



Promising Reliability, For Now and Tomorrow



Unaudited Financial Statements

For the nine and three months period ended 31 March 2019

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

Contents

Company Information	02
Directors' Report	03
Condensed Interim Unconsolidated Statement of Financial Position (Unaudited)	04
Condensed Interim Unconsolidated Statement of Profit and Loss (Unaudited)	05
Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)	06
Condensed Interim Unconsolidated Statement of Cash Flow (Unaudited)	07
Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)	08
Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)	09
Condensed Interim Consolidated Statement of Financial Position (Unaudited)	10
Condensed Interim Consolidated Statement of Profit and Loss (Unaudited)	26
Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)	27
Condensed Interim Consolidated Statement of Cash Flow (Unaudited)	28
Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)	29
Notes to the Condensed Interim Consolidated Financial Information (Unaudited)	30

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. Adnan Afridi

Chief Executive Officer

Mr. Riyaz T. Chinoy

Advisor

Mr. Towfiq H. Chinoy

Chief Financial Officer

Mr. Muhammad Hanif Idrees

Company Secretary

Mr. Sunaib Barkat

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: sunaib.barkat@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, Electrocitiy Plaza,
Susan Road, Faisalabad.
Telephone : +9241-8720037

Peshawar Office

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

Factories

Factory 1

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

Factory 2

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

Factory 3

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

Website

www.iil.com.pk

Investor Relations Contact

Shares Registrar

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

Assistant Company Secretary

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

Directors' Report

The directors of your Company are pleased to present the financial statements for the period ended 31st March, 2019.

After a record breaking 2017-18, in which Domestic sales volume increased by 50% over the previous year, it was not surprising to see Domestic sales volume drop in this year by 22 % over SPLY especially as the new Government started to take necessary measures to curtail expenditure particularly that pertaining to infrastructure and construction projects. Resultantly net sales turnover at Rs. 18.5 Bn was down 3% over the corresponding period last year.

Our bid to enhance exports continues to face hurdles, in particular from the developed world, where after US Canada has also recently imposed anti-dumping duty on our pipe exports resulting in a further drop in sales volume. We have appealed for redetermination of normal values for exports to Canada and our case is currently under de novo review. We remain hopeful of a favorable outcome. Export turnover at Rs. 3.2 Bn has however improved by 7% over the same period last year despite the drop in volume by 15%.

Our Polymer segment sales at Rs 1.4b declined by 24% over the same period last year. This represents a significant improvement from the first half of the year, where turnover declined 47% over SPLY. We expect further improvement as we expect to end the year with higher sales volume than SPLY as we complete execution of orders in hand. Our line of PPRC pipes and fittings has witnessed more than three-fold growth in volumes over the same period last year and this trend is projected to continue well into the coming years.

Profit after Tax (PAT) for the period under review was Rs. 1,358 million (EPS 11.32), which is 2% lower than the corresponding period last year. The period's profit is inclusive of an amount of Rs. 1,133 million of dividend income from our subsidiary and associate.

Our subsidiary, International Steels Limited (ISL) reported Net Sales Revenue of Rs. 40.5 billion, which was up 16% from Rs. 34.8 billion over the corresponding period last year. Profit after Tax (PAT) of Rs. 2.3 Bn (EPS 5.42) was down 27% from Rs. 3.4 Bn (EPS 7.43) during the same period last year. ISL's profitability remained under pressure as Sales volume declined by 3.4% over SPLY and finance cost increased.

The Group P&L for the period ended with PAT of Rs. 2,775 million (EPS 14.59) compared to Rs. 3,941 million (EPS 21.69) over the corresponding period last year.

As steel prices and PKR/USD stabilize and Pakistan moves towards a much-awaited IMF program, we expect economic activity to normalize. We look forward to completion of institutional orders and better export performance during the final quarter.

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

For & on behalf of
International Industries Limited



Mustapha A. Chinoy
Chairman

Karachi
Dated: 18 April 2019

Condensed Interim Unconsolidated Statement of Financial Position

As at 31 March 2019

	Note	31 March 2019 (Un-audited) ----- (Rupees in '000) -----	30 June 2018 (Audited)
ASSETS			
Non current assets			
Property, plant and equipment	5	6,531,094	5,769,659
Intangible assets		4,672	8,635
Investments	6	3,277,276	3,277,276
Long term deposits		62,994	62,994
		9,876,036	9,118,564
Current assets			
Stores and spares		258,726	152,299
Stock-in-trade	7	10,810,162	9,004,552
Trade debts - considered good	8	3,733,736	2,318,876
Advances, trade deposits and short-term prepayments	9	52,571	1,065,827
Receivable from K-Electric Limited (KE) - unsecured, considered good		12,493	19,965
Other receivables		380,858	4,705
Sales tax receivable		440,234	518,397
Cash and bank balances		161,759	261,865
		15,850,539	13,346,486
Total assets		25,726,575	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	3,363,538	3,037,210
Capital reserve			
Revaluation surplus on property, plant and equipment		1,929,204	1,958,211
Total equity		9,191,704	8,894,383
LIABILITIES			
Non-current liabilities			
Long-term financing - secured	11	1,864,802	1,968,534
Staff retirement benefits		146,253	146,253
Deferred taxation - net		160,407	222,840
		2,171,462	2,337,627
Current liabilities			
Trade and other payables	12	2,228,956	2,072,728
Contract liabilities		165,385	242,867
Short term borrowings - secured	13	10,779,736	8,309,557
Unpaid dividend		299,732	14,218
Unclaimed dividend		44,933	23,854
Current portion of long-term financing - secured	11	215,561	180,919
Taxation		447,440	310,225
Accrued mark-up		181,666	78,672
		14,363,409	11,233,040
Total liabilities		16,534,871	13,570,667
Total equity and liabilities		25,726,575	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
Director & Chairman
Board Audit Committee



M. Hanif Idrees
Chief Financial Officer



Riyaz T. Chinoy
Chief Executive Officer

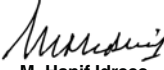
Condensed Interim Unconsolidated Statement of Profit and Loss Account (Un-audited)

For the nine and three months period ended 31 March 2019

	Note	Nine months period ended		Three months period ended	
		31 March 2019	31 March 2018	31 March 2019	31 March 2018
----- (Rupees in '000) -----					
Net sales	15	18,482,338	19,077,718	7,336,060	6,909,429
Cost of sales	16	(16,571,949)	(16,450,515)	(6,487,584)	(5,932,326)
Gross profit		1,910,389	2,627,203	848,476	977,103
Selling and distribution expenses	17	(697,155)	(890,009)	(265,740)	(328,085)
Administrative expenses	18	(235,865)	(229,957)	(81,775)	(79,798)
Reversal of impairment on trade debts		10,571	5,000	(331)	5,000
		(922,449)	(1,114,966)	(347,846)	(402,883)
Finance cost	19	(682,838)	(329,910)	(283,461)	(97,407)
Other operating expenses	20	(67,887)	(116,142)	(24,763)	(45,074)
		(750,725)	(446,052)	(308,224)	(142,481)
Other income	21	1,518,433	809,333	421,133	453,762
Profit before taxation		1,755,648	1,875,518	613,539	885,501
Taxation	22	(397,993)	(485,250)	(176,796)	(214,685)
Profit after taxation for the period		1,357,655	1,390,268	436,743	670,816
----- (Rupees) -----					
Earnings per share - basic and diluted		11.32	11.60	3.64	5.60

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 nine and three months period ended 31 March 2019

	Nine months period ended		Three months period ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	----- (Rupees in '000) -----			
Profit after taxation for the period	1,357,655	1,390,268	436,743	670,816
Other comprehensive income				
<i>Items that are or may be reclassified to profit or loss</i>				
Effective portion of changes in fair value of cash flow hedges	-	-	-	-
Recognition of tax	-	-	-	-
Total comprehensive income for the period - net of tax	-	-	-	-
Total comprehensive income for the period	1,357,655	1,390,268	436,743	670,816

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

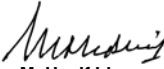
Condensed Interim Unconsolidated Cash Flow Statement (Un-audited)

For the nine and three months period ended 31 March 2019

	Note	Nine months period ended	
		31 March 2019	31 March 2018
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,755,648	1,875,518
Adjustments for :			
Depreciation and amortization		334,687	282,695
Reversal of impairment on trade debts		(11,071)	(5,000)
Income on bank deposits	21	(1,408)	(1,056)
Gain on disposal of property, plant and equipment	21	(94,026)	(49,507)
Dividend income	21	(1,133,212)	(629,676)
Provision for staff gratuity		35,649	26,394
Provision for compensated absences		4,950	4,950
Finance cost	19	682,838	329,910
		(181,593)	(41,290)
Changes in working capital	23	(2,147,124)	(1,045,930)
Long term deposits		-	(11,779)
Net cash (used in) / generated from operations		(573,069)	776,519
Finance cost paid		(579,844)	(318,993)
Payment for staff gratuity		(35,649)	(26,000)
Compensated absences paid		(4,585)	(6,286)
Income tax paid		(304,511)	(171,806)
Net cash (used in) / generated from operating activities		(1,497,658)	253,434
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(1,115,232)	(832,648)
Investment in an associated company		-	(489,612)
Amalgamation of wholly owned Subsidiary Company		-	150,000
Proceeds from disposal of property, plant and equipment		117,099	54,745
Dividend income received		765,629	262,093
Income on bank deposits received		1,408	1,056
Net cash (used in) investing activities		(231,096)	(854,366)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		24,554	103,037
Repayment of long term financing		(93,644)	(48,189)
Proceeds from / (repayments of) short term borrowing - net		719,646	657,641
Dividends paid		(772,441)	(479,229)
Net cash (used in) / generated from financing activities		(121,885)	233,260
Net (decrease) / increase in cash and cash equivalents		(1,850,639)	(367,672)
Cash and cash equivalents at beginning of the period		(2,386,338)	(528,282)
Transfer upon merger		-	(13,382)
Cash and cash equivalents at end of the period		(4,236,977)	(909,336)
Cash and bank balances		161,759	144,786
Short term borrowings - secured		(4,398,736)	(1,054,122)
Cash and cash equivalents	23.1	(4,236,977)	(909,336)

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

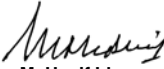
Condensed Interim Unconsolidated Statement of Changes in Equity (Un-audited)

For the nine and three months period ended 31 March 2019

	Issued, subscribed and paid-up capital	Revenue Reserves		Capital Reserve Revaluation surplus on property, plant and equipment	Total reserves	Total
		General reserves	Un- appropriated profit			
----- (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 March 2018:						
Total comprehensive income for the period	-	-	1,390,268	-	1,390,268	1,390,268
Profit for the period	-	-	-	-	-	-
Other Comprehensive income for the period	-	-	-	-	-	-
Total Comprehensive income for the period	-	-	1,390,268	-	1,390,268	1,390,268
Transactions with owners of the Company - distributions:						
- Final dividend @ 20% (Rs. 2.00 per share) for the year ended 30 June 2017	-	-	(239,785)	-	(239,785)	(239,785)
- Interim dividend @ 20 % (Rs. 2.00 per share) for the year ended 30 June 2018	-	-	(239,785)	-	(239,785)	(239,785)
Total transactions with owners of the Company - distribution	-	-	(479,570)	-	(479,570)	(479,570)
Transfer from surplus on revaluation of property, plant and equipment 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 March 2018	<u>1,198,926</u>	<u>2,700,036</u>	<u>2,877,614</u>	<u>1,992,943</u>	<u>7,570,593</u>	<u>8,769,519</u>
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 March 2019:						
Total comprehensive income for the period	-	-	1,357,655	-	1,357,655	1,357,655
Profit for the period	-	-	-	-	-	-
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	-	-	1,357,655	18,700	1,376,355	1,376,355
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)
- Interim dividend @ 25% (Rs. 2.50 per share) for the year ended 30 June 2019	-	-	(299,732)	-	(299,732)	(299,732)
Total transactions with owners of the Company - distribution	-	-	(1,079,034)	-	(1,079,034)	(1,079,034)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	-	-	39,732	(39,732)	-	-
Transfer from surplus on revaluation on disposal of fixed assets - net of tax	-	-	7,975	(7,975)	-	-
Balance as at 31 March 2019	<u>1,198,926</u>	<u>2,700,036</u>	<u>3,363,538</u>	<u>1,929,204</u>	<u>7,992,778</u>	<u>9,191,704</u>

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

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

For the nine and three months period ended 31 March 2019

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, Dehshrahi Landhi Town, Karachi
- c) 22 KM, Sheikhpura 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 March 2018.

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.

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

For the nine and three months period ended 31 March 2019

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.

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

For the nine and three months period ended 31 March 2019

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 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

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

For the nine and three months period ended 31 March 2019

- 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 judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
- 4.2 The significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statement as at and for the year ended 30 June 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.

	Operating assets	Capital work - - in - progress (incl., capital spares)	Total
	----- (Rupees in '000) -----		
5. PROPERTY, PLANT AND EQUIPMENT			
Cost / revalued amount			
Opening balance	8,348,785	165,035	8,513,820
Additions	-	1,115,232	1,115,232
Transfers	873,940	(873,940)	-
Disposal	(159,429)	-	(159,429)
	9,063,296	406,327	9,469,623
Accumulated depreciation			
Opening balance	(2,744,161)	-	(2,744,161)
Charge for the period	(330,724)	-	(330,724)
Disposal	136,356	-	136,356
	(2,938,529)	-	(2,938,529)
Written down value			
as at 31 March 2019 (Un-audited)	6,124,767	406,327	6,531,094
Written down value as at 30 June 2018 (Audited)	5,623,561	146,098	5,769,659

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

For the nine and three months period ended 31 March 2019

6. INVESTMENTS

31 March 2019 (Un-audited) (Number of shares)	30 June 2018 (Audited)	Note	31 March 2019 (Un-audited) (Rupees in '000)	30 June 2018 (Audited)
Quoted companies				
245,055,543	245,055,543	International Steels Limited (ISL) - subsidiary company at cost	2,450,555	2,450,555
6,092,470	6,092,470	Pakistan Cables Limited (PCL) - associate company at cost	817,553	817,553
Un-quoted company				
100,000	100,000	IIL Australia Pty Limited (IIL Australia) - subsidiary company at cost	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 March 2019 (Un-audited) (Rupees in '000)	30 June 2018 (Audited)
Quoted		
International Steels Limited @ Rs. 64.03 per share [2018:@ Rs.101.70 per share]	15,690,906	24,922,149
Pakistan Cables Limited @ Rs.117.21 per share [2018:@ Rs. 186.95 per share]	714,098	1,138,987

- 6.5 The book value of IIL Australia based on un-audited financial statements as at 31 March 2019 is AUD 239,565 (Rs.23.87 million). [2018: AUD 162,332 (Rs. 14.56 million)].

7. STOCK-IN-TRADE

Raw materials- in hand	5,541,821	4,384,947
- in transit	807,117	840,324
	6,348,938	5,225,271
Work-in-process	1,334,681	1,409,862
Finished goods	3,010,799	2,296,166
By-product	47,196	17,363
Scrap material	68,548	55,890
	3,126,543	2,369,419
	10,810,162	9,004,552

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

For the nine and three months period ended 31 March 2019

- 7.1 Raw materials amounting to Rs. 3.0 million (30 June 2018: Rs. 3.8 million) as at 31 March 2019 was held at vendor premises for the production of pipe caps.

	31 March 2019 (Un-audited)	30 June 2018 (Audited)
	(Rupees in '000)	
8. TRADE DEBTS - CONSIDERED GOOD		
Considered good - secured	119,400	74,290
- unsecured	3,614,336	2,244,586
Considered doubtful	128,929	140,000
	<u>3,862,665</u>	<u>2,458,876</u>
Impairment of doubtful debts	(128,929)	(140,000)
	<u>3,733,736</u>	<u>2,318,876</u>
8.1 Related parties from whom debts are due are as under:		
IIL Australia Pty Limited	808,407	828,388
	<u>808,407</u>	<u>828,388</u>
9. ADVANCES, TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Considered good - unsecured		
- Suppliers	34,029	1,042,867
- Employees for business related expenses	4,208	993
Trade deposits	5,332	13,453
Short term prepayments	9,002	8,514
	<u>52,571</u>	<u>1,065,827</u>
10. RESERVES		
General reserves	2,700,036	2,700,036
Un-appropriated profit	3,363,538	3,037,210
	<u>6,063,574</u>	<u>5,737,246</u>
11. LONG-TERM FINANCING - secured		
Conventional		
Long Term Finance Facility (LTFF) 11.1	1,375,818	1,444,908
Islamic		
Diminishing Musharakah 11.2	704,545	704,545
	<u>2,080,363</u>	<u>2,149,453</u>
Current portion of long term finances shown under current liabilities:		
Conventional		
Long Term Finance Facility (LTFF)	(79,197)	(90,009)
Islamic		
Diminishing Musharakah	(136,364)	(90,910)
	<u>1,864,802</u>	<u>1,968,534</u>

Conventional

- 11.1 The Company has approved long term finance facilities of amounts aggregating to Rs.1,375.8 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, plant and machinery 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, plant and machinery located at plot number LX-15 & 16 and HX-7/4, Landhi Industrial Estate Karachi and Survey No.402,405-406, Dehsharabi, Landhi Town, Karachi.

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

For the nine and three months period ended 31 March 2019

	Note	31 March 2019 (Un-audited) (Rupees in '000)	30 June 2018 (Audited)
12. TRADE AND OTHER PAYABLES			
Trade creditors		283,987	138,061
Bills payable		62,620	17,293
Accrued expenses		1,058,534	1,120,432
Provision for Infrastructure Cess	12.1	468,082	401,376
Short-term compensated absences		4,950	10,076
Workers' Profit Participation Fund		31,579	(311)
Workers' Welfare Fund		116,813	101,957
Others		202,391	283,844
		<u>2,228,956</u>	<u>2,072,728</u>
12.1 Provision for Infrastructure Cess			
Opening balance		401,376	322,537
Provided for the period		66,706	78,839
Closing balance		<u>468,082</u>	<u>401,376</u>
13. SHORT TERM BORROWINGS - secured			
Conventional			
Running finance under mark-up arrangement from banks	13.1	3,041,392	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	1,357,344	1,442,699
		<u>10,779,736</u>	<u>8,309,557</u>

13.1 The facilities for running finance available from various commercial banks amounted to Rs. 4,125.5 million (2018: Rs. 2,860 million). The rates of mark-up on these finances range from 10.65% to 12.04% 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. 5,295 million (2018: Rs. 5,140 million). The rate of markup on these finance range from 10.90% to 11.29% (2018: 6.43% to 7.02%).

13.3 The facilities under the Export Refinance Scheme of the State Bank of Pakistan (SBP) available from various banks amounted to Rs.2,179.5 million. (2018: Rs.2,100 million). The rates of mark-up on these finances range from 2.50% to 3.00% 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 10.86% per annum (2018: 6.63% per annum).

13.5 All the above borrowing facilities are secured by way of hypothecation of all present and future current and moveable assets.

13.6 As at 31 March 2019, the unavailed facilities from the above borrowings amounted to Rs. 2,320 million (2018: Rs.3,290 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.

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

For the nine and three months period ended 31 March 2019

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. 583 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 March 2019.

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 onwards. On 26th October 2016, the High Court of Sindh held that enactment of GIDC Act 2015 is ultra-vires to the Constitution of Pakistan. Sui Southern Gas Company Limited has filed an intra-court appeal before the Divisional Bench of Sindh High Court. This appeal filed before the Divisional Bench of High Court of Sindh was dismissed on the ground that Learned Single Judge while passing the impugned judgement has considered all the material facts and also the relevant provisions of Oil and Gas Regulatory Authority (OGRA) and has correctly applied the factual position. 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 recognise provision after the passage of the Act.

Further the Company has not recognized GIDC amounting to Rs. 83.12 million (2018: Rs. 67.97 million) pertaining to period from 01 July 2011 to 31 March 2019 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

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

For the nine and three months period ended 31 March 2019

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 for 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. 931 million (30 June 2018: Rs. 1019 million).

14.2 Commitments

14.2.1 Capital expenditure commitments outstanding as at 31 March 2019 amounted to Rs. 149.1 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 March 2019 amounted to Rs. 1,436.7 million (30 June 2018: Rs. 2,100.7 million).

14.2.3 Commitments under purchase contracts as at 31 March 2019 amounted to Rs. 25.9 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 March 2019 amounted to Rs. 9,122 million (30 June 2018: Rs. 4,332 million) and Rs. 568 million (30 June 2018: Rs. 474 million) respectively.

	<u>Nine months period ended</u>		<u>Three months period ended</u>	
	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>(Un-audited)</u>			
	<u>(Rupees in '000)</u>			
15. NET SALES				
Local	18,681,273	19,759,878	8,000,401	7,251,329
Export	3,254,665	3,031,608	723,752	1,000,760
	<u>21,935,938</u>	<u>22,791,486</u>	<u>8,724,153</u>	<u>8,252,089</u>
Sales Tax	(2,739,439)	(2,907,398)	(1,159,285)	(1,066,479)
Domestic trade discounts	(694,385)	(765,642)	(223,331)	(266,694)
Export commission and discounts	(19,776)	(40,728)	(5,477)	(9,487)
	<u>(3,453,600)</u>	<u>(3,713,768)</u>	<u>(1,388,093)</u>	<u>(1,342,660)</u>
	<u>18,482,338</u>	<u>19,077,718</u>	<u>7,336,060</u>	<u>6,909,429</u>

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:

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

For the nine and three months period ended 31 March 2019

	Nine months period ended		Three months period ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	(Un-audited)			
	(Rupees in '000)			
Primary geographical markets:				
Local	15,247,449	16,086,838	6,617,785	5,918,156
Sri Lanka	592,248	489,400	180,705	63,772
Americas	471,608	915,309	41,334	414,439
Australia	840,769	851,937	125,650	285,868
Afghanistan	104,572	260,816	25,574	35,998
Others	1,225,692	473,418	345,012	191,196
	18,482,338	19,077,718	7,336,060	6,909,429
Major Product Lines:				
Steel products	17,126,330	17,304,597	6,519,460	6,155,802
Polymer products	1,356,008	1,773,121	816,600	753,627
	18,482,338	19,077,718	7,336,060	6,909,429
16. COST OF SALES				
Raw material consumed				
Opening stock of raw material	4,384,947	3,763,291	5,009,838	4,083,246
Purchases	17,561,434	16,563,850	6,734,977	5,732,283
	21,946,381	20,327,141	11,744,815	9,815,529
Closing stock of raw material	(5,541,821)	(3,783,648)	(5,541,821)	(3,783,648)
	16,404,560	16,543,493	6,202,994	6,031,881
Manufacturing overheads				
Salaries, wages and benefits	758,843	708,622	256,772	249,965
Rent, rates and taxes	1,963	3,435	1,571	2,613
Electricity, gas and water	281,611	265,929	106,947	95,186
Insurance	6,815	8,783	2,468	1,711
Security and janitorial	25,376	20,751	8,294	8,407
Depreciation and amortisation	305,527	257,077	109,105	90,808
Operational supplies & consumables	78,263	67,599	28,704	26,517
Repairs and maintenance	105,758	95,455	40,414	37,299
Postage, telephone and stationery	9,694	6,742	3,597	1,949
Vehicle, travel and conveyance	16,237	12,554	6,039	4,498
Internal material handling	29,639	27,217	9,794	9,420
Environment controlling expenses	290	196	152	65
Sundries	4,149	3,048	1,052	789
Toll manufacturing expenses	3,769	12,072	1,222	7,158
	1,627,934	1,489,480	576,131	536,385
Recovery from sale of scrap	(778,602)	(655,297)	(348,660)	(228,318)
	17,253,892	17,377,676	6,430,465	6,339,948
Work-in-process				
Opening stock	1,409,862	984,857	1,485,606	1,334,937
Closing stock	(1,334,681)	(1,372,176)	(1,334,681)	(1,372,176)
	75,181	(387,319)	150,925	(37,239)
Cost of goods manufactured	17,329,073	16,990,357	6,581,390	6,302,709
Finished goods, by-products and scrap:				
- Opening stock	2,369,419	1,681,565	3,032,737	1,851,024
- Closing stock	(3,126,543)	(2,221,407)	(3,126,543)	(2,221,407)
	(757,124)	(539,842)	(93,806)	(370,383)
	16,571,949	16,450,515	6,487,584	5,932,326

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

For the nine and three months period ended 31 March 2019

	Nine months period ended		Three months period ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
----- (Un-audited) -----				
----- (Rupees in '000) -----				
17. SELLING AND DISTRIBUTION EXPENSES				
Freight and forwarding	448,941	628,563	183,721	221,908
Salaries, wages and benefits	133,012	134,814	44,808	47,705
Rent, rates and taxes	1,243	838	363	225
Electricity, gas and water	5,126	7,814	1,875	4,060
Insurance	3,339	831	279	406
Depreciation and amortisation	11,259	9,476	3,783	3,378
Repairs and maintenance	801	631	164	225
Advertising and sales promotion	57,570	72,134	16,513	38,585
Postage, telephone and stationery	5,622	5,207	2,411	2,103
Office supplies	128	335	7	110
Vehicle, travel and conveyance	18,368	17,425	5,795	7,297
Certification and registration charges	3,619	1,282	2,418	179
Security and janitorial	6,767	3,553	2,666	1,620
Others	1,360	7,106	937	284
	697,155	890,009	265,740	328,085
18. ADMINISTRATIVE EXPENSES				
Salaries, wages and benefits	163,790	162,457	56,622	53,387
Rent, rates and taxes	123	244	-	127
Electricity, gas and water	1,993	1,613	419	559
Insurance	1,213	260	353	68
Depreciation and amortisation	11,912	12,058	4,024	4,044
Repairs and maintenance	1,167	1,620	439	368
Postage, telephone and stationery	8,531	10,820	3,003	3,676
Office supplies	493	214	200	84
Vehicle, travel and conveyance	9,880	6,540	2,492	2,776
Legal and professional charges	13,400	14,664	7,883	6,330
Certification and registration charges	4,633	4,496	1,777	2,515
Directors' fees	4,500	3,450	1,275	1,800
Security and janitorial	8,320	4,821	2,743	2,485
Others	5,910	6,700	545	1,579
	235,865	229,957	81,775	79,798
19. FINANCE COST				
Conventional				
- Mark-up on Long term borrowings	70,038	17,382	27,377	5,728
- Mark-up on Short term borrowings	486,654	240,131	195,295	68,740
	556,692	257,513	222,672	74,468
Islamic				
- Profit on Diminishing Musharakah	43,146	35,285	17,698	11,669
- Profit on Running Musharakah	67,917	20,098	35,647	6,262
	111,063	55,383	53,345	17,931
	667,755	312,896	276,017	92,399
Exchange loss and others	-	3,074	-	29
Interest on Workers' Profit Participation Fund	-	247	-	-
Bank charges	15,083	13,693	7,444	4,979
	682,838	329,910	283,461	97,407

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

For the nine and three months period ended 31 March 2019

	Nine months period ended		Three months period ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	----- (Un-audited) ----- ----- (Rupees in '000) -----			
20. OTHER OPERATING EXPENSES				
Auditors' remuneration	2,511	2,175	748	572
Donations	11,645	16,530	2,025	6,050
Workers' Profit Participation Fund	31,890	66,981	12,609	27,189
Workers' Welfare Fund	14,856	26,792	5,091	10,875
Business development expenses	6,985	3,664	4,290	388
	67,887	116,142	24,763	45,074
21. OTHER INCOME				
Income from non-financial assets				
Income from power generation 21.1	(30)	4,547	(958)	1,366
Gain on disposal of property, plant and equipment	94,026	49,507	23,153	12,859
Rental income	18,036	8,160	10,195	2,709
Dividend income from associate / subsidiary company	1,133,212	629,676	376,722	379,769
Exchange gain	272,225	111,884	11,130	57,118
Others	(444)	4,503	373	(257)
Income on financial assets				
Income on bank deposits - conventional	1,408	1,056	518	198
	1,518,433	809,333	421,133	453,762
21.1. Income from power generation				
Net sales	77,746	67,280	18,421	22,208
Cost of electricity produced	(77,776)	(62,733)	(19,379)	(20,842)
	(30)	4,547	(958)	1,366
22. TAXATION				
Current	441,726	490,624	166,796	218,809
Deferred	(43,733)	(5,374)	10,000	(4,124)
	397,993	485,250	176,796	214,685
22.1	Under section 5A of the Income Tax Ordinance 2001 a tax shall be imposed upto tax year 2019 at the rate of 5% of the accounting profit before tax on every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute atleast 20% of its after tax profit within six months of the end of the tax year through cash or bonus shares. However, no provision has been made for tax on undistributed profit as the Board of Directors of the Company intend to distribute sufficient dividend for the year ending 30 June 2019, so that such tax is not required to be paid.			

	Nine months period ended	
	31 March 2019	31 March 2018
	----- (Rupees in '000) -----	
23. CHANGES IN WORKING CAPITAL		
(Increase) / decrease in current assets:		
Store and spares	(106,427)	(31,359)
Stock-in-trade	(1,805,610)	(264,817)
Trade debts	(1,403,789)	(1,171,456)
Advances, trade deposits and short term-prepayments	1,013,256	(76,452)
Receivable from K-Electric Limited (KE)	7,472	870
Other receivables	69,593	168,506
	(2,225,505)	(1,374,708)
Increase / (decrease) in current liabilities:		
Trade and other payables	155,863	257,799
Contract liabilities	(77,482)	70,979
	(2,147,124)	(1,045,930)

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

For the nine and three months period ended 31 March 2019

		Nine months period ended	
		31 March	31 March
		2019	2018
		(Rupees in '000)	
23.1	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	161,759	144,786
	Running finance under mark-up arrangement from banks	13	(629,054)
	Short term borrowing under running Musharakah	13	(425,068)
		(4,236,977)	(909,336)

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:

	Nine months period ended		Three months period ended	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	(Rupees in '000)			
Subsidiaries				
Sales	911,436	1,270,919	134,843	374,198
Purchases	6,495,527	6,726,794	2,533,510	3,092,227
Shared resources	57,622	69,944	16,663	28,827
Partial manufacturing	54	2,292	-	-
Reimbursement of expenses	6,160	6,491	2,703	2,683
Rental income	18,036	8,127	10,196	2,709
Dividend income	1,102,750	245,056	367,583	-
Associated companies				
Sales	-	14	-	14
Purchases	11,779	6,216	5,144	1,028
Reimbursement of expenses	1,795	406	350	137
Insurance premium	2,620	-	868	-
Insurance claim	5,719	-	1,775	-
Dividend income	30,463	17,037	9,139	12,185
Dividend distribution	5,184	1,152	1,440	-
Others	1,290	-	800	-
Key management personnel				
Remuneration	215,867	196,152	70,157	67,155
Staff retirement funds				
Contribution paid	71,652	62,743	18,201	20,761
Non-executive directors				
Directors' fee	4,500	3,450	1,275	1,800
Reimbursement of Chairman's expenses	6,038	3,901	2,052	2,945

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

For the nine and three months period ended 31 March 2019

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 March 2019				
Sales	17,126,330	1,356,008	-	18,482,338
Cost of sales	(15,336,218)	(1,235,731)	-	(16,571,949)
Gross Profit	1,790,112	120,277	-	1,910,389
Selling and distribution expenses	(635,100)	(51,484)	-	(686,584)
Administrative expenses	(219,377)	(16,488)	-	(235,865)
	(854,477)	(67,972)	-	(922,449)
Financial and other charges	(632,740)	(50,098)	-	(682,838)
Other operating charges	(67,546)	(341)	-	(67,887)
	(700,286)	(50,439)	-	(750,725)
Other income	385,221	-	1,133,212	1,518,433
Profit before taxation	620,570	1,866	1,133,212	1,755,648
Taxation				(397,993)
Profit after taxation				1,357,655
For the period ended 31 March 2018				
Sales	17,304,597	1,773,121	-	19,077,718
Cost of sales	(14,847,113)	(1,603,402)	-	(16,450,515)
Gross Profit	2,457,484	169,719	-	2,627,203
Selling and distribution expenses	(793,756)	(91,253)	-	(885,009)
Administrative expenses	(207,867)	(22,090)	-	(229,957)
	(1,001,623)	(113,343)	-	(1,114,966)
Financial and other charges	(301,150)	(28,760)	-	(329,910)
Other operating charges	(113,513)	(2,629)	-	(116,142)
	(414,663)	(31,389)	-	(446,052)
Other income	179,657	-	629,676	809,333
Profit before taxation	1,220,855	24,987	629,676	1,875,518
Taxation				(485,250)
Profit after taxation				1,390,268

25.2 SEGMENT ASSETS & LIABILITIES

SEGMENTS	Steel	Polymer	Investments	Total
	(Rupees in '000)			
As at 31 March 2019 - Un-audited				
Segment assets	17,722,038	3,013,978	3,277,276	24,013,292
Segment liabilities	11,692,088	1,861,669	-	13,553,757
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

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

For the nine and three months period ended 31 March 2019

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

	31 March 2019 (Un-audited) (Rupees in '000)	30 June 2018 (Audited)
Total reportable segments assets	24,013,292	20,028,442
Unallocated assets	1,713,283	2,436,608
Total assets as per Statement of financial position	25,726,575	22,465,050
Total reportable segments liabilities	13,553,757	10,935,903
Unallocated liabilities	2,981,114	2,634,764
Total liabilities as per Statement of financial position	16,534,871	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 March 2019 (Un-audited)				Fair Value		
		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	
Financial assets measured at fair value								
Investments								
- quoted Companies								
-	3,268,108	-	-	3,268,108	16,405,004	-	-	
		30 June 2018 (Audited)				Fair Value		
		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	
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 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.

27.2 Date of authorization for issue

These condensed interim unconsolidated financial statements were authorised for issue by the Board of Directors on 18 April 2019.


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 Financial Position**
As at 31 March 2019

	31 March 2019 (Un-audited)	30 June 2018 (Audited)
	------(Rupees in '000)-----	
ASSETS		
Non-current assets		
Property, plant and equipment	6 25,522,688	24,031,606
Intangible assets	6,233	11,200
Long-term deposits	63,094	63,094
Investment in equity-accounted investee	7 1,003,666	1,004,132
	26,595,681	25,110,032
Current assets		
Stores and spares	797,277	591,296
Stock-in-trade	8 24,972,040	23,164,108
Trade debts	9 3,736,794	2,700,318
Advances, trade deposits and short-term prepayments	10 118,430	1,133,553
Receivable from K-Electric Limited (KE) - unsecured, considered good	33,487	52,628
Sales tax receivable	2,435,192	2,003,799
Other receivables	20,426	11,290
Taxation	184,216	260,145
Cash and bank balances	1,211,905	473,671
	33,509,767	30,390,808
Total assets	60,105,448	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 6,895,005	6,170,136
Exchange translation reserve	2,197	305
Capital reserve		
Revaluation surplus on property, plant and equipment	2,899,682	3,348,391
Total equity	13,987,067	13,709,016
Non-controlling interest	5,236,313	4,655,410
	19,223,380	18,364,426
LIABILITIES		
Non-current liabilities		
Long-term financing - secured	12 8,368,792	8,736,815
Staff retirement benefits	146,253	146,253
Deferred taxation - net	1,734,805	1,949,739
	10,249,850	10,832,807
Current liabilities		
Trade and other payables	13 8,431,135	6,664,672
Contract liabilities	14 1,402,735	1,197,246
Short-term borrowings - secured	15 18,378,650	16,771,867
Unpaid dividend	299,732	23,758
Unpaid dividend attributable to non-controlling interest	284,917	-
Unclaimed dividend	44,933	23,854
Unclaimed dividend attributable to non-controlling interest	9,234	2,917
Current portion of long term finances - secured	12 1,247,727	1,382,598
Accrued markup	391,523	235,161
Taxation	141,632	-
Sales tax payable	-	1,534
	30,632,218	26,303,607
Total liabilities	40,882,068	37,136,414
Total equity and liabilities	60,105,448	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
Director & Chairman
Board Audit Committee


M. Hanif Idrees
Chief Financial Officer


Riyaz T. Chinoy
Chief Executive Officer

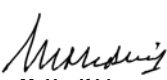
Condensed Interim Consolidated Statement of Profit and Loss Account (Un-audited)

For the Nine months period ended 31 March 2019

Note	Nine months period ended		Three months period ended		
	31 March 2019	31 March 2018	31 March 2019	31 March 2018	
------(Rupees in '000)-----					
Net sales	17	53,839,430	48,211,705	21,057,741	17,060,026
Cost of sales	18	(47,269,294)	(39,908,932)	(18,683,926)	(14,099,754)
Gross profit		6,570,136	8,302,773	2,373,815	2,960,272
Selling and distribution expenses	19	(1,180,140)	(1,225,942)	(492,791)	(442,449)
Administrative expenses	20	(446,085)	(406,082)	(149,748)	(132,609)
Reversal of impairment on trade debts		10,717	5,919	(328)	5,014
		(1,615,507)	(1,626,105)	(642,866)	(570,044)
Finance cost	21	(1,692,685)	(687,880)	(701,440)	(223,036)
Other operating expenses	22	(316,121)	(631,590)	(108,564)	(308,455)
		(2,008,806)	(1,319,470)	(810,004)	(531,491)
Other income	23	496,529	237,504	76,982	88,331
Share of profit in equity-accounted investee		33,541	29,550	14,753	7,908
Profit before taxation		3,475,893	5,624,252	1,012,680	1,954,976
Taxation	24	(700,202)	(1,682,660)	(312,902)	(587,149)
Profit after taxation		2,775,691	3,941,592	699,778	1,367,827
Profit after taxation attributable to:					
Owners of Holding Company		1,749,269	2,600,547	448,829	916,832
Non-controlling interest		1,026,421	1,341,045	250,949	450,995
		2,775,691	3,941,592	699,778	1,367,827
------(Rupees in '000)-----					
Earnings per share - basic and diluted		14.59	21.69	3.74	7.65

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 Nine months period ended 31 March 2019

	Nine months period ended		Three months period ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	------(Rupees in '000)-----			
Profit for the year	2,775,691	3,941,592	699,778	1,367,827
Other comprehensive income				
<i>Items not to be reclassified to profit and loss account in subsequent periods</i>				
Foreign operation - foreign currency translation difference	1,892	896	220	263
Proportionate share of other comprehensive income of equity accounted investee	(3,932)	2,603	454	228
Other comprehensive income	(2,041)	3,499	674	491
Total comprehensive income	2,773,651	3,945,091	700,451	1,368,318
Total comprehensive income attributable to:				
Owners of the Holding Company	1,747,229	2,604,046	449,503	917,323
Non-controlling interest	1,026,421	1,341,045	250,949	450,995
Total comprehensive income	2,773,651	3,945,091	700,451	1,368,318

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

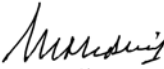
Condensed Interim Consolidated Cash Flow Statement (Un-audited)

For the Nine months period ended 31 March 2019

	31 March 2019	31 March 2018
	(Un-audited)	
	------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,475,893	5,641,459
Adjustments for:		
Depreciation and amortization	1,109,414	913,845
Reversal of impairment on trade debts	(11,071)	(5,000)
Income on bank deposits	(7,255)	(1,788)
Gain on disposal of property, plant and equipment	(96,379)	(56,671)
Provision for obsolescence against spares	11,811	-
Provision for staff gratuity	49,986	42,117
Provision for compensated absences	10,315	-
Share of profit from associated company	(33,541)	(29,550)
Finance cost	1,692,685	687,880
	2,725,965	1,550,833
Changes in working capital	(486,150)	(6,487,693)
Long-term deposits	-	(11,779)
Net cash generated from operations	5,715,708	692,820
Translation reserve	(932)	566
Finance cost paid	(1,536,323)	(654,868)
Payment for staff gratuity	(49,986)	(65,301)
Compensated absences paid	(11,141)	-
Incom tax paid	(676,162)	(605,117)
Net cash generated from operating activities	3,441,164	(631,900)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(2,624,819)	(5,029,139)
Amalgamation of wholly own Subsidiary Company	-	150,000
Investment in Associated Company	-	(489,612)
Dividend income received	765,629	17,037
Proceeds from disposal of property, plant and equipment	125,780	72,947
Income on bank deposits received	7,255	1,788
Net cash used in investing activities	(1,726,155)	(5,276,979)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term financing	524,554	4,203,037
Repayment of long-term financing	(1,027,448)	(1,455,590)
Proceed from / (repayments of) short term borrowing - net	317,083	661,313
Dividends paid to non controlling interest	(1,308,223)	(462,778)
Dividends paid to shareholders of the Holding Company	(772,441)	(479,229)
Net cash used in financing activities	(2,266,475)	2,466,753
Net (decrease) / increase in cash and cash equivalents	(551,466)	(3,442,126)
Cash and cash equivalents at beginning of the period	(7,350,014)	(2,861,059)
Transfer upon merger	-	(13,382)
Cash and cash equivalents at end of the period	(7,901,480)	(6,316,567)
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	1,211,905	311,278
Short-term borrowings - secured	(9,113,385)	(6,627,845)
Cash and Cash Equivalents	(7,901,480)	(6,316,567)

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 Changes in Equity (Un-audited)

For the Nine months period ended 31 March 2019

Notes	Attributable to owners of the Holding Company							Total	
	Issued, subscribed and paid-up capital	General reserves	Revenue Reserves Un- appropriated profit / (loss)	Exchange translation reserve	Total reserves	Capital Reserve Revaluation surplus on property, plant & machinery	Non- controlling interest		
	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
Balance as at 1 July 2017									
Total comprehensive income for the period ended 31 March 2018									
Profit for the period	-	-	2,600,547	-	2,600,547	-	2,600,547	1,341,045	3,941,592
Transfer from amalgamation	-	-	1,574	-	1,574	-	1,574	-	1,574
Other comprehensive income	-	-	2,603	896	3,499	-	3,499	-	3,499
Transactions with owners recorded directly in equity	-	-	2,604,724	896	2,605,620	-	2,605,620	1,341,045	3,946,665
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)
-Interim dividend @ 20.00% (Rs. 2.00 per share) for the year ended 30 June 2018	-	-	(239,785)	-	(239,785)	-	(239,785)	-	(239,785)
Total transactions with owners of the Holding Company	-	-	(479,570)	-	(479,570)	-	(479,570)	-	(479,570)
Dividend to non-controlling interest	-	-	-	-	-	-	-	(474,861)	(474,861)
Transfer from surplus on revaluation on disposal of fixed assets - net of deferred tax	-	-	750	-	750	(750)	-	-	-
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	44,196	-	44,196	(50,886)	(6,690)	6,690	-
Proportionate share of surplus on revaluation of property, plant and equipment - PCL	-	-	-	-	-	(723)	(723)	-	(723)
Balance as at 31 March 2018	1,198,926	2,991,258	5,366,634	(46)	8,357,846	3,372,214	12,928,986	4,178,162	17,107,148

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

For the Nine months period ended 31 March 2019

Notes	Attributable to owners of the Holding Company							Total	
	Issued, subscribed and paid-up capital	General reserves	Un- appropriated profit / (loss)	Exchange translation reserve	Total reserves	Capital Reserve Revaluation surplus on property, plant & machinery	Non- controlling interest		
	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
Balance as at 1 July 2018									
Total comprehensive income for the period ended 31 March 2019									
Profit for the period	-	-	1,749,269	-	1,749,269	-	1,749,269	1,026,421	2,775,690
Effect of change in tax rate on balance of revaluation of property, plant and equipment	-	-	(3,932)	1,892	(2,041)	18,700	18,700	-	18,700
Other comprehensive income	-	-	1,745,337	1,892	1,747,229	18,700	1,765,929	1,026,421	2,792,350
	-	-	(779,302)	-	(779,302)	-	(779,302)	-	(779,302)
Distribution to owners of the Holding Company:									
-Final dividend @ 65% (Rs. 6.50 per share) for the year ended 30 June 2018	-	-	(299,732)	-	(299,732)	-	(299,732)	-	(299,732)
-Interim dividend @ 25% (Rs. 2.50 per share) for the year ending 30 June 2019	-	-	(1,079,034)	-	(1,079,034)	-	(1,079,034)	-	(1,079,034)
Total transactions with owners of the Holding Company	-	-	-	-	-	-	-	-	-
Dividend to non-controlling interest	-	-	-	-	-	-	-	(854,750)	(854,750)
Transfer from surplus on revaluation on disposal of fixed assets - net of deferred tax	-	-	7,975	-	7,975	(7,975)	-	-	-
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	50,591	-	50,591	(55,051)	(4,460)	4,460	-
Proportionate share of surplus on revaluation of property, plant and equipment - PCL	-	-	-	-	-	389	389	-	389
Proportionate share / reclassification of surplus on revaluation of property, plant and equipment - NCI	-	-	-	-	-	(404,772)	(404,772)	404,772	-
Balance as at 31 March 2019	1,198,926	2,991,258	6,895,005	2,197	9,888,460	2,899,682	13,987,068	5,236,313	19,223,380

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


Riyaz T. Chinooy
Chief Executive Officer

For the quarter ended 31 March 2019

29

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

For the Nine months period ended 31 March 2019

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, Dehshrahi Landhi Town, Karachi
- c) 22 KM, Sheikhpura 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) representing 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 nine month period ended 31 March 2019.

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 comprise of:

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

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

2.2.2 These condensed interim consolidated financial 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.

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

For the Nine months period ended 31 March 2019

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 March 2018.

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 Group's condensed interim consolidated 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 Group 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 Group's condensed interim consolidated 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 Group's condensed interim consolidated financial statements.

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

For the Nine months period ended 31 March 2019

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 Group's condensed interim consolidated 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 Group's condensed interim consolidated 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 Group has objective evidence that all criteria for acceptance have been satisfied. Invoices are generated and revenue is recognised at that point in time. The Group 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 Group 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.

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

For the Nine months period ended 31 March 2019

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 Group 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 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.

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

For the Nine months period ended 31 March 2019

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.

	Operating assets	Capital work- in-progress (Incl., capital spares)	Total
	----- (Rupees in '000) -----		
6. PROPERTY, PLANT AND EQUIPMENT			
Cost / revalued amount			
Opening balance	27,133,525	3,716,364	30,849,889
Additions	2,597,972	2,562,232	5,160,204
Translate reserve	113	-	113
Transfers	-	(2,535,385)	(2,535,385)
Disposal	(170,834)	-	(170,834)
	<u>29,560,776</u>	<u>3,743,211</u>	<u>33,303,987</u>
Accumulated depreciation			
Opening balance	(6,819,035)	-	(6,819,035)
Charge for the period	(1,104,448)	-	(1,104,448)
Disposal / transfers / adjustments	142,184	-	142,184
	<u>(7,781,299)</u>	<u>-</u>	<u>(7,781,299)</u>
Written down value as at			
31 March 2019 (Un-audited)	<u>21,779,477</u>	<u>3,743,211</u>	<u>25,522,688</u>
Written down value as at 30 June 2018 (Audited)	<u>20,334,179</u>	<u>3,697,427</u>	<u>24,031,606</u>

**Notes to the Condensed Interim
Consolidated Financial Statements (Un-audited)**
For the Nine months period ended 31 March 2019

	31 March 2019 (Un-audited)	30 June 2018 (Audited)
	(Rupees in '000)	
7. INVESTMENT IN EQUITY - ACCOUNTED INVESTEE		
Pakistan Cables Limited - associate company	7.1 1,003,666	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 March 2019 was Rs. 714.098 million @ 117.21 per share (30 June 2018: Rs. 1,138.987 million @ 186.95 per share) 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 31 December 2018.	
	31 March 2019 (Un-audited)	30 June 2018 (Audited)
	----- (Rupees in '000) -----	
8. STOCK-IN-TRADE		
Raw material - in hand	8,601,534	10,219,889
- in transit	3,858,105	5,294,294
	12,459,639	15,514,183
Work-in-process	3,777,304	2,597,105
Finished goods	8,485,236	4,922,892
By-products	55,013	24,655
Scrap material	194,848	105,273
	8,735,097	5,052,820
	24,972,040	23,164,108
8.1	Raw material of Holding Company amounting to Rs.3.0 million (2018: Rs.3.8 million) as at 31 March 2019 was held at vendor's premises for the production of pipe caps.	
	31 March 2019 (Un-audited)	30 June 2018 (Audited)
	----- (Rupees in '000) -----	
9. TRADE DEBTS		
Considered good - secured	234,846	258,223
- unsecured	3,501,948	2,442,095
	3,736,794	2,700,318
Considered doubtful	143,232	152,649
	3,880,026	2,852,967
Impairment of doubtful debts	(143,232)	(152,649)
	3,736,794	2,700,318
10. ADVANCES, TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Considered good		
- Suppliers	54,922	1,072,496
- Employees for business related expenses	4,208	993
- Trade deposits	24,753	24,357
- Margin against shipping guarantees	-	13,949
- Short term prepayments	34,547	21,758
	118,430	1,133,553

**Notes to the Condensed Interim
Consolidated Financial Statements (Un-audited)**
For the Nine months period ended 31 March 2019

		31 March 2019 (Un-audited)	30 June 2018 (Audited)
		----- (Rupees in '000) -----	
11 RESERVES			
General Reserves		2,991,258	2,991,258
Unappropriated profit		6,895,005	6,170,136
		9,886,263	9,161,394
12. LONG-TERM FINANCING - secured			
Conventional			
Long Term Finance Facility (LTFF)	12.1 - 12.2	2,871,696	3,153,756
Long Term Finance (LTF)	12.3 - 12.4	311,111	544,445
Islamic			
Diminishing Musharakah	12.5 - 12.9	6,433,712	6,421,212
		9,616,519	10,119,413
Current portion of long-term finances shown under current liabilities			
Conventional			
Long Term Finance Facility (LTFF)	12.1 - 12.2	(316,918)	(307,850)
Long Term Finance (LTF)	12.3 - 12.4	(177,778)	(177,778)
Islamic			
Diminishing Musharakah	12.5 - 12.9	(753,031)	(896,970)
		(1,247,727)	(1,382,598)
		8,368,792	8,736,815

Conventional

- 12.1** The Holding Company has approved long term finance facilities of amounts aggregating to Rs. 1,375.8 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.311 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.312.5 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.166.67 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.450 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.
- 12.9** This facility is obtained by Subsidiary Company (ISL) amounting to Rs.4,800 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.

**Notes to the Condensed Interim
Consolidated Financial Statements (Un-audited)**
For the Nine months period ended 31 March 2019

	Note	31 March 2019 (Un-audited)	30 June 2018 (Audited)
----- (Rupees in '000) -----			
13. TRADE AND OTHER PAYABLES			
Trade creditors	13.1	3,225,344	2,240,120
Bills payable		62,620	17,293
Provision for Government Levies		328	230
Accrued expenses		2,811,785	2,496,774
Provision for Infrastructure Cess	13.2	1,449,975	1,176,189
Short-term compensated absences		15,687	22,004
Workers' Profit Participation Fund		183,150	23,860
Workers' Welfare Fund		442,783	367,299
Others		239,463	320,903
		<u>8,431,135</u>	<u>6,664,672</u>
13.1	This includes an amount of Rs. 744 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		273,786	334,448
Closing balance		<u>1,449,975</u>	<u>1,176,189</u>
14 CONTRACT LIABILITIES			
Sales commission payable		70,826	60,868
Advance from customers	14.1	1,331,909	1,136,378
		<u>1,402,735</u>	<u>1,197,246</u>
14.1	Advance from customers are unsecured and includes Rs.1.25 million (2018: Rs.0.1 million) received from related party for supply of finished goods by the Subsidiary Company		
15. SHORT-TERM BORROWINGS - secured			
CONVENTIONAL			
Running finance under mark-up arrangement from banks	15.1	6,977,041	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	2,136,344	2,698,456
Short-term finance under Term Musharakah	15.5	900,000	1,425,153
		<u>18,378,650</u>	<u>16,771,867</u>
15.1	The facilities for running finance available from various commercial banks amounted to Rs. 19,099 million (2018: Rs.9,958 million). The rates of mark-up on these finances obtained by the Holding company ranges from 10.65% to 12.04% 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 10.71% to 12.05% 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. 5,295 million (2018: Rs. 5,140 million). The rate of markup on these finance ranges from 10.90% to 11.29% per annum (2018: 6.43% - 7.02%) per annum.		
15.3	The Group has obtained facilities under the Export Refinance Scheme of the State Bank of Pakistan (SBP) available from various commercial banks amounted to Rs. 4,164.8 million (2018: Rs.3,113.0 million). The rates of mark-up on this facility ranges from 2.50% to 3.00 % per annum (2018: 2.10% to 2.20% per annum).		
15.4	The Group has obtained facilities Running Musharakah amounted to Rs 4,000 million (2018: 3,000 million). The rate of profit on these finances obtained by the Holding Company is 10.86% per annum (2018: 6.63%) per annum. The rate of profit on these finance obtained by the Subsidiary Company is 10.71% - 10.86% per annum (2018: 6.34% to 6.63%) per annum. The facility matures within twelve months and is renewable.		

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

For the Nine months period ended 31 March 2019

- 15.5 The Subsidiary Company has obtained facilities under Term Musharakah amounted to Rs 2,400 million (2018: 1,600 million. The rate of profit is 8.37% to 11.05% (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 March 2019, the unavailed facilities from the above borrowings amounted to Rs.16,580 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. 995.5 million (2018: Rs. 917.97 million) pertaining to period from 01 July 2011 to 31 March 2019 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 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, 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.1,525 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.1,423.6million (note 14.2) as at 31 March, 2019.

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.

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

For the Nine months period ended 31 March 2019

- 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.1,481.0 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.100.8 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 fulfillment of stipulated conditions. The Holding Company has fulfilled the conditions for the aforementioned duties and is making effort to retrieve the associated post-dated cheques from the custom authorities.
- 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 depositing 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

Notes to the Condensed Interim Consolidated Financial Statements (Un-audited)
For the Nine months period ended 31 March 2019

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. 2.65 million (2018: Rs. Nil).

16.2 Commitments

Group

16.2.1 Capital expenditure commitments of the Group outstanding as at 31 March 2019 amounted to Rs.592 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 March 2019 to Rs. 10,090 million (2018: Rs.11,639 million).

16.2.3 The unavailed facilities for opening letters of credit and guarantees from banks as at 31 March 2019 amounted to Rs. 23,975 million (2018: 14,657 million) and Rs. 1,804 million (2018: 553 million) respectively.

Holding Company

16.2.4 Commitments under purchase contracts as at 31 March 2019 amounted to Rs. 25.9 million (2018: Rs.191 million).

17. NET SALES

	Nine months period ended		Three months period ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	----- (Rupees in '000) -----			
Local	57,449,892	50,347,620	22,755,602	17,988,274
Export	6,236,803	6,474,292	2,121,794	2,186,727
	63,686,695	56,821,912	24,877,396	20,175,001
Sales Tax	(8,596,154)	(7,550,673)	(3,386,219)	(2,682,711)
Trade discounts & commission	(1,231,335)	(1,018,806)	(427,959)	(422,777)
Export commission and discounts	(19,776)	(40,728)	(5,477)	(9,487)
	(9,847,265)	(8,610,207)	(3,819,655)	(3,114,975)
	53,839,430	48,211,705	21,057,741	17,060,026

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 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	47,622,403	41,778,141	18,941,424	14,882,786
Srilanka	592,248	489,400	180,705	63,772
Americas	1,494,140	2,262,556	393,291	856,245
Australia	1,240,531	948,853	272,156	332,800
Africas	222,002	600,571	106,031	356,359
Afghanistan	383,710	872,175	176,042	126,538
Middle East	515,111	508,884	327,426	186,613
Others	1,769,285	751,125	660,666	254,913
	53,839,430	48,211,705	21,057,741	17,060,026
Major product lines:				
Steel products	52,483,422	46,438,584	20,241,141	16,306,399
Polymer products	1,356,008	1,773,121	816,600	753,627
	53,839,430	48,211,705	21,057,741	17,060,026

**Notes to the Condensed Interim
Consolidated Financial Statements (Un-audited)**
For the Nine months period ended 31 March 2019

	Nine months period ended		Three months period ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
18. COST OF SALES				
	----- (Rupees in '000) -----			
<i>Raw material consumed</i>				
Opening stock of raw material	10,219,889	6,765,072	8,465,926	5,784,442
Purchases	49,085,857	43,413,338	18,250,645	20,340,461
	59,305,746	50,178,410	26,716,571	26,124,903
Closing stock of raw material	(8,601,534)	(11,203,424)	(8,601,534)	(11,203,424)
	50,704,212	38,974,986	18,115,037	14,921,479
<i>Manufacturing overheads</i>				
Salaries, wages and benefits	1,173,345	1,050,665	395,943	361,467
Rent, rates and taxes	1,963	3,435	1,571	2,613
Electricity, gas and water	1,279,377	1,014,873	461,178	361,065
Insurance	27,061	23,573	5,969	5,695
Security and janitorial	47,085	36,854	16,027	13,276
Depreciation and amortization	998,226	817,466	355,826	273,097
Operational supplies and consumables	167,884	134,651	59,544	41,571
Stores and spares scrapped	11,811	-	2,933	-
Repairs and maintenance	184,374	156,949	71,006	54,566
Postage, telephone and stationery	20,126	15,461	6,774	5,057
Vehicle, travel and conveyance	41,830	22,692	12,580	8,933
Internal material handling	66,721	35,813	23,986	9,055
Environment controlling expense	2,054	1,543	613	458
Sundries	18,071	9,780	2,028	2,168
Toll manufacturing expenses	3,769	12,052	1,222	9,097
	4,043,697	3,335,807	1,417,200	1,148,118
Recovery from sale of scrap	(2,616,139)	(1,793,336)	(1,183,681)	(630,944)
	1,427,558	1,542,471	233,519	517,174
	52,131,770	40,517,457	18,348,556	15,438,654
<i>Work-in-process</i>				
Opening stock	2,597,105	2,188,580	4,423,273	2,782,230
Closing stock	(3,777,304)	(3,303,427)	(3,777,304)	(3,303,427)
	(1,180,199)	(1,114,847)	645,969	(521,197)
Cost of goods manufactured	50,951,571	39,402,610	18,994,525	14,917,457
<i>Finished goods, by-products and scrap:</i>				
Opening stock	5,052,820	5,257,984	8,424,498	3,933,959
Closing stock	(8,735,097)	(4,751,662)	(8,735,097)	(4,751,662)
	(3,682,277)	506,322	(310,599)	(817,703)
	47,269,294	39,908,932	18,683,926	14,099,754
19 SELLING & DISTRIBUTION EXPENSES				
Freight and forwarding expenses	705,412	815,551	328,925	281,821
Salaries, wages and benefits	211,492	200,212	74,327	66,422
Rent, rates and taxes	6,013	3,903	1,870	1,236
Electricity, gas and water	7,131	9,675	2,371	4,496
Insurance	8,723	7,419	1,982	2,341
Depreciation and amortization	17,238	14,442	5,848	5,144
Repair and maintenance	801	631	164	225
Advertising and sales promotion	155,165	118,702	51,701	61,527
Postage, telephone and stationery	8,996	7,386	4,176	3,252
Office supplies	128	335	7	110
Vehicle, travel and conveyance	40,167	29,154	11,121	11,703
Certification and registration charges	3,619	1,282	2,418	179
Security and janitorial	6,767	3,553	2,666	1,620
Others	8,487	13,697	5,215	2,373
	1,180,140	1,225,942	492,791	442,449

**Notes to the Condensed Interim
Consolidated Financial Statements (Un-audited)**
For the Nine months period ended 31 March 2019

	Nine months period ended		Three months period ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
----- (Rupees in '000) -----				
20 ADMINISTRATIVE EXPENSES				
Salaries, wages and benefits	287,885	272,525	97,460	86,796
Rent, rates and taxes	4,391	4,522	1,365	1,536
Electricity, gas and water	3,686	3,205	835	889
Insurance	3,194	1,807	1,149	669
Depreciation and amortization	16,602	16,673	5,674	5,551
Repair and maintenance	1,167	1,620	439	368
Postage, telephone and stationery	14,531	17,170	3,795	4,546
Office supplies	493	214	200	84
Vehicle, travel and conveyance	17,170	12,201	4,996	4,591
Legal and professional charges	59,038	41,984	23,012	14,640
Certifications and registration charges	7,733	8,087	2,349	2,448
Directors' fees	8,025	6,300	2,625	2,550
Security and janitorial	8,804	5,216	2,940	2,599
Others	13,365	14,559	2,909	5,343
	446,085	406,082	149,748	132,609
21. FINANCE COST				
Conventional				
- Mark-up on long-term borrowings	154,885	139,015	57,507	42,615
- Mark-up on short-term borrowings	986,526	341,114	379,870	110,093
Islamic				
- Profit on Diminishing Musharakah	327,463	118,032	154,059	38,515
- Profit on Running Musharakah	199,806	67,525	101,509	23,985
	1,668,680	665,686	692,945	215,208
Exchange loss and others	-	3,074	-	29
Interest on Workers' Profit Participation Fund	1,053	247	-	-
Bank charges	22,952	18,873	8,495	7,799
	1,692,685	687,880	701,440	223,036
22. OTHER OPERATING EXPENSES				
Auditors' remuneration	4,770	3,977	1,110	987
Loss on derivative financial instruments	-	2,054	-	-
Donations	45,422	64,430	25,078	34,150
Workers' Profit Participation Fund	183,460	309,945	55,742	106,706
Workers' Welfare Fund	75,484	123,977	22,344	42,681
Exchange loss	-	123,543	-	123,543
Business development expenses	6,985	3,664	4,290	388
	316,121	631,590	108,564	308,455
23. OTHER INCOME				
Income from non-financial assets				
Income from power generation	18,197	28,492	7,248	6,071
Gain on disposal of property, plant and equipment	96,379	56,671	23,923	17,599
Rental income	1,461	3,558	487	2,554
Exchange gain / (loss) - net	338,136	111,884	21,154	40,363
Others	35,005	35,111	20,961	21,015
Income on financial assets				
Interest on bank deposits	7,351	1,788	3,209	729
	496,529	237,504	76,982	88,331

**Notes to the Condensed Interim
Consolidated Financial Statements (Un-audited)**
For the Nine months period ended 31 March 2019

	Nine months period ended		Three months period ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
23.1. Income from power generation	----- (Rupees in '000) -----			
Net sales	369,223	386,519	106,285	123,080
Cost of electricity produced	(351,026)	(358,027)	(99,037)	(117,009)
	<u>18,197</u>	<u>28,492</u>	<u>7,248</u>	<u>6,071</u>
24. TAXATION				
Current	896,436	1,483,442	352,693	537,523
Prior	-	10,850	-	3,000
Deferred	(196,234)	188,368	(39,791)	46,626
	<u>700,202</u>	<u>1,682,660</u>	<u>312,902</u>	<u>587,149</u>

- 24.1** Under section 5A of the Income Tax Ordinance, 2001 a tax shall be imposed upto tax year 2019 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.

	Nine month period ended	
	31 March 2019	31 March 2018
25. CASH AND CASH EQUIVALENTS	----- (Rupees in '000) -----	
Cash and bank balances	1,211,905	261,254
Running finance under mark-up arrangement from banks	15 (6,977,041)	(504,723)
Short-term borrowing under Running Musharakah	15 (2,136,344)	(105,734)
	<u>(7,901,480)</u>	<u>(349,203)</u>

26. TRANSACTIONS WITH RELATED PARTIES

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

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

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

**Notes to the Condensed Interim
Consolidated Financial Statements (Un-audited)**
For the Nine months period ended 31 March 2019

	Nine months period ended		Three months period ended	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	----- (Rupees in '000) -----			
Associated companies				
Sales	431,947	938,345	45,677	216,196
Purchases	32,077,198	22,673,558	9,476,317	12,985,001
Reimbursement of expenses	2,889	406	1,009	137
Insurance premium expense	57,564	-	7,723	-
Insurance claim	5,719	-	1,775	-
Rent income	1,461	1,455	487	484
Donations	-	6,500	-	6,000
Dividend distribution	123,617	40,630	1,440	-
Dividend income	30,463	17,037	9,139	12,185
Others	1,290	-	800	-
Key management personnel				
Remuneration	407,928	389,634	129,185	127,352
Staff retirement funds				
Contribution paid	107,815	117,900	32,388	32,319
Non-executive directors				
Directors' fees	8,025	6,300	2,625	2,550
Reimbursement of Chairman's expenses	6,038	3,901	2,052	2,945
Balances with related parties			31 March 2019	30 June 2018
			(Un-audited)	(Audited)
			----- (Rupees in '000) -----	
Trade debts				
Sumitomo Corporation			-	43,320
Trade creditor				
Sumitomo Corporation			744,337	1,072,790

27 SEGMENT REPORTING

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

**Notes to the Condensed Interim
Consolidated Financial Statements (Un-audited)**
For the Nine months period ended 31 March 2019

27.1 SEGMENT REVENUE AND RESULTS

SEGMENTS	Steel Coils & Sl	Steel Pipes	Polymer	Investment	Total
	----- (Rupees in '000) -----				
For the nine month period ended 31 March 2019					
Sales	34,966,532	17,516,890	1,356,008	-	53,839,430
Cost of sales	(31,034,498)	(14,999,065)	(1,235,731)	-	(47,269,294)
Gross Profit	3,932,034	2,517,825	120,277	-	6,570,136
Selling and distribution expenses	(452,375)	(665,564)	(51,484)	-	(1,169,423)
Administrative expenses	(197,824)	(231,773)	(16,488)	-	(446,085)
	(650,199)	(897,336)	(67,972)	-	(1,615,507)
Financial charges	(1,009,812)	(632,775)	(50,098)	-	(1,692,685)
Other operating charges	(248,234)	(67,713)	(341)	-	(316,121)
	(1,258,046)	(700,488)	(50,439)	-	(2,008,806)
Other income	124,783	371,746	-	-	496,529
Share of profit in equity accounted investee - net of tax	-	-	-	33,541	33,541
Profit before taxation	2,148,572	1,291,747	1,866	33,541	3,475,893
Taxation	-	-	-	-	(700,202)
Profit after taxation	-	-	-	-	2,775,691
For the nine month period ended 31 March 2018					
Sales	29,231,812	17,206,772	1,773,121	-	48,211,705
Cost of sales	(24,388,486)	(13,917,044)	(1,603,402)	-	(39,908,932)
Gross Profit	4,843,326	3,289,728	169,719	-	8,302,773
Selling and distribution expenses	(310,809)	(817,961)	(91,253)	-	(1,220,023)
Administrative expenses	(167,811)	(216,181)	(22,090)	-	(406,082)
	(478,620)	(1,034,142)	(113,343)	-	(1,626,105)
Financial charges	(357,931)	(301,189)	(28,760)	-	(687,880)
Other operating charges	(515,448)	(113,513)	(2,629)	-	(631,590)
	(873,379)	(414,702)	(31,389)	-	(1,319,470)
Other income	63,172	174,332	-	-	237,504
Share of profit in equity accounted investee - net of tax	-	-	-	29,550	29,550
Profit before taxation	3,554,499	2,015,216	24,987	29,550	5,624,252
Taxation	-	-	-	-	(1,682,660)
Profit after taxation	-	-	-	-	3,941,592

27.2 SEGMENT ASSETS & LIABILITIES

SEGMENTS	Steel Coils & Sheets	Steel Pipes	Polymer	Investments	Total
	----- (Rupees in '000) -----				
As at 31 March 2019 - Un-audited					
Segment assets	36,704,102	17,722,038	3,013,978	1,003,666	58,443,784
Segment liabilities	24,368,854	11,692,088	1,861,669	-	37,922,611
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

Notes to the Condensed Interim Consolidated Financial Statements (Un-audited)
For the Nine months period ended 31 March 2019

Reconciliation of segment assets & liabilities with total assets & liabilities in the balance sheet is as follows:

	31 March 2019 (Un-audited)	30 June 2018 (Audited)
	----- (Rupees in '000) -----	
Total reportable segments assets	58,443,784	50,558,243
Unallocated assets	1,661,664	4,942,597
Total assets as per Balance Sheet	60,105,448	55,500,840
Total reportable segments liabilities	37,922,611	33,279,428
Unallocated liabilities	2,959,457	3,856,986
Total liabilities as per Balance Sheet	40,882,068	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 March 2019					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	-	1,003,666	-	-	1,003,666	714,098	-	-
----- (Rupees in '000) -----								
	30 June 2018					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 Corresponding figures

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

29.2 Date of authorization for issue

This consolidated financial information was authorized for issue by the Board of Directors on 18 April 2019.


Ehsan A. Malik
Director & Chairman
Board Audit Committee


M. Hanif Idrees
Chief Financial Officer


Riyaz T. Chinoy
Chief Executive Officer