INTERNATIONAL STEELS LIMITED

Shaping Tomorrow

Unaudited Financial Statements
First Quarter ended September 30, 2015

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Company Information

Chairman
Mr. Kemal Shoaib
Independent Chairman

Directors
Mr. Towfiq H. Chinoy
Executive Director
Mr. Tariq Iqbal Khan
Independent Director
Mr. Kamran Y. Mirza
Independent Director
Syed Salim Raza
Independent Director
Syed Hyder Ali
Non-Executive Director
Mr. Mustapha A. Chinoy
Non-Executive Director
Mr. Kamal A. Chinoy
Non-Executive Director
Mr. Otomichi Yano
Non-Executive Director

Chief Executive Officer
Mr. Yousuf H. Mirza
Executive Director

Chief Financial Officer & Company Secretary
Mr. Muhammad Kashan Mansoori (Interim)

External Auditors
KPMG Taseer Hadi & Co.

Internal Auditors
Mr. Usman Ahmed

Bankers
Allied Bank Ltd.
Bank Al Habib Ltd.
Bank Alfalah Ltd.
Dubai Islamic Bank (Pak) Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
Habib Metropolitan Bank Ltd.
MCB Bank Ltd
Meezan Bank Ltd.
NIB Bank Ltd.
Samba Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
United Bank Ltd.

Legal Advisors
Mrs. Sana Shaikh Fikree

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Corporate Affairs Department
Mohammad Irfan Bhatti
Assisstant Company Secretary
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Directors' Report

The directors of your company are pleased to present the financial statements for the period ended September 30, 2015.

During the period under review cold rolling capacity increased to 500,000 tons per annum with the addition of a second stand for the cold rolling mill. The first coil from the new extended mill was produced on the 26th of July, delayed by a month. Commercial production commenced in August 2015.

As reported in the last Directors' report, a second Galvanizing Line with a nameplate capacity of 250,000 tons per annum was commissioned in July 2015. Our total capacity for Galvanized Steel coils increased to 400,000 tons per annum. With the expansion almost the entire national demand for Galvanized steel sheets can be produced locally thereby providing significant foreign exchange savings for the country as well as a substantial contribution to the national exchequer.

The global steel prices continued to slide, as there is significant excess capacity and a global economic slowdown, particularly in China who contributes to well over 50% of world's steel output.The minimum level of inventory your company can operate at based on the current lead time of 45 days being offered by the world's steel mills is 90 days. This includes 30 days of goods in transit. Throughout the year in a market in which prices have halved your company has been continually faced with incoming raw material at prices higher than the prevailing market at the time of arrival and this has had an adverse impact on our profitability.

Pakistan has a Free Trade Agreement (FTA) with China, which results in almost 70% of total imports being made from China at a concessional rate of duty. Additionally, a significant quantity of flat steel under the guise of 'alloy' which incurs no duty has been imported from China. Both these have caused significant injury to the local industry.

The National Tariff Commission has accepted anti-dumping cases for import of both cold rolled and galvanized steel from China. Investigations about the extent of possible injury to the local industry are currently under way, and as our applications are accepted, we expect interim relief before the end of the year in the form of additional import duty on our finished products.

Sales were lower than the same period last year by 3% and gross profit remained under pressure owing to higher input cost and the continuous decline in steel prices. The exchange rate fluctuation during the quarter also had an adverse impact on profitability. For the current period, your company declared a loss after tax of Rs. 202 million compared to a profit of Rs. 2.32 million in same period last year.

With the completion of expansion projects and streamlining of operations the company expects an improvement in its business performance for the rest of this financial year.

We pray to Almighty Allah for the success of your company.

For & behalf of
International Steels Limited

Karachi
Dated: 20 October 2015

Kemal Shoaib
Chairman

Condensed Interim Balance Sheet

As at 30 September 2015

		30 September 2015 (Unaudited)	30 June 2015 (Audited)
		---------- (Rupees in '000) ----------	
ASSETS			
Non Current Assets			
Property, plant and equipment	4	12,406,212	12,332,043
Intangible assets		413	551
Long term deposit with Central Depository Company of Pakistan Limited		100	100
Total Non Current Assets		12,406,725	12,332,694
Current Assets			
Stores and spares		351,743	349,577
Stock-in-trade	5	6,044,915	4,437,944
Receivable from K-Electric Limited (KE) - unsecured, considered good		37,489	56,895
Trade debts - secured, unsecured and considered good	6	733,518	362,464
Advances - considered good	7	78,801	47,918
Trade deposits and prepayments	8	23,598	15,135
Sales tax receivable		514,417	38,295
Taxation - net		1,212,326	1,396,122
Cash and bank balances		41,419	37,731
Total Current Assets		9,038,226	6,742,081
Total Assets		21,444,951	19,074,775
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised Capital			
500,000,000 (2015: 500,000,000) ordinary shares of Rs. 10 each		5,000,000	5,000,000
Issued, subscribed and paid up capital		4,350,000	4,350,000
Unappropriated profit		428,425	628,114
Total Shareholders' Equity		4,778,425	4,978,114
Surplus on revaluation of property, plant and equipment - net of tax		548,932	551,828
LIABILITIES			
Non Current Liabilities			
Long term finances - secured	9	5,545,075	5,740,767
Staff retirement benefits		20,686	20,686
Deferred taxation - net		361,790	371,243
Total Non Current Liabilities		5,927,551	6,132,696
Current Liabilities			
Trade and other payables	10	4,462,403	2,280,259
Short term borrowings - secured	11	4,757,884	4,069,462
Current portion of long term finances	9	842,378	849,878
Accrued mark-up		127,378	212,538
Total Current Liabilities		10,190,043	7,412,137
Contingencies and Commitments	12		
Total Equity and Liabilities		21,444,951	19,074,775

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.

Tariq Iqbal Khan
Director & Chairman
Board Audit Committee

Muhammad Kashan Mansoori
Chief Financial Officer

Yousuf H. Mirza
Chief Executive Officer

Condensed Interim Profit and Loss Account (Unaudited)

For the quarter ended 30 September 2015

	Note	Quarter ended	
		30 September 2015	30 September 2014
		---------- (Rupees in '000) ----------	
Net sales	13	2,862,392	3,997,150
Cost of sales	14	2,733,136	3,647,087
Gross profit		129,256	350,063
Administrative expenses	15	36,490	35,739
Selling and distribution expenses	16	34,475	45,180
		(70,965)	(80,919)
Financial charges	17	225,177	359,602
Other operating charges	18	70,347	826
		(295,524)	(360,428)
Other income	19	31,388	73,471
Loss before taxation		(205,845)	(17,813)
Taxation - net		3,260	20,162
(Loss) / profit for the quarter		(202,585)	2,349
		---------- (Rupees) ----------	
Earnings per share - basic and diluted		(0.47)	0.01

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Tariq Iqbal Khan
Director & Chairman
Board Audit Committee

Muhammad Kashan Mansoori
Chief Financial Officer

Yousuf H. Mirza
Chief Executive Officer

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the quarter ended 30 September 2015

	Quarter ended	
	30 September 2015	30 September 2014
	---------- (Rupees in '000) ----------	
(Loss) / profit for the quarter	(202,585)	2,349
Other comprehensive income	-	-
Total comprehensive (Loss) / income for the quarter	(202,585)	2,349

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.

Tariq Iqbal Khan
Director & Chairman
Board Audit Committee

Muhammad Kashan Mansoori
Chief Financial Officer

Yousuf H. Mirza
Chief Executive Officer

Condensed Interim Cash Flow Statement (Unaudited)

For the quarter ended 30 September 2015

	Note	Quarter ended 30 September 2015	Quarter ended 30 September 2014
		---------- (Rupees in '000) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(205,845)	(17,813)
Adjustments for:			
Depreciation		155,984	129,117
Amortisation		138	1,474
Gain on disposal of property, plant and equipment		(491)	(2,201)
Provision for staff gratuity		2,724	3,100
Provision for compensated absences		750	750
Financial charges		225,177	359,602
		384,282	491,842
Movement in working capital	20	(281,369)	(2,556,450)
Net cash used in operations		(102,932)	(2,082,421)
Financial charges paid		(310,337)	(369,267)
Gratuity paid		(2,724)	(3,100)
Compensated absences paid		(13,489)	(16)
Tax adjusted / (paid) - net		177,603	(170,893)
		(148,947)	(543,276)
Net cash used in operating activities		(251,879)	(2,625,697)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(230,175)	(626,004)
Proceeds from sale of property, plant and equipment		513	3,607
Net cash used in investing activities		(229,662)	(622,397)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment) / proceeds of long term financing - net		(203,192)	454,519
Dividend Paid		(1)	-
Net cash (used in) / generated from financing activities		(203,193)	454,519
Net decrease in cash and cash equivalents		(684,734)	(2,793,575)
Cash and cash equivalents at beginning of the quarter		(4,031,731)	(4,839,747)
Cash and cash equivalents at end of the quarter		(4,716,465)	(7,633,322)
CASH AND CASH EQUIVALENTS COMPRISE			
Cash and bank balances		41,419	86,712
Short term borrowings		(4,757,884)	(7,720,034)
		(4,716,465)	(7,633,322)

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.

Tariq Iqbal Khan
Director & Chairman
Board Audit Committee

Muhammad Kashan Mansoori
Chief Financial Officer

Yousuf H. Mirza
Chief Executive Officer

Condensed Interim Statement of Changes in Equity (Unaudited)

For the quarter ended 30 September 2015

	Issued, subscribed & paid up capital	Unappropriated profit	Total
	(Rupees in '000)		
Balance as at 01 July 2014	4,350,000	856,325	5,206,325
Profit for the quarter	-	2,349	2,349
Total other comprehensive income for the quarter	-	-	-
Total comprehensive income for the quarter	-	2,349	2,349
Transactions with owners			
Dividend:			
- Final dividend @ 10% (Rs. 1 per share) for the year ended 30 June 2014	-	(435,000)	(435,000)
Total Transactions with owners	-	(435,000)	(435,000)
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	2,896	2,896
Balance as at 30 September 2014	4,350,000	426,570	4,776,570
Balance as at 01 July 2015	4,350,000	628,114	4,978,114
Loss for the quarter	-	(202,585)	(202,585)
Total other comprehensive income for the quarter	-	-	-
Total comprehensive Loss for the quarter	-	(202,585)	(202,585)
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	2,896	2,896
Balance as at 30 September 2015	4,350,000	428,425	4,778,425

The annexed notes from 1 to 24 form an integral part of this condensed interim financial information.

Tariq Iqbal Khan
Director & Chairman
Board Audit Committee

Muhammad Kashan Mansoori
Chief Financial Officer

Yousuf H. Mirza
Chief Executive Officer

1 STATUS AND NATURE OF BUSINESS

International Steels Limited ('the Company') was incorporated 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. The net assets of the Steel Project Undertaking amounted to Rs. 4,177.167 million were determined as at 23 August 2010 (day immediately preceding the completion date) in accordance with the Scheme of Arrangement and net assets of the Steel Project Undertaking were transferred to the Company on 24 August 2010 and 417,716,700 shares of Rs. 10 each of the Company there against were issued to International Industries Limited ('the Holding Company'). The Company was listed on the Karachi Stock Exchange on 01 June 2011. As at 30 June 2015, the Holding Company held 245,055,543 shares (2014: 245,055,543 shares) of the Company.

The primary activities of the Company are business of manufacturing of cold rolled steel coils and galvanized steel coils. The Company commenced commercial operations on 01 January 2011. The registered office of the Company is situated at 101, Beaumont Plaza, 10 Beaumont Road, Civil Lines, Karachi.

2 BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 This condensed interim financial information of the Company for the quarter ended 30 September 2015 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directive issued under the Companies Ordinance,1984 have been followed.

2.1.2 This condensed interim financial information is presented in Pakistani Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest thousand except otherwise stated.

2.1.3 This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended 30 June 2015.

2.2 Estimates, judgements and financial risk management

In preparing this condensed interim financial information, management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by 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 statements as at and for the year ended 30 June 2015.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of annual financial statements of the Company as at and for the year ended 30 June 2015. Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any significant impact on the accounting policies of the Company.

4 PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work - - in - progress	Total
	(Rupees in '000)		
Cost			
Opening balance	12,710,005	1,609,564	**14,319,569**
Additions - net of disposals	102,014	127,258	**229,272**
	12,812,019	1,736,822	**14,548,841**
Accumulated depreciation			
Opening balance	1,987,526	-	**1,987,526**
For the period - net of disposals / transfers	155,103	-	**155,103**
	2,142,629	-	**2,142,629**
Written down value as at 30 September 2015 (Unaudited)	10,669,390	1,736,822	**12,406,212**
Written down value as at 30 June 2015 (Audited)	10,722,479	1,609,564	**12,332,043**

5 STOCK-IN-TRADE

		30 September 2015 (Unaudited)	30 June 2015 (Audited)
		(Rupees in '000)	
Raw material - in hand		3,889,352	2,211,014
Raw material - in transit		350,727	294,169
Work-in-process		585,995	365,261
Finished goods		1,182,442	1,552,343
Scrap material		36,399	15,157
		6,044,915	4,437,944

6 TRADE DEBTS - SECURED, UNSECURED AND CONSIDERED GOOD

- Secured	6.1	705,230	337,940
- Unsecured		28,288	24,524
		733,518	362,464

6.1 This represents trade debts arising on account of export sales of Rs. 683.5 million (30 June 2015: Rs. 297.05 million) which are secured by way of Export Letters of Credit and Documents of Acceptance. Rs. 21.73 million (30 June 2015: Rs. 40.89 million) arising on account of domestic sales which are secured by way of Inland Letter of Credit.

7 ADVANCES - CONSIDERED GOOD

	30 September 2015 (Unaudited)	30 June 2015 (Audited)
	(Rupees in '000)	
Advances:		
- to suppliers	77,629	47,918
- to employees	1,172	-
	78,801	47,918

8 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits	13,558	11,067
Short term prepayments	10,040	4,068
	23,598	15,135

9 LONG TERM FINANCES - SECURED

Long Term Finance Facility (LTFF)	9.1 & 9.2	4,031,528	2,341,715
Long term finance	9.3, 9.4,9.5 & 9.6	2,355,925	4,248,930
		6,387,453	6,590,645
Current portion of long term finances shown under current liabilities		(842,378)	(849,878)
		5,545,075	5,740,767

9.1 This syndicated term financing is obtained for plant and machinery of Cold Rolling Mill and Galvanising Plant and is secured by way of mortgage of land located at Survey No. 399-404, Landhi Town, Karachi and joint hypothecation of all present and future fixed assets (excluding land and building), as per the terms of syndicated term financing agreement.

9.2 This finance has been obtained from United Bank Limited and Bank Al Habib Limited and is secured by way of pari passu charge over fixed assets of the Company.

9.3 This finance is obtained from Faysal Bank Limited for plant & machinery and is secured by way of pari passu charge over fixed assets of the Company.

9.4 This finance is obtained from various banks for plant & machinery and is secured by way of pari passu charge over fixed assets of the Company.

9.5 This finance has been obtained from MCB Bank Limited and is secured by way of ranking charge over fixed assets of the Company.

9.6 This finance has been obtained from Meezan Bank Limited and is secured by way of ranking charge over fixed assets of the Company.

10 TRADE AND OTHER PAYABLES

		30 September 2015 (Unaudited)	30 June 2015 (Audited)
		-------- (Rupees in '000) --------	
Trade creditors		3,695,375	1,610,845
Payable to provident fund		2,224	1,916
Sales commission payable		13,604	20,396
Accrued expenses		205,807	163,388
Advances from customers		214,418	158,587
Provision for infrastructure cess	10.1	308,689	287,508
Provision for government levies		567	568
Unclaimed dividend		390	391
Short term compensated absences		20	12,759
Workers' Profit Participation Fund		-	12,664
Workers' Welfare Fund		5,752	5,752
Others		15,557	5,485
		4,462,403	2,280,259

10.1 This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer (Refer note 12.1.1).

11 SHORT TERM BORROWINGS - SECURED

		30 September 2015 (Unaudited)	30 June 2015 (Audited)
		-------- (Rupees in '000) --------	
Running finance under mark-up arrangement	11.1	2,115,361	50,505
Running finance under FE-25 Import Scheme		-	1,590,724
Running finance under Export Refinance Scheme	11.2	1,631,873	1,225,000
Short term finance under Istisna	11.3	396,503	399,110
Short term finance under Musharakah	11.4	530,442	798,102
Short term finance under Running Musharakah		83,705	6,021
		4,757,884	4,069,462

11.1 The facilities for running finance available from various commercial banks are for the purpose of meeting working capital requirements. The rates of mark-up on these finances range from KIBOR + 0.10% to KIBOR + 1.75% (30 June 2015: KIBOR + 0.2% to KIBOR + 1.75%) per annum. These facilities mature within twelve months and are renewable.

11.2 The Company has borrowed short term running finance under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. This facility is available as a sub limit of short term finance facility. The rate of mark-up on this facility is 3.95% (30 June 2015: 5.53%) per annum. This facility matures within six months and is renewable.

11.3 The Company has obtained facilities for short term finance under Istisna under Islamic financing arrangement. The rate of profit is KIBOR + 0.15% (30 June 2015: KIBOR + 0.2%) per annum. This facility matures within twelve months and is renewable.

11.4 This represents Islamic Term Musharakah under FE Import financing for the purpose of meeting working capital requirements. It carries mark-up at the rate of 2.70% inclusive of 6 months LIBOR (30 June 2015: 2.75%) per annum.

11.5 As at 30 September 2015, the unavailed facilities from the above borrowings amounted to Rs. 5,587.27 million (30 June 2015: Rs. 5,205.54 million).

11.6 The above facilities are secured by way of joint and pari passu charges over current assets of the Company.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

12.1.1 The Sindh Finance Act, 1994 prescribed in the position of an infrastructure fee on C&F value of all goods entering or leaving the province of Sindh via sea or air. The High Court on petition filed, passed an interim order directing that every Company subsequent to 27 December 2006 is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / securities for the balance amount as directed. Bank guarantees issued as per the above mentioned interim order amount to Rs. 316.5 million (30 June 2015: Rs. 298.5 million), have been provided to the Department. However, a provision to the extent of amount utilized from the limit of guarantee has also been provided for by the Company on prudent basis (Note 10.1).

12.1.2 As per the Gas Infrastructure and Development Cess Act 2011 (the Act), certain companies as specified in the Act (including Sui Southern Gas Company) shall collect and pay Gas infrastructure and Development Cess (GID Cess) in such manner as the Federal Government may prescribe. As per the second schedule of the Act, GID Cess of Rs.13 per MMBTU was applicable on International Steels Limited. Through Finance Bill 2012 – 2013, an amendment was made to the Act whereby the rate of GID Cess applicable on International Steels Limited was increased to Rs.100 per MMBTU.

On 1 August 2012, the Company filed a suit bearing number 859/2012 wherein it has impugned the Act on the ground that the rate of GID Cess has been enhanced without any lawful justification and authority. The Honorable High Court of Sindh at Karachi vide its ad-interim order dated 6 September 2012 has restrained Sui Southern Gas Company Limited (SSGC) from charging GID Cess above Rs. 13 per MMBTU. As a result, SSGC invoices to the Company at Rs.13 per MMBTU which has been recorded.

Peshawar High Court vide order dated 13 June 2013 declared that the provisions of the Act, imposing, levying and recovering the impugned Cess, are absolutely expropriatory and exploitative and being constitutionally illegitimate, having no sanction there for under the constitution, hence, are declared as such and set at naught. However, Supreme Court of Pakistan vide its order dated 30 December 2013 has suspended the judgment of Peshawar High Court. The management is of the view that the Supreme Court of Pakistan suspended the order of the Peshawar High Court and leave is granted to consider various other aspects stated in the order. Therefore, a final decision is pending for adjudication.

During the period, 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 GIDC at Rs 100/MMBTU on industrial and Rs 200/MMBTU on captive power consumption, effective July 01, 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 favourable outcome and therefore has not recorded a provision of Rs.380.8 million (from July 01, 2011 till May 22, 2015) in this condensed interim financial information.

12.1.3 Section 113(2)(c) was interpreted by a Divisional Bench of the Sindh High Court (SHC) in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 07 May 2013, whereby it was held that the benefit of carry forward of Minimum Tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than Minimum Tax. Therefore, where there is no tax payable due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability.

The Company based on legal councils' advices considered that certain strong grounds are available whereby the aforesaid decision can be challenged in a Larger Bench of the SHC or the Supreme Court of Pakistan. A leave to appeal against the aforesaid decision has already been filed before the Supreme Court of Pakistan by other companies which is pending for hearing. In view of above, the Company is confident that the ultimate outcome in this regard would be favourable. Accumulated minimum tax liability of Rs. 219.51 million was determined for the tax years 2012 and 2013.

However, based on the assessment and estimation for availability of sufficient taxable profits on the basis of 5 years projections and tax credits available to the Company under section 65B of the Income Tax Ordinance, 2001, accumulated minimum tax liability amounting to Rs. 596.22 million has not been recorded on the same basis in the financial statements for the period ended 30 September 2015.

12.1.4 Guarantee issued in favour of Sui Southern Gas Company Limited by the bank amounted to Rs. 222.7 million (30 June 2015: Rs. 222.7 million) as a security for supply of gas.

12.1.5 Guarantees issued in favour of Pakistan State Oil issued by bank on behalf of the Company amounted to Rs. 2.5 million (30 June 2015: Rs. 2.5 million).

12.2 Commitments

12.2.1 Capital expenditures commitments outstanding as at 30 September 2015 amounted to Rs. 278.9 million (30 June 2015: Rs.407.68 million).

12.2.2 Commitments under letters of credit for raw materials and spares as at 30 September 2015 amounted to Rs. 3,802.12 million (30 June 2015: Rs. 2,552.60 million).

12.2.3 The unavailed facilities for opening letters of credit and guarantees from banks as at the year end amounted to Rs. 4,081.02 million (30 June 2015: Rs. 8,500 million) and Rs. 226 million (30 June 2015: Rs. 293 million) respectively.

	Quarter ended	
	30 September 2015	30 September 2014
	---------- (Unaudited) ----------	
	---------- (Rupees in '000) ----------	
13 NET SALES		
Local	2,696,676	4,037,821
Export	619,271	572,874
	3,315,947	4,610,695
Toll Manufacturing	4,396	72,782
	3,320,343	4,683,477
Sales tax	418,980	599,319
Trade discount	12,367	41,900
Sales commission	26,604	45,108
	457,951	686,327
	2,862,392	3,997,150

		Quarter ended	
		30 September 2015	30 September 2014
		---------- (Unaudited) ----------	
		---------- (Rupees in '000) ----------	
14	**COST OF SALES**		
	Opening stock of raw material and work-in-process	2,576,275	2,388,667
	Purchases	3,893,432	3,388,032
	Salaries, wages and benefits	76,927	62,010
	Electricity, gas and water	177,965	128,817
	Insurance	1,965	4,541
	Security and janitorial	4,715	4,266
	Depreciation	136,991	110,413
	Amortisation	138	1,474
	Stores and spares consumed	14,483	11,458
	Repairs and maintenance	12,408	18,241
	Postage, telephone and stationery	1,189	988
	Vehicle, travel and conveyance	3,492	3,313
	Internal material handling	1,261	567
	Environment controlling expense	360	172
	Computer stationery and software support fees	686	1,527
	Others	3,072	1,379
	Recovery from sale of scrap	(66,777)	(13,338)
		6,838,582	6,112,527
	Closing stock of raw material and work-in-process	(4,475,347)	(2,628,855)
	Cost of goods manufactured	2,363,235	3,483,672
	Finished goods:		
	Opening stock	1,552,343	1,277,652
	Closing stock	(1,182,442)	(1,114,237)
		369,901	163,415
		2,733,136	3,647,087
15	**ADMINISTRATIVE EXPENSES**		
	Salaries, wages and benefits	25,296	25,565
	Rent, rates and taxes	1,146	1,252
	Electricity, gas and water	310	467
	Insurance	132	294
	Security and janitorial	-	82
	Depreciation	1,300	1,203
	Printing and stationery	1,038	851
	Postage and communication	314	152
	Vehicle, travel and conveyance	1,578	1,066
	Legal and professional charges	3,434	3,371
	Certification and registration charges	68	113
	Directors' fee	840	720
	Others	1,034	603
		36,490	35,739
16	**SELLING AND DISTRIBUTION EXPENSES**		
	Salaries, wages and benefits	10,936	12,540
	Rent, rates and taxes	1,721	1,370
	Electricity, gas and water	277	180
	Insurance	82	171
	Depreciation	789	590
	Postage, telephone and stationery	309	-
	Vehicle, travel and conveyance	3,509	1,069
	Freight and forwarding charges	12,412	27,926
	Advertising and sales promotion	2,752	124
	Others	1,688	1,210
		34,475	45,180

			Quarter ended	
			30 September 2015	30 September 2014
			---------- (Unaudited) ----------	
			---------- (Rupees in '000) ----------	
17	**FINANCIAL CHARGES**			
	Mark-up on:			
	- Long term finances		101,387	86,498
	- Short term borrowings		50,832	112,928
			152,219	199,426
	Exchange loss on FE financing		68,756	156,749
	Bank charges		4,202	3,427
			225,177	359,602
18	**OTHER OPERATING CHARGES**			
	Auditors' remuneration		664	551
	Donations		2,000	275
	Exchange loss - net		67,683	-
			70,347	826
19	**OTHER INCOME**			
	Income from non-financial assets			
	Income from power generation	19.1	12,840	12,325
	Recovery of shared resources cost		7,036	4,830
	Gain on sale of property, plant and equipment		491	2,201
	Rent income		429	429
	Exchange gain - net		-	39,598
	Others		10,592	14,088
			31,388	73,471
19.1	**Income from power generation**			
	Net sales		115,463	129,113
	Cost of electricity produced		(102,623)	(116,788)
	Income from power generation		12,840	12,325
20	**MOVEMENT IN WORKING CAPITAL**			
	Increase in current assets:			
	Stores and spares		(2,166)	4,481
	Stock-in-trade		(1,550,413)	(1,578,322)
	Receivable from K-Electric Limited (KE) - unsecured, considered good		19,406	1,444
	Trade debts - secured, unsecured and considered good		(371,054)	306,585
	Advances - considered good		(30,883)	59,962
	Trade deposits and prepayments		(8,463)	(10,624)
	Sales tax receivable		(476,122)	84,988
			(2,419,695)	(1,131,486)
	Increase / (decrease) in current liabilities:			
	Trade and other payables		2,138,326	(1,424,964)
			(281,369)	(2,556,450)

21 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise International Industries Limited, the Holding Company, associated undertakings, directors of the Company, key management personnel and staff retirement funds. The Company continues to have a policy whereby all transactions with related parties undertakings are entered into at commercial terms, approved policy / under contract not arrangement. The contribution to defined contribution plan (provident fund) are made as per the terms of employment and contribution to the defined benefit plan (gratuity fund) are in accordance with the actuarial advice. Remuneration of key management personnel are in accordance with their terms of engagements. Details of transactions with related parties are as follows.

	Quarter ended	
	30 September 2015	30 September 2014
	---------- (Unaudited) ----------	
	---------- (Rupees in '000) ----------	
TRANSACTIONS		
Holding Company		
Sales	252,364	84,945
Purchases	1,730	4,880
Toll Manufacturing	4,528	72,782
Office rent	2,639	2,399
Recovery of shared resources cost	7,036	4,830
Corporate affairs management expenses	560	1,121
Associated Companies / undertaking		
Sales	3,243	-
Purchases	1,999,686	4,272,685
Insurance premium expense	292	5,604
Insurance claim received	938	-
Mark-up expense	1,219	
Rent Income	429	429
Rent paid	745	610
Associated Person		
Sales commission expense	446	987
Key Management Personnel		
Remuneration and benefits	28,970	32,744
Staff retirement benefits	1,577	1,077
Staff Retirement Fund		
Contribution paid - Provident Fund	6,062	2,135
Contribution paid - Gratuity Fund	2,724	3,100
BALANCES		
Associated Companies / undertaking		
Trade creditors	1,998,034	1,981
Trade debts	3,243	-
Associated Person		
Sales commission payable	446	3,383

22 FINANCIAL RISK MANAGEMENT

Other aspects of the Company's risk management policies are consistent with those disclosed in the financial statements for the year ended 30 June 2015.

23 OPERATING SEGMENTS

This condensed interim financial information has been prepared on the basis of a single reportable segment.

23.1 Revenue from sales of steel products represents 99.61% (30 June 2015: 97%) of total revenue whereas remaining represent revenue from sale of surplus electricity to K-Electric Limited (KE). 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 Galvanizing Plant and Cold Rolling Plant and currently any excess electricity is sold to KE.

23.2 All non current assets of the Company as at 30 September 2015 are located in Pakistan.

23.3 21.3% of the net sales are export sales.

24 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information were authorized for issue by the Board of Directors on 20 October 2015.

Tariq Iqbal Khan
Director & Chairman
Board Audit Committee

Muhammad Kashan Mansoori
Chief Financial Officer

Yousuf H. Mirza
Chief Executive Officer

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