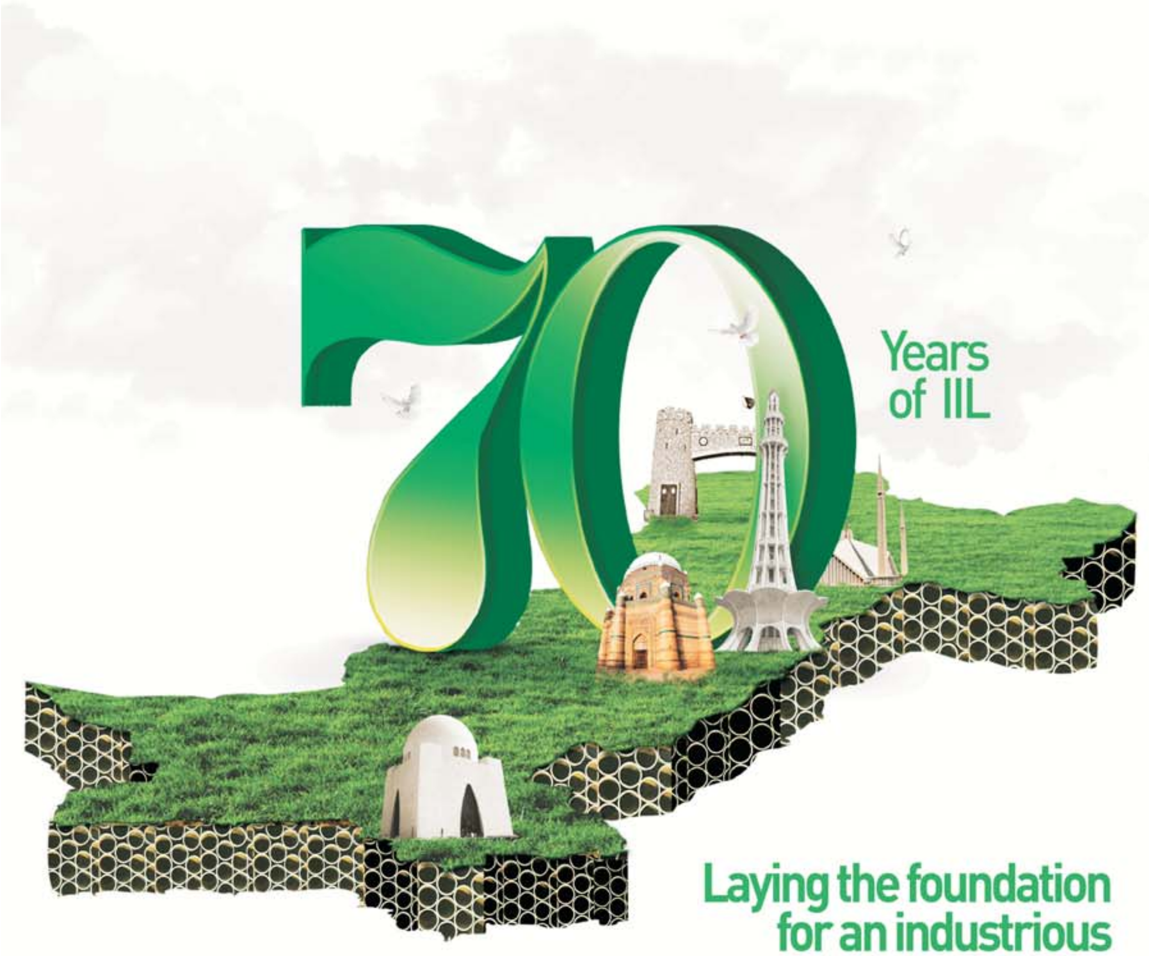
INTERNATIONAL INDUSTRIES LTD.

Promising Reliability, For Now and Tomorrow



Unaudited Financial Statements

For the six months period ended 31 December 2018

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

Contents

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

Chief Executive Officer
Mr. Riyaz T. Chinoy

Advisor
Mr. Towfiq H. Chinoy

Chief Financial Officer
Mr. Muhammad Hanif Idrees

Company Secretary
Mr. Mohammad Irfan Bhatti

Group Chief Internal Auditor
Ms. Asema Tapal

Internal Auditors
M/s EY Ford Rhodes

External Auditors
M/s KPMG Taseer Hadi & Co.

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

Legal Advisor(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: irfan.bhatti@iil.com.pk

Lahore Office
Chinoy House, 6 Bank Square, Lahore - 54000
Telephone Nos:+9242-37229752-55,
UAN:+9242-111-019-019
Fax: 9242 37220384 E-Mail: lahore@iil.com.pk

Islamabad Office
3rd Floor, Evacuee Trust,
Plot No. 4, Aga Khan Road, F-5/1, Islamabad
Telephone Nos: +9251-2524650, +9251-4864601-2

Multan Office
1592, 2nd Floor, Quaid-e-Azam Shopping Centre No.1,
Multan Cantt.
Telephone : +9261-4583332

Faisalabad Office
Office No.1/1, Wahab Centre, Electrocity 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, Sheikhupura 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

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 half-year ended 31st December 2018.

In the first half of the year the economy and large-scale manufacturing industry in particular has been adjusting to changing economic fundamentals. Global economies have also started to take increased protectionist measures as a result of weakening economies. Consequently, a sharp decline was witnessed during the outgoing quarter in global prices of crude oil and steel.

Resultantly, during the first half-year, the Company achieved the net turnover of Rs. 11.1 Bn, as sales volume fell by 28% over the corresponding period last year.

Export turnover for the first half was Rs. 2.5 Bn, which is 25% higher than the same period last year. However, following the imposition of section 242 tariffs by USA and creeping protectionism in advanced economies, export-growth is expected to remain in check especially as Canada has recently imposed a 66.8% anti dumping duty on Pakistani steel pipe. We have appealed against this judgment and are hopeful of a positive outcome.

The Polymer segment sales was also under pressure due to reduction and delays in PSDP spending, with turnover declining by 47% over the same period last year. This trend is, however, expected to reverse in the second half of the year since the deliveries against the orders secured during the first half of the year have already begun. Our production facilities for PPRC pipes and fittings has witnessed exponential growth over the same period last year and will enable us to tap the commercial segment of the market while minimizing the exposure to government projects and institutional business.

For the half year, the Company achieved a Profit after tax (PAT) of Rs. 921 m (EPS 7.68) i.e. 28% higher than the corresponding period last year. The profit before tax (PBT) for the first half includes income from dividend of Rs. 756.5m on our investments in our subsidiary and an associate, which brings the PBT excluding income from dividend to Rs.386m as compared to Rs.740m for the same period last year.

Our subsidiry, International Steels Limited (ISL) recently celebrated the achievement of the one million ton prouction capacity milestone. ISL however witnessed a 12% decline in volume over the corresponding period lastyear but sales turnover increased to Rs.24.8 Bn. PAT of ISL declined by 20% to Rs.1.75 Bn (EPS 4.02)

During the first half, group recorded PAT of Rs. 2,075.9 m (EPS 10.85) compared to Rs. 2,573.8 m (EPS 14.04) over the corresponding period of last year.

Expected increased activity in the Domestic market in the second half of the year coupled with the execution of approximately Rs. 4.5 billion worth of steel and plastic gas pipe orders, now in hand, is expected to yield further improvement in results.

We extend our gratitude to all our stakeholders for their incessant support and look forward to productive second half of the year.

For & on behalf of
International Industries Limited

Mustapha A. Chinoy
Chairman

Karachi
Dated: 30 January 2019

KPMG

Independent Auditor's Review Report

To the members of International Industries Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of **International Industries Limited** as at 31 December 2018 and the related condensed interim unconsolidated statement of profit or loss, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of changes in equity, and condensed interim unconsolidated statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other Matter

The figures for the quarter ended 31 December 2018 and 31 December 2017 in the interim financial statements have not been reviewed and we do not express a conclusion on them.
The engagement partner on the engagement resulting in this independent auditor's review report is Muhammad Taufiq.

KPMG Taseer Hadi & Co

Date: 30 January 2019

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi

Condensed Interim Unconsolidated Statement of Financial Position (Un-audited)

As at 31 December 2018

	Note	31 December 2018 (Un-audited)	30 June 2018 (Audited)
		(Rupees in '000)	
ASSETS			
Non current assets			
Property, plant and equipment	5	**6,043,188**	5,769,659
Intangible assets		**5,993**	8,635
Investments	6	**3,277,276**	3,277,276
Long term deposits		**62,994**	62,994
		9,389,451	9,118,564
Current assets			
Stores and spares		**246,223**	152,299
Stock-in-trade	7	**11,284,843**	9,004,552
Trade debts - considered good	8	**3,681,147**	2,318,876
Advances, trade deposits and short-term prepayments	9	**100,154**	1,065,827
Receivable from K-Electric Limited (KE) - unsecured, considered good		**19,255**	19,965
Other receivables		**738,573**	4,705
Sales tax receivable		**397,956**	518,397
Cash and bank balances		**475,525**	261,865
		16,943,676	13,346,486
Total assets		**26,333,127**	22,465,050
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
200,000,000 (2018: 200,000,000) ordinary shares of Rs. 10 each		**2,000,000**	2,000,000
Share capital			
Issued, subscribed and paid-up capital		**1,198,926**	1,198,926
Revenue reserves			
General reserves	10	**2,700,036**	2,700,036
Un-appropriated profit	10	**3,211,300**	3,037,210
Capital reserve			
Revaluation surplus on property, plant and equipment		**1,944,431**	1,958,211
Total equity		**9,054,693**	8,894,383
LIABILITIES			
Non-current liabilities			
Long-term financing - secured	11	**1,886,717**	1,968,534
Staff retirement benefits		**146,253**	146,253
Deferred taxation - net		**150,407**	222,840
		2,183,377	2,337,627
Current liabilities			
Trade and other payables	12	**3,021,917**	2,072,728
Contract liabilities		**159,502**	242,867
Short term borrowings - secured	13	**11,041,199**	8,309,557
Unpaid dividend		**19,863**	14,218
Unclaimed dividend		**27,619**	23,854
Current portion of long-term financing - secured	11	**209,709**	180,919
Taxation		**456,419**	310,225
Accrued mark-up		**158,829**	78,672
		15,095,057	11,233,040
Total liabilities		**17,278,434**	13,570,667
Total equity and liabilities		**26,333,127**	22,465,050
Contingencies and commitments	14		

The annexed notes 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.

Ehsan A. Malik	**M. Hanif Idrees**	**Riyaz T. Chinoy**
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

Condensed Interim Unconsolidated
Statement of Profit and Loss Account (Un-audited)
For the six and three months period ended 31 December 2018

	Note	Six months period ended		Three months period ended	
		31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
		---- (Rupees in '000) ----			
Net sales	15	**11,146,278**	12,168,289	**5,785,724**	6,772,003
Cost of sales	16	**(10,084,365)**	(10,518,189)	**(5,160,808)**	(5,815,069)
Gross profit		**1,061,913**	1,650,100	**624,916**	956,934
Selling and distribution expenses	17	**(431,415)**	(561,924)	**(259,157)**	(316,916)
Administrative expenses	18	**(154,090)**	(150,159)	**(83,123)**	(83,336)
Reversal of impairment on trade debts		**10,902**	-	**1,935**	-
		(574,603)	(712,083)	**(340,345)**	(400,252)
Finance cost	19	**(399,377)**	(232,503)	**(231,788)**	(117,262)
Other operating expenses	20	**(43,124)**	(71,068)	**(28,532)**	(44,073)
		(442,501)	(303,571)	**(260,320)**	(161,335)
Other income	21	**1,097,300**	355,571	**235,274**	72,382
Profit before taxation		**1,142,109**	990,017	**259,525**	467,729
Taxation	22	**(221,197)**	(270,565)	**(68,980)**	(151,370)
Profit after taxation for the period		**920,912**	719,452	**190,545**	316,359
		---- (Rupees) ----			
Earnings per share - basic and diluted		**7.68**	6.00	**1.59**	2.64

The annexed notes 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.

Ehsan A. Malik
Director & Chairman
Board Audit Committee

M. Hanif Idrees
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

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

For the six and three months period ended 31 December 2018

	Six months period ended		Three months period ended	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
	---------- (Rupees in '000) ----------			
Profit after taxation for the period	**920,912**	719,452	**190,545**	316,359
Other comprehensive income				
Items that are or may be reclassified to profit or loss				
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**8,010**	-
Recognition of tax	**-**	**-**	**(1,739)**	-
Total comprehensive income for the period - net of tax	**-**	-	**6,271**	-
Total comprehensive income for the period	**920,912**	719,452	**196,816**	316,359

The annexed notes 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.

Ehsan A. Malik
Director & Chairman
Board Audit Committee

M. Hanif Idrees
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)

For the six months period ended 31 December 2018

	Note	Six months period ended 31 December 2018	31 December 2017
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**1,142,109**	990,017
Adjustments for :			
Depreciation and amortization		**215,967**	182,915
Reversal of impairment on trade debts		**(10,902)**	-
Income on bank deposits	*21*	**(890)**	(858)
Gain on disposal of property, plant and equipment	*21*	**(70,873)**	(36,648)
Dividend income	*21*	**(756,490)**	(249,907)
Provision for staff gratuity		**23,766**	17,596
Provision for compensated absences		**2,750**	3,300
Finance cost	*19*	**399,377**	232,503
		(197,295)	148,901
Changes in working capital	*23*	**(1,769,802)**	(567,202)
Long term deposits		**-**	(11,751)
Net cash (used in) / generated from operations		**(824,988)**	559,965
Finance cost paid		**(319,220)**	(220,932)
Payment for staff gratuity		**(23,766)**	(17,000)
Compensated absences paid		**(4,585)**	(6,286)
Income tax paid		**(128,736)**	(86,009)
Net cash (used in) / generated from operating activities		**(1,301,295)**	229,738
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(503,709)**	(557,335)
Proceeds from disposal of property, plant and equipment		**87,728**	41,369
Dividend income received		**21,323**	249,907
Income on bank deposits received		**890**	858
Net cash (used in) investing activities		**(393,768)**	(265,201)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		**24,554**	103,037
Repayment of long term financing		**(77,581)**	(32,126)
Proceeds from / (repayments of) short term borrowing - net		**719,646**	696,487
Dividends paid		**(769,892)**	(478,848)
Net cash (used in) / generated from financing activities		**(103,273)**	288,550
Net (decrease) / increase in cash and cash equivalents		**(1,798,336)**	253,087
Cash and cash equivalents at beginning of the period		**(2,386,338)**	(528,282)
Cash and cash equivalents at end of the period		**(4,184,674)**	(275,195)
Cash and cash equivalents	*23.1*	**(4,184,674)**	(275,195)

The annexed notes 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.

Ehsan A. Malik	**M. Hanif Idrees**	**Riyaz T. Chinoy**
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

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

For the six months period ended 31 December 2018

	Issued, subscribed and paid-up capital	Revenue Reserves: General reserves	Revenue Reserves: Un-appropriated profit	Capital Reserve: Revaluation surplus on property, plant and equipment	Total reserves	Total
	(Rupees in '000)					
Balance as at 1 July 2017	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 December 2017:						
Total comprehensive income for the period						
Profit for the period	-	-	719,452	-	719,452	719,452
Other Comprehensive income for the period	-	-	-	-	-	-
Total Comprehensive income for the period	-	-	719,452	-	719,452	719,452
Transactions with owners of the Company - distributions:						
- Final dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2017	-	-	(239,785)	-	(239,785)	(239,785)
Total transactions with owners of the Company - distribution	-	-	(239,785)	-	(239,785)	(239,785)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	-	-	23,691	(23,691)	-	-
Transfer from surplus on revaluation on disposal of fixed assets - net of tax			750	(750)	-	-
Balance as at 31 December 2017	1,198,926	2,700,036	2,446,583	1,992,943	7,139,562	8,338,488
Balance as at 1 July 2018	1,198,926	2,700,036	3,037,210	1,958,211	7,695,457	8,894,383
Changes in equity for the period ended 31 December 2018:						
Total comprehensive income for the period						
Profit for the period	-	-	920,912	-	920,912	920,912
Effect of change in tax rate on balance of revaluation of property, plant and equipment	-	-	-	18,700	18,700	18,700
Other Comprehensive income for the period	-	-	-	-	-	-
Total Comprehensive income for the period	-	-	920,912	18,700	939,612	939,612
Transactions with owners of the Company - distributions:						
- Final dividend @ 65% (Rs. 6.50 per share) for the year ended 30 June 2018	-	-	(779,302)		(779,302)	(779,302)
Total transactions with owners of the Company - distribution	-	-	(779,302)	-	(779,302)	(779,302)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	-	-	25,167	(25,167)	-	-
Transfer from surplus on revaluation on disposal of fixed assets - net of tax	-	-	7,313	(7,313)	-	-
Balance as at 31 December 2018	**1,198,926**	**2,700,036**	**3,211,300**	**1,944,431**	**7,855,767**	**9,054,693**

The annexed notes 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.

Ehsan A. Malik Director & Chairman Board Audit Committee	**M. Hanif Idrees** Chief Financial Officer	**Riyaz T. Chinoy** Chief Executive Officer

1. STATUS AND NATURE OF BUSINESS

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

The manufacturing facilities of the Company are situated as follows:

a) LX 15-16, Landhi Industrial Area, Karachi
b) Survey # 402,405-406, Dehshrabi Landhi Town, Karachi
c) 22 KM, Sheikhupura Road, Lahore

Sales office are located at Lahore, Islamabad, Faisalabad, Peshawar and Multan.

Details of the Company's investment in subsidiaries and associated company are stated in note 6 to these condensed interim unconsolidated financial statements.

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 statements 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 2018.

2.1.3 The comparative condensed interim unconsolidated statement of financial position presented in these condensed interim unconsolidated financial statements have been extracted from the audited annual separate financial statements of the Company for the year ended 30 June 2018, whereas the comparative condensed interim condensed interim unconsolidated statement of profit or loss, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of cash flows and condensed interim unconsolidated statement of changes in equity are extracted from the unaudited condensed interim unconsolidated financial statements for the period ended 31 December 2017.

2.1.4 These condensed interim unconsolidated financial statements are un-audited and are 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 statements have been prepared under the historical cost convention except for the Company's liability defined benefit plan (gratuity) which is determined on the present value of defined benefit obligations less fair value of plan assets determined by an independent actuary, land & buildings at revalued amounts assessed by an independent valuer and derivative financial instruments which are stated at fair value.

2.3 Functional and presentation currency

These condensed interim unconsolidated financial statements are presented in Pakistan Rupees, which is also the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. The accounting policies and methods of computation adopted in the preparation of this condensed interim unconsolidated financial statements 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 2018 except for the adoption of new standards effective as of 1 July 2018 as referred to in note 3.4 to these condensed interim financial statements.

3.2 New standards, interpretations and amendments adopted by the Company

The Company has initially adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 1 July 2018. The impact of the adoption of these standards and the new accounting policies are disclosed in note 3.4 below. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Company's condensed interim unconsolidated financial statements.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's condensed interim unconsolidated financial statements.

- IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's condensed interim unconsolidated financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's condensed interim unconsolidated financial statements.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments tofollowing approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Company's condensed interim unconsolidated financial statements.

3.4 Changes in accounting policies

The below explains the impact of the adoption of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 Financial Instruments' on the Company's condensed interim unconsolidated financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

3.4.1 IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Company has applied the modified retrospective method upon adoption of IFRS 15 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to retained earnings. Accordingly, the information presented for 2017 has not been restated i.e. it is presented, as previously reported under IAS 18 and related interpretations.

The Company manufactures and contracts with customers for the sale of galvanized steel pipes, precision steel tubes, API line pipes, Polyethylene pipes and PPRC pipes & fittings which generally include single performance obligation. Management has concluded that revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer, which is upon the delivery of goods. Delivery occurs when the products have been shipped to the specific location, the risks of loss have been transferred to the customers. The transfer can be either in the form of acceptance by the customer of products as per the sales contract or lapse of acceptance provision or the Company has objective evidence that all criteria for acceptance have been satisfied. Invoices are generated and revenue is recognised at that point in time. The Company allocates the transaction price to additional performance obligations for shipping and recognize revenue when the related performance obligation is satisfied. Revenue is measured based on the consideration specified in a contract with a customer, net of estimated sales commission and excludes amounts collected on behalf of third parties.

The Company receives short term advances from its customers. Prior to adoption of IFRS 15, advance consideration received from customers was included in 'Trade and other payables' which now is reclassified in 'Contract liabilities' presented separately on statement of financial position. In addition, reclassification has been made from 'Trade and other payables' to Contract liabilities' for outstanding balance of advance from customers for prior year to provide comparison. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The above is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 did not have an impact on the timing and amounts of revenue recognition of the Company.

Apart from providing more extensive disclosures, the application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Company for the reasons described above. Accordingly there was no adjustment to retained earnings on application of IFRS 15 at 1 July 2018.

3.4.2 IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financiall iabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9, on initial recognition, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI), or through profit or loss); and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

The classification and measurement under IFRS 9 does not have any impact on Company's accounting policy. Trade and other receivables and cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Trade receivable is initially measured at transaction price and are subsequently measured at amortised cost using the effective interest method, net of impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in statement of profit or loss.

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss. Trade receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL on adoption of IFRS 9. Given the Company's experience with customers having good collection history with no historical loss rates / bad debts and normal receivable ageing, the move from an incurred loss model to an expected loss model has not had an impact on the financial position and / or financial performance of the Company.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

4.1 The preparation of condensed interim unconsolidated financial statements require management to make judgments, 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 2018.

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 2018.

5. PROPERTY, PLANT AND EQUIPMENT	**Operating assets**	**Capital work - - in - progress**	**Total**
	----------	**(Rupees in '000)**	----------
Cost / revalued amount			
Opening balance	**8,367,722**	**146,098**	**8,513,820**
Additions	**281,252**	**514,041**	**795,293**
Disposal / transfers / adjustment	**(95,124)**	**(281,252)**	**(376,376)**
	8,553,850	**378,887**	**8,932,737**
Accumulated depreciation			
Opening balance	**(2,744,161)**	**-**	**(2,744,161)**
Charge for the period	**(213,325)**	**-**	**(213,325)**
Disposal / transfers / adjustment	**67,937**	**-**	**67,937**
	(2,889,549)	**-**	**(2,889,549)**
Written down value as at 31 December 2018 (Un-audited)	**5,664,301**	**378,887**	**6,043,188**
Written down value as at 30 June 2018 (Audited)	5,623,561	146,098	5,769,659

6. INVESTMENTS

31 December 2018 (Un-audited)	30 June 2018 (Audited)		Note	31 December 2018 (Un-audited)	30 June 2018 (Audited)
(Number of shares)				(Rupees in '000)	
Quoted companies					
245,055,543	245,055,543	International Steels Limited (ISL) - subsidiary company at cost	*6.1*	**2,450,555**	2,450,555
6,092,470	6,092,470	Pakistan Cables Limited (PCL) - associate company at cost	*6.2*	**817,553**	817,553
Un-quoted company					
100,000	100,000	IIL Australia Pty Limited (IIL Australia) - subsidiary company at cost	*6.3*	**9,168**	9,168
				3,277,276	3,277,276

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 15.1.8.

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

6.3 The Company holds 100% ownership interest in IIL Australia. 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 December 2018 (Un-audited)	30 June 2018 (Audited)
Quoted	(Rupees in '000)	
International Steels Limited	**16,117,303**	24,922,149
Pakistan Cables Limited	**847,767**	1,138,987

6.5 The book value of IIL Australia based on un-audited financial statements as at 31 December 2018 is AUD 260,950 (Rs.25.53 million). [2018: AUD 162,332 (Rs. 14.56 million)].

7. STOCK-IN-TRADE

Raw materials- in hand	**5,009,838**	4,384,947
- in transit	**1,756,662**	840,324
	6,766,500	5,225,271
Work-in-process	**1,485,606**	1,409,862
Finished goods	**2,859,349**	2,296,166
By-product	**53,888**	17,363
Scrap material	**119,500**	55,890
	3,032,737	2,369,419
	11,284,843	9,004,552

7.1 Raw materials amounting to Rs. 3.9 million (30 June 2018: Rs. 3.8 million) as at 31 December 2018 was held at vendor premises for the production of pipe caps.

			31 December 2018 (Un-audited)	30 June 2018 (Audited)
			(Rupees in '000)	
8.	**TRADE DEBTS - CONSIDERED GOOD**			
	Considered good - secured		**189,311**	74,290
	- unsecured		**3,491,836**	2,244,586
	Considered doubtful		**129,098**	140,000
			3,810,245	2,458,876
	Impairment of doubtful debts		**(129,098)**	(140,000)
			3,681,147	2,318,876
8.1	Related parties from whom debts are due are as under:			
	IIL Australia Pty Limited		**1,128,295**	828,388
			1,128,295	828,388
9.	**ADVANCES, TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS**			
	Considered good - unsecured			
	- Suppliers		**76,438**	1,042,867
	- Employees for business related expenses		**1,085**	993
	Trade deposits		**11,177**	13,453
	Short term prepayments		**11,454**	8,514
			100,154	1,065,827
10.	**RESERVES**			
	General reserves		**2,700,036**	2,700,036
	Un-appropriated profit		**3,211,300**	3,037,210
			5,911,336	5,737,246
11.	**LONG-TERM FINANCING - secured**			
	Conventional			
	Long Term Finance Facility (LTFF)	*11.1*	**1,391,881**	1,444,908
	Islamic			
	Diminishing Musharakah	*11.2*	**704,545**	704,545
			2,096,426	2,149,453
	Current portion of long term finances shown under current liabilities:			
	Conventional			
	Long Term Finance Facility (LTFF)		**(73,344)**	(90,009)
	Islamic			
	Diminishing Musharakah		**(136,365)**	(90,910)
			1,886,717	1,968,534

Conventional

11.1 The Company has approved long term finance facilities of amounts aggregating to Rs.1,391.9 million (30 June 2018: Rs.1,444.9 million) which are fully utilised. These facilities are 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.

Islamic

11.2 The Company has approved financing facilities under Diminishing Musharakah of amounts aggregating to Rs.704.5 million (30 June 2018: Rs.704.5 million) which are fully utilised. These facilities are secured by way of a mortgage on all present and future land and buildings, located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate Karachi and Survey No.402,405-406, Dehsharabi, Landhi Town, Karachi.

12. TRADE AND OTHER PAYABLES	*Note*	**31 December 2018 (Un-audited)**	30 June 2018 (Audited)
		(Rupees in '000)	
Trade creditors		**194,522**	138,061
Bills payable		**720,166**	17,293
Accrued expenses		**1,247,746**	1,120,432
Provision for Infrastructure Cess	*12.1*	**440,665**	401,376
Short-term compensated absences		**8,241**	10,076
Workers' Profit Participation Fund		**18,970**	(311)
Workers' Welfare Fund		**111,722**	101,957
Others		**279,885**	283,844
		3,021,917	2,072,728

12.1 Provision for Infrastructure Cess

Opening balance		**401,376**	322,537
Provided for the period		**39,289**	78,839
Closing balance		**440,665**	401,376

13. SHORT TERM BORROWINGS - secured

Conventional			
Running finance under mark-up arrangement from banks	*13.1*	**3,189,532**	1,205,504
Short-term borrowing under Money Market scheme	*13.2*	**4,205,000**	3,716,854
Short-term borrowing under Export Refinance scheme	*13.3*	**2,176,000**	1,944,500
Islamic			
Short-term borrowing under Running Musharakah	*13.4*	**1,470,667**	1,442,699
		11,041,199	8,309,557

13.1 The facilities for running finance available from various commercial banks amounted to Rs. 4,475.5 million (2018: Rs. 2,860 million). The rates of mark-up on these finances range from 8.69% to 11.65% per annum (2018: 6.53% to 8.17% per annum).

13.2 The facilities for short-term borrowing under Money Market Scheme available from various commercial banks under mark- up arrangements amounted to Rs. 4,945 million (2018: Rs. 5,140 million).The rate of markup on these finance range from 8.31% to 10.72% (2018: 6.43% to 7.02%).

13.3 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. 2,176.0 million (2018: Rs. 1,994.5 million). The rates of mark-up on this facility are 2.10% to 2.50% per annum (2018: 2.10% to 2.15% per annum).

13.4 The facilities under running musharakah from various banks amounted to Rs. 1,500 million (2018: 1,500 million). The rate of profit on these finances is 10.60% per annum (2018: 6.63% per annum).

13.5 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.

13.6 As at 31 December 2018, the unavailed facilities from the above borrowings amounted to Rs. 2,059 million (2018: Rs.3,299 million).

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 Custom duties amounting to Rs. 40.5 million (30 June 2018: Rs. 40.5 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.

14.1.2 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 Honourable 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.

14.1.3 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 Honourable 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 Honourable High Court. The management anticipates that the chances of admission of such appeal are remote.

14.1.4 The Company filed a Suit before Honourable Sindh High Court (SHC) for declaration and permanent injunction in 2002 against Infrastructure Fee (levy) levied through Sindh Finance Act 1994. Single bench of SHC vide its order (order) declared the levy constitutional, which was challenged by the Company through filing an appeal against the said order in 2004. In the appeal proceedings, larger bench of SHC granted a relief in 2006, by allowing the clearance of imported goods subject to submission of bank guarantee. Company has submitted guarantees amounting to Rs.115 million for release of goods attracting levy of Rs.107 million. The SHC decided the matter on 17 September 2008 declaring the levy before 28 December 2006 as void and invalid. Excise and Taxation Department filed an appeal before the Honourable Supreme Court of Pakistan (SCP) against the order dated 17 September 2008 hence the guarantees were not released as the matter was sub-judice.

Subsequently, in May 2011, the SCP disposed-off the appeal by referring the matter back to the SHC. On 31 May 2011, the SHC ordered returning the bank guarantees in respect of the consignments released up to 27 December 2006. In respect of consignments to be released subsequent to 27 December 2006 SHC ordered to pay 50% of the amount and submit bank guarantees for the balance amount. Bank guarantees amounting to Rs. 555 million (2018: Rs. 515 million) which includes afore-mentioned bank guarantees of Rs. 115 million are outstanding as at 31 December 2018. As a matter of prudence, the Company is making provision for the balance amount, which amounts to Rs. 440.7 million (note 12.1) as at 31 December 2018.

Subsequently, in 2017 the Department vide Sindh Finance Act 2015 & 2016 enhanced the levy by 100%. On 24 October 2017 The Company has obtained stay from the SHC against the enhancement. The SHC has clubbed all the cases pertaining to the levy for final disposal.

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

During 2015, Government passed a new law 'Gas Infrastructure Development Cess Act 2015' ('the Act) by virtue of which all prior enactments have been declared infructuous. The said Act levies GID Cess at Rs. 100 per MMBTU on industrial consumption and Rs. 200 per MMBTU on Captive power consumption effective 1 July 2011. The Company has obtained a stay order on the retrospective application of the Act from the Sindh High Court. The Company is confident of favorable outcome and therefore has not recorded, to the extent of self consumption, a provision of Rs. 95.1 million (from 01 July 2011 till 22 May 2015) in these unconsolidated interim financial information. However, the Company made a provision of GIDC to the extent of its self consumption from May 2015 onwads. 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 impugmed 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. Such decision has been challenged in appeal before Supreme Court of Pakistan, wherein the Company is not the party and decision is pending.

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 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. Inlight 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.79.67 million (2018: Rs. 67.97 million) pertaining to period from 01 July 2011 to 31 December 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).

14.1.6 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 liable to pay 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.

14.1.7 Oil and Gas Regulatory Authority (OGRA) revised the gas tariff to Rs. 600/- MMBTU by increasing the gas tariff by Rs. 112/- per MMBTU vide its notification dated 30 December, 2016, disregarding the protocol laid down in OGRA Ordinance, 2002. The Company filed a suit before the Sindh High Court (the Court) challenging the increase in gas tariff. The Court granted a stay, subject to submission of security for the differential amount with the Nazir of the Court. The Company has issued cheques amounting to Rs.99.5 million (30 June 2018: 81.2 million) in favour of Nazir of the Court up to September, 2018. The Company, on prudent basis, has also accrued this amount in these condensed interim unconsolidated financial statements.

OGRA has further revised the gas tariff to Rs. 780/- per MMBTU by increasing the gas tariff by Rs. 180/- vide its notification dated 4 October, 2018. The Company has filed a petition before the Court challenging such further revision and the matter is partially heard. Pending the decision on the matter Company is settling the bills at the revised rates.

14.1.8 The Company filed the suit before the Sindh High Court ('Court') challenging the chargeability of tax on inter corporate dividend in respect of dividend declared by its subsidiary, International Steels Limited. On 21 October 2016, Court granted stay against which 500,000 shares of the subsidiary company were pledged as a security with Nazir of the Court. In one of the litigations to which Company is not a party, Supreme Court of Pakistan issued an order on 21 February, 2018, whereby continuity of suits was made subject to depositing minimum 50% of the tax calculated by the tax authorities. A review petition has been filed against such order of the Supreme Court in which Company is not a party and the decision is awaited. In view of such developments the suit has been withdrawn and a petition has been filed before the Court, which is pending hearing. Application for release of pledged shares is in process.

On separate applications challenging the chargeability of tax on inter corporate dividend, stay is granted by the Court in respect of dividends declared by the subsidiary company on 02 June 2017, 26 September 2017 and 23 January 2018 against bank guarantees amounting to Rs.76.6, Rs.36.8 million and Rs.55.1 million respectively submitted to the Nazir of the Court.

14.1.9 Bank guarantees have been issued under certain supply contracts and for supply of utilities aggregating Rs. 873 million (30 June 2018: Rs. 1,019 million).

14.2 Commitments

14.2.1 Capital expenditure commitments outstanding as at 31 December 2018 amounted to Rs. 355.1 million (30 June 2018: Rs. 89.4 million).

14.2.2 Commitments under Letters of Credit for raw materials and stores and spares as at 31 December 2018 amounted to Rs. 2,577.5 million (30 June 2018: Rs. 2,100.7 million).

14.2.3 Commitments under purchase contracts as at 31 December 2018 amounted to Rs. 152.7 million (30 June 2018: Rs. 190.5 million).

14.2.4 Unavailed facilities for opening Letters of Credit and Guarantees from banks as at 31 December 2018 amounted to Rs. 4,444 million (30 June 2018: Rs. 4,332 million) and Rs. 580 million (30 June 2018: Rs. 474 million) respectively.

15. NET SALES

	Six months period ended		Three months period ended	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
	(Un-audited)			
	(Rupees in '000)			
Local	**10,680,872**	12,508,549	**5,732,100**	6,979,835
Export	**2,530,913**	2,030,848	**1,165,676**	1,105,473
	13,211,785	14,539,397	**6,897,776**	8,085,308
Sales Tax	**(1,580,154)**	(1,840,919)	**(848,161)**	(1,025,537)
Domestic trade discounts	**(471,054)**	(498,948)	**(258,761)**	(271,000)
Export commission and discounts	**(14,299)**	(31,241)	**(5,130)**	(16,768)
	(2,065,507)	(2,371,108)	**(1,112,052)**	(1,313,305)
	11,146,278	12,168,289	**5,785,724**	6,772,003

15.1. DISAGGREGATION OF REVENUE

As required for the condensed interim financial statements, the Company disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

In the following table, revenue is disaggregated by primary geographical markets and major product lines:

Primary geographical markets:				
Local	**8,629,664**	10,168,682	**4,625,178**	5,683,298
Sri Lanka	**411,543**	425,628	**222,185**	117,163
Americas	**430,274**	500,870	**192,151**	366,418
Australia	**715,119**	566,069	**275,008**	333,466
Afghanistan	**78,998**	224,818	**34,021**	105,682
Others	**880,680**	282,222	**437,181**	165,976
	11,146,278	12,168,289	**5,785,724**	6,772,003
Major Product Lines:				
Steel products	**10,606,870**	11,148,795	**5,525,701**	6,179,516
Polymer products	**539,408**	1,019,494	**260,023**	592,487
	11,146,278	12,168,289	**5,785,724**	6,772,003

16. COST OF SALES

Raw material consumed				
Opening stock of raw material	**4,384,947**	3,763,291	**4,290,958**	5,158,494
Purchases	**10,826,457**	10,831,567	**5,953,966**	4,421,848
	15,211,404	14,594,858	**10,244,924**	9,580,342
Closing stock of raw material	**(5,009,838)**	(4,083,246)	**(5,009,838)**	(4,083,246)
	10,201,566	10,511,612	**5,235,086**	5,497,096
Manufacturing overheads				
Salaries, wages and benefits	**502,071**	458,657	**230,637**	242,364
Rent, rates and taxes	**392**	822	**293**	180
Electricity, gas and water	**174,664**	170,743	**93,935**	87,918
Insurance	**4,347**	7,070	**3,476**	4,200
Security and janitorial	**17,082**	12,344	**8,793**	5,856
Depreciation and amortisation	**196,422**	166,271	**100,939**	84,670
Operational supplies & consumables	**49,559**	41,082	**23,587**	19,679
Repairs and maintenance	**65,344**	58,156	**36,169**	29,309
Postage, telephone and stationery	**6,097**	4,793	**4,208**	3,011
Vehicle, travel and conveyance	**10,198**	8,056	**5,507**	4,424
Internal material handling	**19,845**	17,797	**9,978**	10,849
Environment controlling expenses	**138**	131	**68**	68
Sundries	**3,097**	2,259	**1,004**	977
Toll manufacturing expenses	**2,547**	4,914	**1,716**	1,680
	1,051,803	953,095	**520,310**	495,185
Recovery from sale of scrap	**(429,942)**	(426,979)	**(291,493)**	(259,157)
	10,823,427	11,037,728	**5,463,903**	5,733,124

	Six months period ended 31 December 2018	Six months period ended 31 December 2017	Three months period ended 31 December 2018	Three months period ended 31 December 2017
	(Un-audited) (Rupees in '000)			
Work-in-process				
Opening stock	**1,409,862**	984,857	**1,191,450**	1,260,976
Closing stock	**(1,485,606)**	(1,334,937)	**(1,485,606)**	(1,334,937)
	(75,744)	(350,080)	**(294,156)**	(73,961)
Cost of goods manufactured	**10,747,683**	10,687,648	**5,169,747**	5,659,163
Finished goods, by-products and scrap:				
- Opening stock	**2,369,419**	1,681,565	**3,023,798**	2,006,930
- Closing stock	**(3,032,737)**	(1,851,024)	**(3,032,737)**	(1,851,024)
	(663,318)	(169,459)	**(8,939)**	155,906
	10,084,365	10,518,189	**5,160,808**	5,815,069

17. SELLING AND DISTRIBUTION EXPENSES

	Six months 2018	Six months 2017	Three months 2018	Three months 2017
Freight and forwarding	**265,220**	406,655	**161,172**	217,835
Salaries, wages and benefits	**88,204**	87,109	**45,244**	48,557
Rent, rates and taxes	**880**	613	**406**	310
Electricity, gas and water	**3,251**	3,754	**1,423**	2,468
Insurance	**3,060**	425	**2,915**	133
Depreciation and amortisation	**7,476**	6,098	**3,773**	3,184
Repairs and maintenance	**637**	406	**484**	201
Advertising and sales promotion	**41,057**	33,549	**30,316**	27,861
Postage, telephone and stationery	**3,211**	3,104	**1,942**	1,690
Office supplies	**121**	225	**65**	15
Vehicle, travel and conveyance	**12,573**	10,128	**7,464**	7,592
Certification and registration charges	**1,201**	1,103	**563**	301
Others	**4,524**	8,755	**3,390**	6,769
	431,415	561,924	**259,157**	316,916

18. ADMINISTRATIVE EXPENSES

	Six months 2018	Six months 2017	Three months 2018	Three months 2017
Salaries, wages and benefits	**107,168**	109,070	**59,547**	60,101
Rent, rates and taxes	**123**	117	**123**	-
Electricity, gas and water	**1,574**	1,054	**672**	467
Insurance	**860**	192	**830**	51
Depreciation and amortisation	**7,888**	8,014	**4,077**	4,013
Repairs and maintenance	**728**	1,252	**362**	241
Postage, telephone and stationery	**5,528**	7,144	**2,644**	5,149
Office supplies	**293**	130	**140**	40
Vehicle, travel and conveyance	**7,388**	3,764	**4,337**	1,643
Legal and professional charges	**5,517**	8,334	**3,817**	4,447
Certification and registration charges	**2,856**	1,981	**1,270**	827
Directors' fees	**3,225**	1,650	**1,050**	750
Others	**10,942**	7,457	**4,254**	5,607
	154,090	150,159	**83,123**	83,336

19. FINANCE COST

	Six months 2018	Six months 2017	Three months 2018	Three months 2017
Conventional				
- Mark-up on Long term borrowings	**42,661**	11,654	**21,925**	6,002
- Mark-up on Short term borrowings	**291,359**	171,391	**170,783**	92,678
	334,020	183,045	**192,708**	98,680
Islamic				
- Profit on Diminishing Musharakah	**25,448**	23,616	**12,775**	11,801
- Profit on Running Musharakah	**32,270**	13,836	**20,950**	3,903
	57,718	37,452	**33,725**	15,704
	391,738	220,497	**226,433**	114,384
Exchange loss and others	**-**	3,045	**-**	(22)
Interest on Workers' Profit Participation Fund	**-**	247	**-**	-
Bank charges	**7,639**	8,714	**5,355**	2,900
	399,377	232,503	**231,788**	117,262

20. OTHER OPERATING EXPENSES

		Six months period ended		Three months period ended	
		31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
		(Un-audited)			
		(Rupees in '000)			
Auditors' remuneration		**1,763**	1,603	**881**	823
Donations		**9,620**	10,480	**7,700**	5,460
Workers' Profit Participation Fund		**19,281**	39,792	**12,502**	25,149
Workers' Welfare Fund		**9,765**	15,917	**7,053**	10,060
Business development expenses		**2,695**	3,276	**396**	2,581
		43,124	71,068	**28,532**	44,073

21. OTHER INCOME

Income from non-financial assets					
Income from power generation	*21.1*	**928**	3,181	**(571)**	1,573
Gain on disposal of property, plant and equipment		**70,873**	36,648	**35,750**	24,214
Rental income		**7,841**	5,451	**5,621**	2,550
Dividend income from associate / subsidiary company		**756,490**	249,907	**-**	-
Exchange gain		**261,095**	54,766	**194,987**	43,360
Others		**(817)**	4,760	**(817)**	65
Income on financial assets					
Income on bank deposits - conventional		**890**	858	**304**	620
		1,097,300	355,571	**235,274**	72,382

21.1. Income from power generation

Net sales	**59,325**	45,072	**30,071**	22,171
Cost of electricity produced	**(58,397)**	(41,891)	**(30,642)**	(20,598)
	928	3,181	**(571)**	1,573

22 TAXATION

Current	**274,930**	271,815	**79,391**	132,693
Deferred	**(53,733)**	(1,250)	**(10,411)**	18,677
	221,197	270,565	**68,980**	151,370

22.1 Under section 5A of the Income Tax Ordinance, 2001 a tax shall be imposed at the rate of 5% of its accounting profit before tax on every public company, other than a schedule bank or a modaraba, that drives profit for a tax year but does not distribute atleast 20% of its after tax profit within six months of the end of the tax year through cash. 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 2019, so that such tax is not required to be paid.

23. CHANGES IN WORKING CAPITAL

		Six months period ended	
		31 December 2018	31 December 2017
		(Rupees in '000)	
(Increase) / decrease in current assets:			
Store and spares		**(93,924)**	(25,157)
Stock-in-trade		**(2,280,291)**	128,062
Trade debts		**(1,351,369)**	(1,063,718)
Advances, trade deposits and short term-prepayments		**965,673**	(20,235)
Receivable from K-Electric Limited (KE)		**710**	(7,440)
Other receivables		**121,740**	190,728
		(2,637,461)	(797,760)
Increase / (decrease) in current liabilities:			
Trade and other payables		**951,024**	159,579
Contract liabilities		**(83,365)**	70,979
		(1,769,802)	(567,202)

23.1 CASH AND CASH EQUIVALENTS

Cash and bank balances		**475,525**	98,307
Running finance under mark-up arrangement from banks	13.1	**(3,189,532)**	(312,768)
Short term borrowing under running Musharakah	13.4	**(1,470,667)**	(60,734)
		(4,184,674)	(275,195)

24. 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 these condensed interim unconsolidated financial statements, are as follows:

	Six months period ended		Three months period ended	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
	(Rupees in '000)			
Subsidiaries				
Sales	**776,593**	896,721	**301,516**	571,292
Purchases	**3,962,017**	3,634,567	**1,749,935**	1,368,275
Shared resources	**40,960**	41,117	**20,861**	22,581
Partial manufacturing	**54**	2,292	**-**	23
Reimbursement of expenses	**3,457**	3,808	**55**	1,882
Rental income	**7,841**	5,418	**5,621**	2,709
Dividend income	**735,167**	245,056	**-**	245,056
Associated companies				
Purchases	**6,635**	5,188	**3,405**	4,516
Reimbursement of expenses	**1,304**	169	**-**	116
Insurance premium	**1,752**	-	**895**	-
Insurance claim	**3,944**	-	**2,831**	-
Dividend income	**21,324**	4,852	**-**	4,852
Dividend distribution	**3,744**	1,152	**-**	1,152
Others	**490**	-	**245**	-
Key management personnel				
Remuneration	**145,710**	128,997	**70,745**	70,075
Staff retirement funds				
Contribution paid	**53,451**	41,982	**32,681**	14,503
Non-executive directors				
Directors' fee	**3,225**	1,650	**1,050**	750
Reimbursement of Chairman's expenses	**6,434**	956	**3,985**	956

25. SEGMENT REPORTING

The Company has identified Steel, Polymer and Investments as reportable segments. Performance is measured based on respective segments results. Information regarding the Company's reportable segments are presented below.

25.1 SEGMENT REVENUE AND RESULTS

SEGMENTS	Steel	Polymer	Investments	Total
	(Rupees in '000)			
For the period ended 31 December 2018				
Sales	10,606,870	539,408	-	11,146,278
Cost of sales	(9,597,532)	(486,833)	-	(10,084,365)
Gross Profit	1,009,338	52,575	-	1,061,913
Selling and distribution expenses	(392,631)	(27,882)	-	(420,513)
Administrative expenses	(146,444)	(7,646)	-	(154,090)
	(539,075)	(35,528)	-	(574,603)
Financial and other charges	(382,850)	(16,527)	-	(399,377)
Other operating charges	(42,950)	(174)	-	(43,124)
	(425,800)	(16,701)	-	(442,501)
Other income	340,810	-	756,490	1,097,300
Profit before taxation	385,273	346	756,490	1,142,109
Taxation				(221,197)
Profit after taxation				920,912
For the period ended 31 December 2017				
Sales	1,148,795	1,019,494	-	12,168,289
Cost of sales	(9,601,052)	(917,137)	-	(10,518,189)
Gross Profit	1,547,743	102,357	-	1,650,100
Selling and distribution expenses	(504,329)	(57,595)	-	(561,924)
Administrative expenses	(137,620)	(12,539)	-	(150,159)
	(641,949)	(70,134)	-	(712,083)
Financial and other charges	(214,068)	(18,435)		(232,503)
Other operating charges	(70,033)	(1,035)	-	(71,068)
	(284,101)	(19,470)	-	(303,571)
Other income	105,664	-	249,907	355,571
Profit before taxation	727,357	12,753	249,907	990,017
Taxation				(270,565)
Profit after taxation				719,452

25.2 SEGMENT ASSETS & LIABILITIES

SEGMENTS	Steel	Polymer	Investments	Total
	(Rupees in '000)			
As at 31 December 2018 - Un-audited				
Segment assets	18,222,350	2,440,397	3,277,276	23,940,023
Segment liabilities	12,816,485	1,554,159	-	14,370,644
As at 30 June 2018 - Audited				
Segment assets	14,495,749	2,255,417	3,277,276	20,028,442
Segment liabilities	9,753,426	1,182,477	-	10,935,903

Reconciliation of segment assets and liabilities with total assets and liabilities in the Statement of financial position is as follows:

	31 December 2018 (Un-audited)	30 June 2018 (Audited)
	(Rupees in '000)	
Total reportable segments assets	23,940,023	20,028,442
Unallocated assets	2,393,104	2,436,608
Total assets as per Statement of financial position	26,333,127	22,465,050
Total reportable segments liabilities	14,370,644	10,935,903
Unallocated liabilities	2,907,790	2,634,764
Total liabilities as per Statement of financial position	17,278,434	13,570,667

25.3 The Company does not consider sale of electricity to KE as separate reportable segment as the power plant of the Company is installed primarily to supply power to its own manufacturing facilities and any excess electricity is sold to KE.

26 MEASUREMENT OF FAIR VALUES

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

	31 December 2018 (Un-audited)							
	Carrying amount					Fair Value		
	Amortized Cost	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets measured at fair value								
Investments								
- quoted Companies	-	3,268,108	-	-	3,268,108	16,965,070	-	-

	30 June 2018 (Audited)							
	Carrying amount					Fair Value		
	Amortized Cost	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets measured at fair value								
Investments								
- quoted Companies	-	3,268,108	-	-	3,268,108	26,061,136	-	-

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.

27 GENERAL

27.1 Non-adjusting event after balance sheet date

The Board of Directors has declared an interim cash dividend of Rs.2.50 per share for the year ending 30 June 2019, amounting to Rs. 299.73 million in their meeting held on 30 January 2019. These condensed interim financial information does not include the effect of interim cash dividend announced on 30 January 2019, which will be accounted for in the financial statements for the year ending 30 June 2019.

27.2 Corresponding figures

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

27.3 Date of authorization for issue

These condensed interim unconsolidated financial statements were authorised for issue by the Board of Directors on 30 January 2019.

Ehsan A. Malik	**M. Hanif Idrees**	**Riyaz T. Chinoy**
Director & Chairman	Chief Financial Officer	Chief Executive Officer
Board Audit Committee		

Condensed Interim Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 (Un-audited)	30 June 2018 (Audited)
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property, plant and equipment	6	**25,028,841**	24,031,606
Intangible assets		**7,889**	11,200
Long-term deposits		**63,094**	63,094
Investment in equity-accounted investee	7	**998,348**	1,004,132
		26,098,172	25,110,032
Current assets			
Stores and spares		**661,483**	591,296
Stock-in-trade	8	**28,193,038**	23,164,108
Trade debts	9	**3,485,745**	2,700,318
Advances, trade deposits and short-term prepayments	10	**190,151**	1,133,553
Receivable from K-Electric Limited (KE) - unsecured, considered good		**60,999**	52,628
Sales tax receivable		**2,502,119**	2,003,799
Other receivables		**10,427**	11,290
Taxation		**337,543**	260,145
Cash and bank balances		**1,169,433**	473,671
		36,610,938	30,390,808
Total assets		**62,709,111**	55,500,840
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
200,000,000 (2018: 200,000,000) ordinary shares of Rs. 10 each		**2,000,000**	2,000,000
Share capital			
Issued, subscribed and paid-up capital		**1,198,926**	1,198,926
Revenue reserves			
General reserves	11	**2,991,258**	2,991,258
Unappropriated profit	11	**6,725,122**	6,170,136
Exchange translation reserve		**1,977**	305
Capital reserve			
Revaluation surplus on property, plant and equipment		**2,918,536**	3,348,391
Total equity		**13,835,819**	13,709,016
Non-controlling interest		**5,272,511**	4,655,410
		19,108,329	18,364,426
LIABILITIES			
Non-current liabilities			
Long-term financing - secured	12	**8,484,071**	8,736,815
Staff retirement benefits		**146,253**	146,253
Deferred taxation - net		**1,774,596**	1,949,739
		10,404,920	10,832,807
Current liabilities			
Trade and other payables	13	**11,469,936**	6,664,672
Contract liabilities	14	**808,570**	1,197,246
Short-term borrowings - secured	15	**18,939,471**	16,771,867
Unpaid dividend		**19,863**	23,758
Unpaid dividend attributable to non-controlling interest		**6,501**	-
Unclaimed dividend		**27,619**	23,854
Unclaimed dividend attributable to non-controlling interest		**5,124**	2,917
Current portion of long term finances - secured	12	**1,325,208**	1,382,598
Accrued markup		**379,671**	235,161
Taxation		**210,749**	-
Sales tax payable		**3,150**	1,534
		33,195,862	26,303,607
Total liabilities		**43,600,782**	37,136,414
Total equity and liabilities		**62,709,111**	55,500,840
Contingencies and commitments	16	**-**	-

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

Ehsan A. Malik	**M. Hanif Idrees**	**Riyaz T. Chinoy**
Director & Chairman	Chief Financial Officer	Chief Executive Officer
Board Audit Committee		

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

For the six and three months period ended 31 December 2018

	Note	Six months period ended 31 December 2018	Six months period ended 31 December 2017	Three months period ended 31 December 2018	Three months period ended 31 December 2017
		----------(Rupees in '000)----------			
Net sales	17	**32,781,689**	31,151,679	**18,100,542**	16,948,370
Cost of sales	18	**(28,585,368)**	(25,809,178)	**(15,889,413)**	(13,892,912)
Gross profit		**4,196,321**	5,342,501	**2,211,129**	3,055,458
Selling and distribution expenses	19	**(687,349)**	(783,493)	**(398,270)**	(427,444)
Administrative expenses	20	**(296,337)**	(273,473)	**(156,129)**	(149,349)
Reversal of impairment on trade debts		**11,045**	905	**1,941**	205
		(972,641)	(1,056,061)	**(552,458)**	(576,588)
Finance cost	21	**(991,245)**	(464,844)	**(538,273)**	(236,704)
Other operating expenses	22	**(207,557)**	(323,135)	**(103,504)**	(178,857)
		(1,198,802)	(787,979)	**(641,777)**	(415,561)
Other income	23	**419,547**	149,173	**241,868**	113,557
Share of profit in equity-accounted investee		**18,788**	21,642	**5,196**	7,555
Profit before taxation		**2,463,213**	3,669,276	**1,263,958**	2,184,421
Taxation	24	**(387,300)**	(1,095,511)	**(39,801)**	(617,133)
Profit after taxation		**2,075,913**	2,573,765	**1,224,157**	1,567,288
Profit after taxation attributable to:					
Owners of Holding Company		**1,300,440**	1,683,714	**777,009**	1,024,456
Non-controlling interest		**775,473**	890,051	**447,148**	542,832
		2,075,913	2,573,765	**1,224,157**	**1,567,288**
		------------------------------(Rupees)------------------------------			
Earnings per share - basic and diluted		**10.85**	14.04	**6.48**	8.54

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

M. Hanif Idrees
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

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

For the six and three months period ended 31 December 2018

	Six months period ended		Three months period ended	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
	----------(Rupees in '000)----------			
Profit for the year	**2,075,913**	2,573,765	**1,224,157**	1,567,288
Other comprehensive income				
Items not to be reclassified to profit and loss account in subsequent periods				
Foreign operation - foreign currency translation difference	**1,672**	633	1,742	421
Proportionate share of other comprehensive income of equity accounted investee	**(4,386)**	2,375	806	215
Item to be reclassified to profit and loss account in subsequent periods				
Effective portion of changes in fair value of cash flow hedge	**-**	-	8,010	-
Tax thereon	**-**	-	(1,739)	-
Other comprehensive income	**(2,714)**	3,008	**8,819**	636
Total comprehensive income	**2,073,199**	2,576,773	**1,232,976**	1,567,924
Total comprehensive income attributable to:				
Owners of the Holding Company	**1,297,726**	1,686,722	**785,828**	1,025,092
Non-controlling interest	**775,473**	890,051	**447,148**	542,832
Total comprehensive income	**2,073,199**	2,576,773	**1,232,976**	1,567,924

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

M. Hanif Idrees
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

Condensed Interim Consolidated Cash Flow Statement (Un-audited)

For the six months period ended 31 December 2018

	Note	31 December 2018	31 December 2017
		(Un-audited)	
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**2,463,213**	3,669,276
Adjustments for:			
Depreciation and amortization		**715,200**	608,119
Reversal of impairment on trade debts		**(10,902)**	-
Income on bank deposits		**(4,048)**	(1,047)
Gain on disposal of property, plant and equipment	23	**(72,456)**	(39,072)
Provision for obsolescence against spares		**8,878**	-
Provision for staff gratuity		**33,324**	28,078
Provision for compensated absences		**5,645**	-
Share of profit from associated company		**(18,788)**	(21,642)
Finance cost	21	**991,245**	464,845
		1,648,098	1,039,281
Changes in working capital		**(1,022,017)**	2,189,930
Long-term deposits		**-**	(11,751)
Net cash generated from operations		**3,089,294**	6,886,736
Translation reserve		**1,909**	471
Finance cost paid		**(846,735)**	(478,001)
Income on bank deposits received		**4,048**	1,047
Payment for staff gratuity		**(33,324)**	(51,060)
Compensated absences paid		**(10,371)**	-
Income tax paid		**(410,724)**	(282,773)
Net cash generated from operating activities		**1,794,097**	6,076,420
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(1,728,431)**	(2,126,523)
Dividend income received		**21,324**	4,852
Proceeds from disposal of property, plant and equipment		**91,859**	49,741
Net cash used in investing activities		**(1,615,248)**	(2,071,930)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term financing		**374,554**	103,037
Repayment of long-term financing		**(684,688)**	(628,438)
Proceed from / (repayments of) short term borrowing - net		**218,244**	(35,456)
Dividends paid to non controlling interest		**(570,665)**	(462,541)
Dividends paid to shareholders of the Holding Company		**(769,892)**	(478,848)
Net cash used in financing activities		**(1,432,447)**	(1,502,246)
Net (decrease) / increase in cash and cash equivalents		**(1,253,598)**	2,502,244
Cash and cash equivalents at beginning of the period		**(7,350,014)**	(2,851,447)
Cash and cash equivalents at end of the period		**(8,603,612)**	(349,203)
Cash and Cash Equivalents	25	**(8,603,612)**	(349,203)

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

Ehsan A. Malik	**M. Hanif Idrees**	**Riyaz T. Chinoy**
Director & Chairman Board Audit Committee	Chief Financial Officer	Chief Executive Officer

Condensed Interim Consolidated
Statement of Changes in Equity (Un-audited)
For the six months period ended 31 December 2018

	Attributable to owners of the Holding Company								
	Issued, subscribed and paid-up capital	Revenue Reserves: General reserves	Revenue Reserves: Un-appropriated profit / (loss)	Revenue Reserves: Exchange translation reserve	Total reserves	Capital Reserve: Revaluation surplus on property, plant & equipment	Total	Non-controlling interest	Total
	---------- (Rupees in '000) ----------								
Balance as at 1 July 2017	1,198,926	2,991,258	3,196,534	(942)	6,186,850	3,424,573	10,810,349	3,305,288	14,115,637
Total comprehensive income for the period ended 31 December 2017									
Profit for the period	-	-	1,683,714	-	1,683,714		1,683,714	890,051	2,573,765
Other comprehensive income	-	-	2,375	633	3,008		3,008	-	3,008
	-	-	1,686,089	633	1,686,722		1,686,722	890,051	2,576,773
Transactions with owners recorded directly in equity									
Distribution to owners of the Holding Company:									
-Final dividend @ 20.00% (Rs. 2.00 per share) for the year ended 30 June 2017	-	-	(239,785)	-	(239,785)		(239,785)	-	(239,785)
Total transactions with owners of the Holding Company	-	-	(239,785)	-	(239,785)		(239,785)	-	(239,785)
Dividend to non-controlling interest	-	-		-	-		-	(189,944)	(189,944)
Transfer from surplus on revaluation on disposal of fixed assets - net of deferred tax			750		750	(750)	-		-
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	29,444		29,444	(33,904)	(4,460)	4,460	-
Proportionate share of surplus on revaluation of property, plant and equipment - PCL					-	(4,859)	(4,859)		(4,859)
Balance as at 31 December 2017	1,198,926	2,991,258	4,673,032	(309)	7,663,981	3,385,060	12,247,967	4,009,855	16,257,822

Condensed Interim Consolidated
Statement of Changes in Equity (Un-audited)
For the six months period ended 31 December 2018

	Attributable to owners of the Holding Company								
	Issued, subscribed and paid-up capital	Revenue Reserves				Capital Reserve	Total	Non-controlling interest	Total
		General reserves	Un-appropriated profit / (loss)	Exchange translation reserve	Total reserves	Revaluation surplus on property, plant & equipment			
	------------------------------------ (Rupees in '000) ------------------------------------								
Balance as at 1 July 2018	1,198,926	2,991,258	6,170,136	305	9,161,699	3,348,391	13,709,016	4,655,410	18,364,426
Total comprehensive income for the period ended 31 December 2018									
Profit for the period	-	-	1,300,440	-	1,300,440		1,300,440	775,473	2,075,913
Effect of change in tax rate on balance of revaluation of property, plant and equipment					-	18,700	18,700		18,700
Other comprehensive income			(4,386)	1,672	(2,714)		(2,714)	-	(2,714)
	-	-	1,296,054	1,672	1,297,726	18,700	1,316,426	775,473	2,091,899
Distribution to owners of the Holding Company:									
-Final dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2018	-	-	(779,302)	-	(779,302)		(779,302)	-	(779,302)
Total transactions with owners of the Holding Company	-	-	(779,302)	-	(779,302)	-	(779,302)	-	(779,302)
Dividend to non-controlling interest	-	-	-	-	-		-	(569,833)	(569,833)
Transfer from surplus on revaluation on disposal of fixed assets - net of deferred tax			7,313		7,313	(7,313)	-		-
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	30,920	-	30,920	(35,380)	(4,460)	4,460	-
Proportionate share of surplus on revaluation of property, plant and equipment - PCL						1,139	1,139		1,139
Proportionate share / reclassification of surplus on revaluation of property, plant and equipment - NCI						(407,001)	(407,001)	407,001	-
Balance as at 31 December 2018	**1,198,926**	**2,991,258**	**6,725,122**	**1,977**	9,718,357	2,918,536	13,835,819	5,272,511	19,108,329

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

M. Hanif Idrees
Chief Financial Officer

Riyaz T. Chinoy
Chief Executive Officer

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 primary activity of the Holding Company is 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.

The manufacturing facilities of the Holding Company are situated as follows:

a) LX 15-16, Landhi Industrial Area, Karachi
b) Survey # 402,405-406, Dehshrabi Landhi Town, Karachi
c) 22 KM, Sheikhupura Road, Lahore

Sales offices are located at Lahore, Islamabad, Faisalabad, Peshawar and Multan.

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 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 hold 245,055,543 shares (2018: 245,055,543 shares) representng 56.3% (2018: 56.3%) ownership in International Steels Limited. The primary activity of the Subsidiary Company is the business of manufacturing of cold rolled steel coils and galvanized sheets.

The manufacturing facility of the Subsidiary Company is situated at 399-405, Rehri Road Landhi Industrial Area Karachi.

Sales offices of the Subsidiary Company is located at Lahore, Islamabad and Multan.

1.4 IIL Australia PTY Limited was incorporated in Victoria, Australia on 2 May 2014. The primary activity of the Subsidiary Company is the business of distribution and marketing of galvanized steel pipes, precision steel tubes and pre-galvanized pipes. The registered office of the Subsidiary 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.

The sales office of the Subsidiary Company is situated at 101-103, Abbot Road, Hallam, Victoria 3803, Australia.

1.5 Details of the Group's equity-accounted investee is given in note 5 to these condensed interim consolidated financial statements.

2. BASIS OF PREPARATION

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

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

2.2 Statement of Compliance

2.2.1 These condensed interim consolidated financial statements of the Group have been prepared in accordance with 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 compromise 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 statement 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 2018.

2.2.3 The comparative Balance Sheet presented in this condensed interim consolidated financial statements have been extracted from the audited annual consolidated financial statements of the Group for the year ended 30 June 2018, 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 December 2017.

2.2.4 These condensed interim consolidated financial statements are un-audited and are 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 statements have been prepared under the historical cost convention except for the Group's liability under defined benefit plan (gratuity) which is determined on the present value of defined benefit obligations less fair value of plan assets, land & buildings at revalued amounts assessed by an independent valuer and derivative financial instruments which are stated at fair value.

2.4 Functional and presentation currency

These condensed interim consolidated financial statements are presented in Pakistani Rupees which is also the Group's functional currency. All amounts have been rounded to the nearest thousand rupee, unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. The accounting policies and methods of computation adopted in the preparation of these condensed interim consolidated financial statements 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 2018 except for the adoption of new standards effective as of 1 July 2018 as referred to in note 3.4 to these condensed financial statements.

3.2 New standards, interpretations and amendments adopted by the Group.

The Group has initially adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 1 July 2018. The impact of the adoption of these standards and the new accounting policies are disclosed in note 3.4 below. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Group's condensed interim financial statements.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2019:

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's condensed interim unconsolidated financial statements.

IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's condensed interim unconsolidated financial statements.

Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's condensed interim unconsolidated financial statements.

Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Company's condensed interim unconsolidated financial statements.

3.4 Changes in accounting policies

The below explains the impact of the adoption of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 Financial Instruments' on the Company's condensed interim financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

3.4.1 IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group has applied the modified retrospective method upon adoption of IFRS 15 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to retained earnings. Accordingly, the information presented for 2017 has not been restated i.e. it is presented, as previously reported under IAS 18 and related interpretations.

The Group manufactures and contracts with customers for the sale of cold rolled, galvanized and colour coated steel coils and sheets which generally include single performance obligation. Management has concluded that revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer, which is upon the delivery of goods. Delivery occurs when the products have been shipped to the specific location, the risks of loss have been transferred to the customers. The transfer can be either in the form of acceptance by the customer of products as per the sales contract or lapse of acceptance provision or the Company has objective evidence that all criteria for acceptance have been satisfied. Invoices are generated and revenue is recognised at that point in time. The Company allocates the transaction price to additional performance obligations for shipping and recognize revenue when the related performance obligation is satisfied. Revenue is measured based on the consideration specified in a contract with a customer, net of estimated sales commission and excludes amounts collected on behalf of third parties.

The Group provides retrospective commission to its customers on all products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. A contract liability is recognised for expected sales commission payable to customers in relation to sales made until the end of the reporting period. Further the Company receives short term advances from its customers. Prior to adoption of IFRS 15, a provision for sales commission and advance consideration received from customers was included in 'Trade and other payables' which now is reclassified in 'Contract liabilities' presented separately on statement of financial position. In addition, reclassification has been made from 'Trade and other payables' to Contract liabilities' for outstanding balance of advance from customers and sales commission payable for prior year to provide comparison. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The above is generally consistent with the timing and amounts of revenue the Group recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 did not have an impact on the timing and amounts of revenue recognition of the Group.

Apart from providing more extensive disclosures, the application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Group for the reasons described above. Accordingly there was no adjustment to retained earnings on application of IFRS 15 at 1 July 2018.

3.4.2 IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9, on initial recognition, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI), or through profit or loss); and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and

- ts contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

The classification and measurement under IFRS 9 does not have any impact on Group's accounting policy. Trade and other receivables and cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Trade receivable is initially measured at transaction price and are subsequently measured at amortised cost using the effective interest method, net of impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss. Trade receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL on adoption of IFRS 9. Given the Group's experience with customers having good collection history with no historical loss rates / bad debts and normal receivable ageing, the move from an incurred loss model to an expected loss model has not had an impact on the financial position and / or financial performance of the Group.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

4.1 The preparation of condensed interim consolidated financial statements require 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 2018.

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 2018.

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.

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 unrealized 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. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for by using the equity method (equity-accounted investees) and are recognized 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 recognized directly in the equity of an associate, the Group recognizes 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**	**Total**
	(Rupees in '000)		
Cost / revalued amount			
Opening balance	**27,153,213**	**3,697,427**	**30,850,640**
Additions	**1,862,172**	**1,683,440**	**3,545,612**
Translate reserve	**97**	**-**	**97**
Disposal / transfers / adjustments	**15,714**	**(1,923,422)**	**(1,907,708)**
	29,031,196	**3,457,445**	**32,488,641**
Accumulated depreciation			
Opening balance	**(6,819,035)**	**-**	**(6,819,035)**
Charge for the period	**(711,889)**	**-**	**(711,889)**
Disposal / transfers / adjustments	**71,124**	**-**	**71,124**
	(7,459,800)	**-**	**(7,459,800)**
Written down value as at 31 December 2018 (Un-audited)	**21,571,396**	**3,457,445**	**25,028,841**
Written down value as at 30 June 2018 (Audited)	20,334,179	3,697,427	24,031,606

		31 December 2018 (Un-audited)	30 June 2018 (Audited)
7. INVESTMENT IN EQUITY - ACCOUNTED INVESTEE		(Rupees in '000)	
Pakistan Cables Limited - associate company	*7.1*	**998,348**	1,004,132

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 December 2018 was Rs. 847.767 million (30 June 2018: Rs. 1,138.987 million) and is categorized as level 1 under the fair value hierarchy. In pursuance of the policy, the share of post-acquisition profit has been recognized based on PCL's un-audited financial statements as at 30 September 2018.

8. STOCK-IN-TRADE	31 December 2018 (Un-audited)	30 June 2018 (Audited)
	(Rupees in '000)	
Raw material - in hand	**8,465,926**	10,219,889
- in transit	**6,879,341**	5,294,294
	15,345,267	15,514,183
Work-in-process	**4,423,273**	2,597,105
Finished goods	**8,055,870**	4,922,892
By-products	**55,700**	24,655
Scrap material	**312,928**	105,273
	8,424,498	5,052,820
	28,193,038	23,164,108

8.1 Raw material of Holding Company amounting to Rs.3.9 million (2018: Rs.3.8 million) as at 31 December 2018 was held at vendor's premises for the production of pipe caps.

	31 December 2018 (Un-audited)	30 June 2018 (Audited)
9. TRADE DEBTS	(Rupees in '000)	
Considered good - secured	**297,163**	258,223
- unsecured	**3,188,582**	2,442,095
	3,485,745	2,700,318
Considered doubtful	**142,095**	152,649
	3,627,840	2,852,967
Impairment of doubtful debts	**(142,095)**	(152,649)
	3,485,745	2,700,318
10. ADVANCES, TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Considered good		
- Suppliers	**119,805**	1,072,496
- Employees for business related expenses	**1,085**	993
- Trade deposits	**21,905**	24,357
- Margin against shipping guarantees	**-**	13,949
- Short term prepayments	**47,356**	21,758
	190,151	1,133,553

		31 December 2018 (Un-audited)	30 June 2018 (Audited)
11 RESERVES		(Rupees in '000)	
General Reserves		**2,991,258**	2,991,258
Unappropriated profit		**6,725,122**	6,170,136
		9,716,380	9,161,394

12. LONG-TERM FINANCING - secured			
Conventional			
Long Term Finance Facility (LTFF)	12.1 - 12.2	**2,974,178**	3,153,756
Long Term Finance (LTF)	12.3 - 12.4	**355,556**	544,445
Islamic			
Diminishing Musharakah	12.5 - 12.9	**6,479,545**	6,421,212
		9,809,279	10,119,413
Current portion of long-term finances shown under current liabilities			
Conventional			
Long Term Finance Facility (LTFF)	12.1 - 12.2	**(311,064)**	(307,850)
Long Term Finance (LTF)	12.3 - 12.4	**(177,778)**	(177,778)
Islamic			
Diminishing Musharakah	12.5 - 12.9	**(836,366)**	(896,970)
		(1,325,208)	(1,382,598)
		8,484,071	8,736,815

Conventional

12.1 The Holding Company has approved long term finance facilities of amounts aggregating to Rs. 1,391.9 million (2018: Rs.1,444.9 million) which are fully utilized. These facilities are secured by way of a mortgage on all present and future land and buildings, located at plot number LX-15 &16 and HX-7/4, Landhi Industrial Estate, Karachi and Survey No.402, 405-406, Dehsharabi, Landhi Town, Karachi.

12.2 This facility is obtained by Subsidiary Company (ISL) from a commercial bank and is secured by way of pari passu charge over fixed assets of the Subsidiary Company.

12.3 This facility is obtained by Subsidiary Company (ISL) amounting to Rs.356 million (2018: 444 million) from a commercial bank and is secured by way of pari passu charge over fixed assets of the Subsidiary Company.

12.4 This facility is obtained by Subsidiary Company (ISL) amounting to Rs.nil (201: Rs.100 million) from a commercial bank and is secured by way of pari passu charge over fixed assets of the Subsidiary Company.

Islamic

12.5 The Holding Company has approved financing facilities under Diminishing Musharakah of amounts aggregating to Rs.704.5 million (2018: Rs.704.5 million) which are fully utilized. These facilities are secured by way of mortgage on all present and future land and buildings, located at plot no. LX-15&16 and H/X-7/4, Landhi Industrial Estate, Karachi and Survey no.402, 405-406, Dehsharabi, Landhi Town, Karachi.

12.6 This facility is obtained by Subsidiary Company (ISL) amounting to Rs.375 million (2018: Rs.500 million) from Islamic window of a commercial bank and is secured by way of pari passu charge over the fixed assets of the Subsidiary Company.

12.7 This facility is obtained by Subsidiary Company (ISL) amounting to Rs.250 million (2018: Rs.416.67 million) from Islamic window of a commercial bank and is secured by way of pari passu charge over fixed assets of the Subsidiary Company.

12.8 This facility is obtained by Subsidiary Company (ISL) amounting to Rs.500 million (2018: Rs.500 million) from Islamic window of a commercial bank and is secured by way of pari pasu charge over the fixed assets of the Subsidiary Company.

12.9 This facility is obtained by Subsidiary Company (ISL) amounting to Rs.4,650 million (2018: Rs.4,300 million) from Islamic window of a commercial bank and is secured by way of ranking charge over fixed assets of the Subsidiary Company.

	Note	31 December 2018 (Un-audited)	30 June 2018 (Audited)
13. TRADE AND OTHER PAYABLES		(Rupees in '000)	
Trade creditors	13.1	**5,553,364**	2,240,120
Bills payable		**720,166**	17,293
Provision for Government Levies		**328**	230
Accrued expenses		**2,963,556**	2,496,774
Provision for Infrastructure Cess	13.2	**1,348,609**	1,176,189
Short-term compensated absences		**17,478**	22,004
Workers' Profit Participation Fund		**127,408**	23,860
Workers' Welfare Fund		**420,439**	367,299
Others		**318,588**	320,903
		11,469,936	6,664,672

13.1 This includes an amount of Rs. 3,863 million (2018: Rs.1,073 million) payable to associated companies by Subsidiary Company (ISL).

13.2 Provision for Infrastructure Cess

Opening balance	**1,176,189**	841,741
Charge for the period	**172,420**	334,448
Closing balance	**1,348,609**	1,176,189

14 CONTRACT LIABILITIES			
Sales commission payable		**72,317**	60,868
Advance from customers	*14.1*	**736,253**	1,136,378
		808,570	1,197,246

14.1 Advacne from customers are unsecured and includes Rs.1.25 million (2018: Rs.0.1 million) recevied from related party for supply of finished goods by the Subsidiary Company

14.2 The full amount of contract liabilities representing advance consideration received from customers amounting to Rs.1,163.4 million as at the beginning of the period has been recognized as revenue for the months period ended 31 December, 2018

15. SHORT-TERM BORROWINGS - secured			
CONVENTIONAL			
Running finance under mark-up arrangement from banks	*15.1*	**8,253,329**	5,125,229
Short-term borrowing under Money Market Scheme	*15.2*	**4,205,000**	3,716,854
Short-term borrowing under Export Refinance Scheme	*15.3*	**4,160,265**	3,806,175
ISLAMIC			
Short-term borrowing under Running Musharakah	*15.4*	**1,519,716**	2,698,456
Short-term finance under Term Musharakah	*15.5*	**801,161**	1,425,153
		18,939,471	16,771,867

15.1 The facilities for running finance available from various commercial banks amounted to Rs. 14,863 million (2018: Rs.9,958 million). The rates of mark-up on these finances obtained by the Holding company ranges from 8.69% to 11.65% per annum (2018: 6.53% to 8.17% per annum). The rates of mark-up on these finances obtained by the Subsidiary Company ranges from 7.12% to 10.90% per annum (2018: 6.62% to 8.42% per annum).

15.2 The Holding Company has obtained facilities for short-term borrowing under Money Market Scheme financing from various commercial banks under mark-up arrangements amounted to Rs. 4,945 million (2018: Rs. 5,140 million). The rate of markup on these finance ranges from 8.31% to 10.72% per annum (2018: 6.43% - 7.02%) per annum.

15.3 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. 4,160.3 million (2018: Rs.3,113.0 million). The rates of mark-up on this facility ranges from 2.10% to 2.75 % per annum (2018: 2.10% to 2.20% per annum).

15.4 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 10.60% per annum (2018: 6.63%) per annum. The rate of profit on these finance obtained by the Subsidiary Company is 7.12% - 10.60% per annum (2018: 6.34% to 6.63%) per annum. The facility matures within twelve months and is renewable.

15.5 The Subsidiary Company has obtained facilities for short term finance under Term Musharakah. The rate of profit is 6.99% to 8.37% (30 June 2018: 6.09% to 6.47%) per annum. This facility matures within twelve months and is renewable.

15.6 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.

15.7 As at 31 December 2018, the unavailed facilities from the above borrowings amounted to Rs.11,933 million. (2018: Rs 7,888 million).

16. CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

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

During 2015, Government passed a new law 'Gas Infrastructure Development Cess Act 2015' ('the Act) by virtue of which all prior enactments have been declared infructuous. The said Act levies GID Cess at Rs. 100 per MMBTU on industrial consumption and Rs. 200 per MMBTU on Captive power consumption effective 1 July 2011. The Company has obtained a stay order on the retrospective application of the Act from the Honorable High Court of Sindh. The Company is confident of favorable outcome and therefore has not recorded, to the extent of self consumption, a provision of Rs. 476 million (from 01 July 2011 till 22 May 2015) in these unconsolidated interim financial information. However, the Company made a provision of GIDC to the extent of its self consumption from May 2015 onwards. On 26th October 2016, the High Court of Sindh held that enactment of GIDC Act 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of High Court of Sindh. This appeal filed before the Divisional Bench of High Court of Sindh was dismissed on the ground that Learned Single Judge while passing the impugned judgement has considered all the material facts and also the relevant provisions of OGRA and has correctly applied the factual position. Such decision has been challenged in appeal before Supreme Court of Pakistan, wherein the Company is not the party and decision is pending.

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 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 recognize provision after the passage of the Act.

Further, the Holding Company and the Subsidiary Company (ISL) have not recognized GIDC amounting to Rs. 975.6 million (2018: Rs. 917.97 million) pertaining to period from 01 July 2011 to 31 December 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).

16.1.2 The Holding Company filed a Suit before Honorable Sindh High Court ('SHC') for declaration and permanent injunction in 2002 against Infrastructure Fee (levy) levied through Sindh Finance Act 1994. Single becnh of SHC vide its order (order) declared the levy constitutional, which was challenged by the Company through filing an appeal against the said order in 2004. In the appeal proceedings, Court granted a relief in 2006, by allowing the clearance of imported goods subject to submission of bank guarantees. Company submitted guarantees amounting to Rs.115 million for release of goods attracting levy of Rs.107 million. The SHC decided the matter on 17 September 2008 declaring the levy before 28 December 2006 as void and invalid. Excise and Taxation Department (Department) filed an appeal before the Honorable Supreme Court of Pakistan against the order dated 17 September 2008 hence the guarantees were not released as the matter was sub-judice.

Subsequently, in May 2011, the SCP disposed-off the appeal by referring the matter back to the SHC. On 31st May 2011, the SHC ordered returning the bank guarantees in respect of the consignments released up to 27th December, 2006. In respect of consignments to be released subsequent to 27th December, 2006 SHC ordered to pay 50% of the amount and submit bank guarantees for the balance amount. Bank guarantees amounting to Rs.1,497 million (June 2018: Rs.1,307 million) which includes afore-mentioned bank guarantees of Rs.115 million are outstanding as at 31 December, 2018. As a matter of prudence, company is making provision for the balance amount, which amounts to Rs.1,348.6million (note 14.2) as at 31 December, 2018.

Subsequently, in 2017 the Department vide Sindh Finance Act 2015 & 2016 enhanced the levy by 100%. On 24 October 2017 The Company has obtained stay from the SHC against the enhancement. The SHC has clubbed all the cases pertaining to the levy for final disposal.

16.1.3 Oil and Gas Regulatory Authority (OGRA) increased the gas tariff by Rs. 112/- per MMBTU and revised the gas tariff to Rs. 600/- per MMBTU vide its notification dated 30 December, 2016 disregarding the protocol laid down in OGRA Ordinance, 2002. The Group has filed a suit before the Sindh High Court (The Court) challenging the gas tariff increase. The Court granted a stay order, subject to submission of security for the differential amount with the Nazir of the Court. The Group has issued cheques amounting to Rs.524.3 million (2018: Rs. 428.5 million) in favour of Nazir of the Court upto September 2018. The Group, on a prudent basis, has also accrued this amount in these financial statements.

OGRA has further revised the gas tariff to Rs. 780/- per MMBTU vide its notification dated 4 October, 2018, by further increasing the rate by Rs.180/- per MMBTU. The Group has filed a petition before the Court challenging such further revision and the matter is partially heard. Pending the decision on the matter Group is settling the bills at the revised rates.

16.1.4 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. 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 where the liability will have to be discharged in the respective province.

16.1.5 Guarantees issued by the Holding Company and Subsidiary Company (ISL) to various service providers amounting to Rs.1,173.1 million (2018: Rs.1,335.8 million) as security for continued provision of services.

16.1.6 The Group's share of associate's contingent liability is Rs.99.4 million (30 June 2018: Rs.40.3 million).

Holding Company

16.1.7 Custom duties amounting to Rs.40.5 million (2018: Rs. 40.5 million) on import of raw material shall be payable by the Holding Company in case of non-fulfillment of certain conditions imposed by the customs authorities under SRO 565(1) / 2006. The Holding Company has provided post-dated cheques in favor of the Collector of Customs which are, in normal course of business, to be returned to the Holding Company after fulfilment of stipulated conditions. The Holding Company has fulfilled the conditions for the aforementioned duties and is making effort to retrieve the associated post-dated cheques from the custom authorities.

16.1.8 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 favor of the Company.

16.1.9 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.

16.1.10 The Holding Company filed the suit before the Sindh High Court ('Court') challenging the chargeability of tax on inter corporate dividend in respect of dividend declared by its subsidiary, International Steels Limited. On 21 October 2016, Court granted stay against which 500,000 shares of the subsidiary company were pledged as a security with the Nazir of the Court.In one of the litigations to which Company is not a party, Supreme Court of Pakistan issued an order on 21 February, 2018, whereby continuity of suits was made subject to deposting minimum 50% of the tax calculated by the authority. A review petition has been filed against such order of the Supreme Court of Pakistan in which company is not a party and the decision is awaited. In view of such development the suit has been withdrawn and a petition has been filed before the Court, which is pending hearing. Application for release of pledged shares is in process.

On separate applications challenging the chargeability of tax on inter corporate dividend, stay is granted by the Court in respect of dividends declared by the subsidiary company on 02 June, 2017, 26 September, 2017 and 23 January, 2018 against bank guarantees amounting to Rs.76.6 million Rs.36.8 million and Rs.55.1 million respectively submitted to the Nazir of the Court.

Subsidiary Company (ISL)

16.1.11 The Model Collectorate of Customs (MCC), Peshawar stopped the exports of the Company goods to Afghanistan under the pretext that SRO 190(I) / 2002 dated 2 April 2002 on the account of non-payment of 17% Sales Tax. A Constitutional Petition in the Sindh High Court (SHC) on 1 October 2015 arguing that there is no sales tax on exports to Afghanistan as per manufacturing bond rules SRO 450(I) / 2015 and that SRO 190 issued in 2002 was never implemented and hence under the Sales Tax Act 1990 no such liability could be raised at this stage. The SHC granted a stay order by allowing our exports to Afghanistan subject to depositing bank guarantees worth Rs. 2.65 million (2018: 2.65 million) (i.e. value of disputed sales tax amount) before the Nazir of the SHC. On 30 October 2015 FBR issued a clarification as to the applicability of SRO 190(I) / 2002 and stated that exports made to Afghanistan does not attract the levy of sales tax. The same has already been filed before the SHC and disposal of the case along with return of the said bank guarantees is awaited.

16.1.12 Guarantees issued in favour of Nazir High Court issued by bank on behalf of the Subsidiary Company(ISL) amounted to Rs. 2.66 million (2018: Rs. Nil).

16.2 Commitments

Group

16.2.1 Capital expenditure commitments of the Group outstanding as at 31 December 2018 amounted to Rs.1,033 million (2018: Rs.671 million).

16.2.2 Commitments under letters of credit established by the Group for raw material and stores and spares as at 31 December 2018 to Rs. 15,919 million (2018: Rs.11,639 million).

16.2.3 The unavailed facilities for opening letters of credit and guarantees from banks as at 31 December 2018 amounted to Rs. 14,722 million (2018: 14,657 million) and Rs. 1,476 million (2018: 553 million) respectively.

Holding Company

16.2.4 Commitments under purchase contracts as at 31 December 2018 amounted to Rs. 153 million (2018: Rs.191 million).

	Six months period ended		Three months period ended	
17. NET SALES	**31 December 2018**	31 December 2017	**31 December 2018**	31 December 2017
	(Rupees in '000)			
Local	**34,694,290**	32,359,346	**19,606,491**	17,786,395
Export	**4,115,009**	4,287,565	**1,901,119**	2,110,382
	38,809,299	36,646,911	**21,507,610**	19,896,777
Sales Tax	**(5,209,935)**	(4,867,962)	**(2,945,358)**	(2,681,502)
Trade discounts & commission	**(803,376)**	(596,029)	**(456,580)**	(250,137)
Export commission and discounts	**(14,299)**	(31,241)	**(5,130)**	(16,768)
	(6,027,610)	(5,495,232)	**(3,407,068)**	(2,948,407)
	32,781,689	31,151,679	**18,100,542**	16,948,370

17.1. DISAGGREGATION OF REVENUE

As required for the condensed interim financial statements, the Company disaggregation revenue recognised from contracts with customers into categories that depict how the nature,amount,timing and uncertainity of revenue and cash flows are affected by economic factors.

In the following table revenue is disaggregated by primary geographical markets and major product lines:

Primary geographical markets:				
Local	**28,680,979**	26,895,355	**16,204,553**	14,854,756
Srilanka	**411,543**	425,628	**222,185**	117,163
Americas	**1,100,849**	1,406,311	**240,761**	772,063
Australia	**968,375**	616,053	**544,329**	323,218
Africas	**115,971**	244,212	**93,239**	57,280
Afghanistan	**207,668**	745,637	**126,924**	414,632
Middle East	**187,685**	322,271	**123,032**	152,997
Others	**1,108,619**	496,212	**545,519**	256,261
	32,781,689	31,151,679	**18,100,542**	**16,948,370**
Major product lines:				
Steel products	**32,242,281**	30,132,185	**17,840,519**	**16,355,883**
Polymer products	**539,408**	1,019,494	**260,023**	**592,487**
	32,781,689	31,151,679	**18,100,542**	**16,948,370**

18. COST OF SALES

	Six months period ended		Three months period ended	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
	(Rupees in '000)			
Raw material consumed				
Opening stock of raw material	**10,219,889**	6,765,072	**14,901,806**	7,956,830
Purchases	**30,835,212**	23,072,877	**11,727,901**	11,475,832
	41,055,101	29,837,949	**26,629,707**	19,432,662
Closing stock of raw material	**(8,465,926)**	(5,784,442)	**(8,465,926)**	(5,784,442)
	32,589,175	24,053,507	**18,163,781**	13,648,220
Manufacturing overheads				
Salaries, wages and benefits	**777,402**	689,198	**354,384**	358,230
Rent, rates and taxes	**392**	822	**293**	180
Electricity, gas and water	**818,199**	653,808	**450,456**	338,379
Insurance	**21,092**	17,878	**13,028**	9,475
Security and janitorial	**31,058**	23,578	**16,691**	10,624
Depreciation and amortization	**642,400**	544,369	**328,625**	273,240
Operational supplies and consumables	**108,340**	93,080	**58,585**	42,923
Stores and spares scrapped	**8,878**	-	**8,878**	-
Repairs and maintenance	**113,368**	102,383	**61,095**	54,319
Postage, telephone and stationery	**13,352**	10,404	**8,323**	5,908
Vehicle, travel and conveyance	**29,250**	13,759	**17,741**	7,406
Internal material handling	**42,735**	26,758	**27,561**	18,333
Environment controlling expense	**1,441**	1,085	**809**	494
Sundries	**16,043**	7,612	**6,187**	4,585
Toll manufacturing expenses	**2,547**	2,955	**1,716**	1,660
	2,626,497	2,187,689	**1,354,372**	1,125,756
Recovery from sale of scrap	**(1,432,458)**	(1,162,392)	**(1,035,666)**	(653,068)
	1,194,039	1,025,297	**318,706**	472,688
	33,783,214	25,078,803	**18,482,487**	14,120,907
Work-in-process				
Opening stock	**2,597,105**	2,188,580	**2,652,836**	1,981,409
Closing stock	**(4,423,273)**	(2,782,230)	**(4,423,273)**	(2,782,230)
	(1,826,168)	(593,650)	**(1,770,437)**	**(800,821)**
Cost of goods manufactured	**31,957,046**	24,485,153	**16,712,050**	13,320,086
Finished goods, by-products and scrap:				
Opening stock	**5,052,820**	5,257,984	**7,601,861**	4,506,785
Closing stock	**(8,424,498)**	(3,933,959)	**(8,424,498)**	(3,933,959)
	(3,371,678)	1,324,025	**(822,636)**	572,826
	28,585,368	25,809,178	**15,889,413**	13,892,912

19. SELLING & DISTRIBUTION EXPENSES

Freight and forwarding expenses	**376,487**	533,730	**222,676**	277,497
Salaries, wages and benefits	**137,165**	133,790	**68,195**	71,694
Rent, rates and taxes	**4,143**	2,667	**2,054**	1,356
Electricity, gas and water	**4,760**	5,179	**2,123**	3,145
Insurance	**6,741**	5,078	**5,129**	2,069
Depreciation and amortization	**11,390**	9,298	**5,747**	4,819
Repair and maintenance	**637**	406	**484**	201
Advertising and sales promotion	**103,464**	57,175	**69,440**	42,433
Postage, telephone and stationery	**4,820**	4,134	**2,753**	2,225
Office supplies	**121**	225	**65**	15
Vehicle, travel and conveyance	**29,046**	17,451	**14,097**	12,582
Certification and registration charges	**1,201**	1,103	**563**	301
Others	**7,373**	13,257	**4,943**	9,107
	687,349	**783,493**	**398,270**	**427,444**

			Six months period ended		Three months period ended	
			31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
			(Rupees in '000)			
20.	**ADMINISTRATIVE EXPENSES**					
	Salaries, wages and benefits		**190,425**	185,729	**94,239**	99,327
	Rent, rates and taxes		**3,026**	2,986	**1,482**	1,325
	Electricity, gas and water		**2,851**	2,316	**1,291**	1,063
	Insurance		**2,045**	1,138	**1,425**	543
	Depreciation and amortization		**10,928**	11,122	**5,673**	5,602
	Repair and maintenance		**1,015**	1,533	**506**	394
	Postage, telephone and stationery		**10,736**	12,624	**6,307**	7,517
	Office supplies		**293**	130	**140**	40
	Vehicle, travel and conveyance		**12,174**	7,611	**7,130**	3,584
	Legal and professional charges		**36,026**	27,344	**24,836**	15,503
	Certifications and registration charges		**5,384**	5,639	**3,697**	3,938
	Directors' fees		**5,400**	3,750	**2,400**	2,250
	Others		**16,033**	11,552	**7,002**	8,264
			296,337	273,473	**156,129**	149,349
21.	**FINANCE COST**					
	Conventional					
	- Mark-up on long-term borrowings		**162,587**	96,400	**129,382**	53,214
	- Mark-up on short-term borrowings		**625,256**	231,021	**367,281**	133,850
	Islamic					
	- Profit on Diminishing Musharakah		**108,195**	79,517	**12,775**	35,001
	- Profit on Running Musharakah		**79,697**	43,540	**20,950**	10,074
			975,735	450,478	**530,388**	232,139
	Exchange loss and others		**-**	3,045	**-**	(22)
	Interest on Workers' Profit Participation Fund		**1,053**	247	**1,053**	-
	Bank charges		**14,457**	11,074	**6,832**	4,587
			991,245	464,844	**538,273**	236,704
22.	**OTHER OPERATING EXPENSES**					
	Auditors' remuneration		**3,660**	2,990	**1,773**	1,524
	Loss on derivative financial instruments		**-**	2,054	**-**	12
	Donations		**20,344**	30,280	**10,524**	15,860
	Workers' Profit Participation Fund		**127,718**	203,239	**59,560**	113,485
	Workers' Welfare Fund		**53,140**	81,296	**25,876**	45,395
	Business development expenses		**2,695**	3,276	**5,771**	2,581
			207,557	323,135	**103,504**	178,857
23.	**OTHER INCOME**					
	Income from non-financial assets					
	Income from power generation	**23.1**	**10,949**	22,421	**2,517**	9,118
	Recovery of shared cost		**-**		**(56)**	-
	Gain on disposal of property, plant and equipment		**72,456**	39,072	**36,648**	26,370
	Rental income		**974**	1,004	**487**	331
	Exchange gain / (loss) - net		**316,982**	71,521	**194,987**	70,140
	Others		**14,044**	14,096	**5,270**	6,822
	Income on financial assets					
	Interest on bank deposits		**4,142**	1,059	**2,015**	776
			419,547	149,173	**241,868**	113,557

		Six months period ended		Three months period ended	
		31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
		(Rupees in '000)			
23.1.	**Income from power generation**				
	Net sales	**262,938**	263,439	**138,606**	125,777
	Cost of electricity produced	**(251,989)**	(241,018)	**(136,089)**	(116,659)
		10,949	22,421	**2,517**	9,118
24.	**TAXATION**				
	Current	**543,743**	945,919	**84,299**	504,015
	Prior	**-**	7,850	**-**	4,850
	Deferred	**(156,443)**	141,742	**(44,498)**	108,268
		387,300	1,095,511	**39,801**	617,133

24.1 Under section 5A of the Income Tax Ordinance, 2001 a tax shall be imposed at the rate of 5% of its accounting profit before tax on every public company, other than a scheduled bank or a modaraba, that derives profit for a tax year but does not distribute atleast 20% of its after tax profits within six months of the end of the tax year through cash. However, no provision has been made for tax on undistributed profit as the Board of Directors of IIL and ISL intend to distribute sufficient dividend for the year ending 30 June 2019, so that such tax is not required to be paid.

			Six month period ended	
			31 December 2018	31 December 2017
25.	**CASH AND CASH EQUIVALENTS**		(Rupees in '000)	
	Cash and bank balances		**1,169,433**	261,254
	Running finance under mark-up arrangement from banks	*15.1*	**(8,253,329)**	(504,723)
	Short-term borrowing under Running Musharakah	*15.4*	**(1,519,716)**	(105,734)
			(8,603,612)	(349,203)

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 commerical 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:

	Six months period ended		Three months period ended	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
		---------- (Rupees in '000) ----------		
Associated companies				
Sales	**381,627**	722,149	**47,508**	292,677
Purchases	**22,600,881**	9,688,557	**10,062,448**	4,698,236
Reimbursement of expenses	**1,304**	169	**-**	116
Insurance premium expense	**49,841**	-	**44,161**	-
Insurance claim	**3,944**	-	**2,831**	-
Rent income	**1,691**	971	**1,204**	490
Donations	**-**	1,500	**-**	1,500
Dividend distribution	**122,177**	40,630	**-**	40,630
Dividend income	**21,324**	4,852	**-**	4,852
Others	**490**	-	**245**	-
Key management personnel				
Remuneration	**278,743**	262,282	**129,384**	139,542
Staff retirement funds				
Contribution paid	**75,427**	62,204	**43,916**	21,169
Non-executive directors				
Directors' fees	**5,400**	3,750	**2,400**	2,250
Reimbursement of Chairman's expenses	**6,434**	956	**3,985**	956

Balances with related parties	**31 December 2018 (Un-audited)**	30 June 2018 (Audited)
	------ (Rupees in '000)	------
Trade debts		
Sumitomo Corporation	**-**	43,320
Trade creditor		
Sumitomo Corporation	**3,862,995**	1,072,790

27 SEGMENT REPORTING

The Group has identified steel coils & sheets, steel pipes, polymer and investments as reportable segments.

27.1 SEGMENT REVENUE AND RESULTS

SEGMENTS	Steel Coils & Sheets	Steel Pipes	Polymer	Investment	Total
	(Rupees in '000)				
For the six month period ended 31 December 2018					
Sales	21,394,901	10,847,380	539,408	-	32,781,689
Cost of sales	(18,747,129)	(9,351,406)	(486,833)		(28,585,368)
Gross Profit	2,647,772	1,495,974	52,575	-	4,196,321
Selling and distribution expenses	(235,042)	(413,380)	(27,882)		(676,304)
Administrative expenses	(135,185)	(153,506)	(7,646)		(296,337)
	(370,227)	(566,886)	(35,528)	-	(972,641)
Financial charges	(591,843)	(382,875)	(16,527)		(991,245)
Other operating charges	(164,433)	(42,950)	(174)	-	(207,557)
	(756,276)	(425,825)	(16,701)	-	(1,198,802)
Other income	83,386	336,161	-	-	419,547
Share of profit in equity accounted investee - net of tax	-			18,788	18,788
Profit before taxation	1,604,655	839,424	346	18,788	2,463,213
Taxation					(387,300)
Profit after taxation					2,075,913
For the six month period ended 30 December 2017					
Sales	19,177,090	10,955,095	1,019,494	-	31,151,679
Cost of sales	(15,886,911)	(9,005,130)	(917,137)		(25,809,178)
Gross Profit	3,290,179	1,949,965	102,357	-	5,342,501
Selling and distribution expenses	(202,169)	(522,824)	(57,595)		(782,588)
Administrative expenses	(116,879)	(144,055)	(12,539)		(273,473)
	(319,048)	(666,879)	(70,134)	-	(1,056,061)
Financial charges	(232,316)	(214,093)	(18,435)		(464,844)
Other operating charges	(252,028)	(70,072)	(1,035)	-	(323,135)
	(484,344)	(284,165)	(19,470)	-	(787,979)
Other income	48,726	100,447	-	-	149,173
Share of profit in equity accounted investee - net of tax				21,642	21,642
Profit before taxation	2,535,513	1,099,368	12,753	21,642	3,669,276
Taxation					(1,095,511)
Profit after taxation					2,573,765

27.2 SEGMENT ASSETS & LIABILITIES

SEGMENTS	Steel Coils & Sheets	Steel Pipes	Polymer	Investments	Total
	(Rupees in '000)				
As at 31 December 2018 - Un-audited					
Segment assets	39,390,078	18,222,350	2,440,397	998,348	61,051,174
Segment liabilities	25,499,003	12,816,485	1,554,159	-	39,869,647
As at 30 June 2018 - Audited					
Segment assets	32,802,945	14,495,749	2,255,417	1,004,132	50,558,243
Segment liabilities	22,343,525	9,753,426	1,182,477	-	33,279,428

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

	31 December 2018 (Un-audited)	30 June 2018 (Audited)
	------ (Rupees in '000) ------	
Total reportable segments assets	**61,051,174**	50,558,243
Unallocated assets	**1,657,937**	4,942,597
Total assets as per Balance Sheet	**62,709,111**	55,500,840
Total reportable segments liabilities	**39,869,647**	33,279,428
Unallocated liabilities	**3,731,135**	3,856,986
Total liabilities as per Balance Sheet	**43,600,782**	37,136,414

27.3 The Group does not consider sale of electricity to KE as separate reportable segment as the power plants of the Group are installed primarily to supply power to its own manufacturing facilities and any excess electricity is sold to KE.

28 MEASUREMENT OF FAIR VALUES

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

31 December 2018 (Un-audited)

	Carrying amount					Fair Value		
	Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets								
Investment - quoted Company	-	998,348	-	-	998,348	847,767	-	-

30 June 2018 (Audited)

	Carrying amount					Fair Value		
	Loan and receivables	Other financial assets	Liabilities at fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets								
Investment - quoted Company	-	1,004,132	-	-	1,004,132	1,138,987	-	-

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

29 GENERAL

29.1 Non-adjusting event after balance sheet date

The Board of Directors of the Holding Company has declared an interim cash dividend of Rs.2.50 per share for the year ending 30 June 2019, amounting to Rs.299.73 million in their meeting held on 30 January 2019. These condensed interim consolidated financial information does not include the effect of interim cash dividend announced on 30 January 2019, which will be accounted for in the financial statements for the year ending 30 June 2019.

29.2 Corresponding figures

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

29.3 Date of authorization for issue

This consolidated financial information was authorized for issue by the Board of Directors on 30 January 2019.

Ehsan A. Malik	**M. Hanif Idrees**	**Riyaz T. Chinoy**
Director & Chairman	Chief Financial Officer	Chief Executive Officer
Board Audit Committee		