037	14,556	12,185	3,639
<b>Key management personnel</b>				
Remuneration	196,152	160,558	67,155	54,879
<b>Staff retirement funds</b>				
Contribution paid	62,743	55,088	20,761	10,687
<b>Non-executive directors</b>				
Directors' fee	3,450	3,510	1,800	630
Reimbursement of Chairman's expenses	3,901	-	2,945	-

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

For the nine months period ended 31 March 2018

## 27. SEGMENT REPORTING

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

### 27.1 SEGMENT REVENUE AND RESULTS

Segment	Steel	Plastic	Investments	Total
----- (Rupees in '000) -----				
<b>For the period ended 31 March 2018</b>				
Sales	17,304,597	1,773,121		19,077,718
Cost of sales	(14,847,113)	(1,603,402)		(16,450,515)
Gross Profit	2,457,484	169,719	-	2,627,203
Selling and distribution expenses	(793,756)	(91,253)		(885,009)
Administrative expenses	(207,867)	(22,090)		(229,957)
	(1,001,623)	(113,343)	-	(1,114,966)
Financial and other charges	(301,150)	(28,760)		(329,910)
Other operating charges	(113,513)	(2,629)	-	(116,142)
	(414,663)	(31,389)	-	(446,052)
Other income	179,657	-	629,676	809,333
Profit before taxation	1,220,855	24,987	629,676	1,875,518
Taxation				(485,250)
Profit after taxation				1,390,268
<b>For the period ended 31 March 2017</b>				
Sales	10,981,345	822,757	-	11,804,102
Cost of sales	8,726,711	750,448	-	9,477,159
Gross Profit	2,254,634	72,309	-	2,326,943
Selling and distribution expenses	(585,866)	(39,191)		(625,057)
Administrative expenses	(218,605)	(13,531)		(232,136)
	(804,471)	(52,722)	-	(857,193)
Financial and other charges	(120,505)	(15,357)		(135,861)
Other operating charges	(154,063)	(296)	-	(154,359)
	(274,567)	(15,653)	-	(290,220)
Other income	58,742	-	320,875	379,617
Profit before taxation	1,234,338	3,934	320,875	1,559,147
Taxation				(409,000)
Profit after taxation				1,150,147

### 27.2 SEGMENT ASSETS & LIABILITIES

Segment	Steel	Plastic	Investments	Total
----- (Rupees in '000) -----				
<b>As at 31 March 2018 - Un-audited</b>				
Segment assets	15,079,062	1,880,182	3,082,317	20,041,561
Segment liabilities	8,738,973	698,303	-	9,437,276
<b>As at 30 June 2017 - Audited</b>				
Segment assets	13,540,885	1,345,368	2,742,705	17,628,958
Segment liabilities	7,963,492	504,349	-	8,467,841

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

For the nine months period ended 31 March 2018

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

	31 March 2018 (Un-audited)	30 June 2017 (Audited)
(Rupees in '000)		
Total reportable segments assets	20,041,561	17,628,958
Unallocated assets	1,255,621	887,320
Total assets as per Balance Sheet	<u>21,297,182</u>	<u>18,516,278</u>
Total reportable segments liabilities	9,437,276	8,467,841
Unallocated liabilities	3,103,769	2,189,616
Total liabilities as per Balance Sheet	<u>12,541,045</u>	<u>10,657,457</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 March 2018							
	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 measured at fair value	(Rupees in '000)							
Investments - quoted Companies	-	3,073,149	-	-	3,073,149	29,773,975	-	-

	30 June 2017							
	Carrying amount				Total	Fair Value		
	Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities		Level 1	Level 2	Level 3
Financial assets measured at fair value	(Rupees in '000)							
Investments - quoted Companies	-	2,583,537	-	-	2,583,537	32,116,445	-	-

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

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

For the nine months period ended 31 March 2018

## 29 GENERAL

### 29.1 Corresponding figures

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

Reclassification from component	Reclassification to component	Nine months period ended	Quarter ended
		31 March 2017	31 March 2017
----- (Rupees in '000) -----			
COST OF SALES			
Salaries, wages and benefits	} OTHER INCOME	3,849	1,218
Electricity, gas and water		62,676	20,262
Insurance		40	13
Depreciation and amortisation		3,749	1,194
Operational supplies & consumables		3,288	370
Repairs and maintenance		3,108	1,375
		76,710	24,432

### 29.2 Date of authorization for issue

This condensed interim financial information was authorised for issue by the Board of Directors on 20 April 2018.



Ehsan A. Malik  
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  
3RD QUARTER ENDED 31 MARCH 2018

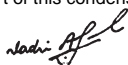
Condensed Interim Consolidated  
Balance Sheet  
As at 31 March 2018

	Note	31 March 2018 (Un-audited)	30 June 2017 (Audited) Restated
(Rupees in '000)			
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	6	22,832,329	18,813,976
Intangible assets		13,252	19,894
Long-term deposits		63,354	51,575
Investment in equity-accounted investee	7	803,508	299,503
		<b>23,712,443</b>	<b>19,184,948</b>
Current assets			
Stores and spares		739,323	615,077
Stock-in-trade	8	24,331,528	17,857,450
Trade debts	9	3,596,129	2,582,530
Advances	10	184,922	107,477
Trade deposits and short-term prepayments	11	65,237	36,970
Sales tax receivable		1,911,389	1,405,171
Other receivables	12	62,875	68,222
Taxation		-	588,108
Cash and bank balances		311,278	106,657
		<b>31,202,681</b>	<b>23,367,662</b>
<b>Total assets</b>		<b>54,915,124</b>	<b>42,552,610</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital and reserves			
Authorised capital			
200,000,000 (2017: 200,000,000) ordinary shares of Rs. 10 each		2,000,000	2,000,000
Issued, subscribed and paid-up capital		1,198,926	1,198,926
General reserves		2,991,258	2,991,258
Unappropriated profit	13	5,383,841	3,196,534
Surplus on revaluation of property, plant and equipment		3,372,214	3,424,573
Exchange translation reserve		(46)	(942)
Total equity		12,946,194	10,810,349
Non-controlling interest		4,178,161	3,305,288
		<b>17,124,355</b>	<b>14,115,637</b>
<b>LIABILITIES</b>			
Non-current liabilities			
Long-term financing - secured	14	7,501,611	4,799,619
Staff retirement benefits		85,515	108,699
Deferred taxation - net		1,888,385	1,700,014
		<b>9,475,511</b>	<b>6,608,332</b>
Current liabilities			
Trade and other payables	15	11,218,124	9,450,721
Short-term borrowings - secured	16	15,261,007	10,938,643
Current portion of long term finances - secured	14	1,352,235	1,306,780
Accrued markup		164,723	131,711
Taxation		319,169	-
Sales tax payable		-	786
		<b>28,315,258</b>	<b>21,828,641</b>
<b>Total liabilities</b>		<b>37,790,769</b>	<b>28,436,973</b>
<b>Total equity and liabilities</b>		<b>54,915,124</b>	<b>42,552,610</b>
Contingencies and commitments	17	-	-

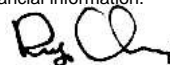
The annexed notes 1 to 29 form an integral part of this condensed interim consolidated financial information.



Ehsan A. Malik  
Director & Chairman  
Board Audit Committee



Nadir Akbarali Jamal  
Chief Financial Officer



Riyaz T. Chinoy  
Chief Executive Officer

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

For the nine months period and quarter ended 31 March 2018

	Note	Nine months period ended		Quarter ended	
		31 March 2018	31 March 2017	31 March 2018	31 March 2017
----- (Rupees in '000) -----					
Net sales	18	48,211,705	32,530,252	17,060,026	11,425,028
Cost of sales	19	(39,908,932)	(25,632,899)	(14,099,754)	(8,884,582)
Gross profit		8,302,773	6,897,353	2,960,272	2,540,446
Selling and distribution expenses	20	(1,220,023)	(898,182)	(437,435)	(333,476)
Administrative expenses	21	(406,082)	(383,307)	(132,609)	(164,042)
		(1,626,105)	(1,281,489)	(570,044)	(497,518)
Financial charges	22	(687,880)	(478,011)	(223,036)	(147,957)
Other operating charges	23	(631,590)	(475,302)	(308,455)	(153,771)
		(1,319,470)	(953,313)	(531,491)	(301,728)
Other income	24	237,504	103,719	88,331	60,801
Share of profit in equity-accounted investee		29,550	24,352	7,908	8,511
Profit before taxation		5,624,252	4,790,621	1,954,976	1,810,512
Taxation	25	(1,682,660)	(1,950,238)	(587,149)	(669,583)
Profit after taxation		3,941,592	2,840,383	1,367,827	1,140,929
Profit after taxation attributable to:					
Owners of Holding Company		2,600,547	1,988,802	916,833	792,509
Non-controlling interest		1,341,045	851,581	450,995	348,420
		3,941,592	2,840,383	1,367,827	1,140,929
----- (Rupees ) -----					
Earnings per share - basic and diluted		21.69	16.59	7.65	6.61

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



Ehsan A. Malik  
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 nine months period and quarter ended 31 March 2018

	Nine months period ended		Quarter Ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	----- (Rupees in '000) -----			
Profit for the year	3,941,592	2,840,383	1,367,827	1,140,929
Other comprehensive income Item to be reclassified to profit and loss accounts in subsequent periods				
Foreign operation - foreign currency translation difference	896	198	263	455
Proportionate share of other comprehensive income of equity accounted investee	2,603	448	228	220
Other comprehensive income	3,499	646	491	675
<b>Total comprehensive income</b>	<b>3,945,091</b>	<b>2,841,029</b>	<b>1,368,318</b>	<b>1,141,604</b>
Total comprehensive income attributable to:				
Owners of the Holding Company	2,604,046	1,989,448	917,324	793,184
Non-controlling interest	1,341,045	851,581	450,995	348,420
<b>Total comprehensive income</b>	<b>3,945,091</b>	<b>2,841,029</b>	<b>1,368,318</b>	<b>1,141,604</b>

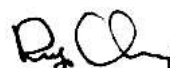
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Board Audit Committee



Nadir Akbarali Jamal  
Chief Financial Officer



Riyaz T. Chinoy  
Chief Executive Officer

Condensed Interim Consolidated  
Cash Flow Statement (Un-audited)  
For the nine months period ended 31 March 2018

	Note	Nine months period ended	
		31 March 2018	31 March 2017
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		5,641,459	4,790,621
Adjustments for:			
Depreciation and amortisation		913,845	870,684
Provision for doubtful debts		(5,000)	44,431
Interest on bank deposits		(1,788)	(1,017)
(Gain) on disposal of property, plant and equipment	24	(56,671)	(5,708)
Provision for staff gratuity		42,117	35,758
Share of profit from associated company		(29,550)	(24,352)
Financial charges	22	687,880	478,011
		7,192,292	6,188,428
Changes in:			
Working capital		(6,487,693)	(4,376,918)
Long-term deposits		(11,779)	(6,309)
Net cash generated from operations		692,820	1,805,201
Translation reserve		566	170
Financial charges paid		(654,868)	(453,698)
Payment for staff gratuity		(65,301)	(36,092)
Taxes paid		(605,117)	(256,729)
Net cash (used in) / generated from operating activities		(631,899)	1,058,852
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(5,029,139)	(1,152,334)
Amalgamation of wholly own Subsidiary Company		150,000	-
Investment in Associated Company		(489,612)	-
Dividend income received		17,037	14,556
Proceeds from disposal of property, plant and equipment		72,947	34,163
Interest income received		1,788	1,017
Net cash used in investing activities		(5,276,979)	(1,102,598)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term financing		4,203,037	257,057
Repayment of long-term financing		(1,455,590)	-
Dividends paid to non controlling interest		(462,778)	(237,130)
Dividends paid to shareholders of the Holding Company		(479,229)	(715,477)
Net cash generated from / (used in) financing activities		1,805,440	(695,550)
Net decrease in cash and cash equivalents		(4,103,437)	(739,296)
Cash and cash equivalents at beginning of the period		(10,832,910)	(6,696,599)
Transfer upon merger		(13,382)	-
Cash and cash equivalents at end of the period		(14,949,729)	(7,435,895)
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>			
Cash and bank balances		311,278	87,015
Short-term borrowings - secured	16	(15,261,007)	(7,522,910)
		(14,949,729)	(7,435,895)

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



Ehsan A. Malik  
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 nine months period ended 31 March 2018

Notes	Attributable to owners of the Holding Company						Total
	Issued, subscribed and paid-up capital	General reserves	Un-appropriated profit / (loss)	Exchange translation reserve	Total reserves	Capital Reserve surplus on Revaluation of property, plant & machinery	
Balance as at 01 July 2016 as previously reported	1,198,926	2,991,258	1,644,740	(1,251)	4,634,747	-	5,833,673
Effect of change in accounting policy							
Revaluation surplus on property/plant and equipment - included in Equity 3.3.1			(2,461)			3,502,736	3,502,736
Loss on revaluation charged to profit & loss			(2,461)			4,369	(1,908)
Balance as at 1 July 2016 - as restated	1,198,926	2,991,258	1,642,279	(1,251)	4,634,747	3,507,105	3,505,197
Total comprehensive income for the period ended 31 March 2017						3,507,105	2,690,276
Profit for the period	-	-	1,988,802	-	1,988,802	-	851,581
Other comprehensive income	-	-	448	198	646	646	-
Transactions with owners recorded directly in equity	-	-	1,989,250	198	1,989,448	1,989,448	851,581
Distribution to owners of the Holding Company:							
-Final dividend @ 35.00% (Rs. 3.50 per share) for the year ended 30 June 2016	-	-	(419,624)	-	(419,624)	(419,624)	-
-Interim dividend @ 25.00% (Rs. 2.50 per share) for the year ended 30 June 2017	-	-	(299,732)	-	(299,732)	(299,732)	-
Total transactions with owners of the Holding Company	-	-	(719,356)	-	(719,356)	(719,356)	-
Dividend to non-controlling interest	-	-	-	-	-	-	(237,431)
Transfer from surplus on revaluation on disposal of fixed assets - net of deferred tax			8,321		8,321	(8,321)	-
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	70,140		70,140	(76,830)	6,690
Proportionate share of surplus on revaluation of property, plant and equipment - PCL			-		-	24,748	24,748
Balance as at 31 March 2017 - as restated	1,198,926	2,991,258	2,990,635	(1,053)	5,983,301	3,446,701	3,311,116
							13,940,044

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

For the nine months period ended 31 March 2018

Notes	Attributable to owners of the Holding Company						Total
	Issued, subscribed and paid-up capital	General reserves	Un-appropriated profit / (loss)	Exchange translation reserve	Total reserves	Capital Reserve surplus on Revaluation of property, plant & machinery	
Balance as at 30 June 2017 as previously reported	1,198,926	2,991,258	3,198,985	(942)	6,189,311	-	10,695,433
Effect of change in accounting policy							
Revaluation surplus on property, plant and equipment - included in Equity 3.3.1			(2,461)		(2,461)	3,420,204	3,420,204
Loss on revaluation charged to profit & loss			(2,461)		(2,461)	4,369	(1,908)
						3,424,573	(1,908)
						3,422,112	3,420,204
Balance as at 1 July 2017 - as restated	1,198,926	2,991,258	3,196,534	(942)	6,186,850	3,424,573	14,115,637
Total comprehensive income for the period ended 31 March 2018							
Profit for the period	-	-	2,600,547	-	2,600,547	2,600,547	3,941,582
Transfer upon amalgamation			1,574		1,574	1,574	1,574
Other comprehensive income			2,603	896	3,499	3,499	3,499
			2,604,724	896	2,605,620	2,605,620	1,341,045
Distribution to owners of the Holding Company:							
-Final dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2017	-	-	(239,785)	-	(239,785)	(239,785)	(239,785)
-Interim dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2018	-	-	(239,785)	-	(239,785)	(239,785)	(239,785)
Total transactions with owners of the Holding Company	-	-	(479,570)	-	(479,570)	(479,570)	(479,570)
Dividend to non-controlling interest	-	-	-	-	-	-	(474,861)
Transfer from surplus on revaluation on disposal of fixed assets - net of deferred tax			750		750	(750)	-
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	44,196	-	44,196	(50,886)	6,690
Proportionate share of surplus on revaluation of property, plant and equipment - PCL						(723)	(723)
Balance as at 31 March 2018	1,198,926	2,991,258	5,366,634	(46)	8,357,846	3,372,214	17,107,148

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



Ehsan A. Malik  
Director & Chairman  
Board Audit Committee



Nadir Akbarali Jamal  
Chief Financial Officer



Riyaz T. Chinoy  
Chief Executive Officer

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

For the nine months period ended 31 March 2018

## 1. THE GROUP AND ITS OPERATIONS

- 1.1 The Group consists of International Industries Limited, (the Holding Company), and International Steels Limited and IIL Australia PTY Limited (together referred to as "the Group" and individually as "Group Entities") and the Group's interest in its equity-accounted investee namely Pakistan Cables Limited.
- 1.2 International Industries Limited ("the Holding Company") was incorporated in Pakistan in 1948 and is quoted on the Pakistan Stock Exchange. The Holding Company is in the business of manufacturing and marketing galvanized steel pipes, precision steel tubes, API line pipes, polyethylene pipes and PPRC pipes and fittings. The registered office of the Holding Company is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530.
- 1.3 International Steels Limited ("the Subsidiary Company") was incorporated in Pakistan on 03 September 2007 as a public unlisted company limited by shares under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. Subsequent to the sale of shares by the Holding Company to the general public under an Initial Public Offer, the Subsidiary Company was listed on the Pakistan Stock Exchange on 1 June 2011. The primary activities of the Subsidiary Company are business of manufacturing of cold rolled steel coils and galvanized sheets. The Subsidiary Company commenced commercial operations on 1 January 2011. The registered office of the Subsidiary Company is situated at 101, Beaumont Plaza, 10, Beaumont Road, Karachi - 75530. The Holding Company has 56.33% ownership in International Steels Limited.
- 1.4 IIL Australia PTY Limited was incorporated in Victoria, Australia on 2 May 2014. The Subsidiary Company is in the business of distribution and marketing of galvanized steel pipes, precision steel tubes and pre-galvanized pipes. The registered office of the Company is situated at 101 - 103, Abbot Road, Hallam, Victoria 3803 Australia. IIL Australia PTY Limited is a wholly owned subsidiary of the Holding Company.
- 1.5 On 25 January 2018, the Board of Directors of the Holding Company passed a resolution approving a Scheme of Amalgamation under Section 284(1) of the Companies Act, 2017, to amalgamate its wholly owned subsidiary, IIL Stainless Steels (Private) Limited with and into the Holding Company. As such, as of the Completion Date of 31 March 2018, the entire undertaking of IIL Stainless Steels (Private) Limited will stand merged with and into the Holding Company. As a result as on 31 March 2018, the entire business of IIL Stainless Steels (Private) Limited including its properties, assets, liabilities and rights and obligations vested into the Holding Company. Since IIL Stainless Steels (Private) Limited is a group company under common control, the merger has been accounted for as a common control transaction and predecessor accounting has been applied. Under predecessor accounting, the acquired net assets of IIL Stainless Steels (Private) Limited are included in the financial statements of the Holding Company at the same carrying values as recorded in IIL Stainless Steels (Private) Limited's own financial statements as on 31 March 2018. The results and balance sheet of IIL Stainless Steels (Private) Limited are consolidated prospectively from the date of merger.
- 1.6 Details of the Group's equity-accounted investee is given in note 5.2 to these condensed interim consolidated financial information.

## 2. BASIS OF PREPARATION

- 2.1 These condensed interim consolidated financial information have been prepared from the information available in the condensed un-audited separate financial information of the Holding Company and Subsidiary Companies for the nine months period ended 31 March 2018.

Detail regarding the financial information of the equity-accounted investee used in the preparation of these condensed interim consolidated financial information are given in note 5.2 to these interim consolidated financial information.

### 2.2 Statement of Compliance

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

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

- Provisions of and directives issued under the Companies Act 2017.

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

- 2.2.2 These condensed interim consolidated financial information does not include all the information required for full annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Group as at and for the year ended 30 June 2017.



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

For the nine months period ended 31 March 2018

2.23 The comparative Balance Sheet presented in this condensed interim consolidated financial information has been extracted from the audited annual consolidated financial statements of the Group for the year ended 30 June 2017, whereas the comparative condensed interim Profit and Loss Account, condensed interim Statement of Comprehensive Income, condensed interim Cash Flow Statement and condensed interim Statement of Changes in Equity are extracted from the unaudited condensed interim consolidated financial information for the period ended 31 March 2017.

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

### 2.3 Basis of measurement

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

### 2.4 Functional and presentation currency

These condensed interim consolidated financial information is presented in Pakistan Rupees which is also the Group's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand except where stated otherwise.

## 3. SIGNIFICANT ACCOUNTING POLICIES

3.1. The accounting policies and methods of computation adopted in the preparation of this condensed interim consolidated financial information are the same as those applied in the preparation of audited annual financial statements of the Group as at and for the year ended 30 June 2017 except as disclosed in note 3.3.1

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

3.3 Effective 30 May 2017, the Companies Act, 2017 (the Act) was enacted which replaced and repealed the previous Companies Ordinance, 1984 (the repealed Ordinance).

3.3.1 Section 235 of the repealed Ordinance relating to treatment of surplus arising on revaluation of property, plant and equipment has not been carried forward in the Act. The said section of the repealed Ordinance specified presentation and accounting treatment relating to the revaluation of property, plant and equipment which was not in accordance with the requirement of IAS 16 'Property, Plant and Equipment'. Consequent to deletion of said section from the Act, the Company has changed its accounting policy with respect to surplus arising on revaluation of property, plant and equipment to conform it with the requirement of IAS 16. Previously, the Company used to transfer such surplus to an account called 'Surplus on revaluation of fixed assets' which was shown separately in statement of financial position after Capital and Reserves (i.e. Equity). Further the surplus on revaluation of fixed assets was allowed to be applied by the Company in setting off or in diminution of any deficit arising from the revaluation of any other fixed assets of the Company. The said change in accounting policy has been made in accordance with the requirement of IAS 8 'Accounting Policies, Change in Accounting Estimates and Errors' and accordingly 'Surplus on revaluation of fixed assets' is now part of Equity. However there was no change in the reported amounts of financial statements of the Company due to the change in accounting policy.

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

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

4.2. The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statement as at and for the year ended 30 June 2017.

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

### 5. Basis of consolidation

#### 5.1 Investment in subsidiaries

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

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

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

For the nine months period ended 31 March 2018

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.

### 5.2 Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. 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.

### 6. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work-in-progress (Rupees in '000)	Total
Cost / revalued amount			
Opening balance	23,204,657	1,173,025	24,377,682
Additions	601,002	4,894,967	5,495,969
Additions (Amalgamated Entity)	104,118		104,118
Translate reserve	114	-	114
Disposal / transfers / adjustments	(28,711)	(601,002)	(629,713)
	<u>23,881,180</u>	<u>5,466,990</u>	<u>29,348,170</u>
Accumulated depreciation			
Opening balance	(5,650,645)	-	(5,650,645)
Accumulated depreciation (Amalgamated Entity)	(21,839)		(21,839)
Charge for the period	(907,673)	-	(907,673)
Disposal / transfers / adjustments	64,316	-	64,316
	<u>(6,515,841)</u>	<u>-</u>	<u>(6,515,841)</u>
Written down value as at 31 March 2018 (Un-audited)	<u>17,365,339</u>	<u>5,466,990</u>	<u>22,832,329</u>
Written down value as at 30 June 2017 (Audited)	<u>17,640,951</u>	<u>1,173,025</u>	<u>18,813,976</u>

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

For the nine months period ended 31 March 2018

7. INVESTMENT IN EQUITY - ACCOUNTED INVESTEE	31 March 2018 (Un-audited)	30 June 2017 (Audited)
	(Rupees in '000)	
Pakistan Cables Limited - associate company	7.1	803,508
	<u>803,508</u>	<u>299,503</u>

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

The Chief Executive Officer of PCL is Mr. Kamal A. Chinoy. The market value as at 31 March 2018 was Rs. 1,369.587 million (30 June 2017: Rs. 776.292 million) and is categorised as level 1 under the fair value hierarchy. The share of profit after acquisition is recognised based on PCL's audited financial statements as at 31 December 2017 as the latest financial statements as at 31 March 2018 are not presently available.

7.1.1 In line with the resolution passed at the Annual General Meeting dated 28 September 2017, and approval of Competition Commission of Pakistan, 2,448,063 ordinary shares of Pakistan Cables Limited were purchased. The Holding Company's total equity investment in PCL stocks after this purchase increased to 17.124%.

8. STOCK-IN-TRADE	31 March 2018 (Un-audited)	30 June 2017 (Audited)
	(Rupees in '000)	
Raw material - in hand	11,203,424	6,765,072
- in transit	5,075,676	3,548,336
	<u>16,279,100</u>	<u>10,313,408</u>
Work-in-process	3,303,427	2,188,580
Finished goods	4,656,668	5,265,805
By-products	37,283	2,686
Scrap material	55,050	86,971
	<u>24,331,528</u>	<u>17,857,450</u>

8.1 Raw material of Holding Company amounting to Rs.4.1 million (2017: Rs.1.7 million) as at 31 March 2018 was held at vendor's premises for the production of pipe caps.

9. TRADE DEBTS	31 March 2018 (Un-audited)	30 June 2017 (Audited)
	(Rupees in '000)	
Considered good - secured	518,014	628,346
- unsecured	3,078,115	1,954,184
	<u>3,596,129</u>	<u>2,582,530</u>
Considered doubtful	157,997	163,579
	<u>3,754,126</u>	<u>2,746,109</u>
Provision for doubtful debts	(157,997)	(163,579)
	<u>3,596,129</u>	<u>2,582,530</u>

10. ADVANCES	31 March 2018 (Un-audited)	30 June 2017 (Audited)
Considered good		
- Suppliers	183,169	102,404
- Employees for business related expenses	1,753	5,073
	<u>184,922</u>	<u>107,477</u>

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

For the nine months period ended 31 March 2018

		31 March 2018 (Un-audited)	30 June 2017 (Audited)
		(Rupees in '000)	
11.	<b>TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>		
	Trade deposits	28,042	14,794
	Short term prepayments	37,195	22,176
		<u>65,237</u>	<u>36,970</u>
12.	<b>OTHER RECEIVABLES</b>		
	Considered good		
	Receivable on transmission of electricity to K-Electric Limited	55,969	61,089
	Others	6,906	7,133
		<u>62,875</u>	<u>68,222</u>
	Considered doubtful		
	Receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in prior period	25,940	25,940
		<u>88,815</u>	<u>94,162</u>
	Provision for receivable from Workers' Welfare Fund on account of excess allocation of Workers' Profit Participation Fund in prior period	(25,940)	(25,940)
		<u>62,875</u>	<u>68,222</u>
13.	<b>RESERVES</b>		
	General Reserves	2,991,258	2,991,258
	Unappropriated profit	5,383,841	3,196,534
		<u>8,375,099</u>	<u>6,187,792</u>
14.	<b>LONG-TERM FINANCING - secured</b>		
	Conventional		
	Long Term Finance Facility (LTFF)	14.1 - 14.2 2,346,901	2,478,621
	Long Term Finance	14.3 - 14.4 594,445	1,377,778
	Islamic		
	Long Term Finance	14.5 - 14.7 5,912,500	2,250,000
		8,853,846	6,106,399
	Current portion of long-term finances shown under current liabilities		
	Conventional		
	Long Term Finance Facility (LTFF)	14.1 - 14.2 (300,214)	(300,214)
	Long Term Finance	14.3 - 14.4 (327,778)	(450,000)
	Islamic		
	Long Term Finance	14.5 - 14.7 (724,243)	(556,566)
		(1,352,235)	(1,306,780)
		<u>7,501,611</u>	<u>4,799,619</u>

Conventional

- 14.1 The Holding Company has an approved facility under long term finance facility of an amount aggregating Rs. 650 million. As at March 31, 2018 the holding company has outstanding of Rs. 592.9 million from commercial bank (2017: Rs. 538.1 million). The facility is secured by way of a mortgage on all present and future land and buildings, located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate, Karachi and Survey No.402, 405-406, Dehsharabi, Landhi Town, Karachi.

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

For the nine months period ended 31 March 2018

- 14.2 This finance is obtained by Subsidiary Company (ISL) amounting to Rs.1,754 million (2017: Rs.1,941 million) from a commercial bank and is secured by way of pari passu charge over fixed assets of the Subsidiary Company.
- 14.3 This finance is obtained by Subsidiary Company (ISL) amounting to Rs.444 million (2017: 578 million) from a commercial bank and is secured way of pari passu charge over fixed assets of the Subsidiary Company.
- 14.4 This finance is obtained by Subsidiary Company (ISL) amounting to Rs.150 million (2017: Rs.800 million) from a commercial bank and is secured way of pari passu charge over fixed assets of the Subsidiary Company.

### Islamic

- 14.5 The Holding Company has obtained long term finance amounting to Rs.750 million (2017: Rs.750 million) under diminishing musharakah arrangement and is secured by way of mortgage on all present and future land and buildings, located at plot no. LX-15&16 and H/X-7/4, Landhi Industrial Estate, Karachi and Survey no.402, 405-406, Dehsharabi, Landhi Town, Karachi.
- 14.6 This finance is obtained by Subsidiary Company (ISL) amounting to Rs.563 million (2017: Rs.750 million) from Islamic window of a commercial bank and is secured way of pari passu charge over the fixed assets of the Subsidiary Company.
- 14.7 This finance is obtained by Subsidiary Company (ISL) amounting to Rs.500 million (2017: Rs.750 million) from Islamic window of a commercial bank and is secured way of pari passu charge over fixed assets of the Subsidiary Company.
- 14.8 During the period, Subsidiary Company (ISL) converted its long term loan (conventional) amounting to Rs.500 million (2017: Nil ) to long term loan (Islamic) under Diminishing Musharakah which is secured by pari passu charge over the fixed assets of the Subsidiary Company.
- 14.9 During the period, Subsidiary Company (ISL) acquired a long term loan (Islamic) amounting to Rs.3,600 million (2017: Nil ) under Diminishing Musharakah which is secured by Ranking charge over fixed assets of the Subsidiary Company.

	Note	31 March 2018 (Un-audited)	30 June 2017 (Audited)
(Rupees in '000)			
<b>15. TRADE AND OTHER PAYABLES</b>			
Trade creditors	15.1	3,971,361	4,210,803
Bills payable		596,101	952,646
Derivative financial liabilities		-	4,768
Sales commission payable		81,297	52,509
Provision for Government Levies		230	257
Accrued expenses		2,546,707	1,899,203
Provision for Infrastructure Cess	15.2	1,099,955	841,741
Short-term compensated absences		18,854	15,691
Advances from customers		1,412,824	562,356
Workers' Profit Participation Fund		309,945	2,576
Workers' Welfare Fund		333,710	209,733
Unclaimed dividends		23,856	-
Unpaid dividend		527,034	538,466
Dividend payable attributable to non controlling interest		656	656
Others		295,594	159,316
		<b>11,218,124</b>	<b>9,450,721</b>

- 15.1 This includes an amount of Rs. 34.3 million payable to associated companies by Subsidiary Company (ISL) (2017: 3,011.9 million).

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

For the nine months period ended 31 March 2018

		31 March 2018 (Un-audited)	30 June 2017 (Audited)
(Rupees in '000)			
15.2	Provision for Infrastructure Cess		
	Opening balance	841,741	630,056
	Charge for the period	258,214	211,685
	Closing balance	<u>1,099,955</u>	<u>841,741</u>
16.	SHORT-TERM BORROWINGS - secured CONVENTIONAL		
	Running finance under mark-up arrangement from banks	5,168,899	1,861,128
	Short-term borrowing under Money Market Scheme	3,736,987	2,736,526
	Short-term borrowing under Export Refinance Scheme	4,146,175	3,218,500
	Running finance under FE-25 Export and Import Scheme	-	527,320
	Book overdraft	126,133	8,691
	ISLAMIC		
	Short-term borrowing under Running Musharakah	1,332,813	1,096,975
	Short-term finance under Term Musharakah	750,000	1,489,503
		<u>15,261,007</u>	<u>10,938,643</u>

16.1 The facilities for running finance available from various commercial banks amounted to Rs. 10,448 million (2017: Rs.9,039 million). The rates of mark-up on these finances obtained by the Holding company ranges from 6.23% to 7.73% per annum (2017: 6.21% to 7.60% per annum). The rates of mark-up on these finances obtained by the Subsidiary Company ranges from 6.11% to 8.00% per annum (2017: 6.08% to 8.00% per annum).

16.2 The Holding Company has obtained facilities for short-term borrowing under Money Market Scheme financing from various commercial banks under mark-up arrangements amounted to Rs. 5,940 million (2017: Rs. 4,417 million). The rate of markup on these finance ranges from 6.13% to 6.57% per annum (2017: 6.05% - 6.20%) per annum.

16.3 The Group has obtained short-term running finance under the Export Refinance Scheme of the State Bank of Pakistan. The facility availed is for an amount of Rs. 4,146.2 million (2017: Rs.3,218.5 million). The rates of mark-up on this facility ranges from 2.10% to 2.15 % per annum (2017: 2.10% to 2.20% per annum).

16.4 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 6.36% per annum (2017: 6.32%) per annum. The rate of profit on these finance obtained by the Subsidiary Company is 6.36% - 6.63% per annum (2017: 6.33% to 6.53%) per annum. The facility matures within twelve months and is renewable.

16.5 The Subsidiary Company has obtained facilities for short term finance under Term Musharakah. The rate of profit is 6.11% to 6.55% (2017: 6.07% to 6.14%) per annum. This facility matures within twelve months and is renewable.

16.6 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.

16.7 As at 31 March 2018, the unavailed facilities from the above borrowings amounted to Rs.9,065 million. (2017: Rs 12,143 million).

## 17. CONTINGENCIES AND COMMITMENTS

### 17.1 Contingencies

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

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

For the nine months period ended 31 March 2018

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

Further, the Holding Company and the Subsidiary Company (ISL) have not recognized GIDC amounting to Rs. 886.2 million (2017: Rs. 785.84 million) pertaining to period from 01 July 2011 to 31 March 2018 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).

- 17.1.2 The Holding Company has reversed the provision for the levy of Infrastructure Cess amounting to Rs.107 million in 2009 on the basis of a decision of the Sindh High Court which declared the levy of Infrastructure Cess before 28 December 2006 as void and invalid. However, the Excise and Taxation Department (the Department) has filed an appeal before the Supreme Court of Pakistan against such order. As such the guarantee against this amount has not yet been returned. In May 2011, the Supreme Court disposed-off the appeal with a joint statement of the parties and hence the case was referred back to the High Court. On 31 May 2011, the High Court has granted an interim relief for return of Bank Guarantees (BG) on the consignments released upto 27 December 2006 and any BG submitted after 27 December 2006 shall be encashed to the extent of 50% of the guarantee amount only with balance kept intact till the disposal of petition. All future consignments after order would be cleared by by paying 50% of the fee amount involved and furnishing a guarantee / security for the balance amount. Bank guarantees amounting to Rs. 1,220 million (2017: Rs. 977 million) which includes Rs. 107 million mentioned above have been provided to the Department in this regard by the Holding Company and Subsidiary Company (ISL). However, a provision to the extent of amount utilized from the limit of guarantee has also been provided for by the Holding Company and Subsidiary Company on prudent basis (note: 15.2).

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

- 17.1.3 Guarantees issued by the Holding Company and Subsidiary Company (ISL) to various service providers amounting to Rs.1,134.6 million (2017: Rs.774.5 million) as security for continued provision of services.
- 17.1.4 Oil and Gas Regulatory Authority (OGRA) has issued notification for increase in the gas tariff disregarding the protocol laid down in OGRA Ordinance, 2002. The Group has filed a suit in the Sindh High Court (The Court) challenging the gas tariff increase. The Court has granted a stay order, subject to security deposit of the different amount with the Nazir of the Court. The Group has deposited amount of Rs.354.2 million (2017: Rs. 133.6 million) as cheques with the Nazir. The Group, on a prudent basis, has also accrued this amount in these financial statements.
- 17.1.5 Sindh Revenue Board (SRB) issued notices to the Holding Company and Subsidiary Company (ISL) for payment of Sindh Workers Welfare Fund under the Sindh Workers Welfare Fund Act, 2014. The Holding Company and Subsidiary Company (ISL) filed constitutional petition in the High Court of Sindh, challenging the said unlawful demand on the ground that the Holding Company and Subsidiary Company (ISL) are trans-provincial establishments operating industrial and commercial activities across Pakistan. The High Court of Sindh granted stay order in favor of the Holding Company and Subsidiary Company (ISL) declaring exemption on the basis that the Holding Company and Subsidiary Company being a trans-provincial establishment is paying Workers Welfare Fund under Federal Worker Fund Ordinance 1971.

- 17.1.6 The Group's share of associate's contingent liability is Rs.31.2 million (2017: Rs.51.8 million).

Holding Company

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

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

For the nine months period ended 31 March 2018

- 17.1.8 An amount of Rs. 375 million was claimed by the customs authorities as duty rate differential on imports made by the Holding Company during 2005-10 due to an anomaly in SRO 565(1) / 2006 Serial 88. Since then, the anomaly has been rectified. The Holding Company filed a petition with the Sindh High Court in 2010 for an injunction and as is awaiting the final judgement. The management is confident that the decision will be given in favour of the Company.
- 17.1.9 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.
- 17.1.10 The Holding Company has filed the petition in the Sindh High Court and obtained a stay order on the deduction of withholding tax on the inter corporate dividend. As per the requirement of the stay order, the Holding Company has pledged 500,000 shares of International Steels Limited in the Sindh High Court as a security against the tax demand on dividend declared by the International Steels Limited on 21 October 2016. Further, bank guarantees amounting to Rs.76.6 million Rs.36.8 million and Rs.55.1 million have also been given to Nazir High Court as a security against tax demand on dividend declared by the International Steels Limited on 02 June 2017, 26 September 2017 and 23 January 2018.

### Subsidiary Company (ISL)

- 17.1.11 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. 148 million (2017: 157 million) has not been recorded in this condensed interim financial information.

### 17.2 Commitments

#### Group

- 17.2.1 Capital expenditure commitments of the Group outstanding as at 31 March 2018 amounted to Rs.1,447 million (2017: Rs.3,105 million).
- 17.2.2 Commitments under letters of credit established by the Group for raw material and stores and spares as at 31 March 2018 amounted to Rs. 8,591 million (2017: Rs.5,902 million).
- 17.2.3 The unavailed facilities for opening letters of credit and guarantees from banks as at 31 March 2018 amounted to Rs. 18,346 million (2017: 21,384 million) and Rs. 157 million (2017: 372 million) respectively.

#### Holding Company

- 17.2.4 Commitments under purchase contracts as at 31 March 2018 amounted to Rs. 538 million (2017: Rs.307 million).
- 17.2.5 Bank guarantees amounting to Rs.6.2 million deposited with the Nazir of Sindh High Court in respect of disputed sales tax amount on exports by the Company to Afghanistan which have been released subsequent to 31 March 2018 as a consequence of decision by Sindh High Court in favour of the Company.



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For the nine months period and quarter ended 31 March 2018

18.	Nine month period ended		Quarter ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
NET SALES	(Rupees in '000)			
Local	50,347,620	32,756,107	17,988,274	11,793,888
Export	6,474,292	5,518,202	2,186,727	1,715,577
	<u>56,821,912</u>	<u>38,274,309</u>	<u>20,175,001</u>	<u>13,509,465</u>
Partial Manufacturing	-	(1,796)	-	(2,604)
Sales Tax	(7,550,673)	(4,794,169)	(2,682,711)	(1,742,806)
Trade discounts & commission	(1,018,806)	(471,892)	(422,777)	(108,125)
Export commission and discounts	(40,728)	(476,200)	(9,487)	(230,902)
	<u>(8,610,207)</u>	<u>(5,742,261)</u>	<u>(3,114,975)</u>	<u>(2,081,833)</u>
	<u>48,211,705</u>	<u>32,530,252</u>	<u>17,060,026</u>	<u>11,425,028</u>
19. COST OF SALES				
Opening stock of raw material and work-in-process	8,953,652	4,930,520	8,566,672	6,700,628
Purchases	43,413,338	29,134,201	20,340,461	12,302,965
Salaries, wages and benefits	1,050,665	876,294	361,467	330,423
Rent, rates and taxes	3,435	1,586	2,613	366
Electricity, gas and water	1,014,873	928,612	361,065	319,149
Insurance	23,573	18,905	5,695	6,530
Security and janitorial	36,854	33,273	13,276	11,704
Depreciation and amortisation	817,466	802,022	273,097	265,070
Operational supplies and consumables	134,651	112,379	41,571	41,202
Stores and spares scrapped	-	24,631	-	-
Repairs and maintenance	156,949	130,673	54,566	48,767
Postage, telephone and stationery	15,461	10,490	5,057	(167)
Vehicle, travel and conveyance	22,692	22,296	8,933	7,140
Internal material handling	35,813	34,360	9,055	15,183
Environment controlling expense	1,543	1,487	458	482
Sundries	9,780	8,981	2,168	990
Partial manufacturing	12,052	13,206	9,097	11,265
Sale of scrap generated during production	(1,761,415)	(1,248,835)	(629,260)	(569,640)
	<u>53,941,382</u>	<u>35,835,081</u>	<u>29,425,991</u>	<u>19,492,057</u>
Closing stock of raw material and work-in-process	(14,506,851)	(8,697,382)	(14,506,851)	(8,697,382)
Cost of goods manufactured	<u>39,434,530</u>	<u>27,137,699</u>	<u>14,919,140</u>	<u>10,794,675</u>
Finished goods and by-products :				
Opening stock	5,171,013	2,941,351	3,877,225	2,536,058
Closing stock	(4,696,612)	(4,446,151)	(4,696,612)	(4,446,151)
	<u>474,401</u>	<u>(1,504,800)</u>	<u>(819,386)</u>	<u>(1,910,093)</u>
	<u>39,908,932</u>	<u>25,632,899</u>	<u>14,099,754</u>	<u>8,884,582</u>

Notes to the Condensed Interim Consolidated  
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For the nine months period and quarter ended 31 March 2018

	Nine months period ended		Quarter ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	(Rupees in '000)			
<b>20 SELLING &amp; DISTRIBUTION EXPENSES</b>				
Freight and forwarding expenses	815,551	545,258	281,821	209,208
Salaries, wages and benefits	200,212	163,643	66,422	60,790
Rent, rates and taxes	3,903	4,199	1,236	1,099
Electricity, gas and water	9,675	4,961	4,496	1,360
Insurance	7,419	5,989	2,341	2,582
Depreciation and amortisation	14,442	12,380	5,144	3,653
Repair and maintenance	631	2,067	225	789
Advertising and sales promotion	118,702	54,263	61,527	12,848
Postage, telephone and stationery	7,386	7,241	3,252	2,877
Office supplies	335	77	110	15
Vehicle, travel and conveyance	29,154	20,735	11,703	7,888
Provision for doubtful debts-net	(5,919)	51,295	(5,014)	17,895
Certification and registration charges	1,282	2,158	179	551
Others	17,250	23,916	3,993	11,921
	<u>1,220,023</u>	<u>898,182</u>	<u>437,435</u>	<u>333,476</u>
<b>21 ADMINISTRATIVE EXPENSES</b>				
Salaries, wages and benefits	272,525	244,391	86,796	90,902
Rent, rates and taxes	4,522	2,883	1,536	1,130
Electricity, gas and water	3,205	4,027	889	918
Insurance	1,807	3,442	669	1,300
Depreciation and amortisation	16,673	17,047	5,551	5,633
Repair and maintenance	2,015	908	482	252
Postage, telephone and stationery	17,170	9,089	4,546	2,409
Office supplies	214	118	84	24
Vehicle, travel and conveyance	12,201	10,801	4,591	3,015
Legal and professional charges	41,984	70,148	14,640	53,492
Certifications and registration charges	8,087	4,853	2,448	1,721
Directors' fees	6,300	5,790	2,550	1,710
Others	19,379	9,810	7,828	1,537
	<u>406,082</u>	<u>383,307</u>	<u>132,609</u>	<u>164,042</u>
<b>22. FINANCIAL CHARGES</b>				
Conventional				
- Interest on long-term borrowings	139,015	182,777	42,615	48,191
- Interest on short-term borrowings	341,114	136,622	110,093	49,255
Islamic				
- Mark-up on long-term borrowings	118,032	27,853	38,515	766
- Mark-up on short term borrowings	67,525	108,428	23,985	46,284
	<u>665,686</u>	<u>455,680</u>	<u>215,208</u>	<u>144,496</u>
Exchange loss and others	3,074	3,854	29	-
Interest on Workers' Profit Participation Fund	247	506	-	-
Bank charges	18,873	17,971	7,799	3,461
	<u>687,880</u>	<u>478,011</u>	<u>223,036</u>	<u>147,957</u>
<b>23. OTHER OPERATING CHARGES</b>				
Auditors' remuneration	3,977	3,729	987	1,037
Loss on derivative financial instruments	2,054	31,483	-	-
Donations	64,430	40,722	34,150	22,506
Exchange loss	123,543	-	123,543	(14,661)
Provision for receivable from WPPF in prior periods	-	25,940	-	-
Workers' Profit Participation Fund	309,945	259,737	106,706	100,332
Workers' Welfare Fund	123,977	103,955	42,681	40,213
Business development expenses	<b>3,664</b>	<b>9,736</b>	<b>388</b>	<b>4,344</b>
	<u>631,590</u>	<u>475,302</u>	<u>308,455</u>	<u>153,771</u>

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For the nine months period and quarter ended 31 March 2018

	Nine months period ended		Quarter ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	(Rupees in '000)			
<b>24. OTHER INCOME</b>				
Income from non-financial assets				
Income from power generation 24.1	28,492	35,455	6,071	12,593
Gain on disposal of property, plant and equipment	56,671	5,708	17,599	91
Rental income	3,558	2,136	2,554	673
Exchange gain / (loss) - net	111,884	39,354	40,363	32,927
Others	35,111	19,511	21,015	14,110
Income on financial assets				
Interest on bank deposits	1,788	1,555	729	407
	<u>237,504</u>	<u>103,719</u>	<u>88,331</u>	<u>60,801</u>

24.1. Income from power generation

<b>Net sales</b>	<b>386,519</b>	391,259	123,080	129,468
<b>Cost of electricity produced</b>	<b>(358,027)</b>	(355,804)	(117,009)	(116,875)
	<u>28,492</u>	<u>35,455</u>	<u>6,071</u>	<u>12,593</u>

25. TAXATION

Current	1,483,442	982,899	537,523	408,625
Prior	10,850	136,320	3,000	-
Deferred	188,368	831,019	46,626	260,958
	<u>1,682,660</u>	<u>1,950,238</u>	<u>587,149</u>	<u>669,583</u>

26. TRANSACTIONS WITH RELATED PARTIES

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

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

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

Notes to the Condensed Interim Consolidated  
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For the nine months period and quarter ended 31 March 2018

	Nine months period ended		Quarter ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
	(Rupees in '000)			
Associated companies				
Sales	938,345	568,617	216,196	242,976
Purchases	22,673,558	10,660,597	12,985,101	4,265,096
Reimbursement of expenses	406	789	137	153
Rent income	1,455	1,566	484	596
Donations	6,500	-	6,000	-
Dividend paid	40,630	52,803	-	1,440
Dividend received	17,037	14,556	12,185	3,639
Associated person / company				
Sales commission	-	210	-	210
Key management personnel				
Remuneration	389,634	308,459	127,352	114,322
Staff retirement funds				
Contribution paid	117,900	90,845	32,319	23,981
Non-executive directors				
Directors' fees	6,300	5,790	2,550	1,710
Reimbursement of Chairman's expenses	3,901	-	2,945	-
			31 March 2018	30 June 2017
			(Un-audited)	(Audited)
Balances with related parties			----- (Rupees in '000) -----	
Trade debts				
Doogoods Enterprises Pty Limited			-	39,712
Pakistan Cables Limited.			-	11
Sumitomo Corporation			174,113	9,560
Trade creditor				
Sumitomo Corporation			34,314	3,011,900

27. SEGMENT REPORTING

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

# Condensed Interim Consolidated Financial Information (Un-audited)

For the nine months period ended 31 March 2018

## SEGMENT REVENUE AND RESULTS

Segments	Steel Coils & Sheets	Steel Pipes	Plastic Pipes	Investment	Total
	----- (Rupees in '000) -----				
For the nine months period ended 31 March 2018					
Sales	29,231,812	17,206,772	1,773,121		48,211,705
Cost of sales	24,388,486	13,917,044	1,603,402		39,908,932
Gross Profit	<u>4,843,326</u>	<u>3,289,728</u>	<u>169,719</u>	-	<u>8,302,773</u>
Selling and distribution expenses	(310,809)	(817,961)	(91,253)		(1,220,023)
Administrative expenses	(167,811)	(216,181)	(22,090)		(406,082)
	(478,620)	(1,034,142)	(113,343)	-	(1,626,105)
Financial charges	(357,931)	(301,189)	(28,760)		(687,880)
Other operating charges	(515,448)	(113,513)	(2,629)		(631,590)
	(873,379)	(414,702)	(31,389)	-	(1,319,470)
Other income	63,172	174,332	-	-	237,504
Share of profit in equity accounted investee - net of tax	-			29,550	29,550
Profit before taxation	3,554,499	2,015,216	24,987	29,550	5,624,252
Taxation					(1,682,660)
Profit after taxation					<u>3,941,592</u>
For the nine months period ended 31 March 2017					
Sales	20,768,254	10,939,241	822,757	-	32,530,252
Cost of sales	16,954,430	7,928,021	750,448		25,632,899
Gross Profit	<u>3,813,825</u>	<u>3,011,219</u>	<u>72,309</u>	-	<u>6,897,353</u>
Selling and distribution expenses	(250,071)	(608,920)	(39,191)		(898,182)
Administrative expenses	(146,041)	(223,735)	(13,531)		(383,307)
	(396,112)	(832,655)	(52,722)	-	(1,281,489)
Financial charges	(342,080)	(120,574)	(15,357)		(478,011)
Other operating charges	(320,874)	(154,132)	(296)		(475,302)
	(662,954)	(274,706)	(15,653)	-	(953,313)
Other income	62,930	40,789	-	-	103,719
Share of profit in equity accounted investee - net of tax	-			24,352	24,352
Profit before taxation	2,817,689	1,944,647	3,934	24,352	4,790,621
Taxation					(1,950,238)
Profit after taxation					<u>2,840,383</u>

## SEGMENT ASSETS & LIABILITIES

Segments	Steel Coils & Sheets	Steel Pipes	Plastic Pipes	Investments	Total
	----- (Rupees in '000) -----				
As at 31 March 2018 - Un-audited					
Segment assets	<u>36,356,047</u>	<u>14,619,766</u>	<u>1,880,182</u>	<u>803,508</u>	<u>53,659,503</u>
Segment liabilities	<u>25,655,079</u>	<u>8,459,585</u>	<u>698,303</u>	-	<u>34,812,967</u>
As at 30 June 2017 - Audited					
Segment assets	<u>24,020,336</u>	<u>13,540,885</u>	<u>1,345,368</u>	<u>299,503</u>	<u>39,206,092</u>
Segment liabilities	<u>16,381,683</u>	<u>7,963,492</u>	<u>504,349</u>	-	<u>24,849,524</u>

Reconciliation of segment assets and liabilities with total assets and liabilities in the Balance

Sheet is as follows :

	31 March 2018 (Un-audited)	30 June 2017 (Audited)
	----- (Rupees in '000) -----	
Total reportable segments assets	53,659,503	39,206,092
Unallocated assets	1,255,621	3,346,518
Total assets as per Balance Sheet	<u>54,915,124</u>	<u>42,552,610</u>
Total reportable segments liabilities	34,812,967	24,849,524
Unallocated liabilities	2,977,802	3,587,449
Total liabilities as per Balance Sheet	<u>37,790,769</u>	<u>28,436,973</u>

# Condensed Interim Consolidated Financial Information (Un-audited)

For the nine months period ended 31 March 2018

## 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 March 2018							
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) -----							
-	803,508	-	-	803,508	1,369,587	-	-

Financial assets  
Investment - quoted Company

30 June 2017							
Carrying amount				Total	Fair Value		
Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities		Level 1	Level 2	Level 3
----- (Rupees in '000) -----							
-	299,503	-	-	299,503	776,292	-	-

Financial assets  
Investment - quoted Company

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

### 29.2 Date of authorization for issue

These consolidated financial information were authorised for issue by the Board of Directors on 20 April 2018.



Ehsan A. Malik  
Director & Chairman  
Board Audit Committee



Nadir Akbarali Jamal  
Chief Financial Officer



Riyaz T. Chinoy  
Chief Executive Officer