

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

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Company Information

Chairman

Mr. Kemal Shoaib
Independent Chairman

Chief Executive Officer

Mr. Yousuf H. Mirza
Executive Director

Directors

Mr. Tawfiq 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. Kazuteru Mihara
Non-Executive Director

Chief Financial Officer

Mr. Rashid Umer Siddiqui

Company Secretary

Mr. Yasir Ali Quraishi

Internal Auditor

Mr. Usman Ahmed

External Auditors

KPMG Taseer Hadi & Co.

Bankers

Allied Bank Ltd.
Bank Al Habib Ltd.
Bank Alfalah Ltd.
Dubai Islamic Bank Pakistan 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 Advisor

Mrs. Sana Shaikh Fikree

Registered Office

101, Beaumont Plaza, 10 Beaumont Road,
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Telephone Nos: +92 21-35680045-54
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Branch Office

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Investor Relations Contact

Shares Registrar

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Fax: +92 21-35655595
Email: info@thk.com.pk

Corporate Affairs Department

Mr. Mohammad Irfan Bhatti
Assistant Company Secretary
101 Beaumont Plaza, 10 Beaumont Road,
Karachi-75530.
Telephone Nos: +92 21-35680045-54
UAN: +92 21-111-019-019
Fax: +92 21-35680373
Email: irfan.bhatti@iil.com.pk

Directors' Report

The directors of your company are pleased to present the financial statements for the nine months ended 31 March 2016.

The newly commissioned expanded Cold rolled and a second Galvanizing production lines were inaugurated on 5th March 2016 by Dr. Miftah Ismail, Chairman Board of Investment. During the period under review, the production capacities for both facilities reached the name plate capacities. Both production and sales volumes for the quarter reflected a healthy growth of over 75%.

Continued volatility in steel prices on account of the economic downturn in World markets and the free trade agreement with China has enabled continued import of Cold Rolled, Galvanized and coated steel products at dumped prices, seriously undermining local industry's competitiveness. There has been lately a new element of uncertainty in the market due to rationalization of existing capacity resulting in a surge in prices, however sustainability of this trend will be clear in the coming months.

Anti-dumping duties were placed on 13th January 2016 by National Tariff Commission on cold rolled steel products being imported from China and Ukraine ranging from 8.31% to 19.04%. However NTC investigation on Galvanized steel was stayed by Islamabad High Court on technical grounds. Proceedings have been completed and the judgement is due to be announced shortly.

In spite of these challenges, your company registered net sales of Rs. 14.82 billion during the nine months period compared with Rs. 12.83 billion reflecting an increase of 15% and a profit after tax of Rs. 347 million compared to a loss after tax of Rs. 1 million in the same period last year.

With improvement in company's operations, regulatory environment and international markets we continue to expect significant improvement in performance in the final quarter of the year.

We pray to Almighty Allah for the continued success of your Company.

For & on behalf of
International Steels Limited



Kemal Shoaib
Chairman

22 April 2016
Karachi

Condensed Interim Balance Sheet

As at 31 March 2016

	Note	31 March 2016 (Un-audited) ----- (Rupees in '000) -----	30 June 2015 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	12,191,510	12,332,043
Intangible assets		138	551
Long-term deposit with Central Depository Company of Pakistan Limited		100	100
Total non-current assets		12,191,748	12,332,694
Current assets			
Stores and spares		438,439	349,577
Stock-in-trade	6	4,275,655	4,437,944
Receivable from K-Electric Limited (KE) - unsecured, considered good		47,756	56,895
Trade debts - secured, unsecured and considered good	7	481,892	362,464
Advances - considered good	8	53,872	47,918
Trade deposits, short term prepayments and other receivables	9	16,177	15,135
Sales tax receivable		390,851	38,295
Taxation - net		1,337,886	1,396,122
Cash and bank balances		32,032	37,731
Total current assets		7,074,560	6,742,081
Total assets		19,266,308	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		983,668	628,114
Total shareholders' equity		5,333,668	4,978,114
Surplus on revaluation of property, plant and equipment		543,139	551,828
LIABILITIES			
Non-current liabilities			
Long term finances - secured	10	5,254,279	5,740,767
Staff retirement benefits		20,686	20,686
Deferred taxation - net		412,523	371,243
Total non-current liabilities		5,687,488	6,132,696
Current liabilities			
Trade and other payables	11	4,002,619	2,280,259
Short term borrowings - secured	12	2,715,809	4,069,462
Current portion of long term finances	10	878,968	849,878
Accrued mark-up		104,617	212,538
Total current liabilities		7,702,013	7,412,137
Contingencies and commitments	13		
Total Equity and liabilities		19,266,308	19,074,775


The annexed notes from 1 to 25 form an integral part of these condensed interim financial information.



Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Rashid Umer Siddiqui
Chief Financial Officer



Yousuf H. Mirza
Chief Executive Officer

Condensed Interim Profit and Loss Account (Un-audited)

For the nine and three months period ended 31 March 2016

	Note	Nine months period ended		Three months period ended	
		31 March 2016	31 March 2015	31 March 2016	31 March 2015
(Rupees in '000)					
Net sales	14	14,820,265	12,833,971	6,450,056	4,342,300
Cost of sales	15	(13,514,028)	(11,884,824)	(5,461,968)	(4,105,936)
Gross profit		1,306,237	949,147	988,088	236,364
Selling and distribution expenses	16	(128,748)	(135,322)	(49,142)	(36,226)
Administrative expenses	17	(124,904)	(113,469)	(49,880)	(40,719)
		(253,652)	(248,791)	(99,022)	(76,945)
Financial charges	18	(598,766)	(830,739)	(176,434)	(255,226)
Other operating charges	19	(136,116)	(1,818)	(50,597)	2,340
		(734,882)	(832,557)	(227,031)	(252,886)
Other income	20	86,121	113,807	31,632	38,129
Profit / (loss) before taxation		403,824	(18,394)	693,667	(55,338)
Taxation	21	(56,959)	17,398	(268,609)	12,133
Profit / (loss) for the period		346,865	(996)	425,058	(43,205)
(Rupees)					
Earnings / (loss) per share - basic and diluted		0.80	(0.00)	0.98	(0.10)

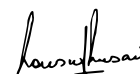
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Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Rashid Umer Siddiqui
Chief Financial Officer



Yousuf H. Mirza
Chief Executive Officer

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the nine and three months period ended 31 March 2016

	Nine months period ended		Three months period ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	(Rupees in '000)			
Profit / (loss) for the period	346,865	(996)	425,058	(43,205)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	346,865	(996)	425,058	(43,205)

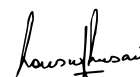
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Tariq Iqbal Khan
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Board Audit Committee



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Chief Financial Officer



Yousuf H. Mirza
Chief Executive Officer

Condensed Interim Cash Flow Statement (Un-audited)

For the nine months period ended 31 March 2016

		Nine months period ended	
	Note	31 March 2016	31 March 2015
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		403,824	(18,394)
Adjustments for:			
Depreciation		521,173	398,608
Amortisation		413	3,133
Gain on disposal of property, plant and equipment		(6,304)	(4,269)
Provision for staff gratuity		8,172	9,301
Provision for short term compensated absences		3,905	2,270
Financial charges		598,766	830,739
		1,126,125	1,239,782
Changes in working capital	22	1,336,061	(585,220)
Net cash generated from operations		2,866,010	636,168
Financial charges paid		(706,687)	(812,903)
Gratuity paid		(8,172)	(9,301)
Short term compensated absences paid		(14,014)	(345)
Taxes refunded / (paid)		42,557	(280,877)
		(686,316)	(1,103,426)
Net cash generated from / (used in) operating activities		2,179,694	(467,258)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(385,454)	(2,672,675)
Proceeds from disposal of property, plant and equipment		11,118	25,424
Net cash used in investing activities		(374,336)	(2,647,251)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (repayments) of / proceeds from long term financing		(457,398)	1,905,493
Dividend paid		(6)	(434,593)
Net cash (used in) / generated from financing activities		(457,404)	1,470,900
Net increase / (decrease) in cash and cash equivalents		1,347,954	(1,643,609)
Cash and cash equivalents at beginning of the period		(4,031,731)	(4,839,747)
Cash and cash equivalents at end of the period		(2,683,777)	(6,483,356)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances		32,032	35,214
Short term borrowings		(2,715,809)	(6,518,570)
		(2,683,777)	(6,483,356)

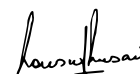
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Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Rashid Umer Siddiqui
Chief Financial Officer



Yousuf H. Mirza
Chief Executive Officer

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

For the nine months period ended 31 March 2016

	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
<i>Total comprehensive income for the nine months period ended 31 March 2015</i>			
Loss for the period	-	(996)	(996)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	(996)	(996)
Transactions with owners - distribution			
Dividend:			
- Final dividend @ 10% (Re. 1 per share) for the year ended 30 June 2014	-	(435,000)	(435,000)
Total transactions with owners of the company	-	(435,000)	(435,000)
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	8,689	8,689
Balance as at 31 March 2015	<u>4,350,000</u>	<u>429,018</u>	<u>4,779,018</u>
Balance as at 01 July 2015	4,350,000	628,114	4,978,114
<i>Total comprehensive income for the nine months period ended 31 March 2016</i>			
Profit for the period	-	346,865	346,865
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	346,865	346,865
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	8,689	8,689
Balance as at 31 March 2016	<u>4,350,000</u>	<u>983,668</u>	<u>5,333,668</u>

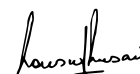
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Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Rashid Umer Siddiqui
Chief Financial Officer



Yousuf H. Mirza
Chief Executive Officer

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

For the nine and three months period ended 31 March 2016

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 Company was listed on Pakistan Stock Exchange (formerly, Karachi Stock Exchange) on 01 June 2011, as a result of divestment of shares by International Industries Limited ('the Holding Company') ('IIL'). The Company is in the business of manufacturing of Cold Rolled, Galvanized and Colour Coated Steel Coils and Sheets. The Company commenced commercial operations on 01 January 2011. The Company is a subsidiary of IIL. 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 nine months period ended 31 March 2016 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 directives issued under the Companies Ordinance, 1984 have been followed.

2.1.2 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 audited annual financial statements as at and for the year ended 30 June 2015.

2.1.3 This condensed interim financial information is un-audited and is being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange (formerly, Karachi Stock Exchange) vide section 245 of the Companies Ordinance, 1984.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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 Rupee except where stated otherwise.

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 audited 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 impact on the accounting policies of the Company.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of condensed interim financial information requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. 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 estimating the uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended 30 June 2015.

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2015.

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

For the nine and three months period ended 31 March 2016

5. PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work in progress (Rupees in '000)	Total
Cost / revalued amount			
Opening balance	12,710,005	1,609,564	14,319,569
Additions	1,811,837	394,235	2,206,072
Disposal / transfers	(43,809)	(1,791,104)	(1,834,913)
	<u>14,478,033</u>	<u>212,695</u>	<u>14,690,728</u>
Accumulated depreciation			
Opening balance	(1,987,526)	-	(1,987,526)
Charge for the period	(521,173)	-	(521,173)
Disposal	9,481	-	9,481
	<u>(2,499,218)</u>	<u>-</u>	<u>(2,499,218)</u>
Written down value as at 31 March 2016 (Un-audited)	<u>11,978,815</u>	<u>212,695</u>	<u>12,191,510</u>
Written down value as at 30 June 2015 (Audited)	<u>10,722,479</u>	<u>1,609,564</u>	<u>12,332,043</u>

6. STOCK-IN-TRADE

	Note	31 March 2016 (Un-audited) (Rupees in '000)	30 June 2015 (Audited)
Raw materials - in hand		1,867,083	2,211,014
- in transit		1,297,042	294,169
Work-in-process		338,737	365,261
Finished goods		757,073	1,552,343
Scrap material		15,720	15,157
		<u>4,275,655</u>	<u>4,437,944</u>

7. TRADE DEBTS - secured, unsecured and considered good

Secured	7.1	462,323	337,940
Unsecured		19,569	24,524
		<u>481,892</u>	<u>362,464</u>

7.1 This represents trade debts arising on account of export sales which are secured by way of Export Letter of Credit, Document Acceptance which are not yet matured and against Inland Letter of Credit for domestic customers.

7.2 Trade Debtors includes an amount of Rs. 38.2 million (30 June 2015: Nil) receivable from Sumitomo Corporation, a related party.

8. ADVANCES

Considered good:			
- suppliers		52,881	47,918
- employees		991	-
		<u>53,872</u>	<u>47,918</u>

9. TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES

Trade deposits & other receivables	8,749	11,067
Short term prepayments	7,428	4,068
	<u>16,177</u>	<u>15,135</u>

10. LONG TERM FINANCES - secured

Syndicated Long Term Finance LTFF Scheme	10.1 & 10.2	3,927,323	4,132,462
Long term finance	10.3, 10.4, 10.5 & 10.6	2,205,924	2,458,183
		<u>6,133,247</u>	<u>6,590,645</u>
Current portion of long term financing shown under current liabilities		(878,968)	(849,878)
		<u>5,254,279</u>	<u>5,740,767</u>

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

For the nine and three months period ended 31 March 2016

- 10.1** The syndicated Long Term Financing Facility (LTFF) amounting to Rs. 1,940.5 million (30 June 2015: Rs. 2,341.7 million) has been 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 buildings), as per the terms of syndicated term financing agreement.
- 10.2** Long Term Financing Facility (LTFF) amounting to Rs. 1,986.8 million (30 June 2015: Rs. 1,790.7 million) has been obtained from United Bank Limited and Bank Al Habib Limited and is secured by way of pari passu charge over the fixed assets of the Company.
- 10.3** Long term finance amounting to Rs. 168.4 million (30 June 2015: Rs. 383.2 million) has been obtained from Faysal Bank Limited for plant and machinery and is secured by way of pari passu charge over the fixed assets of the Company.
- 10.4** Long term finance amounting to Rs. 237.5 million (30 June 2015: Rs. 275 million) has been obtained from various banks and is secured by way of ranking charge over fixed assets of the Company.
- 10.5** Long term finance amounting to Rs. 800 million (30 June 2015: Rs. 800 million) has been obtained from MCB Bank Limited and is secured by way of ranking charge over the fixed assets of the Company.
- 10.6** Long term finance amounting to Rs. 1,000 million (30 June 2015: Rs. 1,000 million) has been obtained from Meezan Bank Limited and is secured by way of ranking charge over fixed assets of the Company.
- 10.7** The rate of interest on aforementioned loans are same as disclosed in the annual audited financial statements for the year ended 30 June 2015.

	Note	31 March 2016 (Un-audited) ----- (Rupees in '000) -----	30 June 2015 (Audited)
11. TRADE AND OTHER PAYABLES			
Trade creditors	11.1	2,877,432	1,610,845
Payable to provident fund		2,152	1,916
Sales commission payable		37,583	20,396
Accrued expenses		375,849	163,388
Advance from customers		320,518	158,587
Unclaimed dividend		385	391
Provision for infrastructure cess	11.2	337,396	287,508
Provision for government levies		409	568
Short term compensated absences		2,650	12,759
Workers' Profit Participation Fund		21,711	12,664
Workers' Welfare Fund		14,436	5,752
Others		12,098	5,485
		<u>4,002,619</u>	<u>2,280,259</u>
11.1 Related parties to whom payments are due are as under:			
Jubilee General Insurance Company Limited		8,834	-
Pakistan Cables Limited		134	-
Sumitomo Corporation		<u>2,740,491</u>	<u>1,196,688</u>
		<u>2,749,459</u>	<u>1,196,688</u>
11.2 This represents provision for Infrastructure Cess (refer note 13.1.1).			
Opening balance		287,508	211,800
Provided during the year		<u>49,888</u>	<u>75,708</u>
Closing balance		<u>337,396</u>	<u>287,508</u>
12. SHORT TERM BORROWINGS - secured			
Running finance under mark-up arrangement	12.1 & 12.5	2,197,534	50,505
Running finance under FE-25 Import Scheme		-	1,590,724
Running finance under Export Refinance Scheme		-	1,225,000
Short term finance under Istisna		-	399,110
Short term finance under Musharakah	12.2	518,275	-
Short term finance under Running Musharakah		-	6,021
Short term finance under Musharakah - FE-25		-	798,102
		<u>2,715,809</u>	<u>4,069,462</u>

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

For the nine and three months period ended 31 March 2016

- 12.1** 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 facilities range from KIBOR+0.05% 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.
- 12.2** This represents Islamic Term Musharkah under Islamic financing for the purpose of meeting working capital requirements. It carries mark-up at the rate of KIBOR+0.1%.
- 12.3** As at 31 March 2016, the unavailed facilities from the above borrowings amounted to Rs. 7,684.2 million (30 June 2015: Rs. 5,205.5 million).
- 12.4** The above facilities are secured by way of joint and first pari passu charges over current assets of the Company.
- 12.5** Running finance under mark-up arrangement includes an amount of Rs. 626.9 million (30 June 2015: Nil) payable to an associated company.

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

- 13.1.1** The Sindh Finance Act, 1994 prescribed in the position of an infrastructure fee at the rate of 0.50% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The High Court of Sindh on petition filed by petitioners, 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. 366.5 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 11.2).
- 13.1.2** As per the Gas Infrastructure and Development Cess Act 2011 ('the Act'), certain companies as specified in the Act (including Sui Southern Gas Company ('SSGC')) shall collect and pay Gas Infrastructure and Development Cess ('GIDC') in such manner as the Federal Government may prescribe. As per the second schedule of the Act, GIDC of Rs. 13 per MMBTU was applicable on the Company. Through Finance Bill 2012 – 2013, an amendment was made to the Act whereby the rate of GIDC applicable on the Company was increased to Rs. 100 per MMBTU. On 01 August 2012, the Company filed a suit bearing number 859/2012 wherein it impugned the Act on the ground that the rate of GIDC has been enhanced without any lawful justification and authority. The Honorable High Court of Sindh at Karachi vide its ad-interim order dated 06 September 2012 has restrained SSGC from charging GIDC above Rs. 13 per MMBTU. As a result, SSGC invoiced GIDC 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 therefore 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. On 22 August 2014, Supreme Court of Pakistan has upheld the decision of the Peshawar High Court stating that the 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 April 2015 the Government has 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. 200/MMBTU on captive power consumption effective from 01 July 2011 and at Rs. 100/MMBTU on industrial connection from the date of passing that Act. The Company has obtained a stay order on the retrospective application of the Act from the Honourable High Court of Sindh. The Company is confident of favourable outcome and therefore has not recorded a provision of Rs. 380.8 million in these condensed interim financial information pertaining to period from 01 July 2011 till 22 May 2015. However, the Company has recognized cess after the passage of the Act.

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

For the nine and three months period ended 31 March 2016

13.1.3 Section 113(2)(c) of the Income Tax Ordinance, 2001 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 counsel's 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 favorable. 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. 714.7 million has not been recorded in these condensed interim financial information.

13.1.4 Guarantees issued in favor of Sui Southern Gas Company Limited on behalf of the Company amounted to Rs. 226.7 million (30 June 2015: Rs. 222.7 million) as a security for supply of gas.

13.1.5 Guarantees issued in favor of Pakistan State Oil Company Limited by bank on behalf of the Company amounted to Rs. 5.5 million (30 June 2015: Rs. 2.5 million).

13.1.6 Guarantee issued in favor of Nazir High Court by bank on behalf of the Company amounted to Rs. 2.7 million (30 June 2015: Nil).

13.2 Commitments

13.2.1 Capital expenditure commitments outstanding as at 31 March 2016 amounted to Rs.78.6 million (30 June 2015: Rs. 407.7 million).

13.2.2 Commitments under Letter of Credit for raw materials and spares as at 31 March 2016 amounted to Rs. 4,797.2 million (30 June 2015: Rs. 2,552.6 million).

13.2.3 The unavailed facilities for opening Letters of Credit and Guarantees from banks as at 31 March 2016 amounted to Rs. 10,774 million (30 June 2015: Rs. 8,500 million) and Rs. 158 million (30 June 2015: Rs. 293 million) respectively.

	Nine months period ended		Three months period ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
14. NET SALES	(Rupees in '000)			
Local	15,858,492	12,675,034	7,009,544	4,598,167
Export	1,567,876	2,149,911	595,972	488,826
	17,426,368	14,824,945	7,605,516	5,086,993
Toll manufacturing	7,678	121,453	832	23,757
	17,434,046	14,946,398	7,606,348	5,110,750
Sales tax	(2,417,831)	(1,856,935)	(1,061,579)	(669,044)
Trade discounts	(27,998)	(148,093)	(15,316)	(85,384)
Commission	(167,952)	(107,399)	(79,397)	(14,022)
	(2,613,781)	(2,112,427)	(1,156,292)	(768,450)
	14,820,265	12,833,971	6,450,056	4,342,300

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

For the nine and three months period ended 31 March 2016

Note	Nine months period ended		Three months period ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
----- (Rupees in '000) -----				
15. COST OF SALES				
Opening stock of raw material and work-in-process	2,576,275	2,388,667	1,512,476	1,897,410
Purchases	11,272,475	12,197,146	5,375,806	5,118,319
Salaries, wages and benefits	242,786	205,494	89,748	75,294
Electricity, gas and water	646,665	336,188	283,917	114,031
Insurance	12,740	14,206	4,696	4,981
Security and janitorial	15,321	14,032	5,046	5,128
Depreciation	463,785	340,245	166,585	115,000
Amortisation	413	3,071	138	122
Stores and spares consumed	68,160	33,533	29,413	13,995
Repairs and maintenance	62,972	52,266	28,935	18,396
Postage, telephone and stationery	3,722	3,192	1,465	914
Vehicle, travel and conveyance	13,272	12,651	5,359	3,732
Internal material handling	7,001	4,891	3,913	1,739
Environment controlling expense	1,080	795	360	267
Toll manufacturing charges 15.1	10,768	-	-	-
Computer stationery and software support fees	2,287	3,229	748	891
Sundries	7,093	4,951	3,901	2,143
Recovery from sale of scrap	(482,237)	(244,922)	(204,271)	(168,437)
	14,924,578	15,369,635	7,308,235	7,203,925
Closing stock of raw material and work-in-process	(2,205,820)	(2,718,530)	(2,205,820)	(2,718,530)
Cost of goods manufactured	12,718,758	12,651,105	5,102,415	4,485,395
Finished goods:				
Opening stock	1,552,343	1,277,652	1,116,626	1,664,474
Closing stock	(757,073)	(2,043,933)	(757,073)	(2,043,933)
	795,270	(766,281)	359,553	(379,459)
	13,514,028	11,884,824	5,461,968	4,105,936

15.1 This represents toll manufacturing services obtained from Holding Company during the period.

16. SELLING AND DISTRIBUTION EXPENSES

Freight and forwarding	63,851	81,615	28,166	18,595
Salaries, wages and benefits	34,936	33,889	12,146	9,595
Rent, rates and taxes	6,028	4,207	1,838	1,485
Electricity, gas and water	721	460	194	115
Insurance	353	565	161	144
Depreciation	2,459	2,006	828	755
Repairs and maintenance	463	-	139	-
Advertising and sales promotion	8,041	4,827	2,252	2,592
Postage, telephone and stationery	1,133	969	470	429
Vehicle, travel and conveyance	6,965	3,149	1,771	813
Others	3,798	3,635	1,177	1,703
	128,748	135,322	49,142	36,226

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

For the nine and three months period ended 31 March 2016

Note	Nine months period ended		Three months period ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
----- (Rupees in '000) -----				
17. ADMINISTRATIVE EXPENSES				
Salaries, wages and benefits	74,160	79,512	23,989	26,571
Rent, rates and taxes	3,175	3,915	950	1,453
Electricity, gas and water	794	1,078	195	238
Insurance	1,287	586	459	166
Depreciation	4,194	5,694	1,523	3,321
Printing and stationery	1,394	1,095	72	156
Postage and communication	535	459	138	141
Vehicle, travel and conveyance	3,598	4,226	1,123	1,296
Legal and professional charges	29,808	11,199	19,101	5,326
Certification and registration charges	469	418	149	238
Directors' fee	2,100	1,800	600	360
Others	3,390	3,487	1,581	1,453
	<u>124,904</u>	<u>113,469</u>	<u>49,880</u>	<u>40,719</u>
18. FINANCIAL CHARGES				
Mark-up on:				
- Long term finances	336,272	266,669	113,726	91,567
- Short term borrowings	185,771	387,913	60,257	127,535
	<u>522,043</u>	<u>654,582</u>	<u>173,983</u>	<u>219,102</u>
Exchange loss on FE-25 Borrowing	69,089	170,115	-	34,462
Bank charges	7,634	6,042	2,451	1,662
	<u>598,766</u>	<u>830,739</u>	<u>176,434</u>	<u>255,226</u>
19. OTHER OPERATING CHARGES				
Auditors' remuneration	1,660	1,493	444	390
Exchange loss	91,347	-	19,758	-
Donations	2,190	325	-	50
Loss on derivative financial instruments	10,524	-	-	-
Workers' Profit Participation Fund	21,711	-	21,711	(1,986)
Workers' Welfare Fund	8,684	-	8,684	(794)
	<u>136,116</u>	<u>1,818</u>	<u>50,597</u>	<u>(2,340)</u>
20. OTHER INCOME				
Income / return on financial assets				
Interest on bank deposit	367	-	-	-
	<u>367</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income from non-financial assets				
Income from power generation 20.1	30,459	34,881	10,594	14,809
Recovery of shared cost	24,757	16,240	8,906	6,360
Gain on sale of property, plant and equipment	6,304	4,269	3,364	449
Rental income	1,489	1,287	631	429
Exchange gain	-	41,867	-	14,907
Others	22,745	15,263	8,137	1,175
	<u>85,754</u>	<u>113,807</u>	<u>31,632</u>	<u>38,129</u>
	<u>86,121</u>	<u>113,807</u>	<u>31,632</u>	<u>38,129</u>

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

For the nine and three months period ended 31 March 2016

	Nine months period ended		Three months period ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
(Rupees in '000)				
20.1 Income from power generation				
Net sales	339,648	357,256	113,161	113,126
Cost of electricity produced	(309,189)	(322,375)	(102,567)	(98,317)
Income from power generation	30,459	34,881	10,594	14,809
21. Taxation				
- Current	(15,679)	(22,139)	(5,960)	(5,566)
- Deferred	(41,280)	39,537	(262,649)	17,699
	(56,959)	17,398	(268,609)	12,133

22. MOVEMENT IN WORKING CAPITAL

	31 March 2016	31 March 2015
(Rupees in '000)		
(Increase) / decrease in current assets:		
Stores and spares	(88,862)	(59,733)
Stock in trade	1,165,162	(1,115,381)
Receivable from KE	9,139	4,894
Trade debts	(119,428)	280,995
Advances	(5,954)	182,807
Trade deposits, short term prepayments and other receivables	(1,042)	(10,923)
Sales tax receivable	(352,556)	315,337
	606,459	(402,004)
Increase / (decrease) in current liabilities:		
Trade and other payables	729,602	(183,216)
	1,336,061	(585,220)

23. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise IIL, associated undertakings, directors of the Company, key management personnel and staff retirement funds. The Company continues to have a policy whereby transactions with related parties undertakings are entered into at commercial terms, approved policy / under a contract. 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 made on the basis of latest actuarial advice. Remuneration of key management personnel are in accordance with their terms of engagements.

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

For the nine and three months period ended 31 March 2016

Details of transactions with related parties are as follows:

	Nine months period ended		Three months period ended	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	(Rupees in '000)			
<i>Transactions</i>				
Holding Company				
Sales	1,805,973	489,603	548,569	10,227
Purchases	2,384	14,301	417	7,402
Toll manufacturing - purchases	12,599	-	-	-
Toll manufacturing - sales	4,593	120,930	10	23,234
Store items - sales	215	-	215	-
Store items - purchases	634	-	-	-
Office rent	7,917	7,197	2,639	2,399
Recovery of shared cost	24,757	16,240	8,906	6,360
Reimbursement of expenses	653	1,099	328	1,099
Corporate affairs management expenses	1,083	2,439	-	335
Associated Companies				
Sales	111,833	-	102,964	-
Purchases	7,285,905	9,691,616	3,580,025	3,514,965
Insurance premium expense	20,539	21,798	4,297	5,712
Insurance claim / adjustments	2,269	33,291	1,331	-
Rental income	1,489	1,287	631	429
Building maintenance expenses	1,644	340	374	340
Mark-up expenses	11,815	-	3,321	-
Associated person				
Sales commission expense	446	3,725	-	1,763
Key Management Personnel				
Remuneration and benefits	90,422	97,799	30,219	32,845
Staff retirement benefits	5,360	4,205	2,291	1,453
Staff Retirement Fund				
Contribution paid - Provident Fund	18,957	6,648	6,534	2,326
Contribution paid - Gratuity Fund	8,172	9,301	2,724	3,100

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

For the nine and three months period ended 31 March 2016

24. OPERATING SEGMENT

These condensed interim financial information have been prepared on the basis of a single reportable segment.

24.1 Revenue from sales of steel products represents 98% (30 June 2015: 97%) of total revenue whereas remaining represent revenue from sale of surplus electricity to KE. The Company does not consider sale of electricity to K-Electric 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 K-Electric.

24.2 All non-current assets of the Company as at 31 March 2016 are located in Pakistan.

24.3 9% of the sales are export sales that are made to customers outside Pakistan.

24.4 Sales to Holding Company constitute more than 10% of total sales revenue of the Company.

24.5 Geographical information

The Company's gross revenue from external customers by geographical location is detailed below:

		Nine months period ended		Three months period ended	
	Note	31 March 2016	31 March 2015	31 March 2016	31 March 2015
		----- (Rupees in '000) -----			
Domestic sales	14	15,858,492	12,675,034	7,009,544	4,598,167
Export sales	24.5.1	1,567,876	2,149,911	595,972	488,826
	14	17,426,368	14,824,945	7,605,516	5,086,993

24.5.1 The Company exports its products to numerous countries.

25. DATE OF AUTHORISATION FOR ISSUE

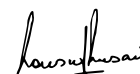
This condensed interim financial information was authorized for issue by the Board of Directors on 22 April 2016.



Tariq Iqbal Khan
Director & Chairman
Board Audit Committee



Rashid Umer Siddiqui
Chief Financial Officer



Yousuf H. Mirza
Chief Executive Officer

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Shaping Tomorrow

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**Un-audited Financial Statements
Third Quarter ended March 31, 2016**